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E-commerce Business in Chinese Market
A case study of Tao Bao

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<p>Abstract</p> <p>E-commerce in China has become a fast developing business in recent years. Many e-commerce companies have been set up to survive and benefit from the profitable business. Tao Bao, established in 2003, is the one of leading companies in e-commerce business. In the past few years, Tao Bao has become the favorite of the majority of customers in China and grown quickly.</p> <p>The purpose of the study was to make a marketing analysis of Tao Bao and enable the company to get better growth. The research method was qualitative consisting interviews of representatives, sales people and customers of Tao Bao company.</p> <p>The thesis started with an introduction and background of the study. In the theoretical part, overviews of marketing environment, SWOT and marketing mix in customer relationships were given. Based on the theory and data collected from the interviews, marketing analysis was described in detail.</p> <p>Evaluation of the e-commerce situation in China and of Tao Bao was conducted. Recommendations and challenges for Tao Bao were also given. To sum up, e-commerce is a business of fierce competition and Tao Bao has to recognize the current marketing environment and its strengths, weaknesses, opportunities and threats. Only with a definite understanding of these, Tao Bao can survive in the competitive marketing setting.</p>		
Keywords E-commerce, Tao Bao, marketing, Chinese market		
Note		

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1 INTRODUCTION

The first introduction part will present the background and aim of the thesis as the basic knowledge before reading the thesis. The structure of the thesis is also introduced here.

1.1 Introduction of the research

In the fast moving world, e-commerce is now the essential part of economic society. As a new rising business, it has captured attention from both customers and companies. All over the world, e-commerce is being adopted by more and more companies who want to increase their market share of products. Because of convenience and efficiency, customers are gradually accepting this kind of electronic business. With the popularized computer knowledge and increased buying power, e-commerce will be a prosperously growing business in the future.

The purpose of this research is to analyse and evaluate the current situation of e-commerce business in Chinese market and seek solutions for existing problems. The case company Tao Bao Company ordered my thesis. The thesis was asked to analyze the company in the environment of Chinese market of e-commerce. To make the research complete and convinced, I have done interview with the manager of the case company and questionnaire for potential and on-using customers of e-commerce business. The research process and results will be shown separately in later chapters.

1.2 The structure of thesis

My thesis is composed by three main sections, which includes introduction and background, research process, results and conclusion. On the other hand, it can be also divided into 7 chapters to follow the study. It is clear for readers who want to go through the thesis quickly.

The first chapter is introduction part, it presents the background of my study and simple introduction of the thesis structure. The second chapter presents e-commerce business situation in China and case company study. The third chapter is theory overview of marketing that will be the basis of analysis part. The fourth chapter is research methodologies used for the study; how is the research method used in the study and process of gathering data and analysis will be discussed. The fifth part concluded the results of the research by performing study result of gathering data. The sixth chapter is discussion and recommendations for the case company. The last part is conclusion and summary, which concluded the whole thesis including limitations of the thesis and critical analysis.

2 ECOMMERCE IN CHINA AND CASE COMPANY – TAO BAO

As the background knowledge, e-commerce situation in Chinese market and case company analysis will be discussed in detail in this chapter. From this part, it is easy to get a whole view of what the thesis will present. This is also the most connected part with the thesis topic, because the analysis is based on the reliable sources.

2.1 Description of e-commerce

E-commerce is a type of business that relies on internet to convey information and complete transactions. In the open internet environment, e-commerce companies take advantage of service engine to do businesses with customers or other companies online without seeing each other. It is a kind of new emerging operation model involving different business activities, transactions, financial activities and comprehensive service activities. E-commerce is performed in many kinds of different businesses which ranges from individuals to companies. This kind of business that use internet as the medium is one of the major features right now. (Sell online 2010)

E-commerce is convenient because consumers can purchase goods and services electronically without limitation of time or distance. E-commerce kept increasing in the past few years and is forecasted to continue growing without decrease, or even with acceleration. It has changed the way of people's shopping behaviour. (Sell online 2010)

2.2 E-commerce around the world

Ecommerce is accelerating business around the world and it is not showing the trend of slowing down by now. Customers would like to buy online for its convenience all over the world. Customer behavior is not affected by country boundaries, ecommerce shows that customers in different countries have the same or similar buying decisions. As the use of internet every corner in the world, ecommerce through internet goes into people's life. It provides opportunities for ecommerce companies to expand their markets and enlarge customer groups. E-commerce is definitely a global business showed from the figure 1. Although ecommerce is popularized in the world, there is still difference in the spread of ecommerce business because of different economic levels.



Figure 1 Percentage of people who have shopped online by area (Mashable business)

The picture shows that people have the habit of shopping online in almost every continent. And the percentage is as high as 87% in Oceania; even the lowest percentage can reach 53%. It means that e-commerce is a global business even if in some poor countries.

2.3 E-commerce in Chinese Market

The growth of e-commerce was amazing and impressive during the past years. On-line shopping is now a phenomenon more than a trend. As a Chinese, I witnessed the development of how the e-commerce business boomed in my country. The officials demonstrated that China's e-commerce industry will grow more quickly in next five years and double the transactions of this year in 2015. (E-commerce research centre 2011)

Size of the web

“The China Internet Network Information Center (CNNIC) issued its 26th report on the state of development of China's internet today, showing that as of December 2010, the number of Chinese internet users had reached 457 mln, an increase of 73.3 mln from the end of 2009; Internet penetration was at 34.3%, an increase of 5.4 percentage points from 2009. Total broadband Internet users reached 450 mln, with penetration among fixed-line internet users reaching 98.3%. The number of rural internet users reached 125 mln, accounting for 27.3% of total users, an increase of 16.9% YoY. Chinese internet users, on average, spent 18.3 hours per week online.” (CNNIC 2011)



Figure 2 The size of Chinese internet users from 2007Q1-2011Q2 (Yi Guan statistics 2011)

The figure illustrates the size and growth of Chinese internet users from 2007 to 2011. We can see clearly that the scale of internet users is keeping growing these years. Internet is now widespread in China, which provides the opportunity for potential customers of online shopping.

Because of huge population in China, it's no doubt that e-commerce will be a potential business in Chinese market. After several years of exploration in e-commerce business from the year 2000, many kinds of e-commerce business types appeared in Chinese market and since then caught customers' attention. Advertisements of online shopping were broadcasted everywhere. Other businesses that support or have relation with e-commerce started growing in order to share the profitability of e-commerce business. At first, customers are not willing to try online shopping because they were afraid of fraud. Nowadays, online shopping is becoming mature and has been essential part of Chinese people life.

Growth of e-commerce companies

The deputy director from the department of the Ministry of Industry and Information Technology's promotion, Dong Baoqing, announced that the total sales of e-commerce in China will increase at least 32% every year from 2011 to 2015. He said his team had estimated that the transaction amount will reach 18 trillion yuan (\$ 2.8 trillion) in 2015. With the rapid growth of e-commerce, the official decided to invest more to develop the e-commerce business and support the amazing growth rate. The official revealed that the sales capacity that created by e-commerce of China's consumption good in 2015, though it's only 3.3 percent at the moment. (Francis Tan, 2011)

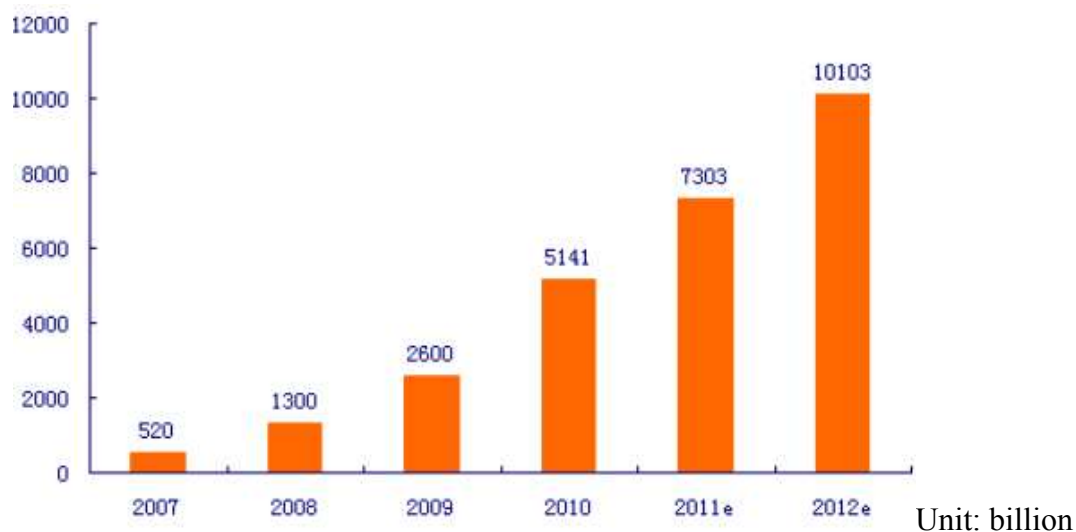


Figure 3 Amount of transaction in online retail market in 2007-2012(e-commerce research center 2011)

We can see from figure 3 that the amount of transaction in e-commerce is increasing hugely year by year. According to forecast of research center, the amount is hopeful exceed 10000 billion by the year 2012.

E-commerce companies first emerged in 1997 in Chinese market. At that time, there were only few e-commerce companies. Until now, after more than ten years' high-speed development, e-commerce companies are set up everywhere. Especially in big cities and coastal cities, the amount of e-commerce companies appeared can be described as mushrooms after rain.

