

# Online retail[1]-

网上零售[1]-B2C  
**B2C**  
Lecture 8

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**Thank  
You for  
Shopping  
With us!  
*(online)***

## Learning objects

- Familiar with the classification of B2C E-commerce platforms.
- Master the backend management functions of B2C websites and the online shopping process of B2C platforms.
- Being able to provide examples and analyze the revenue models and key factors of success of different B2C platforms.



# Online retail(ing)

Online retail, also known as e-commerce or electronic retail, refers to the process of selling products or services directly to consumers through internet-based platforms. It involves the transaction of goods or services from an online seller to an individual customer, typically conducted through a website, mobile app, or online marketplace.

## Classification of online retail

- **Business model: B2C, C2C and other consumer-oriented business models.**
- **Geography: domestic online retail, cross-border online retail.**

# Classification by revenue model

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Variations	Description	Revenue Sources
Product/Services sales	Charge consumers directly for products or services offered	Sales of goods
Content/Services provider	Charge the monthly or annual fees for content or information offered	Subscription fees
Transaction brokers	Make money by charging a commission for enabling the transactions between sellers and buyers	Transaction fees (Commission)

# Classification by distribution channel (分销渠道)

Variations	Description
Direct sale retailers	Manufacturers sell directly from company sites to individual customers.
Pure-play retailers	The retailer has no physical stores but an online sales presence by which the products or services are offered to consumers.
Click-and-mortar (also known as clicks to bricks or omnichannel) retailers	Retailers own both the physical stores and the online offering channels.

## **Section 2**

# **Introduction to B2C model**

# B2C (Business-to-Consumer)

It is a term used to describe commerce or transactions that occur directly between a business or company and individual consumers. In the B2C model, businesses or retailers sell their products or services directly to end consumers who are the ultimate users of those products or services.



## Business model

- Direct-to-Consumer (DTC)
- Reseller or Retailer
- Subscription-based



## Product type

- General/Comprehensive platforms (通用/  
综合商品平台：亚马逊 京东 天猫)
- Vertical domain platforms (垂直领域平  
台：凡客诚品、聚美优品、蘑菇街等)



## Sales model

- Owned Inventory Platforms: Platforms that have their own product inventory and sell directly to consumers.
- Third-Party Platforms: Platforms that provide online sales channels for sellers, where sellers list their own products and engage in transactions with consumers.

# B2C online shopping model

Representative Goods and Characteristics	Advantages	Disadvantages	
综合平台商城模式 comprehensive marketplace model  Tmall (天猫)	Store seller is fully responsible for their operation and maintenance	The platform solely focuses on being an online trading platform and does not engage in specific product procurement and sales services. This approach facilitates the platform's growth and expansion.	Sellers rely on the popularity of their own brand and are required to pay a certain amount of rent. However, the platform faces challenges in controlling the quality of the products.
综合独立商城模式 comprehensive independent marketplace model  JD (京东)	Self-operated online marketplaces source their products from legitimate channels	The online marketplace holds the right to operate and can make overall adjustments to the products being sold based on market conditions.	The online marketplace is vast, with powerful competitors, requiring significant investment. However, it still has some shortcomings in areas such as product showcasing and order management.
网络品牌商城模式 online brand marketplace model  网易严选、凡客诚品	Brands usually belong to online marketplaces and are sold through self-production or private labeling methods.	The online marketplace is quick to respond to market trends and has its own brand.	The product line of the online marketplace is limited, with very low gross profit margins. It faces significant costs for promotion and struggles with low consumer recognition. Expanding the company's product categories poses challenges.
连锁购销商城模式 chain marketplace model  苏宁易购, 国美在线	Adopting the "brick-and-click" model, the business engages in independent procurement and operates both physical stores and online sales channels.	With the support of a traditional retail purchasing platform and a robust supply chain, the online marketplace has established cooperative relationships with manufacturers. As a result, it enjoys a higher level of brand credibility and offers a wider range of product categories.	If online and offline prices are not consistent, it can potentially disrupt existing distribution channels and pricing systems.



