

An emerging network marketing in china jing dong mall assignment

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This report will take Jinn Dong Mall, one of China's most popular and influential E-commerce Websites as a case study to analyse its Internal environment, external environment and logistics distribution segment. It is hoped that there will be Key Words: BBC; E-commerce; Internal Environment; External Environment; Logistics Distribution Introduction The purpose of this report is to analyse the challenges that Jinn Dong Mall is facing now in an era when E-commerce develops rapidly. The analysis will generally cover two aspects: Internal environment and external environment. After that, for the 211 placement program, Jinn Dong's self-operated logistics capabilities will be analysed and improved.

Network marketing is a marketing approach which is based on Internet technology and goes up to meet the customer's desires and needs, so as to achieve the purpose of business marketing and sales target. Recently, with the rapid development of Internet technology, the gradual decrease of Internet sharing costs, and the great leap of technology and economy, information exchange thresholds between different space and fields, such as countries and enterprises, society and the individual, will reduce greatly. Therefore, a new and more convenient approach for market sales comes into being?? network marketing channel. With the booming development of the Internet, there is no doubt that network marketing will be more and more quick and convenient in the future.

However, in the process of Internet technologies become more sophisticated, E-commerce as an important Internet industry, its low cost, high efficiency, wide (2009) stated that the presentation of the Internet use and the consequent development in e-commerce has changed the service industry in <https://assignbuster.com/an-emerging-network-marketing-in-china-jing-dong-mall-assignment/>

the 21st century. These factors have caused changes in online trading and have launched new, pure Internet services companies, coercing traditional service agencies to develop rapidly and execute an e-commerce strategy. In China, the E-commerce is developing rapidly, and the online shopping market has potential development. However, the fierce competition increasing in the industry, every year in June and November there will have a price war between the electricity companies. In the BBC industry, the Websites of electricity companies develop the integrated market.

Their intention is to compete customers with competitors in the main business. At the same time, many traditional tillers below the line also actively build a network platform in an attempt to win a share in the network marketing approach. Meanwhile, the logistics distribution is the key of sales transactions between E-commerce companies and their clients. Whether or not choosing the logistics distribution mode which is the most suitable one for themselves directly affects the development of the enterprises. Choosing the most suitable one will make the enterprise decrease the transaction cost while increase their market competitiveness. The framework of this research is as follows.

First of all, this case study will give adders a better understanding for China's Jinn Dong Mall. Next, this paper will analyses Jinn Dong Mall's marketing environment to find its advantages and disadvantages, including both the internal environment and the external environment. The approaches of the analysis will be PEST and Porter's five forces. Finally, some improvements are supposed to be given for its logistics strategy. Case Study Jinn Dong Mall

is the largest professional C online shopping platform in BBC market in China, and the most influential E-commerce Websites in China, which is also the most popular with consumers (China Internet Watch, 2014). Jinn Dong Mall has been maintaining a high growth since founded in 2004.

Its market share has been the top one for years in the online direct sales market, and the growth rate has been soaring over 300% for four consecutive years until now (Xii and Chaos, 2010). Jinn Dong Mall always adheres to the pure E-commerce mode operation, to reduce intermediate links, to provide high-quality network products and satisfactory service. Kiang et al (2013) stated that according to new ideas, which is now a key factor for an enterprise to stand out, Jinn Dong catch up with others and exceed all their expectations. At present, the " Price of Jinn Dong" has become China's C price indicator in the field of sales. According to the statistics from research, Jinn Dong Mall's share of China's online direct sales market reached 54. % in the second quarter of 2014 (CIW Team, 2014). Jinn Dong Mall online direct sales a total of 13 major categories of approximately 40. 2 million SKU products, including computers, mobile phones and other digital household goods, cosmetics and other personal care products, food and nutrition, books and other media products, maternal and child supplies and toys, sports and tiniest equipment and virtual goods and so on (China Internet Watch, 2014). People who are familiar with Jinn Dong Mall all know the fact that prices of Jinn Dong online goods are much lower than ordinary store prices, on condition that their products are both authentic licensed and with a formal invoice.

On the website of Jinn Dong Mall, a Cannon AXIS'S digital camera of new color series is checked to be the lowest price online. The CEO of Jinn Dong Mall, Ill Cannonading, thinks that this kind of " to control the cost far below the ordinary level of the industry' is one of the preconditions for he E-commerce business war. Another important condition is to build a self-operated express company for logistics distribution services. Both of these two conditions constitute the long-term development of network marketing, so as to make the prices of Jinn Dong Mall always relatively lower. In 2013, the active customer accounts for Jinn Dong Mall have increased to more than 47. 4 million, and approximately 323. Million fulfilled orders has been completed. Jinn Dong Mall has already become an important approach for Chinese consumers to buy C products (China Internet Watch, 2014). Macro Level Analysis This part will have a talk about the external factors that affect Jinn Dong Mall and analyses the progressions. The external environment is colossally perplexing and dynamic. In the event, that the enterprise ignored to analyses the market by the PEST approach, there will be huge changes in the industry competition structure. So the PEST analysis should be attempted on a regular basis that will determine the supply and demand levels and its cost for the expanded productions (Monsoons et al, 2006).

