

Research on Customer Psychology— Taking Double Eleven as the Example

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ABSTRACT

With the development of Internet technology, consumer shopping habits have shifted from physical store shopping to online shopping. As an online shopping festival unique to China, Double 11 has become a cultural phenomenon. This report examines the relationship between the Double 11 shopping festival and consumer psychology by using qualitative analysis. Data used in the study will be obtained from the data statistics website Statista as well as annual reports. The results found that Alibaba-led e-commerce enterprises have achieved great success by catering to consumer psychology.

Keywords: Double 11, Consumer psychology, Consumer behaviour, Alibaba

1. INTRODUCTION

Double Eleven, China's shopping festival, refers to an e-commerce marketing event held on November 11 every year. It originated from an online marketing event held by Alibaba's e-commerce platform, T-mall, on November 11, 2009. Most merchants on the platform would offer discounts on November 11, similar to Black Friday. Double Eleven has become an annual event for China's e-commerce industry. In recent years, sales on Double Eleven have increased year by year, indicating that Double Eleven has become an important part of Chinese consumers' consumption habits, with more and more consumers choosing to make bulk purchase decisions on the day. This means that e-commerce enterprises represented by Alibaba have successfully changed consumers' consumption psychology through marketing strategies.

The purpose of this report is to study the relationship between Double Eleven and consumer psychology. This report will explore the relationship between Double 11 and consumer psychology using a qualitative analysis approach. The conclusions of the study will help in the strategic planning of other e-commerce businesses. The report will be divided into four parts, with the first part giving a brief introduction to Alibaba's Double 11 shopping festival and consumer psychology. The second part investigates the relationship between Double 11 and consumer psychology through qualitative analysis. The third part critically discusses the negative impact that

Double 11 may have on consumers. The final part summarizes the entire report.

2. INTRODUCTION TO ALIBABA

Alibaba is a Chinese e-commerce company founded by Jack Ma in 1999 in Hangzhou, Zhejiang Province. Currently, its e-commerce business is divided into Tao-Bao (Alibaba's C2C platform) and T-Mall (Alibaba's B2C platform) according to different business models. According to Alibaba's annual report for the fiscal year 2020, Alibaba's GMV in China's e-commerce market reached 6,589 billion yuan in 2020, and its total revenue exceeded 50 billion yuan, making it the current leader in China's e-commerce industry. Alibaba's profit model is to establish an Internet platform to provide intermediaries and transaction channels for suppliers and consumers, so as to ensure the property security of both parties in the transaction process.

Alibaba is enlightening and revolutionary for China's e-commerce market at the time of its establishment. Alibaba allows individuals to set up shops on the platform and sell different categories of goods on the platform, encouraging individuals to become their own bosses because it reduces the fees and costs of setting up physical stores. This business model can help the company generate more profits. Alibaba's services not only eliminate the inconvenience of the distance between buyers and sellers, but also provide consumers with plenty of choices. Compared with the shopping experience in physical stores, consumers can compare

products by quickly browsing Alibaba's websites, thus improving the efficiency of shopping.

With the development of e-commerce in China, the market environment has become highly competitive in recent years. In order to maintain its leading position in the e-commerce industry, Alibaba has gradually improved the service quality system of e-commerce, including the performance of the trading platform, real-time communication between transaction parties, more convenient and diversified payment methods and fast logistics services to enhance its competitive edge. Alibaba makes most of its profits from fees it collects on each transaction and from advertising suppliers, meaning its profits depend on the volume of goods traded and the number of suppliers on the platform.

In order to boost the number of transactions and attract more suppliers to the platform, Alibaba has adopted a diversified marketing strategy. Among them, The Double Eleven shopping festival started by Alibaba in 2009 is the most well-known marketing program in China's e-commerce market, which has become a cultural

phenomenon in China's e-commerce. Alibaba lured consumers into buying decisions on Nov. 11 by offering substantial discounts on most products. In addition, Alibaba offers subsidies to suppliers with a high volume of transactions to attract more suppliers to participate in its Double Eleven marketing campaign. This strategy has proven to be successful. Alibaba held its first Double Eleven shopping festival in 2009 with limited consumer and supplier participation, while in 2020, Alibaba's total sales on Double Eleven, according to its social media channels[1] topped \$80 billion, increasing 26% compared to 2019.

