

Ctrip's Business Model Innovation and Path Research

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Abstract. In recent years, the quality of Chinese people's life has been improving, accompanied by the rapid development of tourism, and tourism consumption demand. With the development of China's tourism market and the rapid popularization of Internet technology, online tourism enterprises emerge at a historic moment. In the online tourism industry, Ctrip is currently in a leading position, but in the face of increasingly fierce competition in the online tourism market, it is also facing new challenges and opportunities. Therefore, to maintain the leading position in the era of "Internet +", how adjust and improve the existing profit model under the new economic situation, make it more suitable for enterprises, and to consolidate their competitiveness is particularly important. This paper first analyzes the cost and profit model of the Ctrip business model, points out some problems existing in the business model, and then gives some solutions.

Keywords: Business model; Problems of Ctrip; Big Data; Solutions and Improvement of Ctrip.

1. Introduction

1.1 Research background

The business model is a model which can maximize the value for consumers, the integration of the internal and external elements of the enterprise operation, the formation of a complete and efficient operating system with unique competitiveness, and through the system, it can meet consumer needs and achieve customer value at the same time. Thus, the system can achieve sustainable profitability of the overall solution. The Ctrip is a platform that provides consumers with a place to book the tickets for planes, trains, and buses and also develops a new series of products, like the tourist's resort. Besides, it uses the B2B motion to support the platform, and during the pandemic, the Ctrip changed the live streams and some activities for consumers [1].

During the COVID-19, many countries are not recovered and the flights cannot stop in those countries, so the cost of the flight is increasing, especially for the international ones, which may lead to the demand for the flight and buses tickets decreasing and the fewer consumers choosing hotels, in that case, the revenue from those merchants decrease. In that case, if there is an outbreak in a certain area, the flights will be canceled, and the refund department in Ctrip needs to have a better service to consumers. After that, the company needs to change the business model to boost the consumption, like the live streams and some sales promotions, like the ¥99 flight tickets to random places during the holidays to boost the consumption. And the company needs to reduce the cost of advertisements and use advanced and sophisticated management to improve the efficiency of work.

1.2 Research significance

The articles show the Ctrip business model and it will forecast the further development of the Ctrip company and some solutions to deal with the problem in the business model. Besides, the company which is also focusing on traveling can learn some problems they may have in the future and the ways to solve them.

The first section is the development of the Ctrip and then it shows the business model of the Ctrip and some brunches to show the details of it. The following section is the problems in the business model. Then it gives some solutions to the problems in the business model.

2. The development of Ctrip

The Ctrip company was established in 1999, and its headquarters is in Shanghai with representative offices in 17 cities in China. Such as Beijing Guangzhou and Shenzhen, to name but a few. Until now, the employees around are more than 30000. Besides, it has set up branch offices in 22 countries around the world and its own service exchange office in Tokyo, Edinburgh, and other places. In 2003, Ctrip is listed on NASDAQ successfully. In 2015, Ctrip purchased and had the shares in Qunar company, which means Ctrip is leading the OTA industry in China. In the following year, they had a strategy corporation agreement with China Eastern Airlines company in Shanghai and claimed that and claimed that their subordinate holdings and investment companies are at all levels and will have the deep cooperation in various areas, like, equities, capital markets, and business [2].

Ctrip's main business is booking tickets and hotels, holidays products, and business travel. Ctrip has the most advanced hotel reservation service department in China and can satisfy a large-scale consumer's need. There are more than 32,000 cooperative hotels that can provide members with a large variety of convenient and preferential booking methods and have the comprehensive and specialized service platforms [3]. The same to the tickets service, The Ctrip can give consumers the whole tickets information in global.

3. The business model of the Ctrip

3.1 The cost and the profit model

3.1.1 The target consumers of the Ctrip

One of the targets is leisure and business travelers. They need to book the plane tickets, train tickets, and other related tickets and the hotels, they can book them through the Ctrip app and the website. Besides, the Ctrip will give some products to them, like selling some travel plans for them.

Moreover, the other target consumer is the group that needs consumers. For example, a company that needs the business travel service for a long time; the corporation between the local government in some cities, like San ya; and several traveling agencies and booking ticket centers that have several traveling service products demands.

3.1.2 value proposition

The first one is traveling, the Ctrip make a good performance on the products in the traveling area and the holiday products have hundreds of flights which include the mainland of China and to Hong Kang. Besides, it has flights to other countries, like American and British, to name but a few.

The second one is the booking hotel service; the corporate company is over 3200 which included the 138 countries and regions and a total more than 2000 reserved rooms.

The third one is the travel ticket. Since 2011, Ctrip has offered its own "travel ticket", also known as the Ctrip prepaid card, until 2013, when it changed its name to "Ctrip Gift Card". And it is divided into two products, "LET me go" and "Let me travel" respectively, for guests to choose from. There are many ways to use the cards, including the advance agreement or advance payment of this kind of hotel, hotel booking concessions, air tickets, train tickets, and other categories of services or products as well.

