Ctrip: China’s Online Travel Platform—Local Giant or Global Competitor?

Tianyi Shao and Martin Kenney

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Ctrip: China’s Online Travel Platform—Local Giant or Global Competitor?

Tianyi Shao
Community and Regional Development
University of California, Davis
tshao@ucdavis.edu

Martin Kenney
Distinguished Professor
Community and Regional Development
University of California, Davis
Abstract

In a large number of sectors, Chinese internet platform firms have grown to enormous size leveraging a rapidly growing, largely protected domestic market. This paper describes the formation and growth of the largest Chinese travel and tourism platform, Ctrip within the context to the changing Chinese economy. In 2018, Ctrip was one of the largest travel platforms in the world and, though still significantly smaller than the US travel and tourism platforms that dominate most of the rest to the world, it was growing far faster than them. Ctrip’s remarkable success is explained within the context to the rising tide of Chinese tourism. The paper explores Ctrip’s recent globalization strategies suggesting that it intends to expand beyond just serving the Chinese market or Chinese tourists in global markets. At this point, the globalization strategy appears to have two prongs: The first prong has been using its enormous cash flow to acquire or co-invest in local firms that dominate other developing country markets that are expanding rapidly. The two cases in point are its equity investment in the Indian travel giant, MakeMyTrip, and investments in Southeast Asia. The second prong is investing or acquiring firms/websites in developed nation markets that can either service the enormous flow of Chinese tourists it controls or provide services to Western travelers. For these investments, Ctrip can provide infrastructural and capital support to allow these operations to expand more quickly. It is uncertain how successful Ctrip’s initiatives in international markets will be. However, given that Chinese tourism is likely to continue its rapid growth and that Ctrip monopolizes this market, it has significant financial resources, enormous leverage in directing this flow of tourists for strategic advantage, and a rapidly developing capability in analyzing the enormous inflow of data that it receives. For the reasons we describe, Ctrip is likely to be an increasingly formidable competitor to the US global travel and tourism platform giants, Expedia, Priceline, and TripAdvisor.
Introduction

Digital platforms have rapidly transformed many industries, one of the earliest of which was travel. Two US travel platform giants, Priceline and Expedia, dominate the Western market. Only in China, where the US firms were not permitted to become dominant, has an indigenous firm, Ctrip, become a giant in its own right. This paper describes the growth and development of Ctrip and explores its platform business strategy, as it dominates its protected domestic market and attempts to globalize. Ctrip provides a case study illustrating the success of Chinese firms in building platform business groups (Jia and Kenney 2016) and their difficulty in attaining a global presence not linked to their dominance of the Chinese domestic market.

Travel and tourism, two of the earliest industries to be transformed by the internet, were important participants in the dot-com boom. In developed countries, such as the United States and countries in Europe, travel—in particular, the airline industry—had already been digitized with the introduction of the Sabre platform by American Airlines (Hopper, 1990). In the early 1990s, with the commercialization of the Worldwide Web, airlines opened their internal platforms that previously had been available only to travel agents, to the public for self-service ticket purchases. Simultaneously, in developed countries, online travel sites proliferated, including Travelocity and Expedia enabling consumers to comparison shop for travel prices (Werthner and Ricci, 2004). The airline industry was soon followed online by the ancillary industries of hotel and car rentals. For these travel providers, all that was necessary to move online was opening their proprietary internal computer systems to travel aggregators and online users. As a result, small travel agencies soon lost market share and largely disappeared in the US and Western Europe.

Conditions in China were different from those in developed countries. First, before the Chinese market liberalization in the 1980s, there was almost no tourism industry, and travel planning and booking was arduous. The booking systems for airlines, hotels and other ancillary industries were primitive. After liberalization, growth in the Chinese economy created an enormous middle class with significant savings, which many of them wanted to spend on travel and tourism. Initially Chinese tourism was mostly domestic, as average income was still low. In the late 2000s, however, many Chinese increasingly wished to travel outside the country. Growth
in the Chinese economy was accompanied by its globalization, so this expansion of interest in tourism created a market for travel services. In the process, China had to build an entire domestic travel infrastructure, including higher-quality air travel, hotels, and the other goods and services necessary to support tourism and global travel suited to the new Chinese consumers. Over the past 30 years, China’s travel market has transitioned from being small and rather primitive to a sophisticated global giant, in which Chinese tourists spent $261 billion on foreign travel in 2016 (Peltier, 2017). China is now the largest single national source of outbound travelers, totaling 135 million. Estimates suggest that, by 2020, Chinese tourists abroad will total 200 million (Pallardo, 2017; TravelChina, 2017). At the same time, computers and network connections expanded in China from minimal coverage to widespread adoption and today it has the largest number of personal computer and smartphone users in the world.

