

The Analysis of Taobao C2C E-Commerce Marketing Strategy

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Abstract: With the vigorous development of China's Internet, the rising number of Internet users, the Internet has become a fast access, publish and transfer information important channel, the Internet has become an important part in our life. Internet shopping is one of the main development direction of the Internet in recent years. The raise of Internet shopping has brought not only great convenience and benefits to the people's life, but also a new Internet economy. At the same time, it has broken the pattern of the original industry and made more pressure on traditional companies. Despite all of above said, the fastest growing internet shopping is C2C market. Taobao, the fastest growing and most successful C2C e-commerce sites, beat eBay in a short time by the free strategy. Then it becomes a domestic C2C e-commerce model of typical.

This article does a preliminary study and research on the network marketing strategy of Taobao by taking a comparative analysis way. By strategic analysis tools, I analyzed successful experience of Taobao, with the focus on the macroeconomic environment, Finally, combining with Taobao's development status and marketing situation, as well as Taobao's development process, through the SWOT analysis comprehensive analysis of Taobao's internal strengths, weaknesses, opportunities and threats, etc. Put forward Taobao marketing strategy innovation improvement measures. With a view to further consolidate the competitive position of the advantages of Taobao and the development of China's C2C e-commerce. I suggested the appropriate marketing strategies and profitable way for reference.

Keywords: C2C e-commerce, Taobao, network marketing strategy innovation.

I. INTRODUCTION

The 21st century, the world has entered the era of Internet based network economy, the network has not only changed the way people communicate, but also to the commercial market has brought enormous changes. Network to consumers, businesses and even the government through the computer to connect each other, to create a different business environment. The biggest difference is the commercial trading mechanisms, including business-to-consumer e-commerce (B2C), business-to-business e-commerce (B2B) and consumer-to-consumer e-commerce (C2C). In the context of vigorous development of the network the traditional marketing has been an unprecedented impact, appeared a new concept of network marketing. Compared with traditional marketing, network marketing has its unique charm, such as the advantages of network marketing market globalization, personalized products, price open, direct marketing channels, popular services etc, so that network marketing is booming up. In the world, Amazon in the traditional B2C e-commerce dominated; Alibaba for numerous small and medium-sized enterprises provide B2B e-commerce trading platform; Taobao and eBay are C2C e-commerce platform.

II. OBJECTIVES

The continuous development of Internet technology and improvement has led to a rapid of e-business applications; domestic enterprises are experiencing unprecedented changes in the marketing environment. As marketers, it must be fully aware of the tremendous changes in marketing environment, and the correct, comprehensive and innovative marketing strategies to master in order to fast-changing Internet environment win. C2C e-commerce is not the mainstream

of today's e-commerce , but it's remarkable performance in recent years and represents an important development direction of e-commerce must be of sufficient concern to us .C2C e-commerce site with as a result of the virtual platform ,and consumer behavior arbitrary, real-time transactions ,consumer demand for personalized, strong word-of-mouth spread of the impact of characteristics such as the promotion of appropriate marketing strategies , on the C2C website development and brand building is important significance. Taobao is C2C e-commerce site, the fastest growing and most successful example. which rely on the Alibaba Group ,and constantly improve our Web site operators the ability to provide local characteristics of e-commerce platform, services the purpose of continuous improvement and development .In marketing strategy, Taobao take the form of flexible and diverse brand marketing strategy, experiential marketing strategy, advertising marketing strategy to convey the brand message ,but did not establish the overall marketing system ,marketing strategy so that it can not be used in practice and support each other in a joint to achieve optimal marketing .therefore, the marketing mix strategy Taobao research, you can make it to the C2C e-commerce market has a clearer understanding of the marketing practice for Taobao to provide guidance, and theoretical research related to the role played forward.

III. THE DEVELOPMENT OF E - COMMERCE MARKET NETWORK MARKETING IN CHINA

3.1The Development of E - commerce in China:

3.1.1Online shopping users and the size of network retail transactions:

2012 China online shopping users reached 247 million, while the 2011 data 203 million, an increase of 21.7%. In the end of December 2012, the number of Internet users in China was 564 million, accounting for 43.8% of the proportion of online shopping. Online shopping user scale growth reasons include: online shopping environment increasingly perfect and mature; convenient without geographical restrictions; Government regulation and logistics payment environment increasingly mature; Online shopping has become integrated into people's life. In this regard, it is expected that by the end of 2013, China online shopping users will reach 310 million people. Figure 3.1 shows the scale growth of online shopping users in China over the years.