# B2C Back-end Management Process

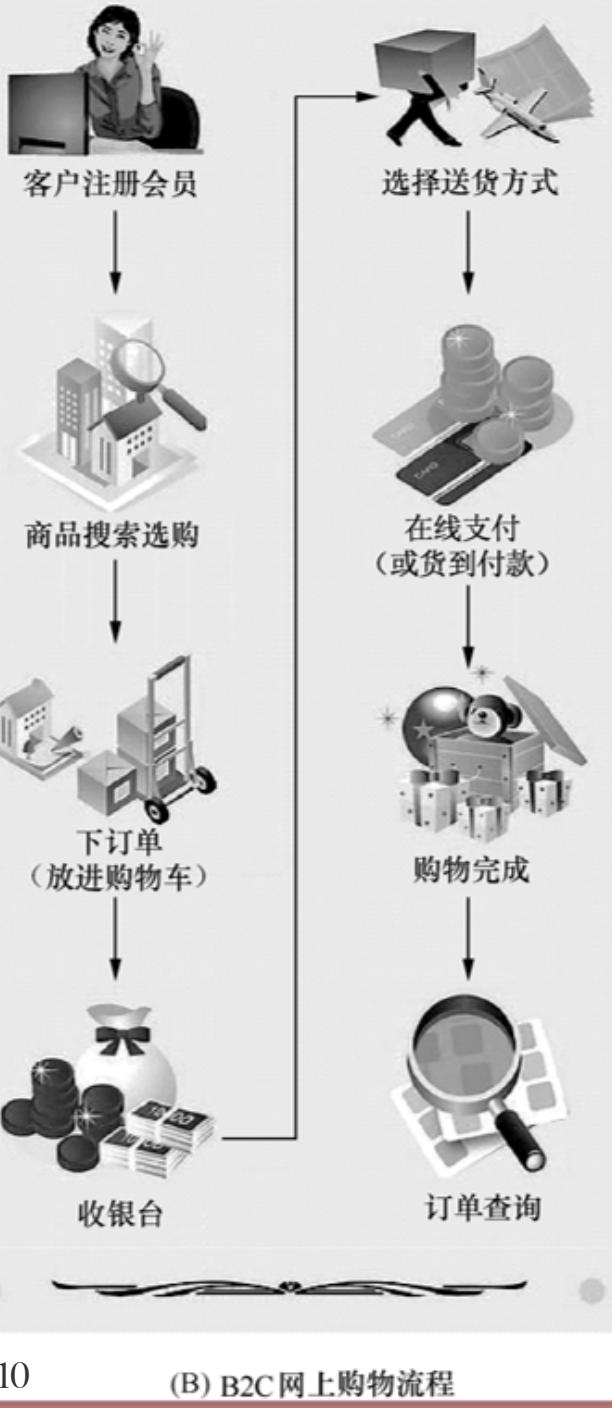


Online customers place orders → Order acceptance → Check product inventory.

If the inventory is available → Generate sales order; if inventory is unavailable → Generate purchase order → Confirm receipt of goods → Generate sales order.

Confirm outbound shipment → Delivery confirmation → Settlement.

Comprehensive inventory inquiry.



# The B2C online shopping process



# B2C backend management

## B2C后台管理功能

### ● Product management

Managing product information, including adding, editing, and deleting products, setting product attributes, prices, and inventory, organizing products into categories, and managing tags.

### ● Order management

Handling customer orders, including order acceptance, confirmation, fulfillment, and returns processing. Managing order status, tracking order processes, and delivery.

### ● Customer management

Managing registered members' information, including customer profiles, order history, and shipping addresses. Providing functions for customer queries, editing, and deletion.

### ● Marketing and promotion

Providing features for managing promotional activities, including setting discounts, coupons, and offers. Managing advertisements and promotional content, as well as tracking and analyzing promotional activities.

### ● Data analysis and reporting

Providing sales data, order statistics, and customer behavior analysis. Helping to understand sales performance, customer preferences, and market trends. Supporting decision-making and optimizing business strategies.

### ● Supply chain management

Managing relationships with suppliers, including procurement management, inventory management, and supplier performance evaluation. Ensuring timely and quality-controlled product supply.

