

The Strategy Research of the Community Group-buying Mode in the Sinking Market —— Take Taobao as an Example

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Abstract. With the continuous growth of the population in third- and fourth-tier cities and non-county-level areas, the consumption potential of the sinking market is gradually emerging and constantly released. In order to meet the demand of this market, Taobao has adopted the innovative strategy of the community group-buying model. This paper deeply discusses how Taobao can enhance its brand awareness and competitiveness in the sinking market through a series of strategies. To be specific, Taobao understands consumer needs through detailed market research, formulates targeted strategies, and actively supports small and medium-sized merchants to help them better integrate into the market. In addition, Taobao also uses big data analysis and consumer insight to accurately grasp the market demand, so as to provide products and services more in line with consumers' expectations. At the same time, Taobao is close to consumers' lives through localized content marketing and enhances the affinity and influence of the brand. In order to further optimize the supply chain, Taobao has built a localized supply chain system to ensure that goods can reach consumers quickly and efficiently. Through the implementation of these strategies, Taobao has successfully met the needs of consumers in the sinking market, bringing about a significant improvement in the potential of the consumer market. At the same time, these strategies also provide Taobao with a diversified means of competition in the face of other competitors, so that it can maintain a dominant position in the fierce market competition.

Keywords: Community group-buying model, sinking market, consumer demand, Taobao, localized content marketing, supply chain.

1. Introduction

The sinking market, which mainly refers to in China's third-tier cities and rural areas [1], covers more than 1 billion people, accounting for more than 60% of China's total population. With the acceleration of urbanization in China's country and the growth of residents' disposable income, the consumption potential of this market has gradually emerged, becoming a new growth engine for the e-commerce industry. At present, consumers in the sinking market are experiencing the critical cycle of consumption upgrading, and the requirements for commodity quality and brand are improving, no longer only satisfied with low-cost goods. The improvement of network infrastructure and national policy support, such as the Three-year Action Plan for County Business (2023-2025), provide technical support and policy preference for the development of e-commerce platforms in the sinking market. At the same time, the rise of emerging e-commerce platforms and the rapid development of content e-commerce platforms, such as Pinduoduo, TikTok and Kuaishou, have brought fierce competition to traditional e-commerce platforms such as Taobao.

The purpose of this study is to deeply analyze how the sinking market attracts consumers' purchasing interest, the competitive strategies of e-commerce platforms, and how localized marketing affects the market development. The study will focus on changing trends in user behavior, such as emphasis on product localization and shopping experience, as well as acceptance of content e-commerce and community e-commerce. At the same time, the research will discuss how the e-commerce platform can improve the shopping experience by optimizing logistics, payment and other

links, and how to improve the user experience and stickiness through the innovation of community group-buying mode and the construction of a localized supply chain in the sinking market. Through the study of these contents, the purpose is to provide strategic advice for e-commerce platforms to better adapt to the changes in the sinking market and seize new growth opportunities.

2. Community Group-buying Model Innovation to Meet Consumer Demand

2.1. Handshake Sale Area Accurately Serves the Sinking Population

From the distribution of population size, by the end of 2022, the population of the sinking market in third-tier and following cities accounted for more than 60% of China's total population. From the level of purchasing power, the growth rate of disposable income per capita of rural residents is higher than that of urban residents, which has resulted in a phenomenon of soaring consumption in the sinking markets. By the end of 2022, the population of China's first and second tier accounted for 36% of the country, and the population of the third tier and the following cities accounted for 64% of the population, and the overall consumption power of the third tier as well as the following cities is higher than that of the first and second tier cities, and the overall consumption power of the third tier as well as the following cities is higher than that of the first and second tier cities. far higher than the growth rate of urban residents, the growth rate of rural residents is still increasing. Taobao analyses the shortcomings of the sinking market by connecting with the Spotify, Tao Snapping, and Daily Sale Taobao system marketing platforms and launches a special sale area in Mobile Tao to accurately target the sinking market [2,3]. The relationship between supply, Taobao marketing matrix sinking and sales lies in the fact that brand merchants, manufacturers and farmers sell to fourth and fifth tier cities as well as townships and rural areas through Taobao's Spotify, Taobao Snapping, Daily Sale and Handtao Sale Area, Taobao's Spotify, Taobao Snapping, Daily Sale and Handtao Sale Area can help supply-side empowerment of branded products for the full cycle of development and transformation of the industry, as well as promote a more efficient match between production, marketing and supply and the upward mobility of agricultural products. Agricultural products on the line, for sales measurement, can provide quality and affordable goods and strengthen the content operation to tap the shopping potential. Based on the results of market research, Taobao needs to meet the needs of consumers from different starting points and maintain the product tone, as well as continue the brand potential and dividends accumulated in recent years of consumer upgrading to the sinking market. Taobao can use big data analysis to gain a deeper understanding of the needs and buying habits of consumers in the sinking market and determine the precise marketing methods. In the sinking market, Taobao can optimise logistics and delivery services and provide quality after-sales service to improve the shopping experience of users to achieve the purpose of increasing the stickiness of users for Taobao. Taobao can also promote through different channels to achieve the purpose of expanding the sinking market share. Taobao can also continue to create new products and services to meet the diversified needs of the sinking market, such as the introduction of more cost-effective products to meet the needs of low-income groups. Pinduoduo has simplified the shopping process, making the operation easier, successfully attracting a large number of new e-commerce users. Pinduoduo precisely focuses on the third tier and the following cities, successfully attracting a large number of users in the sinking market.

