

TRAVELLING MADE EASY (A Case Study of redBus.in)

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Abstract:

redBus.in is an online travel agency offering bus tickets in India. redBus.in was founded by three engineers- Phanindra Sama, Charan Padmaraju and Sudhakar Pasupunuri -who studied together at the BITS, Pilani, and later worked in various companies in Bengaluru. Started modestly in August 2006 with a few seats from one bus operator, redBus today is one of the most successful online bus ticket booking agencies. Today, it has 700 bus operators, 10,000 buses listed on it, works in 15 states and sells around 5,000 tickets every day. The Company raised its first capital in 2007 from Seedfund Advisors, an early stage investor and their second investment in 2009 from Seedfund, Helion and Inventus Capital. Phanindra became the second entrepreneur from India to join Endeavor, a non-profit organisation started by the Harvard alumni. Business magazine Fast Company recently released its 2012 list of the World's 50 most innovative companies. One of the companies to be featured on the list is the Bangalore-based redBus. The journey of redBus has been amazing and an eye-opener to all the budding entrepreneurs. This type of business model is not present anywhere in the world. This paper attempts to explore the journey of redBus. An earnest attempt has been made to develop a case study of redBus that could be administered in management classrooms.

KEYWORDS:

Business Model, Online Travel Agency, Venture Capital.

1.INTRODUCTION

Bus ticket booking during the offline era posed various difficulties to the customers as well as the bus operators. Offline ticket booking reduced the scope of customers to choose different options based on their travel criterion. It also increased the franchising cost for the bus operators. At the same time, the bus operators were also finding it difficult to monitor their bus seat filling information. Many small and medium bus service organizations do not have their own online bus ticket booking system. E – Bus Ticket booking system enables those bus service organizations to cater their services online and get benefit out of it. Online bus ticketing system facilitates the customers to book their tickets of their desired bus services. The premium search engine enables customer to choose one of many buses belongs to different bus services based on their travel criterion. A unique characteristic of online ticket booking system is that it allows customers to book tickets with highly interactive features. This system will also allows the bus service organizations to monitor their booked tickets information online which reduces the human mistakes in off line bus ticket booking process, increases accuracy and enhance the flexibility of information processing. It also has a sophisticated, easy to use and good user interface which enables the customers to perform their online transactions smoothly.

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1.1. REDBUS.IN-A KICK STARTER

redBus.in is an online travel agency offering bus tickets in India. redBus.in was founded by three engineers- Phanindra Sama, Charan Padmaraju and Sudhakar Pasupunuri -who studied together at the BITS, Pilani, and later worked in various companies in Bengaluru. Started modestly in August 2006 with a few seats from one bus operator, redBus today is one of the most successful online bus ticket booking agencies. Today, it has 700 bus operators, 10,000 buses listed on it, works in 15 states and sells around 5,000 tickets every day. The Company raised its first capital in 2007 from Seedfund Advisors, an early stage investor and their second investment in 2009 from Seedfund, Helion and Inventus Capital. Phanindra became the second entrepreneur from India to join Endeavor, a non-profit organisation started by the Harvard alumni. Business magazine Fast Company recently released its 2012 list of the World's 50 most innovative companies. One of the companies to be featured on the list is the Bangalore-based redBus. The journey of redBus has been amazing and an eye-opener to all the budding entrepreneurs. This type of business model is not present anywhere in the world.

2.1. REVIEW OF LITERATURE

An attempt has been made to review case studies and the work of individual researchers, magazines, journals, articles pertaining to case methodology in teaching management concepts. A wide range of academic literature case methodology as a teaching pedagogy has been reviewed for the purpose of this study.

Philip (1996) reports the results of a study on how undergraduates in one BBA programme perceived the use of case incidents and illustrates different methodologies for using case incidents in higher education. Argues that they are a powerful, easily utilized methodology which could embrace a variety of disciplines, but even in business only a third of the teaching profession uses them regularly.

Chad Perry, (1998) states that qualitative research has not been viewed as a rigorous alternative to established quantitative methods in postgraduate marketing research. However, this paper reports on the Australian development of a successful, structured approach to using the case study methodology in postgraduate research. Its aim is to present and justify guidelines for using the case study research methodology in honours, masters and PhD research theses, and so it should interest candidates and their supervisors. First, appropriate positions on a range of scientific paradigms and core issues of induction and deduction are established. Then implementation of the case study methodology is examined, including the numbers of case studies and of interviews. Unusual but effective uses of theoretical replication to rigorously analyze case study data are illustrated from postgraduate theses. Finally, a framework is provided for constructing a thesis, emphasizing the key methodology chapter.

3.1. NEED FOR THE STUDY

redBus.in has a unique business model. It is the first of its kind in the world. The success story of redBus.in is very inspirational for the budding entrepreneurs. redBus.in has proved to the world that thinking out of the box would yield excellent results. It was started by people who had settled very well with their IT jobs. They quit their comfortable jobs to start redBus.in. Though they suffered from initial hiccups, redBus.in has grown in leaps and bounds within six years of its inception. This case study apart from motivating the youth to become entrepreneurs would also help them to understand the nuances of doing business in the most competitive world. This paper attempts to explore the journey of redBus. An earnest attempt has been made to develop a case study of redBus.in that could be administered in management classrooms.

