

The most famous online shopping website in china marketing essay



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Abstract

Taobao is the most famous online shopping website in China. It was launched in 2003 and within two years it became the leader of China's online shopping market. In order to keep the leadership position in increasingly intense competition and sustain its development, Taobao needs to modify and better its strategies for future development. Furthermore, its marketing strategies can also provide a good example for other online shopping companies. This essay is going to make an overall analysis on Taobao's business strategies by SWOT.

Key words: Taobao; marketing strategies; SWOT analysis

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1. Introduction

Taobao operates a website, Taobao. com which is the largest Internet retail website in China. According to its website the transaction volume on Taobao (gross merchandise volume or GMV) exceeded RMB200 billion (US\$29 billion) in 2009. Taobao launched in 2003, is owned by Alibaba Group, which is a family of Internet-based businesses. (Taobao, n. d.) Taobao provides not only online platforms but also third-party online payment services (Alipay) and instant messaging services (Aliwangwang)

Platforms within Taobao include Alimama (alimama. com), an online advertising exchange and affiliate network for publishers in China. In addition, there is also a classified listing website Koubei. com. (ibid.)

SWOT analysis, according to Philip Kotler, is an overall evaluation of a company's strengths, weaknesses, opportunities and threats. (Kotler, 2003)

As the competition in the online shopping market is becoming increasingly fierce, Taobao faces some problems as well. The purpose of this SWOT analysis is to provide a critical review of key factors that may slow down Taobao's future development.

2. Strengths

2.1 Leading position in China's online shopping market

Taobao is an acknowledged leader in both B2C (business to consumer) and C2C (consumer to consumer) online shopping market in China. Taobao has (should be: had) more than 190 million registered users by (could use: at) the end of April, 2010. (Taobao, n. d.) It has built a strong brand and is recognised by more Netizen (which is defined as the Chinese population who have accessed the Internet in the past 6 months by China Internet Network Information Centre) (CNNIC. 2008, January 15th). The company is well-thought-of by customers which gives Taobao more advantages in competition.

2.2 Effective combination of diversified offerings

Taobao combines its three segment businesses effectively to enlarge its customer base. Take Alipay as an example, it is a third-party online payment platform, provides a simpler, efficient and safe payment service for both customers and sellers. This service not only ensure (should be: ensures) the transaction security but also reduces the transaction risk for online consumers, as it enables buyers to confirm the quality of goods before releasing funds to sellers. For example, if goods are found (to be) broken or fake, customers can request Alipay to postpone the release of funds to

sellers. (Taobao, n. d.) This service help (should be: helps) Taobao (to) attract more customers.

In addition, an instant message (could use: messaging) service called Aliwangwang make (should be: makes) the communication between (the) buyer and seller easier. Moreover, this service enables (the) buyer and seller (to) have a directly private bargain during the transactions, which is the preference of Chinese customers.

2. 3 Precise market positioning

Taobao analyzed China's online shopping market at the beginning of its business. Different from other online shopping websites which prefer older white-collar worker(s) with higher salaries or people who like collecting and sharing, Taobao chose fashionable younger females as the target customer. This market positioning proved more suitable for China's market compared to other websites' (apostrophe not needed) . This is one of the reasons that the growth rate of Taobao is much higher than other competitors.

3. Weaknesses

3. 1 Limiting itself to local market

The design of Taobao website and other supporting services were based on China's local market. This localisation strategy made Taobao grew (should be: grow) fast at the beginning. However, with the development of the website, this strategy limits Taobao to the Chinese market and (, therefore resulting in a) lack of presence in (the) global market.

3. 2 Insufficient screen process to control counterfeit products

Although Taobao has taken some measures to control the sale of fake goods, such as rating the sellers by credit value, the result was not as expected.

Because of the free strategy that Taobao used, individuals can establish an online shop easily without charge and requirement. This makes it even hard to monitor and select sellers that commit fraud. Lack of effective screening processes to control the sale of counterfeit products has had a negative influence on customers' confidence in Taobao. It could also affect Taobao's brand image and sales.

4. Opportunities

4. 1 Growing demand for online shopping in China

According to CNNIC, the number of online buyers reached 87. 9 million by June 2009, increasing from 74 million in 2008 and 46 million in 2007. The online shopping penetration rate achieved 24. 8% by June 2009. (CNNIC. 2010, January 15th; 2010, July 15th) As the data above shows, more people in China prefer to buy products online. Convenience and various choices could be two main reasons. This increasingly growing demand for online shopping contributed to the growth of Taobao.

4. 2 Government support

After the global financial crisis, (the) Chinese government provided a RMB 4 trillion stimulus package in order to boost the domestic economic growth through 2010. (the) IT industry received around 0. 5% to 1% of the cash injection. (Xinhua, 2008). This gave online shopping companies strong support for future developments.

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4. 3 Safer payment systems for online transactions

The improved online payment systems play an important role in the growth of Chinese online shopping markets. There are more flexible payment systems for customers to choose. For example, a third-party online payment system ensures the security of transaction(s) and enables customers to get their refunds easily. A simpler and safer payment for online transaction(s) attracts (should be: attract) more customers.

5. Threats

5. 1 Low entry barrier leads to fierce competition

Because of the low entry barrier and fast growing market, Taobao meets many challenges, particularly in the face of increased competition from new market entrants. In addition, without many technical difficulties, it is easy for other competitors to copy Taobao's business pattern. Therefore, Taobao will be forced to increase investments on advertising or technological innovation.

5. 2 Strict policy for third parties payment license

Recently, People's Bank of China issued an ' Administrative Measures for the Payment Services Provided by Non-financial Institutions' which has raised the entry standard for third payment party. In order to get (could use: obtain) and keep the license, Taobao has to increase its expenditure on online payment.

5. 3 Higher logistics costs

Taobao will give customers suggestions about the logistic companies which are mostly local third party logistics providers and customers usually take the suggestions because of the lower delivery prices these companies

offered, compared to other international express companies, such as DHL and UPS. However, local third party logistics recently announced that they would raise the price. As most online customers are highly price sensitive, this will have a negative effect on Taobao's sale.

6 Conclusions

According to the SWOT analysis, although there are some drawbacks which have negative effects on Taobao's future development, the advantages still outweigh the disadvantages. In addition, there are many opportunities for Taobao's further growth. This conclusion will give some suggestions for Taobao's future business expansion.

First of all, in order to keep the leadership position, technological innovation is crucial for Taobao. Taobao may focus on continuous improvement of its online payment system, which is also one of its strengths, particularly in the aspect of transaction's (should be transactions, without apostrophe) reliability and security. Moreover, website functions, Internet stability and high-speed access to websites are also important in providing a better user experience, which may help to attract more customers.

Secondly, as Taobao has the advantage of large scale consumers and sellers, Taobao may segment its market to provide more specialized services based on different demands so that it can meet customers' requirements more effectively.

To sum up, it is undeniable that the future of (the) online shopping market in China is promising. Based on the statistics by CNNIC, It is in a steadily

(should be: steady) development stage. In this attractive online shopping <https://assignbuster.com/the-most-famous-online-shopping-website-in-china-marketing-essay/>

market, more complete logistics providers and payment systems will appear. These will provide Taobao more opportunities to develop in the future.