



VAASAN AMMATTIKORKEAKOULU
UNIVERSITY OF APPLIED SCIENCES

Wang Shiqing

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ABSTRACT

Author	Wang Shiqing
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E-commerce has become widespread across the world and it has adjusted imperceptibly the lifestyle of citizens. As an important e-commerce platform in China, Taobao has attracted a lot of attention. Online shopping consumers tend to be mature when they are facing different choices with the deep development of e-commerce. Customers are not only satisfied with demanding quality the products, but they are also critical on whether the service is satisfactory or not. For sake of these situations, fierce competition has been triggered among e-commerce enterprises. It is urgent for online businesses to find positive and effective e-commerce marketing strategies

This thesis analyzes the competitive environment and target market of Taobao with a comparative analysis method and summarizes the problems in its development through dozens of documents. Finally, it proposes an innovative marketing mix designs for Taobao.

First, the first, the second and the third chapter introduce the background, and significance of e-commerce, as well as internet marketing theories.

Then in the fourth chapter, the Porter's five-force model is used to analyze the market environment of Taobao.com and market positioning. It is followed by a specific analysis of segmentation, targeting and position of research market.

The fifth chapter summarizes the problems existing in the current marketing strategy of Taobao. On the basis of this, the sixth chapter puts forward the marketing mix design for Taobao.

Finally, the thesis provides reference for the progress of Chinese C2C e-commerce by an analysis and arrangement of Taobao's marketing situation and corresponding countermeasures.

Keywords Marketing strategy, E-commerce, Taobao, Internet marketing

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1 INTRODUCTION

Network technology has changed the way of human communication. Activities in the past used to require communication over the phone or on paper, but now communication can be attained over long distances by clicking the mouse. Our lives and work have been affected by the computed communication network.

In terms of the business community, the Internet has not only changed the way of human communication. The continuous innovation of information technology has also brought inevitable alterations to business, which has had far-reaching consequence on the organization and handling of business activities. The computer network connects consumers, enterprises and even governments creating diverse business circumstances. The biggest discrepancy is the business transaction mechanism, in all, business-to-consumer, business-to-business and consumer-to-consumer E-commerce. The conditions change because network manufacturers directly meet consumers, network providers find manufacturers very quickly and online individual users learn to use online item exchange. In the global world, Amazon is the leading business in traditional e-commerce. Also, Alibaba provides an e-commerce trading platform for countless SMEs. In addition, E-Bay is expanding its global e-commerce territory.

Netizen is the user of the Internet on regularly especially a habitual or keen one, even they could participant online activities in certain countries such as commenting freely, political voting. In the year of 2011, the number of netizens ranked the first all around world as the result of accelerating the Internet. It is reported that in 2017, the online shopping market in China achieved 6.1 trillion RMB, which increased by 29.6% last year (resource derived from 2017-2023 China online shopping industry in-depth research and investment strategy research report). From what I can see, both the number of online shopping users and the scale of online shopping have increased, which means more economic activities entering the Internet era.

The vertical shopping sites such as Jingdong, Fanke, Dangdang and the emergence of a comprehensive online shopping platform (such as Tmall, Le Cool Day) have increased, consumers have access to various websites and the options of products have expanded. Online shopping is not limited to the simple needs of dressing the

young generation, but products such as digital appliances, alcoholic food, gold jewelry, etc. is catering to the increasing number of online shoppers. In addition, from the consumer's perspective, the increasing aging of online shoppers has also led to many changes in the online shopping behavior itself, the most prominent of which is the steady increase in online shopping. No matter whether it is more and more new middle-aged people who join the online shopping “army”, or the original online shopping users whose age is gradually increasing, their quality and service requirements for online products will rise as the income level and consumption level of such people increases. As a result, the overall cost and average unit price incurred in online shopping have increased. Online shopping has become the way of living for many.

On August 20th, Chinese Internet Network Information Center released the 42nd Statistical Report. The report indicates that the number of Chinese Internet users reached 802 million by June 2018 and the number of new Internet users in the first half of 2018 was 27.68 million. Compared with 2017, the growth rate is 3.9%, and the Internet penetration rate is 56.7%.

The increase both, netizens and online shopping transactions, have been climbing year after year. Such attractive data will undoubtedly attract more and more businesses to join the e-commerce movement at the same time increasingly mature online shopping consumers are becoming more and more critical, which means that competition in the field of e-commerce will become increasingly fierce.

1.1 Objective of the Research

From a global perspective, the accelerated transformation of e-commerce to promote corporate marketing strategies has become a prominent characteristic of the current economic and social business activities. The strong communication capabilities of the network and the commodity trading environment facilitated by e-commerce have changed the basis of the existing marketing theory and practice.

The rapid development of e-commerce throughout China has led to fierce competition in the industry, and consumers tend to be rational, and therefore the requirements for goods and services are not easy to satisfy with clients. The past marketing

model has not been able to meet the increasing individuality of consumers. The demand for marketing and then the marketing method of e-commerce companies will also develop. As a result, the traditional marketing 4P (Neil Borden 1953) portfolio theory can be transformed into a modern marketing 4C portfolio theory (Robert) with the core of “consumer utility”. As a marker of e-commerce, the ultimate success depends on the adjustments when fully understood and mastering marketing strategy comprehensively.

At present, Taobao is the leading industry with a market share of 80% of the C2C model, but it also faces fierce competition. The biggest problem is how to maintain their competitive advantage and how Taobao keeps up with technological progress, maintains and strengthens competitive advantages, develops profit models, and promotes the integration and complementation of industries, which has become an urgent problem for Taobao. As the leader of the domestic C2C Chinese e-commerce, Taobao has certain benchmark points in the development process. However, it contains deficiency, including weak anti-counterfeiting awareness, an underdeveloped logistics distribution system, false credit, easy replication of competitive strategies, and market development of Amoy. Combining the analysis of Taobao's competitive environment and the successful experience of Taobao in the development process, a targeted 5C marketing strategies are proposed based on 4C theory (Robert Lauterborn 1953) Taobao. Since Taobao still does not have a thorough marketing strategy, the research on the evolution and improvement of Taobao's marketing strategy is very meaningful.

1.2 Content and framework of research

This thesis analyses the main experience of Taobao's success in the past ten years, and the problems that still exist. By using the 4C marketing theory proposed by American Marketer Professor Robert Lauterborn, and combining of with the actual credit problems of Taobao as a 5C strategy is designed for Taobao.

The first chapter gives the background, objectives, the theory and framework for the thesis.

The second chapter explain the theory of the e-commerce and marketing. Firstly, it introduces the notion and different modes the e-commerce, especially illustrating the features and progress of C2C e-commerce mode in China. Then, theory of marketing concluded in this chapter as a steppingstone for Marketing Mix.

The third chapter will analyze the macro environment of TAOBAO. A tool of Porter five forces analysis use to explore the competition environment, which combines with the accurate targeting and position.

The fourth chapter interprets the problems that exist at TAOBAO.

The fifth chapter come up with the 5C theory marketing mix theory, Customer, Cost, Convenience, Communication, Credit marketing strategy, and will go-in-depth analyze the research.

Finally, the conclusion is a brief review of the writing and research content of the thesis, and summarizes the shortcomings of the paper, and makes a preliminary outlook on the development of C2C.

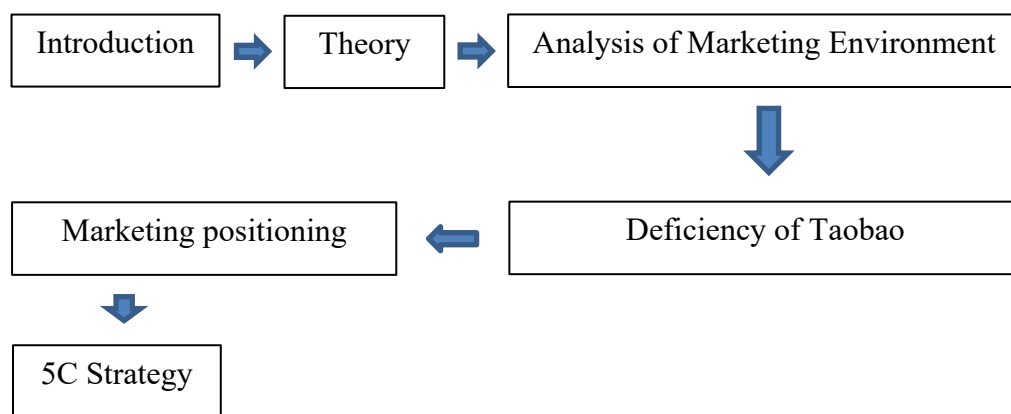


Figure 1.1. Technical path on which the thesis is based

2 E-COMMERCE AS A CONCEPT

2.1 Definition of E-commerce

E-commerce regarded as e-business to some extent, has not been identified by the Chinese government, experts and related industry delegates.

The European Conference Organization defines e-commerce in the article "E-Commerce Europe Initiative" as follows: "Electronic commerce is an electronic business activity. It processes and transmits data electronically, including text, sound and images.

Generally speaking, e-commerce is a modern business method. This approach meets the low-cost needs of government organizations, vendors and consumers by improving the quality of products and services and increasing the speed of service delivery. (KALAKOTA, Ravi & Andrew B. Whinston.1996.)

In November 1997, the International Chamber of Commerce made a conception on the comparative authority of e-commerce at the World E-Commerce Conference: Electronic Commerce is the electronicization of the entire trade activity. In terms of coverage, it can be defined as any form of business transaction in which the parties to the transaction conduct electronic transactions rather than through face-to-face exchanges or direct interviews. Technologically, e-commerce is defined as a collection of multi-technologies, including data exchange, data acquisition and automatic data capture.

Professor Fang Meiqi, a Chinese scholar, believes that macroscopically, e-commerce is the new economic order established by electronic means. It involves not only electronic technology and business transactions themselves, but also other aspects of society such as finance, taxation, education etc. Microscopically, e-commerce refers to various commercial and trade activities carried out by various entities (manufacturing companies, business enterprises, financial institutions, government agencies, individual consumers, etc.), utilizing the network and advanced digital media technologies. Two points are highlighted here: one is that the business has a business background, and the other is networking and digitization.

It can be concluded from the above viewpoints that the part of e-commerce is mainly technology and business.

- 1) E-commerce is the automation and electronicization of the entire trade activity
- 2) E-commerce is the process of using various electronic tools and technologies to engage in various commercial activities.
- 3) E-commerce penetrates into whole phase of trade activities
- 4) E-commerce participants include clients, network service providers, product manufacturers and distributors, banks and other financial institutions, government agencies, etc.
- 5) The aim of e-commerce is to improve the economic efficiency of companies and the entire society and eliminate transaction costs.

