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Online travel accommodation *Report*

19th June, 2018

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In this report, online travel accommodation includes stays booked through online in unrated and 1/2/3 star hotels, homestays, service apartments & resorts

Illustrative

		Online: Hospitality brands	Online: OTAs	Offline
Budget	Unrated, 1-star & 2-star	OYO, fab Hotels, airbnb, Treebo Hotels, Homestay.com	Booking.com, make my trip (Dil toh roaming hai), Goomo, cleartrip, Expedia, HolidayIQ, agoda, ixigo, redBus, yatra	Olive Serviced Apartments, Hotel Aryaas (The Hospitality People), Siddharth Palace (Residential Service Apartments), Beacon Smart Efficient Hotels, Ginger Hotels, Palazzo Inn, Rituraj Hotel (Pleasure of Homely Stay)
Midscale	3-star	Treebo Hotels, fab Hotels, OYO, airbnb, VistaRooms, Saffron Stays		mango.hotels, lemon tree hotels, Ginger Hotels, Spree, The Pride Hotels (the essence of business), Sarovar Hotels & Resorts, Hotel Paras Chandigarh, Siesta
Upscale	4-star	Oakwood, VistaRooms, Saffron Stays		Club Mahindra, The Pride Hotels (the essence of business), Royal Orchid Hotels, mango.hotels, IHG, Hotel VIP International, AccorHotels (Feel Welcome)
Luxury	5-star	NA		Club Mahindra, Oberoi Hotels & Resorts, AccorHotels (Feel Welcome), IHG, Taj, The LaLiT, Marriott

Note: This is a non-exhaustive list of hotels and OTAs, and can comprise of more names

Source: Praxis analysis

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Executive summary

- **Online travel accommodation industry for budget and midscale hotels has crossed US$ 1B in GBV in 2017 is expanding with growing @27% CAGR; expected to double in 3 years with more upside is more funding comes in**
  - Online penetration is expected to increase from ~11% in 2017 to ~16% in 2020
  - % overall occupancy is expected to increase from 40% in 2017 to 46% in 2020
  - Industry **PGA MIBEX** is moving up to ~54 (MIBEX shows overall growth in the industry ecosystem)

- **Customers are increasingly booking online: 10% of online booking customers book very frequently and 60% of online booking customers are doing 63% of their bookings online**
  - Ease of booking, and attractive discounts and offers are the key reasons for their booking hotels online
  - Increased supply in rooms of standardized quality is building trust though there is more scope to improve

- **OYO leads PGA MIBEX with a score of 81/100 and has ~80% market share (May 2018). It also leads in terms of reach, growth in supply of rooms and funds raised to date**
  - OYO is the largest hospitality company with GMV of ~US$ 1.08B (May FY18 annual run rate) and reach in 150+ cities
  - ~2,700 rooms are being brought online every month, primarily by OYO and Airbnb
  - Treebo leads the Customer Experience though OYO is closing the gap

- **Property owners face low occupancy and staff attrition: They are partnering with online hospitality companies is helping them tide over these problems and improve their service levels (thereby driving occupancy)**

Summary: OYO leads PGA MIBEX with 81 points followed by Treebo and FabHotels 48 and 34 points respectively

	OYO	TREEBO Hotels	fab HOTELS
Momentum in business	27	8	6
Investor optimism	10	5	3
Brand equity	18	12	8
Economics	16	8	7
Customer eXperience	10	15	10
PGA MIBEX	**81**	**48**	**34**

PGA MIBEX is out of 100 points.

MIBEX denotes a composite score showing the business strength and momentum of a business in its space

Source: PGA MIBEX model

Online travel accommodation: Highlights (April 2018)

GBV: *US$ 1B (INR 6.6K Cr.)*

Growth: *3 Year CAGR ~27% (2017-2020)*

GMV MRR annualized for market leader OYO as on Apr, 2018: *US$ 1.08B (INR ~7K Cr.)*

Average daily rate (ADR): *US$ 23 (INR ~1,500)*

Available room nights (ARN): *1B*

% Occupancy: 75% (vs ~40% in total budget hotels)

Sold room nights (SRNs): *~400M*

Online customer base: ~16M

Online booking penetration: *~11% (of overall RNs booked)*

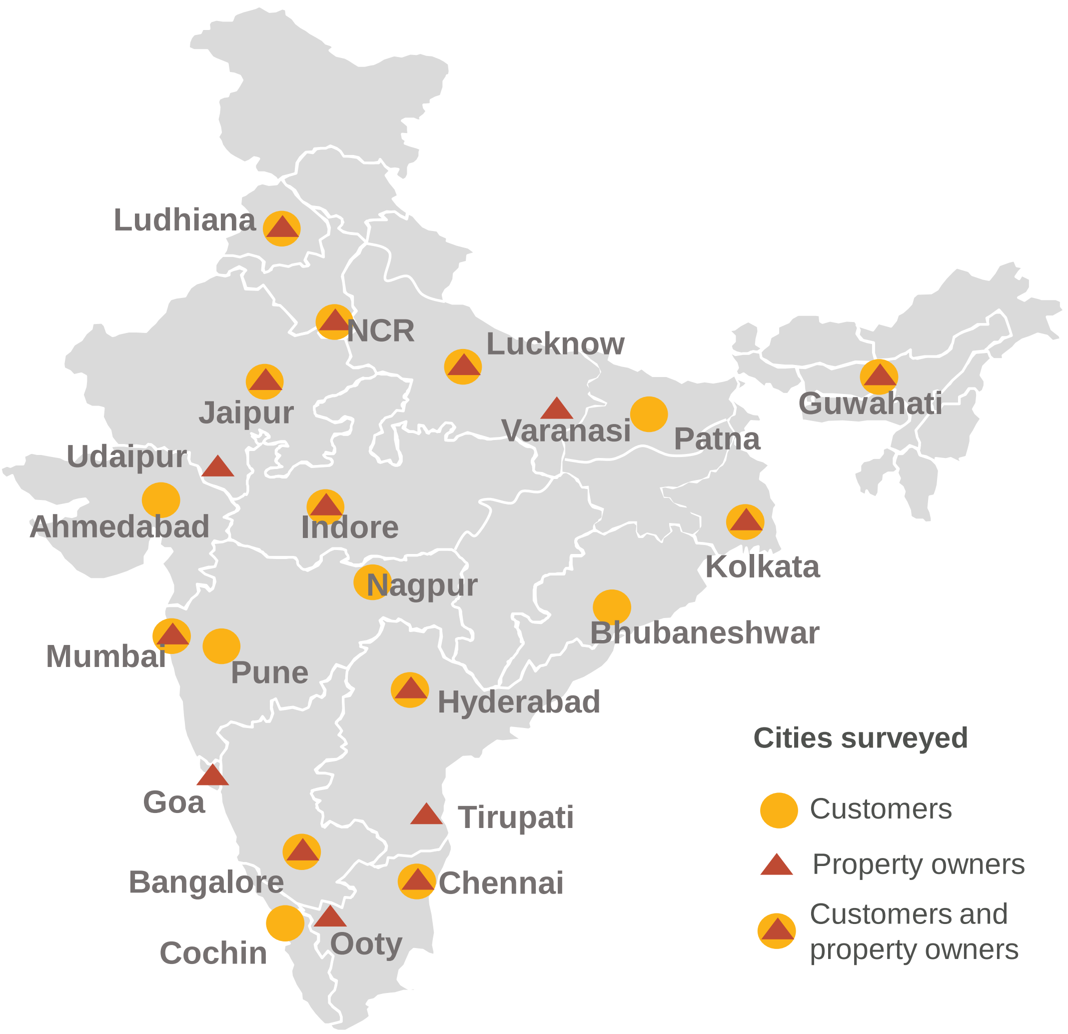
MIBEX

Industry average: *54*

Leader: 81

Note: All Indian Rs have been converted to US$ using US$ 1 = INR 65

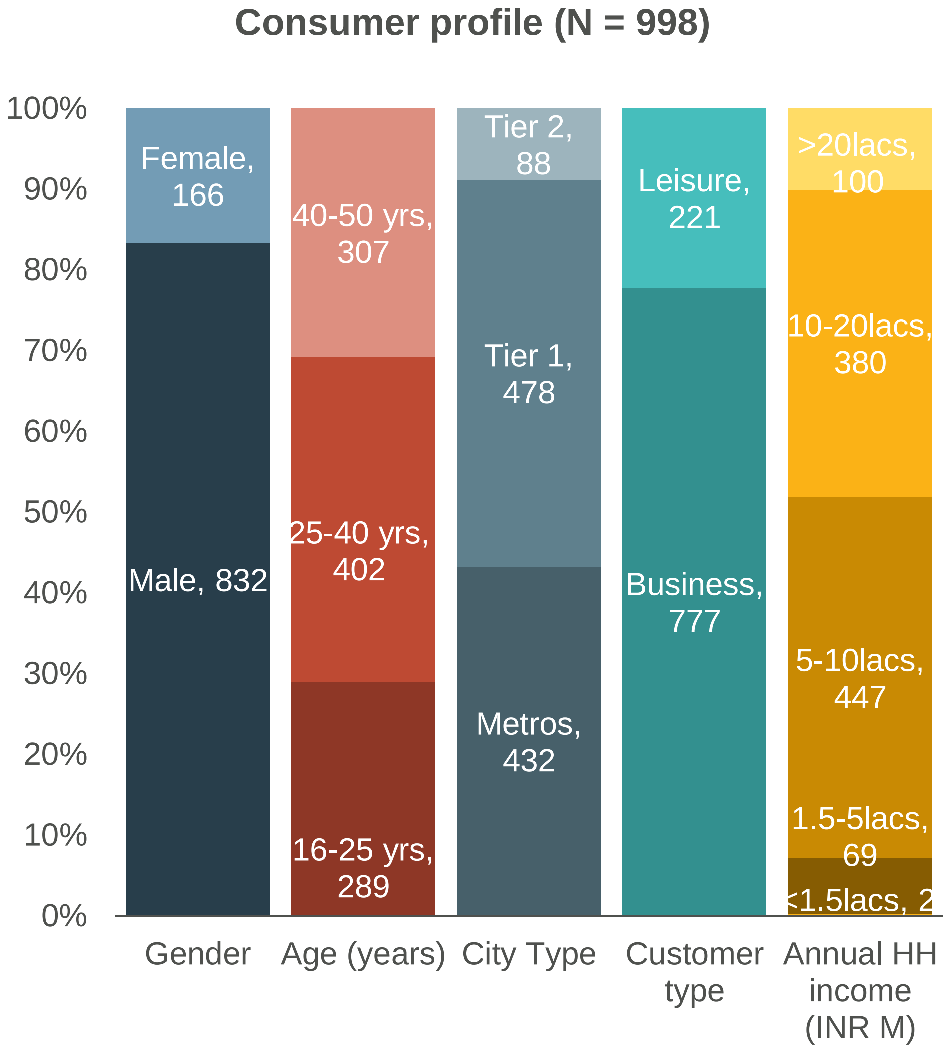
Sources of input: Inputs collected from N = 1,157 stakeholders, which includes N = 998 customer survey responses and N = 159 property owner survey responses (1/2)

