

Business Model Analysis and Transformation Strategy of OTA's Hotel Reservation under COVID-19 Situation-- Case of Ctrip

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Abstract: Online travel agents are booming with the development of the internet in China and the Chinese people's increasing demand for travel. However, the OTA has been greatly affected by COVID-19. In order to study the existing situation and development of OTA's hotel reservations, Ctrip was taken into the study object to analyze its development history, competitiveness, and business model, which used SWOT, business model lean canvas, and RBV. The research results indicate that Ctrip is still a leader in OTA in the whole of China although under the influence of the epidemic. However, it also found that Ctrip's hotel reservation has been hit greatly by the epidemic, and because of the implementation of national policies, Ctrip's previous idea to monopolize the OTA was killed. Based on the present situation, this article made some suggestions: Improve the competitive advantage in the sink market, upgrade the platform, update the marketing tools, and optimize the international market.

Keywords: OTA, business model lean canvas, hotel reservation

1. Introduction

With the advent of the Internet era, online booking has become mainstream. The hotel relies on online mode to import customer flow; online travel platforms continue to grow, constantly subverting the traditional tourism industry format. The speed of domestic hotel online booking market size growth slowed down but showed an upward trend in general. As can be seen that hotel's online booking penetration rate reached 40%, so there is a broad incremental space. Meanwhile, the who count on for inee era of transition from Web2.0 to Web3.0 [1]. With rapid information spreading, the network effect produced in the era of the Internet economy also requires incremental development of enterprises and marketing to the public. Consequently, public praise and hot spot play a role in the contemporary world. With the continuous development of the hotel industry and platform industry, the hotel online booking market will still maintain a good growth trend.

However, the epidemic has hit the tourism and hospitality industry, causing huge losses as hotels have a large number of empty rooms. In the post-epidemic era, the tourism and hotel industry

continues to rebound, which is reflected in the continued increase of hotel occupancy in the second half of 2020, whereas hard to reach normal levels. The hotel is badly in need of finding more ways to increase the occupancy rate, making up for the loss, and maintaining the normal profitability of the hotel. We summarize the Ctrip Chronicles of this firm.

Table 1: Ctrip Chronicles.

1999.10	Ctrip was established, which provided service by its self-existent call center
2003.12	Ctrip was listed on NASDAQ in the United States, and the market capitalization reached 5.2 million on the first day of listing
2004.10	Started to offer an online booking service, and established the first international air ticket online booking platform in China
2012	The percentage of online bookings, providing more than 50%, exceeds that of a center for the first time
2013	Jianzhang Liang went back to Ctrip and put forward a strategy called “fingertip plus cement”, which shifted the emphasis to the Internet.
2015.10	Ctrip merged with Where To Go and became the largest OTA in China, whose market share accounted for 60%
2017.01	Put forward globalization strategy and focused on expanding the international market in the future
2019.10	Changed its name to Trip.com Group and put forward a strategy called “G2”, which means high quality and globalization
2020.03	Carried out the plan called the “Tourism Renaissance Scheme”, bringing benefits to tourists and the industrial chain
2021.03	Put forward two strategies: “pivot of tourism marketing” which integrated contents, products, and flow and “rural tourism revitalization”, which develops the rural market by developing rural tourism
2022	Put forward a strategy called “super destination” which was intended to explore some potential areas, upgrading and rebuilding them

According to the analysis below, we found Ctrip is advantageous in many ways, like technologies, user database, company culture, etc. However, under the background of COVID-19, Ctrip still faces many challenges: How should Ctrip's hotel reservation respond? With fierce competition in the OTA industry, how should Ctrip's hotel booking business maintain its advantages? Will the development of metaverse affect the future development of Ctrip?

To investigate the above problems, this article examines the current competitive advantages of Ctrip's hotel reservations and forecasts its future development. Ctrip's business model is analyzed by business model lean canvas, which includes customer segments, value proposition, key activities, channels, customer relationships, source of income, core resources cooperation, and cost components. To make the study more referential, we also made recommendations for Ctrip's future development in four areas: sinking markets, international markets, platform upgrades, and marketing.