2.2. Vigorously Support Small and Medium-sized Merchants

On May 10, 2023, Taobao announced the establishment of the Small and Medium-sized Enterprises Development Centre. During the 618 period, Taobao launched the Good Price Festival for the first time, so that small and medium-sized merchants for the first time stood in the C position of the big promotion. During the double 11 activities, Taobao is the new merchants to provide 2 billion traffic promotion subsidies, the introduction of a series of exclusive marketing solutions opened the new track of the Good Goods and Good Prices.

2.3. Taobao Big Data and Consumer Insights Can Accurately Identify User Needs

Merchants in the Taobao sale area can rely on Taobao user big data and consumer insights to accurately identify user habits, hobbies, and other needs. Merchants can tap into the massive depth of the user and can also tap into new business opportunities to stimulate new consumption, thereby increasing revenue.

3. Localization Marketing to Enhance Brand Awareness

Localization marketing is a strategy in which a company adapts its products and services to the culture, language and consumption habits of its target market and adapts its products and services to the needs of the target group in order to achieve sales growth and brand awareness. Localized content marketing involves using the language and culture of the target market in order to appeal to the goal consumers in a more targeted way, thus increasing brand awareness and attractiveness in the sinking market.

For Taobao, the most important thing is to understand the target audience. In the sinking market, consumers have a variety of languages and cultural backgrounds, and when promoting the sinking market, their needs need to be understood in depth, such as interests and buying habits. Segmenting the market through data analysis and implementing customized content for consumers in different regions ensures that its promotional content is relevant to the lives and cultures of consumers in the target regions. Taobao needs to develop a content strategy, they can do this by creating high quality content such as TikTok, Shutter (Chinese short video software similar to TikTok), Weibo or WeChat video numbers and it needs to be specific to the consumers' real problems and situations. The content therein should include local language and cultural elements to bring a sense of intimacy and resonance to consumers. Moreover, the user overlap between Taobao and short-video platforms such as TikTok has shown a significant upward trend in recent years (from 2018 to 2024), which is a good opportunity for Taobao to promote itself.

In addition to this, there is also the multi-channel distribution approach, which means using social media, emails, and cooperation with websites to distribute content in a variety of ways in order to increase the reach and exposure of the content, so that more consumers will notice it. The most important thing is to local social media platforms to publish content, you can tap potential customers as much as possible, such as the salesman in the WeChat Moments to send out information related to the product, all potential customers can learn about this information.

Finally, Taobao can also cooperate with local netizens or bloggers. To be specific, it refers to netizens or bloggers who are broadly in line with the brand's positioning and promote the product through their local influence. This can quickly increase the brand's recognition and trust in the sinking market.

4. Build a Localized Supply Chain to Improve Competitiveness

Recently, Pinduoduo's competitiveness in the sinking market is gradually improving [4,5]. The rapid rise of Pinduoduo has brought innovation pressure to Taobao. The social e-commerce model it adopts has injected great innovation momentum into the industry. Although Taobao has also launched new businesses such as "Taobao Live", it is still difficult to compare with Pinduoduo's "social fission" model in terms of the depth of social marketing and user experience. In the future, Taobao needs to improve its competitiveness by building a localized supply chain in the sinking market, and the number of new users in the sinking market is still higher than the proportion of Taobao, and its competitiveness in the sinking market is still in an advantageous position.

4.1. Formulation of Localized Supply Chain Strategy

Through in-depth research on the sinking market, Taobao understands the needs, consumption habits and purchasing power of local consumers. For example, users in the sinking market are very

sensitive to price and are easily attracted by the low-price strategy of competitors, consumers in the sinking market are more tolerant of logistics time, and most people can accept a delivery time of 3-5 days, and consumers in the sinking market have significantly higher demand in terms of logistics speed, convenience of return and exchange process, and after-sales processing speed. Supported information provides data support to improve the development of localized supply chain strategies. Based on the results of market research, Taobao customizes a supply chain strategy that conforms to the characteristics of the sinking market. Including commodity price, product selection, logistics and distribution, and after-sales service, to ensure the efficient operation of the supply chain and the improvement of user experience.

