

Growing a business with word-of-mouth marketing: the case of iXiGO.com

---- by Emma Beer ---

Most start-up companies allocate a hefty budget for advertising and marketing at the beginning, especially when they have lofty goals of capturing market share. But an Indian online travel start-up has proven the unthinkable: you can do it all by word-of-mouth and not spend a penny on advertising.

When Alope Bajpai (MBA '05J), decided to start a company four years ago he aspired to build the "Google of all travel". Bringing two former colleagues on board, Alope and the small team worked day and night to develop iXiGO, from a small apartment in Gurgaon, India. They launched in June, 2007. With a marketing budget of zero, iXiGO set out to reach the rising Indian middle classes and global travellers alike, through "word-of-mouth" marketing. According to INSEAD Assistant Professor of Marketing Andrew Stephen, "It was their belief, that if the product was good enough, it would succeed and people would tell others about it and it would start to take off."

While "word-of-mouth" marketing can take many forms, iXiGO is an example of what Stephen calls organic word-of-mouth. "It's not the case where they perhaps seeded it with certain consumers and what I would call a buzz or viral marketing campaign where they really tried to solicit word-of-mouth. Here, they put the product out there, they introduced it to the market and they just let people naturally talk about it...they would rather spend their money on developing the product and developing the algorithms than necessarily putting it into advertising," Stephen adds.

The strategy paid off. Less than six months after the launch in 2007, iXiGo was visited by more than 105,000 unique visitors, and were chosen as finalists at the Red Herring Global 100 and Red Herring Asia 100, the prestigious list of hot companies in the world and Asia respectively. In February 2008 they received first-round financing from BAF Spectrum, a Singaporean investment fund.

Analysing the data between the launch of the site in mid-2007 until mid-2010, the case study found that the growth rates in various traffic metrics were impressive. In terms of both absolute unique visitors and total number of visits, iXiGO achieved an average compound monthly growth rate of 12.7 percent. The average referral conversion rate per visit ranged between 11.8 percent and 68.5 percent. The maximum conversion rate was achieved in December 2008 and decreased by around 20 percent by the end of 2010, arguably attributable to the recession.

iXiGO's global travel portal allows users to search directly across multiple airlines, hotels, buses, trains and online travel agencies.

Like many travel search engines such as Kayak.com, iXiGO is an 'infomediary' allowing the user to independently search for their travel and accommodation requirements. Users specify where they want to travel, on what type of transport, and iXiGO's proprietary metasearch engine trawls over 100 travel sites to find the best deals. The iXiGO website provides a flight search that allows real-time fare and availability search algorithms, with special tools for Indian travel including a bus and train search. The website includes more than 40 airlines, 30 hotel portals, four bus portals and the Indian Railway Catering and Tourism Corporation.

The selective nature of word-of-mouth marketing allowed iXiGO to attract the quality target audience they wanted - those with money to spend on travel - and excluded the window-shoppers. "They are looking for business professionals, for instance, people who travel often, the more affluent, rising middle class of India. It's on that conversion that the people are arriving or doing a search and then placing that order or buying the fare that iXiGO makes money on," notes Stephen.

As of early 2011, iXiGO have pursued a hybrid revenue model, through display advertising, "Ads by Google", selling space and referrals, and property owner listing fees. iXiGO receives commissions if users buy their tickets or accommodation having started a search through iXiGO. Hoteliers can also list their hotel directly on iXiGO for a small fee. Aiming for a quality audience with a lower bounce rate (the percentage of visitors who land on the home page and do not navigate further before leaving the site) also adds value to the advertising offered on the site, achieving a higher search-to-booking conversion rate, and a higher average transaction value.

Money that might have gone into conventional advertising and marketing instead went into iXiGO's search engine technology, resulting in a service that gave customers something to talk about. Keeping that conversation among customers going takes time and effort. IxiGO have developed an aggressive social media strategy and customer relationship management, averaging 200 daily interactions on Facebook, and scooping up around 80,000 Facebook fans along the way through puzzles and quizzes to keep their users engaged with their brand. iXiGO's outreach on Twitter is less well developed.

All this has taken customer relations to a new level. "One thing they are doing more recently with social media is making sure they are listening to their customers on Facebook or Twitter or forums, and responding". The iXiGO team trawls Internet forums and blogs for any relevant comments or posts and makes an effort to respond to every comment, "Usually it is one of the co-founders who personally does this," explains Stephen.

Delta Air Lines, a customer, is a key proponent of this emerging trend. "They have a social media command centre in their headquarters in Atlanta that is open 24 hours a day, seven days a week," explains Stephen. "There is a team of people monitoring everything that is being said about Delta on Twitter, on Facebook, you name it. There are plenty of stories of them calling up the customer and resolving the issue while they're at the airport. It's an amazing new world of customer-relationship management that's happening in real-time."

Word-of-mouth marketing that is taking place offline is more difficult to quantify. However, in a query of Google blog and discussion searches over a three year period, 'iXiGO' was mentioned only 850 times, suggesting that a great deal of word-of-mouth is taking place offline. Public relations have been developed alongside the social media strategy, with 28 news releases published in 2010.

"Their strategy is basically to have the best product, the best technology, constantly innovate and improve the product and let the product sell itself," says Stephen. "Fortunately for them that's the nice story which has unfolded over the last few years."

The challenge for iXiGO going forward is to decide between consolidating their user base and, at the risk of alienating the established community around their product, continuing to grow their unique visitor traffic. iXiGO's future growth and business objectives should shape these

decisions. Just as business objectives evolve over time, so must social media strategies and customer relationship management. As the case study notes, "it is not immediately obvious in which direction they should head – particularly in their community growth and engagement plans, which will become even more important as they continue to organically grow and expand."

The article is based on an interview with INSEAD Knowledge and a case study which Andrew Stephen has written with Gonzalo Merino Sander, 'iXiGO.com in India: How to Become the Most Popular Travel Search Engine in India without Traditional Advertising...and What to Do Next'.

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