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## Study on business model transformation of tourism enterprises in internet information age

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### ABSTRACT

Internet information technology has given great impetus to the development of the age. With the vicissitude of the time and society, internet has been indispensable information source and important basis for people to explore the boundless universe. Meanwhile, rapid development of information age has had positive impacts on the business model of tourism enterprises, whose business ideas come to be more modern. This can further provide solid ideological basis for the effective transformation of their marketing model. From the perspective of development, information age focuses on information collection and collation to spread information more widely. In this way, the exchange of internet information can give long-term momentum to new ideas in enterprises for scientific development. This paper further discusses about tourism e-commerce system and establishes its model effectively, which connects our research thought more closely and lays solid theoretical foundation for in-depth research in the future.

### KEYWORDS

Tourism enterprises; Business model; Scientific transformation; E-commerce.

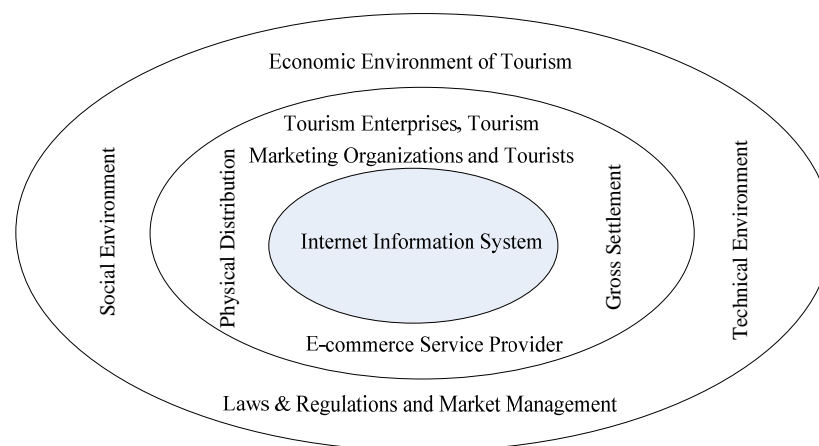


## INTRODUCTION

From the perspective of long-term development, information age is mainly characterized by comprehensive analysis and utilization of information. As for the development of tourism enterprises, they can gain overall and diversified growth in this process. Establishment of e-commerce platform can help effectively collect internet information to some degree, during which effective synthesis and analysis of specific information value get the tourism enterprises to benefit from its information resources. On one hand, it poses huge challenges to traditional business model of tourism enterprises. On the other hand, it provides solid information platform for effective transformation of its business model. This paper mainly studies the following aspects: tourism e-commerce system and its conceptual model, tourism enterprise e-commerce and its application value as well as the necessity for the existence of tourism enterprises. Besides, we fully expound on advantages for the establishment of tourism e-commerce platform.

### Tourism e-commerce system

Tourism e-commerce system is constituted by internet-based tourists, tourism enterprises, service provider of tourism e-commerce, tourism information-based organizations and institutions providing logistics and payment services. The system is characterized by numerous building parties concerned, close connections, lucid cooperation levels, and maintenance of the whole system's operation by involved parties as an organic sector. A standard tourism e-commerce system is shown in Figure 1.



**Figure 1 : Tourism e-commerce system**

In the establishment of tourism e-commerce model, its resource information from various aspects needs to be integrated effectively. In this process, online payment financial institutions play a vital role in the system. As a virtual trading space, its cost-profit ratio in the process can be visibly presented. Then traditional tourism trading tools are gradually marginalized while the returns gained from the system will keep increasing. The wider the scale is, the better results will be achieved, which makes the trading process expand around the world<sup>[1]</sup>.