Regional distribution of e-commerce companies

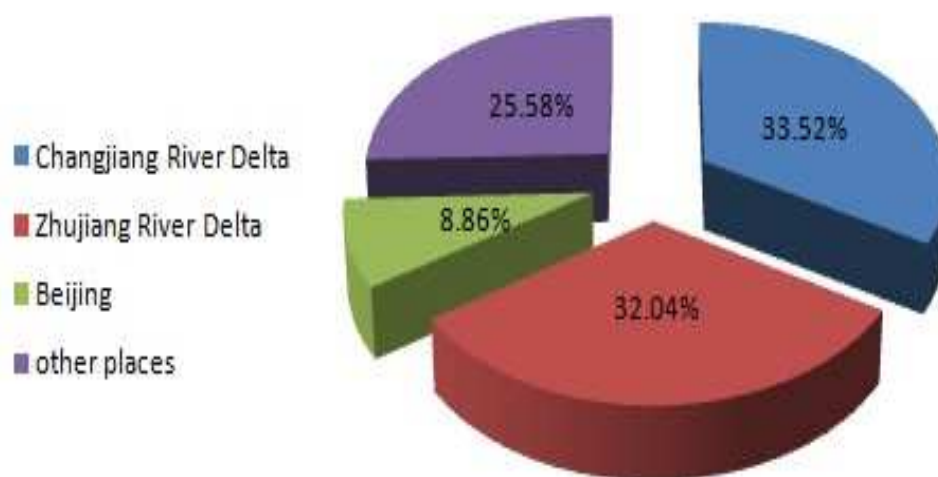


Figure 4 Distribution of e-commerce companies in China (E-commerce electronic magazine, 2011)

It can be seen from figure 3 that Chang Jiang River Delta and Zhu Jiang River Delta have the most e-commerce companies, which occupied 33.52% and 32.04% of total amount separately. Chang Jiang River Delta is one of the wealthiest districts in China under the leadership of Shanghai city. For its advanced technology and high income, the area is always the leader in China's economy. Zhu Jiang River Delta is the most southern part of China next to Hong Kong. It is the most attractive investment region of foreign investors. As it is always the first to adsorb newest economic trends, Zhu Jiang River Delta is the cradle of e-commerce business. Beijing, the capital of China, collects the advanced technologies all over the country. It's no surprise that E-commerce companies took root and grew there.

Industry distribution of e-commerce business

INDUSTRIES	PERCENTAGE
chemical and Pharmaceutical	6.35%
food and wine industry	4.30%
packing and printing	5.42%
digital home appliances	10.35%
building materials	6.20%
clothing	14.32%
steel mechanical	8.30%
agriculture	5.89%
gifts and accessories	3.69%
hardware	4.53%
others	30.65%

Table 1 Industry distribution of e-commerce business (E-commerce electronic magazine, 2011)

It can be concluded from table 1 that e-commerce has a wide business distribution up to more than ten kinds of different businesses. E-commerce in China has involved Chinese everyday life. No matter what customers need, they can stay at home and buy online. Customers never need to go around the whole day in order to buy something. That's why e-commerce is so popular and attractive to nowadays Chinese.

2.4 Introduction of case company – Tao Bao

Tao Bao was launched in May 2003 by Alibaba, which is the biggest online retailer in Asia aims at being the world's largest online retailer. At the moment, Tao Bao business is divided into B2C, C2C two parts. Tao Bao has its special meaning in Chinese language that foreigners do not understand. "Tao" means select what you want from a great deal of products and "bao" means products. The meaning is in line with Tao Bao's mission that is to provide what customers really like.

Tao Bao now represents the advantages of enthusiastic and fast buying of online shopping. In recent years, Tao Bao emphasized on building a safe and effective shopping environment for buyers, which makes online shopping more reliable among customers. Tao Bao has helped many graduated students and lay-off workers start their businesses in e-commerce and created about 1 million jobs for the whole society.

In the past years, Tao Bao has made great efforts in increasing the amount of product types and achieved great success. You can buy almost everything from Tao Bao that you can image from small household items to cars and houses. In order to provide a relieved purchasing environment, an efficient communication system “Tao Bao Wangwang” was introduced. It is used between customers and sellers. When customers are not sure about some products, they can inquire the sellers about anything about the products. “Tao Bao Wangwang” greatly increases the transaction amount since it was introduced. It helped enhance Tao Bao’s creditability and reliability during the transactions. (Tao Bao 2010)

In 2004, a payment tool “Zhifubao” was developed by Tao Bao to avoid possible security problems. Customers firstly pay the bill to “Zhifubao” when they want to buy the products. After customers receive the products and check there is no problem with the delivering goods, then they can pay the bill to sellers from “Zhifubao”. It has avoided cheating of customers. Customers’ satisfactory towards Tao Bao is highly improved through “Zhifubao” that is called the bridge between buyers and sales people. “Zhifubao” is in support of payment from almost any bank in China because it has cooperation with banks with good credit to protect customers’ interests. (Zhifubao 2010)

2.5 Marketing forces analysis of Tao Bao

Marketing forces are in wide scope from business aspect. Here I choose four important forces in marketing to make analysis of the case company including micro and macro marketing environment scanning, SWOT analysis, 4 Ps methods and customers’ relationship force that benefit Tao Bao Company.

2.5.1 Micro and macro environment scanning

Right now, e-commerce companies grow rapidly in China because of low entry of e-commerce. Especially in recent years, some new and small e-commerce companies established and developed fast. Famous e-commerce companies, like eBay, paipai, Dingdong, can be competed with Tao Bao in products, services and customers amount. EBay is a world famous e-commerce company founded in America in 1995. In 2003, eBay expanded to China when Tao Bao was first established at that time. For years’ competition, the world e-business King is beaten by Tao Bao now. Paipai is a local-based e-company in China. As Paipai provides similar e-commerce service like Tao Bao, it’s the strongest competitor of Tao Bao now. Customers are always complaining about high price in Paipai that offer the chance for Tao Bao to penetrate larger market. Jing Dong online market is also a similar company with Tao Bao, but it provides much less products than Tao Bao. The superiority of Jing Dong is that service products are in more types than Tao Bao. Tao Bao, the biggest online market, has competitive advantages in reputation and customer group. However, other companies can’t be neglected since these companies are looking the way out of

e-commerce business and achieving significant progress. Tao Bao should find solutions to strike competitors and maintain the first place in e-commerce business.

Tao Bao has to keep a complete communication system between itself and suppliers. In order to provide products and service that satisfy customers, Tao Bao should have regular connection with suppliers and customers to get well known to their current situation and have good understanding of their behaviours and mentality. For example, Tao Bao has to have updated product information of supplier and price, suitable customers, market prospect of each product. With better understanding with the background, companies may be able to sell their products more smoothly to customers. Sales people of Tao Bao sources materials, components directly from supplier factories. In order to manage united, there is a purchasing department in Tao Bao responsible for selecting and purchasing goods. Because there are varieties of products in Tao Bao, the suppliers are numerous in different businesses. As the marketing director told that the supplier companies are mainly in coastal cities of China where wholesaling business is prosperous. In selecting suppliers, there are several reasons have to be evaluated, for example, price, supplier reputation, product reliability, service reliability and supplier flexibility. In large amount of purchasing, the purchasing department has to bargain with suppliers for a good price. Right now, most of the suppliers of Tao Bao are well organized that could provide products stably.

Customers can buy products directly from business sales people. But there is one intermediary force connecting sales people and consumers closely that determines customer satisfaction in some extent. Logistics is undoubted the intermediary force. When customers ordered products online, sales people have to send the products to Logistics Company with customers' information. Logistics Company is responsible for delivering products to every customer. Usually, customers will complain about logistics speed and quality. If the logistics is too slow and delay customers' schedule arrangement, they won't choose the same shop next time when buying online. And in the transportation of delivering, the fragile products or packages maybe broken accidentally. This is also can be the reason that keeps customers away from online business. So sales people have to select the logistic company very careful, or it will cause loss of customers. Current logistics company cooperated with Tao Bao are Shen Tong logistics company, Yuan Tong logistics company and EMS. As table 3 shows that every logistics company have advantages and disadvantages. When customers purchasing goods from Tao Bao, there are at least two logistics company for customers to choose from. According to different products, customers can select suitable logistics company to distribute. The benefit is that customers are free in choosing the best logistics which may win customer trust. With the method, business relationship can be dealt well between sales people and buyers.

Tao Bao was launched by Alibaba, which is the outstanding team all around the world. That means Tao Bao has sufficient funds for operation and powerful organizational

system that other e-commerce companies lack. Even in economic crisis, Tao Bao wasn't weakened in the protection of Alibaba. The reaction to market situation is flexible regarding to rivals' competition means. Tao Bao now is a brand in China with favourable company image and culture. So Tao Bao has to make use of its internal marketing environment superiority to keep the first place in e-commerce business. Top management personnel of Tao Bao are organized of excellent managers from different accomplished companies that are experienced in managing businesses. Strong leadership of Tao Bao is the competitive force compared with other companies.

As we know, China is country with largest population in the world. Although one child policy has been introduced for many years, population amount is keeping growing in recent years. There are more than one hundred million users of Tao Bao in China which represents nearly ten percent of total population amount. It indicates that Tao Bao has a huge potential in Chinese market. But with increasing aged population, China entered aging society. Since older people use fewer internets than young people, Tao Bao may loss part of users in the future. If Tao Bao could develop the aged-oriented products or services, the blank market of losing customers because of age can be filled in again. With the nine year compulsory education promotion, educational groups are much larger than ever. And the widespread of internet knowledge from children, almost more than 2/3 people could surf the internet now. Educated people are easier to accept advanced technology than normal groups. Tao Bao has to target the market among educated groups.

