

Comparative Analysis of the Development of China and US Online Trading Platforms and Research on the Strategies of China Online Trading Platforms

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Abstract. This paper begins by defining online platforms and examining their current status. It then explores the reasons behind the platform economy's rise to power and success, comparing and analyzing the development stories and business models of leading online platforms in China and the United States. By examining company profiles, the paper illustrates how these platforms have grown and adapted. The focus then shifts to China's online platforms, evaluating current policies and the challenges faced by the market and industry. The paper concludes by summarizing the impact of online platforms in both countries and providing forecasts and outlooks based on the collected data. This comprehensive analysis highlights the strategic differences and similarities between Chinese and American online platforms, offering insights into future trends and policy implications. Through this approach, the paper aims to contribute to the understanding of the global platform economy and its role in shaping modern business landscapes. This comprehensive study aims to offer valuable insights into the transformative role of online platforms in the digital economy and guide future research and policy-making in this rapidly evolving field.

Keywords: List the; keywords covered; in your paper.

1. Introduction

1.1. Research Background

Online platforms, defined as any digital service that makes it easier for two or more different but related groups of users- individuals or businesses- to Network-based marketing, have attested to be much more cost effective than traditional face-to-face marketing, and the huge market growth share in the future indicates that this new economic field has great potential and business opportunities [1]. Benefit from the network effect, miraculously, most people are more and more dependent on online platforms to support their daily activities, like interacting with other individuals, searching for a restaurant in a search engine, sending a funny video to your friend on the social media, or paying for a sandwich by using the payment system. According to World Bank Group global digital payments statistics (2021), 64% of adults worldwide currently make/receive digital payments, as shown in Table 1 [2].

Table 1. Digital Payment of Global and USA and China in 2023 and the CAGR Growth Rate

Total transaction value	2023 Digital Payments	Growth rate CAGR
Global	\$9.47 T	\$14.79 T
USA	\$2.04 T	\$3.53 T
China	\$3.85 T	\$5.20 T

The particularity of online platforms is that they are based on the Internet, which combines many significant benefits but also coincides with potential harm that is widely divergent from traditional methods. For instance, the openness of the Internet may facilitate the collection of vast market information so as to bring significant benefits to consumers, businesses, and governments. But on the



other edge of the sword, it is always effortless for platforms to collect and share users' personal data with third parties. Agile businesses can gain an edge in their primary business and beyond by taking advantage of the platform economy's prospects. Based on a 2018 poll, the McKinsey Global Institute's research revealed that organizations with any platform can outperform enterprises without a platform presence in terms of earnings growth. Additionally, online platforms can create new opportunities for young entrepreneurs or individual artists to set up their own businesses at a relatively low cost. However, not everyone can start on an online platform very successfully. Most sectors have already had existing powerful incumbents who dominate this industry. Their scale gave them a data advantage, such as Google in the search engine and Amazon in the marketplace. The brand recognition and the loyalty of most consumers would be likely to stick to them and ignore other online platforms serving a similar function.

In conclusion, online platforms have the strong ability to leap national borders and bring individuals from different parts of the world together, forming new connections and opening new markets with great promise for businesses. With an inextricable connection to the global digital economy, the outlook of online platforms is going to bloom, and this will prepare each country for high-quality economic development by improving the efficiency of resource allocation of talent, capital, and technology.

Numerous academics have demonstrated how the digital economy can boost economic growth and total factor productivity. Platform economies have the potential to foster superior economic growth by increasing the effectiveness of the distribution of talent, capital, and technological resources.

1.2. Literature Review

Vlassis proposed that the global COVID-19 pandemic has been an accelerator towards the development of global online platforms, especially triggering the overwhelming action of US-based online platforms [3]. In 2020, the digital economy real value of the digital economy of the US grew by 6.5% while its total real GDP declined by 2.2% [4].

Carlsson found that the creation and use of a form of general-purpose technology is giving rise to an immeasurable long-run effect on the New Digital Economy, which is the proliferation of the use of the Internet, also created a new level and form of connectivity among multiple heterogeneous ideas and actors. The universality of digitization leads to the potential emergence of completely new goods and industries, the rearrangement of economic activity within industries, the market efficiency effect, and the improvement of productivity in traditional industries [5].