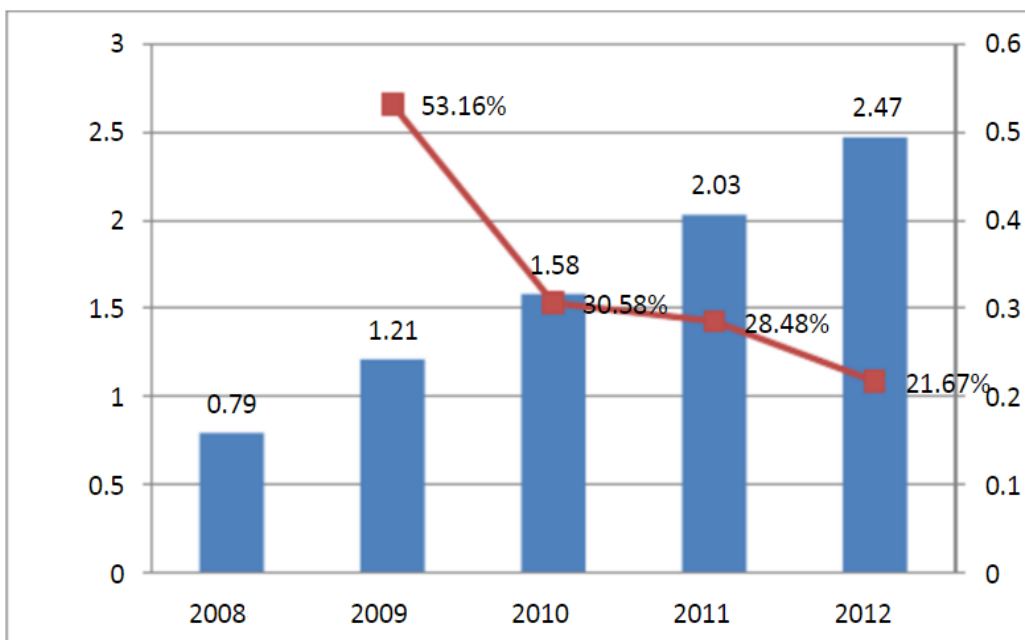


Fig.3.1 Online shopping user scale growth in China

As of December 2012, China online retail market transactions reached 1.3205 trillion yuan, an increase of 64.7%, is expected to reach 1.8155 trillion yuan in 2013 . Among them, Jingdong mall turnover exceeded 60 billion yuan; Suning annual sales amounted to 18.336 billion yuan; The effect of E-commerce making holiday, especially at the end of "double eleven" and "double twelve" to increase online shopping trading volume; Online shopping users continue to grow, more and more people to accept online shopping and to join the ranks; Online shopping compared to the store shopping has a certain price advantage. Figure 3.2 shows the scale growth of online retail transactions in China.

