

# Analysis of Meituan's Competitive Strategy in the Hotel and Travel Service Market Based on Porter's Five Forces Model

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**Abstract.** As digital transformation accelerates, Online travel services have become the mainstream way for modern consumers to choose travel products and services. China's online travel services market is expanding rapidly, as China's leading online service platform, Meituan's hotel and travel service sector has performed outstandingly in the industry, but at the same time it faces fierce market competition and rapidly changing consumer demands. Therefore, this study uses Porter's Five Forces Model analysis tool, taking Meituan's hotel and travel sector as the research object, this paper analyzes Meituan's current advantages and existing competitive threats from five aspects, including the bar-gaining power of suppliers and customers, competition within the industry, and the threat of new entrants and substitute products. Finally, based on the competitive environment of the online travel service market and Meituan's current competitive disadvantages, corresponding optimization measures and suggestions are proposed to provide support for Meituan's strategic decision-making in order to maintain and enhance Meituan's market position.

**Keywords:** Meituan's hotel and travel services; Porter's Five Forces Model; Market Competition; Virtual Tourism.

## 1. Introduction

With the rapid development of Internet technology, the business models of traditional industries have undergone profound changes, especially the tourism industry. As an important branch of the digital economy, online travel services have become the mainstream way for modern consumers to choose travel products and services. Scholar Huang Zhaoqi pointed out that online travel companies under the supply-side structural reform need to continuously innovate their business models to adapt to market changes [1]. Scholars Wu Yanyu and others pointed out that while the online travel industry is developing rapidly, it is also facing increasingly prominent problems, such as service homogeneity and intensified market competition [2]. The above studies all show that the competitive strategies of the online travel industry need to be constantly adjusted and optimized to adapt to the ever-changing market environment. As China's leading online service platform, Meituan's hotel and travel service sector has performed outstandingly in the industry, but at the same time it faces fierce market competition and rapidly changing consumer demands.

This study aims to deeply explore the competitive strategy of Meituan's hotel and travel service market based on Porter's Five Forces Model. Porter's Five Forces Model provides an effective framework for evaluating a company's external environment, by analyzing bar-gaining power of suppliers and customers, threat of new entrants and substitute products, competition within the industry, companies can better understand market dynamics and formulate corresponding strategies. Therefore, by using Porter's Five Forces Model to analyze the case of Meituan's hotel and travel sector, it reveals how online travel platforms can effectively respond to market changes and competitive pressures in the current economic environment and provides valuable experience and strategic inspiration for other participants in the online travel service industry.

This study adopts the case analysis method and Porter's Five Forces Model to analyze the external competitive environment of Meituan's hotel and travel sector, revealing Meituan's strengths and weaknesses in the competition and optimizing its market strategy, thereby maintaining and enhancing its market competitiveness.



This article first studies the concept and application of Porter's Five Forces Model and the development history of Meituan's hotel and travel sector. Then, this study analyzes the current advantages and existing competitive threats of Meituan's hotel and travel sector from five aspects: the bargaining power of suppliers and customers, the threat of new entrants and substitute products, and the competition within the industry. Finally, this study proposes strategic improvement measures for the future development of Meituan Hotel and Travel.

## **2. Literature Review**

### **2.1. The Concept and Application of Porter's Five Forces Model**

Porter's Five Forces Model is an analytical model of industry attractiveness and competitive environment, proposed by Michael Porter, a well-known professor at Harvard Business School in the early 1980s. Michael Porter believes that whether an industry is attractive or not depends on whether it can make it easier for businesses, including producers and investors, to obtain above average profits, that is, the scale and degree of competition in the industry. He summarizes the five forces that have a decisive influence on this, namely: the bargaining power of suppliers, the bargaining power of customers, the threat of new entrants, the threat of substitute products, and the competition within the industry [3].

Porter's Five Forces Model is an important tool for analyzing industry competition structure and corporate competitive advantages. Through Porter's Five Forces Model, people can deeply understand the external environment and internal challenges faced by a specific industry or company. For example, scholar Hu Rui used Porter's Five Forces Model to analyze the current competitive situation faced by retail enterprises and found out the competitive disadvantages of retail enterprises [4]. Scholar Chen Hui used Porter's Five Forces Analysis Model to analyze the external environment of Xiaomi's mobile phone industry, providing a reference for its scientific selection of strategies [5]. Scholar Liu Liu used Porter's Five Forces Model to analyze the current advantages and competitive threats of Hema Fresh and proposed strategic improvement measures for its future development [6]. In summary, Porter's Five Forces Model provides a powerful framework to help companies examine the competitive environment from multiple perspectives and is an important tool for making strategic decisions.

