

Online retail[2]-C2C

网上零售[2]-C2C

Lecture 9

Qili Gao



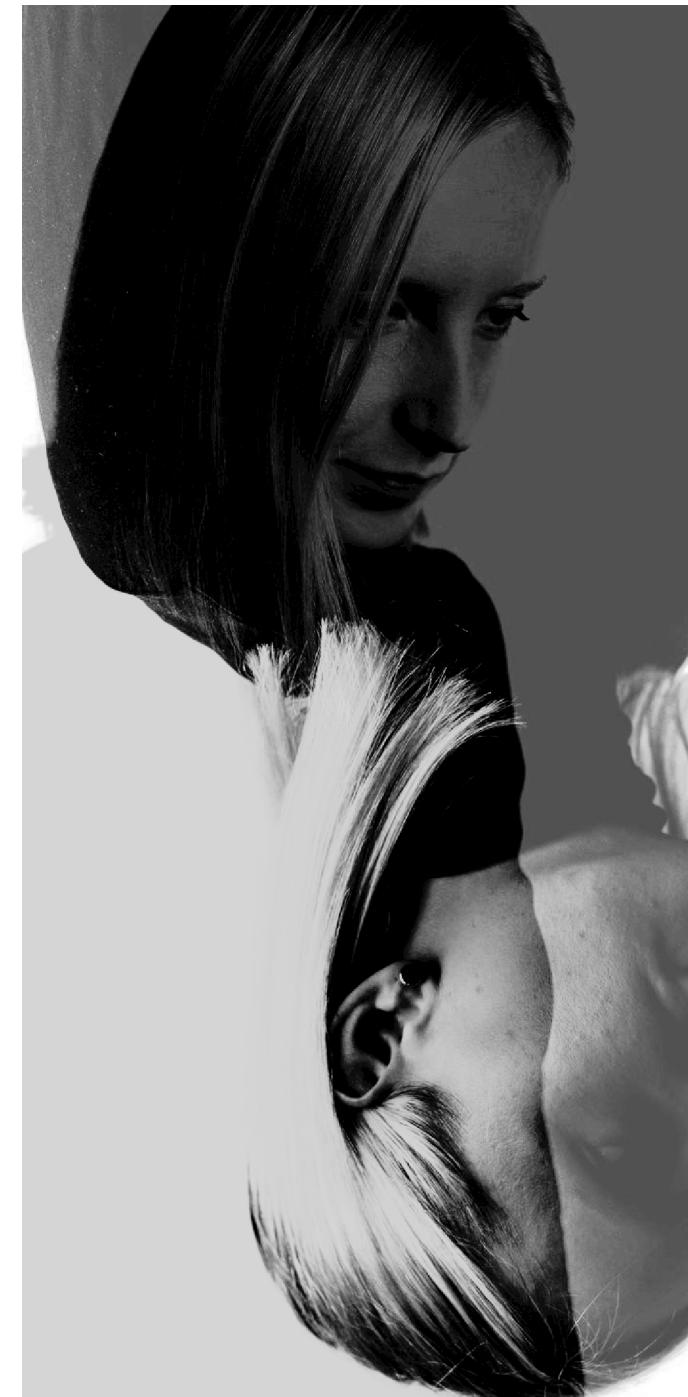
Learning objects

- Familiar with the classification of C2C e-commerce platforms.
- Master the process of opening a store and shopping on C2C platforms.
- Being able to provide examples and analyze the advantages and revenue models of different C2C websites.

Section 1

Introduction to

C2C



C2C (Consumer-to-Consumer)

C2C stands for "Consumer-to-Consumer" and refers to a business model where individual consumers engage in transactions with each other. In this model, individuals can buy and sell goods or services directly to and from other individuals, typically through online platforms or marketplaces.

These platforms provide a virtual marketplace for consumers to list their products, communicate with potential buyers or sellers, negotiate prices, and complete transactions.

C2C platforms often facilitate payment processing and provide a rating or review system to establish trust and credibility among users.

The biggest C2C platform across the world

- **eBay**

eBay is one of the most well-known and established C2C platforms. It operates globally, connecting individual sellers with buyers through auctions or fixed-price listings.

- **Taobao**

Taobao is a popular C2C platform in China, owned by Alibaba Group. It offers a wide range of products and services, allowing individuals to buy and sell to other individuals or businesses.

Advantages of C2C



Advantages for Sellers

1. Entering a C2C platform is cost-effective and straightforward.
2. There's no need for physical storefront rent.
3. No requirement for large inventory holdings.



Advantages for Consumers

1. One-stop shopping services.
2. Their online prices are typically lower than those in physical stores.
3. The prices of products on the trading platform are transparent, with many sellers to choose from.

