POLITECNICO DI MILANO

Scuola di Ingegneria dei Sistemi

POLO TERRITORIALE DI COMO

Master of Science in

Management, Economics and Industrial Engineering

Business Research of Bravofly in China

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Academic Year 2010/2012

ABSTRACT

This Business Research of Bravofly in China is prepared to serve for the market research of Bravofly Group, it abides the process from the analysis of macro general tourism and online tourism market in China in order to comprehend the macro demand of online tourism market, to micro demand for the analysis of online tourism booking users behavior, and finally arrive at the competitiveness analysis of Bravofly and the strategic suggestion for Bravofly in Chinese Online Tourism Agency (OTA) market. During the analysis, the author discovers that the market is attractive in terms of favorable external market environment, great absolute amount of online tourism booking users. The analysis result of the business model shows the advantage and disadvantage of Chinese OTA players which are focusing on the domestic tourism products; this market situation provides the niche market for the possibility of entrance by Bravofly. Although the limitation of some objective research problems such as the number of sample size, the deep seated contact to the Chinese players, this business research provide great value for Bravofly no matter for the industrial information provided or the subjective strategic suggestion.

Acknowledgement

The accomplishment of this ‘Business Research of Bravofly in China’ is under the responsible and extraordinary help of Pro. Mangiaracina. During the discussion from the topic and writing process, no matter how late the time and how busy he is, I always receive his kind and farsighted idea. This is indispensable for this paper. Besides, Mr. Francesco and Mr. Sergio in Bravofly Company have provided the great help of the idea about data collection and aggregation. And last but not least, during the period of these two years study in Politecnico di Milano, Como, I have the unforgettable memory because of the encounter of so many friends, especially for my girl friend Chen Yun and my grand roommate Mehrdad.

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1 Executive summary

1.1 General description of Bravofly Group

The Bravofly Group is the leader in Europe in the sectors of travel, tourism and leisure. The first site, Volagratis.it, was set up in May 2004 on the initiative of its two founding members with the headquarters in Chiasso, Switzerland and is now dedicated to the comparing and booking of flights offered by both low cost and traditional airlines. The sites of the Bravofly Group (founded in 2006) are available in 7 languages and allow the consumers to book flights, package holidays, hotels, car hire, cruises, ferries and restaurants at the most convenient price. Bravofly uses the latest technology to provide consumers with simple, customized and secure solutions. By integrating all the advanced features and functions into one system, the client can choose and book the trip they want combining Bravofly's extensive travel and leisure offers.

1.2 Vision and mission

1.2.1 Vision

Be one of the most featured and specialized OTA players in China.

1.2.2 Mission

By providing the online tourism products and services which is blank and less developed in China right now, such as international flight tickets booking, outbound theme tourism, and sanatorium tourism to our customers, because Bravofly can achieve the market share in the short time and earn the company image within this business area.

1.2.3 Strategic Objectives

Bravofly wants to expand the OTA service from Europe countries to the other emerging area in the world, based on the current advantageous resource in Europe to achieve the complementary effect, and finally becomes the famous global OTA players with all-rounded services.

1.3 Business idea

The business idea comes from the expanding strategy of Bravofly Group in the emerging Asia market. And China as one of the fastest growing countries with large number of tourists, it is suitable and deserved the detailed study for the exploration of Bravofly Group.

1.4 Objective of business research

The OTA market in China is fast changing with great complexity for the competitors, users, market trend. This business plan is trying to create a holistic picture in terms of macro, micro market point of view. After reading this business plan, the manager in Bravofly Group can understand the following five questions.

1. How is the general tourism market in China?
2. Is the Chinese OTA market deserved to enter or not?
3. Is it specifically feasible for Bravofly, in terms of its own competitiveness?
4. How to carry out the business activities by Bravofly in China?
5. What is the budget for marketing activities?

1.5 Methodology

This business plan adopts the methodology of the combination of data manifestation and business model subjective analysis, abiding the process from macro market analysis to micro players' competitiveness and users' behavior analysis and competitiveness of Bravofly.

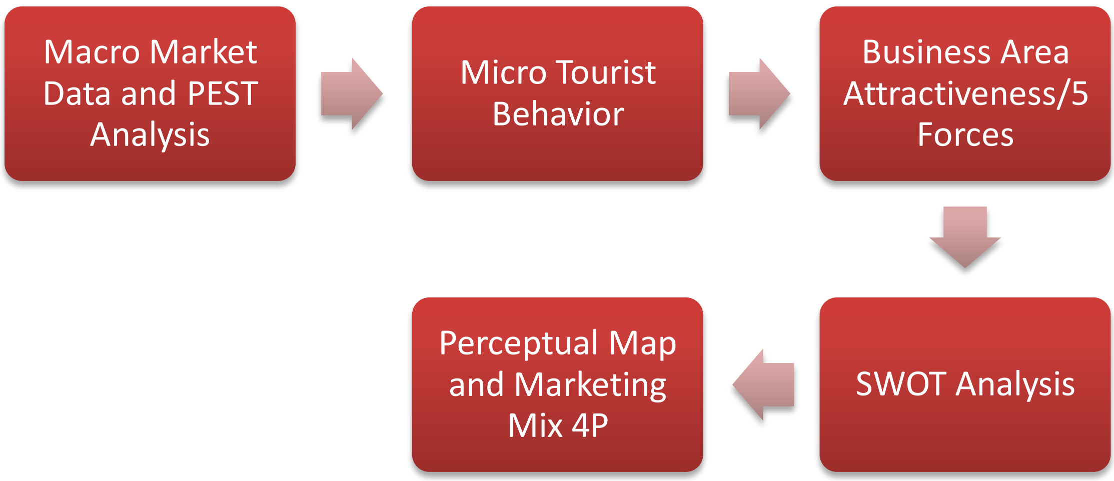

Figure 1 Summary of Phase Structure

1.5.1 Objective data manifestation

1.5.1.1 Data source from Public Organization in China

The data source comes from the National Organization in China and the industry report can draw the general information and objective evaluation relating to general tourism market and online tourism market in China.

1.5.1.2 Data source from online questionnaire research result

Even though the existing limitation of the sample size of the questionnaire, the data source comes from online questionnaire research can provide the analysis of individual customer behavior, like in the payment, destination preference of the users in China, leading to the process of Macro to Micro.

1.5.2 Business model analysis

The usage of the business model presents the analyzed result in a syntactic form adding value and the integrity to the whole business plan.

1.5.2.1 PEST analysis

PEST analysis includes the analysis of Political (the influence of governmental policy and regulation on the industry), Economic (indicators of family income, exchange rate), Social (cultural aspect and behavior) and Technology factor, unlike the general analysis; I delicately analyze the factors which are mostly relating to the OTA industry in Chinese market, within the PEST model, the most important factor for Bravofly is the Social factors, referring to the behavior of the masses. In terms of PEST analysis, this model aims at analyzing the external market environment.

1.5.2.2 Michael Porter' five forces

Michael Porter' five forces illustrate the relationship of different players relating to the business area attractiveness and the development and competitiveness of Bravofly in China, from the bargaining power of Suppliers and Users, the intensity of Current incumbent, the threat of Substitute and Potential Entrance. The result of business area attractiveness analysis in this industry can provide Bravofly with the emphasis of attention distribution on different players and the potential measure carrying out in order to defend these threats and bargaining.

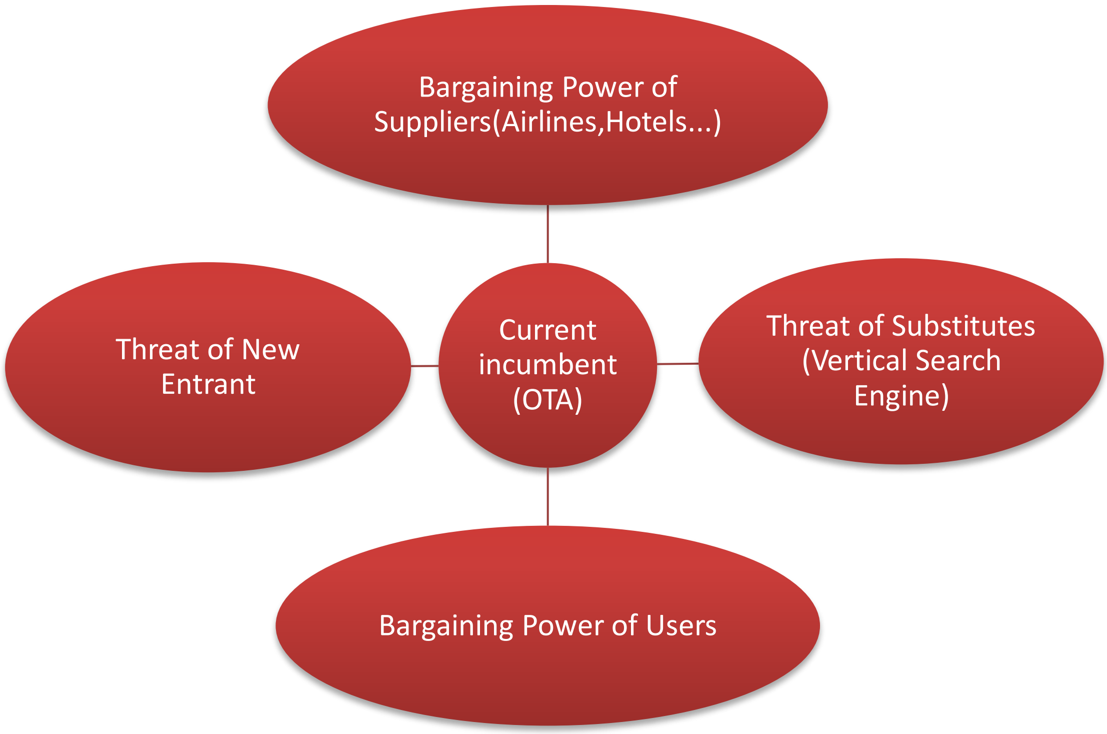

Figure 2 Structure of Michael Porter' Five Forces

1.5.2.3 SWOT analysis

SWOT analysis holistically covers the internal Strength, Weakness of Bravofly itself, and external Opportunity and Threat for Bravofly in the Chinese market. After the combination analysis of Bravofly itself and the competitiveness of abovementioned players, it is clear that Bravofly knows its strategic procedure based on this condition.

1.5.2.4 Perceptual mapping

Perceptual mapping is the tool for the positioning analysis with the diagram display of the perception of the customer for the company or product. The two indicators on the axis I choose are the Average price level index and Number of products type. After analyzing the position of Bravofly within the axis plane, Bravofly can detect where the vacant market is and avoid the entrance to the place that has more competition.

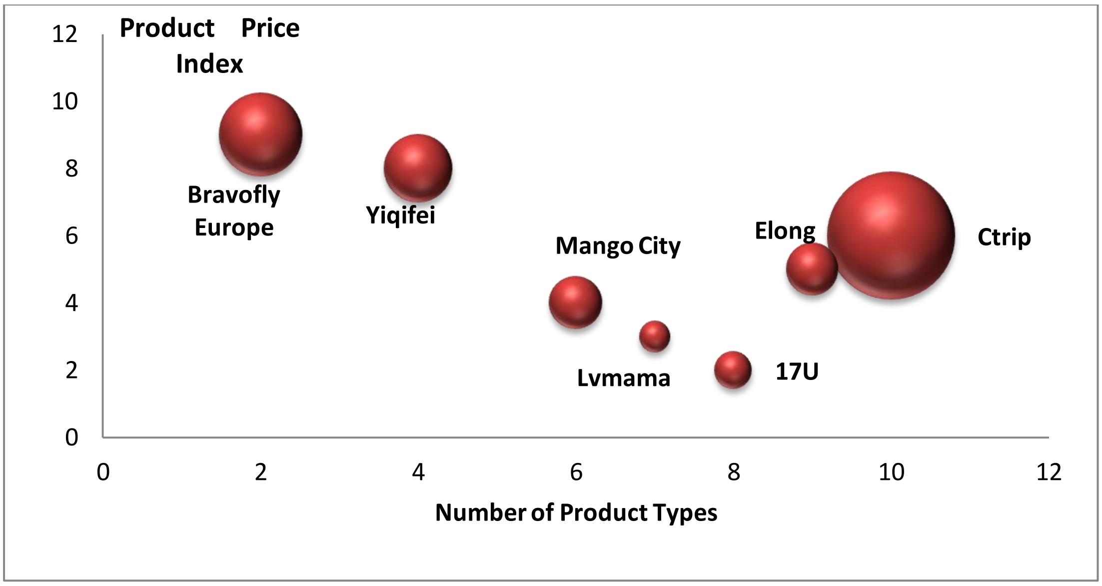

Figure 3 Manifestation of Perceptual Mapping

1.5.2.5 Marketing mix 4P

Marketing mix 4P is the theory firstly introduced by E.J. Mccarthy. It includes four aspects of Product/Service (from the products available to the after sale service), Price (how Bravofly decides the pricing strategy), Place (which distribute channel of Bravofly to sell the products) and Promotion (where the advertisement takes place). The theory composes the specific marketing measures based on the internal and external analysis. Deeping into marketing mix 4P shows what product Bravofly will launch in the market in order to better serve the customer and earn the profit, how Bravofly define its pricing strategy, which channel Bravofly to distribution its product, how Bravofly increases the attention by public

1.6 Research result

1.6.1 Positive result of general tourism market research in China

The chapters of description of general tourism market and online tourism market in China, strategic plan of OTA in China, and macro demand analysis of OTA in outbound tourism show that this industry is in the very positive condition right now.

Table 1 Summary Result of Key Relevant Data

Item in China	Value in 2011	Growth Rate in 2011 to 2010
Total Number of Tourists	2.845 billion	12.65%
Total Tourism Revenue	€234.7 billion	23.6%
Total Number of Outbound Tourists	70.25 million	22%
Total Number of Outbound tourists by Air plane	21.18 million	9.7%
Total Outbound Tourism Revenue	€52.4 billion	26%
Total Number of Chinese Tourists to Europe	3.80 million	
Total Number of Online Tourism Users	85.3 million	67.3%
Total Online Tourism Market Size	€20.07 billion	51.2%
The Penetration Rate of Online Tourism Market	7.6%	38.1%
Total OTA Market Size	€1.09 billion	33.9%

It is obvious that the vast absolutely value in total number of tourists, outbound tourists, and the market size of the relevant tourism industry gives Bravofly the unprecedented opportunity to explore in the Chinese market. And the growth rate shows the market potentiality that in the near future years; Bravofly can have the higher development rate than that of the European market.

In addition, the alternation of the tourism style from off line to online, from organized travel to individual travel, from domestic to outbound tourism, this pose the positive effect on the development of general tourism, especially for the online tourism players.

After calculating in the macro demand part, it is reasonable to arrive the with the answer of the macro demand for the leisure tourism products booking on the OTA in the Europe zone by the Chinese outbound tourists in 2012 is 701742 times and if only calculate the number of booking times by outbound air tickets or hotel, then it will be the following: 6309520 times worldwide and 1190930 times in the Europe zone. And in the Scenario 1 (Positive), the revenue of Bravofly in China reaches €792,555,000; in the Scenario 2 (Normal), the revenue of Bravfly in China still has €396,277,500

The follow analysis result of PEST tells a lot of positive factors which bring forward of OTA industry in China for all the players in the sector, although the handicap of some negative factors.

Table 2 Summary Result of PEST Analysis

Political factors:	Economy factors:
• Encouraging policy to lower entrance barrier of foreign OTA. (+) • Monopolized flight distribution information. (-) • Governmental interference on the pricing. (-) • Governmental stimulation on the tourism sector. (+) • Simplification of foreign Visa application process. (+)	• Optimistic macroeconomic environment. (+) • The appreciation of Chinese currency RMB. (+) • More cross industry capital investment to Chinese OTA market. (+)
Social and cultural factors:	**Technology factors:**
• Large amount of internet user. (+) • Large amounts of mobile internet users and mobile internet market size. (+) • Popularity of usage of Credit Card. (+) • Popularity of usage of Smart Phone. (+) • Large amounts of internet payment and mobile payment transaction size. (+)	• Low internet speed. (-) • Low mobile internet speed. (-) • High mobile internet cost. (-) • Secure online payment technology. (+)

1.6.2 Strong competitiveness of Bravofly in the OTA sector

After analyzing the business area attractiveness, what the main product and service of Bravofly operates now in European market brings Bravofly in a low competition position compared with the other traditional players. And Bravofly has its own advantages in the business area of international flight tickets in terms of multiplication choices and price, and tourism product in Europe online booking in terms of new product features. This is the precious feasibility for Bravofly to enter into this market according to this situation.

However, Bravofly should pay attention to meet the challenge from large OTA players for the scale advantage, business model difference, the non local background and the Chinese governmental restrictive regulation in the scope of operation, corporate governance, local/ monopolized GDS (Global distribution system). The GDS Bravofly using now is different from Travelsky, what the Chinese companies are using, monopolized by the government, resulting to the price higher than the Chinese competitors.

1.6.3 Business decisions carried by Bravofly

In order to make it more precision for the business of Bravofly in Chinese market, after the all rounded analysis, the result shows that it should aim at attracting the main potential customer of company white collar employees and university students, because of correspondent characteristics such as 19-40 years old, higher education background, certain income level, possibility to try the new tourism style, with the product feature of Bravofly.

As for marketing mix 4P, Bravofly in China should comply and focus on the following:

1. **Product and service**
- International flight ticket with multiple choices and real time data;
- Package tour in Europe with fresh feature like Winery, Cruise, Sanitarium;
- Payment mode of online banking and 3rd party payment;
2. **Price**
- Conventional products

Products such as Point to Point flight tickets (80%), traditional European cities tour, Bravofly try to keep the price competitive in the market.

- Complicated/new products

Products such as Multi destination flight tickets (20%) and the new package tour product in Europe, Bravofly can earn the extra profit from this with relative high pricing strategy.

3. **Promotion**
- Search Engine (Google by search engine optimization SEO)

Focus on Google but not Baidu search engine, because of the correspondent user characteristics, even though the absolute number of users is higher than Google in China.

- Micro Blog (Chinese Twitter, Sina and Sohu)

Low promotion cost but has an extremely high rate of coverage and adhesion.

- Social Network (Renren and QQ)

These two Social Networks in China has the vast number of users, daily coverage 195.7 million for Tencent QQ and 6.2 million for Renren. What's more, the characteristic of the large amount of users are more concentrated for university student and young white collar, this is fit for the positioning of Bravofly in Chinese market and will gain the probability and the effectiveness of advertisement

- Better use of public relationship

The online eye catching event is important for Bravofly to gain the attention in the Chinese market in the short period.

- Temporary exhibition room in the international airport

Building up the temporary exhibition room in the international airport, including the booking process, product information introduction, Bravofly can get in touch with the most concentrated group of potential customers and expansion of the company image.

4. Place

- Headquarter and Official Web site

Bravofly will build the head quarter in Guangzhou in order to serve the provinces with most number of tourists 18.5%, and avoid the competition from other OTA, since within larger OTA players, only Yiqifei has the headquarter in Guangzhou.

- Vertical search engine

The vertical search engines like Qunar, Kuxun, can bring large internet traffic for Bravofly in China at the initial stage, for example, Qunar has 45 million monthly independent users.

- Mobile smart phone Apps

The online tourism users have got used to book the tourism product with their mobile phone with the help of mobile phone Apps, because of the convenience and inhabitants. It is expected that in 2012, the growth rate of the mobile users who search travel information will be 51%.

- Online shop in some B2C2C platform and Group Buy Website

The E-commerce platform for B2C2C has generated great traffic for the users, in 2010, the registered number of Taobao reached 370 million in 2010, and 69.6% of people who buy the flight tickets on Taobao is because they use to doing the shopping there for the other goods. The group buying websites attract on an average more 25 million different users per day in China during 2011.

1.6.4 Adequate investment budget result

This business research has come up with two schemes for Bravofly, Conservative and Adventurous budget. This will be adopted by Bravofly considering the exact market situation of entrance period.

- Conservative budget

It mainly uses the method of Cost per click in the vertical search engine of Qunar or SNS Renren, this can save the promotion investment of Bravofly in the most extent. What Bravofly should invest depends on the Click Rate (Promotion Effectiveness).

- Adventurous budget

It uses the One-off method to do the advertisement in internet website, focusing on the target customers, about €15000 per day totally in Qunar and QQ.

Based on the prophase discussion with Mr. Francesco in Bravofly, they are very satisfied with the result of this business research. It is of great affirmation for them to enter the Chinese OTA market with the help of this report. This can confirm the report quality of this analysis on the other side.

2 Description of the tourism market in China

2.1 Current market description

2.1.1 Chinese general tourism market

Based on the latest forecast of China Tourism Academy[1], in the first half of 2012, the total revenue in the Chinese tourist market will reach €148.37 billion, with 12% of increase. It is composed by the following three parts: 1 Domestic Tourism Market, there are 1.5 Billion tourists with 10.5% increase and the total tourism revenue of domestic market is €121.61 Billion with 13% increase; 2 Inbound Tourism Market, there are 67.5 million foreign tourists with 1.8% increase and 28.6 over night foreign tourists with 2.1% increase, the total revenue of foreign exchange is €18.4 billion; 3 Outbound Tourism Market, 37 millions of Chinese tourists will go to travel abroad with greatly 15% of increase. And China is predicted that it will become the largest outbound tourism market[2].

Looking back from 2005 to 2010, total revenue of Chinese tourism ranges from €90 billion to €181 billion, approximately double the number, with about 14% of annual growth. And the total number of tourists is also growing from 1.36 billion in 2005 to 2.845 billion in 2011 with 11.76% annual growth.

2.1.2 Domestic tourism market

In 2011, the number of domestic tourists reaches 2.64 Billion with 13.2% of increase. And the domestic tourism revenue has gone up to €234.7 Billion with 23.6% increase. The average spending of domestic tourists was €52 in 2005 and reached to €88 in 2011 as predicted, with 69.2% rise[3].

[1] China Tourism Academy
[2] 2012 China Annual Development Report of Outbound Tourism
[3] National Tourism Administration of China

2.1.3 Inbound/outbound tourism market

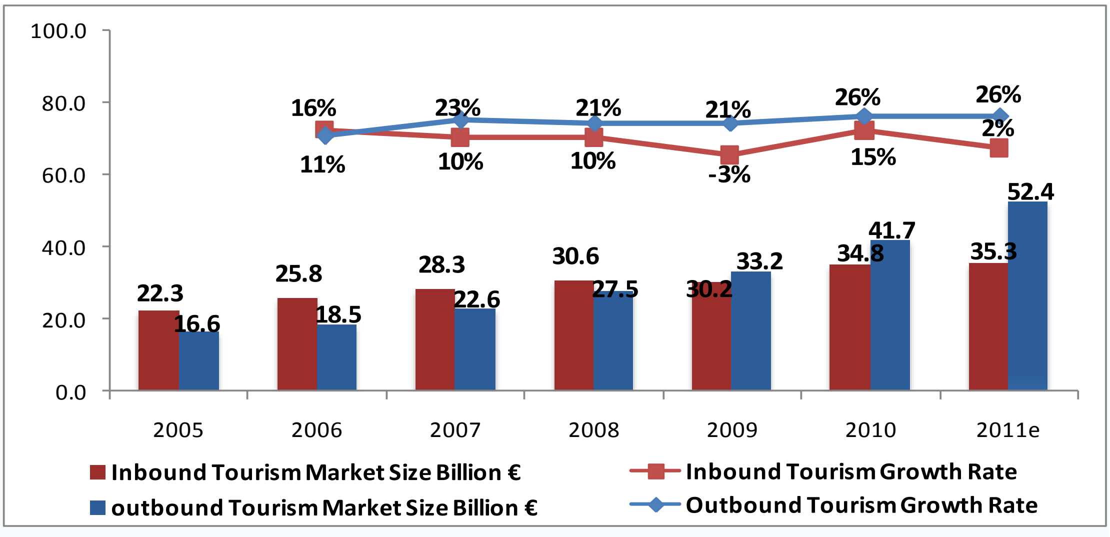

Figure 4 2005-2011 Market Size of Chinese In/outbound Tourism[4]

In terms of market size, from 2005, the market size no matter inbound or outbound tourism in China has experienced the growth, but compared with the inbound tourism growth, the market size of outbound growth has more power, keeping 20% of annual growth, and the inbound tourism market has suffered from the worldwide financial crisis after 2008. It is important in the year of 2009 that the outbound tourism market size in China exceeds that of inbound tourism.

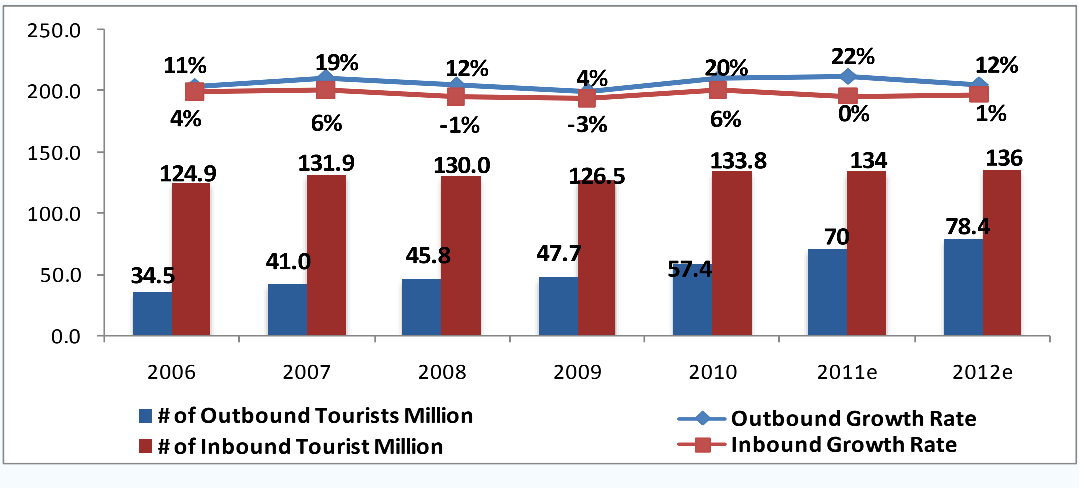

Figure 5 2006-2012 Number of In/Outbound Tourists of China[5]

In terms of the number of tourists, the inbound foreign tourists keep higher than the outbound Chinese tourists, but with the time passed by, the differences between these two groups are

[4] National Tourism Administration of China
[5] National Tourism Administration of China, Data of 2012 is predicted by Iresearch.

diminishing. In 2006, the gap is about 3 times but in 2012 as predicted, the inbound tourists are less than twice of the outbound tourists. According to the statistics of China Tourism Academy in 2011, the Chinese outbound tourists have reached 70.25 million and this is the 1.2 times of that of American and 3.5 times of Japan.

