

Study on Business Model Innovation at Zhuanzhuan Company

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Abstract: Zhuanzhuan Company is committed to meeting the needs of the younger generation of consumers by offering a variety of services through diverse models such as C2C and C2B2C. This study aims to comprehensively analyze Zhuanzhuan Company's business model innovation. By introducing the company's background, consumer market analysis, business model, and SWOT analysis, it reveals the factors contributing to its success. The article also emphasizes Zhuanzhuan's innovations in trust-building, logistics management, and pre-sales and after-sales services, as well as the opportunities and threats it faces. Finally, the article offers recommendations on enhancing the credit system, optimizing the logistics system, and strengthening pre-sales and after-sales services for digital 3C and large items, to assist Zhuanzhuan Company in further expanding its market share and user base. The study found that within the second-hand trading market, Zhuanzhuan Company possesses advantages in both technological platforms and user base. The company can provide a convenient user experience. Simultaneously, its vast user base contributes to facilitating transactions and advertising revenue. Furthermore, Zhuanzhuan Company can further enhance its competitive edge through official verification, a combination of online and offline services, and effective logistics management. Zhuanzhuan Company plays a significant role in meeting the demands of young consumers and promoting sustainable development. The research presented in this article aims to assist Zhuanzhuan Company in continuously adapting to market changes and identifying opportunities to explore new markets. At the same time, we provide some recommendations for the current situation of Zhuanzhuan.

Keywords: Zhuanzhuan Company, Business Model Innovation, C2B2C

1. Introduction

The rapid rise of the second-hand trading market has sparked business model innovation, such as various transaction models like C2C and C2B2C. The emergence of these transaction models has positive implications for both consumers and the environment. It provides consumers with more shopping choices and cost-saving opportunities while also contributing to resource conservation, waste reduction, and a decrease in carbon footprint, promoting sustainable consumption and resource sharing. This is of great significance for sustainable development and environmental conservation.

Zhuanzhuan Company is a second-hand trading platform under 58.Com Inc. It was established in 2015. Through continuous business model innovation and deepening partnerships, Zhuanzhuan

Company has achieved significant success in the second-hand trading market and has become one of China's leading second-hand trading platforms. However, there is still room for further development. Relevant research, analyzing the internet second-hand trading platforms 'Xianyu' and 'Zhuanzhuan,' has found that resource allocation in the current second-hand trading market is not efficient, and there are certain deficiencies in the model mechanisms, leading to adverse effects on consumers in terms of trust, pricing, and more [1]. By continually improving the credit system, optimizing logistics management, and enhancing product innovation, Zhuanzhuan Company can continue to lead the second-hand trading market and provide young people with more sustainable and high-quality consumption choices.

This article will conduct an in-depth study and analysis of Zhuanzhuan Company's business model innovation and provide recommendations to further strengthen its competitive advantage in the market. Through SWOT analysis, this article will delve into Zhuanzhuan Company's strengths, weaknesses, opportunities, and threats, helping the company understand its internal and external environment to formulate more targeted strategies and decisions. Additionally, the article will highlight Zhuanzhuan Company's innovations in trust-building, logistics management, and pre-sales and after-sales services, as well as the opportunities and threats it faces. Finally, the article will propose recommendations for improving the credit system, optimizing the logistics system, and enhancing pre-sales and after-sales services for digital 3C and large items, to assist Zhuanzhuan Company in further expanding its market share and user base. The research in this article, by analyzing the acceptance and preferences of the younger generation of consumers for second-hand trading, can help understand the needs of this demographic in terms of sustainable development and environmental protection, while providing market insights for businesses.

2. Introduction to the Zhuanzhuan Company

Zhuanzhuan Company, established in 2015, is a second-hand trading platform under the 58 Group. In 2017, Tencent announced a strategic investment in Zhuanzhuan, providing it with resource support. This collaboration enabled Zhuanzhuan to fully leverage Tencent's social advantages and partner with WeChat, closing the transaction loop through WeChat Pay. WeChat, China's most popular social app, brought a significant amount of traffic to Zhuanzhuan and enhanced the platform's credibility [2].

