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Research on the Challenges and Business Model Innovation of Online Travel Booking in the New Normal Economy
—Based on the Creating Customer Theory

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Abstract: China's economic and social development has entered into a stage of steady growth, structural adjustment and innovation-driven leading. In the "new normal economy ", the business model of China's online travel booking is facing the new overturning and challenges, which is unable to ensure the sustainable development of the companies without innovation. Based on creating customer theory and combining with consumers’ experiences, this article proposes the changes and innovation of business model of online travel booking in the new normal economy.

Keywords: the new normal, online travel booking, business model innovation, creating customer

1. INTRODUCTION

Online travel booking refers to travel consumers’ behavior of booking flights, hotels, holiday packages and other travel products or services offered by travel service providers online or by phone and then consumers pay for those products or services online or offline, which is the combination of tourism and the Internet (¹). In recent years, the online travel industry has met unprecedented opportunities due to the rapid development of information technology. With fast market development of China’s online travel booking , the number of the internet users who have ever made online reservations of air tickets, hotels, train tickets or travel itinerary reached 133 million until June, 2013 (¹), accounting for 22.4 % of all internet users (²). In 2014, the chairman of PRC Xi Jinping put forward the word "the new normal ", which means that China's economy will be in moderate-speed growth and its economic structure is optimizing and upgrading, while the driving force is transferring from the factor-driven, investment-driven to innovation-driven with many challenges, that has brought new opportunities and challenges to all industries in China, in which online travel booking is without exception.

Peter Ferdinand Drucker thought that the sole purpose of an enterprise is to create customers, meet customers’ needs and recognize customers’ value-conscious, but the more important is to create customers’ demands (³). In the competition among companies, the winner could discover a new market and gain another piece of cake with their own advantages after finding new trends and features of customers’ demands. Chinese scholar Jinsheng Zhang states that companies should actively create customers and attract them rather than passively wait for their response (³). From the notion of creating customer, this article proposes innovative methods of business model in online travel booking by the customers’ experiences.

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2. THE FEATURES OF CHINA’S ONLINE TRAVEL BOOKING AND ITS CHALLENGES IN THE NEW NORMAL

2.1 The status quo of China’s online travel booking

According to iResearch, the transaction size of China's online travel booking market reached 218.12 billion RMB in 2013, with a year-on-year growth of 27.7%, while it was 170.86 billion RMB in 2012, which increased by 30% compared to 131.39 billion RMB in 2011. iResearch forecasts that the transaction size of online travel booking would reach 478.23 billion RMB in 2017 [4]. But in general, the market growth rate shows a downward trend in Figure 1.

From the data above, we can see that online travel booking shows a strong momentum of development and the transaction scale of online travel booking will continuously grow rapidly in the next few years. With China's GDP per capita of $7,000, China’s economy is in the transitional period from poverty to middle-rich, while there are considerable differences between the two stages [5]. Faced with the declining market growth rate, online travel booking would fall into the moderately wealthy trap if it could not achieve transformation by "adjusting structure, rotating direction and updating technology ", which means that the online travel booking should implement new transformation and innovation to lead the "new normal".

2.2 The features presenting in China’s online travel booking market

2.2.1 Oligopolistic competition and low market penetration rate

Currently, it is still oligopolistic in China’s online travel booking market. The companies that are overwhelmingly dominant in the online travel booking market are Ctrip and Qunar, whose market share was 33.9% and 22.1% respectively, while the market share of other companies is less than 10% [2]. In terms of the overall market penetration rate, it increased from 7.9% in 2010 to 22.4% in 2013, compared with the countries of advanced tourism such as USA whose market penetration rate was 70% [2], which means that China's online travel booking market still has a lot of room to grow.

2.2.2 Young users and middle-income consumers

According to the statistics, the users of online travel booking are becoming younger and younger. By the end of 2013, the group who is between 19 and 29 years old travels most frequently, accounting for 54.2% of the total number of online booking customers. It is followed by the group who is between 30 and 39 years old which accounts for 21.8% of the total number. Most of the consumers are middle-income people. In China's online travel booking market, the people whose average monthly wage is 1001-3000 RMB, 3001-5000 RMB, 5001-8000 RMB account for 26.1%, 27.0% and 14.4% separately [2], as shown in Table 1.

2.2.3 Simplified and popular products

At present, Ctrip and Qunar are the two most representative companies in China's online travel booking market, but products they provide for online consumers are only limited to hotels, air tickets and scenic spots'
entrance tickets reservations, or a quick travel package simply combined by these products \(^6\)\(^7\), shown in Table 2. The companies do not design specific tourism products or tour package for the special clients in particular environment, which are unable to meet the needs of the consumers.

