

Alitrip: New Kid on the Block, New Angle

■ By June ZHU



Soon after Alibaba's founder Jack Ma rang the bell to open trading on the floor of the New York Stock Exchange last September, its Taobao Travel business was upgraded to a brand-new independent brand – Alitrip. Different from traditional online travel agencies (OTAs), Alitrip is a platform where even long-time competitors can find a space. Its biggest advantage is the data-rich Taobao and the clout that comes with being a part of the Alibaba Group. *TheLINK* interviewed Deputy General Manager of Alitrip's Hotel Services Department Amy Deng (CEIBS EMBA 2014) to find out how this relative newcomer plans to transform the way we travel.

TheLINK: How do Alibaba's massive resources facilitate the development of the Alitrip platform?

Big data is always our biggest advantage. Behind Alitrip, there's a combination of a number of great forces. In terms of hotel booking services, there are 350 million active users from Taobao, Sesame Credit, Alipay, Huabei, Ali Cloud and Beijing Shiji Information Technology. The numerous Taobao users have left a

lot of multidimensional data about e-commerce, entertainment, social media, and their location. For example, when someone begins to buy wedding-related products, we can infer that he's getting married, and we will push honeymoon tour packages to him. When he starts to buy diapers, we will push family vacation packages.

Last September, Alibaba invested RMB2.81 billion to acquire 15% of hotel information service provider

Shiji Company, which includes 90% of China's five-star hotels among its almost 6,000 Chinese hotel clients. All this information will be connected by the Alibaba Cloud Computing platform, and a rich cloud ecosystem could be built up out of this. In January, Alibaba-affiliated Ant Financial Services Group came up with Sesame Credit which is a credit reference system for individuals. All of the businesses under Alibaba are connected together to prop up Alitrip.





“ Overseas travel packages have become more and more popular. ”

TheLINK: There are so many OTAs in the market, why should anyone choose to use Alitrip's services?

Unlike traditional OTAs, Alitrip is an open platform and so our products have strong links to the Internet. With the entire Alibaba Group behind it, the Alitrip platform mainly offers bookings – for air and train tickets, hotels and attractions – as well as entire vacation packages. Now the market has traditional OTA companies represented by Ctrip, E-long, and Tuniu, as well as the newer-type online-travel platforms like Alitrip and Qunar. OTAs put more emphasis on off-line development of products, and the services tend to be more homogenous and need a big team to maintain product channels so it's more labour intensive. To some extent, they are more like traditional companies taking advantage of the Internet as a channel. But online travel platforms boast more pure Internet genes – they're really asset-light, more sensitive to

customers' demands. In the Internet era, travel platforms with more Internet-related traits are bound to challenge traditional OTAs' position – they will accelerate OTAs' transformation to “platforms”.

When it comes to hotel booking services, with the rapid development of the Internet in the past 15 years, we have seen hotels being marginalised because of their heavy reliance on other channels. Traditional OTAs tend to have a more competitive relationship with hotels. Traditional OTAs are more like intermediary agencies which need to keep customers' information to themselves in order to develop long-term steady business. So when problems pop up at the customer end, the response from hotels tends to be delayed because of the agencies standing between the two sides. An App that closes the gap between the hotel and its clients would be great, but it's not practical for every hotel to create an App

and users' phones would never have enough space for them all anyway.

We are different from traditional OTAs.

What we have done is to open a shopping mall where every hotel can have an exclusive shop, and hotels can get clients from among the customers on our platform. Alitrip is not playing the role of an intermediary, like OTAs, but provides a one-stop solution. We share our 350 million active users, multi-dimensional big data resources and platform capabilities with hotels. In addition to obtaining high-credit users from the Internet, in the future hotels will also be able to provide a full series of services to their guests by using Alibaba platforms including Alipay, Amap, and Juhuasuan. About half of the 5,500 hotels who now support “Post post pay” are independent ones. In the future, Alitrip will focus on building up an Internet alliance of independent hotels, and help them build up their own membership systems.

TheLINK: You just mentioned Post post pay, which is related to the new idea of Hotel of the Future. Can you tell us a bit more about these new products?

“Hotel of the Future” is a one-stop solution that Alitrip designed for the hotel industry; it’s based on user sharing, big data and marketing platforms. Its first product “Post post pay” was launched by Alitrip and Sesame Credit (a third-party credit assessment and credit management institute). When checking in at a hotel, travellers whose Sesame Credit scores are 600 points or more don’t have to pay a deposit for their room or join a line to check out. They just need to leave the room card at reception when leaving. The system will automatically deduct the room fee from the guest’s Alipay account. This service is not only good for travellers but also equally good for hotels. Sesame Credit helps reduce the number of no-shows, as guests’ credit scores would be harmed if they don’t show up. According to the data we have, the no-show rate for hotels using traditional platforms is 40%-50%; Post post pay could help cut it down to less than 30%. We have invited clients to experience the entire process using Post post pay, and it only takes 47 seconds to check in, and 7 seconds to check out.

This product is available at high-end hotels such as Shangri-La, Starwood, Jinling, New Century, and also more economical hotel groups including Home Inn, Huazhu, Buding and so on.

TheLINK: It’s said that many OTAs are earning users by operating at a loss. Is this true for Alitrip? Are you profitable?

I can’t give you detailed financial information but I can say that we are different from other OTAs who are earning users at the expense of racking up losses. Alitrip is building an online travel platform which enables more businesses to serve users directly, and pushes the whole traditional online travel industry to upgrade.

TheLINK: In such a competitive sector, what’s your marketing strategy?

As an Internet company, there’s no limit in marketing. We’ve been taking advantage of digital platforms. For example, we sponsored a reality show on Jiangsu TV called “The Exploration of The World”. Before the premiere, we launched a gadget that people could use to make their own posters with photos taken while traveling. It went crazy on social media! We also initiated a slogan competition among companies, which caused quite a stir on social media and many companies participated. Competition is a good thing which can effect change and improve individual product offerings and the entire industry. The ultimate result of every competition is to benefit the customers.

TheLINK: How mature is China’s tourism industry, and how big is the market?

China’s online travel market is growing dramatically. According to iResearch, last

year the scale of transactions reached RMB307.79 billion, representing a year-on-year increase of 38.9%; and the online penetration rate is 9.2%, up 1.7% year-on-year. This market is full of potential, and there is a lot of demand to meet. That’s why Alibaba Group decided to upgrade Taobao Travel to the completely new independent brand Alitrip.

Overseas travel packages have become more and more popular. During last year’s 11.11 promotion, Alitrip launched a product called “Ten Thousand People Going to The US”; it had cheap plane tickets and vacation packages. It was sold out. But overall, Southeast Asia has always been the most popular destination.

TheLINK: Why did you join Alitrip?

Personally I really love travelling, and gradually it dawned on me that this industry has a really bright future ahead and the potential for fast growth.

TheLINK: How does your CEIBS experience help you on the job?

I am the Secretary-General of my class, and also Deputy Secretary-General of CEIBS Alumni Tourism Association. What’s impressed me most is that CEIBS alumni are always ready to help; and this is captured in our class slogan “Sticking Together, Helping Each Other”. Working for an Internet company, I’ve benefited from Professor Chen Weiru’s platform strategy lessons, especially the concept of cross-side network effect which is actually being carried out in the online travel industry.