Zhuanzhuan is not just a traditional consumer-to-consumer (C2C) platform but also employs a consumer-to-business-to-consumer (C2B2C) model in certain product categories. For example, in the second-hand mobile phone sector, Zhuanzhuan introduced third-party authentication services with official personnel conducting quality inspections and providing transaction guarantees. Additionally, Zhuanzhuan has established its self-operated product categories, created its self-operating system, and has also ventured into cross-border e-commerce to expand its overseas business.

Zhuanzhuan places a strong emphasis on product categorization and offers a diverse range of services, gradually encompassing various product categories. The platform provides reasonable price references, addresses the issue of information opacity in second-hand transactions, and helps consumers meet their diverse shopping needs. Zhuanzhuan is dedicated to its goal of continuous innovation, providing reliable services, and diversifying its business expansion, to become one of China's leading second-hand trading platforms.

3. Analysis of the Zhuanzhuan Consumer Market

As a generation characterized by an upgraded consumer consciousness, young people have long become the ultimate users of the second-hand trade. Young individuals, just entering the workforce, often have limited savings. Consequently, cost-effectiveness and affordability have become the top choices for many young people. In this regard, the second-hand market perfectly caters to the needs

of the youth. Furthermore, with the concept of green and low-carbon deeply ingrained, the younger consumer group does not harbor the same aversion to second-hand products as the older generation traditionally did. They widely believe that second-hand consumption is more environmentally friendly and enjoyable. Their acceptance of purchasing, using, and collecting second-hand items is exceptionally high, and they have even discovered the social aspect of second-hand transactions. Through second-hand trading, many young people have found "kindred spirits," forming different interest communities.

As shown in Figure 1, a consumer behavior research report targeting users of the second-hand market is presented. It can be observed that over 80% of users in the Chinese second-hand market fall within the age group of 18-34 years old, indicating that young people have become the main consumers of second-hand trading platforms [3]. In this context, the circular economy platform providing second-hand trading services, "Zhuanzhuan," has also gained popularity in the market and is highly favored by the younger generation.

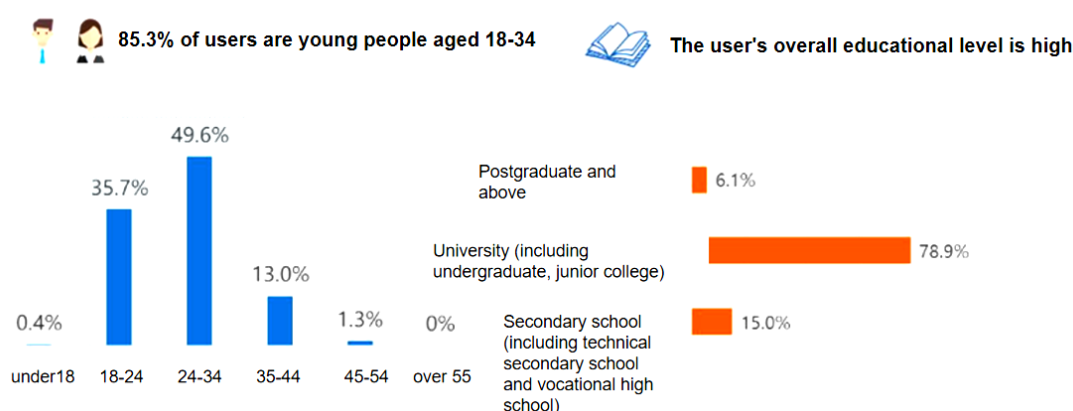


Figure 1: Consumer Behavior Research Report for Second-hand Market Users [3]

The reason behind the younger generation's closer affinity to "Zhuanzhuan" lies in Zhuanzhuan's deep cultivation of the industry chain, continuous efforts in fulfillment services, and its empowerment of the industry. It accelerates the standardization of the industry, making second-hand transactions more standardized and transparent.