<table>
<thead>
<tr>
<th>Company</th>
<th>Time of establishment</th>
<th>Representative products and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ctrip</td>
<td>1999</td>
<td>Reservation of hotel, air ticket, scenic spots’ entrance tickets and holiday, travel guides, travel management, food ordering and travel information</td>
</tr>
<tr>
<td>Tong Cheng</td>
<td>2004</td>
<td>Reservation of hotel, air ticket, scenic spots’ entrance tickets and holiday, travel guides</td>
</tr>
<tr>
<td>Qunar</td>
<td>2005</td>
<td>Reservation of hotel, air ticket, scenic spots’ entrance tickets and holiday, travel guides travel information search</td>
</tr>
<tr>
<td>Mafengwo</td>
<td>2006</td>
<td>Reservation of hotel, air ticket and travel guides of destinations</td>
</tr>
</tbody>
</table>

2.2.4 Conflicted marketing channel and unawareness of travel habits

Now, direct sales and distribution are the main channels for online travel booking in China, whose conflicts are reflected in the following aspects: competing for the customer’s resources, launching a vicious price battle, selling similar products of different suppliers and credit deterioration \(^8\). The reasons lie in that the interest goals, whose roles and perception of channel members vary from each other. Meanwhile, the internal mechanism and structure of the channels are imperfect.

Chinese tourists’ attitudes and habits have much room for improvement when comparing with that of the developed countries. The majority of Chinese online travel consumers are accustomed to the mainland tour, accounting for 96.7% of the total community, followed by Hong Kong, Macao and Taiwan regions, which account for 18.7%. After these are the neighboring countries, such as Thailand, Laos and Singapore. In terms of tourism awareness, due to the shackles of traditional ideology and habits, many consumers often regard travel as a high level of spiritual needs instead of an integral part of leisure as people thought in tourism developed countries.

2.3 Overturning and challenges for online travel booking companies in Chinese "new normal"

In the "new normal", with the decelerated growth of China's economy and the diversification of consumers' demand, online travel booking is facing overturning and new challenges in the following three aspects:

2.3.1 Serious homogeneity and increasingly fierce competition

It is homogeneous in China’s online travel industry and there is high imitation among companies, which are short of continuous innovation in products and services as well as core competitiveness for sustainable development. They will fall into the price-battle trap in the long term, which would go against the development of the whole industry and face threats and challenges from international giants. Meanwhile, China's domestic demand for tourism products is of greater flexibility, which would be correspondingly reduced with economic slowdown, thus companies are likely to lose more potential customers and existing customers. Besides, Taobao is developing online travel by virtue of its large number of users. So, the competition of online travel is becoming increasingly fierce.

2.3.2 Remodeling market structure of online travel booking

At present, Ctrip and Qunar dominate in the market of online travel booking, while "Lvmama" and other vertical travel platforms are increasing price competition. Large electricity suppliers, such as Taobao and Jingdong, are also devoting many efforts to be involved in the online travel booking market. Meanwhile, some big airlines and hotels also make efforts in increasing direct selling. In 2013, 15.6% of people choose to book online tickets directly through the airline website. In addition, the O2O tourism which developed in recent years will subvert existing travel patterns, which has changed people's way of travelling on booking and completing accommodation or car rental online during the travel. Customers can experience, access and arrange the tour offline without the intermediary, which greatly demonstrates the quickness and personalization of online travel
2.3.3 Diversified and personalized demand of customers

With the development of information technology and the popularity of the Internet, customers’ demands of online travel are diversified. Consumers are not satisfied with a simple reservation of hotel, air ticket or holidays, but are more likely to gain different experiences with the creation of new products provided by online travel companies. Besides, the consuming group of online travel is increasing, whose demands are different due to their age, sex, occupation and region where they live. They often tend to choose personalized products or services that can bring them the maximum utility when booking online.

3. THE DEFICIENCIES AND FUTURE CUSTOMERS’ DEMAND TREND OF ONLINE TRAVEL BOOKING MARKET WITH CONSUMERS’ EXPERIENCE

At present, China's consumers experience online travel booking via different ways, which can be concluded by the following overall experience process in Figure 2.

3.1 Information search

According to Figure 2, the ways of searching information of Chinese customers can be divided into five categories, such as search engines, social networks, travel guides, web portals and marketing platforms. From Figure 3, it can be seen that the consumers primarily search online travel booking information through search engines (Baidu and google) during 2011-2013, whose use proportion is declining year by year. However, the use proportion of travel guides, web portals and marketing platforms is growing faster. Among them, the use proportion of the web portals rises faster, increasing from 23.3% in 2011 to 46.2% in 2013.

We can see from the data above that the demand for ways of searching travel information is increasingly
diversified, because search engines or social networks cannot meet their needs. And the demand for information in the future is inclined to experience on open and professional online travel platforms instead of search engine.

3.2 Products provided

The main products offered by China’s online travel companies are reservation of air ticket, hotel, holiday packages and scenic spots’ entrance tickets, shown in Figure 4. The transaction size of the four products has expanded, but the growth was slow from 2011 to 2013, which showed that the demand pull of traditional tourism products to online consumers was weakening. Online travel companies should innovate diversified and personalized products to create customers, enlarge market and improve the growth rate of transaction if they want to win customers.

