

# Chinese E-commerce Competition

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## ABSTRACT

In China today in 2021, the online shopping industry is already a very mature industry chain, and online shopping plays a very important role in the lives of people living in China. Such a phenomenon cannot help but make more companies and platforms want to participate in this industry, because the huge profits and user base behind this industry are immeasurable. Therefore, it has brought about the transformation from the earliest Taobao to online shopping with live broadcasts. While they are progressing together, there are also huge risks. The live webcast has made progress in these aspects, but people still think it is risky. These new developments have also raised many questions. For online search e-commerce companies such as Taobao and Tmall that have been relatively stable, I believe that online live shopping platforms such as TikTok Kuaishou will not pose a long-term threat to them. Therefore, the subject of research is whether the online search shopping platform will be impacted by the online live shopping platform. The research methods I mainly use are mainly through data surveys and overall market trends. The research objects are some major, large-scale online search shopping platforms and online live shopping platforms. The data are all real, valid and accurate data searched directly from Google Chrome. As more and more investors become more optimistic about the online live shopping platform, it may overtake the online search shopping platform.

**Keywords:** e-commerce, TikTok, China, Taobao, competition

## 1. INTRODUCTION

The background of the research is the Chinese e-commerce market that has been transformed under the huge impact of live webcasts. This paper wants to discuss the difference between the online search e-commerce platform and the online live shopping e-commerce platform. This study is undoubtedly a study to clarify ideas for investors.

## 2. DIFFERENCES IN CONSUMPTION MOTIVATION

First of all, people this paper wants to discuss the difference between the online search e-commerce platform and the online live shopping e-commerce platform. Several representative online search e-commerce platforms are Taobao, Tmall, JD, and Pinduoduo. Several representative online live shopping e-commerce platforms are TikTok and Kuaishou. The most obvious difference between the two is that users who use online search e-commerce platforms such as Taobao and Tmall purposefully search directly for shopping, while those who use online live shopping e-commerce platforms are TikTok and Kuaishou mostly

based on interests. Their users are almost all impulse shopping consumers.

## 3. DIFFERENT CONSUMER GROUPS

In addition, the biggest difference between the two is that platforms such as Taobao and Tmall have existed in the market for nearly ten years. All operating models and consumer groups have stabilized, but Kuaishou and TikTok live broadcasts. The goods are an industry that has just emerged in the past two years, and everything is unstable. In addition, users who search for e-commerce are more involved. When users want to buy high-end luxury goods, people can choose platforms that have overseas direct purchases like Tmall. When users want to buy electronic products, users can choose to use electronic products like JD.com.

When users want to buy daily necessities, they can choose Pinduoduo, a platform that can save money. Finally, Taobao, the e-commerce giant, integrates various products and supports various users to choose various commodities. However, the selection of users who bring goods through live webcasts is relatively

simple, because most of them are impulsive consumption.

It can be seen from an article published by People's Daily Online on November 18, 2019 called "Internet celebrity live broadcasts gradually return to rationality: not all products are suitable for live broadcast"[3]. Users will choose products less than 1,000 yuan for shopping, and most of them are daily necessities and food. Therefore, for some expensive products, most people will search for e-commerce platforms to buy them. There are also user portraits.

According to the massive arithmetic article "The 2020 Douyin User Portrait Report" [4], it is possible to obtain the portraits of the Douyin male and female groups. The preference of male users aged 19-24 is high, and the preference of female users aged 19-30 is high. For searching e-commerce, most of the people who use it are people with quality of life or busy people, such as white-collar workers and students. And the age coverage is very wide. It can be seen from the articles in the social marketing case database that women accounted for 53.82% and men accounted for 46.18%. Women are no longer the main force paying attention to live streaming. [5] This greatly limits the prospects of live delivery of goods, because it takes a long time to wait for the goods you want. But for the price of the product, the live streaming e-commerce platform has made a huge breakthrough.

