

# The motorcoach makeover: Driving bus travel into the future

Buses may seem like an outdated form of travel, but they're seeing a rebirth. The bus is still a very popular way of getting around in many geographies, especially in Europe. On an average day, more than 1.6 million people ride buses in Europe, three times that of people in the US.

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Buses are an inexpensive way to get somewhere, and the experience is changing. Bus travel is now cleaner and more comfortable, and some even offer modern conveniences, such as WiFi, power outlets and reclining seats. Although rail travel is still more popular, buses can reach far more places.

Buses are also beginning to adopt the qualities of airlines. Dynamic scheduling, sophisticated pricing, reserved seating and even frequent traveler programs are beginning to give the sector a new look. However, despite being a popular and cost-effective way to get around, buses are still the least digitised of all transport modes. It's no surprise that air travel is almost entirely digitised, and hotels aren't far behind—with household names like Booking.com, Expedia, and Amadeus providing easy online booking options. To date, however, bus travel is still 90% OFFline. Ask for a place to book air/hotel and there are 10 options—but for bus travel, most would struggle to come up with even a single name. That means there is a huge opportunity to be the first to truly digitise

this area.

## Reinventing an industry

Bus travel has lagged behind other modes of transportation in terms of digital transformation for several reasons. Bus operators are highly fragmented, with more than 10,000 operators globally. Bus operations also tend to be low-margin and plagued by inefficiencies. Only the largest operators can even afford to invest in IT, and even those struggle because IT is not a part of their DNA. This situation creates two giant opportunities that together will help rapidly digitise the bus industry over the next few years.

### Step one: the digital bus OS

First, there needs to be a digital foundation: a digital bus operating system (OS) that all operators can afford—one that has all the latest technology. It should easily integrate with both regional and global online travel agencies (OTAs). A singular bus OS will offer a one-stop shop to avoid having to integrate separate solutions, an impossible and expensive option for most operators. It would also need to offer a built-in digital payments platform with fraud mitigation and analytics that would offer all the best technology for optimising routes, pricing, SEO/SEM, loyalty programs, and so on.

### Step two: the digital distribution system

Top air/hotel OTAs are household names: Amadeus, Booking.com, Expedia, Kayak, Tripadvisor and others; none yet exists for the bus industry. Digital transformation is therefore also going to require a digital distribution system. Think of it as Expedia, but for buses.

The operators will benefit tremendously. As with air travel and hotels, global players will be able to invest heavily into building world-class products that benefit the smallest and largest operators alike. Lessons learned from operators around the world can be shared so that the entire industry improves. Passengers stand to benefit too. Having access to a wide variety of supply enables the creation of “virtual routes” that are not available from any single operator.

## A flourishing ecosystem

Innovation in the travel digitisation space continues to flourish and buses are

becoming an increasingly important travel mode to integrate. While not all are OTAs, there are many interesting startups that feature bus travel, including several unicorns. BlaBlaCar, the French online marketplace for carpooling, has raised more than \$500M. Omio, a German online travel comparison and booking website, has also raised over \$500M. Flixbus, a German brand that offers intercity bus service in Europe and the United States, recently raised \$650M at a \$3B valuation as well. Busbud, an OTA specialising in intercity bus tickets, covers buses in North America, South America, Europe, Africa, and Southeast Asia has raised \$40M. redBus, a leading bus ticket booking company, operates in 6 countries—India, Malaysia, Singapore, Indonesia, Peru, and Colombia. The company raised \$12M and was acquired for \$140M.

## A parting thought

Several factors are fueling growth and innovation in this space. First, Europe is getting close to figuring out the “digital bus” playbook which will ultimately be applied in the largest bus markets in the world: Latin America and Asia. This will open tremendous opportunities for players who want to get in on the game.

Second, COVID broadly hammered the industry. Tech startups with strong conviction and capabilities with the support of bold VCs can position themselves to make big moves before the market recovers—and to play a role in helping it recover. And like in all other travel digitisation journeys, consolidation will be an important piece of the puzzle for bus as well. As parts of the world start to show signs of recovery, bus travel is poised to not only recover, but through digitisation emerge as a new and improved way to get around. Innovators around the world are busy writing the story of bus, the final (digital) frontier and it is already shaping up to be quite the interesting tale.

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