Online to Offline Business Model

Comparative Study of Chinese O2O Companies

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Abstract

E-commerce has experienced different periods and types of high speed development, a new e-commerce model named O2O (Online to Offline) also swept. Some successful companies containing the entire areas of B2B (Business to Business), B2C (Business to Customer) have created a way to develop innovative changing economies. Now this new phenomenon of O2O brings more opportunities both to the businesses and customers. However, there are still few people who know about what O2O is, even if they have already become the customers of O2O business. In our research, we chose four Chinese O2O companies from different industries, and of different sizes in order to give a clear understanding of O2O. The theoretical frameworks are focused on the different types of e-commerce, O2O concepts and traits introduction, and business model building blocks. We show a clear view of what is O2O, what features O2O has from both the Chinese and Western literature, with different views have well supported the whole research.

Qualitative research is used in our research, furthermore, we use a new business model as our analytical business model in order to demonstrate how companies should operate the O2O business, employing five aspects, for example: ‘Targeted customer’, ‘Different main businesses and industries’, ‘Geographical choice’, ‘Value achievement’ and ‘Unique way to get the maximized profit’. We gave the answer of how the elements in this model should look: With regard to the customer demographic, in addition to the young internet surfer, O2O firms should attract traditional local customers to the Internet. With regard to industries, catering is the best choice for a new entrant, while cinemas (for example), the car rent industry, etc., need plenty of resources to enter. Turning to location of a business, a big city with stable commercial orders has been proved to be the best choice. To achieve good value, an O2O firm should always make efforts to enhance both the online and offline experience to their customers. To ensure good profits, profit sharing, advertising revenue, refund of orders, websites, mobile terminals, offline machines and online payment in advance, this will gain some extra profit. Enlargement of scale, application of a local platform entrance fee and charge for the recommendation rank list, access to the discount channel and the policy support can help O2O firms earn more money.

, Both the internal and external traits of O2O companies are concluded by SWOT analysis within each of the four cases, and after it, both negative and positive traits are given.

Key words: e-commerce, O2O, business model, new O2O entrants, online and offline business
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1. Introduction

1.1 Background

With an increasing number of people who are shopping online these days, businesses have realized that they can gain many advantages through e-commerce. An increasing number of customers are searching for information, products and services online for convenience, and more firms are providing more attractive deals online in order to gain more customers and keep their loyalty.

So far, there are three basic types of e-commerce, namely, they are B2C, B2B and C2C, which are business between companies and consumers, inter-company e-business or between companies and companies, and business between consumers and consumers.

E-commerce has been present in China for several decades, according to Wilfred (2008), the Chinese government showed huge interest in e-commerce as an aid to develop the Chinese economy, and began to build a nationwide data communication network in 1993. With such infrastructure, the Chinese government has built advanced and connected public data and multimedia communication platforms which based on the national Internet service, named Backbone. All kinds of government ministries, banks, research institutions, universities are the main users of such services. Some of them have already taken a dominant role in the Chinese e-commerce market.

After getting support from the government and different industries, the increasing amount of users who are shopping online has led to the emergence of a new type of service. With the development of information technology and the exploration of e-commerce business model for those successful companies in services or goods, the way to gain more profit is always choosing to do business innovatively (Chesbrough, 2011). Such businesses are including the entire areas of Business-to-Consumer and Business-to-Business e-commerce (Anol, 2000). However, with the exception of the B2C and B2B models above, there is a new model named O2O which has been getting an increasing amount of attention recently.

The United States of America, which is the birthplace of O2O, has online shopping maintaining double-digit growth in recent years; the growth rate of the offline retailing market in U.S. is less than 5%, and it is obvious to see the disadvantage for the offline market. The American Retail Federation (ARF) expected the growth rate to be only 3.4% to the U.S. retailing market. Nevertheless, with the impact of the Internet, the increase of the traditional retailers in United States was slow or even experienced negative growth (Huang, 2013). So that if the offline retailers want to return their business to positive growth, putting their business online is a good solution.

Considering these trends above, O2O as a new type of e-commerce and short for online to offline,
refers to the offline services through the website or mobile terminals delivered to customers. Customers complete the payment online, then get the services offline. O2O is using a brand new and different business model compared with the traditional B2C or C2C models (Jiang, 2011).

In addition, data showed that U.S. online consumption accounted for only 8%, the proportion of consumption of offline up to 92%, the market capacity is about 10 trillion dollars, while in China, the rates were 3% and 97% (William, 2013). As shown in the graph above, O2O undoubtedly has a broader development space and higher commercial value than the previous forms of e-commerce.

According to Alvin Toffler (1981), after the manufacturing industry, the services industry as well as the experience industry will be the direction of industrial upgrading. The O2O model can bring a brand new shopping experience for consumers, so it is the inevitable trend of e-commerce development. O2O business mode applications have been noticed in many industries, such as eBay, a popular American company which offers the e-commerce service, customers can check various kinds of discount information for food, drink, entertainments etc. The fastest growing Chinese O2O business is in the form of “Group purchase”, which has a prominent impact in a number of areas. “Group purchase” is a business based on competitive price, highlighting the discount sales (Yan, 2013).

O2O provides a platform for the online communication and transactions of the Chinese service industry, it focuses on sales and services, it also opens another window for the booming e-commerce industry in China as the government strongly supports and encourages such industry (Li, 2004).
Figure 2 shows a developing market size of O2O in China, it began in 2010 with the total scale of 15.37 billion RMB, then there was a big increasing rate every year. According to the forecast from iimedia (2014), the total income of the Chinese O2O market will reach 270.98 billion RMB in 2015.

The first successful application of an O2O mode was carried out by one of the largest websites in China, named Panshi Network Advertise Member Community. This website adopts an O2O (Online to Offline) mode and basically provides information, services, booking discount to all the Internet users, who in return will be converted into the customers of the particular offline business partners with the website. This O2O business mode is particularly suitable to customer services and goods, such as restaurants, fitness centers, cinemas and beauty salons (ChinaAbout, 2013).

There are plenty of facts showing the importance of the O2O area. Taobao, as the most famous Chinese online shopping website, announced “the National Urban Living Index issued by the second quarter of 2012” on July 25 in 2012, shows a strong growth of online shopping in the first quarter of 2012, with 324 million customers consuming 22 billion RMB online (AliResearch, 2012). This indeed provides a good opportunity to O2O. Based on these facts above, this new type of e-commerce shows its importance in our daily life now.

**1.2 Problem Discussion**
With the rapid development of China's e-commerce and the rapid growth of e-commerce businesses, there is no doubt that O2O, as the newest type of e-commerce, should gain more attention. Currently there are few researches specifically for O2O e-commerce, mainly because the O2O concept was put forward lately, and even the definition of O2O has not unified yet. Scholars have not finished many researches related to the O2O area. Hence, here we found the problem that still plenty of people do not have a good understanding about the phenomenon of O2O. O2O should be well known and understood by firm operators and the public, because it is not enough for us to know that O2O is a new e-commerce type which local business get promotion and make deal online, then have the local service experience offline.

Also, group purchase is the initial model of an O2O operation, most early practitioners failed because of the excessive online speed, and the offline customers did not keep up with the same pace, finally the connection of online firms and customers broke up. We can see that online firms, local businesses and local customers play various roles in the pursuit of interests, if the balance of these three can’t been well controlled, the result of failure will be the same.

Pan and Fesenmaier (2006) also showed us the relationship between an O2O firm and a customer will become more close and friendly than the original and traditional business forms, while there are still lots of unknown areas in O2O, which is considered as one with the most potential benefit for the Chinese e-commerce companies (Fang, 2013). Hence, we raised a strong interest and began to explore this area to get a better understanding of the O2O booming phenomenon.

When we look back to China, O2O is still in its early period and we still do not have a clear direction as to how to start such a business better? (He, 2011). As we know, China holds the biggest number of online shopping customers and an increasing number of Chinese citizens are still joining an online shopping group, there will be incredible profit if we make good use of O2O. However, there are also lots of problems when facing such a big and messy Chinese market: The action and strategies for the O2O firms to take to make profits have become extremely important.

In our research, we tried to find a business model which fit the operation of O2O and use it to explore the questions we raised. O2O is drawing increasing attention all around the world especially in China, while there are still few business model descriptions regarding O2O, however, we are interested to know how O2O firms make money. Meanwhile, a business model describes a wide range of formal or informal models that are used to describe one company's commercial activities in different aspects, such as operating procedures, organizational structure, or financial forecast (Osterwalder and Pigneur 2010). Therefore, we connect these two concepts together to put into use in our thesis as two major aspects to help us to know O2O better.

Additionally, the number of firms who want to enter the O2O industry is increasing as well, but they cannot just blindly start such a business without careful consideration. Including the concept, we will also try to explain what kind of business model could be suitable for an O2O business and what should the new entrants take into account when they enter the O2O market.
1.3 Purpose

As we know, both customers and companies desire to get or offer the best service and maximize their own interests, and how to realize it will be a wish for them. However, O2O is a new phenomenon and there are not so many people who know about it, so for the customers and also the new entrant firms, we want to explain what O2O is, what traits O2O has and what is the advantage of O2O, how does O2O work and for the entrant companies who want to earn money by operating O2O, how a business model can help O2O companies to operate. According to these above, we will try to explain the phenomenon of O2O. In this study we also want to find some constructive suggestions for O2O new entrant companies by showing what and how a business model fits the O2O operation, what may influence the developing trend of O2O companies that they should pay attention when operating an O2O business at the starting stage if they carry out a business model for O2O.

Research Questions

What is O2O, how does it operate and what are the main traits of O2O firms in China?

How does a business model fit the O2O operation?

The results of this research would contribute to outlining what aspects should the new O2O entrants consider and give recommendations to the Chinese firms who would like to start an O2O business.

1.4 Disposition of thesis

Our entire thesis starts with the introduction to express the background, purpose and our research question related to our topic. Then it comes our theoretical framework, we explain what we collect from the literature from different authors’ view about e-commerce, O2O and business models. Next, the methodology states what research approach we have used, how we designed the research and the process to carry out the data collection and data analysis. After that is the empirical data in detail, as we collect both primary and secondary data from four case companies. Later, the analysis is followed by the within case analysis and the cross case analysis with our analytical business model as well as the SWOT analysis for every single case company. In the end, we have given our conclusion, consistent with our research question. Moreover, the implication, limitation and further research are also stated in the final part.
2. Theoretical framework

In this part, some previous research about traditional e-commerce, new O2O types and various business models have been introduced. We have shown the better views of O2O understanding through the traditional e-commerce phenomenon. After these, we tried to find out the connection between a business model and O2O, then find out which business model can fit the O2O operation and use it as our analytical model.

2.1 E-commerce

In the field of academic and organizational institutions, the researchers gave some definitions for e-commerce and referred to the trade of services and goods while making money through the Internet (Hashemi and Bastani, 2000).

E-commerce has been divided into different broad and narrow categories, which mainly refers to the narrow use of the Internet e-commerce related business activities to achieve an online market and the broad use refers to all business by means of electronic business (Efriam, 2010). In the research of Porter and Millar (1985), the competitive forces and strategies were regarded as the most authoritative interpretation to the public. Likewise, Porter (2001) showed the importance of the Internet. More importantly, the key access to successful rules of e-commerce is how a business reacts to customers’ behavior and the challenge for companies to maintain their good relationships with customers. (Stephen and Stan, 2008).

2.1.1 Traditional types of E-commerce

Before the new O2O phenomenon was born, there were three common types of e-commerce, which were Business to Customer (B2C), Business to Business (B2B) and Customer to Customer (C2C) separately, and these three are the cornerstone of O2O. Here is a short introduction to these three e-commerce types:

**B2C**

Stephen (2004) explained that B2C is short for business to customer, meaning the exchange of services, information and products from a business to a consumer. This benefit of B2C can greatly reduce the cost and broaden the range of customers.

As Stephen (2004) explained that those companies who want to enter the market by the Internet with emerging economy business need to have to constantly adapt to the application of B2C, although there may meet numerous challenges. While for customers, with the rapid development of information technology as well as the Internet, online shopping increases its popularity, e-commerce
is changing the way people are living (Yan, 2012).

**B2B**
B2B is a term that refers to a company selling its products or services to another company directly instead of the customers. Charles (2011) showed some examples which are: the aerospace engine company like Rolls-Royce or GE selling their airplane engines to the industry leading airline carriers, or even to sell some strategies from the management consultancy area and give advice to major banks or industrial manufacturers (Charles, 2011).

**C2C**
C2C is one kind of e-commerce that focuses on the business between customer to customer, which is two individual customers who want to buy and sell goods. The seller shows the description of the goods with his expected price on one website like ebay, the role of which is like a broker. Other customers can search the website and look for the goods in which they are interested. Then the buyer and the seller discuss and settle the price through communication online, and the broker website company finishes the delivery service, also collects some fee from both sides for such service. The main advantage of C2C is that the Internet enables the customers who are geographically distant, to have a deal by using the same intermediary's website. (Rajaraman, 2000)

**2.1.2 Features of E-commerce**

As we mentioned above, currently a huge number of services and goods are being sold by using the Internet around the world. It shows lots of benefits. Rajaraman (2000) listed the major benefits that e-commerce can bring to both the customers and firms.

What benefits can bring to firms:
- The business can have a very low cost for reaching customers by a form of website.
- Documents are exchanged in the network so that the order processing costs will reduce.
- The time of transaction is saved.
- Email correspondence and search engines can help to find the potential business partners quickly and easily.
- The retailers can be eliminated and manufacturers can get an order or contract directly from the customer so that it can reduce the costs and delays.

What benefits can bring to customers:
- The deal can be organized anywhere by using the available Internet.
- The online shop can be open 24 hours per day and the whole year round.
- Customers can get various kinds of services such as financial, legal, medical advice etc. from different portals.
- The variety of goods can be wider and also easy to search, without wasting time and money in practical shop visiting.
However, apart from the advantages of an e-commerce operation, there are some barriers which also exist during e-commerce development. Margherita (2004) discussed the environment under the Internet multimedia services to users, using a number of focused group forms in different regions, according to the technology framework, it proposed and validated the e-commerce services mainly related by perceiving usefulness, the use of price and efficiency factors. Also it is verified from the results that it is affected by age and category of the population (Margherita, 2004).

In order to overcome some barriers, e-commerce companies need to pay more attention to the six key success factors that Rogers (2001) listed, what the firm needs to do more is the assessment of strategic goals and customers, set up a clear, helpful and attractive website, some integration and focus on transactions and web applications innovation, find partnerships and keep learning.

2.2 O2O

O2O is based on the traditional B2C type but has some differences. Also, O2O combines the features of e-commerce and the advantages of local service experience.

Montague (2011) claimed that the growth of e-commerce every year is showing significantly, and different new types of e-commerce appear successively. Davidson (2009) pointed out that the new types of e-commerce help to develop the new e-commerce strategy, which turns out to be a tough experience. Meanwhile, new types of e-commerce offer the new marketing opportunities for e-commerce firms to change the contemporary market (Natalita, Maria and Marian, 2011). The O2O we introduce here is the newest type of e-commerce.

2.2.1 Comparison between O2O and traditional e-commerce

Obviously, O2O is different from the three traditional e-commerce methods we introduced in 2.1.1, we can find the difference between the O2O and other forms of e-commerce, according to Efraim and David (2003), the traditional B2C, C2C types of e-commerce is to purchase online as well as finish the payment online. The goods which have been purchased will be delivered to the customers after packaging. Compared with traditional e-commerce, information and payment from O2O will be the same, to be completed online, while conduct of the logistics and commercial activity will be offline, in order to let the customer personally go to the store and enjoy the service.

On the contrary, the O2O business is focussed on the local service, use of the Internet and mobile commerce technology to build a long-term competitive advantage as a business combination, both for the customers and companies (Yan, 2013).

Here are the differences and similarities between B2C and O2O we list from Stan (2011). According to Stan (2011), the difference can be divided into two parts: the different definitions they have and different industries they are in.
Difference in definitions:

- B2C or C2C is based on the online payments system, and goods customers purchase will be delivered by putting into the box through the logistics company.

- O2O is also based on online payment, but goods and services are consumed offline, and the service enjoyed offline as well (Stan, 2011).

Difference in industries:

- B2C is more focused on shopping, including physical goods, appliances, clothing, etc.

- O2O is more focused on consumption of services including catering, film, beauty, SPA, tourism, health, car rental, house rent, etc. (Stan, 2011).

These different types all use the Internet as the platform. The core of B2C and O2O are online payment, and also based on achieving customer's online payment before the formation of a complete business form. (Stan, 2011)

Similarity

- Customers and service providers have communication online (including mobile phones).

- The main process is an online closed loop, such as online payment, customer service etc.

- The supply chain management is the core of O2O and B2C.

- These two modes can be intuitive assessment for business statistics and track marketing effectiveness, avoiding the traditional marketing model and the effects of unpredictability.

- They all combine the customer online orders and customer consumption process. Customer’s behavior can be observed by statistics, and thus attract more businesses to join in the online loop, providing customers with better quality products and services.

2.2.2 Definition of O2O

As we already mentioned briefly, O2O refers to conducting the offline services between firms and customers through the website or mobile terminals. Customers complete the payment online, then get the services offline. However, obviously, such an interpretation is not too convincing. Then we need to examine O2O in detail. O2O (Online to Offline) is a new type of e-commerce, a combination of online channels and offline channels, which was first proposed by Alex Rempell. It is an online market with online purchase, which can also drive various businesses offline. It means a combination of the business opportunity offline together with Internet technology, it also enables
the Internet to become the front desk of transactions offline (Zhixin, 2012). Because of the short existing time for O2O since it started, the concept of O2O is still hold by different views.

