
Jin Guming

**CHINA'S B2C E-COMMERCE DEVELOPMENT AND ITS FUTURE
PROSPECTS**

Thesis

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Thesis Abstract

Department Technology, Ylivieska	Date April 2012	Author(s) Jin Guming
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Instructor(s) Dr. Kaija Arhio		Pages 54
Supervisor(s) Dr. Kaija Arhio		
<p>China's E-commerce environment is improving all the time. Consumers are getting more and more habituated to this form of consumption mode. The recent trend shows that China's e-commerce market is booming mainly because of major enterprises' fierce competition within Business To Customer E-commerce market. People are optimistic about B2C E-commerce which strengthens the China's B2C E-commerce market. Even though E-commerce business in China is soaring, there still persists a problem, too.</p> <p>In this thesis, an attempt has been made to analyze China's current B2C E-commerce situation, future prospect and based on the research findings, new possible and feasible development ideas have also been proposed in order to improve the situation of B2C E-commerce in China.</p>		
Key words Business to Customer in China, E-Commerce in China, Online Business in China		

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1. INTRODUCTION

B2C E-commerce is a new business mode which is becoming more and more popular in recent days and China cannot be aloof from this growing trend since China recently is one of the biggest manufacturer and supplier in the whole world in the field of Business to Business and Business to Customer field. In this thesis, effort has been made to analyze China's current B2C E-commerce situation, persisting problems in China's E-commerce market and a reasonable solution to the problem has been proposed including feasible improvement ideas.

The research work starts from analyzing problems existing in current China's E-commerce. The problem has been tried to be analyzed through as a market problem, internet environment and facility problem, credits system problem, logistic system problem, E-commerce in law system and an operating problem in B2C E-commerce.

In addition, the research work is not only limited to studying the relevant problem but a proposal has also been made for possible improvement ideas with special focus on improving the online promotion order, providing personalized and high interactive customer service, providing good product information search and comparison tools, ensuring the released product's information reliability and dependability, transplanting traditional marketing planning and skills, political guiding of traditional enterprise to develop its B2C E-commerce business.

2. E-COMMERCE BUSINESS ENVIRONMENT

World Trade Organization (WTO) in E-commerce thematic report defined E-commerce as, 'Through the telecommunication network conduct production, marketing, selling, and distribution activities'. It is not only the trade transaction based on internet, but also the business activities referring using electronic and information technology to solve problems, reducing costs, add value and creating business opportunities, including using the network to achieve a series of trade activities from raw materials enquiry, procurement, product demonstration, ordering, production, transportation, storage to electronic payment.

(Yu 2008. 12-13)

Business to Business (B2B) E-commerce, Business to Customer (B2C) E-commerce, Customer to Customer (C2C) E-commerce are the three most common E-commerce modes. B2C E-commerce refers to the enterprises for individuals to conduct an E-commerce activity in general.

In the 21st century, the world has entered a new economic era. The rapid development of information communication network and technology has created a borderless digital world, products and service can instantly be transacted everywhere in the world. No doubt fact that the new economy of E-commerce and web-oriented technology has swept the world in every industry, at same time restructuring global wealth. So far E-commerce has become one of the indexes for every country in the world when they formulate their economy policy. Worldwide, government departments, public services, telecommunication companies, banks and other financial services institutions, all types of businesses enterprise and hundreds of millions of individual users have become involved and participated in the E-commerce activity. E-commerce is becoming an irresistible historical trend in the world.

ComScore (<http://www.comscore.com>)released Q4 2011 U.S. retail E-commerce sales estimates, which showed that online retail spending in capital reached \$49.7 billion for the quarter, and rose up 14% versus a year ago. This growth rate represented the ninth consecutive quarter of positive year-over-year growth and fifth consecutive quarter of double-digit growth rates. For the entire 2011 year, U.S. retail E-commerce spending capital reached a record of \$161.5 billion, marking a 13% increase from 2010.

(ComScore Inc. 2011.)

In 2011, the U.S. E-commerce sales volume remained at double-digit growth, because of the uncertainty of the U.S. economy consumers were depending more and more for their online shopping to meet their needs. However, price and convenience are still the main value drivers of E-commerce in current days and are going to be in future too.

TABLE 1. Retail E-Commerce Growth Rate (Source: ComScore, Inc.)

Quarter	E-Commerce Spending (\$ Millions)	Y/Y Percent Change
Q1 2007	\$27,970	17%
Q2 2007	\$27,176	23%
Q3 2007	\$28,441	23%
Q4 2007	\$39,132	19%
Q1 2008	\$31,178	11%
Q2 2008	\$30,581	13%
Q3 2008	\$30,274	6%
Q4 2008	\$38,071	-3%
Q1 2009	\$31,031	0%
Q2 2009	\$30,169	-1%
Q3 2009	\$29,552	-2%
Q4 2009	\$39,045	3%
Q1 2010	\$33,984	10%
Q2 2010	\$32,942	9%
Q3 2010	\$32,133	9%
Q4 2010	\$43,432	11%
Q1 2011	\$38,002	12%
Q2 2011	\$37,501	14%
Q3 2011	\$36,308	13%
Q4 2011	\$49,698	14%

With the fast popularity of the internet and the great growth of internet users, internet economy is in the transition from “capital winter” to “capital spring”, Industry mergers, acquisitions and all kinds of investment became reactive. Also companies through renovation of their own business model step by step seek the new interest growth point. B2B, B2C, C2C E-commerce modes are gradually floating from internet economy bubble. Technology platforms are becoming increasingly convenient. The better personalized information and more transparent prices give the E-commerce advantages in the competition with traditional business modes. E-commerce has become a very important transaction way between enterprise and individuals.

B2C E-commerce had shortened both customers and businesses distance as to time and space, which improved transaction efficiency and saved the unnecessary expenses. Regardless of the internet economy bubble and winter, B2C mode is still rather respected by the merchant.

According to the China Electronic Commerce Research Center (CECRC) statistics, in China mainland in 2010 the total turnover of E-commerce business was 4500 billion RMB showing 86.5% increases in one single year. However, in this tremendous growth of E-commerce business, the proportion of B2C E-commerce was only 513 billion RMB, accounting 11% of share of total E-commerce.

(China Electronic Commerce Research Center. 2011.)

Where is China’s E-commerce stuck in? Statistics above are clearly not complying with the huge market potential of B2B E-commerce. The research shows that China has a big growing possibility in the field of B2C E-commerce sector but the reality is different with its minimum contribution to whole E-commerce business. So the hindrances in the development of B2C E-commerce in China are mainly poor network infrastructure and technology, low population of internet user, logistics and distribution, poor security for online payments.

3. THE PROBLEMS IN B2C E-COMMERCE DEVELOPMENT

China's E-commerce environment is improving, people who accept online shopping are becoming more and more habituated to the system but China's B2C E-commerce market didn't show a good performance in the early years, and even some of the leading E-commerce sites have had to face living or dead choices. The reasons for this situation are not just E-commerce itself, but also include some specific reasons which affect the B2C E-commerce development, such as market growth problem, internet environment and condition problem, credit system problem, logistics and distribution issues, legislative issues, specific business problem and so on. If these tricky questions cannot be reasonably solved, the negative impact on E-commerce development will be enormous.

3.1 Market problem

Market problem has been one of the three major issues (market problem, credit problem, distribution problem) affecting China's E-commerce development. China's market system is not sound and regulated, counterfeited goods and cheating have often occurred. Market behavior lacks the necessary self-discipline and strict social supervision has hampered China's E-Business tremendously. The consumers' rights cannot be guaranteed to a large extent, which directly leads to the result of consumers' avoidance of shopping online, or using internet to find product information, then shopping offline. This indicates that to establish a smooth fast shopping network is not difficult, but to build up a mature reliable consumption system and mutual trust market operation means is a hard thing. Instead the reason of technology problem influencing the E-commerce development, I tend to more agree that to have a sound and perfect market is the most important thing.

In China, E-commerce has also remained as serious problems within regional markets. At

present, E-commerce is only regionally focused in large and medium cities such as Beijing, Shanghai and Guangzhou. It formatted a regional market. But the regional differences are another major obstacle to China E-commerce. For example, most of China's population is distributed in remote rural areas, where infrastructure (internet, logistic) needs to be improved. Regional differences and the uneven development had an impact on the entire E-commerce.

In China, there is also a problem of people's shopping habits. Over the years, consumers have become accustomed to use look, smell, touch and other senses to determine and choose goods. But in online shopping, there is only one available - watching. On the other hand, consumer online shopping attitudes vary, some people think that online shopping is a positive activity, while others regarded it as leisure. Also, there is a considerable number of people who have little interest in online shopping, they feel online shopping loses the fun of wandering the streets shopping, absorb fresh air and enjoy the sunshine.

(Li and Zhang 2010. 512-513)

Furthermore, as China's consumption market itself have inherent drawbacks such as cheating, swindling, and poor reputation. Especially customers when returning purchases and changing goods met various difficulties and procrastination, so that consumers had started to doubt about online shopping. In addition, online trading essentially is electronic trading, operators and consumers do not directly meet, and consumer have no possibility to be in contact with goods before they are delivered to home. All this makes the Chinese consumers increasingly more averse to B2C E-commerce.

3.2 Internet environment and facility problem

In recent years, China's infrastructure in the field of information is heading smoothly,

especially in economically developed areas, such as Beijing Shanghai where development is more rapid. But from the view of E-commerce requirements, whether the network technology, network management, technical standards, telecommunication speed, security and confidentiality conditions or other aspects, there is still a big gap to be covered. This is mainly due to lack of global technical standards; infrastructure deficiency caused by technological backwardness, high charging fee with low speed. Also, the network standards in China are below the average.

3.2.1 Global technical standard

From the history of China's information industry development, information industries lack unified technical standards. Furthermore, inter-companies rift and incompatible technique have become obstacle for information industries' development.