Through Zhuanzhuan, consumers can sell unused items at competitive prices and also achieve a one-stop solution for selling old items and purchasing new ones. With the official Zhuanzhuan verification for second-hand mobile phones, 3C digital products, and others, the supply is guaranteed. Each product undergoes individual inspections and comes with its quality inspection report. This ensures that second-hand items, just like new products, can enjoy services like a 7-day no-questions-asked return, truly achieving a "what you see is what you get" experience.

Embracing the new consumer era, young people are now adopting a dual strategy of increasing their income through open financial management while simultaneously reducing expenses and saving money. Engaging in second-hand transactions has also become one of the avenues for contemporary young people to pursue a high-quality lifestyle. In this new wave, Zhuanzhuan Group will continue to provide users with high-quality and standardized second-hand trading services, empowering young individuals to enjoy a quality and beautiful life in the era of "financial literacy for all." Figure 2 illustrates the app's features, such as Zhuanzhuan Recycling and Zhuanzhuan Official Verification, highlighted in the red box.

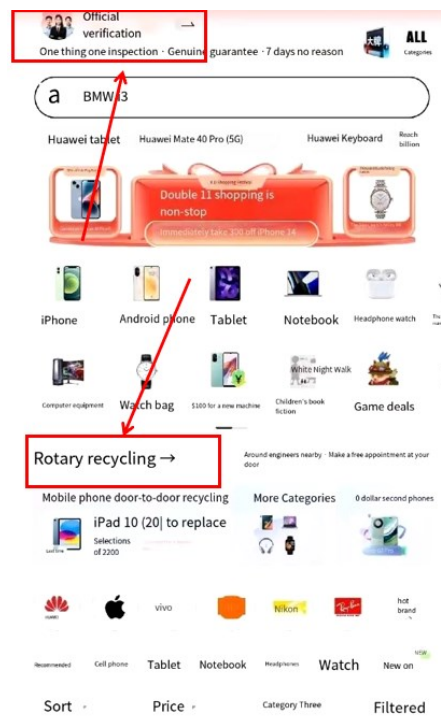


Figure 2: Zhuanzhuan App Home Page

4. Zhuanzhuan's business model

Zhuanzhuan's business model has formed a relatively complete closed-loop, as shown in Figure 3. In terms of its operational philosophy, Zhuanzhuan places a strong emphasis on the quality of products, prioritizing product quality. The core focus of Zhuanzhuan's products lies in the digital 3C and maternity and baby product categories. This is evident from the agreement reached between Zhuanzhuan, Haier, and Foxconn in 2017. Zhuanzhuan's platform model allows individuals or small businesses to sell their unused second-hand items. When selling, they can choose to sell to Zhuanzhuan (through doorstep pickup) or other consumers (by listing products on the platform). Additionally, Zhuanzhuan generates profit by charging a certain percentage of commission from the seller. This means that when a seller successfully sells an item, the platform deducts a certain percentage of the transaction amount as a fee, which is a profit model similar to other platforms.

Zhuanzhuan's advertising and promotional services primarily assist sellers in gaining higher visibility on the platform. This helps businesses showcase their products to a larger audience, and in return, Zhuanzhuan charges advertising fees. These services may include value-added options such as highlighting products, posting more photos, and featuring items on the homepage.