In August 2011, Alex RamPell (2011) as the idea generator posted an article on Tech Crunch of guest post and formally proposed the concept of O2O. He used as an example the average annual spending of a U.S. e-commerce customer is about $1000 in 2010, but the average annual income of every American is about $40,000, so we need to look at how the rest of this income $39000 money was spent. The answer is that with the exception of paying taxes, the money is spent on cafes, gyms, restaurants, gas stations, dry cleaners, barber shops, etc., but also traveling as well as some other normal daily life events.(Alex, 2011)

Alex Rampel(2011) defined the core business of O2O, which means companies seek consumers through the Internet, and then bring them to a real store. It is a combination of payment mode and store traffic to achieve a service offline. For customers, O2O is also a "discovery mechanism" offline. O2O e-commerce essentially can be measured and recorded, because every transaction or reservation happens online. It is significantly different with directory models (such as Yelp, CitySearch), because the payment will help quantify the performance and completion of the transactions.(Alex, 2011)

In the late 2011, the concept of O2O was introduced into China, and it aroused the Chinese peoples’ awareness of this new type of e-commerce which already existed. Wang Liyang (2013), as an e-commerce researcher in China, said there is still some difficulty to explain the phenomenon of O2O. There is no uniform definition of the O2O industry that literally is the "combination of online and offline." The concept could be very broad, as long as the industry chain can relate to online, and also relate to offline activity, you can called it O2O. (Wang, 2013)

From the perspective of the electricity supplier, O2O services including local daily service and some B2C business, O2O includes the form of group purchase, coupons and others. O2O also includes some service from B2C industry like furniture, cabinets and other product sales and some retailers both online and offline. Although the O2O broad area is very wide, the industry about O2O is relatively narrowly focused on the development on the local daily services market by an electricity supplier. (Wang, 2013)

He Xi (2011) also held the opinion that O2O is the mode of online payment while offering an offline service, and serves as a new form of e-commerce. It is a business opportunity between the Internet and the local service, so that the Internet becomes the front desk of the transactions. Such services can also be used from offline to online to attract customers; Customers can filter the online service, as well as finish online transaction settlement. He pointed out that O2O is a new fashion and a trend of the future. It gives us unlimited imagination, so that we can use it to express, and create more business opportunities (He, 2011).
Definition that we use in our research:
According to the different definitions of O2O from different researchers, in our thesis, we considered that O2O is Online to Offline, a mode of online payment while offering offline service. For firms, they search for the local customers through the Internet then finish the payment online, and bring them to the real store to offer the service. For customers, O2O is an online "discovery mechanism", they can easily search the local service they are interested in on the website.

2.2.3 Features of O2O

Customer first:
Wu (2013) mentioned the classification by the type of sales, then the O2O business can be divided into transactional O2O business and consultative O2O business (these two concepts we will not discuss in our research in detail). The first one can be represented by the form of “Group purchase”, which will convert the customers online to offline. The consultative O2O business is customer-centric, to meet the different needs of customers, and to create a good online experience for them as well.

So according to Wu (2013), irrespective of transactional O2O business and consultative O2O business, “customer first” is the most important feature of O2O.

![Figure 3: The value chain structure of O2O platform](source: Wu (2013))

Wu (2013) raised the idea that the O2O platform is the bridge for business communication and transactions between the consumers and the business offline. As the value chain shown in Figure 3. According to Wu (2013), there are ten activity items in the value chain of O2O platform for business communication and transactions between online and offline, as the specific structure shows in
Figure 3, the support activities of the value chain can be divided into two categories of basic activities, including infrastructure, finance and accounting, human resource management, technology development and other support activities which include: trade promotion activities, product management activities and operational activities, marketing and sales activities and related service activities. According to the value chain, we can easily see that the main value of O2O for firms is providing a better communication with customers, and it just fits the feature of ‘customer first’.

Benefits from O2O:
According to Hsieh (2013), in order to gain more profit for a company as well as improve the sense of satisfaction for customers, it is very important to propose a useful network marketing strategy. This kind of strategy will bring advantages for both customers and companies. As Zhixin (2012) mentions that O2O is essentially to improve service levels and the shopping experience through online and offline marketing operation, which can characterized by the four following factors: the promotion effects can be investigated; each transaction can be tracked; to payment system of the transaction, allowing the customers to have a better experience. In the same way, Fang (2013) explained that the benefits from O2O mode are that the orders are finished online, each transaction can be tracked, it allows the consumers to choose the service online and then to enjoy such services offline.

Meanwhile, Fang (2013) listed the other main advantages of the O2O e-commerce as the following aspects:

What benefits can be brought to a supplier offline:
- The offline suppliers treat the Internet as a medium, using its fast transmission speed and an abundant number of the users to increase the business forms or opportunities for broadcasting through online marketing. It also reduces the marketing costs for the real store offline, which can improve efficiency greatly, and reduce its dependence on the role of location; Furthermore, the O2O platform helps them increase the channels of a real store for tourists, optimizes the operations and improves their competition. The online prepaid way can facilitate the business entities and the effects of direct online sales, in favor of planning the business operation rationally.

What benefits can be brought to customers:
- With O2O, customers can easily obtain online business information and a comprehensive description of the services provided by an O2O online platform, as well as get the referable evaluation of former customers. Customers are able to communicate through the network directly to reduce the cost. Customers can get cheaper prices by O2O than shopping offline directly.

What benefits can be brought to the owners of O2O companies:
Through an O2O operation the O2O companies can quickly gather a large number of online users and provide the practical information with the features of speed and convenience, which customers need. They can attract a large number of offline stores and huge profit from advertising revenue to bring more profit for the website operators and themselves. (Fang, 2013)

2.3 Business Model

If a local business firm wants to run O2O, it is not enough for them to know what O2O is. For the O2O firms, using the business model to carry out their business is the best choice to survive in the industry among competitors. However, as a new e-commerce phenomenon, not much previous research has matched O2O and a business model together. In this part, we have introduced some views about what a business model is and various business models, then chose one which can fit the O2O as our analytical model to conduct our research and help us to answer our research question.

During our preparatory work, we found that before the Information Technological Revolution, the way of production and operation for firms was quite simple, so the earlier business model was some operation based on the level of professional skills, as Blumenthal used a business model to prepare small business financial statements. After the Information Technological Revolution, the explanation for a business model changed and expanded. From lots of commercial literature, this concept has been given plenty of different definitions. Osterwalder & Pigneur(2005) thought a business model is used for the enterprise to explain the value of the segments to customers, as well as the firm with partners in creating, marketing, passing this value and relationship capital in order to obtain favorable, steady income. Bouwman & Van den Ham (2003) emphasized the relevance among the information flow, commodity flow and fund flow. They thought a business model describes the roles and relationships between the firm and business partners, customers and supplier, also describes the fluctuant relationship among all the participants from information flow, commodity flow and fund flow as well as the profit they earn.

According to Zott & Amit(2010), a business model act the logic as a business organization, by building a covered interdependent structure, behavior activities and a particular system process for enterprises, partners and customers to create and assign value. No matter when a business enterprise is established, it either explicitly or implicitly uses a particular business model which describes the architecture or design of the value creation, delivery, and capture mechanisms it employs. A business model explains the logic and provides data or some other evidence that demonstrates how to create a business and delivers value to customers. In essence, a business model is a concept, rather than a financial model for business and is broader than a business strategy (Teece, 2010).

In the subjective way, the business model shows how the firm understands its industry environment and also describe mechanisms that exist between the firm and the environment. A business model provides us with a theory relating to the way to set boundaries to the company, the way to create
value as well as the way to organize its internal governance and structure. Because of the organizing and contracts routines, a business model sometimes can be kind of stable and difficult to change (Doz & Prahalad, 2000). Although there are plenty of different explanations for a business model, while it comes to in common that it is generally accepted that a business model can help the firm to create values.

According to Magretta(2004), the business model not only shows the way of how firm can make money, but also answers some fundamental questions, for instance, “who is the customer?” and “what is the customer value?”, especially the aspect of value from the perspective of customers brings a huge effort to existing way of thinking. Therefore, as the core value of an O2O operation which is ‘customer first’, a suitable business model can not only help O2O firms enhance the performance and get profit, but also make better communication with customer.

2.3.1 Definition of a Business Model

So what’s the meaning of a business model in previous research by various scholars? Until now there is not a standard to answer to this question, so we have listed some explanations from different scholars, as follows:

One clear definition we have found is that the business model shows how an organization create, deliver, as well as capture value. (Kaplan 2012). Academics have tried to further divide the business models of firms into building blocks, for instance, the Profit Formulate, Processes, The Value Proposition and Resources (Johnson et al. 2008), Activities (Amit and Zott 2012) as well as the Business Model Canvas which proposes a 9-part analysis covering organizational activities, such as partners, value proposition, channels, resources, etc. (Osterwalder and Pigneur 2010). Each of these definitions is intimately related to the way the organization produces and delivers value to customers, a central focus of the operations management community.

We have chosen the definition from some authors to explain business models in detail: Doz and Kosonen(2010) defined a business model both in objective and subjective ways. The objective way shows sets of structured and interdependent operational relationships between a company and its customers, suppliers, stakeholders, partners as well as complements, and also reflects the internal departments and units. These ‘actual’ relationships are connected in contracts or procedures and planted in tacit action routines. Similarity, Magretta (2002) also explained it related to the customers, as business models are “experience” that explains how enterprises worked. A good business model can answer Peter Drucker’s classical questions: Who is the customer? And what are the value of customer? It also should answer fundamental questions that every manager may ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?”(Magretta,2002. P.4).

While some different views here are that some authors put more emphasis on the part of value for business model. The business model has been treated as a construct that combines all the earlier
perspectives into a consistent framework that makes the technological characteristics and the potentials as the inputs, while converting all of them through the customers and markets into the output as economic one. We also treat the business model as the focusing device which can deal with the technology development and the creation of the economic value (Chesbrough, 2002).

In addition, according to Osterwalder & Tucci(2005), as the figure 4 shows, a business model is the business logic of using a series of elements and relationships to explain the business activities, which describes the fact that a company can provide customers with value and the company's structure, partners network etc., can help to create, realize and deliver such value and generate sustainable revenue. In another words, a business model is doing the business in a sustainable way (Osterwalder, 2010). Also, according to Teece (2010), “A business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers. It also outlines the architecture of revenues, costs, and profits associated with the business enterprise delivering value” (Teece, 2010. P.173)

However, with the exception of the customers and value part, there is another opinion from Nielsen
& Lund (2012), they demonstrated that the business model can be described as a strategic choice which can help the firms to reach new operational and tactical levels in the organization. Therefore, a business model can be a platform which can connect all the resources supply of service as well as the process which can help the company to become profitable in a long term. (Nielsen & Lund, 2012)

**Definition from views that we use:**

According to the views of concept from different researchers, and also based on the viewpoint from Magretta (2002), which we considered the main definition of a business model used in our article is that the way firms can operate the business that it can bring the profit, help firms to make money, achieve the success and survive in a long competition term with using a series of elements and relationships, even there are many different types of business model and different elements in business model. Also, a business model can be used in a different industry and can change as the industry develops. Briefly, after an overall consideration of all the opinions above, we decided to choose the most representative opinion, that the business model can help the business to create, capture and deliver good value.

**2.3.2 Business model building blocks**

**4Ws Model**

Based on our research, we found one business model named 4Ws, we found it convenient to decompose business models into key decisions made by organizations, and to further decompose each decision into four key elements: WHAT key decisions are made, WHEN are they made, WHO makes them, and WHY are they made. The reason we explain it here is that the 4Ws business model can explain clearly how the firm or company makes money through the four elements (Karan, 2013). Then we would like explain it in detail:

WHAT: Every key business model decision is predicated on choices which were made by the organization earlier. In other words, it has chosen to carry out or manufacture certain kinds of products or services, and those choices drive WHAT substantive matters the business model must address. For instance, a firm that changes its area of activities or what it does to manage the secondary market (Oraiopoulos et al. 2012), or to make full use of the byproducts of the main manufacturing process (Lee, 2011).

WHEN: As we know, every decision is made at a specific point in time related to the availability of the best information needed. Changing the time as well as the sequence of decisions in a business model can often lead the business to be more innovative.

WHO: Every decision influenced by a business model design is reached by a specific person and this person can be an employee, a government regulator, a committee or other organizational structure. Changing the people who make the decisions can often lead to higher efficiencies. Agrawal et al. (2012) showed that a business model can allow a product supplier to keep the
ownership of the product and make maintenance as well as the disposal decisions, and can provide better product performance and environmental benefits.

WHY: The design of the business model always use a certain goal from the person who make the decision. Because decision makers are been treated as some rational actors, these factors can strongly make some affections to the decisions they make. Aflaki and Netessine (2012) tell us that, using the form of long time contracts fixing electricity prices (feed-in tariffs) governments can gain the investment into renewable energy sources.

**Business Model Canvas**

According to Osterwalder(2004), based on the relationships among firms, customers as well as environment, business model including value proposition, key activities, key partners, customer relationships, customer segments, cost structure, key resources, revenue, channels.

Nine sections of BM Canvas from Osterwalder(2010) are illustrated in figure 5 below:

![Business Model Canvas](image)

**Figure 5: Business Model Canvas**

Source: Alexander Osterwalder (2010)

A Business Model Canvas, as Osterwalder (2011) explained, is a tool and a shared language used to
describe, analyze, visualize, assess, change and design business models. A business model is just a representation that how to make money by in various ways by different companies. As the extensive literature research and real experience based, Osterwalder (2011) defined the business model into nine different parts that constitute a business model canvas.

These nine blocks are show below:
1. The value proposition of what can be offered to the industry and market from a company.
2. The customer segments that which position are company in the market with the value proposition;
3. The distribution and communication channels to attract customers and support customers the value proposition. ;
4. Customer relationships should be established firmly.
5. The key resources which support the business model possible and for the purpose of the value proposition;
6. The key activities which are aimed to comply with the business model.
7. The key partners which are participated as the motivations in the business model. ;
8. The revenue streams that are generated by the business model.
9. The cost structure that owing to the business model.

3W2H Model

3W2H is another business model which is quite easy to understand and used in practice. 3W2H was first used in the telecom industry. As we know there are lots of common staff between the telecom industry and Internet industry, so we took the 3W2H into account in our report. We also found it convenient to analyze business models into key decisions made by the firms, and to further break down each decision into five key attributes: Who; What; Where; How to achieve; How to make money. Together, the decisions and their five elements (or 3W2H for short) are the key design parameters in our business model, similar to the size, material color, etc. in a physical product (Liu, 2012).

Then we will explain our 3W2H business models in five elements as follows:

W (Who): Who are the customers?

For this word, it means that companies should clearly know who or which group are your main focus customers. Choi, Cooper, Hamner (1998) explained that the choice of customer groups is the most useful in explaining and predicting the consumer behavior for a marketing plan. It can be frequently analyzed into the connection with segmentation.

On the other hand, another vital aspect we need to emphasize is the outstanding of the characteristics about the customers. Vincent (1989) informed that it becomes important to understand and pay attention to the customer demographic characteristics, such as age, gender as well as education
levels. Barbara (2001) also mentioned that the important information from the customers of their age, gender, and income etc.

In our thesis, we choose the “age” and “income” two items to carry out our analysis part, which we decide to put in the cross case study part as two separated items to analysis four different companies.

**W (What): What are the products and service?**

In the companies of manufacture, engineering or other entity industries, ‘what’ is the core product they offer. And in those companies operating under O2O platform industry, it means what service they provide to customer or what business they are doing. Also, Greg (1997) said that it is not enough for companies only know what product they have, but also in the way it is manufactured, designed, serviced, and supported. Also, the core business in the company must be pushed by starting with building a culture of innovation in the direction of curiosity and trust.

The core product or service is not only the business what provide to customers, but also should be unique by the company and reflect the company’s value. Greg (1997) introduced a case of Xerox Corp in Webster, “We saw the requirement for the modular, extensible, digital platform which would serve as basis for the entire whole family of our new products. Those new products as our core business would span the wide price range, then also offer our customers a variety of different functions, but all would have same basic foundation.” said by the president of Xerox’s Office. Dean (2003) pointed out company should always look for the chance to realize and catch new potential, that the core products the company produce or provide will always getting bored by the customer on doing the same old thing.

What is the core business company provide would also depend on which industry is the company in. Dolbeck (2009) explained that those Internet and e-commerce service companies sell goods or services online divided by different industries. Thus we realize the importance of industry for this part of our study. Besides, based on our research questions, we also would like to figure out some suggestion to the firms which want to enter the O2O market, so we will carry out our analysis part about the entering feasibility to the O2O market, as all the firms need to make some business plan before they enter the new area, and should search some suggestion and design a proper business plan to facilitate the new venture development (Ansoff, 1991).

**W (Where): Where is the target market?**

The word where means that where is the target market of your company. Gale (2014) explained that target market is considered as a certain group of customers who have the similar needs, similar behavior that becomes focus of firm's marketing efforts. Also, target market can be divided into different areas. Once target marketing is made, it will involve tailoring firm's marketing efforts to appeal to the group of customers. It is an important part for a firm to select their target markets. Identifying some certain target markets can help the firm have a better performance on delivering
products, providing service and promotions, also maximize the profit potential from these targeted markets. (Gale, 2014)

One of the most essential element for evaluate a company is about the location, the physical place where the facilities can be positioned, and there are three spatial representations: network, continuous, discrete. And there are also some factors to take into consideration when start the selection of locations points, for instance, the available selection space sometimes can be restricted by the existence of some forbidden zones (Maria, 2001). Clearly we can see the importance to choose a good location to start the business for firms, to offer the customers a better service, the good aspects of location-based service normally are the personalization of services, to get a more accuracy of information, a lower cost and ease of use (Osman et al., 2003).

In our research, we consider ‘where’ is the target market divided by area. That means when we relate to ‘where’ in our empirical data and analysis part, it shows where the market is for the firm to do business now.

**H (How to achieve): How does the company achieve value?**

When we talk about this part, we need figure out the way of each firm to approach their value. We could find the importance of achieving the value for the firm through the form of O2O, as it also can be treated like a way to help the customers to enjoy the service, as Stanley (1995) explained that as the firm creates and achieve the value by fulfilling these customer “service” requirement, which is the best way to bridge the functional barriers and to manage the firm resources as a bunch of interrelated flows and processes. Meanwhile, we also need to realize that some drawback to the value for the value of the firm. Liebeskind and Opler (1993) demonstrates the result from their research that the unrelated diversification will decrease the firm value.

