The Growth of Online Bus Ticketing Industry: RedBus Route to Success in the Indian Market

Sujo Thomas¹, Bharthi Pathak² & Pavak Vyas¹

¹ Bkmiba-Amsom, Ahmedabad University, Ahmedabad, India
² S.D. School of Commerce, Gujarat University, Ahmedabad, India

Correspondence: Sujo Thomas, Bkmiba-Amsom, Ahmedabad University, H.L. College Campus, Navrangpura, Ahmedabad, 380009, India. E-mail: sujothomas@rediffmail.com

Received: June 20, 2014           Accepted: September 5, 2014      Online Published: October 22, 2014
doi:10.5539/ijbm.v9n11p247       URL: http://dx.doi.org/10.5539/ijbm.v9n11p247

Abstract

Despite being used by millions of people, the bus travel industry in India is highly fragmented as well as unorganized and it took a while to witness some innovations in the bus ticketing industry in India. This paper attempts to explore as well as evaluate the extent of the transformation and its impact by focusing on ‘redbus’ which is the largest bus ticketing company operating in India. The first section of this paper discusses the nature of bus travel industry alongside the challenges faced by the Indian bus travel industry. The second section of this paper enumerates the challenges encountered by ‘redbus’ which presently covers geographically 80% of the overall market. Subsequently, this paper examines a growth model in existence for ‘redbus’ which would provide a sustainable growth in the long term.

Keywords: bus ticketing, Redbus, bus travel industry, India

1. Introduction

The bus travel industry in India is unorganized and highly fragmented. It is a 120 billion annual turnover industry with a growth rate of 25% per year. (Note 1) This industry is growing phenomenally in India, being one of the most preferred modes of transport for millions of Indians. There are around 2000 private bus operators which function with almost 20000 buses on point to point routes. (Note 2) In the Indian bus travel industry, most of the private players were regional players and did not have a pan India presence and therefore there was a lack of a centralized platform for organized scale of operations. The market for online car rentals and bus reservations business was anticipated to arrive at $150 million in the year 2011 as per Applied Travel Intelligence. (Note 3) The two carriage categories when it comes to Indian bus travel industry operations are contract carriages and stage carriages. The contract carriages are usually long distances from city to city with less number of stop points whereas stage carriers are comparatively short distances with several stop points. The contract carriage industry in India is fragmented, with more than 65% of the bus operators possessing over less than 20 buses each. Despite of growth of online ticket reservations in India through renowned players like makemytrip.com (airline) and IRCTC.com (train), there was a reasonably slow growth when it came to online bus reservations. The role of IT in revenue management is prominently discussed by many researchers (Kimes, 2001; Bakos, 1997). The reasons for this slow growth could be attributed to several reasons like the unwillingness of the majority of the Indian population to book their bus tickets online, low internet penetration and more than that, the unavailability of a proper online platform to book their bus tickets.

The Indian bus travel industry could be also segmented on the basis of regular and luxury bus travel catering to the entire population. Volvo buses have played a greater role in increasing the comfort level of the bus passengers. The growth of this industry is accredited to the fact that airline tickets are relatively expensive and train tickets are booked well in advance, which makes bus travel a viable option. This travel industry in India is predominantly driven by cash and scattered on the regional basis. Most of the firms in this industry are regional players who operate on a small scale and rely heavily on manual systems for ticket bookings and reservations.

The industry was highly decentralized with travel agents playing a major role in managing the bus ticket bookings.

