

The Present and Future of E-commerce in China

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Abstract: Due to the growing popularity of social media and electronic products in China, e-commerce is a new form of economy that is growing and playing an essential role in China's economy. Using a case study approach, this paper presents the development of e-commerce in China and its impact on China's economic development. It makes suggestions for the future development of e-commerce.

Keywords: e-commerce, the real economy, internet, development trends, suggestions

1 Introduction

The history of human development is one of repressed desire or delayed gratification. Since the 1960s, human productivity has exceeded the capacity to consume, and expectations of social development have been increasingly geared towards the cultivation of 'delayed gratification'; but today, at least in the direction of the Internet and new technological developments, people are seeking ways to obtain 'instant gratification' [1]. Such a quest has inevitably led to a wave of new industries in China, notably e-commerce and short-form video marketing. In the late 1990s, the rise of China's internet industry provided the first entrepreneurs in China's new economy with excellent market conditions, and they found that traditional trade models would likely be able to interact effectively with the internet and tap into the power of the internet to open up a new market. At that stage, however, the growth rate of China's e-commerce industry was only 5.20%. This was undoubtedly an excellent opportunity for some entrepreneurs to improve their space. Thus, in December 1997, the first vertical B2B website was launched in China, called Chem Net China; followed by the birth of Alibaba; followed by the first successful online e-commerce transaction in the mainland in March 1998; the first B2C e-commerce website in May 1999; and the first C2C platform, eBay, in August 1999. The Internet bubble started to form as time went on. It is natural for the Internet bubble to burst after it has existed for a long time. The internet bubble burst will undoubtedly impact E-commerce because of a mutually reinforcing relationship between the two. The wave, which also hit well-known e-commerce sites, particularly affected businesses that lacked experience and their distinctive business model. Examples include the renowned 8848 and Alibaba. However, in the year 2000, those clusters that made it through were able to start a new period of unstoppable e-commerce development.

After the bubble burst in 2003, e-commerce companies changed their operating philosophy to focus on being more careful about new profit models and how to gather experience at a minimal cost. The same year, in May, Alibaba introduced Alipay and invested in the creation of Taobao, which unquestionably marked a significant turning point in the growth of e-commerce. Alibaba purchased Yahoo China in August of that same year. The total number of traditional e-commerce websites made

up about 30.1% of all the websites that were already up at the time, and e-commerce websites—led by B2B websites—entered a phase of continuous expansion. The growth of e-commerce after 2003 brought about a huge market potential due to the Internet's growing popularity, and the majority of B2B e-commerce websites started to turn a profit. A milestone in the expansion of market share and development of e-commerce was established at the same time that Alibaba was successfully listed in Hong Kong, placing China's e-commerce industry development on a fast track. The A-share was successfully listed in December 2006 by NetSense Technology, the "No. 1 stock in China's Internet," which accelerated the growth of e-commerce. China's e-commerce growth has been impacted by the global financial crisis since 2008, although it continues to proliferate. The global financial crisis has impacted China's e-commerce boom, although it is still expanding at a rapid rate. Competition has been fiercer as the number of logistical services and Internet users has grown tremendously. The industry is essentially transitioning, and the competition has grown more intense. E-merchants are progressively considering reduced prices due to how price-sensitive Internet users are. Most online retailers have started new service marketing initiatives in addition to the inevitable industrial update. Based on this, the C2C and B2C service providers have enjoyed continued growth and prosperity, and the sector's competition has intensified. The e-commerce sector is currently moving into the next phase of developing new areas and is essentially in the fifth stage of marketing development. A new impetus for the development of new e-commerce marketing is provided by the "immediate gratification" e-commerce platforms represented by "ShakeYin" and "Xiaohongshu." A new push has been given to the emerging trend in e-commerce marketing [2].

