

# The Survival Rules of Integrated E-commerce During the COVID-19 Pandemic Taking Taobao for Example

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## ABSTRACT

The pandemic of COVID-19 is a special period that casts a negative effect on most of the sectors around the world. As one of the exceptions, online shopping platforms have got the unprecedented opportunity to prosper. In the meantime, these platforms also face even more fierce completions between their peers. The purpose of this paper was to investigate the factors that affect and the strategies that were taken to improve customer purchase intention, which results in a bigger market share possession. With the aid of SWOT analysis and a review of Marketing Mix theory, this paper concluded possible methods that a typical online shopping platform like Taobao could use during the pandemic to increase its customer purchasing intention. The result of the study is that Taobao implemented and was not limited to large-scale advertisement, social appearance establishment, and price suppression to win the competition with its peers. However, the perspective of this paper is limited, doesn't, and cannot represent the whole picture.

**Keywords:** *electricity, COVID - 19, volume, Taobao, Marketing Mix Theory*

## 1. INTRODUCTION

### 1.1 Background

E-commerce, commercial transactions conducted electronically on the internet, is the next best alternative to shops in real life. In the past several years, e-commerce platforms have played an important role in people's daily lives. One of the major topics in this field is the customers' purchase intention. Recently, the problem of COVID-19 has aroused people's concern. Because a lot of cities now implement strict regional lockdowns to ensure the prevention of infection of COVID-19, more people begin to turn to e-commerce, for its relatively cheaper prices and advantage of zero-contact. As the epidemic crowd control continues to take effect, e-commerce has almost replaced solid stores in all sectors. According to Stephanie Chevalier's study on the statistic, globally, the percentage of respondents who shopped through mobile websites increased by an average of 48 between before the coronavirus pandemic and during it [1]. Mobile purchases via app experienced a similar

increase, up by 45 percent [1]. Of the regions included in the study, the Middle East exhibited the most significant jump in mobile shopping, with a nearly 90 percentage point rise in both web and app purchases [1]. It was followed by Europe, with 62 and 47 percent growth in mobile web and app shopping, respectively [1]. To guarantee survival and even increase the obtainable profit, platforms would need to act differently than usual during a hard time, then the question would be how exactly they act.

### 1.2 Research Gap

Although the e-commerce platforms are gaining more users and trading volume than ever, they still face challenges which are the pressure that comes from peers. In China, there are 3 major e-commerce platforms which are Taobao, Tianmao, and Jingdong. The priority of all firms is to gain as much share of the market as possible, it might not be the same as nation-owned ones but the examples of these companies do not apply to this situation. When almost all of the solid stores are made unavailable, the competition between platforms would be

magnified times. Some believed that the demand for goods and services would drop sharply during the pandemic since people are getting less disposable

income, which is resulting from a lot of factors of production being made not available and the heavy toll is taken by the pandemic on all the other industries.