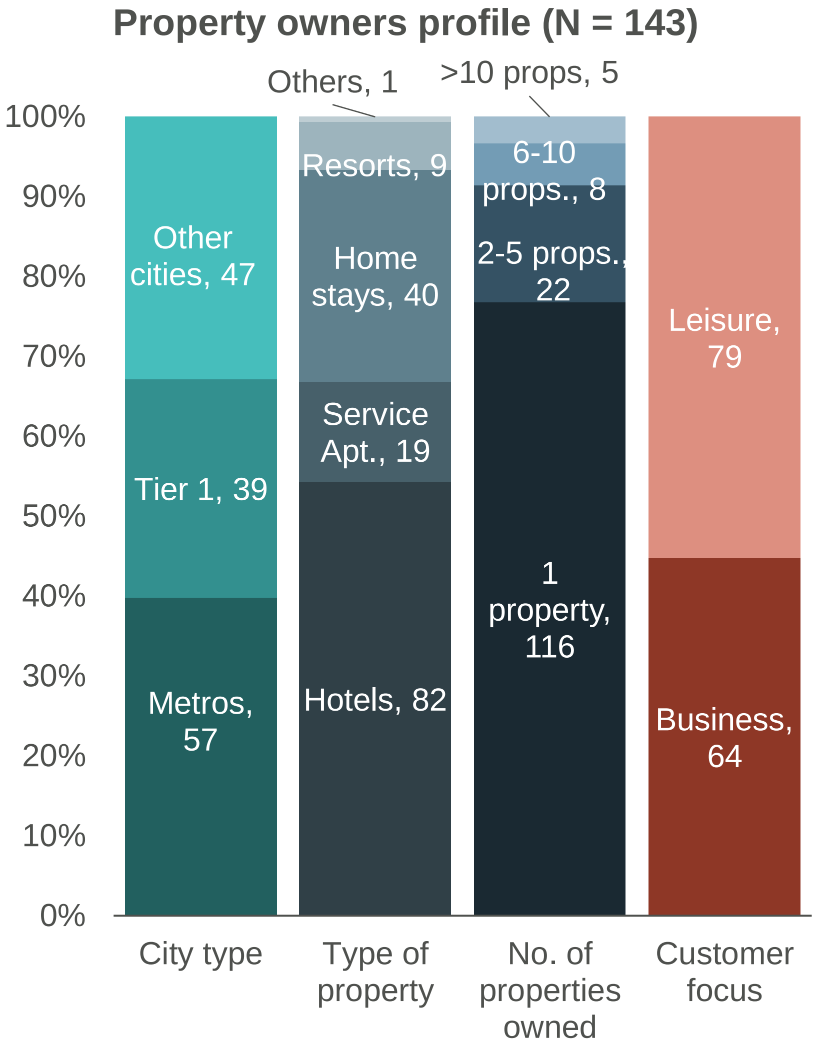


Survey (N=1,141)			
	Location	Customers (N)	Property Owners (N)
Metros	Mumbai	118	12
	Delhi	109	14
	Kolkata	106	9
	Chennai	39	13
	Bangalore	43	7
	Hyderabad	47	11
Tier I	Pune	46	-
	Ahmedabad	43	-
	Nagpur	50	-
	Indore	48	8
	Ludhiana	50	5
	Lucknow	62	8
	Jaipur	51	9
	Patna	51	-
	Guwahati	47	9
Tier II	Cochin	39	-
	Bhubaneshwar	49	-
Leisure cities	Goa	-	18
	Ooty	-	12
	Udaipur	-	10
Religious travel cities	Varanasi	-	7
	Tirupati	-	7
Total		**998**	**159**

Source: Consumer survey (N = 998), Property owner survey (N = 159)

Sources of input: Inputs collected from N = 1,157 stakeholders, which includes N = 998 customer survey responses and N = 159 property owner survey responses (2/2)





Secondary research

- Accord fintech
- Statista
- Census, 2011
- Ministry of Tourism
- FHRAI
- HVS-Hotels in India
- Online classifieds portals like Justdial

Source: Consumer survey (N = 998), Property owner survey (N = 159)

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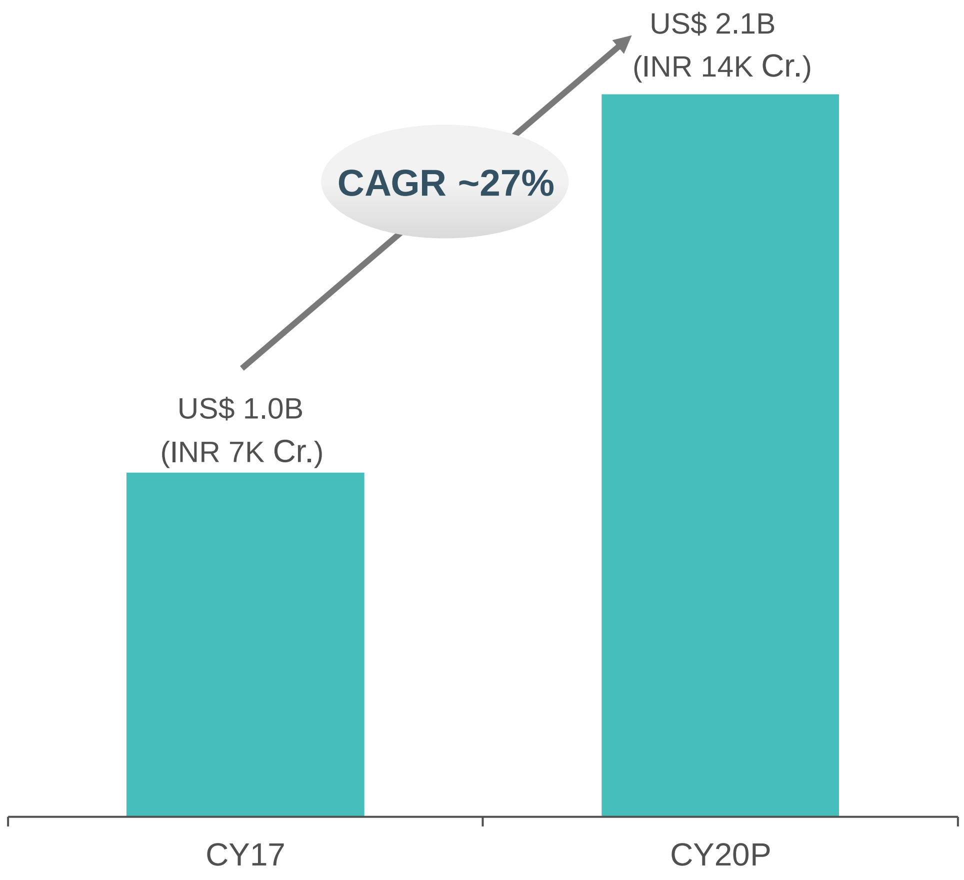
Online travel accommodation touched $1B in 2017 and will double in 3 years driven by increase in online penetration and growing occupancy

Gross booking value projections (US$B)



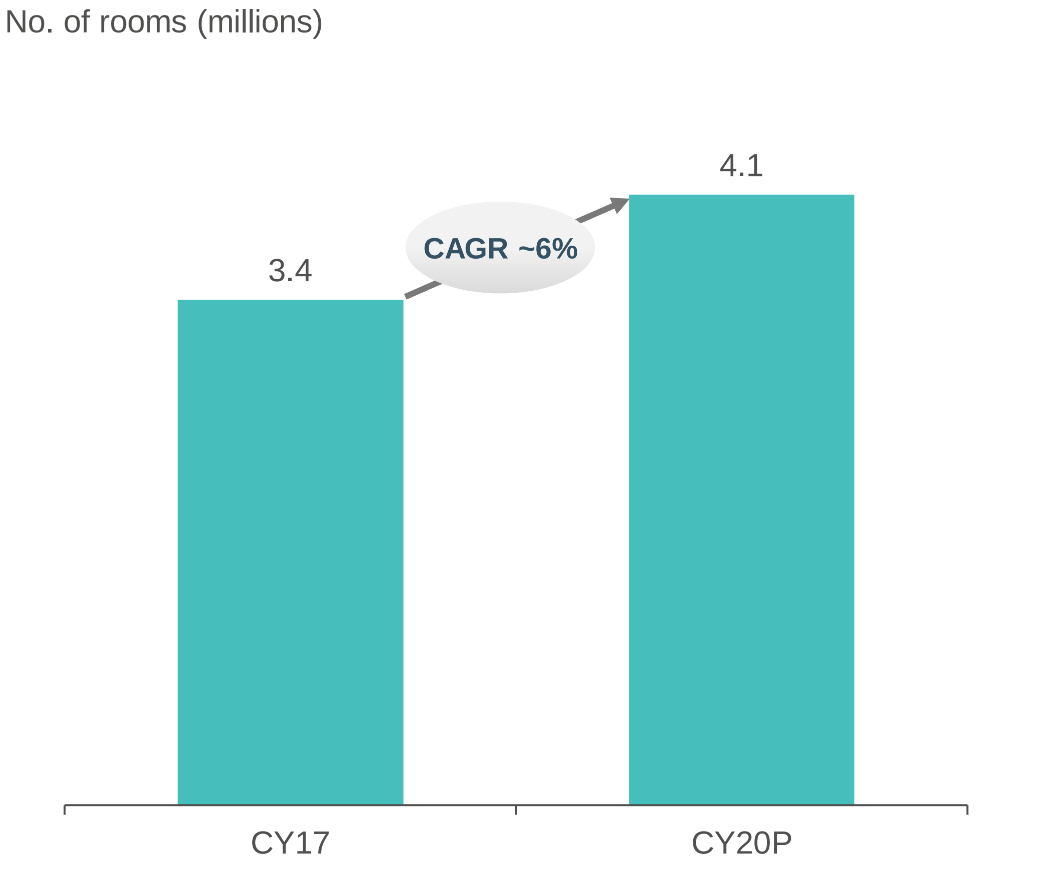
Market variable	CY17	CY20P	CAGR, CY17-20
Available room nights for the entire year (billions)	1.0	1.2	~6%
% Occupancy	40%	46%	~6 ppts
% room nights (RNs) booked online	11%	16%	~5 ppts
ADR (US$) (INR)	23 (1,500)	24 (1,584)	~2%

