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Yuan Qu
Abstract

Research background - with the popularity of the Internet and the upgrading of electronic equipment, the e-commerce mode has gained an advantageous position in the contest with the traditional business mode. E-commerce has become a necessary way for enterprises to expand the market. In the course of the development of e-commerce, different e-business models have also been produced. They have different adaptability according to the product or target customer orientation of the enterprise. Through the survey, we find that the analysis of professional vertical B2B2C e-commerce mode between enterprises and consumers is still very few.

Purpose - It is hoped that this paper will provide a reference for e-commerce enterprises to carry out e-commerce activities through the conclusion of the feasibility of vertical B2B2C.

Research methods - On the basis of reading and collecting a large amount of data in the earlier period, this paper summarizes the collected data according to the grounded theory proposed by Barney Glaser and Anselm Strauss, extracts three categories. We objectively summarize the theories put forward by scholars, and then add data support to draw objective conclusions and theories. The main data collection is obtained through a structured interview with the president of the Shangpa, while also using scientific papers, reports, websites and books, and other auxiliary data. The case company is working with B2B2C e-commerce mode in their business.

Findings - By analyzing the main body of vertical B2B2C e-commerce mode (enterprises, third party platforms and consumers), as well as the economic and policy environment, we summarize the objective environment. Making development forecast through the analysis of the advantages and development difficulties of vertical B2B2C e-commerce.

Conclusions – The market environment, the policy environment and the promotion of the enterprise's own ability are all beneficial to the enterprise to carry out vertical B2B2C e-commerce in China. However, if the enterprises want to survive in the same subdivision industry, capital investment, team building and logistics warehousing should be the focus of the enterprise.

Keywords – E-commerce model, Vertical B2B2C e-commerce, Objective analysis, Development forecast
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1. Introduction

1.1 Background and research significance

Chinese e-commerce in the initial stage gave birth to a lot of diverse e-commerce platforms, such as the excellent B2C Dangdang, C2C Taobao and B2B Alibaba. The platforms are like General Merchandise Stores. They provide a unified service for all products at the beginning (Xiao, 2013). As e-commerce industry matures, vertical service began to receive attention. In fact, the operations of vertical e-commerce in other countries have already been a relatively mature development.

Although Taobao and JD.com, two of the China's largest shopping platforms, covers and contains all-embracing business products, each product category has its own professional team to operate independently in order to meet the needs of different users (Pan, 2014). No integrated platform and its integrated B2C can match Vertical specialization, because it is not a "grocery store" on the integrated Web site, but an injection of fresh special factors. Whether from the shopping guide to optimize product quality, after-sale service and product usage, vertical B2B2C platforms can not only guarantee to reach the professional standards as traditional marketing does through excellent integration and direct marketing, but also has a great advantage in understanding and using the information on the product (Gan, 2014). That is why vertical B2B2C e-commerce has got a rapid rise. Compared with the other comprehensive platform, vertical B2B2C platform have more direct advantage in the professional building. The platforms are initiated by experts from related industries, with authority in the industry knowledge, technology research and development trends, so they are more professional and introductory (Zhao & Guo, 2012). Platforms of this type tend to enjoy their own reputation in the industry, capable of being recognized by the audience. The development of the companies is based on the e-commerce, using industry or industry market segments to expand the size, thus having a slight business advantage.

The obvious advantages of vertical B2B2C e-commerce lie in the fact that they can easily cope with the influx of time, enter the market, and get close to the consumer. These innate qualities acquire unparalleled advantage for the too "bloated" comprehensive sites (Sun, 2015). It can always improve their service quality and provide a platform for immediate and efficient services to a wide range of ways to enhance the brand influence and enhance their authoritative force in the industry. It is an excellent platform with a collection of products, communication, interaction, and feedback. Any of them can easily capture the customers’ sensitivity to consumption and stimulate consumers’ purchasing behavior. What the customers buy on the vertical B2B2C platforms is not just a commodity, but a set of personalized service (Zong, 2013).
In China, as an important carrier and a form of business, the e-commerce industry which is formed by electronic information technology and the Internet platform get rapid development in full swing and is profoundly changing the way of business and people's life. The extension of traditional business to e-commerce is one of the main themes of China's e-commerce in recent years (Wang, 2014). In 2012, China's e-commerce market experienced a brutal competition, some small and medium e-commerce players emerged a lot of failures and mergers and acquisitions, even some big e-commerce players were also forced to constantly adjust and upgrade the business model. Economic crisis in Europe and America has greatly affected China's e-commerce industry in the process of rational transformation. Such reasons as foreign investment reduction, lack of brand awareness, capital chain rupture and less control of the operation cost make China's e-commerce industry lack of a rigid support of the industry chain and the supply chain (Li, 2013). Thus, China's e-commerce enterprise will be eliminated by the market because of its lack of competitive advantage. At present, another main reason which causes part of the Chinese e-commerce platforms long-term loss is the malicious price competition between commercial enterprises for market share (Qu, 2014). The difference between brand management has not yet formed and it is still in the homogenization competition stage. On the one hand, e-commerce players need to invest a lot of marketing propaganda funds, making the operating costs high; on the other hand, the constant price war which conducts vigorously greatly cut the profits of the enterprise (Lu & Fu, 2012). Therefore, in the current fierce business competition, it is necessary to carry out a case analysis of those e-commerce enterprises which develop the new e-commerce business model successfully. Combining and comparing past successful e-commerce business model, to find out one of the feasible direction for the future development of electronic commerce in China.

1.2 Purpose and Research Questions

There has been a lot of discussion and analysis of e-commerce mode on the Internet, but the analysis of vertical B2B2C e-commerce mode is relatively few. In order to facilitate e-commerce enterprises to carry out e-commerce activities in China, this paper will summarize the current situation of e-commerce and make forecasts through the analysis of the advantages and development difficulties of vertical B2B2C e-commerce. This article mainly answers the following three questions:

- What is the meaning of vertical B2B2C e-commerce?
- What is the objective environment of vertical B2B2C e-commerce today?
- What is the development forecast of vertical B2B2C e-commerce?
1.3 Structure of the Thesis

This thesis is divided into six chapters. The first chapter presents the background and significance of the thesis. Chapter 2 gives the theoretical framework used in the thesis. Chapter 3 lines the methodology. Chapter 4 is the empirical findings of the case companies. Chapter 5 the analysis is presented in this chapter. In the last chapter we got the conclusion and the suggestions for the further studies.
2. Theoretical Framework

With the development of Internet technology, e-commerce is becoming a new source of competitive advantage of enterprises. On the basis of a large number of literature research, this paper first outlines the concept of e-commerce and e-commerce model, the classification of e-commerce model, and then through the specific analysis of the B2B2C model, the conclusion of how enterprises to participate in the competition of electronic commerce is obtained. The theory was acquired from books, scientific articles and websites.

2.1 The concept of E-commerce

The United Nations defines e-commerce as an electronic form of business activity, which includes sharing unstructured business information between suppliers, customers, governments and other participants through any electronic tool, such as EDI, Web technology, e-mail, etc. And complete all kinds of transactions in business activities, management activities and consumption activities.

In its "global e-business outline" (1997), the United States government pointed out in general: "e-commerce refers to various business activities carried out through Internet, including advertising, trading, payment, service and other activities, and global e-commerce will involve all countries in the world."