For the cause of understanding the topic comprehensively, we should make further distinctions between e-commerce from both broad and narrow perspectives. In the narrow aspect, **E-commerce** is business activities based on modern network technology, such as online stores, online banking, online securities, etc. Broadly speaking, **E-business** emphasizes the sum of all paid commercial activities and non-profit business contacts or service activities based on modern network technology. Difference between the two is that the former is paid and of a transactional nature, and the latter adds a non-reimbursable, service-oriented business on the basis of this, and the latter's scope is larger than that of the former.

2.1.1 The genre of E-commerce

The genre of e-commerce can be divided into Business-to-Business, Business-to-Customer, Customer-to-Customer sector.

Business-to-business is the activities of ecommerce between enterprises and enterprises. Specifically, buyers and suppliers are doing the process by negotiating, ordering, signing, accepting invoices and payments through the Internet. Moreover, B2B contains claims, processing, merchandise delivery management, shipping and tracking. It was reported by 2018 Chinese E-Commerce Market Data Monitoring

Report, B2B e-commerce transaction volume in the first half of 2018 was 11.2 trillion RMB, an increase of 14.2% year-on-year. The noted B2B enterprise in China are, for example ALIBAB, Amazon.

Business-to-consumer e-commerce is the e-commerce activities between enterprises and consumers. B2C is an e-commerce operation mode in which enterprises use the Internet as their main method for providing commodities and services to mass consumers and consumers paid in electronic way. As the amount of internet user is increases around the world, they have become the main service targets for e-commerce. The famed domestic B2C e-commerce websites included Amazon, Dangdang, Jingdong Mall, Taobao and Tmall.

Consumer-to-consumer e-commerce, is e-commerce between consumers and consumers. The C2C e-commerce model is the transactions of mass merchandises and services between consumers on the Internet. The C2C website provides consumers with an online trading platform that allows buyers and sellers everywhere to conduct online transactions and complete the e-commerce operating model of the transaction through the payment tools provided by the C2C website. Famous C2C e-commerce websites in China include: Taobao, eBay, and Pat, for example.

In summary, C2C has lower transaction costs, convenient information collection, unlimited business scale, greater sales and sales, expanded supply, and highly electronic payment methods. Also the transactions between buyers and sellers are easy to carry out, and the economic interests of both parties will rise.

2.2 E-commerce model research

2.2.1 The application of e-commerce

E-commerce is an online trade model in which the use of computer and network technologies of network service providers to provide a series of e-commerce platforms and their ancillary service for paid or unpaid use, allowing both parties to conduct independent bidding and bargaining on the platform for individual users.

In the early stage of the development of e-commerce websites, Auction Websites mainly deal it with second-hand idle commodities. Subsequently, a “buy-it-now

price” trading method suitable for new products was developed, which omitted the process of bidding by the buyer. The seller has set the ultimate selling price for the commodity rather than bottom price for the auction. The buyer willing to accept the price can choose to buy directly and the buyer and seller can reach an agreement. The operation procedure of the fixed-price transaction is relatively simple, and it is more suitable for the simultaneous purchase of the same item or a variety of goods, which explains the sales scale significantly expand. Therefore, the ‘buy-it-now’ price transaction has gradually become the mainstream trading method of the e-commerce websites in China.

The process commonly used in the operation mode of e-commerce websites is shown in the figure 2.1. On the trading platform, the seller provides the goods to be sold and related information, and the buyer elects the goods for bidding or purchase at a price in order to make a deal. The website provides database search, platform services and security guarantees. The release of commodity information and the negotiation of transactions are completed by the sellers and buyers as independent individuals. There are numerous individual operators in one website, and in reality the website only plays the role of a “market manager”.

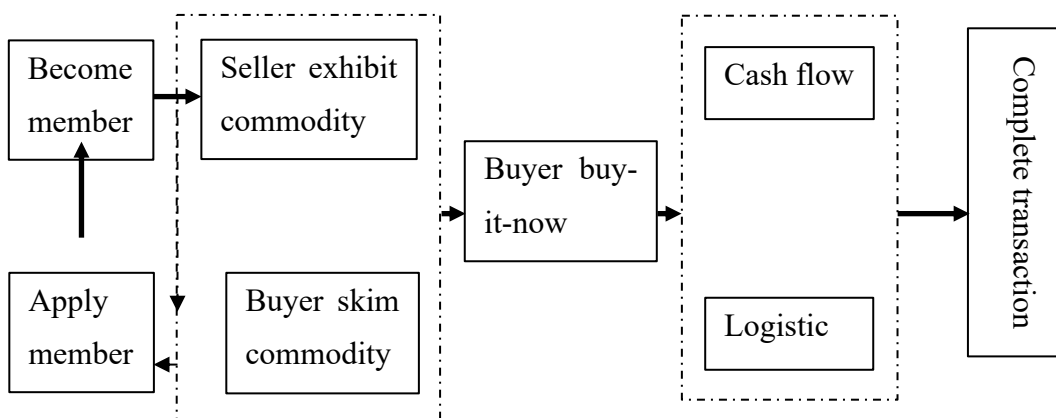


Figure 2.1. Operational flow diagram of C2C website

2.2.2 Characteristics of C2C E-commerce

E-commerce has the features of transaction virtualization, low transaction costs, high returns and transparency, also has some notable features, such as a large proportion of participants, a wide range of coverage, abundant products and flexible

transactions. In order to better explain the characteristics of e-commerce, it will compare it to B2B and B2C typical e-commerce models. as shown in the table 2.2.

	B2B	B2C	C2C
Trading commodities	Mainly for the commodities of large transactions; the categories are complete	Mainly suitable for online sales; standardization; not easy to deteriorate; Suitable for logistics and transportation	A wide variety of goods; mainly based on personal consumer goods
Means of exchange	The information is distributed and collected through the network. After the two parties negotiate, the transaction is completed under the network	Trading entirely through the network, without offline transactions	Publish and collect information over the web ; choose to trade online or offline
Structure of deal	Direct transactions and offline transactions: enterprises communicate with each other through the Internet to reach an agreement or place an order;	Direct transactions and online transactions: directly trade between retailer and consumer; all transactions are online transactions	Direct transactions, online and offline transaction: direct transactions between consumers or online transactions ; Online negotiations through

	complete all transactions offline		the business platform, offline transactions
Transaction exposure	Mainly for the risks between enterprises; Most enterprises have physical dependence and are relatively stable; Risk dispersion and relatively low	Risks focus on sellers	Mainly for individual risks; most individual operators do not have physical dependencies, and the uncertainty and dynamics are high, and the risks are scattered but relatively high.

Table 2.2. The diffidence of E-commerce Model of B2B, B2C, C2C

3 INTERNET MARKETING AND E-COMMERCE MARKETING

3.1 Notion of E-commerce Marketing

E-marketing is a series of strategic management processes that create and deliver products or services to target customers and communicate online with target customers on a virtual Internet basis. (Lu Taihong 2001)

First, the theory emphasizes that e-commerce marketing is based on modern electronic computer technology and is the synthetical utility of information technology, electronic tools and Internet technology. In other words, it is more comprehensive than the concept of network marketing, because e-commerce marketing also includes the application of many computer information technologies in the marketing of information networks, external information networks and various database.

Secondly, e-marketing points out the status of consumers in transactions e-commerce. The marketing has shifted from the traditional “4P” to the “4C” marketing mix that always focuses on the individual needs of consumers.

Thirdly, definition of e-commerce underlines the role of customer relationship management. E-commerce companies provide targeted services to customers by establishing and maintaining good relationships with customers, and customers feel that they are particularly valued. This way, it is able to achieve re-marketing and enable enterprises to achieve the purpose of sustainable development.

What it is necessary to pay attention to, e-commerce marketing belongs to the category of marketing. It is the development and extension of traditional marketing theory. It is not contradictory with traditional marketing theories and methods. With the new principles, technologies, methods, the integration of means will maximize the combined effect of various marketing methods. This, the following sections will introduce several theories of e-commerce marketing, detailing the relationship between marketing and e-commerce marketing.

3.2 The relationship between Internet Marketing with E-commerce

In the absence of a distinction between “network” and “internet”, online marketing is e-commerce marketing. However, it can be seen that e-commerce marketing is understood as marketing under the e-commerce environment. It is the perfection of marketing theory and practice in the new era of e-commerce.

E-commerce and online marketing are two concepts that are both connected and different. Network marketing is a constituent part of an entire marketing strategy. Both traditional and Internet companies require online marketing, but online marketing itself is not a complete business transaction process. The most basic point is the electronicization of trading methods, which also means the occurrence of trading activities regardless of the focus of the various definitions. It can be seen that the main dividing line between e-commerce and online marketing lies in whether there is a transaction behavior. E-commerce includes network marketing. Without online marketing, there is no customer. Without customers, there will be no transactions, and there will be no e-commerce. Therefore, online marketing is an important element of e-commerce. From this point of view, it is not only business websites that require online marketing. Any use of the network to engage in certain activities requires online marketing.

3.3 Marketing theory under the network environment

E-commerce marketing does not break away from the traditional marketing theory, but rather develops it. In other words, it pays more attention to the position of customers in the whole marketing process. The individualized demand of consumers runs through the whole e-commerce marketing theory. The main difference between e-commerce marketing and traditional marketing is determined by the features of the Internet itself. In the Internet circumstance, consumers have also undergone fundamental changes, and their demandings tend to be personalized. Thus, it is impossible to fulfill traditional marketing theories in the Internet environment. E-commerce marketing is necessary to consider in the fundamental circumstances of the Internet sales and the changes in clients' needs in this environment, in which to promote the traditional theory to fit to the extensive development of the Internet era.

Overall, the e-commerce theory needs to develop on the traditional marketing theory. Subsequently, several theoretical foundations of internet marketing that have been developed from the aspect of the characteristics of the Internet and the individualization of consumer needs are introduced.

3.3.1 Network Integrated Marketing Theory

The major aim of the Internet itself further enhance the position of consumers in the marketing process. In the marketing process, consumers are able to fully communicate with the sellers, clearly express their own products and services, and significantly increase their participation initiative. In addition, based on the rich characteristics of Internet information, the choice of consumers has greatly increased, which has greatly improved their position in marketing. In order to increase their competitiveness, sellers must constantly alter their goods and services to meet the individual needs of consumers. Therefore, e-commerce marketing primarily requires the integration of customers into the overall marketing process, giving priority to consumer's needs, and constantly interacting with customers throughout the marketing process.