3. DATA SUMMARY AND ANALYSIS OF DOUBLE ELEVEN IN RECENT YEARS

This part will collect the sales data of Double Eleven from 2009 to 2020, from Alibaba's official social media accounts and Alibaba's financial statements, so as to analyze the importance and necessity of Double Eleven from the perspective of enterprises.

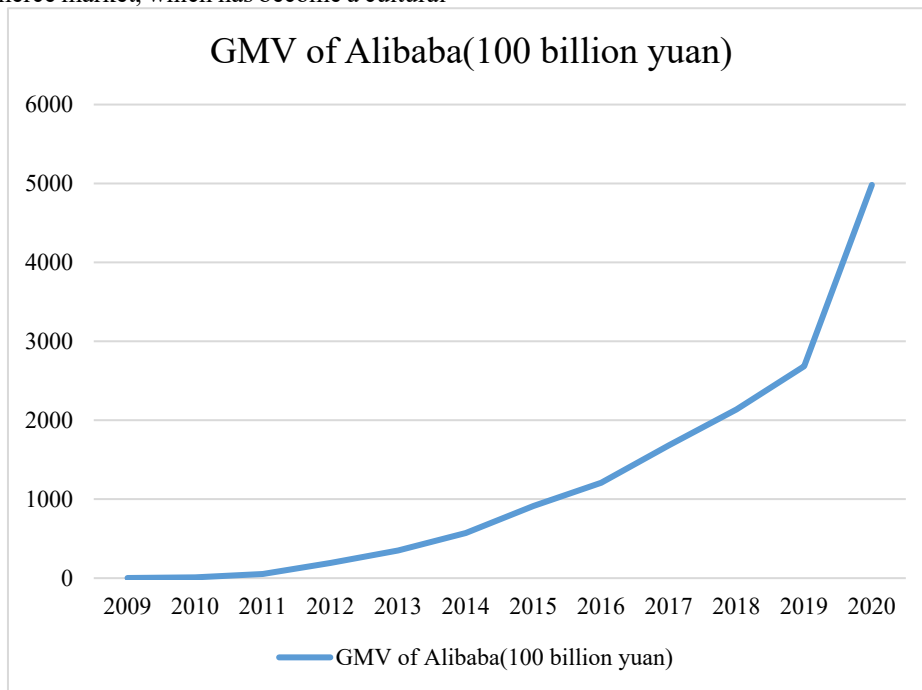


Figure 1: GMV of Alibaba in Double Eleven from 2009 to 2020

For Alibaba, the significance of Double Eleven is to help provide a reference for the company's performance plans for the coming year and attract potential suppliers and consumers.

On the one hand, Double Eleven has become a cultural phenomenon in China's e-commerce industry led by Alibaba. A large number of consumers will make large purchases on Double Eleven, which could show their interest and purchasing power in e-commerce. At the end of the fourth quarter of a fiscal year, most companies summarize their annual performance and make plans and performance forecasts for the coming year. The fierce

competition in China's e-commerce industry means Alibaba was required to accurately monitor the latest developments in the market and determine the proportion of service fees and advertising fees it will charge for each transaction in the next year based on the relationship between supply and demand.

Demand is the amount of a product that consumers are willing to buy at different price levels [2]. The shape of the demand curve is determined by consumer preferences and income levels. The typical demand curve is sloping to the lower right. For the demand of higher education products, the price elasticity of demand is low

when the price level is low. At a higher price level, the price elasticity of demand increases accordingly.

It could be seen from the demand curve (Figure 2), when the price of a good goes up, the demand for that good goes down. Which means if Alibaba sets out an excessive proportion of transaction service fees and advertising fees based on the lack of data support, the demand of suppliers and consumers for Alibaba's business will therefore be reduced.

