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# Online Promotion of E-Commerce in China

Case Company Taobao

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# TIIVISTELMÄ

Verkko-ostaminen on hallitseva ilmiö Kiinassa, koska internet on tehnyt siitä tehokasta ja helppoa. On arvokasta tehdä taustatutkimusta kiinalaisessa verkko-ostamisesta, koska sen rahallinen merkitys on suuri. Tämän tutkielman tarkoitus on selvittää, miten verkkomainontaa voidaan toteuttaa Kiinan markkinoilla.

Tutkimuksen tavoitteiden saavuttamiseksi on tarpeellista analysoida verkkomainonnan nykyinen tilanne Kiinassa. Tämä sisältää mainosstrategian ja mainostyökalut ja myös analyysin, kuinka tehokkaasti verkkomainonta vaikuttaa kiinalaiseen kuluttajaan. Teoriaosassa kuvataan verkkomainontastrategiaa ja työkaluja, jonka jälkeen käydään läpi makro- ja mikroympäristön tekijöitä.

Tutkimus keskittyy Taobao-yhtiöön, joka on Kiinan suurin verkkokauppa-alusta. Taobaon asiakkaat ovat tämän tutkimuksen kohderyhmänä. Sekä kvantitatiivista että kvalitatiivista menetelmää on käytetty tutkimuksessa. Taobaon edustajia on haastateltu, jotta saataisiin tietoa yhtiön verkkomainonnan strategiasta ja työkaluista. Kvantitatiivisena tutkimusmenetelmänä käytettiin kyselyä, joka lähetettiin Taobaon asiakkaille.

Opinnäytetyön lopussa esitetään johtopäätökset, jotka sisältävät tutkimuksen päätulokset ja ehdotukset kohdeyritykselle.

Avainsanat: Kiina, verkkokauppa, verkkomainonta, strategia, työkalut

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# ABSTRACT

In China, online shopping is a prevalent phenomenon because of efficiency and convenience of Internet. It is valuable to do a research of today's Chinese online shopping market because of its enormous sales. Therefore, the purpose of this thesis is to find out how to implement an online promotion in the Chinese market.

In order to reach this purpose, in this thesis, it is necessary to analyze the current situation of online promotion in China. This includes the analysis of promotion strategy and promotion tools as well as the analysis of the effectiveness of online promotion from Chinese customer's perspective. At the theoretical part, online promotion strategy and tools will be presented, followed by macro-environmental analysis and micro-environmental analysis.

The empirical research focuses on the case company Taobao which is the biggest online shopping platform in China and Taobao's customers as targeted respondents for the research. Both qualitative and quantitative methods are used for data collection. As a qualitative method, in-depth interviews were held with Taobao representatives in order to state Taobao's online promotion strategies and tools. As a quantitative method, questionnaires were sent to Taobao customers.

At the end of the thesis, conclusions based on the empirical research will be presented, including the main findings and recommendations for the case company.

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# 1   INTRODUCTION

The thesis deals with online promotion strategy and related promotion tools of the Chinese e-commerce and the effectiveness of online promotion from the Chinese consumers' prospective. Taobao, the biggest online shop platform is selected as the case company. The research will analyze the specific situation of case company (based on a macro- and micro-environmental analysis in China). Therefore, background information about the current situation of Chinese e-commerce, an introduction of the case company and the research problems and objectives will be described in this chapter.

## 1.1 Overview of Current Chinese E-Commerce

With the proliferation of Internet usage in China, e-commerce has occupied more and more market share in Chinese market and a large number of consumers adopt the online shopping lifestyle today. According to Figure1, the total revenue of e-commerce had experienced an increasing trend from 2010 to 2015. (100EC 2015)
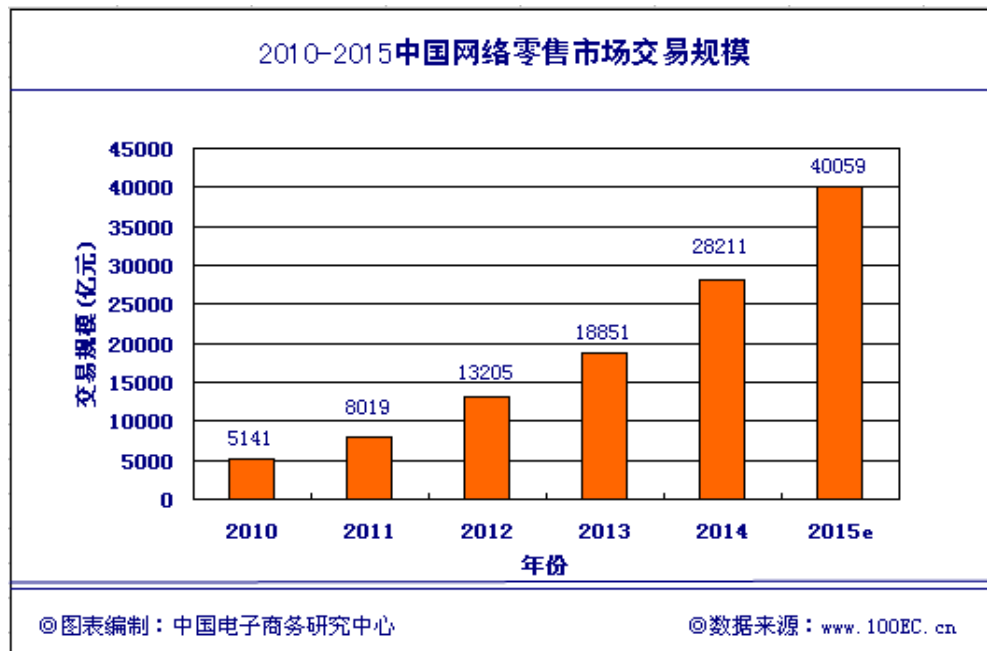


**Figure 1.** Total transaction of Chinese online market (100EC 2015).

It should be noticed that the total amount of online transaction has reached 40059 billion yuan (€580 billion) in 2015, which was approximately increased 8 times compared with the amount of transaction in 2010. Due the popularity of E-commerce, more traditional enterprises and retailers have joined into the online market in order to satisfied growing demand of online shop in China. The increasing rate of emerging e-commerce each year is 2-3 times faster than GDP. What is more, the online market indeed provides a wider platform for them to improve and outshine themselves from fierce competitions.(100EC 2015)

**1.2 Demand of Chinese Online Shoppers**

When it comes to the demand for online shopping, Chinese E-commerce Research Center (100EC) proposes a conclusion that the total consumption of online shop has occupied a great proportion of total amount of the daily purchases in Chinese society with the rate up to 10.6% in 2014. (100EC 2014)

Another research conducted by Epsilon illustrates that 72% of online shoppers in China keep online all day, 42% of them are staying online to browsing the e-commerce website. (Figure 2).There are various purpose of China online shopper when they need to access to the Internet, the top factor is access to e-commerce platforms (42%). Besides, this survey provides further detail of Chinese e-commerce brand and consumers' choice from customer perspective. Chinese consumers are regularly engaged with three or four e-commerce brands: Taobao(19%), Tmall(13%) and JD(12%). In B2C market, the top five players are Tmall,JD, Vip.com, Yixun and Amazon.cn.(Epsilon 2015).
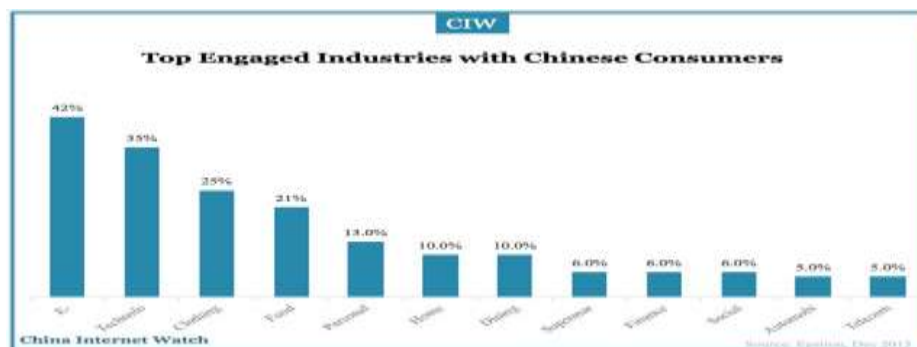


**Figure 2**. Top engaged Industries with Chinese consumers (Epsilon 2015).

The new trend within Chinese e-commerce business obviously is the mobile phone marketing. With the rapid boom of smartphones in China in recent years, e-commerce has to pay attention to the mobile phone users. The market of mobile users has more potential than PC (personal computer) user because of more convenience and higher accessibility to e-commerce platform. (Askci 2013)