In the following 5 years, no matter in terms of the number of tourists going abroad or the amount of money they will spend abroad will have the historically increase. Based on the research done by the National Tourism Administration of China, the Chinese citizens who will go to travel abroad in 2015 will reach 100 Millions, but the actual situation is far more positive than this number. At the same time, the purchasing power of the Chinese oversea tourist boosts, from the point of view of average spending, in 2011, it is €750 and this number is just €534 in 2005. It is predicted that the total amount of abroad spending of the Chinese oversea tourist will reach 15.2 Billion € in 2011.

2.1.4 Domestic tourists origin

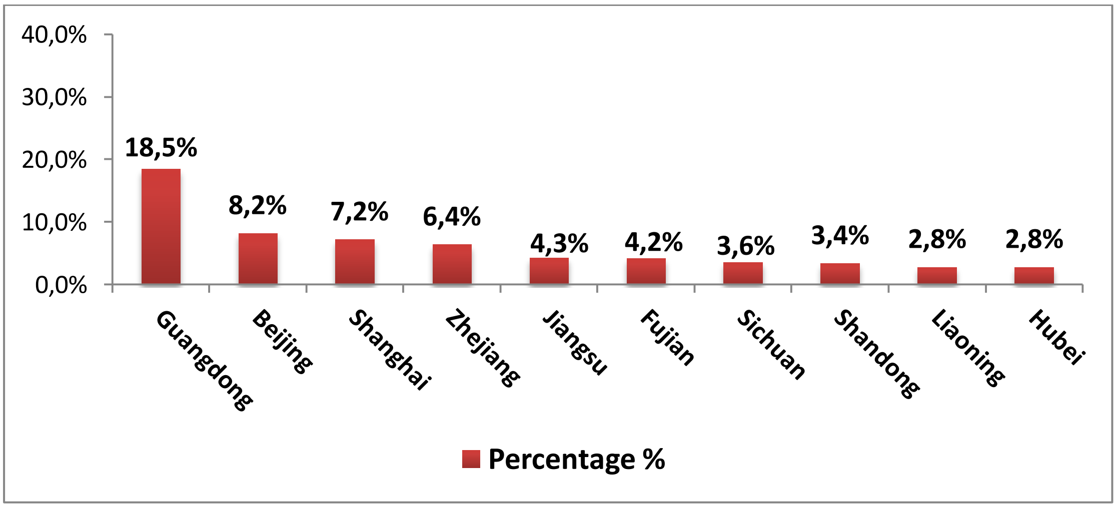

Figure 6 2011 January, Province with Top Number of Tourists in China[6]

[6] Mangocity Sample size =50000, only for the online booking users

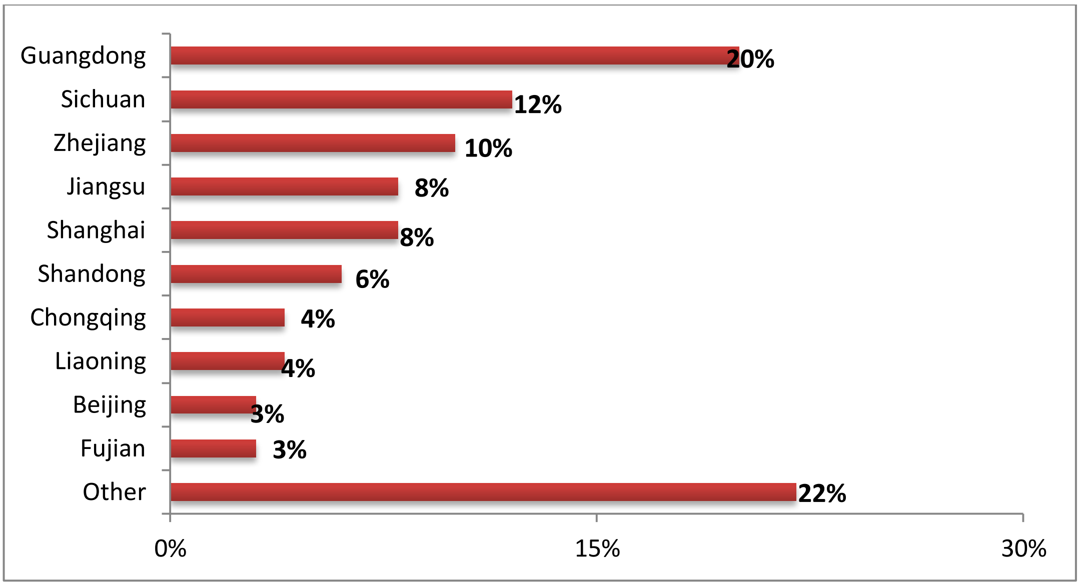

Figure 7 2012 1st Quarter Provincial Tourists Number by Travel Agency in China[7]

No matter in terms of the result from Mango City or from National Tourism Administration, Guangdong Province (Cantonese) has occupies the main tourist origin in Chinese travelling market, and the capital city Guangzhou has also in the top ranking position, in overall, except Hubei, Chongqing and Sichuan Province, the Chinese travel market is more developed in the Eastern coastal regions which has higher income than the other regions. And Guangdong Province will be inevitably the important area.

2.1.5 International tourist origin

In general, the number of foreign tourist in China for the year of 2011 has increase 3.77%. Looking into the detail, we can see that except Asia which has the large base number, Europe is the second largest tourist origin, and all the other continents have the higher growth rate. The visiting purpose is focusing on business and sightseeing. This kind of visiting reason will generate the large demand for the flight tickets and hotel bookings in China.

2.1.6 Domestic tourist destination

[7] National Tourism Administration of China

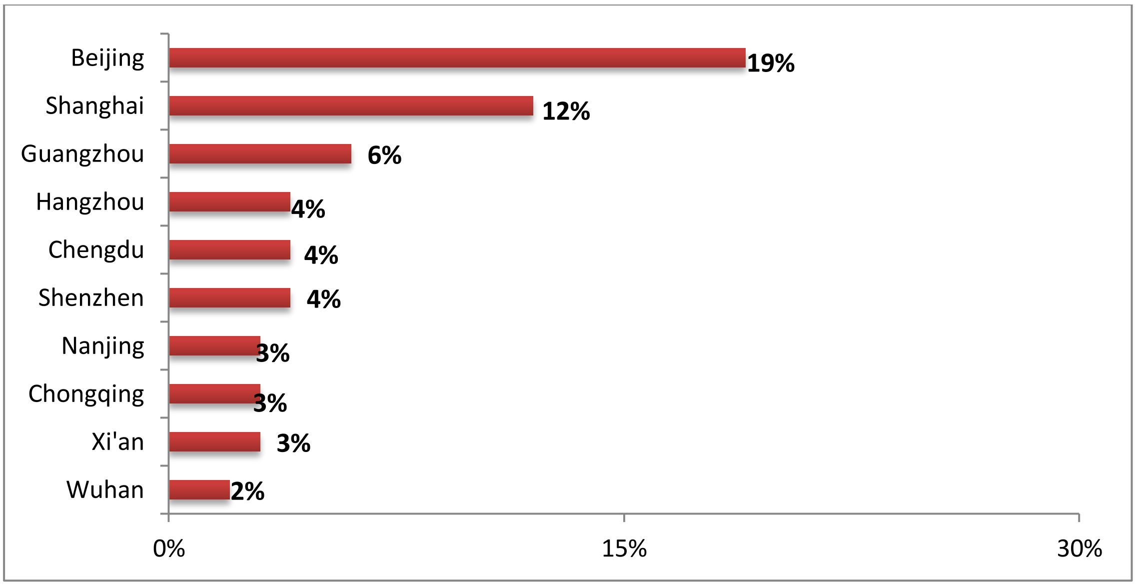

Figure 8 2011 Oct, Top Tourists Destination City in China[8]

The domestic tourism destination remains in the traditional popular cities, such as Peking, Shanghai, Guangzhou, Chengdu, since those cities has abundant tourism resources from natural or cultural landscape. And the seasonality of tourism in China is obvious. For example, during January, based on the research of Mango City, a lot of people prefers go to Hong Kong and the other coastal cities in the southern part of China, and on the contrary, a great number of tourist decides to go the city in the very north, in order to have the feeling of snow.

2.1.7 International tourist destination

[8] OTA Elong

Table 3 2011 ITable 3nternational Tourism Destination of Chinese Tourists[9]

Country / District	# of Chinese Tourists (Million)	Growth Rate	Country / District	# of Chinese Tourists (Million)	Growth Rate
Hong Kong	23.1	23.7%	UK	0.31	21.6%
Macau	16.1	6.5%	Canada	0.31	25.0%
Japan	1.97	26.8%	Germany	0.29	21.7%
South Korea	1.97	33.5%	France	0.27	19.8%
Taiwan	1.66	68.6%	Italy	0.27	23.5%
Vietnam	1.21	↓ 9.9%	Myanmar	0.26	↓ 24.2%
USA	1.07	30.7%	Mongolia	0.23	56.3%
Malaysia	1.03	69.7%	Philippines	0.22	26.8%
Thailand	1.02	63.1%	Laos	0.2	2.9%
Singapore	0.83	23.6%	UAE	0.17	26.8%
Russia	0.71	3.9%	Kazakhstan	0.14	↓ 21.7%
Australia	0.55	20.6%	North Korea	0.13	36.4%
Indonesia	0.47	42.6%	Maldives	0.1	128.0%
Cambodia	0.37	65.2%			

Most of the famous traditional tourism destination like Europe, Southeast Asia, and Oceania has risen up with extremely great growth rate. For example, the tourists to Maldives have increased for 128% during 2011. Undoubtedly, this phenomenon shows that the Chinese tourists are becoming more interested in abroad travelling.

2.1.8 Cruise travel

In 2011, 504,582 tourists in China has travel with the cruise, including 142 vessels of Cruise departed from main China and 102 departed from Hong Kong , compared with the number of

[9] National Tourism Administration of China

vessels in 2010, there is 49.5% growth[10]. The most favorites cruise tourism destinations are South Korea, Japan, Tai Wan, Hong Kong and Southeast Asia.

Mainly focus on the short routes range from 4 to 7 days, this kind of routes fit for the feature of Chinese customers, since in general, the holiday in China is shorter than in Europe and America.

2.2 Summary

With the incremental annual income of Chinese residents, and plus the other positive factors such as diversification of the choice for the destination, the appreciation of Chinese RMB and financial crisis in Western countries, simplification of the Visa application process to the foreign countries, no matter the domestic or abroad tourism market will have the considerable growth rate. On the contrary, the inbound tourism market is suffering a lot from the financial crisis and the appreciation of the Chinese RMB with decreasing number of tourists. Travelling to China becomes more expensive for the foreign tourists.

But in general, the tourism market which relates to China is still bright in the next 10 year. And this kind of positive result of prediction will definitely make for the development of all the relative sectors and players. Online travel agency (the follow simplified as OTA) as the comparatively new kinds of players, under the stimulation of positive condition will also have a good external development environment and great potentiality. With the maturing tourism sector in China and the uprising purchasing power of the consumers, diversified tourism products, especially those with high value added, and vocational; diversified business model after the entrance of outsiders.

2.3 Future trend of tourism market in China

2.3.1 Incremental number of individual tourists

Compared with several years ago, the Chinese tourist prefer the travel with the group, but nowadays since the alternation of habit and the new tourism market business model, the Chinese tourist generally prefer travel by themselves. And this will generate another blue sea of vocation package tour.

2.3.2 Fierce competition in the tourism market

More gigantic players and foreign capital get ready to enter into this area with the economy of scale and great amount of capital, the other small and ordinary players will need to fight for survive or even kicked out from this market.

[10] CCYIA

2.3.3 Growing outbound tourism market

With the abovementioned conditions, the Chinese tourists is getting more and more interested in travelling abroad but not only in China, this will bring the opportunity for the players who focus on this market.

2.3.4 Matured tourists and with demanding requirements

The more experience of the tourists have, the higher requirements of them for the tourism product is. In the near future years, there will be more professional and featured tourism products satisfying the personal interest of Chinese tourists.

2.3.5 Online tourism booking gains popularity

With the auxiliary technological condition, the tourists will swap from off-line booking to online booking because of the convenience, more choices. This will attack the traditional off line travel agency or the other off line players.

2.4 General information of online tourism market in China

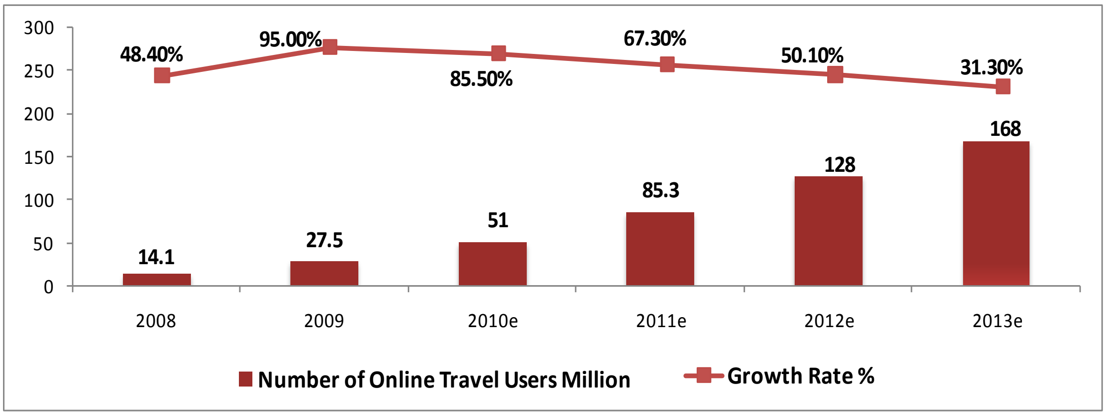

Figure 9 2008-2013 Number of Online Tourism Booking Users in China[11]

Starting from 2008, the number of online tourism booking users has grown up from 14.1 million to 168 million in 2013 as predicted, more than 10 times of that in 2008. This important data has shown that online tourism booking method has become an important method for the tourist.

[11] Iresearch, based on Industry Data

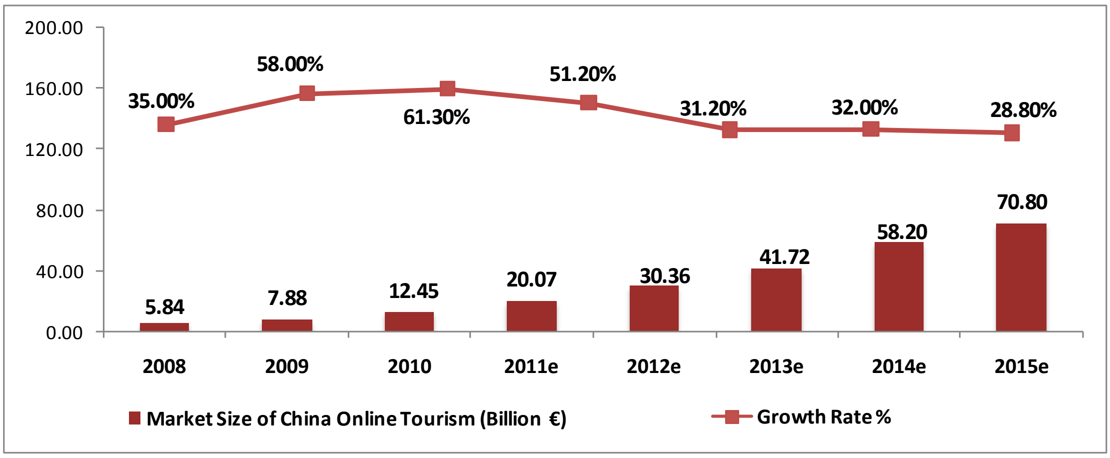

Figure 10 2008-2015 Market Size of Online Tourism Booking Industry in China[12]

The market size includes all the booking value of flight tickets, hotels, package tours of OTA and the other upstream suppliers. It keeps the same trend with the user proportionally. In 2015, the market size is predicted for 10 times of that in 2008. All the players in this industry will benefit from the larger market size, even though the existing competition.

2.4.1 Penetration

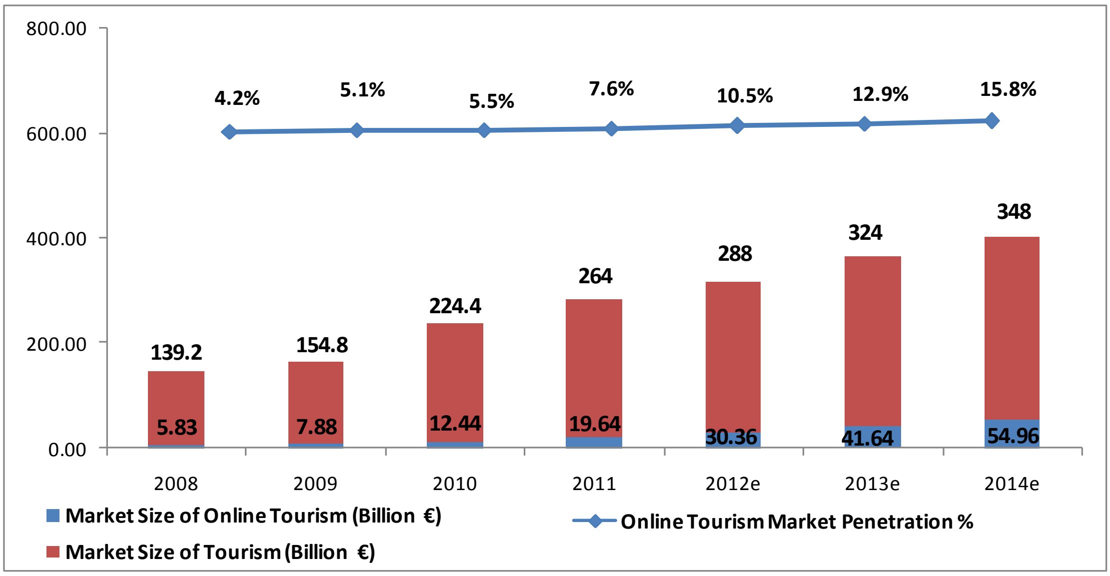

Figure 11 2008-2014 Market Penetration Rate of Online Tourism Booking in China[13]

The penetration rate of online tourism booking market in terms of total tourism market in China is still in the very low position with only 7.6% in 2011; most of the tourists are still tending to book the tourism products offline. Compared with China, some countries such as

[12] Iresearch, based on Industry Data
[13] Iresearch, based on Industry Data and the company document and National Tourism Administration

USA has 70% of penetration rate, Europe for 50%, even in India, this has already 30%. The Chinese market is still developing and with great potentiality in the future.

2.4.2 General information of OTA market in China

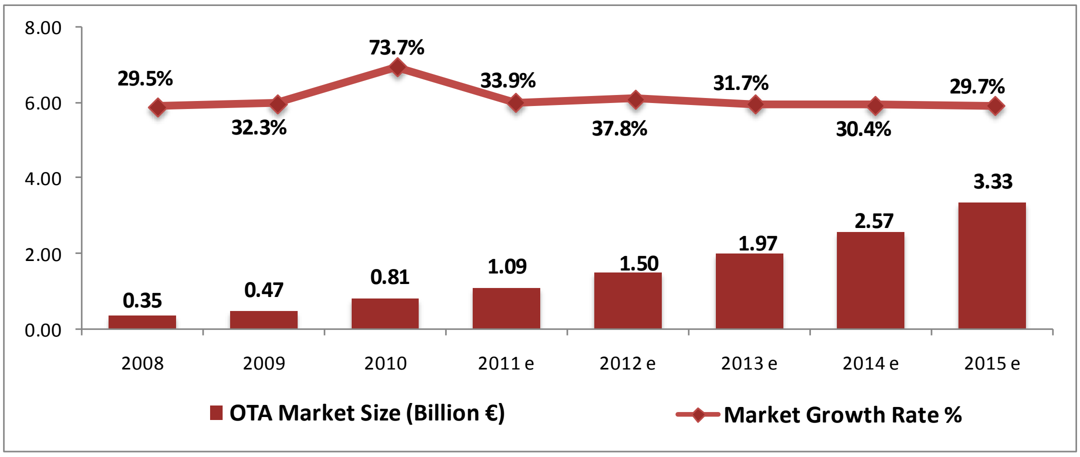

Figure 12 2008-2015 OTA Market Size in China[14]

In China, some users are booking by telephone; the market of OTA includes the call center of telecom operator like China Unicom and China telecom. With fast growing of some OTA players, the OTA market in China has also experienced the great development, from €0.35 billion in 2008 to €3.33 billion in 2015.

[14] Iresearch, based on the company report

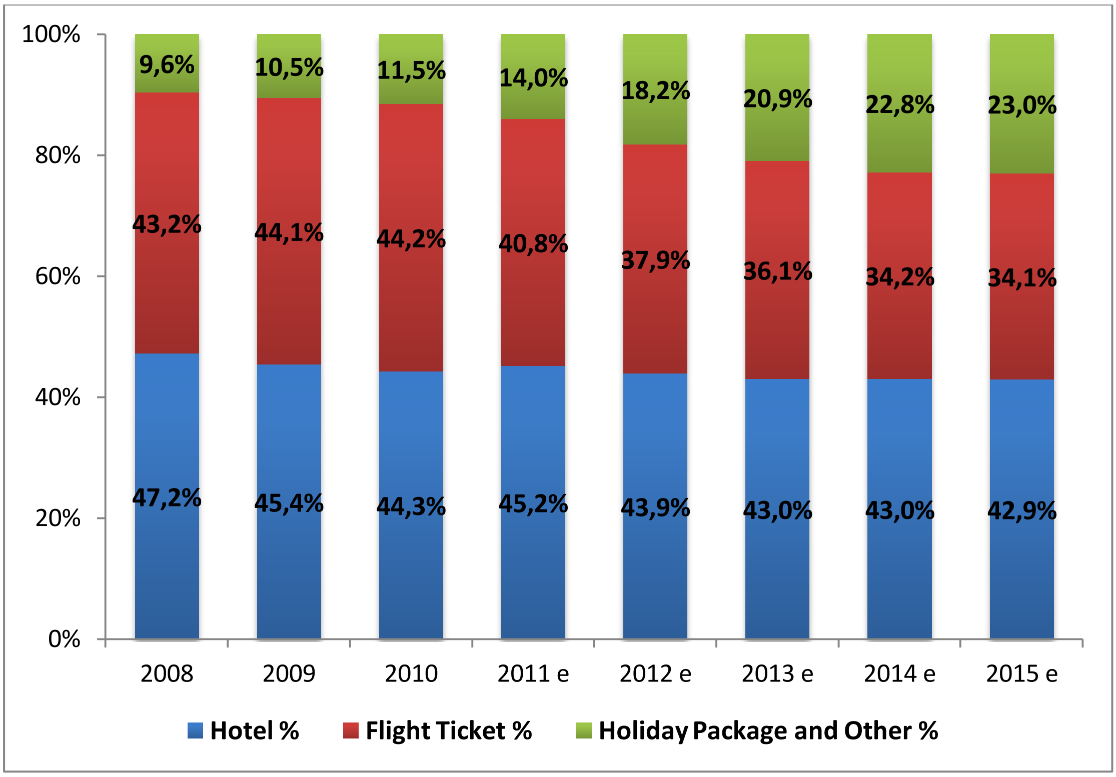

Figure 12 2008-2015 Change of OTA Profit Structure in China[15]

In terms of the detailed structure, the hotel business area is still the main area in OTA service, but in the future 4 years, the OTA market share of hotel will remain the same, flight tickets will decrease and the package tour will increase from 9.6% to 23% in 2015. The package tour market will be another focal point in the OTA market. The company who focus on the package tour will have more opportunity to develop.

3 External demand analysis for Bravofly

3.1 The Belief

Under the current economic and tourism industry development situation, China is extremely important for the achievement of strategic objective by the Bravofly Group. Taking down the Chinese market will not only have the vast amount of profit but also will be the milestone in the process of globalization of Bravofly Group.

[15] Ireasearch, based on the company report

3.2 PEST analysis of OTA market in China:

3.2.1 Political factors:

3.2.1.1 Encouraging policy to lower entrance barrier of foreign OTA

In 2009, the Chinese National Legislative and National Tourism Administration have carried out the new stipulation for the foreign investment on Travel Agency including traditional and online agency according to the guarantee as the member of WTO. This stipulation has downgraded the requirement of the registered capital, special condition constraint such as set up of branch, business service type. But within the first two years, the solely foreign invested travel agency still cannot enter in outbound tourism business area. Some famous foreign OTA players like Expedia use the tactics of merging the existing Chinese OTA player or be the share holders of them.

3.2.1.2 Monopolized flight distribution information

The domestic flight tickets distribution information channel and the search terminal are monopolized by the governmental company, Travelsky and fees is calculated by 100 €/130,000 times of search. All the Chinese airlines have to only publish the domestic routes and price information on it. As one of the main business area of the OTA players, issuing the flight tickets is one of the very important revenue origins for them. Since it is monopolized by Travelsky, this will have the negative effect on the commission revenue for the OTA players.

3.2.1.3 Governmental interference on the pricing

The Civil Aviation Administration of China, or CAAC, together with National Development and Reform Commission, or NDRC, regulates pricing of air tickets. CAAC also supervises commissions payable to air-ticketing agencies together with China National Aviation Transportation Association, or CNATA. If restrictive policies are adopted by CAAC, NDRC, or CNATA, or any of their regional branches, revenues of the OTA player may be adversely affected.

3.2.1.4 Governmental policy stimulation on the tourism sector

The upcoming 'National Tourism Long Term Planning Program' will add the days for holiday, endow the discount for the entrance tickets of scenic spots and offer the tourist coupon. This will stimulate the willingness of the Chinese citizens to travel.