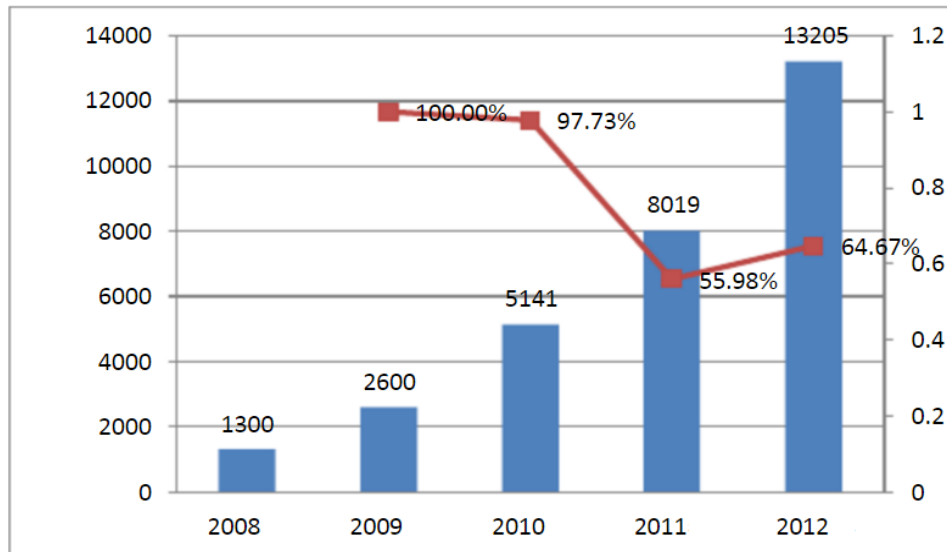


Fig. 3.2 The scale growth of online retail transactions in China

3.1.2 The scale of small and medium sized enterprises using E-commerce:

According to the China e-commerce research center monitoring data show that as of December 2012, the domestic use of third party e-commerce platform for small and medium-sized enterprise scale users (including the same enterprise registered on different platforms but not included in the same platform to repeat registration) has exceeded 17 million, as shown in Figure 3.3. In 2012, in order to help enterprises to tide over the difficulties and promote economic development, local governments have introduced support policies to promote small and medium enterprises to carry out online trade.

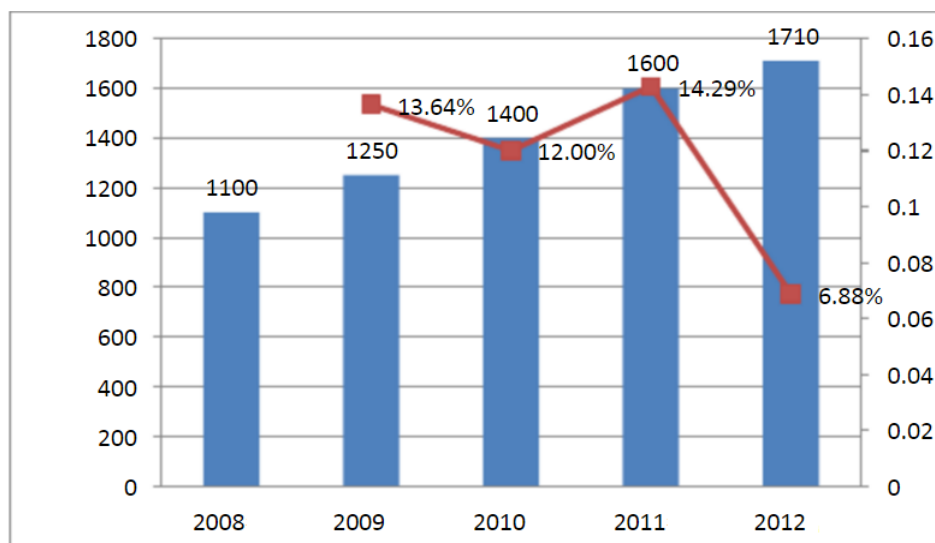


Fig.3.3 The use e - commerce platform for small and medium - sized enterprise scale growth in China

3.1.3 The Development of Mobile E - commerce Market:

According to the China e-commerce research center monitoring data show that as of December 2012, China Mobile e-commerce market transaction scale reached 96.5 billion yuan, an increase of 135%, still maintained a rapid growth trend. Expected to 2013 this figure is expected to reach 130 billion yuan. Mobile e-commerce rapid development of the main reasons are: the number of mobile phone users and the number of mobile phone Internet users to rising ; Cheap smart phones and tablet computers in a large number of popularity; Internet speed, wireless broadband, tariff reduction; traditional e-commerce providers precipitation, for the development of mobile e-commerce has laid the foundation. Figure 3.4 shows the scale of China mobile e-commerce market growth.

