

BUSINESS LIFE INVESTING IN CHINA

Online start-up banks on wanderlust - Travel search engine Qunar hopes to eclipse bigger rivals with an unusual business model, writes Mure Dickie.

By MURE DICKIE

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The name of Chinese start-up travel search website Qunar translates roughly as "Where are you going?"

For Qunar itself, the answer is: all over the place.

Just half a year since its inception and three months after launching its Chinese-language website, Qunar this week began beta-testing a search service for internet surfers in regional neighbors such as Hong Kong, Singapore and the Philippines. Japan, South Korea and India are scheduled to follow by the end of the year.

The ambitious roll-out schedule for a company still seeking its first round of venture capital reflects a belief that the growth of both travel and internet use in China makes the country an ideal base.

"As people start getting rich, the first thing they want to do is travel," says Fritz Demopoulos, an American who co-founded Qunar with partners from China and Malaysia. He adds that Chinese social surveys have found that while respondents' greatest wish was to "be the boss", the more realistic, runner-up goal was to see the world.

There is little doubting the potential of China's online travel sector. The number of Chinese using the internet is expected to hit 120m by the end of this year and the online population broadly matches the people who are driving growth in airline ticket and hotel sales.

Internet travel agents - led by Nasdaq-listed, locally based ventures Ctrip.com and eLong - have won a strong presence and rising revenues by offering cheap fares and easy booking. Qunar's hopes, however, are based on a very different business model.

The venture is part of a new wave of travel "meta-search" companies. Like famous search providers such as Google, the meta-searchers use automated software "bots" to trawl the web for information that users can then easily search through. But Qunar and its peers do not just list internet travel websites, they also burrow into them for detailed information about prices and availability.

"We have a laser-like focus," says Mr. Demopoulos.

The results from hundreds of travel sites are then listed on Qunar's website and can be sorted

easily by price or time of departure or arrival. Qunar also aims to weed out false offers - the bane of many online travel bookers - by following up some searches to establish whether what is advertised is really available.

"Google doesn't have to take responsibility for its search results," says Mr. Demopoulos. "For 'vertical search' we need to take a bit more responsibility."

"We have girls out there checking that tickets actually exist and scolding the companies a bit if they don't," he says.

With the search service offered free, Qunar hopes to generate revenues from other sources. The aim is to win advertising from travel service providers that can be displayed on the site or as "paid search" results similar to those offered by Google.

Qunar also wants to generate referral or transaction fees from travel companies that win orders from Qunar users. But even Mr. Demopoulos admits that the business model is still doubted by many in the travel industry.

Qunar lists offers from online travel agents among its search results and woos them as advertisers, for example, but also makes it easier for users to get good deals directly from airlines or hotel chains, cutting out the middle-man altogether. So far, eLong is working with the start-up, while Ctrip is standing aloof.

Qunar expects to rely eventually on "paid action" fees for transactions actually conducted, but this will take time because of tracking difficulties and the fact that many people use internet searches to find a vendor, but book at a later date or by phone.

The first challenge is to win users to the Chinese site, which still suffers some technical glitches but generally offers a clear and neutral selection of domestic flights.

Qunar is sure that China is a good place to test the meta-search theory before expanding in the region. The company already has 22 staff and a city office, with about half its Dollars 150,000 initial founders' capital left to spend.

Zhuang Chenchao, co-founder, says few places could match Beijing's pool of tech-savvy, low-cost potential employees. Salaries for staff with basic programming training from a two-year vocational college start at about Dollars 200 a month, he says.

Like all internet start-ups, Qunar also faces the risk that an internet giant will muscle into its market. Indeed, Yahoo is already testing its international travel search site, Yahoo Farechase.

But Mr. Demopoulos says Qunar's combination of scaleable search technology with low-cost human monitoring of results offers some protection. And if his venture can quickly establish its name among regional travelers, it will be well placed to fend off competition later on. No

wonder Qunar is so keen to start going places.