3.2.1.5 Simplification of foreign Visa application process

In the recent years, most of the popular tourism countries such as North America, Europe, and North Asia have simplified the Visa application process for the Chinese citizen. This kind of simplification will be advantageous for the users to booking the standard tourism products on the OTA players by themselves.

3.2.2 Economic factors

3.2.2.1 Optimistic macro economy environment

In the recent years, Chinese macro economy keeps the high growth rate with rising resident’s annual family income. Based on the research result of National Statistics Bureau on 66,000 families in the city, the personal individual income is €2916, gaining €328.4 (14.1%) than 2010. Getting rid of the inflation factors, the disposal income actually increases 8.4%.

3.2.2.2 The appreciation of Chinese currency RMB

This situation is really obvious when relates to US Dollars and Euros, these two important currency in the world. From 2005 to 2012, the Chinese RMB has appreciated about 30% than the US Dollar; in terms of Euros, from the end of 2011 to now, the Chinese RMB has appreciated about 18%. The large extent of appreciation will definitely lower the cost of outbound tourism and expand the market.

3.2.2.3 More cross industry capital investment to Chinese OTA market

The OTA market in China is not only attractive to the domestic traditional tourism players but also the foreign, cross-industry players like the Internet giants. They invest a lot in the OTA market; carry out more and more online promotion activities. This will shunt some part of the tourists swapping from the off-line booking to online booking.

3.2.3 Socio-Cultural factors

3.2.3.1 1. Large amount of internet user.

By the end of 12/31/2011, the population of people who connect to Internet is 0.513 Billions, with a comparison to the total population which is 1.347 Billions; the penetration rate is 38.3%. There is one phenomenon needs to be stressed, which is the number of people who connect to the Internet through their mobile phone has reached to 0.356 Billion, which has a significant growth rate as 17.5% compared to last year.

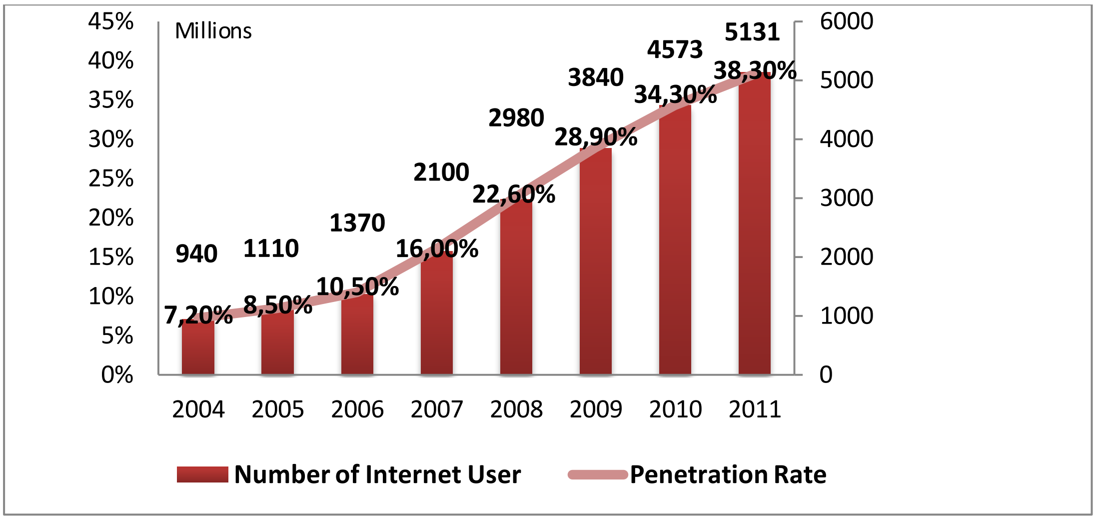

Figure 13 2004-2011 Number of Internet Users and Penetration Rate in China[16]

The number of internet users provides the based condition and important parameter for the social analysis part for the development of OTA players. As refers to the age of the people who use the Internet, people between ages 29 to 39 have kept a rapid speed of growth. This group of internet users is critical as the main potential customers of OTA, since they are young, more probably to accept the new thing with the certain income to support the decision they made.

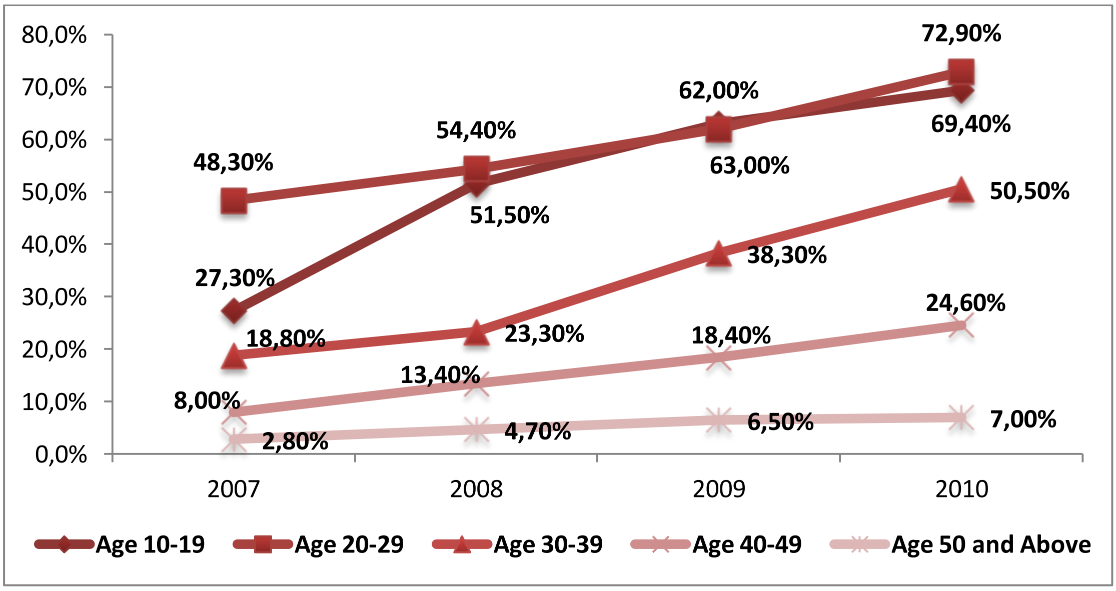

Figure 14 Age Composition of Internet Users[17]

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[16] CNNIC, China Internet Network Information Center
[17] CNNIC, China Internet Network Information Center

The usage of Internet for people who have a junior college degree or above and high school is 96.1% and 90.9% in 2011. The composition of the people who have access to the Web is as follows:

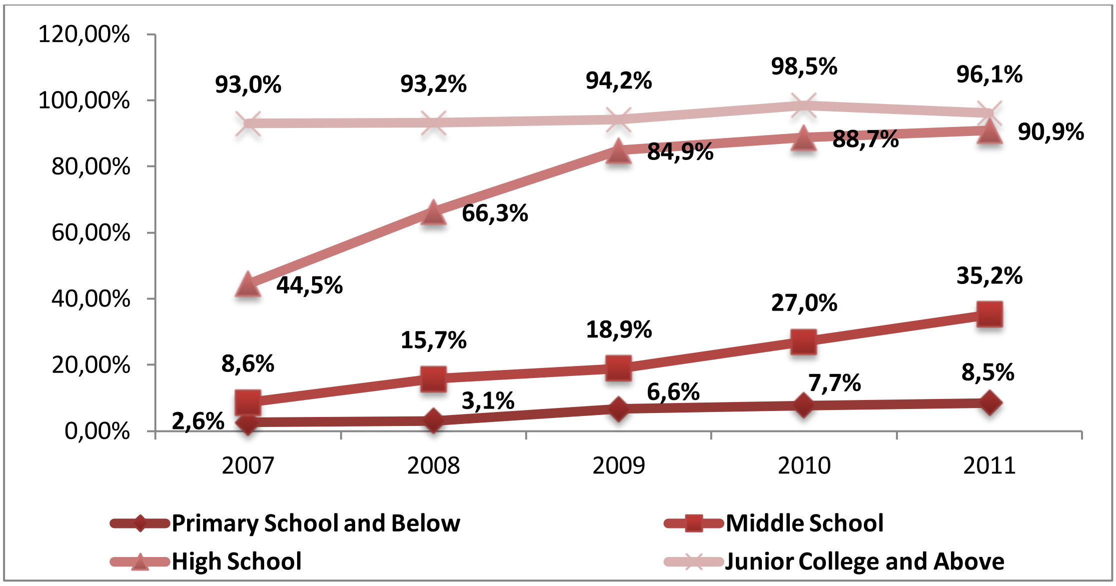

Figure 15 Education Level Composition of Internet User[18]

The education level of the internet users is positive relating to the users amount of OTA service. Roughly, the higher education background is; the higher probability that these people will convert into the users of OTA.

3.2.3.2 Large amounts of mobile internet users and mobile internet market size

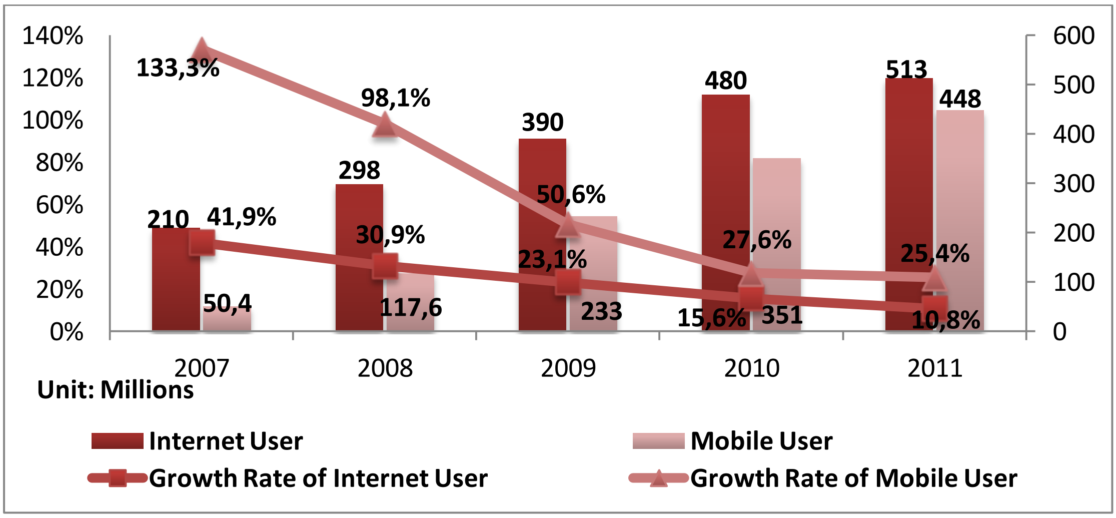

Figure 16 Numbers Comparison of Internet User and Mobile Internet User[19]

[18] CNNIC, China Internet Network Information Center
[19] CNNIC, China Internet Network Information Center

In the recent development of OTA industry, under the help of the Smartphone and the maturing mobile internet technology, the mobile phone users which connect to the internet is also another important social indicators for the OTA. The number of population which surf the Internet with mobile phones in 2011 has been reached to 0.448 Billion with a percentage of 69.3% of the total Internet user. The number of people who choose 3G network has been reached to 0.11 billion by the end of Oct, 2011.

The market size of China mobile internet has reached €4.77 billion in 2011 with a growth rate of 97.5%. And it is predicted that until 2015, the annual growth rate will keep higher than 50%. The boom of the whole mobile internet market has begun. It is believed that the rapid growth rate mainly because of the tremendous development of mobile E-commerce.

It is showed from the statistics that the market segmentation of mobile internet has changed furthermore. The percentage of mobile E-commerce has increased while the rate of mobile value-added service has decreased on the other hand. In 2015, the mobile E-commerce will occupy about 71, 7% of the total market. There is a huge market potential in the travel industry of mobile internet.

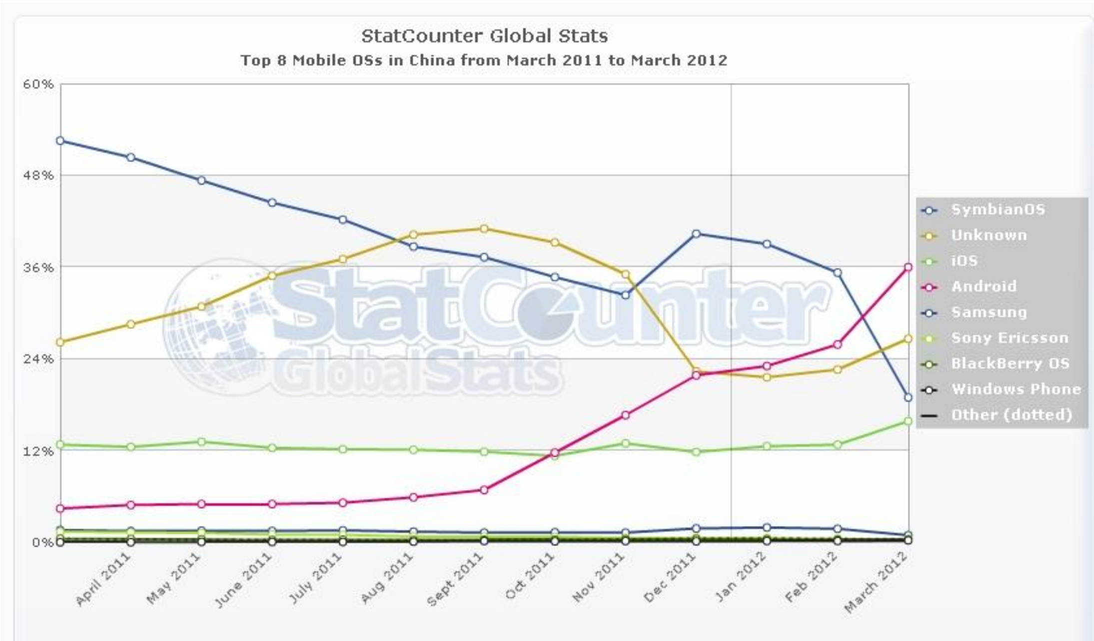

Figure 17 2011-2012 Mobile Operation System Trend in China[20]

The mobile operation system of Symbian, mainly for Nokia, has an extremely jump from about 50% to less than 20% in the market share from April 2011, this compensates by the fast development of Android, and iOS. Since this kind of mobile operation system is more suitable for the mobile Apps. The gaining popularity of Android (36%) and iOS in 2012

[20] Statcounter

provides the basic foundation for the development of the mobile Apps. In turn, this will stimulate the rising up of the mobile OTA service.

3.2.3.3 Popularity of usage of Credit Card

Until 3rd quarter of 2011, there are 268 millions of Credit Cards in China. This increasing popularity of the usage of Credit Cards proves the truth that the users get used to the online shopping and this also will stimulate the online tourism industry in China.

3.2.3.4 Large amounts of internet payment and mobile payment transaction size

Internet or mobile internet payment is one of the main and critical processes of OTA activities, since it decides the financial security of the users and whether the successful of the deal, the increasing transaction size and users can, to some extent, show that the users' willingness to use the all the online payment service, certainly, including the payment in the OTA service.

The 3rd party internet payment market has grown with incredible rate, in 2006 there are only € 5.4 Billions and in 2015, it is predicted that it will reach € 1111.3 billion, 200 times in 10 years. And the structure has also been diversified a lot, from 43.8% of the online shopping in 2006 to 47.6% of miscellaneous in 2015. Of course, within this part, there will be a fairly large part that composed by the online tourism market.

Mobile payment includes the users use the mobile terminal to do the purchasing, but except the virtual product such as mobile newspaper, ring tone. It is also experiencing vast explosion in the near future years both the market size and users absolute number. In 2011, the market size of mobile payment is €5.77 billion with the increase of 149.4%, which comes from 190 million users. This number will growth to € 70.87 billion and 660 million in 2015.With the time passing by, the mobile users will do more the purchasing online of course, including the payment of the tourism products, since there are more mobile applications from all the companies providing the most convenience for users and their own habits.

3.2.3.5 Large amounts of E-commerce transaction size

The E-commerce market is another social parameter for the survival and prosperity of the OTA players. The E-commerce market was developing with great pace in the recent years. The transaction size has increased to € 840 billion in 2011, and expected to reach €3180 billion in 2015 with an average yearly growth rate as 35%. Which should be addressed is the enormous increasing volume of on-line shopping during the last few years. The transaction rate of on-line shopping has been reached to €92.83 billion due to some gigantic players of C2C and B2C. Nowadays in China, the people no matter young or old, different income background is buying goods online.

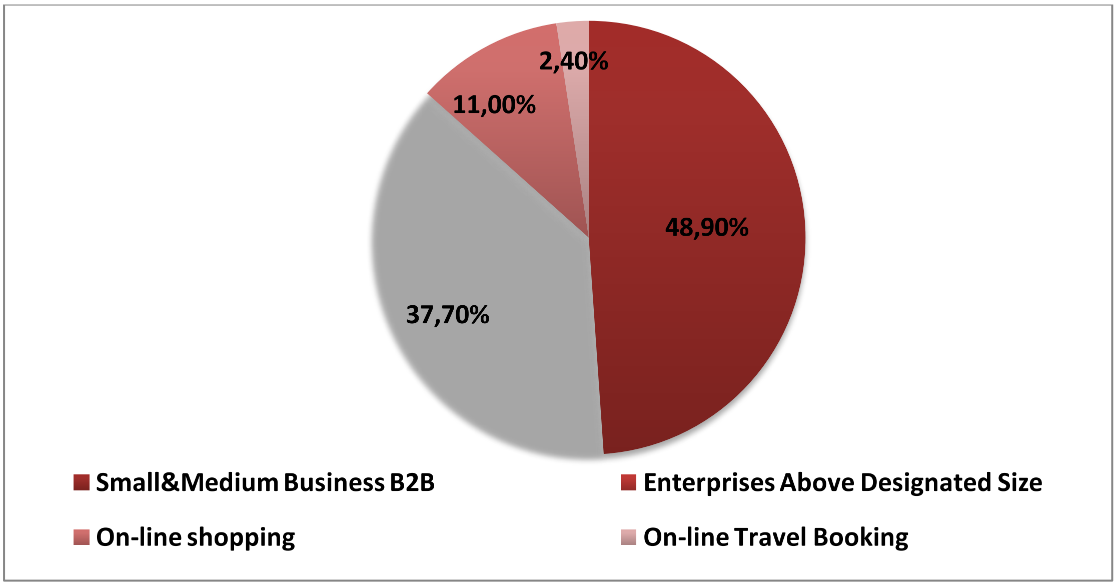

Figure 18 E-commerce Market Composition in 2011[21]

Online travel booking has fairly less percentage compared with other E-commerce activities if we compare with the matured market in the developed countries then the problem and opportunity is quite clear that online travel booking has the great potentiality. And this kind of macro market opportunity will stimulate the demand of OTA products.

3.2.4 Technological factors:

3.2.4.1 Low internet speed.

Based on the internet speed test result of Akamai, the largest CDN servicer in the world, the average internet speed in China just ranks at 90th in the world. The low internet speed will limit the enthusiasm of tourist to do the shopping online and negatively influence the success of booking process.

3.2.4.2 Low mobile internet speed.

Based on the report done by GSMA, the mobile internet speed in China is ranking in the second lowest country just before India in its investigatory countries, and far behind South Korea, Australia and the other developed countries. Even though the report is a little bias since the launch day of 3G technology in China is far later those comparison countries, it is still reflecting the fact that the mobile internet speed will have the negative effect for the explosion mobile OTA market.

[21] China Internet Network Information Center(CNNIC)

3.2.4.3 High mobile internet cost.

The mobile internet cost in China is still very expensive for the 3G mobile internet users by the traffic units. Using the complicated mobile applications will gain the burden of the mobile users; this will handicap the usage of the mobile OTA service.

3.2.4.4 Secure online payment technology.

The users of OTA service are worrying about their financial account security when they do the payment online or with the mobile phone. Fortunately, it is reported that with the help of 3^{rd} party payment software such as dynamic encryption, digital certificate and the U key, there is less of 0.05% of the total users having the security problem which leads to the financial loss.

3.3 OTA market current situation and future trend in China

3.3.1 More players and fierce competition

Besides the traditional OTA web site and the new vertical search engines, some Internet Giants in China such as Baidu, Netease, Sina, Tencent, Taobao are stepping into the Online Tourism Market. In 2010 Netease has carried out the flight ticket booking service. B2C ,C2C Company Taobao had one part of business focusing on 'Travel', April 2011, Baidu opened another service called 'Baidu Travel', June 2011, it invested 0.233 Billion € in Qunar. May 2011 Tencent invested 63.9 Million € in Elong and being the shareholder of 17U in 2010. All these previous outsiders will intensify the competition of the OTA market with their great resources.

3.3.2 The vocation package service is further increasing.

Even though the coverage of vocation service is still in the relatively low level and stay rigidly, since this kind of product in the Chinese market is difficult to standardize, but the specialization of some Vocation web site such as Uzai, Lvmama and Tuniu, the standardization of the product will increase, in the following years, there will be some potentiality.

3.3.3 More specialized service

In order to satisfy specific requirement of the customers no matter location segmentation or demand segmentation, some online travel web site have specified according to the region, the city where is the headquarter or distribution center; some online travel web site has concentrated on some advantageous products, such as Ctrip and Elong focus on the accommodation and transportation, Lvmama for the Scenic Spots tickets, and Lvmama, Tuniu, Uzai for the standardization of the package tour such as Honey Moon, Theme Tour, and Cruise Tour. Compared with the former group, it will be fierce competition after the entering of the internet giants in China. The latter group for package tour will standardize with very clear product information, including the price of accommodation, transportation, and itinerary. This will be another revenue generating point of tourism market.

3.3.4 Lower commission from the product suppliers

Airline and the hotel downgrade the commission rate for the agency and focus more for the direct selling. Airfrance, KLM has zero commission for the agency, the commission for the international route of China Southern Airline decreases from 5% to 3%. The Top 4 airlines in China have also canceled the extra bonus for the OTA Company which has the sales exceeding the threshold. This will play a negative impact on the traditional OTA companies.

3.3.5 More diversified, innovative and booking method and marketing method

Second killing, group Buy, C2B adverse pricing method and last minute sale, all these kinds marketing method will stimulate the attention paid by the netizens. The OTA market will socialize, such as the Travel SNS for sharing the experience, micro blog, fans interaction, or corporate with the other internet player; and some innovative booking channel has generated by the smart phone apps terminal.

3.4 Macro demand of OTA for outbound tourism

The macro demand of OTA is regarding OTA sector in China as whole. Before analyzing the independent players in this sector, it is indispensable to roughly calculate the main market size of OTA in the outbound tourism service. After doing this, it will provide with one clear picture of what this market is.

3.4.1 Preference of travel style of tourists in China

The style of travel has transformed from group travel to personal travel and semi personal travel. Online travel users prefer to plan their nearby city trips all by themselves, while for long-distance travel they choose semi personal travel, and for the aboard, 71% of the tourists will choose group travel. But, based on the research result from 8 main departing ports of China Tourism Academy, most of the Chinese outbound tourists are not satisfied with the itinerary abroad. This indirectly reflects that the demand of individual outbound tourism will grow.

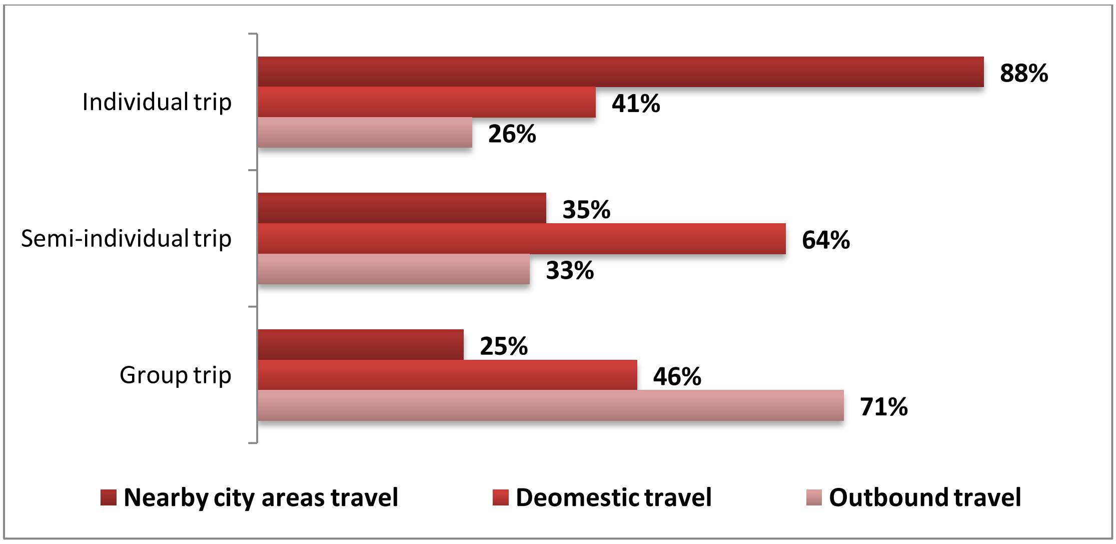

Figure 19 2011 Tourism Products Type of Online Travel Service Users Book in China[22]

3.4.2 Percentage of outbound destination of Chinese tourists

From both reports from Iresearch and Huanqiu travel, about 21.66% net of travel vote for Europe, it is quite obvious that Europe is the top destination which the online tourist would like to go in 2012. Because the Chinese tourists are chasing the beautiful natural scenery and historical precipitation in Europe, which is total different from those in China. Combining the data in the first part about outbound Chinese tourists from National Tourism Administration in 2011 and the trend, this area is still having the great potentiality to develop for Bravofly and the other OTA players in the future years. And Bravofly as the local OTA player in Europe covering several countries, this can be the precious opportunity as the strength.