### 2019 vs. 2020: Impact of COVID-19 on e-commerce SAP Commerce Cloud Customer Systems Insights

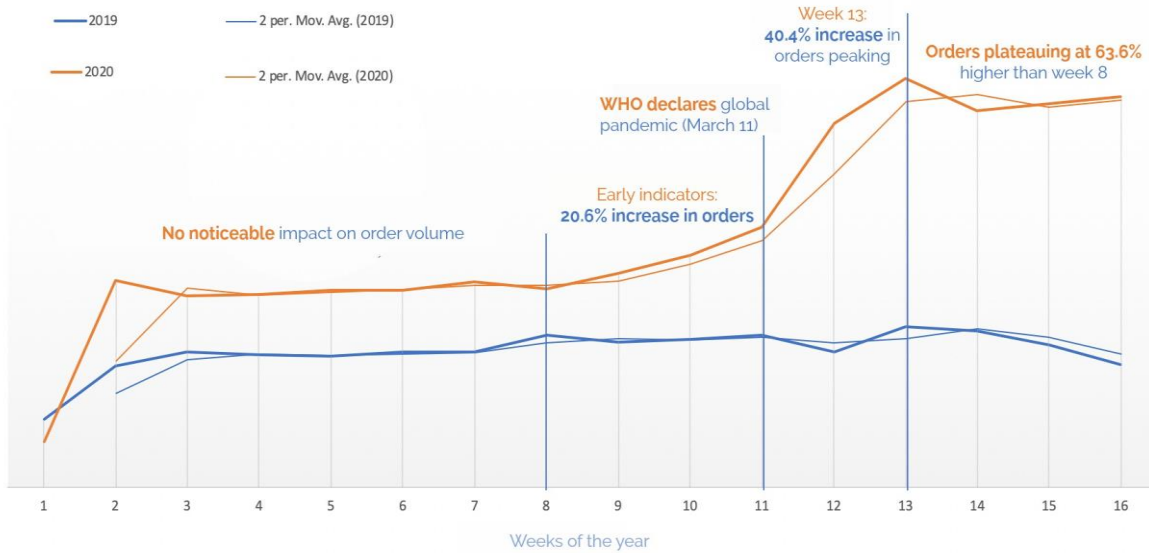


Figure 1 Impact of Covid-19 on e-commerce [2]

From this paper’s perspective, this is not true. According to the figure, as soon as the early indicators got revealed in 2020, there has already been a rise in order of 20.6% and continued to soar after the WHO declared the global pandemic, eventually, orders plateaued at 63.6%, this had only been seen sometimes during the black Fridays and only lasted for a very short time. One of the key things to consider when attempting to achieve higher market share possession is Customer purchase intention, a measure of the willingness of consumers to perform a specific behavior or make a decision to purchase a product or service. Scholars around the world have investigated a lot in this field, for instance, how social media peers impacts it, why the different effects of online consumer reviews on consumers’ purchase intentions depend on trust in online shopping malls [2,3]. Some scholars researched the impact of mere virtual presences on purchase intentions [4]. Zooming the scope to one specific product, scholars from China studied the determinants of consumers’ remanufactured products’ purchase intentions [5]. There has been a lot of researchers investigating the factors that might turn out to be affecting the purchase intention, but there has arisen a challenging problem in this domain which is that there had been no study that took the effect that coronavirus could bring into account.

Taobao is the most commonly used online shopping platform in China, it included products ranging from

electronic devices to food. With its initiation of single’s day (a period when everything is sold at discount, similar to steam’s winter promotion), it struck a chord with the Chinese and boosted its reputation, successfully increasing the customer purchase intention to a large extent. However, since the breakout is unprecedented, a research gap is caused. The research gap results in the confusion about the difference between normal-time marketing strategies and those used during the pandemic.

### 1.3 Structure of the Paper

The goal of the research paper is to find out the exact strategies that online shopping platforms would use during the pandemic to improve customer purchase intention. To learn the deeper know-how of this question, this paper brings the SWOT analysis onto the table. From the perspectives of strengths, weaknesses, opportunities, and threats, the paper can take a closer look at Taobao’s behaviours during the pandemic and finally conclude the factors that lead to its success during this time. In this paper, this research would mainly focus on two theories, which are purchase intention theory and the marketing mix theory which consists of satisfaction, service, speed, and sincerity.

## **2. LITERATURE REVIEW**

### **2.1 Marketing Mix Theory –4S**

#### *2.1.1 Definition*

Marketing mix refers to the optimal combination and application of the controllable factors according to the needs of the target market and the overall consideration of the tasks, objectives, resources, and external environment of the enterprise, to meet the needs of the target market and achieve the tasks and objectives of the enterprise. The 4S marketing theory includes Satisfaction, Service, Speed, and Sincerity. It covers marketing people need to have communication, self-confidence, creation, and other abilities.

