The Competition Strategies of Online Travel Enterprises in China

SUN Xiaochun[a],*

[a]School of Economics and Management of Northeast Petroleum University, Daqing, China.
*Corresponding author.

Abstract

On the basis of introducing the background and the current development situation of online travel in China, the description about the competitive status of online travel enterprises in China is demonstrated. Then it analyzes the internal competitive environment and the external competitive environment of online tourism enterprises in our country in detail. The internal competition environment is analyzed in three aspects: The technology competition, product competition, and employee competition among enterprises, while the online tourism enterprises in our country applies Michael Porter's Five Forces Model to analyze the threats of the existing competitors, potential or new incomers, the bargaining abilities of providers, the bargain abilities of purchasers and the substitute goods. And hence the paper puts forward the competition countermeasures that online travel enterprises in China shall adopt under current situation, so as to provide grounds for further promoting the cooperation and integration of online travel enterprises in China, as well as their healthy development.

Key words: Online tourism enterprises; Competition status; Competition environment

INTRODUCTION

Online travel is the way that travel products can be consulted and booked by way of the network, travel or travel experience can be shared through the network, including airlines, hotels, attractions, car rental companies, OTA, telecom operators, tourist information and community websites such as online travel platform of the new industry. This emerging industry is in the rapidly rising stage. However, the network users (or potential visitors), who are in a great number, make online tourism market competition become increasingly fierce. So studying the competition status and competitive environment of online travel in China, and then putting forward some competitive measures for online travel enterprises in China have theoretical and realistic significance to promote the development of online tourism enterprises in our country.

1. ONLINE TRAVEL ENTERPRISE COMPETITION STATUS IN OUR COUNTRY

1.1 The Emergence and Development of Online Tourism

In recent years, with the rapid development of the tourism enterprises in our country, the online travel industry has been quickly developing, and the network makes travel more convenient. Since 1999, the arrival of global Internet investment upsurge helped the appearance of the first batch of tourism websites, such as ctn.com, Ctrip and CYTS Online. Till 2000, on-line tourism facilitators all further explored operation mode, acquired traditional tourism distributors, and expanded their businesses. After 2005, on-line tourism in China had a diversified and differential development trend. Online tourism industry is in its heyday.

1.2 The Development Status of Online Tourism

There are more than 5,000 travel websites which have certain strength of information service in our country by far. The websites emerge endlessly, and the contents are also richer and richer, and specific business has expanded to the food, accommodation, transportation, traveling, shopping, entertainment and other aspects of online information services, which gives the majority of tourists' great convenience.

Currently, the numerous on-line tourism facilitators have various business models. The aerospace hotels represented by China Southern Airlines and 7 Days Group Holdings Limited have increased their investment in the official websites and conducted online direct sales; on-line tourism facilitators represented by Tuniu and Lvmama tourism websites develop gradually to obtain outsourced risk investments and fight for the market shares; Internet giants, represented by Taobao Travel and Sina Travel, are also involved in Online tourism industry, which to a certain degree splits the website traffic of online agents; being the representatives of tourism media websites, Qunar, Kunxun and other tourism media websites are sprouting, and become the catalyst of the development of online tourism market, which makes the competition of the entire industry more three-dimensional (Mao, 2012).

1.3 Online Travel Enterprise Competition Status in Our Country

Since the emergence of online tourism in China, the competition among online tourism enterprises has never stopped. With the rapid development of tourism industry and the Internet, many offline tourism enterprises start to integrate the traditional tourism mode and actively develop online tourism websites one after another, which gives rise to many tourism enterprises. Therefore in recent years, the competition among online tourism enterprises has become fiercer.

According to the data source of the world famous ranking website Alexa.cn, it conducts the aggregation and ranking of the website traffic and the covering numbers of users of main online tourism enterprises at the end of 2012 domestically, and the result is shown as Table 1:

Table 1
Network Traffic Summary of Alexa China Online Tourism Enterprises

Website name	Domain name	The average ranking in three months	The average rank in one month
Qunar	Qunar.com	628	519
Ctrip	Ctrip.com	867	749
17u	17u.cn	2153	1685
NASDAQ: LONG	Elong.com	2278	2159
CNCN.com	cncn.com	2966	2298
Lvmama	lvmama.com	2644	2387
Tuniu	tuniu.com	3783	3734
Mafengwo	mafengwo.cn	3768	4091
Kuxun	Kuxun.cn	731	5136
jQuery	you.118114.cn	1319	34996

Note. Data source: Collating according to the Alexa.cn in 2012.