3.1.3 The cost of the Ctrip

One of the costs of Ctrip is that they need to pay 6%-10% of the turnover as the service fee to some design companies, like LT company which can promote tourism projects and re-optimizes and customizes tourism products of the Ctrip to meet the consumers' needs [4]. Besides, Ctrip company acquired the Yong a Travel Service for 88 million dollars, the sales, and outlets around the airports and railway stations in major cities throughout the country, and set up the brand hotels, they need to invest a large amount of money to finish the work mentioned. Another cost of the Ctrip business model is the human resource cost, the Ctrip had the largest call center in Asia with about 20,000 staff. So, the company needs to pay for their salary which is one of the cost, it also attaches great importance

to the investment in marketing, like the TV, network, and the mobile terminals advertising, to promote business and improve the brand recognition.

3.1.4 The profit model of the Ctrip

Ctrip is taking the membership service way to supply model, which means they need to make people in different groups depending on their consumption ability and the things they usually read, they rely on the huge data of the membership service and win the membership fee and take commissions from the platform users to gain the profit, which depends on the members using frequency [5].

The first revenue is the hotel booking agency fee, the consumer's book hotels on the Ctrip platform, and the Ctrip platform tell the information of the consumers to the hotels, then the consumers pay for the hotels and the hotels will give commissions to the Ctrip platform according to the arrangements between them. There are 3 levels between the cooperation between the Ctrip and the hotels: special, gold, and silver. Among the three-level, if the hotels want to be highly recommended to the guests by the Ctrip, then they need to be the special cooperate with the Ctrip, which means they need to pay 20% of the revenue to the platform, around 40% of the hotel profits. The second revenue is the air ticket booking agent fee, the way to gain money for the Ctrip is the price difference between the consumers and the price that the Ctrip company released. For example, the consumers book the tickets on the platform or through a phone call and the Ctrip company received the information and gives it to the different flight companies, the flight company give the tickets to the consumers and the consumers pay for the flight company or the agency then the flight company or the agency make sure the information and pay the refund to the flight company to the Ctrip through the contract.

3.1.5 The chain of the Ctrip

Consumers can check various kinds of information through Ctrip's online platform, select it book the through online payment, and then go to them at the predetermined time to consume. Ctrip will immediately feedback the reservation information of consumers to the platform, notify the dormitory administrator to update the housing information, and regularly return the fees of consumers to the designated account by taking their commission.

3.2 The problems in the business model

3.2.1 The cost of the production is high

Ctrip purchased the travel companies, like the quna website and the Yong a travel company, and some websites to book the tickets and expand the call center which is the largest in Asia including 20000 people. Thus, Ctrip needs to pay more wages to the workers in the call center, and the cost of production increases. In that case, the following is the operation of the financial difficulties, the original advantages are slowly disappearing although the resource control ability and the serviceability have made a progress. And the main competitors, like Elong, especially in the online booking hotels and the price level of the booking tickets is relatively low compared to the Ctrip. Therefore, the advantages in the price level of the Ctrip decrease, and the competitors plunder the Ctrips upstream supplier resources.

3.2.2 The slowly development of the new business

Ctrip focuses more on the investment and integration of the resources to control the industrial chain, but they ignore the innovation. At present, Ctrip mainly has four business segments: air ticket, vacation, hotel, and corporate travel. To the financial report, in Q3 2021, the total revenue for the 4 business segments is accommodation booking revenue of 2.2-billion-yuan, transportation ticket revenue of 1.8-billion-yuan, tourism holiday revenue of 392-million-yuan, business travel management revenue of 338 million yuan. Ctrip's capital reserves stood at 67.6 billion yuan at the end of the third quarter, up about 13% from the end of 2020. So, the revenue from air tickets and hotels alone accounts for more than 80% of the total revenue (data from Ctrip financial report). Although corporate travel and vacation have achieved certain development in recent years, their plans

cannot catch up with changes. The long-term weak foundation makes it difficult to change the current revenue structure in a short period. Moreover, the vacation market is the lifeblood of offline travel agencies, so it is difficult to make a change in a short time. However, other similar companies have developed their characteristics, such as hotel special offers Last Minute's price comparison search, Mango's feature, elong's feature, and so on. In these aspects, Ctrip cannot catch up to the date. And once the situation is averse to oneself, Ctrip takes to block again. Thus, a lot of enterprises are dissatisfied with the practice of Ctrip, one after another.