## 1.3 Introduction of Case Company Taobao

Taobao, created in 2003, and owned by Alibaba Group, is a C2C and B2C shopping platform. Taobao offers an open online platform to every individual retailer (C2C), domestic or foreign brands (B2C) to open online stores. Taobao as well as Taobao Mall (Tmall) in China that is spun off Taobao, dominating the biggest proportion of Chinese B2C market share (50.6%) compared with other famous e-commerce companies in China. (See Figure 3).Taobao is the biggest online retail shop from a global perspective. For every single day, there are almost 10 million online visitors browsing Taobao's website. Consumers not only can buy domestic product but also can purchase imported goods in Taobao. Taobao sells a wide range of goods including clothing, food, skin product, electronics and books. (Baidu Baike 2015)
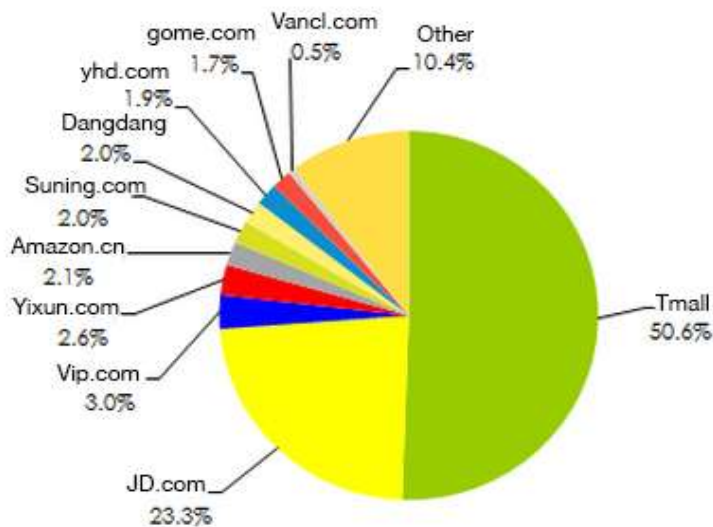


**Figure 3**.China Online shopping B2C Sites Market Share (Advangent 2014).

Taobao is also a leading company in terms of innovate online communication tools in China. In 2004, Taobao generated online chatting software named Taobao Wangwang which aimed to promote the communication between buyer and seller. The outstanding performance of Taobao is its annual day of discounts called the "single's day-11.11 shopping Festival" in November. In 2015, Taobao and Tmall have created over $1 billion sales within 7 minutes and 189 billion dollar sales in total. (The Wall Street Journal 2015)

## 1.4 Research Problem and Objective

The main research problems is what the current situation for Chinese e-commerce regarding to online promotion? There are some sub-problems: What the promotion strategies and promotion tools currently be used in Chinese e-commerce market? Which strategy is the best one for Chinese e-commerce? How many promotion tools have used in the Chinese market? What is the effectiveness of each promotion tool?

The purpose is apparent if we follow the problem as described above. Identifying the online promotion strategy of the case company, analyzing the promotion tools case company has applied in real context. Especially, find out the most effective promotion strategy and promotion tool based on Chinese consumer's preference.

## 1.5 Reliability and Validity

Reliability is the degree of an assessment tool used in a research. A good assessment tool can produces stable and consistent results. Normally reliability will been seen in following aspects: the precision and concision of research objectives are stated, the method applied to measure hypotheses, the connection of sample size with the population size, the rationality of data sampling techniques, shortfalls in research work. (Soku 2014)

Validity is the evaluating indicator of a research. There are two approaches help the investigator to evaluate his or her research that is evaluating the internal validity and external validity. Internal validity means that we are successfully measure

confounding variables within our study. External validity refers to the degree of acceptance by the public when results generalize to the population. (Soku 2014)

In this thesis, research objective is discussing the online promotion of Chinese e-commerce then conclude the current situation and future problems. Quantitative and qualitative methods were used for data collection, which are in-depth interview and questionnaire respectively. Depth interview questions are based on the theoretical analysis and current development of case company. Interviewees are one manger and two employees from the case company. The purpose of questionnaire is to further prove results came from the interview and the test the effectiveness of case company's promotion tools. However, there is still a larger space to improve the reliability of empirical result. First, the number of respondents was 105 that is a small group based on the total number of customers of case company, which means the findings are not precise enough. The age group of respondent is too narrow mainly focus on 18-25, which result in too many student respondents. The gender of respondent is biased that the majority of respondents are female.

All answers of questionnaire used in the empirical research came from case company's customers. Therefore, the thesis has internal validity because the empirical findings are not only origin from the employee's point of view but also consumers' personal opinions. Besides, for external validity, the case company Taobao is the biggest online shop platform in Chinese market, the empirical findings of case company Taobao can be treated as a trustable analysis of the online promotion in China.

**1.6 Structure of the Thesis**

The thesis is divided into four main chapters. Chapter 1 is the introduction part, including the overview of current Chinese e-commerce, demand of Chinese online shoppers, background information of case company, research problem and objective, and reliability and validity of thesis.

Chapter 2 refers to the theoretical foundation of the thesis. Theory about online promotion will be described from two aspects that are promotion tools and strate-

gies. Other theories are situation analysis from macro-perspective and micro-perspective before implement the promotion in electronic market.

Chapter 3 describes the empirical research and analysis. Method of data collection primarily applied quantitative and qualitative approach. Empirical findings are analyzing all contents of interviews from macro-perspective and micro-perspective as mentioned in theoretical part, the result of survey based on case company's customers.

Chapter 4 is the conclusion part. Summary and findings of the research will be presented, followed by some recommendations for case company.

# 2. THEORETICAL FOUNDATION

In the theoretical part, seven categories of promotion tools, three types of promotion strategies, SLEPT mode for macro-analysis and factors of micro-analysis will be explained.

## 2.1 Online Promotion

This section mainly describes the theory of origin of online promotion and introduces different types of promotion tools.

### 2.1.1 Origin

The purpose of online promotion is to boost the sales of company and its products through Internet. Especially as people now are living in the information-explosion society, the online promotion is the best and effective way to promote companies. According to the research conducted by Chaffey (2013), Internet has special impact on people who are work in education, entertainment and advisory services, so optimize the Internet as promotion approach can bring more benefits to company. (Chaffey 2013, 25)

Even though the traditional approach, mainly offline promotion, has its own advantages, Chaffey (2013) claims that it is necessary to utilize mixed selling if companies are going to expand their market both online and offline. As an example, BMW, that is a global car company found out from a research based on their total clientele that approximately 50 percent of BMW's test drivers had visited their website before they went to a physical shop. (Chaffey 2013, 26).Thisoutcome illustrates a common phenomenon that nowadays people prefer to compare the price and quality between online store and physical shop before making a purchasing decision. Therefore, if the ecommerce want to improve their promotion, they can create their competitive advantage compare with physical shops in order to attract online shoppers. (Ying, Geng, Benfu& Chong2015, 263-279)

**2.1.2 Tools of Online Promotion**

Online promotion takes advantage of new media and technology; stimulating cus-
tomers to pay more attention to offered product and ultimately complete the
online transaction, (Molenaar2011).There are diverse e-marketing methods, such
as email marketing, social media and referral marketing as well as advertising,
affiliate marketing, coupons and sec-kills.

Email marketing means sending a huge number of emails to company's website
subscribers at the same time, usually managed by email marketing software or
web applications, the content of email must be very interesting and engaging in
order to catch reader's attention and clearly inform the reader that there are some
discount or free gift if they purchase during a specific period.(Duff  2007,156-167)

Social media marketing means that Marketers optimize the communication plat-
forms to advertising their product. For instance, marketing managers prefer to
marketing on  Facebook ,Twitter or Instagram that have gained most popularity
from people all over the world,  expecting to grab reader's attention when they are
browsing in these social media and share the information with their friends' online.
If some famous blogger who have a wide range of followers, once he or she share
a sales promotion event online, this means companies potentially join into their
social network and extend their target advertising market.( Castronovo & Huang
2012, 124-125)

Referral marketing is a special marketing approach based on the customer loyalty
and excellent customer management, where a company has already built up a pos-
itive image in their existing customer's mind. After a stable online interaction and
communication between the company and customers, product users voluntarily
help company to advertise this high quality product to their friends or family
members. It is a more effective marketing method because people always think if
the origin of buyer who recommends a product is trustworthy. (Newswire 2007)
As shown in Figure 4, online referral usually works at the buyers' feedback plat-
form that encourages buyers to share their individual felling. Customers might

share their opinions of service and product, or the speed of delivery or after sale attitude of seller. However, referral marketing is considered as the hardest promotion tool because it is impossible to control consumer feedback is always good. In general, referral marketing can result in a win-win outcome both for company and customer if the product and service has high quality.



**Figure 4**. Buyers sharing personal feedback on the product (Dummies 2016).

Online advertising is a basic promotional tool for e-commerce to boost promotion. There are six main tools to advertise on the Internet: banners, buttons, direct marketing (e-journal), contest and promotion, interstitial advertisement, interactive games.(Kaye&Medoff,2001).

