

# Investigation and Analysis of the Shenyang local O2O business model

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**Abstract**—O2O e-commerce model is a promising young e-commerce model derived from the traditional e-commerce model, it especially solves the store sales problem in service industry and commodity backlog problem of traditional business. After the rise of e-commerce in China, e-commerce got wide response of merchants in every field.. In order to provide consumers with better services, e-commerce trading patterns are changing: "Electronic Market + Logistics Distribution" → "Electronic Market + To Store Consumption", the intersection of online and offline are becoming reality by mobile and local experiences, so consumers can have both the convenience and benefit of online ordering and perfect experience of offline consumption. Today O2O business model has become the new favorite of the group buying and service, a variety of promotional means have also applied the O2O, O2O is playing an increasingly large role in network marketing.

*Keywords*-O2O; Case Analysis; Business Model

## I. INTRODUCTION

With the development of e-commerce technology, the traditional B2B, B2C e-commerce model are no longer able to meet the actual needs of enterprises of all the fields, under the promotion of the social big wave, e-commerce platform update and APP new technology upgrade, the scale of a part of business area is small, competitiveness is not strong, in order to quickly develop, follow the traditional development way step-by-step is not enough. Limitations of traditional PC end has limited the development of e-commerce, and O2O just makes use of the taking-along of mobile terminal, the uniqueness of user identity, the traceability of user's location and other characteristics to seize a number of potential improvised consumers.

Although there is considerable growth in China's online shopping market in recent years, the scale only accounted for 5.63% of the total retail amount of social consumer goods in 2011, the largest consumption market is still offline. E-commerce is now moving towards new fields. The service model of combination of online and offline has obvious advantages, it is not only conducive to the overall industry progress and to enhance customer service, but also conducive to improve industry and industry progress, O2O are highly

integrated and developed with local community field, the integration of the internet localization services will definitely form scale. To explore the integration of online economics and offline economics is inevitable tendency of e-commerce development. O2O model has a broad development prospects. So studying Shenyang local O2O business applications has great significance for the expansion of O2O business theory and improvement of e-commerce implementation effect.

## II. DATA INVESTIGATION AND ANALYSIS OF THE SHENYANG LOCAL O2O DEVELOPMENT

### A. *The impact of domestic O2O business model on Shenyang commercial development*

O2O this brand new e-commerce is opening brand new economic model for each size of businesses with its rapid response mechanism and resources coordination capacity of high efficiency and low cost. Under the influence of large domestic environment, O2O business model has big impact for economic development in Shenyang. Currently, impacting factors of domestic O2O business model on traditional business activities of Shenyang businesses include:

1)The invasion competition of new business models attacks the profitability of Shenyang traditional business model. From the fact that e-commerce begins the serious attack on traditional business, O2O this new and innovative business model followed behind closely, it conducted a series of joint promotion effect on Shenyang small family style businesses like catering, tourism and service industry. In recent two years, the profit amount of medium-sized and small enterprises frequently rise, a large part is the application of the O2O business model.

2)Shenyang local businesses are forced to think innovation. O2O is survival exploration and innovation developed combining local characteristics. Local website or business model must keep in mind: innovation, which is combined with their own advantages. The biggest advantage of Shenyang merchants is their knowledge and familiarity of local market. O2O online trading and offline experience mode provides brand new user experience model. We are familiar with local people, we are familiar with local

businesses, we are familiar with local site business model, the perfect combination of the three only belongs to O2O.

3) Changing the consumers' consumption experience. O2O can bring consumers the most authentic consumption experience. Real consumption experience is the biggest feature that O2O model is suitable for local website development. In fact, hot group buying is just enough for us to get a glimpse. We order online and are busy enjoying ourselves by offline experience.

4) Prompting the symmetry of supply and demand information in Shenyang. O2O true interactive marketing can integrate with local businesses deeply. Each local business should know that customers are looking for business information, businesses are looking for customers. Yes, when the customer is finding a trustworthy decoration company, housekeeping company or a hairdresser, those good businesses may also be worried for finding customers. In the times we live, information is always so asymmetric. This asymmetry is the opportunity for O2O. Now that local businesses are looking for each other, then they should try to build this platform to provide this service.

Due to the promotion of large domestic O2O environment, plus O2O's own superiority and the win-win benefits it can bring to consumers and businesses at the same time, we are urged to start the survey of the current situation of O2O development in Shenyang.

## B. Shenyang local O2O development data survey

### 1) iResearch net data findings

According to iResearch website survey: until December 31, 2013, Shenyang group buying market achieved a total turnover of 670 million Yuan in 2013, representing a net increase of 300 million Yuan than last year, the annual growth is up to 80%. Throughout the year, 12,566,000 people consume through group buying channel, there are group buying orders 105,000 in the sale, per capita consumption (customer unit price) is 53.4 Yuan. For the full year, the monthly market scale increased from January's "40 million Yuan" range to December's "70" million range; there are 288 average daily on-line group buying orders, there are average daily 34,400 people/time participating in group buying consumption, average daily group buying turnover is 1.84 million Yuan. Catering has obvious advantage, occupying 52.5% of market share; leisure and entertainment for 33.1%, hotels and tourism, life service, material object and others, etc. respectively for 6.7%, 5.8% and 1.9%.

