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EASYLIFE: DEVELOPING A REGIONAL E-COMMERCE PLATFORM

Miao Cui, Xin Li, Yan Zhao, Sitara Aziz, Yupan Guo, and Linhai Guo wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In April 2015, Linhai Guo, the general manager of Dalian Zhongding Information Co., Ltd. (DZI), was deep in thought. DZI, which had been a traditional intermediary in the prepaid card business, made its foray into the e-commerce market by launching an e-commerce platform, EasyLife, in September 2014. The Chinese e-commerce market had turned fiercely competitive in recent years. Although EasyLife had adopted a series of marketing methods, it still faced many challenges, and Guo was perplexed about how EasyLife could attract new customers and retain its existing customers when there were numerous e-commerce platforms for customers to choose from.

This problem had concerned Guo since EasyLife was launched. Prior to this launch in 2014, the company’s main business was selling the OnlyCard, the first general prepaid card in Liaoning Province, China. The OnlyCard was issued in 2007, and after a few years, it had become the leading prepaid card brand in the industry in Liaoning. Yet due to national policy regulations and the emergence of online, third-party payment options such as Alipay, the prepaid card market suffered a massive decline. Annual sales of the OnlyCard decreased from ¥550 million[[1]](#footnote-1) in 2012 to ¥220 million in 2014. EasyLife was therefore launched as an e-commerce platform to reconnect merchants with customers.

In addition to the advantages offered by the OnlyCard, EasyLife provided benefits as an online platform, which enabled customers to have commodities and consumer goods delivered to their doorsteps. The OnlyCard had inherent advantages and had attracted merchants and customers. Guo was also optimistic about EasyLife’s growth, and confident of making it the leading regional e-commerce platform. However, users did not express immense interest in EasyLife; contrary to expectations, user traffic on EasyLife was too low. This became an issue of great concern to Guo. EasyLife adopted traditional offline promotions to attract users, as it had done with the OnlyCard, but these promotions were not effective. A proportion of acquired users remained passive, and the secondary purchase rates were extremely low. Faced with high costs and mounting pressure from large-scale e-commerce platforms such as Taobao and JD.com (JD), Guo began to wonder if EasyLife should alter its promotional approach. If so, what kind of promotional strategies would it need to adopt to become a successful competitor?

INDUSTRY BACKGROUND

Development of the E-Commerce Industry

Online trading was inaugurated in China on March 18, 1998. In March 1999, the launch of 8848.net, China’s first business-to-customer (B2C) platform, made online shopping a substantial business. In August of that year, eBay China was established and became China’s first customer-to-customer (C2C) online platform. In September, Alibaba.com (Alibaba) was launched. From that point, a series of e-commerce platforms were established, fuelling competition in the e-commerce space. These new platforms included e-commerce stores such as E-commerce China Dangdang Inc. (Dangdang), Joyo.com, and Bertelsmann SE and Co., and travel sites such as Ctrip.com International Ltd. (Ctrip), China CYTS Tours, and eLong Inc. Fierce competition brought down prices and boosted the Chinese e-commerce market. By 2013, annual sales in China’s e-commerce market had reached ¥10 trillion and were still rising.

DZI had been preparing to enter the e-commerce market since 2013. The market flourished over the following two years, as expected, and in 2015, annual e-commerce sales reached ¥18 trillion—the highest in the world. The user base of online shoppers rose to 413 million, or 60 per cent of all “netizens” (Internet users) in China. In March 2015, the Chinese government proposed an Internet strategy to accelerate the integration of the Internet and traditional industries. This strategy not only promoted the development of the e-commerce market but also intensified competition, which brought EasyLife a rare opportunity as well as a great challenge.

Major Competitors

By 2014 (more than 10 years since its launch), the e-commerce market had achieved a considerable scale and nurtured some well-known platforms. In terms of online penetration, the top three national e-commerce platforms were Taobao, Tmall.com (Tmall), and JD, which accounted for 87.0, 69.7, and 45.3 per cent of the user base, respectively (see Exhibit 1). These well-known platforms recognized online supermarkets as the new blue ocean[[2]](#footnote-2) in the B2C e-commerce market, and soon they all established online supermarkets to sell traditional supermarket products such as fruit and seafood. The massive traffic to these comprehensive e-commerce platforms meant online supermarkets achieved a rapid scale. Meanwhile, the strong competitive pressure was agonizing for Guo.