There are plenty of ways for the firm to achieve their values, for instance, according to Burkart (1997), the extended managerial initiative (or some other firm-specific investment) can make contributes to the value of the firm as well as there is a balance between the gains from monitoring and those from managerial initiative. As we just illustrate the different aspects of the four firm we got to show the difference for them to approach the values.

**H (How to make money): What is the way of the company to get profit?**

How to make money is an quite significant part in the business model, as relevant to the concept of business model as create and capture the value, in another word, it is just exactly the way that firm to make profit. As we know, each firm has a different approach to earn money, so in our study we will list three items as income, cost and unique advantage to gain profit, and carry out the comparative study. Meanwhile, it is not so difficult for us to observe some simple way to make profit around our daily life, for instance, as Michael (1992) showed us that one of the fastest and most effective way for a company or firm to make money and reach its maximum profit is to start to change the price for their products or service and get its pricing right for the customers. As improvements in price normally have three or four times of the effect to the profit than other factors (Michael, 1992).
2.3.3 Analytical Model

As all the three business models we have mentioned above, we decided to choose 3W2H as our analytical business model and we give all the reasons below.

First, we compared the focus of the three different business models. As shown in the Table 1 below, the 4Ws Model emphasize the four important key elements all related to the business decision, while the Business Model Canvas is more focused on why and how can we generate value proposition. However, as we mentioned in the purpose of this thesis, we already made the decision to choose the O2O as the business to focused on, and offer help to the new entering companies. Considering which, we need some business model to cover the external factors, like the environmental factors, so the 3W2H Model should be the best choice for us. Besides, the 4Ws Model also included the value part of one firm, which also corresponded the definition of business model we choose.

<table>
<thead>
<tr>
<th>Business model</th>
<th>Focus</th>
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<tr>
<td>4Ws Model</td>
<td>Internal factors</td>
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<td>Business model canvas</td>
<td>Value proposition</td>
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<tr>
<td>3W2H Model</td>
<td>External factors &amp; Value proposition</td>
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Table 1: The focus of different Business Models
Secondly, according to what we mentioned in 2.3.2, 3W2H model was first been used in the telecom industry. As we know there is lots of common concept and elements between the telecom industry and Internet industry. As we raised above, online payment is the core of O2O, so we take the 3W2H into account in our report.

Additionally, based on the concept of business model from different views that we use, there are some key elements related to the value of the firm and how does the firm make money. However, due to the rise of e-commerce market, customer needs to become more diverse and e-commerce business operations have become more complex. Compare the different business models and the explanation above and as such business model consider the value for the firm, the customer, products as well as the business geographical locations. All the elements mentioned here can match the traits of e-commerce business model what we found in our pre work, just as Afuah & Tucci(2001) demonstrated that a firm always create value for a specific segment of customers. As showed in the figure 6, this business model fit the definition of business model we chose, as related to the value of firms and how firms make money.

Therefore, 3W2H is our analytical business model and we will use it throughout the whole process of this thesis.
3. Methodology

Saunders & Lewis (2003) mentioned that we can treat the research process as an “onion”.

As the figure 7 show, it is the process we divide the methodology part into several parts, what we came to understand as ‘peeling the layers of an “onion”, the importance of complexities and the participation associated with that; while it is also an important issue of not ‘compartmentalizing’ research topics (Saunders & Lewis, 2003). Researchers can use such “onion” to discuss some more specific issues and problems (Pauline & Bernard, 2007). The second layer within this “onion” refers to the subject of research approach that comes from the research philosophy.

Then according to the situation of our research, we decide to pick up some parts from the “onion” as our methodology to show how we do the research.
3.1 Research approaches

Deductive approach
There are two main research method approaches—inductive and deductive.

Inductive approach and deductive approach are the connection between research and theory (Bryman & Bell, 2007). An inductive approach is a process of research that starts from the results of research to develop the analysis, and then build theoretical framework (Bryman & Bell, 2007). Moreover, an inductive approach is to study the existence and forms of organizational subcultures (Sackmann, 1992). The author starts with analysis of specific results and tries to establish conclusion of phenomenon through research (Hyde, 2000).

On the other hand, deductive approach emphasizes explaining the certain phenomenon by using theories which already existed (Patel and Davidsson, 1994). The deductive approach is a research process that begins with building a theoretical framework to analyze the collected data and arrives to results and conclusions as well as implication, which followed step by step in a targeted and logical way (Bryman & Bell, 2007). It can be treated as a theory proving process which begins from an established theory and then use the relevant theory to prove the specific results (Hyde, 2000).

We had a slight difficult time for our research to choose the side of either inductive or deductive approach, as we analysis our empirical data to carry out research, such approach supposed to be the inductive one. In the same time, we have read lots of literature about e-commerce, O2O as well as business model to build our theoretical framework from all the Chinese and English existing theories, which suppose belong to a deductive approach, plus, in consideration of few previous research about O2O, and the ease of conducting a research of a new phenomenon by firm cases study, so we use four case studies in our analysis part. In our research, we used the previous research about e-commerce, O2O and business model as the basic knowledge, then used these knowledge to conduct our research by case study, just as Yin (1994) argues that case studies should be considered as a deductive approach, therefore, we decide to choose our work as the deductive approach.

3.2 Research Design

According to Saunders (2009), it is significant to take the research design into consideration. The research design and strategy are directly affected by the research questions. The main purpose of the research design is to offer a plan for the researcher in order to answer the main questions of the research.

The research design can be treated as a blueprint for the study of the development process (Yin, 2003). It explains how to carry out the analysis, including the methods and processes needed to
obtain the desired data. Meanwhile, research design could control the study procedure and create a clear and effective research direction. Moreover, there are also several limited factors, such as insufficient money and time, which will happen in the research design (Ghauri & Grønhaug, 2005).

In this research, we design it as a case study. This part shows the reason we choose case study, how we do the case selection, and explain what our research strategy is.

### 3.2.1 Case study

According to Bryman and Bell (2007), there are four main research designs: cross-sectional design, longitudinal design, experimental design and case-study design. The case study needs detailed and intensive analysis of all the cases. It contains many ways such as a single location, a single organization, a single event as well as a single person, and nowadays, the case study has already become one of the most useful research methods in management, particularly in the development of new theory (Voss, 2002).

Meredith (1998) cites three outstanding advantages of case study as followed:

- The specific phenomenon can be studied in its natural setting and meaningful, related theory generated from the understanding gained through recording actual practice.
- The case study approach allows the questions of why, what and how, to be answered with a relevantly totally understanding of the nature and complexity of the whole phenomenon.
- The case study method put itself to early, exploratory investigations where it is still unknown for the variables and the phenomenon is not at all understood.

Patricia and Cathy (2008) stated that case samples as the focus groups are the specific type of research that particularly useful in depth feedback for the issue discussion. It is the most shortcuts and effective method to generate the qualitative data and it is the basis of data collection, interviews, questionnaires and data analysis (Patricia and Cathy, 2008).

Yin (1994) also mentioned that case study can investigate a contemporary phenomenon within its real-life context, especially the boundaries between them are not so clear, during such process, plenty sources of evidence can be chosen.

Soy (1997) illustrated that case study can offer us to a deep understanding of a complex problem or object and also can add information or extend the experience to what is already existed through previous study.

Meanwhile, due to the researchers’ limited control of the event, it is easier to use case study to investigate the complicated and comprehensive factors to show the process to answer questions if the researchers want to explain such complicated phenomenon (Yin, 1994).
Integrated with our thesis, we also would like to use the case study to show the process to answer our research question (What is O2O? etc.), which we consider to be a complicated phenomenon for the public to understand.

Based on the features of case study, in our research, we regard the case study is very suitable for our thesis as we also get the interviews, questionnaires as well as need the data analysis in our report. And according to what Yin (1994) said case study can investigate a contemporary phenomenon within its real-life context, we find it is quite similar to our topic, as O2O business is also a contemporary phenomenon without a quite clear public recognized boundaries. Also, as our purpose of our research, we want to get a better and deep understanding of the O2O business phenomenon to both firms and public which case study can dig out the complex problem.

Therefore, as all the reasons mentioned above, we decide to choose case study to carry out our thesis.

3.2.2 Case selections

Since O2O is the new type of e-commerce business and get rapid development in China. Some successful O2O companies in China are listed here: Baidu, Dazhongdianping, Jumeiyoupin, Meituan, Gewara, Tencent, China Auto Rental, Gaopeng, Donkey Mama, Bailin, ele.me. etc. Therefore, we selected four companies from the list, they are Gewara, ele.me, Donkey Mama and CAR (China Auto Rental). And he figure 8 shows our process of case selection.

![Case selection process diagram](image-url)

**Figure 8: Case selection process**

As the steps we have done as shown in figure 8, after the literature review part, we start to search some O2O companies information online in order to check which companies are outstanding in the O2O industry in China now and what kinds of companies are the most suitable for our research.
Next, we make a simple O2O questionnaire as the form to get the contact with companies. The questionnaire contains some options of different degrees some open question based on individual information. The aim of the questionnaire is mainly designed to get the contact with companies, and we also consider it as supplement data if there is some useful information, while we did not consider it as our primary data.

Then the questionnaires has send by E-mail to all the successful companies we selected, and finally get the confirmation of the four case companies with several more, and some of which are come from the same industry, as we want to compare different industry, so we make a final decision of our four case companies from different domain of different industries and different sizes, they are Gewara, ele.me, Donkey Mama and CAR.

Moreover, there are several more reasons that we choose these four case companies. Gewara is a big O2O company in cinema industry which be treated as one of the most representative firm of the whole O2O industry, while ele.me is a small O2O company in catering industry, as the most popular industry in traditional offline business. Donkey Mama belongs to the tourism O2O industry and CAR come from car rental O2O industry, both of which are the middle size O2O companies and emerging in O2O development. Hence, our four selected cases can stand for different O2O industry and can help us for reaching a better persuasive conclusion instead of focusing on only one industry. Therefore, we can get a better understanding of O2O through the four cases with different backgrounds as well as different sizes, which can help us conduct the comparative work. Besides, all the four cases are the O2O business firms that can also help us to answer all our research questions.

3.2.3 Research strategies

Research strategy is also significant for the research process because the research design, the strategy depends on stated research questions and knowledge for the researcher possesses (Saunders, 2009).

According to Bryman and Bell (2007), researches can be divided into two strategies: qualitative and quantitative. The qualitative strategy is based on proving the chosen theories, and reflects a view of social reality as an external, objective reality (Bryman & Bell, 2007). Qualitative method is more focus on gathering a better understanding of behaviors and the reasons for such behaviors. This kind of research method contains an interpretive approach to the purpose, hence it study things in their natural settings as well as from the perspective of human beings. (Denzin and Lincoln, 2005)

The quantitative strategy focus on the generation of theories and the ways people interpret their social world (Denzin and Lincoln, 2005). Quantitative method needs prove some certain hypothesis at the beginning of the research (Jacobsen, 2002). The quantitative method represents collecting measurable data to calculate and that can stand the statistical analyses (Saunders, 2009). Meanwhile, the interview in quantitative method follows the strict and structured factors behind the guidelines. From the view of epistemological positions, quantitative method is more close to the positivism
rather than the interpretive, which can be the basis for qualitative research, as it uses social science methods to understand human behaviors, sentiments and beliefs (Bryman & Bell, 2007).

In our thesis, based on the definition above, considering the qualitative way can better help us to achieve our goal for the research, so we decided to choose the qualitative case study as our research strategy. We choose four Chinese companies, all of which has got successful in the O2O industry. We choose to carry out qualitative interview by the form of semi-structured interview. After we got the qualitative data, 3W2H business model we have introduced in our theoretical framework is used in our four single case and cross cases analysis to help us to carry out how business model works for O2O, and we use the SWOT analysis to in each case in order to find out what traits O2O has both inside and outside.

3.3 Data Collection

Ghauri and Gronhaug (2005) stated that in the data collection and data analysis always play the important roles. In most research and project, data collection often can be used to reflect the improved result from a project (Mondschein, 1999). However, there are always lots of methods to gather the data confused people (Patricia and Cathy, 2008), in this study, some sample companies are chosen to search the secondary data, write and put on the questionnaires, and finally comes to the four Chinese company to conduct our interviews, then we will present our data analysis in the following part.

After we got the first contact with Wang Le, the customer manager of Gewara, we had a quick interview with Wang on 21th of February by QQ video chat, as the most popular chat online app in China, like Skype. Then we got the permission from Wang to have an interview with Liu Yong, the CEO of Gewara and we had the interview on 7th of March by phone. After that, we had a interview on 13th of March by QQ with Sun Bo, the Shanghai marketing manager of ele.me. However, it did bring us some difficulty to contact CAR, as we could not find any contact through their webpage, then we found a common friend who work in the similar industry and finally get the access to video chat with Huang Yang at 28th, March. It was not that hard to contact Wu Jing, the online marketing manager from Donkey Mama, he replied our email and finished the QQ video chat at the 5th, April.

3.3.1 Secondary data

The secondary data we use in our research was gathering from Halmstad University Library or online library, Google Books, China Academic Journals and websites of our case companies. In the connection with the early-received data, the research was broadening more deeply by using also other scientific literatures from different scientific journals, databases and books. For example: Journal Long range planning; International Journal of Innovation Science; Journal of Evolutionary Economics; Google Scholar etc.

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<th>Cases</th>
<th>Secondary data</th>
</tr>
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<tbody>
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</table>
### 3.3.2 Primary data

Primary data as new type of data, normally it collected with some specific purposes. The Primary data can be collected through different approaches, for instance, the observations, questionnaires as well as the interviews (Thornhill, 2009). And in our thesis, we choose interview to constitute our primary data. As the table 2 shows, we have four different cases, and we have got interview with five people who work in these four case companies. There also mentioned the interview process details in the data collection part above.

<table>
<thead>
<tr>
<th>Cases</th>
<th>Interviewee</th>
<th>Position</th>
<th>Interview Method</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gewara</td>
<td>Wang Le, Liu Yong</td>
<td>Customer manager, CEO</td>
<td>QQ video, Phone online</td>
<td>21th, February, 7th, March</td>
</tr>
<tr>
<td>ele.me</td>
<td>Sun Bo</td>
<td>Marketing manager in Shanghai</td>
<td>QQ video</td>
<td>13th, March</td>
</tr>
<tr>
<td>Donkey Mama</td>
<td>Wu Jing</td>
<td>Marketing manager</td>
<td>QQ video</td>
<td>5th, April</td>
</tr>
</tbody>
</table>
Patricia and Cathy (2008) explained interview as one of most reliable methods are available to capture qualitative primary data. Data can be secured by interviews that they are not available in data which are difficult to obtain through observations, secondary data or performance records (Kvale, 1996). Interviews are the part of most time-consuming, and it requires the preparation of interviewer to ensure the consistent process which it could be the major disadvantages of interview (Patricia and Cathy, 2008).

The selection of interviews in our research based on the case samples we chose as well as the replied emails we got. We try to keep contact with these sample companies we chose by mail and telephone in order to conduct interview, while still got more rejection than the confirmation. Plus, as we still get course in Sweden, it is impossible to book a face to face meeting with the Chinese company, so we chose the form of an our interview by QQ video chat.

Obviously, we got the answer from the four companies with different positions, which can improve the trustworthiness of our thesis as well as make the whole thesis more comprehensive and objective to persuade the readers.

Our interview guide is strictly related to the theory part and the analytical model we choose. Based on the functions and definition about business models we gained from the theory part, we carry out our interview around the five items from the 3W2H model (Who, What, Where, How to achieve the value and make money). Although some extra question also has raised by us during the interview based on these topic, the whole process of our interview is according to the five aspects of O2O operation about the customer group, main business, cities, ways to achieve the value and profit. All the details of our interview shown in table 2 above and all the results and contents of the interview will be described and shown in empirical data part.

3.3.3 Data analysis

Patricia and Cathy (2008) stated it is important to get feedback of data collection as data analysis which serves several purposes. Furthermore, linking data to propositions, logic models, pattern matching, explanation building, time-series analysis and cross case synthesis is the five most core methods to conduct the data analysis (Baxter and Jack, 2008).

In this research, the primary and secondary data collected has be combined with the case studies of the four case companies used the data analysis in empirical data study. And considering the categories and structure of the empirical data, it is always better to follow theory (Eisenhardt, 1989), so we decide to build our empirical data based on our theoretical framework.
We divide the industry background, company introduction and five aspects of 3W2H in our empirical data. We mainly use the secondary data to describe the industry background and company introduction. Also, the data we collected and organized in 3W2H also be extracted arranged for our SWOT analysis. Most of the 3W2H data come from the interviews and some supplementary data also come from the secondary data.

**Trustworthiness**

We also pay sufficient attention to the trustworthiness in our thesis, so we conduct it in the form of interview, as one type of primary data that can be a trustworthy data source that can answer our research question (Krefting, 1991).

Krefting (1991) presented a model for the qualitative research approach to evaluate the trustworthiness of one research, the model contains four criteria for assess of the trustworthiness, they are credibility, transferability, dependability and conformability separately. Hence, all the four criteria are considered during our thesis. During the whole process of our interview, we evaluated the four factors from the interviewers, we even decided to abandon some results from someone who are not so cooperative or impatient.

Strauss (1994) explained that the analysis of the data help to unite the whole qualitative procedures as well as improve the overall trustworthiness and quality of the research. Therefore, in order to improve the trustworthiness of our work, we conduct our analysis work strictly based on the empirical data we have collected. Besides, it cannot be ignored of the help from the computer assisted qualitative data analysis software (CAQDAS) as well. Although the aim to establish a trustworthy research result does not necessarily need CAQDAS (Rudolf, 2008). Hence, considering the data we got has already quite clear, so we decide to quit the CAQDAS part in our thesis.

Above all, to improve the trustworthiness of this thesis is an undoubtedly key point to be account throughout the whole process of our work.

**Research ethics**

Firstly, as Marilys (2004) showed us that it is better to ask whether there are some theoretical resources within the qualitative research work for dealing with ethical aspects. So we start to build our work related to the research ethics.

