

Analysis Marketing Strategy of Taobao

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Abstract. With the rapid development of the Internet and the epidemic's impact, the transaction scale and practitioners of online shopping in China have repeatedly created new heights. In addition, people have favored online shopping because of its low cost, convenience, and product diversity, which has become a new shopping trend. As a result, Taobao, a subsidiary corporation of Alibaba, has proliferated to become China's leading e-commerce site. This article studies the marketing strategies of Taobao through literature articles review and field investigation of five marketing methods Taobao implements: Tao Coin, 88 VIP, limited-time discounts, Double 11 shopping festival, and live streaming. Meanwhile, this article uses the SWOT method to analyze Taobao has low price, variety of goods, and safe payment method; it also has potential opportunities with convenient and fast internet development. However, Taobao has issues with the unequal quality of goods and non-uniform delivery. Based on the analysis, this article offers suggestions for future improvement of Taobao.

Keywords: Taobao; E-commerce; Marketing strategy; SWOT analysis.

1. Introduction

In the past decade of rapid development in China, e-commerce has occupied a place in the market. People prefer online shopping to offline shopping. Many e-commerce companies are slowly rising here, including Taobao, Jingdong, and Suning shopping platforms, and the rise of the WeChat business. However, under the impact of the epidemic, China's economy has been affected, making the competition of e-commerce fiercer, and many industries are facing the problem of survival. According to the article by Wenting Fan, if an enterprise wants to survive and develop in the cruel market, it must work hard in the market and do an excellent job in marketing [1]. In-depth market research and grasping consumer preferences are fundamental to business development and operation. There is an example from Nike. The price of some Nike shoes has risen to a high value and raised a heated discussion. However, this is a marketing strategy. Nike catches the psychology of consumers that pursuing limited products can bring a sense of satisfaction and make them look fabulous so that consumers will pay for the high price of shoes. However, the price is over it should be. Nike is a successful case of marketing and shows how effective marketing can play a role in selling.

In recent years, many scholars have studied Taobao, the leader of electronic commerce. Shuhua Li researched the vital function of the Tao Coin on the Taobao Platform [2]. Next, Guojian Xing claims the importance of perceived value in time-limited discounts [3]. Additionally, Yuzhao Zhang points out the analysis of spreading marketing strategies of Double-11 [4].

This paper summarizes the business, financial situation, marketing methods, advantages, and disadvantages of e-commerce giant Taobao in China through the study of previous academic papers and the investigation of daily life and puts forward an optimization plan.

2. Firm Description

Online shopping and retail platform Taobao is popular among Chinese people, which Alibaba established in May 2003. Taobao has nearly 500 million registered users in China, more than 60 million regular visitors daily, and more than 800 million simultaneous online items daily, with an average of 48,000 items sold every minute. Among the development of online shopping, Taobao has become the first and biggest website that offers a platform that provides sales opportunities for customers and businesses service in China, which contains three different departments:

- Taobao offers customers to customers service.
- Tmall is a platform-type business to customers e-commerce service provider.
- Etao is a promotional shopping guide website that offers consumers more discounts on top of Alibaba Group's rich offerings on Taobao and Tmall.

Moreover, Taobao has a safe payment method, Alipay, from the same parent company to protect the transactions between sellers and consumers.

Taobao's parent company, called Alibaba, in its financial results for the year 2021, has an operating income of 7172.89 billion yuan and a net profit of 1503.08 billion yuan. In the industry comparison of the net profit in the 2021-year financial result, Amazon is number one, Alibaba comes second, and Taobao has declined 58.78% by 2020. In Alibaba's financial results for the year 2022, the first quarter has a net profit of 451.41 billion yuan it was down 5.15% year on year, and the midterm has a net profit of 53.67 billion yuan, declining 81.34% compared to 2021. The third quarter has a net profit of 204.29 billion yuan, decreasing about 70.32% compared to 2021. It can be seen that the epidemic has had a significant impact on Alibaba's economy in the past two years.

Alibaba's latest stock market showed the latest 92.62, up 2.52%, the highest at 94.87, the lowest at 88.20, and the average price of 92.53. Its outer disk has 18.15 million yuan; the inner disk has 16.28 million yuan. The total market value of Alibaba's stock is 245.3 billion yuan, and the total capital is 2.648 billion yuan.

3. Evaluation of Marketing Strategies

Previous academic articles and field investigation of the daily use of Taobao summarizes five marketing implements that benefit Taobao.