3.2.3 Suppliers has to much influence

With the development of the Internet and the involvement of search engines and B2C websites, airlines now want to skip selling products to customers on their own and open up direct sales channels. Their cooperation partners are elong, Green Mango, Tongcheng, and other small companies, and this kind of cooperation is deep and all-round. The use of the Internet makes the price of air tickets transparent, and customers can find their favorite products by comparing prices. This allows small companies to be nurtured and have access to resources to grow rapidly. In addition, major airlines have also opened their own online sales platforms. Without the price difference between the platforms, the ticket prices sold on the official websites of airlines are much cheaper. These actions make Ctrip suffer a certain impact. Because Ctrip's price disadvantage is also gradually exposed.

In addition, some online malls, such as Taobao and clap can sell tickets and book hotels, Taobao and pat have just for a travel agency or individual agent cooperation, but in the future, the developing direction of the future large probability is the direct cooperation with airlines, and the giant international online travel company Expedia bought a luxury website, after that, it cooperated with Elong to control the Chinese market.

4. The solutions of the problems in the business model

Ctrip needs to make the maximum value for the consumers. Ctrip has a huge database of registered users. Customers' preferences and demands can be easily analyzed based on this database. For customers' personalized requirements, they can provide tourism products and tourism services to meet customer needs [6].

4.1 The price level influence different consumers

According to the degree of air ticket price sensitivity, the first category is high-end two-cabin users. They are a small but profitable group of business users, usually executives or business owners, who are indifferent to price and willing to pay for a high standard of service [7]. The second type is general business travel users, which are constructed by ordinary business travelers. They have a higher price-sensitive level than the first type of users but have higher requirements on time. They belong to medium-high level users, and the volume of these users is much larger than the first type of users. For these consumers, the Ctrip company should minimize the waiting time and delivery time, provide convenience for customers in terms of purchase price and space, and reduce the time cost that must be paid due to poor service. This kind of loss can be avoided to increase customer satisfaction and trust. The third category is the middle lever of the market group, the focus on the quality of the goods and services but still have the concern with the price level, so for these consumers, the Ctrip needs to post some cost-effective goods since it can not only increase consumers' purchasing confidence, but also make customers feel satisfied beyond product functions. The fourth category is the low-end market group. They pay much attention to the price, and the price becomes the only criterion for them to choose which online travel company to buy from. These users can only be attracted through price wars, which generally contribute little to corporate profits, but they should not be given up [8].

4.2 The design problems in ticket products

The design of the tickets products: At present, Ctrip provides the plan and confirms the product form after discussing with airlines, but they ignore the feelings of consumers, so in the future, it should further combine the user needs and the division of user groups, make the corresponding product design to achieve the one match one pattern and put it on the market for repeated verification and optimization, and finally maintain a stable product form. Big data can make marketing activities more targeted and accurate, further improve the effectiveness of activities, and enable enterprises to obtain higher income[9]. Firstly, to the people who are often on the business trip, the Ctrip need to guarantee that they can change the reservation smoothly since for them the business need is variable. For example, to solve the problem, Ctrip can design a product that can change the trip freely within a specified area or within a specified time without any additional charge, refund, or change [10]. Secondly, for whom prefer to buy the bargain fares. Ctrip can post the sets of tickets or the group sales.

5. Conclusions

5.1 Key findings

This paper studies the current characteristics of the online tourism industry. The number of participants is gradually increasing. The competition is more and more fierce. To keep up with the pace of competitors, various enterprises are actively involved in the price war, which is not only the competition for market share but also the layout of the future. Ctrip's current strategy is to develop into a large platform during the competition. Through mergers and acquisitions, it integrates upstream and downstream in a circular manner to form a large ecological circle and increase its control and discourse power over prices. The main situation of the OTA market sorted out in this paper is as follows:

(1) Alibaba and other Internet giants, such as Taobao, Diandian, and other large e-commerce platforms have also accelerated their layout in the online tourism industry, which will welcome more new entrants.

(2) The continuous prosperity of China's economy, the growth of consumerism, and the support of the national tourism policy will certainly bring about the overall prosperity of the tourism industry, and the online tourism market will also usher in more fierce competition.

In terms of pricing strategy, Ctrip needs to combine the consumption data, purchase preference data, and after-sales service data of users on the platform to form a new product pricing strategy, which will be formulated and launched together with airlines. In terms of channel strategy, the combination of external and internal channels can be adopted to improve the efficiency of marketing channels.

5.2 Future studies

The above problems and solutions of Ctrip's business model are not invariable. They will change with information technology changes, business conditions, and user needs. In the future, Ctrip may face the following problems: With the rapid development of the online tourism industry, it will face a high degree of industry integration or the change of business format, higher standards will be put forward for the promotional activities, front-end display, price and after-sales service of air ticket products, etc. In the future, Ctrip will likely face all sorts of problems above mentioned or not mentioned, in the face of new challenges, it will continue to take advantage of its leading enterprises by continuing to merge and acquisition of upstream and downstream enterprises, covering the entire industrial chain, continuously grope for the market, to bring more development opportunities for Ctrip company. And it will create more value, and bring higher quality products and services for the user.

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