From global E-commerce point of view, if there are no internationally accepted standards, the cross-country online trade could not be built up. From a long-term perspective, technical standards are extremely important for E-commerce business. If China will be able to build up a standard network, it not only benefits connectivity, but also increases the chances of success in tough international competition.

3.2.2 Infrastructure deficiency

Since the advent of the internet, the number of internet users has rapidly expanded. Even though the new technology of broadband has been introduced, poor infrastructure and internet traffic congestion is still a big problem in the industry. Furthermore, undependable software, undependable route, undependable system etc. are also a basic cause of hindrance for the development of E-commerce development in the country.

In China, this problem is particularly prominent, because the info products in China domestic market, such as the personal computer, network or host system facilities are all not purely “Made in China”, which means, almost all of the computer’s core components have to rely on U.S. products and technologies, and its operating speed are several times slower in comparisons to high performance US computers.

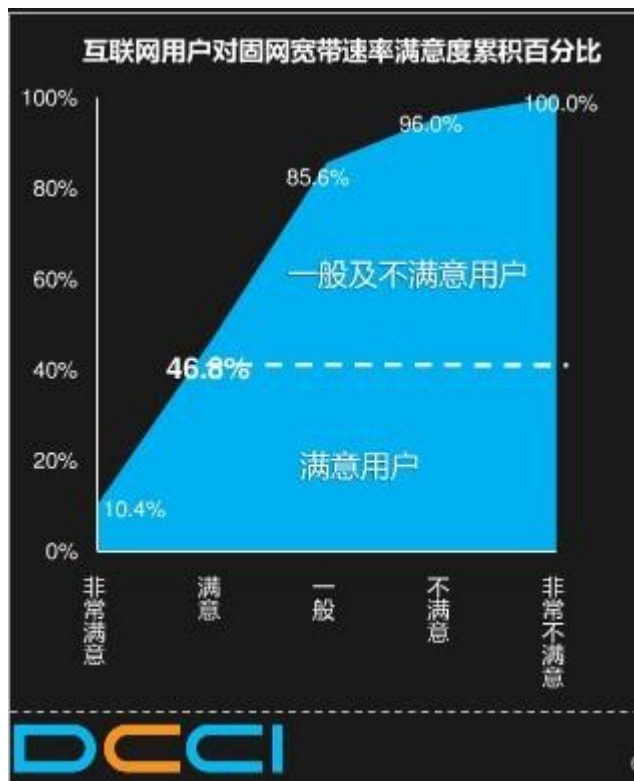
To achieve true real-time online transactions, a fast network response speed and higher level broadband are prerequisites and this problem could be solved by high-performance hardware to support the high-speed network. However, in present context, country’s most of the network speed is lower than the average, and such contradiction is more acute in China. At current stage, China's network infrastructure is still not enough. A low quality telecommunication service, in particularly the lack of efficient network broadband has troubled all network users and Internet Service Providers (ISP).



GRAPH 1. Actual Speed OF Internet (Source: DCCI 2011. Chinese Broadband Users Research)

Graph 1 on the left shows the proportion of different internet speeds that Chinese internet

users applied. About 38.5% of Chinese internet user applied 2m internet speed, 34.1% applied 4m speed. On the right side is the actual internet speed that Chinese internet users can achieve. The average of actual speed that Chinese internet users can achieve is 199.3kb/s.



GRAPH 2. Cumulative Percentage Of Satisfaction (Source: DCCI 2011. Chinese Broadband Users Research)

Graph 2 reflects the level of satisfaction and dissatisfaction when Chinese internet users facing the difference between applied speed and actual achieved speed. About 46.8% internet users are satisfied with the speed. More than half (53.2%) internet users are dissatisfied with the actual achieved speed.

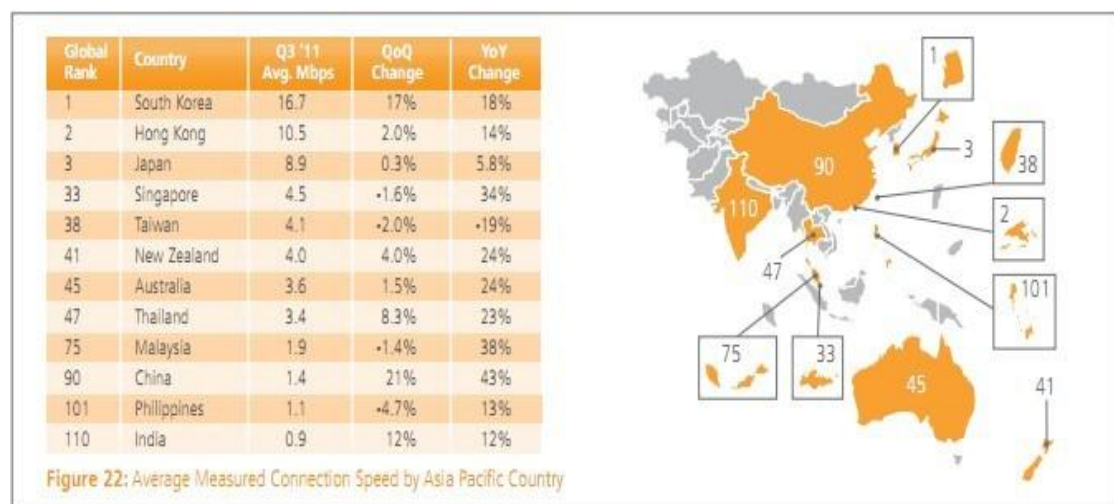
3.2.3 High charging fee

Although China has a large population, in the early years of internet, the numbers of internet users in China were low, and computer penetration rate was nominal. China

Internet Network Information Center statistics states that in 2006, the China online shopping penetration rate was 22.1%. To the end of 2011, China online shopping penetration rate rose to 37.8%, much lower than South Korea and US. US average online penetration rate is 20% higher than in China. This prominently increases the operating cost for ISPs making internet an expensive tool for normal people to use it in their daily life. In addition, the high cost of internet charging fee has further limited the number of internet users and the frequency of people using internet, directly resulting in a vicious circle. According to the latest data released by the world's largest Content Delivery Network (CDN) service provider Akamai (<http://www.akamai.cn>), in the fourth quarter of 2011, an average world's internet speed showed an increase of almost 40% in comparison to last year. The fastest average connection speed country or region is South Korea, Japan ranked third, while China ranked only 90th, the average network speed is 1.4Mbps, far below the world average.

(China Internet Network Information Center. 2012. 47)

(Akamai Inc. 2011. 23)



GRAPH 3. Asia-Pacific Region Network Speed (Source: Akamai Inc. 2011. the State of the Internet-3rd Quarter, 2011 Report)

Even though China's network speed is not the fastest in the world, the broadband charging fee is much higher compared to other countries. In December 2011, DCCI

Internet Data Center released a survey of Chinese broadband users, and pointed out that for the fixed broadband internet users in China mainland, 1 Megabyte (MB) broadband monthly costs U.S. \$ 13.13, which is 3 times higher than that of Vietnam, 4 times than that of United States, 29 times than that of South Korea and 469 times than that of Hong Kong.



GRAPH 4. Part Of The Country Network Fee Comparison (Source: DCCI. Chinese Broadband Users Research)

3.2.4 Network security issue

From network security point of view, global E-commerce in general has to meet four requirements which are a reliable and secured telecommunications network, an effective protection method of network information systems and its relatives, ensuring the confidentiality of electronic information and having effective approach to prevent unauthorized use of information, and finally the security of E-commerce transactions including electronic payment security and goods security.

3.2.4.1 Network security

Internet security consists of provisions and policies adopted by the network administrator to prevent and monitor unauthorized access, misuse, modification, or denial of the computer network and network-accessible resources. The network security is to protect internet information system and not let any hacker into the system. However, the case of invasion into the network system has occurred frequently, which had caused great economic losses to the E-commerce businesses. February 7th, 2002, spam blocked Yahoo site, most of the network services fell into paralysis. February 8th hackers invaded well-known commercial sites, including eBay and Amazon, and Time Warner's CNN news site. February 9, hackers hacked network brokerage E-Trade Group. So that February 2002 is known as the hacker's month. Since then, China's Sina (www.sina.com), Dangdang (www.dangdang.com) sites have also been invaded by hackers. In addition, the network Trojan is numerous, and its generate frequency is accelerating, according to iResearch (www.iresearch.com.cn) released 2011.6-2011.12 Personal Internet Security Research shows that, network Trojan is still the major threat to network.



GRAPH 5. 2011.6-2011.12 Monthly New-Added Trojan (Source: iResearch Inc. 2011).

2011.6-2011/12 Personal Internet Security Research. page 10)

Graph 5 it shows that, the number of new Trojans generated in the year 2011 has soared. Even though there was a downward trend in May 2011, it was not long lasting and there was a rebound since October 2011. The number of new generated Trojans in a single month in November was up to 64.45 million.

3.2.4.2 Information privacy

Information privacy is related to collection, dissemination and publishing of private information to public. The data holder cannot use private parties' specific information for other purposes. China has many cases of internet privacy against consumer. December 29, 2007, 31 years old Beijing female white-collar Jiang Yan jumped to his death from 24 floors. Before the suicide, Jiang Yan wrote her own "death blog" on the internet, recorded the countdown of two months of her unfortunate family life before her suicide, and opened her blog space on the suicide day. In the next three months, the network was boiling. Jiang Yan's husband, Fei Wong became public enemy. Internet users by using "human flesh search" published Fei Wong and his family's personal information, including name, photo, address, identity card information and work units, along with other disclosures. Fei continued to receive threatening messages. He was on the wanted list online, being chased, sieged, abused, and threatened. Such a case led to China privacy protection group questioned for violation of personal privacy rights.

(Jiang. 2007)

3.2.4.3 Electronic payment security

How to protect the security of E-commerce transactions to avoid transaction risk is the main problem that China E-commerce is facing. Also it is one of the important reasons

that affects consumer online shopping. When people conduct an E-commerce transaction, it inevitably involves the use electronic payment. Electronic payment is the key factor of current E-commerce development. The electronic money used in the electronic payment has the problem of being forged, counterfeited and copied in reality. Such problems had undermined consumers' rights too.