Tyler Smith analyzed that when the market is expanded and more sellers are added to online platforms, competition would increase, putting more pressure on incumbents. Moreover, more consumers would be drawn onto the platform due to network effects [6].

1.3. Research Framework

This paper will first introduce the definition of online platform and their status. Then, this paper will explain why and how the platform economy became so powerful and successful by comparing and analyzing the development stories and business models of the world's leading online platforms in China and the United States according to the companies' profiles. Next, the paper will mainly focus on China's online platform and evaluate the current policies and the challenges the market and the industry are facing. Afterward, this paper will summarize the impact of online platforms in both countries and provide forecasts and outlooks based on the information collected.

2. Description of the Online Platforms of China and the United States

2.1. Description of the Online Platform of China

According to the White Paper of the Chinese Government, by 2021, the digital economy in China was worth 45.5 trillion yuan, accounting for 39.8% of the international GDP. By June 2022, there were 1.05 billion internet users nationwide, and the country's internet penetration rate had reached 74.4%. A recent ranking of the e-commerce market size by the country shows that China has a remarkable e-commerce revenue as it was the world's largest e-commerce market in 2023 and became the only country to exceed the \$2 trillion mark by a significant margin. In fact, China's 2023 e-commerce revenue is expected to be more than the combined revenue of the other nine countries on the list, comparing e-commerce market size by country.

Various new technologies and applications in China have been cultivated over the years, such as artificial intelligence (AI), the Internet of Things, and Next Generation Communication Networks. China has hosted the world's largest 5G network. These developments facilitate digital transformation in a wide range of industries, exemplified by retail, social media, and agriculture, as shown in Figure 1.

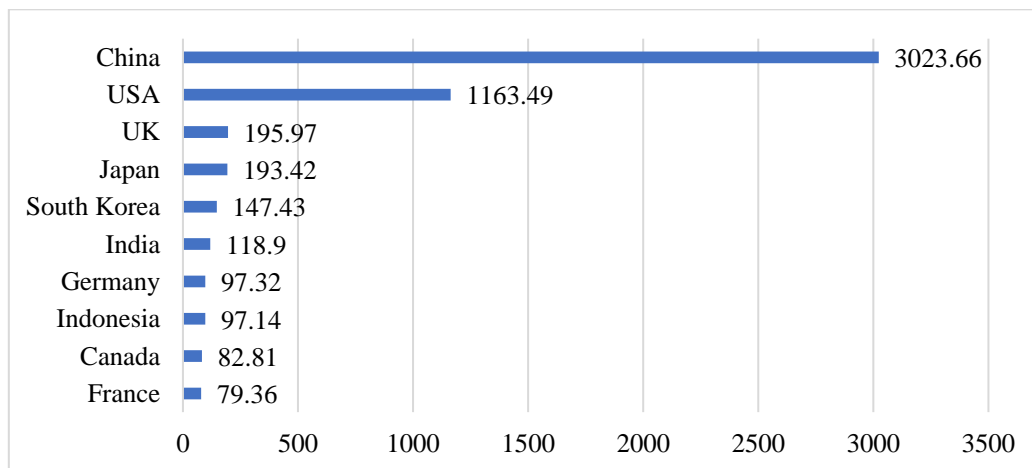


Figure 1. E-commerce sales in 2023 (billion dollars) [7]

In 2023, China's presence in the global platform landscape has strengthened, driven by industries such as Tencent, Alibaba, Reliance, and Bytedance. China has not only established a strong domestic platform economy, but it has also demonstrated its exceptional competitiveness globally. This development might have an immense impact on how the global platform economy and other technical fields develop in the future [8].