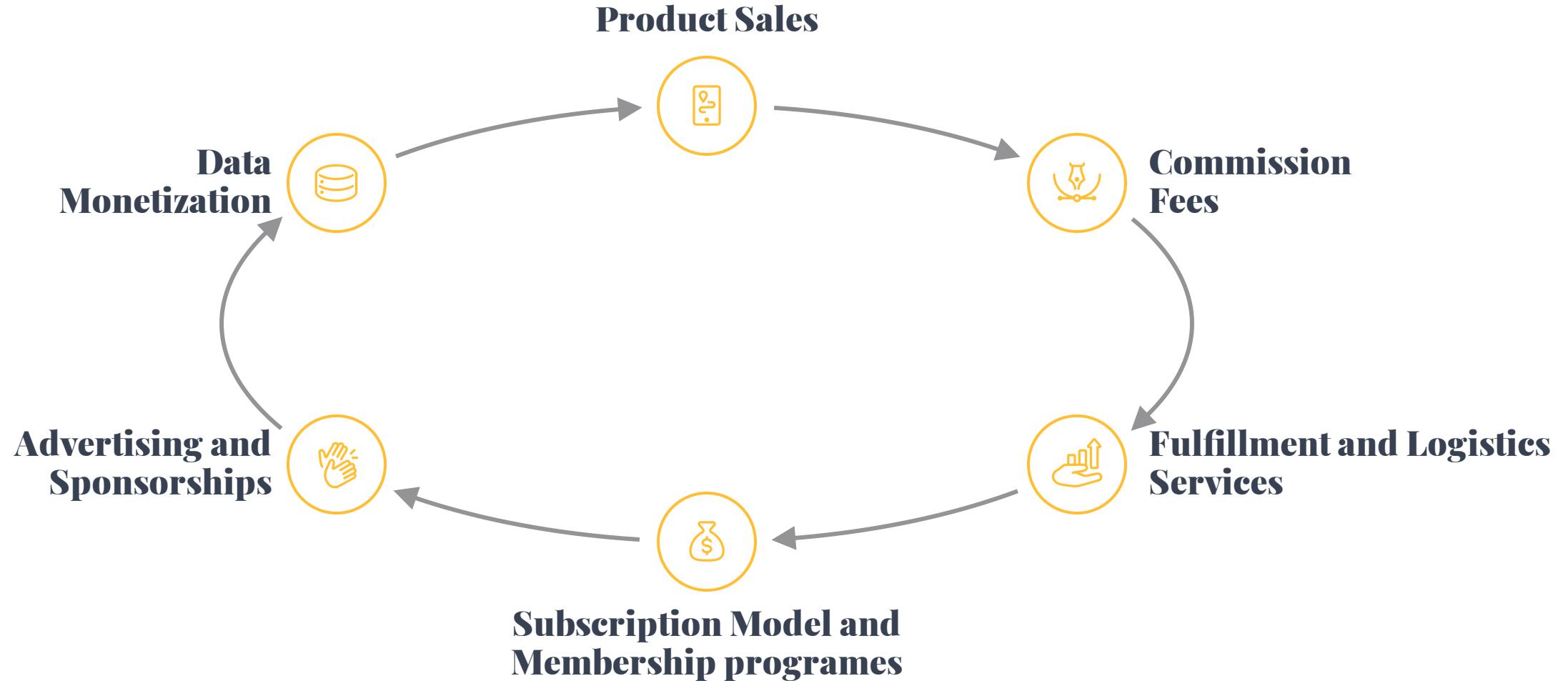
### ● Customer service and support

Providing features for customer service and after-sales support, including handling customer inquiries, complaints, and requests for returns and exchanges. Answering common questions and providing channels for online customer support and feedback.

### ● Website configuration and operations

Configuring and setting up the website, including page layouts, themes, and multi-language support. Managing user permissions, monitoring website operation and security.

# The main revenue models for B2C E-commerce



# Key Factors for the Success of B2C E-commerce

## Exceptional User Experience

Providing a simple, intuitive, and convenient user interface and processes to ensure users can easily search, select, and purchase products. Good website design, fast loading speeds, and a user-friendly mobile experience are crucial for a positive user experience.

## Diverse Product Selection

Offering a wide range of product categories to cater to different customer needs. Regularly updating products to stay in line with fashionable and trending brands and items.

## Secure Payment System

Establishing a secure and reliable payment system to safeguard user payment information and personal data. Supporting multiple payment methods and implementing secure encryption technology to enhance user trust and security.

## Supply Chain and Logistics Management

Ensuring timely order processing and delivery by providing reliable logistics solutions. Building a robust supply chain network to guarantee product quality and on-time delivery.

