

Research on the Development Problems and Countermeasures of China's E-commerce Platforms——Taking Taobao as an Example

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Abstract. As the Chinese e-commerce market appears as a leading trend that helps to reduce cost of both consumers and sellers during transactions, decrease the development gap between rural and urban areas, and create job opportunities which lead to increment of employment rate, Taobao becomes one of the largest e-commerce platforms in China for it caters to the needs of small and medium sellers, leaving other similar platforms behind. However, as the retail sales and the number of users skyrockets each year, the obstacles that e-commerce platforms face also become more obvious. Therefore, this research attempts to narrow down things that hinder e-commerce platforms from further expanding and provide viable solutions that e-commerce platforms could try to employ. To collect information about the challenges faced by e-commerce users and the possible solutions, the research focuses on relevant literature reviews and data before and in 2021. The main concerns for the development of e-commerce platforms, specifically for Taobao, are the rating system, fraud transaction, and the logistic services. According to relevant literature, providing a descriptive survey for the rating system, setting up inspection departments, and establishing its own logistic company or creating a ranking system for logistic companies that cooperate with Taobao are all possible solutions that Taobao can refer to. This research tries to identify concerns that e-commerce users generally have for e-commerce platforms that still lack improvement. Through the combination of related articles and creative ideas, it offers hypothetically effective solutions to the challenges that are identified. The research intends to help the Chinese e-commerce market to evolve into the next level and make electronic transactions more pleasant for platform users.

Keywords: E-commerce; Taobao, China; Problems; Countermeasures.

1. Introduction

E-commerce is to conduct business transactions and related activities through electronic transactions [1]. Jiang [2] mentioned in 1999, China's first e-commerce C2C platform was 8848 (platform), three months later it was eBay, a month later it was Jack Ma's Alibaba, and Taobao, which also belonged to C2C, was born in 2003. In the process of growth, Taobao better catered to the needs of small and medium-sized sellers in China, defeated eBay in the most subsequent competition, and became the leader in China's C2C field. In 2008, it launched a B2C business and established Taobao Mall, and then renamed Taobao Mall (Tmall Mall) in 2012. According to China's e-commerce report [3], China's e-commerce transaction volume hit 34.81 trillion yuan, of which online retail sales were 10.63 trillion yuan and a year-on-year increase of 16.5%. In addition, the online retail sales of physical goods were 8.52 trillion yuan, which accounted for 20.7% of the total retail sales of consumer goods, and 51.256 million people were engaged in e-commerce-related industries. Meanwhile, OECD [4] thinks E-commerce can effectively reduce the time cost and the distance between buyers and sellers to provide better service for each participant of e-commerce activities.

ITC [5] studied the success of Why Mo e-commerce in China and the obstacles and coping strategies that exist in e-commerce between China and Asia. In addition, ITC [5] also mentioned how Asian companies entered the market. Jun & Jing [6] explores the legal role played by the Chinese government in the e-commerce market and analyzes the new trends in China's e-commerce (Internet

finance, big data, social commerce, etc.). At the same time, the article also put forward many policy recommendations for developing countries including China on e-commerce [6]. Furthermore, Jun & Jing [6] uses this research to keep people informed about the uniqueness and trends of China's e-commerce development. Shen [7] compared the differences in the origin and future views of Sino-US e-commerce and explained the main differences between logistics and payment, legalization and technology, and cultural content through analysis. Besides, China's B2C is estimated to surpass the U.S.'s C2C and become the dominant force in the future [7]. According to the results of the report of Ouyang, et al. [8], China's e-commerce has solved many financial problems through informatization and digital systems; cloud computing has provided SMEs with cheap solutions and promoted innovation; it has created a farmer's business model and reduced China's development gap between urban and rural areas; it also provides more employment and entrepreneurial opportunities for young people. Li & Suomi's research [9] shows how China's e-commerce is affected by the regional environment in the development process and analyzes development obstacles and conditions. In addition, Li & Suomi [9] also mentioned how to realize the potential of e-commerce under the influence of Chinese regulations on payment systems and logistics systems.

Most of the documents discuss the current situation and achievements of China's e-commerce, analyze the future trend and give relevant suggestions. The literature also compares China with other countries in e-commerce, analyzes the differences, and broaches some details that China can learn from the development of e-commerce in other countries. At the same time, it also puts forward the problems and challenges in the development of cross-border e-commerce between China and other countries, and gives targeted opinions on these defects. The problems mentioned here mainly focus on logistics, regional differences and cross-border e-commerce. In the marketing model, almost no literature has mentioned or done relevant research about market order (including law) and terminal (distribution node). In a word, most of the research on China's e-commerce is from a macro perspective, and there is less research on micro view (such as platforms).