### **2.2. Introduction to Meituan and Meituan's Hotel and Travel Services**

Meituan, founded in 2010, is a local life service platform. In 2015, Meituan merged with Dianping.com, becoming the industry leader in China's offline local life service platform. In September 2018, Meituan was successfully listed on the Hong Kong Stock Exchange. In 2021, Meituan will upgrade its strategy to "retail + technology", moving from service e-commerce to retail e-commerce. Today, Meituan has become a well-known domestic platform enterprise that integrates multiple services such as catering, accommodation, tourism, movies, and travel, meeting people's offline needs including eating, drinking, playing, and entertainment, and its business covers most parts of the country. In 2023, Meituan's annual revenue was 276.7 billion yuan (RMB, the same below), a year-on-year increase of 26%, and its operating profit was 13.4 billion yuan [7]. In terms of specific business, Meituan's core catering delivery business continued to achieve high-quality development. The number of annual active delivery merchants hit a new high, the number of instant delivery orders increased by 24% to 21.9 billion, and the number of Meituan flash purchase orders increased by more than 40% year-on-year [7].

Meituan's hotel and travel business started in 2013, initially mainly providing hotel consulting and reservation services. Subsequently, with the growth of market demand and business expansion, Meituan's hotel and travel services gradually expanded to include air tickets, holiday packages and various travel-related services. Meituan's hotel and travel business has natural advantages. The Meituan platform has accumulated a large number of users, which helps hotel merchants have the opportunity to show themselves to more users and help hotel merchants acquire more customers.

Meituan has strengthened its platform supply and improved its live streaming capabilities to help consumers make better choices. Combining live streaming and shelf models, Meituan helps hotel merchants improve operational efficiency, obtain user traffic, and promote sales of popular products. In addition, Meituan has also iterated its "Hotel + X" product, leveraging its unique advantages in the in-store dining field to provide more diversified combination packages. According to Meituan's public financial report data, the total number of room reservations in 2018 exceeded 200 million. In 2022, the hotel and tourism sector has seen significant growth in business. In 2023, the transaction amount of in-store, hotel and tourism businesses increased by more than 100% year-on-year, the annual transaction users and annual active merchants increased by more than 30% and 60% year-on-year respectively, and the number of night bookings during holidays reached a record high [7].

### **3. Market Analysis of Meituan's Hotel and Travel Services Based on Porter's Five Forces**

#### **3.1. The Competition Within the Industry**

With the rapid development of Internet technology and the growth of people's travel needs, Online Travel Agent (OTA) platforms have gradually become the preferred channel for travelers to book air tickets, hotels, and tourist attractions. According to a statistical survey on the development of China's Internet, as of December 2023, the scale of online travel booking users in my country reached 509 million, an increase of 86.29 million from December 2022, accounting for 46.6% of the total Internet users. As the tourism industry recovers and the market gradually expands, market competition among OTA platforms will become more intense. As a latecomer to the online travel market, Meituan Hotel and Travel Services faces strong competitive challenges from market pioneers such as Ctrip and Fliggy.

##### **3.1.1. Meituan Hotel and Travel Services**

According to Meituan's financial report, Meituan's hotel and travel business showed significant performance growth in 2023, with annual revenue reaching 276.7 billion yuan, a year-on-year increase of 26%. Among them, hotel and travel business transactions increased by 100%, and the in-store hotel and travel business are expected to have revenue of 41 billion yuan, almost close to Ctrip's total revenue. This remarkable growth is due to Meituan's comprehensive service model and deep penetration in the local market.

Meituan's biggest competitive advantage lies in its comprehensive service model. Meituan not only provides traditional hotel and travel services, such as hotel reservations and travel packages, but also integrates local life services such as food delivery, movie tickets, leisure and entertainment. This one-stop platform provides great convenience for users, allowing them to complete booking and purchase of various life needs within one application. This model effectively improves user stickiness and increases cross-selling opportunities.

Another competitive advantage of Meituan is its deep penetration in the local market. Meituan leverages its strong traffic and user base in local life services to effectively promote its hotel and travel services. This deep market penetration strategy not only enhances its brand visibility but also promotes rapid adoption of new services.