Since the 1990s, e-commerce has become popular and has begun to emerge in China in the 21st century. With the increasing popularity of e-commerce, communication between enterprises and customers tend to be more important. The former enterprise-oriented 4P theory has become increasingly incapable of adapting to the market situation in the era of e-commerce. The consumer-oriented 4C theory was proposed by the American market scientist Professor Robert Lauterborn in 1990.

4C's theory includes customer, cost, convenience, communication. (Robert F. Lauterborn) It believes that enterprises should regards the needs of consumers as paramount issue rather than the products that enterprises can produce. Companies should prioritize the cost of customers in order to meet their own needs instead of self-pricing; companies should consider how to provide more convenience to customers rather than the previous distribution strategy. Finally, companies should take the initiative to communicate with customers rather than past cramming promotions. And e-commerce companies should consider the customer's standpoint to under-

stand the needs of customers and satisfy the requirements of customers. Hence, customers are satisfied with the products and services provided by the company. In fact, it can be said that the 4C theory is an extension of the 4P theory (Neil Borden 1953). If the company seeks marketing decisions that can maximize the interests of the company under the premise of 4C, it may achieve a win-win situation between itself and its customers.

3.3.2 “Soft Marketing” Theory

E-commerce marketing is a kind of "soft marketing". The study of consumer's mind in e-commerce marketing is a main theoretical basis. The reason is also based on the characteristics of consumer's individualized demand in e-commerce marketing. In the Internet environment, the strong marketing of enterprises as the active party is not feasible. The status of consumers must be valued all the time. The so-called "network etiquette" must be followed. Soft marketing is characterized by "observing network etiquette and obtaining a delicate marketing effect via the masterly use of network etiquette", such as "relatives" greeted by both buyers and sellers of Taobao. "Dear" can be said to be a practical application of soft marketing.

The aspect of emphasis is difference between soft marketing and strong marketing. Generally speaking, the initiative of soft marketing is consumers, while the initiative of strong marketing is enterprises. The status of consumers in e-commerce marketing determines their initiative in the transaction. Different from traditional marketing, the communication between enterprises and customers in e-commerce marketing is equal. In Internet marketing activities, more attention is paid to the personality of consumers. thus, enterprises are able to offer goods and services to consumers with specific requirements. E-commerce soft marketing is based on the experience and needs of consumers, adopting pull strategy to attract consumers' attention and ultimately enable enterprises to achieve marketing results.

3.3.3 Network Direct Marketing Theory

From the perspective of sales, e-commerce marketing is a direct marketing. In direct marketing, refers to the connection between enterprises and consumers not through the intermediate distribution channels, but through a certain medium. The medium

in e-commerce marketing is the Internet. When enterprises sell products on the Internet, customers can place orders and pay directly. Meanwhile, it refers to the direct communication between enterprises and consumers through the Internet. Enterprises can get the first-hand information feedback about products and services from customers, and then evaluate the previous marketing efforts.

E-commerce marketing can be tested, measured and evaluated. With the evaluation of marketing effects, enterprises can timely improve the shortcomings of previous sales and improve their marketing means. Internet is the prime market research tool for collecting consumer information. This is also a concrete manifestation of network marketing as direct marketing.

3.3.4 Holistic marketing

The main idea of holistic marketing is to integrate three management forms, which they are demand management, resource management and network management. This enables companies to perform marketing on the four platforms of products and services, marketing activities, enterprise architecture and operating systems provided to the market. The products and services provided to the market and the enterprise architecture can be regarded as the driving force for revenue, while marketing activities and operating systems can be regarded as a driving force for cost. (Philip Kotler)

4 MARKET ENVIRONMENT ANALYSIS OF TAobao

The Five Force model is used to analyse industry and business strategy research. Five specific forces contain the bargaining power of buyers and suppliers in the same industry, the threat of potential entrants and the threat of substitutes and Competitive rivalry. These five forces determine the five main sources of competition. And the thesis will utilize these elements to analyze the current situation of Taobao.

4.1 The treat of existing competitors

Tabao's positioning has been constantly adjusted, as its competition in the e-commerce field has been intense. The areas involved are not limited to C2C. With the operation of Tmall, it is gradually involved in the B2C field, so its competitors are not only competitors within the C2C industry. For example, the Paipai.com has 300 million active user resources and a large user base of more than 740 million relying on Tencent. Also Baidu, the search engine giant, is regarded as a competitor. There are also competitors from the B2C field, such as the current strong development of Jingdong Mall. The following is an analysis of Taobao's current major competitors:

1) B2C e-commerce website represented by Jingdong Mall

Jingdong Mall is the largest 3C online shopping platform in the Chinese B2C market. 3C refers to Computer, Communication and Consumer Electronics' third-class electronic products. In 2011, Jingdong Hall was ranked as one of the most popular and influential e-commerce websites in China. Jingdong Mall has three marketing characteristics, which can be said to be its three competitive advantages.

The first one is price. Jingdong has no wholesale link or middleman besides the cost of rent in stores like other e-commerce companies, so the price of goods is much lower and much cheaper than that those of similar products. The Second, it is the channels. It is easier to acquire the manufacturer's preferences through ordering directly from the manufacturer, which reduces the intermediary channels. At the same time, the one-off purchase order's volume is relatively large. The third competitive advantage is promotion. Jingdong adopts extraordinary promotion such as rushing to buy, giving vouchers, and making special promotions on fixed festivals, which will undoubtedly attract a large number of consumers. At present, Jingdong Mall

has invested a lot of money in propaganda. For example, in August 2012, the popular TV play added a large number of implanted advertisements. Most of the stars in the play also made special advertisements for Jingdong Mall to cooperate with the implanted advertisements in a TV series. And these ads have also achieved good results from consumers. In addition, in March 2009, Jingdong Mall established its own express company, which is distributed in North, East and South China also Southwest China. It covers all major cities in the country, improves the speed of logistics and unifies logistics services. Compared with the uneven logistics services of Taobao, the self-owned logistics system of Jingdong Mall shows its unique advantages. For example, during the Spring Festival, Taobao "only takes orders but not deliver goods" for nearly a month makes many online shopping consumers feel very inconvenienced. At the same time, Jingdong Mall still operates normally, and many of its original consumers have transferred to Jingdong Mall.

Corresponding to the representative enterprises of B2C industry like Jingdong, Tmall of Taobao has always operated in the B2C mode. Although the emphases of Jingdong Mall and Tmall are different, the products covered by Tmall can be almost always searched in JD Mall, so the strength of the rival from Jingdong cannot be ignored by Taobao.com.

In the whole B2C market in 2010, Tmall took the lead with 46.9% market share, JD Mall took the second place with 15% market share, while Amazon, the third largest company on the Chinese market, was only 2.5%. In 2011, JD's sales reached 30 billion RMB, achieving rapid development, and its market share rapidly expanded to 36.8%. In B2C, it basically achieved a stand-off with Tmall. In the updated information, the market share of Tmall is 54.1%, and JD's share is 32%. (ECYUNG)

2) C2C website represented by Paipai.com

Paipai.com is an e-commerce trading website of Tencent. The website was released on September 12, 2005, and officially started operating on March 13, 2006. Paipai relies on the huge user group of Tencent, over 940 million and the advantage of 386 million active users, it has a perfect foundation for development. Alexa data has published is that paipai.com has entered the "global website traffic ranking" for a hundred days, and has set a shortest time record for e-commerce websites to enter

the global website. Through a short period of operation, the pat network has grown rapidly, and has achieved comprehensive development in terms of traffic, transaction volume, and user scale. Paipai, Tabao and eBay have become the three most influential e-commerce websites in China. Due to the strong backing of Tencent and its support for the “online life” development strategy, the company has gradually grown into one of the most popular e-commerce websites in domestically in China.

The main competitive edge of Paipai is its huge user group resources from Tencent. Tencent is the most extensively used online communication tool in China. Tencent integrates itself and Paipai.com from the aspect of product integration, synergy, and installed-base leverage. This not only provides more familiar and more comprehensive communication methods for the Paipai users, but also facilitates the exploration and expansion of the potential users of the Paipai network to expand the user scale and thus increase the market share.

4.2 Threat of new entrants

- 1) Search engine- Baidu officially announced its entry into the e-commerce market on October 17, 2007. It became the biggest search engine in China as Google became the one in the world. With Baidu's current position in the Internet industry in China, this measure will inevitably have a substantial influence on the current market structure. Beside the the brand awareness which is not inferior with Alibab, Baidu also has two superiorities. As a new entrant in the market, Baidu has posed a competitive burden on other enterprises. Based on the absolute advantages of its search field, Baidu entered the market and is committed to building a new e-commerce model based on search engines. The "search + e-commerce" model is a successful business structure that has been known as the enterprise. The core idea of Alibaba's acquisition of Yahoo is that it hopes to follow this prosperous business pattern and expand its development scope. However, Yahoo search has still not been to contend against Baidu search. Simultaneously, a substantial portion of Taobao's traffic is from Baidu search. Nowadays, the enormous traffic that contributed to Tabao and other websites will transfer into its own platform. This will change and Taobao will have to bear the losses caused by the competitive disadvantage.

- 2) Community- the forum, platform of 'space' and 'hi 'of Baidu, the integration of these communities' platforms is another competitive preponderance for Baidu entering market. Baidu community has a large quantity of users, hence, its impact cannot be underrated. Furthermore, different kinds of social circles have been formed and have the commercial potential to explore. Baidu can fully take advantage of this superiority to encourage the tremendous user groups of the community to consume and develop the "community + e-commerce" model, which Taobao cannot match.

4.3 Threat of substitute

- 1) The traditional trade method

The traditional trading method is still the main trend trading method in the retail market. Although e-commerce has developed dramatically, its popularity has overshadowed the momentum of traditional department stores. However, traditional shopping methods have their own specific consumer groups, such as older consumers who are unfamiliar with online shopping, and consumers who are not familiar with online shopping in some distinct areas. Compared with online shopping, the traditional shopping method has its own unique merits. For instance, buyers can directly contact with products and judge the attributes of goods such as color and material, which eliminate the potential of bearing the psychological gap and unnecessary losses caused by the differences in pictures and product descriptions during the online shopping process. Consumers can also enjoy perfect after-sales service by traditional shopping methods, especially for some vulnerable electronic items such as digital cameras and furniture. E-commerce websites will also provide after-sales maintenance services, but consumer need to bear certain postage costs, which will bring considerable inconvenience to consumers. So consumers tend to turn to traditional shopping for the consumption of such items. In addition, for many female consumers, shopping is not only about getting the products they need, but also an important way for them to exchange friendships with their peers and experience fashion trends by shopping.