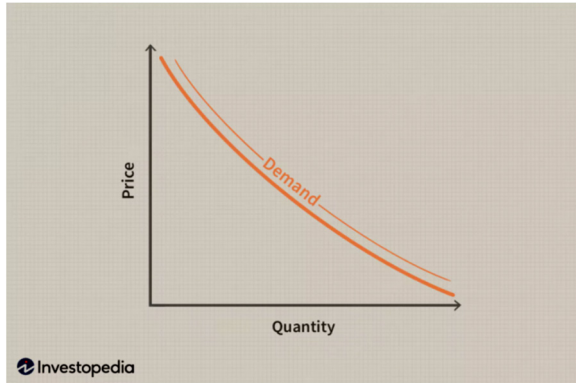


Figure 2: Demand Curve

On the other hand, Double Eleven can also be seen as Alibaba's marketing plan for itself. Due to the huge volume of transactions on Double Eleven, where would be high requirements on the quality of its platform, which requires that the platform could accurately and quickly handle each order. Alibaba's performance at the Double Eleven would be announced to the public through social media platforms every hour, in order to prove to potential customers and suppliers of Alibaba technical advantage allows them to cope with a large number of orders in a short period of time growth, which means that the security of e-commerce business and accuracy could be assured. This could attract more suppliers to cooperate with Alibaba to obtain stable e-commerce services and attract more potential consumers, both of which would undoubtedly increase Alibaba's market share in the e-commerce industry.

According to market share data published on Statista by Daniela in 2021, Alibaba's market share in the global e-commerce market has achieved about 30% in 2021. The following two pie charts show the market shares of Alibaba's C2C business, Taobao, and Alibaba's B2C business, T-Mall, respectively.