Notes: GBV- Gross Booking Value; CAGR- Compound annual growth rate; Exchange rate- CY17, CY20E: 1USD=65 INR

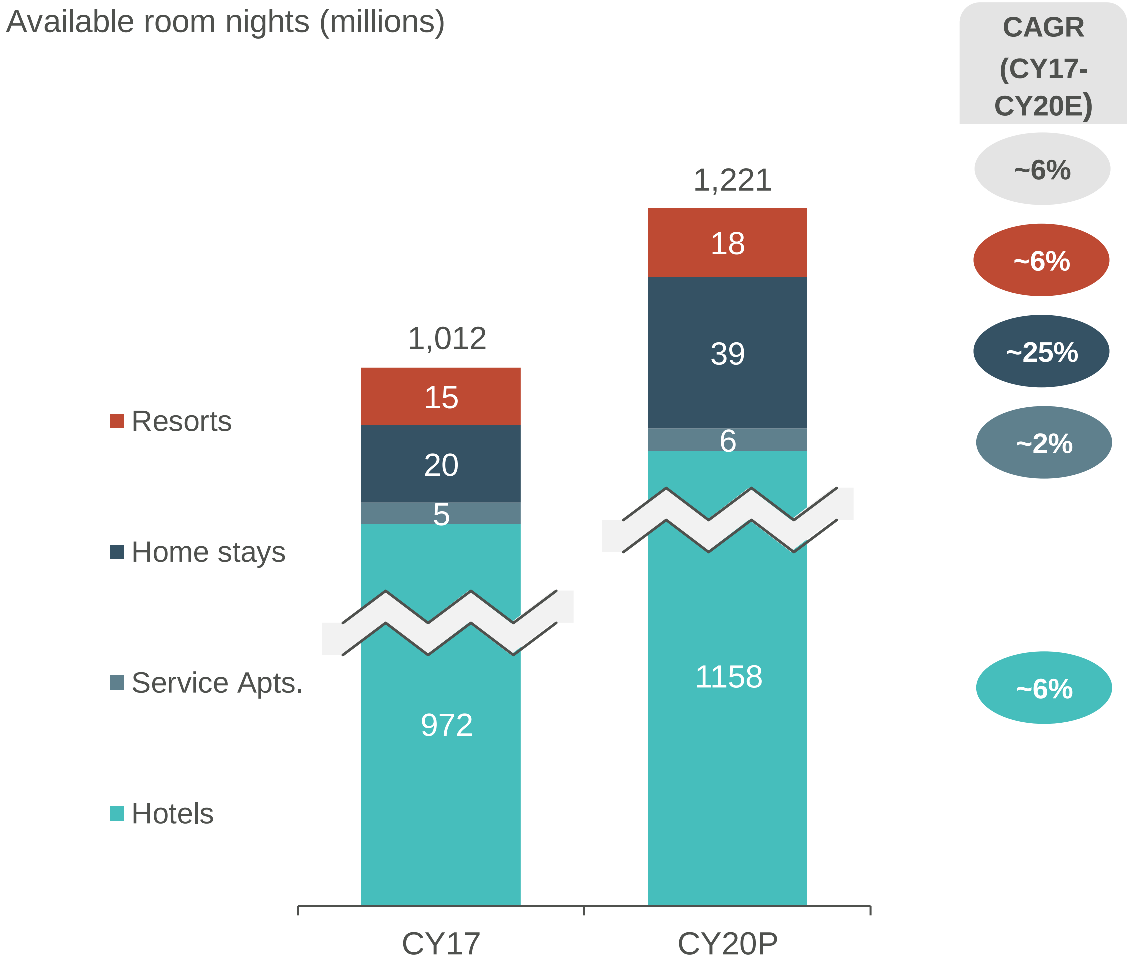
Source: Praxis online travel accommodation market model, Praxis analysis

Available rooms are expected to increase from 3.2M by CY17 end to 4.1M in CY20 growing with a CAGR of 6% (CY17- 20)

Total number of rooms are expected to increase by ~6% CAGR from CY17-CY20



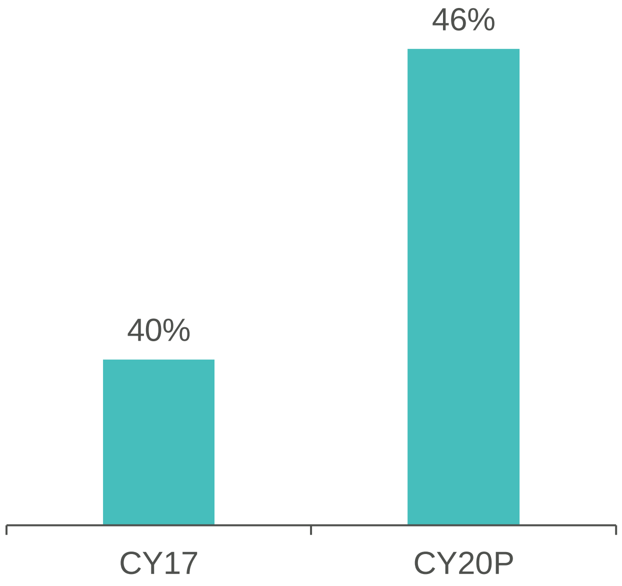
Available room nights are expected to increase at 6% with major share by hotels and home stays



Occupancy rate is expected to grow steadily to ~46% by CY20 from 40% in CY17

Expected occupancy will increase to ~46% by FY20E

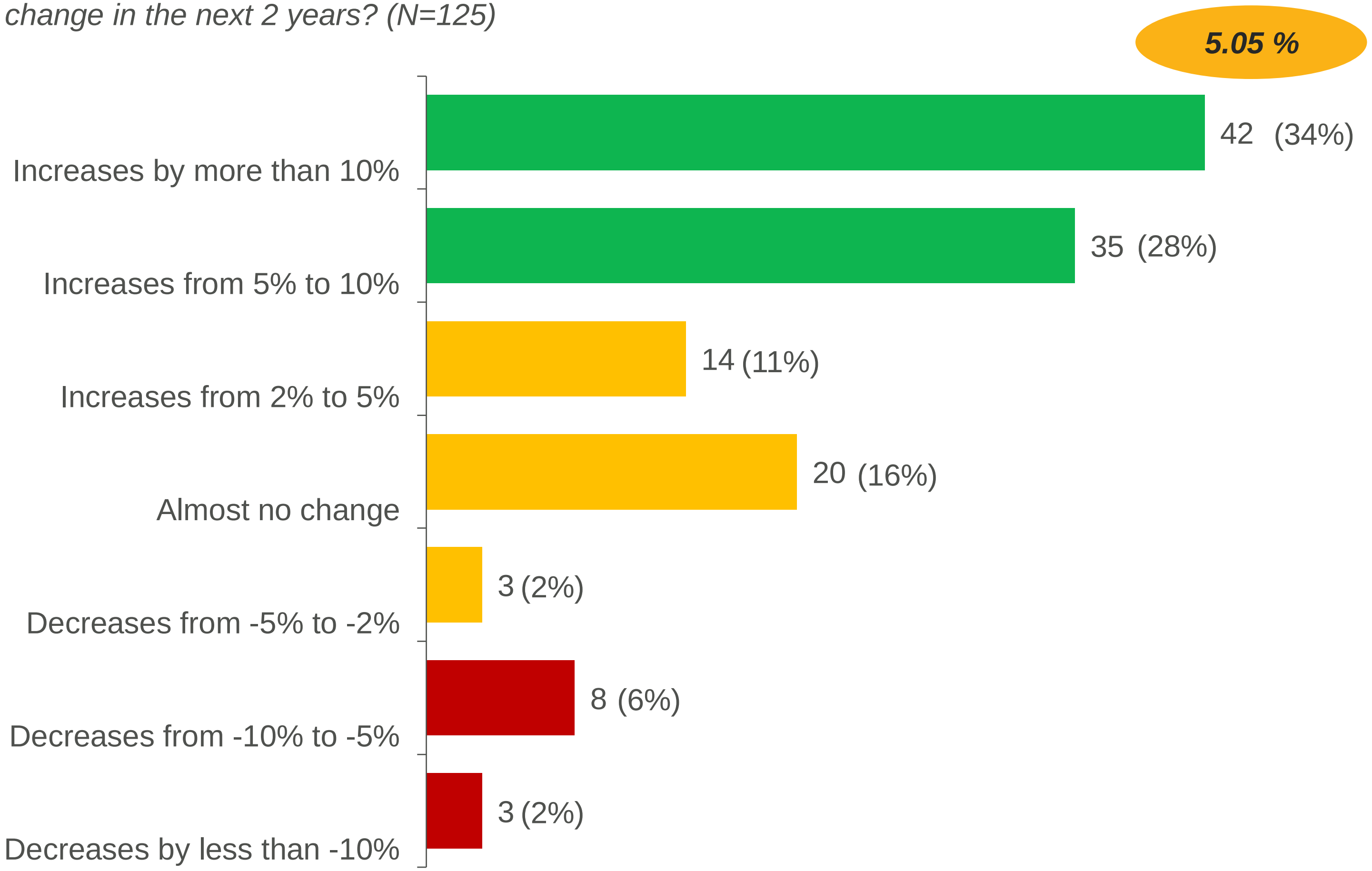
% occupancy (CY17, CY20)