Banners, buttons and interstitial advertisements provide a link redirecting users to another webpage, which defined as push tool. Banners and buttons always have a fixed location on the webpage, directly expressing the content of advertisement. (Kevin 2006,11-13). The interstitial advertisement is flexible to show on the webpage, maybe suddenly appearing when customers are browsing their Facebook, Instagram or Twitter, or appearing in an online video. By contrast, contest and promotion, interactive games stress two-way communication between the seller and the buyer, which belongs to a pull strategy and provide customized advertisement. (Kaye & Medoff, 2001)

Affiliate marketing is promotion by rewards affiliate to a customer and encourage to purchase their product at the same time. There are three types of affiliate marketing: affiliating a different product among different companies, affiliating a different product within one company, affiliating the same or similar product among

competitors. Normally, companies are willing to promote together because their products are complementary to each other, for example tableware and cooking oil, sportswear and sports equipment. (Joe 2009, 43-44)

Coupons, premiums, rebates and other discounts represent a typical promotion approach in order to improve passenger flow volume and stimulate their second purchase in a website. Based on psychological behavior, once consumers have a chance to get part of refund, they have higher purchasing satisfaction because they think paying less is equal to a lower price for them. (Business Wire 2001)

Sec-kills mean product has gained enormous popularity among consumers so that it will sells out immediately, sometimes only costing some seconds. This promotion does not always happen, this only used for some special festival such as Valentines' day or Christmas. Online retailers inform the consumers prior to the activity at least one month in advance, stressing that there is a limited amount for super discount product. After the buyer is able to make an order, he or she still has to continuethe payment within the agreed time. Otherwise, the product is cancelled automatically and purchasing opportunity goes to another buyer. Even though sec-kills are not applied frequently for marketers, the revenue is adorable compared with ordinary sale approach. (Li 2012, 195-196).

## 2.2 Promotion Strategy

Even though E-commerce mainly expand its business under a virtual environment that is Internet market, the E-commerce strategy still has lot in common with corporate, marketing and business strategies, that is identify the future scope, direction and objectives of the whole or part of organization, appropriately allocate its resources within a changing environment to satisfy needs and fulfill goals. (Torres & Lisboa, 2014)

Why marketers have to carefully decide use which strategy to operate its marketing plan? The imperative of make a clear strategy for e-commerce is that, if e-commerce strategy cannot be identified, might result in the following situations:

Firstly, missed opportunities, because of insufficient resourcing and short of evaluation of opportunities, which can lead to a company losing competitive advantage among their competitors .(Dann 2011, 243)

Secondly, limited technical resources can be used; therefore, even though a company has abundant information resource, but only can leaves in different information system, this finally causes information waste. ( Newswire1998)

Thirdly, poor e-commerce strategy, must result in the incorrect support of buy-side, sell-side or internal process, as a result, low-quality service usually happened. Working efficiency is hard to improve under such a poor strategy.(Zahedi, Seyed-abolghasem, Rahmantalab & Haghi, 2013)

In conclusion, the initial purpose of promotion is to generalize a product and increase sales, choosing a clear and exact strategy for specific product is very important, once manager applied adequate strategy, the company can occupy the marketplace immediately after the promotion rather than a missed opportunity, waste available resources and provide low-quality service to customer. In the next chapter, two types of promotion strategies will be explained in the following content: push strategy and pull strategy.

## 2.2.1 Push Strategy

Push strategy is known as direct marketing or outbound marketing strategy, which introduces its product by manufacturer to its customers in order to stimulate customer's purchasing willingness. To be accurate, the members involved in push strategy are wholesalers, retailers, and then the final consumers. The significant feature of push strategy is utilizing the various distribution channels.(Kotler & Armstrong 2013)

In the traditional approach, push strategy is used by a new company to exposure the company's product and increase brand awareness in the target market. Normally, the push strategy is suitable for fast moving consumer goods (FMCGs) such as food or cosmetics. The purpose is to obtain more attention from customers and frequently advertise product, even though the customer does not need them. For instance, some push tactics applied in traditional push strategy are trade show, face to face selling, redesign of packaging, display and sale.(Kotler & Armstrong2013).

However, the new era of marketing is digital marketing. E-commerce creates a new means to implement push strategy by cooperate with ISP (Internet Service Provider). Therefore, ISP works as intermediary agency massively spreading the latest information of a product to final consumers through their extensive network of information and building up a communicational bridge between the manufactures and final consumers.(Dann 2011). For instance, email marketing is one of push tactics with the help of ISP that massively and randomly send email to customers.

The most common use of online push tool is network advertising, such as product placement in different websites, radio or television advertising, email marketing and catalogs. (Mashable 2011). However, the marketing result of push strategy is equivocal and unpredictable. Apparently, the risk is losing online searching demand if the targeted consumers want to know related information of the product. By contrast, pull strategy provides s search service and drives the consumer not only to become interested in product but also trusting the company and their commodity.

### 2.2.2 Pull Strategy

Compared with push strategy, the definition of pull strategy is indirect marketing or outbound marketing. Pull strategy is more widely applied within internet marketing by using media channels. (marketing-schools 2016). Pull strategy aims to encourage customer to look for a company's product spontaneously, finally ex-

tend their demand. In other words, pull strategy focuses on the target customers' need; effectively advertise the product information to needed consumers and greatly saving cost.(Adaso 2014)

What is more, social behaviors such as word-of-mouth or "viral" content effect can bring a number of benefits to pull strategy.( Adaso 2014). There are some pull tactics frequently used in online marketing: social media marketing, search engine marketing, email marketing, referral marketing, affiliate marketing and discount activities. In pull strategy, the customer relationship management is very important. For e-commerce, online retailer keeps regular online contact and timely after sale service, customers' feedback can present on a common shared platform in order to exchange their purchasing experience. (Ratnasingam 2008)

Especially, the pull strategy significantly relies on sufficient market research, based on the research data, company might develop an effective advertisement to generate consumer's interest before sell its product.(Molenaar2011) Maximizing the effect of promotion is the highlight part of pull strategy, some people sate that pull strategy is the new marketing strategy compared with the old fashioned one push strategy.

### 2.2.3 Push and Pull Strategy

Ideally, every marketing manager purely thinks about how to meet the goals within the available resources and most of them hope to choose one specific strategy from several options after careful thinking. However, in reality, choosing a proper strategy is difficult. In fact, experienced strategists tend to utilize all the tactics together they are familiar with: network advertising, email marketing, search engine marketing and so forth, to ensure successful online marketing and satisfying various customers' needs. (Chaffey 2013, 41).As a consequence, it is normal that a marketing manager decides to use push and pull strategy at the same time because of its outstanding promotion effectiveness to face complicated and changing market environment.

The combination of push and pull strategy can be defined as multi-channel e-business strategy. Myers and Van (2004) propose a conclusion about multi-channel marketing: The essence of e-commerce strategy is channel strategy; setting benchmark adoption of e-channels should be take into consideration in e-commerce objectives. (Myer &Van 2004, 304).The strategy of e-commerce usually defines how benefit from using e-channels, how to sell or purchased though e-channels, and achieve value from electronic network. (Dann 2011)

According to the research result by Brand Science study published in 2011, which analyzed 250campaigns across different sectors that were using mail (push) and social media (pull) together, the percentage of ROI (Return of Investment) has been increased by 20 percent.(Adaso 2014).This outcome indicates that combing the push and pull strategies is most effective way for most companies.

However, most scholars suggest that e-commerce should apply a different strategy of different stages. At expanding stage of business, the push strategy lead company brings its product to a consumer and increase awareness of the company's brand. In the next stage, pull strategy pulls the consumer into business and motivate market demand. Added value such as the loyalty of customer, this usually occurs during the pull period. (Adaso 2014). In brief, push and pull strategies should be applied flexibly according to the current stage where the company is.

## 2.3 Situation Analysis

Even though online promotion is treated as the one of most effective promotion methods because of the low cost and long-term effect, it is still necessary for an organization to conduct a situation analysis before companies do the promotion. Situation analysis is an essential part of e-commerce strategy. Understanding all online factors that will affect the online promotion from a macro-prospective and a micro-prospective is necessary, company are easier to monitor, understand and appropriately respond to the changing online marketplace with efficient usage of digital technologies. (Chaffey 2013, 49).

Especially, the common analysis tool for an organization to assess their external environment is SLEPT framework, that means investigate the impact of Social, Legal, Economic, Political and Technological issues. SLEPT analysis helps e-commerce has a further understanding of their opportunities and present threat in current marketplace.

Whenever a business manager implements a marketing plan in the targeted market, a micro-environment analysis also plays a significant role to help an organization set a realistic objective based on the understanding of current marketplace. In this thesis, the micro-environment of Chinese e-commerce will be explained from the following angles: Internal marketing (relationship with supplier), demand analysis, and comparison.

Whenever a business manager implements a marketing plan in the targeted market, a micro-environment analysis also plays a significant role to help an organization set a realistic objective based on the understanding of current marketplace. In this thesis, the micro-environment of Chinese e-commerce will be explained from the following angles: Internal marketing (relationship with supplier), demand analysis, and comparison.

### 2.3.1 Macro-Environmental Analysis

SLEPT method was used for macro-environmental analysis in this concept, mainly discussing the online marketing environment in China concerning its current development.

### 2.3.1.1 Social Factors

There are four reasons why Internet users accept e-commerce service: access cost, value proposition, ease of use and security of Internet. The first one access cost , means how much it costs for e-commerce user if they want to access to the Internet,  how fast is it to connect to the Internet from home or work, how convenient

is it to choose the usage location and how convenient is it to access to the Internet .
(Chaffey 2011,186).

The second element value priority referring to the benefit an online user can
achieve by using Internet rather than other media. In Figure 5, online shoppers
agree that Internet give a faster and convenient approach to obtaining more sup-
plier information, which helps them select and use products.