For the same product for less than 1,000 yuan, the live streaming e-commerce platform can give buyers the greatest discount. And they have made great breakthroughs in marketing. Many public figures have seen the business opportunities and joined the live broadcast team. The addition of some first-line celebrities and Internet celebrities and the combined video explanation process can greatly improve users' understanding of the product. The trust of search e-commerce companies cannot be compared. Today's live streaming is actually the same as the two thousand years of TV shopping, so we can't predict the risks it will encounter in the future, let alone whether it will one day disappear from the public eye like TV shopping.

#### **4. DIFFERENCES IN CONSUMPTION DATA**

We can more intuitively understand the difference between them from the data. China's GDP (trillion yuan) in 2015 is 67.7[1], and China's GDP (trillion yuan) is 101[1] in 2020. The compound growth rate is 8.46%[1], which shows that China's GDP has been growing. Among them, the total social retail sales (trillion yuan) have grown from 30.09[1] in 2015 to 39.2[1] in 2020, the compound growth rate is 5.43%[1]. Therefore, the growth rate of total social consumer retail sales is slower

than GDP shows that there are structural problems in the Chinese economy.

The people still have no money, but the domestic consumer market will be the general direction in the future. However, in the past five years, the total e-commerce retail sales (including services) has increased from 3.88 trillion yuan[1] to 11.71 trillion yuan[1], from initially accounting for 10%[1] of total social retail sales to now accounting for 100%[1]. Of 25%, the compound growth rate is an astonishing 24.72%[1].

This is enough to show the development of China's online e-commerce platform. In the past five years, the rise of Douyin Kuaishou in 2018, 2019, and 2020 has not caused a breakthrough growth in the total e-commerce retail sales, but has been growing steadily. Most of the search and shopping platforms are making the biggest contribution here. In addition, the e-commerce penetration rate can also prove that the e-commerce growth rate is very fast. The penetration rate in 2020 has reached 29.87%[1] from 12.89%[1] in 2015, and may reach 50%[1] in the future. Among them, we study the data of each company in more detail.

Alibaba's domestic retail GMV (trillion yuan) has increased from 3.09[1] in 2015 to 7.5[1] in 2020, with a compound growth rate of 19.40%[1]. Alibaba's domestic retail GMV growth rate It has been growing, but the growth rate is slower than the industry. However, Alibaba has always been a giant in the industry.

It can be seen from the market share of Alibaba that it has always accounted for more than 60%[1] of the entire industry. Although the market share has dropped from 79.64%[1] in 2015 to 64.05%[1] in 2020, it is not surprising that because the industry is so attractive, many companies are eager to make profits from it. Although the growth rate is slow and the proportion is low, it does not prove that Alibaba's future and its leading role in the industry have disappeared. Because, for example, Alibaba's Taobao and Tmall have already started live streaming. For Alibaba's two major online shopping platforms, Taobao and Tmall. Their GMV has also been in the process of steady growth.

Although Taobao's market share is not as good as before. Tmall's market share has been growing, while Taobao's market share in 2020 will be about 30%[1], while Tmall's market share will be about 34%[1]. Both companies belong to the Alibaba Group, so Alibaba can be said to have monopolized the entire industry. For JD.com, which is also a search and shopping platform, JD.com has not fallen behind in the competition with Alibaba, and has advantages in logistics and customer experience.

The compound growth rate of JD's GMV has reached about 35%[1], and its market share has also grown from about 15%[1] to about 22%[1]. The two large-scale search and shopping platforms and their amazing market

share made me more convinced of their monopoly on the entire industry. Pinduoduo, also a search and shopping platform, has seized the rapid rise of the sinking market after 2017, with a compound growth rate of 154.19% [1]. From 2015, it only occupied less than 1% of the industry, and by 2020, its comrades-in-arms will be about 100% [1]. Of fourteen.