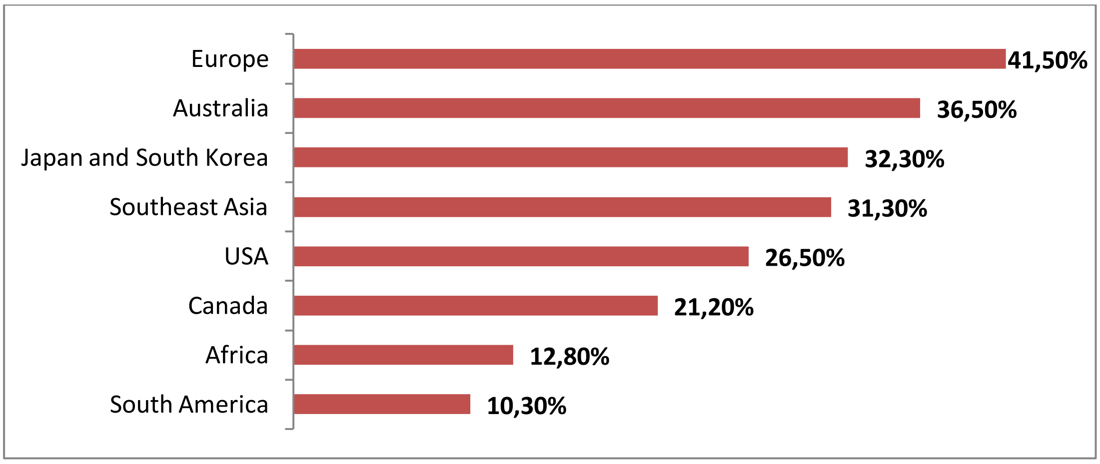

Figure 20 2012 Planned Tourist Destination of Online Tourism Users[23]

[22] Iuser Tracker, Iresearch, based on survey from sample size of 200,000 Internet Users

[23] Iuser survey, Sample size=1100

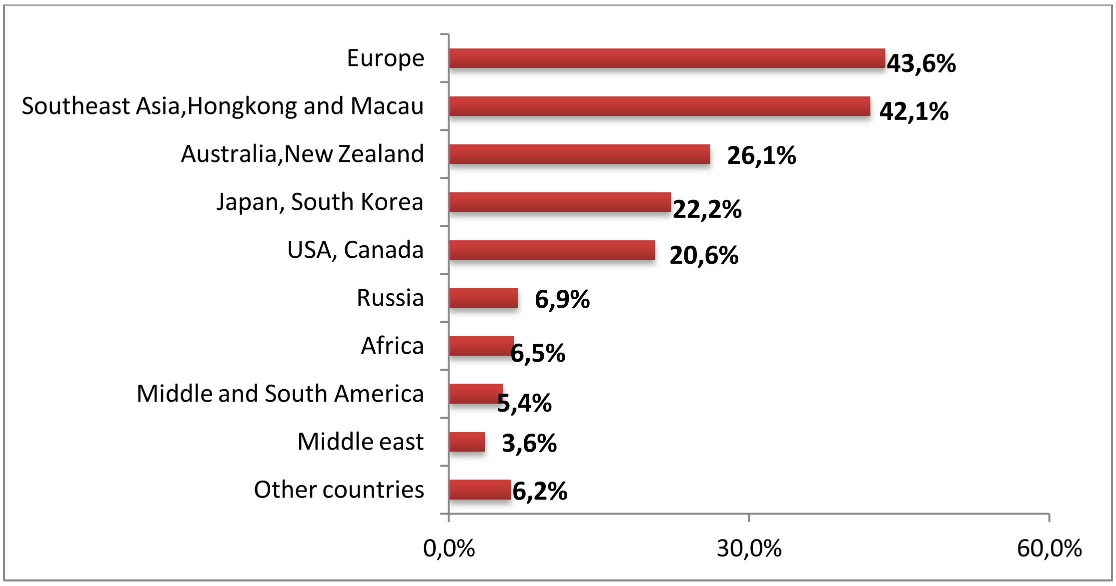

Figure 21 2012 Planned Visiting Places of Tourists in China[24]

And based on the data of China Internet Watch in 2010, 85% of Chinese tourists in Europe will mainly focus in the following countries, France, Italy, Germany and the UK.

3.4.3 Percentage of booking frequency of Chinese tourists

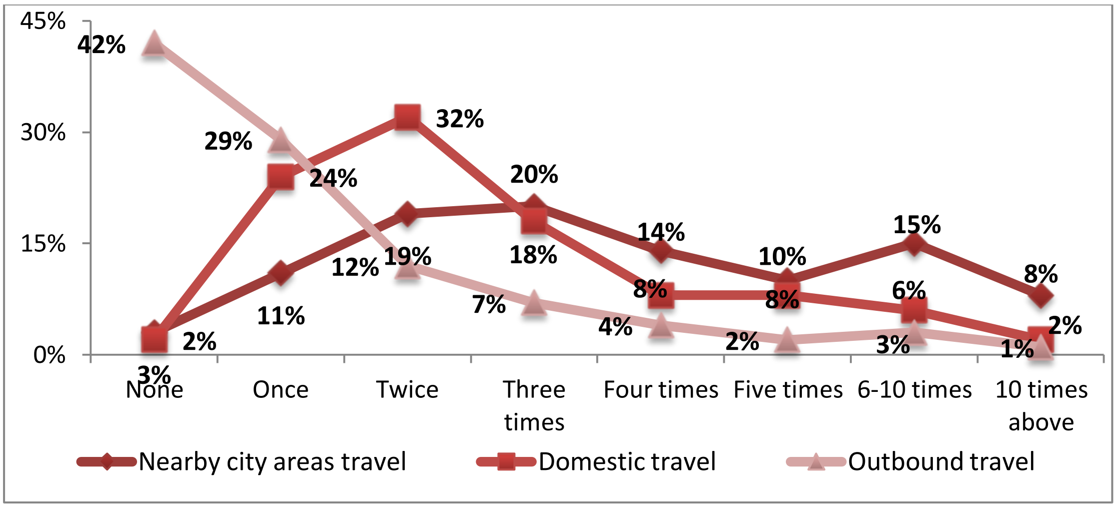

Figure 22 2011 Frequency of Online Tourism Products Booking in China[25]

It is showed that there are 2-3 times nearby city travel in a year; 2 times domestic travel has the highest rate which is 32%, for the aboard travel, because of the large expense and constraints, the percentage of people who never book online is 42%. But the percentage of users who have once book aboard travel is larger than that of domestic travel and nearby city

[24] Online research of Huanqiu Travel, Sample size=908
[25] Iuser survey, Sample size=1100

travel. It indicates that the demand for aboard travel for Chinese travelers is increasing. And this kind of initial stage of development will bring the broad space for the players who specialize in this outbound tourism market.

3.4.4 OTA demand in outbound tourism

As the penetration rate of online tourism in the general tourism market in 2010 shows, online tourism just occupies 5.8% in the tourist products selling market; and in 2010 only 9.5% of tourist will choose OTA as the booking channel, more or less, it ranks in the last. Compared with OTA, the traditional travel agency plus their own official web site as online sales, has the most parts of the market.

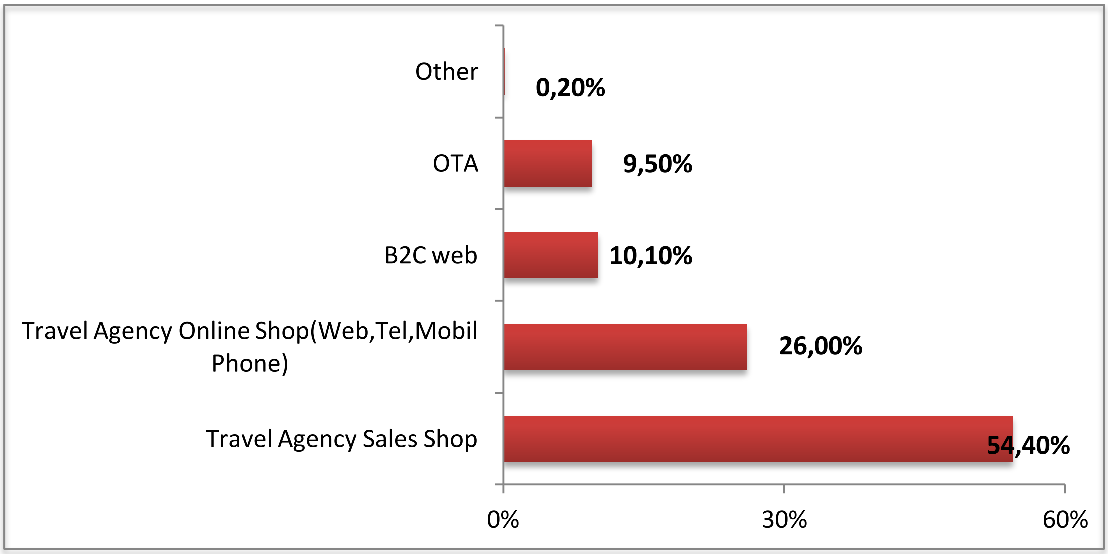

Figure 23 2010 Tourism Products Booking Channel of Tourist in China[26]

Within the specific business area of outbound tourism, in 2012, based on the research of Huanqiu travel, 11% of tourists will choose the OTA when they want to book the tourism products. This percentage is still far smaller than the other kinds of channels in the tourism market in China. 37% of the tourists still prefer the off-line travel agency.

[26] Iresearch, Sample size= 666, data from iclick community

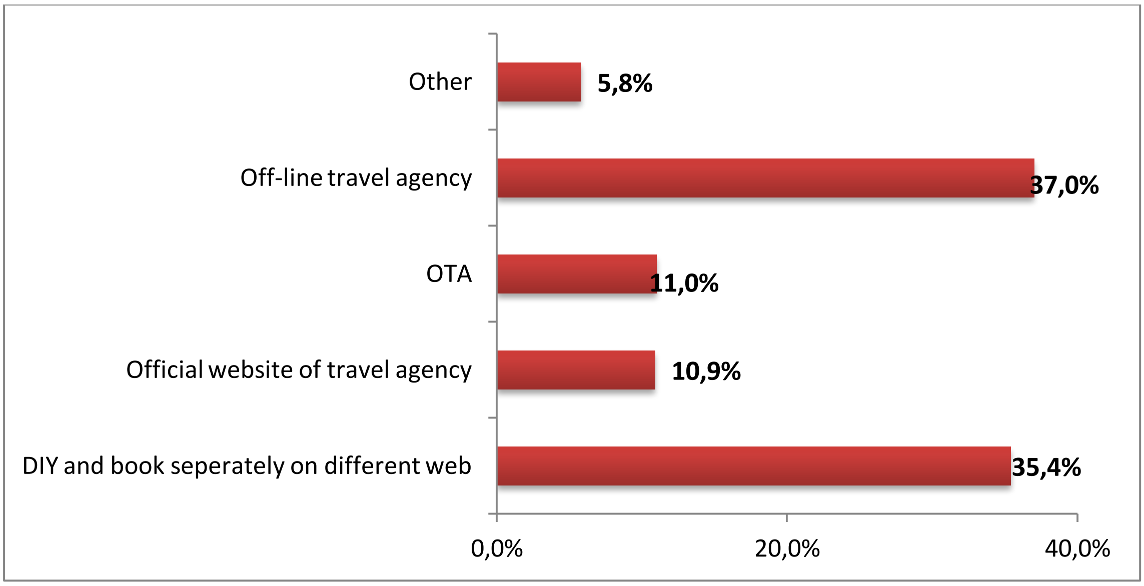

Figure 24 2012 Product Booking Channel of Outbound tourism in China[27]

There are 23.4% of tourists choosing the professional tourism information web to search the information they need in order to make the decision followed by the travel agency. And the OTA only ranks in the 3rd place. On one hand, that the OTA lacks of enough information that the tourists need or the information OTA has is not interested by the tourists.

If put together with the low OTA market share compared with the other channels and the lagging ranking of the preference of information channel for the tourists, a little arbitrary, but we can say that the latter group has put the negative effect on generating the market share. Thus, in order to increase the general market share of OTA, all the OTA players need to pay attention on the tourism information construction and innovation, no matter from the price, destination, itinerary and the other related information. This is the very basic foundation to initiate and provoke the first attention of tourists.

[27] Online research of Huanqiu travel, Sample size=1143

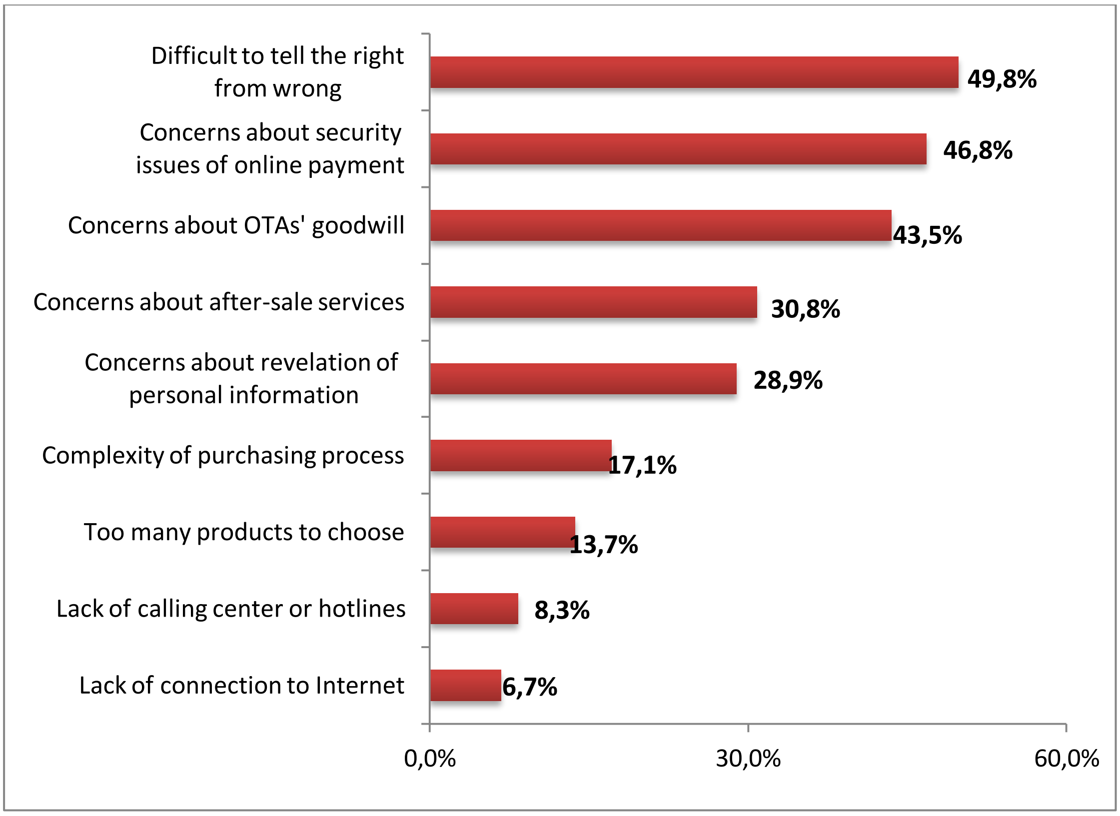

Figure 25 2011 Unsatisfied Experience in Online Booking Process of Tourists[28]

Based on the research, the factors that affect tourists when using online travel service are the difficulties to tell the truth of website (49.8%), overwhelming online message mixing with fake information, concerns about security of online payment and OTAs' goodwill. The relatively low usage of the OTA service has the possibility due to the chaos in the market, misleading and confusing information, lacking of industry surveillance which makes the customers get rid of this service. Whether Bravofly can successfully enter into to Chinese market or not should extremely pay attention to this kind of unsatisfied feedback.

[28] China Tourism Academy

3.4.5 Percentage of outbound tourism reason

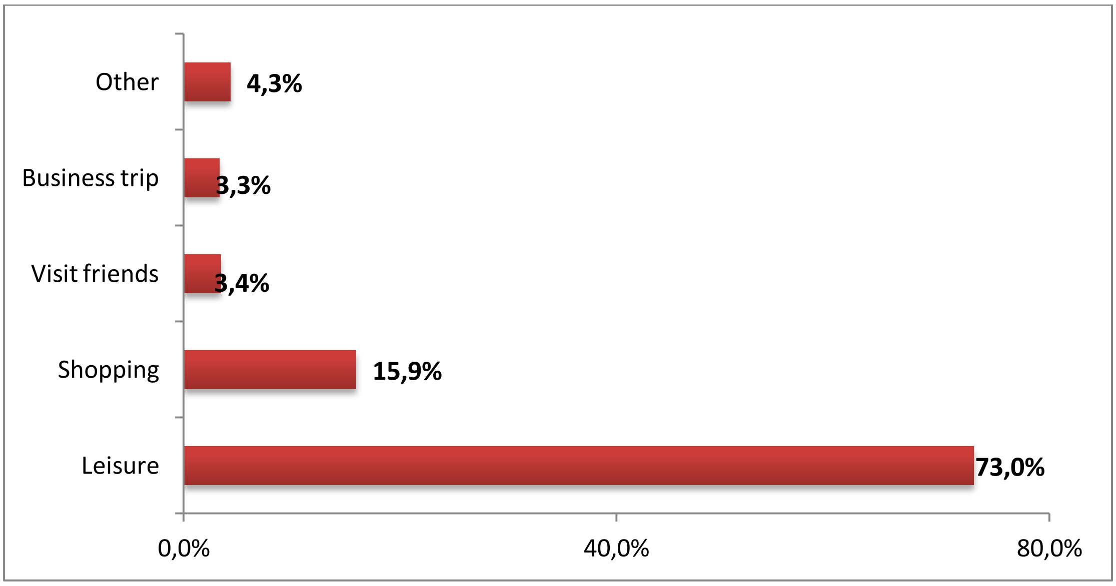

Figure 26 2012 Planned Tourists Aim of Outbound Tourism in China[29]

The person who participates in the research of Huanqiu Travel responds that 73% of total number will do the Leisure tourism if they go abroad. On the contrary, the other part such as Business and Shopping lag far behind this group. The strong willingness and curiosity of tourist in the outbound Leisure tourism will stimulate the OTA enterprises to develop more products and services catering the specific taste and demand to the outbound tourists.

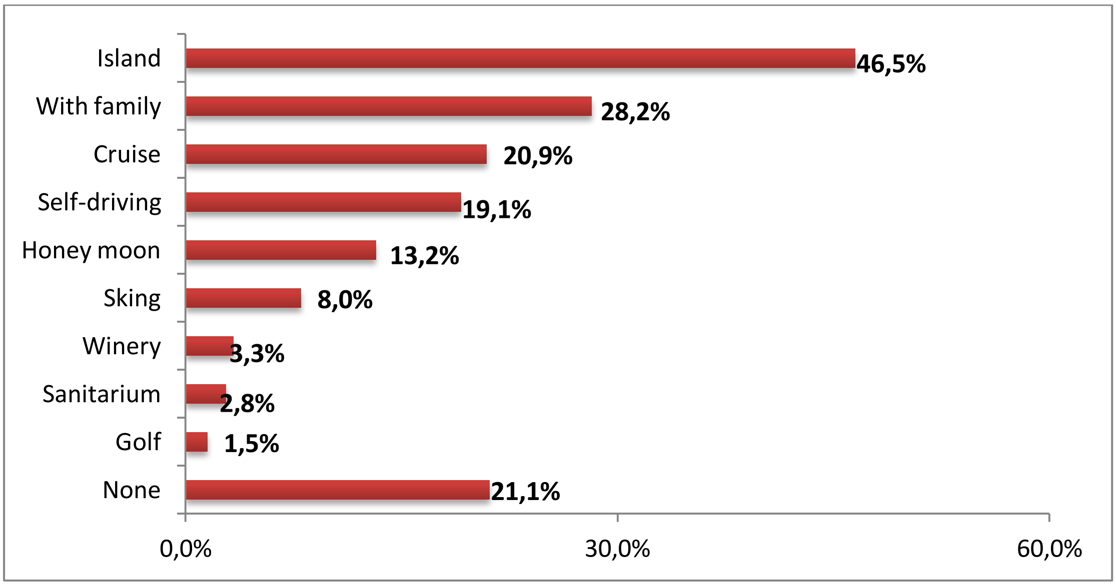

Figure 27 2102 Popular Tourism Theme of Outbound Tourists in China[30]

[29] Online research of Huanqiu Travel, Sample size=908
[30] Online research of Huanqiu Travel, Sample size=1143

For the specific preferences of the tourists, most tourists 46.5% votes for Island travel, but when consider all the items that the tourists prefer, almost all of them are available even famous in Europe such as Island and cruise tourism in the Mediterranean sea, winery in Italy and France, Honey moon in Greece and Sking in North Italy and Alps.

3.4.6 Calculation of total potential customers of Bravofly in 2012

Table 4 Key Data for Calculation of Macro Demand

Item	Number or Percent
Total number of outbound tourists	78.40 Millions[31]
Total number of outbound tourists with Air plane	23.72 Millions [32]
Percent of Chinese tourist to Europe	21.66% (average of above two researches)
Percent of individual or semi individual tourist	45.38% (sum of these two groups)
Percent of leisure and shopping outbound tourists	73%+15.9%=88.9%
Percent of OTA users from outbound tourist	10.25% (average of above two researches)
Online Booking Rate of International Flight Ticket	76%

Supposed that the conservative number of annual travel times is only once, after calculating the above number and percent, it is reasonable to arrive the with the answer of the macro demand for the leisure tourism products booking on the OTA in the Europe zone by the Chinese outbound tourists in 2012 is 78.40 Millions * 21.66% * 45.38% * 88.9%* 10.25% = 701742 times.

In terms of usage of online agency website for the flight ticket booking, the Business Affairs and Leisure with 11.8% and 10.7% respectively, use more than the other types of tourists. They are more clear and loyal to the existing preference but not spend too much time on searching the tourism products. Since the former group of tourist has less price sensitivity compared with personal or family affairs tourism. They use more of vertical search engine in order to do the price comparison with multi players together and choose the cheapest one.

[31] National Tourism Administration
[32] Based on data of Domestic Airlines Company,CAAC in 2011 and Growth rate predicted from China Tourism Academy

Deeping inside this kind of phenomenon, if the Bravofly can build up the customer loyalty in the business area of Business Affairs and Leisure, this will be more efficient and long term compared with in the market of personal and family affairs.

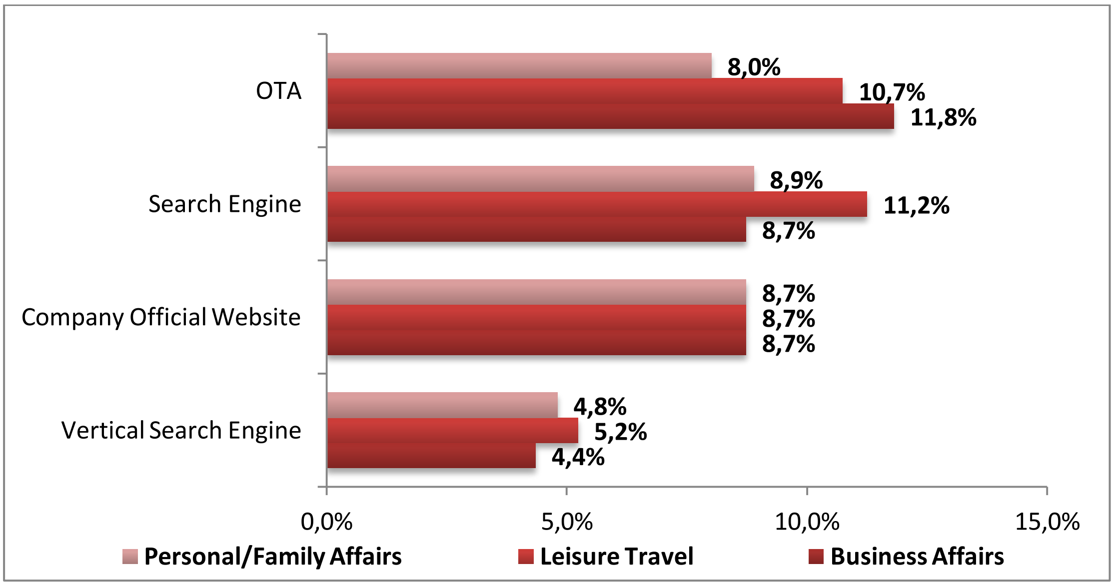

Figure 28 2011 Ways to Complete Online Booking Tickets Process[33]

And if only calculate the number of booking times by outbound air tickets or hotel, then it will be the following: 23.72 Millions * 76% (online booking rate of international flight tickets[34]) *30.5% (average percentage of online ticket booking rate on OTA) = 6309520 worldwide and 23.72 Millions * 76%* 21.66% * 30.5% = 1190930 in the Europe zone.

4 Customer behavior

Analyzing the customer behavior will be better to understand how they think and behave in the online booking process and Bravofly can design the specific measure and service more suitable to them according to their behavior: 1. Education, age and income level behavior; 2. General booking behavior; 3. Flight tickets booking behavior; 4. Hotel booking behavior; 5. Package tour booking behavior.

4.1 Education, age and income level behavior

As refers to the education background, users with a bachelor degree has consist the largest 48% of total users. And in general, tourists with the education background from junior college

[33]Summarized from Industry report
[34] Ctrip Report on International Flight Tickets booking

degree and higher have more possibility and concentration rate to book the travel product online.

The online tourism booking users who range from 19-40 have occupy 76% of the total users. There are fewer tourists who are above 40 (14%) and below 19 (9%) booking the products online. The group from 19-40, have the open minds to try the new online booking method, compared with this group, the older group is, the more inclination that they will prefer the offline booking method.