The characteristics of C2C

- 1 | Users on C2C platforms often have a large and diverse user base, assuming multiple roles as both buyers and sellers.**
- 2 | High frequency of transactions and relatively small transaction amounts on C2C platforms.**
- 3 | C2C platforms provide a trading venue, technical support, and related services for both buyers and sellers.**
- 4 | C2C e-commerce platforms typically do not have their own logistics systems and instead rely on third-party logistics providers.**
- 5 | On C2C platforms, there is a wide variety of products available, and the quality can vary significantly.**



Classification of C2C

Based on the types of products

- **Physical goods trading platforms**

These platforms facilitate transactions and provide a marketplace for users to showcase their products and connect with potential buyers.

Taobao, owned by Alibaba Group, is a prominent online marketplace in China where individuals can buy and sell a diverse range of physical products, including clothing, electronics, household items, and more.

- **Intelligent trading platforms**

A platform that enables intelligent trading for businesses or individuals is commonly referred to as a freelance marketplace or gig platform. These platforms connect businesses or individuals seeking specific services with freelancers or independent professionals who can provide those services.

Freelancer, 威客网站 etc.

Classification of C2C

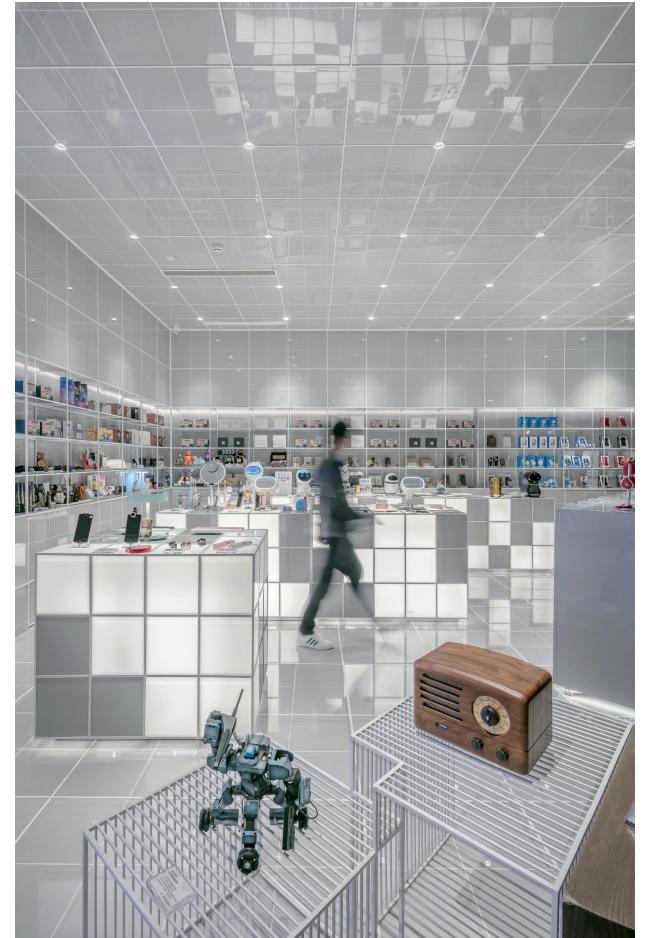
Based on the operational models of the trading platforms

- **Auction platforms**

Auction platforms allow individual sellers to sell goods through an auction format. In this model, sellers can set a starting price and auction duration, and buyers compete by placing bids to win the item. At the end of the auction, the highest bidder secures the item. Auction platforms create a competitive environment and are suitable for the sale of unique or scarce items. eBay is a well-known example of an auction platform.

- **Store platforms**

Store platforms enable individual sellers to establish their own online stores on the platform, similar to physical stores in the online realm. Sellers can create their product listings, set prices, provide product descriptions, and images. Buyers can browse and purchase items from the seller's store on the platform and engage in direct communication with the seller. Platforms like Taobao are typical examples of store platforms.



Auction platform

竞买人 (Bidders)

Individuals or entities participating in the auction process by placing bids on items or services being auctioned. Bidders compete with each other to secure the highest bid.

买受人 (Buyers)

The successful bidders who have won the auction and are obligated to complete the purchase by paying the agreed-upon price or final bid amount.

委托人 (Consignors)

Individuals or entities that entrust their items or services to the auctioneer for sale. Consignors may authorize the auctioneer to act on their behalf to auction their goods or services.

拍卖人 (Auctioneers)

Individuals or entities authorized by the auction law to conduct auctions. They oversee the auction process, facilitate bidding, and ensure a fair and transparent auction environment.

Online auction platforms



Professional Auction Websites

Professional auction websites are online platforms established and operated by professional auction companies or institutions. These websites typically focus on specific fields or types of goods for auction, such as art, antiques, jewellery, real estate, and more. They provide professional auction services, including authentication, appraisal, showcasing, and marketing, attracting professional buyers and sellers to participate.



Platform-Based Auction Websites

Platform-based auction websites are online auction platforms open to individuals and businesses. These websites provide a platform where individuals and businesses can independently post and conduct auctions. The platform offers the infrastructure for auction transactions, including setting auction sessions, accepting bids, managing the bidding process, and facilitating transaction settlements. For example, eBay is a platform-based auction website that allows individuals and businesses to auction and purchase items.