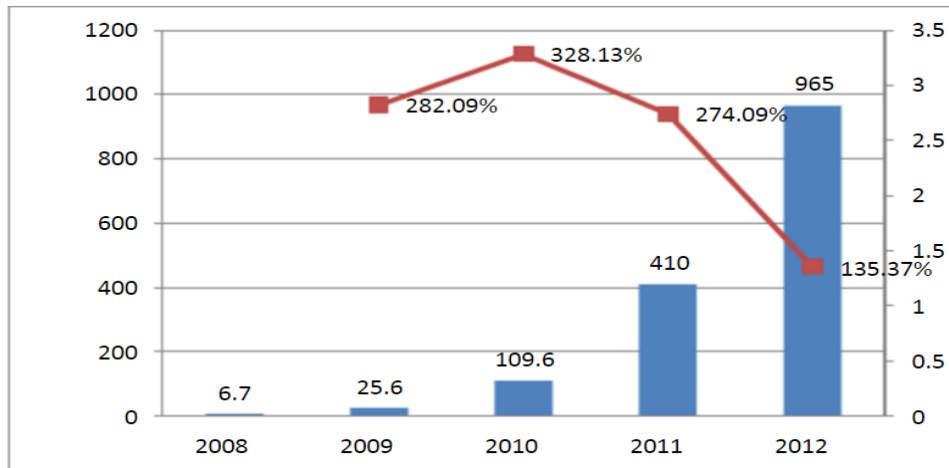


Fig.3.4 The scale of China mobile e-commerce market growth

3.2 The Development of Network Marketing in China:

3.2.1 The Development Stage of Network Marketing in China:

In 2011 the well-known market research and management consultancy "CCID Consulting" report pointed out: China Internet after ten years of development, has changed the value of the pursuit of quick success, gradually return to rational. In 2010 the scale of China network marketing market continues rapid growth, an increase of 42.7%, among them, network advertising accounted for 40.3% of network marketing total revenue, business platform marketing, search engine marketing, wireless network marketing and Email marketing respectively accounted for 31.5%, 21.0%, 4.6% and 1.2%. Figure 3.5 shows the scale growth of China network marketing market.

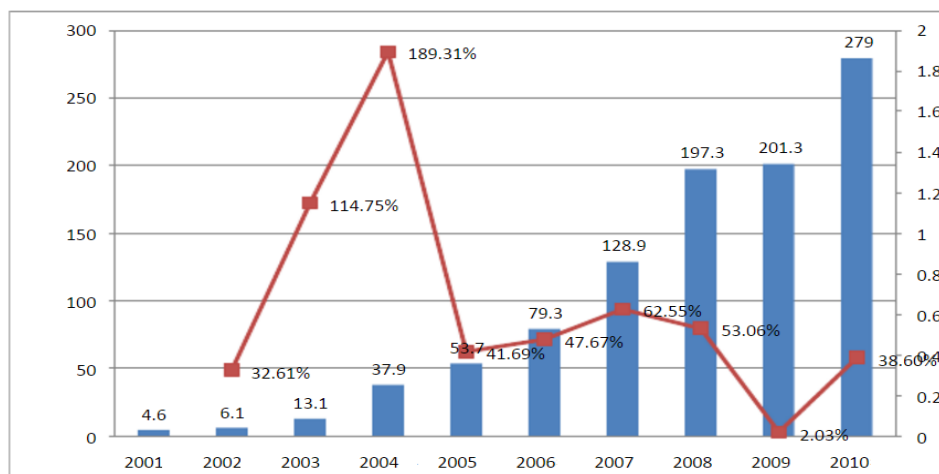


Fig.3.5 The scale growth of China network marketing market

3.2.2 The Development Characteristics of Network Marketing in China:

- (1) The penetration of online shopping rapidly increasing.
- (2) Website construction has become the basis of enterprise network marketing, online sales environment is becoming more and more perfect
- (3) Forms of online advertising and application development
- (4) E-mail marketing, search engine marketing to further develop

3.2.3 Advantages of network marketing:

- (1) As the medium of the Internet has become an important tool for enterprise marketing.
- (2) The effect of network marketing is superior to other media.

(3) Network and other media integration makes the user's media consumption habits more and more focused on the network

3.2.4 Disadvantages of network marketing development in China:

1. The problem of lack of network integrity
2. The user experience problems
3. Online shopping security exist hidden dangers
4. Market strategy is limited, the marketing effect is not good
5. The marketing environment is confusing, affecting the healthy development of the network

IV. TAOBAO E-COMMERCE MODEL

Taobao provided by the user on the user's transaction mode, which features similar to the real business world flea market. Its constituent elements, in addition to the buyer and the seller, also include Taobao provided by the trading platform, which is similar to the flea market place in reality providers and administrators. In the C2C mode, Taobao plays a decisive role. Taobao can be the top of E-commerce market in just two years, people may think it lies on the characteristics of the Internet economy, but the most important is its effective marketing strategies.

