

Research on the Online Travel Agency Resource Integration Model: A Case Study of Ctrip

Guo Chunfan*, Zhou Nannan

Management School of Jinan University, Guangzhou 510632, China

*Corresponding author

Guo Chunfan

Article History

Received: 03.11.2018

Accepted: 16.11.2018

Published: 30.11.2018

DOI:

10.36347/sjebm.2018.v05i11.010



Abstract: In an open environment, acquiring and deploying valuable, rare, costly to imitate and the organized to capture value resources (VRIO) has become an important breakthrough for online travel agency to nurture and develop long-term competitive advantages. Based on the analysis of the characteristics of OTA business and resources, this paper studies the resource integration model of Ctrip. The results show that Ctrip has adopted different resource integration modes at different stages, and the resource integration model presents the evolutionary rule of “stabilizing–enriching–pioneering”.

Keywords: Online Travel Agency (OTA); VRIO resources; resource integration model.

INTRODUCTION

Online travel is a new tourism industry under the Internet era, and has become an important pillar industry in global e-commerce [1]. Simply put, online travel is a general term for a series of online travel agents. With the diversity and individualized changes in demand, OTA must not only stabilize its standardized products such as hotels, airline tickets, scenic spots, but also actively expand non-standardized products and services. Therefore, in order to more and better meet the needs of consumers, and have a competitive advantage in the market, OTA actively carries out activities such as mergers and acquisitions, acquisitions, alliances, etc., in order to obtain relevant resources and achieve the purpose of expanding its products and services.

It can be seen that resource integration is becoming an important breakthrough for China's online tourism companies to cultivate and develop long-term competitive advantages.

However, there are not many theoretical studies on the integration of OTA resources. At present, the research on OTA at home and abroad mainly focuses on the following three aspects: one is to classify OTA from different angles; the other is to explore OTA business model selection and supply chain model and knowledge. The efficiency of the management system; the third is to study the influencing factors of tourists purchasing tourism products and the impact of OTA service capabilities on customer satisfaction, brand attachment, etc.. In an increasingly complex business environment, OTAs often cannot rely solely on their own innovations in products and services. This means that, to some extent, OTAs work with other companies or organizations to obtain resources from outside and to effectively allocate acquired resources. Therefore, it is necessary to study the resource integration model of OTA.

Ctrip (full name: Ctrip International Co., Ltd.) is an early online travel company in China. It is the second largest online travel company in the world with market share in China. Therefore, this study selects Ctrip as the research object. Based on the analysis of OTA management and VRIO resources, it conducts research on the resource integration mode of Ctrip's different development stages, in order to expand the application of resource integration theory and make decision-making for online tourism enterprise resource integration Provide a theoretical basis.

LITERATURE REVIEW AND THEORETICAL BASIS

Theory of Resource and Resource Integration

Traditional economics believes that resources are “the sum of all the elements of production activities for the creation of wealth” [2]. For enterprises, resources refer to all assets, capabilities, etc. that they have, control or can use to improve their strategic effects [3]. Although the resources or resources bundles owned by the company are the basis for achieving competitive advantage [4], not all corporate resources can be transformed into competitive

advantages, valuable, rare), and costly to Imitate, an organized, capture value resource, that is, VRIO resources are resources that form a sustainable competitive advantage for enterprises [5].

If resources are transformed into actual competitive advantages, enterprises must select, capture, configure, activate and organically integrate resources of different sources, different levels, different structures and different contents [6]. Sirmon *et al.* [7] also proposed the concept of resource integration, but more emphasis on the process of building resource combinations and bundling resources to form unique capabilities after the enterprise obtains the required resources from the outside, ie resource allocation. This paper studies the narrow integration of resources, emphasizing the combination and bundling after obtaining the required resources from the outside.