Platform-Based Auction Websites

阿里拍卖.司法

<https://sf.taobao.com>

阿里拍卖.资产

<https://zc-paimai.taobao.com>

阿里拍卖.珍品

<https://paimai.taobao.com>

闲鱼.淘宝二手

<https://2.taobao.com>

京东拍拍

<https://www.paipai.com/>

阿里拍卖

Online auction transactions



竞价拍 (English Auction)

This is the most common form of online auction. In an English auction, the seller sets an initial price, and bidders incrementally raise the price with their bids. Each bidder can choose to increase the bid until the end of the auction, and the highest bidder at the conclusion of the auction wins the item. This type of auction is also known as an ascending auction.



荷兰拍 (Dutch Auction)

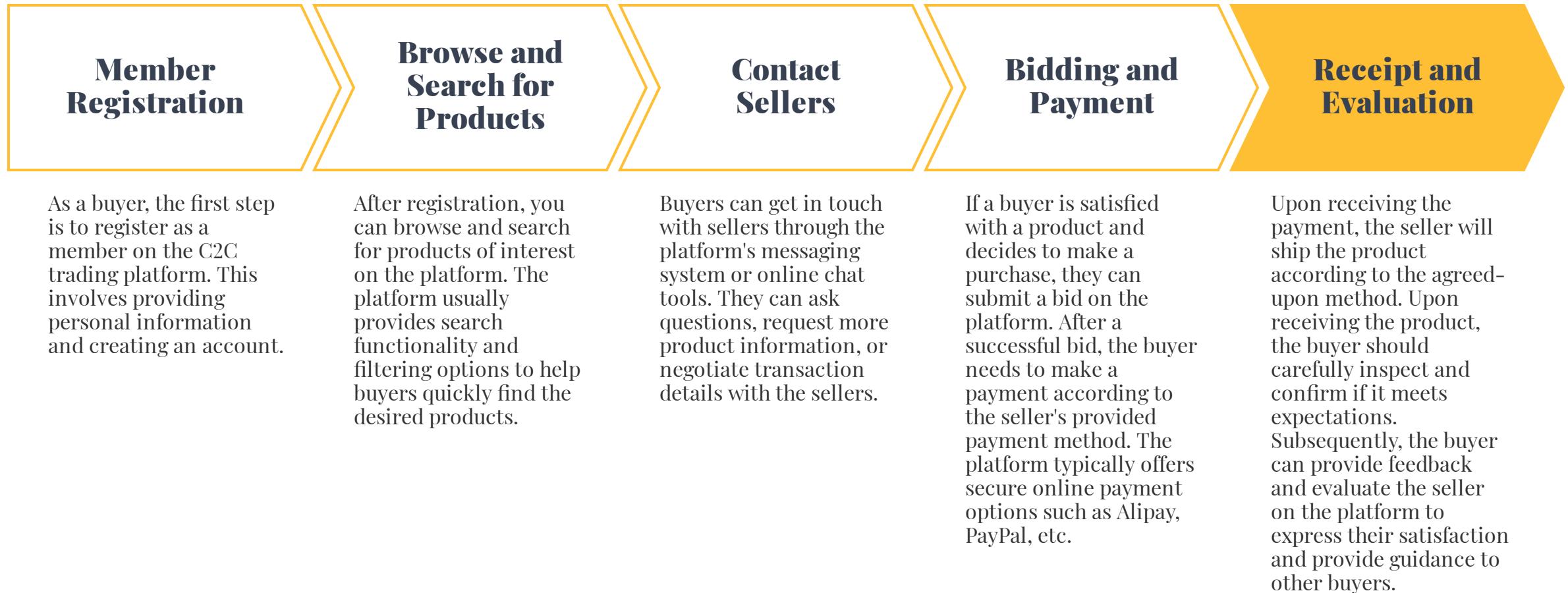
Dutch auction is a reverse auction format. In a Dutch auction, the seller sets a starting price that is relatively high and gradually decreases until a bidder accepts the current price. The first bidder to accept the price becomes the buyer, and the item is sold at that price. Dutch auctions are often used for inventory clearance or the sale of unique items.