Before the popularity of internet, tourism e-commerce didn't gain satisfactory development in its functions. The computer reservation system first developed was intended for airlines to deal with flight ticket presale. With the expansion of market demands, the system functions expanded into travel agency. Apart from traditional reservation services, specific services of travel agencies were also gradually absorbed into the system and achieved its further development. With the gradual maturity and efficiency of internet, tourists and tourism enterprises have been accustomed to system-based operation mode. Meanwhile, the huge business opportunities accompanied also receive the enthusiasm and support from tourism enterprises, creating the current multi-win situations. This embodies the exuberant vitality of the system as the industry's development objective.

### Conceptual model of tourism e-commerce system

The conceptual model of tourism e-commerce system means a conceptualized model generated from theoretical abstraction of a common e-commerce system, as shown in Figure 2. In a standard tourism e-commerce system, information flow, cash flow, logistics and tourist flow are all indispensable and interdependent<sup>[2]</sup>. Among them, information flow plays the most important role, guiding the operation of cash flow, logistics and tourist flow in e-commerce activities. Information flow dominates the operation of other modules in the system, as shown in Figure 3. The features of tourism e-commerce decide its low dependence on logistics. The e-ticket which has been widely used and accepted now has further weakened the role of logistics in the system so as to reduce the dependence of tourism e-commerce.

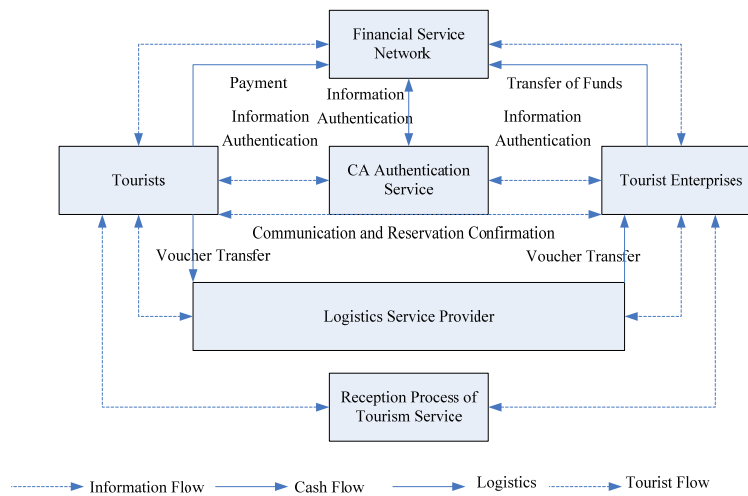


Figure 2 : Conceptual model of tourism e-commerce system

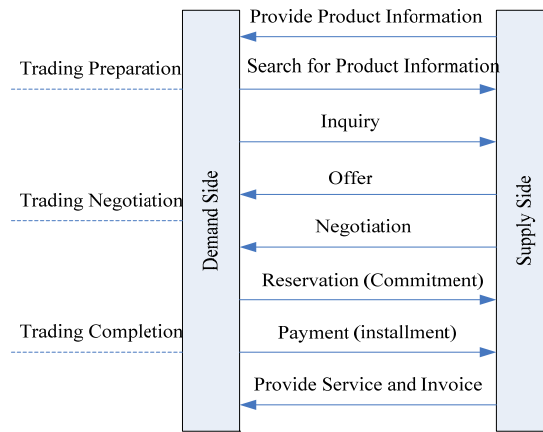


Figure 3 : Trading information flow of tourism e-commerce

**STUDY OF TOURISM ENTERPRISE E-COMMERCE**

**The role of tourism enterprises in tourism industry**

**Tourism enterprises accelerate cash flow in the tourism links**

Tourism enterprises usually purchase enormous amount of certain items, which can be avoided through e-commerce platform. Online payment gradually increases the speed of capital returns so as to act positively on effective cash flow.

**Tourism enterprises are important factors for popularization development of tourism**

With the effective application of e-commerce platform, tourism enterprises have strengthened ties between enterprises and consumers. Their selection of target consumers has also turned to the mass population from original high-end population. The spread of tourism information online can offer effective help to consumers, which also significantly increases the choices of the mass consumers. Therefore, tourism can take giant strides forward.