Bray (1991) also stated that the enterprise can make marketing plans for resistances and possibility choices due to the interactions of the PEST factors. In 2012, the central and provincial governments both introduce policies to support the development of the network shopping industry. The Twelfth E-commerce Five- year Development Plan, announced by Ministry Industry and Information Technology (Melt) in early 2012, issued the specific <https://assignbuster.com/an-emerging-network-marketing-in-china-jing-dong-mall-assignment/>

goal for E-commerce development during this period to quadruple the transactions, exceeding 18 trillion Yuan. In addition, Shanghai, Gudgeon, Changed, and other places have also introduced policies to support the development of the network shopping industry.

Compared with the year 2010, in 2012 and 2013, on the one hand, the E-commerce regulation becomes more pragmatic and maneuvered, while on the other hand, the subject identity of regulators is confirmed more clearly at the local level. In 2012, Network Commodities Trading and Service Regulations, led by China's State Administration of Commerce and Industry (SAC'), has already been included in the "second class legislation" of the state council, which means that China's first E-commerce regulatory legislation has already been started. Online Retail Management Ordinance and the Online Retail Trade Management Regulations, which are drafted by the Commerce Department and other relevant departments, strive for a breakthrough in E-commerce regulation construction.

All these new changes are good for the government to guide and promote the standardization of E-commerce in the future, and conducive to the long-term development of the E-commerce market. With the vigorous development of China's online shopping market, combined with the positive role that network shopping industry is playing in the national tax, employment and the industrial structure, the government will continue to introduce various measures to promote the development of the network shopping industry in the next few years (CONIC, 2013) Economic Factor The

change of the macro-economic environment has brought new opportunities to the development of E-commerce trade.

The price inflation and the financial crisis have made consumers more sensitive to the price of goods, which makes E-commerce gain more advantages in price, convenience, and so on. Which makes more and more manufacturers begin to join the E-commerce market, and the number of suppliers increases sharply. All these changes make the E-commerce market much more mature than before to meet the demand of consumers. In 2013, the amount of China's online shopping market transaction is 1.5 trillion Yuan, 40.9% higher than the amount of 2012 (CONIC, 2014). Online sales Social Factor Annual rate of increase Along with the development of the society, a new generation, who were born in the 80s or even 90s, begins to enter the society.

That new force has changed a lot of things, the most important one of which is the change of people's consumer ideology. Young people are always full of vigor and vitality. They tend to be innovative, brave, active thinking, dare to try things and have their own personalities. The Internet becomes their indispensable partner in their life, and a platform and approach for them to chase after fashion. At the same time, some adults are also influenced by young people to accept this new shopping approach?? online shopping. Statistics from CONIC showed that until the end of December, 2012, China's Internet users have reached 564 million, which indicates a net increase of 51 million Internet users compared with the year of 2011 (CONIC, 2013).

According to China's Online Shopping Market Research Report, China's Internet users mainly concentrate in first or second-tier cities. Up to the end of December, 2012, the amount of China's online shopping users soared to 242 million, and the proportion of Internet users choosing online shopping reached 42.9% (CONIC, 2014). The ideology of personal consumption and enterprise shopping online is gradually being formed. Number of users online shopping Technical Environment Online shopping permeability China's information infrastructure develops rapidly and turns gradually to the direction of digitization, internationalization and broadband. Until now, China's network scale, technical level, and service means have all achieved a relatively higher level.

Except for this, Mobile Internet, Video Technology and the Internet of Things genealogy will all be applied into the E-commerce market. As shown in the figure below, the application of new technology will revolutionize the information flow, the cash flow, and the logistics flow in E-commerce market, meaning a great significance to improve enterprises' operating efficiency and customers' service quality. Figure 1 New Technology Changes E-commerce Enterprises' Operating Efficiency Information Flow The development of G technology and Multi-media technology can raise the speed of mobile Internet, provide enriched product display forms, and improve the user information messages to people with the help of their location, improving the accuracy of marketing promotion.