Occupancy drivers:
- Online hospitality companies are making it easy to book budget accommodation
- Online hospitality companies are increasing their customer reach by partnering with OTAs
- Increase in no. of customers doing leisure trips

~60% of the property owners feel that the occupancy will be increased by more than 5%

Q. What is your properties % occupancy (for the full year) and by how much will the % occupancy change in the next 2 years? (N=125)

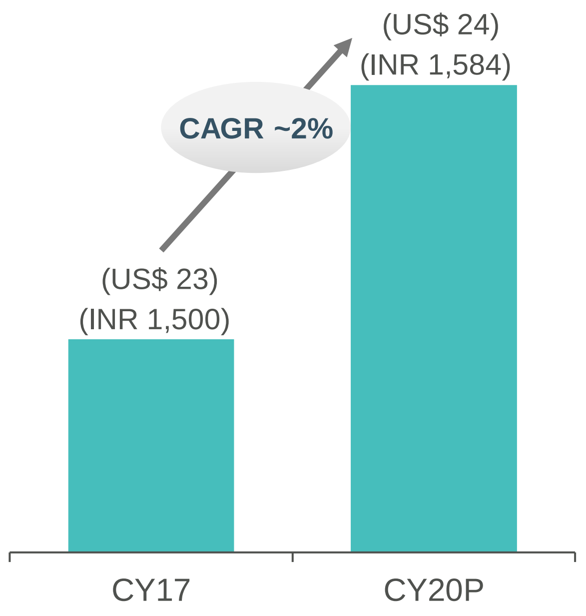


Source: Property owner survey (N = 159), secondary research, Praxis analysis

ADR (average daily rate) is growing at ~2% (CY17-20) and is expected to reach ~Rs. 1,580 in CY20 driven mainly by increase in room and F&B revenues

ADR is expected to grow by ~2% CAGR from US$23 in CY17 to US$24 in CY20P

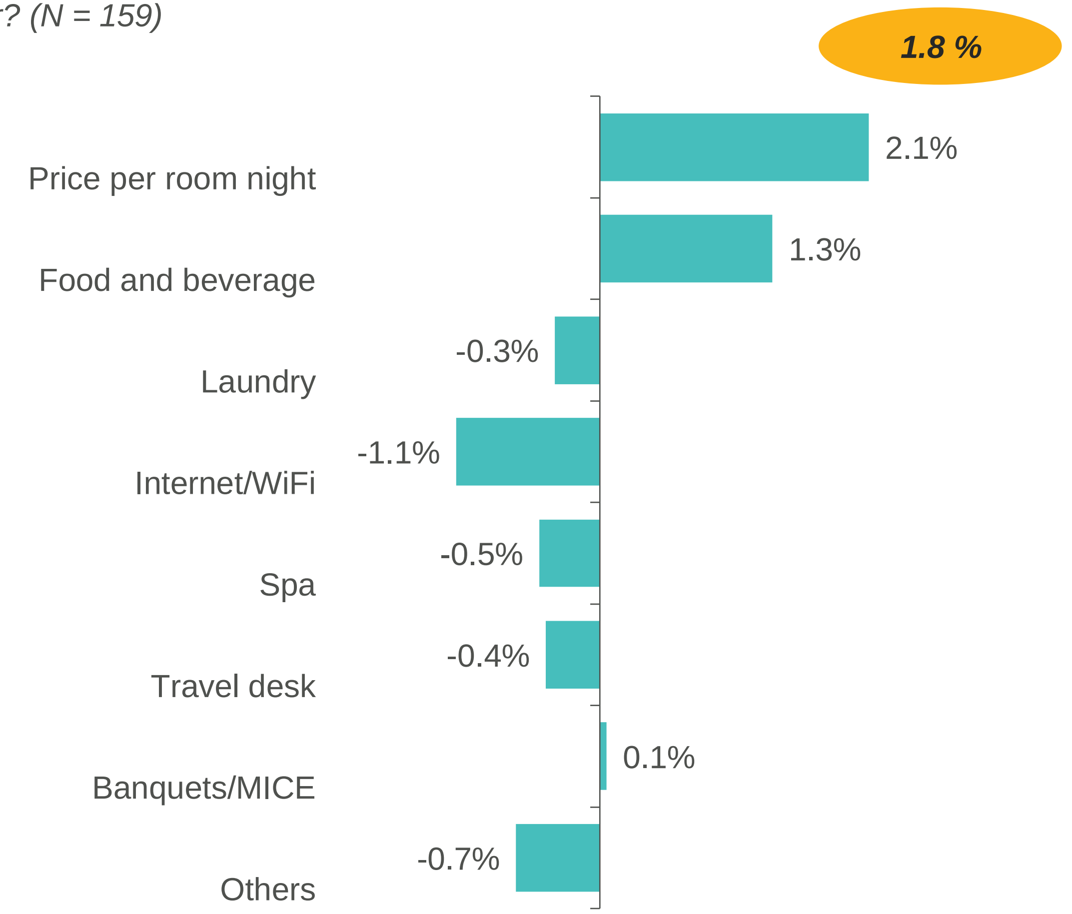
Average daily rate (ADR) (CY17, CY20)



ARR drivers:
- Huge demand supply gap in accommodation industry
- Rise in competition among the online players due to entry of online hospitality brands previously dominated by only OTAs
- Need for online hospitality companies to acquire customers keeping down the prices

Revenues from price per room night and food and beverages have increased over the last one year

Q. By how much have the revenues from each of the following services grown in the last one year? (N = 159)



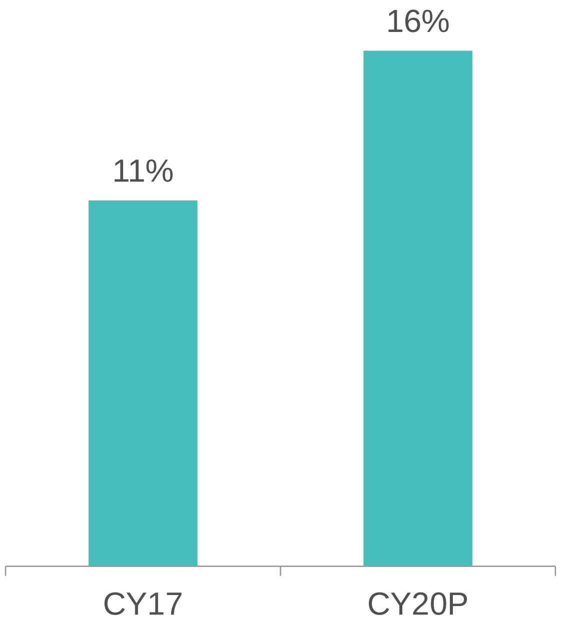
Notes: Others include internet/Wi-Fi, spa, travel desk, banquets, telephone service etc.

Source: Property owner survey (N = 159), secondary research, Praxis analysis

Online accommodation will account for ~16% of total travel accommodation bookings by CY20, up from 11% in CY17

Online hotel booking penetration is expected to reach 16% by CY20

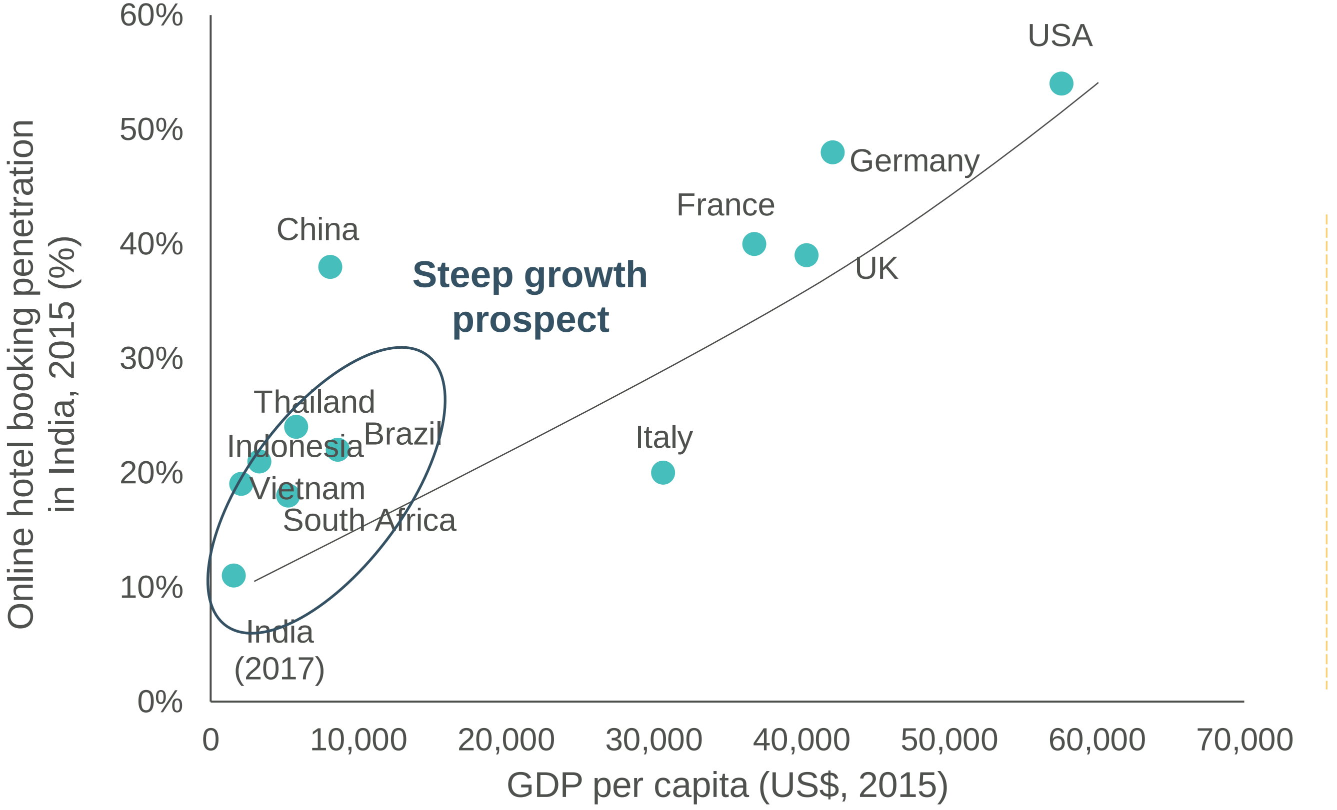
Online travel accommodation booking penetration (%)