Economic situation impacts on purchasing power, thereby affecting business activities. World economy appears recession; many countries suffer from economic crisis. China survived from the economic crisis and was not influenced too much. As an investigation showed that wages of employees are increasing more in 2011 compared with last few years. People in China are in good purchasing ability recent years and more willing to spend money on consumer goods. Products in Tao Bao are affordable for Chinese residents, so the market size will not decrease for economic effects.

Legal laws may influence marketing activities. China has complete and mature anti-unfair competition law, aims at protecting and ensuring fair and civilized business environment. Violations of the law will be severely punished. E-commerce is a new business and may face order less competition environment, the precompetitive legislation promises a healthy environment for e-commerce businesses. Consumer Protection Law has established in China for about 20 years and has significant effect in protecting consumer rights and interests. Companies should take care of their products and service, otherwise they will be complained by customers and lose businesses. Legal laws protect well-behaved companies against unfair and improper competition in business environment. Tao Bao should continue to comply with legal laws and put customer interests before own interests. When facing unfair competition, Tao Bao has to respond to it actively by proper actions, not by incorrect behaviours.

That's the basic way to survive in today's fierce competition environment. Local government always encourages new companies to invest in the district and offer support to new-comers, for example, new companies are free of first three years' tax to local government. Chinese regulations are in favour of legal new companies by assisting new companies to solve complicated funding procedures and trading practices. Tao Bao is familiar with governmental regulations because it is the first ecommerce company in China. This is competitive advantage that exceeds the initial e-business companies. To understand the governmental and non-governmental regulations is the principle to last long. Marketers should aware that government policy affects business behaviour. Political forces cannot be ignored in doing business; it predicts the trend of business environment in some degree. Knowing about impending political policy helps marketers adjust marketing tactics in advance. If Tao Bao has close connection with government and understands changing policy beforehand, it is helpful to alter strategies that meet policy requirements and market situation.

Societal and cultural forces are external forces that affect Tao Bao growth. Because of different choices to online shopping, it's hard to unify each customer's demand. Educational level, environment, lifestyle and perception may have influence on marketing. So Tao Bao has to diversify marketing strategy and organize various marketing activities for customers. Providing with correct products to customers and taking customers' preference into account is a feasible way to avoid societal or cultural forces influence on marketing environment.

Technology is the major factor that determines companies' accomplishment. Advanced technology makes a company growing faster and more stable. Internet technology has created overwhelmed update and diversification for the world. Taobao.com is a e-commerce company that based its business on Internet technology. In recent years, Tao Bao constantly modified the webpage to impress every visited customer. Continuous research on internet technology of Alibaba Company provides Tao Bao the backup force to accomplish market tasks. That's why Tao Bao leads the way in e-commerce business.

Consideration of current general economic condition makes a company steadily in recession or boom since consumer demand and spending behaviour depend on the balance of income. When deciding marketing strategy, Tao Bao has to think about general changes in consumer income levels, consumption structure, purchasing power, regional economic situation and so on. In the economic crisis in 2008, Tao Bao changed the market plan in reaction to crisis. As a result, the consumption through Tao Bao kept increasing while some companies were in a tough time.

2.5.2 Marketing communication

Tao Bao provides with up to hundreds of different kinds of products for buyers to choose. As the biggest e-commerce company, Tao Bao has advantages in quantity of products. And Tao Bao is a brand image in customers' opinion, they prefer to choose Tao Bao compared to other e-commerce companies because Tao Bao represent the trend of ecommerce business. But there are still complaints when I was doing my investigation. Firstly, products brands are not complete, some fashionable brands are missing and slowly updated. And small part of interviewed customers considered that more products need to be added because some types of the products are few in quantity to choose. Most of my respondents would like to see more current fashionable brands and styles when inquired about Tao Bao' products. Secondly, interviewees have commented on products package as packages are always dirty and broken when received the goods, it will be impolite if they intended to give friends as presents. Thirdly, almost all the products sold in Tao Bao are intangible goods; it will be considerable if service products are developed. Tao Bao could sell service to customers that need specific services. For example, auction for service like car rental, take-out food deliver, house keeper service and so on.

Tao Bao has distribution channel all over the country almost every city. There are two ways for Tao Bao to distribute its products: Logistics and real shops. Shen Tong, Yuan Tong and EMS are the biggest three logistics companies in China. Through these three logistics companies, Tao Bao is ready to send the products to customers correctly and rapidly. But according to table 3, customers still have complaints of the logistics condition of Tao Bao. Besides, there are still some remote country sides that logistics could not reach. Solution from respondents is Tao Bao should take use of some small local based logistics company in order to send products to faraway places. Real shops are the channels of Taobao.com to direct products to consumers. Retailers wholesale products from Tao Bao cut down transportation and time expense when it is just go online, choose products and make order. There is a department in Tao Bao responsible for managing and supplying goods for retailers all over the country. The department accepts telephone and internet orders from retailers. When there is a new retailer makes order from Tao Bao, the supply department will investigate the local marketing environment to make sure to supply right goods in quality and price for retailers. Because Tao Bao is responsible for its retailers, the amount of both parties kept increasing in recent years. From the marketing strategy point of view, Tao Bao has set a strong brand and image among users.

The stages that Tao Bao sets products price are define the objectives of each product, determine the market demand of each product, estimate products' cost, analyze competitors' cost and price for the same product, choose a pricing method and decide the final price. Take a women T-shirt for example to explain the pricing process. The T-shirt is an ordinary product differs from high price luxury products, the aim of selling T-shirt is to attract more customers thereby affect buying decision and expand

market size. So the price of a T-shirt cannot set in a high price. Relatively speaking, the demand of T-shirt is larger than expensive items since everybody needs clothes. And cost of a T-shirt is much lower compared with high-tech products; the strategy for the T-shirt is to stress quantity of sold items that will increase total sales profit. On the basis of cost to develop price is the basic mean to defeat competitors, which is the first method Tao Bao is using to setting price. After that, based on the analysis of competitors' price for a similar T-shirt, Tao Bao will make changes on the price again. With marketing situation, the price of each product is not always in change. Low price is the advantage of Tao Bao compared with real shops in same products that attract customers. In pricing, Tao Bao has taken online shopping disadvantages and advantages into account. Although there are also products of very high price in Tao Bao, the proportion is much smaller than ordinary products as customers would not buy expensive products online randomly. Discounts are offering actively in Tao Bao not only in usual days but also festivals. The more you buy, the higher discount is. Some sales people provide free logistics and discounts for customers that buy large quantity of goods. And the upper limit of quantity is always very low. In important festivals like Spring Festival, Mid-autumn Day, Women's Day, International Labor Day, Children's day and Valentine's Day, there is much higher discount for customers. In terms of payment, part of sales people adopts the model 'payment after receiving and 7-day free of drawback'. Customers would like to buy in these stores because they feel safe of products and seller in condition of the model. Tao Bao should continue to improve and perfect price strategy in order to attain more customers and transactions although it did promptly in the past years.

Tao Bao could advertise in newspapers, TV, magazines and other kinds of Medias. Because advertising fee is high, budget has to take into consideration when making advertisement. Since Tao Bao has already owns high reputation in Chinese customers, advertisement can be published only during anniversaries, festivals promotion and new products introduced. Personal selling is an effective way in real shopping but not in online shopping. Sales people could not know about potential customers and their contact information until customers appeared and purchased goods. So personal selling is not useful regarding to e-commerce. But when a deal is coming, sales people may sell products personally to persuade customers to buy products. At the same time, dealing with relationships with customers, employees, shareholders, trade bodies, unions, suppliers, government officials, journalists and society are also important for Tao Bao. Good public relationship is more effective that they will be a publicity effect for the company. A bad relationship with customers will make Tao Bao loss more businesses, so attitude to customers is very important in communication. Keeping friendly connection between suppliers and sales people ensures Tao Bao has sufficient resources to meet customers' demand.

As discussed that government is a factor that cannot be ignored in doing businesses. Good relation with government gives Tao Bao the chance to act before other e-commerce companies in changing strategies with the guidance of governmental

policy. Sales promotion is a useful technique in improving a company's short term transactions. In sales promotions, Tao Bao has to consider promotion for customers, wholesalers, retailers and sales people. For example, Tao Bao could provide consumers coupons, free samples, loyalty cards, frequent user incentives, festival presents and other discount policies. For wholesalers, retailers and sales people, Tao Bao may set sales competitions, free merchandises, buy-back allowances, point-of-sale displays, trade shows and conferences to keep and attract business participants. Direct mail promotion is not always useful because people often consider mail advertisement as "junk mail" and delete without thinking. As mail promotion is free compared to high advertising fee, it is worthy trying in special discount festivals. How to design the mail to attract attention should be studied further. Sponsoring on the high rating TV programs and activities is a direct way to draw interests of customers. It will increase brand awareness if Tao Bao sponsor events like love project and volunteer project. Media always focus on these kinds of projects and make follow-up reports. Sponsor is the party of focal point in the media report. The internet is absolutely the most effective technique is today's promotion methods of e-commerce. Tao Bao takes advantage of increasing internet users to publicize the online shopping. In the webpage, more fascinated elements can be added to improve the first impression. Small advertisement in web may cause users glance and enter into the webpage from the advertising place. So the advertisement has to be eye-catching and accord with popular demand.