3.3 Credit system problem

Credit system is defined as a system for allowing people to purchase things on credit.

3.3.1 Banking credit system problem

The establishment of credit system has always been considered as one of the core content of E-commerce, and the bank's credit system is the core content of E-commerce credit system. At present, in China's banking credit system, there are also remaining several problems.

3.3.1.1 Commercial banks' credit mechanism and credit system

To develop E-commerce, commercial banks must have a sound commercial credit mechanism. The sound commercial credit mechanism has an important impact on E-commerce business activities.

In the developed countries like in America and Europe, the online sales transactions are entirely through the "third party" commercial banks as an operation center. After the buyers and sellers have identified trade contracts, the buyer commission a bank payment

to the seller through these third party commercial banks and these banks are obligated to unconditionally transfer this money to the seller. However, in China, the online trade process is basically a matter between the two sides buyer and seller, although China's government required the transactions between two enterprises must be by the formulation of bank transfer or wire transfer, the main purpose of this approach is being prevention of tax evasion of non-standard business behavior in the cash transaction, and further strengthening the government supervisory role in the industrial and commercial industry. Commercial banks for both sides of the transaction do not assume any responsibility and risk. Whether the buyer can receive the appropriate amount of money orders from seller, or they can receive the goods on time and in a good quality condition, commercial banks do not give any credit guarantee or supervision. Therefore, China's commercial banks are still staying at the role of traditional bank's financial intermediary'. In this perspective, China's commercial bank credit mechanism compare with that of western developed countries, there is still a huge gap in front. The imperfections of China's commercial credit mechanism and the commercial banking system have seriously hindered the healthy development of E-commerce.

(Zhou. 2009)

3.3.1.2 Payment approach

From the perspective of the entire E-commerce network development, if consumers deal directly on the network, then they will need bank credit cards, debit cards, electronic checks and other electronic means of payment to complete the business transaction. In China, people's buying behavior and traditional payment habits are more accustomed to cash. Although currently China the existing online stores have the payment means of postal remittance, paid in cash after the goods sent directly to purchase, bank cards, third party payments and other methods, but the lack of available cards, indirectly result to the lack of payment means in the real life.

Moreover, in China, due to regional economic differences, peoples' buying behavior differences and various other reasons, bank card utilization rate has been low which results in backward capital flow. If cash flow problems cannot be resolved, E-commerce will definitely not be deeply rooted. In addition, at current stage the number of Chinese credit card users is small. In addition, the credit card is generally only in Chinese currency. Even if all conditions are met, the payment scope is still limited.

According to The People's Bank of China(<http://www.pbc.gov.cn/>), until the end of 2010, the accumulated credit card issuance volume was 2300 million pieces and the proportion of total credit card issuance is only 9.52% in comparison to total bank card issuance. The total credit value of these cards amounted 2000 billion Yuan.

(The People's Bank of China. 2010.)

3.3.1.3 Credit card business

In the U.S. and Finland, commercial credit mechanism have a very firm based foundation. Credit cards are very common and easy to use, cardholders pay the consumption through the credit card company (bank), with nearly no risk and also quickly. So by using credit card to complete online payment has become the most convenient and reliable way. But in China, for the most people "Credit card" is not a true sense of "credit" card, because the credit card's overdraft line has no relationship with the cardholder's actual payment ability and cardholder's credit level, which is just a common standard. Also the overdraft line is limited to a really small scope, beside the credit card business is strictly controlled by government, such activities as overdraft recharge for mobile phone or internet are not allowed. At the moment, credit cards utilization rate is very low on the network.

(The People's Bank of China. 2012.)

In addition, China's credit card system lacks an effective organization and coordination

mechanisms. Credit card as an electronic currency is based on modern telecommunication and computer equipment. The cards issued by banks from developed countries are operational worldwide. However, in China, although CUP (China Union Pay) card had been published, the operation is only limited to Asia.

3.3.1.4 Credit standing problem

Whether it is E-commerce or online banking, all relevant traders are required to have a good credit rating. However, China's banking sector lacks an effective personal and business credit system. Increasing non-performing assets caused by bad debts and the credit loss are occurring frequently. In real life, people are still skeptical about the people on the other side of the transaction. How can they be confident in trading in the virtual world? China's domestic banks should establish and improve business and personal credit rating systems, establish the real-name system as soon as possible, to reduce the commercial risk to the minimum.

3.3.2 Commercial credit problem

China's commercial credit sale in the role of promoting consumption growth is far from being realized. The positive correlation between credit sales volume and China's GDP growth has not been established, and also to some extent this leads to insufficient of domestic demand in China. Because of the credit system is not sound, leading to the enterprise's accounts receivable collection difficulties, the consequence is that a large number of bad debts accumulated. At present, China domestic enterprise's 70% of the accounts receivable overdue days are more than 60, which is far higher than the international average of 30 days. With bad debts too high, delinquency has become a trend and serious disordered the entire market economic order, leading to a low operating

efficiency of the national economy, severely restricting the commercial credit sales contribution to economic growth. It is estimated that if China's financial sector's credits grow by 100 million Yuan, it will stimulate GDP growth of 47.53 million Yuan, but if the scale of commercial credit sales will increase by 100 million Yuan, the GDP will actually decreased by 88.52 million Yuan.

(Zhao. 2009.)

3.4 Logistic system problem

Logistics and distribution in the past was known as one of the three big issues in facing the E-commerce development. Although at the moment E-commerce logistic level is improving day by day, the logistic is still the main obstacle of E-commerce development.

Traditional logistics and distribution companies need to have several large warehouses, but in E-commerce systems, networked virtual enterprises are dispersed everywhere, different business warehouse system are connected through the network, which forms a big "virtual warehouse", and an unified management and allocation usage is executed. Service radius and goods distribution distance increased, but in the network environment, the duration of logistics and distribution will greatly reduce. Because the intervention of network system had simplified the logistics and distribution processes, the traditional companies are incomparable in the area of organizing resource speed, size and allocating resource's efficiency.

China's B2C E-commerce companies had tried a variety of attempts to find a logistic solution. However, until now E-commerce logistics are still being explored, although the third party logistic approach had been more accepted by companies. China's traditional logistics and distribution system is relatively weak and unwell developed, and cannot adapt to the needs of E-commerce logistic. A logistic company's rigid system, in

particular causes serious deficiencies in logistics and distribution sectors, which gives a great obstacle to the development of E-commerce. It can be predicted that, without logistics, E-commerce is unable to move forward. At present, China's new modern logistics and distribution system has not been established. So, China must quickly establish the new concept of modern logistic and new system of logistic distribution to meet the rapid development of E-commerce. This is particularly important for Chinese E-commerce applications and development, which are mainly technology-driven. However, in the past years, China's logistics modernization level has not been greatly improved, and still lags behind and influences the E-commerce applications and development.

(Cheng. 2006.)

A standard E-commerce system should contain the combination of information flow, capital flow and logistics. But most of China's domestic E-commerce sites have just accomplished the information flow part, only few of E-commerce sites have their own distribution system, which is a very big difference compared with logistics industry abroad. The major bottleneck of China's E-commerce is the development of logistics - which is the material flow from warehousing, transportation to distribution; from the consideration of real efficiency and cost. In China, the distribution problems are mainly about long duration time and costs. As the famous B2C E-commerce site Dangdang (www.dangdang.com) in Beijing area for home delivery commitment is: Orders received after 24 to 60 hour shipping, 2 days shipping time. Charges are - each order 5 Yuan. Imagine that, if you browsed the books and found only two books that you want to buy, but two books cost 30 Yuan, are you willing to pay a 5 Yuan fee to send the book? Even if you are generous enough, you will have enough time and patience to wait for delivery? My answer is definitely no.

(Dangdang website. 2010.)

E Guo (<http://www.eguo.com/>) is known as the fastest delivery company in China, has committed themselves to start processing the order within 1 hour once the order has

officially been received. To fulfill this commitment, the company had to set up 20 warehouses in Beijing City, employing 400 people's delivery teams resulting in an additional cost of 8 million Yuan each year for the company.

3.5 E-commerce in law system

E-commerce involves electronic documents, contracts, notaries, and signature certification issues, also business dispute settlement issues. E-commerce market participants, including consumers, enterprises, financial institutions and internet service providers must establish a common set of business rule to comply with. In the following article I will state current China's B2C E-commerce main legal issues in details.

3.5.1 Electronic contract formation and effectiveness

China's "Contract Law" provides information for the parties how to conclude a contract in the form of - written form, oral form and other forms. Written form refers to the contract books, letters, and other data messages which is the tangible form demonstrating the contained content. An offer becomes effective when it reaches the offeree's side.

By using data messages to conclude a contract, for those addressee who has a designated specific system to accept messages, the data message arrived into the designated system is considered as an arrival time and for those addressee who didn't designate any specific system, the data message entering any of the systems of the addressee for the first time is considered as an arrival time.

From the electronic contract business practice point of view, only if the user clearly

indicates that he agreed with all the terms of contract, the electronic contract can be effective and conduct online transaction. It can be seen that users have the opportunity to review the terms of the contract and have the right to decide whether to accept or reject the contract. But the "Contract Law" is too brief for the specific requirements of electronic contracts.

(PRC Presidential Decree No. 15. 2005)

3.5.2 Electronic payment

Electronic payment form in the internet environment relates to two aspects - First, electronic currency, the second is online banking. Credit card is not yet universally used in China. A statistic research of China Credit Card User Research Report 2011 released by iResearch (<http://www.iresearch.com.cn/>) shows that, Beijing Shanghai area, the per capita number of credit card is 1.17 and 1.06, but in the central and western regions in China, the per capita number of credit card is almost zero, and thus payment entirely by electronic currency, at the moment which is not realistic for Chinese consumers. So I think, government should according to the reality environment and react corresponding legislation provisions for electronic payment.