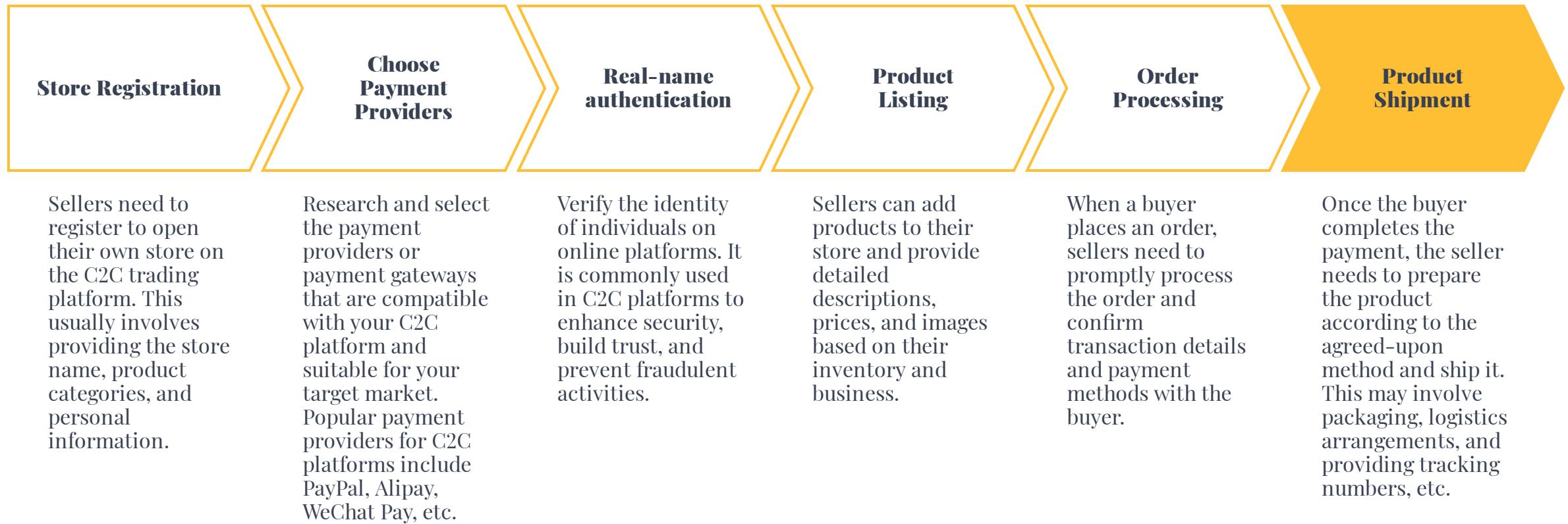
降价拍 (Reverse Auction)

The reverse auction is another form of reverse bidding. In a reverse auction, the buyer sets an expected or maximum acceptable price, and sellers progressively lower their prices until a seller agrees to the specified price. At that point, the seller with the lowest price secures the transaction. Reverse auctions are commonly used in procurement or service-related fields, allowing buyers to find suitable suppliers at the lowest possible price.

The general process of C2C online transactions



The general process of C2C opening a store



Sourcing products

Official Platforms

Platforms like Taobao, which is an official platform under Alibaba, and Alibaba's 1688 are popular choices for sourcing products. These platforms connect buyers with a wide range of suppliers and offer a vast selection of products. They provide a convenient way to search, compare prices, and communicate with suppliers.

Industrial Belt Factory

Industrial belt factories, such as those specializing in women's clothing in Hangzhou, can be a good source for specific product categories. These factories are often located in industrial clusters or manufacturing hubs, where you can find a concentration of suppliers producing similar products.

Offline Wholesale Markets

Offline wholesale markets, like the one you mentioned in Yiwu, are physical marketplaces where wholesalers gather to sell various products. These markets offer a wide range of products and allow for face-to-face negotiations with suppliers. They are popular among small businesses and individuals looking to source products in bulk.

Local Specialty Products

Local specialty products, often produced by local farmers or artisans, can offer unique and distinctive items. These products may have cultural or regional significance and can be a great option for those looking for niche or authentic products. However, sourcing from local farmers may require additional considerations such as quality control, logistics, and building direct relationships with suppliers.

The characteristics of China's online retail market

- **Rapid Development of New Formats and Models**

The online retail market in China has witnessed the rapid development of new formats and models. This includes emerging forms such as social e-commerce, live-streaming e-commerce, and sharing economy platforms. Through innovative marketing methods and enhanced user experiences, these new models have attracted a large number of consumers.

- **Continuous Upgrading of Consumer Spending**

The trend of consumer spending upgrading in China's online retail market remains strong. Consumers are increasingly focused on product quality, service experiences, and personalized demands, driving the market towards high-quality, personalized, and customized offerings.

- **Strong Growth of Cross-Border E-commerce**

Cross-border e-commerce continues to thrive in China's online retail market and has played a significant role in driving foreign trade. Cross-border e-commerce platforms provide convenient channels for global product sourcing and facilitate the export of domestic products to overseas markets.

- **Quality Improvement and Upgrading of Rural E-commerce**

Rural e-commerce in China is undergoing continuous improvement and upgrading. E-commerce platforms have provided broader sales channels for agricultural products, contributing to increased value and income for farmers. It has also driven economic development in rural areas.



Section 2

Chinese C2C E-Commerce Leader-Taobao

中国C2C电商的领头羊

WHAT
TACOAO
IS



The development history of Taobao

2003.5

Launched by Jack Ma, CEO of Alibaba.