The major challenge with the Indian bus ticketing industry is that despite of being used by millions of people it
E-ticketing or electronic ticketing in India is changing the landscape, especially air travel and railways ticketing coming a long way ahead. There are research studies which have discussed that service providers could increase their transactional efficiencies and expand their services by adopting modern IT in revenue management (Li et al., 2009; Devaraj & Kohli, 2003; Zhu & Kraemer, 2005; Zhi et al., 2006). The Indian eRetail report 2012 says that travel and leisure comprise of 76% of the overall share in the ecommerce market in India. The online ticketing market had witnessed a phenomenal growth in the Indian market with 30% of railway tickets and 40% of air tickets sold through online channel. Over the last decade, we saw an exponential rise in the number of bus ticketing portals in India. The online bus ticketing market is estimated to be 5-6 billion which is around 3-4% of the overall market. (Note 4) This transformation in the travel portal space is noticeable with the private bus travel industry growing at a rate of 30% and estimated to reach 350-400 billion by 2015. (Note 5) E-ticketing utilizes global distribution systems such as Galileo, WorldSpan, Sabre and Amadeus which are technology platforms to carry out the transactions. In the year 2002, Air India initiated the e-ticketing. The Indian Railway Catering and Tourism Corporation Limited website (www.irctc.co.in) is one of the largest and most visited e-commerce sites in India and it has registered the highest ever per day booking (4.96 lakh e-tickets) on 13th July, 2012. (Note 6)

2. Redbus-History

Redbus started its operations in August 2006 with its headquarters in Bangalore, India. It started expanding its operation in many cities and the first branch was established in December 2006 itself by opening a branch in Hyderabad and since then it has become the largest bus ticketing company operating in India and it reaches as far as 850 bus operators with physical presence in 22 states through a total sales of around 1.3 million seats annually. redbus is first online portal for bus ticketing in India and its first mover advantage has permitted it to gain trust among all its stakeholders. redbus presently covers geographically 80% of the overall market. Its website “redbus.in” is the 4th most visited website in the country and 60% of its total bookings are procured through this website.

The organizational roles and responsibilities were clearly defined by the partners so that there are no conflicts in the overall management. The organization to begin with, commenced with 6 employees and at this point in time it has grown to an organization having more than 500 employees catering to the needs of millions of people. (Note 7) The employee satisfaction and motivation levels at redbus are given due importance. The roles and responsibilities are clearly defined and feedback system is well in place. The organization departments are divided among various functions like marketing, finance, business development, alliance activities. The major strategic decisions are formulated in the headquarters and other decisions are delegated to the regional offices.

In 2007, redbus changed brakes and started expanding rapidly with the investment aid of around Rs. 3 crores received from Seedfund. Similarly in May 2008 it acquired finances from Helion Ventures and in June 2009 from Inventus Capital which facilitated its path towards development. From the year 2007-09, redbus was announced as the fastest growing companies in India as per All World Network. redbus promoted itself through various mediums like search engine marketing, word of mouth, public relations and radio advertising.

3. What’s Next?

Redbus has adopted a low cost model by expansion across India through establishing call center at various low cost locations. It was quite difficult for him to service operators and consumers across India from his headquarters alone which propelled him to open more offices. It also helps in providing regional assistance to the local population which results in better customer services and satisfaction at the regional level. redbus call centers are known for their breakthrough technology. It has employed the software that receives signal through Public Switch Telephone Network (PSTN) line and routes to multiple locations after converting it into digital signals. This approach not only helps in saving cost but also optimum use of every single call received at the centers.

