

The marketing strategy of enterprises for China's sinking market under the trend of live e-commerce

Yuchen Jiang

Macau University of Science and Technology, Macau, 519000, China
2009853jb111011@student.must.edu.mo

ABSTRACT

Guided by the data reported by China's e-commerce industry, this paper analyzes the size of the e-commerce market in recent years. Through the data of overall gmV, traffic conversion rate, user reach rate and other data, it is concluded that in addition to the leading e-commerce enterprises, there are a large number of small and medium-sized enterprises in the Chinese market, but very few of them can try and apply the way of live e-commerce for marketing. At present, there are Taobao represented by shelf e-commerce and Tiktok represented by content e-commerce in China. Currently, brands still regard shelf e-commerce as a long-term business position and invest marketing and advertising in content e-commerce to reach more user circles. Obviously live e-commerce is one of the most mature and effective forms of Internet marketing. It is especially conducive to the exposure of small and medium-sized brands. However, there is no doubt that successful live e-commerce can greatly expand the sales market and sales channels, and output a large amount of product information and enhance popularity in a short time. Therefore, how to make use of e-commerce live broadcasting, a new media publicity method emerging in the current society, has become the top priority. In this work, Through the analysis of the current social Internet marketing trend oriented by live streaming e-commerce, the analysis of the user groups in the sinking market, and the use of qualitative research methods, the marketing strategy of enterprises to adapt to the development of the sinking market is obtained.

KEYWORDS

Acquaintance economy; Sinking market; Live e-commerce.

1. BACKGROUND

1.1. Forms and characteristics of live streaming e-commerce

In general, As shown in Table 1, live streaming e-commerce is mainly manifested in the following four characteristics in the face of the market:

Therefore, through the above analysis, in general, live e-commerce has the following significant advantages in the market:

Increased customer stickiness, improved sales conversion rate Rich product form (combined with social current events), advertising effect and industry verticalization.

Table 1. Four characteristics of live streaming e-commerce

1. Low threshold for live streaming	User participation is not limited by standards, intuitionistic, interactive, The threshold for the release of live content is low, the requirements of the live initiator and the professional level and specific qualifications are limited, and there are no restrictions on the scene of traditional video live.
2. Decentralization and fragmentation of live streaming for implementation	Anyone can broadcast live, become a producer of content, and increase the interactivity of communication.
3. The authenticity and richness of live broadcasts	Different from the graphic era, what you see is what you get, the live scene has a certain authenticity, and often can truly show the attributes of the product. The diversity of live broadcasting at the same time makes the platform more vertically rich, directly increases the interaction with consumers, and effectively communicates.
4. Adapt to user habits	Live broadcasting has gradually spread to all aspects of people's lives, becoming a new way of social interaction and a new economic form.
5. More accurate judgment and push to user needs	Provide users with more aggregated SPUs and SKUs that are more tailored to user needs through big data analysis