This article is organized as follows. In Section 2, we conduct a SWOT analysis of Ctrip. Then, we investigate the business model in Section 3. In the last section, we summarize the conclusion and propose a series of suggestions about this firm.

2. SWOT Analysis of Ctrip

Table 2: SWOT Analysis of Ctrip.

	Strength <ul style="list-style-type: none"> • Abundant user database • Industrial upstream and downstream information integration GUI • Lead-edge technologies <ul style="list-style-type: none"> • Brand advantages • Corporate culture • Scale economies • High market share • Customer orientation • “New Retail” model and omnichannel integration 	Weakness <ul style="list-style-type: none"> • High service cost • Indistinctive price advantage • Limitations of business media
Opportunities <ul style="list-style-type: none"> • Government support • The rise of the online travel industry • The growth of online permeability in tourism 	SO <ul style="list-style-type: none"> • Introduce preferential policies to attract potential customers • Business systematization <ul style="list-style-type: none"> • Keep the team professional and do periodical training 	WO <ul style="list-style-type: none"> • Strengthen vertical alliances and cooperation with upstream suppliers to achieve win-win results • Development of all levels of products
Threats <ul style="list-style-type: none"> • Homogeneous products • Poor internet supervision • The epidemic poses threat to the tourism <ul style="list-style-type: none"> • Low user viscosity • The establishment of a hotel direct sales model 	ST <ul style="list-style-type: none"> • Strengthen brand image • Buy up companies to increase market share • Save cost and increase profit margin 	WT <ul style="list-style-type: none"> • Lay off redundant employees • Find new advertising methods to increase exposure and sustain impact

Ctrip has a set of modern service systems including a customer management system, room capacity management system, call queuing system, order processing system, E-Booking Booking system, service quality monitoring system, etc [2]. Depending on donations these advanced systems, Ctrip can provide members with more convenient and efficient services. Otherwise, serving as the first-line manufacturer that cultivates the internet for many years, its business complexity, data magnitude, data security, and so on put forward higher requirements for database. Ctrip's technical engineers have mastered the Oceancloudnative native database. Combined with Ctrip's database operation and

maintenance control system and platform tools that have been built and continuously developed, Ocean Bace has been integrated into R&D, test, and production environments.

It is worth mentioning that Ctrip exclusively created the double-ring model of tourism new retail, further innovating the three elements of "people", "field" and "goods" and guiding a systematic and practical path of digital upgrading for the industry. As the most valuable online travel company in China, Ctrip has always regarded resources, services, technology, and traffic as the core competitiveness of the travel retail channel. It is extraordinary of them to build such a comprehensive service value chain that covers the entire service.

According to the financial data, Ctrip's sales costs and administrative expenses are relatively high. In addition to the impact of the epidemic, the high cost will have a certain impact on Ctrip.

Therefore, four strategies are proposed to deal with Ctrip's advantages and disadvantages as well as the opportunities and threats it faces.

Preferential policies will attract potential customers in rural markets. When the customer source is sufficient, hotel businesses will be attracted the to enter Ctrip platform, forming a positive feedback loop. Meanwhile, it is of significance to conduct internal training for employees and keep the team professional.

Ctrip can strengthen vertical alliances and cooperation with upstream suppliers to achieve win-win results [3]; what's more, development of all levels of products appropriately to attract different levels of customers, thus increasing platform visits.

Ctrip must pay attention to cost savings and profit margin improvement while acquiring potential companies and increasing market share. In addition, Ctrip can increase its advertising found rm, disease its popularity in the market.

3. Analysis of Business Model

Table 3: Business model lean canvas.

