

Development and Prospects of Community Group Purchase Under the New Retail Model

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Abstract. With the development of new technologies and the COVID-19 epidemic in recent years, great changes have taken place in people's consumption patterns. Community group purchase mixed with online and offline sales mode has been prosperous and integrated into consumers' daily life. This paper analyzes community group purchases from the perspective of its business model, supply chain, consumers, and capital investment. Research shows that abundant research on various aspects of community group purchase exist at present, among which the research on problems and countermeasures of community group purchase mode and the factors affecting consumer satisfaction is particularly popular. Many scholars have carried out valuable research with enlightening conclusions. Therefore, this paper combines the main research hot trends and puts forward suggestions for future research.

Keywords: New Retail, Community Group Purchase, Research Review.

1. Introduction

The report of the 19th National Congress of the Communist Party of China pointed out that the main social contradictions have been transformed into the contradiction between people's growing needs for a better life and unbalanced development. Consumption is the explicit embodiment of people's need for a better life. With the income improvement and the accelerated consumption upgrading, people are longing for a better life, which is directly reflected in the change of national consumption demand from living necessities to goods that promote life standards. Therefore, there are more requirements for the quality, safety, and efficiency of goods and services. The Fifth Plenary Session of the 19th CPC Central Committee also pointed out that it is necessary to meet people's need to lead a beautiful and high-quality life. That's why it's of great significance to develop consumption for livelihood and innovate a new economy. Supported by new technologies such as big data and cloud computing recently, mobile payment methods and social application software are more mature, and consumers' needs are prone to be personalized. The new retail mode represented by community group purchase adopts that of online to offline (O2O), which meets the special needs of consumers in the new environment and activates retail and market. Up against the COVID-19 pandemic from 2020 to 2021, with sharply changing peoples' consumption habits and highly dependent community commercial services, community group purchase has ushered in a new round of development opportunities and a large amount of capital has poured into the industry. Many Internet giants regard community group purchase as a strategic development trend, such as JD.COM, Pinduoduo, Ali, Tencent, and Meituan, which have developed into the field of community group buying to seize market share.

In 2021, there were 10 cases of community group purchase financing in China, with a total amount of 28.59 billion yuan. The market transaction scale reached 120.51 billion yuan, up 60.4% year on year. Meanwhile, the user scale reached 646 million, up 37.44% year on year. In the rapid development, community group buying has shown corresponding drawbacks and controversies at the same time. In order to promote its sustainable and benign development, this paper combs and analyzes the related research on the business model, supply chain, consumers, and capital investment management of community group buying.

2. Research Review on New Retail Mode of Community Group Purchase

2.1 Research on Business Model of Community Group Purchase

With the continuous innovation of the retail mode, its business model has attracted more attention. Scholars have made a concrete analysis of the essence, advantages, and existing problems of the community group purchase mode.

With the community as its unit and the head of the group as its link, community group buying meets the needs of users in the community through the operation mode of "presale + self-distribution" in the platforms such as WeChat group and its mini programs. The traditional retail model has many problems, including many intermediate links, high product loss, and difficulty for users to reach goods. In contrast, the new retail model represented by community group purchase characterized as high intelligence and digitalization alleviates these thorny problems to an extent, which realizes the transformation and operation upgrading as well as highlights the advantages of its business model. Zhang Xiadan[1] has fully pointed out the superiority of the community group buying mode. In his opinion, its integrated and interactive mode adopts scale procurement with a short account period. As for its three-level warehousing and distribution system that features "central warehouse + grid warehouse + self-distribution sites, the group head, the joint of supply and demand sides, plays the function of inbound marketing, operation, and distribution, cutting circulation and marketing costs, reducing the inventory, and improves the turnover of capital, which is easy to be duplicated with advantages of lower-tier markets. As a new business model, community group buying is still on a rapid rise, which not only promotes the development of the social economy but also meets the new differential needs and gets consumers' preferences.

However, due to many imperfections in community group buying, the rapid development of community group buying has also caused a lot of controversies and industry professionals have different opinions on it. The first obvious defect recognized by scholars is the imperfect head management mechanism. As a bridge between the platform and consumers, group heads play an important role. Huang Yushu[2], Song Shiyin[3], Zhang Guijing,[4] and other scholars believe that the operation, management, and marketing abilities of the head, the last link of community group buying, are highly dependent. Nonetheless, due to different identities of the head, product homogenization, vicious price wars, and currently uneven head service with low loyalty, the head management mechanism needs to be improved urgently. Secondly, the types of goods are limited. Because merchants need to use fresh products for inbound marketing, the products sold by the community are mainly fresh and daily necessities, lacking in other necessities such as home appliances, digital electronics, and clothing, which makes it difficult to meet the increasingly diversified consumer demand. Finally, the homogenized profit model fails to profit sustainably. Each platform provides undifferentiated services to the same customer group without establishing a profit barrier, which leads to price wars one after another[5]. Hu Zhenhua and Shu Xinggang[6] found that attitudes of public opinion are mainly negative among the relevant collected data because of price confusion and unfair competition. To establish a sustainable profit model, enterprises must strengthen cooperation with the community to achieve win-win results and emphasize the overall picture, so as to establish profit barriers from the aspects of the supply chain, shopping platform, and after-sales service.