## Effective Marketing and Promotion

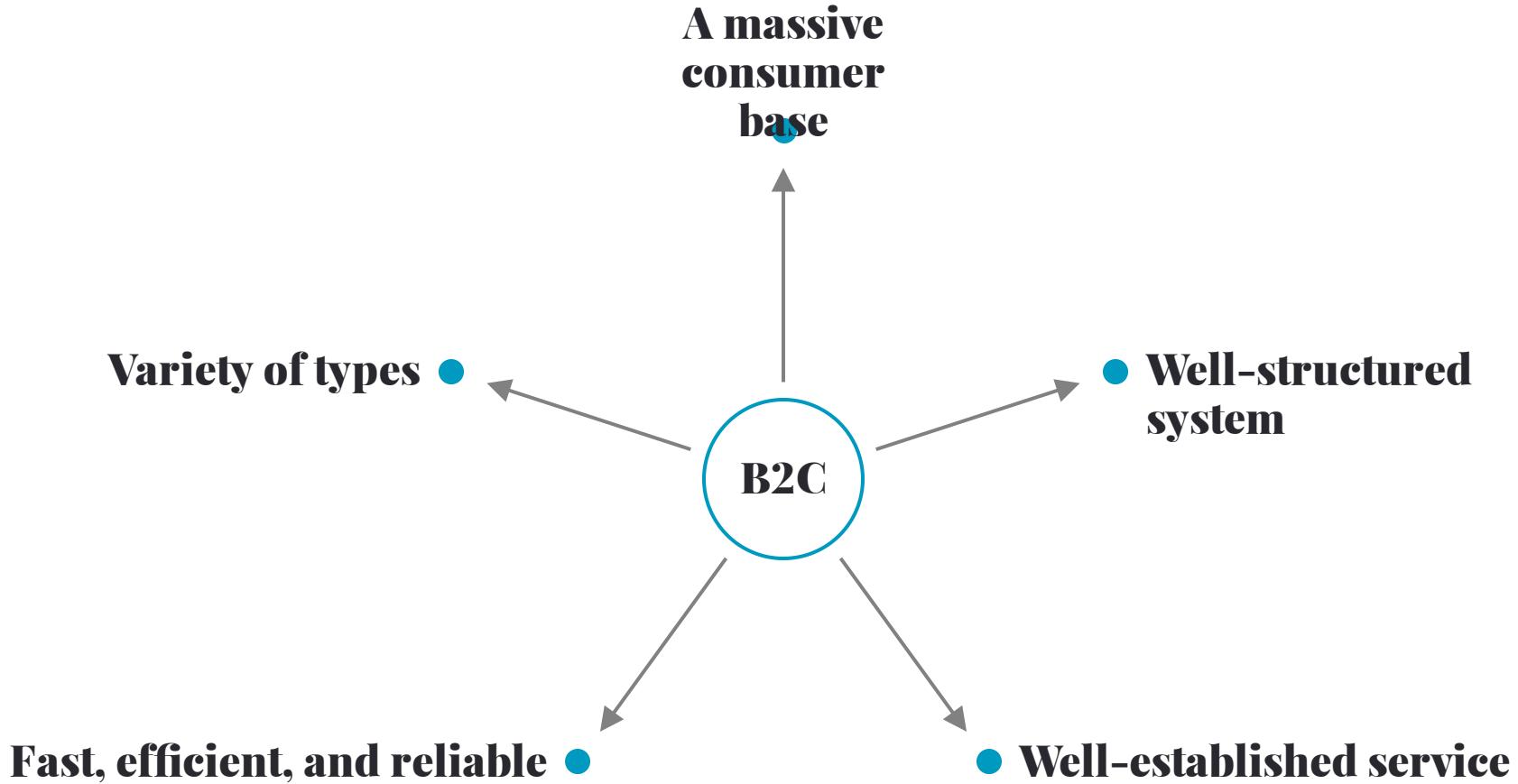
Conducting targeted marketing campaigns to attract potential customers. Utilizing social media, email marketing, search engine optimization, and other channels to increase brand awareness and exposure.

## Brand Building and Reputation

Creating a well-known and reputable brand by delivering high-quality products and excellent service to earn user trust and loyalty.

# The characteristics of B2C in China

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### Section 3

# Pioneer in the B2C Model-

B2C模式的排头兵

# JD

A horizontal timeline diagram illustrating the history of Jingdong. It features a red line with circular markers at each event point. The timeline starts with a vertical grey bar labeled "START" at the far left. To its right, a red line extends horizontally across the page, marked by five circular nodes. Each node contains a year and a corresponding historical event for Jingdong.

<b>Foundation (1998)</b>	<b>Logistics Centers (2007)</b>	<b>2011</b>	<b>2014</b>
Jingdong was founded by Liu Qiangdong, also known as Richard Liu, in June 1998 in Beijing, China.	In an effort to improve delivery times and customer service, JD.com invested heavily in building its logistics and fulfillment infrastructure. This approach allowed the company to have more control over the entire supply chain.	Jingdong Mall Mobile Client Launched, Launching Mobile Internet Strategy	JD.com went public on the NASDAQ stock exchange in May 2014. The IPO was one of the largest by a Chinese company at the time, raising billions of dollars in capital.
<b>Shift to Online (2004)</b>	<b>2010</b>	<b>2013</b>	
In 2004, the company shifted its focus to online retailing due to the outbreak of the SARS epidemic, which prompted a surge in online shopping. The website 360buy.com was launched, and it marked the beginning of JD.com's transformation into an e-commerce giant.	Jingdong Mall opens national door-to-door pickup service and gradually opens up third-party platforms	Jingdong changed its domain name, logo and mascot, which is easy for consumers to remember and use, and is conducive to the dissemination and enhancement of Jingdong's brand image	

# Jingdong's business strategy

**JD.com started with 3C (Computer, Communication, and Consumer Electronics) products as the entry point, establishing a vertical B2C business.**

Compared to the comprehensive B2C model, the vertical B2C model has distinct advantages.