As shown in the table above, Qunar.com ranks the first in every indicator in the total website traffic ranking of China's online traveling websites which take the Alexa Three Months Average Ranking and the Alexa One Month Average Ranking as the index. The companies listed in the table above are the most famous ones in the contemporary online traveling market.

Currently, in order to seize the market, each online tourism enterprises are actively expanding the user market, and exploring new competition ways and marketing model (Zhou, 2013). First, in terms of user market competition, in addition to competing for the market of the medium- and high-end users that have rather strong consumption capacity, online tourism enterprises also need to compete for the market of some users whose consumption level is low, yet who have rather high consumption willingness; in the aspect of competition methods, some enterprises use the competition method of "verbal battle" to raise their popularity, some use the competition method of "price war" to expand their market shares, and some also use "powerful combination" to enhance the market impact; in the aspect of marketing model, all enterprises get rid of the stale and bring forth the fresh positively. Based on making good products and providing good service, online tourism enterprises start reinforce the strength of brand marketing and expedite the layout and creation of the enterprises' publicity and influence. While the MicroBlog Marketing rising in the past two years has become the online tourist enterprises competitive battlefield as well.

According to the monitor of iSNSTracker, a social network users' behavior study system of iResearch, the top three online tourism enterprises based on the number of the followers on Sina Weibo were eLong.com, LY.com and Qunar.com respectively by the end of 2012. Besides,

Elong enjoyed the highest rate of active fans, and the average amount of Tuniu's daily weibo ranked first. Online tourism enterprises are paying attention to the role played by the Weibo marketing. They use marketing platform for Weibo, which is a socialized media, to improve their own influence, and increase leverage for the following competition pattern of online tourism industry (Yang, Xu, Zhang, & Zhu, 2013).

In general, the competition among the online tourism enterprises is turning white-hot, and there are various competition models. How to make progress continuously in the competition is a problem that every manager of online tourism enterprises needs to think over.

2. THE ANALYSIS OF THE COMPETITION ENVIRONMENT OF ONLINE TOURISM ENTERPRISES IN OUR COUNTRY

The competition environment of an enterprise has a critical impact on the improvement of the enterprise's overall competitiveness. The competition environment of an enterprise consists of the corporate internal competition environment and the corporate external competition environment. Let us comprehensively analyze the competitive environment which the online tourist enterprises face from these two aspects below.

2.1 Online Tourist Enterprises Internal Competition Environment

There are 3 basic internal competition types of online tourism enterprises: technology, product and staff (Wang, 2013).

2.1.1 Internal Competition Caused by Technology

It is usually because different departments and units apply similar technology independently to develop products that results in internal competition brought by technology. Online tourism industry renews particularly fast, so in order to gain a firm foothold in the online traveling market, technological updates and technological research and development must be carried out regularly. When online tourism enterprises conduct technical research and development, there may be several different departments doing this work at the same time, and hence this is certain to result in competitions among different departments. On the other hand, certain technical competitions are deliberately arranged by the high-level leaders of online tourism enterprises so as to compare and decide among two or more technologies. As for this kind of interior competition, the emphasis of work by high-level managers is setting up a system of selecting the superior and eliminating the inferior (Chen, 2012). This is a common way of competition seen in the research and development of enterprises.

2.1.2 Interior Competition Triggered by Products

The competition among products includes those between product items and product lines. The reasons why

enterprises carry out such competition are usually to give full play to the advantages of technology, production and marketing, then to obtain greater production scale and market share. While among the online tourism enterprises, there also exists the competition of products, and online tourism enterprises launch various kinds of tourism products frequently. In order to better promote the market, the administrators of online tourism enterprises will arrange the production plan, promotion plan and promotion scheme of tourism products to several departments for planning and designing simultaneously. It will bring about competition within the enterprise. The department's product ideas which are better than others will be adopted by the enterprise in the end. While this kind of competition is usually fully understood and permitted by senior managers.