Online penetration drivers:
- Rising internet penetration on the demand side, and
- Growth of online hospitality brands like OYO, Treebo are driving the adoption of online budget accommodation bookings in India

India is at early stage of online travel accommodation booking penetration and is showing steep growth prospects with increasing GDP per capita

Online travel accommodation booking penetration for countries across GDP per capita (%, 2015)

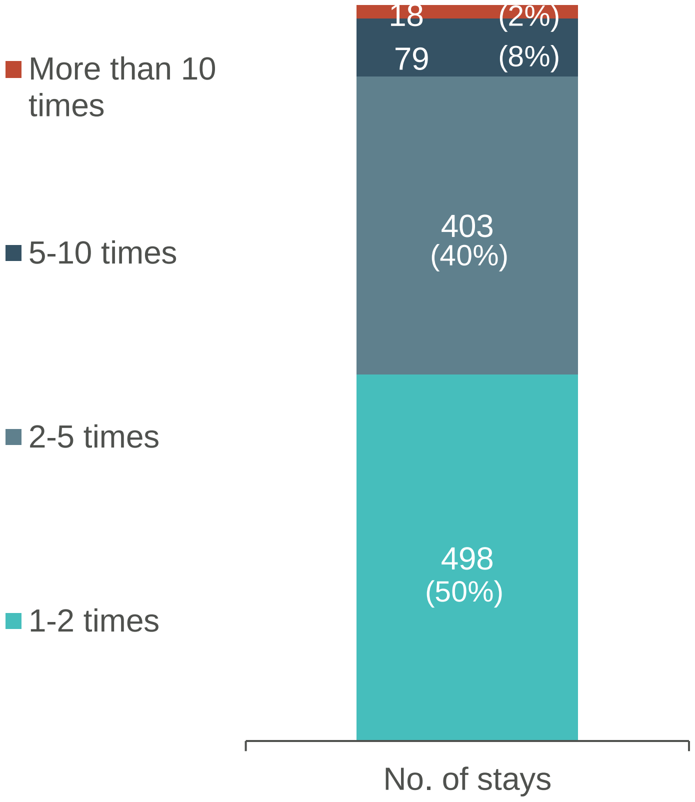


Source: Secondary research, Statista, Praxis analysis

Customers booking online accommodation are young, with HHI > Rs.10L (US$ 15.4K); 10% of these are frequent travelers (>5 stays in the last one year)

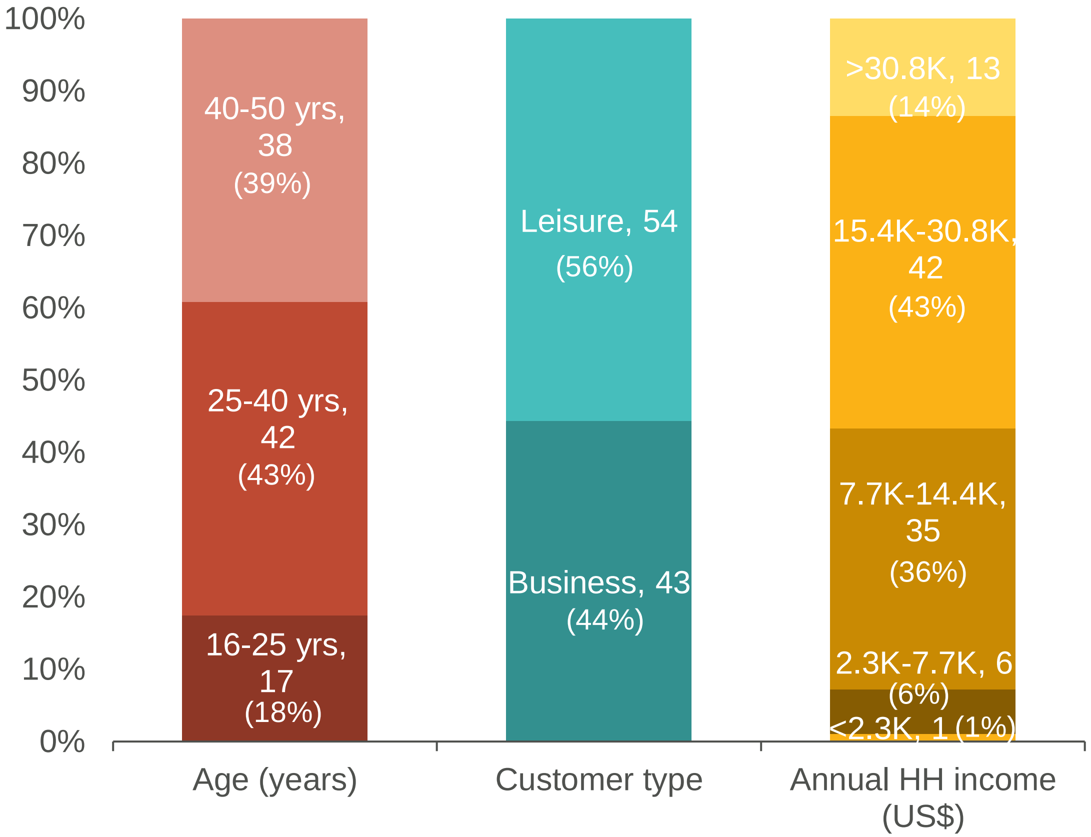
10% of the customers surveyed stayed more than 5 times in a travel accommodation in the last one year

Q: How many times have you stayed in a hotel/homestay/resort in the last one year? *(N = 998)*



… and majority of these customers are young, has HHI > Rs. 10lakhs and are leisure travelers

Q: Customers profiling (for customers who stayed more than 5 times in the last one year) (N = 500)



Source: Customer survey (N = 998), primary conversations, Praxis analysis

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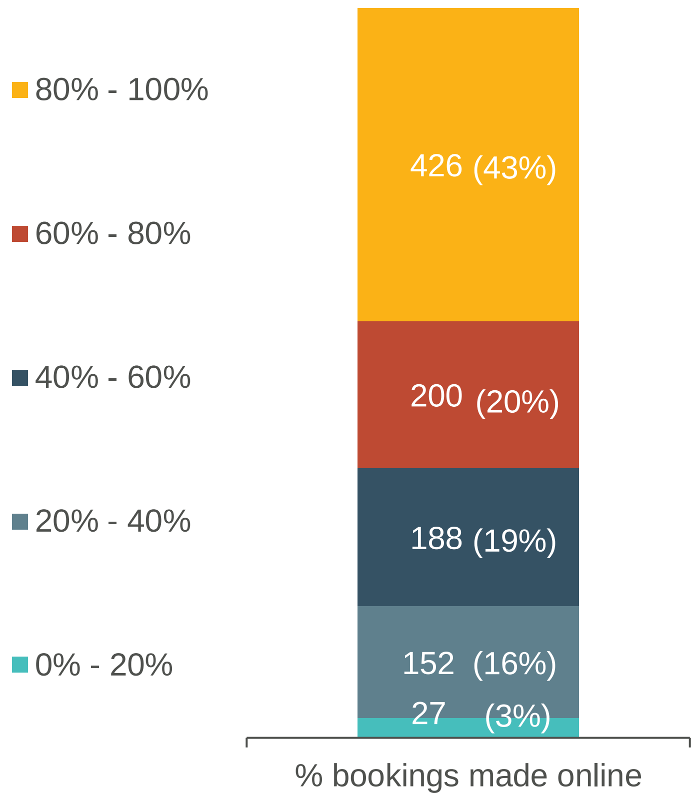
63% of the online customers say that more than 60% of their travel accommodation bookings are made online