**Figure 5.** Customer online value proposition (Smartsight 2015) .

Thirdly, the ease of use means Internet can enrich people's casual life. Rodg-
ers(2007) concludes there are different purposes for using the web: socialization
online, entertainment themselves, prior experience the latest fashion product, in-
formation research, shopping online, play online computer games, implementing
survey online, downloads, exploration and read current news. (Rodgers 2007,)

The last element security of Internet environment refers to the personal privacy.
For example, contact information, profile or platform usage information. Especial-
ly, online shoppers must be cautious about whether a service website has healthy
and safety environment when they are using Internet bank.(Saleh2003)

Before analyze the social impact of the Internet in China, there are some introduc-
tions of the historical development of E-commerce and the Internet. In the early
start-up stage of e-commerce, most of e-commerce companies adopted EDI as

their IT support. In the meantime, they need to hire VAN internet in order to co-operate with EDI. However, the price of the VAN network was very expensive, only big companies could use. Thus the EDI-based e-commerce had limited scope to develop itself. With the proliferation of the Internet, many businesses and ordinary families are able to afford the cost of the Internet. Therefore the function of the Internet has been changed from information sharing to information dissemination. After that, business and trade action connected to the Internet world. In China, large-scale use of the Internet undoubtedly provides a better platform for the electronic commerce. (China Internet Network center 2016)

China Internet Network center released the 37th edition of Statistical Report of Internet Development in China. It demonstrates that, at the end of December2015, the total number of Chinese online users reached 688 million and Internet penetration rate reached 50.3%. Half of the Chinese people have access to the Internet, the scale of China's mobile phone users reached 620 million, 90.1% of Internet users through the mobile Internet. In conclusion, most Chinese Internet users prefer mobile access. (China Internet Network center 2016)

What is more, the ease of use reflects on the increasing numbers of online shopper. It is reported that at the end of December 2015, 60 percent of Chinese citizens are shopping online. The number of transactions through their mobile phone was 358 million. The amount of mobile transaction has increased from 39 percent in 2014 to 57.7 percent in 2015.In addition, there are diverse applications applied in daily life, such as basic applications for personal use, business transaction, online banking, online entertainment, and public services. Under such background, we can easily conclude that more and more Chinese citizens have faith in Internet security with a positive attitude.

Based on the current social situation of macro-environment for e-commerce in China, it shows that e-commerce is experiencing a rapidly developing period, which brings an up-to-date meaning for business operations and leads the Chinese people move to the next level from the previous life style.

### 2.3.1.2 Legal Factors

It is always necessary to construct a reliable Internet legislation in order to protect online consumers' privacy. For Internet business marketers, one of their jobs is to take ethical issues into consideration and follow all rules made by authorities if they want to create a trusted business environment for their online users.

The function of privacy legislation is to prevent identity theft that has been a heated topic for long. Consumers instinctively pay attention to if their privacy and identity can be secured or not when they process online transactions. In fact, there has been a wide range of different identity frauds, which shows that online consumer's concern is not unfounded. (Nir2016)

For example, as shown in Figure 6, the United State America released a statistic data about most happened identity fraud type in 2014. The biggest proportion was credit card fraud (26%), utilities fraud was at 18% followed by bank fraud at 17%.



**Figure 6.** Identity fraud type (Linkedin 2014).

For instance, one of the existing legislations is Anti-spam legislation in charge of unsolicited commercial email (UCE) as well as junk email. However, this law does not mean Internet marketer cannot use email marketing. The appropriate way is that provide several options for online consumers, opt-in or opt-out. Once con-

sumer approve website to send weekly or monthly advertisement, then it is legal marketing tool for use.

### 2.3.1.3 Economic and Political Factors

The e-commerce potential is determined by the targeted country's economic situation and its competitive environment. What is more, the political support from government also is an essential factor that will influence the development of Internet business. Multinational companies prefer target their markets in places where technology has been efficiently used. (Molenaar 2011,87-88).

After 38 years of reform and opening-up policy, the Chinese economic model has been change from a planned economy into a market economy. The Chinese government deeply understands that in the era of globalization and information explosion, if Chinese enterprises want to take up the market share as much as possible, the only way is to control the information priority. Therefore, there is an exact regulation written in the government report: the Chinese government must offer financial support for the information industry.

Hamiton (2002) proposes a definition about "e-economy": A nation's citizens, market and government utilize online technology in order to obtain a social or economic improvement within a dynamic system of interactions. (Hamiton 2002) Chaffey points out that different country can benefit from different knowledge based on their economic conditions and earning more money from this knowledge. In China, there is a regulation restrains the development of foreign Internet portals owner and ISP. (Chaffey 2013, 216)

Even though there is no specific national policy to protect the domestic online market in China, the Chinese government has been not allowing foreign e-commerce directly to sell goods within the Chinese Internet market. In addition to Hong Kong, Macao and Taiwan regions, Mainland China citizens do not use a Visa or Master Card for daily purchasing or online transactions, but they use Chi-

na UnionPay. This political regulation indicates that the competition only exists among Chinese e-commerce enterprise.Itis hard to enter Chinese online market for abroad business.

In conclusion, the prospect of Chinese e-marketing political environment is not positive. Because Chinese online marketing has not yet created a fair competitive environment, high quality service is difficult to achieve at the moment.

**2.3.1.4 Technological Factors**

Due to e-commerce develop itself based on the technology infrastructure, the level of different enterprises invest in technology, ICT (Information Communication Technology) plays an important role to motivate e-commerce. (HO, Kauffman, & Liang 2010, 412). For example, Extranet is one of IT base hardware reseller applied to their selling system, it can bring a plenty of cost reduction. According to MacAfee and Brynjolfsson's (2008) research, such cost reduction up to 70% compare with previous operating cost. (McAfee & Brynjolfsson 2008)

Today, all Chinese e-businesses communicate with internal staff and external partners by three models of information technology: Internet, Intranet and Extranet. Internet is fundamental component for e-business network. (Wei 2005, 345-349). The Intranet is extensively used for e-commerce from the sell-side. Intranet offers a web-based service for a company to alert about the situation by e-mail message, whenever the delivery has been done or online consumer login to their network. Most companies choose develop Intranet because of cost and time saving.(Intranet World 1999)

By contrast, Extranet derive from Intranet, not only for internal communication but also turn to external interaction with partners and consumers. There are some benefits company can gain from Extranet（Molenaar 2012): First of all, safely share business information with their partners. Secondly, dramatically reduce operating costs and more efficient during order process, because both the company and its partner do not need to transfer their common order and replace information

from paper documents. Thirdly, better shopping experience for consumer, because extranet allow consumer check the price, component or other details of product, such as customized price. For potential partner, they can easily obtain needed information during the data collection period.

As a consequence, e-commerce must efficiently maximize Internet, Intranet and Extranet in order to keep good communication with their consumer and business partners.

### 2.3.2 Micro-Environmental Analysis

In this concept, internal marketing, demand analysis and comparison with competitors are considered as key factors of micro-analysis. Internal marketing mainly discuss the relationship with different suppliers, such as product suppliers or logistics suppliers. Demand analysis is about the online customers' needs. The last one comparison with competitors means compare advantage and disadvantage both for company and their competitors.

### 2.3.2.1 Internal Marketing

E-commerce provides an online shopping platform for consumers. There are various brands for them to choose, a wide range of product to purchase: daily use, cosmetics, fashion stuff, books and other types. Therefore, it is a challenge for e-commerce to make a decision choose which brand supplier to cooperate with, because marketing manager cannot guarantee all brand can gain popularity from consumers. Besides, e-commerce supply chain also including logistic supplier that in charge of delivery. In the following content, the relationship of e-commerce, product supplier and logistic supplier will be included.

Basically, if there is a sales promotion activity, it depends on brand supplier to decide join into the affiliate marketing or not. (Duffy 2005) However, due to the same function of e-commerce that is sell everything online and provide different choices for consumers as many as possible in order to attract their attention. Thus, it is very difficult for e-commerce manager to achieve their differentiation purpose;

the only way is to invite more brands supplier join into their platform to meet different needs. If possible, e-commerce might have special contract with brand supplier that sell product in low-cost on their website.( Torres & Lisboa, 2014)

When it comes to logistic aspect, Brooksher propose his personal opinion about the E-commerce and logistics: Because the rapid development of online shopping, it requires online retailer organize an efficient, flexible and affordable distribution network, in order to market their product quicker than their competitors. In fact, the future of present e-commerce depends on the efficiency of their distribution networks. (Brooksher 1999). Nowadays, the efficiency of delivery does really become an important factor that is one of consumers' criteria of e-commerce. Customers hope the distribution networks of e-commerce can help them eliminate the barriers of distance and time, creating extra convenience that physical shops cannot provide for them. (Rotem-mindali&Weltervreden 2013).

Especially, in today's China, there are two types of logistics: third-party logistics or home-logistics of e-commerce itself. The third-party logistics has wider distribution network and lower cost than home-logistics but hard to control and trail lost goods. As a result, more and more e-commerce are considering to set up a join-logistics. (Li 2012, 195-196)

**2.3.2.2 Demand Analysis**

Analyzing online customers' demand is beneficial for a marketing planner to have a deeper understanding of their future objectives based on the current level. There are some questions for planner to asking for each market  (Chaffey 2013, 393).:

What is the percentage of customer businesses have access to the Internet?

