[T103] Going Global: India

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Going Global: INDIA

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Agenda

- India – Overview
- Travel to and from India
- Air Travel
- Domestic Transport
- Hotels
- Corporate & Traveler's Expectations
- How to Get The Best From Your Travel Program

India’s geography at a glance

Fun facts: Rail road second largest employer in the world after Chinese Army

- Land size about 40% of Continental US,3.3 Mn Sq Km and water 0.3 Mn Sq Km
- #2 population in the world today – 1.1 Bn. Will overtake China as the world’s most populous country by 2030

States

- States: 28
- Union Territories: 7

Cities

1. Mumbai: economic capital
2. Delhi: political capital
3. Kolkata/Calcutta
4. Chennai
5. Bangalore
6. Hyderabad

Religion

- Hindu: 81.5%
- Muslim: 12.3%
- Christian: 2.3%
- Sikhs: 2.0%
- Others: 1.9%

Languages

- Common Language: English
- National Language: (Hindi): 30%
- Others (23 Languages not dialects): 70%

Overview
India: Economy & Infrastructure

- 2007- 08: GDP growth likely to be 8.7%, in 2007-08 vs. 9.6% in 2006-07 manufacturing at 9.4% vis-à-vis 12% in 2006-07and agricultural growth bounced back at 2.6% in 2007-08 vis-à-vis 3.8% in 2006-07.

- Inflation expected to decline from 5.6% in 2006-07 to 4.1% in 2007-08 . Inflation as on 16th Feb 2008 was 4.89%

- Foreign Trade: Share in world exports to be doubled in 2008-09.

Travel to India

- Business visa requirements
  - Processing time can be long
  - Letter of invitation from India is required
  - NEVER use tourist visa for business travel
- Avoid domestic transfers
  - Domestic and International flight are often in different airport - not just terminals
  - Limited public transfer systems available that are recommended to foreigners
  - Beware of local taxis - fake rate cards, excess driving and more
  - One reliable option is to hire limousines - high cost and logistics
  - If needed make transfer outside India and use non-stop flight to Indian destination

Travel from India for locals

- Visa issues
  - Indians need visa for almost every country
  - Visa not only for destination but also for transfer point
    - Consider transit visa requirements when selecting airlines/flights
  - Processing can take weeks or even months (i.e. US)