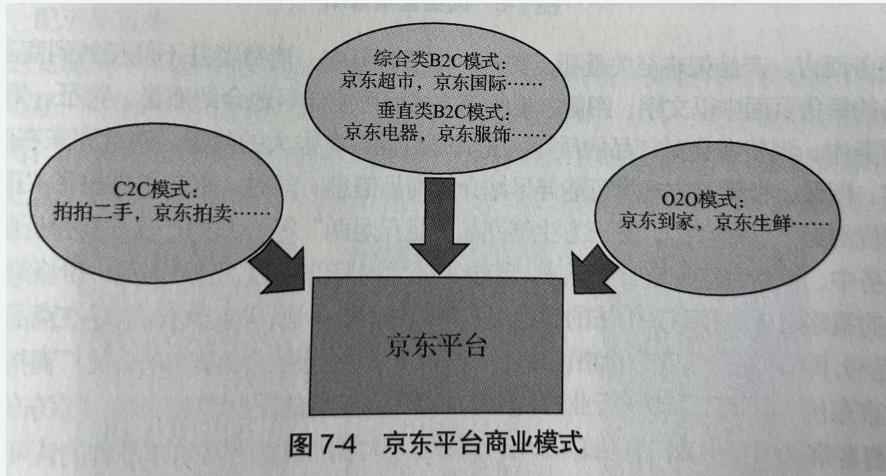
- **From an operational perspective**, the comprehensive B2C model has much greater demands in terms of the variety of products compared to the vertical B2C model. Vertical B2C only requires products from a single category, while the comprehensive B2C model necessitates products from multiple categories, or even all categories.
- **From a management perspective**, the comprehensive B2C model is much more challenging to manage than the vertical B2C model. In the comprehensive B2C model, there are significant differences in performance, quality, service, and transportation for products across various categories. This requires a wide and specialized management and service team. In contrast, the vertical B2C model, due to its single product type and similarity in product categories, exhibits similarities in management and service, resulting in relatively lower management costs and simpler management.
- **From a supply chain perspective**, the comprehensive B2C model has a more complex supply chain. The wide variety of products in the comprehensive B2C model leads to a larger number of participating businesses, making the selection of merchants and resource integration more challenging. Conversely, the vertical B2C model, with its relatively uniform product type, simplifies the selection of merchants and resource integration.

# Jingdong's business strategy

## **Transitioning from a vertical B2C platform to a comprehensive B2C platform**

JD.com's precise business positioning in the vertical B2C sector, with a strong focus on the 3C field, allowed it to quickly capture the market and accumulate a wealth of e-commerce operational experience. Building upon this foundation, JD.com began applying the operational principles and expertise gained in the 3C field to the sale of products in other categories, leading to a transition towards a comprehensive B2C model. With its robust supply chain, technology, and marketing capabilities, JD.com's self-operated B2C marketplace has achieved full category coverage, encompassing computers, mobile phones, household appliances, fresh produce, lifestyle services, industrial goods, and more.

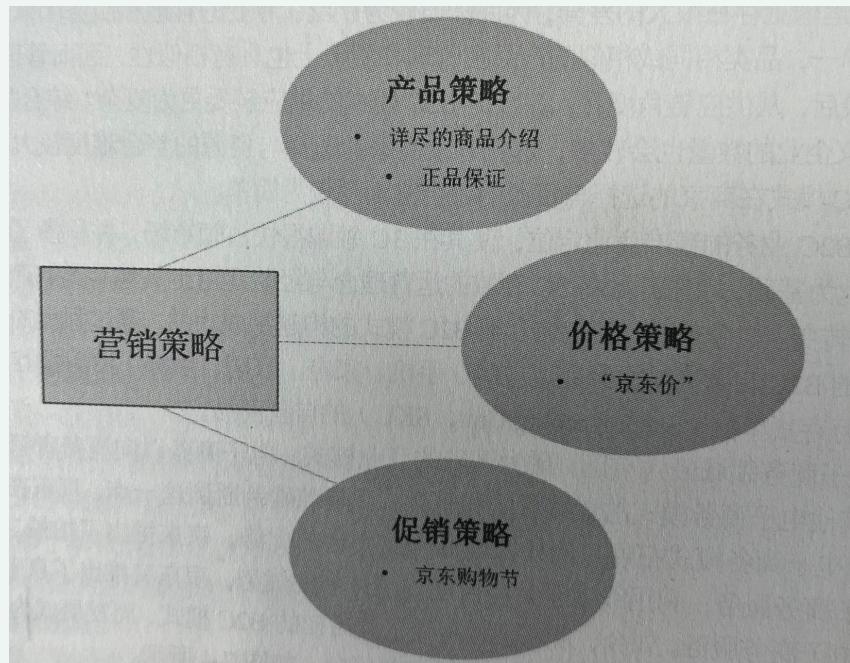
# Jingdong's business strategy



## Building upon its B2C foundation, JD expanded into various other E-commerce models.

For example, leveraging its platform advantage, JD.com introduced C2C e-commerce services such as "Paipai Second Hand" and "JD Auction." Additionally, by capitalizing on its online platform and self-built logistics system, JD.com launched O2O e-commerce services like "JD Daojia" and "JD Fresh." Today, JD.com has evolved beyond its initial B2C model and has developed into a comprehensive e-commerce platform that encompasses various fundamental e-commerce models, including B2C, C2C, and O2O.