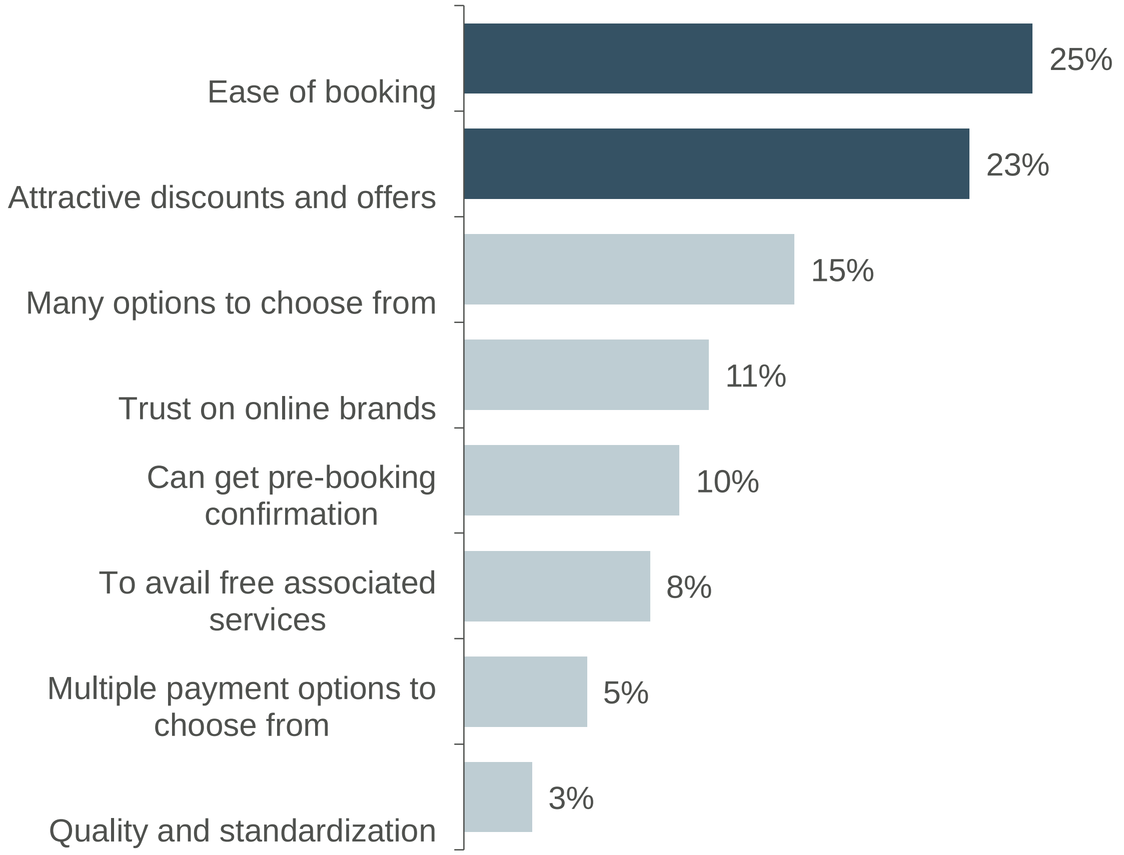
~63% travelers prefer to book their accommodations online for more than 60% of their total booking

Q: In your travel accommodation bookings, what is the % of the online bookings in the last year? (N = 993)



25% of customers consider ease of booking as the primary reason for booking their travel accommodation online

Q: Why do you book travel accommodation online? (N = 998)



Note: Survey includes customers who had booked their accommodation at least once online

Source: Customer survey (N = 998), Praxis analysis

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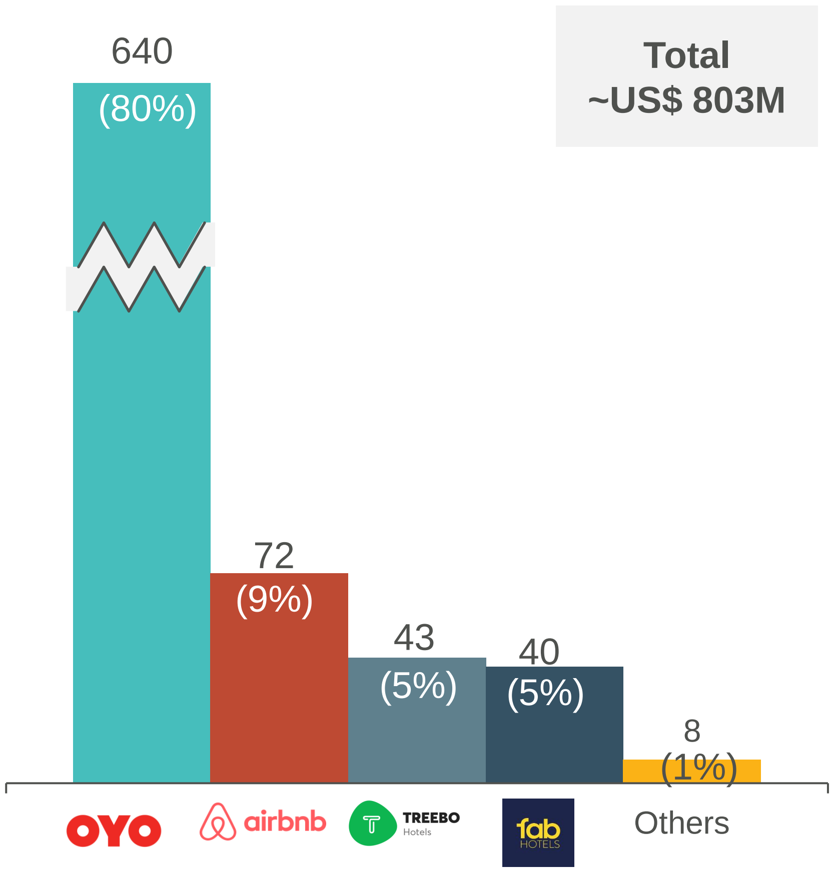
Market share: OYO is the largest online hospitality company in India with >$1B GMV monthly run rate annualized as on May, 2018 (10x Airbnb and 20x Treebo and Fab)

OYO is the largest online hospitality company in India with ~80% market share

Gross booking value (US$M, FY18)



Player	GBV for May, 2018 (US$M)	GBV monthly run rate annualized as on May, 2018 (US$M)
OYO	~90	~1,080
TREEBO Hotels	~4	~44
fab HOTELS	~3	~40

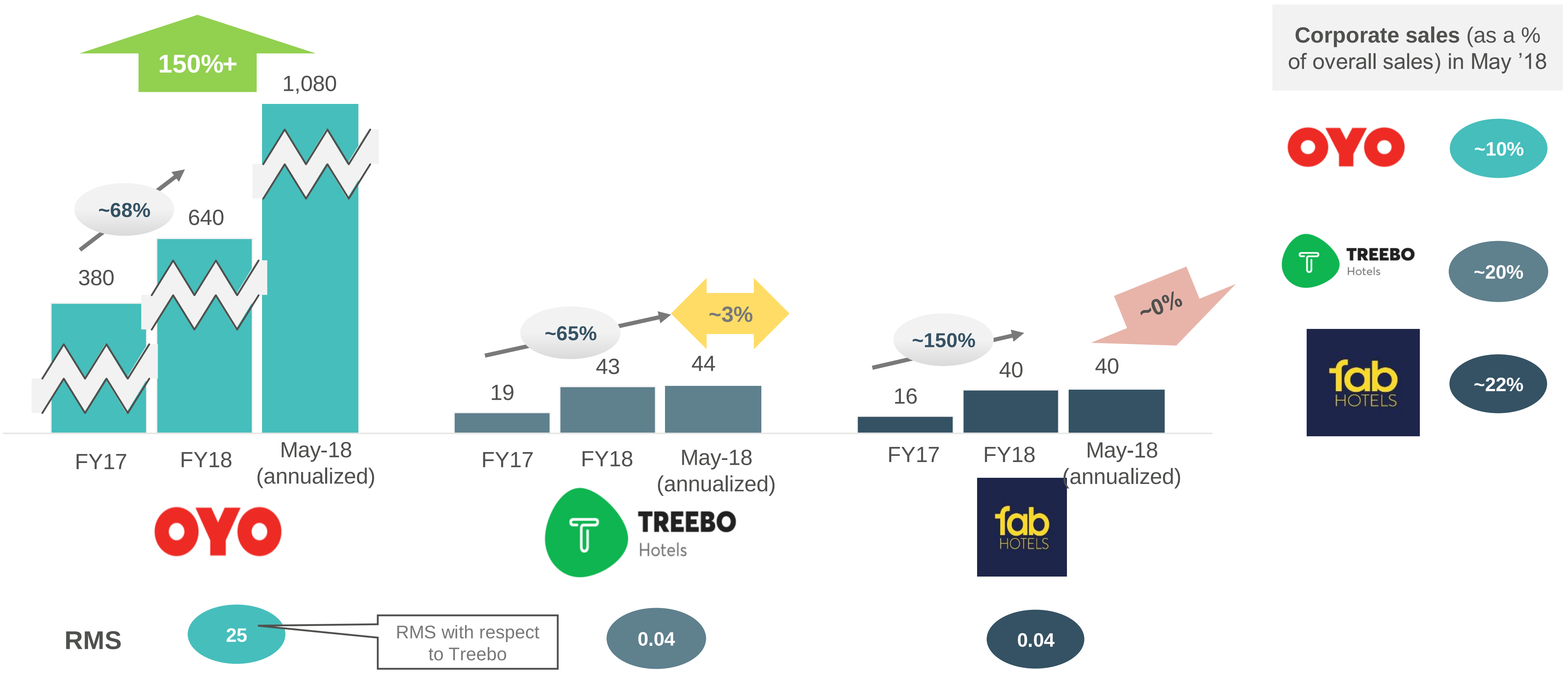
Due to removal of Treebo and FabHotels from MMT platform, their GBV MMR got reduced by ~23% and 35% respectively

Note: Others include smaller players like Saffron Stays, etc

Source: Primary research, Praxis analysis

OYO's GBV is growing faster than it's peers on a larger base (mid FY17- May '18); Treebo and Fab seem to have lost momentum in the recent months

GBV of various online hospitality companies (US$M)



Note: Corporate sales definition: Any booking coming from admin of corporate office is considered as corporate sale

Source: Primary research, Praxis analysis

Reach: From a supply perspective also, OYO has the widest reach by cities; but significant gap is still left to cover

Location details of various online hospitality players

City type (Population)	Metros	Tier-I (>2M)	Tier-II (>1M)	Tier-III (>500K)	Others (<500K)	Total
TOTAL cities	**6**	**10**	**36**	**43**	**>400 tier IV cities**	**> 545**
OYO	6	10	30	18	88	**152**
Airbnb	6	9	26	9	57	**107**
Treebo	6	9	17	4	45	**81**
FabHotel	6	8	8	3	4	**29**
Saffron Stays	0	1	0	0	26	**27**