With regard to e-commerce, IBM has proposed a definition formula: e-commerce = Web + IT. It emphasizes commercialized applications in the network computer environment, that is, the application of the combination of the buyer, the seller, the vendor and its partners on the Internet, the intranet and the enterprise network. At the same time, IBM also proposed that infrastructure, innovation and integration are the three elements of e-commerce.

According to the definition given by these institutions, we can see that the simplest definition of E-commerce is a trade relationship between the buyer and the seller through the transaction on the Internet. Of course, this relationship is also changeable, because there are a variety of different subjects (government departments, suppliers, retailers and so on), and there will be different e-commerce models because of the diversity of the trading platform. Next, we want to draw out different models of e-commerce.
2.2 E-commerce model

E-commerce mode is a new form of development of traditional business mode under the condition of e-commerce innovation. Therefore, understanding the meaning of business mode is the basis for understanding the mode of e-commerce. Among them, mode refers to the external relationship of things, which can embody the essential law of things hidden. There is no unified definition of business model. The table as below shows definition of E-commerce mode over years

Table 1. Definitions of E-commerce model over years. (Source: Own construct)

<table>
<thead>
<tr>
<th>Year/Author</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999 Rayport</td>
<td>E-commerce is also a business mode. It depends on the development level of management and technology. The market changes under the condition of network economy (p. 5)</td>
</tr>
<tr>
<td>2000 Mahadevan</td>
<td>E-commerce includes businesses that do business with partners and customers on the Internet. The network economy divides the whole market into 3 structures: portal, market maker, product/service providers (p. 55)</td>
</tr>
<tr>
<td>2006 Wei</td>
<td>The electronic business model, after the enterprise determines the subdivision market and the target customer, through the specific organizational structure, uses the network information technology to integrate the related processes with the cooperation members of the value network, finally meets the needs of the customer. (p. 36)</td>
</tr>
<tr>
<td>2004 Ye</td>
<td>E-business mode is a way to provide value and profit for the target market in a certain position of the value chain system. (p. 108)</td>
</tr>
<tr>
<td>2009 Huang</td>
<td>E-business model involves the management problems in the research of electronic commerce. It refers to the way enterprises obtain income through the Internet and the scheme to realize this way (p. 16)</td>
</tr>
<tr>
<td>2002 Torbay</td>
<td>E-commerce model includes four elements: product and service, customer, infrastructure management and finance. Enterprises can innovate their business model by changing one or some components. (p. 4)</td>
</tr>
</tbody>
</table>
### 2.3 The classification of e-commerce model

#### 2.3.1 Business to Business

B2B mode defines business activities such as product, service and information exchange between enterprises and enterprises. That is to say, both sides of B2B mode are enterprises or companies. They use Internet technology and Internet business platform to trade.

**Figure 2-1 B2B management model (Source: commercial economy research)**

From the point of view of target customers and demand characteristics, the main customer targets of the third-party B2B e-commerce platforms are small and medium-sized enterprises, at the same time, the network marketing of small and medium-sized enterprises is mainly based on the third party B2B platforms. With the favorable economic situation, small and medium-sized enterprises will boom, which means that the B2B payment platforms will promoting. (Li Xue, 2017)

But in the rapidly changing Internet world, enterprises need to get accurate information quickly to get business opportunities. Therefore, on the one hand, Internet enterprises must transfer to accurate plate positioning, on the other hand, the page design tends to be streamlined, from which the massage can be quickly positioned, gradually change from the door type site to the search type website. With the continuous development of B2B mode, a single horizontal or vertical development mode is hard to meet the needs of comprehensive enterprises. It is inevitable to integrate different business models according to the characteristics of enterprises.
2.3.2 Business to Customer

B2C is the electronic business model of the enterprise to the consumer. This form of e-commerce is mainly based on online retailing, mainly based on Internet, to develop online sales activities.

First, look at the business mode of B2C from the perspective of the relationship between business and consumers: (1) the seller's business (or business organization) -- the buyer's personal (or consumer) e-commerce. This is a business mode that businesses sell goods and services to consumers. The main performance is that the merchant opens the web store on the website, announces the variety, specification and performance of the goods, or provides all kinds of services, prices and ways, by consumers, orders, online checkout or off-line payment, and the merchant is responsible for delivery to the door. (2) buyer's business (or business organization) -- seller's personal e-business. This is an e-commerce mode that businesses (or enterprises) purchase or service to individuals on the Internet. It is mainly manifested in the e-business mode that businesses (or enterprises) purchase personal products or services online. This mode is most commonly reflected in the recruitment of talents by Internet (Zheng, 2010)

Compared with the B2B model, the number of consumers is large and huge, but the transaction amount is small, the accidental consumption accounts for a huge proportion. That is to say, when the consumer wants to buy some products, the choice is not sure but to meet the specific and personalized needs. Only by continuously satisfying its individualized demand and providing specific products or services to increase customer stickiness, can we obtain customers' repeated purchases. This has prompted the business to continuously improve the quality of the product, provide better service, improve the design of the page and so on.

Although the amount of consumption is small and the region of the consumer is scattered, the business rules and transaction procedures are the same, at the same time, the business and consumers communicate with the Internet, which greatly reduces the communication cost and improves the efficiency of the channel. It is very convenience because most of the web sites can achieve 24 hours of uninterrupted business, through the self-help purchase.

In this model, most enterprises are small and medium. The way to develop and expand is clear, that is, to establish good reputation and brand image by marketing means such as low price or promotion, and to increase customer stickiness by constantly improving product quality, improving service function and improving customer loyalty. With the increase of customer number and the increase of consumption volume, enterprises will gradually form scale effect within the industry, so as to achieve operation cost reduction and profit growth.
2.3.3 Business to Business to Customer

B2B2C is the abbreviation of "Business to Business to Customer". Supplier providing products or services is the first "B". The second "B" represent the e-commerce platform. The service platform has features including: Information management of registered customers, product Information Database Management, transaction information processing and business decisions. "C" represents customers, it can be personal or companies (Zhao & Guo, 2012).


**Figure 2-2 B2B2C e-commerce business model (Source: Zhao & Guo, 2012)**

Vertical B2B2C e-commerce platform is a comprehensive platform that lays on a segment industry or market which connect manufacturers (brands) and retailers, retailers and consumers, brands and consumers. It sets the wholesale, distribution and retail together.

This emerging business model is the best mode applicable to non-standardized products and standardized, which can be used for the integration of the whole industrial chain to achieve a real-time docking of manufacturers, e-commerce platform and consumers, thus providing a complete wholesale distribution and retail platform for the manufacturers (Sun & Zhao, 2015). Manufacturers can deal in all warehouse marketing business by means of online platform management to improve efficiency and reduce prime cost, providing strong support for the large scale and brand for the manufacturers and to provide zero inventory operation for the sellers, also providing consumers with product warranty. Logistics can also be combined with the traditional logistics from the industry, cutting down all intermediaries and warehousing, reducing logistics costs and providing lower price to the consumers, thus developing a manufacturing- supply- marketing one package service for the
whole industrial chain. For the products that need installation and after-sale service, such as home decoration and automotive market can also be integrated into the mode of one-stop service (Chen & Wang, X.J & Wang, L, 2011). Manufacturers, sellers, entity stores, and buyers can develop an all-win mode together, rather than competing for the market through malignant price competition. The profits of the business model mainly rely on advertising and trading commissions, and later by charging consumers for value-added services.
3. Methodology

In this chapter, qualitative research is carried out by grounded theory. The research approaches, research design, research strategy and all other work in different stages of the research process will be presented.

