

Analysis and Research on Business Model of E-commerce Platform

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Abstract

In the wave of The Internet, e-commerce platforms emerge as The Times require. The efficiency and convenience of e-commerce platforms attract a large number of consumers. Throughout all large e-commerce platforms, their business models are basically the same with minor differences, which can be divided into three categories, including platform model, self-supporting model and the hybrid model combining platform and self-supporting model, which is worth further analysis and research. This paper analyzes three modes of e-commerce platform, lists the typical e-commerce platform under each mode, and puts forward views on the future development prospect of e-commerce platform business model.

Keywords

E-commerce Platform; Business Mode.

1. Introduction

In recent years, with the advent of the Internet era, people are keen on shopping online. E-commerce industry has shown a strong vitality, the number of users and consumers surge, online shopping has been used to. In the past Taobao Singles' Day in 2021, the total transaction volume of Tmall reached 540.32 billion yuan and that of Jingdong reached 349.1 billion yuan, once again updating the history of online shopping transactions [1].

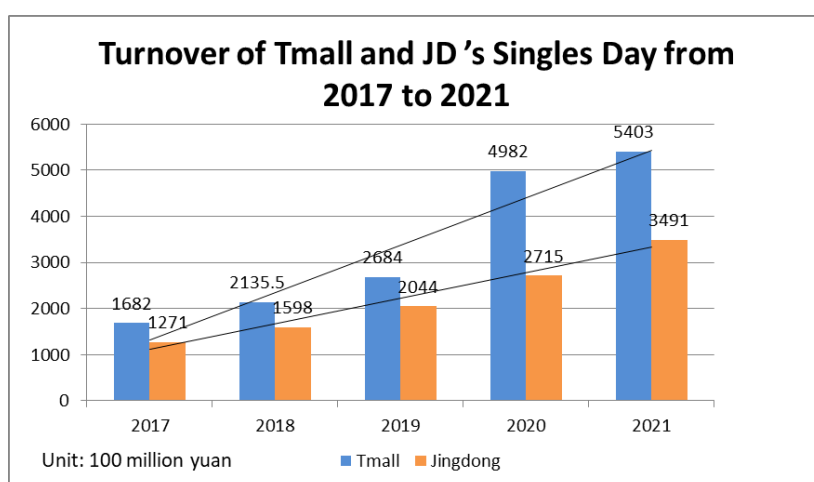


Figure 1. Turnover of Tmall and JD on Single Day From 2017 to 2021

Data source: China's E-commerce Report 2021 released by the National Bureau of Statistics and the Ministry of Commerce

Specific data are shown in Figure 1. The e-commerce platform is not limited to the traditional trading of goods and goods. On the basis of the previous trading of goods, it innovatively opens

up new markets, such as: takeout, shared travel, live delivery and other new fields. Under the background of national support and encouragement, a variety of e-commerce platforms have emerged, among which the representative ones are: Taobao, Jingdong, Tmall, Pinduoduo. They have an unmatched boost to our real economy and are an important driving force and change force for the transformation and optimization of our economic system.

2. The Concept of Business Model of E-commerce Platform

In today's developed Internet era, e-commerce platforms are developing in full swing. E-commerce economy has obviously become an important force to promote the national economy, but also greatly promoted the rapid development of the real economy. In addition, the business model of e-commerce platform is also an important part of e-commerce platform. A comprehensive study of domestic and foreign experts shows that in order to survive in the e-commerce market, we need to develop a suitable business model. The business model of e-commerce refers to the ways and means for electronic enterprises to operate their businesses through the use of information technology and the Internet [2].

3. The Main Classification of the Business Model of the E-commerce Platform

Although there are many business models of domestic and foreign e-commerce platforms, they are all similar and little different, as shown in Figure 2. To summarize, they mainly include three business models: platform model, self-operated model, and the hybrid model combining platform and self-operated model [3].