V. TAOBAO SWOT ANALYSIS AND MARKETING STRATEGY INNOVATION

SWOT, which stands for strengths, weaknesses, opportunities and threats, is an analytical framework that can help your company face its greatest challenges and find its most promising new markets. The method was created in the 1960s by business gurus Edmund P. Learned, C. Roland Christensen, Kenneth Andrews and William D. Book in their book "Business Policy, Text and Cases" (R.D. Irwin, 1969).

5.1 Introduction the development of Taobao:

Taobao is Asia-Pacific's largest network of retail and business district, to build the world's leading network of retail and business district, by the Alibaba Group in May 10, 2003 investment in the creation. Taobao is now operational across the C2C (person to person), B2C (business-to-individual) of two parts.

According to the China Electronic Commerce Research Center monitoring data show that in 2012 in the C2C market, Taobao market share accounted for 96.4%, far higher than other competitors, in an absolutely dominant position, as shown in Figure 5.1. While in the B2C market, Tmall rely on Taobao flow import in 2012, its registered users to reached to up 100 million people; Followed, is ranked two Jingdong Mall registered users exceeded 80 million; ranked third is Suning , its online registered users (including red child) reached to 30 million; Dangdang,Gome Online respectively 10 million and 5 million registered users industry ranked fourth and fifth, as shown in Figure 5.2. Taobao has the largest number of registered, shopping penetration rate reached 91%, is located in the first, as shown in figure 5.3.