The creation of an enormous market and the adoption by Chinese consumers of online travel platforms provided a unique entrepreneurial opportunity. One of the most prominent beneficiaries of these developments is Ctrip, the leading Chinese online travel platform. This paper examines the birth, development, and globalization of Ctrip, as it became one of the largest travel sites in the world, behind only the US firms Expedia and Priceline. Our study of Ctrip’s growth and globalization illustrates the strengths and weaknesses of Chinese platform firms.

Historical Context

After the victory of the Chinese communists and nationalization of business in 1949, the tourism industry was dominated by state-owned travel companies, such as the China National Travel Service, the China International Travel Service, the Beijing Tourism Service, and a few small privately owned local travel agencies. Since the Chinese economy was liberalized by Deng Xiaoping in the 1980s, China has been the world’s fastest-growing large economy. The open-door policy that was part of this liberalization attracted massive foreign investment and drove market growth. As a result, the market continually expanded, and the standard of living among most Chinese families improved significantly. The rapid development of the Chinese economy created a growing middle class (with income of US$9,000–US$16,000 a year) that totaled 225 million in 2017 and is expected to grow to 630 million by 2022 (Barton et al., 2013). As this middle class grew, in the 1990s the Chinese government began introducing policies to encourage
the development of the Chinese tourism industry (Tang, 2014) to keep up with the increase in disposable income that allowed Chinese consumers to afford vacation travel.

The liberalization of the economy, the introduction of tourism promotion policies in the 1990s, and the encouragement of entrepreneurship resulted in the opening of many privately-owned travel firms, which competed with the state-owned firms. These private travel firms multiplied, setting the stage for the development of digital travel agencies in China that roughly reproduced the business models emerging in Western countries with the commercialization of the internet (for a general discussion on this development in the West, see Greenstein [2015]).

The Formation and Growth of Ctrip

In 1999, Ctrip was one of the first startups in China to establish an online travel site. The prime mover in the startup was James Jianzhang Liang, a Chinese national who worked for Oracle in the United States. He saw the rapid growth of online travel agency (OTA) startups in the US and believed that online travel services could also be successful in China. When he returned to China in 1999, he recruited three co-founders, Neil Nanpeng Shen, Qi Ji, and Min Fan, to set up Ctrip. They came from different fields and this contributed to the development of Ctrip. Shen had experience in finance, as he had been a director at Deutsche Bank Hong Kong. Ji had technology experience from his position as chief executive officer of Shanghai Sunflower High Tech Group. Fan previously worked as deputy general manager at the New Asia Hotel Management Company, which gave him experience in one of the leading hotel management companies (Ctrip, 2003).

In 1999 during the dot-com bubble in China, they established Ctrip and raised their first $500,000 in seed capital from an overseas investor, IDG Ventures, a US venture capital firm with offices in Beijing and Shanghai. In the A funding round, they added two more investors, SIIC, the Shanghai government quasi-public investment firm, and the Softbank Asian Infrastructure Fund, Masayoshi Son’s Tokyo-based investment fund. In the B funding round, the Carlyle Group joined the other investors in providing more capital (Crunchbase, 2018).

At the time they formed the firm in 1999, in China was not nearly as advanced as the US in Internet usage. For example, in 2001 the internet penetration rate in China was only 2.1% (33 million users), compared with the US, where it was already 49% (140 million users) (InternetLiveStats, 2018). At the time, the internet was used in China mainly by businesses
Wang and Li, 2012). Thus their addressable market was quite small. However, this situation would rapidly change as can be seen by the fact that the penetration rate in 2016 expanded to 52% or 721 million users (compared with an 86% penetration rate and 282 million users in the US). Thus, they were early, but the market conditions would change very rapidly in their favor.

At first, Chinese consumers preferred group, rather than individual, travel and were not as willing to book online. For these reasons, most travel needs were fulfilled by traditional travel companies. Prior to the introduction of OTAs, Chinese travelers found travel information and services at their local travel agency. The market, while growing, was quite small. Despite these obstacles, Ctrip was able to expand and, in 2003, made a successful initial public offering on the US stock market.