Taobao, Tmall, and Tmall Supermarket

Taobao and Tmall, established by Alibaba, emerged as the biggest online retail network in the Asia-Pacific region. At the end of 2014, the registered user base of Taobao had breached the 500 million mark and included almost all online shopping customers in China.[[3]](#footnote-3) With more than 120 million active users, the network realized annual sales of ¥1.1 trillion in 2012, and was ranked first in the world. On November 11, 2014, the daily sales of Tmall set a new world record, with daily transactions worth ¥57.1 billion.[[4]](#footnote-4)

Tmall Supermarket,[[5]](#footnote-5) launched by Alibaba in April 2012, aimed to provide customers with all grocery necessities (for example, food, beverages, grains, and fruits) and promised overnight delivery service. Tmall Supermarket had been growing at more than 30 per cent annually since its establishment, and its average daily traffic in 2015 reached 10 million customers.[[6]](#footnote-6)

JD and JD Supermarket

JD[[7]](#footnote-7) was the biggest self-supporting e-commerce enterprise in China and the first comprehensive e-commerce platform from China to be successfully listed in America. In 2015, its annual sales were pegged at ¥462.7 billion with a year-over-year growth of 78 per cent, and it generated a net revenue of ¥181.3 billion. In addition to more than 100 million registered members, JD also owned an advanced self-support logistics system.

JD Supermarket[[8]](#footnote-8) was launched in May 2013. Based on huge traffic and an advanced logistics system, its sales of popular brands increased 11 times in seven months. In August 2015, JD invested ¥4.3 billion in Yonghui Superstores Co. Ltd., an offline supermarket chain with nearly 500 stores, whose sales of fresh foods accounted for more than 50 per cent of total sales. The cooperation with Yonghui Superstores helped to promote fresh foods in the JD Supermarket.

Yhd.com[[9]](#footnote-9)

Yhd.com was launched on July 11, 2008. The first online supermarket in China, Yhd.com had been on a path of high-speed growth since its establishment. Its annual sales reached ¥11.5 billion in 2013. At the end of 2014, Yhd.com had accumulated 90 million registered users. It provided same-day delivery service in eight major cities, and overnight delivery service in 166 cities. On July 23, 2015, Wal-Mart acquired Yhd.com; the investment enabled Yhd.com to enlarge its market share and become the Chinese leader in online supermarkets.

Regional E-commerce Platforms

Several regional e-commerce platforms, including Shequ001.com, Kuaikuaiyu.com, and Beequick.cn, existed in addition to these national platforms. Compared with national platforms, the delivery services of regional companies were faster and more flexible. However, their status as new players in the field led to other challenges.

Shequ001.com adopted an online-to-offline (O2O) supermarket model and provided one-hour delivery within five miles. Its cooperative supermarkets provided storage and merchants, and Shequ001.com sent the merchants to users from the supermarkets.

Kuaikuaiyu.com was an O2O company mainly targeting the campus market. Its suppliers were the supermarkets and convenience stores scattered around schools. The company adopted crowdsourcing delivery and hired part-time undergraduate students as couriers. Within one year, Kuaikuaiyu.com had extended its business to nearly 300 campuses across China. Its daily business exceeded 20,000 orders per day.

Beequick.cn adopted this O2O convenience store model through cooperation with convenience stores. The enterprise used centralized purchasing and distributed goods to the stores, which provided last-mile delivery at a price of ¥5 per transaction, paid by the users. There were about 2,000 distribution centres in Beijing, and Beequick.cn had recently received an investment of US$20 million.

EASYLIFE E-COMMERCE PLATFORM

DZI

Why was Guo confident by the time EasyLife entered the e-commerce market, despite the presence of numerous powerful competitors? The answer to this question involved the holding company of EasyLife—DZI.

DZI, established in 2006, belonged to one of the first groups of firms to obtain a payment licence issued by the People’s Bank of China. Supported by UnionPay and the Shanghai Pudong Development Bank, DZI had built a business network in Liaoning to satisfy users’ demands for convenience and safety by cooperating with merchants such as supermarkets, hotels, restaurants, and entertainment venues.

DZI’s primary business was issuing prepaid cards, and in December 2007, it issued the OnlyCard, a multipurpose prepaid card.[[10]](#footnote-10) The OnlyCard adopted a standard bank card design and allowed its users to shop through point-of-sale machines installed by merchants in their shops. As a convenient multipurpose prepaid card, the OnlyCard had become the card of choice for enterprises, public institutions, and those purchasing business gifts: In just 47 days, sales of the card reached ¥1.84 million.