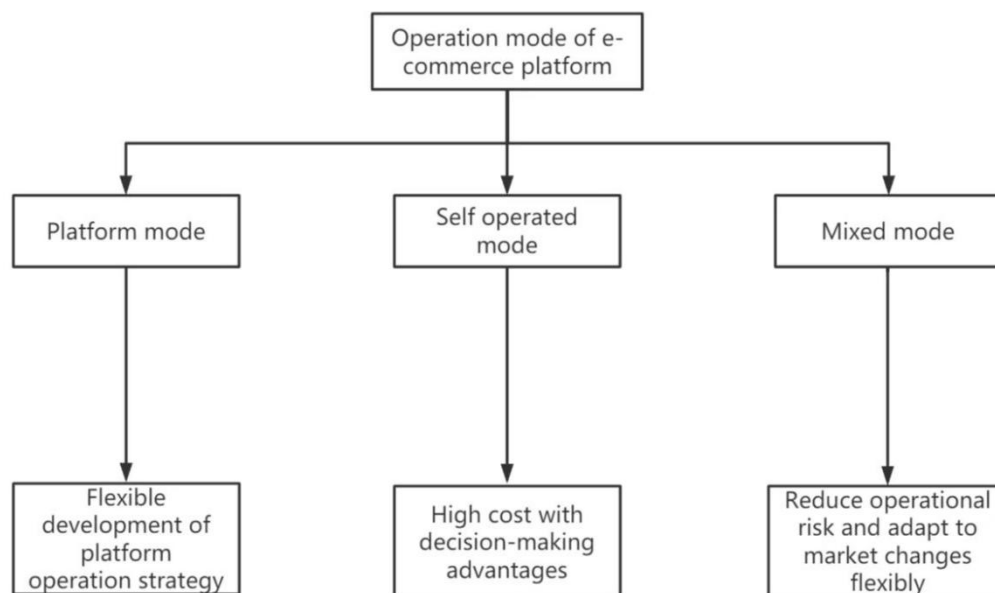


Figure 2. Classification of operation modes of e-commerce platforms

3.1. Platform Model

Platform mode refers to the fact that e-commerce enterprises, as a third party, provide a consumption platform to connect suppliers and consumers. On this platform, suppliers need to pay platform commission fees to third-party e-commerce platforms so as to enjoy the sales channels of products and services provided by the platforms. Consumers need to sign up for an account on the platform to complete a transaction with a provider. Among them, the more representative e-commerce platforms are: Tmall, Taobao. Undoubtedly, Taobao is the most competitive e-commerce platform at present. It belongs to the C2C mode [4], as shown in Figure

3. It mainly provides a platform for both parties of the transaction, and charges transaction fees according to a certain proportion.

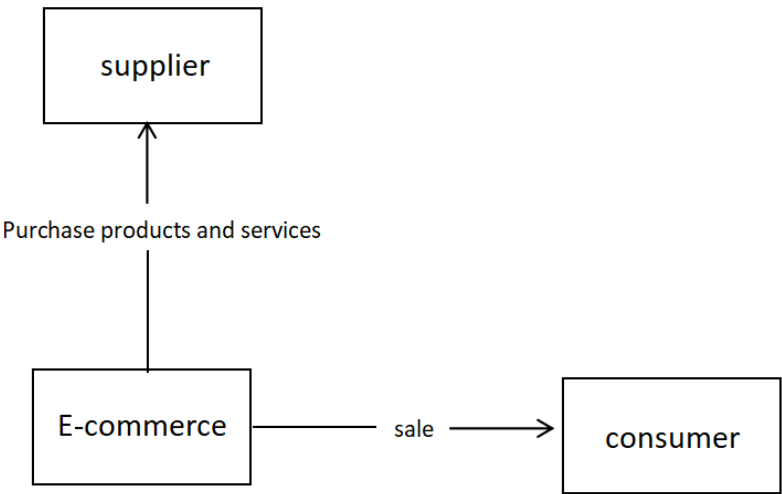


Figure 3. Platform mode of e-commerce

Under the operation of platform mode, the e-commerce platform does not need to pay attention to the sales volume of goods, but only needs to concentrate on building the culture and image of the brand, be responsible for the platform operation, and publicize the platform entry policy, so as to attract more merchants to enter. Secondly, the platform can flexibly develop the platform operation strategy without having to bear the market risk of commodity sales. In addition, the most advantageous point is that as a third party, it can master the traffic data in the background of operation, better analyze the market demand through big data processing method, and provide better suggestions for merchants. By matching users with big data, more users are encouraged to register on the platform, and advertisements are released according to users' data and information to increase commodity sales and advertising revenue.