- 2) TV shopping and other direct sales methods

TV shopping has been thriving as the result of the formidable advertising impact of traditional media and corporation, group support and large-scale operation behind it. TV direct sales and online shopping are both indirect shopping mode, but comparatively, the former adopts a more convenient ordering ways. The matching fund system and logistics of telephone ordering are relatively safe and complete, there is a considerable and a stable customer base and a large space for improvement, especially for middle-aged and elderly people who are not familiar with network operations.

4.4 The bargaining of buyer

In the era of network economy, the situation where customers are in a passive position in the traditional economy has been broken, and customers have taken a greater initiative in transactions. At the same time, customer consumption has become more rational and the choice of consumption has become personalized. Therefore, the bargaining power of Taobao buyers is mainly embodied in the conversion of the cost of their choice and the guarantee of client rights.

As the result of the inaccessible nature of online shopping products, buyers only have an access to information about the products sold by the sellers from the limited product descriptions and past evaluations of the sellers before the completion of the transaction. Consequently, the products purchased by consumers may have a difference with the pictures advertised by the sellers. The goods themselves are flawed and often fail to meet the buyer's psychological expectations. Consumers often care about whether the online shopping products can be returned. If they can be returned, and the cost burden of returning will be of concern and it will even directly affect consumers' consumption decisions. As a result, the protection of consumer rights has become one of the most important issues for Taobao. In addition, in the face of increasing companies, consumers have multiple shopping choices. If Taobao is not able to reach the expectations of customers, consumers are able to convert to other businesses. The cost is a few clicks of the mouse. It can be seen that Taobao's consumer bargaining power is very high. Another e-commerce company uses the free return service to attract online consumers. The company will bear it if the consumer does not like the product that she or he has bought or the cost of returning the goods

because of the size and other issues. This undoubtedly was lifted the doubts of consumers online shopping and attracted a large number of online shopping consumers.

4.5 The bargaining of supplier

Taobao is a distribution centre for many small businesses, even if its B2C model Tmall is composed of large and medium-sized businesses. Therefore, the bargaining power of sellers in Taobao is mainly analysed from the merchants who open stores on Taobao. At present, the cost of opening an online store is still an essential consideration issue for merchants selecting a trading platform. Online sellers tend to offer free service trading platforms for trading platform choices. The free strategy once turned a large number of users of eBay.com as the leader of C2C to Taobao. In October 2011, Tmall increased the charges for business, which caused collective dissatisfaction and attacks on Taobao by small businesses. In the end, Taobao had to compromise. In addition, the current Chinese logistic industry has not developed well enough. If it causes damage to goods during the transportation procedure, the responsibility of two parties is difficult to define, which will bring losses to the supplier on the product's cost and profit. Therefore, online shop sellers will pay special attention to the issue of rights protection after the sale of goods. Taobao currently has a consumer protection plan for the buyer. To be more exact, the seller will implement the first payment mechanism measurements to protect the buyer's rights, but for the protection of the seller's rights and interests, obviously Taobao has not found a better solution.

5 THEORETICAL FRAMEWORK

In the 19th century, Robert Lauterborn proposed a customer-oriented 4C's marketing theory which are consumers, cost, convenience, and communication base on the 4P's theory. Firstly, companies must understand, research customers and provide products based on their needs. At the same time, enterprises are not only offering products and services, but more importantly, the resulting customer value. Secondly, the cost is not only the production cost of the enterprise, but also the purchase cost of the customer including its monetary expenditure, the time, physical strength and energy consumed, and the purchase risk assumed. This is striving to maximize the convenience of shopping and utilization for users. Finally, communication is used to understand and respond to customer requests and feelings about service quality. 4C's is a customer-focused marketing mix. What Significantly different from the 4P's theory is that the role of customers is at the centre of corporate pricing, channel selection and even production.

Integrated marketing is based on e-commerce and was proposed by Don Schultz, a professor of marketing at Northwestern University. The 4P elements of marketing are combined with online customer service, namely product, price, channel, promotion and customer service, to form the five basic elements of online store marketing. The unified brand concept runs through the five major elements. Integrated marketing communication is achieved in the design, planning and promotion of online stores.

“Soft Marketing” is that the company promotes itself in a friendly way and respects the feelings and experiences of consumers in a great extent. The etiquette in e-commerce is presented by the way of communication. For instance, the greeting word like “dear” manifest the respect for consumer.

Direct marketing was proposed by Wunderman. This define the way between clients and companies is direct and satisfy the requirement of customer in maximum. In Taobao, if consumer is appealed by certain item, they could immediately complete the order with no other media.

The historical marketing concept is derived from the promotion of ideas and marketing concepts and the book of Marketing Transformation of Philip Kotler. This integrates the demand, resource and network management to provide the service and promotion through the whole network. It will be used in the following innovative marketing strategy.

Porter's Five force theories (Michael Porter) is a tool to analyze the entire environment of TAOBAO in the view of consumers, suppliers and competitors. This influences the attraction power of enterprise and a current business's competition strategy. The existing competitors of Taobao.com, such as the B2C model e-commerce website will be by Jingdong Mall represented and the Paipai C2C mode e-commerce website will be analyzed to summarize the threats from Taobao.com. In addition, this sector analyzes threats to Taobao from alternatives such as traditional shopping methods and TV shopping. Then the bargaining power of buyers and sellers at Taobao through the is analyzed of Taobao's holistic competition to understand target market positioning.

6 TAOBAO STP MARKET ANALYSIS

6.1 Segmentation

At the beginning of 2018, the domestic online retail market transaction volume reached 408 billion RMB, increasing 30.1% year-on-year. (CNNIC) With the continuous improvement of domestic consumption power and the gradual development of online shopping habits, the scale of transactions in China's online retail market has continued to grow. The online shopping market has accessed to a period of mass extension. The user group in the online shopping market is primly composed of three aspects: consumers, self-employed persons and enterprises.

1) Consumer

In the first half of 2018, Chinese online retail market transaction volume reached 408 billion RMB, constituting for 22.7% of the total retail sales of consumer commodity. (CNNIC). In the online shopping market, the core advantages of attracting consumers are mainly reflected in price and convenience. From the consumer's perspective, compared to the traditional way of shopping, the most basic advantage of online shopping is that it is cheap, convenient and fast. During an economic crisis, the online shopping method is more favoured by consumers. However, the online shopping method not only meets people's shopping needs to the utmost, but also save money and energy and caters to people's requirements for ensuring quality of life when the consumption concept tends to be frugal.

2) Self-employed

At present, operating online stores has become an alternative for people to initiate their own commerce and raise their income. According to the survey data of iResearch, the number of users who started online store operations in the past two years accounted for more than 50%. The core advantages of the online shopping market to attract individual operators are mainly low investment and high returns. The platform access conditions and initial investment for online store operation are relatively low and the management is simple. Until now, the profits are considerable because the number of consumer is expanding, which caters to people's employment problems and accumulate business experience.

3) Enterprise

The main ways for traditional enterprises to enter the online shopping market are two types of shopping platforms, including brand stores in the shopping platform such as EBay. Taobao Mall. Using the popularity and services accumulated by the shopping platform, launch the online retail business. Opening an online store with its own brand, selling the brand products directly to the end consumers, it is necessary to conform to the resources of each part of the company's own merchandises, logistics, distribution.

The core advantages of the online shopping market to attract enterprises to enter are only reflected in the channel advantages of online retail. Compared with traditional distribution channels, the network channel is cost-effective which can save the channel cost of intermediary agents and distribution. It could be possible to penetrate the enterprise brand into further second and third-tier cities through the network, and also share channel profit with consumers. Meanwhile, it is able to share the channel profit with consumers and understand the actual needs of users. Therefore, the network's low cost and channel advantages directly facing consumers are being recognized by increasing traditional enterprises as an important retail channel. Various enterprises are competing for the online shopping market to arrange channels.

6.2 Targeting

Online shoppers usually will visit the self-employed stores on the platform, and also shop in an online shopping mall, the brand-owned mall that the company operates independently. It will only be biased because of differences in purchasing psychology and behaviour patterns or the impact of specific events. Therefore, the existing and potential online shopping consumers are identified as the target market of Taobao. The competition is very fierce. It is necessary not only to further improve the platform service, but also to strengthen the marketing and promotion of its own brand, and further develop the user basis and to establish users' loyalty.

Self-employed individuals, due to the identity of individual owners and the platform-based management methods, the main driver for selecting platforms is profitably for them. The most important factor is the brand awareness on this platform and the scale of consumers affected by this. Business will pursue higher quality requirements than platforms and services.

6.2.1 Analysis of the size and potential of the target market

Undoubtedly, the foundation of e-commerce development is the number of internet users and the purchasing habits of consumers. All netizens, with purchasing power are potential consumers of e-commerce, and netizens with online shopping experience are particularly important to online market.