3.1 Methodology choice

In this paper, we mainly use the grounded theory to study. The theory of grounded theory is a research method developed by the two scholars of Barney Glaser and Anselm Strauss (1967). It is a qualitative research method that develops and induces the theory rooted in a phenomenon by systematic programming. Qualitative research is the general name of a group of various research methods, such as ethnography, natural inquiry, fragment analysis, case study and ecological sample recording and analysis are all category of qualitative research (Dumas, M., 2014). Grounded theory is regarded as a more scientific and effective method in qualitative research methods (Jeong H, Hmelo-Silver et al., 2014).

Figure 3-1 the thinking process of grounded theory（Source: Barney Glaser and Anselm Strauss, 1967）

The emergence of grounded theory has its different academic origins. Specifically, it can be divided into the following aspects: first, the unity of quantitative research. Influenced by the paradigm of the natural discipline, the sociological researchers are also very popular with the standardized operating procedures, strict investigation methods, and the quantitative research that reflects the overall situation through the
sample. However, most of the quantitative research, its data collection is the self-report of the researcher, a brief and passive way of behavior measurement, which cannot truly understand the behavior of people in social reality, make the data superficial, simple, deep in the depth of the thought of the respondents, and cannot read the respondent specifically. A delicate life scene. Second, the limitation of qualitative research. In order to solve the problems of "compulsive choice" in quantitative research, qualitative research methods are explored along the other path, that is, through the comprehensive and direct observation and interview, concrete and detailed qualitative data are collected to obtain higher validity and more reliable information, and on this basis, the theory and development are established. Explain the model. Of course, there are some restrictions on the qualitative research, such as the low reliability of the research, the inability to detect the deviation, the trivial and unsystematic information, the generalization and the lower general principles, which make the research limited to the interpretation of "this place". Third, pragmatism in the United States, especially Dewey, Mead and Peace. Pragmatism emphasizes the importance of action, pays attention to dealing with problem situations and produces solutions in problem solving. Emphasizing that theory should be derived from practice and be able to solve practical problems and oppose empty and abstract theories. Fourth, the theory of symbolic interaction. The theory was formed in twentieth Century from 20 to 50s, assuming that people use shared symbols (such as language, clothing and gestures) to construct reality through social interaction and interaction. The theory of symbolic interaction proposes that when we discuss symbol formation and meaning interpretation, we should pay attention to the interaction and interaction between human beings in the social and cultural world. In addition, the theory emphasizes some middle concern rather than grand theory, which is related to the experience problems of daily life. Grounded theory method emphasizes the formation of middle level theory to solve people's real problems, which is derived from symbolic interaction theory.

In view of the advantages and disadvantages of quantitative research and qualitative research, the "grounded theory" adopts qualitative means in the way of research design and data collection and absorbs quantitative analysis methods in the process of data decomposition and analysis. The theory of grounded theory also draws on the essence of American pragmatism and symbolic interaction theory. Its research process is a process of induction. It is a process of continuous concentration from the bottom to the general. It is the subject that the researchers are interested in or themselves concerned with, and constantly ponder, compare and divide the collected data. Analyze, categorize, conceptualize and correlate and construct the process of mining the theory hidden in data through researchers' theoretical tactile sensation.
3.2 Approaches

The grounded theory is a systematic research method. First, it is necessary to collect data, then analyze and integrate the data according to the data connection or logic, and finally get the conclusion. Its main method is to define objects, data collection and data analysis. Data collection and data analysis complement each other. When we get the data, we encode and analyze the data immediately, obtain the new theory, compare and analyze with the previous theory, and then supplement the new data until the theory is saturated. That is, no new concepts, categories or relationships emerge in the new data. If the theory is not saturated, the data collection and analysis process needs to be re-examined, and the corresponding data supplement should be made to make the theory saturated. Because the main purpose of grounded theory research method is to construct theory, it especially emphasizes the sensitivity of researchers to theory. (Huang, 2016)

1) data collection process

Grounded theory is a research method from the inductive theory of phenomena and needs to collect a lot of data. Data collection includes interviews, records, documents and videos. But the degree of dependence on literature is not particularly high, but the early research literature is also an important part of the dataset. Only on the basis of literature review and analysis can the blind spot in the field of research be found, or whether the existing theories can explain the phenomenon effectively, and there is no possible existence of completely isolated phenomena and theories (Li Zhigang, 2007).

2) coding process

In the research of grounded theory, data analysis is realized by encoding and classifying data, and the progressive coding of data is the most important link. The process of coding is the process of thinking about raw data. Through thinking, we can get divergent thinking and help to put forward different opinions. According to the degree of abstraction, coding can be divided into three different levels: one level encoding is an open code, a two level code, a principal axis encoding, and a three level code, which is the core encoding.

3) the stage of theory generation and test

There are two kinds of theories: substantive theory and formal theory. The substantive theory comes from the original data, which is suitable for the interpretation of the specific research object, and the formal theory is a systematic logic framework and concept system relative to the new researchers. Then the theory will be tested to check whether the theory is perfect and saturated.

We decided to use the grounded theory in this article. We will review previous literature on business models, macro and micro environments. On the basis of previous theories and research, we will conduct a detailed survey of an e-commerce company, get the answer to the research questions and the development theory in
3.3Qualitative Research Design

When researching any project, a framework is needed for data collection and data analysis. This framework is built on research design, so the research design reflects the priority of different dimensions in the research process. (Bryman & Bell, 2011). In order to understand the reasons for the rapid development of B2B2C mode, it is necessary to use relevant data and discussions to support research. The main steps employed in the thesis were:

1. Research questions – The traditional business mode is changing to the e-commerce mode. In this process, there are many different forms of e-commerce mode. From these models, we focus on the vertical e-commerce B2B2C model and analyze its advantages and disadvantages as well as the reasons for its rapid development. Therefore, it is very necessary to propose effective countermeasures.

2. Selection of case company – Because to analyze the advantages and disadvantages of the vertical B2B2C model, it is necessary to compare with other forms of electronic trade, so the company is a company with rich experience in electronic trade. We will support the findings by analyzing the trade patterns of the company.

3. Data collection – Data were collected through semi-structured interviews with heads of trade companies, supplemented with two data. The interviews were recorded.

4. Data presentation – The collected secondary data was presented to build up and understanding of the modal of e-commerce. The primary data was transcribed and was used to present a detailed description of the company and its operations in empirical findings with quotes.

5. Data analysis – In the analysis, data from empirical findings was connected with theory which allowed a discussion of the implication of Envisions organization.

6. Writing up findings/conclusions - the analysis data and discussion provided findings and conclusions that are presented.
3.4 Data encoding and information

Table 2 major data sources (Source: Own construct)

<table>
<thead>
<tr>
<th>Data type</th>
<th>Main source</th>
<th>Main information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview records</td>
<td>Telephone interview</td>
<td>The main strengths and bottlenecks of company development and its future prospects</td>
</tr>
<tr>
<td>Academic periodicals</td>
<td>National network</td>
<td>Analysis of B2B2C business model</td>
</tr>
<tr>
<td>Book</td>
<td>Library</td>
<td>The history of the development of e-commerce platform, the history of the development of Amazon in the United States</td>
</tr>
<tr>
<td>Enterprise information</td>
<td>Company website</td>
<td>The company's business activities, leaders' speech</td>
</tr>
</tbody>
</table>

3.4.1 Open coding phase

Open coding is the initial level of analysis. It needs to break the original data to be conceptualized step by step, that is, to identify the attributes and dimensions of each concept (Su Yanjie translation, 2010). At this stage, through the collection of B2B2C related data, we extract 51 concepts: consumer spending habits, platform policy regulation and service level improvement and so on. All these are closely related to the mode of electronic commerce, but the relationship between them is rather vague.