##### **3.1.2. Ctrip**

Ctrip, founded in 1999, is China's leading online travel service company. It has successfully integrated high-tech industries with traditional tourism, providing tens of millions of members with a full range of travel services including hotel reservations, air ticket reservations, vacation reservations, business travel management, special merchants and travel information [8]. In 2023, Ctrip's total revenue was RMB 44.5 billion, its net profit was RMB 10 billion, and its net profit margin exceeded 20% [8]. In comparison, although Meituan's total revenue reached RMB 276.7 billion in the same year, its operating profit was only RMB 13.4 billion, with an operating profit margin of approximately 4.8%. This not only reflects Ctrip's advantages in revenue management and

cost control, but also emphasizes Ctrip's strong competitiveness in providing efficient and profitable travel services. Ctrip's strong performance in the high-end market, especially its deep penetration into the international market, has further consolidated its position as an industry leader. In addition, Ctrip has also increased its investment in technology, especially in emerging technologies. Ctrip launched "Ctrip Asks", improve customer service self-service rate and optimize user experience through artificial intelligence and big data. This technologically advanced service not only enhances Ctrip's market competitiveness, but also heralds the company's active exploration and leadership in future travel service models.

### **3.1.3. Fliggy**

Fliggy, launched by Alibaba in 2014, is the group's internal travel business brand. It relies on Alibaba's huge e-commerce and payment ecosystem to provide users with a one-stop travel shopping experience. Fliggy not only provides standard travel booking services, but also offers more convenience and discounts by integrating Alibaba's other service platforms, such as Taobao, Tmall and Alipay. Fliggy pays special attention to using big data analysis and user behavior research to improve service personalization and meet the needs of young consumers through precision marketing and customized travel products. According to data from 2023, the transaction volume of goods on Fliggy during the "Double 11" period increased by more than 80% year-on-year, and the number of transaction users increased by about 100% year-on-year. In addition, Fliggy is also actively developing international business, establishing partnerships with multiple travel service providers around the world to expand its market influence.

## **3.2. The Threat of New Entrants**

In Meituan's hotel and travel services market, challenges from new entrants continue to increase, especially those that adopt innovative business models and provide unique service concepts. Recently, East Buy and Zhang Xuefeng's educational institutions have joined the cultural tourism market through unique market entrances, and more and more hotel groups choose to develop their own booking platforms and applications, this has brought new competitive pressure to Meituan's hotel and travel services.

### **3.2.1. East Buy's Cultural and Tourism Products**

East Buy is a new live streaming platform launched by New Oriental Education & Technology Group in 2021. With its strong influence in the field of live e-commerce, East Buy launched the "Cultural Tourism + Live Broadcasting" model. This model combines local culture and tourism resources to promote local tourism products. It is reported that the live broadcast room of East Buy can attract hundreds of thousands of viewers in a single event, among which the number of viewers and interactions of specific events are particularly outstanding. For example, its live broadcast sales event in Xiangxi had a single transaction volume of over 100 million yuan. This novel live broadcast method not only attracted a large number of young consumers, but also greatly improved the conversion rate through instant interaction and visual display.

### **3.2.2. Zhang Xuefeng's Research Products**

The study and research products launched by Zhang Xuefeng are mainly aimed at the youth and family markets, providing an experience that combines education and travel, enriching students' knowledge and vision through field learning and cultural experience. These products are popular in the market due to their strong educational background and meet parents' high demand for entertaining and educational travel experiences.

### **3.2.3. Hotel Group's Own Products**

With the advancement of technology and the change in consumer purchasing behavior, more and more hotel groups are choosing to develop their own booking platforms and applications to interact directly with consumers. The main advantage of hotel groups developing their own reservation systems is that they can directly control the customer experience, from the reservation process to

check-in services, without going through third-party intermediaries, which can reduce expenses and increase profit margins. In addition, these self-operated platforms can provide hotel groups with valuable consumer data, helping them better understand customer needs, optimize services and design personalized marketing strategies. For example, Marriott International and Hilton Hotels Corporation, both world-renowned hotels, offer loyalty programs through their apps to attract and retain customers.

### **3.3. The Threat of Substitute Products**

In the current tourism market, traditional online travel services such as Meituan's hotel and travel services may face threats from technological innovation and alternative forms of tourism experience. With the rapid development of technology, especially in the field of virtual reality (VR) technology, traditional travel booking services may face unprecedented challenges.

#### **3.3.1. VR**

VR may provide a new travel experience, where users can visit tourist attractions around the world at home through VR helmets. As VR becomes more mature and popular, consumers may be more inclined to choose this lower-cost and more convenient way of traveling to experience the fun of remote travel.

#### **3.3.2. Remote Travel**

Remote tourism services allow users to participate in activities in other places online through real-time video streaming technology. For example, visit a museum or attend a festival overseas via live video. These services offer an alternative for users who are physically unable to travel or who are seeking more novel experiences.