There is no doubt that research ethics does play an important role in our thesis. Research ethics deals with the proper behaviors about the right of the whole participants who involved in the research. These items are concerned research ethics issues involving respondents and even the general public (Ishmael, 1989). Similarly, research ethics should have a wider responsibility to gain the public interest by the relevant research (Savulescu, 1996). We do respect every single participant in our research work and do hope to bring some beneficial suggestion to the public as our purpose of this thesis. In a addition, research ethics contains responsibilities and moral for the research theme, research design, data collection, analysis and conclusion (Thornhill, 2009).
There are some main ethical principles, like treat the privacy as the basic principle; keep the truth and accuracy of the research, ask the permission from the participants to publish the research etc. Therefore, we concern all the factors in our thesis. It is a necessity for us to get the permission from all the four Chinese O2O case companies to publish the data we collected and used in the analysis we finished. Fortunately, we get all the agreements. (Savulescu, 1996) For the lessons what we need to pay attention, we realize the potential harms it may bring to our research participants. As we should think about the potential harms of the research, even if we cannot get the answer we excepted (Marilys, 2004). Same as Savulescu(1996) mentioned that research should not expose all the research participants to some unacceptable harms and unexpected risks. Therefore, we also keep all the data in a safe place and only the writers, the supervisor as well as the examiner of our thesis can get the access to this thesis.
4. Empirical data

The chapter contains the empirical data and it is trustworthy as we have collected from both primary data by interview and questionnaire and secondary data from the company website and some data consulting. We focus on four Chinese O2O companies in different size and different industry, in order to carry out a comparative study.

4.1 Case Gewara

4.1.1 Cinema O2O Industry in China

April 2013, online movie tickets market in China got a break turnover of $ 300 million in one month and gave a total contribution of 17%. These two sets of data clearly shows how directly revenue online suppliers bring to the cinema industry. Many O2O movie tickets websites swept the market (Jessie, 2013).

Currently there are basically two types of movie ticket purchase methods online, one is relying on the website customer, another one is that after viewing the information on the website, customers can pre-screenings, and directly go to the online seat selection with detailed inquiries and purchase. Compared to the traditional way, O2O is not only more convenient, but also with a better price. (Wang, interview, 2014)

In recent years, China's movie ticket websites have become matured, from the beginning of construction those are positioned as a movie ticket booking sites, such as Gewara, Nets tickets, Times, Votes net. Such websites main focus on selling tickets online, and take resources of theater as the core competitiveness, relying on high-quality service to attract people. They also offer the platform for critics and evaluation system on the websites as a secondary function.

Among the ticket booking websites, Douban and Times were established in earlier time, they have a good reputation with long-term loyal users, who can provide high profit. Hence, they can easily recruit quality resources of nationwide theater. But different types of theater ticket website also showed some differences, especially the geographical concentration characteristics. Although it started late, Gewara is one of the most popular in such industry, Shanghai and Guangdong region are its focused market and the number of cooperated theaters is significant bigger than other websites.

4.1.2 Company introduction

Gewara is a Chinese e-commerce company in the O2O area. It began with providing the movie schedule list online and now it is a company provide consumers with exciting city-life services covering the basic necessities. It is the first company with integration of information of
entertainment, user communities and businesses to build the network platforms.

Selling the movie tickets online is the core business of Gewara. And now, the service of Gewara is including cinemas, theater and sports facilities. Gewara not only provide basic information about the details of the service, such as address, telephone, etc., but also the integration of dynamic information like films schedule, performances, etc. While users can give comments or evaluation on their experience (Gewara, 2014).

Gewara started as a film schedule for theater, and later join the O2O business that users can consume on the sites and select the seats online. The initiator of Gewara, Liu Yong is a movie lovers and all the entrepreneurs process for Liu and his partner are based on the understanding of the movie consumption development. Liu said that he think Gewara is quite a typical example in the O2O field(Liu, interview, 2014).

4.1.3 3W2H Model

Who are your customers? (Who)
In the opinion of Liu, Gewara is a big community and a family with residents of customers, with a group of people who love movies and entertainment, improve the quality of life. Also, the target group of Gewara is the 1980s’ young people and no matter what if you are university students from 18 to 22, or average working wage-class with a salary of 6000RMB. Of course Gewara welcome such group of people who fond of movie while can not use Internet properly.

Liu said Gewara consider the customer as "God". Gewara will chat with you as a friend on some topics like recently which films is worthy to watch, recommend you which cinema to go to. "Be friends" is the concept of Gewara in customer service. At the same time, Liu emphasize the user experience, such as how to achieve the ultimate user experience and treat the customer like a friend.(Liu, interview, 2014)

Wang Yue explained that Gewara solve the problem of a better place to buy the movie tickets, while there are still lots of problems and Gewara is trying the best to solve them. Meanwhile, Gewara want to create the ultimate experience for the users, and try to achieve the ultimate control of the customers. For example, as what we mentioned about the closed loop, Gewara wants to continuously improve its service (Hu, 2013).

What is your products and service? (What)
With the development of mobile Internet, the surfing habits of the Internet users have transferred to the mobile terminal, Gewara firmly embrace the mobile Internet, "Mobile Internet is an extreme important issue. And the key item of O2O is obviously convenient and fast (Liu, interview,2014)

Liu told about the reasons for the Gewara founder, "watching movies certainly is a very interesting thing, but the user will be often get tense when they shopping online, particularly afraid of the wrong
payment. And we all know it has joy in offline consumption, and we want to bring such experience from offline to online, so that the users can feel better shopping online. "(Liu, interview, 2014)

**Where is your target market? (Where)**

Gewara’s headquarter is in Shanghai, has total of eight sub-stations among Beijing, Chongqing, Guangdong, Jiangsu, Zhejiang, Hubei and Sichuan. By the end of 2013, Gewara achieved more than 400 cities nationwide coverage, reached agreements with nearly a thousand theater tickets online. It has covered 60% of theater collaboration with Gewara. According to the Chinese National Cinemas statistics, Gewara's movie online seat selection service has already occupied 75% of the market share.

The mobile terminal users of Gewara who booking the movie tickets through mobile terminal are a trend that has increased. According to Gewara data, as of the end of September 2013, the proportion of mobile ticketing exceeded 50% of the average daily volume of 40,000 mobile phone tickets. The average growth rate reached to 130% of Gewara mobile terminal sub-station ticket across the country of users among Wuhan, Beijing, Shenzhen, the top three tickets sale cities, respectively, occupying the market share of 300%, 150%, 135%. And in October 2013, Gewara Life Network Announces $ 20 million financing. Liu (interview, 2014) said that 70% of the tickets sales is expected to turn to the network channels.

Liu (interview, 2014) told us that whether it is electronic suppliers or the offline retailers, sales amount is always the only way for measuring. Compared with other websites, Gewara's sales are very outstanding. The period from 2013 to 2014 before the Chinese New Year, average daily ticket volume reached 80,000 for Gewara.

**What is the way of your company to get profit? (How to make money)**

Related to the profit, the first thing to consider is the cost. Websites, mobile terminals, ticket machines are the main service from Gewara. Gewara has always focused on the issue about the online business and offline facilities problem. These two could be the most important parts as the cost during O2O operation. Besides the cost of the update maintenance of websites and the cost from the information suppliers, ticket machines in every single cinema are also a big cost for Gewara. Gewara has nothing demanding in this regard but make it a large scale to reduce procurement cost, as well as save the logistics costs by increasing user significantly. Gewara regard the ticket dispensing machines as a large billboard to attract the attention, and make all the ends meet during one year. Ticket dispensing machines are becoming the biggest competence of brand influence for Gewara. (Wang, interview, 2014)

October 2013, Gewara obtained $ 20 million funding. It was a good news for the entire O2O industry. The investor Fang pay more attention to the "urban entertainment areas". Here is the review of Gewara's two rounds of financing, in 2009 Gewara received a grand investment from the urban entertainment industry and in 2012, funding obtained from CDH investment company and got the first profit. Financing is the basic guarantee for Gewara to gain profit. (Wang, interview, 2014)
**How to achieve your company’s value? (How to achieve)**

“How online seat selection is the core competence for Gewara operating the O2O” said Liu (interview, 2014). For the cinema part, seats selection been treated as the basic service. Cinema gives the option of seat selection to Gewara, and Gewara and cinema essentially tied on the same rope. However, there is still a big difference between Gewara and other movie tickets websites for the value part of both cinema and customers, as other tickets websites only sell the ticket instead of the entire completed preparatory work before the movie start, while Gewara sell the movie ticket with screenings and seating. So what Gewara give to the customer is a result of the considering offer.(Ma, 2013)

Gewara is forming a closed O2O loop. The role of cinema is significantly weakened and almost became a video hall. They arranged the multiple services expect the film showing. Gewara has an effective influence in each single stage related to all the screen performance. Thus, Gewara is not just a movie ticket seller, but also a various tickets provider of "online seat selection".(Wang, interview, 2014)

Zong explained that O2O is not that simple as just the information or payment online and consuming offline, the most important thing is the "management." Precise use of the Internet tools and user activities management, which are the core functions of O2O. So the problem may to Gewara may come with a quick speed of scale and marketing expanding (Ma, 2013).

**4.2 Case ele.me**

**4.2.1 Catering O2O industry in China**

Catering as the biggest business in local market, it is also very popular in O2O market.
In Figure 9, “Iimedia Research” data shows that in 2012 O2O market in China reached 98.68 billion RMB, get a growth rate of 75.5%. Keep such rapid and sustained growth in the coming years, in 2015 Chinese O2O market can reach 418.85 billion RMB. Among all the industries in O2O business, the catering service industry has a remarkable development that already reach the same growth rate as the overall development of O2O market (Sundy, 2013).

4.2.2 Company background

"ele.me" is one of the Chinese largest catering O2O platform, which was founded in April 2009 by university students from Shanghai Jiaotong University. Currently the employee number of ele.me reached 200 people, adhering to the belief "extreme, passion, innovation", ele.me is dedicated to advancing the development process of digitizing the entire catering industry. This online catering company but only provides users with convenient ordering experience, but also offers integrated operation solutions for the restaurant (ele, 2014).

4.2.3 3W2H Model

Who are your customers? (Who)
"ele.me" was founded by four university students from Shanghai Minhang university town, Sun(interview, 2014) told us that the first group of customers were students aged from 18 to 22 years old in the university town. With the growth, ele.me expanded its customer cycle to the public and some other big cities in China. Now, the main service target groups of ele.me are college students, the office employees, the bachelors at an average age of about 29, and other customer groups that do not have time to cook their own meal or go to a restaurant. Meanwhile, the customer wage level of
ele.me is also very broad; no matter if you are a student without salary or the low and medium salary level employees who get it between 3000 and 6000RMB. So for them, such a helpful website is the main way to choose and enjoy their meal.

Because of the customer groups positioning, the customers have a high dependence on ele.me, so it will not be a huge loss of customers (Sun, interview, 2014).

What is your products and service? (What)

ele.me is the service integration of network resources of offline and online food brands. Users can easily use mobile phones, computers to search for the surrounding restaurants and finish the online ordering, and enjoy their food. At the same time, ele.me convey the user a healthy, young eating habits and lifestyle. ele.me also has a food delivery service system from the beginning stage of the firm, but now it become more focus on the online integration and offline feedback with the quick market change (Sun, interview, 2014).

Where is your target market? (Where)

Currently, the business of ele.me mainly covering 12 cities, including Beijing, Shanghai, Guangzhou, Hangzhou, Suzhou, Tianjin, Fuzhou, Harbin, Shenzhen, Nanjing, Changchun, Xiamen. Total number of restaurants are more than 20,000, and ele.me's annual online transactions reached 600 million RMB in 2012(ele, 2014). Website revenue nearly reached 10 million RMB and also the company received a total of three financing about $ 2,000,000 from GSR Ventures, $ 3,000,000 from Matrix Partners and Sequoia Capital invested $ 25 million RMB(Peng, 2013).

Sun(interview, 2014) said that one of the reason they have succeed is that they catches up with the chance of O2O booming period, and catering industry is more suitable than other industries characterized by the development of e-commerce in O2O.

What is the way of your company to get profit? (How to make money)

As the early path to gain the profit, ele.me divided the profit with offline restaurant. Sun Bo (interview, 2014) explained that during the time ele.me got online business in a short period, its main way of profit is sharing with restaurants around university that charge a commission based on the total order by a certain percentage of income. The advantage of profit share with all the partner made ele.me refill the capital in a short term. When the restaurant revenues increasing, more profit money will pumped into the website of ele.me, which made the owner of offline start to fear. It made ele.me adjusted its profitable way later. (Sun, interview, 2014)

And now there are two main ways:

1. Restaurant settling platform costs. If the offline takeaway restaurant wants to settle into the platform of ele.me, they need to pay a certain amount of settled cost, generally divided into three months, six months and one year. This is the main revenue way of ele.me. (Sun, interview, 2014)

2. Competing ranking show costs. This is somewhat similar to the bid ranking, but not charged by
hits, more appropriate to say is that there is a rank order of recommendation advertising. How much about the fees charged will depend on what position the offline restaurant want to show itself. (Sun, interview, 2014)

*How to achieve your company’s value? (How to achieve)*

Before 2009, ele.me put all operational efforts on the restaurants offline. One is to expand the offline business; the second is to conduct the delivery service by online members themselves, both of which are difficult. After the website got online, ele.me cut off the business of delivery, only concentrate on the information display online, and they left the delivery job to restaurants. So ele.me got more human and financial resources to develop and expand into new markets and new cities. (Sun, interview, 2014)

For the website management part, there are some maintenance difficulties for ele.me (Sun, interview, 2014). Some problems are always existing, just like the over crowded restaurants in one area, increasing salt prices or the garlic out of stock, changing the menus, and highly mobile and restaurant owners do not maintain consciousness, so it is hard for ele.me to check the details every time.

Sun (interview, 2014) said that there is a big advantage of ele.me compared with other single restaurant reservation service competitor, as ele.me has its own feedback mechanism. It can also be the way to achieve the value of ele.me and the feedback can help consumer solve problems faster and easier, and establish the long-term and loyal consumers.

4.3 Case Donkey Mama

4.3.1 Tourism O2O industry in China

The Chinese National Tourism Center published the "Chinese O2O tourism development report” shows that in 2012, Chinese Tourism O2O e-commerce (Internet-based online trading platform for tourism) market reached 200 billion RMB, accounting for nearly 15% of overall tourism revenue share. The reason is that people are not only able to obtain comprehensive travel information via the Internet, they can find their individual needs of tourism traveling services (Xin, 2011). Internet has become a great tool to boost the O2O tourism market. The figure 9 shows the industry scale and growth rate.
Besides, there are a couple of famous main tourism e-commerce business companies, like C-trip, Go-where, Mango, eLong, Lotto, Donkey Mama etc.

According to Wu (interview, 2014), "The most distinguished feature of Chinese tourism industry compared with the majority of other countries in the world are the ticket prices." The price from other countries are relatively cheaper, tourists travel tickets in the other countries normally take a very low proportion of the citizens’ income, while China has the world's ‘most expensive tourist tickets’. As we compare the ticket price with household disposable income - the ratio is 1% for oversea countries (basically negligible), while the domestic is reach as high as 5%, as one of the largest obstacles for customers to consumption.

4.3.2 Company background

Donkey Mama, founded in 2008, is one of the leading website in China who carry out the e-commerce in the traveling areas. Donkey Mama is one of the largest independent travel reservation and information service platform in China. Donkey Mama provide the service to all the customers according to the located market. After several years of development, they formed a discount ticket, DIY (Do it yourself) tour, hotel as the core competence, taking into account the DIY tour with the group tour buses, long-route travel, oversea travel, etc. Internet travel business, bring “one-stop service” for tourists to enjoy their travel.(Lv mama, 2014)

At the same time, Donkey Mama are devoted to combine the traditional tourist routes by operating
offline and marketing online in order to provide an accurate network marketing for tourism businesses, including to build the online traveling e-commerce platform, products distribution, marketing planning, event planning, media placement and other network integration marketing services. Uphold the "integrity, passion, innovation, win-win" as their company value, Donkey Mama will enhance support tourism enterprises for the level of e-business applications and network marketing proficiency. (Lvmama, 2014)

So they wondering whether there is a pattern to reduce both the high-end self-service ticket cost, while improving the income of the tourist attraction. Would it come out as a win-win? This is the original idea and mentality for them to started Donkey Mama, to establish a scenic spot ticket distribution as a starting point, customers-oriented marketing and distribution of new model. By addressing the issue of the electronic distribution of scenic spots, to achieve China's tourism product full-service supply chain of the e-commerce model.

4.3.3 3W2H Model

**Who are your customers? (Who)**
The customer of Donkey Mama are the people who like travel and want to know all the information(details) about all the traveling package being offered and choose the best one online, and then enjoy their trip offline(Wu, interview, 2014). The main customers can be divided into two groups, the first one is the students who around the age 20. The second is the people who just got married or white collar who around the age 30 with a decent salary around 10000RMB.

**What is your products and service? (What)**
Donkey Mama mainly offer two kinds of service online: group tour or DIY tour. As we know, DIY tour is the most economical way to travel. The customers can design their own route, their own arrangements for the whole journey. Full of freedom, while sometimes together the hardships together, the customers can take the advantages of modern civilization, instead of blindly bound by the conventional rules. However, when you join the group tour to travel with other people together, there is no need for you to take consideration of everything as the travel agents will help you finish the arrangements through their guide. Meanwhile, there are some unique advantages from Donkey Mama, like offer the customer a special price for tickets as well as hotels. They also emphasize on the DIY tour. As before, the group tour accounting for 80% of the proportion of the tourism market, while DIY tour only took 20% of the market. With the transformation of the tourism industry, it is now reversed, accounting for 60% of DIY tour, the group tour accounted for only 40%.