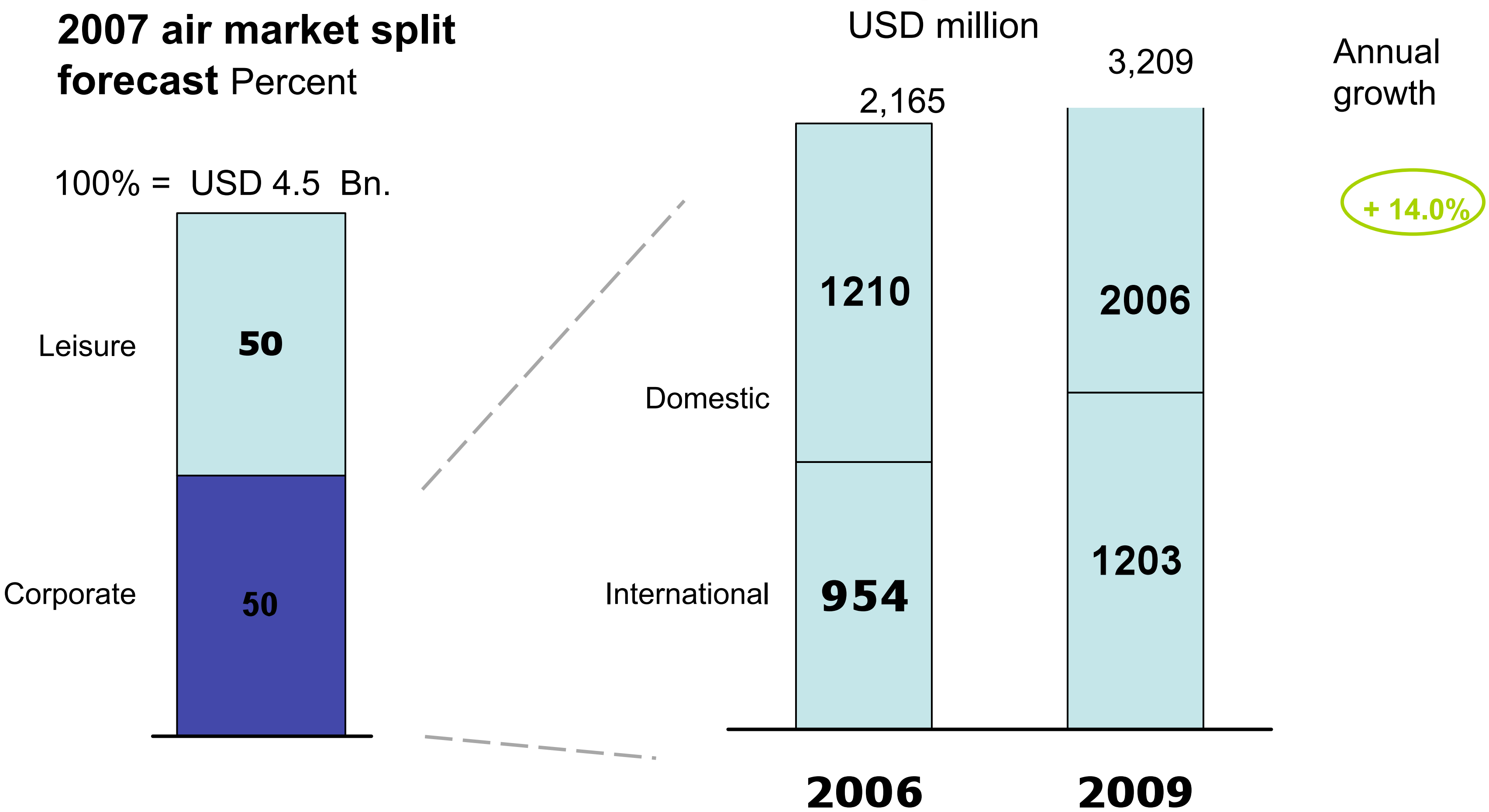
Air travel

- **The past**
  - In the past few years, Indian air fares have increased steadily, on all cabins and destinations.
  - A number of factors have appeared that are challenging this trend, particularly the aggressive entry of Kingfisher, Air India Express, Air Deccan, Spice Jet ,Go Air & Paramount Airways.
  - As a result, domestic fares dropped in by end of 2005 by 25% (paid fare), marking a new trend in the Indian market.

- **The present**
  - India's airline sector projected losses of USD 400-500 million for 2008/09 by Centre for Asia Pacific Aviation.
  - Following the consolidation of 2007,three major airline groups have emerged, each led by full service airline with a value based offering and the LCC.
  - LCC's continues to gain market share reaching 41-42% and forecasted at 70% share by 2010.

- **The future**
  - India's aviation industry will continue to grow strongly in 2008, with passenger expansion upwards of 20% likely.

India travel market snapshot – Domestic travel is growing faster than international



Source: IATA, CWT

Airlines in India

- 1990 private airlines allowed to operate air taxi services, establishment of Jet Airways and Air Sahara.
- 1994 Air Corporation Act of 1953 repealed; remove monopoly on scheduled services, allow scheduled service to private airlines. Convert Indian Airlines and Air India to limited company and enable private participation in the national carriers.

• Jet Airways (Mumbai - Intl.) & Jet Lite (New Delhi, formerly Air Sahara)	31%
• Kingfisher Airlines & Deccan (Bangalore - Domestic)	29%
• Air India (Mumbai & Delhi - Intl.) & Indian (New Delhi - Domestic)	20%
• IndiGo (New Delhi - Domestic low cost)	9%
• SpiceJet (New Delhi - Domestic low cost)	5%
• Others	6%

*Directorate General of Civil Aviation (DGCA) reports Jul-07 domestic market share

Bangalore’s old Airport

Bangalore's old Airport

Bengaluru's new Airport

Bengaluru's new Airport

Domestic transport

- Air-travel
  - Extensive domestic network; service ranging from low-cost to fill service carriers
- Rail
  - Not recommended for Business Travel
- Taxi, limo, etc.
  - Most international hotel offer free airport transfer
  - Arrange local transportation through hotel
  - Local taxis are not recommended
- Safety & Security
  - Despite phenomenal growth this is still a 3rd world country
  - Advise travelers and safety & security issues - this is business and not leisure travel
  - Security lines at airports may seem endless; better at privatized airports

Fly or Go By Train – Your Choice?