#### *2.1.2 Development*

Marketing Mix is an important part of an enterprise's marketing strategy, which refers to the integration of basic controllable Marketing measures into a holistic activity. This concept is the first integrated marketing model containing 12 variables proposed by Nil Borden, a professor at Harvard University in 1950 [6]. In 1960 McCarthy divided the 20 variables that Nil Borden put forward into four sets of so-called 4Ps as follows: product, price, place, promotion. According to Goy in 2005, this integration model is a necessary and appropriate factor in management and marketing theory [6]. After that, it criticizes the 4P marketing mix model and puts forward some new marketing mix models, such as 4R and 4C. The application of the 4S marketing mix model was first proposed in 2002 by Constantinides.

#### *2.1.3 Important Result*

Marketing Mix is the basis for the development of enterprise marketing strategy, and a good job of Marketing Mix can ensure that enterprises can meet the needs of consumers on the whole. In addition, it is also a powerful means to deal with competitors, is a reasonable distribution of enterprise marketing budget based on. 4S is more like the restriction and guidance for enterprises or marketers, and further, deepen their understanding of marketing activities through 4S theory. The first is sincerity. enterprise professionalism, innovation ability, feedback to consumers and society, these are the need to show the sincerity of consumers, each enterprise should hold a sense of social responsibility and serve the people, so that consumers can feel the feedback of the e-commerce industry to the society, and better establish the corporate image. Moreover, it can help consumers to understand and accept corporate culture and philosophy more quickly.

Secondly, there are hardware conditions, respectively their service level and transaction speed. Electricity

hardware capability is the key factor to retain customers, but as a result of online communication is limited, need the electric business platform to provide more efficient service quality and better service attitude, let consumers in front of the screen without temperature experience with the temperature of care and service.

At the same time, after processing speed, logistics is the important embodiment of the execution of the electric business platform. And whether it is logistics or transaction processing speed, in this era when time remains money, it will become an important reference for consumers to make choices.

Finally, with the improvement of service level, the guarantee of speed and the sincerity to be reflected, consumers' satisfaction with the e-commerce platform will be improved. To some extent, the higher the customer satisfaction is, the higher the transaction volume will be, and consumers will be more dependent on companies. For example, in this article, the author takes Haidilao, a benchmark enterprise in the Chinese catering industry, as a case, using the basic elements of "4S" marketing theory to elaborate its people-oriented service orientation and customer-first service concept; Proactive service and attentive service attitude to improve customer satisfaction [7]. It is also through such analysis that the paper understands the reason why Haidilao pays so much attention to service. These four factors will create a virtuous circle, each influencing and connecting with the other.

### **2.2. Customer purchase intention**

#### *2.2.1 Definition*

A shopper's propensity to buy a product or service is measured by purchase intention, often known as customer or buyer intent. It's defined as the sum of cognitive, affective, and behavioural factors that influence the acceptance, purchase, and use of a product, service, idea, or certain behaviour. Although the notion is straightforward, it is not as black and white in practice as it appears. The question of whether someone intends to buy a product cannot be answered with a simple yes or no.

#### *2.2.2 Development*

There are four types of customer purchase intention, informational intent, investigative intent, navigational intent, and transactional intent. These four intents are related to awareness, consideration, consideration or conversion, and conversion.

Researchers are searching for a specific answer or a topic when they are doing the informational intent.

### 2.2.3 Important Result

For the investigative intent, their research is not complete. Because the consumers aren't quite ready to buy a product yet, they are looking into their possibilities through comparison shopping, research, reading product and brand reviews, and social listening. Because online consumers have so many options, they spend an increasing amount of time in this intent stage across all industries and product kinds [8]. According to Google Trends, searches for "best product" have been constantly increasing and show no signs of slowing down. And that makes the whole research range bigger than other fields.