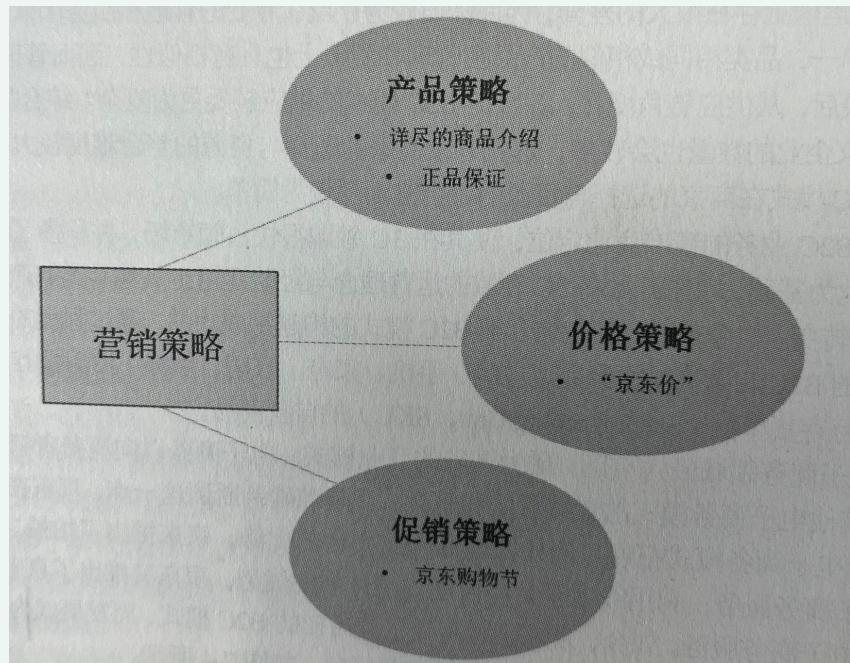
# Jingdong's marketing strategy



## Product strategy

Consumers in e-commerce often have significant concerns about product quality and authenticity. To address this, JD.com provides detailed product information through text, images, videos, and more on the product pages. Additionally, JD.com has introduced a range of product quality assurance services, including "Authenticity Guarantee" for self-operated fresh products, "Freshness Compensation," and "Weight Guarantee" for third-party fresh products, to build trust and provide quality assurances to customers.

# Jingdong's marketing strategy



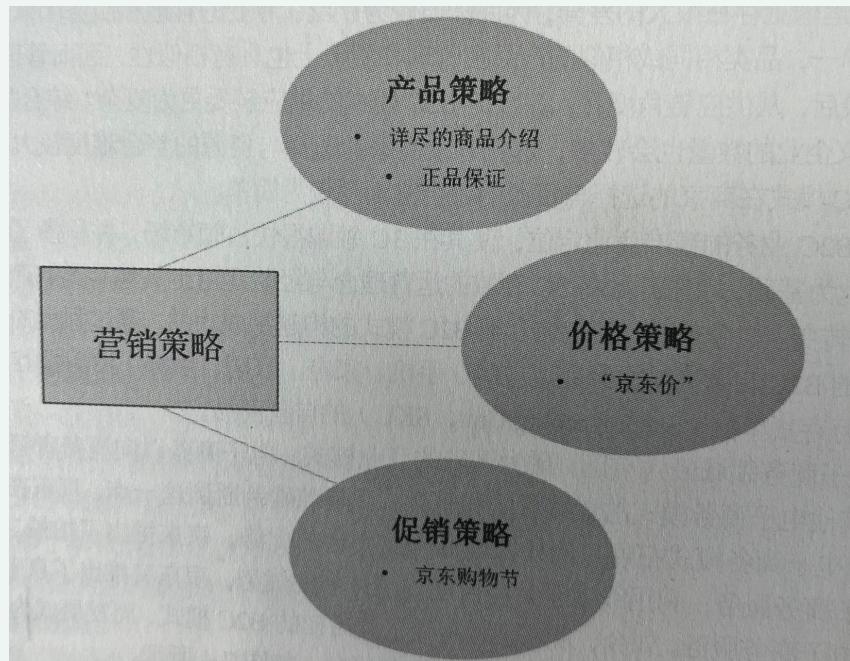
## Price strategy

In e-commerce, consumers often compare prices from different sources to select products they consider to offer the best value for their money. Therefore, pricing strategy is one of the most crucial strategies for businesses in online marketing.