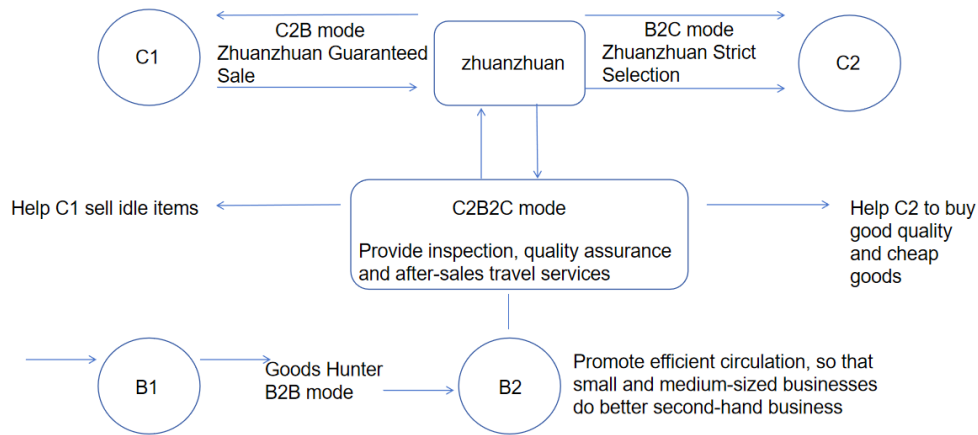


Figure 3: Zhuanzhuan Business Model Closed-Loop Process Diagram

"Zhuanzhuan Official Verification" is a relatively core function within the platform. Zhuanzhuan actively collaborates with third parties to establish a professional evaluation system for product quality, condition, and damage assessment, providing a reasonable price range. During the transaction process, professional personnel are assigned to inspect the product's quality, and they also provide live quality inspection broadcasts. This transparent, standardized, and institutionalized trading framework has set a benchmark for the industry. It has resolved the trust crisis caused by information asymmetry between both parties in the second-hand trading market.

In terms of credibility, Zhuanzhuan has partnered with WeChat. After integrating with WeChat's interface, transactions are completed through WeChat Pay, thus forming a closed loop. Zhuanzhuan aims to address trust issues among customers by leveraging the established social relationships within WeChat. This collaboration with WeChat brings the strength of Tencent's social network into the second-hand trading arena, further contributing to the elimination of trust issues within the user base of second-hand platforms.

5. SWOT analysis

SWOT analysis is a strategic management tool used to evaluate the internal strengths (S), internal weaknesses (W), opportunities (O), and threats (T) of an organization, such as a company, team, or project. The fundamental idea behind SWOT analysis is to gain a comprehensive understanding of an organization's internal characteristics and external environment when formulating strategies and making decisions. This understanding enables better utilization of strengths, improvement of weaknesses, exploitation of opportunities, and mitigation of threats.

Conducting a SWOT analysis of Zhuanzhuan can assist the company in formulating strategic plans. By analyzing the company's strengths, weaknesses, opportunities, and threats, the company can clarify its objectives and develop strategies to maximize its strengths and opportunities while mitigating the impact of weaknesses and threats. In terms of market positioning, analyzing Zhuanzhuan's SWOT helps to gain a better understanding of its position in the market. This aids the company in identifying target markets, target audiences, and competitive strategies when dealing with competitors.

5.1. S(Strengths)

Zhuanzhuan boasts a wide user base and, as a product under Tencent's umbrella, it benefits from Tencent's support and access to a significant number of potential users upon integration with WeChat. Additionally, Zhuanzhuan enjoys high brand recognition and user trust in the domestic market.

Furthermore, the second-hand goods market in China holds immense potential, particularly given the widespread adoption of mobile internet. Zhuanzhuan has adopted a mobile-first strategy, offering a convenient platform for second-hand item transactions through its mobile app downloads. This approach is more efficient compared to traditional second-hand trading, and online browsing offers a greater variety of options, catering to a wide range of user needs.

5.2. W(Weaknesses)

The second-hand market is highly competitive, with platforms like Xianyu and Guazi Second-Hand Cars, making it crucial to maintain core competitiveness. Trust is of paramount importance in the second-hand trading market. Unscrupulous businesses can negatively impact the platform's user experience and reputation. Moreover, Zhuanzhuan has certain shortcomings in its core device verification services, such as cases where the content of device verification reports does not match the actual product, which can have a detrimental effect on its brand reputation [4].

5.3. O (Opportunities)

Zhuanzhuan can strategically expand its business in moderation, such as in the areas of logistics and alternative payment methods. Additionally, considering international markets can help tap into a broader user base. With the influence of sustainable development strategies, the second-hand market is poised for further growth, and Zhuanzhuan can strengthen its market positioning in the field of sustainability. The circular economy promotes a green and sustainable development model, while second-hand transactions support recycling and reuse. In the context of changing consumer trends, the combination of the internet and the circular economy can boost the trading of unused second-hand items. As economic growth slows down, consumers may consider second-hand transactions as a more rational choice [5].