The navigational intent is quite perfect. This aim category includes those who want to visit a specific website or go straight to a brand's online store. If a user searches for GlassesUSA.com, for example, they are most likely looking for the Glasses USA website. Although navigational intent is more typically related to search user intent than with online shopper intent, people with navigational intent may have a higher purchase intent - after all, they're looking for a specific brand or web page. These customers will either Google a brand's name and are captured in Organic Search, or they will show up in your analytics in the Direct acquisition channel. Consideration or Conversion are the two stages of the customer journey. And the goal is to keep them on the premises and close the sale.

For the last one, transactional intent. When most individuals think of buyer intent, they think of this form of intention. Those who have "high intent to buy" who are interested in purchasing a specific product or service are said to have transactional intent. Customers with transactional intent are closer to the conversion stage of the customer journey than those with other intent types. Making the sale is the name of the game with clients at this stage, and you'll want to present them with the tailored promotion or incentive that they're most likely to respond to.

Some factors also will influence the customer purchase intention, for example, product quality, advertising, brand name, packaging, and the price will affect the purchase intention.

## 3. METHODOLOGY

### 3.1 Research Design

The objective of this research paper is to investigate the factors that affect online customer purchase intention and how online platforms can utilize them to optimize their trading volume based on the example of Taobao. The research chose relevant resources from Taobao's officially released material and research papers from other researchers on google scholar to support this study. There is sufficient relevant information from these

sources that record changes since the breakout of the coronavirus in 2019 till now, which matches the requirement of this study.

### 3.2 Data Collection

This paper analysed both first-hand and second-hand. For the first hand, the paper makes a questionnaire and publish them to collect the data. There are several factors in the questionnaire which are gender, age, how long have you been shopping online, how many times do you shop every day, why do you choose Taobao instead of other websites, what do you think the advantages of Taobao, how much money will you spend in usual, how much money will you spend during Covid, what influence will the comments impact you and so on. And for the second hand, the research uses the data from Taobao official data and analyse them. During the pandemic, Taobao earns more and more customers than before. Based on the data from the official website, 2018 people growth is tripled than 2017.

Especially growth happened between 2018 and 2019. As we can see in Figure 2 the growth is quite big because of covid-19.

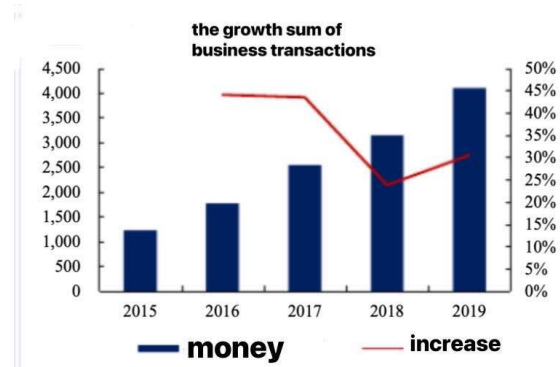


Figure 2. the growth sum of business

Figure 2 is about the growth sum of business transactions of Taobao for every year [9]. As we can see the whole percentages are increasing. Based on this chart, the sales amount growth is tremendous. Based on the data, during the pandemic situation, 2019 increases much more than 2018.

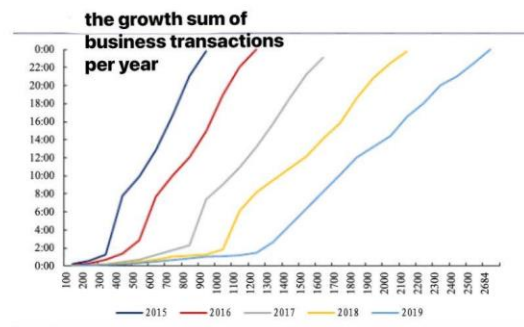


Figure 3. the growth sum of business transactions per year [10]

Figure 3 is about the growth sum of business transactions per year [9]. This data also shows the different money incomes during the time range each year. And the data also proves that during the covid-19, people will shop online more. And most of the people are female, they shop more often than usual. Usually, they only shop for 200-500 yuan, while in the covid-19, they shop much more than before because they have to live at home. Since there is nothing to do, the times and amount of money will increase which are all suitable to the data coming from Taobao officials. Then the research can assume of during the covid-19, people would like to buy more stuff and shop online more times. Besides, the data also proves that the increase in customers on Taobao is impacted by pandemics.