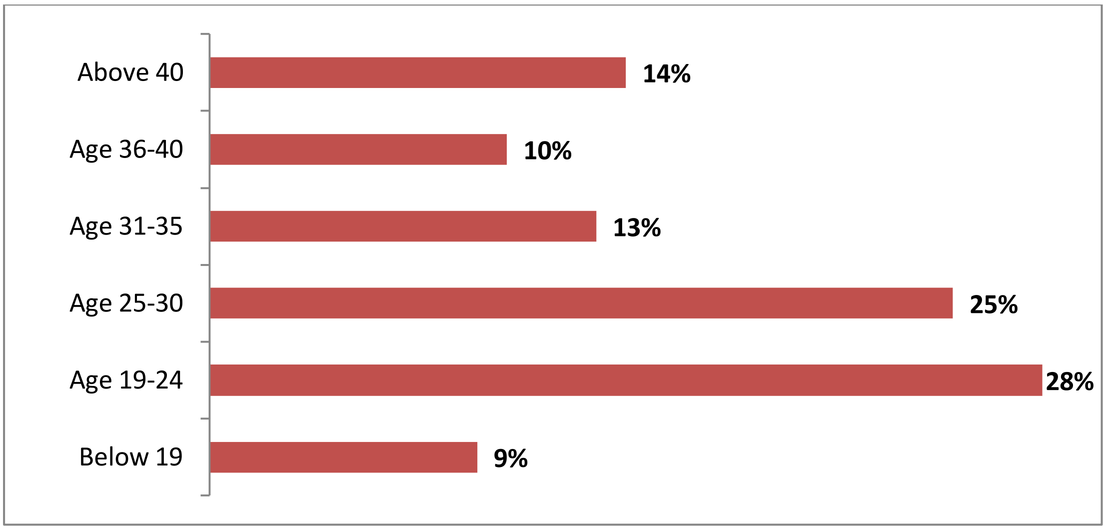

Figure 29 2011 Segmentation of Online Tourism Users by Age in China[35]

Most online booking users have a monthly income from € 121.6 to € 608.Most of the online travel users have a moderate income with certain buying power, searching online has the more possibility to have diversified choice, focusing on value/price ratio, and they would like to pay more time to search for prices and compare them. The group with no income but has 13% of booking percents is mainly coming from university student, in China, most of the university students are still supported by their parents. Ostensibly, they do not have any income, but actually, this specific group has astonishing high demand for tourism and also chased by a lot of industries, since they would like to try the new things according to the social trend without too much financial burden.

[35] Iuser Tracker, Iresearch, based on survey from sample size of 200,000 Internet Users

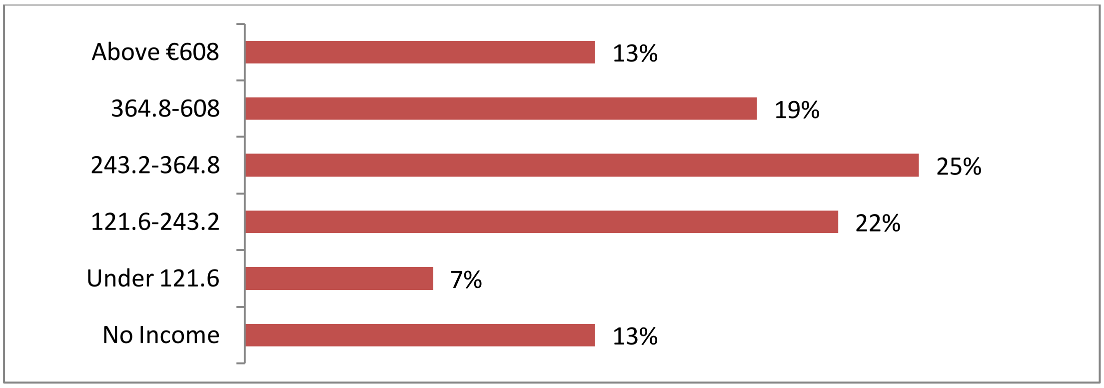

Figure 30 2011 Segmentation of Online Tourism Users by Monthly Income in China[36]

4.2 General booking behavior

The chart below shows what kind of information people are searching for online. It is clearly that Airline tickets rank number one in terms of being searched rate as 60.2%, then follows train tickets-51.6%, tourist scene-51.4%. Thus, the player who wins the advantage in the business area of airline tickets booking is always advantageous to the other players since this part of service is the most frequent.

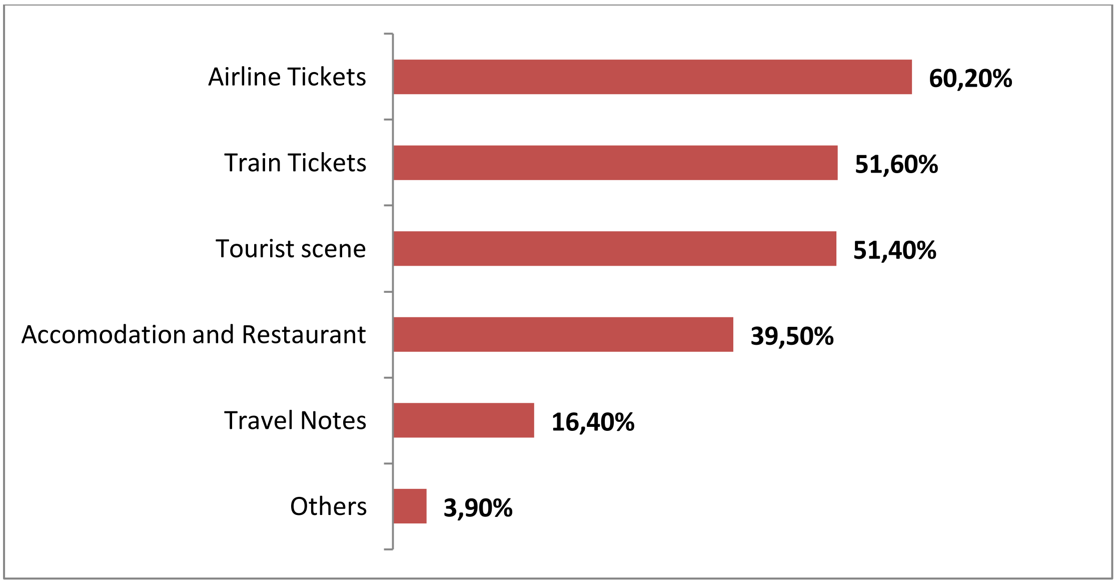

Figure 31 Tourism Information Searched Online in 2011[37]

Comparing to 2010, the travelers plan their trips 4-8 weeks in advance. In this case, it is easier to get cheaper airline tickets hotels and also to plan the trips better in details. Of all the order of booking the products, tickets are mainly booked 2-4 weeks before the trip, while hotels are 2 weeks. It is to remind the OTA players that they need to timely carry out the tourism products with the proper time, promotion and theme when the tourists make the decision, for

[36] Iuser Tracker, Iresearch, based on survey from sample size of 200,000 Internet Users
[37] CNNIC

example, in the National holiday of October 1st, the OTA players should have the flight ticket discount two to four weeks before.

Table 5 2011 Booking Time of Tourism Product in China[38]

Behaviors	4-8 weeks before travel	2-4 weeks before travel	2 weeks before travel	In the travel	No such behaviors
Time interval decision	47%	25%	18%	N/A	7%
Airline tickets booking	27%	34%	30%	N/A	7%
Hotel booking	23%	31%	36%	6%	4%
Tickets of attractive areas	18%	26%	32%	19%	6%
Car renting	14%	20%	23%	23%	21%
Visa arrangement	38%	22%	19%	N/A	19%

Since the weekends, Qingming and Duanwu holidays are short, travelers choose to arrange nearby city trips. While annual vacation, spring festival holiday and national holiday are long, long-distance domestics travel and abroad travel are more popular. Besides, more people choose abroad travel in their marriage vocation than domestic travel. While more people choose domestic travel other than abroad travel in their annual holiday and national holiday. One point needs to stress is that for the OTA market, designing the outbound tourism products for the theme of Honey moon has the broad market.

[38] Iresearch

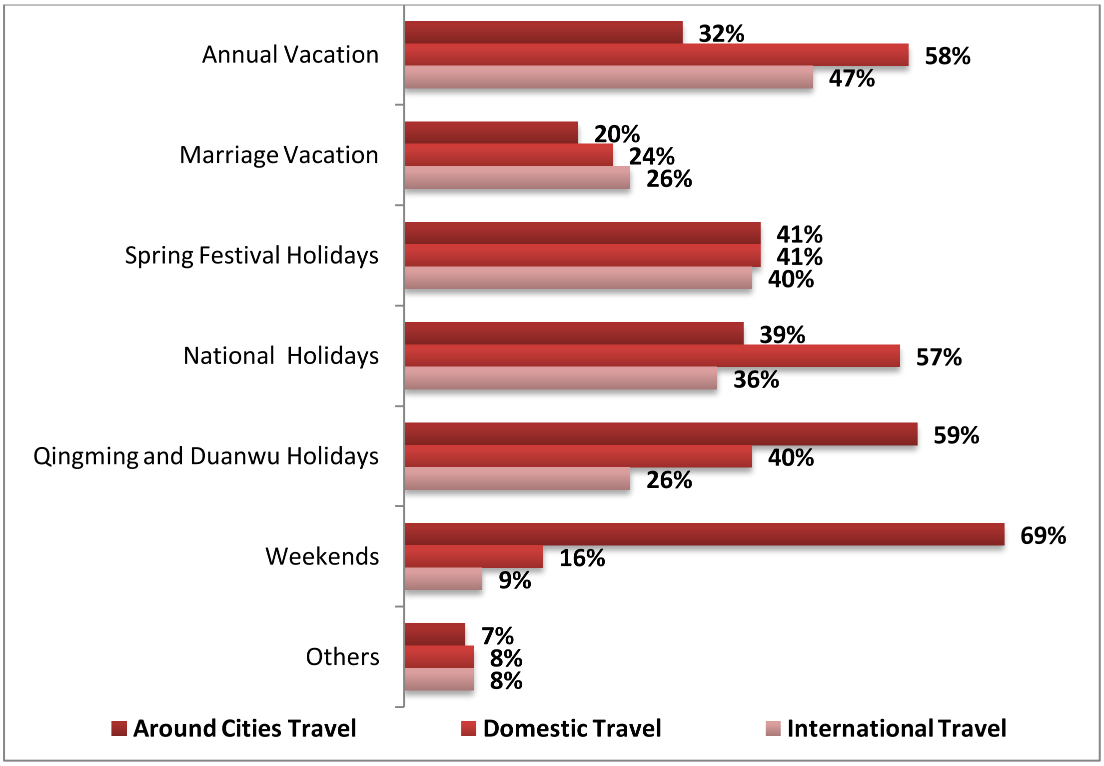

Figure 32 2011 Preferred Time Interval for Tourist in China[39]

4.3 Flight tickets booking behavior

In terms of the personal trip, the tourists care more about the price and the discount of the flight tickets, but for the other factors like the time and punctuality of the flights, the business tourists have inclination. So, if the OTA have the both service for the personal trip and the business trip management for the company, it is better to separate the differentiated interest when carry out the products. This will help to avoid earning the extra profit from the business trip or missing the opportunity for the personal trip.

[39] Iresearch

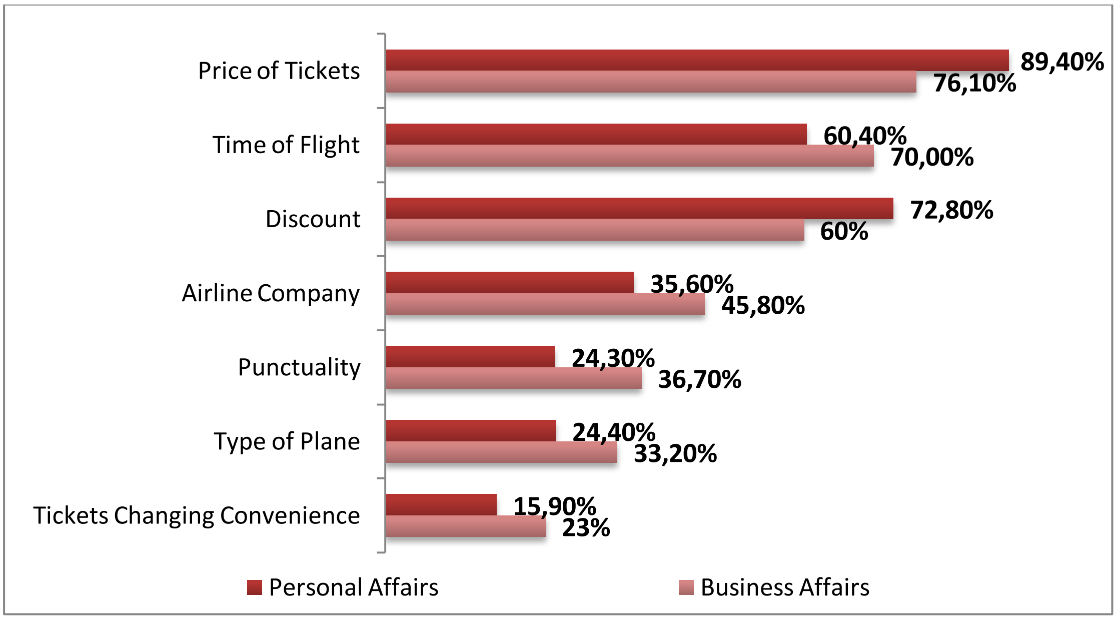

Figure 33 Ranking Factors of Online Flight Tickets Booking in China[40]

Most of the international flight passenger travel with vocational reason (62%) compare with 29% of the business trip. Within this group, 50% of the passenger goes to Asia, 25% go to Europe and 23% go to America. And 80% of travel route is Point to Point (Single or Double ways) and 20% composes from the multiplied destination, which means more than 3 itineraries. The problem incurs during the booking process are the following:

1. Can not check Multiplied destination: 38%, since some passengers will travel the multiplied destination, he or she can not book the ticket directly on line, this will bring the inconvenience for them.

2. Less choice of Airlines: 28%, since some limitation factors that requires the passengers to have more choices, but under the current condition, most of the Chinese players have the very limited choices for the customer.

3. No destination from abroad to abroad booking: 38%

4.4 Hotel booking behaviour

Most of the tourists (64.6%) with 33,8% for Economical Hotel and 30,8% for 2 Star and 3 Stars, prefer low cost hotels in China. This kind of behaviour has stimulated the rising of economical chain hotel. And since they try to cut the cost, which use online official websites

[40] Iuser Tracker, Iresearch, based on survey from sample size of 200,000 Internet Users.

to do the direct sales. This policy will be harmful for the OTA players as the tourist booked from the OTA before will switch to the economical hotel official website.

The hotel cost of OTA business trip users are dispersed, but on total, the average costs on hotels are higher than personal trips. Since the business travelers focus on the convenience of trip rather than the price, so they pay less attention to the travel cost. Of all the online travel bookers in 2010, most of the hotel costs below €73 per night, in which €12 - €30 consists the highest, 52.3%. For business travels, the costs are mainly between €30- €48 with a percentage of 32.6%.[41]

4.5 Package tour booking behavior

The research done by Huanqiu Travel shows that half of the outbound tourists can accept the cost of outbound tourism under €2500 including transportation, accommodation and catering. This is one of the critical criterions for the OTA players when they are designing the itinerary. Certainly, there is the high level of tourist who would like to pay more, but that market is really limited with 5.2%. The players who specialize in this market will have to design the high value-added in order to compensate the limited amount of the tourists.

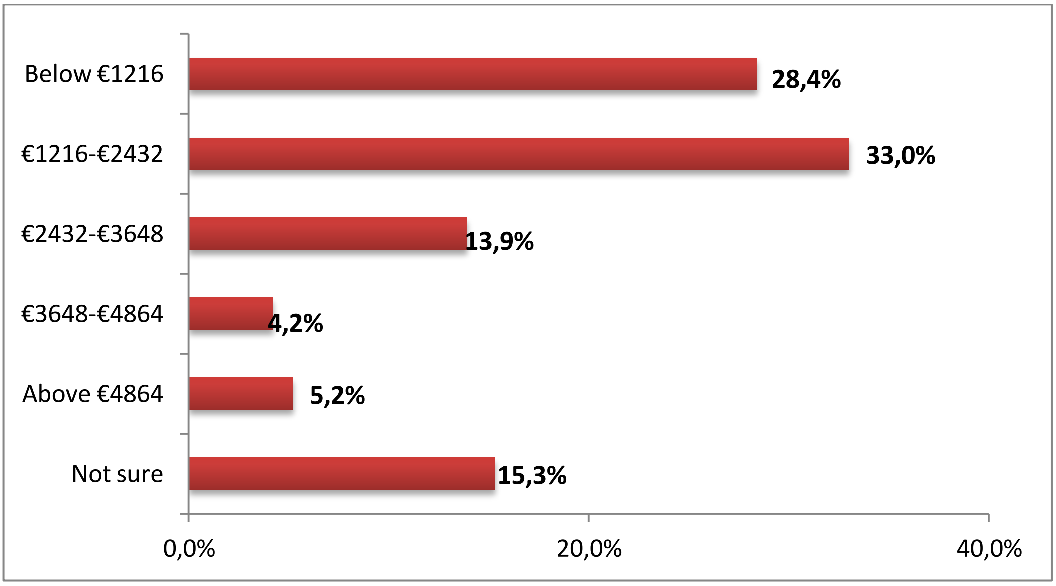

Figure 34 2012 Outbound Tourism Budget Research[42]

[41] Industry data from Iresearch
[42] Huanqiu Travel, Sample size =1039

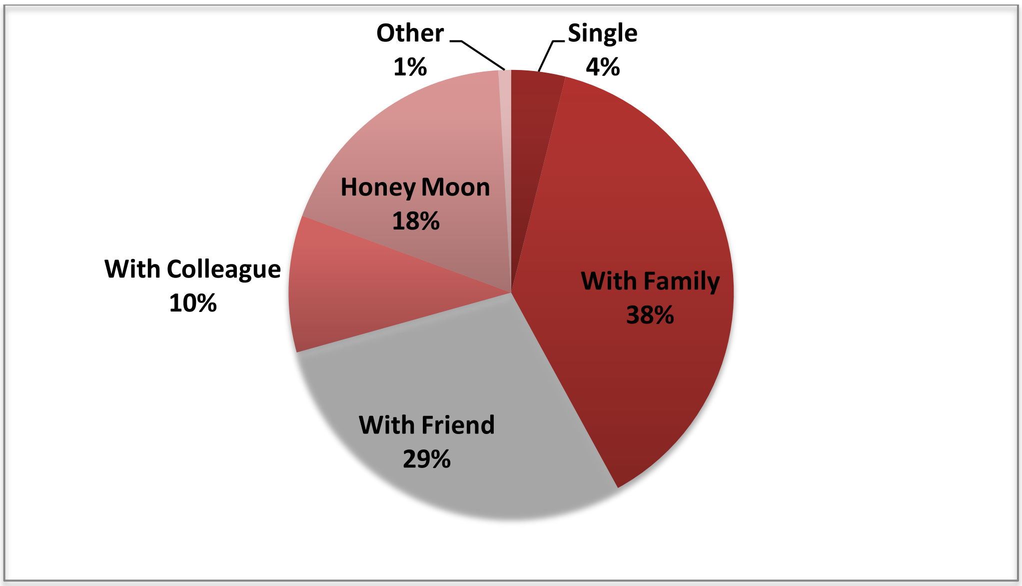

Figure 35 Reason of Cruise Travel in China[43]

The most interviewees are willing to have the cruise tourism with family 38% and with friend 29%, followed by honey moon 18%. The three main themes have composed the cruise tourism market. When the OTA player designs the cruise tourism product, some tactics like some promotional package such as 'parents plus children', 'group discount for friends' will be popular among these groups of people. In terms of the price level, most people would like to spend €360- €715 with 44% and 23% of the tourist would like to spend €715- €1192. This price range will make it clear on the positioning of cruise tourism product. The long distance cruise tourism line will exceed the acceptable price by the tourists and the market size is limited.

4.6 Online booking method preference behavior

In 2011, undoubtedly, 91% of tourist booking the tourism products on their computers and 58% of people are by telephone. This special coexist of booking behavior in China make it indispensable for the OTA player to have the call center, even though it will increase a lot for the operating cost, to serve this fairly great amount of tourists by telephone, and that is why some telecommunication company has the business service for the tourism product booking. 42% of Travelers chose to reserve travel products through smart phone client. It is easy to connect to mobile internet anywhere anytime. Travelers can connect to the mobile website of travel service providers in order to search for travel information, complete payment, while client terminal can send related information such as result of reservation, delay of airlines to travelers. This preference on the other hand, provides the opportunity for the OTA player to

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[43] Jia Yaqi, Marketing strategy research of Outbound Cruise Tourism in China, Sample Size=288

develop some mobile Apps including the service or searching information, booking and payment in order to attract this 42% of users.

4.7 Online booking user payment behaviour

The payment mode preference is different from European citizen and Chinese citizen.. Although the limitation of the sample size, based on the questionnaire collected by questionnaire online, most people prefer to pay on the bank with the password, since more than 80% of the interviewees will not forget the password. In Europe, especially in UK, there is as high as 90% of tourists choosing to pay by Credit Card when they book the tourism product online.

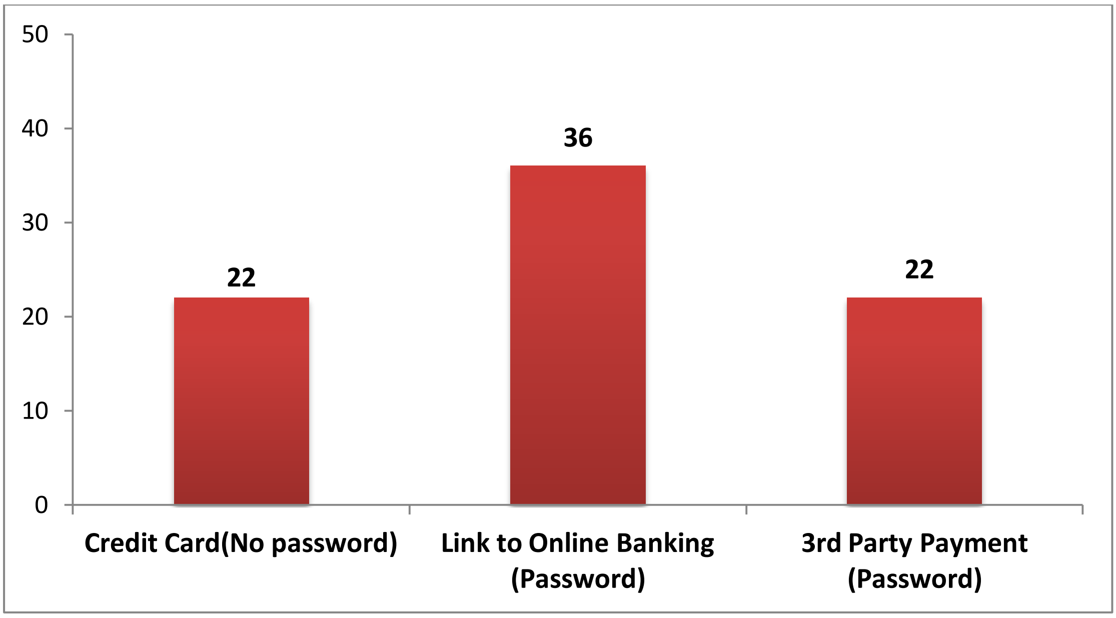

Figure 36 Chinese Citizens Preferential Payment Mode for Online Flight Tickets Booking[44]

Additionally, Chinese citizens have the patience to try more times at least 60% for twice or three times more, after the first failure of payment. This indicator is strongly relating to the rate of giving up payment during the payment process. Since most of the OTA players are afraid of the trade -off between the payment security and the success rate of payment. This behavior of the Chinese tourist can encourage the OTA players to user the more complicated payment technology like 3DS, since it will not reduce the willingness of the tourist to try more times.

[44] Online questionnaire sample size=80

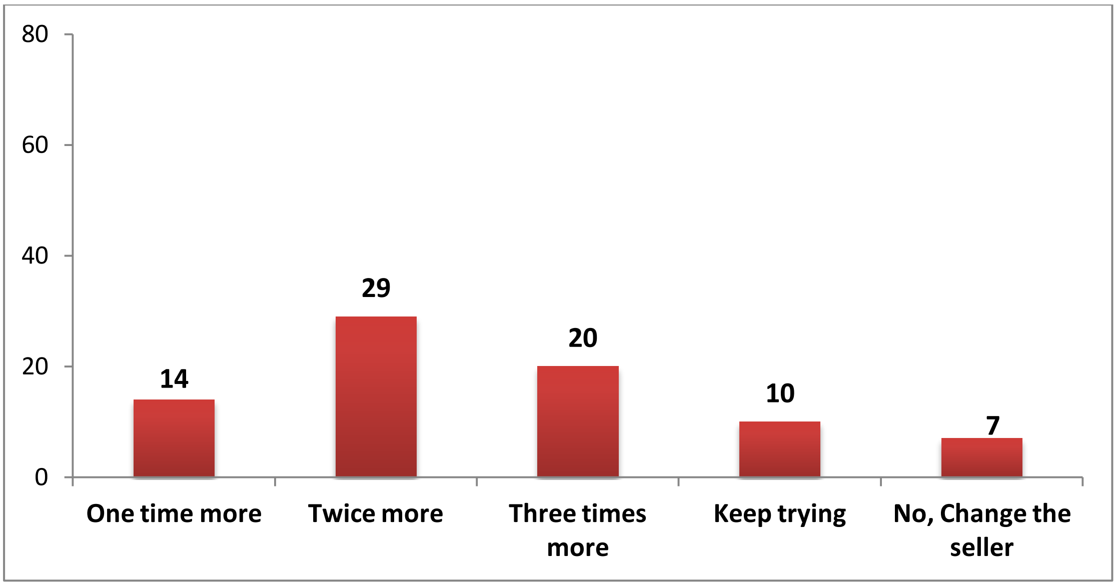

Figure 37 Chinese Citizens Willingness to Try after 1st Failure of Payment[45]

5 Business area attractiveness of OTA

In order to analyze the competition of OTA market in China, it is necessary to analyze the OTA players themselves and the intensity of other all relating players, such as suppliers, new entrants, substitute and customers. It is convenient and efficient to use Michael Porter's Five Forces Analysis.