The customer satisfaction and customer expectations (Oliver, 1997) had been the top priority since the inception and it was necessary since customer satisfaction (Mittal & Kamakura, 2001; Bolton, 1998) leads to customer retention, purchase intentions and loyalty (Medgall & Levesque, 2000; Fornell, 1992) which has been discussed in many research studies (Cronin & Taylor, 1992; Rust et al., 1995; Innis & Londe, 1994; Mittal et al., 1999;
Cronin et al., 2000). One of the most important strengths in this business for redbus had been the relationship building with the bus operators. The flexibility to adapt to the market and significantly change course was instrumental in ensuring redBus’ success. The bus operators are briefed initially about the advantages of redbus and offered to sell 20% tickets through redbus system. If they are convinced with the redbus system then a contract is signed to sell more tickets along with better service and information network. The ticket inventory aggregation is based on whether the bus operator is using a computerized or manual system. The computerized bus operators contribute around 40% of total ticket sales and the manual system users contributed the majority of 60% of the total sales. The inventory data with the computerized bus operators is updated consistently by the redbus servers. Although within few years of its existence, redbus has proved to be a major platform for bus e-ticketing across the nation, it desires to penetrate among the bus operators who are using manual system to further improve the market share of redbus. The co-founder member Charan Padmaraju believed that to build the competitive edge it was necessary to innovate which was the major motive behind adopting the cloud technology provided by Amazon Web Services (AWS). It helped the developers of redbus to focus their efforts towards development of IT applications leading to overall cost savings, innovative solutions and higher scalability. The real challenge was retaining of customers which is a daunting task on Internet (Parasuraman & Zinkhan, 2002; Evans & Wurster, 1997). The servers and infrastructure based on cloud platform has led redbus to differentiate his business. Redbus plans to gradually move towards Amadeus or Sabre used in the Airline travel reservations for higher level of integration.

4. Competition in the Marketplace

With the redbus revolution, the potential in this arena is not out of sight. The competition in this business comes from basically travel agents and ticketing companies who have presence locally, nationally and few of those who even have an international presence. redbus over the years has adopted a business model which is quite difficult for the competitors to replicate due to which redbus is ahead in the contest. It has followed a model where the technology has been suited to the requirements of the bus operators enhancing long lasting relationships. There are few prominent players in the industry which have been described below:

Via world (Note 8).

Via world was launched on July 28th, 2006 as flightraja.com and incorporated in May 2007. Today its presence is scattered across 2,400 towns and cities of India with more than 4 crore customers base. Via world has its headquarters in Bangalore. It has more than 650 employees and an annual sales around 500 million USD. Via world started with the reservations of bus bookings around 2007 and also brought out an automatic ticket booking kiosk. Via Bus Tours, which is a part of the Via Group is right now concentrating on the domestic pilgrimage tourism market and planning to expand its multi-axle luxury Volvo buses to connect the pilgrimage destinations across India. Via has partnered associations with Indo US Venture Partners (venture capital firm) and Sequoia Capital in India.

Abhi bus (Note 9).

AbhiBus started in the year 2007, is led by Mr. Sudhakar Reddy (Founder and CEO) for offering online bus booking for customers. Since they found it very difficult for them to integrate the fragmented bus operators and since the internet penetration was very low in the Indian market. AbhiBus started with designing websites and APIs for operators. It provides Online Passenger Reservation System (OPRS) to State Road Transport Corporations (SRTC) and private operators for managing the ticket inventory and online ticket sales. The OPRS automates and provides the web based online interface for the entire workflow of the bus operators. The revenue flow of the customer across the various ticket sales channels is managed through Abhibus. It manages the ticket inventory of around 32 private bus operators and UPSRTC involving 10,000 buses.

Ticket goose (Note 10).

TicketGoose.com started in August 2007 to provide online services to bus passengers. Ticket goose provides information and booking facility for more than 5000 bus destinations in South India and deals with more than 500 bus travel partners. Ticket Goose allows the customer to avail the benefits on online booking through its channel partner outlets which includes corporate sectors and several ticketing agents. It is also rapidly expanding its software solutions for private Omni Bus Operators to facilitate them to go online and offer real time inventory. The Company TicketGoose is promoted by Efficsys InfoTech India Pvt. Ltd. which is a leading technology driven organization working in the fields of e-commerce, software development and training.

Customer Needz (Note 11).

CustomerNeedz.com is an online travel ticket booking site providing bus booking facility.
It is a venture started under the leadership of IIMB (Indian Institute of Management, Bangalore) Alumni. Bus ticket reservation system in CustomerNeedz is a web based ticket booking system offering seat allocations in the buses as per the requirements of the passengers. It has ensured safety of the online transactions through a tie up with India's leading payment gateway (www.ccavenue.com) which uses Secure Socket Layers (SSL) for data encryption.

Yatra.com (Note 12).