Initially, Ctrip faced fierce competition as it was only one of a number of OTAs and an enormous number of offline travel agencies. In contrast to traditional travel agencies, Ctrip offered a 24-hour-a-day online platform, where consumers could compare prices and service details for a variety of travel products, book or purchase those products, request help from virtual consultants, and receive after-sales service. Effectively, Ctrip served as a platform aggregator of offerings from various other providers, thereby relieving travelers of the necessity of searching several sites. The Chinese travel market changed in the late 2000s with the introduction of the smartphone, which brought hundreds of millions more Chinese online. Contemporaneously, Chinese travel tastes changed, as they began to prefer individual travel over organized group travel (Lam, 2017). Both changes resulted in even more rapid growth in OTA businesses as they were increasingly accepted by Chinese travelers. By 2017, habits had also changed, as nearly 73% of Chinese travelers preferred to book airline tickets, hotels, and tour services online, and 77.5% of the web bookings, most of which are made on a smartphone, were made on OTA platforms (Eye for Travel, 2017). These market shifts were extremely important, as the OTAs would capture a larger segment of the rapidly growing tourism business in China.

Ctrip accounted for 35.6% of Chinese online travel sales in 2016. However, in that year it took control of its main competitors, Qunar and eLong, and now controls 75% of the total market. Ctrip’s most significant remaining competitor, Alitrip (later rebranded as Fliggy), part of the Alibaba group, had a market share of 14.8%,1 and the rest of the market was divided up among many smaller competitors (Messak, 2016). In 2016, observers could say, “Ctrip is now the

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1 Despite Alibaba’s lack of success in the OTA market, its Alipay application is a very important payment platform.
absolute monopolistic force in online travel in China. One anonymous analyst jokingly describes it as holding a 100 percent market share” (Berrigan, 2017). Given its position as the dominant Chinese travel platform and its threat to the enormous number of local independent travel agencies, Chinese government antitrust officials investigated Ctrip, though no action was taken (Neil 2017; US-China Business Council, 2014). Through acquisitions and organic growth, Ctrip has become the dominant Chinese travel platform.

Spatial Expansion

Ctrip was founded in Shanghai and its headquarters remain there. Shanghai is the financial and industrial center of the country, in which the Yangtze River Delta (YRD) is the wealthiest region. Moreover, the city has a long history as China’s “window on the world” and was the first to interact with the world as the Chinese economy opened up (Wang and Slack, 2006). In the twentieth century, Shanghai has been the preferred destination of foreign travelers and businessmen in China. Although Ctrip is an OTA platform, given the size of China, its regional differences, and the fact that many customers also appreciate face-to-face attention, it found it necessary to establish physical offices in major cities (Wong et al., 2004).

By 2004 the initial expansion was already underway, with the opening of offices in Beijing, Guangzhou, and Shenzhen, which are China’s most important business centers. As the Chinese economy, tourism, and Ctrip grew, it opened further offices in China, in Hangzhou, Nanjing, and Shenyang, and forged an alliance with the US OTA giant, Priceline. Figure 1 shows that offices were added in second-tier² Chinese cities in the economically dynamic eastern coastal cities and some of the inland western cities, such as Wuhan and Chongqing. This spatial pattern roughly mirrors the expansion of the Chinese economy (Mullich, 2011). After 2010, it engaged in another wave of expansion, adding offices in other inland cities as well as the main city on the tourist destination island of Hainan. Beginning in the late 2000s, Ctrip spread to second-tier cities in southern and eastern China and then, after 2015, those in southwestern China that not only are important cities in their own right but also tourism destinations. Finally, in 2016,

² Measuring by GDP, administrative level, and population, cities in China can be classified into three levels: first-tier, second-tier, and third-tier. Second-tier cities in China are provincial and sub-provincial cities with populations from three to 15 million people. Second-tier cities have a GDP between US$68 billion and US$299 billion. Third-tier cities are prefectural capitals with populations of between 150,000 to 3 million people and GDP between US$18 billion and US$67 billion.
Ctrip purchased Bestone, an offline travel agency with 5,000 offices scattered in second- and third-tier Chinese cities to penetrate local markets even more effectively.