In the June 2018, the quantity of Internet users in China was 802 million, increased 3.8% from the end of 2017, and the Internet penetration rate reached 57.7%. (CNNIC)The number of mobile Internet users in China reached 888 million, and the proportion of mobile Internet users access reached 98.3%. (CNNIC)

The proportion of rural netizens in China was 26.3% with a scale of 211 million, increasing 1.0% from the end of 2017. In terms of urban area, netizens accounted for 73.7% with a scale of 591 million, and there is an increase of 4.9% from the end of 2017. (CNNIC). Comprehensive comparative analysis of the structure and shopping characteristics of Chinese netizens show the following structural characteristics:

1) Product structure

E-Commerce Research Centre report shared in 2017 that the transaction volume of online retail market in the first half of 2018 reached 408 billion RMB, occupied with 22.7% of the total retail sales of consumer commodity. Specifically, the category of apparel online shopping transactions held the largest share of 267 billion RMB, accounting for 28.5%. Then 3C (computer, communication and consumer Electronic and home appliances) ranked second online, accounting for 23.2%. Cosmetics transactions accounted for 3.9%. Online shopping transactions of books and audio-visual products accounted for 3.0%, and online transactions in other products accounted for 41.5%. (derived from E-commerce Research Centre)

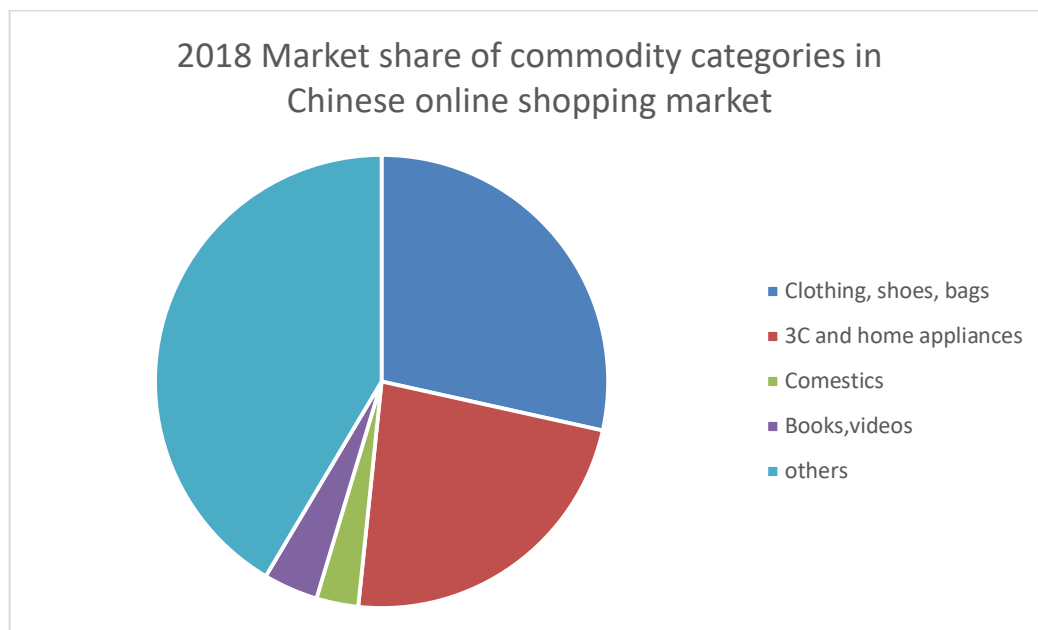


Figure 6.1. 2018 market share of various commodity categories in Chinese online shopping market (source derived from CNNIC 2018)

2) Gender structure

As of the end of June 2018, the proportion of male netizens in China was 52%, which was nearly 4% higher than that of females. Compared with 2017, the number of female has basically levelled off. According to the data of recent years, the sex ratio of Chinese netizens has remained basically stable. The ratio of the proportion of men and women in China at the end of 2018 is 51:48, which means that the sex ratio of netizens is comparable to the sex ratio of the Chinese population.

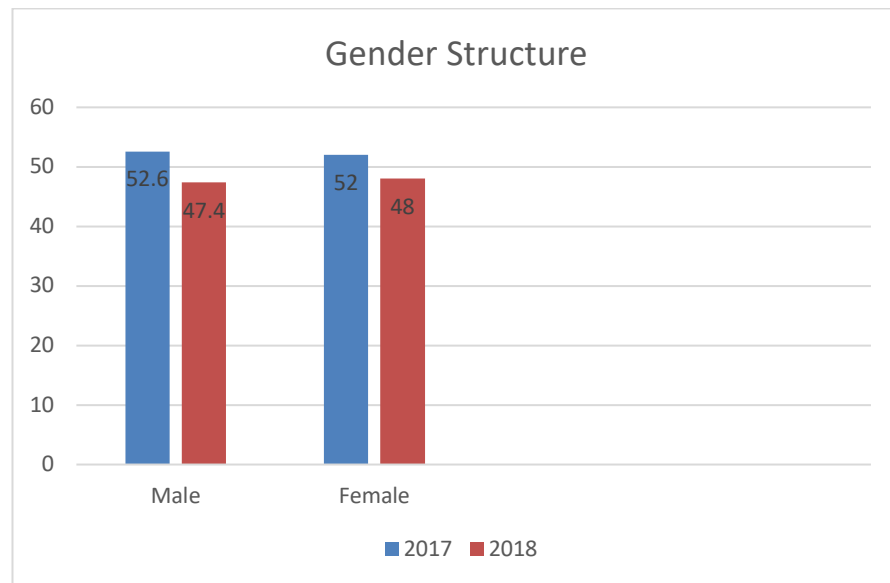


Figure 6.2. Gender structure of Chinese Netizens (source from CNNIC 2018)

3) Age structure.

The age distribution of online shopping tends to be young, and the data for 2017 and 2018 are shown in Figure 5.3. In 2018, 71.9% of the users were between the ages of 18 and 30, and the proportion of this group increased by 5.9 percentage points compared with 2017. The proportion of users aged 31-40 is 21.1%, which is 1.2 percentage points lower than that of 2017. The age with 40 was 5.6%, which is 1.9% lower than the previous year. The age of less than 18 is only 1.5%.

According to the data of the past two years, the population between 18 with 30 is rising, while others have a slight downward trend. However, the group of 18-30 years old should be regarded as the most purchasing group of online shopping, which is conducive of the development of e-commerce.

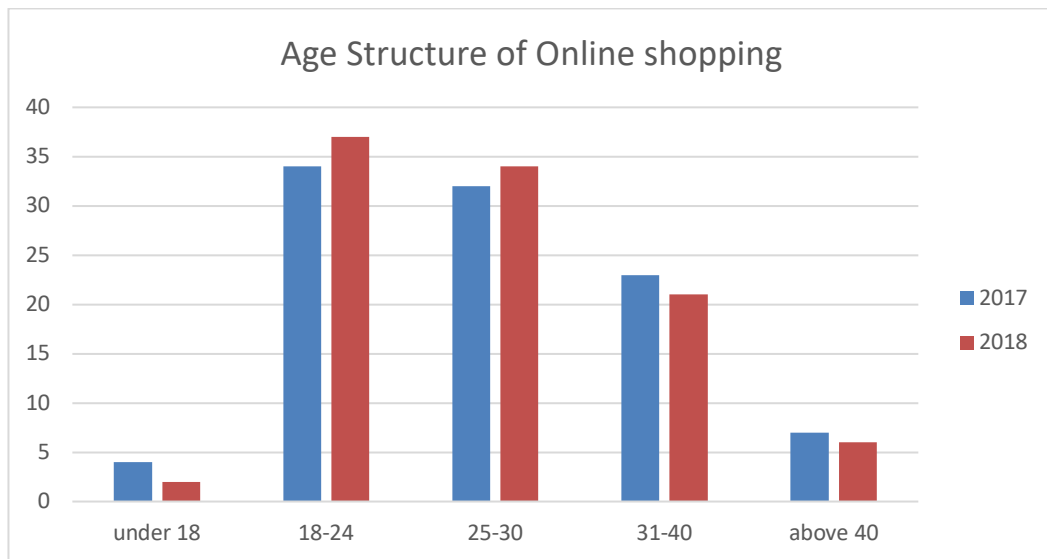


Figure 6.3. Age Structure (source from CNNIC 2018)

4) The geographical structure

According to the “China Urban Online Shopping Development Environment Report” published by Taobao.com, 2300 cities were comprehensively considered and finally divided into six levels after combining with the economic development, population, consumption, income and Internet penetration of the city. There are four cities in the 1st line: Beijing, Shanghai, Guangzhou and Shenzhen and there exist 24 cities in the second-tier cities, most of which are also from the central and eastern regions of China. The third and fourth-tier cities are 92 and 156, they are mainly from the western cities. Fifth-tier cities have the number of 381. The rest are six lines, belonging to the most underdeveloped online shopping environments.

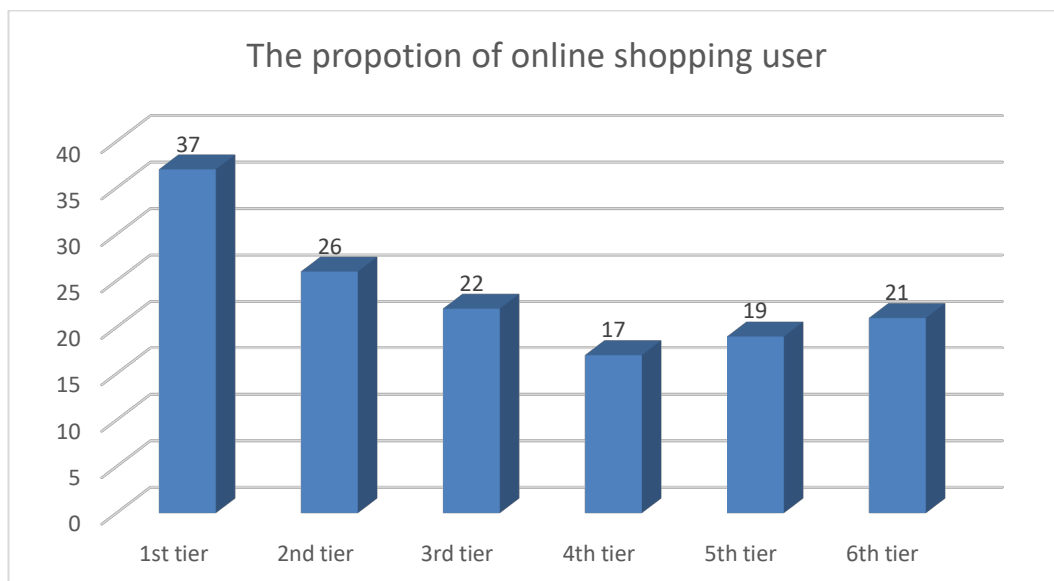


Figure 6.4. The propotion of online shopping users in six levels cities (source from Ecommerce Plus)

Although the proportion of online shopping in first- and second-tier cities is relatively high, the growth rate of new users in low-level cities is faster than that of higher-level cities. In the first half of 2012, the number of new users in online shopping cities in the 5th and 6th tier city doubled compared with that in 2017, especially the trend of increase was 150.6% in the 6th tier cities. At the same time, the development of online shopping has been relatively good in the first and second-tier cities, but the growth rate is relatively small. It can be seen that although the overall online shopping environment in the May-Sixth-Line cities is not very good, but its trust in online shopping is also gradually increasing with the penetration of e-commerce. Therefore, the development of customers in these underdeveloped areas is one of Taobao's future development priorities.

5) The structure of academic qualifications

The structure of netizens has been dominated by high education for a long time. But in recent years, statistical data show that netizens shown the trend of spreading to low education groups. As shown in Figure 5.5, in the first half of 2018, the proportion of primary school and junior high school graduates increased among which the increase of junior high school graduates was obvious, and the penetration rate of the Internet in this population was faster. At the same time, the proportion of

netizens in the population with college or higher education is basically saturated, and the rising space is limited.