When it comes to setting product prices, JD.com doesn't necessarily base its pricing on the prices of competitors. Instead, JD.com typically adds a 5% profit margin on top of the procurement cost, creating what is known as the "JD.com Price." This price is often 10% to 20% lower than prices on other selling platforms and 10% to 30% cheaper than the manufacturer's suggested retail price.

Today, the "JD.com Price" has become an important reference point for other retailers in the retail industry when determining pricing. The widespread recognition of the "JD.com Price" has given consumers the impression of getting good value for their money, significantly increasing their trust and recognition of the JD.com brand.

# Jingdong's marketing strategy



## Promotion strategy

In recent years, e-commerce platforms have witnessed frequent and highly popular online promotions, such as "Double 11" on Tmall and Taobao, "Black Friday" on Amazon, and various shopping festivals and celebrations on various e-commerce platforms. Similarly, JD.com has continuously launched promotional activities. JD.com's "6.18 Shopping Festival" has become one of the larger-scale promotional events in China.

Additionally, JD.com frequently conducts promotions during back-to-school seasons, Mother's Day, Father's Day, and other holidays and significant time points. Promotional activities conducted in various ways have gradually become a part of consumer culture, turning into significant "festivals" for consumers in their shopping journey. This promotion culture, to a large extent, downplays the commercial nature of e-commerce businesses, thereby bridging the gap between businesses and consumers, and increasing consumer trust and reliance on e-commerce companies.

# JD's convenient payment

## ● Online payment

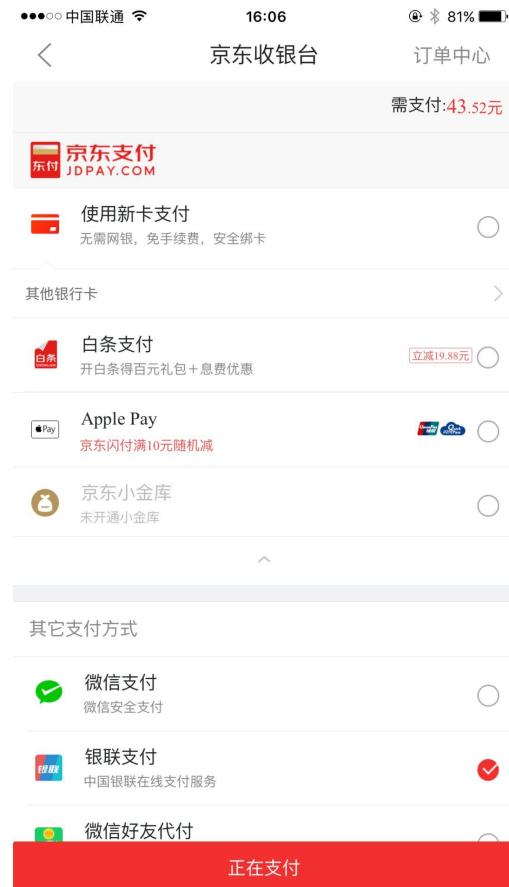
JD.com has implemented a diverse online payment system through collaborations with multiple platforms. These include JD Pay, WeChat Pay, UnionPay, Apple Pay, Huawei Pay, and more.

## ● Credit payment

JD.com has also introduced JD Baitiao, an internet-based credit payment product. Consumers can enjoy the experience of "shop now, pay later, real-time approval, and flexible installment payments." JD Baitiao is a credit payment service provided to consumers with high credit scores and consumption needs, assessed through big data credit evaluations.

## ● Cash on Delivery

Consumers can place orders on JD.com and then, upon the delivery of the products, make the payment using cash, card payment via POS machine, or checks. Under the Cash on Delivery mode, consumers have the opportunity to inspect the products upon receipt. They can check for any discrepancies between the product description and the received item, verify the authenticity and quality of the goods, and assess whether there is any damage during delivery. Subsequently, they can decide whether to sign for the delivery and make the payment based on the specific circumstances.





# JD's "Warehousing, Distribution, and Services"

Unlike the vast majority of e-commerce companies in China, JD.com is a modern e-commerce company with its own self-built logistics system. After years of exploration, JD.com has developed core competencies in warehousing, distribution, and services.

# Why self-built logistics?

- **Amazon's success in self-built logistics system sets a benchmark for numerous e-commerce enterprises.**

Actually, Jingdong is not the first e-commerce firm building its own logistics system. The model of self-built logistics system is American online retailer Amazon, which invests a lot in building logistics system relying on its high IT technology. In addition to meeting its own demand for logistics, it also provides supply chain management services to other enterprises. Such a model has become a development direction of Chinese e-commerce enterprises.