Key Partners Hotels, insurance companies travel review companies	Key Activities Industry resources integration, industrial chain control	Value Propositions Professional hotel booking services, service- oriented e- commerce	Customer Relationships Registered businesses, advertising, platform users	Customer Segments 1. Star hotels 2. Ordinary hotels 3. Middle and high- end successful people 4. Scattered clients 5. Enterprises and group companies 6. Other groups
	Key Resources Ctrip users and huge user database, advanced technologies		Channels Websites, APP, Advertisements	
Cost Structure Research and development expenses, sales and marketing expenses, administrative expenses			Revenue Streams Hotel booking agency fees, commissions, online advertising fees	

3.1. Customer Segments

Ctrip provides hotel booking, business travel, and air ticket sales services. Customers can choose the products and services they want conveniently through the Ctrip application, official website, and

flagship store. Ctrip's platform is primarily focused on mid-range and high-end hotels, and attracts customers with medium and higher income levels. There are also scattered leisure travel customers.

3.2. Value Proposition

Ctrip has become China's leading integrated travel service company not only because it meets people's needs for high-quality travel, but also because of its "three requirements". The first requirement is all-inclusive: Ctrip offers a wide range of services, including hotel and ticket reservations, travel and vacation itineraries, personalized private guides, and Ctrip gift cards and credit cards. These provide consumers with an integrated travel service that includes accommodation, travel, and entertainment. At the same time, it can help travelers complete more complex travel planning in a shorter time according to their needs. The second requirement is meticulous: Ctrip relies on its strong technical capabilities, and the accuracy of its services has reached international standards. It adopts the "mouse" + "cement" model, where consumers can browse and book products online and call Ctrip's call center offline, where more than 10,000 professional staff members are available 24 hours a day to solve users' pre-sale, in-sale, and after-sale problems. The third requirement is keeping promises: Ctrip will serve users with care and diligence during the whole process of the user's traveling, solve their problems the first time, and fulfill their responsibilities and promises.

3.3. Key Activities

Ctrip offers an all-around service product. Ctrip has a pioneering hotel reservation center in China, which can provide instant reservation services for customers and members. Ctrip has cooperated with more than 32,000 hotels and has alliances with more than 2,000 hotels in 138 countries, 5,900 cities. Travel and vacation products and services: Ctrip provides hundreds of vacation product routes, including "travel at home and abroad," "famous mountains", "cities", etc. Users can choose freely according to their travel needs;

Private guide platform service: Ctrip's private guide platform has nearly 500 tour guides. The tour guides publish almost 9 hours of explanation and guide services every day. The platform will provide tourists with their favorite tour guides according to their age, gender, service frequency, and other ways. After that, the tour guide can initially communicate with the tourists about what they need to start the trip. Before departure, the tour guide will make personalized tour routes according to the demands of tourists. After the schedule is confirmed, tourists can confirm the contract on the platform and pay online at any time. Ticket booking service: Users can book air tickets, high-speed rail, and bus tickets through the phone service, the official website, and the app; Ctrip credit card and gift card services: currently there are two types of gift cards to choose from: "Let me" and "Let me Travel", which can be used to book selected hotels, air tickets, and other travel and group purchase products. A Ctrip credit card can accumulate credit card points to enjoy all kinds of discounts [4-5].

3.4. Channels

3.4.1. Online channels of Ctrip

Ctrip is a comprehensive one-stop tourism service enterprise with platform attributes. In the overall development pattern of the OTA industry, Ctrip shows a trend of "one superpower and many powers", with a market share of more than 50% and continuous expansion of investment in the OTA market.

Ctrip mainly relies on commission for profit. The commission rate is floating and ranges from 10% to 25% depending on the type of hotel. Meanwhile, Ctrip is a multilateral platform. On one hand, it takes commissions from cooperative hotels and airlines, holiday products, hotels, and air ticket booking agency fees in self-guided business trips, and earns advertising fees for display from sellers.

On the other hand, it provides consumers with some free public services and basic transaction services, such as hotel credit evaluation, content sharing and guide comments, search inquiries, and so on. Ctrip can attract a large amount of traffic through the mode of a multilateral platform, and attract more merchants to cooperate by providing a standardized operation platform and introducing resources.