2.2. Description of the Online Platform of the United States

According to the data, in 2021, the US digital economy accounted for \$3.70 trillion of gross output and has taken up 10.3 percent of the US GDP [8]. There were 298.8 million internet users in the USA in January 2021. The world's 100 most valuable platforms have gained \$14.1 trillion as of August 2023. The United States has contributed most of the increase, whose platform companies now impress with a dominant market share of 80.3 percent [9]. The colossal size and economic strength of the US make it an ideal place for rapid expansion, especially with its sizable domestic market and innovative, heterogeneous business culture. These features cement the United States' status as the top platform nation [9]. Major platforms from the United States are Amazon, Apple, Microsoft, and Alphabet, which hold significant economic power and large-scale geopolitical influence, which strengthens their high position in international trade agreements and digital legislation [9].

3. Comparative of the Online Platforms of China and the United States

3.1. Similarity Identified between the Online Platforms of China and the United States

China and the United States continue to be the driving forces of the global platform economy and are leading the way in the development of online platforms.

3.2. Differences Identified between the Online Platforms of China and the United States

3.2.1. Market size.

With a market twice as large as the US market, China's online business offers more opportunities for companies who want to enter and build their own online platforms [10]. As of July 1, 2024, the population of China reached 1,425,178,782, which provides a large number of potential consumers for all types of online platforms. Businesses from all countries can reportedly boost revenues by 20% by selling on the Chinese e-commerce platform. E-commerce is crucial for China's economy as well as for enterprises operating there. Looking at the forecasted growth in global e-commerce sales, China leads the way with 862.6 billion dollars in 2019 and is predicted to reach 1,556.2 billion dollars in 2024 [11].

3.2.2. Market orientation.

Chinese platforms like WeChat and Alibaba are tailored to meet local consumer behaviors and regulatory requirements, thriving in a market insulated from foreign competition due to strict internet censorship laws, focusing predominantly on the Chinese and Asian markets.

However, American platforms typically have a more global outlook, adopt a more global approach, design products and services that cater to a wide range of international markets and standards, and face different regulatory environments and consumer behaviors.

3.2.3. Government intervention.

The Chinese government plays a significant role in the operation of online platforms, guiding policy, investment, and infrastructure development. Major initiatives like the "Made in China 2025" plan appear to emphasize the growth of advanced technologies and signal an expanded role by the government in the economy, which many fear could distort global markets and negatively affect US firms. The Cyberspace Administration of China (CAC), China's online content regulator, has been focusing its Internet regulatory framework on major platforms rather than individual websites and users in recent years. Anti-pornography, anti-vulgarity, and anti-rumor campaigns are frequently used by Chinese government regulators as a cover for information control [12].

While the US digital industry is largely self-regulated, characterized by innovation-driven primarily by the private sector, companies like Google and Amazon lead in technological advancements without the same level of direct government intervention, enjoying broad or conditional immunity in terms of content liability in different territories.

3.2.4. Platform service.

Chinese tech companies often create ecosystems that integrate various services (such as e-commerce, social media, and payment services) into a single platform, providing many kinds of products and services. Enhancing user stickiness and data collection capabilities. This allows for the capture of more user demands, improved user satisfaction, and improved user dependence on platform services.

US companies tend to focus more on specialization in services. For example, Facebook focuses on social networking, while Amazon focuses on e-commerce, although diversification is also present.

3.3. Problems identified

3.3.1. Cybersecurity threats.

With the government's deep involvement in China's online platform industry, there are concerns about user privacy and data security, particularly how data is used for surveillance and social control. This involves putting the real-name registration and verification policy into practice, monitoring material in real-time, and keeping user data for at least six months [13]. Before they may upload any content, platform users must disclose information about who they really are. Additionally, platforms are obliged to confirm users' identities using government-issued identity cards and special institutional codes. These restrictions allow Chinese platforms to "lawfully" gather large amounts of user data without having to worry too much about facing consequences for violating users' privacy.

Also, ICT networks facilitate the quicker access, distribution, aggregation, and use of a larger volume of personal data than in the past [14]. However, the e-commerce industry is rife with "barter transactions", in which personal information is traded in exchange for the ability to access online services [15]. "Personal data is the new oil of the internet and the new currency of the digital world" [16]. The gathering and commercial exploitation of personal data produced by consumers' online consumption activities is the foundation of many e-commerce enterprises [17]. This harmful practice is known as "personalization" or "algorithmic price discrimination," in which a customer's personal data is used to ascertain their preferences and the highest price they may be charged [18].