2.1.3 Interior Competition Triggered by Employees

Many online tourism enterprises set relatively high requirements for employees. In order to adapt to the requirements of market economy and corporate development, enterprise leaders further deepen the reforms in corporate personnel and labor employment system, reinforce the corporate management of labor employment and break the situation where the corporate personnel flow is stagnant. Usually, they will truly establish the competitive mechanism of "up and down, in and out, effective motivation, merit-based appointment", which itself will lead to the competition among corporate employees. Besides, the job mobility among staffs will also cause internal competition among them. So competitions among employees go through the whole process of enterprise development. If the enterprise wants to make long-term development, it should deal with the competitions among its employees.

In a word, if the three kinds of the corporate internal competition are properly handled, the market competitiveness of online tourism enterprises will be promoted. But if the internal competitions are not properly handled, then the overall development of enterprises will be influenced.

2.2 Environmental Analysis of the Exterior Competition of Online Tourism Enterprises

For online tourism enterprises that want to obtain a huge development, they not only should be familiar with external competition environment, but also need to fully grasp online tourism enterprises in our country that they are located in. The Michael Porter's Five Forces Model, which is the core of Porter's theory in competition strategy, is adopted here to analyze the environment of the exterior competition of online tourism enterprises. The reason for the paper to adopt the model to make analysis is that the model, through all-round analysis, has provided a method of thinking the competition environment for the enterprises so that they can discern their own advantages and disadvantages in the industry, making the analysis on

online tourism enterprises in our country more accurate and clarified.

2.2.1 The Analysis of the Existing Competitors

In recent years, the competitors of online tourism industry have increased day by day. Jingdong opened the business of flight ticket, Taobao entered the travel booking field, and several major Internet giants have jumped into the online traveling market one after another (Qian, 2008). Now, our country's current online tourism industry is still in the state in which large, middle and small scales coexist. In other words, the competition pattern is that CTRIP dominates and occupies 46.9% of the market share; Qunar.com, ELong, Mangocity, LY.com and so on occupying the second camp with the market share being 42.8% and other firms share the remainder.

In addition, tourism enterprises also introduce new things continuously on the strategic arrangement of competitive development to strengthen their own powers and gain market shares continuously. The Qunar.com always focuses on the research of the vertical search engines, and its industrial influence and status increase continuously. After being invested by Baidu, it entered the first-class industry, and its business and model also began to expand increasingly (Li, 2014). Ctrip involves in many areas, from the traditional reservation of air ticket and hotel to business activities, travel and vocation, tourism medium, travel agencies and hotel management where Ctrip is carrying out its activities roundly. Currently, Ctrip has already controlled and integrated the industry chain, thereby expands the comprehensive tourism group scale gradually. Based on many resources of scenic spots, ly.com has become an up-rising star in the "Chinese self-service travel pioneering platform", and this is benefited from its persistence in the core of "travel". On account of the practical essence with low profile, and the substance of promoting customer experience, 17U has become the champion in the field of independent travel step by step. Elong is relatively simple in layout, and its business can be regarded as the most single one in the first camp of China's OTA. It does not penetrate into other business fields except hotels and plane tickets. However, after receiving a huge investment from Tencent Company, Elong started the full operation of the "Tencent Tour" channel. Emerging tourism websites put all of their business efforts on "travel". However, these emerging online tourism websites accelerated the speed of expansion in 2013 in order to have a head start in the emerging industry blueprint.

2.2.2 The Analysis of New Competitors

Although new entrants face a series of problems and challenges, it is difficult for them to exist in the online traveling market for a long time if there is no capital as support. But in recent years, many companies have still been entering the online traveling market, which make the market structure quite boisterous. In April 2011, Shanda

Media Group Limited set up the Interactive Traveling Heaven and Earth (China) Co., LTD., announcing its entering into the online tourism industry; On May 19, 2011, "Taotravel" of Taobao got online. And on August 23, it officially declared the entrance into the online traveling market. Because the service fees it charges are much lower than the commissions of other air ticket agency companies, air tickets can be sold on Taobao at a lower price. Meanwhile, with a 200-million-user group, Taobao has a greater brand effect and higher popularity than other online tourism enterprises; Tencent launched the platform of Go. QQ. on September 1, 2011 formally, which provides the booking services of flight ticket and hotel; there are also several telecom operators engaged in tourism actively, with "12580" of China Mobile as the most representative one (Liu & Wu, 2009). And from April 2014, Wowotuan, Meituan, Lashou and many group-buying websites have started to break into online traveling market on a large scale.