2.2 Research on Supply Chain of Community Group Purchase

As the front-end sales support, the supply chain is important to community group buying, which directly affects service quality. But there are still many problems to be studied and solved. Based on the current supply chain of the community group buying, scholars have analyzed the supply chain mode, circulation system, existing problems, and improvement methods.

From the perspective of its supply chain mode, Zhao Siyu[7] divides it into three types, that is, mainstream mode, strong enterprise mode, and front warehouse mode, each of which has its own characteristics. With less investment, it's OK for the mainstream mode to find a suitable place to

build a warehouse in the local area. After the goods are delivered to the community through self-distribution or outsourcing, consumers will pick them up or deliver them home. The strong enterprise mode is usually implemented by enterprises with a strong ability to control the supply chain. The place of origin is allocated to the city warehouse where it is sold, and goods are delivered to the community by the city logistics, then they're self-fetched or delivered to the destination in the community. This mode belongs to the heavy asset mode with high product quality and adaptation efficiency. For example, MISSFRESH and Dingdong Grocery Shopping belong to this mode. As a popular heavy asset mode that has developed rapidly in recent years, enterprises can meet the needs of timely distribution in the front warehouse mode. The cooperation and the platform and courier make it only about half an hour for goods to be delivered from the front warehouse to users, which is very time-sensitive.

At present, the main goods of community group buying are fresh products. In view of the circulation system of fresh products, scholars have explored and studied it from different views. The articles of Shang Yanchao[8] are the most representative. Based on the characteristics of the supply side and the demand side of fresh agricultural products, scholars compare its traditional circulation system with the circulation system of the community group purchase. He pointed out that the traditional circulation system has lengthy circulation links and low efficiency, afflicted with multi-level procurement and distribution as well as asymmetric information. However, the regionalized community group purchase with the specific presale mode directly connects farmers in the supply chain and consumers in the demand chain, which realizes efficient integration of supply and demand information, greatly reducing the cost of circulation information in the supply chain of fresh agricultural products. At the same time, it can manage customers by data labeling, draw data portraits of customers, and promote production by sales. Therefore, the community group purchase circulation system is agile and efficient.

The supply chain system is the key to improving the competitiveness of the community group buying platform, but obvious defects exist in its current supply chain. The supply chain of community group purchase generally includes five links, including supplier warehouse (origin warehouse), shared warehouse, central warehouse, grid warehouse, and store/group head. At present, cold chain logistics have been basically realized among each node. Dou Dandan and Li Liying[9] pointed out that its current supply chain mainly faces three problems, that is, high loss of fresh products with frequent marketing, skyrocketing logistics costs after scale-up, and more intermediate circulation and distribution links. Correspondingly, its demands for the supply chain include three aspects. First, localized fresh product supply should be adopted as much as possible to shorten the supply chain process and optimize the distribution system. The research on the optimization of warehousing and distribution systems is more mature. Zhu Xuefei[10] integrates the concepts of freshness, user satisfaction, green and low carbon into the vehicle routing problem to establish a multi-distribution center path planning model based on cost minimization of enterprise, user, and social responsibility, which realizes the optimization of distribution path. Secondly, the storage conditions of all links should be improved to standardize product packaging and processing to reduce the loss during transportation. Thirdly, we need to promote digitalization and use information technology to reduce the information deviation between supply and demand as well as improve the efficiency of the whole supply chain. Pan Yue[11], when analyzing existing problems in the fresh supply chain under the new retail mode, she believed that the application of big data in the supply chain should be strengthened to improve its visibility and transparency. Moreover, enterprises can also use technologies such as the Internet of Things and blockchain to provide differentiated services to consumers and enhance their competitiveness.

2.3 Research on Consumers of Community Group Purchase

As the main body of community group buying, consumers, whose demand is dominant in the market environment, determine the long-term development of community group buying with their use willingness, satisfaction, and consumption psychology.

Consumers' willingness to pay the bill is the key to the sustainable development of community group buying. Community group purchase has developed from the early virtual one on the Internet to the real with the genuine community as the unit. In the development of community group purchase, the continuous improvement and promotion of community group buying platforms provide consumers with more choices. How to retain customers is the focus of merchants, and the influencing factors of consumers' willingness to use platforms become hotspots in research on the community group buying management. Wang Guiqi[12] has introduced the information system success theory (IS success theory) in the field of consumers' behavior to study their willingness to use. This paper puts forward the possible influencing factors such as information quality, system quality, service quality, group purchase products, consumers' personal choice, etc. Meanwhile, it raises the optimization strategy of expanding community group purchases. Scholars believe that community group buying should develop from WeChat groups and mini programs to professional apps, so as to standardize operation and reduce risks.