3.2. Self Support Model

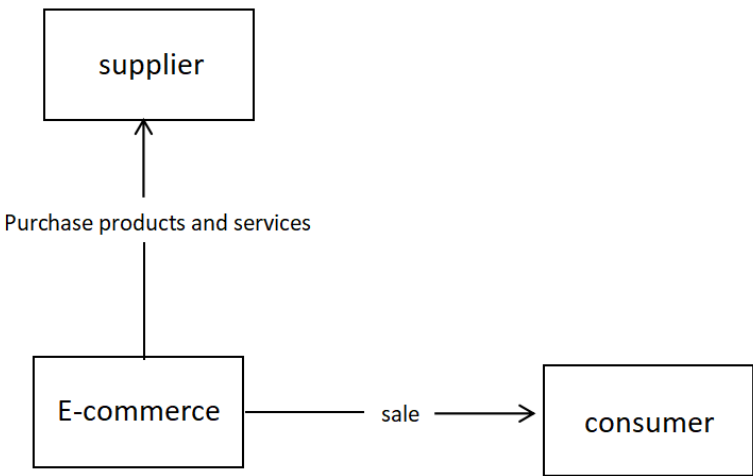


Figure 4. Self-operating mode of e-commerce

Self-run mode refers to the e-commerce enterprises inherent in the e-commerce platform purchase products and services from the upstream suppliers of the supply chain, and then sell them to users and consumers on the e-commerce platform. One of the more representative e-commerce platforms is: Jingdong. It belongs to the B2C model [5], as shown in Figure 4. In this model, the e-commerce platform purchases products and services from suppliers in advance, and then sells them to consumers at a price higher than the wholesale price, so that the e-commerce platform can earn the price difference and obtain income. Self-operated platform needs to be built by itself, and its supporting facilities should be sound. It not only needs to serve users and consumers, but also has technical service providers, advertisers, commodity storage providers, logistics and distribution providers related to the platform. The cost is much higher than the platform model, but it has decision-making advantages.

In this business model, each operation process is clearly mastered by the platform, which greatly facilitates the close cooperation of all links of commodity sales and after-sales, and reduces operating costs to a greater extent. Secondly, the self-run model helps enterprises to strengthen the control over the channels of suppliers and distributors, especially in industries with fierce competition. It also helps enterprises to strengthen the service control in various regions of the supply chain, attract more loyal fans and customers, promote the further expansion of the platform scale and improve the platform visibility. In addition, the proprietary model can also develop value-added business. For example, while choosing the self-run model, Jingdong has developed its own exclusive logistics and customer service system, and derived various services such as Jingdong Finance and Jingdong Baitiao.

3.3. Hybrid Mode

Hybrid mode means that the e-commerce platform not only purchases the products and services of upstream suppliers in advance for self-operation, but also provides the supplier with a sales platform, which combines the previous platform mode with the self-operation mode. Representative e-commerce platforms include: Amazon, Dangdang, Suning Tesco, etc. In this mode, the relationship between e-commerce platforms, suppliers and consumers is more complex.

In this mode, the e-commerce platform can sell high-volume commodities through market research, and give the sales rights of low-volume commodities to the suppliers, so as to diversify the sources of income. In addition to the profits brought by the sales of commodities, the platform commission fees of online merchants are charged, which reduces the operational risks and greatly reduces the uncertainty risks brought by the market. Secondly, in the mixed mode, e-commerce platforms can monitor various specific sales data of sellers through big data, and have a better understanding of the market, flexible response to market changes, and a more accurate grasp of market trends and trends. In addition, the mixed mode can provide users with many choices of products, and the sales data can be used to analyze whether users are more enthusiastic about self-run products or third-party merchants' products, so as to properly adjust the proportion of self-run products and third-party merchants' products, develop better operation strategies, and attract more users and fans.

4. Future Development of Business Model of E-commerce Platform

E-commerce platform is a trading platform for suppliers and consumers to provide goods and services. It is a virtual network space built on the Internet and a management environment to promote business operations. At present, the operation modes of e-commerce platforms mainly include platform mode, self-operated mode and mixed mode. The development of its business model in the future mainly presents the trend of intelligence, extension, standardization, division of labor, regionalization, popularization, internationalization and so on.

4.1. The Trend of Intelligent Business Model of E-commerce Platform

With the rapid development of science and technology, the trend of intelligent e-commerce platforms is highlighted. It is the vertical extension and expansion of the business model of the e-commerce platform, which is mainly committed to solving the contradiction between the expansion of the scale of the e-commerce platform and the personalized needs of users. By relying on the processing data resources of the cloud information computing platform, intelligent customer service and shopping guide robot can accurately locate the individual needs of each user and provide users with satisfactory services on this basis. Intelligent calculation and data processing can better realize the cross-platform exchange and integration of information and improve the processing efficiency. In addition, intelligentization commoditizes and concretizes information data. Through the collection, sorting and processing of each type of information, each merchant is customized to provide personalized services. On this basis, merchant customers upgrade the basic business of data processing through data analysis, so as to realize advanced intelligent database mining, which is an important basis for enterprises to make decisions, and has precious reference value.