3.1 Tao Coin

Tao Coin is one virtual currency on Taobao. The mechanics of gaining Tao Coin is like a game: Every day, the system will have some missions for consumers to complete, such as daily sign-in, browsing goods for 20 minutes, buying a product, or posting a comment for a completed order. Each mission will have 20-200 Tao coins as an award, and the missions will update daily. These Tao coins can partially offset money when people buy goods, which provides consumers with favorable prices and a good shopping experience. One-coin equals 0.01 yuan and is limited to one order, but it attracts consumers to continue completing the missions to get awards and be willing to share with others so that it can promote sales. Almost every store on Taobao accepts the Tao coins, making consumers happy when buying and improving their satisfaction. It expands the influence of sellers, increases stores' browsing and clicking volume, and increases the interactive experience and communication between customers, platforms, and sellers [2]. The game mechanics of Tao Coin benefits consumers, sellers, and the platform at the same time.

3.2 88 VIP

Taobao has launched 88 VIPs for consumers. As the name implies, 88 VIPs only need 88 yuan to open the service for a year, which includes rights and interests such as discounts on some products, exclusive gifts, and discounts on VIP fees for cooperation with other platforms. However, this price is only for the consumer who has over 1000 Taoqi values. For whom do not reach 1000, the price is 888 yuan for one year. The way to get more Taoqi is by shopping more, timely posting comments for orders, and using Taobao family payment. Thus, if customers want to have more rights on Taobao at a low price, they should gain more Taoqi value, which promotes more consumption and brings profit to the Taobao platform. Also, boosting consumers' comments on orders makes others feel Taobao provides truth for all consumers while purchasing goods on Taobao, so it will attract more and more people to use Taobao. Furthermore, when consumers get 88 VIPs at a low price, they would feel they are getting the "insider" place of the platform, which offers more service to them. This exclusivity

makes consumers feel fantastic and willing to share with family and friends, so other consumers will follow the step to get an 88 VIP, which brings more benefits for Taobao.

3.3 Time-limited Discounts

Limited time discounts mean a certain amount of goods will only sell for some time, like 15 minutes, at a meager price. This method will attract more customers to consume at this time in order to make a meager profit but high turnover to earn more benefits from it. The reason that limited-time discounts are successful is it is making good scarcity. When the demand exceeds supply, “it helps products catch on by making them seem more desirable” [5]. Consumers feel satisfied and superior when they get goods at a lower price than others who need a higher price to get it. Therefore, people will share it with others to make them look good. Meanwhile, limited-time sales enhance the perceived value of consumers. Perceived value is one of the crucial factors leading to consumer consumption. When the customer perceives that the cost of consumption is far less than the benefit, then the customer has an outstanding possibility to buy. According to the article by Guojian Xing, time-limited discounts positively impact consumers' perceived value, which makes the consumer more willing to buy goods [3].

3.4 Double-11 Shopping Festival

Double 11 is the biggest shopping day in China; almost everyone knows the discount will be the greatest of the year. Sales on Taobao's Tmall's Double 11 have increased yearly, reaching 540.3 billion yuan in 2021. Double 11 is a flourishing cultural marketing campaign. At first, double 11 is a sub-culture of young people. It is a campus culture meaning a single day created by contemporary young people to entertain themselves and spread quickly on the Internet. So, before it became an online shopping festival, it was well known by young Internet users [6]. When the shopping day double 11 facing the public, it struck a chord with young people. The initial audience is the younger generation of Internet users, and many young people treat themselves to consumption on this day to relieve loneliness [4]. However, huge discounts give consumers a heated discussion which helps Taobao win word of mouth, making more people who know about this big shopping festival and would like to shop on Taobao.

3.5 Live Streaming

Since the pandemic, offline stores have decreased selling profits when people go out less, so live streaming has become a smart way to sell goods. Taobao also started the live streaming function for all sellers on the platform. One of the most famous hosts of live streaming on Taobao is Jiaqi Li, who has been watched by a maximum of 240 million people simultaneously. The reason people choose to shop in live streaming is complex. First, the cost for both sellers and consumers decreases because sellers do not need to pay the rent for offline stores, and consumers can save time and money in getting the store. Thus, the price of the goods will be lower than in offline stores, and consumers can save energy; they just wait for the goods to be delivered to their homes. Second, live streaming can react to consumers' comments so that the seller can display more details of the goods. Consumers can more comprehensively perceive the commodities' quality and understand the user experience of commodities. This feature of live streaming makes up for the lack of comprehensive understanding of the goods before the arrival of traditional online shopping, [7] so more consumers choose to buy products from live streaming. Third, Live streaming often invites some Internet celebrities to bring the goods. People usually buy products recommended by Internet celebrities during live streaming based on their love and trust for them.