2 The Impact of E-commerce on the Real Economy

2.1 The Real Economy Is Contracting, and Competition Is Intense.

The real economy has had an unheard-of baptism by fire with the birth and boom of e-commerce. Small physical stores are closing down, and many once-bustling shopping centers are fading away. Instead, the e-commerce platform has been a flurry of holiday deals, with Jingdong's 618 shop day total sales of 110 billion in the same year and Tmall Double 11 carnival turnover of 168.2 billion on the same day in 2017. Sales increased by 250% over the previous year in the first hour alone. This means that more and more individuals are opting to purchase online. Since the amount of consumer demand one person can satisfy is limited, the more e-commerce sales rise, the more the real economy will benefit. On the other hand, the actual economy will be impacted more severely by more e-commerce purchases. Consumers may purchase the commodities they want without leaving their homes thanks to the advancement of logistics systems, e-commerce platforms, and merchandise. Developed coastal regions like Jiangsu, Zhejiang, and Shanghai can even obtain express delivery the next day. The competition will be fiercer with e-commerce because neighborhood regulars or prospective customers may purchase similar things online. As a result, the actual economy will contract and experience a downturn [3].

2.2 Rising Costs Make It More Challenging to Operate

Due to its reliance on networks and platforms, e-commerce does not require a physical location and only needs a small number of employees unless the sales volume is high. Additionally, as there are no geographic limits on the delivery of e-commerce goods to customers, they may be transported directly from producers, relieving the burden of inventory and intermediary linkages and allowing for the sale of goods at relatively low rates. If you want to operate a physical store, find a suitable location. However, the monthly rent is very high, the cost of labor, utilities, and other expenses is also high, and the cost of goods is also higher, so the selling price will not be comparable to that of e-commerce. However, the physical store must not only have reasonable prices to draw customers but must

occasionally engage in promotional activities as well. As the cost of pressure increases due to these activities, the business will become more expensive. It will be even harder to run once costs increase [4].

2.3 Inspiration from E-commerce for the Real Economy

Seeking multi-channel integration and improving consumer experience will be essential in revitalizing the real economy. E-commerce has been around for more than ten years in China, and after all that time of growth, pure online sales Purely online sales also have drawbacks because there is no actual store for customers to visit and feel. High returns and exchange rates contrast with low client stickiness and loyalty. Therefore, many e-commerce companies have set up offline physical stores in significant cities. Physical stores can also actively expand their internet businesses and look to integrate resources across numerous channels by relying on their advantages. Customers are communicated through virtual online chat software in e-commerce marketing, making it challenging to ascertain their wants quickly. It is challenging to understand customers' wants quickly, but offline stores are different because sales staff interacts with clients in person. It is simpler to assess consumer demands, cater to them, and offer them a more individualized and human service. As a result, consumer satisfaction is increased since assessing and meeting the customer's needs is more straightforward and offers more individualized and customized service. Physical stores can perform better in enhancing the customer experience to win over customers, for instance, by conducting various offline events, tastefully decorating, and setting up various holiday-themed styles. Customers will have a very comfortable experience, and the likelihood of a successful purchase will significantly increase by adding books, food, and even couches to the shop displays [5].

3 The Advantages and Disadvantages of E-commerce Through Case Studies

3.1 Investigating the E-commerce Industry's Profitability in the Context of "Internet Plus"

The rapid growth of "Internet Plus" has sparked a surge in e-commerce, which is a key component of China's future economic development and is quickly gaining popularity for its efficiency and convenience. The e-commerce platform has a wide range of development opportunities, and most people now choose to shop online using this platform. However, there are several fundamental issues with e-commerce that seriously affect the profitability of businesses [6].

Table 1: I Analysis of critical financial data for the Jingdong Group 2017-2021.