Figure 1. Ctrip Offices in China and Worldwide

The first “offshore” office was established in 2003 in Hong Kong. This location was chosen not only because of its importance as a tourist and shopping destination but also because of the convoluted ownership requirements for foreign investors in China. An office in Hong
Kong was necessary because of the availability of Western-trained legal, accounting, and other services there to service Ctrip’s international investors. In the 1990s, after the Chinese government introduced the approved destination status system, thus allowing Chinese citizens to obtain visas to travel abroad (Jaffe, 2013), Chinese tourism began to expand in what would become a massive wave by the early 2010s. Chinese tourists for a variety of reasons initially preferred domestic destinations or went to Hong Kong. Not surprisingly, at first in keeping with their rather limited budgets and driven by a desire to shop, Chinese tourists went primarily to Asia-Pacific destinations, such as Tokyo, Seoul, and Bangkok (IHG, 2017). During this period, Ctrip established branch offices in Japan, Korea, and Thailand (Figure 1). After 2013, due to continued rapid economic growth and increasing foreign language ability in China, Chinese travelers went farther afield, to countries in Western Europe and North America (IHG, 2017). In 2015, Ctrip established branch offices in the United States and the United Kingdom (Figure 1) to provide those outbound Chinese tourists with travel services. These overseas offices have two purposes: first, they became one-stop travel shops integrating various segments of the overall tourism experience for its Chinese customers and, second and more recently, as indicated by the purchase of Skyscanner, was to use firms it acquired to serve non-Chinese customers, thereby entering the global market.

Building an Ecosystem

For platform firms, building an ecosystem is vital as it permits complementor to provide unique services and innovations that increase the value of the platform (Gawer and Cusumano, 2014). In contrast to Expedia and Priceline, which largely replaced bricks-and-mortar travel agencies in the West. In contrast, while Ctrip grew, it did not displace existing travel agencies in China, whose number increased from 17,957 in 2006 to 26,650 in 2014 (Statista, 2016), rather it integrated them into its platform as complementors. As with the case with many platform firms, Ctrip both competed with traditional travel agencies and provided a platform on which these same travel agencies could sell their services. They used Ctrip to offer a wide variety of specialized services, such as unique group tours, for which they pay Ctrip intermediary fees. As in any successful ecosystem, the products created by these smaller travel agencies increases the diversity of offerings, allows the introduction of innovative products, even while some of them compete with Ctrip offerings (Li, 2012).
As a platform firm, Ctrip has actively encouraged the emergence of an ecosystem of complementor firms, but it used vertical and horizontal acquisition and equity alliances to form a business group. This contrasts with Priceline and Expedia that undertook many horizontal mergers but tended to remain complementor-agnostic. Ctrip has also taken strategic measures to develop relational affiliations with key firms or even expand by integrating or form equity ties with segments of its supply chain, as illustrated in Figure 2, which shows the most important linkages that Ctrip has established.

Figure 2. Ctrip Platform Business Group in 2018

As has been shown to be the case with Amazon, Ctrip can observe which of its complementors’ products sell well and then create a similar product, thereby competing with its ecosystem members (on Amazon, see Khan [2017]). At first, travel firms could offer their products on competing platforms, but since Ctrip has taken control of nearly all of the competitors in China, it has locked-in a captive relationship with not only local travel agents but also airlines and hotels.³

³ In 2015, the Chinese airlines unilaterally cut the fees that they paid to intermediaries such as Ctrip for international tickets from 1% to 0% (Reuters, 2016).
While Priceline and Expedia consolidated the global online travel platforms to become the dominant players, Ctrip has followed a similar strategy in China. In 2000, when online booking for tourist travel was still small, but business travel was growing particularly rapidly, it acquired the Beijing-based traditional travel agency Beijing Modern Express Corporate Travel Service (Wang, 2012). Then, it expanded its business booking services to the rest of China.

As the volume of hotel reservations increased, Ctrip purchased 18.25% of Home Inns, one of the largest Chinese hotel chains (So and Westland, 2009). As a shareholder in Home Inns, Ctrip not only directs customers to Home Inns but also receives booking fees from Home Inns. Finally, it receives dividends from Home Inns’ success. Further, it has access to guests’ proprietary accommodation information; not only from customers it directs to Home Inns, but also other Home Inn customers. Building on this model, in 2016, Ctrip invested $463 million in a 3% stake in China Eastern Airlines, which, though not a large stake, creates a preferential relationship between the two firms (Cantle, 2016).

Originally, Ctrip was one of a number of OTAs. It had several powerful online rivals, Qunar and eLong, which often launched price wars (Li, 2008). eLong was formed in Beijing in 1999, and in 2015 Ctrip purchased 40% of its equity and took virtual control of it, thereby eliminating competition and the constant price wars the two firms initiated (Schmidt, 2016). The final major competitor was the Chinese comparison-shopping website similar to US firm Kayak, Qunar. Qunar was formed in 2005 and by 2016 accounted for 30.2% of the Chinese travel market. In 2016 Ctrip exchanged 25% of its total equity with Baidu and in return received a controlling position in Qunar. Qunar was then reorganized as a direct-booking platform using the Ctrip back-end software platform (Schmidt, 2016). With these acquisitions, Ctrip consolidated the Chinese OTA market.