Hotels

- Peak of sellers market may have been reached; significant number of new properties / additional rooms to enter market
- India often claims specific requirements of local market:
  - Hotel RFP's can only be done local - only applies to local hotels (< ★★★)
  - Hotels will only do RFP in September - international hotels are flexible
  - More hotel mean better program - consolidation not understood/endorsed
- GDS use
  - ~20-20% GDS for major hotel chains
  - Still large percentage booked by phone/fax and out of auditable/traceable channels
  - Hotels still pursue local staff/admins for direct bookings
- Cultural Influences that impact negotiations
  - Travel Management slowly accepted but market maintains uniqueness - don't push too hard
- Safety & Security
  - Western hotels generally safe but advise travelers on common safety precautions when traveling in "3rd world" countries
  - Problem of off-line bookings; travelers cannot be traced in case emergency

Hotels

- The past
  - Huge gap between demand and supply in business hotels - during weekdays. Travelers are often happy if they get a room at all.
  - Despite little change in occupancy - price levels continue to rise. Making travel in India as expensive as London, Paris or New York.
- The present
  - High ARR's are driving travelers into budget hotels or service apartments.
  - Companies are building their own infrastructure - we as TMC are often managing the booking process of the service apartments. A new type of "non-GDS" hotel.
- The future
  - Supply in the registered hotel rooms is approx. 110,000; which is likely to grow by an additional 140,000 by 2010 - hopefully easing some of the pain.
  - Alone for 2007 an additional 100 budget hotels are announced by likes of Ginger, Ibis, Holiday Inn Express, Lemon Tree just to name a few.
  - Service apartments emerging in high end residential areas in all major cities. Brands like Oak Wood, Ascott & Fraser are recent entrants.

Corporate and Travelers

General approach to corporate travel

- TMC penetration quite high for a recently developed market
- Typical model is Implant, not BTC/Call Center.
- Minimum service expectation of a corporate is an implant to offer high touch services to its travelers.
- TMC is expected to deliver full service, including processing of Visa application, Medical Insurance , Meet and Assist & Foreign exchange.
- Rebate contracts (as opposed to fee contracts) often still the norm in this commissions market – but changing fast
- Focus is often more on transaction costs than on total travel cost optimization.

Travelers habits and specificities

- **Booking channel**: most offline bookings done via phone by travel booker or traveler
- **Online booking** Still in the 'traveler reluctance' phase. Some online travel request tools already rolled out and successful
- **eTickets**: Currently 85% airlines on e ticketing and target 1st April 2008 to have 100%.
- **Service expectations:** Indian travelers are very service-conscious, with high expectations of tailoring and reactivity from service providers
- **High touch service:** typically expected by VIPs & senior Corporate managers

Cash versus Credit Cards

- Slow acceptance of credit cards – still cash-advance for local travel (trust issue?)
- Local companies require cash-advance system to assist local travelers
- Many agencies offer foreign currency service for outgoing travelers

How to get the best from your travel program

- Focus on what is really important to your travel program, but make concessions to get there
- Ensure your local people in India understand the objectives of the travel program
- Blend into the travel program items that are considered vital by your local people
- Try to shift the focus from “cheapest” to “value”
- Standardise travel policies and processes within your company

How to get the best from your travel program

- Trade on a basis that provides transparency
- Use contractual and/ or risk & reward strategies to replace multi supplier agreements
- Support the move towards e-ticket
- Look to the day that on-sites can disappear
- Increase use of credit card vs. invoice
- Have a good accessible place for travellers to source travel information

How to get the best from your travel program

- Where possible make inclusion in your hotel program dependent upon GDS hosting
- Educate travellers on limited availability in high demand cities
- Keep abreast of the fast changing domestic aviation market
  - It represents opportunity !

