Chapter 1 Introduction

1.1 research background

OTA stands for online travel agency (travel web portal) that sells travel packages to customers on behalf of global consolidators of airlines, hotels, holiday packages, car rentals, cruise lines, railways and sightseeing packages. The business model of Online Travel Agency is relatively different than a normal retail business. OTA would never keep inventories in hand, rather options are searched based on client's request and booking is done at client affirmation. In B2C – Business to Customer model, clients can also search and book the tickets and packages on the online travel portal.

The online sales by the tourism industry are not material and tangible, it could be more like service, and the frequency of tourism service purchases is very high. E-commerce Traveling is more meaningful a strong sales channel to through e-commerce that providers in the depth of its membership and customer services. In recent years, there are already many tourism companies providing some targeted massive data for the tourism industry, which helps tourism companies from the construction of the website, operation, promotion, and finally to the maintenance the relationship between the website and the user. It's been a modern channel that Improve service levels and to lead the sales amount to another level which you might not ever imagine before.

In OTA model, there are three characters of classification, as integration, interactive and quickness.

1 Integration, the tourism product is a complex experience service composed of many parts of content. OTA integrates all levels of suppliers, attractions, transportation companies, hotels, insurance, and tourism-related in the tourism sector to attract more customers online through the combined products.

2 interactive

Before tourists purchase tourism products, because of the limited information, sometimes they can't understand all the travel-related content. If They only learn from other people's experiences or articles. When information technology developing, OTA provides a large number of tourism information and tourism product introductions, and multimedia experience of visual, even

3D effects, enabling to have explanation and training for large number of potential tourists.

3 quickness

Tourism is a service industry, and tourism e-commerce provides services to tourists at any time. The online travel company is relying own technical advantages to achieve 24-hours-a-time services that cannot be completed by traditional tourism companies, using the network for promotion, electronic media transmission of information, real-time order confirmation and payment, and so on. Therefore, e-commerce has been called the most profitable of IT industry. OTA is also considered to be a most sensitive one to the Internet and market both.

In 2014, the scale of China's online travel market reached 277.29 billion yuan, an increase of 27.1% over the previous year. It will continue to maintain rapid growth in the next four years, and it is expected to reach 650 billion yuan in 2018 by official forecasting.

However, To China's online travel market, Ctrip and E-long were established in 1999, but "online travel" was formed as a new service format form 2003. It was marked by Ctrip, replacement of store sales by membership and telephones service has become a trend of tourism product with new sales channels. As the new business model of the tourism market at that time, Ctrip became the sign of China's online travel agency. For OTA, it is mainly a call center that has become the research direction of China's online travel industry. With the new competitor came out, such as Qunar, donkey mothers, and Tuniu, LY.com, etc. it officially marked the new age of China's online travel industry.

The Chinese OTA age used to divide by 4 stages during last two decades. The stage 1 (the end of the 90th century to the beginning of the 20th century) The cultivation period of online travel consumption mainly depends on the "commission model" of airline reservations + hotel reservations, the website cooperates with suppliers (hotels, airlines, etc.) through the Internet to reach the customs. To provide customers with information through the website platform to book a hotel or airline ticket. This stage is represented by pioneer companies Ctrip and e-Long.

The stage 2 (2003-2006), the growth period of the online travel market, mango, Ly.com of Tongcheng, etc. entered the OTA market and introduced

diversity and mature offline products. Different agencies have different quotations, the vertical websites that provide high performance cost of services had emerged, such as Qunar.

The stage 3 (2006-2010) at the time of segmentation and socialization of online tourism, citizen's living standards getting batter, and the demand of vacations has become more and more. combine tourist attractions and travel route designs to provide online booking service sites. At this stage, online travel users are more mature. Demand extends from booking to exchange, and travel websites are socialized, the comes out company such as Mafengwo.

In the stage 4 (2010-2012), there are new competitors enter in the online travel market. Tencent, Taobao, JD and other major e-commerce companies have entered the online travel platform market to provide pricing and service.

The fifth stage (2013 -now) The online traveling market has become mobile and fragmented. The mobile market has become more important target for OTA strategy. Mobile APP startup to emerged the market demand of users for tourism customers Segmentation.