3.4.2. Offline channels of Ctrip

By the end of November 2018, the number of Ctrip travel stores has exceeded 1600. With travel Bestong and Qunar brand stores, the number of Ctrip's travel stores has exceeded 7000, all of which are franchised [6].

3.5. Customer Relationships (Network Effects)

Ctrip focuses on improving its ecosystem, integrating resources based on its differentiation advantages, improving service level, promoting technological improvement and innovation, attracting businesses to settle in to provide better products and services, and paying attention to user experience to meet the individual needs of customers. Ctrip strengthens its content platform, establishes its brand advantage, and consolidates and expands its market share. At the same time, traffic from different platforms should be imported to realize traffic sharing, attract and retain users, improve user loyalty and create long-term customer value [7]. The enhanced strength of the platform not only improves Ctrip's reputation and image but also makes it easier to obtain external financial support and helps enterprises operate better. Both the trip platform and bilateral market gain value, so the utility is significantly improved [8].

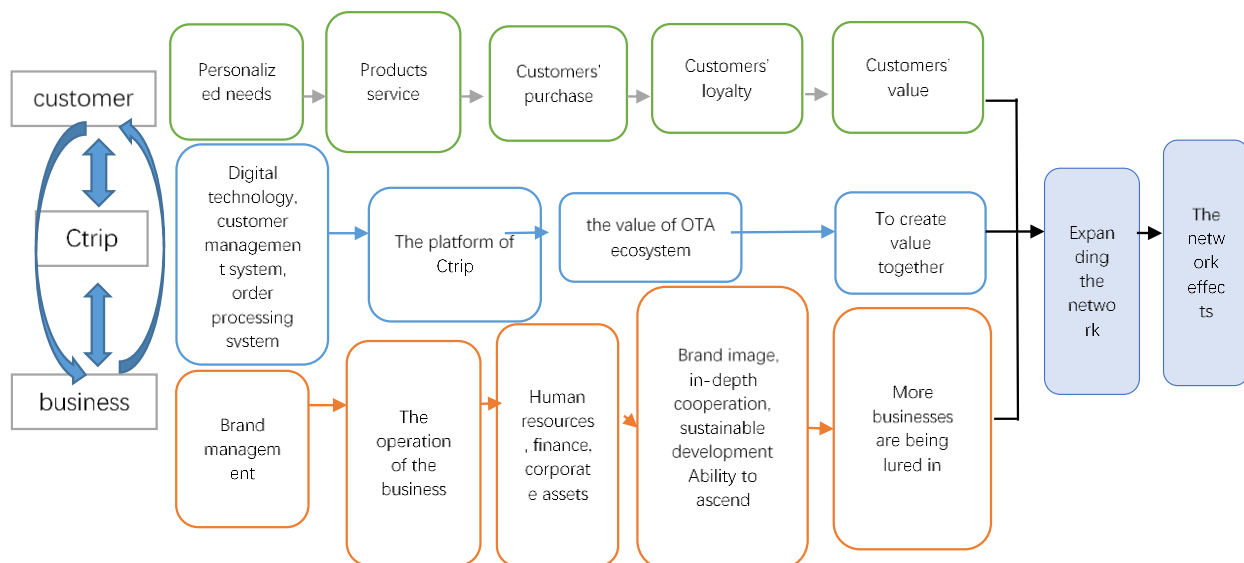


Figure 1: Ctrip network effect expansion process.

As more and more merchants enter Ctrip, the network effect of Ctrip continues to expand, and the net value of the platform continues to improve. Businesses improve the quality of products and services according to users' different comments and market demand. Customers can meet their own needs through the services provided by merchants. Thus, creating higher customer value.