4.2. Construction and Optimization of Supply Chain Infrastructure

4.2.1. Logistics network layout

Taobao relies on logistics platforms such as Cainiao Network to optimize the logistics and distribution network in the sinking market to ensure that goods can be delivered to consumers quickly and accurately [6]. By setting up more county-level service centers and township co-distribution points, the breadth of logistics coverage and distribution efficiency will be improved. With the help of Cainiao Network's logistics capabilities, Taobao's pre-sold Thai Golden Pillow durians are delivered from the plantation to warehouses in 19 cities in China in just 5 days. Consumers in more than 1,400 districts and counties in China can receive fresh durian the next day after placing an order and the whole delivery time will not exceed 7 days.

4.2.2. Construction of storage facilities

Taobao has set up a large number of front-end warehouses in the sinking market. Front-loading is the storage of popular items in advance in a warehouse closer to the consumer to reduce delivery time. At the same time, intelligent and automation technologies have been introduced in the warehousing construction of the sinking market, such as intelligent sorting systems and unmanned handling equipment. The application of these technologies not only improves the efficiency of warehousing, but also reduces labor costs so that operational efficiency can be maintained even in remote areas. According to the demand characteristics of the sinking market, Taobao has built a multi-level logistics and distribution system, covering the whole chain from large warehouses to regional warehouses, and then to pre-warehouses and terminal distribution points. Such a multi-level system can flexibly allocate resources according to order priorities and regional needs to improve overall logistics efficiency.

4.3. Localized provision of Goods and Services

4.3.1. Customization of goods

Taobao promotes supply-side upgrades through platforms such as Juhuasuan and cooperates with manufacturers to launch customized products that meet the needs of the sinking market, such as photo printing, pillow design, and mobile phone case customization [7]. These products not only meet the personalized needs of consumers but also bring considerable benefits to merchants. In the future, with the continuous progress of technology and the further upgrading of consumer demand, Taobao product customization will present a broader market prospect and development space. During the Tmall 618 period in 2024, the number of transactions and orders for personalized customization increased by more than 20% year-on-year, of which the transaction volume of design goods increased by 34% year-on-year.

4.3.2. Service localization

Taobao offers a range of localized services, such as hassle-free returns, on-site installation, after-sales repairs, etc., to enhance user experience and satisfaction. At the same time, in order to make it more convenient for users in lower-tier cities and rural areas, Taobao has added local dialect or easy-to-understand language support to the user interface. This language adjustment has made it easier for

users who may not be familiar with Mandarin to understand and use the platform, improving the shopping experience. Actively cooperate with local merchants in the sinking market to encourage them to set up shops on the platform. By providing specialized training and technical support to local merchants, Taobao helps them improve their online operation capabilities. This partnership not only enriches the platform's product variety, but also shortens the delivery time, allowing local users to purchase local products more quickly.

4.4. Supply Chain Collaboration and Ecological Cooperation

By integrating Alibaba Group's ecological resources, Taobao realizes efficient collaboration among all links in the supply chain [8]. It includes collaborative operations with internal resources such as Alipay and Alibaba Cloud, as well as cooperation with external institutions such as local governments and industry associations to jointly promote the development of the supply chain in the sinking market. As of the end of September 2021, the annual active consumers of Taote and Taocaicai reached 270 million, a year-on-year increase of 200%; The average daily trading order volume after deduplication increased by more than 400% year-on-year.

Taobao actively establishes long-term and stable cooperative relations with partners in all aspects of the supply chain, such as manufacturers, logistics providers, and service providers. At the same time, Taobao has launched the "Rural Taobao" (referred to as "Village Taobao") project in the rural market, working with local governments and local partners to help rural residents open "Village Taobao Service Stations". These service stations not only serve as commodity distribution centers, but also provide e-commerce training, logistics and distribution, after-sales service, and other support, making it easier for rural residents to participate in the e-commerce ecosystem. Taobao builds a win-win supply chain ecosystem by sharing resources, complementing each other's advantages and sharing benefits.

5. Conclusion

Taobao's strategy in the sinking market has achieved significant growth through precise services and support for small and medium-sized businesses. The applications of big data and consumer insight provide personalized services and enhance user engagement and brand loyalty. Local content marketing and the construction of a supply chain enhance brand recognition and competitiveness and provide consumers with convenient and efficient shopping experience.

Despite its success, Taobao also faces challenges from logistics distribution, product quality and after-sales service in the sinking market. Therefore, Taobao needs to optimize supply chain management, improve logistics efficiency, ensure commodity quality, and improve the level of after-sales service to maintain and enhance competitiveness. At the same time, we pay attention to consumer feedback, constantly adjust and improve strategies to respond to market changes and the evolution of consumer demand.

Taobao's sinking market strategy provides experience for other e-commerce platforms. E-commerce platforms can better explore the sinking market through accurate market positioning, effective merchant support, the application of big data and the implementation of localization strategies. Focus on localized content marketing and supply chain construction to meet consumer needs and improve user experience. In addition, e-commerce platforms need to continue to conduct market research, timely adjust their strategies, adapt to market changes, and maintain competitiveness.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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