3.4.2 Axis type coding stage

The spindle coding is the second stage. It needs the connection between the concept of resume and its category, integrates the shattered data in a completely new way. At this stage, we categorize all the elements and try to find out the similarities and the links between them. On this basis, the basic grouping of them is made, and a catalog which can generalize all characteristics is obtained.

3.4.3 Selective coding phase

Mainly refers to the concept of incomplete development to fill a complete category, through the development of stories and other forms, to explain the need to and the object. Here, we find that no matter what advantages or disadvantages of E-business enterprises, these
all belong to the industrial environment of the enterprise. Therefore, we also summarize the sub category and get the main category.

**Figure 3-2** Data encoding process and results (Source: Own construct)

3.5 Research strategy

When we do empirical research, we should pay attention to the diversification of research objects and research methods, the strategy of stratification cannot be adopted. Because there are specialties in the art industry, different strategies and conditions cannot be completely coincided. In order to ensure the reliability of the research, we need to adopt a collection of various strategies. (ROBERT, 1981)

Case studies are extensive observations and investigations of one or more real-world cases (Saunders, Lewis and thorn hill, 2011). We will use a case study strategy that starts with a single company and builds cases by conducting a semi-structured interview with the company's management. In terms of business model, analyze the advantages and disadvantages of existing e-commerce model, combined with the latest economic form, select the best business model. Through interviews, this paper mainly discusses the views of business operators on b2b2b2c model, and whether the
business ability, profitability and long-term development ability of enterprises have improved after using the model. The competition faced by enterprises, the improvement of e-commerce platform and the change of consumer consumption concept are universal. The background analysis of a single case is also the analysis of macroeconomic environment. Data collection in a single case study comes from semi-structured in-depth interviews, corporate annual reports, and statistical literature.

**Figure 3-3** research strategy (Source: Own construct)

![Figure 3-3: Research Strategy](image)

Case studies can help researchers better understand the process of research, and support the researchers' arguments on the causes, processes, and results of the problems they have studied (Lewis, Thornhill & Saunders, 2012). What is more, moreover, case study is a very effective and easy way in business and other fields (Beckman, 1988; Eisenhardt & Graebner, 2007). Therefore, it is necessary to analyze the current economic situation by using the research strategy of case analysis. It can explain the problems in more detail and supplement the blank of the theory. It is a reliable research theory from the empirical point of view. The data collection of case studies generally includes three methods: interview, observation and enterprise documentation, in which interviews are the most important means to directly contact the enterprise and obtain first-hand information. This research takes Shangpa as the main body, but also with the help of Taobao, Amazon's development to explain the development of e-commerce.
3.5.1 Case company selection

When choosing a company, we consider the professionalism of a company engaged in e-commerce. Shanghai ShangPa information technology Co., Ltd (referred to as Shangpa in the following) located in Shanghai, China. It was established in 2015 and invested by OBOYA Horticulture Industries AB (referred to as OBOYA in the following) from Sweden owned by its founder, Mr. Robert jiang Wu who quit the position of the chairman of OBOYA and focusing this new vertical B2B2C e-commerce company in China. Shangpa focusing the quality of life for Chinese citizen and built up a vertical B2B2C e-commerce platform for the green plants, flowers and home gardening industry.

OBOYA Horticulture Industries AB is a global company engaged in the manufacture and sale of options to floriculture and growing industry. The company currently has subsidiaries in China, Poland, Norway, Denmark, Kenya and Sweden. In total there are twelve companies in 2014 will have a consolidated turnover of approximately 250 million SEK with 342 employees. The company has grown significantly in 2014 both organically and through acquisitions. (www.oboya.se)

It can be said that OBOYA is the foundation of Shangpa, but the E-marketing mode represented by Shangpa shows us the future trend of business mode. Selecting Shangpa as the object of investigation, the data we collected can be more valuable.

At the same time, the study of vertical B2B2C mode cannot be confined to business enterprises. I will also focus on the e-commerce platform. Through the analysis of e-commerce platform, it not only complements the validity of the article, but also helps to understand the economic development situation. In this article, eBay, Taobao and other electronic platforms will be analyzed, mainly for Taobao (China's largest e-commerce platform) analysis. Because it is difficult to interview the staff of Taobao, the analysis of Taobao mainly uses interviews, news reports and statistical reports that can be collected on the Internet.

3.5.2 Choice of Respondent

The interviewee is chairman of OBOYA and Shangpa company. 27 years ago, he came to Sweden from Northeastern China and worked in Sweden at the end of 1993. In 1997, he was sent to Shanghai as an Asian manager by a Swedish multinational company and later as a manager in Africa and the Middle East. In 2003, he joined a Swedish comprehensive multinational company as an Asian manager and resigned in 2006. In the past work, it has participated in the acquisition, merger and integration of more than 200 different types of enterprises. In 2006, he was forty years old. He founded a company that was not related to his experience, namely OBOYA. But OBOYA is developing very quickly, the company set up branches and offices in many
countries, and its products are sold all over the world, so they have rich experience in e-commerce. At present, he is committed to developing the B2B2C mode, expanding the scale of the electronic trade, and taking advantage of the Internet to gain the dominant position of the company.

3.5.3 Interview guide

The focus of this interview is to analyze the current development of B2B2C e-commerce in China. From two angles, on the one hand, we discuss from different subjects; on the other hand, we discuss the advantages and disadvantages of the objective environment and the development of enterprises. This kind of interview structure helps to ensure the integrity of the interview and make the problem research more thorough. By setting up an interview guide to ensure the orderliness of the questioning, the interviewer will not force the interviewer to execute it in accordance with the directory. Interviewees have the right to freely explain and answer questions, and interviewers strongly support the interviewees' free speech beyond the guidelines. Interviewers hope to communicate with interviewees to answer their questions, or even bring them into new topics.

3.6 Time horizon

The core of grounded theory research method is data collection and analysis process, which includes both theoretical deduction and theoretical induction. (Li, 2018) There is no significant difference between the grounded theory data collection method and other qualitative studies, but for the grounded theory, the data analysis is strict. (Strauss, 1987)

Grounded theorem is the process of data collection, collation, inference, supplement and conclusion. The workload of the whole research is very huge. Therefore, this article needs to collect data in the early four weeks, extract different combinations of different propositions, and draw numerous small categories. After finishing the compilation of the theory, we will refine the viewpoint in two week, encode the data and find the conclusion in this direction. Of course, the theory of taking root needs to be constantly supplemented. That is, when the theory is not saturated, new information is needed until the theoretical saturation is reached, and definite conclusions and suggestions are drawn.

3.7 Research Ethics

In conducting academic research, we should pay attention to protecting the privacy of the interviewers, so as to achieve ethical considerations (Bryman & Bell, 2015). First of all, the interviewee's work experience and the exposure of the company's information are agreed by the interviewees, and the interviewee's privacy will not be
infringed; secondly, the interviewer is not forced to answer the question. Interviewees allow an open answer to the question; again, respect the interviewer's ideas or suggestions, do not make a subjective comment on the content of his interview; finally, thank the interviewee for his participation in my research.