After several years of effort, OnlyCard sold 1 million cards and earned ¥1 billion. In the meantime, the enterprise cooperated with nearly 1,000 merchants and built a trans-industry business network in the four main economic centres in Liaoning: Shenyang, Dandong, Yingkou, and Dalian. As a growth engine of DZI, OnlyCard had become the most popular prepaid card brand and captured the largest market in Liaoning. OnlyCard had also acquired a large number of customers and merchant resources, which laid a solid foundation for the setup and promotion of EasyLife.

However, annual sales of the OnlyCard had fallen from ¥550 million in 2012, to ¥220 million in 2014. This sharp decline was mainly due to changes in national regulations. The central government had issued eight rules on December 4, 2012, to limit government spending—an important source of OnlyCard payments. Moreover, the rise of online payments was seriously threatening the prepaid card industry. For example, Alipay, a leading independent third-party payment platform launched by Alibaba, had a user base of 270 million and accounted for more than 80 per cent of the mobile payment market in April 2015. Compared with the OnlyCard, online payment platforms were more flexible because they could be used to shop online at any time, and could also generate opportunities for extra earnings, as customers made use of their idle money.

EasyLife

Taking into account the decline of the OnlyCard and the dilemma of the prepaid card industry, DZI took advantage of Internet trends and its customer and merchant bases to build an online platform providing home delivery for users. Unlike with the OnlyCard, EasyLife users did not have to go to the stores; all they needed to do was place an order through EasyLife and wait for goods to arrive at their homes.

EasyLife initially had a small team of 34 employees, including 18 research and development personnel, 10 operations personnel (responsible for supplying products, contacting merchants, and serving customers), and three part-time online marketing personnel. Because there were not many orders in the beginning, there were just three distribution personnel.

EasyLife aimed to become a purchasing agent for local supermarkets—that is, a carrier for the supermarkets. EasyLife users (mainly white-collar workers and community residents) could buy goods in supermarkets without going there in person. Like the OnlyCard, EasyLife focused on several pivotal cities in Liaoning—Shenyang, Dandong, Yingkou, and Dalian—and expected to become a leading regional platform.

As a regional e-commerce platform, EasyLife paid most attention to timeliness. Because the suppliers and customers of EasyLife were all local, the company could realize one-hour delivery, which was impossible for national e-commerce platforms (these platforms generally needed one or two days to distribute). Because overnight delivery was the fastest available through national platforms, people usually bought urgently required goods, especially fresh foods, in local supermarkets. EasyLife aimed to provide the goods that people typically purchased offline, and to satisfy customers’ demands through one-hour delivery. Aside from extra transportation costs, it sometimes took more than one hour for customers to shop at offline supermarkets in person because they had to park, wait in check-out lines, and negotiate traffic. Guo was very proud of EasyLife’s timeliness:

National platforms must rely on logistics systems. It was almost impossible for them to deliver goods within one hour. They couldn’t satisfy the urgent needs and you had to plan to shop [for those later]. However, through the EasyLife platform, one-hour delivery allowed you to shop without plans. That was what national e-commerce platforms couldn’t do.

EasyLife combined online and offline advantages exactly as Guo described: customers could shop without going out, at any time, and without making any plans.

At first, customers could only buy goods from supermarket chain Metro through EasyLife. Mr. Guo explained why EasyLife chose Metro first:

The most attractive characteristic of Metro was its imported commodities, popular among young white-collar people. Besides, goods displayed in Metro, the third-largest chain of supermarkets around the world, were of high quality and had a good reputation in Dalian. I often received feedback from the salespeople, and they said that customers were usually pleased to visit our platform when they were informed that they could buy Metro products through it.

In September 2014, the EasyLife platform was launched and began to serve white-collar workers and community residents. By placing an order through EasyLife, users could buy the same products at the same price as in offline supermarkets and enjoy free same-day delivery (one-hour delivery was not free).

EasyLife organized the commodities from Metro into six categories: snack foods, beverages, frozen foods, home daily, toiletries, and imported goods. There were also subcategories: for example, snack foods included biscuits, chocolates, and conserves. To facilitate users’ choices, EasyLife set up a “flash sale” column, which included discount promotions from offline supermarkets. Like other e-commerce platforms, EasyLife added basic three-part descriptions for every product, including an introduction, details, and photographs. The introduction provided a simple literal description (e.g., “Xiangxue whole-wheat vermicelli 500g × 1”) or a description of the product’s functions (e.g., “soothing the nerves, improving sleep, sterilizing, softening blood vessels, and helping those who are dreamful or have trouble falling asleep”). The details and photograph sections usually provided two or three images of each physical commodity.

