Research on the Development Model of Live E-commerce from a Strategic perspective - Taobao Live as an Example

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Abstract. Based on the question "Analysis of Taobao Live's business decisions and its pros and cons impact", this thesis focuses on Alibaba's e-commerce platform Taobao Live industry and contains an analysis of its industry status and an assessment of its pros and cons. This paper will therefore focus on the business decisions implemented by Taobao Live to adapt to the online environment. In addition, external factors such as opportunities and threats to Taobao Live in the industry will also be included along with development proposals in the context of the industry analysis[14]. The research results show that Taobao Live still maintains the number one market share despite its many rivals. Its market share will remain the same or expand further

Keywords: Taobao Live, SWOT, strategic analysis

1. Introduction

The intuitiveness, timeliness and communication of live e-commerce have left the traditional sales model far behind. Originating in March 2016, Taobao's live industry will have grown to a total transaction value of more than 500 billion yuan by the end of 2020 and is undoubtedly the leading player in today's live online e-commerce in the late 21st century decade. Taobao, a local Chinese online shopping platform with nearly 500 million registered users, has been continuously expanding in scale and number of users since it opened its live streaming service in 2016. Taobao Live originated from the "Daren Tao" system launched in November 2015; under the strategic direction of "community, content and local life" proposed by CEO Zhang Yong in March 2016, Taobao "play" was launched in May of the same year. "play" was renamed "Taobao Live" in May of the same year, marking the official launch of live e-commerce in the Taobao platform. And then, the Taobao Festival of 2017 and the rise of short video in 2018 brought about the impact of Taobao live more accelerated the development of Taobao [2]. In April 2018, the "My Shop" inside Kuaishou, the TikTok online store entrance in May, a large number of popular streamers into the influx of more consolidated the development to date, including multi-platform live e-commerce pattern.

Looking at the numerous literatures on this industry (mostly focused on 2018-2020) [3], it is easy to find that the common themes contained in them all involve their marketing strategies, from page board design to user stickiness issues, and the issues related to how their business decisions resolve conflicts with the external environment are generally the focus of the study. Following the direction of general literatures, this study will be related to the solution and policies of Taobao to a certain extent.

In summary, this study attempts to specifically analyze Taobao Live's competitive landscape, strategy effectiveness and future development prospects under the conditions of the current live e-commerce environment; provide a more complete methodological analysis and explanation, thus supporting the analysis of Taobao Live's business decisions and their pros and cons impacts.

2. Data and method

2.1 Data Classification

The data in this article is mainly divided into three categories: financial report data, anchor data, and user scale data. The financial report data is the consumption value of Taobao Live in different quarters, and the share of Taobao and Tiktok in the total market. The anchor data is the proportion of Taobao and Tiktok Kuaishou in the top 50[4]. The user scale data is the user share of Taobao Tiktok Kuaishou three users. The data mainly comes from Alibaba's financial report for the third quarter of fiscal 2021, "LatePost", "Live E-commerce Shopping Consumer Satisfaction Online Survey Report", and Taoboyan data. Data time: The data comes from the 2020 to 2021 time period.

2.2 Quantitative Or Qualitative

For quantitative or qualitative, this paper will focus on qualitative research, i.e., summarizing and analyzing the development of Taobao Live by directly citing the past development experiences, cases and estimable specific decisions of each live e-commerce company in the market[5], rather than collecting and organizing a large amount of data for analysis.

2.3 Research Method

This paper will use SWOT analysis method. The SWOT analysis is a scientific analysis method used to determine a company's own competitive advantages, competitive disadvantages, opportunities and threats, thus organically combining the company's strategy with its internal resources and external environment. The so-called SWOT analysis, that is, based on the internal and external competitive environment and competitive conditions, is the main internal strengths, weaknesses and external opportunities and threats that are closely related to the object of study, listed through the survey and arranged in the form of a matrix, and then using the idea of system analysis, the various factors are matched with each other to analyze, from which a series of corresponding conclusions are drawn, and the conclusions are usually of a decision-making nature. By using this method, we can conduct a comprehensive, systematic and accurate study of the situation in which the subject of the study is located, so that we can formulate corresponding development strategies, plans and countermeasures based on the results of the study. S is strength, W is weakness, O is opportunity, T is threat[6].