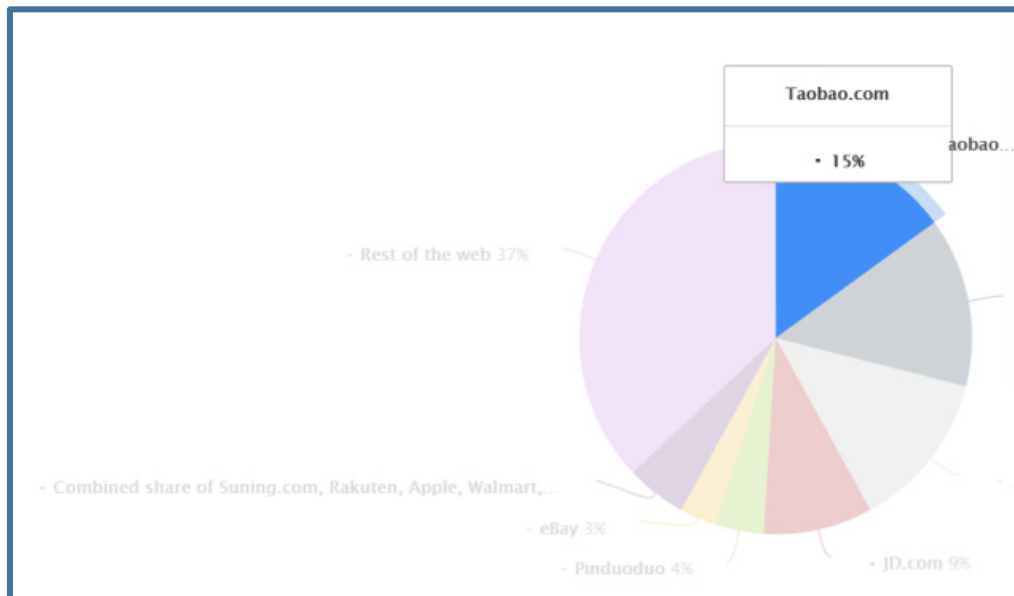


Figure 3: Market share of Tao-Bao in 2019

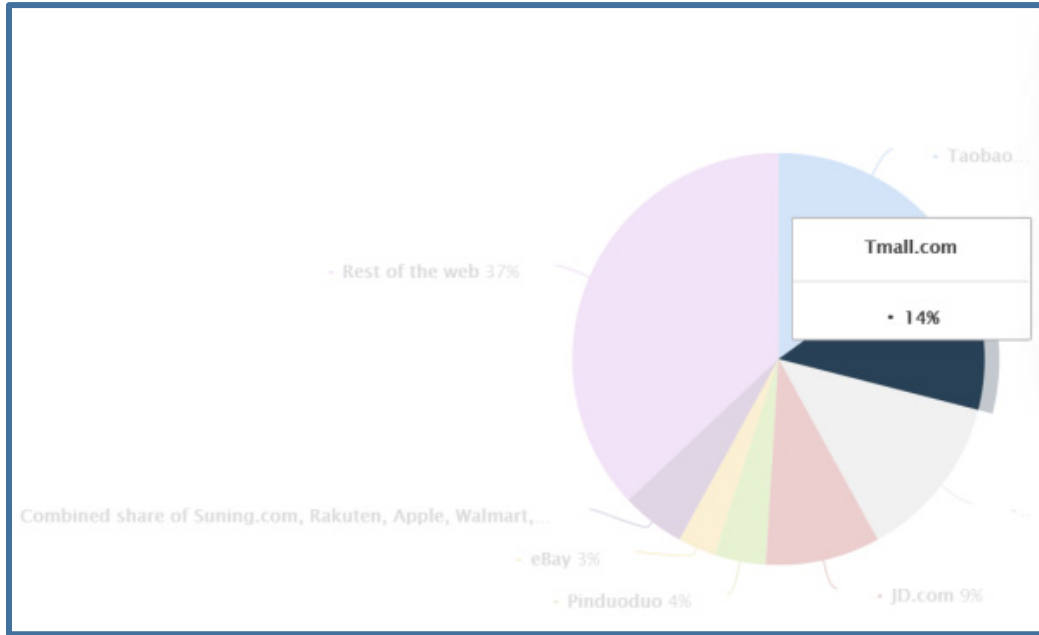


Figure 4: Market share of T-Mall in 2019

Robert. Et al. [3] indicated that, in the e-commerce industry, an enterprise's profitability depends on its market share. This is because e-commerce enterprises mainly make profits by charging transaction service fees and advertising fees, and companies with huge market shares have stronger bargaining power when setting transaction service fee ratio and advertising fee standard. With the help of Double Eleven, Alibaba has become the largest e-commerce company market share, which demonstrated that compared with other small and medium-sized e-commerce enterprises, Alibaba has obvious advantages in bargaining power when charging advertising and marketing fees from individual merchants on the C2C platform and charging store registration fees and commission ratio from brand merchants on B2C platform.

4. INTRODUCTION TO CONSUMER PSYCHOLOGY

This part aims to introduce the consumer psychology, which would focus on the factors that affect consumers' purchasing decisions. The factors that affect consumers' purchasing decisions can be divided into three parts: environmental factors, stimulus factors and psychological factors [4].

4.1 Environmental factors

Firstly, environmental factors include cultural environment, social environment and economic environment[5]. Cultural environment refers to the influence of consumers' cultural background on consumers' consumption habits and preferences. According to Eroglu & Karen[6], consumers with the conservative cultural background will pay attention to

their actual needs and purchasing power when evaluating the necessity of consumption decisions. Consumers with the open cultural background are more likely to be affected by other external factors, so as to change their consumption ideas and habits. Social environment refers to the relatively stable social groups and similar groups divided by various social factors such as the environment, economy, politics, education and culture of consumers [7]. Social environmental factors mainly show that the consumption behaviors and habits of members of the same class are similar, while the social class of consumers will change dynamically according to the changes of consumers' occupation, income, property, education level, values, lifestyle and other factors. Economic environment refers to the level of economic development in the region where consumers live [8]. The economic environment will restrict consumers' psychology and consumption behavior, mainly including the speed of new product iteration under the influence of the level of economic development, the consumption content and consumption mode of public consumers. In addition, the economic environment will affect the industrial structure, which objectively determines the social productivity and consumption content.

