

How China's largest online travel agency connects the world: An interview with Ctrip CEO Jane Sun

High-spending Chinese travelers are an important consumer segment, and few companies are positioned to understand them better than Ctrip.



China is already the world's largest outbound-travel market, and its increasingly adventurous overseas travelers are the world's highest spenders per single trip. Propelled by rising incomes and a voracious appetite for exploration, Chinese travelers took more than four billion domestic trips in 2017 and more than 100 million journeys overseas—numbers that are set to rise over the next couple of years, according to McKinsey forecasts.

Ctrip, which listed on the Nasdaq in 2003 and currently boasts a valuation in excess of \$20 billion, has maintained a strong leadership position through technology investments that help segment and match these travelers with everything from flights and accommodation to high-speed rail tickets and wedding-planning services. These investments include acquisition of overseas players, such as the United Kingdom's Skyscanner, as well as minority investments in India's MakeMyTrip and North American tour operator Tours4fun.

The company is facing pressure from a range of domestic competitors that are investing heavily to improve customer targeting by better leveraging data collected across vast ecosystems that span e-commerce, finance, and entertainment. The task of maintaining Ctrip's edge falls to CEO Jane Sun, one of the world's few female technology-company leaders—and one who has occupied the company's C-suite since 2005.

For the past 14 years, Sun has been part of the leadership team driving Ctrip's transformation from an online seller of hotel accommodations to China's largest online travel platform, offering more than 60 products to its more than 300 million registered users.

Sun sat down with McKinsey senior partner Daniel Zipser to discuss plans to open Ctrip's platform to a wider selection of products, how technology will help serve rising demand for more personalized

travel services, and her commitment to empowering the next generation of female leaders.

Interview transcript

Daniel Zipser: You've been with Ctrip, China's largest online travel agency, for 12 years and became CEO in 2016, so I can't think of anyone better placed to tell us how Chinese tourism has evolved over the past decade.

Jane Sun: China's travel industry is booming. Industry growth is running at about 10 percent year on year—just under double the country's GDP growth rate of about 6 percent. Ctrip is growing at about four times GDP, so we're very excited about the future.

Daniel Zipser: What do you see as the latest trends in China's outbound and domestic tourism? What gets Chinese tourists excited?

Jane Sun: We started as a pure domestic-travel company, helping Chinese people travel within China. As income levels increased, more customers started to go overseas: first to Korea and Japan, before extending to Southeast Asia, and now to Europe, Australia, and New Zealand, or even further away. This adventurous spirit and desire to learn from the world is captured in the Confucian teaching, "It's better to travel 10,000 miles than to read 10,000 books."

Daniel Zipser: What is driving Chinese tourists' choice of destination when it comes to traveling overseas?

Jane Sun: China is a huge country. We have 1.3 billion people, so there is a wealth of different interests. Take my husband, for example: he is a history buff. So last summer, we took our children to Rome, so they could learn about the Roman Empire. Then we went to San Giuliano to see the medieval town. We taught the

kids about the Reformation and Martin Luther. From there, we went on to the Renaissance, showing the kids statues by Michelangelo and Da Vinci. Travel is the best way for kids to learn about history because it's so tangible. Next year, we thought it would be great for them to visit the site of the Scottish Enlightenment, where Adam Smith wrote *The Wealth of Nations*. My point is that history is one area that's driving Chinese outbound tourism.

Other people like sports-related trips, and that's another driver. For example, in the summer, my family loves diving. In the winter, we take to the slopes and enjoy skiing.

Another thing that's very popular right now is to watch the northern lights at the North Pole. Lots of people are also going to Antarctica. Chinese people love adventures that let them see the world.

Daniel Zipser: Do you think, in the future, things will shift so that people scale back outbound tourism in favor of more domestic trips?

Jane Sun: China has three long holidays. The first is Chinese New Year. The second is the October 1 "Golden Week" holiday, which is one week long, and then there are holidays when the kids are off school. These are the three periods people have an opportunity to travel a long way. Other than that, on the three-day weekends, they tend to stay close to where they live. So, given these restrictions, I think there will continue to be a balance between domestic and foreign travel.

Daniel Zipser: Under your leadership, Ctrip has gone global. What benefits did that bring for Chinese travelers?



Jane Sun

Vital statistics

Born in Shanghai, married with 2 children

Education

Master's degree in law from Peking University and bachelor's degree from the University of Florida

Career highlights

For 8 years, headed the division of Applied Materials—the materials-engineering company—focused on US Securities and Exchange Commission and external reporting

Drove Ctrip's emergence as China's leading online travel agency and was appointed CEO in 2016

Spearheaded Ctrip's overseas acquisitions, which have helped establish Ctrip as a global travel-industry player

Jane Sun: We've been very disciplined in terms of our investment strategy. We invest along three principles. The first is we're only interested in investing in travel-related business. Second, we're only interested in investing in leaders in their verticals. The third is that the valuation needs to be reasonable.

So, we invested in Skyscanner, a UK company with a great technology team and a great brand. We worked very closely with its team to make sure we integrated direct booking facilities onto its website. The second investment was a series of minority investments in India's MakeMyTrip. And the third was in Chinese tour operators in the US. All have different strategic goals, and so far, all have been very successful.

Daniel Zipser: We see an increasingly sophisticated Chinese traveler looking for experiences, looking for personalization, particularly if you talk about the mid- to high-end traveler. How do you see the travel industry and Ctrip more specifically addressing that consumer demand?