There is an after-sale service department in Tao Bao specially established for customers to inquire about questions related to products they buy. The after-sales service center is opened for 24 hours every day even during holidays to make sure customers could solve the problems immediately. And there is also a complaint center separately from service center. The complaint center is responsible for dealing with complaints from customers. If customers buy fake or broken goods, or are dissatisfied with sales people, they can make complaints to the center. Usually, the complaint center will find solutions to solve problems that satisfy buyers in 24 hours. The service system guarantees customers' interests, thereby win trust from customers for Tao Bao. Besides, all the stores are equipped with at least one sales people and one customer service staff. Before making decision to buy, buyers can ask detailed information of products from sales people. After purchasing, if the customers are not satisfied with the products, they can contact with customer service staff to discuss together to solve problems. In case that negotiation is failed with the staff, customers may turn to Tao Bao Headquarters of customer service center for help. That's reflected that Tao Bao has a complete system of service, which is the main advantage to attract customers.

3 THEORY OVERVIEW OF MARKETING

In this chapter, concepts related to marketing will be introduced specifically from different points of view including marketing environment, SWOT analysis and marketing mix in customer relationship.

Lots of people think that marketing is defined only as selling and advertising of products or services. It's no doubt that our everyday life is surrounded by television commercials, newspapers advertisements, direct mail campaigns, internet pitches and sales calls. Those are important marketing functions, but not the most important ones. (Kotler, Armstrong, Saunders & Wong 2002, 4)

As the society develops, marketing should be understood in a new sense that is to satisfy customer needs, not just about selling in the old time. When a product is produced, selling occurs afterwards. On the contrary, marketing exists long before a company has produced products. Managers of companies consider marketing as a method to identify customer needs, assess their limits and decide whether there are profitable opportunities. Since marketing runs through the whole products' life, the main tasks are to explore new customers and retain current customers by improving product appearance, studying from sales results and controlling repeat performance. (Kotler, Armstrong, Saunders & Wong 2002, 4)

According to Kotler, marketing is defined as the process of becoming social and managerial by which individual and group customers could get what they want and need through bringing and trading products and values with others. In order to explain the definition, the following important terms are checked: needs and wants, demands and supply, products and services, costs, contentment and quality and market. (Kotler, Armstrong, Saunders & Wong 2002, 5)

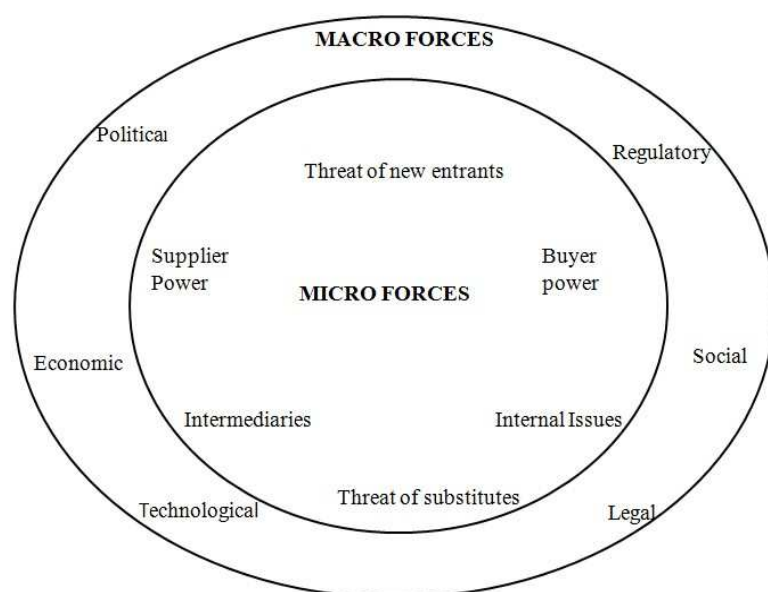
3.1 Marketing environment

Dibb & Simkin explained that the marketing environment is considered as external factors that may have impact on organizations' possession of input and generation of outputs. (Dibb & Simkin 2001, 199)

Many companies are in front of increasing fierce universal competition, rapid development of information and communication, increasing complicated business environment and fast changing customer preference. All the unpredicted reasons results a company's uncertainty in the future market place, therefore affect a company's marketing management decisions. As marketing environment is changing every now and then and showing new opportunities and threats in the market, the strategies to adapt fast changing marketing environment is important for a company. (Kotler 2009, 168)

There are various ways to interpret marketing environment. Macro and micro environment analysis methods are acknowledged by many economists in defining marketing environment. The macro marketing environment is broad which influences companies overall operations both in market and customers. The micro marketing environment is out of business direct control, but will affect company's competitive forces. (Dibb & Simkin 2001, 199- 200)

Figure 5 The Macro and Micro Forces of the Marketing Environment (Dibb & Simkin 2001, 201)



Micro marketing environment

Although micro forces are out of controlling of a business, the impact of micro forces is much more company-oriented than macro forces of marketing environment. In the following competitive forces, supplier and buyer force, intermediary forces and the internal marketing environment in micro marketing environment will be introduced separately. (Dibb & Simkin 2001, 201)

Competitive forces

Most companies get to know their direct competitors that may have direct attacks in business; few companies are familiar with potential and new similar competitors which also make trouble in their market places. It is highly important that companies should have strategic solutions to beat back all the rivals. With detailed information of competitors' products, price and strategy, systematic analysis of competitor is also needed. (Dibb & Simkin 2001, 202) The following figure shows the steps in analyzing competitors:

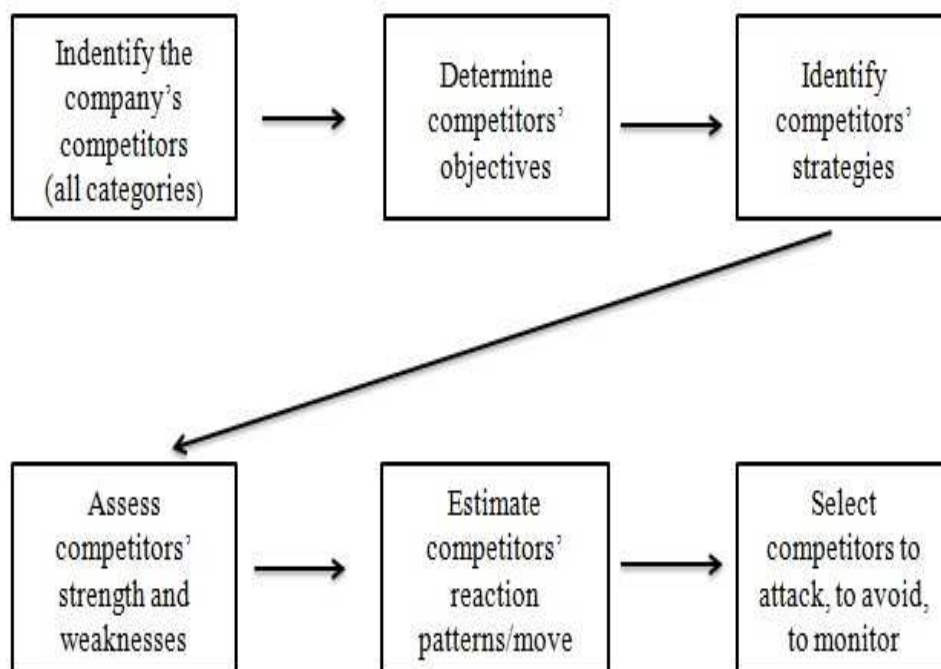


Figure 6 Steps in Analysing Competitors (Dibb & Simkin 2001, 202)

Supplier and buyer forces

For those companies that source raw materials and suppliers from third parties should have good understanding and collaboration with the supplier organizations, or a business would not be able to provide definite products and services that meet customers' expectations. Marketers should be aware of suppliers' situation, for example, supply shortages, range of product prices, trend of cost and price, new supplier organizations and so on. Only if businesses are familiar with such aspects, can companies manage supply force well. (Dibb & Simkin 2001, 202)

Intermediary forces

Some companies sell to their target customers directly if they have a clear understanding of the market. However, most companies choose intermediaries with professional selling skills, complete network and enough resources to be able to provide products to end-user customers. There are many forms of intermediaries including retailers, wholesalers, agents and distribution companies that are acting as logistics companies, service providers, consultant companies and other functional intermediaries. It is ideal to keep good relationship and get well known of those intermediaries that will help companies in delivering products to target customers, or companies may cause a loss of businesses. (Dibb & Simkin 2001, 203)

The internal marketing environment

In creating and completing marketing strategies and programs, it is essential to take the reaction attitudes and abilities of the internal environment into consideration. The main aspects of internal environment are consisting of top management, finance, research and development, purchasing, manufacturing, sales and marketing. The suggestions from marketing functional department have to be in harmony with collective objectives and reflect workers' views, concerns and abilities. Marketers should keep eyes on those organizational factors all the time to make sure the internal marketing environment is helping the companies grow smoothly. So it's usual for marketing decisions makers to think about their internal marketing environment when making marketing plans and strategies. (Dibb & Simkin 2001, 203)

Macro marketing environment

The demographic environment

Demographic environment is a rather unexpected side because of changing factor in demographic area. Population is the basic reason in managing markets, including the amount and growth rate of population in cities, regions and nations; age allocation and ethnic mix; education; family patterns and characteristics and movement in an area. (Kotler& Keller 2012, 97)

The economic environment

Purchasing power is affected by salary and saving of a family, price of products and credit availability. As demonstrated that recent economic situation showed a clear decline, it will have a bad impact on consumers' purchasing power. For those companies who want to sell products to customers in high-income and sensitive to price, the current economic trend would be a disaster for them. (Kotler& Keller 2012, 99)

The sociocultural environment

It is negative that a company's marketing activities go contrary with customers' expectations, therefore affect their lifestyles and decisions. Companies are burdened with customers' requirement to protect earth's physical environment nowadays. This is an example of external forces. (Dibb & Simkin 2001, 200)