Community group buying involves many processes such as product procurement, storage, transportation, and after-sales, which directly affect the overall experience of consumers. By establishing models, most scholars explore the factors that affect consumers' satisfaction during and after purchasing products. The results point out that community group buying is still in development and consumers' satisfaction needs to be improved. It is found that there are many factors affecting consumer satisfaction, which can be divided into technology, logistics, product prices and types, etc. Different factors influence satisfaction to various degrees. Liu Feng[13] pointed out that the easiness of platform usage is the biggest influencing factor. Other scholars have also drawn many important conclusions.

Some scholars have explored the influence of satisfaction on consumers' behavior. For example, Tan Shuyi[14] believed that consumers' unique psychological characteristics and shopping needs in the post-epidemic era have profoundly changed their purchasing behavior. Correspondingly, the community group purchase platforms should fully consider the vital influence of consumer satisfaction on its long-term development. Besides, platforms should accurately grasp consumer psychology and take corresponding measures, which can be mainly classified into the following aspects, including channel modernization, marketing strategy optimization, marketing strategy precision, and upgrading with time. In discussing the influence of consumer psychology on consumers' behavior, Yan Daocheng and Li Fei[15] dug into the crucial role played by the group leaders' emotions in the community group buying marketing. To sum up, we should emphasize the consumers in community group buying.

2.4 Research on Capital Investment Management of Community Group Purchase

With the continuous enrichment of retail market modes, it has become necessary for enterprises to flexibly change their business methods according to the changes in consumer demand. Information technology has driven the deep integration of the digital economy and the real economy, bred Tencent, Alibaba, Meituan, and other large-scale Internet platform enterprises, which promotes the formation and rapid development of platform economy as a new economic mode. At present, the Internet platform operates in multiple modes and makes large-scale investments in the hot trend of future development to seize the market. Community group buying is no exception. As a new business mode with low cost, good market prospect, low threshold, easy replication, and low technical entry barriers, community group purchase stimulates Internet platform enterprises to enter this field of its high profits. Capitalists who pursue surplus value invest in the community group buying mode that costs less but profits fast.

Only when there is profit can there be an investment. Internet companies take advantage of their own technological strength and stick to the same logic as the take-out industry and the online car industry in community group buying. Pan Rui[16] uses DuPont analysis to measure the profit and shareholder's equity return from aspects of net sales interest rate, asset turnover rate, and equity coefficient, which ensures that capital investment in community group buying is feasible and

profitable. Therefore, from the perspective of profit maximization, this is the reasonable and normal flow of capital.

The investment of capital giants accelerates the development of the community group buying industry and further improves the e-commerce system. However, its easy replication and the Matthew effect of platform economy also easily trigger an oligopoly market structure. Therefore, the advantages and disadvantages of Internet giants investing in community group buying coexist. Hong Shuyang[17] pointed out from the perspective of political economy that huge capital investment has advantages in technical resources, information dissemination, channel reform, and industry innovation. However, the disadvantages of capital flooding are mainly reflected in the phenomenon of market monopoly. Internet giants make huge profits through capital investment, rapid penetration, market capture, pricing gouging, monopoly formation, and bilateral harvest. Fan Wenjing and Pan Xian[18] specifically explained the formation path of the market monopoly of community group buying. Wei Yuhang[19] classified monopolistic behavior into two categories, that is, abuse of market dominance and concentration of operators. This disorderly expansion of capital has also caused the excessive capital flow to people's livelihoods and markets with low technical barriers as well as oppressed small and medium-sized enterprises.

How to regulate monopolistic behavior has also become the focus of experts and scholars. Law is the most effective in regulating capital investment behavior. Fang Yu [20] mentioned in her research that one of the main legal bases in the administrative punishment case of community group buying is the price law. Based on the nature of disorderly capital expansion, scholars have explored the possibility of competition law and organization law in its regulation, putting forward a perfect path in view of the existing shortcomings. Wei Yuhang[21] tried to make suggestions on adjusting and perfecting the anti-monopoly law so that the monopolistic behavior in community group buying can be regulated more effectively. Pan Rui[22] called on Internet giants to strengthen their own reflection and self-discipline in their investment behavior.

3. Conclusions and Recommendations

Firstly, from the perspective of the business model, scholars mostly carry out relevant research from aspects of the essence, innovation, advantages, and disadvantages of the business model, concluding that community group buying is the mainstream of community business development in the future with prosperous prospects and drawbacks. From the perspective of the supply chain, scholars have classified its main modes of the supply chain, whose existing problems are the hot spots that scholars pay the most attention to. Based on the defects of the supply chain in the rapid development of community group buying, scholars have come up with targeted solutions. From the perspective of consumers, scholars focus on satisfaction, the influencing factors of satisfaction, and the influence of satisfaction on consumers' behavior. From the perspective of capital investment, scholars mainly analyze the phenomenon that a large amount of capital is invested in the community group buying. Most scholars also have conducted in-depth thinking and research on the solutions to these negative impacts. Thus, the author thinks that community group buying is not only an economic practice but also a valuable research branch in future economics, management, psychology, and other disciplines. Currently, research on its existing problems, consumers' use willingness, and satisfaction has been abundant. However, the research on the new development of logistics system management, similar consumer interests, and capital investment in the supply chain is not deep enough. Scholars in the future can carry out more diversified research and deeply explore the contents of related fields.

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