
An Online Travel Startup Grows Up



By [Mrinalini Reddy](#) , INSEAD Knowledge with [Aloke Bajpai](#) , iXiGO

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When iXiGO launched a travel and hotel search portal five years ago, most travellers in India were busy dialling agents for flight reservations and enduring long queues at bus and railway terminals.

It's vastly different today where a surge in Internet penetration levels has made online travel among the most promising segments accounting for about 80 percent of the entire Indian e-commerce market. The sector increased 32 percent on a year-on-year basis to 18.5 million users, according to a 2011 report by digital market research firm comScore Inc., and is

projected to grow at 28 percent to top US\$7 billion by 2012.

Now the privately-held iXiGO, based in Gurgaon, India, has been looking for financial power to keep up with the growth of this online business. In August, the company received a new round of funding of US\$18.5 million from SAIF Partners, an Asian private equity fund, and MakeMyTrip Limited (MMT), an Indian online travel company, for a 56.7 percent and a 19.9 percent stake respectively. The startup, whose revenue model is based on search-to-booking conversions on partner flight and hotel sites, and, selling advertising space, first raised a seed investment from Singapore-based BAF Spectrum in 2008.

“We want to become a travel decision search engine and that’s where we will be focusing,” said Alope Bajpai, INSEAD alumnus (MBA '05J) and iXiGO co-founder, on the company’s future plans for growth. Bajpai wants to complement iXiGO’s search functionality with content offerings so a traveller can find information and advice on planning trips rather than simple price comparison. In essence, a one-stop research, planning and booking online shop.

It’s a market and business plan iXiGO’s new investors recognise. “In the last 12 to 24 months, there’s been a big shift where e-commerce sites have really taken off,” said Mukul Singhal, Vice President at SAIF Partners, based in Delhi. “When we thought about what can happen in the next four or five years in this sector, we found huge information gaps in planning and discovering travel. India is a fragmented geography for tours and travel - there is no organised place online to get the right information for discovering trip ideas. iXiGO wants to build this - we believe in their technical capabilities and we like their team.”

Business plans and opportunities

The new funding allowed iXiGO to exit seed investors and ramp up for its next phase. Since August, the company has grown from 17 to 30 people to build new content platforms, develop product innovations on mobile platforms, and extend its business development efforts. Earlier this year, iXiGO.com launched India's first full-featured travel app for Android phones and a semantic search engine on Facebook and Twitter that understands and responds to flight searches made in natural language. Social media platforms proved a vital marketing tool during the company’s early days. iXiGO has since garnered close to 160,000 Facebook fans through an aggressive

strategy combining promotions, giveaways, puzzles and photo quizzes to keep its users engaged. “This kind of word-of-mouth awareness doesn’t always lead to immediate bookings conversions,” says Bajpai, “but it’s a great way to build a community.”

But challenges for the sector are well known: razor-thin margins, particularly in the arena of airline ticket sales, and high operating costs. Indian customers gravitate towards sites with the best deals but getting those best deals requires carefully crafting relationships with partner companies in order to secure uniquely negotiated rates.

How will iXiGO stay competitive in a market environment dominated by domestic and hungry international players? “iXiGO pioneered an interesting and focused niche,” observes **Balagopal Vissa**, INSEAD Associate Professor of Entrepreneurship. “Their challenge now would be to grow profitably in an increasingly competitive niche that they helped pioneer and simultaneously broaden their offerings by moving into adjacent niches.” Singhal believes the team’s proven technical and business development capabilities will be vital in its next phase, both with product development and in tying up new deals and partnerships with the highly fragmented packaged tours and travel businesses across the country.

Nearly 80 percent of iXiGO’s users are based in India. The site receives about 1.5 million searches and claims to cover about 2 percent of all online transactions in the country. The company does not disclose its revenues and profitability numbers.

Future acquisition?

iXiGO’s new ownership structure also presents interesting possibilities for its future. MMT is among India’s leading travel websites holding about 40 percent market share. “Clearly, MMT’s entry as a large shareholder makes available the resources that will increase iXiGO’s chances of success in this challenging phase,” says Vissa.

But could the startup that’s growing up fast be looking to be acquired? Bajpai says the publicly-listed MMT, of which SAIF Partners is the largest shareholder, maintains only a board level involvement. Moreover, the two companies are following distinct strategies—MMT is focused on building a transaction business while iXiGO remains a lead generation and media site.

However Bajpai does not rule out the possibility of a future merger. It will depend on what they can achieve with their business plan, he says.

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