[45] Online questionnaire sample size=80

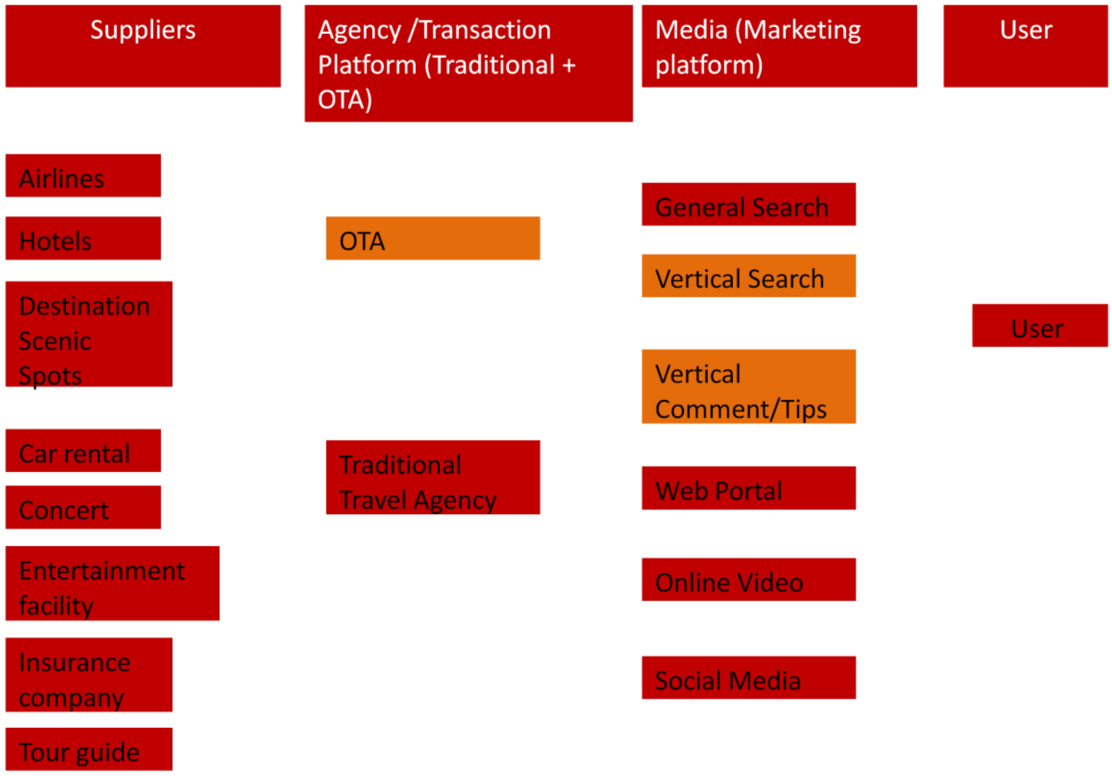

Figure 38 Different Players Related to OTA Business Area[46]

5.1 Michael Porter's Five Forces analysis

5.1.1 Intensity of Internal Rivalry: Moderate High

The OTA market in China composes by thousands of OTA current players; the main competition in this market is the Economy of Scale and differentiated tourism products. The larger scale of OTA will win the percentage of commission rate, which is the main profit origin of the OTA. The featured and innovative OTA focus on value added tourism products to earn the extra profit compared with the traditional OTA. And of course, the small and not featured OTA players will be wiped out from this market.

5.1.1.1 Main Market Players introduction

5.1.1.1.1 Ctrip (Large scale and company image)

The largest OTA player, Ctrip, was found in 1999, headquarter in Shanghai. It has 50 millions of registered members and 32,000 hotel supplier members. In 2010, the profit of Ctrip is €372 million with 2 millions monthly sell of flight tickets and 2 million monthly sell of hotel room/ nights. The scale and company image as abovementioned that is the trustfulness of the customer on the website information has threatened the other OTA players.

[46] Iresearch

Business Model:

1. Increase the number of registered customers

Mainly Ctrip has the membership card registered activities in the airport to guide the passenger to register for Ctrip. Ctrip occupies large number of registered members, on the other hand, closely connect with thousands of Hotel and all the Airlines, all the customers and suppliers are dependent on the distribution channel, standardize service and the company image. Ctrip does it as 'Distributor', ask for the further discount to the Hotel and Airlines on the base of the registered customer number and earn the commission.

2. Combination of online and off line booking method

Ctrip has the Call Center and Online service for the Client to have the booking service. In general situation in China, the customer does as the following steps: Internet Enquiry---- Telephone Booking—- Pay to Hotel---- Commission Settlement (some time more than 20%). The off line call centre has increased the percentage of success and the satisfaction by the customer, but meanwhile, this kind of large scale Call Centre has brought Ctrip with high acquisition cost of the customers.

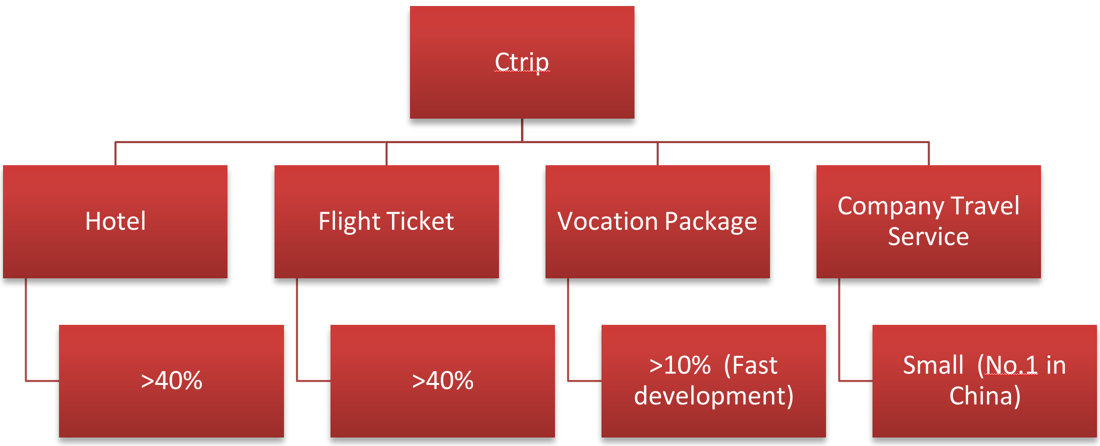

Figure 39 Revenue Structure of Ctrip

3. Vertical integration strategy

Ctrip tries to merge the Off-line Travel Agency, using the capital and resources from online business unit to build a combination of "Distribution channel + Product". And at the same time, it becomes the shareholder of upstream suppliers of hotels like Hotel Homeinns, Htinns,

4. Keep in the frontier of the market.

Ctrip tries to win the advantage in package tour products and international flight tickets which has the most potentiality now in the market. In Mar 2012, Ctrip opens another platform for

International flight tickets booking with real time search of 10,000 routes more for maximum 6 routes booking. And it keeps pace in the new trend; develops Travel SNS (Lvping) and mobile Apps.

5.1.1.1.2 Elong (Partnership with Expedia and QQ)

The second largest OTA player, Elong was found in 1999 in Beijing. It focuses on the traditional tourism products of hotels and flight tickets. The monthly selling of flight tickets is 180,000. The most advantageous of Elong is that it has the partnership with Expedia, one of the most popular worldwide OTA players. Because of this, Elong has the connection with 150,000 hotels in the world, within this number, there 130,000 international hotels by Expedia, this brings great opportunity for them to have the international hotel booking in Chinese market. Besides this, in 2011 Tencent QQ the largest IM player in China becomes the shareholder of Elong, it is highly probable that it will guide its 0.674 billion user to Elong products. This poses great threat in terms of potential or reachable customers for the other OTA players.

5.1.1.1.3 Mango City (Great offline resource and backpackers)

Mango City was found in 2006 in Shenzhen, Guangdong province. Mango City is slightly different from the OTA players, since it bases on the CTS, the largest traditional travel agency group in China and takes the advantage of off-line travel agency resource, develop some comprehensive products. Mango City has the focus on the vacant 'Backpackers' market in China, carried out Qmango online service for 'Backpackers' in 2010. The strong offline self own resource gains a lot of advantage when compete with the pure OTA players when relates to the complex tourism product design area.

5.1.1.1.4 17U (One-stop tourist experience)

17U was found in 2004 in Suzhou, Jiangsu Province. In latest first quarter of 2012, it ranks in the top 3 OTA player. 17U is the first one in the Tourism B2B market for transaction, communication, information platform. In 2007, it began changing to B2C Market with the one-stop site strategy including the Performance Tickets, Hotel, Travel Agency, Car Rental, and Flight Tickets. The tourists can do the shopping relating to all tourism products in one web site. This strategy equipped with the great convenience has guaranteed the faster development among the competitors.

5.1.1.1.5 Tuniu (Travel Itinerary Product and Package)

Tuniu was found in 2006 in Nanjing. It has 500,000 registered users in 2010 with €48 million of revenue. The characteristic of Tuniu is that it solely focuses on travel itinerary product and package tour but not on flight ticket and hotel booking. It cooperates with Off-line travel agencies, collect and centralize all travel itineraries, be the 'Supermarket' for the travel itinerary and it wins in the competition because it makes all the information clearly, including itinerary, scenic spots, time, standard level for accommodation and catering, fees, insurance. This is the subversion of the traditional web site and agency.

5.1.1.1.6 Lvmama (Scenic spot)

Lvmama was found in 2007 in Shanghai. It is the new and innovative OTA player that it has no flight tickets booking but focus on the special travel itinerary design and featured hotels booking, selling of tickets of scenic spots and scenic spot marketing with member of 3000 scenic spots.

5.1.1.1.7 Yiqifei (International flight tickets)

Yiqifei was found in 2003 in Guangzhou, Guangdong Province. Yiqifei is one of the largest distributors of IATA in China, which mainly focus on issuing the international flight tickets. Its specialization is reflected in the real time search result with vast route choices that the other OTA players do not have. In 2011, it has the revenue of €121.6 million. This large amount shows the market opportunity in this specific business area.

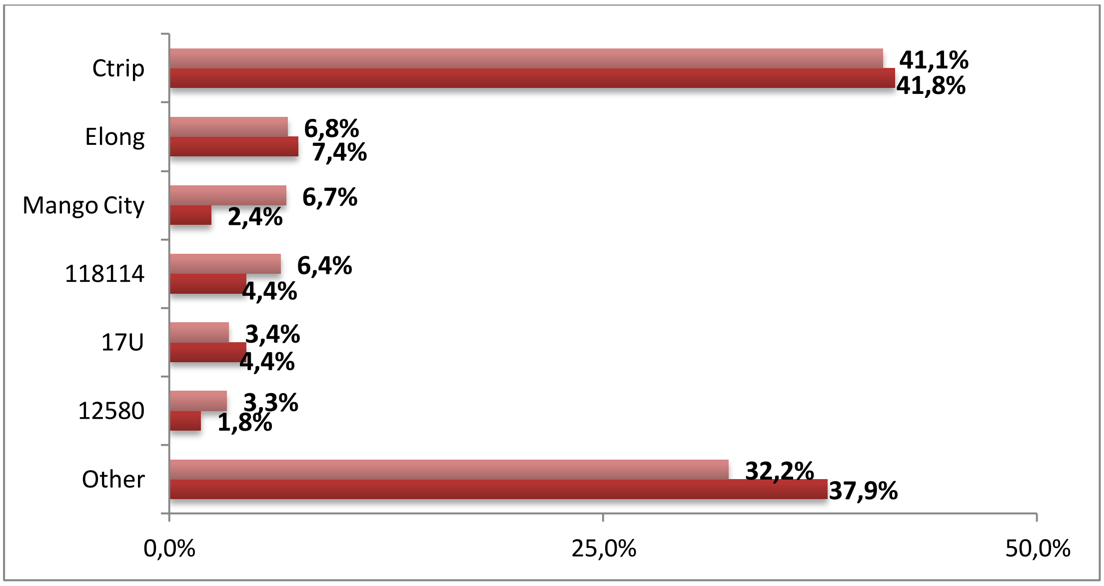

Figure 40 2011 and 2012 1st Quarter Market (Revenue) Share of OTA Players in China[47]

The market (revenue) refers to the sum of commission from the suppliers. Considering the current situation that some part of the booking was done by the telephone, they have included the players such as 118114, 12580 this kind of telecom service. Ctrip keeps in the first position with quite stable number, but Mango City, 118114, 12580 has shown the large decrease, in this cruel market competition condition, these companies if cannot carry out the new tourism products and remain on the traditional service will die out from the competition.

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[47] Iresearch, base on company financial report

The increase of 'Other' group has shown this reason, those small but innovative OTA have developed a lot with flexible strategy and attractive products.

In summary, intensity of internal rivalry is high, since:

5.1.1.2 Concentration and Balance: High Threat

A lot of players like Ctrip and Elong, have large scale with the support from the other industries, such as Internet giant, capital investment company, they can be more easily to reach the Economy of scale, since this, they can have the more voice in the fighting for the commission from the suppliers. And at the same time, the small entrepreneurial OTA Company with innovative business model or tourism products such as Lvmama, Tuniu is appearing. This will further lower the level of concentration and balance, on the contrary, increase the level of competition.

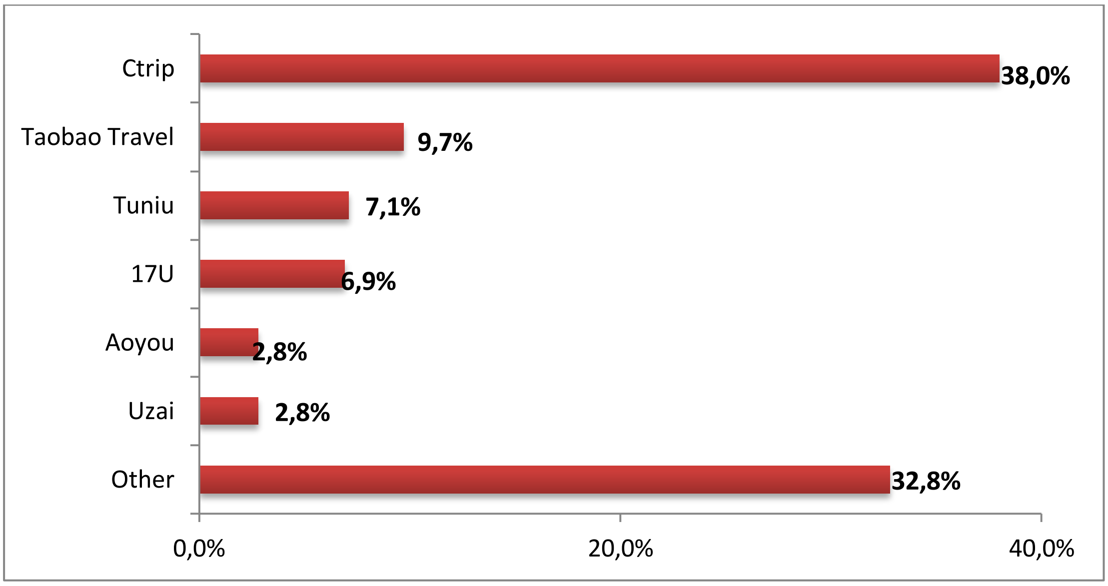

Figure 412012 1st Quarter Market Share of Vacantion Package of Online Tourism Players in China[48]

In the vacation package business area, except for Ctrip, the other traditional OTA players have been replaced by the small ones, and even though Ctrip has difficult time to keep its market not to be nibbled by the others.

5.1.1.3 Diversity of competitors: Medium Threat

The internal comprehensive incumbents have diversified the products, enlarging their coverage from personal tourism to enterprise tourism, from the traditional tourism products booking to innovative tourism products booking. This is the catalyst for the competition. But since there is only Yiqifei, which has mainly focused on the same service of the international

[48] Iresearch, base on company financial report

tickets and outbound tourism products, this will reduce the competition for Bravofly at the very beginning.

The other small but featured OTA have filled up the vacant business area in the new market. They specialize in the specific business area. Even though they have small turnover and revenue, they still survive and grow fast in this market.

5.1.1.4 Industry growth: Low Threat

With more and more tourists get used to booking online, the OTA market is experiencing the growth, especially considering the business area of package tour and international flights tickets, the former one is still in the initial development with great potentiality, this situation will provide the opportunity to the small OTA players; the latter one has fewer participants in this area and the increasing number of outbound tourists. Thus, compared with the other areas, these two areas could be great potentiality and the breakthrough for Bravofly.

5.1.2 Intensity of Suppliers: Medium Threat

5.1.2.1 Flight tickets suppliers: High Threat

5.1.2.1.1 Domestic air routes: High Threat

5.1.2.1.1.1 Substitution distribution channel of suppliers: High Threat

Almost all the airlines has explore the direct online sales in order to lower the cost, approximately 1%, or explore the other distribution channel like in the B2C platform, since investing the resource no matter capital or technological into the exploration of new distribution channel has no problem. The Commission of domestic airlines in the Chinese domestic route for the agency is about 2% to 3%, especially in some popular depart cities such as Beijing and Shanghai, the airlines will continuously decrease the commission. Additionally, the airlines have even gradually cancelled the bonus for the extra sale of OTA. This seriously attacks the revenue of OTA in terms of commission. In another word, it has increased the bargaining power of suppliers.

5.1.2.1.1.2 Absence of differentiated input information (GDS): High Threat

Since the domestic GDS is monopolized by the governmental enterprise Travelsky, all the OTA players can only purchase the price and the other flight information of the domestic flights from them. Travelsky helps the Airlines to gain the bargaining power on the OTA players.

5.1.2.1.1.3 Higher level of supplier's concentration: High Threat

Most of the airlines in China are governmental airlines with limited numbers; this means that they can be more concentrated and advantageous over the OTA players, since the support from the government.

5.1.2.1.2 International air routes: Medium Threat

5.1.2.1.2.1 Lower level of supplier's concentration:

In the international flight tickets area, there are international airlines operating in the same area or continent, the OTA players and Bravofly can choose what to sell on its web site based on the commission rate of the airline company. They do not need to depend on the limited number of suppliers as the domestic airlines market does.

5.1.2.1.2.2 Substitution of differentiated in input information (GDS):

Even though Air France and KLM carry out the No Commission Policy in China, Lufthansa lower the commission in China to 1%. And the Air China and China Southern Airline keeps 3% of commission compared with the original 9%. They also explore the market of direct selling. All these policies and actions of the important players will have the negative effect on the revenue of OTA. However, compared with domestic air routes, the international GDS is not monopolized by one company; the complexity of the routes combination, the calculation of fees and taxation handicap the opaqueness of the price. Thus, it weakens the bargaining power of the suppliers and remains the opportunity of the specialized OTA players like Bravofly.

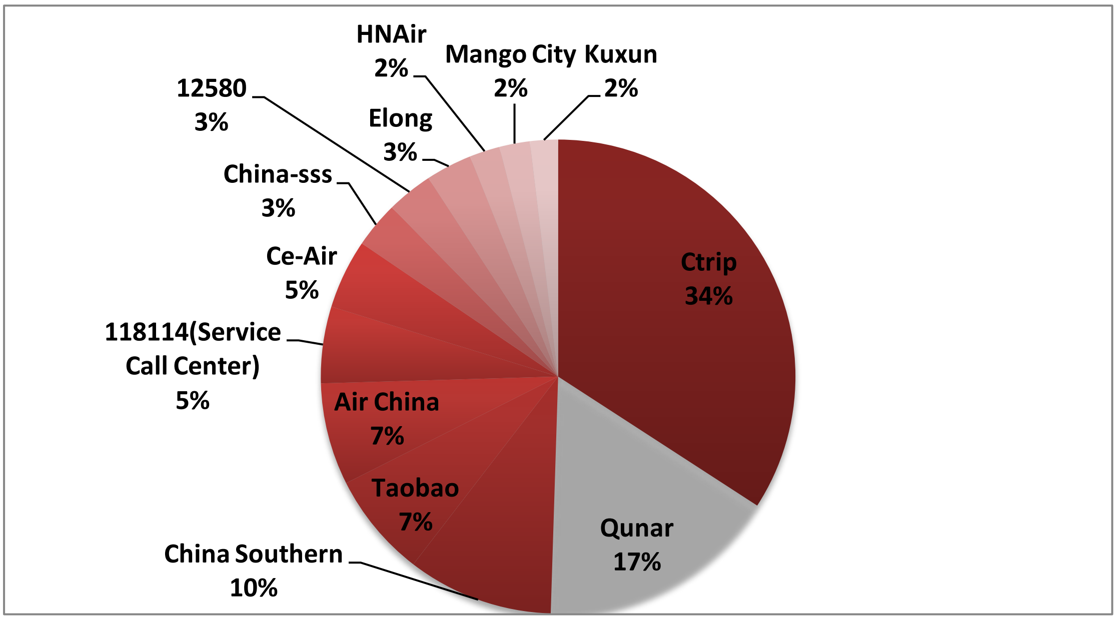

Figure 42 Market Share of Airline Tickets Booking Channel in 2011[49]

In flight tickets booking area, the market is dispersing. The airlines such as China Southern Airline, Air China, China SSS (Spring) Airline and China Eastern Airline have the considerable amount of market share, squeezing the market of OTA. Ctrip has only occupies 34% of the market and the other OTA players are far less than this. The substitution of OTA like vertical search engine has another great percentage in this market; it will be analyzed in the following part.

5.1.2.2 Hotel suppliers: Weak Threat

5.1.2.2.1 Limited of substitution channel: Weak Threat

Compared with the airline suppliers, most of the hotels are small scale, except the international or the economic chain hotels like the following data, 7 Days Inn is one of the

[49] Iuser Tracker, Iresearch, based on survey from sample size of 200,000 Internet Users

largest economical chain hotels in China, since the tourists in China prefer this kind relative cheap hotel. In order to cut the cost, in general, this kind of hotel adopts the policy to do the direct selling. 32.35 million Tourists booked directly from 7 Days Inn have told that this kind of hotel has posed some threat to the operation of OTA.

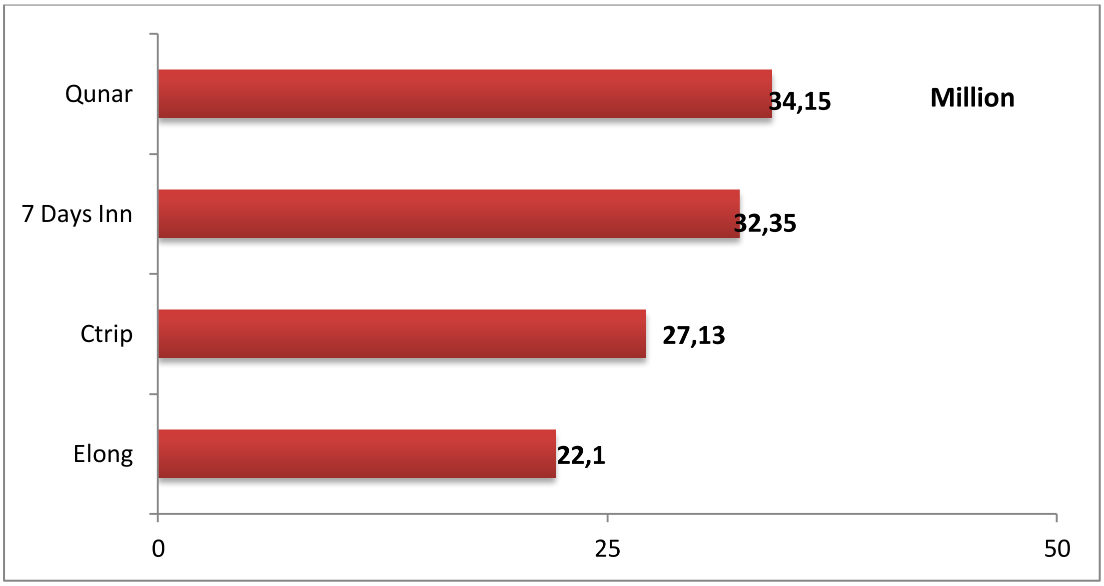

Figure 43 2011 Jan to Oct Coverage Number of Hotel Service by Online Tourism in China[50]

But except this kind of chain hotel, most of other hotels are small and without the resource to manage its own distribution channel, they cannot invest by themselves in the direct selling, which means that, to larger extent, they need to depend on the OTA or the other channels for the distribution activity. Thus, the bargaining power of hotel suppliers is medium or even weak.

5.1.2.2.2 Low suppliers concentration: Weak Threat

There are 15000 Star hotels registered plus 5900 economical hotels in the Chinese market, this great amount of suppliers distract the concentration of the suppliers. Thus, the OTA players and Bravofly can gain the bargaining power in terms of this.

5.1.2.3 Package tour suppliers: Weak Threat

The suppliers of package tour to OTA are mainly the off line travel agency. The off line travel agency in China is mostly small scale without their own online distribution channel. When they design and release the product online, the few ways they can do is to reply on the OTA distribution channel. In this case, OTA players have the control on the offline travel agency.

[50] Iuser Tracker, Iresearch, based on survey from sample size of 200,000 Internet Users

5.1.3 Intensity of Substitute: High Threat

In the area of substitution, there are 4 mains kinds: vertical search engine, B2C platform, travel agency and travel social media. Their innovative and differentiated business model has attracted some specific group of people such as people who is price sensitive or get used to shopping online; and brought a lot of trouble and obstacle for the revenue of OTA.

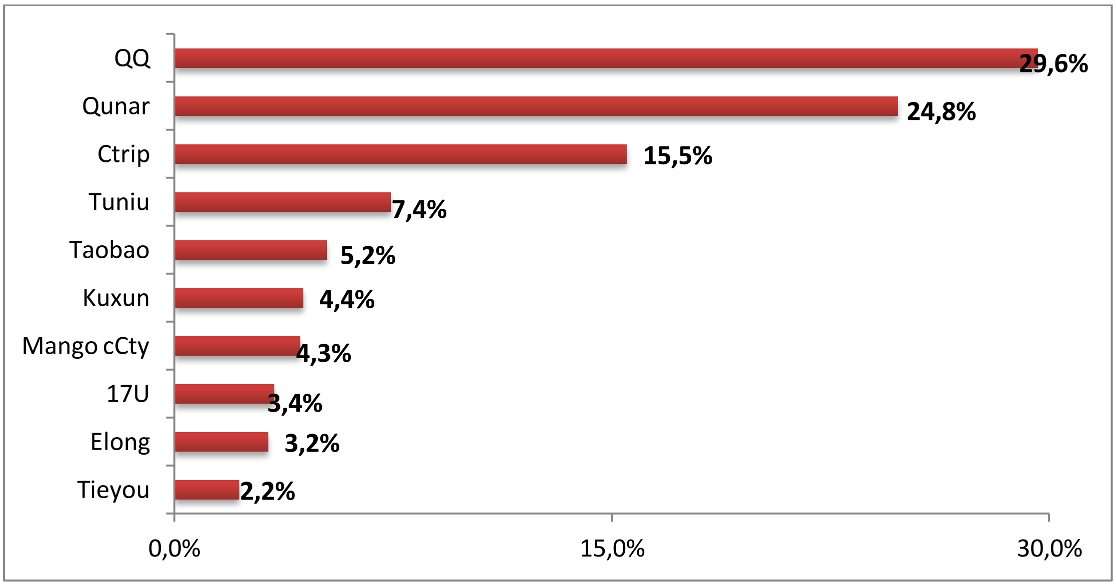

Figure 44 2012 May China Online Tourism Market Share by Total Visits[51]

5.1.3.1 Vertical search engine (Qunar): High Threat

Qunar was found in 2005 in Beijing. It is the largest online travel vertical search web site which has the combination the inquiry and comparison service of flight tickets, hotels, package tour, and visa application. It has 45 million monthly independent users with more than 700 flight and hotel suppliers. Qunar is active in the mobile online tourism market; it has 7 million mobile Apps users, ranking No.1 in China, ranging from searching, ordering to payment. In Jun 2011, Baidu invested €0.24 billion, will have a deep and all-rounded corporation with Baidu, such as searching result, Apps, Map. The profit origin of Qunar comes from the click fees and brand advertisement fees, but also some part of the commission from the sales of tourism product.