(iResearch Inc. 2011. 3-4)

3.5.3 Consumer right protection issue

How to protect the consumers' right and build up consumers' shopping confidence in B2C E-commerce environment is a big challenge in China these days because this is one of the important problems being faced by China's B2C E-commerce business sectors in recent days and seen as one of the prominent hindrance for its development. The biggest problem being faced by these sectors are especially in protecting consumers' rights in online trading of digital goods which includes product quality, goods return issues,

warranties, contract problems to digital product etc. At this stage, businesses are running in the gray zone of china's current law, which should be controlled on time by introducing effective legislation.

3.6 Operating problems in B2C E-commerce

In 1999, China's E-commerce service model began to diversify. In B2C E-commerce mode, online bookstores and online shopping malls added online payment functionality and improved the service, started with greater momentum in the development and growth. Online auctions, online shopping, online mail order and other consumer-oriented E-commerce sites boomed; Diversity of payments, online payment, bank transfer, postal remittance and cash on delivery etc, a variety of ways available to use, brings great convenience to online consumers. But B2C E-commerce also failed to avoid its specific drawbacks.

Currently, the biggest problem is China's B2C E-commerce sites are still largely at a deficit status (except Taobao www.taobao.com). In addition, there are a series of problems, mainly related to slow delivery of goods, online payment problems, small number of the online shopping consumers. From the service perspective, currently among all Chinese B2C E-commerce sites, companies which are operating 24 x 7 are minimal. Furthermore, most of the sites haven't paid enough attention to the customer service and the numbers of unsatisfied customers are growing every day. Research shows that B2C E-commerce companies have failed to satisfied their customers with service and there are more than 50% unsatisfied customers who have once participated in online shopping. In the areas of business, Chinese B2C E-commerce companies significantly lack proper marketing methods and Customer Relation Management (CRM) techniques. (Hu Nan Business College. 2010. 4-5)

3.6.1 Business mode

China's B2C E-commerce currently is still stuck in the level of general imitation of advanced E-commerce business models abroad. For example, "Dangdang" (<http://www.dangdang.com/>) site's business model is basically an imitation of Amazon, eBay and other famous E-commerce sites. In traditional commerce, imitation and following are the latecomer strategy. The greatest advantage to imitator is that he takes a lot less tortuous path, but we must take into account China's specific conditions. At present, China's B2C E-commerce sites lack innovation, particularly lack of combined with China's national condition's innovation. How to combine the internet and China's national condition, and give full play to the advantages of E-commerce, to further achieve E-commerce technology and models innovation. This is the problem that needs to be solved during China's E-commerce developing.

3.6.2 Management measures

As to shopping sites or auction sites, the variety of their business in general is not varied, mainly consisting of books, CDs, health products, home appliances, cell phone, cloths etc. From management point of view, most of China's B2C E-commerce companies have implemented Bonus Accumulation strategy. In this approach, the consumer can accumulate bonus point for each and every purchase they make online and in return are liable to get special discounts for accumulated bonus points. Nielsen company (<http://www.nielsen.com/>) survey report indicates that 61% of global online consumers rated "good value" over "low price" as the most influential reason to shop at a particular retailer. Within E-commerce the "low price" is the only component of the customers need framework. Analysis by Jack Wang who was IBM PC Division Marketing Manager pointed out that, 'E-commerce actually does not bring real new customers to the whole market, the customers' real needs do not increase, but what is increased are the

convenience and low prices among the customer's buying behaviors'. Through the appropriate service "to increase customer loyalty" is the E-commerce enterprises' right way to success. At present, China's B2C E-commerce problem is not the price, but the corresponding services, and the ability to establish a good relationship with the customer. B2C E-commerce site should consider how to provide efficient, fast service and enhance the products' attractiveness, fitness so to get more consumers. It should be said, features and services are the main condition to E-commerce site for survival. So far, although many B2C E-commerce companies are concerned about the service, and also invested a lot of efforts to provide it. But what they do more indeed is the promotion of value added service, and according to CNNIC statistics, what customers need mainly are some very basic services. Such as the integrity of sites, commitment to consumers, faster browsing, retrieval convenience, variety of goods, delivery accuracy, timeliness and the payments for such service. But currently B2C E-commerce sites are very enthusiastic about promoting value-added services. From the perspective of current E-commerce development situation, I think this is not very important.

(Zhou and Dai and Zhang. 2007)

(CNNIC China Internet Network Information Center. 2010)

3.6.3 Marketing method

To retain an old user is much more difficult than to get a new user. This is a basic knowledge of marketing. In the traditional retail sector, increasing an old customers' repeat purchase is essential requirement for business success. E-commerce and traditional retail's biggest difference is that from business site they can know the consumer's real personal profile, then accurate records of customer's consumption information, and even analyze consumer's buying behavior. Therefore, E-commerce customer's information has important commercial value. But unfortunately, the China's domestic online retailers in this area haven't done enough work, the high price spent to obtain the consumer's information is rarely being effective used. Although CRM concept

is very popular, the China's domestic online retailers did not use these advanced management modes well, at least not effectively used. In addition, many B2C E-commerce sites are facing a variety of problems in the marketing. Thus, E-commerce site did not perform a huge power which it should have. November-December is the United States' Christmas holiday online sales peak period and many sites have taken a great variety and effective promotion means. Compared to the excellent online promotions of those well-known websites abroad, not only China's online retail market is still relatively weak, but also lagging behind in marketing.

(Zhao.2011.)

4. B2C E-COMMERCE IMPROVEMENT IDEAS

Currently, China's B2C E-commerce faces many difficulties. I will try to give the improvement ideas to solve problems. I believe that the following ideas are feasible and if my future career can be related with B2C E-commerce, I will try to prove my theoretical methods in real performance.

4.1 Online promotion order

Online promotion of the product's information and consumer trust level has a certain relationship. Currently Chinese consumer online shopping behavior remains tentative, because the consumers are suspicious of the online product's quality and concerned about the safety of online consumption activity, so they are only willing to buy lower priced goods. According to statistics (which you can find in chapter 4.4), clothing are the users most purchased goods on the internet, followed by computer and audio-visual equipment. It is because that the cheap goods have lower risks in online trading, and thus are more attractive, that then have occupied the major market share. In this case, I think E-commerce enterprises should first promote low-cost and traditional goods, because these products are more common and familiar to consumers, and the risk is also relatively small. Even if the customer is unsatisfied with purchased goods, it will not cause big losses. This is consistent with current online consumers' online shopping psychology.

4.2 Personalized and highly interactive customer service

Chinese domestic B2C E-commerce site's design is generally monotonous, which can not satisfy consumers used to experience the "virtual reality" of the shopping environment. In this regard, I think websites can be improve through using 3D online games, BBS (Bulletin Board System), thematic news, pop music and other performance practices to create a shopping atmosphere, and further enhance the popularity. The current computer technology can meet these needs. If websites can use network technology to develop virtual models similar to OddCast, they can better enhance the customer's personalization and interactivity in the process of consumption. For selling clothing on B2C E-commerce websites, they can develop an "online fitting room", enriching thus the customer's shopping experience. In order to more effectively develop customer's loyalty, only using the credit system is not enough, B2C sites can try to open the BLOG system for registered members.

4.3 Product information search and comparison tools

B2C E-commerce sites should also make consumers feel the same sense of convenience and comfort in the virtual store as in an actual store. For the men, they hope to find the right goods they need, then leave fast. For the ladies, they search the goods thoroughly, select the goods according to fashion trends, and shop around with comparison to buy affordable goods. Therefore, B2C E-commerce sites need to provide Comparison Technology for similar product and Quick Search Technology (like for made in Finland jackets), so that consumers get product information very easily and quickly, too. At present, China's B2C E-commerce website can provide quick search function, and also there have been published shopping comparison engines. Such is the Good Books website (<http://www.smarter.com.cn/>), which provides information of same book's price

in comparison with different websites. Instead of normal shopping engine, customers prefer to use shopping comparison engine since it facilitates comparison of good's cost-effectiveness and further helps with purchase decision. B2C E-commerce website should strengthen their research and development in such areas, because the real convenience for consumer online shopping behavior is also conducive of the development of B2C E-commerce.

4.4 Product information

Honesty is the principle B2C E-commerce websites must retain during their operation. It ensures the released product information reliability and dependability. During the time of development of the business, the entrepreneur should put himself at the place of customer and think what information any customer would possibly like to see on the website that could persuade them to buy the product. This would tremendously help to put right and informative information for the customer in the website. After such information is published, it will potentially convey customers an integrity of business attitude, which will increase the chances of success. Meanwhile, in online consumption, the consumer's "shop around" phenomenon is universal - only detailed product information will get the customer's attention and selection. Otherwise, after the customer has browsed many companies' product information, in case of those products that don't have exhaustive description and lack product photos, the customer will easily reject such products and business opportunity instantly disappears.

4.5 Traditional marketing planning and skills

To achieve success in online marketing, B2C E-commerce website must be able to

transplant traditional marketing's planning and skills to the website. Product marketing planning skills and product specific features are closely related.

Books and CDs are very easy to sell through the platform of B2C E-commerce, because every version of each book is the same and customers do not have to care about the size, freshness, and other characteristics of a book, and furthermore, there is no need to personally go and see before buying books. It can just be ordered by book title. B2C E-commerce sites can provide customers with books in a far bigger number more than ordinary bookstores, which is an advantage of E-commerce. Computer technology can also achieve the "reading experience", which is just like with the traditional customer when he buys books always by reading few pages to get the general idea of the content. Clearly, in the field of book sales, E-commerce advantages are bigger than traditional business advantages. In addition, with commodities such as DVD, under the environment of network, the consumer can enjoy the clips and online profile to determine his purchase. So that, I think to sell such goods, the traditional sales planning skills can be transplanted and extended to the network market in order to achieve the goal of expanding online market sales.