4.2. E-commerce Platform Business Model Extension Trend

The trend of extension, compared with the trend of intelligence, is mainly the extension of the business model of the e-commerce platform in the horizontal industry, and the expansion of online trading goods and services to the operation of various industries. The trend of extension is manifested in the internal and external aspects of the enterprise. Internally, the specific matters of enterprise management and various internal business processes will show the culture and elements of the e-commerce platform. Externally, the extended development of business model of e-commerce platform will promote the development of external upstream and downstream industrial chain, such as warehousing and distribution, logistics and transportation, packaging and other fields. On this basis, innovation and upgrading in these areas will be promoted; In turn, innovation and upgrading in these areas promote the continuous improvement and development of the e-commerce model.

4.3. E-commerce Platform Business Model Standardization Trend

The business model of e-commerce platform is becoming more and more standardized. In recent years, in order to attract consumers' attention and attention, some e-commerce platforms deliberately brush orders to increase sales, maliciously brush goods' praise, have bad after-sales service attitude and pass the buck. Therefore, the state and the government have introduced various policies and laws to severely punish these illegal behaviors, so as to better safeguard the legitimate rights and interests of consumers and market trading order. In addition, due to the deterioration of the earth environment that people depend on for survival, the consumption concept has changed. The concept of environmental protection, low-carbon emission reduction has been deeply rooted in people's hearts, and has become the consensus of users' consumption, thus affecting the sales field of e-commerce platform. These new laws and policies will effectively regulate the reasonable choice of business model and orderly competitive business activities of e-commerce platforms.

4.4. The Trend of Division of Business Model of E-commerce Platform

With the increasing complexity and diversification of people's needs, the division of business models of e-commerce platforms is inevitable. With the deepening of the vertical and horizontal e-commerce platforms, the intermediate links of the e-commerce industry chain will be filled with more and more service-oriented websites, and there will be professional resource connection websites like rebate network and low price network located in the middle of the chain between consumers and merchants. In addition, there will be specialized division of labor between many other logistics and website intermediate links, as well as between advertising

and promotion, so as to improve the efficiency of the industry chain. Specialized division of labor will effectively meet consumer demand and industrial upgrading and innovation.

4.5. The Trend of Regionalization of Business Model of E-commerce Platform

Because of our vast territory, the economic development of each area is unbalanced, and there are differences in customs and habits, religious level and natural conditions. In particular, Xinjiang is located in the northwest of China, close to the inland, its area is one sixth of the land area, the east-west span is wide, and the desert Gobi mainly, transportation and distribution difficulties, but also lead to the difference of the structure of Internet users. The e-commerce platform should fully consider the specific customs and religious beliefs of each region, and will change from the block business model to the segmented market model, so as to be closer to the living habits of each region, and build a localized e-commerce business model with characteristics to meet the personalized needs of consumers in different regions.

4.6. E-commerce Platform Business Model Popularization Trend

With the development of urbanization across the country, the number of Internet users increases rapidly every year, and the penetration rate surges. The consumer groups in the previous major cities are gradually expanding to the vast urban and rural areas. Urban consumption potential is growing rapidly, and it has become the main object for the future development of e-commerce platforms. In addition, in the conventional e-commerce industry, new industries have been derived according to its Internet-based characteristics, such as remote assistance and teaching, remote medical consultation, remote on-the-job training and so on. It is precisely because of the rise of these new services, the improvement of consumer satisfaction, thus attracting more and more consumers and users to participate in the services of the increasingly popular e-commerce platform.

4.7. E-commerce Platform Business Model Internationalization Trend

Internationalization is an inevitable trend for e-commerce platforms to advance to the world. Over the past 40 years since reform and opening-up, Chinese Internet economy has become the hot spot of investment in other countries and an important part of our economy. The introduction of foreign capital has two unprecedented opportunities. First: strengthen the overall strength of Chinese e-commerce directly, accelerate the process of e-commerce optimization, narrow the gap between Chinese e-commerce and international e-commerce, and provide the experience and financial support for Chinese e-commerce internationalization development. Second, international e-commerce provides a new opportunity for Chinese small and medium-sized enterprises. Through localized investment and operation in China, international e-commerce can improve the operation ability of e-commerce enterprises in the competition, and promote small and medium-sized enterprises to show their unique professional track to international e-commerce, so as to realize the interaction, integration and penetration of both internal and external parties in a real sense, and take the essence and discard the dross.

5. Summary

Nowadays, the economy of e-commerce platform has become an important force in the development of our national economy [6], and its business model is also the top priority for each e-commerce platform. Each platform should establish a business model with its own characteristics, so as to effectively meet the individual needs of consumers and promote the long-term development of e-commerce platform. On the road of future development, the business model of e-commerce platform will continue to improve gradually towards the trend

of intelligence, extension, standardization, division of labor, regionalization, popularization and internationalization [7].

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