4.2 Stimulus factor

Secondly, the stimulus factor refers to the influence of various attributes of the product on consumer behavior, including the price, quality, performance, style, service, advertising, purchase convenience and so on [9]. The attributes of a commodity may stimulate consumers to buy either the commodity or the substitutes of the commodity. Substitutes refer to other goods that can be met by consumers for the same needs [10]. It could be seen from Figure 5, when the price of a good rise, the

demand curve for its substitutes will move to the right, meaning that the demand for its substitutes will increase. For goods with the same price and quality, consumers' purchasing decisions will be influenced by the advertising effect of different merchants. The key of advertising to attract consumers' attention lies in: Increase the intensity of the stimulus, increase the contrast between stimuli, increase the appeal of the stimulus, enhance the uniqueness of the stimulus, strengthen the intensity of the stimulus, the concentrated, repeated occurrence of something enhances the stimulation of one's sensory organs.

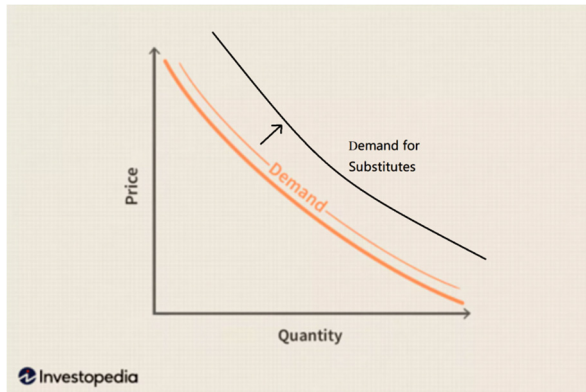


Figure 5: Demand Curve for Substitutes

4.3 Psychological factors

Finally, the psychological factors for consumers to buy goods, including motivation, experience and feeling [11].

Consumers' purchasing decisions are dominated by consumers' motivation and mainly reflect their physiological, psychological and emotional needs. Consumers make specific purchase decisions in order to satisfy certain personal needs [12]. Experience refers to the physical and psychological feelings of consumers in the process of making purchase decisions. This mainly includes the efficiency of businesses in dealing with consumer demand, pre-sale service and after-sales service, and comfort in the consumption process. Consumers with the same motivation may make different purchasing decisions based on different consumption experiences. In addition, with the accumulation of consumer behavior, consumers will gradually form loyalty and consumer preference, which will affect their attitude of future purchase behavior[13]. Therefore, in addition to providing consumers with high-quality goods, many businesses also pay attention to consumers' purchasing experience to cultivate loyal customers. Feelings refer to the psychological process caused by consumers' past purchase experience. Consumers gradually improve their feelings towards merchants and products through practice, observation and communication, and adjust their future purchase behavior according to their feelings.

5. CONNECTION BETWEEN DOUBLE ELEVEN AND CONSUMER PSYCHOLOGY

Based on the above factors affecting consumers' purchasing decisions, this part would describe the connection with the specific behaviors of e-commerce platforms and merchants during Double Eleven.

5.1 The relationship between environmental factors and Double Eleven

With China's reform and opening up, the cultural atmosphere of Chinese consumers has gradually changed from conservative to open [13]. Consumers' consumption demands are constantly enriched. In the past, due to the conservative cultural background, Chinese consumers mainly paid attention to the actual utility of commodities and the satisfaction of commodities for personal basic needs, such as food, clothing, housing and transportation. With the change of cultural environment, consumers gradually pursue a higher quality of living standards by meeting the needs of spiritual entertainment. This change in the cultural environment creates opportunities for the development of e-commerce. There is a wide variety of goods on e-commerce platforms, including domestic and imported goods. According to Alibaba's annual report for the fiscal year 2020, orders for Double Eleven 2020 were mainly focused on electronic products and beauty products, indicating that the changing cultural environment has increased consumers' willingness to buy beyond basic commodities. Social environmental factors show that the consumption behaviors and habits of members of the same class are similar. With the rapid development of social media, social media has become a communication channel for members of the same social class [14]. As a result of members of the same social class having similar purchasing power, people tend to follow similar patterns of consumer behavior based on the desire to be accepted by other members, which promotes the purchase decision. In addition, with the continuous and rapid development of China's economy, the improvement of social productivity and international import and export trade have accelerated the iteration of products, leading to the updating of consumption content and consumption mode.