In the consumer behavior generating process, if the business process has both the commercialization characteristics and needs of personal contact with consumers, the business can use E-commerce and traditional business combination strategy.

4.6 Political guidance

Due to the fact that B2C E-commerce has the characteristics of dispersed online consumers and low spending on each transaction, these characteristics do not give entrepreneurs the cognition of B2C E-commerce. From the consumer perspective, they are more willing to accept the traditional B2C business enterprises in the comparison of

purely electronic business enterprises. Consumers are influenced by traditional companies far higher than by the network enterprise. Therefore, the government should formulate a relevant policy to actively guide and stimulate more traditional enterprises to embark on the road of E-commerce, in order to formulate a new competitive E-commerce market.

5. B2C E-COMMERCE FUTURE PROSPECTS

Year of 2011 had passed. In this year, China achieved a rapid E-commerce development. Jingdong Mall's (www.360buy.com) 150 million RNB financing into B2C E-commerce business and two B2C E-commerce enterprises being successfully listed in the United States Nasdaq stock market at the beginning of this year shows the brighter days ahead in this business sector. In addition, Fankechengpin (www.vancl.com) and Jingdong Mall managed to receive huge new business financing which will be used to expand their business operation and increase the level of their services. In 2012, this trend will be continuing upward. However, under the general positive market circumstances, there is still a bubble, and E-commerce industry needs strategic planning and implementation.

5.1 Development of online shopping

China Intelliconsulting Corp. released the Chinese online shopping consumer's survey report in 2011. (Graph 6 shows that the annual online shopping done by customers in China reached 498 billion Yuan in 2010 and accounts for about 3.2% of total annual social goods retailing sales. Online shopping consumers reached 185 million.) The online shopping penetration rate in internet users was 40.6%. The estimated of 2011 annual online shopping done by the consumer was around 890 billion.



GRAPH 6. Online Shopping Market Scale (Source: Intelliconsulting Corp. 2011.4. Chinese online shopping consumers' survey report2011)

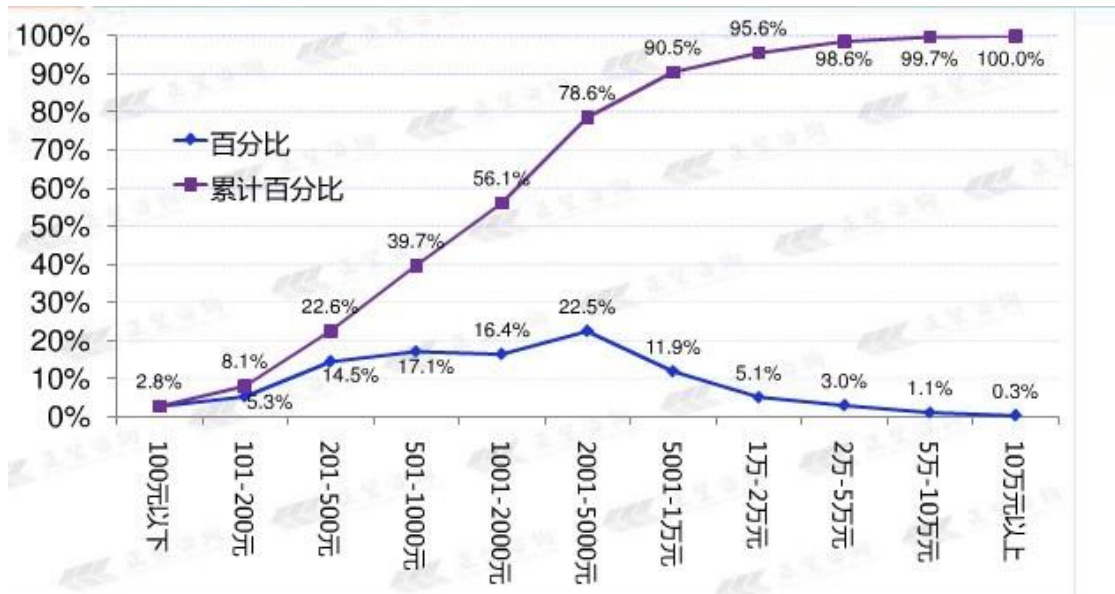
Graph 7 in below shows that among all online shoppers, more than half (53.5%) are shopping online more than 6 times each year, which means that at least in every 2 months they are placing one online shopping. More than one-third (35.3%) online shoppers shop more than 12 times each year, which means at least they shop at online once per month.

The average of each online shopper for online shopping is 15.8 times in 2010, with an average of 22.8 days to conduct one online shopping.



GRAPH 7. Online Shopping Frequency (Source: Interlliconsulting Corp. 2011.4. Chinese online shopping consumers’ survey report2011)

Graph 8 below shows that the average online shopper consumes 3371 Yuan in 2010 and the mean spending amount of online shopping is 1630 Yuan. An average shopper spends 214 Yuan at a time. (The bottom line refers to the percentage of consumers, the line above refers to the accumulated percentage of consumers)

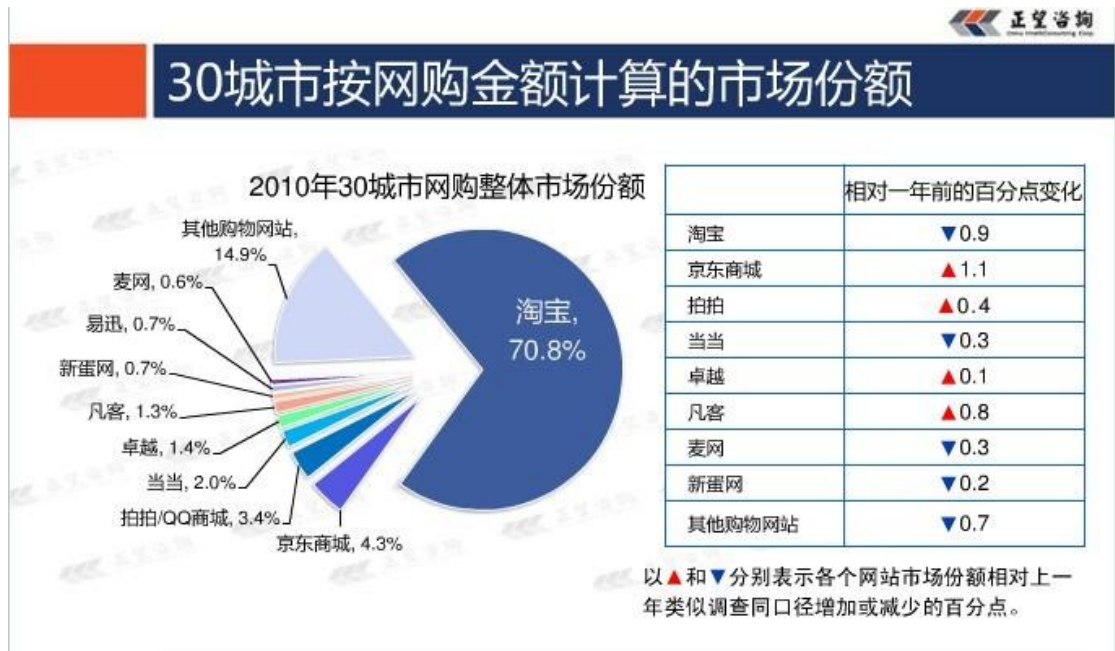


GRAPH 8. Proportion Of Spending On Online Shopping (Source: Interlliconsulting Corp. 2011.4. Chinese online shopping consumers’ survey report2011)

From data above we can easily understand that there is a huge space available to develop the potential market of China' E-commerce (B2B, B2C, C2C). The average of 15.8 times to conduct online shopping activity each year and the average of 214 Yuan to spend on online shopping each time is obviously far away from enterprise's expectation. Under the generally positive E-commerce circumstances, China's B2C E-commerce will continue booming, even a slow slip of growth curve could occur in the future, but from the previous year's growth rate I can estimated that, the 2012 E-commerce growth rate will be between 70%-80%, to the total amount of 1600 billion Yuan, and B2C E-commerce occurs about 15%-20% of the entire E-commerce market share.

5.2 China's E-commerce development direction

In China, no matter if people are about to open an online shop to do independent B2C E-commerce, or to conduct any E-commerce - associated activities, they are not able to avoid running business around Taobao (www.taobao.com). Taobao's every strategy, and every movement will have a great impact on the Chinese E-commerce market. This phenomenon can be described as Chinese butterfly effect. The butterfly effect is a term used in chaos theory to describe how small changes to a seemingly unrelated thing or condition (also known as an initial condition) can affect large, complex systems. The term comes from the suggestion that the flapping of a butterfly's wings in South America could affect the weather in Texas, meaning that the tiniest influence on one part of a system can have a huge effect on another part. Taken more broadly, the butterfly effect is a way of describing how, unless all factors can be accounted for, large systems like the weather remain impossible to predict with total accuracy because there are too many unknown variables to track.



GRAPH 9. Amount 30 Cities Online Shopping Market Share In Capital (Source: Intelliconsulting Corp. 2011.4. Chinese online shopping consumers’ survey report2011)

From the report we can see that, in the surveyed 30 cities, according to the amount of online shopping in capital, Taobao (www.taobao.com) accounts for 70.8 percent of the market share, JingDong(www.360buy.com), PaiPai (www.paipai.com), DangDang (www.dangdang.com) respectively listed 2 to 4.

Taobao’s biggest launch of action in 2010 is the publishment of TMall (<http://www.tmall.com/>. TMall is Taobao’s B2C E-commerce platform site). This indicates the determination of Taobao to abandon smuggled goods transaction and step into the stage of good quality and genuine business. TMall had integrated Taobao’s electronic equipment city, famous brand shoe pavilion, sports hall, home decoration hall, brand discounts pavilion and several other categories. On this basis, this year TMall will further to integrate its vertical category, at same time conducting the category expansion. Currently some categories such as the lottery, travel, insurance and other high-volume transactions for digital goods are not integrated into the TMall, and these categories are the integration objects that Taobao’s next step will focus on.