### 2) China E-business Research Center data findings

According to China Electronic Commerce Research Center report: in the past 2013, the rapid development of mobile phone group buying is the biggest bright spot. Mobile phone group buying has accounted for 50% of overall turnover, some leading group buying sites even reach 70%. This leads to that the buying behavior of group buying users has also undergone certain change. The monthly payment

transaction sum of Shenyang people using mobile phones to group buying is more than 40 million Yuan, in April, 2013, 42.59 million Yuan made a new record high of mobile phone payment. Sample survey for Shenyang mobile phone client shows that among mobile phone group buying users, people consume within one hour after buying accounted for 73%, while the proportion in the computer end is only 7%. In addition, customer price of users using a iPhone is higher, 4.8 Yuan higher than Android on average per offer. And in terms of group buying category, there are more "foodie" in Android users, they are more inclined to catering group buying consumption.

### 3) Gou Tuan net website data statistics results

According to Gou Tuan net statistics, in the first week in July, 2011, the group buying market sales in Shenyang area was declined slightly than last week, but the number of consumption people had an increasing trend, the situation was optimistic. This week, Gou Tuan net makes a statistics of altogether 30 comprehensive group buying nets Shenyang sub-station and Shenyang local group buying sites. Gou Tuan net data shows, this week, Shenyang group buying net launches a total of 813 group buying activities, 146 more than of last term, the total sales is 2.6104 million Yuan, 1.54% decrease compared with last week, the number of purchasers is 120.2 thousand, increasing 44.9 thousand compared with the last week, the average group buying price is 108 Yuan, the average discount rate is 3.9, the average number of purchasing people is 148 per offer. Gou Tuan net makes a statistics of altogether 22 comprehensive group buying nets and Shenyang local group buying sites. The data statistics uses automatically collected national group buying nets statistics, and to do deduplication analysis on the data, while abandoning false data accumulation.

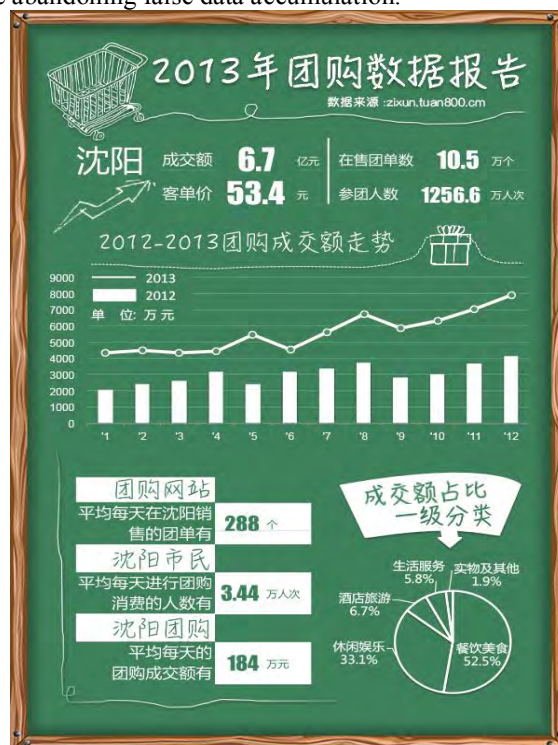


Figure 1. 2013 Group buying data report

### III. PROBLEMS EXISTING IN SHENYANG LOCAL O2O DEVELOPMENT MODEL AND SUGGESTIONS

#### A. *Problems existing in Shenyang O2O e-commerce model*

1) Credit is low. Honesty problems exposed in group buying sites are endless. Shenyang local group buying sites have a lot of problems such as seller disappears after payment; product description on the internet is inconsistent with the actual goods; product is attractive online but has limit off the line; there are much additional spending; base price is high, publishing false discount information; service is not done as promised; difficult to replace or return goods and so on. These problems are likely to exist in different O2O business models.

2) Qualification of dealer is unknown. Having a lot of quality dealers resource is a huge advantage for O2O operators, but sometimes in order to obtain dealers resources, O2O operators reduce the examination and verification of dealers qualification, resulting in many adverse consequences harming consumers' benefit. Even some well-known group buying sites also have dealers qualification issue. In the Wo Wo Tuan website, Shenyang station, a seller named Jinan Pin Mo Film Studio launched 28 Yuan group buying photographic package, some consumers bought the package, they found the seller to take pictures and finished, but when it was the time to fetch the photos, the seller was disappeared. Consumers called, the seller's phone was power off.

The cause of this problem, of course, it is because group buying sites are not strict enough for dealers qualification, and more importantly, group buying sites' understanding for O2O business model is not in place. In order to increase user quantity and enlarge business fields, some group buying sites continuously expand in the country, as a result, they are certainly capable of providing more products or services for consumers, but they can not guarantee the quality of these products and services. O2O itself has strong emphasis on the business model of local operation, doing perfectly and thoroughly in a certain area can keep customers in long-term. If O2O operators are unable to grasp this, faults in strategy in the business will definitely happen

3) Blindly follow. O2O profit mode is relatively clear, but it is also likely to lead to that the development modes are all in the same key. Group buying sites is a typical case. Shenyang group buying sites develop following domestic group buying sites, rush headlong into action, doing business in a small way. Using the same mode, finally result in the so-called "Thousand groups war", homogenization competition is too severe, so the winter in group buying industry arrived ahead of time.

