

## **Chapter 2 Literature review**

### **2.1 Literature review**

This review of literature referenced from journals, books, online source and other conference; The Chinese OTA During the development period, several major e-commerce companies occupy the market, such as Ctrip, Tuniu, Ly.com, E-long, etc. In this chapter, we try to explain the opportunities for each their own success, the important factors of the way that occupy the market, the methods of market development process, and future strategies decision making.

- (1) Literature seize of OTA market of China, the E-commerce opportunity of age and limitation of the resource.
- (2) Literature relevant to the marketing concept and how the factors influence the OTA enterprises development,
- (3) Literature the OTA responds of challenges, the deficiencies solving, the strategies decision making, and prospective of future planning.

### **2.2 Definition**

In case of 4C studying, it makes sense to view in comparison to the incumbent 4P's, more detailed view of both marketing mixes. It might be the most marketer interests about, to considering the consumer's point of view and the enterprises' both.

Marketing mix 4c is one of the business tools, it is the transition from the 4Ps marketing mix to the 4Cs marketing mix which is a shift from product to consumer, price to cost, place to convenience, and promotion to promotion. the 4Ps (Product, Price, Place, and Promotion) is a modern version that being business-oriented, to become customer-centric.



## The marketing 4P Theory

The 4P theory is the basis of marketing strategy. Academically, 4P is the general term for the production-centric marketing four-element combination represented by production, price, place, and promotion. Come through the 1980s to 1990s, corporate marketing made more use of the “4P” strategy. the 7P’s of service marketing is evolution model of 4Ps, and the 4 Cs theories developed in the 1990s.



## **1 product**

The product usually focuses on the development of the function, requiring the product to have a unique selling point and specific character, and product's functional should always be the priority to take consideration.

## **2 price**

The price use to explain the different market positioning, formulate different price strategies. The pricing of products is based on the brand strategy of the company, and most companies focuses on the gold content and reputation of the brand.

## **3 place**

The "Place" about the Companies focus on the development of distributors and the establishment of sales networks. The connection between companies and consumers is through distributors. Now days, the sales networks more and more move onto internet, sales and customers without the distance as the old time, that's the influence of e-commerce about marketing, There are many distribution strategies, including Intensive distribution, Exclusive distribution, Selective distribution, and Franchising.

## **4 promotion**

Promotion is that Companies pay attention to changes in sales behavior to stimulate consumers, and promote short-term behavior (such as profit sharing, buy-one-get-one-get-one, marketing site atmosphere, etc.) to promote consumer growth, attract consumers of other brands, and lead to advance consumption to promote sales growth. Promotion of 4P also replaces great emphasis on interactive communication and consumer-centric communication. It is necessary to remind that 4P is the way of marketing technic.

There are some various elements about online Promotion comprised, we usually classify Online promotion as four categories, online advertising, sales promotion, website promotion and relationship marketing. The Online advertising and website promotion use to be the better adoption of most companies.

## **2.3 The marketing mix 7P Theory**

The 7Ps model is a marketing model which modifies form the 4Ps model. The 7Ps is currently used in the service industries.



**People** – In the marketing mix, it refers to human elements, play role of delivering and receiving services. In other words, it is talk about service and customers. In the modern marketing practice, the company's service is extremely critical, and they can completely influence the customer's perception and preference of service quality. Especially in the service industry, the quality of service is random, the quality of service performance cannot match the same requirements. Service also include customers who have not purchased and the customers who purchased services. Marketing managers must not only handle the interactive relationship between the company and the purchased customers, sometimes it takes into account the behavior and attitude of the unacquired customers.

**Processes** –It can be explained as the display of goods and services, it is even closer to the customers if they are promoted. The importance of tangible display is customers who can get clues from them to recognize the quality of service provide. Therefore, the best service is to turn unreachable things into tangible services, and this theory works very well in OTA market.

**Physical Evidence** – It is he process refers to the process before customers get services. Go further and say, if the customer must wait in line before getting service, then the cost of this service delivered to the customer that is an important consideration.

### 2.3 Overview of Chinese OTA industry

In 2016, the OTA market was relatively stable, with a market transaction volume of 593.46 billion yuan, the growth rate of 34.0%, the online penetration rate of 12.1%. For OTA market, the outbound travel accounted for 53.3% of the transaction volume, and the market share increased year by year;

Also In 2016, All the OTA enterprises expansion for market territory with strategies mostly, such as Ctrip integrate upstream tourism resources and seeking for overseas acquisition. Tuniu Expand their competitive advantages, cooperate with airway and considerate the chartered airplane business; LY increase access to customers through the layout of offline experience centers and stores.

On the other hand, Ctrip integrate upstream tourism resources, such as investment scenic spots, acquisition of destination service providers (Ctrip outbound car service), in order to enhance their competitiveness. Therefore, In OTA industry, related overseas business investment and frequent mergers and acquisitions incidents, Ctrip has invested in the Indian travel company that called MakeMyTrip to through convertible bonds;

The scale of online ticket transactions in China reached 349.2 billion yuan in 2016, a growth rate of 34.9% and a penetration rate of 74.4%. The market growth rate slowed down. although, under the influence of direct sales decreased, agency cost reduced, ticket prices have shown a downward trend; the online ticket market penetration rate has reached 74.4%, and the online traffic bonus has gradually disappeared; therefore, the online ticket market growth rate will Slow down as the trend.

China's online flight market has the largest share of Ctrip which accounted for 58.5%, there is 24.9% increasing from 2015, and its main growth comes from the financial merged network of qunar.com. Since the launch of Ctrip's open platform, it has continued to occupy the top spot in the OTA ticket market with better product resources and competitive prices.

By Tuniu report 2016, the package tour revenue was US\$1.4297 billion, an increase of 34.9% compared to 2015. This increase was mainly due to the increase in tourism revenue from outbound destinations such as Japan, South Korea, the Middle East, Africa, North America, Euro and some overseas islands. The number of passengers form package tours was 2,773,234 in 2016,the increase of 69.8% from 1,632,955 in 2015. The income of independent travel was 36.5 million US dollars, the increase of 30.5% over 2015, (US\$ 55.5 million) was mainly due to growth of insurance service income, financial income, and commission income from individual travel products.

In 2016, Ly established more than 300 offline stores in China, recruited more than 20,000 sales, promoted highly binding membership service,

absorbed a large number of new customers, and impacted both online and offline market, bringing revenue to increase by 3 times from 2015, and developed in the low-end market, and it has an important influence of resource administration.

Feudal lords vying for the throne, every player starting the Top, market share gradually concentrated on few bigger players eventually. Those three bigger companies utilized resource advantages, strategic cooperation, develop new business function to expand the market, led other companies in the market share competition, and showed the future direction of OTA industry.