4. SWOT Analysis

SWOT analysis is a situation analysis based on internal and external competitive environment and conditions. Taobao's strengths, weaknesses, opportunities, and threats are listed through research and analysis to propose feasible optimization schemes.

4.1 Strength

Taobao has high brand awareness, and the goods are wide and cheap, so many customers use Taobao to shop daily. In the age of rapid technological development, online shopping has become the primary trend of one-way people choosing. With its high popularity, Taobao has won the favor of many brand partners, resulting in a wide variety of Taobao goods, which can fully meet people's everyday needs [8]. Also, sellers sell goods directly to consumers, and Taobao offers many discounting activities, so goods have lower prices than other selling ways. Moreover, the payment of Taobao is Alipay, one of the most secure payment methods in China. The wide variety of products, inexhaustible discounting offers, and safe payment methods have attracted the attention of many consumers.

4.2 Weakness

Because Taobao has many mixed merchants, it is common to see uneven product prices, poor quality of some products, and rampant fake goods [9]. In the long run, it undermines consumer trust, leads to customer loss, and impedes the growth of platforms and merchants. Taobao does not crack down as hard on fakes, but there are strict fines for selling fake goods abroad. So, if Taobao is facing the international market, it must improve the situation of fake goods. At the same time, Taobao's evaluation system is not perfect. In Liu Tian and Liang Yongqi's article, they mention that "more than 80% of consumers believe that Taobao is a serious phenomenon, and more than 70% of consumers believe that there is a proliferation of sunshine or cashback for good reviews" [10]. which means sellers are weakening at integrity side.

4.3 Opportunity

In the increasingly stressful contemporary society, people are often too busy to go to offline stores. So Taobao offers online shopping to make contemporary people save time and get good quality goods at low prices. Furthermore, with the development of the Internet and technology, more and more people, including the elderly, have gained the popularity of online shopping, and the most critical payment method in life has become electronic payment. Many offline stores have also gradually developed the e-commerce market, and Taobao has introduced the function of live streaming to meet the preference of contemporary people [11].

4.4 Threat

Other platforms compete in the e-commerce area, such as Jingdong and Suning. For Taobao, the biggest competitor is Jingdong's express. Jingdong offers the second-day express, meaning most of the goods on Jingdong will deliver on the second day since Jingdong has centralized warehouses in different parts of China and its Jingdong express. However, Taobao did not have its express delivery. In the case of Taobao's non-uniform delivery, consumers are likely to go for faster and more secure delivery of Jingdong shopping.

Thus, in the future, Taobao should keep its advantage that continues to make the goods multiple and inexpensive and protect transactions and payments. Also, Taobao needs to create more selling or discounting activities like live streaming and double 11 to keep consumers and attract more to shop on Taobao. Meanwhile, to increase efforts to ensure the quality of platform products, make policies to fight against counterfeit goods, and develop its delivery system or strengthen the delivery management to ensure Taobao's evergreen status in the e-shopping market.

5. Conclusion

Under the circumstances of fierce competition in the electronic market, Taobao can still become first place in its field in China, which shows the success of Taobao's marketing strategy.

This paper researches the marketing methods of Taobao through academic articles review and field investigation and finds that Taobao promotes its sales through the application of five marketing methods: Tao coins, 88 VIP, time-limited discounts, double 11 shopping festival, and live streaming. These five strategies highlight the exclusivity and scarcity of products, seize the characteristics of contemporary network development and young people's preferences to capture the taste of contemporary people, which makes consumers have large discounts, and lets them feel like an insider of the platform and willing to discuss Taobao with family and friends, that raises the awareness of Taobao and will have more costumers. Furthermore, this paper analyzes Taobao has multiple goods and low prices, with increasing opportunities in the age of the internet through SWOT analysis. Nevertheless, disadvantages also are concluded which are the unequal quality of goods, rampant fake products, and uniform delivery. Based on the SWOT analysis suggests plans that make regulations for fake products and improve unsecured delivery to keep Taobao developing.

However, this paper researches the aspect of Taobao's marketing method but does not have multiple resources on consumers' thoughts. In the future, papers could focus more on consumers' psychology while choosing a good. Thus, more effective marketing ways would emerge.

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