**Where is your target market? (Where)**
Donkey Mama launched their website online to all the customers, while they also have all their branches offline, separately located in every big city in China. (Lvmama, 2014)

**How to achieve your company’s value? (How to achieve)**
With the increasing complexity of the tourism industry, more tourists, increasing diverse demands from tourists, making the transfer of information plays an important role in the tourism industry. Keep the flow of information has become essential to ensure the smooth running of the tourism industry. Thus, according to Wu (interview, 2014), we can treat the O2O as a bridge to match the tourists from online to offline. To the online world, the integrated multimedia electronic information technology of text, sound, graphics and images together, form an interactive e-commerce network, provide a richer interactive services. To overcome the drawbacks of traditional way to attract the customers.

There are also some quite beneficial parts to help Donkey Mama to grow. As all the customers are more and more interested in the so called “DIY” trip, which means that the travel agency just offer the tourists the bus and hotel rather than the whole routine, and also an increasing interest to the form of O2O to enjoy their shopping online and then enjoy the travel offline. Both of the two aspects above are the important mission for Donkey Mama, through the help of the more ideal payment platform online as well as the Social Network (Microblog and Renren are the most popular two recently in China).

Based on the different market to different customers, Donkey Mama also provide the differentiated products and the service for the online users to enjoy their travelling offline. Besides, Donkey Mama also emphasize the importance of cooperating with the related companies, which do help Donkey Mama a lot to achieve their value and goals. Although they also have been faced some tough problems like they had to get enough fund to deal with the prepay system (Wu, interview, 2014).

Tourism enterprises plus the form of O2O, changing the tourism enterprises fundamentally. This historic change will enhance the overall benefits of tourism to maximize operational efficiency and optimization possible.

Donkey Mama offer the service to the customers as follows (Wu, interview, 2014):

- An information inquiry service
- Online booking service
- Customer service
- Agent services

What is the way of your company to get profit? (How to make money)

When Donkey Mama started, they just wanted to learn from the biggest two companies in this area: C-trip and E-dragon. Sometimes they also felt good to just focus the online market, but after all, C-trip already grabbed the opportunities, at an quite dominating position. As Donkey Mama is kind of small vertical electric providers, they can only rely on the interaction together online and offline, that’s the reason it can survive and stably developing (Wu, interview, 2014).

Donkey Mama also got plenty of fund and investment as the foundation to run the whole capital chain of the company, as we know they need enough money to prepay to all the tourism bus, hotels
etc. Furthermore, the also need money to increase the investment to the advertisement part as Donkey Mama still is not that famous to the customers who want choose an travel company online.

Wu also told us there are not only one goal to make money, instead, they have to make a super plan just before all the new strategy of the company to make money, there are lots of detailed stuff to take into consideration, for instance, all the contract issue, as well as the responsibility to share when some accidents happened related to the compensation problem.

For Donkey Mama, their work always concentrate on the tourist attractions and tourists, as their customers. There are six business segments in this company, Donkey Mama guide the tourists to the tourist attractions, and take some design work for the tourism area, in addition to scenic areas of marketing, operations management, and even investments. On the other hand, they also get a good relationship with the tourism area offline, bound to provide better resources for online market, which means that they can get cheaper prices and better resources. As a result, they improve the cost and performance ratio, and even to provide specific services for tourists.

**4.4 Case CAR (The China Auto Rental)**

**4.4.1 Car rental O2O industry in China**

Chinese car rental industry was started from August 1, 1989 in Beijing, mainly established to serve the Asian Olympics Games. After more than ten years, the turnover of domestic car rental O2O market in China is approximate from 23 to 25 billion RMB in 2013.

Car rental, which is rent CAR for business. CAR Rental Company rent their cars through the provision of vehicle functions, taxes, insurance, maintenance, accessories and other services to achieve a real investment value. Car rental industry is called "Sunrise industry" in China, just because there is no need for insurance, annual maintenance and you can change CAR modes etc., so rent a car instead of buying one is more popular among domestic enterprises and individual users (Zuche, 2014).
There is still a growing trend in such industry, as the figure 10 shows the China's car rental O2O industry scale and prediction.

4.4.2 Company Background

The China Auto Rental (short for CAR) company is one of the biggest in the CAR rental industry in China, founded in Sep, 2007 in Beijing. CAR is China's first company that uses the mode of “two cards and one license”, which are credit cards, ID cards, driver's license, to achieve a domestic chain as a car rental company. Without guarantees and deposits, customers can rent cars through the CAR platform online, a unified domestic hot line and other means in other cities in the country, to pick up and return CARs in different stores and enjoy the service offline. Upholding the "Any One, Any Time, Any Car, Any Where" like their service concept, CAR always makes efforts to “develop the environmental friendly transportation and fulfill all the demands from customers”, as they encourage the customer to choose the cars with small output to save gas in order to protect the environment.

So far, CAR has been in more than 30 cities across the whole country with more than one hundred stores, as well as more than one thousand cars, it has become one of China's largest and most extensive networks, the most professional car rental chain companies, also became one of the pioneers in China’s car rental industry chain. This information is based on the profound analysis and understanding to the market (Zuche, 2014).

4.4.3 3W2H Model

We carried out an interview with the marketing manager named Huang in CAR, through who we got all the essential information to construct our work.

Who are your customers? (Who)
With a good analysis of the domestic market, CAR realized that China's main consumers will be business and tourist groups. Based on the customers, we can divide them into two groups: Long-term renter and Short Term renter as follows:

**Long-term renter:**
National government authorities and institutions, customers who do not have enough money to afford a car, or enough money to get a license plate number (which is quite difficult to get in China).

**Short Term renter:**
Urban white collar who has no car, people whose office is at another city to, business people who need business trips frequently (Huang, interview, 2014).

Basically, people who tend to rent a car are the group of middle aged people with a decent salary.

**What is your products and service? (What)**
We can divide into three types according to CAR rental time: a long-term rent, a medium-term rent and short-term rent; Among them, 15 days is a short-term, 15-90 days is the medium-term while more than 90 days is the long-term rent. Also there are two methods of renting: drive CAR by yourself or hire a driver. (Zuche, 2014)

According to Huang (interview, 2014), one of the most unique advantage from CAR is that the founder group has an abundant knowledge about how to combine CAR rental area and Internet to carry out the form of O2O as well as they acquire a better knowledge about the insurance and maintenance.

Furthermore, he also pointed out that CAR was a little bit fall behind at the high-end business area as they did not get enough luxury cars to fulfill such market, which exactly reflected the problem that CAR still can not offer the service offline in a high level. (Huang, interview, 2014)

**Where is your target market? (Where)**
National domestic chain stores, return CAR in different places to different stores, is the biggest difference between CAR and other traditional car rental companies. Learn the experiences from foreign giant car rental companies, CAR realized the importance of a nationwide business network, in order to meet the market demand.

Therefore, when CAR first established, the most important job is to plan the layout of the nationwide network as well as they got a leading online information system compared with their competitors, while the whole network still have lots of drawbacks (Huang, interview, 2014). They pick Beijing, Shanghai, Guangzhou, Shenzhen as the commercial cities; Hainan, Hangzhou, Xi’an, as the supreme tourist cities to build their network.

To meet CAR rental needs with customers who are on the business trip and tourists, as the main customer groups, CAR chose to open their stores at the airports and major wharf or central train stations of every city. Today, as the implement of the new marketing strategy, in the arrival lounge of every airport, you could see the fresh bright yellow logo of CAR.
They occupied the airport as the "essential points", CAR rapidly opened their branches at the commercial center of major cities, transportation hubs as well as the residential quarters, which not only bring the convenience for customers to pick up CARs in the city, but also for CAR rental service offline, which can be treated as an important foundation to carry out the online to offline business. (Zuche, 2014)

**How to achieve your company’s value? (How to achieve)**

Here shows the way that CAR achieve their goals:

What CAR want to show to the public is that CAR provide anyone who is at least 18-year-old with the driving license, anytime of simple process to rent a car with 24 hours car service online and offline for ordering more than 70 models to choose and in more than 600 across the whole country including the capital city (Zuche, 2014).

According to Huang(interview, 2014), there are plenty of things from CAR that can help them to achieve their value of the company, as to broaden their car rental area, for instance, they have good reputation, the habit of consumption changed for the public, the tendency for traveling, the improving credit card system etc. Meanwhile, there are also some areas they need to improve, like promote the logistics system and add more maintenance center, purchase more cars to ensure the need of each single store.“to promote the environmental friendly and new consumption culture of transportation” is the value of their company, they are always on the path to achieve that.

However, still many things hinder their process to achieve the value, like they are often stuck in the local protection barrier when they try to enter a new market, or meet some dishonest customers who even want to steal their cars (Huang,interview, 2014).

**What is the way of your company to get profit? (How to make money)**

CAR established a close cooperation with Unionpay in China, which is the biggest union for all the credits cards system. Then they search for the partner (like the golfers), collected together the initial fund.

Moreover, CAR can also divide their pattern to make money into several systems as follows (Huang,interview, 2014):

1. **Settlement System:**
   More than thirty branches as well as more than one hundred stores, CAR use the POS terminal with credit card through an unified approach to each individual settlement to avoid a large cash expenditure, simplifies the financial management to the stores.

2. **Identity systems:**
   With the advanced document screening system, networking inquiries with the relevant departments
check the true identity of the renter. Collaboration with the Unionpay as well as the major banks, double check the renters’ credit history, which will reduce the risk.

3, Insurance and Compensation System:
Cooperation with major insurance companies, to purchase the full comprehensive insurance for all the vehicles in CAR, not only solved the problem of worrying from the rental customers, but also improved the efficiency of dealing with accidents and reduced the operational risks.

4, Vehicle Monitoring System:
The biggest risk for CAR, as a car rental company, is the safety of the vehicle. A CAR monitoring system can carry out the real-time monitoring on any car national widely. All vehicles are subject to start without the order signal to prove the settlement of the credit card clearing system. The vehicle is also equipped with GPS, therefore headquarters can realize an abnormal situation for any car at all times.

5, O2O Platform:
In order to expand in a very short time to dozens of cities, hundreds of stores, with a scale of over one thousand cars, and to provide a considerate service for tens of thousands of members, CAR must take full advantage of modern communication technology and Internet technology, especially in the area of online to offline business. When CAR was founded, the first thing was to build the company's e-commerce platform to carry out the O2O business. Also necessary was a Network training system as well as the store multimedia terminal system to integrate all the systems above, through which, all CAR rent business, maintenance of vehicles, internal job management can be effectively expanded, and closely related to and support each other. The O2O platform of CAR, also provides the customers with a full range of service channels. Customers can easily make an appointment by consulting the store multimedia terminals at every store offline, or CAR website online. They can also recharge their own account online. On the other hand, CAR has achieved a number of partners to exchange the electronic data automatically, through the O2O platform, to carry out a seamless business, which can gain more potential customers.

Moreover, CAR also cooperates quite well with related firms and industry, it has also launched some acquisitions as well as having abundant funds to help them carry out all the business. (Huang, interview, 2014) Moreover, the improving infrastructure of the transportation can also help them to make profits, and Hert has already exited the Chinese market, which proves that they have got less competition. There are also some problems for them, like there are increasing numbers of illegal cars as well as their competitors carrying out a low-price business battle.
5. Analysis

5.1 3W2H Analysis - within and cross case analysis

5.1.1 Who are your customers? (Who)

Choi, Cooper, Hamner(1998) explained that the choice of customer groups is the most useful factor of a marketing plan. And for choosing the targeting group, Vincent (1989) informed that it is important to understand and pay attention to the customer demographic characteristics, such as age, gender and education level. Barbara (2001) also mentioned that the important information from the customers are their age, gender, and income etc.

Gewara
According to Liu(interview, 2014), Gewara is a big community of customers, a group of people who love movies and entertainment, and the pursuit of a better quality of life. The target customers of Gewara is the youth aged around 18 to 34, who are fond of movies, Internet surfing, who is interested in searching information of films or entertainment, but also the elder people, who used to buy film tickets in the cinema but now want to get the tickets cheaper and in advance at home. This group of people are the target customers of the whole O2O cinema industry. According to this type of customer group, they prefer booking the film tickets in advance in order to save money, so the salary level of this group can be the low and middle level employee who get the salary mainly around 4000- 8000 RMB per month. However, we also want to know if the rest of public can be the customers of O2O cinema industry in the future, especially for the old people or those who do not like to use the Internet. Mo (2014) said although there are a large number of cinema screens increased in 2013, but the attendance has no improvement that much as the data is only about 15%. Therefore, the primary task of O2O in cinema industry is to help improve the utilization of seat auditorium, to attract people to come to cinema from online besides the busy business of weekend nights. Above all, using O2O is turn the traditional local customers to be the potential customer of O2O cinema industry.

ele.me
Sun(interview, 2014) described that first group of customers in the starting stage of ele.me is students from their university town, which became a big success. For O2O catering industry, almost all companies began from some small area, and the target customer is those who are familiar to the local offline restaurant and have no time to have their meal in the restaurant. So O2O catering appeared to provide them the service. Then after the customers expansion and capital collection,such companies including ele.me began to expand their customer group into public and a much wider region.

For ele.me, their main service groups are college students aged from 18 to 22, the company's employees and those bachelor who haven’t get married yet. Depending on this target customers position, the customers of ele.me have high dependence (Sun, interview,2014), it made customers get a habit to order meals on ele.me, so it will not be a huge loss of customers, and according to this target customer position, they cannot be the rich people, instead, those employees only get average

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wage around 3000-6000RMB per month and even students without salary. However, look at the other O2O companies in this industry, most of them put focus on the public who are using Internet to find the meal choice, so the customers will search for the information on the most famous catering platform and find the cheapest one, then go offline to consume. In this situation, companies can both get and lose the customers easily, but based on the big population of customers, it will not be a big loss. Furthermore, we consider there should be more customer targets for the O2O catering industry, for instance, they can offer the meal for business meeting, wedding, birthday party etc.

**Donkey Mama**

As Wu (interview, 2014) pointed out, the customers of Donkey Mama are the people who treat traveling as their hobby and want to know all the tourism information (details) online to check the updated offer and some special price from Donkey Mama. Besides, after all the research we have done, when we take consideration of the customers about the tourism industry, we can divide the customers of such industry to two groups, the first one is the people who always prefer to make their choice online to pick up some service to enjoy, and the major of them are young people. While the other group is such people we described as the “regular customers”, who prefer to choose the service offline as they already get used to some tourism company that they trust and already experienced, major of whom are middle aged people. Based on the Empirical data, we get to know the main customers online for Donkey Mama are the Internet users and traveling lovers, while the majority Internet user in China are located in the 20-29 (CNNIC, 2014). Then we got the result that the customers main age for Donkey Mama are between 18 to 32 with an income around 9000 to 11000 RMB per month.

After our analysis, we find out that there are some more specific groups to be the potential customer groups for the whole tourism industry, such as carry out some “Sunset Routines” for the aged people; the “Happy Families” for the parents and kids.

**CAR**

CAR realized that China's main customers will be the business and tourist groups. Based on the customers, we can divide them into two groups: Long-Term renter and Short Term renter (Huang, interview, 2014).

Long-Term renter: National government authorities and institutions, customers who do not have enough money to afford a car, or having enough money but cannot get the license plate number (which is quite difficult to get in China). Short Term renter: Urban white collar worker who has no car, people whose office is at another city, business people who need a vehicle on frequent business trips. (Huang, interview, 2014) All the renters above are in the age range 25-35, and they are urban white collar workers or business travelers, so they are actually from the high salary class around 12000-18000 RMB per month.
When analyzing, we find out that the customers for the whole industry could be the same as CAR. While for the potential customers we find that it could carry some bigger vehicles in the form of bus to big firms or companies, in order to transport a big amour. Meanwhile, prepare some luxury cars to the topic of “Marriage” is also a good choice.

**Cross cases analysis of target customer group**

To sum up, we can discover the customer of different O2O industries have some different preference. Although there is just the start of O2O business, it is not even well accepted for all the public, there are still lots of opportunities to attractive and gain more customers.

According to the four cases’ data we tried to find out the common customer groups in each case, and in each O2O industry we focussed on. It is clear from the results that the operation of e-commerce is affected by age and category of the population (Margherita, 2004), and O2O is not an exception.

<table>
<thead>
<tr>
<th>Case</th>
<th>Age</th>
<th>Income (RMB)</th>
<th>Customer type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Gewara</td>
<td>18-34</td>
<td>4000-8000</td>
<td>Movie fans, Internet users</td>
</tr>
<tr>
<td>Case ele.me</td>
<td>18-29</td>
<td>0, 3000-6000</td>
<td>college students, employees</td>
</tr>
<tr>
<td>Case Donkey</td>
<td>18-32</td>
<td>9000-11000</td>
<td>Traveling fans, Internet users</td>
</tr>
<tr>
<td>Case CAR</td>
<td>25-35</td>
<td>12000-18000</td>
<td>Urban white collar, Business men</td>
</tr>
</tbody>
</table>

Table 4: Cross cases analysis of target customer group

There are some similarities we found during the cross case study and we have listed them into table 4. So as we look at table 4, the target customer group of O2O businesses are all aimed at young people from 18 years old, as such age refers to the freshman who has just finished their high school then enter to college, and get plenty of free time and would like to try new ideas or forms to enjoy their life, especially fond of spending time online. In the cases of Gewara and Donkey Mama, the firm and industry customer groups are the movie/traveling fans and Internet users, and the potential customer groups are always the aged people and those who are not good at using Internet. Meanwhile, the customer group of ele.me and CAR are more focused on the business men or people who have specific needs. And the potential customer groups of these two O2O catering and car rent industries can be considered as a business purpose need and activity need.
In table 4, we integrated the information from empirical data about the customer rage into different industries. All the cases consider the customer groups are Internet users because O2O is the combination of online and offline. The online platform provides the integration and market promotion for local offline merchants to give more opportunity to grab customers and it’s the necessary trend to make your business online in the future. In this way, customers can have more information, choice and cheaper prices on local offline merchants, merchants can have more customer source from the platform, then those who used to have local offline service have to come into the users of Internet. Alex Rampel (2011) explained that O2O companies look for the customer through Internet, and then bring them to the real store. Therefore, O2O online platform also attract the traditional offline customer to the online platform to make their choice and enjoy the service back to the offline.