Yatra.com was launched in August 2006 and is based in Gurgaon and is emerging as the one stop shop for all travel related services. Yatra.com offers reservation facility for around 3,800 hotels across 336 cities in India over 90,000 hotels around the world. The customers can access Yatra.com through website, call centers, holiday lounges, Yatra Travel Express stores and mobile devices. Yatra had a gross turnover of US$500 million in the year 2011 and average revenue of $60 million a month with a volume of over 10,000 tickets and 600 rooms a day. It has partnered for investors companies like Silicon Valley-based Norwest Venture Partners, Reliance Venture Asset Management, Television 18 Group and Intel Capital.

Travelyaari.com (Note 13).

Travelyaari.com is started in 2007 by IIM Ahmedabad graduates and industry professionals. Travelyaari.com is a 100% real time bus ticket booking service and is the flagship brand of Mantis Technologies Pvt. Ltd. Travelyaari.com was started with the objective of making bus tickets booking accessible to individuals. Travelyaari.com has been maintaining good relationship with bus operators helping them to computerize all their activities. Travelyaari.com has been encouraging mobile bus ticket booking. One India has been the privilege card used by Travelyaari passengers.

Bus Safar.com (Note 14).

Bussafar.com was launched by OSS Group which established in year 2006, as an online service portal for consumers. OSS group is emerging leader in the travel business.Bussafar.com works closely with VRL, Kesineni, Nita and Paulo bus travel operators. It has over 2,000 buses, 100 bus operators, and 1000 routes spreading across 14 states in the country. It provides bus commuter an efficient platform to buy tickets for destination in Southern part of India. Bussafar aims to become the largest bus ticket selling portal across India. The OSS Group has a turnover of more than 1500 crores with regional offices in metropolitan cities.

Simplybus (Note 15).

SimplyBus.com is a online bus ticketing service provider with an of inventory of more than 500 Operators and more than 5000 routes all over India at the operator indicated prices or less.SimplyBus.com is also provides special discounts for frequent travelers. SimplyBus.com offers you a wide choice of Bus Travel services with high quality service. SimplyBus.com utilizes highly secure e-commerce and internet technologies to provide you with real time bookings. It has partnered with Bitla Software Pvt. Ltd which is young and dynamic software company that is dedicated to building web based enterprise software solutions at an affordable cost.

makemytrip.com (Note 16) (Ticketvala).

makemytrip was founded in the year 2000 by Deep Kalra and began its operation first in U.S. and its Indian operations started in the year 2005 as an online travel agency. It offers customers various options from seater, sleeper, seater cum sleeper, Volvo air-conditioned buses and non air-conditioned services. makemytrip additionally offers chartered buses, hotel bookings and holiday packages in its portfolio making it one of the most successful online travel portal in India. Makemytrip had acquired Ticketvala.com in the year 2010 to consolidate its bus ticketing services. Ticketvala.com was started by the former CTO of Worldspan and it was the first mover in the online bus ticketing industry of India. Ticketvala had followed a model where they had provided free software to bus operators to aggregate inventory. Since most of the bus operators were not willing to use computers for the software supplied, Ticketvala installed computers and then employed staff to train the bus operators with an expenditure of around 25-30 crores. Moreover, they took out quarter page advertisements every alternate day offering Re.1 tickets to anywhere within India.

Conventional Travel agents

The conventional travel agents have been in this ticketing business for quite long and have fruitful relationships with bus operators and passengers. The majorities of these travel agents have restricted reach and lack flexibility in operations. They are averse to usage of new technology and are pleased with the usage of manual system. The bus operators are habituated to execute business transactions with these agents despite of limited flexibility. The majority of these agents are regional players who lack a
countrywide presence.