4.1. OBJECTIVES OF THE STUDY

To analyse the reasons behind the success of redBus.in
To formulate the success story of redBus.in as a management case study

5.1. METHODOLOGY

Information for the study was collected from both Primary and Secondary sources.

5.1.1. PRIMARY DATA was collected by interviewing the founders and the employees of redBus.in

5.1.2. SECONDARY DATA was collected from various online sources, books and journals.

5.1.3. LIMITATION OF THE STUDY

The study is confined only to the operations of redBus.in

6.1. REDBUS.IN-THE SUCCESS STORY

redBus.in was founded by three engineers-Phanindra Sama, Charan Padmaraju and Sudhakar Pasupunuri who studied together at the BITS, Pilani and later worked in various companies in Bengaluru. They neither had entrepreneurial instincts in them nor were particular about starting something on their own. All the three were comfortable with their lucrative jobs.

About five years into his job, Mr.Phanindra Sama, one of the Co-founders of redBus.in was trying to go from Bangalore to Hyderabad for Diwali. While every travel agent claimed that there were available seats on some bus, none of them could book the tickets and kept asking him to try another agent. Ultimately he was not able to go to his home town due to lack of access to the available tickets. He saw a huge business opportunity through these available but un-booked seats. His engineering instincts persuaded him to build a better system to solve the problem. His analytical skills ushered him to look at this problem as a business opportunity. He felt that computers could solve these problems easily.

6.2. THE REASON BEHIND THE NAME AND THE LOGO

The founders were impressed by the autobiography of Richard Branson who started the Virgin brand. The way he rose up from poverty fascinated them. The Virgin brand is red in colour. They felt that marketing would become easier if there is a colour. As redBus is an Internet-based company, people would have to type the name. So, they wanted to give an easy name. When they were studying in BITS Pilani, they used to go via Delhi and there, they found red line and white line buses. They first thought of naming their business as redline, but it was already booked. Hence they decided to go in for redBus. Angeline, a friend of their classmate, designed the logo for them. They registered redBus.in and created a web site for the same.



6.3. Handholding by TiE

In January, 2006, the founders of redBus with their friends divided the work and started working on weekends on the project. When the prototype was ready, they went to the bus operators and tried selling it to them, but they were not even willing to take it for free. The bus operators felt that these people were trying to disturb the status quo. The founders were perplexed and had no clues to go ahead. It was at that time TiE selected their idea as one of the three ideas out of 300 for mentoring. It was followed by venture capitalists contacting the founders as they found our idea interesting. Before they went to TiE, they did not know anything about VCs. That was the time there were many VCs and very few ideas. So, people were willing to put up money for the idea. TiE gave them three mentors to advise on what to do. The mentors gave the idea to start a business of our own. The mentors gave assignments to the founders on a weekly basis. It was like doing a market survey. The founders were very prompt in doing all the assignments. The founders were very much impressed about the time spent by the mentors. They collected a plethora of information about the number of buses, the number of routes, the average price of a ticket, how people buy tickets, the profile of customers, how much commission a bus operator pays to an agent, etc. It was not comprehensive, but it gave them a general idea of the industry. They started in August 2006 with Rs 5,00,000 which was the savings of the three founders. One room of the house where they stayed became their office. Initially the founders gave a budget of Rs.30 lakhs to the VCs and that was a big amount for them then. When they worked their budget with one of the VCS, they found that they needed Rs 3 crore to scale up the business. The agreement was that money would be invested in three years. That was in February 2007 and the money was supposed to last till February 2010. But they spent all the Rs 3 crore in one-and-a-half years. The VCs also asked them to change from an online bus ticketing company to just bus ticketing company, and that is what redBus is now.

6.4. redBus- The Journey- From First Gear to Top Gear

The founders left their comfortable corporate jobs and started redBus. From a pampered corporate life, they were thrown into a life of uncertainties where they had to go to people requesting for things. To the bus operators, they were like the hundreds of sales people who went there. The world of business is totally different from the world they saw as an employee. They faced huge challenges. They used to go to the IT companies, stand outside when the employees came out for lunch and gave their redBus cards. For the first time, they were on the other side of the fence. A few weeks back, they were inside a campus and they used to ignore such sales people or brush them aside. Now, they had to kill their egos. It was a big moment of truth for them. In entrepreneurial life, one would have to face such humbling experiences.

After several visits and many requests, one operator agreed to give them five seats on 18th August 2006. The bus operator gave them one week to sell the tickets. They told all their friends and colleagues and also requested one of their friends to write about redBus on their discussion board at Infosys. On the 22nd of August 2006, they sold their first seat. A lady working at Infosys booked a ticket to go to Tirupati. They were so tensed that they went to the bus station and waited till she boarded the bus. They sold all the seats in five days and went back to the bus operator. Slowly, they could add more operators to their inventory.

