

Chapter 3: Methodology

3.1 Research Methodology

Methodology refer to discover the new phenomena and new things in research, as introduction of new theories and perspectives, tools and method of things. There are skills of users' wisdom to conduct scientific thought. generally, includes literature, observation, speculation, behavioral research, historical research, concept analysis, and comparative research. Research methods are constantly summarized and refined in the process of scientific research. Due to factors, such as people's understanding of the problem, the complexity of the research object and the research method that in a dynamic process of continuous interaction, integration and transformation, it is difficult to completely classify the research methods as a Unified understanding. In this case, I am going to interview the SWOT analysis into Chinese OTA business, explain the affects and elements of this business scope with more details and dates.

3.2 Introduction of SWOT analysis method

The SWOT analysis is the situation based on internal and external competitive environment and competition conditions by the Analysis tools. That is various main internal advantages, disadvantages, and external opportunities and threats related to the research object which enumerated through surveys and arranged in a matrix, and the various factors are matched with each other by system analysis. Analyze it draw a series of corresponding conclusions from it, and the conclusion usually has a certain degree of decision-making.

Using this method tools, we might conduct a comprehensive, systematic, and accurate study of the research object's situation, formulate corresponding development strategies, plans, and countermeasures based on the research results.

S (strengths) are advantages, W (weakness) are disadvantages, O (opportunities) are opportunities, and T (threats) are threats. According to the complete concept of a company's competitive strategy, the strategy points to an organic combination of what an enterprise can do (the strengths and weaknesses of the organization) and what possibility do (the opportunities and threats of the environment).

strengths—internal factors of the organization, including competitive situation, sufficient financial sources, good corporate brand name, and technological power, etc.

weaknesses—also internal factors of the organization which including equipment aging, management confusion, lack of key technologies, backward research and development, shortage of funds, low-grade management, product backlog, and lower competitiveness.

Opportunities—the external factors of the organization that involving creative products, new markets, new demands, lifting of foreign market barriers, and mistakes of competitors.

Threats—an external factor of the organization that including new competitors, substitute products increasing, market shrinking, industry policies changing, economic recession, customer taste changing, and emergency events, etc.

3.3 Introduction of OTA SWOT analysis

Strengths analysis of OTA

In the first instance, the strenghts of OTA sales model mainly include: first one, strengthen of brand effect that increase customer loyalty; secondly, it saves high agency fees and reduces marketing costs; thirds, it directly grasps the customer's information with data analysis; Fourth, OTA sales model knows better products, when interacting with consumers, it can be targeted to recommend their own products, sell the products, at the same time, the agents also obtain various economic interest.

Second, the strengths of OTA involve brand advantage; In other words, concentrate resources, create our own brand advantage in mass customers, effectively isolate customers and suppliers, and create our own brand successfully; service strengths that the one-stop booking platform can build a national hotel booking platform and ticket booking platform through information and digital technology. It quantifies the individual's outstanding travel service skills and experience models. It seems disorganized, irregular, and rely mainly on personal services, and standardized operations for process management; scale strengths that can effectively integrate resources of many hotels, airlines, and travel destinations to an “information aggregation effect” for customer selection.

The strengths of search engine include the price advantage, That provides users with real-time parity information, it also provides users with the lowest price of tourism products; scale advantages that integrating OTA companies, they can obtain the upstream supplier information resources they provide; position strengths that establish a neutral, intelligent and comprehensive comparison platform to help users make reasonable choices and decisions in tourism products.

Weakness analysis of OTA

The weakness of OTA mainly includes the unprofessional of network technology, the input cost is high, and highly operating cost; the customer lacks of trust in small sized hotels and airlines suppliers. also, the direct fierce competition is one of most important factors.

Secondly, the weakness of OTA with higher price. Because there is no specific product, it just purchases form “agent.” Therefore, there is no pricing power, because the product line is huge, even each product has a comparable price, but only the low-price product information is more enlarged. The effect; and profit model was too simple, it just commission form suppliers, sometimes it might affect contradiction with deals.

Sometimes OTA could not achieve one-stop service. as a single parity information provider, it might not to synchronize the online booking and payment process; the weakness of resource controllability, Because the source of the information is direct sales of OTA, it might not accuracy of the information guaranteed, in most time that suppliers information is more precise.

Opportunities analysis of OTA

Firstly, there is a large market space. It is the gap between the proportion of direct sales and foreign sales. American Airlines and hotel's direct sales website account for 40% to 50% of the market share in US OTA. The proportion of direct sales in China is far below to average level of developed countries, and there is still much space for improvement. the opportunities brought about by industry consolidation, such like the merger of China Eastern Airlines and China Southern Airlines and the expansion of hotel business chains, it has brought industry foundation of OTA.

Secondly, the domestic Chinese OTA penetration is low rated. the agents are less than 10%, that is far below from the level of developed countries, and

there is still much market room for the future and integrated marketing. the large customer users base that effectively expand product line with new business and services.

Thirdly, search technology is improving day by day. Search engines have become more and more important in the OTA industry. At the same time, they have brought major breakthroughs in vertical search technology. When OTA business matures, more and more direct selling and OTA companies will give Vertical search to the foundation for search.

Threats analysis of OTA

The threats to OTA mainly includes strong imitative ability and lack of core competitiveness; the fierce competition among counterparts, serious product homogeneity, and marketing sales singleness, it is easy to conduct price wars and move toward vicious competition.

Secondly, the increase in the direct sales of hotels and airlines will inevitably compete with OTA companies for resources and discourse rights. When the rise of various new models, such as the search model that will intensify competition in the OTA industry.

Thirdly, the profit model is not clear. At present, it is mainly through advertising and revenue sharing; however, facing the threat of integration international search engine giants. Also, there is a rough game with suppliers. Once OTA unchain cooperation, it might be the deadliness impact.

After all, the development of OTA is accelerating with the promotion of new technologies in the information age. Through the SWOT analysis of different business models, from internal conditions to external conditions, the OTA industry explained in terms of strengths, weaknesses, opportunities, and threats. Future development trends and trends, there are both positive development prospects and problems in the process of advancement. However, as long as we combine the reality of tourism with bold innovations, Chinese OTA process will surely be able to reach the next highly level as well.