However, Taobao's vision is not only limited to create China's largest online shopping mall, but also to do a "Google" in E-commerce. Currently more than 85% of Taobao's revenue is generated from advertising, and this is Taobao's 'information traffic flow transfer into cash' approach. In the future, Taobao will accumulate more information traffic flow, and will use such an approach as the main source of income. The opening of their new web based platform in 2008, the opening of web search engine in 2010, or the preparing of the Wumingliangpin independent web based platform - all these show Taobao's development path, which is making Taobao the whole network cornerstone, lead information traffic flow into Taobao's intergraded good quality resources.

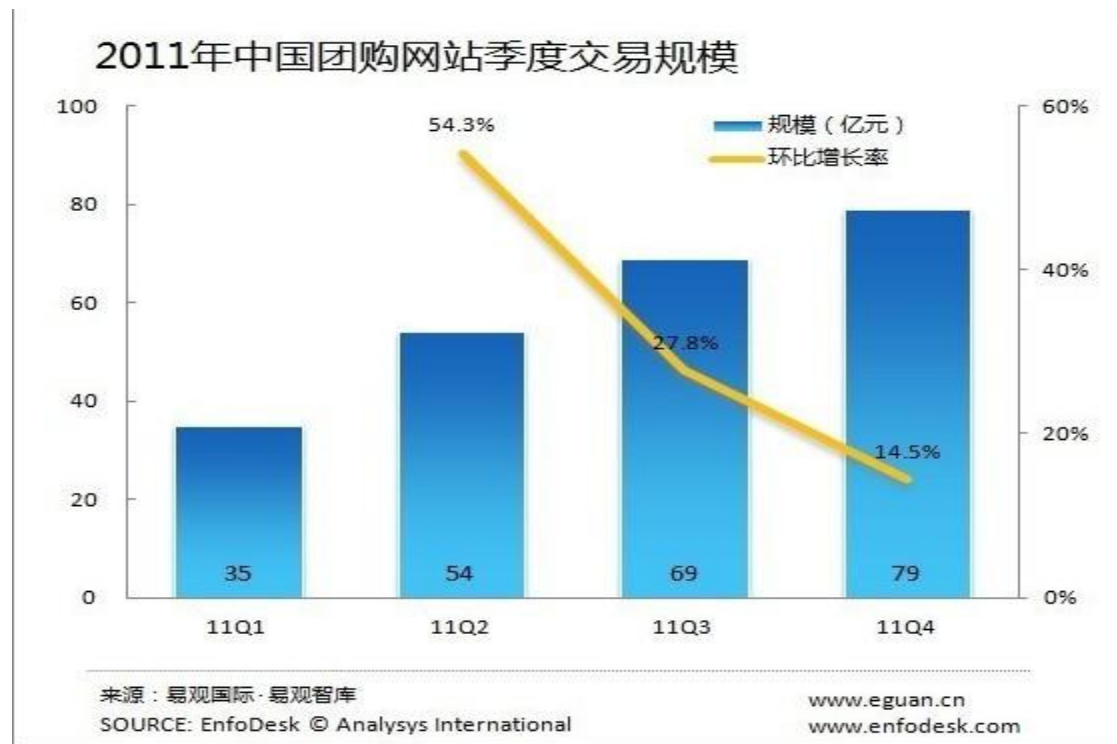
Even though Taobao Open Platform is very powerful, has most advanced technology capabilities and achieves a lot of innovations, it currently does not have the ability to export IT industry. As an E-commerce infrastructure service provider, Taobao has built up a good E-commerce framework and fostered E-commerce environment. But at present, Taobao is only in the initial stage of cloud computing, exporting E-commerce infrastructure and other aspects (except for alipay www.alipay.com).

5.3 Chinese Group Buying sites

Group buying, also known as collective buying, offers products and services at significantly reduced prices on the condition that a minimum number of buyers would make the purchase.

Graph 10 below by Analysys International (<http://www.analysys.com.cn/>) shows that, in 2011 the Chinese Group Buying market's overall transactions in capital reached \$ 23.7 billion Yuan. The quarterly growth speed shows significant fluctuations. The growth rate in the first half of the year was significantly faster than the second half. Q3 transaction scale grows fastest, chain growth rate is up to 54%, by Q4 chain growth rate has slipped

to 14.5%.



GRAPH 10. Group Buying Sites Quarterly Basis Transaction Scale (Source: Analysys International 2012. 2011 Chinese Group Buying market data Monitoring report)

In the year 2010, the vast majority of Chinese Group Buying enterprises were copied from Groupon's mode (www.groupon.com), and industry homogenization, which was increasingly prominent. Group Buying sites were driven by capital, and expanded their business by using mass advertisement strategy and quick open sub-station business mode. Customer demand was stimulated by this kind of relatively innovative mode. Among that, the transaction of life-service category showed a soared growth. Internet giants such as Taobao (www.taobao.com), Tencent (www.qq.com), Sina (www.sina.com) and many other companies have joined in the competition of Group Buying industry, which promoted the Chinese Group Buying market growth. By mid-2011, the market continues to grow which led to Group Buying website monthly sales in capital reaching a new record of 100 million. However, in the second half of 2011, the macro environment, especially the capital market was gradually freezing, and beginning to show the consequences of insufficient funding from early extensive growth. Group Buying's

eCommerce – Overall M&A Trend

81 eCommerce M&A Transactions Since 2008



M&A Breakdown & Notable Transactions

Area	# of Deals	Notable Transactions
Daily Deals	74	Groupon acquires Citydeal Amazon acquires Woot Gilt acquires BuyWithMe
Flash Sales	5	Nordstrom acquires HauteLook GSI Commerce acquires Rue La La
Alternative Currency	2	eBay acquires Zong

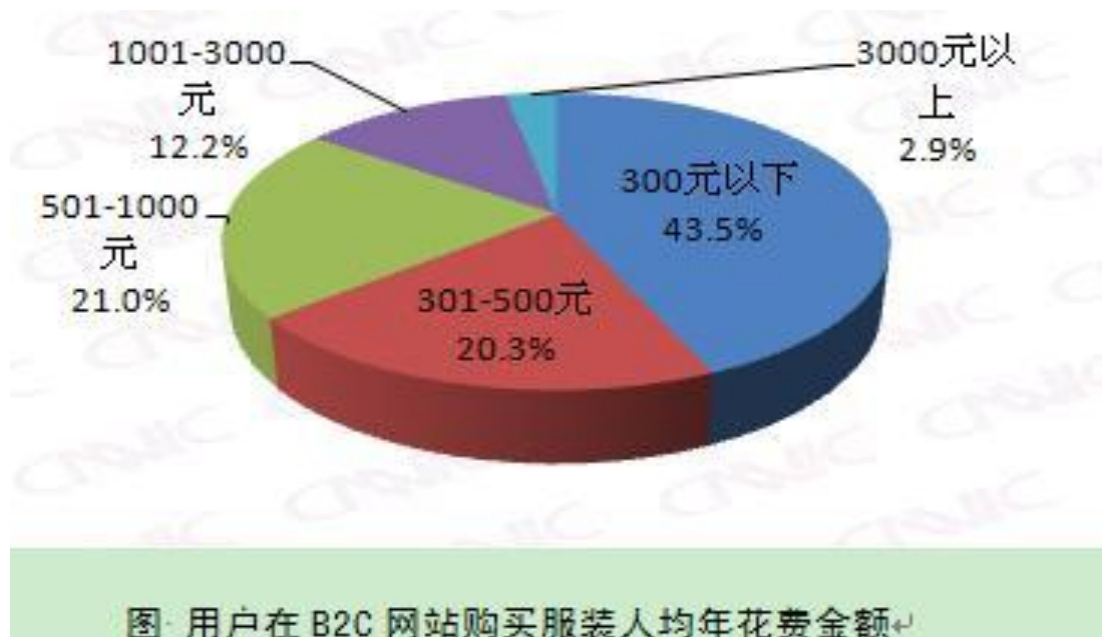
GRAPH 12. E-Commerce Overall M&A Trend (Source: CBinsights Company 2011. E-Commerce M&A Activity)

In the past 24 months in the E-commerce area, there occurred investments and acquisitions one after another. The biggest drivers of M & A are the Group Buying sites. Since 2008, Group Buying sites M&A accounted for 74% of the entire M & A transactions.

2012 will definitely be an extraordinary year for the entire Chinese Group Buying industry. Chinese Group Buying site will be fully consolidated and integrated, at same time the total market growth rate will continue to stabilize. Large number of vendor has quit Group Buying industry and more than half of the vendors in the first camp also will be eliminated by the competition.

5.4 Online clothing sale

The online apparel business has the characteristics of low spending amount of money involved in the transaction, many optional online shops available to be chosen, convenient mailing and goods are not easily damaged, it thus been dominated by a significant share of the online shopping market. According to CNNIC(China Internet Network Information Center) in 2010 China's online shopping market research report, the number of China's B2C online clothing shopper had reached 50.77 million in the year of 2010, accounting for 45.1% of total China's online clothing shoppers (112.52 million), accounting for 51.1% of the China' B2C online shoppers. From online shopper purchase ability point of view, the entire online clothing shopper spent an average of 1122 Yuan on online clothing shopping each year (Including the purchase in the B2C and C2C websites), and a shopper spent an annual average of 779 Yuan on B2C website. Graph 13 shows the proportion of B2C online shoppers spent on clothing. A shopper who spent less than 300 Yuan accounted for 43.5%; 301-500 Yuan is accounted for by 20.3%; between 501 to 1000 Yuan is accounted for by 21%; 1001-3000 had accounted for 12.2%; More than 3000 Yuan is accounted for by 2.9%.



GRAPH 13. Online Shopper Average Spending On Clothing (Source: CNNIC 2010. China's online shopping market research report 2010)

China Intelliconsulting Corp. (<http://www.iaskchina.cn>)released the Chinese online shopping consumers survey report 2010 which shows that, in the surveyed 30 large and medium-sized cities of China, the percentage of clothing sales rose from 24.5% in 2009 to 31.8% in 2010. Clothing has beyond digital products and appliances to become the largest transaction volume of commodity categories.