Market Share of China Online Vacation Market by Transaction Value in 2014
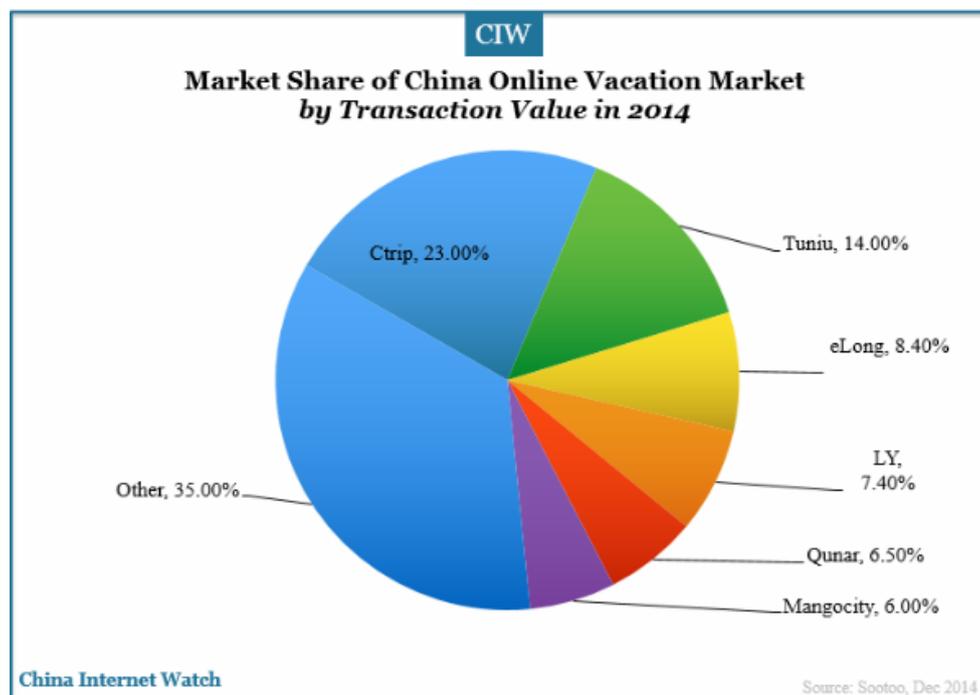
1.2. OTA enterprises significance

Overall, Market classify OTA into four categories, and all companies on these four categories.

First, integration type. representatives as Ctrip, Elong, and Ly.com, we called it one-stop service. Hotels, airline tickets, free travel, and all exclusive products. At present, Ctrip still occupies the leading position.

Secondly, the content platform type. Taobao travel, mafengwo, poor travel network as the representative, the profit model is by advertising. Where to go, Cool News, Taobao Travel is a travel search engine, and Mamcomb and qyer.com are UGC online travel websites.

Third one, the vertical OTA type. This type representative Tuniu as well, it mainly producing exclusive travel products, numerous production line; The advantage of this kind of company is clear positioning, and there is a greater user stickiness in customs experience.

The fourth, mobile APP type. The mobile terminal is further divided into the following categories. Booking class, such as Ctrip and Qunar to move clients form its website terminal; tool class, such as "varifight"; and a class of travel Raiders type, such as otw.cn, bread travel and so on.

Ctrip is a Chinese provider of travel services including accommodation reservation, transportation ticketing, packaged tours and corporate travel management. Shanghai-based Ctrip was founded by James Liang, Neil Shen, Min Fan, and Qi Ji in 1999.It listed on NASDAQ in 2003 in a Merrill Lynch-led offering, raising US$75 million (4.2 million ADRs at $18 each) and then further appreciated by 86% to close at $33.94 in its first day of trading. Ctrip traded at a peak of $37.35, making it the first company since the November 2000, IPO its price double in the first day of trading. In 2006, about 70% of Ctrip's sales came from just four cities in China: Beijing, Guangzhou, Shanghai, and Shenzhen. In December 2013, Ctrip acquired the American travel company Tours4fun for over $100 million. In May 2015, The Priceline Group announced it would be investing an additional $250 million in the company. In November 2016, Ctrip acquired the Scottish travel company Skyscanner. Trip has grown in recent years. In 2015, Ctrip's net revenues were RMB 10.9 billion (USD 1.7 billion), up 48% year-on-year. In 2016, its net revenue grow 76% year-on-year to RMB19.2 billion (USD 2.9 billion).On November 1 2017, Ctrip acquired