Thus it can be seen that in a few years in the future, for the online tourism enterprises, the threats of the potential competitors and new incomers are going to be more and more obvious.

2.2.3 The Analysis of the Bargaining Abilities of Providers

Suppliers' bargaining skill level will directly affect the cost of companies' products. The bargaining abilities of providers would be controlled mainly by taking advantage of buyers' strong positions and by the competitions between suppliers. The influence of the Internet on buyers' powerful position won't generate effect in the short term. However, it is worth noting that the Internet has a great impact on the competition between suppliers. The openness of the Internet strengthens information dissemination of suppliers' products, which intensifies the competitions among suppliers. While among the online tourism enterprises just use the Internet as a platform. Therefore, the online tourism suppliers' ability of bargaining must have influence on the competition patterns of online traveling market. For example, online tourist enterprises need to face suppliers like scenic spots, ticketing, accommodation, catering service, even peer enterprises and so on. The main means of the competition among current online tourism enterprises is the price. If the travel agents can control suppliers' bargaining ability through the network control, then there is no doubt that they can gain the initiative in the price competition.

2.2.4 Purchasers' Bargaining Ability

Online tourism has replaced traditional mode gradually, which is accepted by an increasing number of netizens. According to statistics, 10% of business travelers and 50% of leisure travelers in China use online travel search and booking, and it is expected that this proportion will continue to rise. While online tourism websites provide

options of information offers and travel trades for travelers, the travelers' level of travelling knowledge and consuming demand is becoming higher and higher at the same time, and bargaining ability is getting stronger and stronger. For example, before reservations customers may compare the airplane ticket prices from different websites, and then choose the one with the cheapest ticket and buy it directly, or possibly bargain and want a discount, or ask for a higher level of service. In the Internet industry, users would only remember one or two websites in a field, so some small online travel companies who want to surpass the industry leader still need to make more efforts on the aspects including brand, service and so on.

2.2.5 The Threat of Alternative

About the substitutes for online tourism enterprises, there are two aspects that perform most prominently. One aspect is substitutes for online tourism enterprises itself. For example, the newly online websites like Taobao, Wowotuan and Meituan which entered the tourism market. Its huge client groups in the operation of other fields will certainly have an impact on the current online tourism enterprises to some extent. Moreover, the most direct threat of the substitutes of online tourism enterprises comes from the substitutes of transportation, especially for some online travel agencies special in airline booking. For example, civil aviation is always the first choice of the long-distance travel, but the high-speed rail, whose speed per hour is from 200 km to 350 km, gives the direct threat to civil aviation, so this threat should be noticed in selling domestic airline tickets.

All in all, online tourism enterprises in our country of the current online tourism has become unusually complicated, and every online tourism enterprises start enhances its competitiveness through all kinds of competitive approaches, but how to maintain its market position in market competitions over and over again has become the common issue that all online tourism enterprises are faced with.

3. COMPETITION STRATEGIES OF ONLINE TRAVEL ENTERPRISES IN CHINA

Online tourism market competition is becoming more and more serious. If an enterprise wants to gain a firm foothold in the new environment, it needs to take appropriate competition strategies.

3.1 Internal Competition Strategies

Competition is an important operating rule in the market economy, but the corporate internal competition is also ubiquitous in market economy society. Besides, internal competition in online tourism enterprises can sometimes be very fierce, so coordinating the internal competition within enterprises is the first step to enhance comprehensive competiveness.

3.1.1 To Coordinate and Manage Internal Competition Caused by Technology

In the process of coordination and management of internal competition in the aspect of online tourism enterprises technology, the enterprise shall catch problems early, coordinate timely, accept the coexistence and manage internal losers well.

It is quite crucial to catch that internal competition among different sectors of online tourism enterprises as early as possible. No matter whether the internal competition is generated spontaneously or arranged purposely, it is much important to coordinate those departments timely to make the internal competitors view the problem from different perspectives in competing and cooperating with each other. Meanwhile, the latter way can relieve the vicious competition within online tourism enterprises to the greatest extent. Most of the time, online enterprises cannot just adopt one single technology, so accepting coexistence is a good choice. In addition to this, an important problem that many online tourism enterprises need to face is to avoid the appearance of so-called winners or losers in the competitions. The point is to make all competitors have a good sense of cooperation and competition, and to make everyone satisfied with the final result.