The identification of both the interviewer and the interviewee was made clear and that the participation was voluntary.

### 3.8 Trustworthiness

Any study is inseparable from trustworthiness. In order to embody trustworthiness, we can divide it into four parts according to the theory of Bryman and Bell (2011): credibility, dependability, confirmability and transferability.

#### 3.8.1 Credibility

When describing events, the things or phenomena described must be concrete. These things or phenomena must be visible or audible. When collecting data, we must ensure that the information is comprehensive and reliable, cannot ignore details. In the course of our research, we tend to notice what is important and meaningful to us and ignore what we think is not important. In this article, after collecting and finishing the data in the early stage, some of the information is given to the interviewer in order to get his evaluation, which ensures the credibility of my data.

#### 3.8.2 Dependability

The establishment of dependability is based on repeated detection to reduce errors and improve accuracy. In this article, in order to ensure dependability, when communicating with the interviewer, recording the content of the conversation with recording, and then exchanging and supplementing the data for many times in the aftermath of the question. All this ensures that the article is more reliable.

#### 3.8.3 Conformability

Researchers must stand at the perspective of the researchers, deduce their way of looking at the world and building meaning from what they say and what they do. In addition, in trying to understand the true ideas of the subject, we must also distinguish the theory that they advocate and the theory they follow in the actual action. In this article, the author will try to analyze problems from an objective perspective and avoid errors caused by subjectivity.
3.8.4 Transferability

Researchers need to combine the purpose of the study when selecting the subjects, and the research objects must be effective for the research results. The research objects should be representative and universal, and they can learn more similar objects through research subjects. In this paper, the analysis of the operation environment of a single company can be regarded as an analysis of the whole e-commerce market environment, both of which are universal.
4. Empirical Findings

This chapter presents the empirical findings which collected through interviews and secondary data. The order is organized according to the interview sequence of semi-structured interviews, and interrelated data are added to explain the findings.

4.1 Development of E-commerce

At the end of the 1960s, large enterprises in Western Europe and North America began to use electronic means to exchange data, tables, and other information. The original electricity was transferred directly by the computer to the computer in accordance with the same recognized standard between the trade partners of different countries and regions. This is the first electronic commerce mode -- electronic data interchange.

In 1995, Amazon and eBay websites launched online, and began the trend of e-commerce. Now, over the past 20 years, e-commerce has undergone rapid changes. From the chart below, we can see that the global retail e-commerce volume has almost doubled two times in four years, and the development of e-commerce is still very strong.

Figure 4-1 Retail ecommerce sales worldwide, 2014-2018 (source: eMarketer)
Electronic commerce is the product of the trend of the times. It can establish trust relationship between buyers and sellers, achieve supply and demand interoperability, facilitate transaction process and shorten logistics time. The advent of the network economy requires us to have a new understanding of e-commerce: traditional commerce is changing, consumption is turning to electronic consumption and network consumption (Q.B.Cin, 2005). Nowadays, global e-commerce presents the following characteristics:

- The scale of the market is expanding.
  Over the past five years, global retail sales have grown at an annual rate of 19%, exceeding $2 trillion. Global online retail will continue to grow as smartphones become more popular, Internet upgrades accelerate and emerging markets expand.

- Regional gap gradually narrowed
  E-commerce originated in Europe and America, the application rate in these areas is higher, and the development of e-commerce is more mature. E-commerce in Asia has become the largest and fastest-growing region in the world by drawing lessons from the European and American e-commerce models. Because of its poor economic base, other regions have a small scale of e-commerce, but they also have great potential. (Wang, 2018)

- Enterprise merger and acquisition tend to be frequent
  At present, the world's large Internet Co have focused on the platform as the core, developing upstream and downstream industries, and extending the industrial chain. Amazon and Alibaba and other enterprises take the shopping platform as the core, build a cloud service system, and develop logistics, finance and other industries. Suning.com and Jingdong.com take the online platform as the core and find the offline shopping mall.
4.2 Chinese e-commerce market and development

Figure 4-2 The growth of e-commerce in China, 2007-2015 (source: iResearch)

China's e-commerce has gone through a period of rapid development from scratch and has now become the leader in e-commerce. According to findings in the yStats.com publication, China is forecasted to account for over half of the global online retail market in 2017. (China B2C E-Commerce Market, 2017) From the following figure, we can see that the development of China's e-commerce includes the following aspects: first, the number of Internet users has doubled; secondly, the size of online shopping is expanding; finally, the total retail volume is also increasing. Chinese e-commerce base in the expansion, although the growth rate has slowed, but still maintain high growth. By 2015, the number of Internet users may be in line with physical store users.


1996 to 1998 is the beginning of China's e-commerce dream, yes, it is only a dream, but in essence, there is no cornerstone of e-commerce. Even if we can see the chemical network, see the Chinese manufacturing network, but do not forget that they are English interfaces, the domestic "market" is not mature, and some are just a myriad of "maybe" "Possible". 1999 can be regarded as the first year of China's electricity supplier. It is full of opportunities and unknown.

In 2000, when the embryonic form began, the number of Internet users increased to 8 million 900 thousand, and the number of computers that could access the Internet was
3 million 500 thousand. With the entry of capital, the development of e-commerce in China is booming. However, after the US internet bubble burst and capital began to leave the Internet market, Sina, NetEase, and Soho have no advantage on Nasdaq, but it may be so cold and hot that many companies have found new directions, new rudiments.

In 2003, the capital came back again, it was the craziness period of the time of the wind cast in the warmer period. The great situation of electric business accelerated the listing of e-commerce enterprises. At the same time, the smart net was listed in Hongkong, and the Ctrip was also listed on NASDAQ. Laid the foundation and the establishment of Taobao and Alipay more huge empire Alibaba, combined with MA in 2004 proposed the "network" concept, is not difficult to guess Ma will C2C on what kind of strategic height, see domestic market prospect of C2C course more than eBay. eBay also takes China as the largest market. Meg Whiman (CEO of eBay) even forecasts that the development of China's electricity supplier is 4 times than that of the world.

After 2006, Mr. Ma is in charge of B2B and C2C, and is ready to run B2C. Netizens have long evolved into a new term -- Digital citizens.

After 2010, enterprises are not satisfied with single fields. They begin to develop other forms of E-commerce while retaining their dominant industries. E-commerce presents a model of multi enterprise competition.

4.3 Objective Analysis – From different subjects

4.3.1 Analysis of e-commerce platform

"Speaking of B2B2C, we can start with second B. This B refers to the e-commerce platform where we can trade. " (Interview, 02-05-2016).

The e-business platform is a platform for businesses or individuals to negotiate online transactions. The ultimate goal of e-commerce is to develop business and application.
- Another way to expand e-business platform is Internet marketing, which enables users to understand, understand, or buy our products one way or another
- The e-business platform is a platform to get big returns with small investments. Through e-commerce platform, enterprises or individuals can get more business opportunities at very low cost.
- The e-commerce platform does not conflict with the company's home page or sales platform which already owned by the enterprise. On the contrary, it is a powerful complement to the trade mode of the enterprise. The development of electronic commerce is not limited to individual enterprises. It needs more professionals to participate in and develop together.
“What is the difference between traditional business and Internet commerce? It is the different medium of the transaction. In the past, if we sold or bought a lot of things, most of us searched for information through human connections or on the home page. It was not only a waste of time, but the information of the search was very narrow. Now, when we seek cooperation, we will go to the third-party platform to collect or publish messages.” (Interview, 02-05-2016).