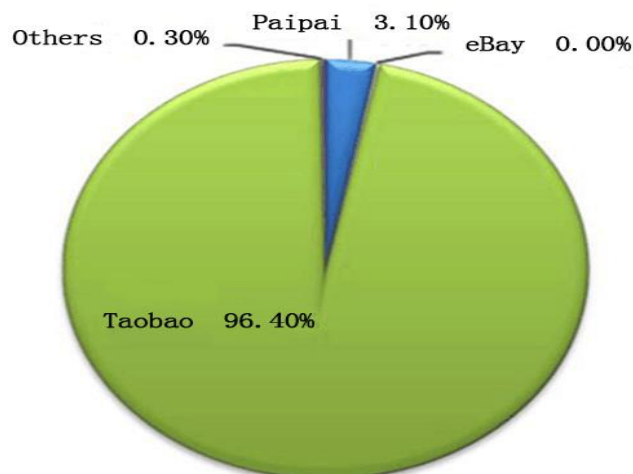


Fig.5.1 C2C platform network market share in 2012

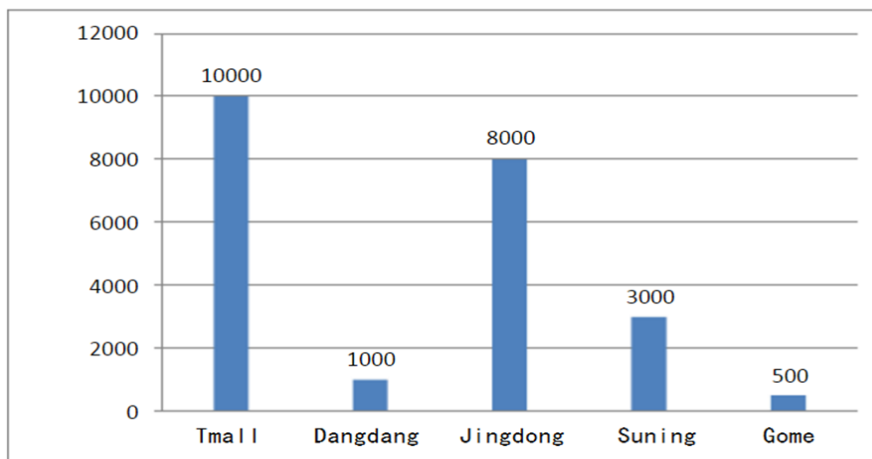


Fig.5.2 Typical B2C network platform registered users contrast in 2012

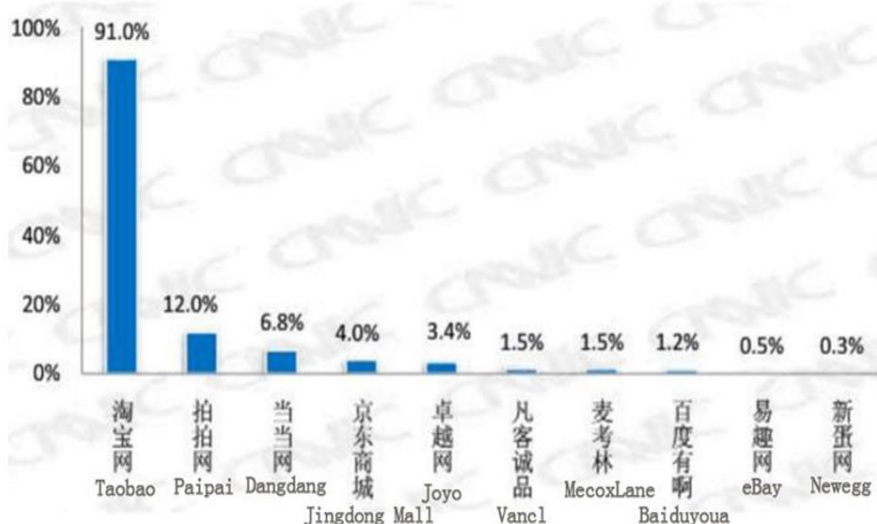


Fig.5.3 Main shopping website user penetration rate in 2012 (%)

5.2 Taobao SWOT analysis:

5.2.1 Strength:

1. Precise market positioning:

Taobao analyzed China online shopping market at the beginning of its business. Different from other online shopping websites which prefer older white-collar workers with higher salaries or people who like collecting and sharing, Taobao chose fashionable younger females as the target customer. This market positioning proved more suitable for China market compared to other websites. This is one of the reasons that the growth rate of Taobao is much higher than other competitors. For example : Taobao's customer target positioning in the low-income stage, by the 2009 China online shopping survey research report can be seen that Taobao's buyers mainly to lower than 5000 yuan medium and low-income people. On eBay and Taobao in the contest can be found in the face to occupy a market share of 90% of eBay, Taobao did not choose competition with the existing market, but utmost development by eBay neglected middle and low-end market, so that nearly 800% annual growth rate of rapid development, just three years later, Taobao accounted for 80% share of the C2C market , while eBay is to give up China market. In this international giants and China local enterprises in the contest, is the middle and low-end target population positioning help Taobao out of the tight encirclement of eBay. eBay choice tends to be international, male, familiar with technology, high income white-collar workers. Taobao positioning is the fashion, female , small shops patterns crowd. In contrast, Taobao's positioning is more suitable for China.

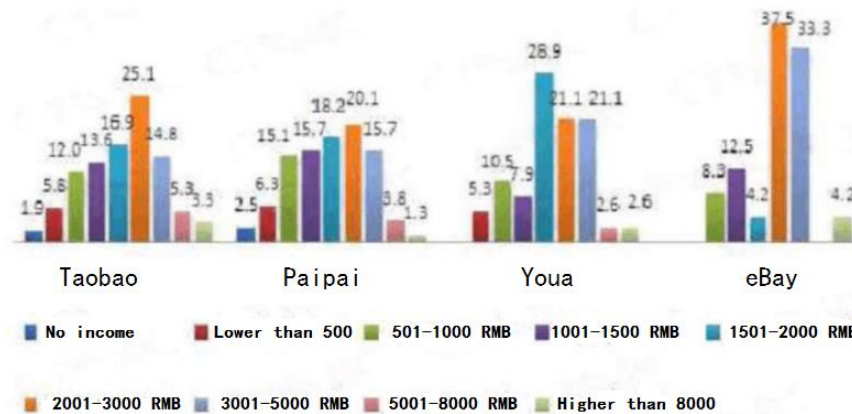


Fig. 5.4 The main C2C website user income disparities

2. Correct marketing strategy:

- (1) Experiential marketing – free
- (2) Differentiated marketing strategy

3. Leading position in China online shopping market:

Taobao is an acknowledged leader in both B2C and C2C online shopping market in China. Taobao had more than 190 million registered users at the end of April, 2010. It has built a strong brand and is recognised by more Netizen (which is defined as the Chinese population who have accessed the Internet in the past 6 months by China Internet Network Information Centre) (CNNIC, 2008, January 15th). The company is well-thought-of by customers which gives Taobao more advantages in competition.

