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Aviasales.ru Piloted From Thai Offices

By Yakov Sadchikov

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The Russian online population exceeds 60 million, making it the largest Internet market in Europe. One of its high-growth areas is online travel. This year, the online travel market is expected to reach $10 billion. However, it will account for less than 20 percent of the total travel market in the country. In the U.S. and Germany, more than half of individual and business travel is booked online. The growth opportunities in Russian online travel are massive.

I spoke with Aviasales.ru CEO Max Kraynov, the man behind the largest travel search site in Russia, about why local Internet brands can beat global ones here. And Aviasales.ru is not even based in Russia. It's main office is in Thailand, while it maintains an office of two to three employees in Moscow.

Q: Please describe Aviasales.ru.

A: We're the largest flight search engine in Russia. At least 7 percent of all online flight

bookings originate on Aviasales.ru. We connect to dozens of online travel agencies and airlines to find the lowest fares in any direction. We also offer travel sites and blogs with effective instruments to monetize their traffic via our affiliate program.

Max Kraynov
For MT

Q: What is hot about your company?

A: We've been growing 200 percent year on year for the past three years and expect to grow at this pace even further. We've put the customer first, which is reflected in the huge customer following in Russia, as well as the unusual fact that we've been able to grow without a cent of venture capital. All our staffers travel abroad at least quarterly, and they routinely find themselves in our customers' shoes since they only use our site to find the best fares. On top of that, we have a fantastic place to work. Our offices overlook the Andaman Sea, and our colleagues surf in the mornings and hit bars in the evenings. We've totally sorted out the work-life dilemma for most of the employees.

Q: How do you manage to beat global travel search sites in Russia?

A: As I've said before, we put our customers first. This means that we insist on displaying the full ticket price on our website, including taxes and various surcharges, something our competitors claim to do but don't always live up to. We go to great lengths to ensure that there is no price shock when customers get to a booking page on an agency's website. Aviasales' marketing, relationship with customers and presence on social networks are all made by Russians for Russians.

Q: What are your company plans for 2013 and beyond?

A: We're working on extending our services by adding our own hotel search. Right now, we use another company. This will allow independent or business travelers — two of our key customer segments — to supplement their cheap airfares with reasonably priced hotel rooms. We are launching some of our features in other markets under our English-language brand, JetRadar. Some would argue that most travel markets have stagnated, but we have a couple of tricks up our sleeve that we're looking to try. Mobile is a big thing for us because it's the fastest-growing search and booking channel. We've already established our iOS and Android mobile apps well in the market. Now it's time to add extra value to the customer experience and ensure that most smartphone users have the Aviasales brand in their pockets.

Q: How does travel in Russia benefit from moving online?

A: The Internet is the big equalizer for businesses. It puts lots of control into the hands of consumers. Going online will help or already helps:

* Airlines, with streamlined distribution and direct contact with customers.

* Travel agencies, with broad geographic distribution and no need for physical presence in corner shops.

* Hotels and other accommodations providers, with improved distribution and ability to get noticed. Hotel discovery in Russia is a huge black hole at the moment, with more than half (if you believe the opinionated market players) of hotels not having an online presence.

* Legislation. Travel is one of the largest e-commerce segments, with the largest average check size. Getting legislation up to speed with the new e-commerce realities is essential, and travel can drive this.

* Small businesses. We expect to see a fast-growing number of individual tour guides and personalized tours. Online presence and being listed in one or more tour guide marketplaces will solve the distribution challenge for small local players.

* Domestic tourism in general. We're strong believers in domestic tourism. Higher visibility of local attractions will encourage more people to plan their weekend getaways in other towns and cities.

* Individualization of travel. There's a growing trend of people wanting to travel on their own terms: picking their flights, accommodations and activities. Repeat travelers are more and more willing to travel off the beaten path, rent a car, pick a hotel because its rooms are comfortable and not because it serves free alcohol, etc.

Q: What investment opportunities do you see in the Internet market in Russia?

A: Many aspects of life in Russia could be improved to become more efficient and customer-friendly. In my opinion, the most promising areas are those that:

* Fix the price imbalance between prices for goods and services in Russia and abroad.

* Increase people's involvement in Internet businesses (eLance, for example) and use those workforces to create value.

* Improve transportation, logistics and delivery. Russia is a very unique market due to its geography and vast distances, but if anyone could make freight management more efficient, that would definitely scale globally.

As opposed to treating Russia as yet another market, it's worth noting the sophisticated ways of solving unusual problems that can be replicated elsewhere in the world. Thus, finding promising companies and showing them the way to enter the global arena, especially those countries with the huge "bottom of the pyramid" population, looks plausible and profitable.

Q: What would you suggest to venture capital firms that want to invest here?

A: Accept the Russian mentality, in which fate plays a huge role and fun precedes work. Look for founders who understand finance and operations management. Definitely have a local investment partner on the ground. Learn to work with dual-jurisdiction companies if you've never invested in them before.

Lots of otherwise brilliant Russians refuse to learn foreign languages. Learn to manage them as they are — and they will impress you. Don't write them off just because of this.

Q: What advice would you offer an Internet business in Russia?

A: Forget all those stories and one-hit-wonder companies. Don't buy into the hype, and just keep doing your thing. Most startup communities and startup events, as well as startup "incubators," are a waste of time at best.

While it's tempting to try to go global once you've gained some traction in Russia, resist the temptation. Expand only after you get to the No. 1 spot. This will save your and your investors' money.

Given a choice between searching for an investor and building a product, always choose the product. It's beyond comprehension how many entrepreneurs get their priorities messed up.

Q: Why is it good to be an Internet entrepreneur in Russia right now?

The market is huge, and it doesn't have dominant players in most segments and niches. While one can't predict the success of an individual company, it is definitely known that someone will succeed, and succeed big-time! The market is growing at a rapid pace, and previously minuscule niches are no longer out of reach of lean and financially diligent companies.

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