5.4. T(Threats)

Government policies and regulations may have an impact on the operation of the second-hand trading market, such as the strengthening of regulations on second-hand mobile phones or electronic products. Other second-hand platforms can potentially erode Zhuanzhuan's market share, as Zhuanzhuan entered the second-hand mobile phone market relatively late and needs to compete with users who are already loyal to other platforms [6]. The threat of cybersecurity issues is another concern, as any incidents of cybersecurity breaches and data leaks can result in a loss of user trust.

6. Zhuanzhuan's innovative strategy

6.1. Product innovation

6.1.1.Security and Trust Assurance Services

Zhuanzhuan deeply understands that building user trust in the second-hand trading market is of paramount importance. Therefore, to better serve its customers, Zhuanzhuan has introduced measures such as certified sellers, product inspections, and transaction guarantees to enhance user trust. Moreover, within the "Official Verification" module of product inspection, Zhuanzhuan offers 24-hour live streaming of the entire process, allowing customers to witness the entire process, including sorting, charging checks, functionality tests, and listing, thus providing greater assurance to customers when purchasing "Official Verification" products.

6.1.2. Expansion of Offline Experience

In recent years, Zhuanzhuan has been focusing on expanding its offline service experience with physical stores. Some of these offline stores even offer consignment and purchasing services for second-hand items. Zhuanzhuan can also help customers determine the value of their possessions, especially for precious items like art and antiques. Furthermore, Zhuanzhuan stores provide after-sales services; for instance, if a customer purchases related electronic and digital products in-store, Zhuanzhuan can offer repair and maintenance services. These offline stores can also offer home delivery services, where, through online contact and negotiation, Zhuanzhuan's offline stores can provide door-to-door service for buyers.

6.1.3. Zhuanzhuan Second-Hand Cars

Zhuanzhuan has also ventured into the second-hand car market. On one hand, Zhuanzhuan allows individuals and businesses to publish relevant information about second-hand cars on the platform, facilitating direct communication between buyers and sellers. Additionally, Zhuanzhuan offers inspection and evaluation services for vehicles to ensure the quality and performance of second-hand cars. Zhuanzhuan also has dedicated warehouses for storing some sellers' vehicles, helping sellers in the process of selling their second-hand cars. This provides convenient options for potential buyers to inspect the vehicles, including on-site and location-based inspections. After the transaction is completed, sellers don't need to handle the subsequent procedures, as Zhuanzhuan assists buyers with processes like registration and transfer. Furthermore, a third-party organization conducts re-inspections of the vehicles before delivery, offering peace of mind to the buyers and easing the concerns of the sellers. Zhuanzhuan's services in the second-hand car sector cater to both buyers and sellers. An example of Zhuanzhuan's second-hand car section is shown in Figure 4.