How many customers are likely to purchase your offered product online?

How many consumers have access to the Internet but purchase product offline because of the impact of web-based information?

What are online consumer engagement devices?  Blogs or online communities?

What are the barriers for consumer to adopt online shopping?

What e-commerce marketer should do to encourage customers to use online shop-

ping approach rather than other channels?

After the anlysis of customers'demand, marketers can make a tailor-made solution to help online shopper have better and easier shopping process, expanding their target market circle. For instance, if consumers prefer to access to Internet by using mobile phone or paid, then e-commerce must invest in research and development of mobile application, creating a specific application for their website. At the meantime, if consumers prefer to login to their webpage through search engine, than the promotion need to focus on search engine marketing. (Monlenaar, 2012,117).

According to the CNNIC report, in 2013, the total number of Internet user has reached 600 million. In 2015, this number climbed to 668 million. 27.9% of Internet user are come from rural area, 88.9% users utilize their mobile phone to connect Internet. As shows in following bar chart, the age of online user is centralized in 10-39, especially very high in 20-29. Therefore, the subjective situations above push Chinese online marketing planners to focus on youths and mobile phone users.
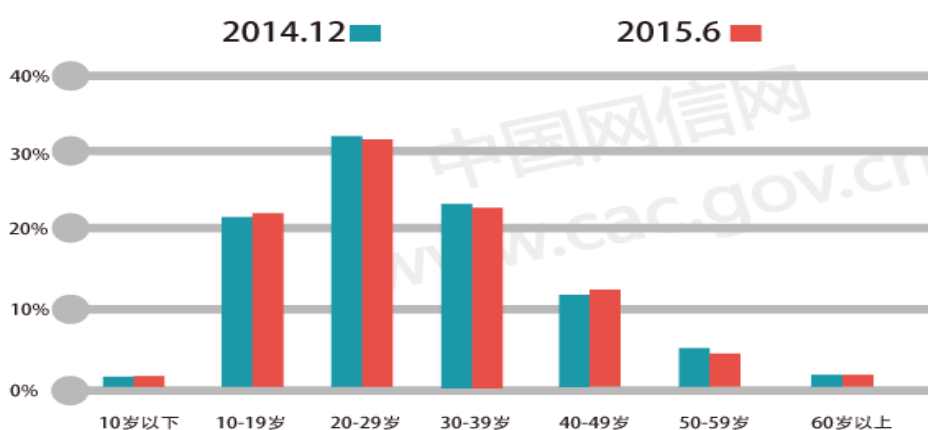


**Figure 7**. The range of online users' age in China (CNNI 2015).

### 2.3.2.3 Comparison with Competitors
The only way e-commerce has the opportunity to outshine itself from the market

is to retain monitoring of competitors result from the dynamic nature of the Internet medium. Monitoring the market and comparing their competitors enable new services to be launched and promotion changed much more quickly than through print communications. (Filson,2004)

Now in China, top 10 e-commerce are :Tmall, JD(Jingdong), SUNING, Tencent, VIPS, Amazon China, DangDang, Gome, Yi is a Agel, Vancl. All of them are B2C (e-commerce to customers) business model. According to a Chinese scholar Chen (2013), the difference of service provided by e-commerce is different supplier and offered price. Sometimes consumer compare the same product in different e-commerce platform, the price is not at the same level. Or sometimes they can find the product they want in one specific platform but cannot find any information in other platform. In China, only JD, DangDang, VIPs are using self-run logistics mode, the rest of other e-commerce are using third party logistics mode. Besides, online shopping platform also provides different levels of discounts or rebate policy, consumers can obtain such extra benefit after they own the membership in online store. So this is how E-commerce defines their position in order to be eye-catching. (Chen 2013)

# 3. EMPIRICAL RESEARCH AND ANALYSIS

In this chapter two approaches of data collection, namely qualitative and quantitative approach, will be stated. Besides, main empirical findings of the in-depth interview and survey are analyzed.

## 3.1 Data Collection

Data collection is a fundamental and compulsory approach to carrying out a research. Generally, there are four methods to for investigator to collect needed information:, questionnaires, interviews, direct observations, experiments. The research result is more precise when enough data and information are collected sufficient enough. (Yin 1989).

In this thesis, the data are primarily collected by in-depth interview and questionnaire. In-depth interview represents a qualitative approach. The qualitative approach is a more flexible research method compared with the quantitative method., because it allows the respondent to freely express and reflect upon their personal opinions. (Kumar, Aaker and Day 2002). In-depth interviews with the case company are beneficial for the author to collect information about online promotion in Chinese market. The interviews were implemented by telephone interview. There are three people were selected to be the interviewer, one is the marketing assistant manager Miss Tong Lichun case company Taobao, the rest of interviewers are individual retailers Miss Zhang and Mr. Li in Taobao. In empirical findings, these retailers as well as salesperson are defined as Taobao seller. All interview questions were serve for discuss the current situation and future problem of case company's online promotion.

A structured questionnaire is used in the research. Because of the geographic limitation, the questionnaire was only published online and sent to 200 respondents by email. Finally, 105 respondents replied the questionnaire. Most questions in the questionnaire were conducted from the answer of interview in order to test con-

sumer's preference and effectiveness of online promotion Taobao has used. Other questions were conducted from personal online shopping experience in various online shops in China. After all respondents' answers were collected, the last step was to analyze the data by using a statistical tool. Because this research was based on the survey published in Chinese, a Chinese statistic software named "Questionnaire Star" was chosen for the first analysis, then translated into English as second analysis.

## 3.2 Empirical Findings

In this chapter the promotion strategy, current situation and problems of Taobao will be presented as the result of interview based on the macro- and micro-analysis. Finally, describe the result of survey concerning online promotion tool Taobao has used.

### 3.2.1 The Promotion Strategy of Taobao

This concept describes the promotion strategy of Taobao and it is based on interviews with manager Miss Tong Lichun, two individual retailers Miss Zhang Tingting and Mr. Li Jian. According to manager Miss Tong Lichun said "In general, Taobao primarily utilizes pull and push strategy together, because this is the most effective approach for not missing any potential customers." However, to be accurate, there still exist some differences between pull and push strategies depend on different marketers. In Taobao's marketing system, there are two types of marketers: the official operator of Taobao organization and partner of alliance businesses (seller). The Taobao operator prefers to use push strategy to motivate more online shopper to use their platform. And then, alliance business partner (salesperson) use pull strategy to encourage consumers to choose their brand, and retain the customer relationship management after transaction finished.

Miss Tong Lichun stated that push strategy can primarily be completed at the company star-up stage and expanding period. However, online promotion with the push strategy was not useful in the first three years respectively are 2003, 2004, 2005, because online shopping was not so popular at that time. Until 2006, with

the rise of the Internet user in China, Taobao has invested more in online promotion and less in offline promotion. The push in online promotion mainly shows by email blast and online advertising, which remind the customers Taobao is the biggest online shopping platform and provide a wide range of commodities. Push strategy is also used for advertise new and special project. For example, the annual discount day on 11$^{th}$, November was totally new activity for customers in 2009 and 2010, so frequently send email or notice from app is necessary. It is helpful for consumers to have a further understanding of what the activity is, how many discounted goods are involved in and how to join the super discounts. Finally, this annual discount activity has obtained most Chinese popularity. Since 2013, the amount of sales within 24 hours has reached 31.7 billion Yuan (4.35 billion €) which is followed by a considerable rise in next two years: 57.1 billion Yuan in 2014 (7.8 billion€), 91.2 billion Yuan in 2015 (12.5 billion €).

"As a marketing manager, I am appreciating that push strategy help Taobao attracted more and more new customers. Based on the positive influence push strategy has brought to our targeted market, now we are focusing on pull strategy" Miss Tong Lichun said. Due to Taobao has occupied the biggest proportion of Chinese online market recent year, pull strategy plays a more significant role compared with push strategy. It is salesperson's responsibility to attract consumer become a member in their own shop. Pull strategy focuses on the communication with customers, in other words, pull strategy is serve for customer relationship management. The purpose of the pull strategy is to create renewable purchase from previous customers and build up good image for new customers. According to Taobao's research, the most effective tactics among these individual shops and brands is various sales promotions provided by partners, such as rebates, coupons, gifts, lottery and VIP discounts. Besides, according to the interviews with two salespersons Miss Zhang Tingting and Mr. Li Jian, an experienced salesperson always pays more attention to flexible and timely online communication that is the key factor to attracting and keeping customers. Because questions about the product or special requirements about delivery are different, the best way for the

salesperson is keep online status as long as possible in order to response them individual by individual whenever customer needs them.