The research of this paper will start from four aspects. Firstly, in the method part, the name of the research method used in this paper will be put forward and how to use this research method will be discussed, or the expected results and effects on this research can be obtained by using this research method, or the data or content of which module in this paper has been solved. Second, in the result part, the development status of the industry studied in this paper will be introduced; Analyze the development status of the industry studied in this paper; Analyze the consumer behavior characteristics of Taobao; Put forward the problems to be optimized and solved. Third, in the discussion section, optimization and improvement strategies will be written for the problems raised by the result. Finally, the main summary result and discussion findings will be summarized in the conclusion part; Mention that it has promoted the development of the industry or a company (or what problems have been solved); Analyze the limitations of this study and give future improvement measures for them.

2. Methods

The main research method proposed in this paper is literature which, according to the content to be studied, finds relevant literature and data, so as to comprehensively understand the research background, trend and prospect. Its scope includes literature review and empirical research in 2021 and before, and 2021 and after is the purpose of this study. In this study, Taobao, as a part of e-commerce, will be defined as an online mall where buyers can pay and get what they need without going to the physical store. Among them, Taobao, Tmall and e-commerce platforms will be reused and may be used alternately.

In the result part, since we need to introduce the development of e-commerce in China, we will review the literature before 2021. For the analysis of consumer behavior (Chinese e-commerce and Taobao), we will search for some relevant theoretical and empirical analysis from the book to support it. In the discussion part, this paper will optimize and improve the problems raised in the result part,

so we will adopt the same method as analyzing the characteristics of consumer behavior. However, in the discussion part, we will expand the search, including the improvement of market order, the development of marketing model, the analysis of China's e-commerce market and the improvement measures to deal with e-commerce problems abroad. In addition, we will also use some literature as theoretical support for the limitations and future studies in the conclusion. Most of the information in this article comes from online data: Google academic, Alibaba Research Institute, Bing academic, and online libraries of some universities. In the documents and materials searched, there are the development of e-commerce in China and the prospect for the future. This contains a lot of data. Therefore, we will use qualitative content analysis to analyze the data in the literature that can support the relevant analysis and problem optimization of this paper.

Through the search of relevant literature, we found about 30 materials to answer our questions: Whether there are problems with the credit system and product quality of the e-commerce platform and whether it needs to be improved; Whether the current market order of e-commerce industry needs to be improved, and to what extent; Whether there is a problem in the logistics distribution node of Taobao, how to deal with it if exists, and whether it needs the intervention of national law.

3. Results

3.1 The development status of China's e-commerce platform

MOFCOM [3] shows that China's e-commerce market has further expanded and the e-commerce service industry continues to maintain rapid growth; It has reached 4,474.1 billion yuan in revenue and achieved a year-on-year growth of 27.2%. The revenue of e-commerce platform services reached 841.2 billion yuan, a growth rate of 27.0% and continued to maintain rapid growth; The business revenue of electronic payment, e-commerce logistics, information technology services and credit services (e-commerce supporting services) reached RMB 1,795.69 billion (up 38.1%) and continued to maintain steady growth; the growth rate of business revenue in the field of derivative services was 18.3%, reaching a total of 1,837.2 billion yuan.

According to iResearch's survey [10] results, China's e-commerce service companies have risen from 2,280 in 2010 to 105,850 in 2019, reflecting the gradual enrichment of e-commerce platforms due to marketing models. In addition, the scale of China's online market (the online shopping market is the sum of B2C and C2C transactions) rose from 3,803.90 billion yuan in 2015 to 10017.31 billion yuan in 2019, with a compound annual growth rate of 27.4% [10]. At present, the two major C2C platforms in China are Taobao (currently there are about 500 million registered users, the total number of online products exceeds about 800 million, and there are more than 60 million regular visitors every day, which is the largest online retail in the Asia-Pacific region) and Jindong (currently has 300 million users) [11].

Nowadays, Tmall market share in China's B2C market reached 59.9%, JD's 57.6% and Suning Tesco's 57.3% [12]. In addition, according to PwC analysis [12], China's C2C market share was 74.7% in 2011, while B2C's share was only 25.3%. But by 2018, PwC's [12] analysis believes that C2C's market share will drop to 31.9% and B2C's market share will reach 68.1%. Besides, China's e-commerce report [3] shows that China's C2C market transaction volume in 2019 is 256.5 billion yuan, and the B2C transaction volume is 476.4 billion yuan (approximately 56.6% of the market share). Although China's B2C market share accounts for 68.1% of PwC's analysis, it has largely surpassed the C2C market share. Therefore, B2C will dominate the Chinese e-commerce market in the future.