2004

Taobao launched AliWangwang (阿里旺旺), which integrates instant messaging tools with online shopping.

2010

Taobao unveiled a brand new homepage, and shortly after that, Juhuasuan (聚划算) was launched.

2021

The Taobao Special Edition (淘宝特价) app was launched, positioned as Customer to Manufacturer (C2M)

START

2003.10

Taobao introduced a third-party payment tool called Alipay.

2005

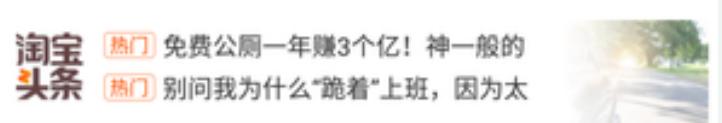
Taobao's sales surpassed those of eBay and Yahoo.

2016

In the era of mobile internet, define future development strategic priorities and deliver high-quality marketing content on mobile platforms.

2022

Taobao entry into the content e-commerce.



Case analysis: Taobao

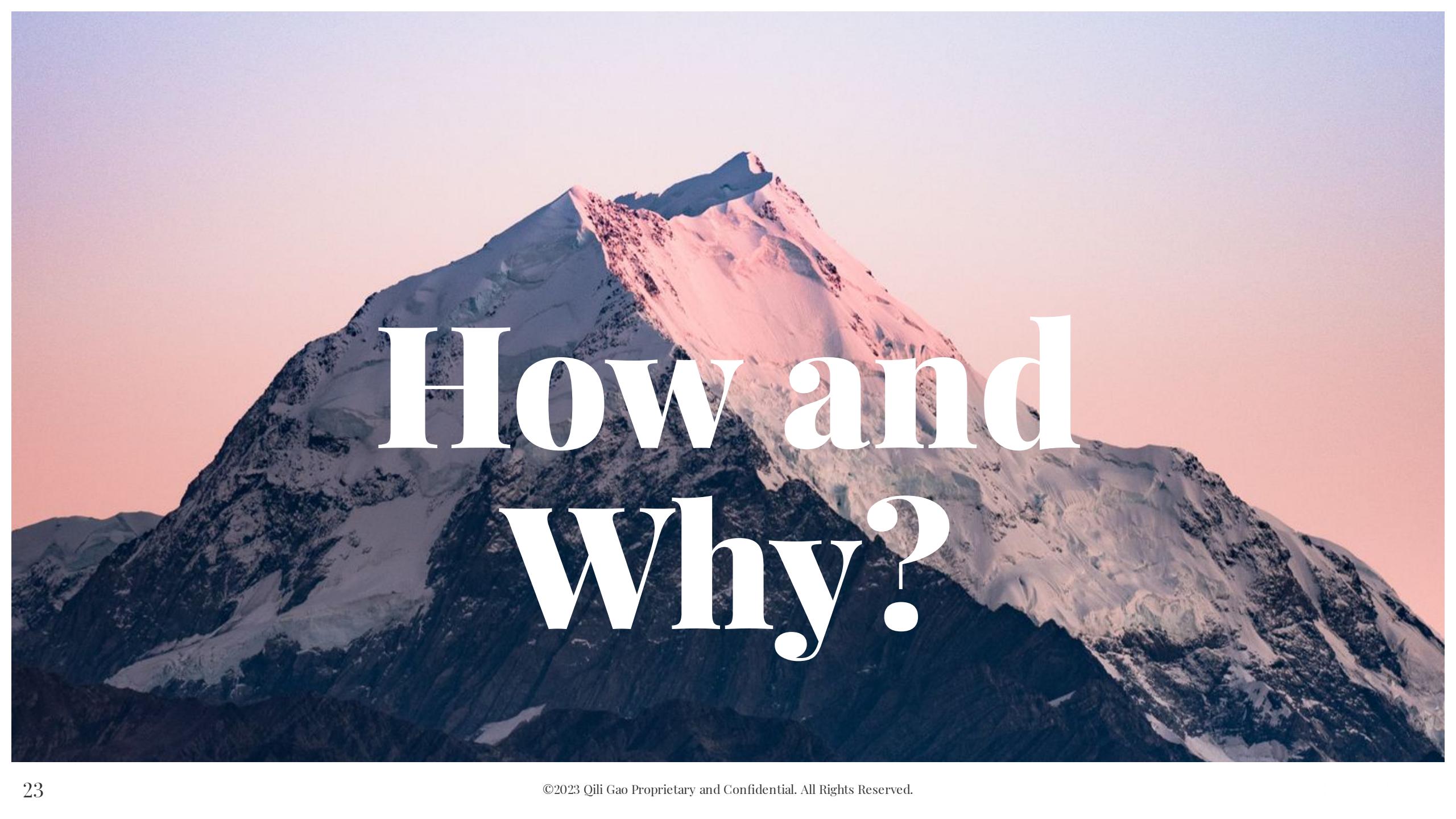
Over the past decade, Taobao.com has experienced rapid development and has utilized big data, personalization, video, and community features to enhance user engagement in online shopping. It has also leveraged Alibaba's ecosystem, including platforms such as 优酷, 饿了吗, and 阿里影业, to create a comprehensive content ecosystem encompassing content production, distribution, and consumption.