The technologies environment

It is common that market progressed with the help of technology but some fundamental elements of market at the same time. Each appearance of a new technology will bring some destructiveness to the market. However, the contribution

of technology to economic growth cannot be ignored. (Kotler& Keller 2012, 105)

The political-legal environment

Political-legal environment refers to some powerful aspects that companies should pay attention to during the business like country laws, governmental policies and authorizes. These factors will influence companies or individuals performance to some extent. But if political-legal environment is taken good care of, it will create new opportunities to businesses. (Kotler & Keller 2012, 106)

3.2 SWOT

In the process of strategic planning, it is important to take care of the scanning of internal and external environment. When referred to a company's internal environment factors, it can be analyzed from a company's strength (s) and weakness (w). On the other side, opportunities (o) and threats (t) are external environment of a company. All the factors comprised of SWOT analysis. (Quick MBA, 2011)

Figure 7 SWOT Analysis Model

	Helpful	Harmful
Internal	Strengths	Weaknesses
External	Opportunities	Threats

It is essential for a firm to do SWOT analysis to be able to survive in the fierce competition. The SWOT analysis will help the company to find a suitable place in the competition market. So SWOT is a fundamental strategy in formulation and selection. The framework below shows us the relation between SWOT analysis and

environment scan and how it works:

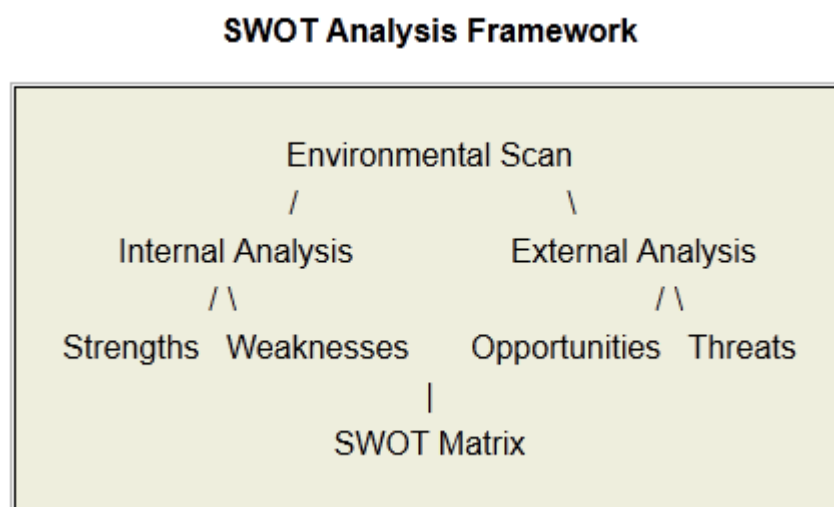


Figure 8 SWOT Analysis Framework (Quick MBA, 2011)

The best choice of effective strategy is to combine opportunities and strengths of the company to compensate for weaknesses, therefore avoiding and kick off threats of the company. (Institute for Manufacturing, 2010)

The first step to do SWOT analysis for a company is to gather basic information about the company and its surrounding environment. The general information should at least include the organization's market, financial situation, facility resources, competition environment, workers, research and development position, management. (Institute for Manufacturing, 2010)

The next step to do SWOT analysis is to assess gathered data to decide if the data is helpful in analyzing strengths, weaknesses, opportunities and threats. The work can be done individually by someone in the group. It is clear to understand that any factors may result in difference and many evaluation truths. So it's necessary to evaluate every aspect carefully to master evidence of details of the firm when analyzing SWOT. (Institute for Manufacturing, 2010)

3.3 Marketing mix in customer relationship marketing

Marketing is about how to plan product, make price for it, do promotion and distribution channel of the product or service; eventually, to satisfy needs of individuals and group customers. How to target customer groups and retain customer market should be considered from different sides of marketing objectives and goals. And marketing plan is made upon the strategy. For marketers, marketing mix is the popular tool to handle the market that is 4 Ps of marketing mix. (Pelsmacker, Geuens

& Bergh 2001, 2)

In the following, marketing mix in customer relationship marketing strategies is introduced, which includes 7 angles of different aspects. The below figure shows the relationship between 7 marketing mix:

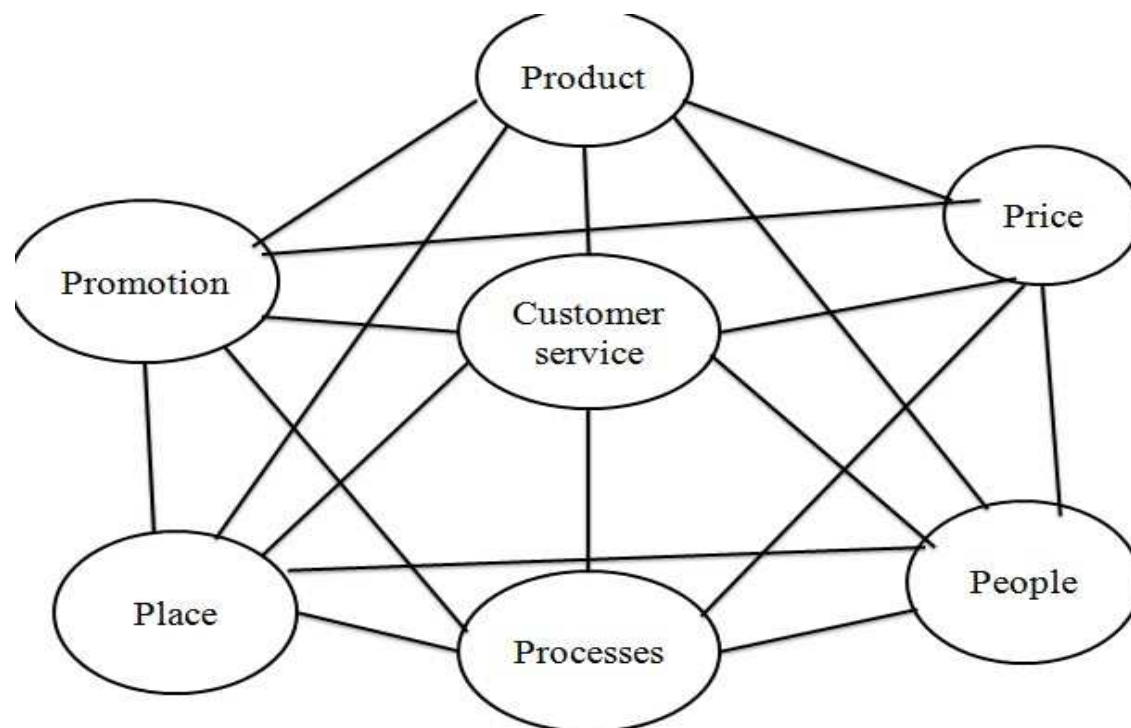


Figure 9 Marketing mix in customer relationship marketing (Lahtinen & Isoviita 1994, 34)

The original marketing mix is traditional 4 Ps marketing, but the framework of customer relationship marketing strategies extended to 7 elements. The extra 3 points are people, processes and customer service. Customer service is in the central of framework because good customer service provides a competitive advantage to the other elements. The function of people is as important as customer service. A good management is the combination of people and customer service to act effectively. Good controlling of customer interaction creates extra value for image and quality of a company. (Lahtinen & Isoviita 1994, 34)

Customer service

Customer service is considered as a part of product or one method of personal selling in common marketing approach. What's more, customer service is worthy of studying isolated because of its importance to the whole framework. However, it has to be linked to the other elements of marketing mix. (Lahtinen & Isoviita 1994, 35)

Customer service is the first impression that a customer has when he/she visited the company, so customer service personnel play a crucial role in building a company's

image. If a customer is satisfied with a company's customer service, he/she would like to consume repeat in this company. On the contrary, a customer may never come to the same company if he/she felt the bad customer service quality. That's how customer service affects customers' behavior. So in order to maintain and attract more customers, training of customer service personnel is important. (Lahtinen & Isoviita 1994, 35)

Companies which have taken care of customer relationship always have good performance in the market. The key to operate well in customer relationship is to maintain customer contacts. Customer service personnel are supported by internal services produced by other departments and will serve customers better. Potential customers are mostly influenced satisfied customers' highly praise of one company. A potential customer turned to current customers is a phenomenon called word-of-mouth marketing. (Lahtinen & Isoviita 1994, 35)

Processes

Customers' expectations to products or services must be met in order to keep customers and make them satisfied. So it is important to make sure the product quality and service quality must be promised to maintain and continue the customer relationship. But nowadays competitors are good at copying products from others, how to make the functional quality better is a more serious issue than ever before. Therefore, get to know customers' reaction and knowledge to different service processes is important. (Lahtinen & Isoviita 1994, 57)

The marketing is the process of investigating customers' needs and wants. Identifying customers' values and till customers are satisfied with the outcome of products or services. Customers who are hesitating to buy the products or services may make their decisions when she/he notices the whole process of service elements. If customers are satisfied with the providing process and link between the service chains, they will make their minds to have a try with the products or services. (Lahtinen & Isoviita 1994, 38)

People

In some businesses, personnel behavior is of great importance, like service industry, because service products are intangible and cannot be touched or seen. The first impression customers have to the company is the image of personnel. When marketing great amount of products, good personnel interaction with outside business partner is essential in a business. In order to win customer loyalty, companies should keep eyes on the activities that individual customers have done. Qualified personnel should be able to react to positively to changing situations, understand the incentive of different services and marketing activities and provide customer service in the way that customers like and accept. In the marketing activities, personnel should pay

attention to three activities: inquiring the customers about their needs and wants, keeping eye contact with customers and listening to what customers say carefully. The best seller is always the one who talks very little and listens much. Trying to let customers talk about their experience and attitude is important to get known with customers. (Lahtinen & Isoviita 1994, 38)