Cash Flow The development of a mobile payment makes transactions easier to implement. Convenient business, such as small merchandise and

payment service for water, electricity, and gas, is becoming much more convenient than before. Telecoms were operations intervening the mobile payment service formed a certain influence on E-commerce's current means of fund settlement. Logistics Flow The development of wireless communication technology, for example RIFF (Radio Frequency Identification), makes it possible to achieve real-time tracking for vehicle position and logistics status, which really improves the efficiency of transactions between enterprises while reducing the storage cost and optimizing inventory at the same time.

In another sense, it also satisfies consumers through the real-time tracking of goods. Micro Level After the external macro-environment analysis on Jinn Dong Mall, this section will focus on its internal micro-environment analysis, using Porter's Competitive Forces Model. Porter (1980) stated that the assessment of benefit potential, market advantage and entrepreneurial strengths of an organization can use the Porter's Five Forces Model to analyses. Suppliers' Bargaining Ability The suppliers mainly influence the existing corporate profitability and product competitiveness in the industry through increasing the price and reducing the quality of unit value. E-commerce is the trends and the future.

Every entity enterprise puts E-commerce as the top priority for future development, even though the BBC E-commerce Market is not strong enough in their bargaining ability to compete with large suppliers, such as Milliner and Leno. What's even worse is that some manufacturing companies also gradually get involved into the E-commerce market and begin to set up

self-operated E-commerce departments. If the entity enterprise can explore a suitable model for their own development, its reliance on the E-commerce platforms will be greatly reduced. It is what makes the bargaining ability of BBC E-commerce companies even poorer. Up to the present, main suppliers of Jinn Dong Mall are large traditional manufacturing enterprises, such as Leno, Canon, Philips, and so on.

As a result of Jinn Dong Mall's huge sales ability, suppliers are ailing to provide products with discounts. However, due to the increase of online retailers, the suppliers' bargaining ability is enhanced greatly, which finally results in the increase of production cost. That is certainly not conducive to the low-price strategy of Jinn Dong Mall and will have a significant influence on its future sales. Purchasers' Bargaining Ability " This force is the power of your purchasers to drive down your prices" (Niagara, 2011). The purchasers mainly influence the existing corporate profitability through forcing prices down and requiring products or service of higher quality.

Price is the main competition means of BBC E-commerce companies recently for the reason that consumer switching costs are still very low. Online shopping has not been the major consumption pattern yet, and the whole BBC market is still stuck in the stage of commerce companies rush to cut prices to attract more consumers. The idea of cutting to the lowest price is commonly used by marketing enterprises. Therefore, the bargaining ability of consumers here is relatively higher. Along with the development of E-commerce platform websites, and the increase of the BBC websites and the variety of products, product heterogeneity will be greatly decreased.

Suppose that many other big websites provide the same products as Jinn Dong Mall, the purchasers will choose the one they really like if the prices are similar. In case that happens, the Jinn Dong Mall will lose its advantages, and the purchasers' bargaining ability is going to rise again.

Threat of New Entrants The competition in the E-commerce industry is being intensified, and there will be a knockout stage very soon in the next few years. At the very beginning, the BBC websites each belonged to their own particular business scope. Unfortunately, this situation is now being broken by new network platforms like Dang Dang and Joy in the department store market and VANCE in furniture and children's clothing market.

Until 2014, main BBC websites begin to compete strongly for customers without territory limitation while they are all expanding within their own territories before. The competition is greatly heating up. The large transformation Taboo has made to BBC websites brings great challenge to traditional BBC websites. What's more, Come and Sunning have already started running their online sales platforms. The capital chain is the key element for any competitors to survive in this particular industry. It is extremely important for the companies to know how to gain more support from suppliers and to form their own advantages in supply chain managements, such as stocking and logistics.

Threat of Substitutes The products of two enterprises whether from the same or different industries could be substitutes for each other. As a result, there may be fierce competition between them. This kind of competition originated from substitutes will affect the competitive strategy of the existing

enterprises in the industry in various forms. Although Jinn Dong Mall is now regarded as the biggest C online shopping platform in China, there shopping approaches also bring great challenges to it, for example, traditional shopping and TV Shopping. Another huge threat is the rapid development of E-commerce websites and some other extremely competitive websites.

If not taking it seriously, Jinn Dong Mall probably will be replaced by other E-commerce websites. Existing Competitors in the Industry Three main competitors in this industry are as follows: Amazon, Dang Dang, and Taboo. Statistics from SEC Plus shows that the top five in China's BBC orders ranking in the second-quarter of 2010 are Dang Dang, Jinn Dong, Amazon, Hadrian, and Newest. The sum of their orders accounts for 70.7% in the total trade orders, increasing by nearly 7% if compared with 64.1% the year before in the same period. 1. Amazon gains a very deep customer base in China due to its strong financial and technical support behind from American Amazon.

