

Social External Effect Analysis of Money Burning Operation Mode of Internet E-commerce Platform —Based on the Perspective of Individual Industrial and Commercial Households

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ABSTRACT

The rise of the Internet has gradually changed people's life and consumption habits, and the Internet-based e-commerce platform has brought great challenges to the development of the real economy. This paper will take some competitive means such as unfair subsidies and unreasonable low prices of e-commerce platforms as examples to explore the impact of e-commerce on the real economy and the external impact of 'burning money' operation mode on social economy, in order to provide beneficial suggestions for the harmonious and stable development of social economy.

Keywords: Money-burning operation mode, Unreasonable subsidies, Real economy, External influence.

1. INTRODUCTION

The development of the Internet economy has brought society into a new era. Various types of capital have entered the market, which has promoted the social and economic development. It has made the consumption mode of the Chinese people more flexible, and the consumption choice more diversified. It also provides a more convenient way of payment for citizens, which greatly stimulates their consumption enthusiasm and promotes their consumption demand.

While promoting economic innovation and prosperity, the Internet economy also exposes many problems in the industry that need to be standardized and addressed. Among them, the Internet e-commerce platform's "burning money" operation mode uses low prices to disturb the market, brings incorrect guidance to market competition, and brings negative externalities to the individual economy. Therefore, the social economy will fall into monopoly, and the whole economy will be redistributed, resulting in an increasing gap between the rich and the poor. This means that individual businesses are gradually losing competitiveness and facing the threat of losing their jobs.

This paper will take the influence of e-commerce on individual industrial and commercial households as an

example to analyze the social external effect under the money-burning operation mode of the Internet e-commerce platform, and explore where the future individual industrial and commercial households are.

2. OPERATION MODE OF INTERNET PLATFORM BURNING MONEY AND ITS IMPACT ON REAL ECONOMY

2.1. Specific Performance of Internet Platform Money Burning Model

In 1999, [1]Craig R. Barrett's China Should Develop Internet Economy Actively stressed that a vibrant Internet economy is the key to the sustainable development of China's economy in the new century. With the development of economic globalization and information technology, "Internet +" has indeed played an important role in promoting the development of real economy in the process of economic development and economic regulation in China. Therefore, the Internet economy has ushered in a broader space for development. [2]In The Future of Internet Economy compiled by Lang Xianping, taking the innovative layout of the current Internet industry as the research object, this paper deeply discusses several topics in the era of the Internet economy, and deeply reflects the

application and development of 'Internet +' in other industries and fields from the perspective of game and cooperation between the Internet economy and the real economy. It can be seen that the development of the Internet economy is a necessary part of economic construction.

The rise of Internet e-commerce is characterized by short time and fast speed. The traditional market has not yet done a good job in dealing with such a rapidly growing industry, and the relevant market regulations are not perfect. Similarly, the low threshold of e-commerce market itself, the crowd into the market is mixed, some unfair competition disrupts the market, to the market competition has brought the wrong direction. [3]Professor Du Guanghua proposed that the rapid development of the Internet is a strong impact on the real economy, and the traditional market share of the real economy is gradually being seized by the Internet industry. Taking the "10 billion subsidies" launched by Pinduoduo as an example, the 10 billion subsidies are characterized by the lowest price of the whole network. Through the 10 billion-level real gold and silver subsidies on the e-commerce platform, the platform products can achieve the lowest price to attract a large number of consumers. Pinduoduo's revenue grew rapidly in 2017, reaching 1.744 billion yuan, up 245.35 per cent year on year from 5.05 billion yuan in 2016, according to CITIC. Revenue in the first quarter of 2018 reached 13.85 billion, a 37-fold increase year on year, mainly due to the rapid growth of online market services. This shows that this activity has achieved great success, and has achieved maximum benefits and reputation for enterprises.

2.2. Impact of Money Burning Mode on Market Competition

Wang Xiongjian[4] scholars believe that products with network effect are closely related to product market share, and product market share is inseparable from price decision. Know that proper low price is the gospel of the economy, and uncontrolled low price is the original sin of the economy. On the surface, consumers have bought cheap goods through e-commerce, but this is the early profit-making behavior of 'market leaders'. A large number of subsidies and ultra-low prices below the cost will not bring profits to 'market leaders'. This unfair competition behavior will seriously disrupt the economic order, and then form a market monopoly. Once the monopoly is formed, the product will inevitably increase the price, or even make excessive profits above the normal price. Large enterprises devour helpless and thin small individual enterprises with their unmatched wolves, ruthlessly seize their small business resources, and some producers will withdraw from the market if they cannot make money, and finally lead to market atrophy. This low-price monopoly mode is not

conducive to the long-term development of the entire market. Internet e-commerce, the monopoly of 'burning money' has disrupted the market order. This unfair competition has also deprived many small real economy labor and employment opportunities, and a large number of physical owners have damaged their undertakings, which has aggravated social poverty. Internet leading enterprises with technology, capital, talent and other advantages, it is easy to self-reinforcing, rapid enlargement, other enterprises are difficult to find survival and even development space.