In the following figure, the monthly coverage number of flight tickets in 2011 of Qunar kept the leading position, and it is twice as much as that of Ctrip. This phenomenon has shown that the vertical search engine has begun swallowing the market share of OTA.

[51] *Hitwise data*

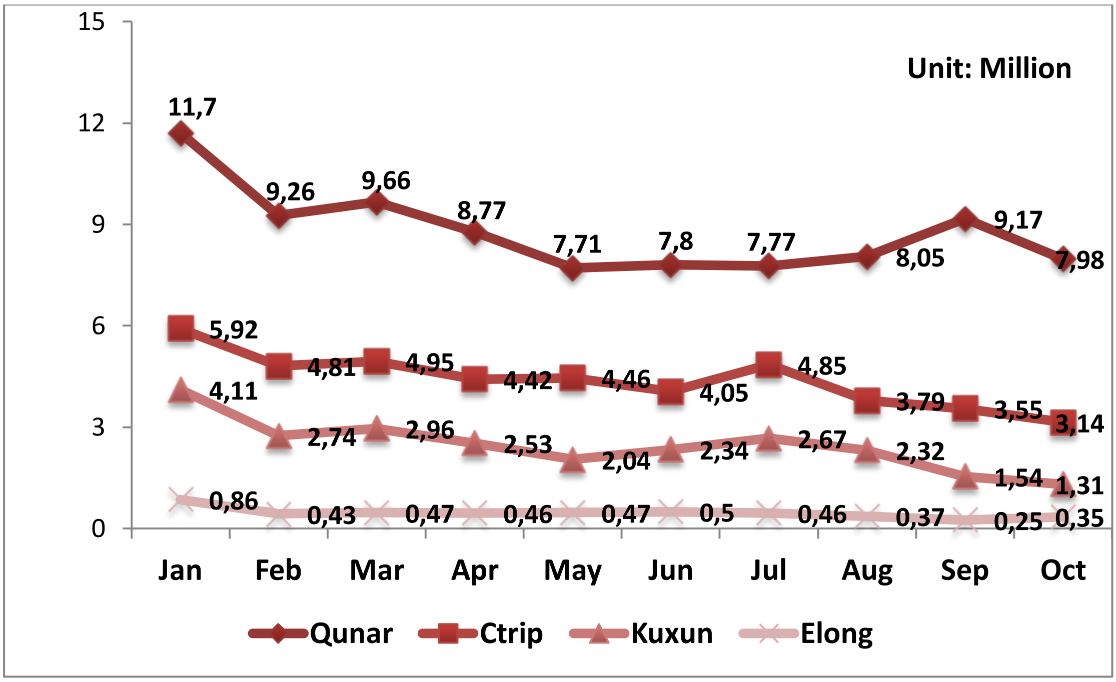

Figure 45 2011 Monthly Coverage of Flight Ticket Service of Online Tourism Website in China[52]

5.1.3.1.1 Relative price performance of substitutes

In general, the price in the vertical search engine will be a little lower than that in the OTA players, since the suppliers can direct sell on the vertical search engine. And the diversity of the potential option will also lower the products; this is more obvious in the international flight ticket sales. With the participants of the vertical search engine, Bravofly can earn the extra profit by the optimization searching technology for the complicated routes, but the vertical search engine breaks this business model.

5.1.3.1.2 Buyer propensity to substitute: High Threat

With the development of the vertical search engine, the traditional OTA users who are price sensitive will swap to Qunar or the other vertical search engines, since they can find more option and do the price comparison.

5.1.3.2 B2C platform (Taobao): Medium Threat

Taobao, B2C2C has the extremely large number of customers (0.2 billion) with high loyalty. It has one part of business area focusing on tourism called ‘Taobao Travel’. Taobao travel has the low entrance for the small business sellers who have few operating cost. Besides, this company uses the 3rd party payment that guarantees the security of the customer. In the recent several years, Taobao travel becomes another type of substitution of OTA in the tourism market. It announces that their total transactions in 2011 exceeded €1.32 billion.

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[52] iUser TSurvey2010, Iresearch, based on survey from sample size of 200,000 Internet Users.

5.1.3.2.1 Relative price performance of substitutes

Since Taobao is the B2C2C platform, it is full by the very small players; they do not have much operating cost as the large player and transfer this cost directly on the customer in order to compensate the shortage of the brand image, customer loyalty, in this sense, the price on the platform is attractive for the online booking users.

5.1.3.2.2 Buyer propensity to substitute: Medium Threat

Because of the great amount of users in this platform, that the other B2C2C business has positive relationship with Taobao travel, it shapes the customer inhabitant (69.6%) to do the shopping in Taobao without the difference of the goods. Also, the number of the small scale seller on one hand that brings the good alternation for the customer no matter for the option or price. This will threaten the customer base of OTA players.

However, unlike the call centre of the OTA, this kind of dispersion on all the C2C platforms brings the difficulty in the surveillance and after-sale service system, which is the worry of most users.

In sum, if Taobao travel and the other B2C2C platforms can improve in this aspect, and then probably, the OTA market gains another strong substitution.

5.1.3.3 Offline Travel Agency: Low Threat

The travel agency can substitute the OTA only when refers to the specific group of tourists who do not get used to book the tourism products. And they are professional in the design of the complex tourism package tour with broad connection. In this case, offline travel agency can occupy some market share of OTA.

5.1.3.3.1 Buyer propensity to substitute: Low Threat

The irreversible market trend will move to online, reducing the off line users. And in general, offline travel agency in China is small and low concentration, 85% of the travel agency is the small enterprise, they do not have too much resource to explore the online market and only based on the traditional business activities with low net profitability. This can not pose threat to OTA players and Bravofly.

Table 6 Current Situation of Offline Travel Agency in China[53]

Year	# of Travel Agency	Revenue (Billion €)	Profit (Billion €)	Profitability	Net Profit (Billion €)	Net Profitability
2006	18475	17.16	1.17	6.80%	0.07	0.41%
2007	19720	19.93	1.30	6.50%	0.131	0.66%
2008	20691	20.21	1.40	6.90%	0.103	0.51%
2009	21649	21.96	1.63	7.40%	0.138	0.64%

5.1.3.4 Tourism Social Network and Innovative Media: Medium Threat

The rise of tourism social network and other innovative media in China has changed the tourism structure in some extent. Some of them has rapid development, Mafengwo creates the tip for traveling and it has been downloaded by 10 million times, 17U has already 10 million registered users. . And the OTA will face another challenge. Based on this situation, some OTA like Ctrip, 17U have accelerated to create its own tourism community for the tourists.

5.1.3.4.1 Buyer propensity to substitute: Medium Threat

Even though the tourists prefer to have a view on this kind of comment website and finally be loyal to it. The upstream suppliers have another distribution channel to demonstrate their products, now the tourism social network and the media simply attract the customer through the sharing of the personal experience and do the comment on the website, such as Lvren and Daodao, compared with the advertisement by the company or like the Professional Recommendation Web Travelzoo, sending the information to the registered users, but not the real booking products, in other words, these kinds of players are still in the initial stage, only with time passing by, more and more tourists will swap for this channel and they gain the customer base number and take advantage this number to open the new products and service for the users.

[53]National Tourism Administration

5.1.4 Intensity of Customer: Medium Threat

5.1.4.1 Switching cost: Medium Threat

5.1.4.1.1 Membership points

The intensity of the customer is mainly relating to the switching cost of the customer. The OTA player adopt the policy of membership, when the tourists switch from one player to another, or from OTA to vertical search engine, the customer will lose the points they have accumulate from one players.

5.1.4.1.2 Time spending

In terms of the time spending, it is reasonable to separate the tourists into two groups, for one, they pay more attention to spend time on searching the tourism products in order to get the cheapest one, another group they pay more attention to the convenience, based on the condition that the price is similar, they will insist on one player; the switching cost of the former group is lower than the latter one.

5.1.4.2 Users information achieved: Moderate High Threat

The more information achieves the more bargaining power they have. In this online tourism market, the users can know the information with only the simple click on the internet; it means that the information is clear for everybody, this increase the difficulty for the business players to win the unbalanced advantage. What the OTA players can do is trying to create new tourism products or service, in order to keep the leading position in terms of information parity.

5.1.4.3 Brand identity: Mediem Threat

In the online tourism business, the users pay great attention for the players' brand, when Bravofly enters to the Chinese market, the users will expected a lower price or an obviously better product to compensate the shortage of Bravofly and the other small OTA players

5.1.5 Intensity of New Entrants: High Threat

5.1.5.1 Willingness of entrance: High Threat

With the increasing popularity of the online tourism, more and more outsiders get ready to enter into this market, such as the Internet giants QQ, B2C platforms Taobao as mentioned before. They may initially be the shareholder of some players like Elong, Qunar, or they add this new business on their business area. These new entrants have the strong financial support, great customer base number, large internet traffic and rich internet operation experience. When they decide to enter into online tourism market, undoubtedly, they are of great menace for the existing players. In the beginning of 2012, the comprehensive E-commerce B2C company 360Buy has declared to enter into online tourism booking business. This company has 250 million registered users to do the shopping on its website with daily page views 50 million times.

5.1.5.2 Proprietary product differences: Medium Threat

Since the outsiders are not originally in the tourism industry, if they just start the business by themselves, there are the disadvantage for them that it is the high possibility that they cannot accurately positioning themselves and create the tourism products or services which are have their own characteristics and differentiated from other players in the market.

6 SWOT Analysis of Bravofly Group

6.1 Strength:

1. Know-how and networking in the European area.

Bravofly group covers several countries which are important and very popular in terms of tourism industry in European area, such as Italy, France, Germany, Spain, UK and Russia. This wide coverage of geography background and connection with the local tourism industry player make it easier for Bravofly to deepen this market and dig out the unique opportunity. This can be converted into the advantage when compared with the Chinese local OTA player. Besides this, the tourism product design idea is fresh and European style compared with the Chinese one.

2. Better search technology (More option)

There are more choices of the continental flight ticket for the customers, compared with Chinese competitors, except for the vertical search engine. In order to make it clearer and direct way of competitiveness in the core business area, international flight tickets, I compared the search result of Bravofly with the main players in China with the same condition, like the same day, the same route.

Flight Route: Beijing to Milan

Flight Time: 1. 1st of May, Single Way

2. 1st of May –1st of June, Double Way

3. 1st of August –1st of September, Double Way

Time of Search: 18th of March, 2012

Table 7 Result of 1st Comparison between Bravofly and Other Players

	1st May Single €	# of Airlines	1st May --1st Jun €	# of Airlines	1st Aug --1st Sep €	# of Airlines
Ctrip	**452.7 (118.6 Tax/7.21 insurance) Qatar Air**	**33**	**646.9 (235.8 Tax/14.4 insurance optional) Qatar Air**	**32**	**915.0 (412.2 Tax/14.4 Insurance optional) Air France**	**26**
Elong	**444.0 (149.5 Tax/6 insurance optional) Aeroflot**	**47**	**360.1(without Tax info/76.4 insurance optional) Swiss Air**	**28**	**733.5 (282.8 Tax /76.4 insurance optional) Cathay Air**	**9**
Yiqifei	**497.8 (198.8 Tax) Aeroflot**	**51**	**614.9 (296.5 Tax) Aeroflot**	**35**	**567.1 (286.3 Tax) LOT Air**	**52**
Go2eu	**455.2 (150.4 Tax) Aeroflot**	**23**	**614.5 (309.7 Tax) Aeroflot**	**60**	**733.9 (269.4 Tax) Cathay Air**	**40**
Kuxun	**441.6(150.3Tax) Aeroflot**	**251**	**602.7 (303.2Tax) Aeroflot**	**77**	**849.4 (461.2Tax) Air France**	**1169**
Qunar	**380.1 (149.5 Tax) Aeroflot**	**720**	**648.9 (305.1 Tax) Aeroflot**	**6424**	**747.5 (305.1 Tax) Aeroflot**	**986**
Bravofly	**464.26(13Tax) Aeroflot**	**220**	**684.71(25Tax) Aeroflot**	**250**	**574.97 (25Tax) LOT Air**	**207**

Flight Route: Beijing to Milan

Flight Time: 1. 1st of May, Single Way

2. 1st of May –1st of June, Double Way

Time of Search: 30th of March, 2012

Table 8 Result of 2nd Comparison between Bravofly and Other Players

	1st May Single €	# of Airlines	1st May --1st Jun €	# of Airlines
Ctrip	**447.9 (117.4 Tax/7.21 insurance) Qatar Air 34h25**	**36**	**786.3 (405.8 Tax/14.4 insurance optional) Air France 17h20**	**34**
Elong	**459.3 (128.4 Tax/6 insurance optional) Qatar Air 16h10**	**42**	**828.1(438.1 Tax info/76.4 insurance optional) Lufthansa 12h15**	**20**
Yiqifei	**520.1 (262.1 Tax) Aeroflot 36h45**	**78**	**723.6 (382.7Tax) Hainan Airlines 13h15**	**51**
Go2eu	**480.7 (129.7 Tax) Qatar Air 34h20**	**39**	**701.7(262.1 Tax) Qatar Air 34h20**	**83**
Bravofly	**472(13Tax) Qatar Air 34h20**	**214**	**697(25Tax) Qatar Air 34h20**	**251**

The 1st checking: 18th of March, 2012

1. Short time frame of Single way, Bravofly has the low competitive advantage compared with the Chinese competitors.
2. Short time frame of Double ways, the price of Bravofly ranks in the last position.
3. Long time frame of Double ways, Bravofly beats the other competitors.

The 2nd checking: 30th of March, 2012

1. Short time frame of Single way, Bravofly almost keeps the same price while the most of competitors increase the price and Brovofly increases the competitiveness.
2. Short time frame of Double ways, the price of Bravofly still ranks in the first position and with great advantages.

Compared with other competitors, Bravofly still has more choices for the users. In general, the Chinese competitors has the lower price when it is earlier than the departure time, and with the time passing by, most of competitors adopt the strategy of increasing the price.

6.2 Weakness:

1. Smaller scale

Compared with other main OTA in China, Bravofly has the smaller scale, this is negative when relates to Economic of Scale in Chinese market in order to lower the cost and get the higher commission.

2. Non-localization

The Chinese market has the complex market situation with some special regulation aiming at restrict the foreign OTA players, and the complicated customer behavior in term of tourism products, booking decision making. Lacking of Chinese employees or experts who know better in the Chinese market will hinder the development. Besides, the GDS Bravofly using now is different from Travelsky what the Chinese companies are using now for the Chinese domestic route, monopolized by the government, resulting to the price higher than the Chinese competitors as much as twice.

The following is the summary from the comparison of search result among Bravofly and the other main players in China.

Flight Route: Beijing to Shanghai 7:10-9:10 China Eastern Airline

Flight Time: 1st of July, Single Way

Time of Search: 25th of June, 2012

Table 9 Comparison of Search Result for Domestic Route

	Bravofly	Ctrip	Elong	Mango City	Qunar
Cheapest Ticket Price	€ 163	€77.7	€77.7	€92.8	€75/€66(Low cost airlines)
Insurance	€11.9(Pre-selected)	€3(Pre selected, but not for English website)	€3(Pre selected)	€3(Pre selected)	€3(Pre selected)
Card charges	4.2€ for Master/Visa,7.2€ American express	No, Only for Foreign Credit Card (3%)	NO	No(Unavailable for Foreign Credit Card)	No(Unavailable for Foreign Credit Card)
Special feature	Charged for 13€ for service		NO		Small OTA is cheaper than the larger ones

3. Second mover disadvantage

Compared with other OTA players in the Chinese market, Bravofly, as the late comer, for the aspects of the customer loyalty, cost of the customer acquisition, brand image and especially the website traffic creation, has the disadvantages. And under the condition of fierce market competition, it is difficult to get back this disadvantage.

6.3 Opportunity:

1. Increasing online tourism market

The online tourism market in China expands greatly as mentioned previous chapters which will provide equally the larger market space for all the OTA players.

2. Diversification of tourism product

The tourism market structure diversifies a lot in the recently such as outbound tourism, cruise tourism and the other theme tourism. Because the more matured the tourists are, the more demanding, customized and abnormal requirement they will ask. In the following years, this trend is irreversible. This kind of diversification make the niche market existed and the small but featured OTA players can survive. If Bravofly can focus on one specific niche market and make it irreplaceable by other OTA player.

6.4 Threat:

1. Increasing competitiveness of upstream suppliers and substitutes

Higher competition from the vertical search engine will increase the initial investment cost of Bravofly as their business model thoroughly overturn that of OTA, especially the larger ones. The vertical search engine reduces a large number of traffic flows, more detailed, the pages viewed of them, which is the foundation for the success of one OTA website. And the direct sale method by the suppliers, especially the airlines has halted the revenue origin of all the OTA players.

2. Relative different business model

Bravofly in Europe is not only based on the commission from the suppliers, but also the fees they charge from the customer such as service fees and card payment fees. But the OTA in China are generally focusing on the suppliers' commission. When Bravofly enter the Chinese, from this point of view, it should pay enough attention to this threat.

3. Strong new entrants from outsiders.

As analyzed before, that in the Chinese online tourism market, some outsiders from other industries like E-commerce and internet are attempting to enter this market. As they are of ample capital and the other resources, as soon as they get inside, the market structure and situation will definitely change. This will give some shock on the existing strategy of Bravofly.

4. Chinese law restriction

Few but some special law and regulations set up by the Chinese government against the foreign travel agency or OTA like the share percentage of foreign part, will, to some extent, play a negative role on tourism product development, company management for Bravofly.

7 Tourists targeting

1. Company white collar employees

Company white collar employees in China mainly refers to the employees who have the relatively higher education background such as Bachelor and higher, ranging from 25 to 40 years old and have the relatively high monthly with € 364 and more. Besides, this group of target is open minded, chases the higher life quality and with the help of higher level foreign language, they have the ability to consume the high level of tourism products like outbound individual package tour. More important, it is estimated that there is about 50 million of white collar employees, providing enough base number and concentrated intensity. Bravofly focusing on this group can have a clear target.

2. University students

In the former figure it shows that there are 13% of online booking users without the income. This group is from university student. In China, there are 29.6 million university students in 2010 with annual growth rate of 1.3%, reaching 50 million in 2020. The university students are gaining the popularity to study and travel abroad. They are young with enough knowledge and want to travel by individual, trying the new things but not the traditional style. And besides this, based on the statistics of UNESCO, there are 440,000 Chinese students who study abroad mostly in American, Europe and Oceania, the number is growing very fast year by year, since they will periodically travel from China and the countries they study; there exist a great demand in the international flight tickets.

In summary, the abovementioned groups are the main target of Bravofly in Chinese market which is suitable for the strategy and advantages of Bravofly. Focusing on these two groups initially in the Chinese market can help Bravofly achieve the success with less resource spent

8 Marketing plan

8.1 Positioning Statement

Bravofly in China will position itself as the expert of international flight tickets selling, especially in the automation ticket issuing for the complicated itinerary and the designer for the individual tourism package in Europe which is different from the existing product range in the Chinese market. It just focuses on this niche market and the profit will principally come from the competitiveness of the value added service but the Economy of scale.

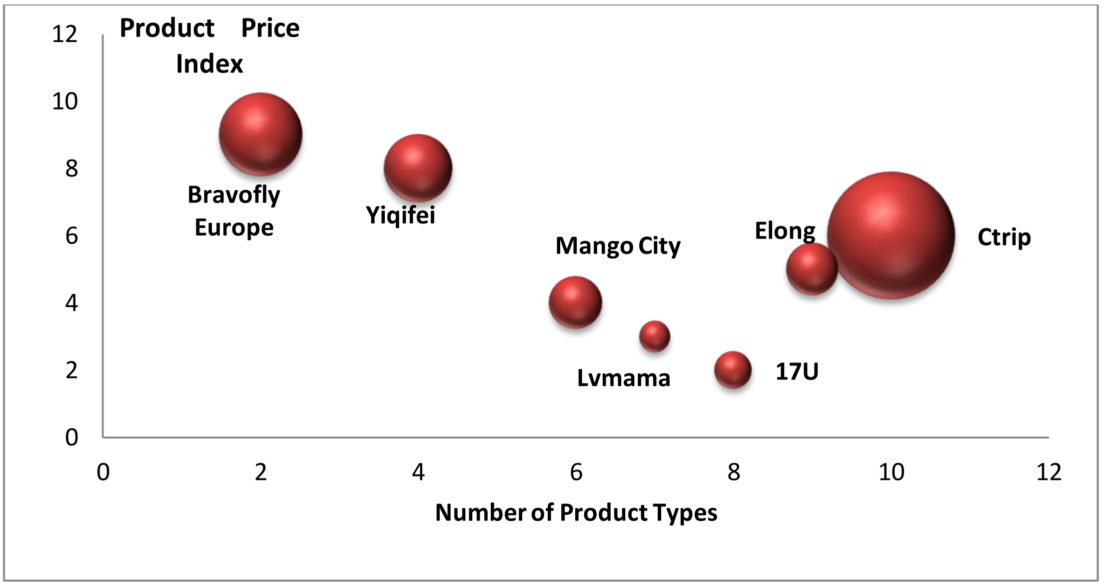

Figure 46 Perceptual Mapping for Bravofly' Positioning

It is clear that positioning in this space, it can exert the advantage of Bravofly maximized and avoid the fierce competition compared to the condense competitors that locate in the bottom right.

8.2 Value Proposition

1. Booking convenience:

Bravofly will provide the online booking service with maximum convenience for the users during the booking process, such as concurrent data, multiple alternations, and simplification of payment steps, especially during the international flight tickets booking, compared with the other OTA players which have some manual steps and imprecision data. The booking convenience is important for the users since they will spend less time in find their favorite products and combination.

2. Tourism product freshness

Compared with the other traditional OTA in China, Bravofly will focus on the niche market and design the some typical package tour for the Chinese tourists in Europe at the first stage like Winery trip and Sanitariums trip based on its own strength and idea. This is what the tourists in China nowadays cannot enjoy from the other players but uniquely from Bravofly OTA.

8.3 Marketing mix

8.3.1 Product and service

8.3.1.1 International flight tickets

1. More multiple choices

The current most problems of international flight ticket booking in China is: 1. Cannot check multiplied destination; 2. Less choice of available airlines; 3. No destination from abroad to abroad booking. The most successful players like Ctrip, Yiqifei in China still do not have this kind of product and service. Ctrip has done the research, uncovering that there is the trend for the tourists, 80% of the tourist to Europe, to book the different routine at the same time. Bravofly has the advantage of providing more alternation of flight tickets to the customers, when enter into Chinese market, Bravofly will keep this advantage, especially in some complicated itinerary, like continental flight tickets; this can increase the attraction by the special tourist. Moreover, Bravofly flight will have the direct and automatic Open itinerary flight tickets booking, which provides great convenience for the tourists as they do not need to manually contact the OTA players again to confirm the itinerary or the price, at the same, shape the customer loyalty to Bravofly.

2. Real time data

In China, the international flight tickets booking service of most OTA players do not provide with the real time data, especially some more complicated. It means that you can search on the web site for the timetable and itinerary, but when you are going to process and pay, the web site will remind you that the information is wrong or unavailable, you need to call for the call center or contact the online service message. This will waste time, but more important, lower the successful conversion rate. Bravofly will provide the real time data with pure automation as it does in Europe. This is competitive compared with other players.

8.3.1.2 Package tour in Europe and peripheral products

Bravofly will be the first OTA players in China who specializes in package tour and peripheral products such as Europe Rail which is the very popular transportation means within Europe, Euro Bus and Car Rental in Europe area. And the package tour with the theme about Winery or Sanitarium package is almost blank in Chinese market. Bravofly design the package tour based on the customized requirement as following:

- Mediterranean island tour in Spain, Italy, France, Greece, Malta
- Ski and Sanitariums in Switzerland

- Winery tour in Portugal, Spain, France, Italy
- Long distance Cruise tour in Mediterranean, North Africa, even though the cruise market, and most of the OTA player in China is only specializing in the short distance cruise tour in Northeast Asia and Southeast Asia, but the long distance cruise tour has expanded quickly from approximately 5000 in 2010 to 10000 in 2011.

8.3.1.3 Payment and after sale service

1. Payment mode

Since the payment mode preference is different from European citizen and Chinese citizen. In Europe, Bravofly adopt the policy of credit card payment without the password and operation on 3rd party website, based on the abovementioned questionnaire collected by online, more Chinese tourists vote for Internet Banking and 3rd Party payment, additionally, Chinese citizens have the patience to try more times at least 60% for twice or three times more, after the first failure of payment. This type of payment behavior has required Bravofly to provide the condition of 3DS payment in China, which links to the bank of the card holder with password, and this will not reduce the rate of successful transaction, but not only Credit Card payment.

2. After sale service

Since some amount of tourists are still used to calling and explaining what they want during the booking process, Bravofly will operate one call centre to serve them. Because of its importance, the employees in the call centre will receive the professional training in order to solve the problem of tourists in the designated time with satisfied feedback. Meanwhile, there is one instant messaging system built on the website with professional tourism consultant to answer and help the tourists during the booking period.