Jane Sun: Ctrip serves the most affluent segment in China. The most expensive tour we've sold costs about \$200,000 per person per trip, and it only took us about 17 seconds to sell these packages. That gives you an idea of how exclusive consumers can go when it comes to choosing their package.

We see an uptick in demand for tailor-made tours. One that is very popular is for a family with two children, along with two grandparents, hiring a driver and van with a tour guide, choosing whatever hotel level they want to stay in and whatever time they want to start and end. The local tour operator gives a recommendation as to where to go and how much time you should spend in each city. That kind of package has been growing at three digits every year for the past couple of years, with no signs of slowing down. They're very successful business models.

Daniel Zipser: China is the most digital nation in the world, and the concept of O2O, online to offline, is increasingly embedded in different industries. How does it impact travel?

Jane Sun: We want Ctrip to be an open platform. Of course, anyone who wants to serve a travel adventure will be able to find a spot on Ctrip's platform. For example, a local tour operator selling attraction tickets can offer its product to our customers, as long as it meets the service-standards requirements. But imagine you are selling wine in Napa Valley, and you want to offer the product to our customers: now you'll be able to place your product on our platform. It's going to be a very open, all-embracing environment for product managers who previously had very limited access to Chinese tourism on our platform.

Daniel Zipser: Ctrip has an acronym: ABCD, which stands for AI [artificial intelligence], big data, cloud computing, and data mining. Can you share a bit more about how you leverage the wealth of data now available to travel companies and what that means for the Chinese consumer?

Jane Sun: We invest heavily in technology around that concept of ABCD you just mentioned. Every day, we have 300 million registered users generating 50 terabytes of data, so we have an exceptional ability to know the customers and match their needs with supply.

For example, if business travelers take a first-class flight from Shanghai to London, we'll push a five-star hotel to them rather than budget accommodation. Then, if they decide to stay at Four Seasons Hotels, for example, we'll calculate the distance between the airport and the hotel and push a limousine service. When they check in, we'll say, "Oh, there's a Michelin Guide restaurant, we already made a reservation for you." Or, "There's a shopping excursion, would you like to try it?" Or, "We can

arrange a private tour of the British Museum. Would you like to do that?”

If you understand your customer very well, and also have a deep pool of products on your platform, you can use the technology—big data, data mining—to offer a perfect match. Customer satisfaction, efficiency, and conversion rates all increase as a result. That’s how we make sure we find the right product for our customers.

Daniel Zipser: How do you see that evolving going forward? What are you planning to offer Chinese travelers over the next three to five years?

Jane Sun: I think we’ll be able to do a couple of things. One is, improve the breadth of products. Ctrip started with a single product, which was your hotel. After two years, we added air tickets. Another two years on, we added package tours. Then we brought in corporate travel. Now we have more than 60 products. You can find anything you might want during your trip. Diving, skiing, cruises, high-speed rail tickets, photography, wedding planning—anything you can think of, we have it. Going forward, as people’s interests evolve and expand, as their hobbies change, we’ll be able to offer you more. That’s the first thing.

The second is the ability to understand our customers better and help match them with the right destination, price range, and service level. That’s very important.

Third, when they’re actually on the trip, we want them to have peace of mind. For example, we have a global SOS program. No matter if there is a tsunami in Japan, an earthquake in Nepal, or a shooting in Las Vegas, within minutes, we’ll be able to contact our customers. Within a couple of hours, our hotel partners will have opened up their rooms to provide shelter to impacted customers. Within a day, we’ll be able to rescue our customers and bring them back

home. Having these services on standby gives our customers a lot of peace of mind.

Daniel Zipser: Tourism brings people together from all over the world. How do you see the role of tourism in society?

Jane Sun: I think tourism is a means to increasing international exchange. For Ctrip, while we’re sending people far away, we’re also bringing the world closer. We’re a bridge between Eastern and Western cultures. Ultimately, we want tourism to be a vehicle for the promotion of global exchanges and world peace.

Daniel Zipser: What’s your vision for Ctrip?

Jane Sun: Ctrip will become the largest, most innovative travel company in the world. We’ll spur our progress by rapid investment in technology, and we’ll keep on innovating, bringing the most innovative products to our travelers.

Daniel Zipser: What’s it like to be a female CEO of a Chinese tech company?

Jane Sun: I’m one of very few female CEOs of a tech company, so I feel tremendous responsibility to provide and grow opportunities for the next generation of leaders. We’re very strong when it comes to enabling female leadership skills. For example, when a woman is pregnant, we offer her free taxis. When her baby is born, we give her \$800 as a gift, and \$3,000 toward the child’s education.

Female workers who get PhDs overseas sometimes struggle with decisions about what to do: Should I stop working and have children, or put work first? Instead of struggling with that conundrum, we offer to pay for them to freeze their eggs. Ctrip is the only company in this field with such a progressive policy. For women, it’s always good to have a choice. If you don’t like the idea, you don’t need to take advantage

of it. But if you like it, I think having the choice is a good thing. Our female employees really welcome this type of policy.

Over half our workforce are women. More than 40 percent of the middle managers are female, and more than one-third of the executives are, as well. Those are outstanding numbers, and I'm very proud of our female leadership team. ■

Jane Sun is the CEO of Ctrip. This interview was conducted by **Daniel Zipser**, a senior partner in McKinsey's Shenzhen office.

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