However, in the real context, there is no certain distinction for push and pull strategies for each promotion tactics. Manager Miss Tong Lichun gave an example: some individual retailers aim to explore their own shop, they can collaborate with famous bloggers, invest in blogger's personal accounts and require blogger to post advertisements of their shop on social media platform (push), and then all bloggers followers or friends must notice and are attracted by that advertisement (pull). In that sense, the online advertisement (push) is combined with social media marketing (pull) and referral marketing (pull). But Miss Tong Lichun also pointed out a problem Taobao need to deal with about blogger's recommendation. "This is kind of advertisements that act like recommendation can immediately attract consumer in the short-term. However, our managers think this kind of advertisement is a challenge for us to administrate and seems like out of control at this moment. We found that most shops that bloggers recommend did not provide high quality products for customer because most of their costs are invests in advertisement and they ignore the quality, which directly leave negative feedbacks from customer and even worst, Taobao will face customer loss in the long-term." In a word, Taobao cannot ensure the reliability of this kind of advertisement or recommendation one by one and the quality of commodity cannot be promised as well. Because this kind of recommendation from cooperated blogger are ignore the reputation of the shop and lack of evidence to prove the quality of product.

### 3.2.2 Result of Interview after Macro-Analysis

The macro-environmental analysis will follow the SLEPT analysis meaning social, legal, economic, political and technological factors. Miss Tong Lichun said that Taobao is gradually facilitating their online promotion after they have realized that there are some shortages and demands existing. In the following content, based on the interview with manager Miss Tong Lichun, Taobao's current situation from macro- and micro-perspective will be stated. At the meantime, it is ex-

plained how Taobao makes up their shortage to improve their online promotion pattern.

### 3.2.2.1 Social Factors

In today's China, the Internet has become part of people's lives, as for the growing rate of online shopper, the biggest and most significant proportion is mobile phone users. Because of the convenience, 90.1% of Chinese Internet users prefer to access to the Internet by using a mobile phone or a tablet laptop. (China Internet Network Center 2016). Therefore, it is necessary for Taobao to focus on the mobile access. Miss Tong Lichun said "Taobao provides a special mobile appliance (app) for customers to download in their electronic devices, including Android system and IOS system.We also found that 70% online shoppers think the best mobile appliance concerning online shop platform is our app compared with our competitors."

### 3.2.2.2 Legal Factors

"Taobao strictly follows all legislation related to electronic commerce and we try our best to protect consumers' right." Miss Tong Lichun said. For instance, in order to prevent credit fraud and bank fraud in the online transactions, Taobao has created a special online payment tool Alipay. Alipay works as the a credit agency. First, once the buyer decided to make order, the Alipay will withdraw money from the buyer's bank account. After the order has been delivered from the seller, and the buyer confirmed the good is the agreed one then the money is paid from Alipay to the seller's bank rather than directly cost buyer's money immediately. It provides the right for buyer to check goods first in case of a fraud. However, once the logistics track system shows that the buyer has accepted the goods and does not need to return the goods, the money will automatically pay to seller within 15 days. What is more, in order to block the buyer's personal information and obey the anti-spam legislation, Taobao has created online chatting software "TaobaoWangwang". The buyer and seller can freely discuss any issues in this chatting software. Through this internal chatting platform, buyers do not need to

reveal any information about their email address or phone number and they still can contact the seller or receive any information from the seller.

### 3.2.2.3 Economic and Political Factors

"Apparently, we need more political support from government." Miss Tong Li-chun said. In China, the Chinese government supports more and more investment in information industry. E-commerce can benefit from this financial support and accelerate its development. However, there is no political regulation to protect domestic e-commerce. Even worse, the Chinese customs introduced a new policy in April, 2016 that the tax imposed on the imported goods is higher than before, which restricted the e-commerce develop themselves in the global market and the result in less online demand for imported goods in Tmall. The Chinese customs levies parcel tax on imported goods worth less than 1,000 RMB, and the rates is mostly 10m percent. The new policy only allows a maximum of 2,000 yuan per single cross-border transaction and a maximum of 20,000 RMB per person per year. Goods that exceed these limits will be levied the full tax for general trade. Miss Tong Lichun said that Taobao and other e-commerce are trying to figure out this customs barrier, she hopes they can find out a solution and continue to provide imported goods in Taobao's platform at an acceptable price.

### 3.2.2.4 Technological Factors

"We devote our efforts to offer a friendly website for our customer, simple and clear navigation can bring higher shopping satisfaction for them." Miss Tong Li-chun expressed her opinion about their company's technological advances. Now-adays, Taobao has introduced a new function that  automatically suggests related or similar goods to user based on their browsing history. This significantly helps the user to reduce time-cost of searching. Besides, in 2006, Taobao's internal chatting software "TaobaoWangwang" allowed the buyer and the seller to send oral message. In 2008, Taobao adjusted this chatting software and offered a new function, video call. Apparently, the chatting software has two versions for the seller and the buyer. It should be noticed that the seller's version can automatical-

ly reply with fixed answers to the buyer depending on the keywords in different questions.

### 3.2.3　Result of Interview after Micro-Analysis

In this chapter, current situation of Taobao's online promotion and solutions Taobao has applied to their market will be presented from micro-perspective including internal marketing analysis and demand analysis.

### 3.2.3.1 Internal Marketing

"The micro-environment requires Taobao to appeal to suppliers as much as possible in order to occupy more marketplaces."Taobao focuses on the cooperation with the suppliers who are the alliance partners in Taobao. "We don't have specific standard to screen suppliers, if they want, anyone can be Taobao's supplier and to be the salesperson in charge of their own shop." Miss Tonglichun said. Suppliers do not need to pay any deposit or join fee if they want to open their shop in Taobao, but each identity is allowed to open only one shop. Until now, Taobao has the most individual supplier (C2C) and brand supplier (B2C) in Chinese market and global market. Miss Tong Lichun said that is confidential information to reveal the total amount of their supplier, the number of Taobao's supplier must rank No.1 from the global perspective. The internal marketing not only related to Taobao and its supplier but also related to the internal cooperation among suppliers. Taobao encourages different suppliers to cooperate with each other to develop internal affiliate marketing. In the future, the external affiliate marketing of Taobao is that Taobao can cooperate with other shopping platforms to operate its annual discount day "Single's day—11.11" on November.  But the logistics is very difficult to manage during the annual discount period because we are using third party logistics mode.

### 3.2.3.2 Demand Analysis

According to the interview, Miss Tong Lichun pointed out that Taobao must do the market research from time to time to get a deeper understanding of consumers' preferences in order to boost their online promotion in the right direction. For

instance, Taobao found that 65% of buyers are willing to share their personal feeling with other people. Therefore, Taobao allows buyers to leave their feedback in a common page, whether feedback be positive or negative. In order to satisfy new generation's demand, Taobao pays attention to social media marketing, search engine marketing and referral marketing.

### 3.2.3.3 Comparison with Competitors

The manager said that the biggest differences between Taobao and other companies is the mode of logistics. Taobao is relying on the third-party logistics mode (3PLs) at current stage, but its biggest competitor JD, second biggest competitor Dangdang are using self-run logistics mode. The manager admitted that 3PLs mode is hard to maintain a systematic management compared with self-run logistics mode, so maybe Taobao will builds its own logistics system in the next three years, at least not in this year.

 In the next section, all promotion tools Taobao has used will be tested based on customer's demand and analyze customer's preferred promotion approach.

### 3.2.4   Analysis of Survey

The questionnaire is only sent to Taobao's consumer. The total number of respondents is 105 of which 69 respondents are female accounting for 66% of the respondents, while the male respondents are 36 with the share of 34%. The age of respondents centralize to 18-25 (79.05%)   and the number of respondents in this group is 83, other age groups are 26-30 (10.48%) ，  31-40（4.76%）, 41-50 （3%） respectively.

In the survey, we tested the customers' preference about "how do you usually access to Taobao".  Table 1 shows that 85.71% of respondents usually visit Taobao through its mobile appliance—Taobao app, while 60.95% of respondents choose to visit Taobao through the official webpage from computer.

**Table 1.** How respondents usually access to Taobao.

| Options | Amount | Percentage | |
|---|---|---|---|
| Through Taobao's app | 90 | 85.71% | |
| Directly visit Taobao's webpage | 64 | 60.95% | |
| Click the link from search engine | 8 | 7.62% | |
| Click the link from social media website | 24 | 22.86% | |
| Total | 105 | | |

As Table 2 shows, most respondent have used Taobao's website before the year 2011(48.57%) and 2012 (34.29%) for the first time. As for other users, the first time for them to visited the Taobao was 2012 (10.48%), 2014 (1.9%), 2015 (1.9%) and 2016 (2.86%).
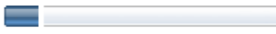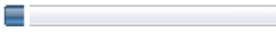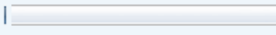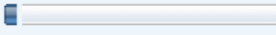
**Table 2.** When was the first time the respondent used Taobao.

| Options | Amount | Percentage | |
|---|---|---|---|
| Before 2011 | 51 | 48.57% | |
| 2012 | 36 | 34.29% | |
| 2013 | 11 | 10.48% | |
| 2014 | 2 | 1.9% | |
| 2015 | 2 | 1.9% | |
| 2016 | 3 | 2.86% | |
| Total | 105 | | |

According to Table 3, when it comes to the sources that people get to know about Taobao, the majority of respondents knew Taobao because of friends' recommendation with the rate 64.76%. Other selections of source are advertisement on TV,
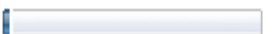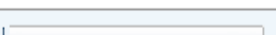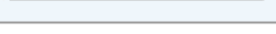
metro or magazine (13.33%), followed by search engine (8.57%),advertisement on other website (7.62%) and social media platforms (4, 76%).