3.2 Current problems of China's e-commerce platform

At the same time, there are also many problems in the development of Chinese e-commerce platforms. Wang [13] mentioned that the current widespread application of information technologies such as cloud computing and big data has become an important resource that is vital to the marketing, service and core competitiveness of enterprises. However, the ownership and use rights of data are not clear, and there is a lack of operational laws and regulations, mature rules and systems. Individuals,

companies, and governments have blurred boundaries in the collection, processing, use, and sharing of e-commerce data [13]. It is difficult for the government to obtain corporate data, and there are obstacles to data exchange between companies [13].

Pan [14] believes that the problem of counterfeit goods has been plagued by the development of cross-border e-commerce and affected the image of cross-border e-commerce. At present, China's cross-border e-commerce mostly adopts the "bonded import + overseas direct sourcing" model to ensure the reliability of product sources. However, "overseas direct sourcing" has many problems [14]. First of all, "overseas direct sourcing" products have to go through a series of procedures such as international logistics and Chinese logistics to reach consumers, and it is easy to mix fake goods in the circulation process [14]. Secondly, a large number of small and medium-sized cross-border e-commerce platforms have limited sales, and do not have advantages in overseas investment and supply [14]. It is difficult to obtain products directly from manufacturers and this makes the supply of some platforms mixed, leading to the frequent occurrence of fake products [14]. At the same time, Wang [13] also believes that counterfeiting and infringement of intellectual property rights occur from time to time in the order of the e-commerce market, causing serious harm to consumers and normal businesses.

Li et al [15] mentioned that there are three negative problems in China's logistics: the service capacity of the express industry cannot meet the needs of e-commerce, which is mainly manifested in the low market concentration and the low quality of logistics services under the enterprise franchise system; there are few warehousing facilities and low modernization.; Courier companies mainly provide services to large cities, with the exception of China Post almost no coverage of rural express outlets. In addition, Wang [13] also believes that many places use community convenience stores as end distribution nodes, but their subject identity is not clear, and there are currently no relevant regulations or policies to define them.

3.3 Taobao's current problems

Luo & Li [16] analyzes Taobao's existing problems from five aspects: Taobao's credit is only related to transaction volume, not transaction amount, and its credit factors are single; Taobao's evaluation levels are only set as "good", "medium", and "bad". There are three grades of "evaluation", and the span of the three grades is large, and it is difficult to truly reflect the satisfaction of users. There is no further division between "praise" and the three; If the buyer does not comment on the seller, the system will default to the seller 15 days after the end of the transaction. The default praise is also included in the seller's credit rating and favorable rate, but this situation does not truly reflect the seller's credit; in Taobao, the credit rating of the seller who has not been verified by the real name is also included in the credit index of the seller, and the seller is verified by the real name; because the credit history of Taobao cannot be cancelled, the bad review obtained by a seller in the past will always be reflected in the seller's credit index. In his credit information, the accumulation of bad reviews will surely affect the judgment of later buyers on his current credit.

In terms of logistics, Zhao [17] pointed out: Taobao lacks standards and evaluation means to measure logistics service providers, which leads to the lack of logistics problem-solving ability and the consequences of problems that cannot be solved; For some remote areas, there is a long transaction cycle. At this time, Taobao will eliminate these enterprises, so no enterprises will distribute to these areas; Some logistics companies designated by Taobao try their best to reduce prices in order to gain market share, but at the same time, they also lead to inferior services (damage, loss, untimely distribution, barbaric behavior during loading and unloading); The buyer needs to sign when picking up the express, so that the logistics company can prove that there is no problem in the logistics distribution process. If there is a problem with the goods, the logistics company can shirk the responsibility with the platform or the buyer.

According to Zhang et al [18] research results, it is found that 65% of buyers are worried about the quality of goods provided by C2C platforms such as Taobao, and more than 30% of platform users

maintain a skeptical attitude towards the reputation of online merchants. Therefore, most customers will put the quality of goods and business reputation first, but Taobao is still lacking in this.

4. Discussion

4.1 Solution to improve the evaluation system of Chinese E-commerce platform—Using Taobao as an example

Taobao's evaluation system for the finished transactions should be improved because ratings such as four stars and five stars could not directly reflect buyers' true feelings about the purchase. Furthermore, the default praise after 15 days makes it even more difficult for users to distinguish the good seller because sellers which do not provide such good services can also gain a high rating through the default praise. Accordingly, to better reflect users' true feelings, Taobao should give a questionnaire instead of letting users just simply give the points. It can ask about the overall feeling for the service, the attitude of customer service, the quality of the product, and anything else they would like to supplement. To encourage the users to be actively involved in the questionnaire, Taobao can provide awards for these responses, such as a coupon. In such a way, sellers will be more comprehensively judged, and the rating will be more helpful for other users for reference.