The first year was not a full year and they did Rs 50 lakh worth of business in the first financial year. There were no profits. During the year ending 2008 March they had turnover was Rs 5 crore . They had 25-30 people working in three offices and had 50 bus operators. In 2009, they grew six times and the turnover was Rs 30 crore. In 2010 March, they had Rs 60 crore as turnover. Today, they have around 250 people working in 10 offices. This covers all the places where the bus industry is active. Southern India is most vibrant on the Internet and then comes western India. They sell more than 5,000 tickets every day. They have 700 bus operators. redBus wants to join the Rs. 500 crore club by 2013-2014.

6.5. redBus on Cloud Platform

The cloud solution has empowered the developers to focus on building apps based on their business needs and customize for the customer. After using a traditional datacenter for over a year, redBus ran into scalability issues. Procuring a new server or upgrading an existing one took more than two weeks. Moreover, the limited server capacity could not effectively handle processing fluctuations, which had a negative impact on productivity. They wanted to open a port on one of their servers and it took only two days. On another occasion, the memory size was not enough to service the workload. They realized that procuring new hardware was no more an option. They found that the answer lay in a cloud solution. And that was something that was not new to redBus. redBus is much larger than its closest competitor in terms of its resource network. To capitalize on that, the company offers software, on a SaaS basis, to its bus operators. This gives them the option of handling their own ticketing and managing their own inventories. The service helps bus operators get access to a large number of customers. redBus used a cloud vendor, Amazon Web Service (AWS), to build its SaaS offering. Padmaraju, one of the co-founders observed that the entire process of hosting and managing this service was smooth and easy. So he decided to move his entire infrastructure to the cloud. Today, all redBus' applications, including the mission critical ones are on the AWS cloud. This solution includes features such as the ability to easily manage access to servers through security groups, easy-to-use self-service management console, the concept of Elastic IPs, and superior support. The cloud solution has empowered Padmaraju's developers to focus on building apps based on their business needs and customize for the customer. This was not possible in the older model where developers were spending time making changes to the apps to accommodate the traditional datacenter's limited capabilities. After moving to the cloud and hosting their infrastructure at the AWS Asia Pacific (Singapore) region, the traffic to redBus has increased 3 folds due to reduced latency. This was possible only in a cloud platform due to its elasticity and scalability. It has also given them an overall cost benefit of about 30 to 40 percent. redBus business no longer needs to wait because of capability limitations associated with a traditional datacenter. As soon as there is a demand, Padmaraju has the infrastructure ready to meet it. The use of cloud technology has given us the competitive edge that helps them to innovate quickly.

6.6. Revenue Model of redBus.in

redBus has three lines of business. BOSS or the Bus Operators Software System is an ERP platform that gives bus operators access to their inventory. redBus.in is the consumer facing travel booking site. And Seat Seller is a workflow system for travel agents. With BOSS, they charge a subscription fee per month while for Seat Seller they levy a transaction fee. For redBus.in, they earn a commission for each

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ticket booked. There is a nice network effect between these three, more operators using BOSS leading to a larger inventory available for the redBus.in consumer. Regarding the bus routes, they initially focused on few routes and tried getting one to two operators per route. That helped them to do basic targeting. Specifically at redBus, they have always been very cost conscious. They always felt that they were more of a travel agent than an e-commerce site. To keep costs down, they compromised on quality in certain areas. They did not set up the best call center or use air-conditioning. Several people doubted the ability to make money in this sector with small transaction amounts but they had managed to do that. Today, they have benefited from efficiencies of scale within their back end systems and call centers.

6.7. redBus.in Secret of Success

The common maxim in ticket booking is “More Booking-More Commission”. But the founders of redBus thought this business model was not sustainable as the agent may become a parasite on the seller. Though the whole world follows the model, they decided not to follow it. They decided irrespective of the volumes the commission would remain the same. This idea gave a lot of comfort to the bus operators and increased their confidence in redBus. It is an out of the box kind of business model.

redBus is constantly trying to fix customers' pain points. Customers often find that they have not been allotted the same seat they had been promised. Each bus operator has a different seat numbering system. So redBus added features such as seat layout and seat numbers. The other feature was return tickets booking. Return seats are somehow not available or very expensive.

redBus.in expanded offices wherever there was logical connect in terms of routes and where they were sure they could generate demand. Today, for example, they are selling tickets for buses plying between Kolkata and Dhaka too. Several operators run buses on the return route and want redBus to support that as well.

7.1. CONCLUSION

This is the journey of redBus.in. It has been fantastic so far. It was one of discovery and lot of learning. It was a journey of excitement and disappointment. The journey so far has been amazing and an eye-opener as an entrepreneur and also as a human being. Every day is a learning experience for an entrepreneur. Entrepreneurship in India is at its best. The entire community is more open to entrepreneurs and there is an incredible ecosystem that is emerging with supportive VC investors, media and events. No company can be built in isolation. The Indian domestic market is huge, just Mumbai is almost as big as the entire Malaysian market. This market offers any consumer- focused company access to a tremendous customer base that is hard to find elsewhere. A lot more impact can be derived in a vast country like India. It can also be replicated in other countries. The entrepreneurs should focus on this idea and work harder. The case conveys a very strong message that if you do one good job, your life is worth it. But, the important thing is, whatever you do, do it well.

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