Theory of Resource Integration Model

The resource integration mode refers to the way and means used by enterprises to bundle and configure resources after acquiring the required resources. There are three modes of resource integration, namely Stabilizing, Enriching, and Pioneering. Stabilizing is a minor improvement to the existing capabilities of the enterprise, by fine-tuning the existing resource portfolio, the basic resources such as existing personnel, technology, and management processes are not significantly changed. Enriching is to extend and extend the company's current capabilities by learning new skills or by adding a complementary resource to the current resource bundle. Pioneering is to acquire new resources from the strategic factor market, combine resources with creative new methods, or creatively combine new resources with existing resources [7].

The resource integration model of enterprises is different at different stages of development. For example, in the growth stage, the managers emphasize the Enriching and Pioneering, and the enterprises in the mature stage are more inclined to Stabilizing [8]. Therefore, the degree of resource integration of these three resource integration models is progressive [9].

Since its establishment in 1997, Ctrip has created a road to the development of online travel

companies in China. In the course of its 20 years of development, it has experienced stages of initial creation, growth and upgrading. At different stages of development, Ctrip's demand for resources is also different, and its resource integration model will change dynamically with changes in the external environment and development stage. Therefore, the existing research provides a theoretical basis for exploring the resource integration model of OTA represented by Ctrip in different stages of development. At the same time, the application of resource integration theory to online tourism enterprises will also deepen the understanding of the application scenarios of resource integration theory and expand the scope of application of resource integration.

Analysis of OTA Management and Its Resource Characteristics

The operating characteristics of OTA

OTA, also known as online travel service providers, online travel agencies, use the Internet and information and communication technologies to provide the public with a full range of travel service providers or businesses that meet the various needs of travel.

OTA have the following three characteristics: (1) Management is platform-oriented. On the one hand, it provides comprehensive technical support and service guarantee for suppliers based on its own technology and strength; on the other hand, it provides tourism products and services for tourism consumers. OTA seeks profit opportunities from the connection point between demand and supply of these two market groups; (2) The integration of the value chain. The OTA meets the increasing demands of consumers, and deeply explores the marketing and service links of the traditional travel agency value chain, integrating and integrating tourism finance, travel insurance, tourist visas, and travel reviews. Value network system that crosses industrial boundaries [10, 11]; (3) The cost of operation is low. The borderless nature of the Internet can absorb thousands of travel providers to expand financial services and marketing services. The large number of suppliers enables OTA to reduce the cost of assets for each supplier and achieve cost-saving based on scope economy (Figure 1 as shown in).