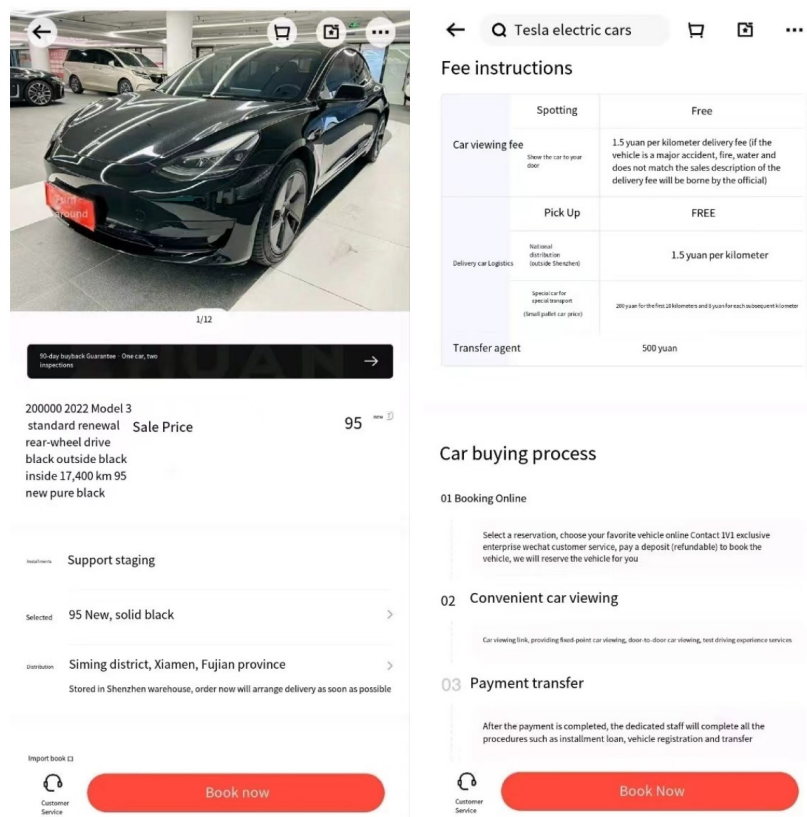


Figure 4: Zhuanzhuan Second-Hand Car Purchase Page

6.2. Model Innovation

Zhuanzhuan's model innovation primarily focuses on three aspects: C2B model innovation, the integration of online and offline operations, and logistics management.

6.2.1. C2B Model Innovation

Zhuanzhuan initially started as a C2C second-hand trading platform but gradually introduced the C2B model. In contrast to the traditional C2C model, the C2B model involves individual consumers or small-scale suppliers offering products or services, while businesses become the buyers. The C2B model is more innovative and diverse, and from a cost perspective, businesses can acquire products and services from consumers at a lower price. Additionally, businesses can even open channels for various products or services based on market demand. This approach, which combines elements of both B2C and C2C models, provides sellers with more sales channels and buyers with a broader range of choices.

6.2.2. Integration of Online and Offline

Zhuanzhuan initially provides platform support online, catering to a broader user base. Building on this, it has expanded its services offline by establishing physical stores for showcasing and selling second-hand items. This approach enhances users' brand recognition and instills greater confidence. The closer the proximity to users, the greater the opportunity for market conversion. Presently, users expect convenience from e-commerce, the ability to "shop from home and receive purchases quickly." Meeting this expectation requires a proactive integration of online and offline elements in the market. The level of offline brand recognition by users determines the brand's capacity for success in the online space.

6.2.3. Zhuanzhuan's logistics management

In the process of second-hand transactions on Zhuanzhuan, transactions of items in a free market are based on mutual communication and choice between the two parties. In the B2C model market, Zhuanzhuan offers free express logistics for buyers. Buyers only need to pay for the cost of the product and do not have to make an additional payment for express delivery. This also includes cases where a buyer wishes to return a product due to dissatisfaction, as Zhuanzhuan takes care of the logistics fees, ensuring a seamless buying experience for the users.

7. Recommendations for Zhuanzhuan Company

7.1. Enhance the Credit System

The second-hand market, unlike other markets such as Tmall or Taobao, presents relatively complex challenges for regulation. In the second-hand market, the condition and quality of the second-hand items provided by sellers are intricate. To ensure the smooth operation of the platform and protect its reputation, controlling the quality of second-hand items is of utmost importance. Therefore, Zhuanzhuan Company needs to continue enhancing its credit system to reduce instances of fraud for users during their usage. Furthermore, implementing a user evaluation and feedback system can help other users gain a better understanding of their trading partners during the purchase of items [7].

The platform can integrate anti-fraud technology, utilizing relevant algorithms to detect suspicious activities such as virtual transactions and malicious reviews and take measures to counteract such behaviors.

Lastly, the company should regularly review and improve the credit system, adjusting and optimizing it based on user feedback and the platform's development needs.

7.2. Optimize the Logistics System

It is advisable to establish partnerships with trustworthy logistics companies to enable real-time tracking and notifications while also planning and optimizing transportation routes to reduce transportation costs. Consider adding logistics insurance as well, where compensation is provided to users in case of damage to products during transportation, thus increasing user trust. Furthermore, Zhuanzhuan has declared itself as a circular economy company, focusing on "dual carbon" goals and the sustainable development of the service industry. Zhuanzhuan continues to contribute to industry standard construction and genuinely safeguards the legitimate rights and interests of consumers to promote the industry's achievement of green, high-quality development [8]. Therefore, in logistics, you can opt for new energy vehicles to reduce carbon emissions and promote the recycling of packaging materials, genuinely achieving a green and low-carbon approach in line with sustainability [7].