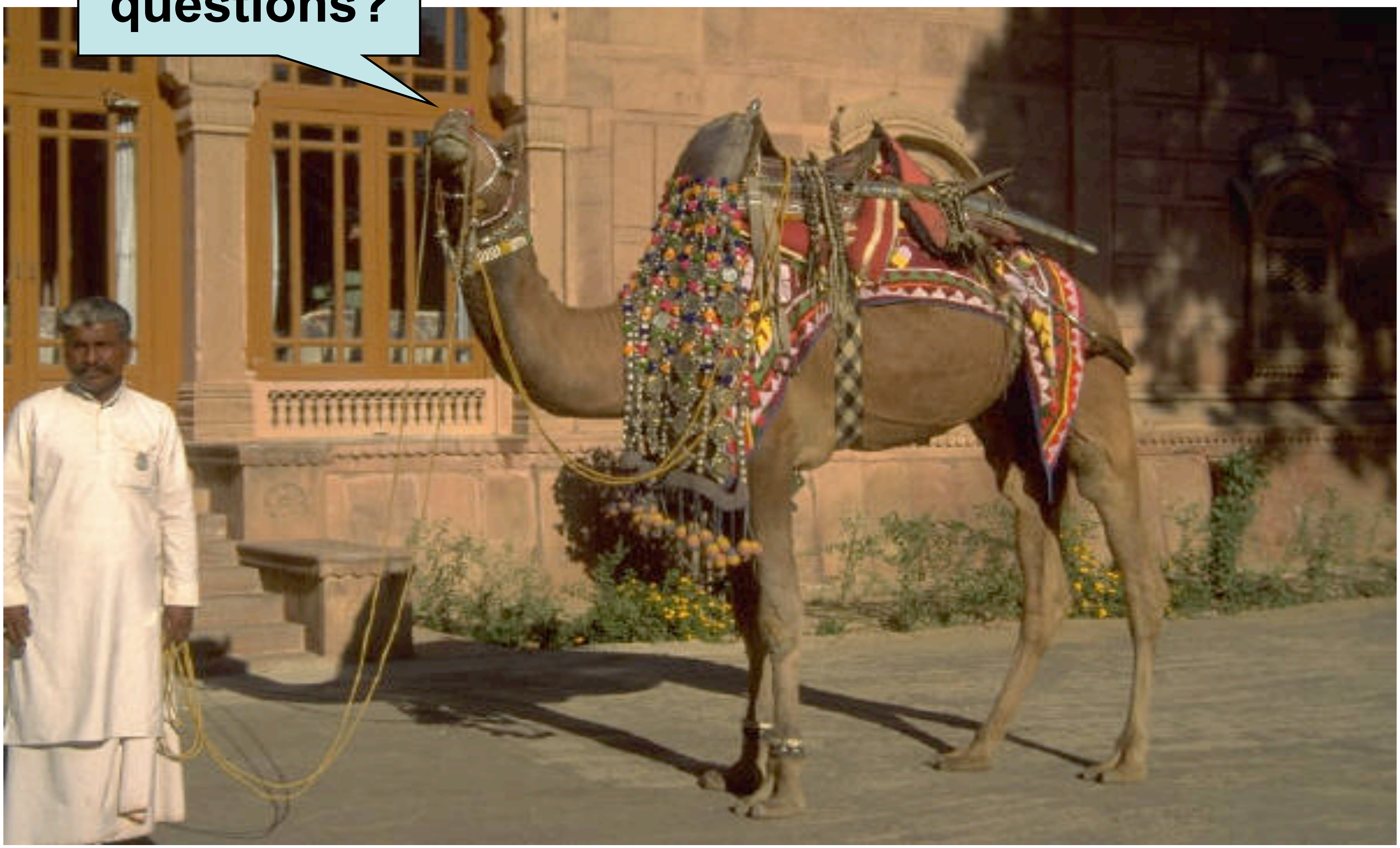
How to get the best from your travel program

And remember, this is not (delete as applicable)

- Canada
- Germany
- Singapore
- Australia
- Or anywhere else !

BUT IT IS INDIA!

Any questions?



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