### **3.3 SWOT Analysis**

SWOT analysis, also known as TOWS analysis, was proposed by Weirick, a management professor at The University of San Francisco in the early 1980s. It is based on the situation analysis of internal and external competitive environment and competition conditions. It is the main internal strengths, weaknesses, and external opportunities and threats closely related to the research object. Through the investigation list, and according to the matrix form, and then use the thought of system analysis, the various factors each other match analysis, from which a series of corresponding conclusions, based on the analysis, due to internal factors is a reflection of their own various aspects ability, so the internal factors of SW than external factors OT more influence on individuals.

#### **3.3.1 Strength**

It is the internal factor of the organization. As a leader in the e-commerce industry, Taobao is one of the earliest comprehensive e-commerce enterprises with high popularity and stable loyal customers. After a long time of accumulation, both technology and reputation maintain the usual excellent level. It is generally believed that an enterprise that can maintain stable operation for a long time must have its advantages. Therefore, Taobao is easier to gain the trust of new users. From the perspective of consumers, with the continuous development and change of The Times and society, Taobao has proved its strong ability of innovation and introspection, which can follow the trend of The Times, accurately grasp the current needs of consumers, and be good at discovering market gaps. After a long time of operation, Taobao has accumulated many stable merchants, so it may bring consumers more and more comprehensive choices of goods. For merchants entering Taobao, the threshold of opening a shop on Taobao is low. To better serve the sales activities of merchants, Taobao has developed purchase platforms like 1688 to provide convenience for merchants. Merchants with different needs will also

provide such services as membership relationship management.

#### **3.3.2 Weakness**

It also belongs to the internal factors. In the process of online trading, there are a lot of security risks, such as information leakage, consumers' rights can't be effectively protected, etc. These problems are inevitable and cannot be completely solved by comprehensive e-commerce, no matter how mature it is. Taobao is the same. Although Taobao through a long time of business, technology has been very perfect and mature, not well-meaning people will continue to study new illegal means. In addition, although a wide range of products and coverage is a major advantage of Taobao, it also brings some difficulties in supervision, such as fake products, mixed sale of real and fake products, and poor quality of goods, which will bring the bad shopping experience to consumers and affect Taobao's corporate image and reputation. Last but not least, if an enterprise has been operating for a long time, it is difficult to avoid leaving a stereotype impression on customers, which is hard to break. It will also bring more expectations and requirements from the public, which will bring a certain degree of pressure to the new sector of the same enterprise.

#### **3.3.3 Opportunity**

The externality of the organization. First of all, during the outbreak of the COVID-19 period, to control and prevent the spread of the disease, people are more dependent on online activities, such as online communication, shopping, etc., the society will also appeal to minimize an activity, so the offline store business hit, more consumers into the network platform, it also means there are more requirements need to meet. According to the DATA in the report "phenomenon of 1000 Electronic Commodities under the Influence of Epidemic" released by DATA INSIDER in 2020, the categories greatly affected by the outbreak include aquatic meat, clothing accessories, personal care, health care, etc., while the categories less affected by the epidemic include beauty equipment, education, and training, milk powder snacks, etc. [10]. Categories with no significant impact or increasing impact include infant and child diapers, hygiene, disinfection, protective products, etc. Secondly, more businesses operating offline physical stores will pay attention to or passively accept transferring online or adopt the operation mode combining online and offline, which improves the activity of the e-commerce industry and promotes the development of comprehensive e-commerce and even the whole e-commerce industry. Therefore, the outbreak is a rare development opportunity for both Taobao and the e-commerce industry.