5.1.2 What is your products and service? (What)

The core product or service is not only the business on what to provide to customers, but also it should be unique by the company and reflect the company’s value (Greg, 1997). The core business company can provide would also depend on which industry the company is in, so that we will also discuss the traits of different kinds of O2O industry in our cases.

Gewara
Liu (interview, 2014) presented the main service of Gewara is that customers browse the film information and buy the ticket online, especially on the mobile network, then go to the local cinema to have the service. Gewara provide the convenience by offering film schedule for cinema, and later started the service that users can consume on the website and select the seat online. About the core service of Gewara, Liu (interview, 2014) highlighted their attention on the mobile terminal development. Based on the characteristics of the cinema industry, convenience and mobility should be the most important aspect O2O companies should pay attention to.

Based on what we explained in theoretical framework from Dolbeck (2009), what is the core business of a company is relevant to the industry the company is in, so ‘What’ analysis could be more related to the industry situation or level.

With the data of online movie tickets market in China, a big booming happened from 2012 that got the turnover of $300 million RMB during one month and gave total contribution of 17%. And the movie ticket websites like Gewara have gotten more mature recent years. Based on the definition of Stan(2011), now film is the second popular O2O industry in China, with a flourishing trend of development, cinema O2O industry will be the main force in the development of Chinese O2O industry. However, in the cinema O2O industry, it is hard for new companies to enter, because big companies almost have already occupied local offline channel sources and movie ticket market share, and those companies which want to enter the industry should have a deep foundation of Internet resources, or it is originally the local offline cinema chain.
**Ele.me**
According to Sun (interview, 2014), the service of ele.me is to make integration of network resources of offline and online food brands, and provide them to customer through the Internet. Then according to the order from customer, ele.me makes the arrangement of the catering service in local restaurant or the delivery service. And after the meal, ele.me provides the whole system to let customer give a comment or even get discount for the next meal.

As we all know, catering industry is always the biggest industry in all service industry, also there is the largest number of companies in catering industry, and the same in the O2O area. According to table 8, in the end of 2013, the whole sales volume of O2O industry is 1765.4 billion RMB in China, but the catering O2O industry also has the volume of 582.6 billion RMB that shows the O2O market catering is the biggest one in China undoubtedly. So it could be a very smart choice for the new O2O entrant companies to enter catering O2O industry because of the high demanding, low input cost, flexibility of customer etc. However, it also exist some high risks for the new entrants, for instance, the low profit, fierce competition, reputation and so on.

**Donkey Mama**
Donkey Mama mainly offers the customers two kinds of service online: Group tour or DIY tour (Wu, interview, 2014). There are some specific advantages from Donkey Mama to offer the customer a good price on tour packages. They also emphasize on the form of DIY tourist.

Donkey Mama put plenty of efforts to improve the DIY tour service, to attract more customers online to join or book their tour package, then satisfy all the customers by their service offline.

For the industry part, the inevitable trend of the DIY, in some degree, is the new booming form of traveling. As before, the group tour accounting for 80% of the proportion of the tourism markets, while DIY tourist only took 20% of the market, with the transformation of the tourism industry, now it is a big reverse, accounting for 60% of DIY tour, the group tour accounted for only 40%. At the same time, we can find out some brand new type of tourism, for instance, two quite outstanding ones are Tranquility tour and Fiction novels tour. Tranquility tour is the pursuit of real quiet during traveling: you can sit on the grasses; quietly feel the breeze, the sun, to accept the gift of nature. A fiction novels tour is a special way to travel: literature lovers gather together to walk along the footsteps of the leading role in the novel, to enjoy the various places which are described in the book.

In 2013, the total turnover of China's tourism market is about 2947.5 billion RMB, in which the turnover of O2O, through the online channels, is about 252.2 billion RMB, take 8.6% possession of the whole turnover. The Chinese State Council also published some measures to accelerate the development of tourism, first proposed the "cultivate tourism into a strategic pillar industry of the national economy"
CAR realized that China's main customers will be the business and tourist groups. Based on the customers, we can divide them into two groups: Long-term renter and Short Term renter (Lu, interview, 2014).

As we already list, we can divide the customers for CAR into two parts: Long term and short term renter, offer them service like business trip car, tour car. On the other hand, they are also trying carry out some bigger vehicle in the form of bus to the big firms or companies, in order to transport a big amount of people, named “company car”. Meanwhile, prepare some luxury cars to the topic of “Marriage car” is also a good choice.

However, for the whole industry, Chinese car rental industry was started from August 1, 1989 in Beijing, mainly established to serve the Asian Olympics Games. After the development of more than ten years, the turnover of domestic car rental market in China is approximate between 17 to 22 billion RMB.

CAR Rental Company rent their cars through the provision of vehicle functions, taxes, insurance, maintenance, accessories and other services to achieve a real investment value. In China, CAR rental industry is called "Sunrise industry", just because there is no need for insurance, annual maintenance and also you can change CAR modes etc., so rent a car instead of buying one get more popular among domestic enterprises and individual users.

**Cross cases analysis of different services and industries**

From the four within cases analysis, we can easily see the differences of ‘What’ among the four companies, just because of the wide variety of industries they come from. As Yan (2013) stated O2O business mode applications have been noticed in many industries, in order to get clear conclusion, our analysis should be based on the cross case analysis of different O2O industries and we would like to give the suggestion for the firms who want to enter the O2O area.

Although now O2O presents a good prospect, for new entrant, to choose which O2O industry they want to enter still need to be considered carefully. From the industry perspective, depending on the customer acceptance, the IT level of industry, trade management features and other reasons. The application, maturity and feasibility of different O2O industries are not the same. Some industries, such as catering, hotels, cinema, have already realized the O2O operation for a long time, and there are success experiences. But for some industries, its O2O awareness level is still a little behind, and customer's habits are still the local offline consuming. For these industries, O2O is still unreal.

<table>
<thead>
<tr>
<th>Case Gewara (Cinema O2O industry)</th>
<th>Core service</th>
<th>O2O Industry Size</th>
<th>Ease of accessing to markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online film info, Ticket selling, Mobile terminal service</td>
<td>Big O2O industry, High occupancy by giant companies</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>• Competitive giant companies</td>
<td>• Difficult access to channels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case</td>
<td>Industry</td>
<td>Online Service</td>
<td>O2O Industry</td>
</tr>
<tr>
<td>------------</td>
<td>---------------------------------</td>
<td>----------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>ele.me</td>
<td>Catering O2O</td>
<td>Online food</td>
<td>Biggest O2O</td>
</tr>
<tr>
<td></td>
<td></td>
<td>order, Delivery</td>
<td>industry, Popular</td>
</tr>
<tr>
<td>Donkey</td>
<td>Tourism O2O</td>
<td>Group tour</td>
<td>Medium O2O</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DIY tour</td>
<td>industry, Beneficial policy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Small percent of online booking</td>
</tr>
<tr>
<td>CAR</td>
<td>Car rental O2O</td>
<td>Business trip car</td>
<td>Small O2O industry</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tour car</td>
<td>Sunrise industry</td>
</tr>
</tbody>
</table>

Table 5: Cross cases analysis of different services and industries

As shows in our pre-work in the within case analysis part, there are some differences and similarities among all the four cases, as they also represent four different industry separately in the table 5. First of all, according to table 5, the Case Gewara(Cinema O2O industry); Case ele.me(Catering O2O industry) and the Case Donkey(Tourism O2O industry) are quite popular in the O2O area, compared with the Case CAR(Car rental industry). Just because the film, food and travel are the main life events people need to have or entertain themselves frequently. While not so many people need to rent a car everyday. Secondly, the Case Gewara(Cinema O2O industry) and the Case Donkey(Tourism O2O industry) have one thing in common: it is very important for such industry to acquire the unique channel, for instance, like to get a good contact with the cinema for Gewara and nice cooperation with the tourist attraction and hotels for Donkey. Such network is not easy to approach, especially in China. “GUANXI” is what we call such network for businesses, it is the foundation for companies in these two industries to survive. Moreover, the Case ele.me(Catering O2O industry) get the dominant place considering the online booking, as everyone need to eat three meals per day, it is the biggest industry in the O2O area as it gets the most online booking, although the net revenue per bill is not that high. In the contrary, the Case CAR(Car rental industry) get the lowest profit among the four cases, due to the limited amount of customer group.

Looking at the four industries in our case study, there is no doubt that the catering O2O industry is most easy one for new entrants to conduct the O2O operation with low input cost, low starting-up capital and high customer demanding. However, there is a small probability for these new entrants to become the large O2O companies, So that catering is a highly open industry to operate O2O.
Secondly, the tourism O2O industry also has high feasibility to enter the markets because lots of new ideas and new ways to operate. The DIY trips is booming these years, and Chinese government introduced a number of policies in favor of new entrants in tourism O2O industry. But it still needs more conditions than catering and there are more unfavorable factors than catering industry, such as unfair competition and more difficult access to channels. Thirdly, compared to the two industries above, cinema O2O industry is much more difficult for new entrant, as explained in the within case study, in spite of the nice outlook, big companies have almost already occupied local offline channel sources and movie ticket with a solid foundation and Internet resources, or it is originally the local offline cinema chain can get a piece of cake from the cinema O2O industry. Finally, as the lowest feasibility to markets, Car rental O2O industry seems only has bad news for new entrant. High starting-up capital, flooding illegal car phenomenon, bad reputation received from just even one accident, all block the footsteps of new entrant to enter car rental O2O industry.

5.1.3 Where is your target market?(Where)

“Where” means where the case companies carry out their business. As we know, it is essential to know where their target markets and the location of their branches are. Identifying certain target markets can help firm to have better performance to deliver the products and promotions and also maximize the potential profit from these targeted markets (Gale, 2014). One of the top element for evaluate a company is about the location, the physical place where the facilities can be positioned (Maria, 2001).

Gewara
Gewara, as a cinema O2O company, it should have a whole nationwide connection net covered cinema in cities of different sizes. According to the data we collected, Gewara achieved more than 400 cities nationwide, reach agreements with nearly a thousand cinema online in 2013, they are mainly focus on Shanghai as the place of Gewara headquarter, Beijing, Guangzhou, such big, medium size cities and also covered some cinemas in small cities. Gewara started their business from the cinema chain in big cities, and then use the chain network to expand their cooperation resources into medium cities. Thus, the small cities will provide the opportunity initiatively to Gewara in order to develop.

ele.me
In spite of the big industry, ele.me started as a colleage entrepreneurial company has a medium or small business scale. Currently, the business of ele.me mainly covering 12 cities, including Beijing, Shanghai, Guangzhou, Hangzhou and other cities. Based on the feature as large quantity, small size of individual restaurant, the complexity of the industry, ele.me as a starting O2O catering company is hard to enter the small cities as it needs lots of human, material and capital resources. So for a new entrant of catering O2O company, it is better to start with the city the company already in, then consider and expand the scale into nationwide among big, medium, small cities depending on the firm’s development.
Donkey Mama
Donkey Mama is one famous tourism O2O operator in China, which is started by the Shanghai Culture Communication Co., Ltd. except Shanghai, they also get plenty of branches all over China, like Guangzhou, Suzhou, Beijing, Nanjing etc. They also have the cooperation with more than 400 tourist attractions, covering the 23 provinces in China. The customers just need to check their website and choose the tour package they want in the form of O2O, so their customers can be anywhere as long as they have an internet, so Donkey Mama get the biggest scope of their business among the four cases.

CAR
The China Auto Rental (short for CAR) is one of the biggest one in CAR rental industry in China, founded in Beijing, and also opened their “24 hours service” in 24 cities, like Beijing, Guangzhou, and Shenzhen etc. with more than 700 service stations. Basically, it is located in the big cities what and focus on the middle-class or high-end customers, so the targeted customers and market is quite small among all the four cases. As they get some barrier and fund problem to sustain their business to the medium or small cities.

Cross cases analysis of geographical choice
In our cross case analysis part here, we will get the information from the pre-work to analysis and compare the four case firms (also represent the four different industry) to show the difference and similarities of their scope of business and the location of their customers offline national widely, because they already got all customer resources from offline during their O2O operation all over the country, as one major similarity.

<table>
<thead>
<tr>
<th></th>
<th>Scope of business and Location of customers</th>
<th>geographical development choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Gewara</td>
<td>Big, medium, small cities</td>
<td>Big -&gt; medium -&gt; small city</td>
</tr>
<tr>
<td>Case ele.me</td>
<td>Big, medium cities</td>
<td>One city -&gt; nationwide</td>
</tr>
<tr>
<td>Case Donkey</td>
<td>Nationwide</td>
<td>Medium or small -&gt; Big city</td>
</tr>
<tr>
<td>Case CAR</td>
<td>Big cities</td>
<td>Big -&gt; medium -&gt; small city</td>
</tr>
</tbody>
</table>

Table 6: Cross cases analysis of geographical choice

Look at table 5 about the geographical choice, firstly, there are lots of similarity between the Case Gewara(Cinema O2O industry) and the Case ele.me(Catering O2O industry), both of which have medium scope all across China, and also mainly located in the big and medium size cities in China. For cinema O2O industry, although there are traditional cinema industry in every single city and
already have quite decent market, there is still some difficulty and barriers for such firms to achieve and launch the O2O business in small or even some medium size cities, especially to get the network or GUANXI (resources) with the local cinemas. And it is more difficult for catering O2O entrants to achieve O2O business in the small and medium cities because of the large quantity, small size of individual restaurants, the complexity of the industry, it is better for new catering O2O entrants focus on the original city they are located in to collect more human, material and capital resources before realize their nationwide ambition.

Furthermore, the Case Donkey(Tourism O2O industry) get the most wide scope of their business as well as located national widely, as the customers can easily book their trip online through O2O and then go to the big cities to join the package tour, which help them to approach all the customers. Therefore, the suggestion to choose the city type to enter the cinema O2O area is better start from the medium or small city then the big one, as there are already furious competition at the big city with the limited resources, so it is better start from small or medium city with less competition in such industry, as Kim(2005 ) mentions the blue oceans strategy, which is defined as the untapped market space, demand creation as well as the chance for higher growth of profit.

While the Case CAR(Car rental industry) have the small scope of business, as the company primarily located in the big cities which have the targeted customers to rent cars, it is also because they do not get enough demand in the small or medium city to run such business. Hence, we suggest that it is better start the O2O car rental business from big city, to get the solid fund and network, and then expand the business to the medium or small city.

5.1.4 How to achieve your company’s value? (How to achieve)

“How to achieve” means that we need to figure out the way that each firm approach their value, as already showed in the pre-work, that different firms have different values. The common part here is all the four firm use the form of O2O to service their customers to achieve their value, as Stanley(1995) explained that the firm creates and achieve the value by fulfilling their customer “service” requirement. Meanwhile, there is also something named diversification can reduce the value of the firm, as Liebeskind and Opler(1993) demonstrates that the unrelated diversification will decrease their value. Therefore, all of the four case we chose as our case study are focus on different areas.

Gewara

According to Liu (interview, 2014)’ words, Gewara make efforts to weaken the role of cinema in the O2O closed loop and provide all the multiple services besides the film display to customers online. The core value of Gewara is to build a big community and family with residents of customers, a group of movie fans and entertainment, and the pursuit of quality of life of people. And provide the entire best service experience online to these residents and become the best to achieve their value. Liu expressed that the core of Gewara was to operate O2O business as ‘online seat selection’, so we can consider the ‘online seat selection’ as a part of promoting the online
experience where Gewara always pay their attention in. Not only the seat selection, Gewara has completed the entire concept of the preparatory work before the movie including real ticket is screenings and seating are under its control. They also haven't neglect the service experience after watching. In summary, the way of Gewara to achieve value is a to provide better online experience to customers.

**ele.me**

Sun (interview, 2014) introduced ele.me have two different ways in different period to achieve their value. The core value of ele.me is to provide convenient ordering experience with the belief "extreme, passion, innovation". In the early period, ele.me put their all operational efforts on the restaurant offline, one of efforts is take the delivery by online members themselves, based on several specific areas. This service of ele.me is to make the fast and efficient delivery since customers order to have the meal, we can consider ele.me try to help the local chain to provide a nice experience in the part of offline to customers.

And in the second period after ele.me has collected enough human and financial resources, they turned efforts to maintain the website online. They check and update the detail information of local offline restaurant everyday in order to protect making mistakes during the customers’ orders. And also the feedback mechanism that can help consumer solve problems faster and easier. All efforts ele.me made are now to provide better online consume experience for customer and let them feel relaxed and comfortable.

**Donkey Mama**

Donkey Mama are always devoted themselves to the combination of the traditional tourist routes operating offline and marketing online, to attract the customers online who get needs to travel. “Integrity, passion, innovation, win-win” is their value. They keep the update of information which is essential to ensure the smooth running of the tourism industry, use their passion to design and endless produce some new innovative ideas about the new route package to offer the customers. Donkey Mama also uses O2O as a bridge to match the tourists from online to offline. To the online part, the integrated multimedia electronic information technology of text, sound, graphics and images together, provide abundant interactive services. At the same time, Donkey Mama is a company that emphasize the R&D, they put lots of effort into get the new tendency about the customers that they would prefer DIY tour instead of the guided tour, so Donkey Mama add several attractive new DIY tour packages to cater this market. Finally, Donkey Mama got their own network and channel to acquire the discount tickets for the tourist attraction and hotels, which bring benefit to all the customers as well as they get the avenue mutually, so called “win-win”

**CAR**

The China Auto Rental (CAR) is the leading company of CAR rental industry in China, and the value for their company is “to develop the environmental friendly transportation and fulfill all the demand from customers”. As we get to know the choice and the habit about the consumption from customer are changing all the time, nowadays people are pay more attention to relieve the pollution
from the gas, so an increasing number of people choose to take the public transportation or rent one car when it is necessary instead of purchasing a private one. So CAR make a good effort to this part, they give a big discount to rent out the “back tracking” car as well as to advocate to use the small-engine cars to save the gas to protect the environment. On the other hand, in order to meet the need of the customers, Donkey Mama promotes the logistics system and adds more maintenance center, purchase more cars to ensure the need of each single store. However, in the process for Donkey Mama to approach their value, there happen some failure about the unrelated diversification part, which we will discuss in the cross case analysis.