The electronic commerce of the third-party platform is to provide services between enterprises, enterprises and final consumers. It is for the end consumers to engage in information communication and acquisition, product transmission, capital circulation and auxiliary decision-making, and to provide labor, funds and other raw and productive factors for the production and operation of the enterprise. It is the main factor to form a trading environment, providing more and more options for both the buyer and the seller to make the most favorable way of dealing with both parties in terms of time, place, cause, person and cause. The e-business of the third-party platform is the channel organization to realize the mechanism of market integration and grows up with the development of market economy.

“China's electricity supplier market is a big fat meat. Many powerful foreign enterprises want to win the market, such as Amazon, eBay. But they are not successful at last. Why? The most important reason is that they have neglected China's national conditions.” (Interview, 02-05-2016).

The reason for eBay's failure in China is that it has failed to understand China's market and culture and its localization strategy has failed. To achieve localization strategy, it is necessary to fully understand local users (Chen,2007) If an enterprise wants to enter the market to engage in e-commerce activities, it must consider the market policy, choose the logistics and choose the strategy. Those who blindly join e-commerce may face ineffective investment and waste of energy. (Zolzaya Edenebileg,2017)

The survey shows that Chinese consumers want to be able to get more security when shopping, which is more reflected in the consumer's questioning of the seller before the transaction and more detailed information on the product. eBay, however, will restrict the exchange of information between buyers and sellers in order to prevent price exchanges between buyers and sellers in private. In order to satisfy consumers' preferences, Taobao has developed an instant messaging tool Ali Wangwang for consumers. This facilitates the purchase of consumers and enhances the satisfaction of consumers.

eBay and Taobao are also different in using advertising to create revenue. eBay's advertising is mainly based on product promotion, and it has little effect on the purchasing power of the market. Taobao is more marketing propaganda, the company pays more attention to publicity gimmicks than promotional products. (Jiang,2017)

For example, eBay advertising products are mostly iPod or IZPP, which can only have brought by elegant and higher income white-collar, ignoring the taste and consumption level of the public. And Taobao's advertisements are more attractive things such as sexy lingerie. It is well aware that Chinese people like to hype and
constantly create various kinds of things to hype themselves. For example, Taobao even auctioned ladies through non-washable underwear, although it is indifferent in foreign countries, but it has become a hot issue in China. Taobao also immediately launched Alipay to promise full reparations, playing the role of intermediary guarantee: consumers will first pay the goods to Alipay Y, and then send the goods to the seller after receiving the goods, this service way to ensure the security of consumers, deeply loved by Chinese users. eBay, because of the lack of understanding of the localization market, is insufficient for the users of this nonstandard market, so it does not know what the user is worried about, if it is difficult to meet the real needs of customers, it will not be able to get more consumers' support.

“The failure of Amazon and eBay in the Chinese market is not accidental, the success of Alibaba is not accidental too. When my company decided the direction, we always consider customer.” (Interview, 02-05-2016).

Figure 4-3 An analysis of Alibaba's B2B2C model (source: self-drawn)

The new B2B2C pattern is different from the traditional B2C mode. The traditional B2C mode requires enterprises to provide services for multiple consumers, which needs to collect more information and increase the cost of enterprises. In addition, the new B2B2C mode can use the information collection advantage of the platform to get consumers' demand information more quickly and effectively. The typical example is "Amazon" and "Dingdong". And the new B2B2C model not only wins more orders for the manufacturers, but also reduces the cost produced by the manufacturer's backlog and stock, and expands the selection range of consumers' shopping, so that consumers can buy their own good goods without going out of their homes. "Alibaba" hopes to provide a platform for Internet merchants and consumers of MEET to
WORK to LIVE, hoping to make use of their achievements and all kinds of business that have been established to let businesses put their entire business on "Alibaba", and ultimately rely on "Alibaba" to seek more profits, not only to make businesses unify. The operation norms and sales channels also enable consumers to directly understand commodities from procurement to production and then to sales through the "Alibaba". In the network trading market, a multi-dimensional supply and demand network is established to achieve the gradual transformation of business transactions in the economic society to the Internet.

"The emergence of the third-party platform is a good thing for an enterprise. But our company will choose to enter some third-party platforms, especially in some professional website platforms. “(Interview, 02-05-2016).

When using the third-party platform to realize the application of e-business between enterprises, enterprises must take into account their own strength and situation. First of all, if the enterprise has its own power to build a direct selling e-business system, it should consider self-construction. If the enterprise is lack of strength, it can use intermediary services to achieve online transactions. Second, enterprises should be careful when choosing intermediary services, one is to choose intermediary services which are similar to their own industry, and two is to choose intermediary websites with certain brand image and popularity. Enterprises can choose several intermediary websites to provide services, but not too much, if too many choices may affect enterprises. The industry collects the quality of business opportunity information. Some websites lack effective control of intermediary service information, which leads to too much false business information, but brings negative impact on enterprises.

"There is a rise in the demand for professional websites, so we can see that the e-commerce platform is no longer single, and the professional web site such as jumei.com and No.1 store will seize the market. “(Interview, 02-05-2016).

Couple of years ago, Taobao and Tmall barely meet any competitors. But from the 2014 market competition pattern of China’s e-commerce market we can see that Tmall and Taobao covered a market share of 60% while Vipshop, JD.com, Dangdang covered the most of the other 40%. Clothing category used to be Alibaba's most powerful category, which has now been ripped. Books have already been the world of JD.com, 3C communications has been dominated by JD.com; home appliances are divided by JD.com, Suning and Gome and the auto market now is under the Qichezhijia’s control. There is Store Number 1 who captured online supermarket and Brewmaster in the liquor online selling. Vertical e-commerce is nibbling the segment market in China.
4.3.2 Analysis of Sales enterprise

“At the very beginning of e-commerce, whoever first enters the electronic platform will occupy the first mover advantage.” (Interview, 02-05-2016).

Figure 4-1 the comprise of Online channel trading scale and underline channel transaction scale Unit: hundreds of billions (Data source: National Bureau of Statistics)

From the table, we can see that, since the scale of e-commerce is not large, e-commerce is developing rapidly, but the scale of e-commerce is not large. In China, shops that pioneered business activities on Taobao are now able to create a myth that annual profits exceed one hundred million yuan. On the contrary, BELLE group, which once opened branches in major physical stores, has been closed because it has ignored online sales. The change of macroeconomic environment requires enterprises to take the road of e-commerce development.

The lower cost expansion is often considered a very difficult thing in the traditional industry. According to the profit rules of the traditional industrial economy, the greater the bend around from the starting point to the destination, the more benefit the gain will be recognized by the society; the smaller the winding curve, the less benefits the gain will be recognized by the society. The development of network technology and the development of e-commerce activities are basically to narrow the middle path, the time path, the space path and the interpersonal path between production and consumption. The network makes the information needed by the enterprise across the mountains and rivers in a moment, so that the producers and consumers with the distance of capital are linked together again. Capital makes production and consumption separate, and the network converts production and consumption.
All this means that it will be profitable to participate in e-commerce. The development of an enterprise is no longer limited by the amount of capital, but more depends on the control of information or opportunities.

“At the beginning of the establishment of the company, the company's main form of trade was B2C, relying on firm cooperative relations before the company to engage in production and operation activities. However, the share of independent individual consumers in the market is increasing. While consolidating cooperation with various enterprises, I was thinking about establishing a company that could establish a relationship with individual consumers, and Shangpa was established at this time. Our company has tried to sell at Taobao and WeChat stores. These experiences make me believe that our business is half successful as long as we find a good platform.” (Interview, 02-05-2016).