I believe that China's online clothing shopping market will continuously grow fast in the next five years. The reasons for that are: Firstly, the traditional clothing companies are starting to conduct their B2C business, more and more companies have involved themselves in this growing E-commerce market, they open flagship stores and directly sell their brand clothing in TMall or other E-commerce platforms, which strongly stimulates the B2C E-commerce development. Secondly, clothing is different from other 3C electronic products (Computer, Communication, ConsumerElectronic), because clothing has the characteristic of high repeat purchase rate and a fast frequency of demand generation. Thirdly, with the large scale entrance of traditional clothing companies, the B2C website is becoming capable to provide a variety of categories, diverse brands, comparable priced products and convenient mailing service, which attracts more and more customers to purchase their clothing online. On the other hand, the great number of customers will also attract more traditional clothing companies to open their flagship stores on B2C platform. The competitive market will strongly push the B2C online clothing market forward. Finally, I think the clothing itself has the feature of advantage - high gross profit, transportation convenience, easy storage and the existence fashion trends. All these features will help clothing products to capture the big market share quickly, long-lasting and stable.

6. REAL CASE ANALYSIS – JINGDONG’S LOGISTIC SOLUTION

In the previous contents, I have mentioned that logistic is one of the three major issue in face of China’s current B2C E-commerce. In the following contents, I will describe how JingDong have solved their logistic problems.

6.1 Introduction to JingDong Mall

JingDong Mall (www.360buy.com) is China's B2C market’s biggest 3C online shopping professional platform. It is also one of the Chinese E-commerce field’s most popular and most influential website. JingDong was founded in 2004 by current CEO Liu Qiang Dong. Initially they sold computer products, up to 2006 they sold only IT products, Product such as mobile phone home appliances were not available at that moment, later on a variety of general merchandise continually emerged. JingDong Mall’s DIY computer services are very popular. Recently they started to develop their e-book market. In November 2010 JingDong created a book channel which could provide an online “experience browser” service. Jingdong Mall are planing to expand into international markets such as Russia, Brazil, India, Taiwan. The main competitors for JingDong are - GuoMei (www.gome.com.cn), Suning (www.suning.com), Dangdang (www.dangdang.com), Amazon China (www.amazon.cn).

Up to the year of 2011, the number of Jingdong registered users has reached 25 million with 600 suppliers. Online is selling home appliances, digital communications, computers, household products, apparel, baby products, books, food and 11 other major categories, with tens of thousands of brands and million kinds of high quality merchandise. Daily orders are processed up to more than 300,000 pieces. The number of daily PV (page view) is over 50 million. Six consecutive annual growth rates are more

than 200%. At present, JingDong accounts for 35.1% of China's B2C market.

6.2 JingDong's logistic problems

High error rate and large cargo damage: Since the establishment of JingDong Mall, due to the surge of orders (far beyond the capability of logistic distribution at that time), resulted in a large number of orders with delayed delivery. At the same time, customers frequently complained on the amount of all the arrived goods, for a big part occurred error distribution and cargo damage.

Terminal service poor, low customer satisfaction: The poor terminal service directly resulted in the customer inquiry about JingDong's logistic system and heavily decreased the customer's satisfaction. The company's reputation has also been affected. The reason for this can be: 1.Delay delivery; 2.Compensation system not sound; 3.Distributor's service attitude need to be strengthened; 4.lack of customer communication mechanism.

High logistic cost: JingDong tried to solve its logistic problem by outsourcing to a third-party logistic company, but at that time in China, JingDong could not find even one logistic forwarding company which could give a compromise solution in service, speed and cost. Due to JingDong having itself the problem of delayed development with logistic, the result was high costs spent on logistics.

6.3 JingDong's logistic solution

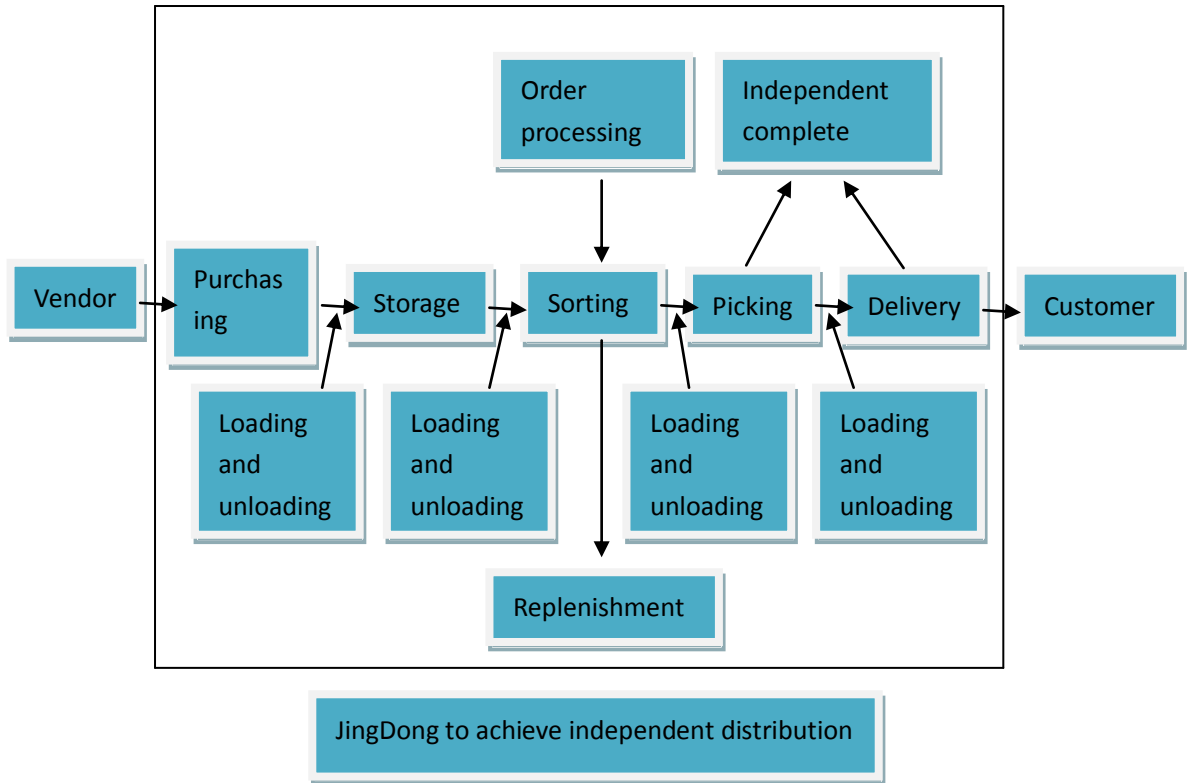
Solution for High error rate and large cargo damage: Build to own distribution centers and independent delivery



GRAPH 14. JingDong's First Level Logistic Center Distribution (Source: JingDong website, modified)

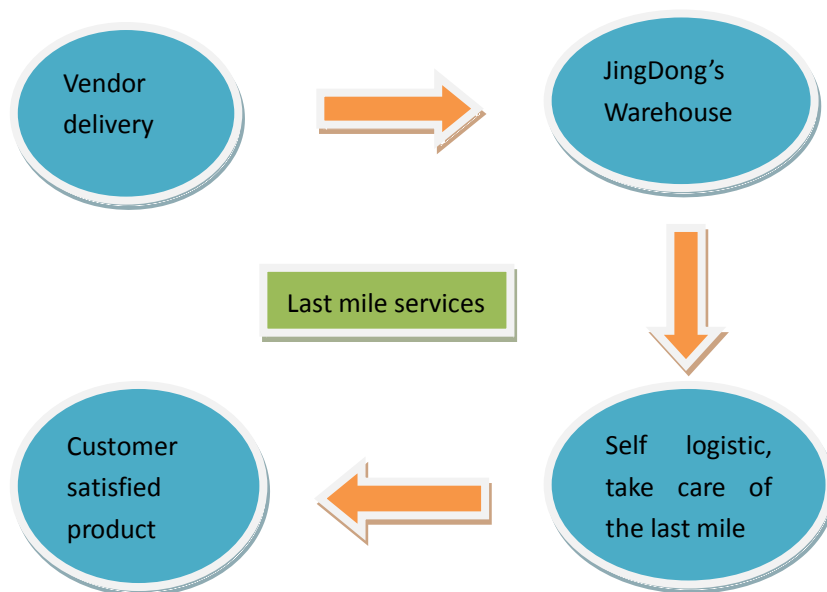


GRAPH 15. East China Region Logistic Center Distribution (Source: JingDong Website, Modified)