8.3.2 Price

8.3.2.1 International flight ticket

80% of international flight ticket booking is in point to point market (Single or Double ways), considering the market is fierce competition in this business area, Bravofly will keep the same pricing strategy or even lower in order to gain the company popularity.

20% of the left part is for the multiplied destination flight tickets booking. In this part, since it is the strength and the core competitiveness of Bravofly, the pricing strategy of Bravofly is to earn some extra profit in order to compensate the point to point market.

Bravofly will still adopt the same policy of ‘Opaque’ in Chinese market, which means that it will show the lower price in the front page in order to attract the customers, but step by step, it increase the additional fees such as insurance, payment mode.

8.3.2.2 Tourism Package Products

1. Normal tourism package product

During the first stage of Bravofly Group in Chinese market, the pricing strategy of normal tourism package product is attempting to be as low as possible, relying on the resources in Europe. This target is to gain the popularity in the short time.

2. Exclusive tourism package product

In terms of exclusive tourism package product, which designs by the subordinated company of Bravofly Group, and the first time in the market, Bravofly will earn the extra profit from this.

8.3.3 Promotion

8.3.3.1 Search Engine (Search engine optimization SEO)

Search engine is the main entrance of web site traffic flow. 36% of the traffic flow of Qunar, Ctrip, Elong (Top 3 Online Tourism website, Sep 2011) comes from the access by Baidu and Google, and the other travel web site is about 20%-40%.

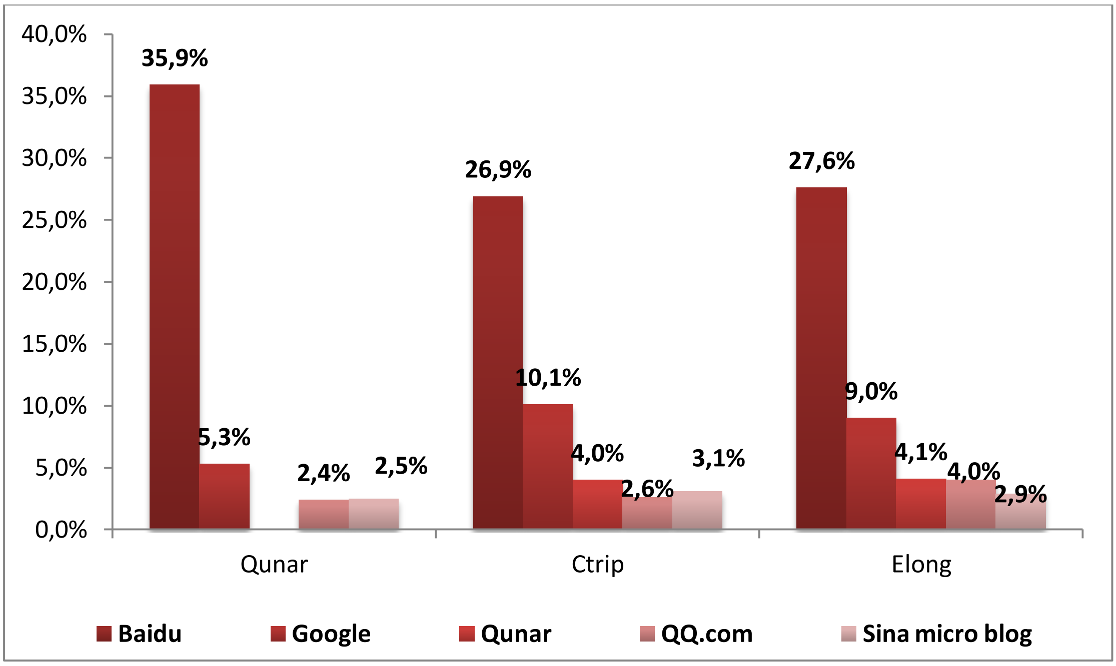

Figure 47 Main Access Source of Online Tourism Website in China[54]

Even though the market share of Baidu is 80.6% and Google is just 14% in China in the year of 2010, Baidu can reach more people in the absolute ways, after considering the characteristics of the users of both search engine, that more users of Google than Baidu and any other search engine in China are concentrated in ranging from 25-35 years old, Bachelor and Master degree and above, monthly income more than €300. This conclusion makes it clear that investment on the advertisement of Google is more efficient and oriented to attract the targeting customers.

If Bravofly uses the SEO technology on Google, bidding the key words, it will be better to rank higher the the websites of Bravofly in China.

8.3.3.2 Micro Blog (Chinese Twitter)

Micro Blog also called Weibo is getting more popular in the marketing tool, 0.2 Billion registered users in Sina Micro Blog, and at Oct 2011, Chinese Micro Blog users reached about 0.3 Billion, from National Tourism Administration, Municipal Tourism Administration to Travel scenic spots, Travel agency, Hotel, Airlines, use the Micro Blog to publish the relative travel information, advertise the company image, do the product service introduction or sales and customer satisfaction surveillance. Jan to Sep 2011, the monthly coverage hours of Micro Blog in China has exceeded the news website at 260 million hours, became the most activated method. And most of the users of Micro Blog in the people under 30 are far higher than the other age group, which is the main target of Bravofly.

[54] Alexa, sorted by Analysys International

What is more, in the method of Micro Blog, the interaction among unfamiliar users is more frequently than the other methods, which is very important to the word of mouth. Based on the feedback of sharing travel experience, Micro Blog has influence on the tourist's decisions. Last but least, the cost of the advertisement in Micro Blog is extremely less than the other ones.

Table 10 Number of Fans from the Main OTA Players[55]

Company	Number of Fans
Elong	1,256,260
17U	828,738
Ctrip	733,906
Lvmama	462,923
Tuniu	146,394
Uzai	84,647
Qunar	402,824

Almost the large OTA players has a large amount of fans in Sina Micro Blog, this will help the website to generate great traffic of it. If Bravofly can successfully interact with the potential customers on the Micro Blog with the professional publish in terms of information relating to products, discount, booking or after sales service, this becomes one of the extremely important promotion channel.

8.3.3.3 Social Network

SNS websites, and specialized travel comments websites are the main ways that travelers share their experience, like in Renren, the largest real name system SNS in China. Users like to share their travel experience on social network websites more.

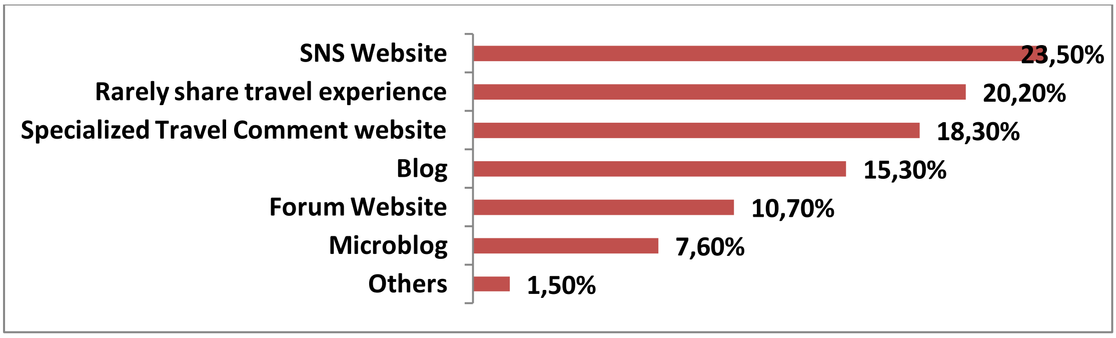

Figure 48 2011 Preference of Travel Experience Share Website in China[56]

Moreover, from 2006 to 2011, the number of monthly coverage of SNS in China has boomed for 8 times, reaching the total monthly coverage of 257.23 Million. This huge base number of

[55] Sorted from Sina micro blog
[56] Iuser survey, Sample size =3101

users plus the characteristics of the users can help Bravofly increase the publicity in the relatively short time. Undoubtedly, this should be another important promotion channel.

Within the Instant Message players, Tencent QQ which is the largest IM in Asia with main users in university student and white collars and has the characteristics of high activation, high adhesive, and Renren which is the Chinese Face Book and main registered user are also similar to QQ, but more concentrated to university students, Tencent QQ has the daily coverage number of 195.7 million and Renren has 6.2 million, are the most attractive players for Bravofly in China. Since the characteristic of the large amount of users are more concentrated for university student and young white collar, this is fit for the positioning of Bravofly in Chinese market and will gain the probability and the effectiveness of advertisement.

8.3.3.4 Better use of public relationship

Qunar has published online to recruit the high salary of 'Hotel Commentator with the free Hotel trial'. In 2010 Mar, OTA Ctrip has published the contract that will repay 3 Times of the money if their domestic hotels booking price is the not best in China. Both activities on one hand, it really intends to guarantee and improve the product quality and at the same, there is the function of free advertisement for company itself. When Bravofly enters China, this kind of public relationship activity is one of the useful ways.

In a nutshell, that Bravofly would be better to have a strategic partnership with 3rd party media or outsider in order to have the reciprocal effect between each other and reduce the friction from the at the beginning.

8.3.3.5 Temporary exhibition room in the international airport

Building up the temporary exhibition room in the international airport, including the booking process, product information introduction, Bravofly can get in touch with the most concentrated group of potential customers and expansion of the company image.

8.3.4 Place

8.3.4.1 Headquarter and Official Web site

Bravofly will set up headquarter and operation center in Guangzhou, the capital city of Guangdong Province. As discussed before, Guangzhou this city has the most tourists in China; it is also one of the largest commercial and international trade cities in China with hundreds of thousand businessmen and foreigners. What is more important, there is no headquarter of those abovementioned large OTA players in Guangzhou, but mainly in Shanghai or Peking. Founding headquarter in Guangzhou will reduce the competition at the initial stage. And service should incline to the east costal part of China and the capital area since in these parts, there are existing the most condense customers group.

The official web site of Bravofly in China will be: www.dafeidi.com. This means the ‘Flight Taxi’ in Chinese. For the new entrants of the OTA, the name of the web site is extremely important, since the easiness for the customers to remember determines the initial traffic.

8.3.4.2 Vertical search engine

The large base number of users tells the truth that cooperating with the vertical search engine in China such as Qunar which is the largest vertical search engine in China and Kuxun will be efficient for the entrance of Bravofly in China. Since, the most important activity for Bravofly at the very beginning in the Chinese market is to increase the company recognition and popularity by the general online tourism users.

8.3.4.3 Mobile Smart phone Apps

Mobil phone Apps can be the new distribution channel for Bravofly. The mobile users will spend 2-3 hours daily on the mobile phone, more than 80% of them will have at least 2 times of travel annually, with the great convenience and operation stability, the tourists are getting used to shopping with the mobile phone. It is expected that in 2012, the growth rate of the mobile users who search travel information will be 51%. And 18% of mobile users will book hotels and airline tickets. Mobile phones have brought an immense imaginational space which transform all the phases of travel planning and travel experience. Until the October 2010, the sum of download times of Qunar mobile phone client is 7 millions, while 6 millions for Ctrip, 5 millions for Elong.

8.3.4.4 Online shop in some B2C2C platform and Group Buy Website

Setting up the page in the B2C2C like Taobao, since this kind of platform has attracted a lot of traffic flow and the base number of tourists; this will also bring more sales opportunities for the OTA. The result from Iresearch Company shows that the people who buy the flight tickets on Taobao mainly, 69.6% is because they use to doing the shopping there on Taobao for the other goods.

Another new E-commerce distribution channel will be group buy website, this is a very effective way for the price sensitive users, this will greatly reduce the price of the hotel, some of them have 30% to 80% discount, since the hotel would like to reduce the empty rate, if Bravofly introduce some special hotels in Europe at the same time, can be an important channel for Bravofly.

The group buying website attracts on an average more 25 million different users per day in China during 2011, some large players such as Juhuasuan and Meituan attract 12 million and 7 million per day. The large number of users plus the willingness and enthusiasm of users to booking the tourism products from the operating result of other online tourism players on it guarantee the effectiveness of this distribution channel, like Elong has a monthly sale of Group buying for 100,000 Room/nights.

9 Revenue estimation of Bravofly in China

In the chapter of Macro demand analysis, it estimates that there are 701742 booking times for the leisure tourism products booking on the OTA in the Europe zone by the Chinese outbound tourists, and the number of booking times by outbound air tickets or hotel is 6309520 times for worldwide and 1190930 times in the Europe zone in 2012, so, the Non-Europe zone which do not overlap with the former group is 6309520 -1190930= 5118590 time, and considering the competitiveness of Bravofly in terms of other competitors in China, and In Italian market, the market share of Bravofly in the OTA market is about 20%[57], it is reasonable to predict two scenarios for the revenue of Bravofly in China.

Scenario 1(Positive)

If Bravofly can keep this positive percentage in the market plus the average unit cost of outbound tour to Europe is €2000, than the average revenue for Bravofly in 2012 will be roughly=701742*20%*€2000=€280,696,000. And the revenue of Non-Europe zone outbound ticket booking will = (6309520 -1190930) * 20%* €500[58]= €511,859,000

€280,696,000+€511,859,000= €792,555,000

Scenario 2 (Normal)

If Bravofly can keep this rational percentage 10% in the market plus the average unit cost of outbound tour to Europe is €2000, than the average revenue for Bravofly in 2012 will be roughly=701742*10%*€2000=€140,348,000. And the revenue of Non-Europe zone outbound ticket booking will = (6309520 -1190930) * 10%* €500[59]= €255,929,500

€140,348,000+€255,929,500=€396,277,500

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[57] Bravofly internal statistics
[58] Roughly average price of international ticket
[59] Roughly average price of international ticket

10 Budget

10.1 Conservative investment

Paid by Click and Transaction Commission

The method of paid by effective clicks and transaction commission by successful dealing can reduce the initial investment and risk for the marketing promotion activities, based on this idea, Bravofly in China can cooperate with Qunar and Renren with this business model.

1. Qunar

Table 11 Qunar Click Payment Rate for the International Flight Tickets

Price Range of Flight Tickets €	0-182.4	182.4-486.5	486.5-851.3	More than 851.3
Cost per Click €	0.3	0.5	0.6	0.8

Table 12 Qunar Commission Rate for Transaction Deal

Calculation method	Number	Product	Note	Standard
Actual transaction amount	1	Scenic spot tickets, Car rental	Scenic spot ticket	6%
			Car rental	8%
	2	Tourism product	Domestic	4%
			International (Hong Kong, Macau, Taiwan)	6%

2. Google Adwords

The price of Google Adwords are proportional to the popularity of the key words, if Bravofly set the search key words like 特价机票 (Discount Flight Tickets), the average daily cost will be €90.16.

Table 13 Summary of Google Adwords Price[60]

Keywords	关键字	Global Monthly Search	Domestic Monthly Search	Estimated Cost Per Click (€)	Ad word Ranking	Daily Clicks	Daily Cost €
Europe Discount Flight Tickets	欧洲特价机票	140	91	0.36	7.71	0.18	0.06
Discount Flight Tickets	特价机票	40,500	40,500	0.33	3.52	276.35	90.16
Cruise	游轮	1,300	880	0.27	1.83	25.51	6.8
Ctrip	携程网	201,000	165,000	0.06	1.02	490.13	30.59
Qunar	去哪儿	450,000	450,000	0.09	1	756.08	70.47
Elong	艺龙网	14,800	14,800	0.03	1.06	62.95	1.85
Europe Hotel	欧洲酒店	1,900	1,000	0.23	4.68	0.74	0.17
Vocation	度假	301,000	135,000	0.26	1.55	4.61	1.21
Vocation in Europe	欧洲度假	390	210	0	0	0	0

10.2 Adventurous Investment

The adventurous investment refers to Bravofly will invest in the advertisement in QQ IM user interface and Renren SNS by the cost of appearance. This great amount of investment will radically increase the risk and the disastrous result when the feedback is negative, but at same time, if the result goes optimistic, the great coverage brings back the large number of potential customers for Bravofly.

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[60] Summary from Google Adwards

1. QQ IM

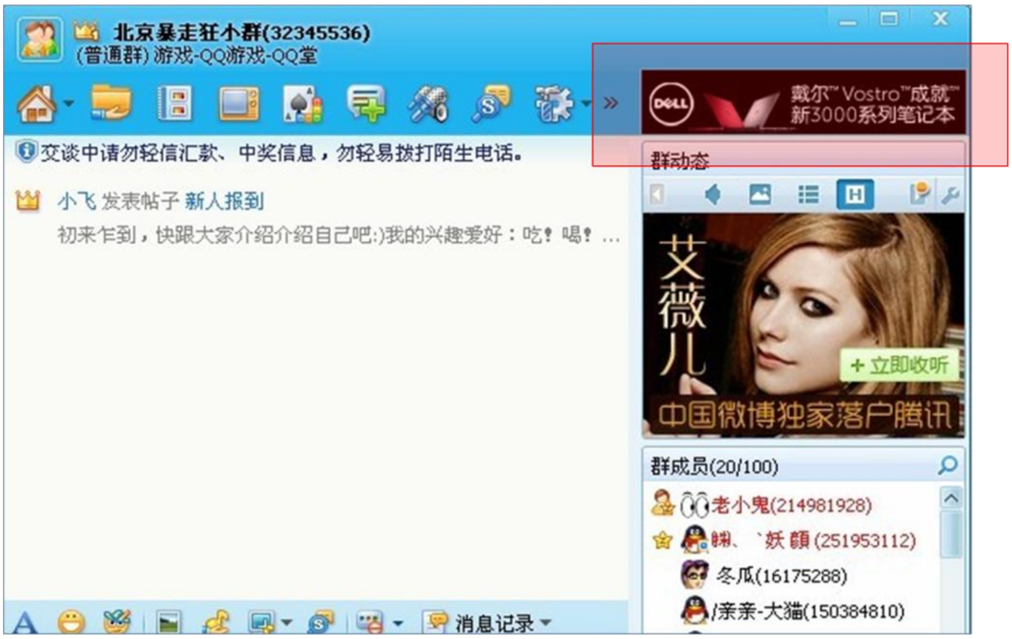

Figure 49 the Layout of QQ IM Adv Banner

The cost of advertisement in the banner of QQ IM user interface, like the above screenshot shows, is € 8513 per day with 15 times of circulation.

2. Renren Interface

Figure 50 the Layout of Renren Users' Interface Adv Banner

The cost of advertisement in the banner of Renren user interface, like the above screenshot shows, is € 6688 per day with 18 times of circulation for the Top Bulletin Board and € 3648 for the Right Bulletin Board. As for the Widget Box, the price is €14593 per day for 15 times of daily circulation.

11 Appendix

Table 14 General Information of the Origin about Foreign Tourists[61]

	Purpose					
	Total	Meetings/ Business	Sightseeing/ Leisure	Worker & Crew	Others	Growth
TOTAL	27110	6330	12220	2690	5760	3.77
ASIA	16650	3560	6840	1860	4290	2.76
AMERICA	3200	710	1780	170	540	6.87
EUROPE	5910	1700	2870	590	740	4.2
U.K.	600	200	270	30	100	3.61
GERMANY	640	270	200	40	120	4.67
FRANCE	490	130	220	30	110	-3.82
ITALY	240	80	100	10	40	2.53
RUSSIA	2540	660	1460	270	150	7
SWITZERLAND	80	30	30	0	10	1.34
SWEDEN	170	40	70	0	50	10.11
NETHERLANDS	200	40	110	20	30	4.44
NORWAY	50	20	20	0	10	-3.87
AUSTRIA	70	30	30	10	10	-0.55
BELGIUM	70	20	40	0	10	-7.67
SPAIN	140	40	80	0	20	1.17

[61] National Tourism Administration of China

PORTUGAL	50	10	30	0	10	-1.35
OTHERS	590	160	210	150	80	3.28
OCEANIA	860	150	520	40	150	8.87
OTHERS	10	0	0	0	0	2.44
AFRICA	490	210	200	40	40	5.44

Table 15 2011 Dec Ranking of Tourism Online Booking Website in China[62]

Dec.2011 Ranking	Name	User Coverage	Growth rate	Pages browse/Daily	Growth Rate	Index of visiting's	Growth Rate
1	www.qunar.com/	2660	49%	5	7%	11177	29%
2	www.kuxun.cn/	1720	30%	1	3%	2327	24%
3	www.ctrip.com/	1400	19%	7		9564	9%
4	www.17u.cn/	605	29%	4	-16%	2755	-5%
5	www.elong.com/	509	16%	5	-3%	2984	1%
6	www.cncn.com/	367	2%	3	-1%	1725	-15%
7	www.tuniu.com/	360	33%	6	-5%	2351	-7%
8	www.17u.com/	334	1%	5	-2%	2313	-11%
9	www.huochepiao.com/	311	131%	3	14%	835	37%
10	www.17u.net/	272	19%	2	2%	692	6%
11	www.lvmama.com/	260	5%	4	-20%	2073	-16%
12	www.huoche.com.cn	238	71%	2	-3%	642	18%
0	www.cnutg.com/	229		15		1849	
14	www.mangocity.com/	218		13	-6%	3156	-4%
15	www.daodao.com/	203	20%	3	-26%	694	-11%
16	www.uzai.com/	203	4%	13	-4%	2504	1%
17	www.springtour.com/	198	20%	8	49%	1680	12%
18	www.lvren.cn/	143	2%	15	-6%	2338	-4%
19	www.aoyou.com/	134	48%	11	29%	955	90%
0	www.998.com/	134		15		1127	
21	www.7daysinn.cn/	130	11%	8	3%	993	6%
22	www.51766.com/	100	5%	3	-7%	435	-10%
23	www.zhuna.cn/	97		6	39%	751	2%
24	www.mipang.com/	90	-5%	9	13%	1093	-9%

[62] Alexa

25	www.etpass.com/	42	-32%	3	-30%	369	-23%
26	www.sunnychina.com/	37	-6%	2	-10%	103	-12%
27	www.yocity.cn/	29		5		175	-6%
28	www.sobnb.com/	25	40%	13	8%	287	5%
29	www.auyou.cn/	13	-10%	1	-10%	27	-25%
30	www.9588.com/	13	30%	3		46	-18%

1. User Coverage= Users who install Alexa visit the web site (1/1000,000)

2.Visits= User Coverage * Average Pages (PV number /IP number)

3.Ranking based on the user coverage

4.Monthly Index of Visit= (Month IWC Historical Data +Curren weekly Data)/(Average number +1)

Table 16 2011 Dec Ranking of Tourism Online Informative Website in China[63]

Dec.2011 Ranking	Name	User Coverage	Growth rate	Pages browse/Daily	Growth Rate	Index of Visits	Growth Rate
1	travel.sohu.com/	374	14%	2		1170	11%
2	www.lotour.com	274	8%	8	-36%	3386	-17%
3	www.8264.com	178	-12%	6	16%	1198	-2%
4	www.yododo.com/	143	-1%	3	-16%	684	-16%
5	www.travelsky.com	130	18%	3	3%	530	-1%
6	travel.sina.com.cn/	94	31%	1		306	42%
7	www.traveldaily.cn/	80	4%	11	-8%	728	2%
8	http://fashion.ifeng.com/travel/	77	-12%	6	-14%	840	-21%
9	travel.china.com/	48	-30%	7	17%	220	-16%
10	www.ethainan.com	44	-23%	7	13%	286	-9%
11	www.lvye.cn/	42	-10%	6	20%	164	38%
12	www.uutuu.com	40	14%	2	2%	158	-19%
13	www.51yala.com	35	-15%	11	160%	351	111%
14	www.hicafe.cn/	34	-2%	4	-6%	178	-6%
15	www.nettvl.com/	30	20%	1	-40%	67	-20%
16	www.youbibi.com/	28	15%	14	60%	286	18%
17	www.tvtour.com.cn/	19	6%	3	-20%	83	-12%
18	www.ly321.com/	18	-23%	3	20%	88	-19%
19	www.haihainan.com/	18	-68%	2	-69%	260	-35%
20	www.3608.com/	17	20%	2	-7%	59	-12%

[63] Alexa

21	www.izy.cn/	17	20%	1	-30%	37	
22	9tour.cn	17		2	60%	63	-6%
23	tttrip.online.sh.cn/	13	-7%	1		36	-5%
24	http://www.cnta.com/	10	-20%	1	-5%	18	-18%
25	www.auyou.com/	8	-6%	2	-40%	18	-28%
26	travel.21cn.com/	8	-11%	1		23	-15%
27	http://www.china-holiday.com/	5	-30%	1	-40%	18	-31%

1. User Coverage= Users who install Alexa visit the web site (1/1000,000)

2.Visits= User Coverage * Average Pages (PV number /IP number)

3.Ranking based on the user coverage

4.Monthly Index of Visit= (Month IWC Historical Data +Current weekly Data)/(Average number +1)

Table 17 Ranking of Website Traffic in China[64]

Ranking	Name	Content
1	Baidu.com	The leading Chinese language search engine.
2	QQ.com	China's largest and most used Internet service portal owned by Tencent
3	Taobao.com	Taobao Marketplace is the leading consumer-to-consumer (C2C)
4	Sina.com.cn	Instant domestic and international comprehensive news, specific news topic and picture storage
5	Google.com.hk	Google official web in China
6	Weibo.com	The most popular micro blog in China
7	163.com	The largest internet community and online portal web site
8	Sohu.com	Portal web site, including resource navigation, internet community, wireless service
9	Google.com	Enables users to search the world's information, including webpages, images, and videos
10	Ifeng.com	The leading new media company providing premium content on an integrated platform across Internet
11	Youku.com	The largest video share web site in China
12	Soso.com	Provide the search service of forum, internet page, pictures, music
13	Tmall.com	The online shopping landmark in China with the most comprehensive brand selection

[64] Alexa Company

14	360buy.com	The largest 3C product purchasing platform in the B2C market of China.
15	Tudou.com	Video web site, recently merged with youku
16	Chinaz.com	Provide the software, and material for programming, web design, web tool download
17	Hao123.com	Portal web site
18	Alipay.com	Alipay is China's leading third-party online payment solution
19	Renren.com	Chinese SNS
20	Douban.com	Community for culture and daily life, including books, films and music
21	Cnzz.com	The largest third party statistics service provider.
22	Tianya.cn	The largest Chinese community forum quotidian life topic
23	Sougo.com	The first search engine reached 10 Billion web page storage
24	Yahoo.com	A major internet portal and service provider offering search results, customizable content