On November 18, 2014, EasyLife began its pilot operations in the Zhongshan district of Dalian, and it expanded its test sites to include the Gaoxin district in February 2015. According to statistics, EasyLife received 200–300 orders every day. Average income per order was only ¥30–40. Out of 10,000 registered users, only 10 per cent were active users.

CURRENT OPERATION OF EASYLIFE

Market Positioning

Guo was initially confident about EasyLife:

In Liaoning, we not only had the customer and merchant resources acquired through the OnlyCard, but also had marketing experience [from the OnlyCard], both of which were the advantages that Taobao and other platforms didn’t have.

To make its promotions more targeted, EasyLife first clarified the market positioning of its products, customers, and model.

Product Positioning

When positioning its products, EasyLife took advantage of OnlyCard users’ consumption data, which showed that, although OnlyCard merchants covered many consumer products across the industry, about 90 per cent of OnlyCard’s total sales took place in supermarkets. Because of fierce competition in the e-commerce market, EasyLife adopted a differentiation strategy to make space for fresh foods, fruits, and other supermarket products users usually bought offline in its product line.

Customer Positioning

The core users of EasyLife were mainly OnlyCard users, white-collar workers, and community residents. Although OnlyCard’s revenue had dropped off dramatically, its annual sales were still hovering around ¥200 million, and many companies gave out OnlyCards as a staff welfare measure, which generated about 200,000 to 300,000 users. These users of OnlyCard could shop not only with offline merchants, but also on the EasyLife platform. Most white-collar workers who used EasyLife were 25–45 years old who did not have extra time to go to the supermarket because they were busy working all day. Community residents who needed to shop for cooking could buy fresh vegetables and fruits through EasyLife without going out.

Model Positioning

The product categories on EasyLife included about one-third of all the categories available through Metro, and EasyLife updated product information once a day to synchronize with Metro. Unlike the traditional business model of purchasing in advance to avoid purchase and storage costs, EasyLife adopted an asset-light model, settling based on orders. Because it was a local platform, with suppliers and customers in the same city (unlike Tmall, Yhd.com, and others), EasyLife could facilitate same-day delivery and one-hour delivery, relying on its self-supporting logistics system.

Market Promotion

Based on a clear market positioning, EasyLife conducted a series of independent and co-marketing promotions. Its independent promotion targeted white-collar workers and OnlyCard users. The platform also conducted promotions for both new and registered users.

Traditional offline promotions were aimed at white-collar workers. The typical pattern was to set up a small spotlight exhibit in an office building, with three to four salespeople. Office workers were offered gifts (for example, bottled drinks) as an incentive to install the EasyLife application (app) on their mobile phones and register. EasyLife undertook this traditional offline promotion at an average speed of one building a day since its establishment.

OnlyCard users were offered discounts for shopping on EasyLife. Users could use OnlyCard, as well as third-party payment systems such as Alipay, for quick payment on the EasyLife platform. To attract OnlyCard users, EasyLife offered them a 5 per cent discount. On the one hand, this promotion helped establish the users’ online shopping habit and promoted EasyLife at the same time. On the other hand, it also promoted sales through OnlyCard, as EasyLife provided a home delivery service and offered users a new and convenient way to use the OnlyCard.

Discounts for the first order were aimed at new users. To encourage new users to install the EasyLife app and then make purchases, EasyLife provided them with a ¥10 cash coupon when they placed their first order.

EasyLife offered registered users gifts when they recommended the EasyLife app to their relatives and friends. New users who had been recommended needed to designate the referring users during registration. The referrers received one free litre of imported milk in Metro or a ¥10 OnlyCard when they had successfully recommended two users to install, register, and purchase through the app; they received an all-purpose three-dimensional movie ticket when they had successfully recommended five users. After making recommendations, referring users received a call from EasyLife’s customer service staff and home delivery of the gifts.

EasyLife offered free delivery for all users. Network consumers were sensitive about delivery charges, and EasyLife was still in the early promotion stage, so EasyLife provided free delivery services in order to retain its existing customers.

EasyLife promoted its services on WeChat, a well-known instant-messaging chat service with a large user base across China. The platform registered an official account on WeChat and broadcast one “bargain” message to attract users every day.