- **Competition in service and cost control boost logistics building of e-commerce enterprises.**

The competition of all kinds of e-commerce enterprises is intensified. In order to attract users and to increase users' faithfulness, e-commerce enterprises try to enhance the user experience through the "last mile" construction. In addition, although the logistics system requires large funding in the short run, in the long run, enterprises can save costs by means of logistics system management.



# Why self-built logistics?

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- **Holiday mode is challenging the existing logistics system.**

Every year, when Spring Festival is approaching, the courier and delivery capacity shortages are inevitable. As lots of part-time couriers go back to hometown for vacation, the number of couriers on duty declines sharply. As a result, the delivery has to be delayed or even refused, which causes the customers' dissatisfaction. The phenomenon is prominent especially for the e-commerce companies outsourcing their logistics. For example, many small and medium-sized retailers on Taobao have been obsessed by the complaints and low rating from the customers due to the inefficient delivery in holiday. With self-built logistics, Jingdong can keep normal operation even during the special days like Spring Festival since it doesn't have to depend on third party logistics. Besides, the self-built logistics system enables the enterprise to not only track all the parcels on delivery but also collect customers' data so as to accurately capture their need.

- **Self-built logistics enables more control.**

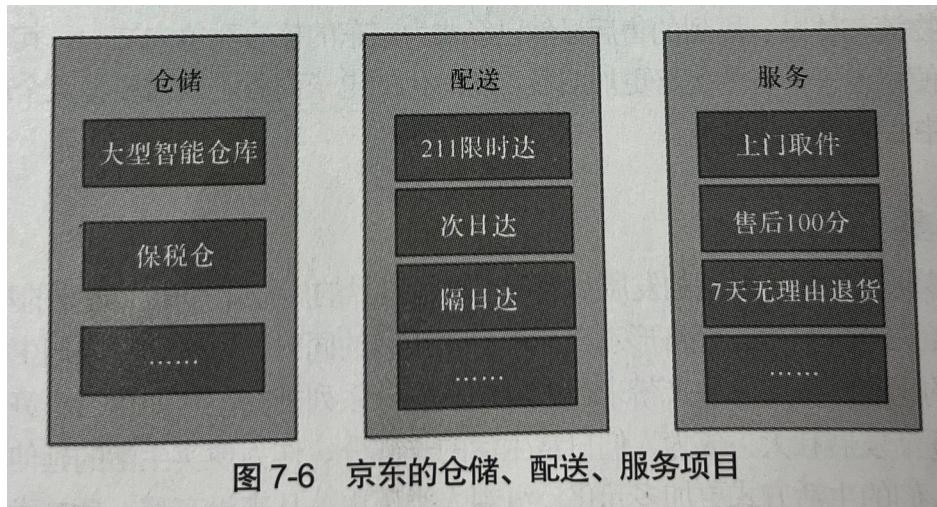
Self-built logistics allows e-commerce enterprises to track the whole process of delivery so as to control quality and efficiency better. Besides, without the dependence on third-party logistics, the enterprises can focus on the innovation of logistics service, which satisfies customers' demand better. Actually, all the personalized logistics services launched by Jingdong are based on its own logistics systems.



# Why self-built logistics?

- **Self-built logistics system benefits reverse logistics.**

Product return or replacement has been a tough part of online retailing as it requires the resources integration and systems docking between the e-commerce platform and the logistics system. With self-built logistics system, the process becomes easier because the process only involves single firm.



# JD's Warehousing



40多个亚洲1号，4000个大型智能仓库



220个国家和地区



近90个保税仓、直邮仓和海外仓

# **JD's delivery services**

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# **JD's after-sales services**

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# JD's target customers



## Demand

Consumers of computer, communication products, consumer electronics, and household appliances.



## Gender

A higher proportion of males



## Age

Fall within the age range of 20 to 40 years old



## Occupation-wise

White-collar workers, government employees, university students, and other consumers who seek high-quality products.



# **JD's profit model**

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## **Self-operated product revenue**

自营商品收入

JD directly purchases goods from manufacturers and sells them to customers, earning the difference between the purchase price and the selling price. Additionally, JD.com may profit through manufacturer rebates and other subsidies.

## **Third-party platform service revenue**

第三方平台收入

JD earns revenue from its third-party platform services, including deposits, platform usage fees, and transaction service fees.

## **Advertising revenue**

广告收入

Advertising revenue is one of JD's significant sources of income. For example, merchants can promote their products through JD's marketing and promotion platform called "Jingzhuntong (京准通)" and pay advertising fees to JD.com. "Jingzhuntong" offers marketing products such as Jingxuan booths, JD Express, and JD Direct Investment.

## **Funds deposit income**

资金沉淀收入

When consumers purchase products, their funds are temporarily held on the JD platform. Therefore, JD can use this portion of funds for reinvestment to generate income.

**In/After-class assignment**

**Can you summarize  
JD's core  
competitiveness?**