After 2020, short video live broadcast e-commerce has risen, and TikTok e-commerce will exceed 500 billion yuan [1] in GMV in 2020, more than three times the 180 billion yuan [1] in 2019. Kuaishou e-commerce GMV has increased by nearly six times, from 60 billion [1] in 2019 to 380 billion [1]. The market share of TikTok e-commerce has increased from 0.016% [1] to 6.67% [1], and the market share of Kuaishou e-commerce has increased from 0.56% [1] to 3.25% [1]. The rapid increase in profits and rapidly increasing market share of online live shopping e-commerce has directly caused many investors and investment companies to be optimistic about their future prospects. Everbright Securities released an article titled "Live E-commerce: Everything has just begun, and the future has infinite possibilities" on November 14, 2019.

The article summarizes most of the reasons for the advantages and support of live shopping e-commerce. These supporters believe that with the addition of some phenomenal anchors and celebrities, live streaming has unlimited prospects. And according to research and data calculations, the total scale of live e-commerce in 2019 is expected to reach 440 billion. They believe that live streaming has changed the existing traditional shelf-style e-commerce before. It is not only an upgraded version of the research report related to TV shopping briefs in history but also improves the relationship between consumers and brand owners from the perspective of the entire industry chain.

From the commodity side, live broadcasting has increased the potential online penetration rate of non-standard products; from the user side, live broadcasting can find users' unplanned shopping needs; from the perspective of the industry chain, live broadcasting has accelerated the speed of supply-side product development, thereby realizing users' immediate response to demand. The advantages of this series of online live shopping platforms are undoubtedly a phenomenon.

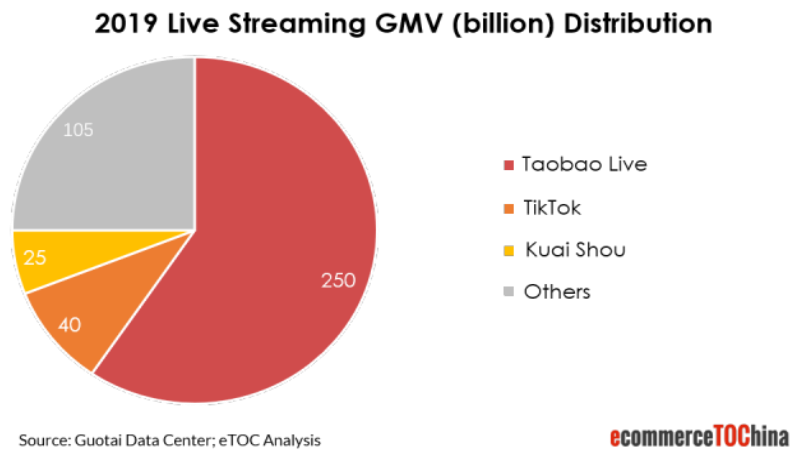


Figure 1. 2019 live streaming GMV(billion) distribution

### 5. FORECAST OF FUTURE E-COMMERCE DEVELOPMENT TRENDS

There is no doubt that the emergence of the new coronavirus has helped online live shopping platforms. People's study and work time have been greatly reduced. Long-term home life and home bans make people want to buy more items with the least amount of money and do not need to go out of the house. So online live shopping seized the opportunity to create huge profits.

But the first choice for mature investors is still Alibaba or JD. Because first of all, online search shopping platforms, especially Alibaba and JD.com,

have been in the industry for more than ten years. All trends and conditions have long been stable, and it can be intuitively seen from the data that Alibaba and JD.com have been monopolizing this. In the industry, TikTok Kuaishou cannot surpass or even catch up with the profits and monopolies created by Alibaba and JD.com in the past. Moreover, Alibaba owns two industry giants, Taobao and Tmall, and has also begun an attempt to bring goods through live broadcasts. So I have always believed that online search shopping platforms will defeat the online live shopping platform in this long tug-of-war, and perhaps the future online search shopping platform will swallow the online live shopping platform [2].

## 6. CONCLUSION

It can be concluded from this paper that online search shopping platforms have a greater chance of winning in this competition. Therefore, the online live shopping platform cannot catch up with the traditional online search shopping platform in a short period of time. Although this paper is only an analysis of data and trends, people cannot predict the specific future of any company. But people should focus on the development momentum of these two companies in the past two years for further investigation. It is believed that in the near future, we will come to a conclusion.

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