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Online Travel Executives Speak About Innovation

By Yakov Sadchikov

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In 2012, the Russian online travel market is valued at over $7 billion, representing 15 percent of the total travel market in the country. So how do Marina Kolesnik and Max Kraynov, the chief executives of online hotel reservations agency Oktogo.ru and travel search player Aviasales.ru, respectively, innovate with their products and technology, in sales and marketing and of course, with their distribution strategy?

Oktogo.ru

Marina Kolesnik

Q: Tell me how you go about innovating with your products and technology?

Marina Kolesnik, Oktogo.ru: We leverage both the online travel agency model and merchant model. The agency and merchant hotel contracting product allows us to serve customers with and without credit cards. It also allows hotels to get no show guarantees even if their guest doesn't have a credit card. Just over a half of payments for hotel bookings on our website are made by credit card. We offer offline payments via cash at instant payment terminals and retail outlets across Russia. When our website user makes a search, our booking engine will return the best hotel deals that it sources in real time from our hotel inventory suppliers and hotels.

Max Kraynov, Aviasales.ru: We don't have that one "killer" feature that defines our product. Delivering on the promise of finding the best travel products requires a lot of things behind the scenes to work in a perfectly arranged manner including fast addition of new travel providers (airlines, OTAs) and constant iterations on minor features such as colors and elements layout. What we've learned is that perfection is a process, not an end-state. Our technology allows us to limit the load on our suppliers when it's been statistically determined that the chance of getting a good price on a particular destination from a given supplier is low. Our process enforces interoperability between all our products, which means consistent user experience and lack of product silos in the organization as a whole.

Aviasales.ru

Max Kraynov

Q: How do you innovate in sales and marketing?

Marina Kolesnik: We have pioneered a deferred payment model in Russia that allows customers making a hotel reservation to guarantee the price but pay later, for example, at a cash terminal. Although most of our marketing budget is invested in online channels, including search ads and CPA display ads, we do innovate in offline marketing. For example, we were the first to support "Travel Massive" global meet-ups of travel bloggers in Russia. We work closely with travel industry media. We also sell through our own call centre which generates some 20 percent of our sales.

Max Kraynov*:* As a travel meta-search engine, we sell leads to OTAs and airlines, but we market to online users who become leads either immediately or later. We look at ourselves as a marketing arm of various travel product providers. For an OTA with an above-average product or service offering in the market, we help to relieve its need to invest a lot of money in online marketing. It is better to spend on making their product better. Regarding consumer marketing, we try to do our best to be online everywhere, where our audience of independent travelers is. And we also have an affiliate program for bloggers. Our search box is used by hundreds of blogs in Russia.

Q: And what about your all-important distribution strategy?

Marina Kolesnik: We have both an online and offline distribution strategy. Given the fact that Russian Internet penetration is just above 50 percent, we entered into partnerships with specialized retail chains in Russia where visitors can book hotels using the Oktogo booking engine. One example is a mobile phone retail chain Svyaznoy which has thousands of retail outlets in Russia. Our other partner is a chain of customer service centres of Russian Railways (RZD), which are located at railway stations in major Russian cities. Overall, we have a presence (via offline partners) in some ten thousand offline point of sales throughout

the country that help us capture customers that do not book online yet. Some 10 percent of hotel bookings on Oktogo.ru are already made from a mobile device (mostly from a tablet computer), so we plan to shortly release a mobile application.

Max Kraynov: Online is our only channel, so all our distribution strategies revolve around this. The two fastest growing distribution channels for us are mobile (which generates 10 percent of bookings made via our service) and affiliates (25 percent). We share revenue with our affiliates such as travel bloggers and website owners — who want to do what they love and do it best (create content) and not worry about boring things (like monetizing their content). We invest a lot of effort in mobile because mobile travel search is the future. Our iOS application is the top mobile travel search app in Russia with the highest rating among competing apps. Our Android app will be released soon.

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