Taobao's Market Entry Strategies

When Jack Ma, CEO of Alibaba, launched Taobao in 2003, Yiqu has been acquired by eBay which promised to increase investment in Chinese market and accounted for more than 80% of C2C market share in China.

Few people forecasted Taobao's growth in the future. However, only after two years, Taobao accounted for more than 60% of C2C market share in China. At this time, Taobao became one of the top three C2C platforms (the other two were eBay and 1Pai) in China.

In October 2005, Alibaba Group took over the operation of China Yahoo! as part of its strategic partnership with Yahoo! Inc. As a result, 1Pai was incorporated into Taobao in January 2006 and its original customers were also imported into Taobao. By virtue of mergers and acquisitions, Taobao eliminated one of its competitors.

A large, rugged mountain peak is silhouetted against a vibrant sunset sky. The sky transitions from a deep blue at the top to a warm, fiery orange and red near the horizon. The mountain's peaks are sharp and rocky, with patches of snow or ice clinging to them. The overall scene is dramatic and inspiring.

How and why?

Taobao's Market Entry Strategies

- **Low price**

Majority of young people can not afford the high price products which are sold in the physical stores.

The numerous small and medium enterprises (SMEs) in China are the sources of the low price.Under the traditional circulation model, it is very hard for the SMEs to develop a marketing channel due to the limited personnel, money and social networks.

Consumers are able to get access to the tremendous product information, make the purchase decision easily and acquire the preferred commodities with lower price.

It also implements activities of in-store marketing like discounts, coupons, tie-in package and full sent grasp. The promotion catches the consumer psychology of buying the cheaper things.



Taobao's Market Entry Strategies

- **The "It is Free" strategy.**

Differing from eBay which charges sellers the insertion fees and final value fees, Taobao offers the C2C sellers platform for free initially. In October 2005, Alibaba announced that "Taobao is going to keep the free strategy for another three years.". Undoubtedly, the free strategy requires the huge investment which probably causes the high risk. However, it enables Taobao to quickly enter C2C market dominated by eBay and acquired more than 60% market share in the short term. The free strategy works as a powerful weapon of Taobao in the battle with eBay. In fact, Taobao has become the most successful C2C platform, greatly surpassing eBay.



海量用户

上亿平台的消费者，不忽悠订单



新商家成长扶持

高效交易额，帮你快速积累口碑

...

个人开店

企业开店

Taobao's Market Entry Strategies

- **千牛 (Taobao's Seller Assistant)**

Qian Niu is a comprehensive management tool provided by Taobao for sellers. It assists sellers in managing their online stores, optimizing product listings, handling orders, and analyzing sales data.