1.2. Analysis of consumer demand of users in sinking markets

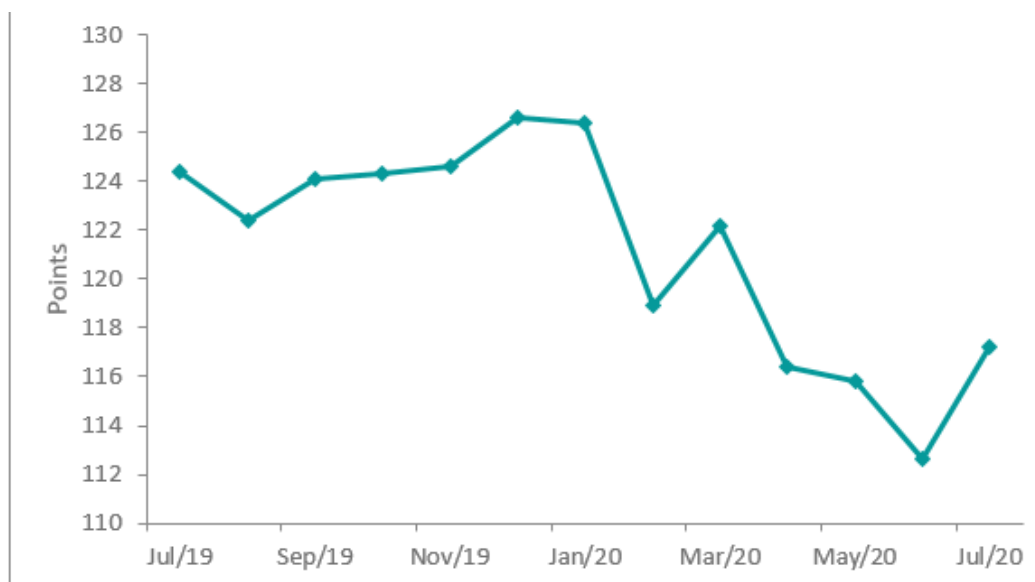
The sinking market defined in this paper refers to the user population living in the third, fourth and fifth tier cities. Compared with the first and second tier cities, the users of the sinking market obviously have more free time and regular and stable living habits. At the same time, due to the limited aggregation and penetration of merchants and enterprises in the sinking market, it is difficult to meet the diversified consumer demand. Therefore, the emergence of live e-commerce has enriched the consumption choices in the sinking market, and at the same time, it also uses consumers' free time to output entertainment content through live broadcasting, which also fills the spiritual life of these people to a certain extent. The operation mode of live broadcasting of e-commerce, which integrates entertainment and marketing, is more suitable for and meets the spiritual needs of users in the sinking market.

The consumption potential of the sinking market is reflected in the fact that although the absolute value of income is not high, the growth rate is significant. As can be seen from the figure above, the disposable income and consumption expenditure of rural residents have exceeded the growth rate of urban residents' expenditure year by year. The sinking market obviously has a steadily expanding consumer market, and these consumer groups are often more concerned about meeting the diversity of their consumption needs: Compared with first - and second-tier city groups, they will have a longer consumption decision-making process when implementing purchase behavior: for example, they will understand the information of the product in detail, compare the functionality of the intended product horizontally, and compare the cost performance of the product vertically. The analysis behavior of these consumers requires a large number of relevant commodity data as support, which is impossible for physical shops in third - and fourth-tier cities. However, the live broadcast sales method of e-commerce and the precise positioning and push of big data can provide consumers with more detailed and comprehensive reference and comparative analysis. E-commerce platforms gather, compare, screen and outline commodity information for consumers in advance. Thus, it saves the time cost of a large number of consumers to initiate decisions spontaneously, and also improves the purchase efficiency of these users.

As shown in table2, It can also be concluded that Internet users in the sinking market have the following four significant characteristics:

Table 2. Four significant characteristics of Internet users

1. Socialize
2. Price sensitive
3. More leisure time
4. Few offline consumption scenarios



Source: CEIC Data, NBS

Figure1 Chinese consumer confidence index

Compared with the living environment faced by consumers in first - and second-tier cities: mortgage, car and loan pressure, work intensity, leisure can be used for limited consumption time

Users in the sinking market obviously have relatively small expenditures on education and health care, and the cost of living is lower, which has the impact of higher disposable income and strong consumption desire.

Therefore, to sum up, we can see that there is a certain degree of matching and coincidence between users in the sinking market and the audience of live streaming e-commerce, and the consumption of these users has occupied a considerable scale in the e-commerce platform. With the extensive coverage of logistics in the sinking market, the information gap is constantly narrowing, and it can be seen that it still has certain development potential in the future.

2. EXTENDED CASE ARGUMENT

The successful marketing experience of large e-commerce enterprises (Pinduoduo, Jingdong) in the sinking market (based on the characteristics of user portraits in the background introduction) is analyzed to guide the strategies of small and medium-sized enterprises entering the sinking market in the following paper

In this part, it mainly analyzes the effective marketing strategies of e-commerce enterprises for the sinking market, and judges the necessary factors for achieving results and the value of further development.