![Figure 4. The consumption of online travel booking products](image)

3.3 Ways of transaction

According to the statistics, the ways of transaction of online travel booking is mainly conducted by E-bank, credit card and third-party payment. In 2013, 67.4% of the consumers used the E-bank to complete the payment, while 32.9% and 26.5% of them chose credit card and third-party payment respectively, as shown in Figure 5.

As for the existing means of transaction, there is great room to improve their convenience, quickness and efficiency. For example, there are seven links of E-bank payment while there are only three links of mobile banking payment, as shown in Figure 6:

![Figure 5. Ways of transaction of online travel banking](image)

From it we can see that the quick and efficient mobile bank is developing at an amazing speed. According to the iResearch data, the transaction size of China’s mobile bank came to 151.14 billion RMB in 2012, with an year-on-year growth rate of 89.2%. It is estimated that the transaction scale of China’s mobile bank would reach
3.4 Service response

From the whole process of experience, the website searching is the main reason causing displeasure. 21.9% of the consumers thought the speed of opening the website was slow, while 12.5% of them thought that the information provided was imperfect. To ease the dissatisfaction of consumers for online travel booking, the enterprise should make innovations on service mode and provide better customer service experience, so as to create customers and gain market share.

3.5 Future demand trend of online travel booking

From the above analysis, it can be seen that customer needs more open and professional platforms from the perspective of consumption experience, such as web portals and consumer comments, to acquire travel information in online travel booking. Customer tends to place more emphasis on the diversification and personalization of products and car-renting and cruise will become the new growth points. As for modes of payment, customer is more inclined to choose safer and quicker ones. They require more intelligent and personalized travel service, as shown in Figure 8.

4. THE INNOVATION OF BUSINESS MODEL OF ONLINE TRAVEL BOOKING IN THE NEW NORMAL BASED ON CREATING CUSTOMER NOTION

The master of management Drucker said that the competition between companies is not the competition of product, but the competition of business model. Chinese Chairman Xi Jinping emphasized the importance of innovation by saying that innovation is always the important force to push the country and the Chinese nation's development, as well as the vital force to promote social development and human progress throughout the human development history. With the rapid growth of computer technology and internet development, business model innovation is the sustainable impetus of online travel companies.

Online travel booking companies should make changes from knowing customers' needs to creating their demands if they want to maintain the powerful and sustainable development momentum. In reality, customers sometimes do not know their real demands of product or service. It would fall into the trap of meeting customers' needs if product or service is provided according to the customer feedbacks via face-to-face talk or investigation. At this point we should put ourselves in customer's shoes. Only when we consider from the position of customer could we create customers. Then the product research and development should be conducted from the perspective of providing solutions to the customers by problem-orientation, thereby creating customers as expected. For instance, Apple Inc found that teenagers in America were fond of music and wished
to obtain it conveniently, hence ipodMP3 was explored, which was light and small but could save thousands of clear audios, gaining popularity in the market and making a disruptive pioneering work at that time.

Aiming at the deficiencies of customer's experience online travel booking in part 3, this article proposes the following innovation model of online travel booking from the components of business model \cite{10,11}.

As can be seen in Figure 9, online travel companies should give full play to their own advantages to expand the market and actively create customer's demands as well as guide their consumption under the innovation model, hence to create customers and increase market share. In terms of industry chain, the suppliers of online travel can establish rational marketing relationship with distributors, sign the sales contract and clarify the rights and obligations of both sides. Meanwhile the complete customer service system should be built to realize the standardization of customer service and improvement of customer experience. As for innovation, online travel companies should conduct all-dimensional innovations. Among them, concept innovation is the premise, requiring to break the bonds of fixed ideas, change and absorb advanced thoughts; while institutional innovation is the safeguard, which can break barriers of old system, expand the cooperation and communication and promote knowledge circulation, thereby accelerating the product and service innovation and realizing the industrialization of achievements as well as bringing benefits to the companies in the end. While faced with many challenges in the new normal, online travel companies should take active steps to find customers, construct an open communication platform to communicate with customers timely and effectively, solve their problems and enable them to share consumption experience to improve customer satisfaction.

5. RECOMMENDATIONS

In terms of the trend, the China's online travel booking is bound to develop towards intensification, professionalization, internationalization and regionalization. Along with the utilization of big data and Internet intelligence, the marketing of online travel will become more sophisticated. At the same time, the changes of the Internet technology and the service mode of mobile end make the online travel companies recognize the importance of distributing information flow based on the mobile terminal \cite{12}. The online travel booking in
first-tier city and second-tier city is developing more maturely, in which the layout of urbanization will bring the new market to online travel companies. The main battlefield for online travel companies' channel will be sunk in third-tier city, fourth-tier city or village and town. It is estimated that development forms, such as oligopoly, differentiated development, leisure travel, the struggle between mobile end service, new conflicts of O2O and so on, will enable online travel companies to flourish in the future.

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