### 3.3.4 Threaten

It is one of the external factors of the organization. First, the outbreak of COVID-19 is a social event, so it is a test of corporate social responsibility, which is an important standard for consumer acceptance. Secondly, due to the obstruction of social circulation and the lack of many workers during the outbreak, logistics is very difficult, and logistics is the foundation of the e-commerce platform, so this is a huge test for both e-commerce platforms and logistics companies. Because the outbreak is mainly spread through contact between people, so to reduce people's participation in the logistics links, more dependent on the machines, artificial intelligence to complete maybe a good countermeasure, on this basis, the linkage by adding a variety of modes of transportation, building, transportation information platform to integrate the limited resources.

## 4. RESULTS & DISCUSSION

### 4.1. Result

For the overall evaluation, in terms of SWOT analysis, it can be found that during the global pandemic, Taobao explored advantages including but not limited to bigger market share, price advantages, large-scale advertisement, and fine social appearance. As said above, Taobao is the oldest e-commerce platform in China. Like the current condition, it emerged during another pandemic in China in 2002. Due to its impressive work during that hard time, it successfully acquired Chinese people's favour and accumulated enough capital and reputation during the time of prosperity. With such a unique experience, Taobao responded quickly and gained the upper hand in the event, the discounts and advertisements in the early stage are great evidence for this. However, there are some shortcomings. As the size of an organization increases, communication networks become more and more complex, which leads to low efficiency of the organization, and the increase in the lag time due to messages will need to pass heavy bureaucracy to reach its destination. To some degree, this makes Taobao less competitive in the market.

### 4.2 Suggestion

To maintain the current advantages, there are several strategies that Taobao can take into consideration. Usually, the customer would be attracted by platforms that they see the most and heard about the most, in another word, the one that has become a part of their lives. It is easy to achieve this by simply advertising to raise public awareness. A commonly used method to further increase the customer purchase intention and market share even further is to increase the added value of the product. Take the calendars, for instance, some brands designed their calendars with a solid earth model

in the middle. When the calendar is used up, the entire Earth would be reviled. At this point, the product is more than just a calendar, it could be seen as an achievement or a record of the time that has passed. Taobao is an online supermarket at this point, but what about adding some other features? Maybe someday the government would merge the water or payment system with it, then its users would be spared from traveling to a place far away for water supply or wasting time looking for the online portal from all kinds of links. Although the bureaucracy is seemed to be inevitable to exist in Taobao's massive body, it is still possible to improve the efficiency. If errands can be categorized clearly, priorities would become more meaningful. With the aid of artificial intelligence, this improvement could also be accomplished.

### 4.3 Comparison

This study is done in an unprecedented condition, a lot of factors that are common during the ordinary days, but now, a lot of factors are made unavailable, which makes the study unique. During the pandemic, online platforms get the opportunity to grow, however, there is always competition. To win, a customer's purchase intention is crucial since it is directly related to the trading volume. At this point, platforms are facing fewer competitors from offline stores. Meanwhile, they also face threats from peers. Adding but not limited to adding value and advertisement can help develop their market share.

### 4.4 Limitation

Most of the data is not from Taobao's office released reports, instead, it is from the third party. This brings uncertainties to this study. SWOT analysis doesn't represent the whole picture, in future studies, more perspectives should be included.

## 5. CONCLUSION

All in all, this paper mainly focuses on regular marketing methods and those utilized during a pandemic because many cities have implemented severe regional lockdowns to avoid COVID-19 infection, more individuals are turning to e-commerce. E-commerce has nearly supplanted physical retailers in all industries as the plague of crowd control continues to take impact. This paper puts attention to Taobao. It introduces two definitions first, 4S and customer purchase intention. Then, this essay uses official material, research papers, and questionnaires as first and second-hand sources to collect data. SWOT analysis is used as the methodology in this paper and introduced strengths, weaknesses, opportunities, and threaten. In the end, this paper discusses the result of SWOT analysis and gives

suggestions, comparisons, and limitations to Taobao by considering data and pandemics.

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