3.1.2 To Coordinate and Control the Internal Competition Caused by Products

The management of internal competition among products of online tourism enterprises should first account independently the competitive products at the beginning to use staff's abilities as far as possible. Secondly, close attention should be paid to the degree of market occupancy, and adjustments should be made accordingly. Thirdly, find the opportunity to merge. With the development of online tourism enterprises and the constant updating of tourism products, quite severe market encroaching will certainly appear in many fields, which will not only lead to chaos in clients, but also lead to a tense atmosphere in the enterprise. So the selection of appropriate opportunities and proper product integration can successfully eliminate the polyisomerism among tourism products.

3.1.3 To Coordinate the Management of Internal Competitions Caused by the Staff

The development of online tourism enterprises can't be separated from the efforts of enterprise staff, so the coordinated management of the internal competition among the staff is also of great importance. FirstLY, the democratic atmosphere should be created in the company so that the staff can express their opinions about the development of the company and the advice of demand of themselves. Then, all kinds of contradictions in the company can be communicated and solved in a good manner. Secondly, it needs to establish a moderate external competition environment with justice, making the staff

understand the relationship between internal competition and external competition and strengthening their team awareness (Gndo, 2014). Thirdly, the incentive mechanism should be established; a fair incentive mechanism can decide whether the performance is successful or not.

3.2 External Competition Strategy

The external competition that online tourism enterprises are currently faced with is increasingly complex, so it is of great importance to study the countermeasures of the exterior competition of online tourism enterprises on the guidance of enterprise development. The External Competition Strategy of online tourism can be concluded as the following aspects.

3.2.1 Active Innovation, the Implementation of Differentiation Strategy

This competitive strategy is mainly aimed at the competitors in the same industry. Because innovation is the root of the companies' progress, especially in the rapid upgrading Online tourism industry. If online tourism enterprises want to]stand in the market for a long time, they must pay attention to the innovation of tourism products and service. Therefore, to improve innovation ability is essential for online tourism's sustainable development.

Moreover, it is necessary to differentiate the products or service provided by online tourism enterprises, and to attract a wider range of customers by adopting the products and services which are totally different from its competitors'. In this way, these enterprises can have sustainable and long-term development under the marketing circumstance of rapidly increasing competitors in the same industry. Only by taking aggressive innovation and implementing the differentiation strategy, can the enterprises keep a favorable position among the current competitors.

3.2.2 To Promote Brand Effect, Improve Customer Loyalty

This competitive strategy is mainly aimed at new entrants and potential competitors within the industry. There are many new entrants in online traveling market, and in order to avoid or reduce the shocks of new entrants to the enterprise itself as far as possible, the brand effect of the enterprise should be positively promoted. A good brand is the greatest invisible property and core competitiveness for companies. An enterprise should establish its own brand's core value with a unique and active corporate image by marketing methods, which can improve its corporate recognition among consumers (Li, 2010). In an increasingly competitive market environment, more and more enterprises begin to focus on post-purchase behavior of customers. Customer's loyalty towards brands can form a barrier in the market to prevent new competitive products from entering, which virtually reduces the pressure of competition on enterprises and effectively protects the current market. The loyal customers

imperceptibly become the free pitchmen of the enterprises, and play a vital role in establishing good corporate images. So online tourism enterprises should actively use the brand effect to cultivate customers' loyalty

3.2.3 To Increase the Number of Suppliers and Improve the Ability of Negotiation

This competitive strategy is mainly aimed at the bargaining abilities of providers. According to the variable demands of customers and short lead time of orders for goods faced current online tourism enterprises, the supplier management courses combine contradictions and problems that universally exist in the current purchasing and supplier management of China's enterprises to introduce relevant ideas of purchasing and supplier management suitable for China's enterprises through the commonly used modes of supplier management among some international famous enterprises, and introduce the theories and principles of enterprise logistics management and supply chain management at the same time, making the supplier management of enterprises processed and standardized. Establish structures and systems for selecting and evaluating suppliers. With the advent of a series of problems such as the rising price, unpunctual delivery of goods, inconsistent quality and difficulties in cooperating with monopolistic suppliers, online tourism enterprises should actively develop new suppliers. Through the joining of some new suppliers, the total number of suppliers will increase. Hence, a competition relationship is formed between the new and old suppliers. This will improve online tourism enterprises negotiation ability and lower marginal vendors' effect, which will virtually impair original vendors' power. Through bringing in new suppliers, online tourism enterprises have reduced procurement costs and improved the quality of suppliers. Introducing competition mechanism among suppliers also helps to promote the progress of the whole online tourism industry.