4. Effective combination of diversified offerings:

Taobao combines its three segment businesses effectively to enlarge its customer base. Take Alipay as an example, it is a third-party online payment platform, provides a simpler, efficient and safe payment service for both customers and sellers. This service not only ensures the transaction security but also reduces the transaction risk for online consumers, as it enables buyers to confirm the quality of goods before releasing funds to sellers. For example, if goods are found to be broken or fake, customers can request Alipay to postpone the release of funds to sellers. Alipay is a safety guarantee for shopping in Taobao, it's a massive security role. Compare with eBay it is more safe and convenient. This service helps Taobao to attract more customers.

5.2.2 Weakness:

1. Limiting itself to local market
2. Insufficient screen process to control counterfeit products
3. Operating costs
4. Limitations of C2C shopping patterns

5.2.3 Opportunity:

1. Growing demand for online shopping in China
2. Government support
3. Safer payment systems for online transactions

5.2.4 Threat:

- (1) Low entry barrier leads to fierce competition
- (2) Strict policy for third parties payment license
- (3) Higher logistics costs

- (4) Policy uncertainty
- (5) The threat of substitutes
- (6) B2C market competition

5.3 Taobao marketing strategy innovation”

5.3.1 Customer strategy:

- 1. Design a simple and easy-to-use web interface
- 2. Establish a humanized customer service system

5.3.2 Product Strategy:

- 1. Has the characteristic. "When a thing is scarce, it is precious", a unique product not only has the benefits of fast also has the characteristics of rapid sales, with distinctive characteristics can attract more consumers to buy.
- 2. Conform to the contemporary trend of fashion. Consumers tend to buy fashion products more and more, the characteristics in line with the consumer spending habits, but also reflects the progress of the times.
- 3. Product packaging. As Taobao mall and small retailers in order to achieve product differentiation when the product leave factory, then must make great efforts in product packaging , so that consumers at a glance the product with many businesses products to distinguish . Can be bright colors can also be a non mainstream sample.
- 4. Product portfolio sales. There are no large differences on Taobao sale of goods and physical store sales , sales can also use the same or similar methods. Use product portfolio sales can be bundled or buy one get one approach to attract consumers' attention, and ultimately achieve sales success.

5.3.3 Price Strategy:

- 1. Security real-name authentication
- 2. Credit rating assessment upgrade

5.3.4 Credit strategy:

- 1. Security real-name authentication
- 2. Credit rating assessment upgrade

5.3.5 Communication strategy:

Effective communication can be said to be another magic weapon of C2C e-commerce sites, and the characteristics of its communication is customers for two-way communication . Website will be goods, services and brand information to consumers, then consumers will pass back the feelings and opinions. This form of website, goods, services, brands and consumers of Taobao marketing strategy of innovation research is to communicate. Taobao features communication tool is Aliwangwang. Aliwangwang is to provide a real-time communication for trading parties, thereby greatly improving the commodity turnover.

VII. CONCLUSIONS

The rapid development of Internet and information technology show that: network marketing will become the mainstream of enterprise marketing in twenty-first Century. Taobao is a great potential for the development wireless of new network marketing, with the development of social economy, more and more people in the use of Taobao. Taobao in its development process using scientific and effective marketing strategy to deal with the current fierce market competition. According to the SWOT analysis, although there are some drawbacks which have negative effects on Taobao's future development, the advantages still outweigh the disadvantages. In addition, there are many opportunities for Taobao's further growth. This conclusion will give some suggestions for Taobao's future business expansion.

First of all, in order to keep the leadership position, technological innovation is crucial for Taobao. Taobao may focus on continuous improvement of its online payment system, which is also one of its strengths, particularly in the aspect of transactions reliability and security. Moreover, website functions, Internet stability and high-speed access to websites are

also important in providing a better user experience, which may help to attract more customers.

Secondly, as Taobao has the advantage of large scale consumers and sellers, Taobao may segment its market to provide more specialized services based on different demands so that it can meet customers' requirements more effectively.

To sum up, it is undeniable that the future of the online shopping market in China is promising. Based on the statistics by CNNIC, It is in a steady development stage. In this attractive online shopping market, more complete logistics providers and payment systems will appear. These will provide Taobao more opportunities to develop in the future.

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