Ctrip in the Global Market

Initially, Ctrip concentrated on the domestic market, but it soon followed Chinese tourists as they began traveling outside China in ever greater numbers. Its globalization took three forms: establishing offices overseas, forming international partnerships, and investing in foreign firms. Although many domestic travel companies saw foreign firms as potential competitors, Ctrip partnered with them to offer services to in-bound tourists and business persons – a rapidly growing market.
Ctrip formed a partnership with Priceline, the world’s leading travel-service provider (Schaal, 2016a), in which Ctrip directs outbound Chinese visitors to Priceline, while Priceline made an equity investment in Ctrip, which serves as its local partner in China. In 2012, Priceline’s Booking.com advertised Ctrip’s brand to the global market; at the same time, Ctrip provided Chinese customers with information from Priceline’s platform. This relationship became even closer in August 2014, when Priceline invested $500 million in Ctrip through convertible bonds and in May 2015 bought an additional $250 million in convertible bonds. Then, later in 2015, Priceline increased its investment in Ctrip to nearly $1.9 billion, which, if fully converted to equity, would total approximately 45.5 million shares in Ctrip (Zacks Equity Research, 2015).

This influx of capital allowed Ctrip to complete consolidation of the Chinese market and fund its further international expansion. In 2015, Ctrip acquired a majority stake in a London-based ticket-selling and hotel-booking platform, Travelfusion (Yu, 2015). This provided Ctrip access to more travel data in developed countries. A further strategic investment was the decision in January 2016 for Ctrip to purchase a 26.6% equity stake for $180 million in MakeMyTrip, the Indian OTA leader (Russell, 2016), thereby enabling Ctrip to funnel the increasing travel between China and India to MakeMyTrip and vice versa.

In an effort to further integrate its supply chain, in October 2016, Ctrip purchased Universal Vision, a New York–based bus tour operator and travel agency; Ctour, a Los Angeles–based wholesaler and operator of group tours in China; and Tours for Fun, an OTA headquartered in Los Angeles that focuses on overseas travel (Schaal, 2016b). All these firms facilitated Ctrip’s expansion into the US market and permitted the channeling of its Chinese customers to these newly acquired services. In 2017, it purchased a Chinese firm, TangRen World, which provides Chinese visitors in foreign countries with drivers (Trefis, 2017).

In 2016, in an important new strategic move, Ctrip spent $1.75 billion to acquire the British firm Skyscanner, a travel fare aggregator website and travel metasearch engine with an estimated 60 million monthly users. Skyscanner allows Ctrip to expand its market to non-Chinese customers in Europe, Asia-Pacific, and North America (Wein, 2017). The significance of the Skyscanner acquisition is that at present Ctrip sends its Chinese customers wishing to purchase travel products abroad to Priceline and, to a lesser degree, Expedia. By acquiring, rather
than merely partnering with, Skyscanner, it can keep its Chinese customers within its own network and, at the same time, fund Skyscanner expansion to acquire more non-Chinese customers, thereby competing with the Expedia-Priceline duopoly. Effectively, Ctrip has begun competing with one of its largest investors.

Ctrip holds near-total control of the Chinese travel market and will benefit from its continued growth. In 2017, Ctrip accounted for 12% of global online travel sales (Roth, 2017). As seen in Figure 3, it is the world’s third-largest OTA but still is dwarfed by Expedia and Priceline, both of which are approximately four times larger. And yet, if Ctrip can continue its current growth rate, it will become a global giant. For example, from 2003 to 2016, Expedia had a compound annual growth rate of 22% and Priceline experienced 17% growth, while Ctrip, which began from a far smaller base, grew 55% per annum. From 2008 to 2016, roughly the smartphone era, Expedia grew 16%, Priceline 24%, and Ctrip 37% per annum.

Figure 3. Expedia, Priceline, and Ctrip Revenue, 2001-2016 (in US$ billions)

Source: Corporate annual reports.

Ctrip’s expansion has faced obstacles. Most importantly, in trying to integrate these acquisitions, partnerships, and offshore offices, Ctrip confronts serious cultural and language problems. For example, cultural clashes were reported at Skyscanner, supposedly because the
Ctrip staff sent to manage the firm had weak communication skills in English (Pallardo, 2017). To implement the globalization strategy, Ctrip appointed as its chief executive officer Jane Sun, a Chinese executive with US experience, with the goal of more effectively managing Ctrip’s increasingly extensive and important offshore activities.