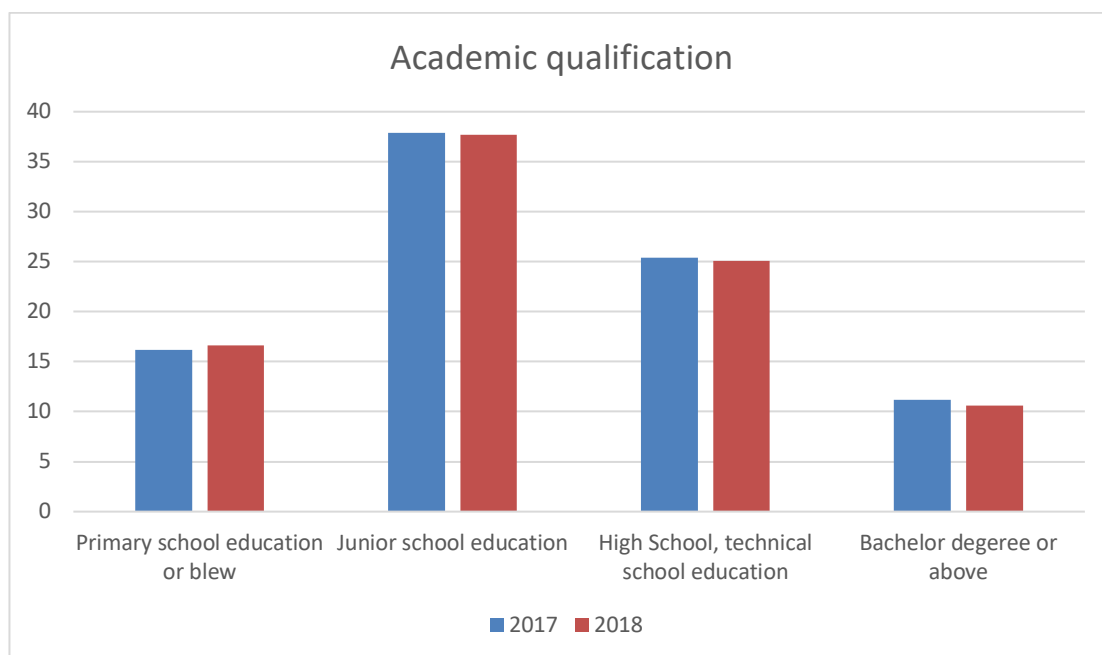


Figure 6.5. Academic qualification (source derived from CNNIC: The 42nd Statistical Report)

6) The netizen's online device structure.

In recent years, as the price of smart phones has gradually declined, the functions have tended to vary. The growth rate of mobile phone netizens in China is faster than that of other types of netizens. At the same time, the use of desktop computers, a traditional Internet terminal, is declining. Mobile Internet users reached 753 million, and mobile phones have become the largest Internet terminals for Chinese netizens by the June of 2018. Mobile phone Internet access is more convenient than TV computers and notebooks, and it is easier to popularize especially for the vast rural areas and migrant population. This has a profound impact on online shopping. For most rural users, online shopping is an experience that has never been experienced before. As an e-commerce giant, Taobao does not have advantage in this group of people. Therefore, it is very important to investigate the trend of the devices of internet users.

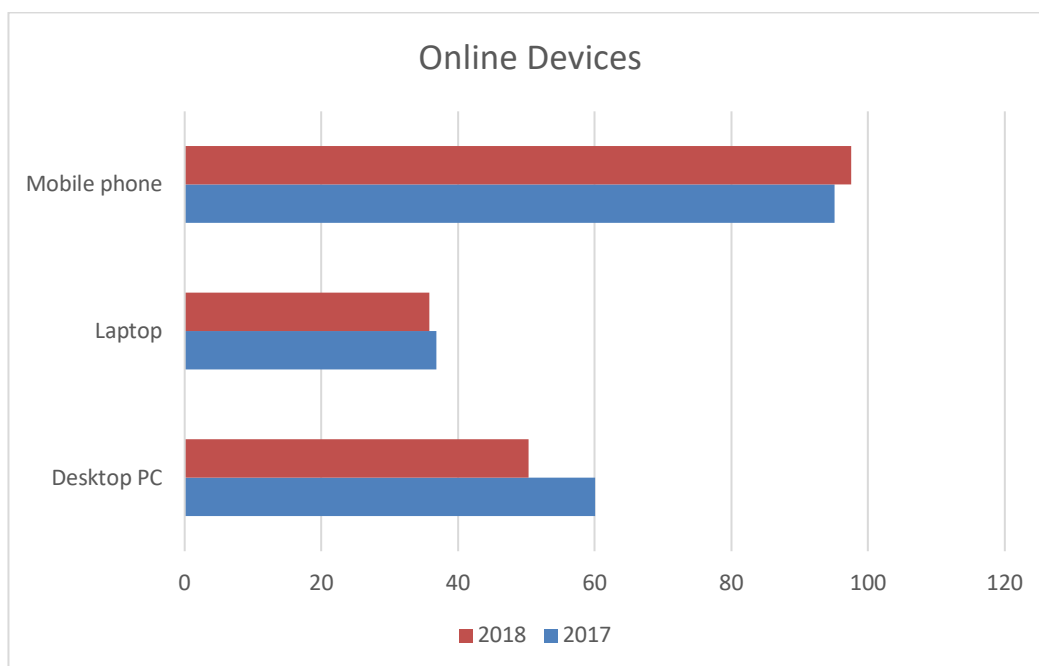


Figure 6.6. Online devices using by people (source derived from CNNIC)

6.3 Positioning

The current corporate market positioning has adjusted the past position of “attention of consumers” of enterprises’ standpoint and turned to the new position of “please pay attention to consumers” from consumers. Market positioning should seek for what consumers intend, and capture the minds of consumers with distinct products and services. (Jack Trout 2013). E-commerce companies require to position themselves from the perspective of consumers more than other companies

The target markets of each website are almost always seeking as many online shoppers as possible. Moreover, because it breaks the boundary of time and space, the direction of e-commerce enterprises is directed to the development of distinctive business models, business ideas and marketing strategies. The market positioning of Chinese enterprises must first not be separated from their self condition and culture. Secondly, on the basis of fully considering the needs of users, the unique and superior resource advantages of integrating enterprises should be regarded as the most important core competitiveness of enterprises. Finally, a model market follower should focus on achieving the differentiation of marketing positioning with

competitors, avoiding opponents conflict, and constantly pursuing innovations in network technology and marketing methods.

Taobao should be positioned as a provider and manager of high-quality trading platforms. It need to boost trading platform functions, heighten adequate and systematic service, and establish long-term customer loyalty.

7 PROBLEMS IN TAOBAO'S MARKETING STRATEGY

7.1 Lack of anti-counterfeiting awareness

Some parts of Taobao operate in the form of a market. There are lots of sellers on Taobao. The competition between sellers is fierce, leading merchants to attract online shopping consumers in various forms. Price as the most powerful means is the main means for all businesses to win consumers. Since Taobao does not charge transaction fees, the management of the sellers is relatively loose. Many sellers use fake goods in order to reduce the price, making Taobao once known as the “counterfeit distribution centre”. Taobao's free strategy has won the status of the industry's hegemony and still holds 80% of the C2C market share. But the “free” double-edged sword also makes many consumers confused whether the products sold by Taobao are genuine. In the long term objective, Taobao must reinforce its anti-counterfeiting awareness to ensure its long-term development.

7.2 Undeveloped the logistics distribution system

Since the transactions on Taobao are generally scattered and the transaction amount is generally small, the logistics and distribution costs are very important and directly affect the transactions between buyers and sellers. At present, Taobao's logistics distribution generally relies on third-party services, which leads to uncontrollable logistics service quality. Furthermore, the logistics delivery price is not fixed. The logistics corporation that distributes the goods and the distribution cost are all freely regulated by the seller. From the long-term development of Taobao, the rural market is bound to become a major direction of its development. Nowadays, due to cost and other issues, logistics companies basically do not provide distribution services for rural areas, resulting in many rural netizens not being able to shop online. Hence, there is a need to set up Taobao's own logistics channel enterprise and enhance its logistics and distribution system.

7.3 False credit

A barrier of shopping online is that buyers and sellers cannot meet online. The main criterion for consumers for judging the integrity of a business is shop credit. Normally, the higher the credit index of a business, the more guaranteed the quality of

the goods it sells. This makes it difficult for new stores to start their business. Even if they sell good and inexpensive goods, no one is willing to take the risk of buying them. For their own survival and development, novices have the need to improve their credibility. In the meanwhile, some illegal elements will take advantage of the void to provide novices with "credit brushing" services, which leads to Taobao sellers shop credit sometimes seeing unreliable. To this point, Taobao must find ways to regulate governance.

7.4 Competitive strategies are easy to replicate

Taobao's competitive strategy is very similar to that of its peers in the industry, that is to say, Taobao's competitive strategy is easy to replicate. Users will find that no matter what the key element that wins in the competition - free strategy, third-party payment and other strategies, the application of Taobao Wangwang or the page settings, these are not much different from competitors' pats and eBay. Thus, if Taobao wants to maintain its dominant position in the competition, it must contribute introduce innovative marketing strategies.

8 A CREATIVE STUDY OF TAobao MARKETING STRATEGY

8.1 Model of innovative study

As a marketing concept that implements e-commerce marketing, 4P (Neil Borden 1953) theory is obviously scientific and correct, but it is not a combination of marketing strategies that can be operated in a complete system. The 4C theory is able to supersede the 4P theory. E-commerce marketing activities must consist of the use of products, prices, place and promotional strategies no matter what the situation is. Secondly, 4P is a marketing tool, 4C is a marketing purpose. The two can be combined and they do not need to replace each other.

This chapter adds a “credit” strategy to the analysis of Taobao’s marketing strategy based on the 4C’ theory. In Figure7.1, the bottom of the cone represents the product, price, channel and promotion in the 4P strategy; the centreline of the cone represents the credit mechanism; the cone corresponds to the cone of the bottom 4P strategy, representing the customer, cost, convenience and communicate.

The model represents: 1. Credit is the cornerstone of all other strategies in this cone. 2. the 4C strategy and 4P strategy and "credit" cones represent the entire content of Taobao's integrated marketing strategy. It is hoped that by integrating the marketing strategy integration model, the importance and feasibility of integrating with 4c and 4P strategies will be explained.