**Cross cases analysis of achieving value**

After the comparison of four cases, although we can see that they have their own words to explain what their own value is.

<table>
<thead>
<tr>
<th>Core value</th>
<th>Ways to achieve value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Case Gewara</strong></td>
<td></td>
</tr>
<tr>
<td>● A big community and family with residents of customers</td>
<td>Promote online experience</td>
</tr>
<tr>
<td></td>
<td>● Online seat selection</td>
</tr>
<tr>
<td></td>
<td>● Online community</td>
</tr>
<tr>
<td><strong>Case ele.me</strong></td>
<td></td>
</tr>
<tr>
<td>● Convenient experience</td>
<td>Promote online experience</td>
</tr>
<tr>
<td>● Extreme, innovation</td>
<td>● Update restaurant information</td>
</tr>
<tr>
<td></td>
<td>● Feedback mechanism</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Case Donkey</strong></td>
<td></td>
</tr>
<tr>
<td>● Win-win</td>
<td>Promote online experience</td>
</tr>
<tr>
<td>● Integrity, innovation,</td>
<td>● Keep the information updated</td>
</tr>
<tr>
<td></td>
<td>● Emphasize the R&amp;D</td>
</tr>
<tr>
<td></td>
<td>● Meets customers’ need</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Case CAR</strong></td>
<td></td>
</tr>
<tr>
<td>● Environmental friendly Transportation</td>
<td>Advocate environmentally friendly</td>
</tr>
<tr>
<td>● Fulfill the demand</td>
<td>● Use the small-engine cars</td>
</tr>
<tr>
<td></td>
<td>Promote the after sale service experience</td>
</tr>
<tr>
<td></td>
<td>● Promote the logistics system</td>
</tr>
<tr>
<td></td>
<td>● More maintenance centers</td>
</tr>
<tr>
<td><strong>Similarity</strong></td>
<td></td>
</tr>
<tr>
<td>● Unity and integrity</td>
<td>Promote both online and offline experience</td>
</tr>
<tr>
<td></td>
<td>● Fulfill the customers</td>
</tr>
</tbody>
</table>
We have list core values of our four case firms and the ways to achieve their value in table 7, we can find some similar and different parts when compare all the four cases, like passion, innovation and also improve the unity and integrity for the four case companies. Because such mentality is the priority condition for a firm to get success, it also comes from an old saying in China that you can only reach success after you fix and solve the inner problems among an organization. The difference among the core value comes from the different needs from different industry, as all the four cases need to meet different needs, each of them can hold its unique core value, like offering an ‘environmental friendly transportation’ from CAR as well as bring a ‘convenient ordering experience’ for customers from ele.me. According Wu (2013), the O2O business model is customer-centric, to meet the different needs of customers as the goal, to create a good online experience. While at first, it is quite easy job for us to find some specific unique ways to achieve the value from different firms, for instance, Donkey emphasizes the role of Research & Development and CAR devote itself to promote the after sale service experience as the need from car rental industry. Besides, we can also find the similarity of all is focus on promoting the customers’ experience of both online and offline through O2O and different firms take different measures in details according to the its industry. Therefore, if the new entrant company want to survive or become a big nationwide O2O company, they should focus on promoting the online and offline line experience as Gewara, ele.me and Donkey have done, like Yan (2013) said, O2O can bring a brand new shopping experience for consumers, we also need to put eyes on the demand or the popular trend from the society like Donkey and CAR have done.

5.1.5 What is the way of your company to get profit? (How to make money)

How to make money and how to realize the profit maximization is always the topic that the board or manager care about when the company carry out a business model, and no exception for the O2O companies, Maxager (2007) explained every company want to design a perfect business model to ensure that strategic business plan related to low risk of cost, ever-increasing income, and production cycle can be made quickly on a basis that will optimize profits depending on their own unique operation ways. Therefore, we choose the three items as income, cost and unique advantage to start our cross case analysis.

**Gewara**

Wang (interview, 2014) told us the biggest cost for Gewara is the websites, mobile terminal, ticket dispensing machines, those main service line of Gewara even after they have already got the resources from local cinema. These are the most important parts because of the cost during O2O operation including maintenance of websites, information cost, and ticket dispensing machines in
every cinema. Then comes to the income, besides divided profit from local cinema, what Gewara have is having financing from consortium constantly.

According to what mentioned above about the cost of the ticket dispensing machines which is the biggest cost for Gewara, Wang (interview, 2014) gave their solution as to make it large scale to reduce procurement cost, as well as save the logistics costs from increasing user significant. And also surprised them, the dispensing machines now become the symbol of Gewara for the public, its play can attract the customer’s attention.

**ele.me**
In our empirical data, we have already explained clearly about what are the cost to ele.me, where ele.me can get profit, and what are the special ways of ele.me to increase the profit according to Sun (interview, 2014). Their main income is financing from consortium, and the profit divided by the local offline restaurant. And based on the traits of catering O2O industry, the cost of ele.me is only websites cost and labor cost that almost cost ele.me nearly 0.

We directly got two special ways of ele.me to increase their profit from Sun (interview, 2014), they are restaurant settling platform costs and competing ranking show costs, in these way, they expand the capital from squeezing more profit from local restaurant based on the 0 cost. So that, ele.me got rapid development.

**Donkey Mama**
Donkey Mama, as a small vertical online service provider, they can only rely on the interaction together online and offline to survive and stably developing. From the income part, first Donkey Mama gets abundant fund and investment to run the whole capital chain of the company as a foundation. In addition, Donkey Mama can get every single specific profit from each deal that done online, approximately around 20 - 30% from each order. Besides, Donkey Mama can also get some profit from the DIY tour customers, as they sign the contract with some hotels and souvenir shops along the travel routine that if they recommend some tourists to such place, then they can get some refund (10 - 20%) based on how much the tourists spend there.

For the cost part, Donkey Mama put plenty of investment to the advertisement to gain their popularity, especially online, through the form of O2O. Next, there is also a potential cost for Donkey Mama that if some accidents happened in the tour, they need to pay some part of the compensation to the tourists. Moreover, they also need to prepay the all the tourism bus, hotels etc. All in all, there are some unique advantages from Donkey Mama that they get the access to the discount tickets and hotels as well as they also get a benefit from the policy.

**CAR**
First of all, CAR get a launched some acquisition and get enough abundant fund and investment to help them carry out all their car rental business. Similarity, they also get the profit from every single order online from their car rent deal. Additionally, they can also get some profit from putting some advertisement on the body of cars or taxis, which can be treated as a special way to make the money.
In the contrary, there is a big investment or cost for CAR to start the O2O car rent business. Obviously, all CAR cost lots of money at the beginning. Then, they purchase the full comprehensive insurance for every single vehicle in CAR and it is also cost a lot to build the repair and maintenance center in every city they choose. Above all, the outstanding advantage for CAR is that they get a nice cooperation with the related organization and a nice network connection all across China, they got the qualification to cooperate with the Energy Saving and Environmental Protection Center, Beijing Daily, all the subway operation companies of the major cities etc.

**Cross cases analysis of getting profit**

As we compare the four cases together in the form of cross case analysis, there are quite interesting similar or different part here.

<table>
<thead>
<tr>
<th>Case</th>
<th>Main income</th>
<th>Main cost</th>
<th>Unique advantage to profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gewara</td>
<td>● Financing from consortium</td>
<td>● Websites maintenance</td>
<td>● Larger scale to reduce the cost</td>
</tr>
<tr>
<td></td>
<td>● Profit sharing</td>
<td>● Mobile terminal</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Ticket machine</td>
<td></td>
</tr>
<tr>
<td>ele.me</td>
<td>● Financing from consortium</td>
<td>● Websites maintenance</td>
<td>● Profit from restaurant platform member fee</td>
</tr>
<tr>
<td></td>
<td>● Profit sharing</td>
<td>● Labor</td>
<td>● Profit from competing ranking table</td>
</tr>
<tr>
<td></td>
<td>● Advertisement fee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donkey</td>
<td>● Investment</td>
<td>● Websites maintenance</td>
<td>● Access to the discount tickets and hotels</td>
</tr>
<tr>
<td></td>
<td>● Tourists’ order</td>
<td>● Compensation</td>
<td>● Policy support</td>
</tr>
<tr>
<td></td>
<td>● Refund</td>
<td>● Payment in advance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAR</td>
<td>● Investment</td>
<td>● Websites maintenance</td>
<td>● Searching for good cooperation</td>
</tr>
<tr>
<td></td>
<td>● Car rental order</td>
<td>● Car purchase</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Advertisement</td>
<td>● Repair and maintenance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Insurance</td>
<td></td>
</tr>
</tbody>
</table>

Table 8: Cross cases analysis of getting profit

As we already get the basic analysis result from the within case analysis above, we would like to
present the similarity as table 8 shown that at first: for the income part, the most outstanding similarity is that all the case get an sufficient finance from venture capital or fund to conduct the O2O business, they all get money from the capital investment; Secondly, both the Case Gewara (Cinema O2O industry) and the Case ele.me (Catering O2O industry) make money through the profit share with the cinemas or restaurants they collaborated with, while the Case Donkey(Tourism O2O industry) and the Case CAR(Car rental industry) get small difference here, as they get the whole profit as long as the customers book the order online. Further, there is an interesting part here that the Case ele.me (Catering O2O industry) and the Case CAR(Car rental industry) can make money through displaying the advertisement on their products, they can paste it on their lunch-box or the body of car.

For the cost part, first one we would like to mention is that all the four cases invest to build and maintain the websites for O2O business. Next, both the Case Gewara(Cinema O2O industry) and the Case CAR(Car rental industry) spend lots of money to build the ticket machine or the repair and maintenance center; Thirdly, based on the traits of the industry, both the Case Donkey(Tourism O2O industry) and the Case CAR(Car rental industry) have a expenditure to purchase the insurance for the customers or produces as well as the compensation they need to pay when some accidents happened; Last, here is quite extraordinary part for the Case Donkey(Tourism O2O industry) that it needs to pay the money in advance to book all the hotels or tickets to tourist attractions.

The main purpose of operating e-commerce is enhancing the ability to make more money than offline business by the Internet (Hashemi and Bastani, 2000), so every O2O company should have their advantage to increase the profit. As to the unique advantage part, we list some points and also would like to give some suggestions to the firms who want to enter such O2O industry or area. The most representative trait for the Case Gewara(Cinema O2O industry) is that they need to increase the scale to gain the profit as the cost almost keep stable regardless how many the market share they get. Case ele.me (Catering O2O industry) get some special way for extra profit because they can get paid by all the restaurants who want to join their online platform, and even get paid to build a food recommendation ranking list to show the customer online and help them make a choice. Hence, such requirement to enter is objective low. While the Case Donkey (Tourism O2O industry) hold a quite high demanding standard of entrance, we need to get the specific access to the cheap or discount tickets and hotels, it is difficult for others to enter such industry even though with a helpful policy. Last, the Case CAR(Car rental industry) get a good cooperation with the related industry of firms, such network is also difficult to build, similar with the Case Donkey(Tourism O2O industry), it is tough to start the O2O business in such areas.

5.2 SWOT Analysis - within case study

According to Kotler (1988), the SWOT is standing for Strengths, Weaknesses, Opportunities and Threats analysis, which is a widely used tool for analyzing the internal and external environment factors in order to get a systematic understanding and support for making a decision. And we can also divide the Strengths and Weaknesses into the internal factors, while Opportunities and Threats
into the external factors (Andrews, 1980). It is also common knowledge that a good strategy means a balance between its own internal qualities or characteristics (strengths and weaknesses) and the external qualities or characteristics (threats and opportunities) for a targeted firm. (Andrews 1980).

In this part, we main focus on find out the Strength, Weakness, Opportunity and Threat of four case companies from our empirical data during operating the O2O business, and as a conclusion, we will find the common parts from four cases about the internal and external traits of O2O business.

5.2.1 Case Gewara

Strength

- Customer first
Depending on the business scales and sales amount, now Gewara is the marketing leader in the cinema ticket industry. For Gewara, such a huge amount of sales relied on two "patron" pulling - One is the mass customer base, which has always supported Gewara faithful "tile" Friends, the other is to force performance from a technical and operational team.

- More discount with cooperation
As Liu (interview, 2014) said, Gewara often organize events with banks, it is allowed customer use credit points get movie tickets, to form a very favorable exchange mode. For example, once customer use a bank card that you can reduce 10 RMB in Gewara's movie ticket, and the bank is willing to use a fee for users to pay for theater. So that we can see Gewara has a very strong capability on offline communication.

- Outstanding online system support
According to the online system situation, software system holds the ticketing system interface, and it can achieve the function of electing seats only access software systems, while the cinema can not afford to do it. So the advantage of Gewara is that the whole online system can afford their online information integration.

Weakness

- Management difficulty
With the expansion of the company's business, most O2O project also need the expansion of employees at the same time, it also involves lots of management issues from the company being crossing the city, to this point, it is a big problem for O2O companies which are most developed from small teams. The same problem exists in Gewara. There are too many O2O projects went to bankrupt after taking the blind expansion strategy while management had not kept on the same pace. And this problem is often especially vulnerable for the O2O companies in the B round financing after taking a number of money, just as that Gewara completed the C round of financing in 2013. (Hu, 2013)

Opportunity

- High expanding speed
Last year's Chinese film sales amount reached to 17 billion at the box office and get more than 30% growth rate. Such spending is concentrated in the big cities, where the network level is generally high. Considering present situation in Gewara, with covering most of the Chinese major cities and Gewara won the online ticketing market is only a matter of time. However, how much potential in this market? We still don't know yet.

- New creative project
In addition to attendance, there is also a big opportunity that Gewara can help to solve the problem from new profit point of the movie industry. We all wonder what film O2O mode can bring to the cinema industry. For example it could help enhance the recharge rate of membership cards or movie theaters derivatives sales ability.

Threat

- Geographical restrictions
In spite of the large amount marketing share, for example, like Shanghai, the best market of Gewara, even if Gewara had to admit that its user growth rate has slowed down as there are more barriers to enter other markets. (Hu,2013).

5.2.2 Case ele.me

Strength

- High customer dependence
The first advantage of ele.me is the user's high demand. Once takeaway become the habits, there is small possibility for users to use another website, unless there is some non-human irresistible events, such as college relocation, demolition and other offices. (Sun, interview, 2014)

- Low input cost
The second is the low input cost. Relative to the takeaway website that the main input is pre-promotion and training users online ordering habits. Once the user develop the habit of ordering a takeaway platform, then such market is basically stabilized, the number of post-maintenance investment promotion is no longer needed, or even 0 cost. (Sun, interview, 2014)

- Feedback mechanism
The third advantage of ele.me compared to other single restaurant reservation service is that ele.me has its own feedback mechanism. Alex (2011) explained that for consumers, O2O could also be a "discovery" mechanism offline. The role of feedback can not only help customers understand the franchise's quality and trends, but also adjust and make communication, while improving the professional level of ele.me. Meanwhile, ele.me also will continue to strengthen the feedback mechanism, helping resolve the consumer's problems faster and efficient. To establish the professional image of ele.me while making more long-term and loyal consumers.
• More attractive information
Customers prefer ordering on the website, because customers can match the graphics with food and it is more intuitive than a phone ordering.

**Weakness**
• Low profit each order
One of the weaknesses of ele.me is low profit for each customer. ele.me made its mass marketing position as fast food takeaway, so the price is low, even if there are thousands of transactions each single day, but except the cost there is not much actual revenue left. So it is difficult to determine the overall short-term income soaring.

• Geographical restrictions
The second shortage is regional property demanding. It is a high rely for the location of regional user groups. For example, ele.me's user base is mainly concentrated in the universities and office workers area; because only these two types of users has lots of need. Leaving these two places, even if the user needs a takeaway service, because of low customer price, investment will be less than the output, the choice will be worthless. (Peng, 2013)

**Opportunity**
• High frequency of consumption
Based on the high frequency of consumption, ele.me gets much opportunity to expand its market. Especially for office workers and students, who do not have time to cook or go to diner, so that takeaway website is the main way they choose, once an aggregation platform surrounding numerous takeaway restaurant appears, takeaway platform users do not have to go out, they can directly select the takeaway online merchants. It also save the user's time, it can easily develop a platform-independent user of sales and increase frequency of orders. They all become the opportunity of ele.me.

• Industry own advantage
Catering industry is more suitable than other industries to have the O2O business, and it is one of the most typical industries in O2O development. Catering industry are mainly composed by small and medium enterprises, the majority owner of the restaurant all want to reduce costs through e-commerce and increase profits. Currently, for ele.me, online ordering is still in formation, it still has much room to grow, if they can take advantage of the infiltration, ele.me will profit a lot.

**Threat**
• Own offline service cost
As the fast-food takeaway customer price is very low, and the number of frequent trading, logistics costs will continue to increase with the growing number of transactions, so that the profit of ele.me will be less than the normal profit of fast food delivery or even a loss. So basically do not reach the delivery part of fast food takeaway site, it could be a threat of ele.me. Secondly, the delivery service also is an entrance of settling fast food online platform. ele.me now gave up its own
logistics that it will not be able to give users time to protect, and can not satisfy the needs of users on the user experience. All above might come to the problems for ele.me.

- Maintenance of website information
The detail of the menu and the information of the restaurant is always changing. Not timely updated information will lead to the wrong order, resulting in decreasing user's experience. Restaurant owners do not have maintain consciousness, what ele.e can do is checking their information frequently, so it could be the threat that ele.me is thinking about now.

5.2.3 Case Donkey Mama

Strength
- More discount
Domestic scenic spots and hotels have discounts tickets for group travel, as well as for the company who get the access to such channel, as Donkey Mama. Otherwise if the tourist goes to such place alone without the O2O business from Donkey Mam, normally they will be required the full price. Thus, through the partnerships and new business models are in such areas. Donkey Mama sold the tickets and accommodation for a discount price online, not only to be able to attract more ordinary tourists, but also more attractive to the potential consumer as well as some high-end DIY tourists. In addition, Donkey Mama realized the common phenomenon that in so many scenic spots of China, there always is a long queue at the entrance, so Donkey Mama set up much specific entrance at each tourist attractions for their own members. For example, you can always find the “Donkey Mama Entrance” at Happy Valley, which is the biggest chain amusement park in China. Customers just need to use your mobile phone with a two-dimensional code to enter the Happy Valley, and then enjoy the service offline at the whole amusement park.