Discussion

In its domestic market, the most significant threat to Ctrip is likely to come from a platform envelopment strategy launched by one of the Chinese platform giants, Alibaba (through its Alitrip subsidiary, which might leverage Alipay) or Tencent (which could leverage its social media platform WeChat and payment system WePay) (Eisenmann et al., 2011). The Alitrip rebranding as Fliggy suggests that thus far Alibaba has not been successful in leveraging its platform to seriously challenge Ctrip. The winner-take-all nature of many digital markets is likely sufficient to protect Ctrip from Chinese competitors, just as Expedia and Priceline have not yet been affected by Google’s various ventures into the travel industry.

International expansion will be difficult, as Chinese business practices may not easily transfer to the other markets. As mentioned above, Ctrip has acquired firms in the UK and US and is attempting to use them to expand in developed countries, but they will meet entrenched competitors. The other strategy is entering markets in developing countries, where international competitors are less entrenched. The largest developing market outside China is India, where in addition to the equity stake in MakeMyTrip, in 2018 it used one of its US subsidiaries to acquire Travstarz Global, a business-to-business firm that provides tools and products for travel agencies. In 2015, it upgraded its office in Singapore to a regional headquarters for Southeast Asia with the intention of competing not only in Singapore but also Indonesia and Malaysia. In all these markets, Ctrip must compete with the incumbent multinational giants and local competitors. In the case of the local competitors, Ctrip is likely to use equity investments to create alliances, where it can feed Chinese travelers to the local firm and vice versa. It is also possible that Ctrip could sell or lease its superior back-end services to these firms.

Conclusion

Ctrip is the dominant Chinese travel platform, and its evolution roughly parallels Western markets, where Expedia and Priceline have consolidated their duopoly. One important difference
between China and the US is that in China independent travel agents continue to operate and offer unique services through the Ctrip platform. These small firms have local knowledge and can provide unique products, such as specialized local tours, through the Ctrip platform. The other difference Ctrip has developed a near-monopoly position in the Chinese market and taken equity stakes in selected travel providers that allow it use these firms to funnel business to its own subsidiaries or to strategic partners. In the travel field, Ctrip is using its powerful position in China to expand and develop a platform business group strategy. Although this creates the potential for conflicts of interest, given its near-monopoly position in China and the continuing lack of significant antitrust enforcement, the other travel/tourism ecosystem members have few alternatives to using the Ctrip platform.

The fundamental question for Ctrip and foreign firms is whether it can leverage its success in China to become a truly global competitor, rather than an extremely profitable domestic giant in its unassailable Chinese stronghold. It has been experimenting with this possibility, for example, in its purchase of a share of MakeMyTrip and of SkyScanner. With net income of nearly $1 billion per year, it generates sufficient revenue to allow it to expand into international markets, though Ctrip is still far smaller than Expedia and Priceline. The powerful advantage for Ctrip is that its growth outpaces that of the two large international competitors and the Chinese market continues to grow far more rapidly than markets in developed countries, where Expedia and Priceline predominate. In this context, the MakeMyTrip investment is important, as it has a dominant market position in the rapidly growing Indian market, which undoubtedly will become one of the world’s largest (Kashyap, 2017).

Given its near-monopoly in the enormous Chinese market and the increasing role of Chinese tourists globally, Ctrip is already a force in global markets. The ability to channel these Chinese tourists will facilitate Ctrip’s further integration of its travel-provision chain. With the purchase of Skyscanner, Ctrip can redirect traffic from Priceline, its important partner, to its internal subsidiary. Increased traffic and thus revenue may allow Skyscanner to improve and expand, thereby increasing its functionality not only for Chinese but also for Western customers. Whether this is sufficient to break the duopoly in Western markets is uncertain, but even if all the current initiatives fail, because China now is the largest out-bound travel market and also one of the largest in-bound travel markets, Ctrip can continue to experiment with how to leverage this
enormous flow of business to strengthen its overseas expansion. The question of whether Ctrip and its subsidiaries can extend the firm’s market power to non-Chinese travelers is a vital matter for the entire global travel industry.⁴

⁴ This paper does not consider scenarios such as what the implications would be, if Ctrip was successful in gaining sufficient non-Chinese global travel market share, from a data analytics perspective.
References