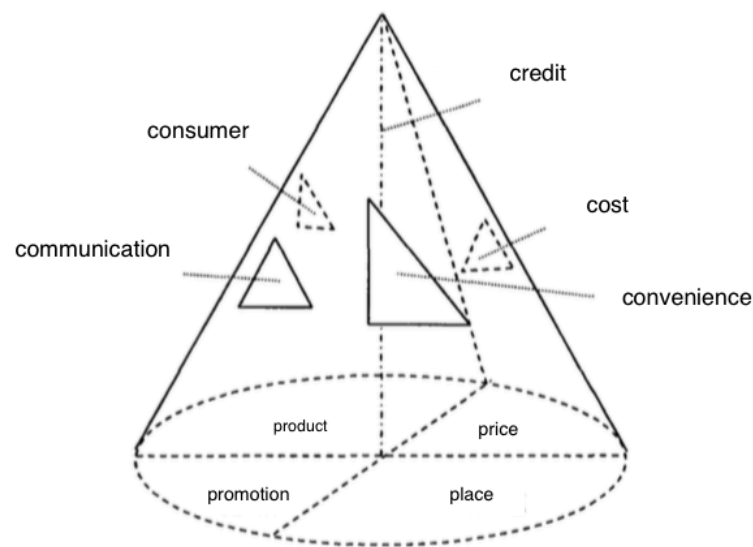


Figure 8.1. the integrated model of 4P-5C

8.2 Taobao's innovative marketing strategy research

8.2.1 Consumer strategy

1) Design a simple and easy-to-use interface

Taobao should continue to improve and innovate on the website page design, making it more succinct and simple with a clear layout and colour matching and giving a comfortable and relaxed feeling while enhancing the navigation function. Even novices should never feel at a loss. Each feature has an affluent and thorough set of assistive knowledge and tips. Reasonably planned the location and quantity of promotional advertisements is important as this, which can increase the advertising revenue of the website without causing users to get bored.

2) Establish a humanized customer service system

Taobao should start using more user-friendly search functions. The current search functions are dominating consist of simple search and advanced search. A user can choose to search for items, stores, or shopkeeper during a simple search. In Advanced Search, it is possible to search by item category, price range, payment method, location of the item being sold, age, and seller level. Because the multi-angle search function is able to meet the needs of a variety of different customers,

it gets good feedback from consumers. At the same time, Taobao should encourage transactions in the same city, which reduce trading risks. This will not only attract more physical store owners, but also free trading methods can bring high click-through rates to Taobao.

Taobao community should be more standardized, fair and active. It is a key for a website and user communication. Because the employees in the community are responsible for management and membership, they can fully stimulate the initiative of the members and firmly grasp the members' hearts. The segmentation of community themes can also provide personalized services to consumers. For example, the "Customer Service Center" function solves promptly customer's questions and complaints at any time. Taobao regards community building as an important base for improving customer service and promoting user loyalty. Taobao should also pay attention to the cultivation and guidance of users, constantly provide sellers with the knowledge and know-how of network management and provide buyers with the experience and skills of online shopping. Digging constantly and inviting online sellers who have already achieved success, it will benefit users to share their experiences and skills more.

In addition, Taobao is able to cooperate with famous companies to enhance service capabilities. For example, Gomei, the leader of the joint home appliance chain company, launched a preferential sales campaign on Taobao.com so as to provide more targeted products for home appliance consumers by leveraging Gomei's strong product advantages in home appliance sales and its rich experience and online store platform.

8.2.2 Cost strategy

1) Adhering to the free strategy

The free strategy is a key motivator in erupting Chinese e-commerce market. As a matter of fact, the native feature of Chinese e-commerce should be the participation of the consumers. A cheap product will get the everyone is approval and maximize the cost savings. According to statistics from iResearch, Taobao has a daily user growth of 19,045. It is necessary to give people a process of adaptation as a new

method of shopping. As a result of continuous experience and feelings of users and fostering the trust of users' feelings, habits and services, it is easy to make a profit.

2) Pricing guidance

The online shopping price is no longer unilaterally formulated by the manufacturer, but the pricing initiative is transferred to the hands of clients. The known consumer-driven pricing refers to satisfying consumers' own needs. They can choose to purchase or customize to satisfactory products or services by fully understanding the market information, obtaining these products or services at the lowest price and cost of product. According to eBay's statistical analysis, only 25% of the product's auction price is lower than the seller's expected price, 45% of the product's auction price is moderately higher than the seller's expected price, and the remaining 25% of the product's auction price consistent with the seller's expected price, and 95% of all auctioned products are sold at a satisfactory price. Therefore, Taobao should use abundant data resources and records to guide the pricing of the merchants, so that consumers can get a good incentive to the sellers while attracting more buyers and sellers to enter the platform transaction and increase customer loyalty gradually.

8.2.3 Communication strategy

The effective communication is a merit for e-commerce websites. The characteristic of communication is that users communicate in two directions. The website delivers goods, services, and brand information to consumers and then gives feedback on their feeling and opinions. This connection between websites, products, supporting services, brands and consumers is communication.

1) Branding

Taobao has established a good brand image. It is necessary for Taobao to recognized its market positioning further, fully build and improve the core value of the brand, and continuously enrich the brand's connotation. The brand is the most important element than everything for a corporation. Only by creating a brand that is recognized by customers and society, it can promote the loyalty of users and enhance the brand awareness and reputation of the company through multi-channel publicity.

2) Public relations create social reputation

The implementation of a positive public relations strategy has been accepted by a wide range of companies. Taobao can enhance its social reputation by participating in various public welfare activities, and at the same time fulfill the social responsibilities of the company. When a major natural hazard occurs in China and other countries in the world, Taobao uses its own resources to conduct charity sales and donate to countries and regions where disasters have occurred. In this way, Taobao has not only helped countries where the disaster occurred, but also played a positive role in the creation of its own popularity and the promotion of social awareness.

According to Taobao's employment data, as of at the end of 2010, Taobao has created 1.823 million direct employment opportunities for the whole society. It means 1.903 million people who opened stores on Taobao. According to the calculation of IDC, a global information agency, the employment of Taobao will drive employment opportunities in 2.95 related industries, which means that Taobao has created more than 5 million jobs for the entire industry chain. For employment, Taobao can take further measures based on the existing foundations, such as opening lectures at universities and providing training for laid-off workers. Those solutions benefit the improvement of Taobao's reputation.

8.2.4 Convenient strategy

Online shopping is convenient for consumers to order, select, communicate, payment, and pick-up, this is exactly what the tradition shopping did not have. By contrast, logistics transportation has become the biggest constraint to the further popularization of online shopping in China, however and virtue of information flow and cash flow are not revealed. And so, the advantage of e-commerce is not reflected. It is a dispensable method to have a third party supply chain system to solve the problem.

1) Establishing and enhancing the e-commerce supply chain.

Whether it is its C2C business or B2C business, the transaction of Taobao are mainly small business, the transaction volume is not large, and the percentage of logistics expenses is relatively heavy. So, it is important to improve the logistics

system and reduces logistics costs for online shopping. In addition, because logistics in the fourth, fifth and sixth tier cities and even rural areas are still underdeveloped, many areas are not included in the scope of distribution, which makes Taobao's business development in these areas limited. Consequently, promoting the supply chain system is a good service to the consumer.

2) Third-party of supply chain

The choice of third-party logistics providers should establish a specification and standard, and even build a procedure involving third-party logistics providers from the service to the application of technology and infrastructure facility. Meanwhile it also needs to confirm delivery and delivery with customers and problem of the method of confirmation of goods and receipts. For example, the use of a handheld electronic terminal to confirm delivery payments by the customer can be reflected in the system in a timely manner, avoiding time lags and quality disputes in the transportation process, and reducing conflicts with third-party logistics providers.

On the other hand, Taobao should take the initiative to arrange logistics suppliers to pick up the goods at home by the online return authorization during the reverse logistics management. And the reasons for customer returns can also be tracked through an online platform, which reduce the trouble of the return link. In the way, it could greatly reduce the burden on customers and customer concerns and increase profits. Thus this kind of 24-hour closed loop Supply chain management will bring more development space for third-party logistics and e-commerce websites.

8.2.5 Credit strategy

1) Authentication in real name

Taobao takes the form of identity card authentication for the merchant to confirm the authenticity of the merchant as a guarantee to ensure the reliability of the transaction. The form of real-name authentication increases the cost of online fraud. Once a fraud incident is discovered, it can also be tracked through the identity card information. Taobao should further improve in this respect. For the submitted ID card, it needs to match the identify of the merchant and the information should be correct. In addition, Taobao should also raise the certification of the merchant to a

higher level: a registered merchant should first obtain the registration information of the industrial and commercial department and upload this information to Taobao for certification, which would protect Taobao trading.

2) Upgrade credit rating

Credit rating is the most important factor to Taobao's sellers, which has been analyzed in the past. Then the authenticity and reliability of the Taobao seller's credit rating evaluation are crucial for the fair competition of Taobao merchants and for buyers who have no prior knowledge of the seller. In this regard, electronic tracking should be conducted for each transaction to ensure that a transaction has an effective evaluation. All transactions that are not completed through Alipay do not participate in the rating, so that the credit evaluation and Alipay are closely tied together, and Alipay security is used to ensure the authenticity of credit evaluation. This can improve the quality of credit evaluation.

9 SUGGESTION FOR THR RESEARCH

In this thesis, the credit strategy is added to the analysis of Taobao marketing strategy, which is based on 4C's theory and extended to 5C's strategy. From the point of view of users, this dissertation constructs a marketing strategy integration model in which strategy and strategy correspond to each other and interact with each other, and takes it as the basis for monitoring marketing effect.