3. EFFECT OF INTERNET PLATFORM MONEY BURNING OPERATION MODE ON EXTERNALITY OF REAL ECONOMY

As a kind of business operation mode relying on the rapid growth of the Internet in the development of the real economy, e-commerce has great similarities with the traditional real economy in terms of commodity structure, transaction process and related comprehensive service activities. Under the market mechanism, the substitution effect will appear in the competition for more market resources. In order to seize the market faster and attract a large number of customers with low prices, the e-commerce industry makes the scale of platform users grow faster and faster, more and more stable, and forms a scale effect, which brings certain restrictions on the scale of the real economy. It is this inappropriate operation mode of e-commerce burning money that has a great negative externality on the real economy. The specific analysis is as follows.

3.1. Low Cost Impact

E-commerce and real economy coexist in the market. The rule of survival of the fittest makes the emerging e-commerce industry occupy a favorable position, while the real economy is facing a huge impact. In terms of price, the 'burning money model' seizes the market and attracts customers through loss-making price competition. Major e-commerce industries have launched '10 billion subsidies', 'day-to-day cash red package cash', 'one dollar second kill' and other similar activities to attract consumers, which occupy a greater advantage in price. Compared with the strong development momentum of the e-commerce industry, the traditional real economy is subject to multiple restrictions. Under the pressure of real operating costs such as rent, manpower and loss, the real economy cannot participate in the competition of e-commerce price war, and is forced to lose some markets. Most real economy stores offer limited categories and quantities of goods because of limited area, while e-commerce relies on Internet technology without providing consumers with real goods immediately, compared with the high concentration of suppliers in the e-commerce industry, which means that resources are concentrated in

the e-commerce industry and suppliers have strong bargaining power. In addition, through the control analysis of big data, e-commerce enterprises have fully grasped the relevant information of consumers, understood the individual needs and conversion costs of consumers, and also increased the bargaining power.

3.2. Loss of Customer Groups

The consumer population is regarded as a fixed number. Within the market, multiple consumer concerns such as price attraction, commodity type content, distribution mode satisfaction, after-sales service satisfaction, and product evaluation feedback are used as the fixed points of the radar chart. In the five regions, the corresponding ratio line is drawn in the form of radiation with the center of the circle as the starting point. After connecting the five ratio values with the line, an irregular closed loop is formed. The larger the area of the closed loop in the radar chart is, the more attracted consumers are. On the contrary, the less attracted consumers are. For example, consumers' consumption patterns affect the ratio of distribution satisfaction. In the traditional retail industry, consumers' consumption desire is inversely proportional to the distance between retail points. The farther the distance between retail points is, the lower consumers' consumption desire is. After entering the Internet e-commerce, consumers close to the retail outlet may not have a significant impact. However, if consumers are far away from the retail outlet, they need to consume additional costs, time costs and transportation costs in the shopping process. In the face of the same products, they are more likely to choose e-commerce channels. Such people will have higher satisfaction with the distribution mode of e-commerce than the physical retail industry, thereby increasing the value of e-commerce ratio. It can be seen that e-commerce occupies part of the original market of the real economy, which makes the customers of the real economy lose and the income and profit decrease, so the development scale is limited.

3.3. Widening Gap between Rich and Poor

The uncontrolled development of e-commerce is a serious damage to the real economy such as physical stores, which will cause the development of science and technology, efficiency improvement and social development incompatible, which will lead to a small part of the use of high-tech can monopolize most of the social production and circulation channels, resulting in most people cannot obtain the survival needs through work, which will cause serious social problems. If the country does not restrict the development of e-commerce, the whole market will be controlled by several 'market leaders'. In the big pool of economic market, there will be a large number of people unemployed, but 'market leaders' are rich in oil. This