With a beginning in books, audio and video market, Amazon has already begun to join and expand in the retail market. 2. In Nov. 18th of 2008, Dang Dang, as one of the oldest BBC websites in China, formally filed listing application with New York Stock Exchange (NYSE), announcing its trading code as "DADA" and financing scale as \$200 million. 3. The rise of Taboo Mall consumer (BBC) platform, launched a new independent web domain www. Tamale. Com that will feature an emphasis on product verticals and a standardized framework to guide Taboo Mall's supply chain partners and merchants, covering areas including logistics; product quality; and customer

service that will serve to provide users with an improved shopping experience.

At the same moment, Taboo also announced a \$200 million investment in the future, expecting to create opportunities for growth for new and existing Taboo Mall merchants, as well as to elevate quality of products and services for consumers. With these initiatives, Taboo sets off a strong wave of competitive “wind” and makes itself one of the strongest competitors in this particular field (Alabama. Com). Development Strategy and Solution Jinn Dong Mall always adheres to the pure E-commerce operation mode. They try their best to reduce the intermediate procedures, as well as set up self-operated logistics distribution to get rid of the restriction of logistics and control the logistics time and service quality. As a result, they build efficient distribution teams among cities all over China to promote their “reach-within-211” service.

If the orders are vomited before 11 o'clock in the morning, the customers can get their products within the day; if the orders are submitted before 11 o'clock at night, it is promised the products will be delivered to the customers the next day before noon. (China Internet Watch, 2014). At the end of 2008, Jinn Dong took 70 percent of the \$ 21 million in new financing to establish logistics subsidiary (Xii and Chaos, 2010). The logistics company bought new storage facilities, hand-held REF scanners and built its own distribution. Setting up its own logistics team can enhance the service level, as well as decrease item loss rate. So the biggest advantage, which Jinn Dong Mall has over other E-commerce companies, is that Jinn Dong has its

own warehouse and logistics chain. That's the exact reason they can promise and keep delivering products with "211" speed.

Jinn Dong has the biggest warehousing facilities of E-commerce market in China. At the end of June 30th of 2014, Jinn Dong has established seven logistics centers and 97 warehouses among 39 cities in China, with a total area of proximately 1.8 million square meters. Jinn Dong has always been trying to do one thing?? Big Distribution Net. That is to say, the products are stocked in the warehouses of Jinn Dong, and levered by Jinn Dong distribution until the last kilometer. It is very hard for many enterprises to achieve. However, there are many disadvantages in implementing this strategy: 1. The excessive investment greatly increases the risk.

Building self-operated logistics distribution costs a lot of money, which means Jinn Dong has to invest a lot for the completion of delivery staff. On the other hand, the cost of leasing warehouse in first or second-line cities will rise hugely. 2. The strategy lacks flexibility. Self-operated distribution mode requires the enterprise to build or lease warehouses. As building elf-run warehouses costs huge money, if the cost cannot come back in a short These logistics problems have always been restraining the development of Jinn Dong Mall. In order to ease Jinn Dong's logistics crisis, some suggestions are provided to improve its strategic development: 1. Plan ahead.

Jinn Dong should first make an overall plan for its operation, including sales volume and logistics distribution. Later business should be conducted following this blueprint to avoid the conflict between business and logistics.

2. Enter the sales peak earlier. It is inevitable that there will be a dramatic

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increase in sales at the end of a year. In order not to lose this part of profits, Jinn Dong Mall should enter the sales peak earlier than others, by sales promotion and advertising. Encouraging the consumers to order in advance gives Jinn Dong opportunity to arrange shipments earlier so that they can stagger other companies' logistics peak.

This not only benefits Jinn Dong to keep their promises for consumers, but is also conducive to relieve the pressure of logistics companies. Conclusion As online shopping develops rapidly and the shopping mode gradually changes nowadays, E-commerce companies are meeting both chances and challenges. Facing the complicated relation between business development and logistics distribution, Jinn Dong splendidly combined independent construction and self-operated distribution pattern to achieve the optimal solution among high efficiency, high speed, and low cost. When Jinn Dong developed its own sales business, at the same time constantly to develop its own logistics supporting construction.

So that the distribution can match the sales, and has reached a long-term, sustainable development. Despite Jinn Dong focused on the development of logistics, the pace of development of its logistics cannot keep up with the huge and rapidly growing sales. So Jinn Dong adopted finance construction, joint management and control of sales to deal with this situation. Jinn Dong Mall's business model is not a mystery at all. The model operates like other BBC company, such as Dang Dang and Joy. In any time, the model can be copied by any companies. However, the importance is how continuously to improve the price, product and the quality of service.