Year	2017	2018	2019	2020	2021
Operating income/billion	3623.32	4620.20	5768.88	7458.02	9515.92
Operating costs/billion	3115.17	3960.66	4924.67	6366.94	8225.25
Profit after tax/billion	-0.12	-28.01	118.90	493.37	-44.67
Net sales margin	-0.01	-0.61	2.06	6.62	-0.47
Return on net assets	-0.29	-4.17	14.88	26.34	-1.70
Earnings per share	-0.05	-0.87	4.18	16.35	-1.15

The Group, an e-commerce business heavily reliant on technology, is rapidly expanding its supply chain. The company will not be in an excellent position to expand in 2021 and will be in the red regarding values. According to a check of the Jingdong Group's financial filings, Jingdong is

profitable in 2021, and the adoption of US GAAP for the profit calculation—which includes a measure of investment income for the Jingdong Group—is what caused the reduction in net profit. The share price of the company in which Jingdong holds a majority stake has fluctuated significantly, which means that the change in the invested company's share price has significantly changed the Jingdong Group's investment income. As a result, the profit for the year was significantly reduced, and a loss for the year resulted. Due to an expansion of the benefits package for employees and the fact that Jingdong offers a variety of graduate opportunities to colleges, the expenditures for the Jingdong Group have gone significantly. This has a significant financial impact on the Group, but it also draws a lot of talented individuals to Jingdong. The business's operating income has been increasing over time, according to its tendency. The Jingdong Group's comparatively high investment spending is another factor contributing to the drop in earnings. When investment expenditure exceeds profitability, net profit is negative, creating a so-called loss. Jingdong Group is in the early stages of its development cycle from a business standpoint, making this the ideal time for the Group to grow its scope and ensure more considerable earnings in the future [7]. The Group's expanding revenues and lack of significant financial crises attest to its excellent profitability. Jingdong can increase its profitability by considering several recommendations; the first is to reduce expenses and turn losses into gains. According to a review of the financial statements, the Jingdong Group's negative net profit is primarily due to costs and expenses being so high as not to cover income and expenditure. Then, we can implement a strategy of product screening to foster public confidence in the goods available on Jingdong's shelves, thereby boosting both the likelihood and frequency of consumer purchasing in Jingdong.

Jingdong's excessive investment neglected the balance of income and expenditure issues, which led to more than enough money to cover expenses [8]. Be realistic in your investment decisions, refrain from being wasteful, and lower the consumption of material and financial resources. Second, there are acceptable performance pay levels to lower labor costs without creating employee dissatisfaction. Different performance wages are adopted amongst various roles to fulfill the goals of luring talent and reducing costs, and the link between flexible wages and basic salaries is managed flexibly. Then, it is possible to alert people to risks and prevent losses before they happen. Third, the company will examine the financial standing of the companies it invests in and the various metrics used to assess its capabilities. It will also pay attention to significant occurrences at the companies it invests in and forecast how they will affect its revenue and profits. Finally, the company will set up a specific risk warning and risk monitoring system to ensure that it can take the necessary precautions to safeguard its interests and limit its losses in adverse events.

3.2 The Successful Transformation of the New Oriental

New Oriental, once China's top education provider, was forced to change due to the implementation of governmental regulations. The third business revolution is the live-streaming industry. Big Box Stores were the first instance, followed by E-Commerce and Live-Streaming with Goods. Yu Minhong, CEO of New Oriental, crossed the border with his team to begin live-streaming agricultural products and goods by the end of 2021. Yu Minhong and New Oriental Online's live broadcasts have drawn much interest ever since the debut of "Oriental Selection" on December 28, 2021. However, the live broadcast only sold close to 5.5 million yuan in its first two months, and its performance has been subpar for almost six months. People were not drawn to the professors' abilities until June 2022.