will lead to more and more rich people in society, the poor are getting poorer and poorer, and then more large social gap between rich and poor, and ultimately aggravate the overall degree of poverty in society. In addition, the positive externality of the e-commerce operation mode is that the emergence of the new mode of 'retail + Internet' has promoted the significant improvement of the national economy, but the disadvantage is that the net profit realized by the whole market is reduced. The state should standardize the development of e-commerce and make the national economic market in a virtuous and healthy cycle. In the face of the particularity and influence of Internet e-commerce, the state can neither 'kill a stick' nor 'let go'. It should strengthen standardized management, promote healthy development and avoid vicious competition in monopoly markets. Technological progress and efficiency improvement should be coordinated with the most basic people's livelihood. Reasonable resource allocation and effective economic governance mode are the ways for society and all people to live well. In China with 1.4 billion people, ensuring that most people can obtain the survival needs through work is the most basic people's livelihood requirements. In November 2020, the State Administration of Market Supervision also publicly solicited opinions on antitrust guidelines in the field of platform economy. This means that how to protect the vital interests of this group is worth exploring and finding countermeasures.

4. FUTURE DEVELOPMENT STRATEGIES FOR THE REAL ECONOMY

In 2019, Premier Li Keqiang emphasized the promotion and application of 'Internet+', and made important instructions to speed up the intelligence of information in related fields. With the rapid development of the Internet economy, the real economy is greatly affected, which will lead to the re-imbalance of the economic market order. The 2008 financial crisis has put the world in a difficult position, which makes all fields more fully realize the important position of the real economy in economic development. The report of the 18th National Congress of the Communist Party of China also clearly pointed out that to 'firmly grasp the solid foundation of developing the real economy', revitalizing the real economy is an important decision of the Party and the state. Scholars Lian QiuYi[5] put forward that the Internet economy and the real economy are independent individuals, but they have a positive role in promoting economic development. 'The real economy is the hardware in the economy, the Internet economy is the software in the economy, they are interdependent', says Prof Cheng. However, the unfair competition of Internet e-commerce has disturbed the fair market order, and some unreasonable low-price behaviors have seriously threatened the life of small

traders. The market shows a false prosperity and will aggravate social poverty. In this regard, the following suggestions are put forward for the sustainable development of entity operation.

4.1. Government Strengthen Macro-Control and Supervision

As far as the country is concerned, it should restrict the unfair competition behavior of e-commerce, maintain the reasonable position of the real economy in the market economy, and play the role of government supervision. The state should give entities and e-commerce the same development policy, balance the development of market economy, for the non-standard operation of e-commerce, should introduce relevant policies to restrict, according to the latest Anti-monopoly law Article 47 abuse of market dominance legal responsibility, abuse of workplace dominance, by antitrust law enforcement agencies ordered to stop illegal behavior. For the precarious real economy, we should provide certain economic and policy support, adhere to the combination of policy incentives and key assistance, and adhere to the combination of strengthening and promoting the development of small and medium-sized enterprises.

4.2. Investors' Rational Investment

The economic basis for the operation of the money burning model is the financial support of investors, and regulating investors' investment behavior is a necessary requirement for the regulation of the e-commerce industry. Faced with not yet mature e-commerce companies, investors need to analyze the company in-depth, clear its future direction of development. After each investment activity, analyze the advantages and disadvantages of this investment, lay a good foundation for future investment to reduce risks, and gradually establish a systematic and scientific methodology for their own investment activities. Investors should be more sensitive to the new situation of market economy development and support the innovative development of related real economy.

4.3. Individual Businessmen 'S Innovative Ideas for Development

The development of the alliance of individual businesses is an effective way to seize more markets in a severe market environment. The upstream and downstream industries are connected to extend the industrial chain and promote the mutual development of individual businesses. In order to attract more customers,

individual industrial and commercial customers should not only focus on the number of customers, but also put the customer viscosity in one place. If individual industrial and commercial enterprises want to be long-term loyal customers, they must work together from the aspects of product quality, product service and consumption experience to improve customer shopping experience and strengthen customer viscosity. Under the background of the Internet era, individual industrial and commercial households can use information and communication technology and Internet platform to deeply integrate the Internet with traditional industries, and transform the production and management mechanism of traditional individual industrial and commercial households, so as to create a new development ecology. It represents a new social form and forms a new form of economic development with the Internet as the infrastructure and realization tool.

5. CONCLUSION

The real economy is the foundation of the national economy, but the unfair competition of e-commerce has a great impact on the real economy and disrupting the market is not conducive to the development of the national economy. Social supervision and government supervision should play a role in regulating market economy and jointly promote the prosperity and development of market economy.

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