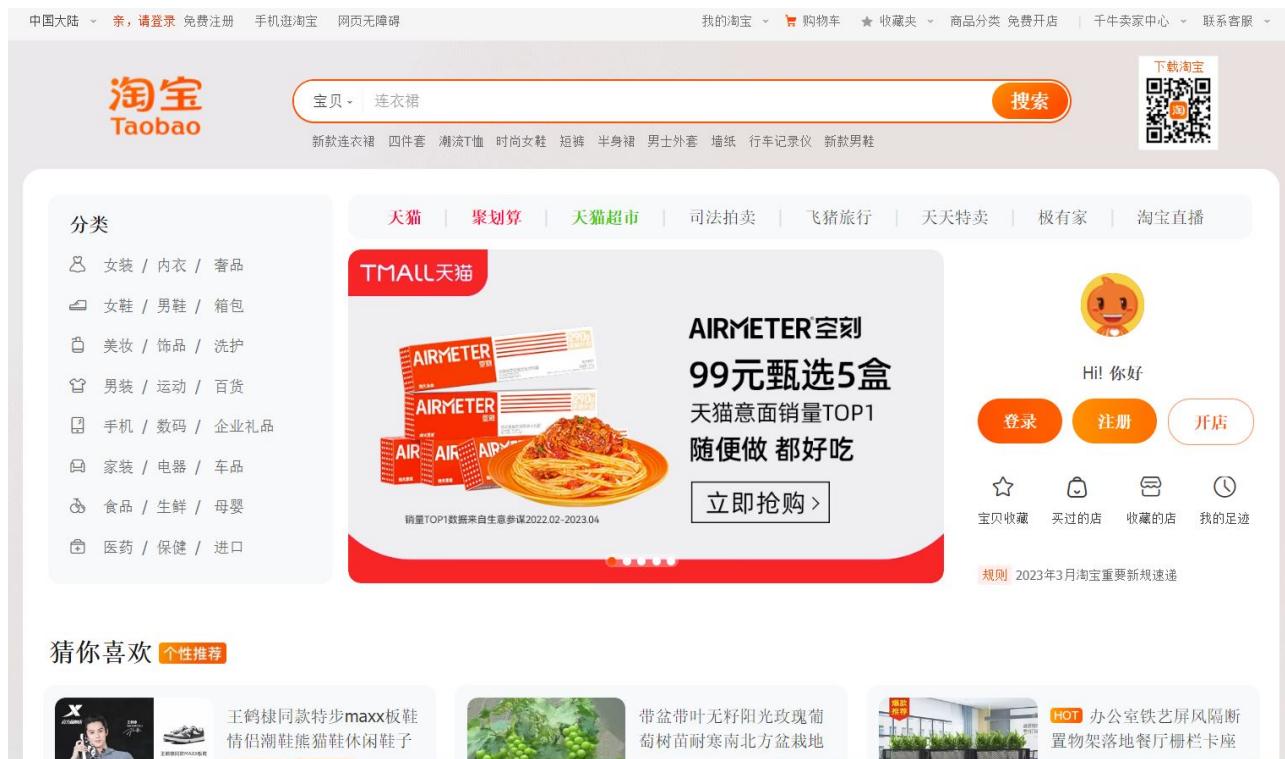


Taobao's Market Entry Strategies

- **Web design based on customers' demand.**

Taobao's friendly interface impresses the visitors. The helpful functionalities such as searching and browsing as well as the colorful page enable the customers to navigate on the website easily and joyfully.

The secret behind the successfully designed web is the data collecting and analyzing scientifically. The classification of commodities, the display of products, color matching and their influences on a customer's online shopping behavior are analyzed carefully so as to work out the best plan of web designing.



Taobao's Market Entry Strategies

- Establishing the secure online payment system.

Taobao's success should be attributed to Alipay. Alipay is an escrow service provided by Alibaba. Its strength lies in its security and the mechanism that the funds are only released once the customer is satisfied, which solves the problem of credit. For all intents and purposes, Alipay is the Chinese equivalent of Paypal, and can be used to pay for products for different Chinese businesses.

It has partnered with over 100 financial institutions (including Visa and Mastercard) and support transactions in 12 major foreign currencies.



Alipay's escrow transaction model



Taobao's Market Entry Strategies

- **The propagation strategies.**

It had to depend on the word-of-mouth (WOM) marketing which refers to the passing of information between a non-commercial communicator and a receiver concerning a brand, a product, or a service. Fortunately, the strategy has proven successful due to Taobao's strong WOM foundation (e. g. sufficient levels of satisfaction, trust and commitment).

At the second stage, Taobao focused on the propagation specified to the SMEs who were anxious to expand the market but was unable to find the appropriate channels. Taobao offers the C2C platform where the SMEs can display, propagate, and sell their products directly to the end consumers without the geographic limits. The strategy focusing on SMEs enables Taobao to not only affiliate tremendous SMEs members but also establish the brand strength, which prepares for the next stage well.

At the third stage, Taobao began its strategic alliances with the well-known web medias such as Sohu and MSN. Thanks to the solid bases built at the first stage, Taobao had the capability to cooperate with the well-known enterprises. MSN, in particular, chose Taobao to align with, which changed the routine of cooperating with eBay in other countries.

Taobao's Customer Keeping Strategies

● Instant communication.

The virtuality makes the instant communication between the transaction parties necessary. Taobao launched AliWangWang, a free Instant Message (IM) software, to enable the easy communication between buyers and sellers prior to the purchase. With AliWangWang, buyers and sellers can make a "talk" about product information, delivery and negotiation. It has become a habit among Chinese online shoppers to interact with the sellers through AliWang Wang to inquire about products and to bargain prior to purchasing products.



Taobao's Customer Keeping Strategies

• Quality

Quality is the critical factor ensuring the sustainable development. It is not easy for a C2C platform to supervise the product or service quality since it is the individual sellers rather than the platform that offer the product or service to the end consumers.

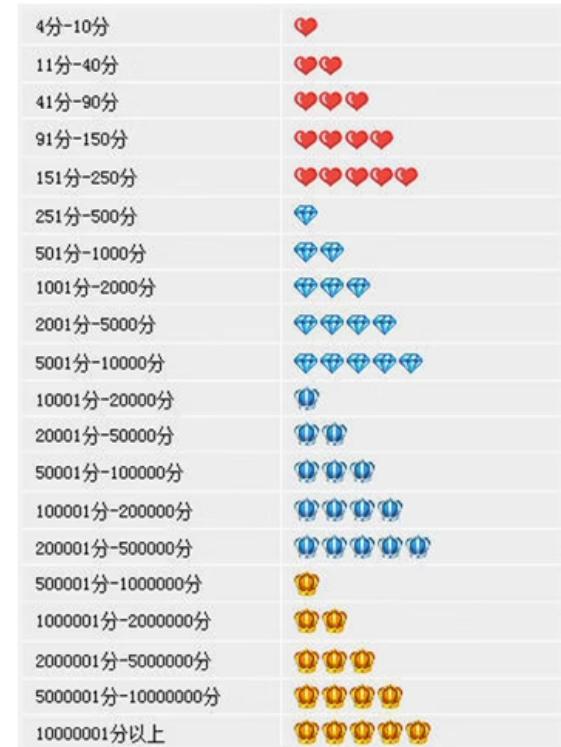
- Real-name authentication system. Taobao imported the real-name authentication system not long after it was founded. The system authenticates both a buyer and a seller. The former is required to supply ID information and the latter is required to submit business licenses in addition to ID. The system benefits quality supervision on the one hand and enables the easy data collection on the other hand.