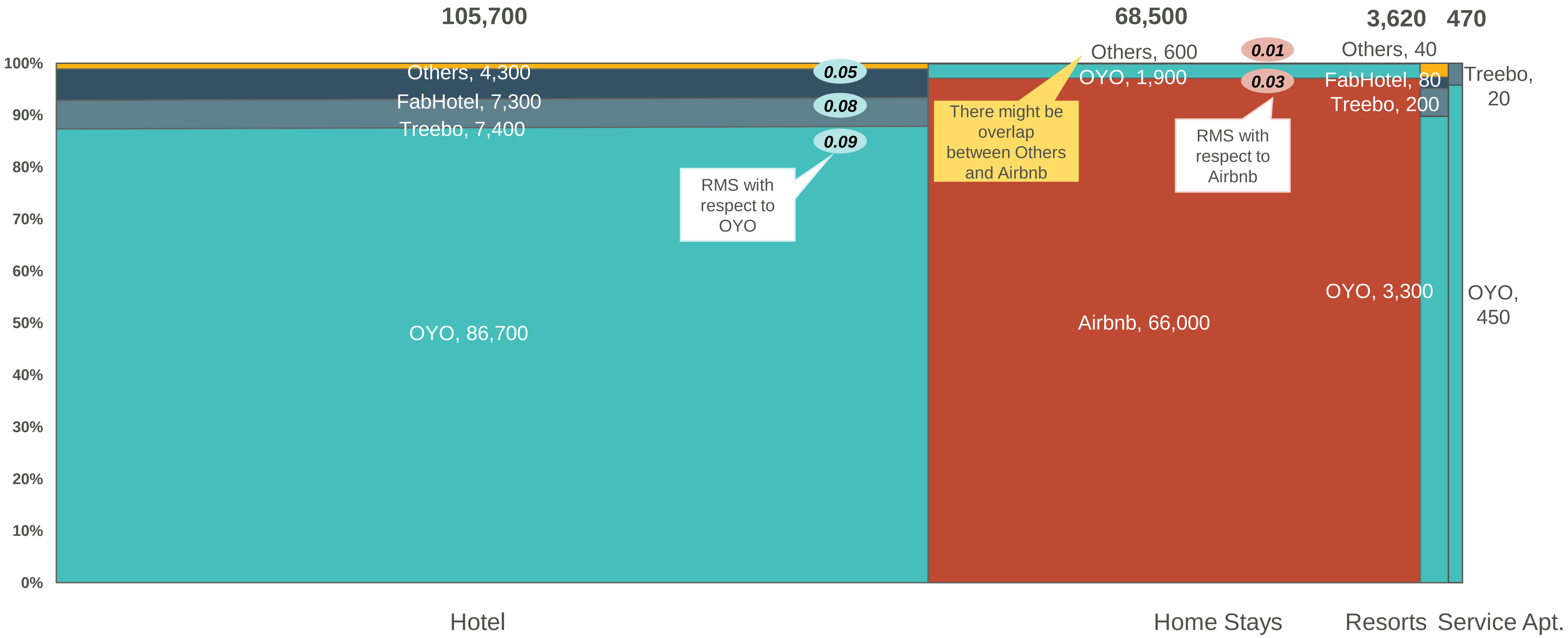
Note: Considering Goa as Tier 2 city, Mumbai metro includes Suburban area, Navi Mumbai, Thane, and surrounding areas, Delhi includes New Delhi only, Pune includes PCMC, and others include Tier-IV cities, and rural areas

Source: Company websites, Airdna data, Market survey, Praxis analysis

Supply share: OYO is the largest online hotel player in India followed by Treebo, However, Airbnb is the largest provider of home stays in India

Number of rooms of various online hospitality companies as on Apr, 2018 (%)

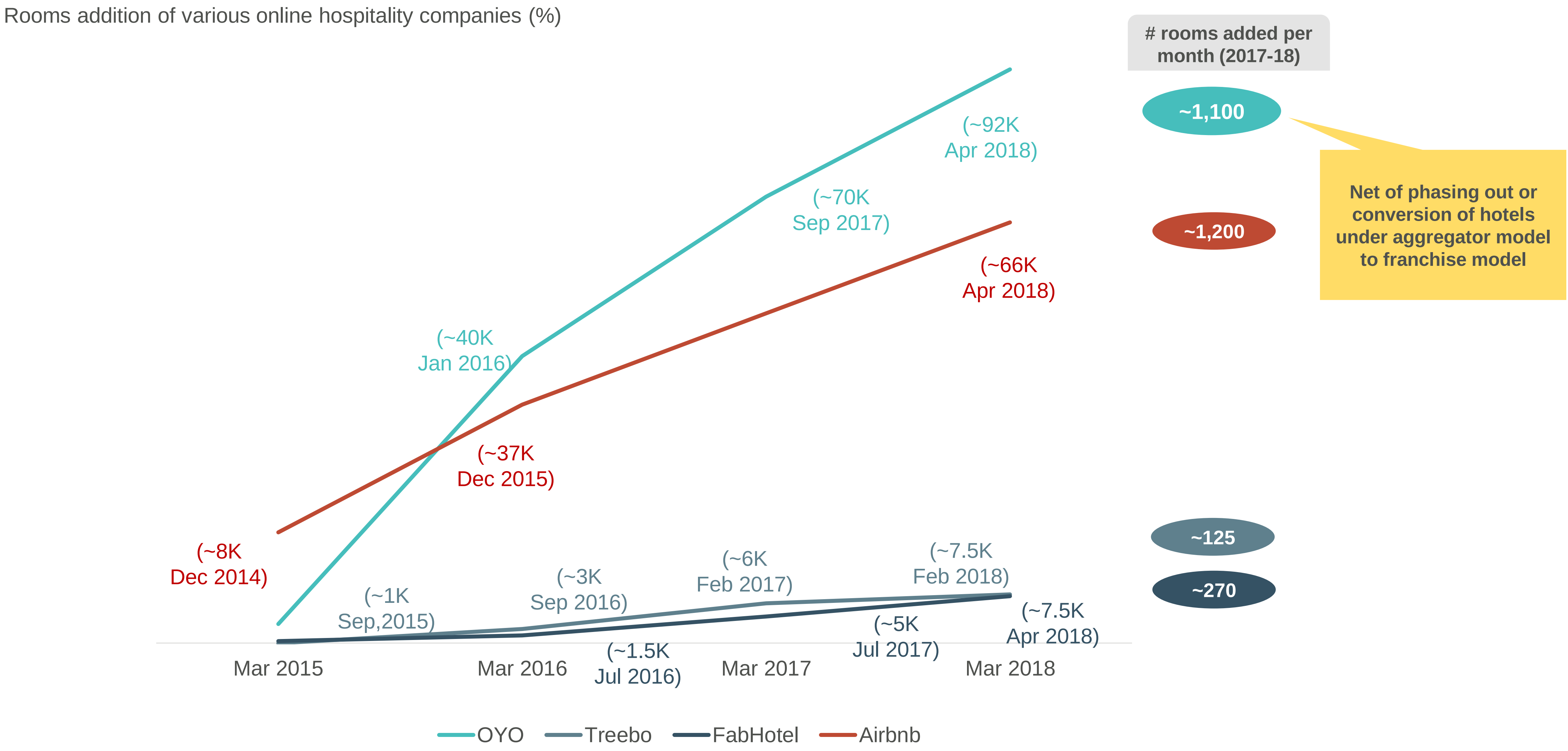
Total rooms: 178,290



Note: Other companies include Vista Rooms, Mango Hotels, and Saffron Stays

Source: Company websites, Airdna

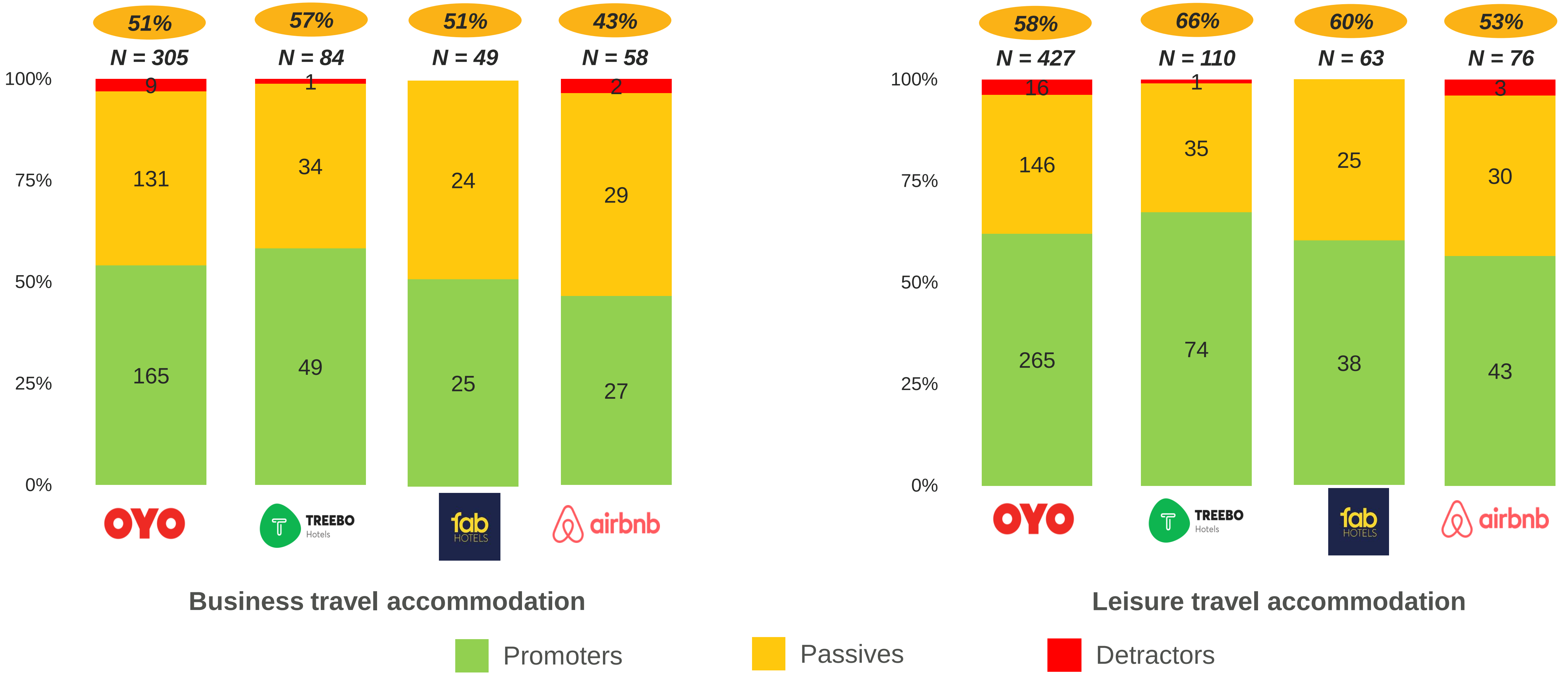
~2.7K rooms are being brought online every month; OYO leading (92K rooms, Apr 2018) and Airbnb; Treebo and Fab ramping up slowly (7-8K rooms each, Apr 2018)