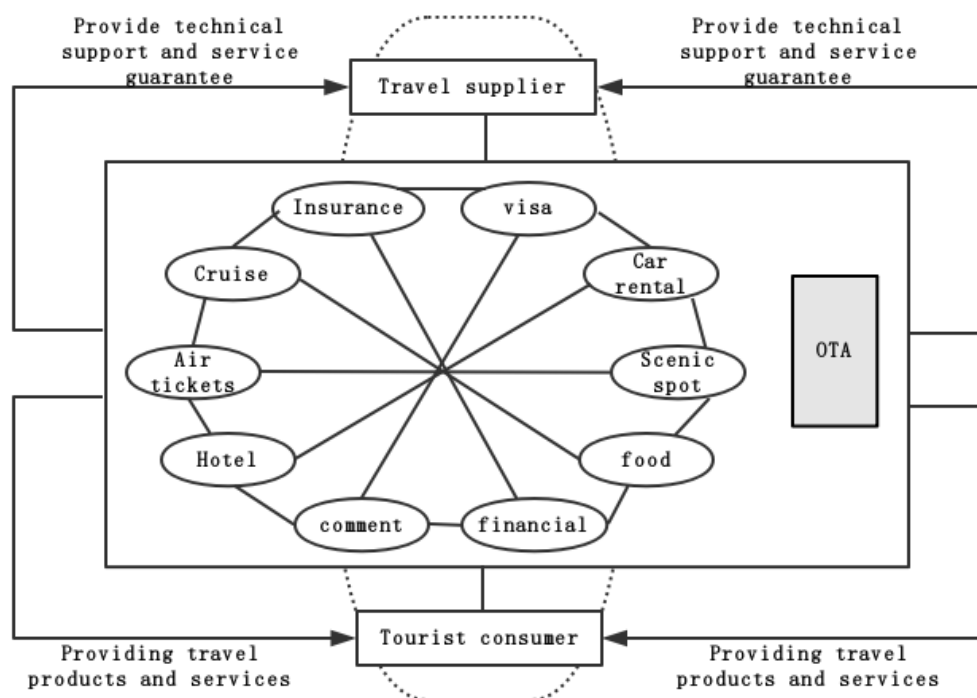


Fig-1: Graphical illustration of the operating characteristics of OTA

Analysis of VRIO Resources of OTA

To achieve a competitive advantage, OTA must have VRIO resources. The VRIO resources of OTA are analyzed as follows:

(1) *Valuable*. Resources that enable OTA to provide a full range of products and services to tourists are valuable resources [12]. OTA caters to the diverse travel needs of travellers with a full range of services. Therefore, for OTA, the resources of all-round products and services such as eating, living, traveling, traveling, entertainment, and purchasing are valuable resources.

(2) *Rare*. Having other OTAs without systems or capabilities means having scarce resources [12]. For example, Ctrip relies on the long-term investment and transaction scale advantages of the online booking ticket market, and has an online booking ticket system that other OTAs do not have, which is at the forefront of the online transportation market share.

(3) *Costly to Imitate*. The technology or ability that competitors are difficult to develop or purchase at a low price is a resource that OTA is difficult to imitate [12]. For example, Ctrip pioneered the real-time control and recommendation system (E-booking system) in 2001, which significantly reduced operating costs. In addition, Ctrip relies on powerful big data analysis capabilities to analyze the large amount of transaction data accumulated by the platform, thus

providing consumers with a variety of solutions, which are difficult for other OTA companies to imitate.

(4) *Organized to Capture Value*. Intangible organizational capabilities rooted in abstract resources such as corporate practices and culture is OTA's organized, value-aware resources [13]. Management ability is an important driving force for the growth of the OTA platform [14], while brand resources and reputation resources are conducive to attracting tourism suppliers to enter the platform, enhance the bargaining behavior of OTA [15]. Therefore, management capabilities, brand resources, and reputation resources are organizational resources of the OTA.

Ctrip's resource integration model analysis

Case background

Founded in 1999, Ctrip is headquartered in Shanghai and successfully listed on NASDAQ in December 2003. It is the leading B2C travel service provider in China. At present, it has set up branches in 17 cities across the country with more than 25,000 employees. At the beginning of Ctrip, it entered the online travel market with "airline + hotel", and then gradually integrated services such as leisure vacation, car rental, reviews, entertainment, and preferential merchants through resource integration. By the end of 2017, Ctrip maintained its leading position in China's online transportation and online accommodation market, and expanded rapidly in tourism and holiday

product services and tourism financial services. The uniqueness of Ctrip is that it integrates different resources according to the goals of different development stages of the enterprise, and uses the platform to realize the seamless connection between the needs of tourism suppliers and consumers.

Analysis of Ctrip's Resource Integration Model at Different Development Stages

The initial stage (1999-2003): Stabilizing

At the beginning of its development, Ctrip tried SMS, online advertising, online games and other services. Later, it found that online air tickets and hotel reservations had the advantages of less competition, no need for distribution and inventory, and began to do business in this area. In order to obtain the hotel reservation network and ticket reservation system resources, in October 2000, Ctrip acquired Beijing Hyundai Express Business Travel Service Co., Ltd., which had the largest telephone booking call center in China at that time; in March 2002, it acquired Beijing Coastal Aviation Service. Ltd., the company was the largest individual ticketing company in Beijing at the time.

After obtaining the corresponding resources, Ctrip fine-tuned the existing resource portfolio. After acquiring the largest telephone booking call center in China, Ctrip transformed its original call center into a largest call center in Asia with more than 1,000 people, making it the largest hotel distributor in China in 2001[16]. At the same time, Ctrip will also bundle the air tickets with the hotel, set up a call center that centrally handles the ticket hotel business, and provide consumers with services for delivering air tickets and online bookings, in order to obtain commissions to occupy the ticket and hotel market. Ctrip combines the resources of its own network platform with the traditional ticketing channel resources it has acquired, and improves the back-office service system without changing the basic resources such as existing personnel, technology and management processes. Enter the tourism industry.