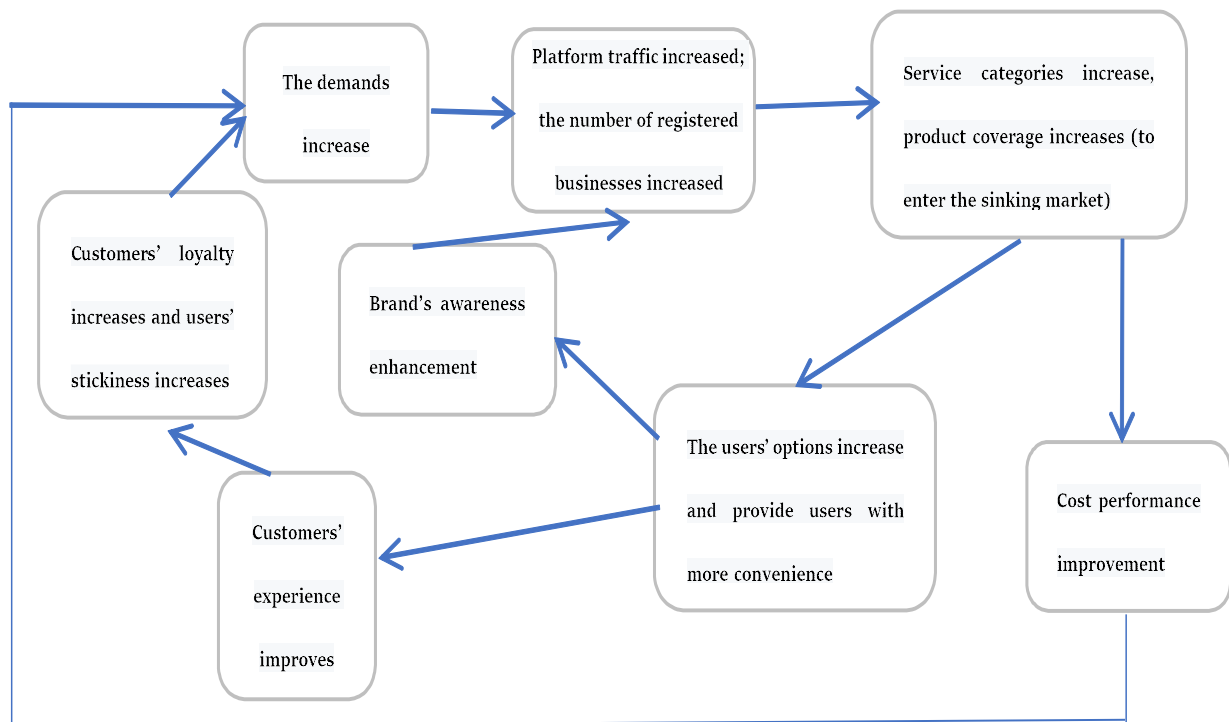


Figure 2: Ctrip positive feedback loop diagram.

3.6. Source of Income

Ctrip's revenue source can be analyzed through its charging model and profit model. The main charging mode is a basic service fee + additional service charge; One side of the two-sided market is charged, and the other side is free. The profit model charges dynamic commissions to merchants; Multiple profit channels.

In the hotel reservation, Ctrip for consumers to provide services is not charged any service fees. Consumers need to pay trip membership fees if they want to get better service or discount prices and other additional services. In Ctrip's profit channels, most of the revenue is generated by charging merchants, charging consumers very little; Ctrip charges commissions to suppliers, which are generally in the range of 10%-20%. Merchants only have the right to reserve prices. Ctrip not only has a large number of direct hotel booking profit channels and merchants advertising costs but also through "packaged tourism products" selling hotel products profit.

3.7. Core Resources (RBV Analysis)

3.7.1. Customer data

Ctrip has a first-mover advantage due to its early entry into the industry and takes the lead in seizing the market. Ctrip has accumulated a large amount of customer data, which can help Ctrip accurately position and continuously improve its products through the analysis of data in the subsequent period.

3.7.2. Technology leadership

Ctrip focuses on the development of technology. It has developed advanced application tools to improve system operation efficiency, enhance corporate management efficiency, save a lot of labor costs, and bring efficient and convenient services to consumers. Its strong technological capabilities provide it with sustained competitiveness.