As OnlyCard had accumulated many cooperative partners, such as the Bank of Dalian Co. Ltd. (Bank of Dalian), it took advantage of these resources by conducting a series of co-marketing activities, as follows:

During the 17th anniversary of the Bank of Dalian, EasyLife organized a number of promotional activities synchronized with the bank’s platform. The activities included opening the special celebration by providing 20–50 per cent discounts; giving a deep discount online at 11:00 a.m. every day; presenting two hot-spring tickets to newly registered users whose cumulative personal consumption during the anniversary ranked in the top 30; presenting an Apple Watch to the users whose cumulative personal consumption during the anniversary was more than ¥10,000 and ranked in the top three; and holding a “lucky dip” for users whose expenditure included the number “17,” with an iPad Mini 3 as the prize.

Dalian Pearl Public Transportation Card Co. Ltd. (DPPTC) was the issuer of the “Pearl” bus passes for Dalian. By November 30, 2015, the circulation of the Pearl bus pass had reached 4.2 million. To attract DPPTC users to shop on EasyLife, the company sold a series of memorial bus passes (for example, an owl card and a couple’s card). EasyLife also allowed users to pay through their Pearl bus pass. Some enterprises contributed a certain amount to employees’ Pearl bus passes as a staff welfare measure, and staff could use this to shop on EasyLife.

EasyLife also did co-marketing with merchants. When selling the OnlyCard, DZI presented users with a paper card cover printed with the merchants’ information and the code for the EasyLife app to encourage users to use the OnlyCard online and shop through EasyLife. Meanwhile, EasyLife installed bulletin boards displaying the EasyLife app code on the premises of all cooperative merchants.

EASYLIFE’S DILEMMA

Although EasyLife’s marketing activities entailed a heavy cost, Guo thought the cost was worthwhile in order to acquire users. However, the marketing was not as successful as expected. EasyLife lost a sizeable number of OnlyCard users, and even registered users purchased on EasyLife only once or never, which made Guo anxious; in terms of reasons for these losses, some users stated that Taobao was cheaper and said that they were used to Taobao. The weak user base and powerful competitors had diminished Guo’s drive. There was no doubt that it was vital for an e-commerce platform to attract and retain users; what should EasyLife do next to achieve these goals?

EXHIBIT 1: ONLINE PENETRATION OF E-COMMERCE PLATFORMS IN 2014

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| --- | --- |
| **E-Commerce Platforms** | **Penetration (%)** |
| Taobao | 87.00 |
| Tmall | 69.70 |
| JD | 45.30 |
| VIPSHOP | 18.80 |
| Dangdang | 16.20 |
| SUNING | 14.20 |
| Yhd.com | 12.90 |
| Amazon | 12.60 |
| Jumei | 11.70 |

Source: Created by the case authors using the information from *The Research Report of Chinese Online Shopping Market 2014*, China Internet Network Information Center, accessed February 25, 2016, www.cac.gov.cn/files/pdf/cnnic/W020150908609566580083.pdf.

1. ¥ = CNY = Chinese yuan renminbi; all currency amounts are in ¥ unless otherwise stated; ¥1.00 = US$0.15 on July 29, 2015. [↑](#footnote-ref-1)
2. Blue ocean, in contrast with red ocean, described an under-saturated market where there was ample opportunity for growth that was both profitable and rapid. [↑](#footnote-ref-2)
3. Taobao.com homepage, accessed February 24, 2016, www.taobao.com/about/intro.php. [↑](#footnote-ref-3)
4. Chaos, “Daily Turnover of Tmall Reached 57.1 Billion on November 11, 2014. How to Break It in the Next Year?” November 12, 2014, accessed February 24, 2016, http://tech2ipo.com/90210. [↑](#footnote-ref-4)
5. Tmall Supermarket website, accessed March 2, 2016, https://chaoshi.tmall.com. [↑](#footnote-ref-5)
6. Alibaba Group, *Annual Report 2015*, accessed April 12, 2016, http://ar.alibabagroup.com/2015/index.html#YearInReview. [↑](#footnote-ref-6)
7. “About JD,” JD.com, accessed February 25, 2016, www.jd.com/intro/about.aspx. [↑](#footnote-ref-7)
8. JD Supermarket website, accessed February 25, 2016, http://chaoshi.jd.com. [↑](#footnote-ref-8)
9. Yhd.com website, accessed February 25, 2016, www.yhd.com. [↑](#footnote-ref-9)
10. Whereas single-purpose prepaid cards, such as those issued by Wal-Mart or Carrefour, could only be used within the issuers’ domain, multipurpose prepaid cards, issued by third-party licensees, could be used within and across enterprises, industries, and regions. [↑](#footnote-ref-10)