Ctrip's introduction of airfare and hotel resources to improve the existing resource portfolio is Stabilizing. Through the stable adjustment of the resource integration model, Ctrip in the initial stage formed a profit model of "hotel booking + ticket discount", which not only solved the survival problem, but also expanded the market.

Growth stage (2003-2013): Enriching

After several years of exploration, Ctrip entered the growth stage. At this time, with the booming tourism industry, especially after the SARS in 2003, the emerging self-help tour was accepted by more and more tourists. However, Ctrip's existing business cannot fully satisfy the consumer's need to

design a tour according to personal preferences. Ctrip urgently needs valuable resources such as food, housing, travel and tourism to enrich its business and increase its market share. Therefore, Ctrip has taken a series of important resource integration activities: in October 2004, Ctrip acquired the Shanghai Cuiming International Offline Travel Agency; in 2008, it acquired the leading domestic hotel management system supplier, Beijing Zhongsoft Haotai; in March 2009, it invested in Taiwan. The largest online travel agency is Yiyou. In March 2010, it acquired the earliest and most authoritative ancient town website in China, Guzhen.com; in January 2011, it acquired the first secretary of China's first ordering center.

After obtaining a series of resources, Ctrip supplemented the existing resource portfolio. First of all, Ctrip uses the travel agency resources such as Shanghai Cuimei and Taimei Travel to enhance its tourism service capabilities, and at the same time control the resources, resources, services, and resources of the travel agency's original food, housing, travel, and tourism resources. Secondly, tourism destinations such as Taiwan, Hong Kong and Guzhen have expanded Ctrip's existing "tour" resource network, and China's first catering reservation service has expanded the layout of "food" resources. On this basis, Ctrip also integrated the main business structure of several major systems such as travel packages, overseas destination exploration, gourmet ordering, and Guzhen Inn's special services, providing customers with one-stop service and completing a simple reservation. +Airline" The shift from a business to a real travel service provider.

Ctrip introduced the combination of travel agencies, tourism destinations, catering, tourism services and other resources with existing resources to complement and graft, and to expand and refine existing resource combinations is Enriching. Through Enriching, Ctrip in the growth stage breaks through the operating status of the "machine + wine" in the initial stage, forming a complete main business structure, becoming China's leading travel service provider, and gaining more competition than competitors through user coverage.

Upgrade stage (2013-): Pioneering

In 2013, Ctrip entered the upgrade stage. At this time, China's online travel market is in a period of rapid development. The OTAs in the leisure and holiday market segments such as Tongcheng and Tuniu have risen rapidly. The US and other e-commerce and group buying platforms have also accelerated penetration in the online tourism field; The market competition is very intense. Faced with the highly variable market environment and the increasing consumer demand of consumers, Ctrip urgently needs value-added products, technologies, management capabilities and other difficult to imitate,

organizational resources to achieve product innovation, and provide service guarantee for tourists. In order to obtain these resources, Ctrip continued to invest in Zhongan Online Insurance and Huiju.com in late 2003; Ctrip Strategic Investment in October 2014; and strategic alliances with Royal Caribbean Cruises and Jingzan Technology in September and December 2014 respectively; In October 2015, Ctrip merged where to go; in December 2016, it signed a strategic cooperation agreement with Tuniu; in January 2017, it acquired the Tang Dynasty.

After acquiring the corresponding new resources, Ctrip has innovated and integrated the existing resource portfolio. New resources such as cruises and car rentals have innovated Ctrip's existing "line" system to provide more choices for consumers. The integration of valuable resources such as insurance and finance with existing resources has created value-added tourism services and guarantee systems such as tourism finance, travel insurance and tourist visas. The hard-to-impersonate resources such as big data

information technology provided by Jingzan Technology have innovated Ctrip's customer intelligence analysis and precise marketing methods to improve operational efficiency. In addition, the strategic cooperation between Ctrip and OTA, such as Tongcheng, Qunar, and Tuniu, can realize the mutual circulation of customer resources, the complementary business of scenic spot tickets and the joint research and development and innovation of technology, and exchange management experience to reduce internal consumption.

