Proceedings of the 2nd International Conference on Business and Policy Studies
DOI: 10.54254/2754-1169/10/20230474

Enterprise Supply Chain from the Perspective of Socioeconomics

——Taking Taobao and Amazon as Examples

Yaze Sun[1,a,*]

[1]*School of Economics, Simon Fraser University, Burnaby, British Columbia, V5A 1S6*
a. ysa199@sfu.ca
**corresponding author*

Abstract: With the rapid development of the Internet in the world, the Internet has connected the world as a whole, and online shopping has brought many conveniences to people. People can buy items from all over the world on their mobile phones or computers. Especially in the sudden epidemic period, people stay at home, so online shopping has gradually become the choice of more and more people. This paper mainly studies the corporate supply chains of Taobao and Amazon and their supply policy changes and impacts before and after the epidemic. This paper uses literature analysis method and others to analyze and study this topic. Research data are mainly obtained from professional articles or literature. The results of the study found that both companies found suitable measures for their own supply chain development during the epidemic, and adopted them in a timely manner, and finally achieved unexpectedly good results both at the economic level and social employment level.

Keywords: enterprise supply chain, M2C and FBM model, e-commerce live broadcast, logistics and transportation

1. Introduction

Learned from many web documents, many experts focus on the management concepts or solutions of Taobao, Amazon and other e-commerce companies, and others also analyze how the two companies make money. This paper analyzes the enterprise supply chain of Taobao and Amazon. The analysis from the inside of the enterprise makes this paper more unique and professional. This paper uses a combination of literature analysis, case analysis, data analysis, and comparative analysis to discuss the supply chain models adjusted by the two companies during the global epidemic, including the transformation policies in logistics and transportation, etc. . From a macro perspective, the two companies are the largest e-commerce platform companies in China and the United States, respectively, occupying an important position in the global market. The strategies of the two companies can penetrate and influence each other. From a micro perspective, this paper also has a reference value and basis for the development of some Internet companies at present and even in the future.

© 2023 The Authors. This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (https://creativecommons.org/licenses/by/4.0/).

DOI: 10.54254/2754-1169/10/20230474

2. Taobao's Enterprise Supply Chain Model

First of all, this part is studying the enterprise supply chain model of Taobao, one of the largest online shopping platforms in China. It can be seen that China is a country with a large population base. With the development of the times, more and more people are exposed to the Internet, which also makes online shopping has become more diversified and internationalized. From 2008 to the present, Chinese netizens have always shown a steady growth trend, and now the number has exceeded 1,000 million, which is enough to see the great development potential of China's online shopping [1]. With the rapid development of the Internet, many Internet companies have been born, such as Taobao, Jingdong, Tmall and other online shopping platforms. As for Taobao's basic supply chain, it mainly uses the M2C model to supply products. The M2C model is that the manufacturer puts the product into inventory after delivering it to the supplier, and then delivers it to the consumer through the transportation department after receiving the order [2]. This is a branch chain component of the M2C supply chain model. Such a supply chain model can not only help new products to be added continuously but also reduce labor and shorten the delivery time of goods. The entire value chain is interconnected, and this supply chain approach is mutually beneficial for both consumers and sellers. Consumers have become more convenient and faster to purchase items, and platform sellers have also reduced a lot of heavy assets and operating expenses [3].

2.1. The Impact of the Epidemic on the Supply Chain Model of Taobao's Enterprise Economy

The sudden global outbreak of the new coronavirus is bound to have a great impact on Taobao's supply model. From the analysis of Alibaba's quarterly report data, we learned that the profit fell by 23% compared with that before the epidemic. The reason is that Taobao, Alibaba's main e-commerce platform, has plummeted in supply and demand due to the disruption of the supply chain and logistics caused by covid, which has also caused a corresponding drop in Alibaba's stock market price [4]. Faced with this situation, Alibaba Group had to adjust its strategic plan, study the market situation and adopt a development model adapted to the epidemic environment.

2.2. Changes in Taobao's Supply Chain Model under the Epidemic

While Taobao operates in the old supply chain M2C model, it also changes by adjusting its own internal conditions. For example, Hema Xiansheng, a grocery subsidiary of Taobao, hires employees from restaurants and stores that have closed due to the epidemic to meet the needs of their supply chains. This also constitutes a redistribution system for enterprises and contributes to the improvement of the country's employment system. The introduction of this policy has allowed product production to slowly return to a normal trajectory [5]. Due to the national policy introduced by the epidemic in China, people are quarantined at home and the community is closed, which makes it impossible to go out to shop. At this time, another supply chain marketing model has been born - online live broadcast e-commerce. Sellers only need to show their products in videos or pictures, and consumers can buy their favorite items on their mobile phones or computers. We can see from the chart below that from 2017 to 2020, this marketing model has shown an increasing trend year by year, especially around 2020 of the epidemic, which has produced a huge increase compared to the data before the epidemic [6].