### **3.4. The Bar-gaining Power of Suppliers**

Meituan's hotel and travel services rely on a variety of suppliers, including hotels, airlines, ground transportation and event organizers. Among these suppliers, international hotel chains or major airlines usually have strong bargaining power. Not only because these suppliers provide unique products and services that cannot be easily replaced; but also, because in addition to Meituan's hotel and travel services, online travel platforms such as Ctrip and Fliggy are competing to attract the same suppliers. This competitive situation enables suppliers to choose partners from multiple platforms, thereby improving their bargaining power in terms of price and cooperation conditions. For certain specific tourism products, such as specialty accommodation, it is difficult to replace these suppliers, so they have stronger bargaining power. Overall, the supplier bargaining power faced by Meituan's hotel and travel services is a double-edged sword. On the one hand, strong suppliers can provide unique and high-quality services to help Meituan attract and retain customers; On the other hand, the high bargaining power of these suppliers may also squeeze Meituan's profit margins.

### **3.5. The Bar-gaining Power of Customers**

With the popularity of smartphones and the Internet, consumers can easily search for information about travel destinations, hotels, special airfares and promotions, which improves consumers' bargaining power and puts them in a more advantageous position in their interactions with service providers. In addition, Meituan's hotel and travel services face strong competitors such as Ctrip, and the services they provide are largely interchangeable. Therefore, consumers of Meituan's hotel and travel services have relatively strong bargaining power, which is mainly driven by the highly competitive market and the ability to obtain extensive information.

## **4. Virtual Tourism Helps Meituan's Hotel and Travel Sector Develop**

Through the analysis of Porter's Five Forces Model, Meituan's hotel and travel services face the dual challenges of fierce market competition and technological innovation. This study will focus on the challenge of virtual tourism and provide relevant coping strategies.

#### **4.1. Develop Virtual Tourism Experience Products**

Meituan can use virtual reality technology to develop travel experience products, providing users with a virtual travel experience that they can enjoy at home. For example, we work with famous attractions around the world to create accurate 3D simulation environments, allowing users to virtually tour these places.

#### **4.2. Integrating Augmented Reality (AR)**

Meituan can develop augmented reality applications to increase interactivity and information for users when they actually travel. For example, when users use Meituan Hotel and Travel's AR application at tourist attractions, they can see detailed information about the history of the attraction, artwork, or local ecological information. The application of this technology can enhance users' on-site experience and provide a richer level of information than traditional tourism.

#### **4.3. Creating a Virtual Travel Community**

Meituan can build a virtual travel community that allows users to share their virtual travel experiences and plan their virtual travel routes. Community features may include user reviews, travel diaries, photo and video sharing, etc. This not only enhances user experience, but also increases user stickiness to the Meituan platform through community interaction.

#### **4.4. Cooperation and Alliance Strategy**

Meituan should consider establishing partnerships with technology providers, content creators, and travel management companies to jointly develop and market virtual tourism products. This collaboration can expand Meituan's service scope while leveraging the partners' expertise and resources to improve service quality.

### **5. Conclusion**

Through research, this paper finds that Meituan's hotel and travel service sector has demonstrated its unique competitive advantages in applying Porter's Five Forces Model to analyze market competition strategies. The competitive advantage of Meituan's hotel and travel services lies in its comprehensive service model and its deep penetration into the local market. Although Meituan Hotel and Travel Services has demonstrated competitive advantages in these two aspects, it faces strong bargaining power from suppliers in the supply chain, and consumers also show high bargaining power. These two pressures have significantly affected Meituan Hotel and Travel's profit margins and market operation flexibility. Intense competition within the industry, the continued threat of potential entrants, and the development of substitutes, such as the rise of virtual travel services, pose obvious challenges to Meituan's hotel and travel sector. Therefore, in order to enhance the market competitiveness of Meituan's hotel and travel sector and innovate its service model, this paper suggests that Meituan's hotel and travel services actively explore and implement virtual tourism services, which can not only open up new revenue channels but also meet the needs of modern consumers for novel and convenient travel experiences.

This paper analyzes in detail the external pressure faced by Meituan Hotel and Travel in the tourism service market and explores the possibility of improving its market competitiveness by introducing virtual tourism. Although this study provides preliminary insights into how to improve competitiveness through virtual tourism, in-depth analysis of the technical details of implementing virtual tourism and consumer acceptance is still lacking. Future research should explore the development of virtual tourism technology in more depth, including aspects such as user interface design, interactivity enhancement technology, and personalized experience creation. In addition, further research should consider market differentiation and analyze the demand and acceptance of virtual tourism among different consumer groups in order to more precisely target services and marketing strategies.

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