7.3. Enhance Pre-sales and After-sales Services for Digital 3C and Large Items

For digital 3C and large items, it's essential to provide detailed product descriptions, including product models, specifications, condition, appearance, and performance information to help buyers gain a better understanding of the products. Sellers should also provide actual product photos to avoid significant discrepancies between the item and the images, thus preventing misleading buyers.

In addition to official verification for digital 3C items, consider gradually introducing product testing and certification for various categories. Extend the warranty period to encourage sellers to offer longer warranties, thereby increasing buyer confidence.

Incorporate an AI system to assist buyers in product selection by providing online AI-based consultation to help them choose suitable products. Taking a page from Xianyu's book, introducing an instant messaging system can help buyers gain a deeper understanding of the products.

7.4. Building a Own Supply Chain System

Zhuanzhuan, despite comprehensive losses in the C2C sector, still has a substantial market in the aspect of an all-encompassing product category. If managed well, it can even rival Xianyu's C2C model. The reason it struggles to break through is because it needs to challenge the NO.1 in various tracks, and yet, the supply chain in the second-hand industry cannot be reused. The quality inspection capabilities, warehousing capabilities, and distribution capabilities required differ completely between various product categories [9]. It needs to establish its supply chain system rather than relying solely on purchasing traffic. Collaborations like the one with Zhaoliangji have not brought about any market or business expansion, nor have they brought about transformative changes in core services [10]. A comprehensive supply chain system could help turn the situation around for Zhuanzhuan.

8. Conclusion

This study conducted an in-depth analysis of Zhuanzhuan's business model innovation, uncovering its successes and challenges. It also provided recommendations for further expanding its market share and user base. First and foremost, Zhuanzhuan, as a leading second-hand trading platform, has achieved significant success with its extensive user base and high brand recognition. Its innovative business models, including C2C and C2B2C, have catered to the diverse needs of the younger

generation of consumers. Particularly in the second-hand market, young people have become the primary user demographic. This presents a tremendous opportunity for Zhuanzhuan because young consumers are willing to embrace second-hand products and are also inclined to rely on trust systems and logistics services to ensure the quality and convenience of their shopping experience.

Zhuanzhuan's innovation strategy encompasses both product innovation and model innovation. In terms of product innovation, the company focuses on providing security and trust assurance services, such as certifying sellers, product inspection, and transaction guarantees, to enhance user trust. Furthermore, Zhuanzhuan has expanded into the realm of offline experiences, offering physical stores and after-sales services to bolster user brand loyalty. In the domain of model innovation, Zhuanzhuan has introduced the C2B model, providing sellers with additional sales channels. It also offers advertising and promotional services to increase seller visibility.

However, Zhuanzhuan also faces several challenges, including intense market competition, trust issues, and the potential impact of government policies and regulations on the second-hand trading market. To sustain its success, Zhuanzhuan needs to continually enhance its credit system, strengthen its user evaluation and feedback systems, and employ anti-fraud technologies to detect suspicious activities. Additionally, the company should optimize its logistics system by collaborating with trusted logistics companies and promoting eco-friendly and low-carbon transportation methods to enhance the user shopping experience. Lastly, Zhuanzhuan can improve pre-and post-sales services for digital 3C and large items by providing detailed product descriptions, and actual product photos, and extending warranty periods to boost user purchasing trust.

In summary, Zhuanzhuan has achieved success in its business model innovation within the second-hand trading market, but there are still opportunities to further expand its market share. By continuously improving its credit system, optimizing logistics management, and enhancing pre-and post-sales services, Zhuanzhuan can continue to meet the needs of young consumers, providing them with more sustainable and high-quality consumption choices. This will further solidify its competitive advantage in the market.

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