The popularity of smart phones in sinking markets provides equipment foundation: Since 2014, the price level of smart phones has begun to decline, which makes smart phones in the Chinese market

rapidly sinking, and the penetration rate has rapidly increased. According to the IDC report, China's smartphone penetration rate rose from 58.9% in 2015 to 66.5% in 2018, and smartphone shipments have exceeded 380 million units per year since 2014. In this social environment, Pinduoduo maximizes the use of social traffic through the mode of "social e-commerce". The introduction of the group mode through the sharing between people, and social fission to absorb a large number of new user traffic to join. With the traffic base of wechat's 1 billion user scale, Pinduoduo successfully accumulated loyal users in the early stage. [1]

Pinduoduo product design for sinking channels: The core of Pinduoduo APP interface is mainly composed of second kill, clearance, and subsidies. When users open the APP, the first thing they see is the new coupon or cash red envelope, which grabs the user's attention and makes the user have the initial idea of shopping. In the browsing of the official page of the app, attractive entries such as "second kill", "clearance", "billion subsidies" and so on are more and more helpful to stimulate user consumption behavior, and the ultra-low discount brand sales below are also full of temptation. The whole interface fits well with the price-sensitive characteristics of users in the sinking market, and stimulates users' shopping desire to the greatest extent.

Pinduoduo's promotion measures in terms of social attributes are more relevant to the characteristics of Internet users who are familiar with social networking in the market. Pinduoduo also follows up the development of various marketing methods after opening the market by obtaining low price discounts through group sharing. For example, share to friends to help "cut a knife" bargaining consumption gameplay: ask friends to help open cash red envelopes; Share with a certain number of friends to receive coupons, etc. Make a variety of wechat groups, circle of friends often appear Pinduoduo sharing links, and even appear pin-duo help bargain special wechat groups, which is also the main reason why Pin-duo can quickly squeeze the sinking market. Take "cut a knife" as an example, the initiator should constantly share the platform product links to wechat groups or acquaintances under the guidance, and take the initiative to help friends negotiate prices and other tasks to obtain their own discount opportunities. Through the necessary process of browsing products to obtain bargain coupons to stimulate the next bargaining behavior, so as to carry out marketing from the perspective of users. It not only maximizes the interests of users, but also enables the platform to get its spontaneous publicity and promotion from the user's personal level, and promotes the sales of platform merchants. Achieve a win-win situation among the three parties.

It is also worth mentioning that many small and medium-sized merchants have gained more space for survival and development in Pinduoduo. Due to the "Tmall" of Taobao, Taobao has closed 240,000 stores suspected of infringement and abandoned this part of sunken merchants. The market positioning of Pinduoduo has made it the main platform to undertake these merchants. Because online merchants already have a huge scale, they need to convert a large amount of funds into traffic to carry out online marketing if they want to stand out. Obviously, small and medium-sized sinking merchants are unable to compete with leading brands. In the cruel market environment, these merchants with low exposure will face the risk of being eliminated. The payment model of merchants on platforms like Pin-Duo is more friendly to these merchants, and its marketing products mainly provide search promotion and scene promotion products in CPC mode for small and medium-sized e-commerce. It saves the time and energy of the merchant and the operating cost.

However, with the entry of a large number of small and medium-sized merchants into the platform, the platform is obviously facing huge pressure in product selection and supervision. The quality of Pinduoduo products is uneven, and the proliferation of fake goods has been criticized by many users, causing negative public opinion in the society. The platform still has certain omissions in commodity quality inspection and supervision[2].

What Pinduoduo adopts and implements is that the C2M model is a reverse production model driven by the specific consumption of users. At present, the Pinduoduo team has established cooperative relations with more than 50 relevant manufacturers to adopt the factory direct supply method to lower

the price of similar goods compared with other platforms. The uniqueness of this model makes Pinduoduo not only facilitate the factory end, maximize the competitiveness of sku, but also give users preferential treatment and further develop differentiated pricing strategy of the platform[3].