When intellectuals raised the issue, the live broadcasting technique began to change. Different live feeds are available. In the "Eastern Selection" live streaming room, you can find everything from "bilingual delivery" to "live essay writing," geography, history, and culture teaching, to name a few. A lot is going on in the "Eastern Selection" live feeds. In the week of June 10 to June 16, according to new shake data, Oriental Selection's fan base increased by more than 10 million, or in "a week of

God," from less than 2.3 million to 12.88 million, with a most significant single-day gain of 4.3 million supporters. Since then, Oriental Selection has continued to "suck in the fans," and as of the evening of July 15, there were 22,136,000 admirers, with roughly 30 days' worth of live sales totaling 780 million yuan and a single live sale topping 50 million yuan.. Compared to when Orient Selection's share price dramatically increased, as of July 16, Orient Online ended at HK\$15.24 per share, with a total market capitalization of HK\$15.275 billion (based on June 16 data). Oriental Selection Live Streaming's market capitalization had shrunk by HK\$13.3 billion as compared to the period when its share price was surging (as computed on June 16); during that time, it also experienced a "liquidation" of Tencent Holdings' interest in the company. However, New Oriental Online's market capitalization has increased by more than HK\$10 billion compared to its share price performance before the live broadcast (based on 9 June).

The live broadcast boom results from the New Oriental professors' superb oratory and potent output. The Oriental Zhenzheng's live-streaming chamber is a fresh sinking blow to viewers who have grown visually weary with prior live-streaming sets and screenplays, such as quarreling, price adjustments, and insolvency with items. The long-term goal of New Oriental Online is to operate a cultural communications business on its right hand and an agricultural goods technology business on its left. Agrotechnology serves as the foundation of the business and addresses the material needs of customers; cultural communication serves as the business's external manifestation and the relationship between its products and customers, as well as the development of customer identity. Live e-commerce involves various processes, including sourcing, supply chain management, on-site arrangements, marketing and promotion, live management, and more. It is not simply about eloquence. Volume is a live studio's lifeblood. The supply chain issue will be resolved once the volume issue is resolved. Since the supply chain is the main problem in live broadcasting, the volume controls the conversation and negotiating power in the room. To keep its love of assisting farmers, of benefiting farmers, but also to create live customers may accept, but also to sell shipments. I want to make sure that both the supply chain finds the correct, high-quality agricultural products, but also to receive the right price. The above are challenges [9].

Live e-commerce appears to be beginning the second phase of the transition from "low-price marketing" to "knowledge with commodities" as the competition between e-commerce platforms and merchants heats up. It is repeatedly emphasized that "cheap pricing upstream" is a phenomenon. The premium space for agricultural products is small, uses a low-price attraction marketing strategy, makes it difficult for non-head merchants to turn a profit due to low turnover, and rewards head merchants who increase shop traffic. "It is "to lose money to earn a shout," according to marketing costs and other intermediate costs that are even higher than the traditional model middlemen costs. Even more expensive than the price of conventional middlemen is the expense of "promotion," which is "losing money financially. Despite being supported by high supply chain efficiency, this approach frequently comes at the expense of producers' earnings and distribution links, which is not ideal for farmers' ability to provide a sustainable livelihood. It is the new East this way through knowledge of goods to the development of the e-commerce industry has guided a new direction. However, it further illustrates the importance of e-commerce competition in the supply chain. Quality e-commerce and value live broke the previous low-price marketing circle [10].

4 Conclusion

The future of e-commerce marketing will undoubtedly have numerous options as the sector continues to expand. However, it appears that e-commerce is the current trend. Combining the excitement of "immediate gratification" with community-based sharing platforms and locking the public in with products are two strategies for expanding the market. The future growth of the e-commerce sector should be directly tied to "immediate gratification," whether it takes the form of short films with "15

seconds to sell" links or "community sharing" with inductive content-oriented sales promotion. The concept of "immediate satisfaction" should significantly impact the future of the e-commerce sector.

Moreover, the basis of e-commerce companies' efforts to increase operational effectiveness and performance is supply chain integration, which fully utilizes the level of logistics services in partnerships and e-commerce companies' supply chain integration between the intermediary effect. The amount of information improves supply chain integration more than the fundamental level of logistical services. Therefore, e-commerce businesses should actively introduce information technology, realize the intelligence and informatization of logistics services, realize the advancement of the informational level of logistics services with the aid of high technology, and use it as a vital tool for supply chain management innovation. The proposals above encourage the future growth and development of the e-commerce sector.

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