- More convenient and clear information
Donkey Mama as the China's leading O2O traveling website as well as a big independent travel reservation and information service platform in China, naturally get the unique advantage. We can find some quite unique section on their web page, for instance, like the "Tour Guide", "Traveler Reviews", "Tour Consult" etc, customers can just stay at home and will be able to understand the various objective situation about the entire tourist destination. In addition, there are a variety of standard travel tips on their page, taking into account lots of situations and responses may occur when traveling, which definitely can attractive more customers.

- Good cooperation
Donkey Mama has a wide cooperation with a variety of authorities, ticket center, tourist companies, tourist attractions offline, and even some related E-magazines or websites online, mainly in the O2O area. For instance, the Wudang maintain, as one of the top popular for traveling in China, already ask Donkey Mama to become their agent, to take over all their business. Meanwhile, Donkey Mama also gets plenty of venture capital, even one is from the Company named C-trip, as the top tourist online company, their biggest competitor. Thus, they get a more clear direction, which is focus on the O2O area and more energetic to take such risk with a stronger financial foundation.
Weakness

- Payment advance system difficulties
The payment method of Donkey Mama is in advance, so that if the trip is canceled, then the refund will be relatively difficult. In addition, refund service hours normally from 8:00 am to 8:00 pm, the refund will often to be accepted after a few working days, many customers said that it will bring inconvenience to an emergency situation. When facing some conventional customers, they would doubt the authenticity and reliability of such advanced payment, think there is no guarantee, so to choose a real travel agencies.

- Restricted market offline
Donkey Mama already got a certain degree of visibility and market share in Shanghai both online and offline, but when we consider the whole China, the influence of Donkey Mama is not enough. The name of Donkey Mama is still not so familiar to many areas, even some famous tourist place. While their competitors have done lots of advertising in this areas, such as the “Travel Cattle”. And from a marketing perspective, Donkey Mama is also quite behind compare with C-trip or some other big traveling online companies.

Opportunity

- The development of online payment platform and Social Network
As we introduced in our theory part that O2O is supposed to be the next era or new type of E-commerce. Meanwhile, with the trending of online shopping, the consumers are more and more willing to start to the online payment and start to believe the reliability of online payment. Driven by the rapid development of online payment platform, consumers do not have to go out to the store to ask tourism products anymore, they can just order then enjoy the trip offline. We can find every link of the traveling route from Donkey Mama been shared to the most famous Social Network in China, such as Happy, Microblog, Renren as well as Horizon, there is also own home page for Donkey Mama on the Microblog. Through these Social Network spreading, not only can save plenty of cost, but also can use the shortest time to convey the updated information for a large number of potential users.

- DIY tourist project
In China, as the expanding network of nationwide high speed train, private car, economic development, which are all the foundation of DIY tourists. Consumers are no longer satisfied with the group tour, which form can be treated like “sleep on the bus, get off to relax, take pictures", so DIY tourist became the new trend, and Donkey Mama is also ready to enter the new DIY tourist era through the O2O platform.

Threat

- Contract and responsibilities offline issues
Some tourist attractions prefer the local travel agency instead of Donkey Mama, so the price will be considered to be a problem for Donkey Mama; the most likely result is that the scenic give a discount price by them without informing the customer who get the tickets online from Donkey Mama through O2O business. After disguised price cuts, Donkey Mama has to face how to deal with such problems.
Once among tourists and scenic service disputes or accidents occurred in the area, Donkey Mama will face a number of embarrassing problems, such as tour operators licensed qualification, regional tour operators licensed qualification as well as the contents of the contract is not clear.

5.2.4 Case CAR

Strength

- Good reputation offline
  CAR has carried out lots of charities or some public welfare events to make their own contribution to the whole society, for instance, China Auto Rental has donated 1.2 million as well as a large number of vehicles to help the transportation to the earthquake disaster areas in Sichuan province; also became CAR sponsor for the 29th Beijing Summer Olympic Games. CAR won the award named "Most popular green active vitality brand ". As return, they get a very good reputation both online and offline among all the citizens in China, who can be treated as the potential customers.

- Better insurance and maintenance offline
  It will spend a lot of money and effort since the purchase of a car for the repairing work and maintenance as well as the annual vehicle inspection. But if you just rent a car, there will be no such trouble, whether it is vehicle maintenance or some other reasons, when CAR is not working, CAR rental company will promptly provide an alternative type of car to ensure your choose. Whenever happen a traffic accident, CAR will fully assist CAR renter to negotiate with the insurance company, as some customers are not so familiar with the refund claims process, which can be waste more time and money. As a professional car rental company, CAR definitely get a good working relationship with the insurance company, which must be a distinct advantage.

- Attractive project online
  Experiential marketing, reputation marketing is the bold attempt from CAR in the O2O area. Reduce the consumption price in order to let more target customers to recognize the "CAR mode", which launched the " first day of free ", " rent one plus one free", "1 RMB(Chinese currency)to rent a car" etc., a series of activities that carry out both online and offline.

Another interesting event host by CAR named “back tracking”: if the consumers are willing to hire CAR with a designated route, you can enjoy a discount, which achieve a win-win business

- The leading online information systems
  In order to improve the online service system, CAR has put lots of efforts in the online information system, compared with other companies in the O2O area. Through which they can offer a better service and bring more attractive information or choices to all the customers online.

Weakness

- Short resources, regulations and policy support
  The domestic car rental network system is imperfect, thus make the awareness of customer is not that high. For CAR, the domestic car rental network is limited within some major regions, like Shanghai, Beijing, Shenzhen, lack of national networks and their management deficiencies; it is still difficult to improve the good reputation among customers in the whole O2O business.
Because they lack of uniform industry management and line regulation as well as the relevant policies to protect CAR rental companies. Remote operations, network operations and other international models are difficult to carry out. As CAR rental industry was developed slightly late in China compared with other Western developed countries. Therefore, there are not enough completed laws or regulations to rule such industry as well as a unified management to it.

- Inadequate maintenance center and logistics
  It can be treated as a drawback for CAR as they do not get enough maintenance center to fix the broken cars, especially in such a car rental O2O area, which they need more sites to deal with the quite frequent broken cars.

- Order lost online
  It is a common phenomenon that some popular store always lacks of cars because they can rent out CARs easily and do not get enough extra ones. What we can treat the loss of the market that can also bring a decent profit. Therefore, CAR even returns some orders online that they cannot manage.

**Opportunity**
- Support offline
  First is some support from the government, the Ministry of Transport carry out some measures to promote the healthy development of CAR rental industry, which emphasizes the management of CAR rental industry, increasing the support to it as well. Then China canceled the “road maintenance fee”, which is quite large number of money for every car owner to pay annually. The government also improves the public transport infrastructures.

With the rapid development of highways and other infrastructure, it brings a great convenience for the population flow offline; meanwhile it also brings a good opportunity for CAR rental O2O business creation.

- “Holiday economy” online sale.
  Chinese unique holidays like the National Day, the Spring Festival called Golden Week, plus the holiday weekend, and the combination of Chinese traditional three-day holiday, a huge crowd of people who get a driver's license without a car want to travel, more people join the ranks of short-distance driving group, which is gain the opportunity of car rental market.

- Competition reduced
  Foreign larger rental car manufacturers to withdraw from China, such as big company like Hertz. Thus, we find less competition for CAR in the O2O car rental area, which can build a more mild environment for the company to grow in such industry.

**Threat**
- Dishonest customers
  CAR sometimes can meet some customers with certain bad purpose, as they just want steal CARs from CAR. It actually add lots of difficulty for CAR to carry out their simplified procedure.
• Improper and low-price competition
Some newcomers are always wanted to attract the customers with some improper and lower price strategies, which lead to a bad competition circulation. Meanwhile, there are some improper competition happened around the company, because the tempting price for CAR rental industry, there are increasing number of illegal cars, which do not have the business license, to enter it. As a consequence, they reduce the number of customers for the normal company as well as put the customers in a dangerous position as they do not have any contract or insurance to keep the safety of the customers.

• Local protection barriers
It is a common phenomenon that in China there are so many local protection barriers to monopolize the local market, such kind of network (Guanxi) brings numerous barriers for CAR to start the O2O business in new market.

5.2.5 Summary of SWOT

As Zhixin (2012) mentioned that the O2O is essential to improve service level, improve the shopping experience through online and offline marketing operation which is characterized by the four following factors: the promotion effects can be investigated, each transaction can be tracked, payment process as the traditional offline transaction, let the customers have a better experience. These four items are more like the traits of O2O company it during O2O operating. Through our each within case analysis of SWOT, we try to find some similar traits among four cases based on these four factors.

To sum up, there are both positive and negative traits of the O2O by finding the similar items in each case. The internal traits are following: focus on customer, more discount opportunities, stable online system need, new creative project for development of firms, high customer dependence, low input cost, feedback mechanism support, attractive and clear information display, management difficulty, online technical problem, low single profit. And these traits precisely match the characteristics raised by Zhixin (2012). For example, O2O companies should emphasize on customers, set up the feedback mechanism support and have the attractive information display platform both to promote the performance and let customers have a better experience.

Of course, some external traits of O2O companies also will influence the result of O2O operation, such as the item we listed in each case from opportunity and threat parts: stable online system, fast high technology or industry development, high industry expanding speed, new creative project for social demand, offline service support, geographical and offline market restriction and the government policy.
6. Conclusions

According to our research purpose in the introduction, we presented that we would like to give readers a clear understanding of what O2O is and its main traits, how does it operate and what do the elements of Chinese O2O firms’ business models look like. We have explained all of them in detail about the O2O traits including the concept, role, advantage and SWOT of O2O, the difference between traditional e-commerce business model and the 3W2H business model we chose as our analytical business model for O2O business. Besides, we also have found the answers for our research question from collecting the theoretical framework and analyzing the empirical data, which we got from four different companies in China, we have analyzed how O2O bring or create value to our case companies from SWOT analysis, and how the 3W2H business model works for O2O companies. Finally, we have summarized the suggestion to the new O2O entrant companies through our cross case analysis.

“What is O2O, how does it operate and what are the main traits of O2O firms in China?”

Firstly, we look at: ‘what is O2O’, according to the different concepts of O2O from different researchers, we chose the common concept that O2O is short for Online to Offline business, and is the mode of online payment and service offline. Companies look for the customer through the Internet, and then bring them to the real store. For customers, O2O is an online “discovery mechanism” for activities offline.

We also focused on finding out the traits of O2O, first comparing O2O with B2C, O2O provides the local service to customers online and O2O focusses on the area of catering, film, beauty, SPA, tourism, health care, car rental, house rent industries. By our within case SWOT analysis, we divide the traits of O2O into internal and external factors.

Here is the figure 11 to explain how an O2O business operates as a new e-commerce type in the entire O2O loop:
Here is the entire process of O2O business operating: O2O companies act as an intermediary platform between customers and local offline businesses, they require the demand from a customer, to show the related information and finish online payment using the online platform. Then O2O companies share the order and the prework with the local offline business company, by which way they bring the value and the business opportunity to a local business company. In the end, customers enjoy the service from a local offline business company and send the feedback to the O2O company.

To continue to consider our research questions, here are the internal and external traits of an O2O business:

- Internal factors: focus on customer, more discount opportunities, stable online system need, new creative project for development of firms, high customer dependence, low input cost, feedback mechanism support, attractive and clear information display, management difficulty, online technical problem, low single profit.
- External factors: stable online system, fast high technology or industry development, high industry expanding speed, new creative project for social demand, offline service support, geographical and offline market restriction and the government policy.

“How does a business model fit the O2O operation?”

For this research question, we would like to start from our analytical business model. Based on our theoretical framework about business models and the common feature of our collected empirical data, we chose the 3W2H business model as our analytical model, which has been proved to be quite a functional and suitable business model to the O2O area.

By using the 3W2H business model separately for our four case study, there are five elements, which
are: “Who, What, Where, How to achieve the value and How to make money”. The element “Who” means the customers, mainly as internet users, it is the young people who get an average income who is the target customer group of most O2O companies. Those customers want to have more information, choice and cheaper price on local offline business. Therefore, O2O not only encouraging their customer to go from online to offline then enjoy the service, but also they attract traditional offline customers to go online to get more choice and a better experience. Element “What” is a kind of form to explain what the company are operating, which will vary based on different industries, so we analyze the different industries’ size and check the access to market from four case companies. The catering O2O industry is the biggest one, it is very easy to enter this market while hard to get success. For tourism O2O industry, which has a strong independent development ability, there are also not too many barriers to enter. However, there are both the solid foundation of Internet resources and local offline resources needed for the cinema and car rent O2O industries, so it is relatively difficult to enter these two industries. The element “Where” can be treated like the way or location the company operates their O2O business. In accordance with our four case companies, they are primarily located in the medium size or big cities and now are trying to expand into more cities or perhaps go nationwide. Furthermore, the other two elements “how to achieve the value” and “how to make money” can be relevant to capture the value and profit, to be specific, although there are different core values for the four case companies, providing a better online and offline customer experience can be the common part that the four O2O companies try to achieve. When talking about how to make money, there is some unique income or cost for O2O companies compared with traditional business. In the means of profit sharing, ads display fee, refund of orders, websites, mobile terminals, offline dispensing machines and payment in advance. Some interesting ways are also found from our research for the O2O companies to gain some extra profit like enlargement of scale, local settling platform entrance fee and charge for the recommendation rank list, access to the discount channel and the policy support.

6.1 Implications

Now there is a rapid development trend and good prospects connected with O2O, so many entrants want to have their position here, according to our analysis, here is the suggestion we give to these new O2O entrants about what aspects should be taken into consideration.

The first is how to formulate the customer target group, of course young people should be the most pursued customer in an O2O business, so the entrants should put their emphasis on these youth groups at the beginning to collect and store more capital and resource. It should be noticed that when the company grows up, it should attract the local older customer online to fill the O2O business as a closed loop.

Secondly, we label the different feasibility of industries level and give suggestions to new entrants about which industry they should enter. If the original company is a local offline business, they should just continue the business and try to move it online. However, if you are a completely new entrepreneur to the O2O area, you should ensure you have a clear understanding of the O2O
situation from the outset. There is no doubt that catering is most easy for new entrants to conduct the O2O operation at a low input cost, low starting-up capital and high customer demand, while there is a small possibility for these new entrants to become a successful one. Likewise, the Tourism O2O industry also has a high feasibility to enter with lots of new ideas and new ways to operate the DIY trips, the Chinese government also published a number of policies in favor of new entrants entering the tourism O2O industry. However, it still needs more conditions than catering and there are more unfavorable factors than the catering industry, such as unfair competition and more difficult access to channels. On the contrary, the cinema and car rent O2O industries are more difficult for a new entrant compared with the former two, because the new entrant needs a strong foundation of Internet resources and a huge start-up capital.

Thirdly, when the new entrant chooses the main target market, they should make sure what kind of city is most suitable for their own O2O business, from our analysis, we found most O2O companies started their business in a big city due to the fact that it is more easy to get the resources, after collecting enough capital and resources, they can choose to expand to medium and small cities. However, for the catering O2O industry, based on the feature of a large quantity of customers and the complex restaurant location, catering O2O companies have difficulties in gathering the human, material and capital resources. So the new entrant of a catering O2O company should start with one city where they focus, and then look at when and where to expand the scale into nationwide among big, medium and small cities, depending on their development.

Fourthly, although the new entrant will have different kinds of values, they should focus on promoting the customer experience both online and offline through O2O to approach their value. Therefore, if the new entrant company wants to survive or become a big nationwide O2O company, they should pay attention to the part of customer experience, just like what Gewara, ele.me and Donkey has done, they also need to consider the demand and the popular trend from society, same like Donkey and CAR has done.

Lastly, every entrepreneur sets up a company in order to make money. For a new O2O entrant, finding their own ways to get more profit is always a good choice. From the analysis of the four case companies, there are some nice examples like enlargement of scale to reduce the costs, access to discounts, good cooperation and search for the appropriate policy support.

6.2 Limitations

The first limitation for our research is the research method what we chose. We chose the qualitative research strategy and then chose four cases representing different industries to analyze. However, as we mentioned above, the O2O area is booming recently, and there are plenty of O2O companies in China from different industries. As we only chose four companies here, we considered for our conclusion that we get cannot cover the entire situation for Chinese O2O companies. Additionally, we also use some secondary data from newspaper reports or some other report, or web page about our case companies, some of which cannot be completely trusted, because the author is not from our
case company. Thirdly, we could not find enough English references about our topic O2O, although it is quite a significant topic in China, so our research has finished by some Chinese references, especially for the O2O part, around half English references and half Chinese ones. Fourthly, our work is concentrated on the Chinese O2O area, and all the research has been carried out around the Chinese market instead of the whole world, which absolutely we can find many common places with other countries while still attached lots of Chinese special phenomenon (like GUANXI). Therefore, our research is more suitable to the Asian O2O business or we have to exclude the Chinese factors if we want to it be applied globally.

6.3. Further research

With regard to further research, the methodology of our research should change slightly, we should also use the quantitative method in our report to contain more diverse types of companies and industry in the Chinese O2O business, such a combination of qualitative and quantitative methods can make our conclusion more objective.

Secondly, based on the limitations, our research basically is focused on the Chinese O2O business, so in the further work there could be more European or American companies included, as the concept of O2O also comes from America, it should be more interesting if we compare some Chinese and American O2O companies to find a new suitable business model to analyze and then find the differences and similarities.

Thirdly, to further this report, we could also examine how to help the outdated B2C company change to the O2O companies, as we compare these two in our research, it should be interesting to give some suggestions or methods for the B2C companies to transform into O2O companies.

Finally, we have to realize that O2O business is a constantly changing business that needs information and knowledge to be updated every day, as O2O is related to the Internet. It will be totally different business environment or situation when furthering our topic, plenty of new factors should be taken into account.
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