United States travel research website Trip.com, rebranding it as their global brand website. In 2017，Ctrip Plans to open 1,000 offline franchise stores in China, for against Tuniu in domestic terminal market.

Tueniu was founded based Nanjing China in October 2006 and provides consumers with 24-hour 365-day telecom services from 64 cities including Beijing, Tianjin, Shanghai, Guangzhou, Shenzhen and Nanjing. Follow-up services and guarantees. Tueniu provides more than 80,000 kinds of tourism products for consumers to choose from, including tours, self-help, self-driving, cruises, hotels, visas, scenic tickets and corporate travel. On December 15,2014, Tueniu Tourism announced that it had invested in by Hony Capital, Jingdong Mall and Ctrip. 2015 Hainan Airlines plans to invest 500 million U.S. dollars in strategic cooperation. The two sides will use their high-quality resources to conduct in-depth cooperation in online travel, aviation, and hotel services.

The Analysys report showed that in the third quarter of 2015, the volume of the road cattle transaction reached 4.65 billion yuan, a year-on-year increase of 141.1%. This is already a three-digit year-on-year growth for Tuniu's three consecutive quarters: During the second quarter of 2015, the scale of transit cattle transactions increased by 135.3% year-on-year; in the first quarter, this figure was 122.8%. Judging from the growth rate, Tuniu once again regained the top of industry. from the annual results, Tuniu's net income in 2015 was RMB 7.6 billion (US$ 1.18 billion) which an increase of 116.3% from 2014. The increase in revenue mainly comes from the increase in group travel, DIY travel and other income. The total number of visitors in 2015 was 4,449,053, which was an increase of 103.9% compared with 2,181,834 in 2014.

LY.com is an abbreviation of Tongcheng Network Technology company founded in 2004 and headquartered in Suzhou, China. It is the leading leisure travel online service provider in China. The rapid growth and innovative business model of LY.com has won the favor of the capital market and the strong support of the industry. It has won hundreds of millions of investments in institutions such as Lantern Holdings, Tencent Technology, and Boyu Capital Wanda; in April 2014, Tongcheng Travel has obtained Ctrip's strategic investment of over US$200 million.LY.com is one of the three major OTA in China's online travel industry. The company takes the "customs first" as its strategic goal, and takes entrance tickets for its attractions as entrance, and actively organizes business sections such as peripheral tours, long-line tours, and cruise traveling. In 2014, LY.com operates the number of service visits was approximately 30 million people, with an average annual increase of 100%. In 2015, the number of service visits exceeded 100 million people, an increase of 200% year-on-year.

On 29th December, 2017, Tongcheng-Ly.com and E-long announced their merger a one named Tongcheng-elong. Before the merger, Ly.com of Tongcheng's was mainly focused on air tickets, hotels, train tickets and bus tickets. The business of e-long was mainly focused on the hotel business. In addition of mergers possibility at the business level, both parties have common shareholders which is Ctrip and Tencent. Tencent is the second largest shareholder of eLong and the third largest shareholder of Tongcheng-ly.com, while Ctrip is the largest shareholder of eLong and the second largest shareholder of ly.com. After the merger, the two sides integrated the advantages resources of hotels and transportation, obtained support from Ctrip on the supply chain resources, then accelerated the process of entering by capital market. however, Tongcheng-ly.com and eLong have opened two entrances to the "fight train ticket" and "hotel" in the WeChat Wallet to realize the interoperability of the resources of both parties. According to statistics, Ctrip and e-long have nearly 200 million consumer members. In 2017, the

service users of both parties exceeded 500 million, and the combined transaction volume exceeded 100 billion RMB, it has achieved a huge profit over 500 million in scale.