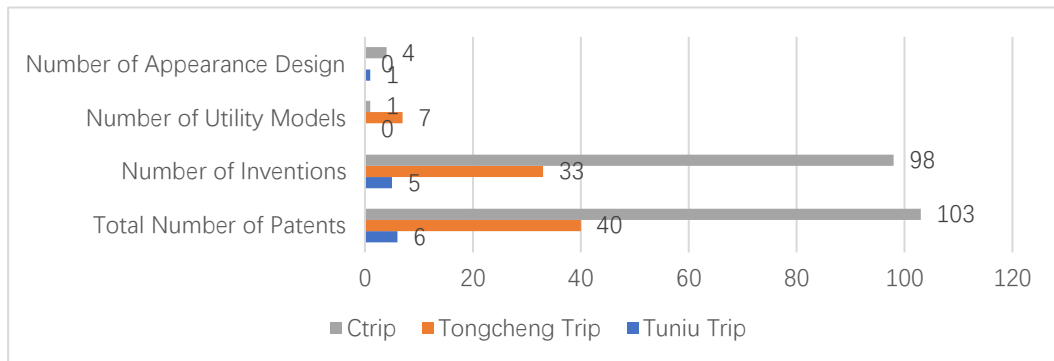


Figure 3: Number of some OTA patents

People can find that Ctrip's patents are not many, but it still has a very obvious competitive advantage compared with two other famous OTAs in China. Therefore, Ctrip indeed has a forward-looking vision and does patent layout in advance.

3.8. Cooperation (Industry Chain)

From the perspective of industry chain cooperation: In the upstream industry chain, Ctrip has built its hotel group like "Licheng". Ctrip has cooperated with more than 1.4 million hotels in total; in the midstream industry chain, Ctrip sells products and services of suppliers on the platform in the form of OTA. It also actively cooperates with Booking Holdings and Expedia. In the downstream industry chain, Ctrip continues to make efforts in travel guide comments and travel content sharing, forming a closed loop of "transaction + content" consumption. At the same time, Ctrip cooperates deeply with Trip Advisor, a travel review company, and plans to establish a Chinese branch, in which Ctrip has a major stake [9].

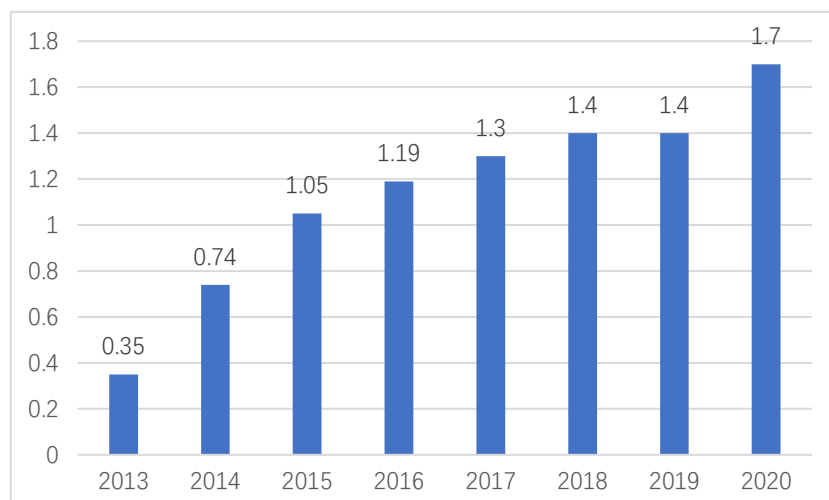


Figure 4: Hotels covered by Ctrip

3.9. Cost Components

The most important percentages of Ctrip's financial expenses are sales and marketing expenses, product development expenses, and call center costs. In the early stage of Ctrip's development, Chinese OTA companies were still not many. Because Ctrip had fewer competitors, it had a large market, so sales and marketing expenses were small. Afterward, with the rise of other OTA companies, the market competition was fiercer and Ctrip increased its marketing and sales investment to maintain its market share. Due to the late investment in technology development of Ctrip, AI service staff was gradually deployed, the scale effect gradually emerged, and call center costs decreased [10].