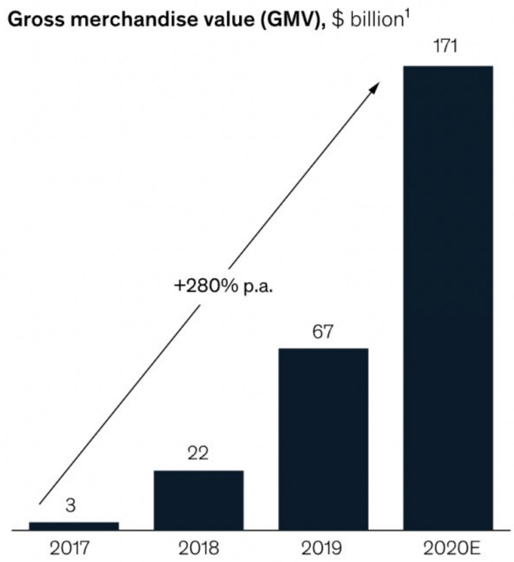

Figure 1: The total value of goods sold by Alibaba's live-streaming e-commerce in 2017-2020. [6]

3. Amazon's Enterprise Supply Chain Model

The most successful e-commerce company abroad is undoubtedly the well-known Amazon. Amazon's supply chain has two models, Fulfillment by Amazon (FBA) and Fulfillment by Merchant (FBM). Fulfillment by Amazon (FBA) here is more like the Taobao supply chain model mentioned earlier, which is also one of the most efficient business models that the vast majority of e-commerce companies will adopt. The second mode is that the seller takes care of the entire process from delivery to receipt. Due to the large land area in North America and other regions, logistics and transportation are relatively inconvenient, so this mode is adapted to local conditions, especially during the covid period, Fulfilment by Merchant (FBM) maximizes its distance advantage [7].

3.1. The Impact of the Epidemic on the Supply Chain Model of Amazon's Enterprise Economy

With the covid-19 pandemic, many local stores and pharmacies had to close, and the frequency of daily necessities such as medicines and disinfection supplies increased significantly, resulting in a sharp increase in Amazon's sales. Amazon has rapidly expanded its recruitment in order to supply a large number of orders. In order to prevent the possibility of supply chain interruption at any time, and secondly, for the principle of security, Amazon has made strategic adjustments and transformed the entire supply chain model into Fulfillment by Amazon (FBA). The supply chain model is difficult to return to normal levels in a short period of time, but from the perspective of socioeconomics, Amazon has taken a series of measures based on social principles, providing many employment opportunities for society, reducing unemployment to the greatest extent, and stimulating People's consumption level, the enterprise economy has been promoted to a greater extent.

3.2. Changes in Amazon's Supply Chain Model under the Epidemic

Due to the limited logistics process during the epidemic, some products will be delayed in delivery and out of stock. Amazon has also introduced a key policy. The company has created a freight

DOI: 10.54254/2754-1169/10/20230474

company to serve its own express transportation. In order to make the internal supply chain more solid, it also makes enterprise management more transparent and unified. At the social level, Amazon will also invest in research on sustainable fuel-based transportation vehicles in the future, and install cameras in the car to ensure the safety of drivers and other social-friendly measures [8].

4. Comparison of the Advantages and Disadvantages of Amazon and Taobao in the Enterprise Supply Chain Model

Looking at the competition between two large e-commerce companies in the new crown epidemic, we can understand that each has different advantages and disadvantages. First of all, Alibaba Group has done better in terms of employee safety. It is understood that no Alibaba employees died due to the epidemic, while 8 employees of Amazon Group died in the line of duty [9]. Secondly, from the perspective of enterprise development, both of them have maintained a trend of rapid development compared with that before the epidemic, but the net profit is subdivided between them. We can see from the chart that although Alibaba's economic growth during the epidemic Compared with the same period in 2019, it has increased by 18 percentage points from 4.2% in 2019. However, Amazon’s net profit is still slightly better than the same period last year. Alibaba and Amazon have adjusted some of the same supply chain measures during the epidemic. The two companies have made the most successful decisions to maintain the stability of the company under the difficult environment of epidemic development [10].