4.2 Solution to avoid frauds during transactions—Using Taobao as an example.

Because Taobao tries to make its platform an accessible place to many people, it has one downside: people could easily establish their own stores without much requirement and inspection. This makes fraud a more frequent phenomenon and affects customers' trust in Taobao [19]. To solve this problem, Taobao could establish a department specifically for the inspection of new stores. Taobao could set up a department in each city and require people who want to create an online store to pass the inspection for approval. The inspection would include things like whether the store has its warehouse, whether they design their own products instead of selling counterfeits, and whether the owner of the store has a criminal record before. This policy can greatly eliminate the risk for the customers to buy fake products and revive their confidence in Taobao.

4.3.1 Logistic problems facing by E-commerce

Logistics services might be one of the most important issues that Taobao faces. One article called "China's E-Commerce Market: The Logistics Challenges" [20] points out that because there are only a handful of high-quality logistics providers in China, customers are always plagued by late delivery, lost or damaged packages, and the irritating attitudes of logistics staff. And when customers encounter these situations, they do not know who will take the responsibility, the logistic company or the Taobao, and who they should turn to for help. Although the responsibility goes to the logistics company most of the time, Taobao's reputation would be negatively influenced because it's the site where the purchase starts. Hence, to avoid this negative impact, there are several strategies that Taobao could employ.

4.3.2 One solution to the logistic problem faced by e-commerce platforms—Using Taobao as an example

First of all, "China's E-Commerce Market: The Logistics Challenges" [20] broaches that Taobao should try to establish its own network of logistics to ensure quality. This strategy proves to have great effect -now Amazon is shipping 67 percent of its own packages directly to customers and this assist them to improve their service level, and the traceability of packages [21]. Setting up local network of delivery makes logistic more convenient for both the buyers and sellers because now buyers do not need to deal with the third party and the customers know who they are going to ask when there are problems. Frequency of unpleasant delivery would largely decrease because the logistics department will be very careful with the delivery for protecting their own reputation.

4.3.3 Creating a rating system for the logistic companies

Zhao Pei [22] also suggests that creating a rating system for the logistic companies might be a good way for promoting the logistic service. After each finished transaction, buyer would rate the logistic company for its service, and then the seller would rate the logistic company according to their buyers' comments and all other performances, creating a monthly rating system which makes the logistic company realize their behavior is supervised and can influence them negatively if they do not treat the delivery with caution. The ratings can include things like the quality of the delivery service, the attitude of the delivery man, and the damages of packages or even losses. Taobao itself will form an overall rating of logistics company based on comments from the sellers and buyers which make them develop a superintendent role even though they are not directly involved in delivery. Taobao should allow its users to select the logistics company they favor when making purchases according to the rating. It should also provide a specific ranking list for different logistics company and list its summary of the company's advantages and disadvantages so customers could select the logistic company that fits their needs. This would make users trust more in Taobao since it provides so much information that they can use as reference and also enhance Taobao's fame since now the users could not blame Taobao when some delivery accidents happen because they know the possible consequences while they choose from the ranking list.

5. Conclusion

As the Chinese e-commerce platforms expand and remain in rapid growth, latent issues of e-commerce platforms are gradually revealed. Problems such as cross-border commerce, leak of privacy information, counterfeit products, and the deficiency in rating system are all things that Chinese e-commerce companies are trying to overcome right now. For Taobao, one of the biggest e-commerce platforms in China, it can employ several approaches to solve these issues. For example, it can establish its own logistic company or create a rating system specifically for logistic companies that consumers use to improve in logistics. A more detailed rating system for transactions will be favorable for consumers to make references. In addition, setting up an inspection apartment can be very helpful for diminishing freuds.

The significance of this research is to point out places that still need improvement in the Chinese e-commerce platforms in order to remain the growth and also provide feasible solutions that these ecommerce platforms can refer to. The research helps create the possibility for the e-commerce market to surpass its maximum potential and more ways to progress. Specifically, for Taobao, it provides suggestions that focus on its biggest issues and play a role in facilitating its development.

The limitation of this research is that the information comes mostly from secondary sources and literature, and there is no validity for the solutions suggested. Therefore, this research is more hypothetical and still needs more primary research before it can be put into practice. Furthermore, the issues of e-commerce platforms are in users' perspectives, the issues that the companies face are not taken into account.

For future studies, surveys about the issues of e-commerce platforms can be sent to consumers, and sellers of e-commerce platforms and the companies which run the platform to form a more complete perspective. In the survey, the users and leaders are able to rate the approaches that are previously mentioned to see if they will be favored. In addition, interviews with the leaders of e-commerce companies can be included to take an insight into the companies' own solutions for the problems that exist and the effectiveness. Interviews can also incorporate questions that ask the leaders to express their opinions about the approaches that are mentioned to find out if they are practical.

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