**Tourism enterprises are the bonds connecting tourism service sectors**

In traditional business model of tourism enterprises, the whole service process is formed through efficient cooperation by different sectors. However, with the advent of information age, these sectors just exist for space significance. In real life, the coordination effects formed between tourism enterprises and tourism service sectors become more and more obvious. Hence, the information service and exchange links between them make it possible for them to achieve coordinated development through an information channel<sup>[3]</sup>.

**Tourism enterprises motivate products of other tourism sectors to be closer to consumer demands**

Currently, tourism market keeps expanding its area towards consumers. Consumers' immediate demands can be oriented through internet information. Through this, tourism enterprises can meet consumers' demands, pursue their development following the general consumption patterns and cooperate with other tourism sectors in full swing so as to keep

production goals of consumer goods highly consistent. This embodies the orientation brought by e-commerce business model of tourism enterprises on economic development of the market.

### The shocks tourism enterprises have suffered and necessity for their existence

In a sense, tourism enterprises mainly offer indirect consumption guidance to consumers with a view to filtering their friendly services to every consumer. In this process, information is the basis of all the work for tourism enterprises. Widespread tourism information introduces consumers to the consumption information so as to spur the healthy development of tourism enterprises. Here, the e-commerce business model of tourism enterprises plays a vital role in providing strong support to the mining process of consumer data.

In another sense, in an era with rapid development of computers and communication technology, internet is expanding its popularity and coverage, strengthening the direct communication links between tourism enterprises and consumers. This gives full play to the importance of e-commerce business model<sup>[4]</sup>. As a result, how to upgrade the core competitiveness of tourism enterprises through e-commerce platform is a perpetual problem for every tourism entrepreneur.

### Agency functions have suffered shocks

Performance of the agency functions for tourism enterprises is an important factor for diversified development of the industry chain. As for the current social development process, the sharing of internet information makes it possible for the formation of chain development mode within different industries. Therefore, tourism activities become more direct, which has posed serious shocks to the agency functions of tourism enterprises.

### Product portfolio functions have suffered shocks

Traditionally, tourism enterprises achieved vigorous development mainly through relevant special offers to conduct effective product portfolio. In this process, the mass consumers gain full understanding of products. However, with the advent of information age, internet information enjoys increasing coverage, intensifying the competition among tourism enterprises as well. Consequently, it becomes the common study object as to how to make products more appealing to consumers. Tourism enterprises mainly enhance its humanistic service, so that consumers can conduct free portfolio of tourism products in the tour based on their own demands. This is without doubt an effective method to attract consumers along with the development approaches of tourism enterprises broadened as well. Therefore, tourism enterprises are supposed to improve their business model with respect to internet information first, giving full play to the advantages of their e-commerce development.

### Advisory functions have suffered shocks

Traditionally, advisory business volume decided the development of tourism enterprises. After strengthening the effective development of their advisory functions, tourism enterprises have their own professional edge directly presented. However, with the rapid development of internet information, consumers come to gain deeper understanding of tourism concept. It's much easier for consumers to be engaged in tourism business till the end of their tour. Meanwhile, the amount of information presented in the process is more than ever before. Therefore, advantages of advisory functions for tourism enterprises are dwindling away. It can be seen from the survey on the traveling style of Americans that nearly 60 million Americans are prone to handle relevant tourism business through internet, quadrupling the number three years ago. It can be also reflected from another data that consumers' recognition of tourism advisory functions has been decreasing<sup>[5]</sup>. According to the data released by U.S. Travel Association in 2001, 70% of internet consumers decreased the use of tourism information across the country, 60% of tourism consumers were declining telephone enquiry while online reservation business volume kept rising. In this way, tourism advisory functions are fading out of public view.

According to the *24th Statistical Report on Internet Development in China*, China ranked 13th in the number of online reservation tourism consumers, as shown in TABLE 1. Hotel reservation for tour is one of the major applications for e-commerce.