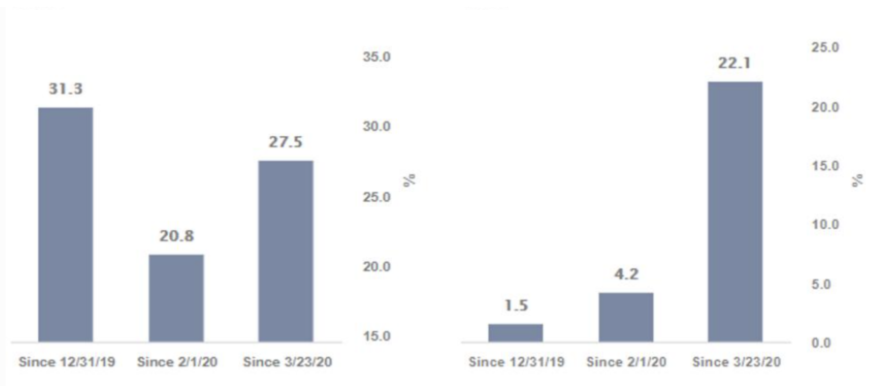

Figure 2: P/E ratios for Amazon and Alibaba on key dates. (Amazon on the left, Alibaba on the right) [10]

5. Conclusion

This paper revolves around two of the world's most famous e-commerce companies, analyzing the impact on their respective companies' supply chains during the pandemic, as well as measures taken by Alibaba Group's Taobao and Amazon Group. It is concluded that the two companies have correctly adjusted their own supply chain models (Amazon's FBM model and Taobao's M2C model respectively), and have obtained substantial economic development from the perspective of socioeconomics. In the future, in the study of enterprise supply chains, researchers can analyze the internal supply angle of the enterprise to explore solutions more suitable for the development of the enterprise, such as finding and solving problems in the branches of each supply chain.

References

[1] Lai Lin Thomala, Number of internet users in China 2008-2021, Published on May 12, 2022, https://www.statista.com/statistics/265140/number-of-internet-users-in-china/

DOI: 10.54254/2754-1169/10/20230474

[2] *Elizabeth Utley, Ivy Yu, How Alibaba's Taobao Deals Is Gaining Popularity Among China's Army of Bargain Hunters, Published on Dec 15, 2021 https://www.alizila.com/how-alibabas-taobao-deals-is-gaining-popularity-among-chinas-army-of-bargain-hunters/*
[3] *Joe Ralstin, M2C - The Next Evolutionary Step In The Consumer Product Supply Chain Distribution Model, Published on Dec 3, 2015. https://www.linkedin.com/pulse/M2C-next-evolutionary-step-consumer-product-supply-chain-ralstin*
[4] *Associated Press, Alibaba reports slowest growth yet amid COVID-19 outbreaks, Published on May 26, 2022. https://economictimes.indiatimes.com/news/international/business/alibaba-reports-slowest-growth-yet-amid-covid-19-outbreaks/articleshow/91818456.cms*
[5] *Harvard Business Review, How China's e-commerce giants kept Wuhan going during lockdown, Published on March 4, 2020. https://www.warc.com/newsandopinion/news/how-chinas-e-commerce-giants-kept-wuhan-going-during-lockdown/43453*
[6] *McKinsey Digital, How live commerce is transforming the shopping experience, Published on July 21, 2021. https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/its-showtime-how-live-commerce-is-transforming-the-shopping-experience*
[7] *Moritz Baurer, How Amazon Supply Chain Works, Published on February 23, 2021, https://www.teikametrics.com/blog/how-amazon-supply-chain-works/*
[8] *Steve Banker, Amazon Supply Chain Innovation Continues, Published on April 1, 2021, https://www.forbes.com/sites/stevebanker/2021/04/01/amazon-supply-chain-innovation-continues/?sh=21bfaaf577e6*
[9] *Sam Shead, Why Amazon's Covid-19 response has been criticized more than Chinese rivals Alibaba and JD.com, Published on June 25, 2020 https://www.cnbc.com/2020/06/25/amazons-covid-19-response-criticized-alibaba-jd.html*
[10] *Trefis Team, Amazon vs Alibaba - One Big Difference, Published on May 22, 2022 https://www.forbes.com/sites/greatspeculations/2020/05/22/amazon-vs-alibaba--one-big-difference/?sh=7281213b928f*