

Leading Indian airlines embark on OTA journey to save commissions

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May 15, 2009 /[India PRwire](#)/ -- Leading airlines Spicejet, IndiGo and Kingfisher have identified a new way to minimize their spends on agency commissions and GDS charges. Under the leadership of Federation of Indian Airlines (FIA), these three airlines are founding a new online travel agency (OTA) - [Rang7](#) - which will sell air tickets for them. The FIA is expected to sign this agreement in their upcoming meeting in 3rd week of May.

According to aviation industry experts, Indian carriers spend close to Rs. 200 Crore in distribution cost, given away to travel agents and travel portals such as Makemytrip, Yatra and Cleartrip.com. In today's condition, where airlines are reeling under losses, reducing the distribution costs will help them significantly.

Full service carriers such as Air India, Kingfisher and Jet Airways had attempted to replicate the global zero commission model in India earlier, but met with strong resistance from the travel agent community, and had to restore commissions shortly. The new portal - [Rang7.com](#) - will be a clever way for the airlines to reduce their distribution costs progressively.

The portal is expected to be launched in the next two months, and will show unbiased fares for all different airlines - unlike existing portals, which show fares in the order of commissions they receive. A venture capital fund has committed an investment of approximately \$3 Million to the portal.

FIA Secretary Anil Baijal has confirmed this move, and has indicated that this agreement will be signed in the next FIA meeting. Following Kingfisher, Spicejet and IndiGo, other airlines are expected to sign on to the portal as well. Participating airlines would end up owning an equity stake in the portal, based on the agreement. The business model for Rang7 is structured along the lines of Orbitz in the US and Opodo in Europe, both of which have successfully launched this strategy in the past years.