3. Result and discussion

3.1 Strength

Taobao's large traffic for Taobao live to provide a large number of basic consumer crowd. According to the financial data report data, in 2019, the daily live users is five hundred million, more than the sum of Tiktok and Kuaishou[7]. As shown in the figure, Taobao live share of 68.5%, followed by Tiktok for 21.2%, Kuaishou for 15.3%.

Fig 1. Share of users

The pioneer advantage puts Taobao ahead of other players. Taobao launched live with goods in 2016, the webmaster's data show Taobao live for three consecutive years of growth of more than 150%, 36 Krypton data show Taobao live in the e-commerce platform share of 68.5, higher than Kuaishou Tiktok and Pinduoduo. Until 2018, Kuaishou launched the "small store" entrance, and the Tiktok shopping cart function was officially opened.

The new business model changes the consumption behavior. The webcast makes the information transfer from the web celebrities to their fans more adequate, while the fans have narrow channels to express their emotions to the web celebrities, and this virtual mode of network interaction enhances the fans' curiosity and mystery about the web celebrities, prompting them to express their support and pursuit of the web celebrities by purchasing the goods recommended by the web celebrities [8]. Emotional consumption and spiritual consumption dilute the material function of goods, and thus are more likely to induce irrational consumption behavior. Among the industry Top 50 anchors, 29 Taobao anchors, accounting for 58%; 20 Kuaishou anchors, accounting for 40%; and only 1 Tiktok anchor appears on the list, which is a huge advantage for Taobao.

The addition of a large number of new brands. New brands are performing extremely well in the live stream, with a rapid upward trend in open rates. Compared to traditional brands, new brands are more bold in experimenting with new channels and generally invest more in Taobao Live. They were born in the era of content e-commerce and are adept at quickly experimenting, honing and building a matrix of talent suitable for brand development. In addition, they are also actively experimenting with self-broadcast channels to gain and sink loyal users. Data shows that the proportion of new brands that start broadcasting on Taobao is over 90%

Taobao Live has the highest number of apparel anchors and beauty anchors, with both accounting for 14% and 12.9% respectively in 2019. By 2020, with the number of anchors in these two categories growing exponentially, the share is instead slightly lower. This means that more professional anchors in the field are starting to take root in Taobao Live, and the types of anchors tend to be balanced and diversified.

Market share of China's live e-commerce industry in 2020

Fig 2. Market share of China's live e-commerce industry in 2020

The number structure of anchors in China's live e-commerce industry in 2020

Fig 3. The number structure of anchors in China's live-commerce industry in 2020

China's short video market scale and forecast of 2017~2019

Fig 4. China's short video market scale and forecast of 2017 ~ 2019

3.2 Weakness

Taobao's distribution is relatively weaker than WeChat and Tiktok' s decentralization. The centralized distribution mechanism is easy to make the celebrities more popular, and once the content creator has produced a hit video, he can gain exposure and increase the speed of the fans, for example, the head anchor of Taobao can get the traffic guarantee even if the selection of products is wrong. Tiktok and Kuaishou' s decentralized distribution mechanism is more evenly distributed, even if a quality content relies on the "same city" and "nearby" recommendation mechanism is recommended to the home page, but also limited to the user's self-selection [9].

Purely rely on external anchors, not incubate anchors themselves, do not produce goods, do not do operations, general discount goods style is old, revenue is not stable, no core competitiveness, supply chain in order to maintain 30% + gross profit, the markup rate is generally more than 2 times, so the cost performance is actually not too high, competitors prices may be lower than Taobao live

On March 31, the China Consumers Association released an online survey report on consumer satisfaction with live e-commerce shopping. The report pointed out that "worry about the quality of goods without guarantee" and "worry about after-sales service" are the two main concerns of consumers. The survey also found that 37.3% of consumers have encountered consumer problems in live shopping. As the traffic king of Taobao is naturally the first to bear the brunt. For example, when anchor Li Jiaqi demonstrated a non-stick frying pan without oil, she encountered the embarrassment of "the non-stick pan sticking to the pan". The bird's nest drink product from Simba's live studio was returned en masse and fined by the market supervision bureau [10].

The disadvantage of Taobao Live is that it lacks entertainment, has no appeal to marginal users and does not have the advantage of attracting a large number of consumers for a short period of time. Its e-commerce gene is too strong and its entertainment gene is too weak, resulting in Taobao Live being unable to produce products that are very popular on the web. Tiktok itself is a short-video platform, with short-video live streaming accomplishing a large number of weblebrities and gathering a large number of highly viscous users. Implanting products in live streaming not only solves the weblebrity's ability to cash in, which can stimulate fans' desire to buy weblebrities, but also brings a constant cash flow to the platform and ensures the platform's healthy operation.