**Figure 4-2** Affiliate B2C business collaboration of Shangpa (Source: Own construct)

Collaboration across functions is critical for major projects and initiatives (Ron Ashkenas, 2015) The purpose of collaboration is to integrate the strengths and resources of various departments and work together to create greater value for enterprises. But it's not easy to do it successfully. To carry out an electronic trade, we need to involve the work of product supply, logistics, sales platform, funds, after service and so on. These independent functions need to be linked together to play a role.

For Shangpa, there is not much difference between B2C trade mode and B2B2C trade mode. They all need to integrate all kinds of resources. But in the B2B2C mode, because the trading platform has played a greater role, the work that the enterprise needs to do will be reduced correspondingly and become more convenient.

“An enterprise wants to develop into a qualified e-commerce enterprise, we need to pay attention to more than only products, we also need to pay attention to all kinds of problems such as logistics,
Only by coordinating these things can enterprises develop well.” (Interview, 02-05-2016).

Figure 4-2 Offline cooperation and supply chain of Shangpa – a Quasi closed system (Source: Own construct)

“Through coordinating and mobilizing all kinds of resources, enterprises can expand their advantages not only in competition, but also in widening their profit channels and gaining more economic profits.” (Interview, 02-05-2016).

In order to gain a dominant position in business competition, it is necessary for enterprises to analyze the profit pattern. In essence, this is a competitive strategy, because it involves the core elements of enterprise operation, which can help enterprises to make better profits. First, its parent company OBOYA has made Shangpa has advantages in the supply of products, showing a more stable supply of products, lower price of products, and a more rapid logistics chain. Second, it is also profitable on the platform. The original intention of Shangpa is to develop e-business, so we set up shop or publish product information on many electronic business platforms. Through the participation of the platform of advertising campaigns to expand the scale of customers, form their own customers, and use the good evaluation of the platform, can expand the platform advantages and increase sales. In the end, enterprises can also be guaranteed money.
On the one hand, enterprise development funds are supplemented by financing, and on the other hand, the use of platform sales makes the increase of liquidity, which also increases the available scope of enterprise funds. In this respect, profit is also possible.

**Figure 4-3** Profit model of Shangpa (Source: Own construct)

“*Cooperation and profitability are very important to enterprises, but in the long run, enterprises also need to develop professionally. That's why our company is going to develop vertical B2B2C*” (Interview, 02-05-2016).

Specialization strategy refers to the continuous development of enterprises by engaging in production and business operations in a certain field that meets their own resource conditions and capabilities. (Michael E. Porter) At this point, enterprises need to focus on areas of superiority and no longer expand other irrelevant businesses. Maintaining the professionalism of production can improve the efficiency of production and operation, reduce the cost of production and operation, and gain competitive advantage.

Shangpa also tends to specializes in development, and the main target area is flower sales. In the future, Shangpa will soon enter the e-commerce platform, and it will also be inclined to the professional website of agricultural products. By attracting customers better, Shangpa will improve its specialization in production and sales.
4.3.3 Analysis of Sales customers

“First and most important, consumers are most concerned about the quality of products.” (Interview, 02-05-2016).

Today's consumer market is more inclined to high quality consumption. Consumers are increasingly aware of the importance of quality, forcing enterprises to provide more high-quality products. (Marimuthu & Malliga, 2012) Consumers need to get more descriptions of the product information from the seller, and at the same time, the seller needs the trust of the consumers to gain profits. (Darius Victor, 2011) In order to make the retail marketing behavior more effective, it lists the problems and doubts that the consumer products in the consumption process for the products of its own company, and lets the experienced promoters or marketing managers respond most appropriately to different problems and form the specific ways of answering these questions. The contents of the edition should be compiled and compiled, so as to avoid serious mistakes in the sales process and influence the image of the company's products and brands.

“Secondly, consumers pay attention to the price ratio of shopping. People always want to buy better things with less money. E-commerce reduces people's spending by reducing intermediate procedures.” (Interview, 02-05-2016).

It means that consumers pay special attention to price when shopping. The first choice is the price. They are most interested in low price promotions such as "big sale", "clearing", "blood sale" and so on. Generally speaking, these consumers are related to their own economic conditions.

From the analysis of economic factors, there are two main problems that affect consumer buying behavior: one is the unity of commodity function and price; two is the relationship between commodity price and consumer's income, that is, whether the commodity price can be accepted by the customers of the target market. The unification of commodity function and price is a problem that must be dealt with seriously in the marketing activities of industrial and commercial enterprises; In the case of pricing the goods, the enterprise must consider whether the commodity price of the enterprise can be accepted by the customers in the target market, which is also a problem that should be paid attention to in the market.

“Third, under the influence of people's life style, people pay more attention to the shopping experience, that is, whether the service is considerate, the logistics is rapid, and the after sale is perfect. These factors will have an impact on the enterprise.” (Interview, 02-05-2016).

With the escalation of service competition and the constant awakening of consumer awareness, consumers are more aware of the level of service they have received and have more requirements for services. In addition to standardized and standardized services, the demand for personalized services is also rising, from the attention to details. Consumers are less likely to be satisfied with services, so they need to provide higher quality services to customers. (Huang, 2017) In-depth study of consumer
behavior characteristics, and then explore the true inner appeal, on this basis, the enterprise began to locate marketing mode and actively use various marketing means to improve the value of its own brand while in the market competition in the dominant position. Everyone has their own way and habit of buying and having their own style. Therefore, the cognition of the consumers is based on the construction of a good visual image of the brand, and then the enterprise can update, correct and expand its market, seize the faithful audience, excavate the latent audience and the marginal audience. Only in this way can we attract more consumers' attention.

4.4 Objective analysis – From the objective environment

4.4.1 Business environment

According to the report data, at the end of December 2014, in China's B2C online retail market, Tmall ranked first, accounting for 59.3% market share; JD.com ranked second, accounting for 20.2% market share; Suning Tesco in the third, accounting for 3.1 % market share (Pan, 2014).

Although compared with Alibaba and JD.com, the vertical e-commerce companies are not with the same level in volume. But for the segment markets, vertical e-commerce has more advantages in deep level and they have more clear target customers (Ying, 2015). Users obviously need the existence of vertical e-commerce. From a certain point of view, the vertical e-commerce has more abilities to seize the opportunities in the current Chinese market, meet consumers’ demand for a more detailed and vertical differentiation.

In fact, if we putting the vertical e-commerce companies like Jumei, Vipshop and Dangdang together, they have already cut off a large market share of Chinese e-commerce (Ying, 2015). The e-commerce targeted at the specific customers, such as the mother and baby, health and some small groups of customers who have special interest and needs are now having a lot of new opportunities. For example, Redbaby for the maternal and infant market and DFmeibao for the jewelry market. Both of them have very strong potentiality.