3. LITERATURE REVIEW

Table 3. Specific trends of the development of live streaming e-commerce in recent years

Year	Market size of live streaming e-commerce (100 million yuan)	On a year-on-year basis	permeability
2019	4338	210%	4.10%
2020	10500	142%	8.60%
2021	20000	90%	14.30%

In the 2021 China e-commerce Industry Research report, the current situation of the rapid growth of users and enterprises related to live e-commerce is analyzed, and it is emphasized that the industry ecology of live e-commerce has penetrated into all aspects of the life of the public, and the penetration rate of its market size and year-on-year growth have been substantial. In the research report, it is mentioned that the commodity diversification of the e-commerce industry (the development trend of the whole category is obvious, and the hot categories of live e-commerce will show a "dumbbell" distribution pattern), as well as the diversification of the scene (through the live broadcast room, origin, factory, business circle, and other scenes to show the commodity. However, the current high return rate is still a pain point for the e-commerce industry: the authenticity of products, false propaganda by merchants, and the difficulties in implementing after-sales service still become consumers' concerns, affecting the healthy development of the industry[3].

4. THE MARKETING STRATEGY OF ENTERPRISES ADAPTING TO THE DEVELOPMENT OF SINKING MARKET

There are a large number of small and medium-sized enterprises in the Chinese market, but very few of them can try and apply the way of live e-commerce marketing. However, there is no doubt that successful live e-commerce can greatly expand the sales market and sales channels, and export a large amount of product information and enhance popularity in a short time. Therefore, how to make use of e-commerce live broadcasting, a new media publicity method emerging in the current society, has become the top priority[4].

For small and medium-sized enterprises, the limitation of this channel is that there is no stable audience and sufficient fan base to support the operation. In terms of user growth, detailed localized marketing or specific binding marketing for social current events should be adopted.

Such as working with a local partner: Establish a partnership with a local marketing firm, advertising agency, public relations firm or other related industry professionals to gain their experience and expertise in the target market.

This is precisely the opportunity for relevant domestic seafood companies to further develop and promote their products. There is also the "Xinjiang cotton" incident that makes domestic consumers enthusiastic about imported brand clothing products, and also makes the "national tide" occupy the main stage of the market.[5]

5. CONCLUSION

This paper analyzes the output forms and manifestations of live streaming e-commerce in the current society, and redefines and analyzes the sinking market. Combined with the successful cases of relevant e-commerce enterprises in this field, the strategy of small and medium-sized enterprises entering the sinking market is guided, and the marketing strategy of enterprises how to adapt to the development of the sinking market is obtained.

REFERENCES

- [1] Cenfetelli, R., & Benbasat, I. (2019). The influence of e-commerce live streaming on lifestyle fit uncertainty and online purchase intention of experience products.
- [2] Zhang, S., Huang, C., Li, X., & Ren, A. (2022). Characteristics and roles of streamers in e-commerce live streaming. *The Service Industries Journal*, 42(13-14), 1001-1029.
- [3] Wang, Y., Lu, Z., Cao, P., Chu, J., Wang, H., & Wattenhofer, R. (2022). How live streaming changes shopping decisions in E-commerce: A study of live streaming commerce. *Computer Supported Cooperative Work (CSCW)*, 31(4), 701-729.
- [4] Yin, S. (2020). A study on the influence of E-commerce live streaming on consumer's purchase intentions in mobile internet. In *HCI International 2020—Late Breaking Papers: Interaction, Knowledge and Social Media: 22nd HCI International Conference, HCII 2020, Copenhagen, Denmark, July 19–24, 2020, Proceedings 22* (pp. 720-732). Springer International Publishing.
- [5] Luo, H., Cheng, S., Zhou, W., Yu, S., & Lin, X. (2021). A study on the impact of linguistic persuasive styles on the sales volume of live streaming products in social e-commerce environment. *Mathematics*, 9(13), 1576.