As a global leader in technology, the United States faces significant risks from cybersecurity threats as well, both domestic and international. For example, Amazon, as a data-heavy company, must continuously protect against data breaches and reassure customers about the security and privacy of their personal data. Also, cybercriminals can obtain insider information about US companies' corporate plans, M&A tactics, unreleased reports, and other confidential information that can affect a company's stock price or financial result [19]. Once they have this knowledge, criminals can manipulate the US market by engaging in illicit insider trading or arbitrage, which involves buying and selling securities at several exchanges at the same time in order to profit from discrepancies in price. Due in large part to their intricacy and the legal limitations imposed by extraterritorial jurisdiction, these manipulations are challenging to identify and even more so to prosecute. Businesses and investors from the US suffer financially, and when exchanges experience a decline in investor trust and reputation, it can have an impact on the US's national economies.

3.3.2. Innovation stifling.

Also, heavy regulation and censorship might limit the potential for innovation in China's online platform, particularly in content-driven platforms. Because of this, practically all significant platforms have been summoned and penalized on a regular basis for containing problematic information. For instance, the CAC called major platforms to account for the "chaotic situation" surrounding self-media in November 2018. The information listed is problematic in that it spreads rumors, propagates pornography, deliberately distorts the history of the Chinese Communist Party, and denigrates war heroes. Consequently, 9,800 self-media accounts are suspended or closed. Another instance was in June 2017, when the Cyberspace Administration of Beijing (CAB) called a meeting of significant Internet businesses and online platforms to address the obscene and sensationalistic reporting of celebrity scandals and extravagant lives. Sixty well-known entertainment official accounts were shut down on various platforms in a matter of days, some with millions of followers. Moreover, Chinese platforms are not only obliged to implement online content governance, but government regulators have also regularly penalized them with fines and other sanctions. The Chinese Academy of Civilization (CAC) discovered in September 2017 that the three most widely used social media platforms in China—WeChat, Weibo, and Baidu Tieba, an online forum—contained damaging information and had violated China's Cyber Security Law, which went into effect on June 1, 2017. All three of them were fined and were asked to change their content. In April 2018, government regulators ordered the temporary removal of Toutiao and four other of China's most popular news-aggregating services from app stores.

3.3.3. Intense competition.

US platforms operate in a more competitive international environment, driving higher levels of innovation and operational efficiency but also encountering diverse market challenges.

Another significant aspect is that the United States is facing monopolistic practices. The dominance of a few large tech companies raises concerns about anti-competitive practices and their impact on startups and innovation.

4. Suggestions

4.1. Upgrade According to Customers' Preference

Platform companies not only need to acquire users but also need to retain users. Young consumers, in other words, millennials and Generation Z customers who have grown up surrounded by digital devices, should be given special consideration. Having a long-term handover of competitive advantage that appeals to these users would enable the platform to succeed and gain profit consistently. According to Weiss Ferreira Chaves, the issue is with perspective rather than technology. Businesses should be customer-focused. It's critical to understand the preferences of a client, and this will determine whether a company can succeed or not in the future. For example, clients are cautious in a business-to-business industry like farming. Efficiency, risk mitigation, productivity, and profitability are their main concerns; however, in the consumer market, being "cool" should be emphasized. So, Platform providers from China and the USA ought to set up procedures to enhance these users' contentment and their reliance on platform goods and services. In order to precisely capture external requirements, platform companies must actively cultivate their own dynamic capabilities. As the Internet platform consistently delivers material that fulfills users' expectations, it must also adapt to new user demands.

4.2. Protect User Privacy and Data Security

China does not currently have a thorough and organized legal framework regarding the processing of personal data. There are no comprehensive implementation guidelines pertaining to the circumstances, areas, or techniques of processing personal data in the E-commerce Law. The current system consists of a disorganized collection of insufficient regulations dispersed over several regulatory tools [20]. The Cybersecurity Law 2017, for instance, stated that Network Operators set up user information security measures and strictly ensure the confidentiality of user information. Network operators must abide by applicable rules and regulations while gathering and using users' personal information. Firstly, online platforms must also get users' consent before processing their information. Moreover, the platforms should clearly identify the scope, methods, and goals of the data processing.