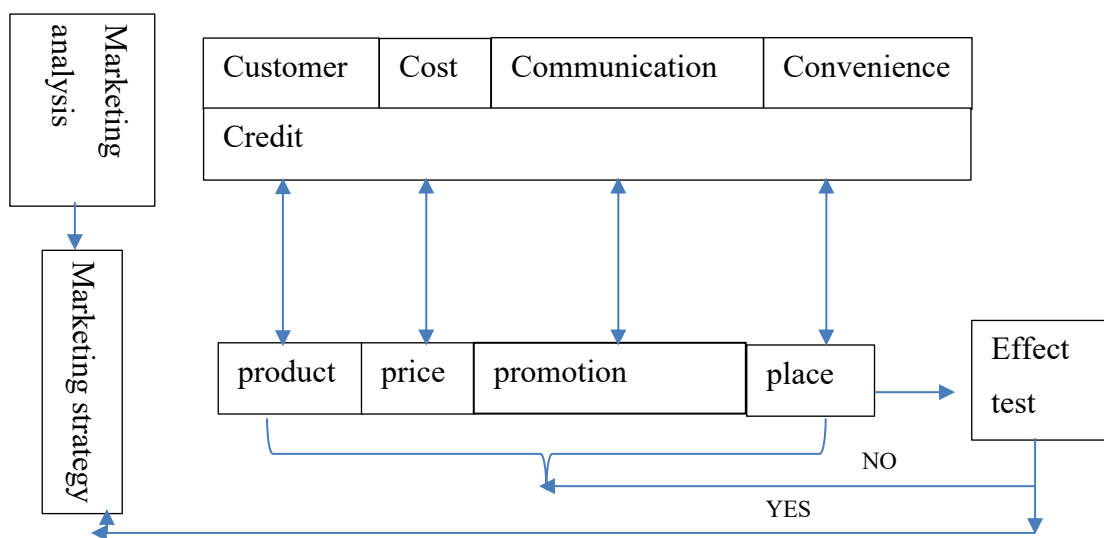


Figure the integration of 5C-4P planner

The “Product + Customer” model is implementing Consumer-Oriented Product Strategy; “Price + Cost” model is implementing a cost-oriented pricing strategy to meet consumer needs; “Place + convenience” model is implementing channel strategy-oriented to improve consumer shopping experience; “Promotion+ communication” model is implementing communication-oriented promotion strategy. The combination of those strategies are tested if it is possible to be used as marketing strategy for an enterprise. Credit strategy as a third party tool for an e-commerce business guarantee both side of parties during the payment process.

The suggestions for enterprise to carry out the model are below.

Under the guidance of 5C theory, flat talent structure and matrix management are adopted in organizational structure and business process. 5C theory emphasizes that enterprises and consumers should develop interactive and effective communication,

only in this way can we meet the value orientation of consumer needs. E-commerce should apply this idea not only to consumers, but also to marketing management, marketing organization design and system establishment. The merits adopt flat structure and matrix management to reduce management level, reduce management focus, and greatly enhance horizontal communication so that enterprises can truly implement 5C idea from outside to inside.

Another idea is to deeply understand the concept of product as a whole in 4P's theory. In 4P's theory, products are divided into three levels containing core products, external products and additional products, while demand is divided into three levels - use needs, psychological needs and potential needs. In order to better meet consumer needs, enterprises should respond to the levels of products and needs, provide high-quality products or services with characteristics or uniqueness in line with customer characteristics and personalities, and provide product policies. It is not only a better understanding and implementation of 4P theory, but also an integration of 5C theory to attach importance to the application of brand strategy and the shaping and promotion of enterprise brand.

Establishing market rapid response mechanism is to improve response speed and responsiveness. Contemporary advanced enterprises have shifted from speculative business model to highly responsive business model. Enterprises should listen to customers' desires and needs in time from the perspective of customers, understand competitors' trends, respond promptly and respond quickly, which minimize the chances of customer transfer.

There are still some problems that can not be ignored in the exertion of the functional utility of the government departments in our country in the process of constructing the credit mechanism, so we should pay attention to the reference to the management experience of the American government in the process of perfecting the credit mechanism of electronic commerce. That is, in the course of the operation of the electronic commerce market, the national credit system of the United States undertakes the responsibility of providing a certain enterprise or a certain consumer credit rating, and deprives people with lower credit ratings of their trading behavior, and through the assistance of a punishment mechanism, it reduces the probability

of fraud in e-commerce transactions. In addition, the establishment of credit management institutions has also been emphasized in the development of electronic commerce in the United States. For example, the Federal Reserve system, the Federal Reserve Insurance Corporation, the savings Supervision Bureau, and so on, regularly carry out the credit rating evaluation behavior of market subjects, and ultimately create a good market trading space. Therefore, in the process of carrying out the management work, the government departments of our country should also take the initiative to participate in the transaction and operation process of the electronic commerce market, and give full play to their own functions to carry out real-time supervision of the market transaction behavior. Upgrade the credit rating of transactions in the e-commerce market.

It is also very important to emphasize the construction of credit intermediary in the process of electronic commerce market transaction. Firstly, because credit intermediary helps to enhance the formation of credit culture in the trading market, Therefore, on this basis, we should pay attention to the perfection of it, and underlines the government and e-commerce market as the supporting conditions which play their own role of credit guarantee, and bear the main responsibility, that is to ensure the authenticity of the transaction information between the two sides. And then achieve a better state of e-commerce transactions. Secondly, in the process of credit intermediary construction, it is necessary to know the improvement of information registration consultation system, credit database and so on, which to achieve real-time verification of transaction information between the two sides avoid the prominence of fraudulent transactions and achieve the best transaction state. From the above analysis, we can see that the improvement of credit intermediaries is helpful to promote the further development of e-commerce. Hence, the suggestion is to strengthen its effective implementation.

9.1 Improving the identification awareness

The C2C part of Taobao is operated by marketing mode, a thousands of vender exist in the Taobao, which trigger the fierce competition among competitors. The seller seeks for different promotion to appeal their clients, the price is seen as a key strong and useful promotion tool to earn people's attention. Owing to the slack management to sellers and non-charging fee for them, the goods sold by them tend to be a fake one to replace the real one with a more appealing price. This behavior has an adverse impact on consumer's rights.

The executives of Taobao need to launch the related regulation to restrict this negative behavior. For instance, if one online store, sold a variety of fake merchandises, is found by consumers, they can report to authority. Once the conduct is confirmed, the store need close down and all risks are burdened by themselves.

9.2 Develop the logistic network

The government still needs to make reasonable arrangements for third-party logistics planning to provide a good environment for the logistics industry. Through the integration of resources, the timeliness of warehousing, orders and inventory is not affected, thus it will improve the overall service. Innovate the logistics enterprise model, and implement the improvement reform with reference to foreign excellent logistics systems and management technologies.

For the cities which is under tier of first and second, it is needed to enhance the efficiency distribution centre based on the capital cities of the province to shorthorn the delivery's time.

9.3 Online security

The issue of electronic payment security is mainly solved from two aspects. On the one hand, it is a technical level problem. This can improve the level of security technology, construct an effective network security monitoring system and increasing the protection of related servers. And it is necessary to punish severely illegal Trojans, viruses and hacker. On the other hand, it is perfected from the legal point

of view. For third-party payment platforms, it is necessary to strengthen the monitoring of the account funds of the third-party payment platform by adopting tracking monitoring or irregular sampling to reduce the risk of funds and control the financial risk.

9.4 Nurturing the talents

E-commerce is a complex business activity. In the process of e-commerce, enterprises need some talents with higher professional level to coordinate the operation of e-commerce activities, including planning, network, procedures, art, trade, marketing, translation, etc. Therefore, Enterprises must develop and introduce the required e-commerce talents in a planned manner. There are many ways to train- you can conduct training on e-commerce knowledge and application technology for employees in various forms of short-term classes; you can also encourage employees to go to relevant institutions to study e-commerce expertise; The policy encourages the retention of talent or the introduction of talents and so on.

Personnel training not only refers to the training of employees, but more importantly, strengthens the training of business operators. The primary problem in vigorously promoting e-commerce is to solve the problem of the concept of enterprise-handle. Government departments and relevant industry associations should strengthen training on informatization knowledge and e-commerce knowledge of business operators through various forms, and pay attention to publicity and promotion of typical experiences. To promote the construction of e-commerce for SMEs to create a public opinion atmosphere. The majority of SME leaders should also strengthen their own learning and constantly improve their own quality.

10 CONCLUSION

E-commerce profits continue to grow. Over the past year, China's e-commerce industry has developed at an unconventional speed. Whether it is industry websites or comprehensive websites, they have made profits one after another. The growth rate is over 50%, and the market value is gradually showing. According to the Internet Laboratory Survey, China's e-commerce market will reach 2.5 trillion RMB in 2018, with a growth rate of more than 100%. The growth rate is far ahead in the world. The Ministry of Commerce predicts that 70% of the trade volume will be generated through e-commerce in 10 years. All these indicate that e-commerce will soon become the most mainstream business economic model, and e-commerce will be the real protagonist.

The conclusion is drawn that the number of internet users continue to grow based on the increasingly popular Internet technology in China. The Chinese C2C market has been flushing in the past decade and will continue to develop gradually. In this process, Taobao has to face the competition of its original competitor eBay. On the other hand, domestic competitors including C2C and B2C models are constantly emerging and there are many who have strength. In addition, with the advent of the information age, various new technologies are emerging, and the needs of consumers are increasingly diversified and personalized. It can be said that the industrial pattern is likely to change at any time. Faced with unprecedented opportunities and challenges, Taobao should use its existing competitive edge in the industry to continuously perfect its products and improve constantly its marketing strategy.

The 5C theory, namely customer strategy, cost strategy, convenient strategy, communication strategy and credit strategy, combined with the 4C theory of the famous American professor Robert Lauterborn according to the actual situation of Taobao. It emphasizes that customers should be the center of the development process and the design and development of the Taobao website is based on customer needs. In order to continue to attract merchants to open stores in Taobao with decreasing costs and to provide consumers with high-quality and affordable products that consumers are willing to pay, Taobao should continue its free store strategy and should continue to expand its profit model. Today, when the Internet has become a part of the

lives of the Chinese people, Taobao should make full use of network resources and promote its products in combination with traditional means and communicate well with online shopping consumers and potential consumers. From view of Taobao's convenient problems in logistics and payment, it is necessary to improve these aspects, establish the company own logistics center, and improve the payment system in order to remain invincible in the long-term competition.

Today, Taobao is not only a consumer website, it represents the new direction of the development of online shopping in China. As the website closest to the life of Chinese netizens, Taobao has obviously become a representative banner of China's e-commerce. In the face of future development, Taobao also has many competitors. Although Taobao now occupies 80% of the market share of China's C2C model, new consumer online shopping platforms have emerged, which is dividing up China's C2C market. Tencent's, PAIPAI network has also developed vigorously, becoming Taobao, Ebay and patting three-legged situation. Even Taobao Platform has some shortcomings, Taobao Platform has introduced corresponding solutions to the problem. Faced with competition and shortcomings, Taobao needs to constantly work hard, constantly innovate and constantly improve its functions in order to achieve substantial development and maintain market share. But with Ma Yun's announcement of "Dataobao" strategy, Taobao will have a new trend of online shopping, which will bring more personal benefits and employment opportunities to Chinese consumers.

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