**Table 3.**Sources to know about Taobao.

| Options | Amount | Percentage | |
|---|---|---|---|
| Advertisement on TV, metro, magazine | 14, | | 13.33% |
| Friend's recommendation | 68, | | 64.76% |
| Advertisement on other website | 8, | | 7.62% |
| Email from Taobao | 1, | | 0.95% |
| From Search engine | 9, | | 8.57% |
| Social media platform | 5, | | 4.76% |
| **Total** | 105 | | |

Concerning one approach of Taobao's online promotion, which is encouraging suppliers to cooperate with each other as much as possible, the result of question "Compared with other online shop platform (JD, Dangdang), why you choose Taobao?" indirectly illustrates the effectiveness of this approach. 81 respondents (77.14%) think Taobao has a wider choice compared with its competitors. (Table 4).

**Table 4.** The reason of choosing Taobao.

| Options | Amount | Percentage | |
|---|---|---|---|
| Efficient logistics | 3, | | 2.86% |
| Good quality | 1, | | 0.95% |
| Wider choose | 81, | | 77.14% |
| Acceptable price | 20, | | 19.05% |
| **Total** | 105 | | |

In other words, this approach has positive influence to boost its online promotion. But only three respondents chose efficient logistics, and one person chose Taobao

because of good quality for the product, which means there are some logistics and quality issues existing in Taobao.

When it comes to how Taobao online sellers' improve their promotion, there are several methods sellers frequently use to motivate buyers choose their shop: offer good service attitude, provide up-to-date product, retain good customer relationship management (good feedback), pay attention to referral marketing (friends recommendation) and sales promotion activity ( lower price and discount).

According to Table 5, good feedback from other buyers ( 54.29%) is the most significant driver for customers to choose one specific shop. The next driver is various and up-to date product (19.05%) followed by acceptable price and attractive discounts (13.33%).
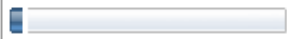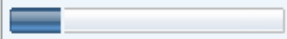
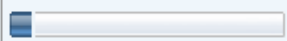**Table 5.** Drivers of choosing a specific shop in Taobao.
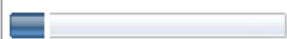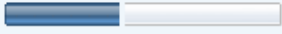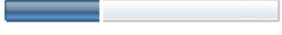
| Options | Amount | Percentage |
|---|---|---|
| Good service attitude | 5. | 4.76% |
| Various and up-to-the-date product | 20. | 19.05% |
| Good feedback from other buyers | 57. | 54.29% |
| friend's recommendation | 9. | 8.57% |
| Acceptable price or attractive discount | 14. | 13.33% |
| Total | 105 | |

Table 6 is based on the answers for a multiple choice question "How do you know Taobao or your favorite shops in Taobao are going to do the sales promotion activity". In terms of how the respondent usually gets to know the latest news from Taobao, such as the sales promotion information, 53.3% of Taobao users said they know the latest news because they receive a notice from "TaobaoWangwang" chatting software. The second most effective approach is to spread news to consumers by friend's recommendation (50.4%) as well as referral marketing. The news posted on social media platform (42.8%) also attract consumer to pay attention to the sales promotion.. By contrast, online advertisement (35.2%) and offline

promotion (advertisement on TV or public transportation) （36.1%） have less influence on noticing consumers the latest news.

**Table 6.** Sources to get to know about the latest news.

| Options | Amount | Percentage |
|---|---|---|
| Advertisement on TV, magazine or public transportation | 38 | 36.19% |
| Taobao wangwang notice | 56 | 53.33% |
| Friend's recommendation | 53 | 50.48% |
| Social media platform (eg.Weibo, wechat) | 45 | 42.86% |
| Advertisement in other websites | 37 | 35.24% |
| Total | 105 | |

Even though we knew that Taobao Wangwang is the most effective communication tool to operate the online promotion after the above analysis, it is still necessary for the seller to know consumer prefer which promotion tool. As shown in Table 7, according to the marks for each promotion tool, we can clearly see consumer's preference. (1 means strongly dislike, 2 means dislike, 3 means natural, 4 means like, 5 means strongly like).

**Table 7.** Consumer's preferred promotion tool.

| Options | 1 | 2 | 3 | 4 | 5 | Average |
|---|---|---|---|---|---|---|
| Magazine, Newspaper, advertisement on TV | 5(4.76%) | 8(7.62%) | 39(37.14%) | 36(34.29%) | 17(16.19%) | 3.5 |
| Email, Taobao wangwang notice. | 16(15.24%) | 16(15.24%) | 34(32.38%) | 34(32.38%) | 5(4.76%) | 2.96 |
| Social media platform | 5(4.76%) | 12(11.43%) | 38(36.19%) | 48(45.71%) | 2(1.9%) | 3.29 |
| App notice | 12(11.43%) | 23(21.9%) | 36(34.29%) | 27(25.71%) | 7(6.67%) | 2.94 |
| Search engine | 10(9.52%) | 10(9.52%) | 44(41.9%) | 32(30.48%) | 9(8.57%) | 3.19 |

Higher average means higher popularity to each promotion tool. The offline promotion tool obtained most popularity in this question and the score is 3.5. As for the online promotion tools, social media platform receives 3.29 marks, followed by search engine (3.19) and TaobaoWangwang (2.96).

In order to test customers' attitudes to Taobao's future external affiliate strategy, question ''whether Taobao should cooperate with other platforms on its annual discount day'' was included in the survey. According to the Table 8, 68.57% of the respondents agree that Taobao should cooperate with other platforms, approximately 30% of respondents disagree this future plan.

**Table 8**. Respondents' attitudes to whether Taobao should cooperate with other platforms on its annual discount day.

| Options | Amount | Percentage | |
|---|---|---|---|
| yes | 72. | 68.57% | |
| no | 33. | 31.43% | |
| Total | 105 | | |

So from customers' perspective, Taobao has made a good external affiliate strategy for its future development.

# 4. CONCLUSION

In this chapter, the result and findings will be presented including a summary of the interview results concerning online promotion Taobao has used, problems occurred in real context and conclusion of survey's findings. Based on the findings from research, some recommendations for case company will be given.

## 4.1 Summary and Findings of the Research

According to the interview, we can know that Taobao mainly focuses on pull strategy at the current stage and implements following approaches to boost its online promotion from macro-perspective. Firstly, Taobao has created a mobile application to satisfy mobile user market. Secondly, their technological advances are Alipay and "TaobaoWangwang". The online payment tool Alipay helps customer to prevent credit fraud and bank fraud. The online chatting software "TaobaoWangwang" not only helps customers reduce junk emails but also keep contact with salesperson and receive the latest news. Thirdly, Taobao builds up a good feedback platform for buyers to share personal shopping experience. However, based on the macro-environmental analysis, Taobao is facing some challenges at this moment. For example, weak political support from government, customs barrier that is higher tax for imported goods and difficulty of administrating poor online advertisements that may result in customer loss.

As for the internal marketing and demand analysis from micro-perspective, according to the interview, Taobao encourages individual retailers and brand suppliers to cooperate with each other to develop their internal affiliate marketing. In addition, the future strategy of external affiliate marketing for Taobao is to enhance the cooperation with competitors. As for logistics suppliers, Taobao currently relies on third-party logistics but their competitors used self-run logistics mode. What is more, because most customers are willing to share their feedback, it is Taobao's responsibility to build and maintain a good feedback platform. Taobao also needs to develop its social media marketing in order to satisfy the emerging demand of new generations.

The results of the survey illustrate that the most effective promotion tool for Taobao is referral marketing. According to the result of survey, 64.76% of respondents get to know Taobao and 50.48% of respondents know the latest news from Taobao because of friends' recommendation. 54.29% of respondents think good feedbacks from other buyers drive them purchase in the shops of Taobao. What is more, "TaobaoWangwang " chatting platform enhances the communication between buyer and seller, and provides a chance for a  seller to control the referral marketing.

 The second most effective promotion tool is affiliate marketing. As for the reason "why choose Taobao", 77.14% of respondents choose Taobao because of the wider choice compared with other shopping platforms. This means the cooperation with various suppliers brings an excellent outcome for Taobao to attract its targeted consumers. According to the interview we know Taobao's future plan of affiliate marketing, which is Taobao is going to cooperate with other shopping platform as well as its competitors in the future. From consumer's prospective, 68.75% respondent agree  with Taobao's future plan.

The last most effective promotion tool is email marketing. In this case, "Taobao Wangwang" notices are also considered as email blasts. Even though the biggest proportion of the respondent (53.33%) knows the latest news from email or Taobaowangwang" notice, it just received 2.96 marks, which was lower than other approaches such as social media (3.29) or search engines (3.19). It should be noticed that compared with the online approach, consumer prefer the offline advertisement to know the latest news about Taobao. Offline advertisements (advertisements on TV. magazine or other public transportations) has gained the top mark of is 3.5.