Source: Secondary research, Praxis analysis

Customer Experience: Treebo leads the customer satisfaction scores marginally with OYO and FabHotels not far behind

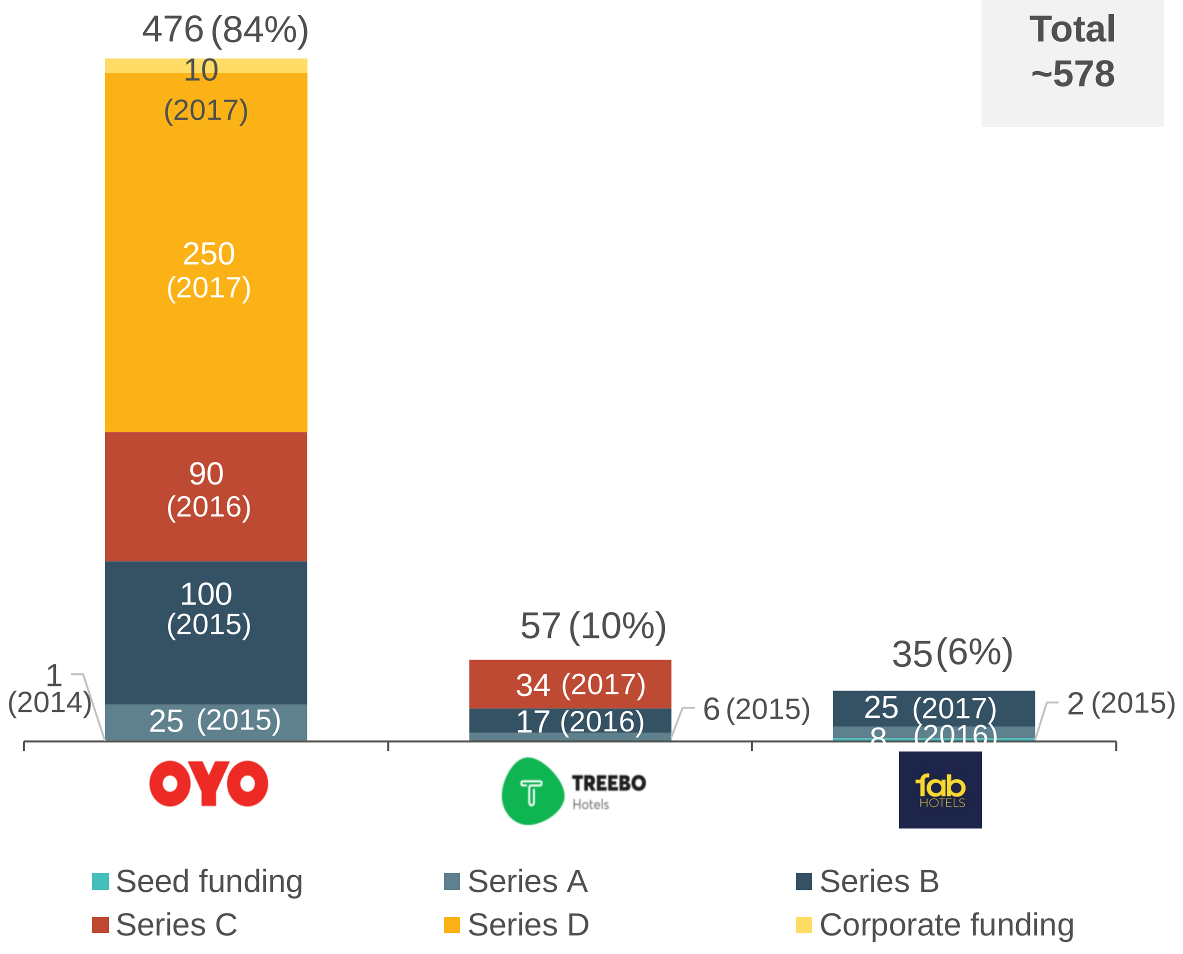
Q: On a scale of 1 to 10 where 1 = 'not likely at all' and 10 = 'very likely', how likely are you to recommend the following hospitality companies to your friend, family or colleague?



Funding: Online hospitality companies has raised more than US$ 570M so far; OYO has been most aggressive and has grown more 2.75 times since the last fundraise

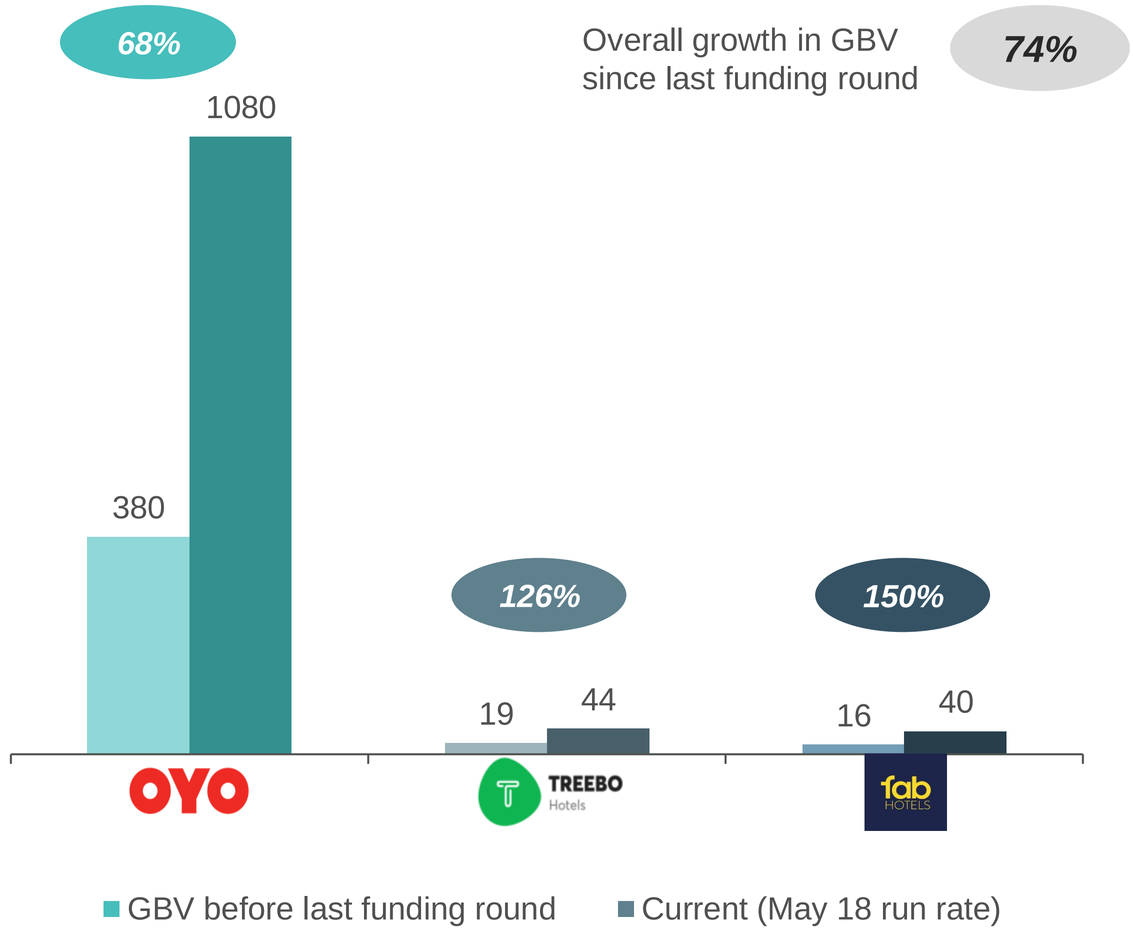
Online hospitality companies have raised US$ 578M so far, of which OYO has raised 84% of the total funding

Funds raised by various online hospitality companies (US$M)



Since last funding round, OYO's GBV has grown by more than 68%

GBV expansion since last funding round for online hospitality companies (US$M)



Source: Crunchbase, Primary research, Praxis analysis

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Glossary

• GBV	Gross Booking Value
• ADR	Average daily rate
• ARN	Available room nights
• RN	Room nights
• Metro Cities	Mumbai, Delhi-NCR, Kolkata, Hyderabad, Chennai and Bangalore
• CAGR	Compound Annual Growth Rate
• FY	Indian Financial Year starting Apr 1 of a year and ending on 31st March of the next year
• INR or ₹ or Rs.	Indian Rupees
• CX	Customer experience

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PGA MIBEX evaluation parameters and weights

xx Points

PGA MIBEX 100

30 **Momentum**
- GBV MMR
- Room addition MMR

20 **Stakeholder eXperience**
- Customer satisfaction
- Room availability and variety
- Property owner satisfaction

Investor optimism 10
- Investment potential

20 **Economics**
- Operating leverage
- Take rate and occupancy improvement

Brand equity 20
- Brand awareness
- Consideration for room booking

Source: PGA MIBEX model