GRAPH 16. JingDong Independent Distribution System

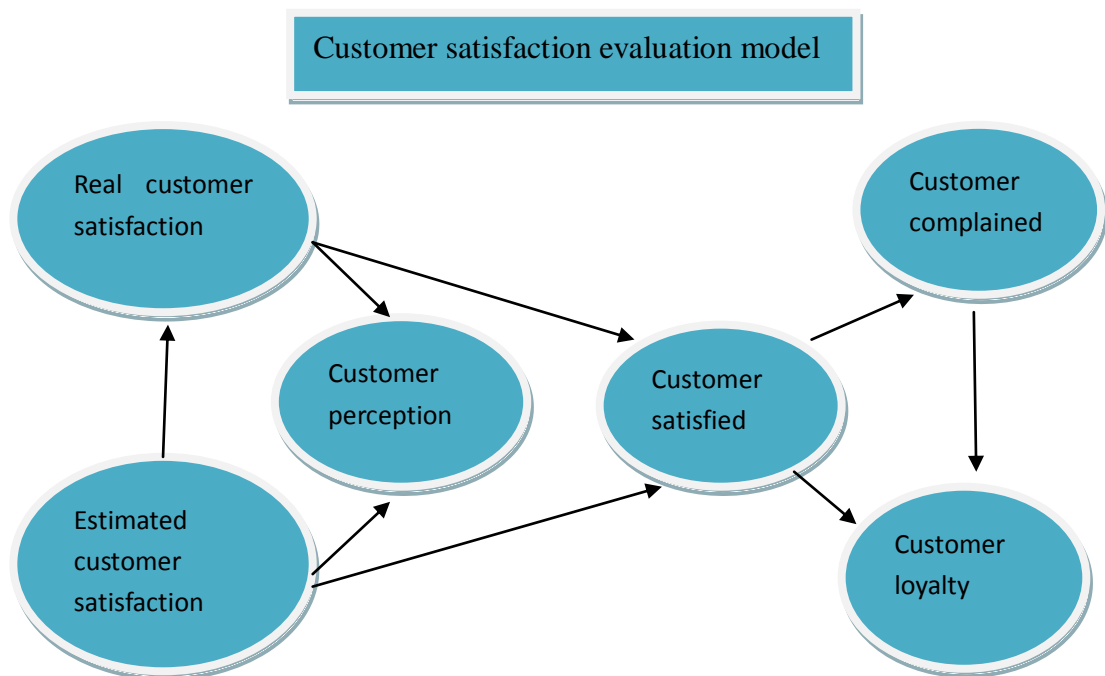
Solution for Terminal service poor, low customer satisfaction - Last mile services; “211 limited time arrives” service; Build up customer satisfaction evaluation model.



GRAPH 17. JingDong Last Mile Service

JingDong takes care of the last mile service, strives at building its warehousing system, and focuses on the delivery to customer, which is the last mile distribute distance before the goods delivered to customer, in order to improve its own distribution, and after-sale service.

“211 limited time arrives” service - means that with 11 am and pm “2” times of “11” o’clock in day, functioning as the time division point, it conducts the fast delivery service. In specific performance, if the customer submits the goods order before 11 o’clock in the morning, such goods will be guaranteed delivered within the day time, if customer submits the goods order before 11 o’clock in the night, the goods will be guaranteed delivered before 14 o’clock tomorrow. The purpose of this approach is to improve the system response speed, provide customer with a in time efficienct logistic service.

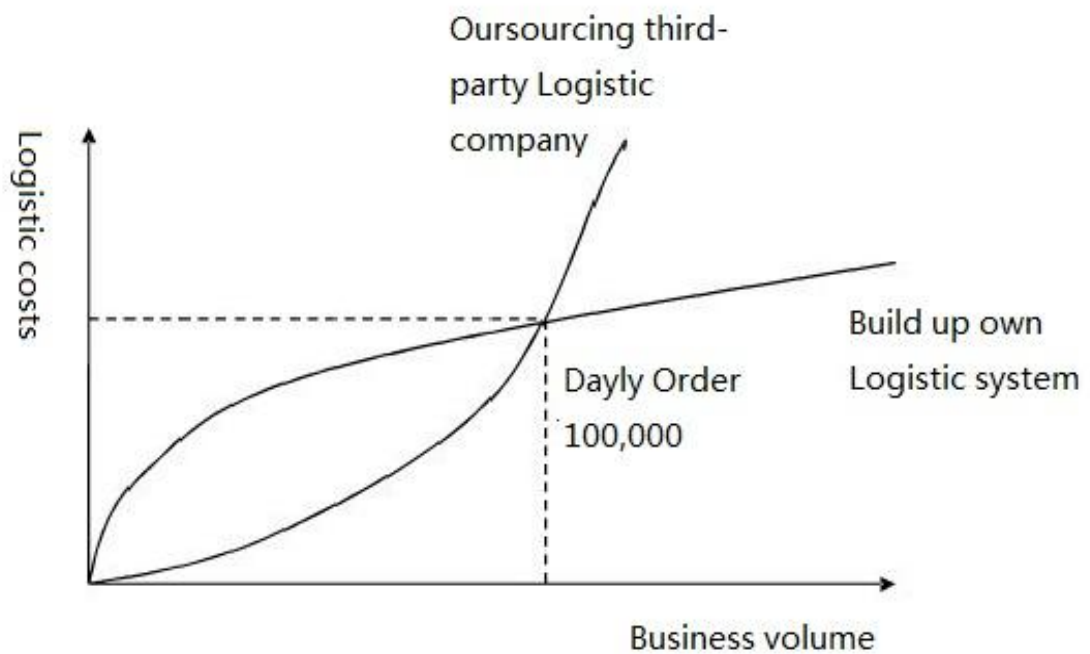


GRAPH 18. Customer Satisfaction Evaluation Model

JingDong put effort to build up the customer satisfaction evaluation model, with the

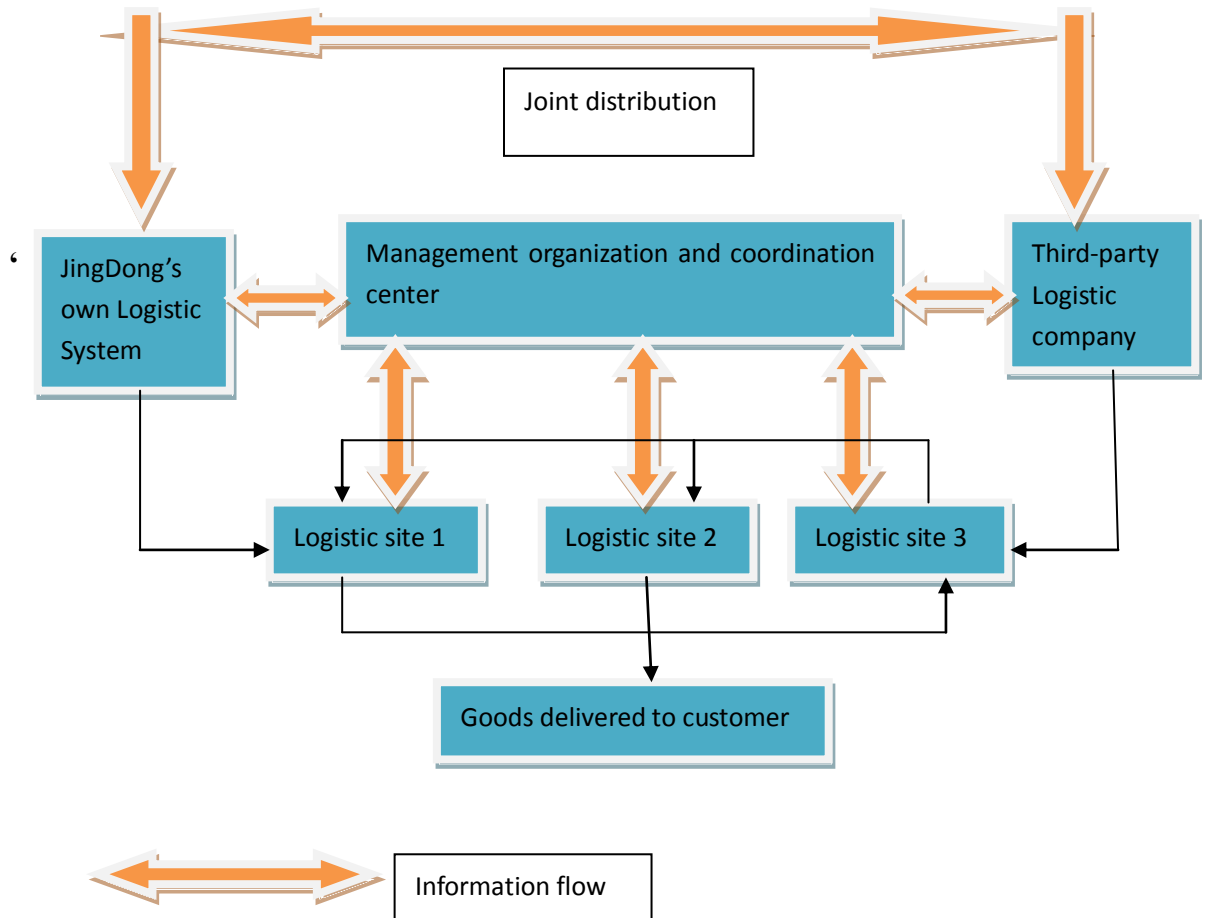
purpose of increasing customer satisfaction so as to obtain customer loyalty.

Solution for high logistic cost - Build up own logistic system



GRAPH 19. Logistic Cost Break Even Point

With the fast growth of JingDong's business volume, JingDong in China's first-tier cities' daily order volume is already beyond 100,000 pieces. Therefore JingDong choose to build up its own logistic system to increase inventory turnover rate, to decrease the time and reduce the costs and in order to improve company's entire operation efficiency.



GRAPH 20. JingDong's Joint Distribution

7. CONCLUSION

From the analysis above we can deduce that China's B2C E-commerce market has still a lot of problems. Some of them are a big challenge for current Chinese B2C sites, and also may become a big obstacle their development path. But if we look at the big picture, we notice that China's entire B2C E-commerce market is rapidly growing with a large number of consumers are getting more and more habituated to this form of consumption mode. Business companies are also closely following the E-commerce development trend and start to process their B2C business. In addition to the entrance of international B2C E-commerce giants such as Amazon, the Chinese B2C E-commerce market competition has become intense. So far, China per capita online shopping amount of spending is very low, far behind the expectations, but I believe, with the increase of people's income, the B2C market will occupy its expected market share sooner or later.

Finally I think the growth of B2C E-commerce is a global trend, which just like the invention of computer, will totally change one's life. Try to imagine, that you stay at home, open your laptop, search "Halpa Halli" B2C sites, order some milk, fish or whatever you want, and after 20 minutes, the delivery man knocks on your door with the goods you ordered. Suddenly you prefer to eat beef, so you return back the goods and reorder. The delivery man is pleased to accept your request, without complaints and no extra cost, with only a smiling face. What a beautiful life envisioned and what a humane society that would be.

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