3.3 Opportunities

The 5G era drives the innovation of live streaming technology. Cloud computing, big data, AI, AR, VR and other high-tech breakthroughs to meet the high-definition live video to attract users to watch.

A large number of resources into the live industry, driving Taobao live continuous force. 2020 Taobao live new economic report shows: the next 1 year, Taobao live will invest 50 billion yuan in the anchor industry, specifically, Taobao live will invest tens of billions of resources for ecological partners, to help them create tens of billions of incomes, which, the growth of small and medium anchors will become the focus, 1 year will help 100,000 Taobao anchors to achieve a monthly income of more than 10,000 yuan.

Policies and regulations have been improved and the online sales platform is becoming increasingly professional. Policies and regulations are becoming more and more complete. Regulatory efficiency has gradually improved, supervision has been enhanced, platform supervision has been upgraded, requirements for institutional regulation of anchor behaviour have become stricter, barriers to online business activities have been upgraded and industry development has been gradually regulated. The "live streaming with goods" and "live selling" have become the new form of online shopping nowadays, and the "Internet marketer" profession has added "live salesman". This is a rare opportunity for live webcasters, which is not only an affirmation of live anchors, but also beneficial to the standardization of live platforms.

Affected by the epidemic, long-term home stay makes the consumer's entertainment needs from offline to online, live industry in the short term to see an increase in the number of users. According to public information statistics, just the first half of 2020 omnichannel e-commerce live broadcast number of more than 10 million, the number of goods on the shelves more than 20 million. Among them, Taobao live 2020 live broadcast number of more than 25.89 million, the number of goods on the shelves for the year more than 50 million, Taobao live became the first explosive new economy [11].

3.4 Threats

Competition in the same industry. Tiktok, Jindong, Kuaishou and many other Internet companies to join the competition, intensifying the market competition white-hot. According to the 2020 live e-

commerce research report, Tiktok, Kuaishou, Taobao are the head of e-commerce players, the prospective research institute data show: China's live e-commerce platform share, Tiktok live and Kuaishou live users accounted for 57.8% and 41.0%, second only to Taobao live 68.5%, ahead of Jingdong live and Pinduoduo live. At the same time, WeChat small program launched live function, since the opening of the test has been 100,000 merchants open live, Jingdong and Kuaishou cooperate to launch the double 10 billion plan.

The problem of commodity selection brings a crisis of distrust for anchors. Most of the products selected for live merchandising are often those with low unit price and high repurchase rate. Famous merchandising anchors have exquisite image and high merchandising ability and can sell out the products within minutes, but it is difficult to guarantee the quality of the selected products. The extremely high sales efficiency and not low return rate brought a crisis of trust for the anchor. In the recent Hunan TV variety show "The Life to Live", VIA was a guest in the mushroom house, bringing goods for the stagnant fruits in Xishuangbanna, Yunnan, but ended up with a high return rate. The quality of the selected products still needs to be further improved [12].

4. Conclusion

4.1 Summary

Taobao live e-commerce layout early, the rapid development during the epidemic led to the online and offline economy, and competition with many Internet companies to form a new industry hotspot, as the industry leader, the flow of large resources to attract many practitioners to join. Taobao live development drive the development of the entire live marketing industry, although there are many competitors, but still firmly grasp the market share of the first.

4.2 Development advice

Enterprise: In the future of industry competition, Taobao should rely on its own volume advantage and actively cooperate with local governments. Taobao can transfer its online advantages to offline and support offline vendors; continue to expand its investment related to the anchor industry, provide professional training to anchors, and maintain the income of the anchor industry to provide better quality live video and small video products under the premise of continuous improvement; consolidate the advantages of the first mover, learn from the innovative models of its peers and suppress competitors; position the market for different groups of people, segment the market and strengthen the de-Centrality. Establish a platform for special regional products, support special goods from poor areas, strengthen product selection and select high-quality promotional products; rate merchants' after-sales service, establish a credit guarantee mechanism and impose penalties and restrictions on bad anchors.

Government: set up more live bases and upgrade supporting services. Live broadcast bases for anchors mean richer sources of goods and lower prices, making it easier for them to bring and ship goods; improve relevant laws and regulations, strengthen market supervision and prevent vicious competition among major platforms; continue to promote infrastructure construction and help upgrade Internet enterprises.

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