As a consequence, referral marketing and affiliate marketing belong to pull strategy, which are effective promotion tools in the real context and also are preferred approaches for Chinese consumers. However, the last one, email marketing, is a tool of push strategy. Therefore,  if the case company wants to boost its online promotion in the Chinese market, the best promotion strategy focuses on the pull

strategy, but it still needs to use the push strategy to spread news. In addition, company should pay more attention to the mobile market in the future, keeping creating functional appliance or software, providing a wide range of product and building up a better feedback platform.

## 4.2 Recommendation for the Case Company

The disadvantage of Taobao is that consumers think they cannot purchase good quality product from their website. When asking "why you choose Taobao", only one person out of 150 respondents chose Taobao because of good quality. Besides, only three persons chose efficient logistics.

Thus, the first suggestion for Taobao concerning the quality issue is that even though Taobao cannot monitor the quality of each product, they can set strict screening system for new suppliers in the future so that the real high-quality suppliers can survive from fierce competition. Another suggestion is to optimize the current logistics system, to provide consumers with a faster, more secure logistics services. To be accurate, Taobao should not be too dependent on the third-party logistics they are using currently, instead, they can create an own logistics system which is conducive to systematic management. Finally, they can strengthen the cooperation with competitors to develop sales promotion such as annual discount activity, jointly solve customs problems and seeking for government's support.

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**Appendix 1. Interview questions to manager.**

1. When Taobao started to focus on online promotion?
2. What is the most successful case of Taobao's online promotion?
3. Taobao's annual discount festival has received outstanding performance last year, so what are Taobao going to do in order to obtain a further promotion for this festival?
4. Is Taobao use different promotion strategy in different stage?
5. What kind of innovative promotion tool Taobao generated based on Chinese consumer's demand?
6. How many promotion tools Taobao used so far?
7. Are these promotion tools effective? What are their advantages or disadvantages respectively?
8. How many seller join into Taobao?
9. How to encourage seller (supplier) join into Taobao?
10. During the promotion period, what kind of issues Taobao (seller) should pay attention to in order to have a good control?
11. What is the current barrier for Taobao's online promotion?

**Appendix 2: Interview questions to seller**

1. What kind of online promotion approach you used in order to improve the sale of you shop?
2. Do you think the approach you mentioned is effective or not?
3. How do you usually do to attract buyer choose you shop?
4. How do you think the importance of online communication with buyer?
5. Usually, how do you keep contact with you buyer and spread the latest news about your shop?
6. Do you think is it important to keep a good feedback from buyer ? Why?
7. Do you think what kind of online promotion tool belongs to consumer preferered one?
8. How do you think the annual discount festival "11.11"?

**Appendix 3: Questionnaire in English Version**

Satisfaction Research concerning Taobao's Online Promotio

Basic Information

**1.**Gender

○ Male

○ Female

**2.**Age

○ under 18

○ 18~25

○ 26~30

○ 31~40

○ 41~50

○ over 50

**3.** Life situation

○ student

○ employment

○ Unemployment

**4.** when was the first time you used Taobao

○ before 2011

○ 2012

○ 2013

○ 2014

○ 2015

○ 2016

**5.** How did you know Taobao at the first time?

○ Advertisement on TV, metro, magzaine

○ Friend's recommendation

○ Advertisement on other website

○ Email from Taobao

○ From Search engine

○ Social media platform

Consumer Behavior

**6.** How often you use Taobao?

○ daily

○ 3-5 times per week

○ 1-2 times per week

○ few times per month

○ flexible

**7.** Compare with other online shop platform (JD, Dangdang), why you choose Taobao?

○ Efficient logistics

○ Quality goods

○ Wider choose, sell everything

○ Acceptable price

**8.** What drive you decide to do the transaction with one specific seller in Taobao?

○ Good service attitude

○ Various and up-to-the-date product

○ High feedback from buyer

○ friend's recommedation

○ Acceptable price or attractive discount

**9.** How do you usually access to or visit Taobao? (multiplechoice)

□ Through Taobao's app

□ Directly visit Taobao's webpage

□ Click the link from search engine

□ Click the link from social media website

**10.** How do you know Taobao or your favorite shop in Taobao are going to do the sales promotion activity?(multiplechoices)

□ Advertisement on TV, magazine or public transportation

□ Taobaowangwang notice

□ Friend's recommendation

□ Social media platform (eg,Weibo, wechat)

□ Advertisement in other websites

**11.** 11.From where you prefer to know more information about Taobao? (1-strongly unwilling, 2-unwilling, 3-netural, 4-willing, 5-strongly willing) [矩阵量表题] [必答题]

|  | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| **Magazine, Newspaper, advertisement on TV** | ○ | ○ | ○ | ○ | ○ |
| **Email, Taobaowang-wangnotice.** | ○ | ○ | ○ | ○ | ○ |
| **Social media platform** | ○ | ○ | ○ | ○ | ○ |
| **Online advertisement on other website** | ○ | ○ | ○ | ○ | ○ |
| **Appnotice** | ○ | ○ | ○ | ○ | ○ |
| **Searchengine** | ○ | ○ | ○ | ○ | ○ |

**12.** Do you agree that Taobao should cooperate with other online shop website (eg:Jingdong) to promote itself?

○ yes

○ no

**13.** If you choose yes, , which online shopping website you think Taobao should cooperate with ?

□ JD

□ Suning

□ Dangdang

□ Vips

□ Vancl

□ Gome

□ Yi is a Agel

**14.** Do you think other buyer's feedback is helpful?

○ Stringly helpful, all feedback is true

○ helpful, most feedback is true

○ A little bit helpful，but some of them is fake feedback from seller

○ Useless, most feedback is created by seller itself.

**15.** Do you the trust the rating result of Taobao's seller?

○ Strongly trust

○ Trust, but maybe some of them are not as good as we think

○ I don't trust

**Appendix 4: Questionnaire in Chinese Version**

关于顾客对淘宝及其店铺线上推广满意程度的问卷调查

基本信息

1. 性别：男女
2. 年龄：10-19　20-29　30-39　40-49　　49 以上
3. 就业情况：学生已就业未就业
4. 还记得是第一次使用淘宝是何时？
   2011 年以前 2012　2013　2014 2015　2016

5. 那个时候你是通过哪种渠道了解到淘宝这个网站的呢？
   - 电视，杂志，地铁或者公交广告
   - 朋友的推荐（如口口相传）
   - 浏览其他网页时偶然发现的植入广告
   - 收到了某些淘宝商家发的电子邮件广告
   - 百度上搜索某产品时链接里推荐了淘宝网
   - 通过社交网站平台了解的（如热门微博，论坛，贴吧）

消费者行为

6. 你多久用一次淘宝？
   每天都用一周 1-3 次一周一次

   一个月偶尔上几次随机不固定

7. 跟京东，当当等电商相比，你觉得是什么原因吸引你选择淘宝网？
   - 物流快
   - 东西质量好
   - 选择范围广，什么都卖
   - 价格实惠，经常做活动（有折扣，返券，小礼品等）．

8. 是什么原因让你选择某家店铺进行消费？
   - 客服态度好，回复及时
   - 商品多样，上新货快
   - 买家评价好，店铺信用高
   - 身边朋友的推荐

9. 以下方式中，哪个是你访问淘宝网站的常用方式？（可多选）
   - 通过淘宝 app
   - 直接在电脑上访问淘宝网页
   - 点击百度上给出的相关商品链接进入
   - 点击社交网站上他人推荐的链接进入

10. 你通常是怎么知道淘宝网或者你关注的网店即将要做促销活动的？如双十一（多选）
    - 电视，杂志，地铁或者公交广告
    - 收到了某些淘宝商家发的旺旺通知
    - 朋友的推荐（如口口相传）
    - 浏览社交网站平台时了解的（如微博，论坛，贴吧）
    - 浏览网页时偶然发现的广告（如淘宝在其他网站植入广告）

11. 你希望通过哪种方式最快得知淘宝或者你关心的店家有促销活动？（如双十一），请打分
    （1-5 分，1—最讨厌该方式，2—不怎么喜欢该方式，3—无所谓不排斥，

    4—还行吧，5—非常喜欢该方式）

    - 电视，杂志，地铁或者公交广告
    - 发邮件 or 店家在旺旺,微淘通知你
    - 通过社交平台了解最新动态（如淘宝官方微博，店家私人微信或微博，）
    - 弹出的 APP 通知提醒
    - 百度，微博的热点搜索

12. 如果淘宝同意和国内其他电商（京东，当当，唯品会等）联合举行像"双十一"这样的大型促销活动，你觉得对于提高淘宝的知名度有帮助吗？
    - 有帮助
    - 没帮助

13. 如果你觉得有帮助，你希望是哪个电商和淘宝合作？（多选）
    京东，苏宁，当当，唯品会，凡客诚品，国美，1 号店

14. 你觉得淘宝的买家评价平台是否对你有所帮助？
    - 帮助很大，都很真实
    - 有点帮助，真实的评价占大多数
    - 有点帮助，但是水军刷好评的太多
    - 都是没有帮助，店家自己刷单好评

15. 你觉得淘宝的店铺评级（皇冠，金冠）真实可信吗？
    - 可信，都是真实的销量和好评
    - 一般吧，作假成分肯定有
    - 不可信，反而小店更靠谱，尽管等级不高