TABLE 1 : Contrast of e-commerce trade application users from december 2008 to june 2009

	Utilization Rate by the end of 2008	Netizen Size(10,000)	Utilization Rate by mid-2009	Netizen Size(10,000)	Growth Change in the Half Year	Growth Rate
Online Shopping	24.8%	7,400	26.0%	8,788	1,388	18.8%
Tourism Reservation	5.6%	1,700	4.1%	1,386	-314	-18.5%
Online Payment	17.6%	5,200	22.4%	7,571	2,371	45.6%
Online Stock Trading	11.4%	3,400	10.4%	3,515	115	3.4%

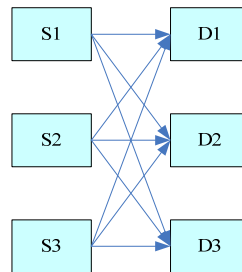
Data source: Internet development information and trends (November 9<sup>th</sup>, 2009 (49))

**NECESSITY FOR EXISTENCE OF TOURISM ENTERPRISES**

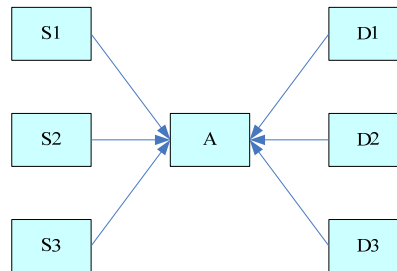
With the rapid development of electronic information technology nowadays, tourism development will be driven to a new height by establishment of e-commerce platform. Internet-based development model can gradually guide the development directions of tourism enterprises with full play to its advantages.

**Tourism enterprises come into being as a result of social division of labor**

From the perspective of economics, tourism products are provided in great quantity to consumers by suppliers. However, consumers have low demands for these products, resulting in oversupply. It is the existence of tourism enterprises that complements the two sides. To the suppliers, low supply costs mean the increase of supply times. The relationship among tourism product suppliers, tourists and tourism enterprises can be explained through the establishment of the two following models. It can be seen from Figure 4 and Figure 5 that they trade with each other for 9 times in the first model and 6 times in the second model. Therefore, it suggests the important role in the development of social economy played by tourism enterprises, whose internet-based development has decisive impacts on social economy.



**Figure 4 : Model 1 (without intermediaries)**



**Figure 5 : Model 2 (with intermediaries)**

It can be seen from the two models that the development prospect of tourism market can give huge impetus to its economic development. It's an effective way to expand domestic demands from the perspective of economics. Tourism information can be presented more directly through effective application of internet information technology. It offers a perfect platform for consumers and suppliers, whose own demands can be met mutually, so as to give great impetus to development of traditional business model for tourism enterprises to information-based model.

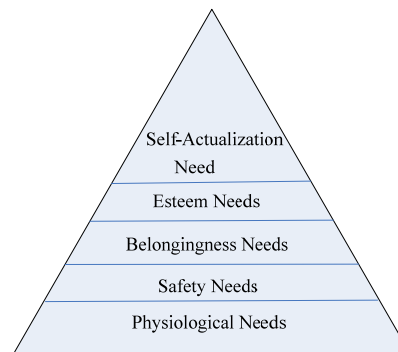
**Humanistic service of tourism enterprises can never be replaced by technologies**

Humanistic Service is the key for industrial distribution and adjustment, which renders humanistic service of tourism enterprises as important means to properly guide consumption. With the acceleration of social development process, people have experienced qualitative changes in their understanding of tourism. More attention has been paid to tourism owing to the application of internet information technology. Under the background, the feature of humanistic service by tourism enterprises is widely spread through information transmission. Therefore, it's possible to handle tourism business conveniently and efficiently and drive other industries relevant to tourism effectively. Maslow proposed the theory of hierarchy of needs reflecting human need levels in the shape of a pyramid, as shown in Figure 6. Humanistic service is the best embodiment of self-actualization need, which is at the top of the pyramid. This can achieve effective solution only by internet information technology, whose value is to be discovered to its fullest.