Taobao's Customer Keeping Strategies

● Quality

- Customers' review: There are three classes of customers' review: Good, Moderate and Bad. Each class of review corresponds to a seller's points (Good: 1 point; Moderate: 0 point; Bad: -1 point). The accumulation of a seller's points decides its creditability level. Customers' review can not only normalize sellers' activities (c. g. product quality, after-sale services) but also provide the useful references for the succeeding buyers.



Taobao's Customer Keeping Strategies

• Quality

- Quality guarantee:

- ✓ Faithful description.
- ✓ 7 days non-reason returning.
- ✓ A seller make a commitment that the commodities sold are certified.
- ✓ 30 days maintenance services: It is specified to the electronic instruments.
- ✓



Taobao's Customer Keeping Strategies

- **Security**

The security of online shopping has been one of the concerns of users. Lack of sense of security prevents some potential customers to purchase online. Alipay, the third-party payment system launched by Alibaba, decreases the risk of information reveal and avoids the possible losses.

Taobao's Customer Keeping Strategies

- **Business insights**

Taobao help sellers analyze market trends, understand consumer preferences, and make informed business decisions. It provides valuable data and insights on product performance, customer behavior, and competitive analysis.

Possible problems with Taobao

- **Click farm.**

Click farm is a form of click fraud, where a large group of low-paid workers are hired to click on paid advertising links for the click fraudster (click farm master or click farmer). The situation is so serious that it has even formed "an underground industrial chain of click farming"

Hundreds of companies have sprung up in the last couple of years specializing in click farming, delivering bundles of online approval to businesses requiring a quick and dirty way to boost their popularity. Click farming has seriously hurt Taobao's brand image. Though Taobao has adopted some solutions such as seeking the click farms by virtue of big data or closing the online stores that are suspected of click farming, the benefits have been limited.



Possible problems with Taobao

- **Counterfeits crisis (假货危机).**

According to a survey from China's State Administration for Industry and Commerce (SAIC) in 2015, more than 40% of online purchases made by Chinese consumers are fake. This highly pointed to Taobao and Tmall, because nearly 60% of their products are counterfeit. For nearly 10 years, Taobao has been struggling against counterfeit products on its platform. Obviously, Taobao has not completed its battle with counterfeit goods. With the huge transaction volume on its site, it is difficult for Taobao to always check the authenticity of selling products. It even affects a lot the popularity and credibility of Taobao.



Possible problems with Taobao

- **Poor delivery quality.**

For a long time, Taobao has not built its own logistics system. To save the cost, the sellers on Taobao usually outsource the delivery to the logistics companies. Since the sellers can not supervise the whole process of delivery, the delivery problems such as loss of goods or damage to them often occur. As a result, buyers usually complain of the poor quality of delivery and blame it on Taobao.



Taobao's Profit Model



Advertising revenue

Taobao determines the price of advertising space based on website traffic and the precision of the website's audience, and then sells advertising space in various forms. Additionally, Taobao allows merchants to bid for ranking positions.



Value-added service revenue

Taobao provides value-added services such as agency operations, store decoration, and inventory management to merchants. Since many merchants use these value-added services, Taobao generates significant revenue from them.



Alipay fund deposit revenue

When consumers purchase products on Taobao, their funds temporarily remain in the Alipay platform. Therefore, Taobao can use this portion of the funds for reinvestment to generate profits.

Case study summary-Taobao



Communication

To facilitate communication and contact between buyers and sellers, Taobao introduced an instant messaging tool called "Aliwangwang." It enables both parties in a transaction to communicate in real-time, discuss transaction-related matters, and thereby have more confidence in online transactions.



Payment

To address payment issues in online transactions, Taobao introduced an online transaction security payment tool called "Alipay." Alipay not only ensures payment security but also has a cash guarantee function, thereby resolving the trust issue between buyers and sellers during transactions.



Quality

To tackle the issue of trust in online transactions, Taobao has been dedicated to establishing and improving a credit mechanism. It regulates the behavior of both buyers and sellers by monitoring them to some extent, thereby enhancing the integrity of online transactions.



YouTube