3.2.4 To Improve the Product Quality and Service and Enhance the Customer Experience

This competitive strategy is mainly aimed at buyers' bargaining ability. If you want to play an active role in the negotiation with buyers, you should put the product quality in the first place. Products and services are the life of an enterprise. It is superior products and services that can make an enterprise remain invincible in the fiercely competitive market. The quality and service of tourism products are also the root of development for Online tourism industry. If the products and service of online tourism enterprises are excellent, it is bound to develop very well. Because of this, now a lot of enterprises have been focused on studying product quality and service. Tourism industry is a typical service industry, so the principle of "Quality First" and "Service First" must be earnestly implemented. Intensify quality management and takes preventive measures. Online tourism enterprises need

to establish rigorous responsibility system on technology, design, control, management and etc., and guarantee product quality through the work quality on each position and each process. They should also reinforce the quality control over the overall process of tourism products and actively promote clients' experience. Only through doing remarkably on quality and service can they take the absolute advantage of negotiation with purchasers.

3.2.5 To Implement Low-Cost Strategy and Develop Special Functions of Tourism Websites
This kind of competition strategy mainly aims at the threat of substitute products in the industry. Implement low-cost strategy is an important measure for the market competition. The substitutes provided by while among the online tourism enterprises are popular among tourists, precisely because of their low prices. Therefore, to compete with the substitutes in the market, the Implement low-cost strategy should be implemented. Online tourism enterprises that want to implement low-cost strategy, they have to lower their production cost. The production cost of an individual enterprise is either high or low and the tourism enterprise can be in an advantageous position in the market competition only through working hard to improve production technology, perfecting operation management and making its individual cost lower than the social average cost. In addition, special functions of online travel websites should be actively developed. Only when websites of online tourism enterprises have characteristics of being pursued by customers, will they not be easily replace by other substitutes.

CONCLUSION

The competition of online travel increases day by day in our country and the competition modes are diverse. The paper analyzed the competition environment faced by the online enterprises from two aspects, internal competition and external competition. The internal competition includes the competition from technology, products and internal employees. The external competition is from current competitors, new entrants to the market,

suppliers' negotiation power, buyers' bargaining ability, and the threat of substitutes. For the internal competitive environment, it puts forward strategies to coordinate competition caused by technology, products and staff. For the external competition environment, it puts forward strategies to conduct innovation actively and implement differentiation policy, to enhance the brand effect and improve customer loyalty, to increase the number of suppliers and improve negotiation skills, to improve the quality of products and services and improve the customer experience, and to implement low-cost policy and develop special tourism website function.

REFERENCES

Chen, M. (2012). Research on business model innovation of online travel company. *China Business,* (05), 177-178.

Gndo, N. (2014). Online travel agents lifted by trip advisor. *Investors Business Daily.*

Li, S. Y. (2014). Online travel competition. *Cargo Business,* (01), 57-58.

Li, Y. (2010). The countermeasures of the development of Chinese online travel. *Henan College of Finance and Taxation,* (05), 22-23.

Liu, H., & Wu, J. (2009). The environmental impact factors evaluation on the online travel industry under the new economic situation. *Resources Industry,* (06), 79-84.

Mao, Y. F. (2012). *Analysis on the marketing strategy of online user behavior.* Beijing University of Posts and Telecommunications.

Qian, Y. C. (2008). The trend of online tourism development under the background of information analysis. *Technology, 27,* 401-427.

Wang, Z. Y. (2013). *The domestic online travel industry competition and development strategy.* Electric Power University of North China.

Yang, K., Xu, Y., Zhang, B., & Zhu, L. M. (2013). Online travel enterprise blog marketing strategy. *Wealth Generating Technology Guide, 24,* 343+359.

Zhou, H. (2013). *Online tourism enterprises marketing mode innovation.* Shanghai International Studies.