Sale personnel should be able to identify who are customers' retailers among many buyers and behave appropriately in the situation. In the marketing activities, sales personnel are required to have not only professional selling skills but also knowledge of nature. Because sales personnel are able to sell products to customers well if they acquired much knowledge. The marketing activities of part-time marketer usually have effect on customer's buying decision and customer loyalty, because some customers are always keeping in touch with part-time marketer. All the sales personnel have to try best to serve all the customers and make them satisfied. (Lahtinen & Isoviita 1994, 39)

Product

Product can be divided into tangible and intangible two forms; it can be goods, services or ideas. Products include functional, societal or psychological utilities or benefits that are the selling points of products. Customers decide to buy one kind of product according to their needs and product functions. (Dibb & Simkin 2001, 246)

Product is the fundamental component of marketing mix and base of all the following marketing activities. Only if there is product, can the rest of marketing mix develop deeper and smoother. Before producing products, the investigation of customer needs should be done to support the products. If products are not produced with customer expectations, it is difficult to market the products. (Dibb & Simkin 2001, 246)

In general, there is a development process for companies to follow in developing new products. The figure below shows how to develop the new products: (Kotler 2000, 335)



Figure 10 The New Product Development Decision Process (Kotler 2000, 335)

Place

The “place” represents the way that a company chooses to market products. It is about the selection of marketing channel. This is an important element in marketing mix, because products are introduced and sold to customers through “place”. (Dibb & Simkin 2001, 255)

Different marketing channels have advantages and disadvantages, so it is essential for a company to choose best distribution channels for products. When companies are selecting the distribution channels, the following factors have to be taken into account:

- Company’s goals.
- Available resources.
- Product characteristic.
- Market segmentation.
- Customer behavior.
- Environmental issues. (Dibb & Simkin 2001, 255)

Price

When setting price for a product, profit margin and also competitors’ price should be taken into consideration. There are many aspects in pricing including discounts,

financing and list prices and so on. (Quick MBA 2011)

Price is everywhere in our life. Each product should have price no matter in what kind of organizations. When market first appeared, the price of products is determined by bargaining between sellers and buyers. And customers' buying decisions are affected by the power of bargaining. Nowadays, price is not only set by companies and has been an important factor to influence companies' market share and profitability. There are many different methods to define a product's price. In general, management and price-setting departments are main reasons to set price. But there is a price-set procedure for companies to follow in setting price for products. The figure below shows the steps of price-setting procedure :(Kotler 2000, 458)

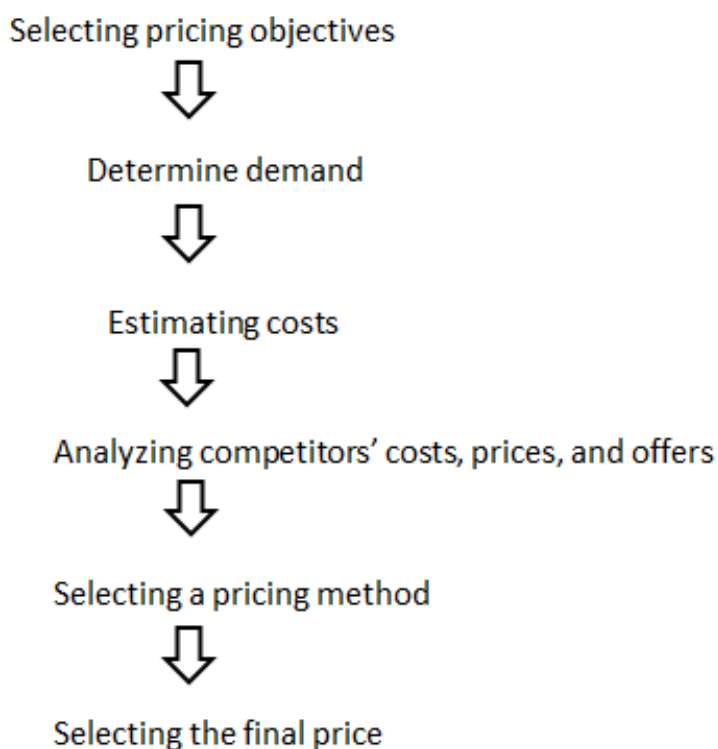


Figure 11 Setting Pricing Policy (Kotler 2000, 458)

Promotion

“Promotion is the marketing mix is the communication with individuals, groups or organizations in order to facilitate exchanges by informing and persuading the audience to accept the business's products or services.” (Dibb & Simkin 2001, 266) The main component of promotion include advertising, personal selling, PR and publicity, sales promotion, direct mail, sponsorship and the internet. (Dibb & Simkin 2001, 268) These elements will be discussed in the coming content.

Advertising

Advertising is using method of media to inform and broadcast a company and its products to target customers. Companies use a series of advertisements and different medias to compete with competitors and win customers. The following is the stages that a company should follow in advertising campaigns:

- a) To research who are potential customers.
- b) To make goals for the advertising campaigns.
- c) To select a most suitable advertising method for company and product.
- d) To determine the advertising budget.
- e) To make a clear and appropriate advertising plan.
- f) To create impressive slogan for advertisement.
- g) To carry out the campaign according to advertising plan.
- h) To evaluate if the advertising is effective to company and product. (Dibb & Simkin 2001,268- 269)

Personal selling

Personal selling is the method of personal communication with customers, personnel tell the information about products and tries to influence customers' buying decision of the products. The process of personal selling can be divided into 7 stages:

- a) Doing research and assessing the situation.
- b) Get all the process ready.
- c) To get attention from customers.
- d) Introducing the products and other information to customers.
- e) To deal with challenges and complaints.
- f) Finish the transaction.
- g) After sale service should be promised. (Dibb& Simkin 2001, 269)

PR and publicity

Public relation is to establish and keep the good relationship with great efforts between organizations and publics to win good frame and reputation for companies. Publicity is to use the free mass medium to let public know about the company and products. The public that a company has to inform include mainly its target customers and employees, raw material suppliers, governmental forces, media and trade unions.(Dibb& Simkin 2001, 270)

Sales promotion

Sales promotion is to provide extra-value or incentives for products to customers, retailers and other potential buyers. Sales promotion always offers incentives like discounts, free gifts, free entry tickets, vouchers and so on to buyers. It will change customers' buying decisions when they choose to purchase in another company and then turn to sales promotion company. In the short term, sales promotion will increase a company's cash flow, solve financial problems in a period of time, but will not enlarge the market for the company in the long term. (Dibb & Simkin 2001, 271)

Direct mail

Direct mail refers to printed advertising brochures that are sent to target customers in homes or working places. Nowadays, direct mail is not so welcomed among customers. However, it is good promotional method in informing customers about products or services. In order to get effective result of direct mail, the following directions should be followed:

- Eye-catching messages.
- A direct mail has to include envelop, descriptive letter.
- Feedback and return advice.
- Latest ordering lists.
- Impressive script. (Dibb & Simkin 2001, 272)

Sponsorship

Sponsorship is one organization, union or individual give support for an activity, event, company or someone in need of help in financial or material aid. The sponsorship will be rewarded by naming a product or an event with sponsor's name. This is a kind of phenomenon now. Sponsorship will always increase a company or a product's reputation if the sponsor is a well-known celebrity. Because many customers now are sensitive to celebrities, companies may take advantage of this to improve brand-awareness and enlarge market. Sponsorship is not always easy to get. Once a company gets sponsored, it is important to maintain the partnership with sponsor, or it will destroy the reputation of both sides. (Dibb & Simkin 2001, 272)

The internet

With the rapid development of internet, using internet as a promotional method is

absolute a brilliant choice. The internet links suppliers, companies, customers and the whole society. As the internet is around everyone's daily life, using internet to send free promotional messages, advertising companies and products in the network, and communicating with target audience will create marketing opportunities for new businesses. It is wise for companies to make full use of internet as promotional means in the information explosion world. (Dibb & Simkin 2001, 272)

4 RESEARCH METHODOLOGY

In this chapter, research method that used in carrying out the research will be introduced. During the research, how to choose the method, how to apply the method into use and how to collect and analyze data are important in deciding the quality of the research. In the following content, the questions will be answered one by one.

4.1 Choice of method

According to Silver (2000), qualitative research method can be used to solve problems that we meet in our life. The knowledge and information from qualitative research can be organized in order to provide guidance in the problem solving process. The research methods are in different types including interviews, given texts, videotapes and audiotapes and so on.

Malhotra (2010) state that qualitative research method will help you with better understanding of the problem, while quantitative method is more used in measuring the amount of gathered data and analyzing statistical information. In my study, qualitative research method is applied rather than quantitative method, because I don't need quantify any data or analyze statistics. As my study is about marketing analysis of Tao Bao, problems related to 'what', 'why', 'how' are needed to be discovered for the marketing research, which acquire lot of description of the marketing problems. Interviews are made to dig the research because questionnaires are always in low response rate that may reduce the credibility of research. Qualitative is more suitable and convincible than quantitative method for the study.

4.2 Gathering and process of analyzing the data

The primary data of the thesis is from the interviews, while books, internet sources, publications are collected as secondary data. Primary data is gathered from interviews with two representatives and a sales people from Tao Bao to have better understanding of development and marketing conditions of the company, a group of customers are interviewed together online acquaint with their attitude to Tao Bao and buying behavior. The data gathering period is from August to September. Table 2 shows the detailed timetable of primary data collection procedure. Secondary data including all the information presented with reference was accumulated in one month time in September, which comprises part of analysis base.