#### B. *Suggestions and prospects*

##### 1) *Suggestions*

Suggestion One: From the point of view of the whole O2O industry development, thorough integrity

mechanism should be established. For example, there is a third party organization to conduct supervision on O2O operators, to do integrity rating based on consumers' feedback and other research data, and present rating results to consumers in a timely manner, eliminating their insecurities, and to urge O2O operators to focus on maintaining their own reputation. Industrial and commercial sector should react at the first time after they receive complaints from consumers, punish O2O enterprises involved in illegal business, and make punishment results public.

Suggestion Two: Holding the principle of localization business, O2O operators' examination and verification on dealers' qualification is relatively easy. To cooperate with local industrial and commercial sector or consumers association to examine and verify dealers' operation qualification and operation conduct. Once the dealer has credit problem, timely find out relevant departments to resolve. With supervision and constraint, dealers' behavior will be more standardized.

Suggestion Three: Diversification of operation model. For example, diversified services like housing short-rent, social rental cars, clothing formulation and so on can be provided, also the profit model is also very flexible, there are fees for using Firefox, there are fees for dealers, even charging through advertising. Operation strategy is determined depending on specific circumstance; therefore, it is able to be coexistence, mutual benefit and win-win.

On business ideas, O2O operators can not just stick to low price line, but should with the help of its own media advantage, to help dealers develop some value-added business. Many dealers are not without exiting diversified business system, but because the publicity is not in place, these services do not get users. At this moment, O2O operators can develop diversified business by cooperation with dealers.

O2O itself is the operation model emphasizing offline experience, the existing group buying sites did not grasp this essence, relying solely on low prices to attract customers. The O2O itself can make a lot of "tricks", having something to do in the links like client consultation and free experience in offline stores. The key is to see whether O2O operators and dealers have enough sense of innovation to explore.

##### 2) *Looking into O2O's future*

These problems simultaneously decide the limitation that the commercial application of O2O model requires a high starting point, its commercial use has been not only formation of a simple network platform, cover of commercial operation outlets having localized nature is bound to become an important support for O2O mode, and the emergence of these localized operation and maintenance center also solves a problem that large-scale commercial platform how to promote business services online and offline, because large-scale localized operation and maintenance outlet have divided a big problem into a number of small problems, problems like dealers cooperation and business promotion have been detailed, on the premise

of ensuring examination and verification, the reliability and authenticity of various service information can be guaranteed to the maximum extent.

Although the concept of O2O is hot for more than a year, Shenyang O2O market is currently still in an early stage of development, it still take emulation of other existing cases as basis to use on their own business services on trial, although in the short term there will be some freshness and consumers flow volume, there is still no long-term effective channel to maintain the actual relationship between the dealer and the customer. Take coupons as a example, there are Da Zhong Comment, Ding Ding net, Wei Luo City, Pudding net and other companies, the application is numerous, homogeneity is serious, in addition to traditional advertising model, they do not really find out profitable direction. In terms of key links like mobile payment and mobile e-commerce, most enterprises are lack of effective support, more importantly, for O2O enterprises, the expansion capacity and data analysis capacity of offline service is especially the core affecting user experience. So we are remain optimistic that O2O business model will get good combination mode in Shenyang business tide by its superiority, but still need constant try and experience summary.

Shenyang has entered into semi-mature e-commerce era, various new e-commerce models are endless, and they brought bursts of new wave for economic development in Shenyang. When various e-commerce platforms are dazzling, how to better maintain the store's profits, earn greater consumers flow volume and take account of online publicity and to provide more customers with service are becoming problems that every local Shenyang dealer is thinking about.

This paper investigated in details Shenyang's application of O2O status data of the three sites, including group buying data, mobile phone application data and other categories of data, provide a good reference to rely on, and choose one most typical Shenyang local O2O integrated information platform from four Shenyang local mature sites as the investigation body, and make survey of two small life service dealers at random as evidence to investigate and analyze the current application status of O2O business model in Shenyang, and analyze the innovation point and profitability channels of successful cases, get a status summary of Shenyang current application of O2O business model, problem analysis and future prospects.

1)Although the concept of O2O in Shenyang has been popular for over a year, but many companies are

still at an early stage of exploration, the resulting profit is only a small part of the initial stage.

2)From different ways of the O2O business model application of large sites and small dealers, the small life service dealers seem to be more flexible.

3)Shenyang current site type O2O application has not yet reached a unity with the government and the people, technology, promotion and marketing channels become the biggest problem of enterprise' application of O2O.

As the survey techniques and data collection are limited, and many operating data are limited by legal restrictions and business secrets, they are not detailed. However, this article seeks to make theoretical basis for future development of O2O in Shenyang by the conclusion analyzed based on some of the data.

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