5.2 The relationship between stimulus factors and Double Eleven

Alibaba would be offering hefty discounts on most products during Double Eleven, which is much higher than usual. The price of commodities has become the main factor to stimulate consumers' purchasing decisions. Unlike Black Friday in the United States, Double Eleven is largely focused on e-commerce, which means e-commerce and physical stores form a replaceable relationship. In the face of products of the same quality,

discounts provided by e-commerce platforms become the main attraction. According to the demand curve of substitutes, consumers' demand for goods on e-commerce platforms will significantly increase. Valerio, William & Noemir [15] indicated that e-commerce has fundamentally changed consumers' shopping habits. On the one hand, in terms of business, as the space of traditional media is squeezed and the audience of online media keeps growing, the advertising of traditional media (including TV, newspapers and magazines) enjoys competitive advantages. This is mainly due to the greater diversity of e-commerce advertising. During the Double Eleven shopping festival, merchants will put advertisements in the form of videos and pictures on e-commerce platforms. These ads are usually more in line with current trends and more stimulating to consumers.

5.3 The relationship between psychological factors and Double Eleven

With the adjustment of China's industrial structure, the proportion of the secondary industry and the tertiary industry has increased to varying degrees, which has a great impact on consumers' consumption motivation, mainly reflected in the increase of people's demand for service consumption and consumers' more attention to spiritual consumption. Moreover, Alibaba has expanded significantly since its first Double Eleven shopping festival in 2009. The positive financial position allows Alibaba to improve the quality of its e-commerce platform, such as the running speed and stability of its platform, which enables consumers' needs to be efficiently met. In addition, Alibaba's completed pre-sales and after-sales services have greatly improved consumers' shopping experience, with most Double Eleven orders being delivered within three days. If the consumer is not satisfied with the product, Alibaba will help the consumer to return or exchange the product through after-sales service. Good consumer experience improves consumers' loyalty to Alibaba.

6. DISCUSSION

Although Double Eleven has become Alibaba's most successful marketing strategy, it may have a potentially negative impact from the perspective of consumers. Alibaba tries to deliver the goods to consumers within three days, and as a result of the limitation of current China's express industry productivity, Alibaba has to prioritize those consumers to purchase goods distribution, which means that the consumer goods return cycle is long, this may lead to the poor consumers shopping experience. At the same time, before the completion of the distribution, the payment would be temporarily held by Alibaba, which may lead to reduced liquidity for consumers in the short term. In addition, impulse spending will boost the development of Chinese e-

commerce companies led by Alibaba, but it will lead to poor financial conditions and even debt for consumers.

7. CONCLUSION

Overall, Alibaba's Double Eleven Shopping Festival, created in 2009, has become a cultural phenomenon in China's e-commerce industry. E-commerce businesses led by Alibaba have achieved great success by catering to consumer psychology. However, for consumers, the change of consumer psychology would result in potential useless consumption and liabilities, which means that in the future, Chinese e-commerce enterprises need to guide consumers to consume rationally while adapting to the market development trend. The limitation of this report lies in the Double 11 is a unique cultural phenomenon in the Chinese e-commerce market, which may be related to the cultural background of Chinese consumers, which means that the conclusions of this study may not be suitable for e-commerce enterprises in other countries. Future research could use Black Friday as a contrast of Double 11 to draw the relationship between shopping festivals and consumer psychology in the global e-commerce industry.

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