4.3. Collaborate

Small businesses can try to form alliances. This can produce a critical mass to set them apart from new competitors, according to Choudary. For instance, local banks in Sweden collaborated to create Swish, a domestic digital payments system that effectively delayed the arrival of ApplePay. This is a great move to combat new entrants.

Collaborating with a platform is a successful strategy as well. For example, a well-known brand supporting a newcomer through exclusive distribution in a joint venture will help the brand as the platform expands.

4.4. Enhance Digital Marketing

Any current marketing strategy must include digital marketing. Data has quickly grown to be a valuable resource in and of itself. Product placement and AI- and machine-learning-powered advertising campaigns can raise brand recognition. According to Weiss Ferreira Chaves, a

corporation can be much more targeted thanks to the abundance of available data and advancements in analysis.

Data owners have unrivaled insight into consumer behavior, which can lead to opportunities for the creation of new products and cross-selling. Some organizations, like the Chinese insurance provider Ping An, start off offering digital solutions to other companies. These days, GE and Siemens also offer data services. Data intelligence-based products are more globally popular than physical goods since they may be more likely to be introduced into new markets.

5. Conclusion

In summary, this paper conducted a comparison between China's online platforms and the US's. Potential problems of both countries manifested through several pivotal dimensions. What follows is an account of the conclusion using SWOT analysis. China's platform economy's most significant strength is that it took advantage of China's large population base, which owned a significant market share. Large-scale potential consumers provide the opportunity for all types of platforms to find the path to success, attracting many companies overseas to implant into the Chinese market to gain more profit. However, the weakness of China's online platforms is that the potential for innovation in China's online platforms may be limited by strict regulation and censorship. Moreover, strict internet censorship laws force Chinese platforms to focus predominantly on the Chinese and Asian markets, therefore losing overseas customers. Hopefully, the development of China's platforms has promising opportunities. Loads of motivated and supportive government policies for the improvement and creation of platforms innuendo growth potential, as do the technological breakthroughs made on the Internet. The company can further capitalize on its position by upgrading the platform regularly, adding more functions involving the newest technology, and aligning with the global shift towards intelligence. But it's worth mentioning that the threat China's online platforms are facing meanwhile is that consumers' personal information is suffering from risks of leakage. Moreover, China's labor market is rapidly changing due to the rise of the platform economy. Full-time, traditional occupations of single-employers are being replaced by gig and self-employment work, which is a shift from manual labor to automation, offline to online work, and fixed employment to flexible scheduling. In China, the proportion of gig workers in the labor sector is rapidly rising. The structure of the employment relationship is also changing structurally. The current social security and labor protection programs are facing numerous threats.

In terms of US online platforms, their remarkable strength is that being a global pioneer in technology, US companies master core technology and have the potential to innovate and develop new platforms. However, the weakness of the US platform economy is negligible. Many sectors already have powerful incumbents, top players who have already taken control of the consumer market, and a great number of loyal customers. Their dominance over the whole industry gave them an advantage over their competitors, which helped them maintain top performance in the industry. Entrancing in such sectors makes it hard for startup companies to gain consumers. The opportunity for US online platforms is that the outlook of international expansion beckons as it seeks to tap into burgeoning online marketplaces globally, enabling more platforms to be created to satisfy the needs of people from all over the world. The international environment US platforms are diving into is more dynamic and challenging but also highly profitable. However, US companies are also facing the threat of cybersecurity, both domestic and international, underlying the US's national economies.

In brief, online platforms from both China and the US, along with players from other countries, will play momentous roles in shaping the future of the B2B, C2B, and C2C marketplace, fueling the global economy to develop more rapidly. As interacting online becomes more mainstream, competition between online platforms will intensify, and companies that can adapt and innovate will thrive in this dynamic landscape.

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