Ctrip introduces a resource integration model that combines new resources such as insurance and finance with existing resources to jointly innovate and create new types of tourism service products and value. Through Pioneering, Ctrip successfully built a complete tourism ecosystem and increased market share.

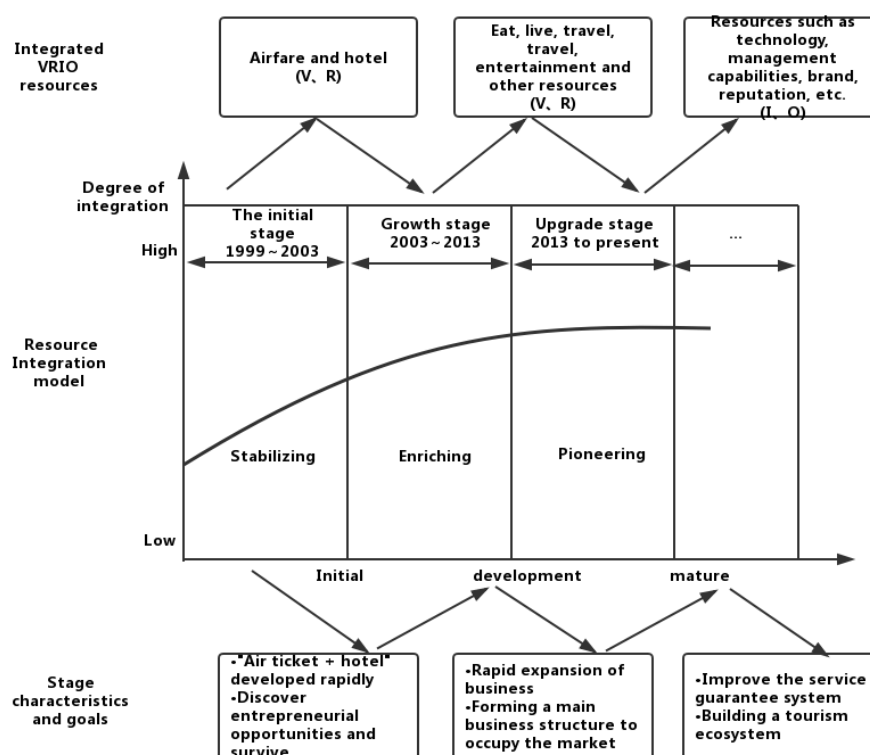


Fig-2: Diagram of resource integration mode at different stages of Ctrip

CONCLUSION

Research conclusions and management implications

With the development of tourism, online travel services provided by online travel companies are increasingly unable to meet the diverse needs of tourists. To gain competitive advantage, online travel companies must adhere to improving products and services and enhance their overall strength. Therefore,

based on the analysis of the operating characteristics of online travel enterprises and VRIO resources, this paper selects the leading enterprise in the industry, Ctrip, as the research object, sorts out the key events of resource integration in different development stages, and explores the resource integration mode. The conclusions of this paper are as follows: First, the operation of online tourism enterprises has the

characteristics of platform, integration of value chain and low cost of operation. Its VRIO resources mainly include resources such as eating, living, traveling, traveling, entertainment, purchasing resources, technology, platform management capabilities, brand, and reputation and so on. Second, the VRIO resources required by online tourism companies at different stages of development are different, and there are significant differences in resource integration models. The evolution of VRIO resources from valuable and scarce resources such as air tickets and hotels to organizational resources such as technology and management capabilities is the driving force for the upgrade of Ctrip's resource integration model. The resource integration model of OTA is characterized by stable adjustment in the initial stage, and the growth stage. It is characterized by rich refinement, while the upgrade phase is characterized by pioneering creation, and the degree of integration is deepened. The evolution of Ctrip's three-stage resource integration model has in turn achieved the business objectives of "machine liquor business – main business system – service-complete tourism ecosystem", as shown in Figure 2.