Table 2 Primary data collection procedure

Data collection method	Interviewees	Time	Method
Focus group interview	Group of customers	Aug 20 – Sep 10, 2011	Online group chatting tool

Personal interview (In-depth interview)	CEO of Tao Bao – Zhang Yong	Sep 15, 2011	Skype
Personal interview (In-depth interview)	Marketing Director of Tao Bao – Li Zhi	Sep 16, 2011	Skype
Personal interview (In-depth interview)	Sales people of Tao Bao – Yu Xiaoyan	Sep 20, 2011	Skype

Focus group interviewees were organized from my friends that have ever purchased from Tao Bao. There are 22 people altogether online using a kind of group chatting tool talking freely about everyone's opinion of Tao Bao. I took down important points related to Tao Bao and my study from the discussion. The conversation lasted about 2 hours long.

After gathering all the information I needed from three interviewees and a group of customers, I started to decide how to analyze and show the data. Because I asked many questions from different points of view in marketing, I have to classify these questions in order to be clear that all the questions are applied in my analysis part separately. Secondly, I compared the questions and answers from different people to find if there is any dissimilarity among their attitudes towards marketing. This step helps me to unify my analysis of Tao Bao and reflect the real situation. For the data I gathered from group interview, I did a lot of work in analyzing. As there are many people involved in the discussion, different people hold distinct ideas. The work I have to do was to firstly sort out my record of data and delete some useless information. And then to find the general idea that most people have and take controversial questions for more investigation. At last, combine the analysis results and with individual interview data and analyze again.

The process of analyzing data is the most crucial and careful part of my study. It takes a lot of time to arrange the data. The useful data is revealed in the results, case company analysis and recommendations sections separately.

In the individual interviews, I asked ten questions for each interviewee. And they also told me some information that they think useful for my research. During the interviews, the communication atmosphere was quite good and we talked a lot happily. I kept many useful records in the interaction, which helps me in the afterward study. In the group interview, I gave several topics related to marketing instead of defined questions. The group discussion was like a fierce debate, everyone tried to give own opinions and argued about different opinions. I was so busy taking notes of useful information that I had no time to participate in the discussion.

4.3 Critical analysis

Validity

In the research, qualitative interviews are adapted to get expected answers for the study problems. As my research problems are concerning marketing, the interview questions I inquired from the interviews are about marketing problems in China and Tao Bao. And I got the expected and truthful answers of those questions from the interviews, which help me in explaining the study problems truly. From this point of view, I consider my research is quite valid.

Reliability

In the research process, all the qualitative data is collected from interviews and reliable books and online resources. The interviewees are representatives, seller and customers of Tao Bao, so that they are more familiar and have right to talk about the current situation and marketing of Tao Bao. My reference materials are approved and investigated by authority study institutions and organizations. It can be defined that the research is reliable.

Generalizability

As my case is e-commerce business, Tao Bao is the representative of China's e-commerce companies. It is no doubt that Tao Bao reflects the advantages, disadvantages, challenges and opportunities of current situation of e-commerce business in China to some extent. That's also the reason I choose Tao Bao as my case company. In the research, I have taken Chinese market into consideration in studying and analyzing Tao Bao Company. Since all the e-commerce companies in China are growing in the same domestic business market, I think the research could apply to other ecommerce companies in China in general even it may not totally adjustable. The research is generalizable from this direction.

5 RESEARCH RESULTS

In this chapter, results of gathered data from interviews and discussions will be analyzed and shown in tables and charts. Data are gathered separately from representatives, sales people and customers of Tao Bao in different time and topics.

Table 3 Logistics companies comparison using by Tao Bao

Logistics Company	Advantages	Disadvantages
Yuan Tong	Fast delivery	High price, bad attitude
Shen Tong	Fast delivery, good attitude	Long waiting time before sending, high price
EMS	Trustful , low price	Slow delivery

The interviews among customers provided the information of each logistics company. Based on the gathered information, I made the table of comparison of the all the logistics companies that cooperated with Tao Bao.

The bellowing table illustrates comments of customer interviewees on some typical products from Tao Bao:

Table 4 Products price and quality of Tao Bao

Products	Price	Quality
Clothes	Relatively low price, but some sellers make price casually without consideration of product quality	Quality of lower price is bad and some high price products are also worse than real shops.
Men and women shoes	Price set by sales people is of big difference in same shoes. Customer won't buy very high price of shoes online usually.	9 of 22 interviewed customers have ever bought low quality shoes that were smelled unpleasantly and easy to be broken from Tao Bao
Bags and suitcases	Price of bags and suitcases in branding stores is high and there is seldom discount for famous brands of bags and suitcases.	Most of the interviewed customers think bags and suitcase buying in high-praised stores are in good quality although the

		price is a little high, but quality in common stores is bad.
Food and merchandise	Food price in Tao Bao is low compared with supermarket, but the logistics fee is higher than normal products. Food is always heavier than other products, so customers don't always buy food from online because of expensive transportation cost.	Almost all the interviewed customers advise not to buy food from small online stores because some food may expire without health guarantee.
Digital appliances	Online digital price is in big disparity because of different supply channels that customers don't know which are real or not. Usually, there are few discounts for digitals.	As interviewed customers reflected that they had bought fake digital appliances from Tao Bao while several interviewees are in support of buying digital appliances online because quality of true digitals are the same with markets and in low price.

According to the interviews, both representatives and sales people considered the importance of good attitude to customers. The CEO of Tao Bao told that 90% of their employees are trained of polite and warmed reception of customers before accepted for the businesses. The following table 5 demonstrates the attitude of Tao Bao employees from gathering data of interviewed customers:

Attitude of employees	Description by customers
Good attitude	12 of 22 interviewed customers approve good attitude of sellers. Good sales people always warm hearted to help every customer choose admired products and give small presents for customers. They talk kindly with customers and care about requirement of package and logistics, etc.
Just ok	7 interviewed customers think sales people's attitude is just ok, neither warm nor cold. The sales people always follow customers' demand without providing kind advice or information that benefits buyers.
Bad attitude	3 interviewed customers do not agree with the attitude. They have met with bad tempered sales people when buying things from them. The sales people are impatient to answer customers' questions. These sales people are not in good relationship with customers and in bad businesses.

Table 5 Attitude of employees from Tao Bao

As representative of Tao Bao declare that the quantity of products in Tao Bao are up to hundred types, which are the at the most in the e-commerce industry. Tao Bao is keeping expanding the varieties of products to attract new customers for the business. In order to understand customer demand of goods, Tao Bao Company has done surveys to gather information of buyers' demand. For this purpose, I have inquired about my interviewed customers whether they think Tao Bao should expand its product types. The below chart shows attitude of 22 interviewed customers:

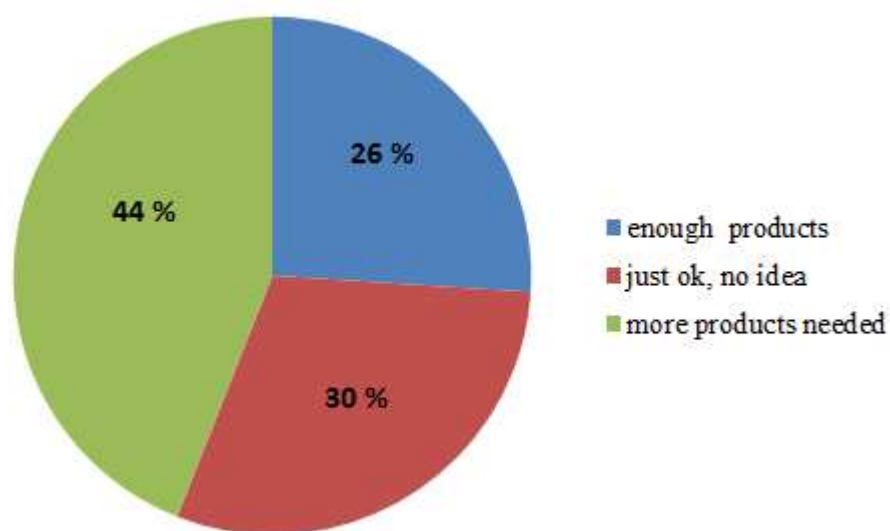


Figure 12 Customers' opinion on current size of products

6 DISCUSSION AND RECOMMENDATIONS

From my research of Tao Bao, a SWOT analysis is made from the practical view. In this chapter, specific SWOT analysis will be discussed and simple recommendations by the author are presented afterwards.

6.1 SWOT analysis

Strengths

Tao Bao' strengths are as following:

- 1) Tao Bao is the first established e-commerce company in China with largest scale.
- 2) Tao Bao owns high recognition with 200 million loyal customers in Chinese market.
- 3) The main online payment tool "zhifubao" is designed by Alibaba Company especially for Tao Bao users.
- 4) The instant message system "Tao Bao Wangwang" is the first and mature chatting tool between sellers and buyers owned by Tao Bao.
- 5) Products are sorted clearly so that customers can find what they want quickly.
- 6) Tao Bao possesses technical support by Alibaba research team with excellent organizational culture and image.

Weaknesses

The weaknesses of Tao Bao are summarized below:

- 1) Absence of registration in overseas market limited its market size and brand awareness.
- 2) Lacking of standard quality supervision system, some products are in low quality and customers may lose confidence.
- 3) Evaluation and feedback system need to be more developed because functions are directions are not so clear to new customers.
- 4) The sellers of Tao Bao should raise their trust and responsibility to their customers.
- 5) The technology of safety transactions have to be modernized to ensure customers' interests.
- 6) Interface of Taobao.com is orderless sometimes especially when there are products on sale. Interface is the first impression that catches customers' eyes, so it's important to keep the homepage of the website clear and in order.
- 7) Logistics needs improvement because some customers are complaining that the speed of logistics is so slow.