5. Conclusion

Over the years, redbus had reached the milestone of 10 million bus tickets. The success of redbus is for the reason that it had been all this way a customer centric model which focused on sales rather than automation of bus operators. redbus had so far a successful journey to leap ahead from a revenue of 0.3 billion in the year 2008 to around 3 billion revenue in the year 2012. Although it monitored around 20% growth in ticket sales month on month, to achieve higher growth rate redbus has to either discover newer sales channels or utilize the available channels to a greater capability. The statistics with the company showed that around 25% of the redbus passengers are first time bus travelers. redbus has to meet this challenge by increasing ticketing sales through the mobile devices. Several research studies utilizing information systems and information technology to achieve superior performance (Fairbank et al., 2006), have shown interest in mobile ticketing technologies (Elmaghraby & Keskinocak, 2003; Talluri & Van Ryzin, 2004). The redbus ticket booking through mobile devices could be executed through an SMS or installing a JAVA application and after recording the details; the customer has to provide his card details during the registration. A secure payment gateway would be a major decider in the success of e-commerce transactions. In India, besides low internet penetration, there is also reluctance to provide the card details for executing the transactions which is a major barrier for redbus to make the most of this channel. redbus has introduced one click payment option for bus ticketing to make the online transactions quicker and easier. The use of mobile ticketing technologies leads to profits from revenue management perspective (Eisenhardt, 1989).

Moreover, redbus has a volume driven business and it plans to expand further into the Indian market by opening regional offices to serve the customers better. The current strategy followed by redbus is to aggregate bus tickets by any means close at hand and later delivering to the consumers through any channel that is accessible by them. Redbus has to put forward a growth model in existence which would provide a sustainable growth in the long term. Redbus owners have a challenge that maintaining strong relationship with bus operators and gaining the trust of new operators/agents was a challenge right from the inception. The trust that redbus had built with the bus operators and agents provided it with a competitive edge and proved instrumental in their long term realization of objectives. redbus certainly required a lot of bus operators and ticketing agents to unite with redbus network for scaling the operations and grow substantially.

Even though redbus has expanded its offices in the major cities of India, scaling of operations to further extent was required to survive the competition. There were small operators who went online as well as there were few big players like Yatra who dominated. Earlier redbus had faced stiff competition from players like Ticketvala (now makemytrip.com) but in this industry playing on price was considered the last alternative. redbus focused on offering a unique value to the consumers rather than to succumb under the pressure from competition and change the rules of the game. Likewise there was also an entry barrier in this business for a new player and the industry had taken a turn where, it would be tough going for any new start ups in this bus ticketing business. redbus had to explore further and take strategic decisions to sustain the competitive advantage.

redbus has to cope with the challenge of building a robust technology base to handle the web traffic effectively and do all the transactions real time. The future of redbus can be defined only with superior technology alongside an enthusiastic team to competently handle the capability. With more and more bus operators joining redbus portal, it is additional responsibility of redbus to deliver the service efficiently and consistently at the desired level. Although it is acknowledged that there is still some way to go before the existing technology can be fully utilized, it is certainly expected that it is only superior technology which can bring home the competitive advantage for redbus. The opportunity of cross selling and customization of products to suit the demands of the customers is still an impending region to be explored. The careful selection of value added services were another dimension to look ahead of time. The value added services like touring packages, travel insurance deals, cargo deliveries etc. could be further offered to customers to supplement the service levels. It is a fact that building brand awareness for redbus was one of the most important challenges faced to this point. redbus has been aided by word of mouth advertising (Devlin et al., 2002) but presently it needs aggressive allocation of their advertising budget. redbus had used the radio advertising to reach the masses and Google advertising to target the internet users. redbus had a mammoth task to make the most of the social media that has been integral part of advertising medium for the internet users. Now that redbus has been taken over by Ibibo Group, it has to set the priorities right for the near future while being watchful for emerging opportunities to stay ahead of the competition.
References


Notes
Note 7. http://www.via.com/go/world/about
Note 11. http://www.yaatra.com
Note 15. http://www.makemy-trip.co.in/bus-tickets.html

Copyrights
Copyright for this article is retained by the author(s), with first publication rights granted to the journal. This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (http://creativecommons.org/licenses/by/3.0/).