

## Chapter 2

# Cultural Tourism O2O Business Model Innovation: A Case Study of CTrip

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### ABSTRACT

*It is absolutely not an accidental phenomenon that the development of Internet overlaps with boom of business model research. The emergence of the Internet has greatly promoted the development and study of business models. This paper focuses on exploration of O2O business model innovation by analyzing the main types, evolution and driving factors of Chinese Internet business model, taking Ctrip as the example. From the social prospective, O2O business model improves value and feeling of the customer experience as well as the operational efficiency of the enterprise value chain and utilization efficiency of social resources. This paper has also put forward what Ctrip can enlighten the development of tourism enterprises.*

### INTRODUCTION

In 2005, “Internet +” action program was initiated in the Report on the Work of the Government, which promoted the combination of mobile internet, cloud computing, big data, Internet of Things with the modern manufacturing industry and boosted the sound development of e-commerce, Industrial Internet and Internet Finance. The initiative of “Internet +” program made the business model a hotspot in the business world. In recent years, with the development of the Internet, business model has been innovated and integrated with Internet technology (Johnson et al., 2000; Shafer et al., 2005; Moris et al. 2005; Yovanof&Hazapis, 2008; Casadesus-Masanell, Ricart, 2011). The definition of business model simply refers to a company’s core logic that creates value (Prahalad& Hamel, 1990; Hamel, 1998; Linder and

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Cantrell, 2000; Thomas, 2001; Magretta, 2002; Wengjunyi, 2004; Voelpel et al., 2004; Yuanlei, 2007; Johnson et al., 2010; Teece, 2010). Business model contains the logic that applied in enterprise business activity (Peterovic, 2001). It can be regarded as the foundation of business activity and implement of business strategy on the concept and structure (Timmers, 1998; Amit & Zott, 2001; Davila et al., 2005; Miles, 2006; Venkatraman & Henderson, 2008; Weill, 2001). Internet business model means the Internet plays a vital role in the business activity including creating enterprise value, income system, process and pathways. In a sense, O2O business model is a kind of business model that put the information and capital flow online and logistics and commercial activity offline along with development of Internet and web technology. The perfect combination of offline business and Internet has helped traditional industry integrate with Internet and boom. Therefore, it is of theoretical and practical importance to study O2O Business Model for the understanding of the development, features and the future of business model. Based on this, this paper analyzed generally the main types, evolution process and driving factors of Internet business model in China, took CTRIP as the example and discussed successfully the innovation of O2O Business Model. In the perspective of the whole society, O2O Business Model can not only improve and promote clients' experience feelings and values, but also the operation efficiency of the enterprise value chain and the utilization efficiency of the social resources. Finally, the paper is concluded with enlightenments for the development of tourism enterprises from CTRIP.

## **MAIN TYPES OF INTERNET BUSINESS MODEL**

The rapid development of Internet technology and the emergence of the Internet have provided an important method to enhance efficiency and a broad new platform for enterprise business activity. In this context, many Internet business models have arisen. The followings are the introduction, analysis of 5 current mainstream Internet business models of China and the expectation for the future of the Internet business model.

### **Commodity Circulation Oriented**

Commodity circulation category Internet business model refers to that Internet replaces one or couples of process of traditional merchandise sales and is regarded as pathway to present commodity, customer communication and commodity sales. This kind of model can be divided into B2B, C2C and B2C. The enterprise in Commodity circulation category can be divided into 2 types according to the range of its commodity--integrated and vertical. Integrated enterprise has a wide range of commodity like Alibaba and Amazon. Vertical enterprises are E- businesses which operate a particular industry product like Fankechengpin and Xie Wang. Many integrated electricity business enterprises is evolved from vertical electric business enterprises. Current evolution trends of the two types of electricity business provider are: comprehensive field has become more comprehensive, while the vertical category is becoming more focused on the segments. Generally speaking, commodity scope in Internet business model has been expanding (life commodities, for example, has been widened to fresh food). It seems that almost all kind commodities would become Internet-based.

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