Opportunities

The potential opportunities of Tao Bao include following points:

- 1) Tao Bao can explore oversea market for next step, which will definitely raise brand recognition among customer and increase market size. International company is more attractive to consumers.
- 2) There are many B2C companies in China, Tao Bao may ally with companies in introduction to new products or promotion.
- 3) Market is the most appropriate environment to test business policy. When doing business, Tao Bao Company is probably to find the shortage of policy in different sides. Such findings will help China progress e-commerce policy.
- 4) High personal taxes cause the increase of products price, which drive customers away from online shopping. If Tao Bao acts first to bear little part of taxes for customers, lower prices will attract more interested customers. That is what a business sales discipline describes: less profit, more sales.
- 5) As investigated, most customers are still fond of shopping in real shops. Tao Bao Company may set up some real shops to sell products from Tao Bao.com in order to enhance reputation and transform real shopping customers to online users.
- 6) Making full use of technical support from Alibaba Group. It's the backbone of Tao Bao that other companies do not have.

Threats

Threats of Tao Bao at present can be generalized into 6 points:

- 1) Unstable number of online users cause decrease in customers and products sales in some periods. Change of the structure of netizen is also the problem to online businesses because it causes variation of customers.
- 2) Tao Bao.com charges a great amount of business founds from online shop bosses every year. As e-commerce market is not so steady in market downturn period, some sellers could not make ends meet when sales is not good. They have to close the store without the economic ability to afford the shop rental. The scale of Tao Bao is downsized because of leave of businesses.
- 3) Competition from other e-commerce companies forces Tao Bao to change its strategy from time to time. Once an improper strategy decision is made, it will be beat hard by competitors.
- 4) Governmental policies in e-commerce business are not complete by now. Any alterations of governmental policies are threats to e-commerce businesses.
- 5) Customer preference changes time by time and it's hard to satisfy customers entirely. This is a big challenge to e-businesses. Damage of products from abroad happens because of long distance international logistics.
- 6) E-commerce businesses are vulnerable to impact of recession and business cycle. Economy recession cut down customers' income and buying power.

6.2 Discussion and recommendations

China has experienced the rapid growth of e-commerce business in recent years. Marketing environment is more competitive than ever before. As the biggest e-commerce company in China, Tao Bao has unique advantages compared with its rivals. In the current period of the whole e-commerce business, Tao Bao is not in danger from competitors. But Tao Bao has to understand its marketing position in order to make alteration of marketing strategy in the changing market. Overall, Tao Bao has a good operating environment with agreeable management and faithful customers. In the intensive competitive market environment, Tao Bao knows well how to retain customers that make business survive.

There are threats for companies that want to survive in the markets. In order to keep going in the fierce competition, companies have to be sure about what kind of threats and challenges they are meeting. Concluded from the case company analysis, the challenges of Tao Bao can be summarized in the following points:

- a) Changing environment of e-commerce business.
- b) Product selection.
- c) Customer preference and base.
- d) Competition with other e-commerce companies.
- e) Unstable economic situation of consumers.
- f) Marketing position.
- g) Limitation of the market.
- h) Technology level.
- i) Threat of real shopping.

According to the study of internal and external marketing environment and marketing mix of Tao Bao, some simple recommendations can be made for the future development of Tao Bao.

1. Tao Bao should be flexible at its marketing strategy to adapt changing marketing environment.
2. Customers are the backbone of Tao Bao, so how to keep old customers and exploit new customers is important. I recommend Tao Bao to do a comprehensive survey and report on customers' preference of online shopping.
3. Developing international market. Tao Bao has been growing in Chinese market for many years, it's mature to expand business to other countries. In the first stage of expanding, I advise to exploit developing countries that in the same situation with China.
4. Pay attention to some important factors that will influence business, like products updates, product quality, price, sellers' attitude and logistics.
5. Emphasize on technology upgrading in software functions that customers use. Advanced technology in webpage and buying will attract more customers.

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6. In the threat of real shops in streets and markets, Tao Bao has to adopt diversified approaches in business.
 7. Increase the integrity management of sellers of Tao Bao. Integrity is the basic premise of retaining customers. Because there still exists few sellers cheating customers, it will destroy the reputation of company.

7 CONCLUSIONS AND SUMMARY

The purpose of the thesis is to evaluate Tao Bao marketing situation in the big environment of Chinese e-commerce market. The research for the thesis is conducted by using combination of theory and practical data collected from personnel involved with Tao Bao operations.

Marketing is a big scope with a lot of content covered, it is not easy to choose the focal points in marketing for Tao Bao. As a business student, I have learned the marketing environment analysis and SWOT, marketing communication mix. Compared to other factors related to marketing, I am more familiar with these marketing analysis methods. That's why I select the three directions to study. Tao Bao is a big sized company, in order to continue my study I read a lot of online materials that introduce e-commerce business and Tao Bao.

Although e-commerce business has emerged for not more than ten years in China, it kept high-speed of development in the past years. Many new e-commerce companies were established and registered especially in recent 5 years. However, these companies are still in exploration of e-commerce rules that makes Chinese market not so much stable right now. After the investigation of e-commerce environment in China, the prior e-commerce company Tao Bao was studied to explain more about central topic of my thesis. A lot of research was done for analyzing Tao Bao using various kinds of methods. Research is processed mainly in the guidance of qualitative research method through interviewing four parties involving in the company and Tao Bao business. These interviews gave me sufficient arguments in analyzing market situation of Tao Bao.

As e-commerce industry in China has developed rapidly in recent years, Tao Bao should lead the way as the biggest e-commerce company in China. In the same time, Tao Bao has to notice its strengths, weaknesses, threats and opportunities in the current e-commerce environment. Only if Tao Bao is clear with its current position of internal and external environment, can it maintain leading position in the fierce competition.

7.1 Limitations of the study

E-commerce marketing environment is changing every moment in China, I cannot grasp the essence of changeable marketing as an outsider. It made me puzzled to define precisely for Tao Bao in marketing positioning. Besides, I do not understand business rules in marketing, I could not provide very practical suggestions to Tao Bao. All what I can do for my case company is to analyse its superficial marketing aspects with the research data I collected from operation personnel and internet resources.

There are limitations of the research that there is no official sales statistics and annual report of my case company revealed in the website. Representative refused to talk about specific operation strategy and marketing strategy, which limited my in-depth research for the case company.

And what's more, the study is limited in the scope because of my insufficient self-experience in e-commerce business. Most of the research data is gathered from materials and interviewees' state.

7.2 Discussion

Marketing research is an essential part in business operations. In the thesis, I try to explain current marketing situation of Tao Bao to its representatives and find solutions to the existing problems. I hope the study will help Tao Bao to confirm its marketing position and improve deficiency to better sales though the thesis is not conducted from professional experts. When finishing the thesis, I notice that there are some shortages in the study that I could not solve with my ability now.

Despite the limitations of the thesis, the results of the study are not only revealing but also offer some good chances for Tao Bao to explore the markets. Further research should be carried out to investigate the marketing possibilities of Tao Bao. For example, how to expand international markets? Which countries to penetrate first? How customer behaviour influence e-commerce market? How to retain customers and explore new customer groups? I guess answers to these questions will benefit Tao Bao in marketing in the changing business environment.

7.3 Overall critical analysis

The whole thesis is structured in the line of marketing research, which is the main part of the study. The research process goes with study problems and lastly gets the result of the case company. The research is assessed from validity, reliability and generalizability and proved to be a true research study that the author designed attentively. But there are still many fields that beyond author's professional capability. As the author is a student not business profession, some essences of business and marketing are not easy to analysed critically. And all the information of this study are gathered from lots of materials and interviews, there are few independent opinions from the author. Limitations of the research are existing everywhere in processing with the thesis, so that analysis results may be not complete and deep. The research demand more study and investigation, so further research by professionals is needed to be carried out. But, anyhow, the study is done and organized carefully by the author in several months' time. It is great comfort if the work would be any help to the case company.

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APPENDIXS

Appendix 1 Interview questions to CEO of Tao Bao

1. How was Tao Bao developing from established year 2003?
2. What was the original purpose of establishing Tao Bao?
3. How to set price for products of Tao Bao?
4. What do you think about Tao Bao's strengths and weaknesses?
5. What do you think of Tao Bao's threats and opportunities?
6. What do you think of current situation of Tao Bao?
7. What is the future development goal of Tao Bao?
8. How is Tao Bao choosing sellers?
9. How is Tao Bao's logistics company?
10. How do you define customers' effect on Tao Bao?

Appendix 2 Interview questions to marketing director of Tao Bao

1. What is your understanding of e-commerce industry in China now?
2. What is the highest demand of products in Tao Bao?
3. What do you think of competitors of Tao Bao?
4. What are the requirements of selecting supplier companies?
5. How to beat back competitors in price?
6. Can you introduce something about customer service about Tao Bao?
7. What do you think if there are any changes should make in the marketing strategy?
8. Can you talk something about promotion of Tao Bao?
9. How to attract and contact with retailers of Tao Bao?
10. What do you think is the biggest challenges of marketing for Tao Bao?

Appendix 3 Interview questions to the seller of Tao Bao

1. When do you start to work in Tao Bao?
2. What do you think is the most important thing to maintain customers?
3. Do you have customers at any time?
4. What kind of questions customers will ask before buy products?
5. How is percentage of old customers in your shop?
6. What are the most attractive products to customers?
7. Do you have any ideas for customer in purchasing goods?
8. Are there any changes do you think should change in your selling?
9. What is the percentage of customers' gender?
10. How is customers' evaluation affecting your business?