In summary, the management inspiration of this paper is: the choice of resources integration mode for the stable adjustment, rich refinement and pioneering creation of online tourism enterprises should be combined with the stage characteristics and development environment of the enterprise. Through mergers and acquisitions, alliances, etc., we focus on the acquisition of VRIO resources at all stages of the enterprise, and provide the impetus for adopting appropriate resource integration models. A complete and flexible resource integration model can rationally allocate internal and external resources, promote enterprises to expand the market, build a complete tourism ecosystem, and gain greater competitive advantage.

Insufficient research and future prospects

This paper takes Ctrip as an example to study the resource integration model of online tourism enterprises at different stages of development, which is a case study. Future research will further expand the case sample, explore the selection of resource integration models through large sample questionnaires, verify and perfect the theory, and expand the depth and breadth of research.

REFERENCES

1. Luo Wenbiao. Study on Innovation of Online Tourism Enterprise Business Mode Based on Supply Chain Coordination [J].Logistics technology. 2014,33(12):40-42.
2. Hoskisson RE, Eden L, Lau CM, Wright M. Strategy in emerging economies. Academy of management journal. 2000 Jun 1;43(3):249-67.
3. Barney J. Firm resources and sustained competitive advantage. Journal of management. 1991 Mar;17(1):99-120.
4. Wernerfelt B. A resource-based view of the firm [J]. Strategic Management Journal. 1984, 5 (1): 171-180.
5. Barney JB. Gaining and Sustaining Competitive Advantage [M]. (2nd Ed.). New York: Pearson Education, Inc.2002.
6. Hitt MA, Bierman L, Shimizu K, Kochhar R. Direct and moderating effects of human capital on strategy and performance in professional service firms: A resource-based perspective. Academy of Management journal. 2001 Feb 1;44(1):13-28.
7. Sirmon DG, Hitt MA, Ireland RD. Managing firm resources in dynamic environments to create value: Looking inside the black box. Academy of management review. 2007 Jan 1;32(1):273-92.
8. Carnes CM, Chirico F, Hitt MA, Huh DW, Pisano V. Resource orchestration for innovation: Structuring and bundling resources in growth-and maturity-stage firms. Long range planning. 2017 Aug 1;50(4):472-86.
9. Cai Li,Yin Miaomiao. Study on the Influence of Learning Ability and Resource Integration Mode of New Ventures on Enterprise Performance [J].Management World. 2009,(10):1-16.
10. Wang Shuxiang,Zhang Mingyu,Guo Qi. The Evolution of Value Network and the Upgrading of Enterprise Network Structure[J].China Industrial Economy. 2014(03):93-106.
11. Liu Xiangdong,Chen Chengyu. The Construction of Enterprise Value Network in the Internet Age—Based on Case Analysis of a Network Company[J].Economic Management. 2016,38(09):47-60.
12. Frank Rothmer (ed.), Strategic Management (English), Beijing: Renmin University of China Press, April 2015: p92.
13. Liu Ligang,Liu Yang,Liu Shuo. A Review and Prospect of the Evolution of Enterprise Resource Foundation Theory [J]. Journal of Liaoning University (Philosophy and Social Sciences Edition). 2011,2(39):108-115.
14. Liu Jiangpeng.The Dual Model of Enterprise Growth: Platform Growth and Its Internal Mechanism [J].China Industrial Economy. 2015,(6):148-160.
15. Michael E. Porter. Chen Xiaoyue translation. Competitive strategy [M]. Beijing: Huaxia Publishing House. 2005.
16. Lin Hong, Ye Xiangsong, Gao Wei. The Establishment of New Division of Labor System in China's Travel Agency Industry—Taking Ctrip.com as an Example [J].Journal of Xi'an University of Finance and Economics. 2006(03):57-61.