**Tourism enterprises have more professional edges**

Tourism enterprises have a more sound knowledge of tourism resources and are more likely to research actively into consumer psychology. Therefore, internet information can be applied to tourism enterprises so as to effectively transform their major business model. Tourism enterprise e-commerce is mainly developed in combination with the theme of development of the times. Effective research has also been made on consumer psychology. All these have ensured high feasibility for the establishment of e-commerce business model for tourism enterprises in internet information age. Internet

provides broad development platform for tourism enterprises, which gradually shift their physical marketing model to an invisible one. Tourism enterprises fully transform their e-commerce marketing model based on their professional development advantages to conduct more specific analysis on the data. Consequently, data mining techniques and the spread of internet information can both serve the tourism enterprises for scientific transformation of business model<sup>[6]</sup>.



**Figure 6 : Maslow's hierarchy of needs theory**

### **Limitations in technological development**

Since the 1960s, internet business has witnessed rapid development. Nevertheless, relevant technological areas were not advanced enough under the circumstances then, which failed to play the role of internet business to the fullest. Nowadays, with the rapid social development, application efficiency of internet has been gradually intensified along with the speeding of technological innovation. All these have laid solid internet information basis for the rapid rise and development of tourism enterprises. Certainly, the traditional business model will still exist together with the new one, complementing each other to meet the immediate needs of different consumer groups.

## **APPLICATION VALUE OF TOURISM ENTERPRISE E-COMMERCE**

### **Tourism enterprise e-commerce helps improve management and decision-making level**

Establishment of e-commerce platform for tourism enterprise has positive influence on enterprise work without doubt. It lays solid basis for the improvement of office efficiency and offers great help for effective information mining<sup>[7]</sup>. Through this, the office process becomes easier for tourism enterprises, whose own work can gain positive supplement through effective inspection of their work quality by e-commerce platform. Meanwhile, e-commerce platform is gaining a wider area for information sharing so as to increase cooperation and communication activities among enterprises. This provides powerful support for enterprises to improve their decision-making level.

### **Tourism enterprise e-commerce helps reduce operation costs**

The core for the establishment of tourism enterprise e-commerce platform lies in that all relevant content in business area can be presented with minimized operating costs. Resources can be utilized effectively so as to increase the utilization efficiency. These constitute the specific value of e-commerce business model in tourism enterprise development.

### **Tourism enterprise e-commerce helps build corporate image**

Traditionally, the building of corporate image is conducted through different means of publicity. Nowadays, establishment of tourism enterprise e-commerce platform promotes effective spread of corporate culture and development prospects. Thus the building process of corporate image moves on from inside to outside, which makes the corporate image more convincing and its spread areas much wider. Therefore, corporate image is built on overall and multidimensional basis.

### **Tourism enterprise e-commerce helps increase consumer satisfaction**

Consumer satisfaction decides the fate of tourism enterprise development. Effective data collection about consumer satisfaction level can be gained through the establishment of e-commerce business model and receive certain transparency treatment. In this way, tourism enterprises can achieve systematic solution to their problems and effective evaluation by consumers. Consequently, enterprises can gain objective development direction and scientific collection of consumer feedback, so as to have those typical problems in the development process fully solved and avoided.

## **CONCLUSIONS**

What's discussed above is the detailed research and probe into business model transformation of tourism enterprises in internet information age. Establishment of relevant models was also elaborated on. Meanwhile, the establishment of tourism e-commerce system was described along with full analysis of the positive impacts brought by e-commerce system on tourism enterprise business. All these have rendered this study highly reasonable. Our study is expected to provide solid theoretical basis for scientific transformation of tourism enterprise business model.

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