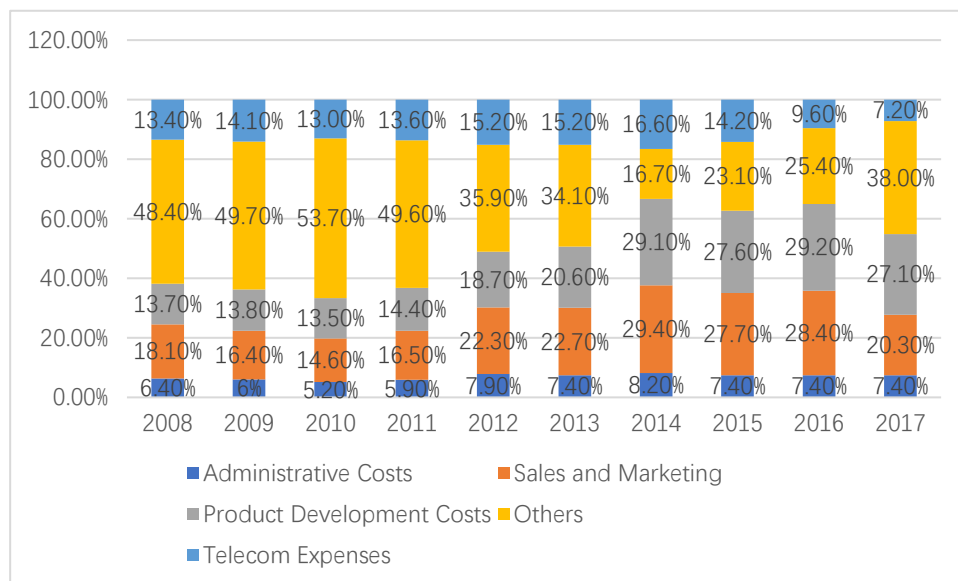


Figure 5: Ctrip Cost of Sales Breakdown

4. Conclusion

Overall, Ctrip is still the leader OTA in China. Its business model is worth learning for many other platform companies. The first thing is to seize the opportunity. Secondly, as an Internet company, it has to keep innovating technology. Of course, Ctrip has been challenged like never before in the face of the epidemic, so we have some suggestions for Ctrip.

(1) Improve the Competitive Advantage in the Small Town and Rural Markets

Ctrip can issue preferential quotas for the small town and rural markets, thus attracting customers from third - and fourth-tier cities to consume on the Ctrip platform and expand its market [11]. Meanwhile, moderate cooperation benefits businesses in sunken markets and can attract more businesses to enter. Furthermore, it is necessary to promote the rural tourism scene and follow the national rural revitalization policy, thus promoting the development of rural tourism.

(2) Platform Upgrade

To achieve a long-lasting competitive advantage, Ctrip should keep up with customer needs and upgrade its platform. Add some more attractive services to the existing forms of services. For example, add value to the service and provide some value-added services to customers. Smart Scene Upgrade.

(3) Update of Marketing Methods

To achieve a long-lasting competitive advantage, Ctrip should keep up with customers' needs and upgrade its platform. For example, add some more attractive services to the existing forms of services, which means adding value to the service and providing some value-added services to customers.

Smart scene upgrade is also a good solution that can enhance customer experience. Likewise, adding some cultural travel services is very much in line with the current trend of tourism development, which can attract more customers.

(4) Optimize International Market

Release in more languages: Ctrip has pushed out nine languages as it is the first Chinese local tourism enterprise entering the international market, whereas booking, the international giant, has launched in more than 20 languages, occupying a broader market. Language optimization will help Ctrip shine in the international market.

Additional overseas call centers: expanding call centers overseas which is one of the features of Ctrip can open up a wider market.

Combine Ctrip's enterprise culture to adjust measures to local conditions: understanding the local culture can bring a more comfortable feeling to the local people in the expanded market.

This article also exists some limitations. The data in this article is not new enough and may not be very accurate in predicting the future of the industry. Under the background of COVID-19, there are many uncertainties that we may not have taken into account.

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