Alibaba's Taobao and Tmall is a typical e-commerce version 1.0, which takes an aggregation model. The core of its business model is the massive user polymerization and then sell the amount of user to the sellers for the advertising charge. Since the
flowing users are increasingly scarce, naturally the prices are becoming higher and higher, hence doubling the income. But with the development of Wechat (a social network app that nearly every Chinese use it every day with a payment system and also enable personal and companies to open online shops on it), e-commerce version 2.0 "decentralized" mode (let users manage their own seller merchant, only charge a commission, payment rates, and other service fees) is developing rapidly (Gan, 2014). A large number of sellers have flocked to the WeChat to establish their own public account from Taobao and Tmall and start doing business on this new B2B2C e-commerce platform. More individual sellers start to sell goods through their own WeChat account and we can obviously see that most of them are in the vertical B2B2C e-commerce business model focusing a specific and small segment market. This WeChat public account B2B2C platform makes it possible that a single seller achieves more than hundred-million-yuan value of sales (Li, 2015). “The business environment is providing adequate soil for the growth of vertical B2B2C e-commerce” (Interview, 02-05-2016).

4.4.2 Consumption custom

Compared to the Western world the development of history is quite different in China, resulting in their cultural differences. Culture will have an impact on consumption behavior through the impact of consumption concept, thereby forming the difference of the consumers consumption behavior in China (Zheng, 2013). During the purchasing behavior, it is a serious problem for Chinese people to have a sense of security. The price is the first element of the overall impression for consumers on the store (Tai, 2009). One of the most important feature of e-commerce is that the customers can quickly got the enough information for a certain product and compare the price with other similar products as well as considering the quality and brand. When it goes to vertical B2B2C e-commerce, this consumption custom is building more advantages that the vertical platform can provide more detailed information about the products and users can compare all the alternative choice at the same time to find the right one they want with their satisfied price and quality.

Related to income is that Chinese consumers are very sensitive to price, or a relatively high proportion of price sensitive consumer groups. A comparative test in three different Chinese cultural districts found that the same promotional activities had different responses: hot promotional effect in mainland China; Singapore lukewarm ("no need to buy cheap stuff"); Hong Kong's response is in the middle (Lu, 2014). Price-sensitive characteristics enable the retail promotions to play a relatively better role in e-commerce: increasing the possibility of an impulse purchase. The study of Cobb and Hoyer (1986) showed that the tendency of unplanned purchases is on the rise and the vast majority of consumers will make an impulsive purchase in shopping malls. The reason why online shopping is so popular with people of all ages is that the structure of net purchases is getting more reasonable. Goods of more complete varieties, more attentive service, and of high, medium and low grade, are available
through network purchase. Online shopping can meet the needs of different consumers, and the price is much lower than that in the stores. Moreover, the Internet finance gives consumers the convenience of financial services and is changing Chinese people's consumption concept from another dimension.

“The impulse purchase of the Chinese consumers plays a very important role in the growth of the huge e-commerce platforms like Taobao but with the maturity of the online consumption habits of Chinese consumers, it will bring more advantages for vertical B2B2C e-commerce” (Interview, 02-05-2016). Nearly 50% of the internet users surveyed said that online shopping attaches great importance to product evaluation quality and as an important basis for whether to purchase or not. Comparative study indicated that only three percent of respondents said that they put emphasis on the sales volume of products (Tang, 2016). The online shopping habits of Chinese consumers are getting mature and impulsive consumption ratio will further decline. With the online shopping habits of Chinese consumers further mature, more consumers tend to spend time browsing related comments except the shallow view like sales data in shopping decision-making process. Shopping behavior tends to be more rational, while the impulsive consumption ratio of chasing to grab the "hot cakes" will decline further that give more chances for vertical B2B2C e-commerce to develop in segment market.

“Chinese consumers are always purchasing the products that the people surround them bought and they like to recommend good staffs to their families and friends. We clearly understand this unique Chinese habit and it has been an advantage of Shangpa because we are vertical, we are professional and the products on our Apps and platform are with better quality. It is also a point we griped to spread our apps and platform” (Interview, 02-05-2016). As the principle of social identity convergence points out, when we are making a decision or doing an activity, we have a time of hesitation. At this time, people tend to get information from the people around us, that is, to make decisions or make a move by imitating the people around (especially those very similar to themselves). (Jenkins, 2014). It’s safe to follow the crowd. in addition, with moderation and face psychological behavior of Chinese culture, the Chinese people tend to follow the crowd, herding and speculative phenomena in the purchase and promotional activities (Dou & Zhou, 2006). This is the behavioral habits for the Chinese people to avoid the risk in an insecure environment. It explains the reason that why some kind of product and vertical B2B2C e-commerce Apps can spread so fast in China like a virus and compared to the old business model, vertical B2B2C e-commerce have more advantages on using this consumption custom. When a Chinese want to recommend a product, they don’t want to search it on a platform who has all kinds of goods. They want to show the product directly with a click on their cell phones or by PC, that means an app from a vertical B2B2C company.

The mobile terminal

“The mobile terminal became the core competence for a vertical B2B2C e-commerce company these two years, without a good performance at the mobile terminal, no vertical B2B2C
companies can survive in China. Shangpa is putting the most attention to the mobile terminal and we have designed the apps for both the iOS system and Android system which keeping Updating, as well as the online shop on Wechat throw Shangpa’s company account in WeChat” (Interview, 02-05-2016). There are over half of the mobile phone users shopping in the mobile terminal in 2015. Mobile e-commerce terminal has exceeded that of PC terminal for the first time. The mobile terminal will become the main channel of e-commerce transactions. At the end of 2015, Chinese mobile shopping users reached 364 million people, an increase of 23.8%. As is expected, by 2018, the size of China Mobile e-commerce users will be close to 500 million (iMedia Research, 2016).

Figure 5-2 China's mobile terminal e-commerce market transactions 2011-2016. Unit: hundred million (Source: www.100EC.cn)

Figure 5-3 China's mobile terminal e-commerce taking market share from the PC platform Red: PC Blue: Mobile terminal (Source: XinJing Newspaper)

The popularity of smart phones, has brought the development of the PC end to the mobile terminal. The rapid development of e-commerce has made setting up shop not so simple as it did before on Taobao, and JD.com. Many powerful companies have decided not to rely on others platforms, but to establish their own B2B2C mall system, from development restricted to their own unconstrained growth. Now multi-user mall system (B2B2C) has also become their first choice (Yin, 2016). This rate of development will also lead to a shift optimization focus to the mobile terminal, so the
optimization of the mobile terminal should not be underestimated. With the rapid development of intelligent terminals and mobile Internet, the convenience of mobile shopping is becoming more and more prominent. Promoted by the mainstream e-commerce platform, the consumer acceptance of shopping through mobile terminal has also greatly increased. The users have already developed a habit of mobile shopping. In terms of the payment scale, affected by Tencent and Ali's "Pocket money War" at the 2015 Spring Festival Gala, mobile payment scale experienced a sharp rise in early 2015 (Yang, 2016). Mobile payment is an important step towards the closed-loop of mobile-commerce. The popularity and improvement in mobile payments has greatly promoted the rapid development of mobile e-commerce.

Four points of benefits that vertical B2B2C E-commerce can get from the development of mobile terminal are summarized:

- The rapid development and popularity of mobile intelligent devices lay a solid material foundation for mobile shopping popularity on the vertical B2B2C e-commerce platform Apps.
- "Payment", an important part of mobile shopping, is getting more and more mature and optimized, which gives consumers more trust. The construction of mobile shopping closed the loop also has taken a big stop forward which brings more users for the vertical B2B2C e-commerce platform Apps.
- The unique mobile shopping precise customization, fragments of time, social sharing and other features have been fully demonstrated, which has also contributed to the continued growth of mobile shopping groups. This has fundamentally subverted the shopping model and has promoted the rapid development of mobile shopping which also promoting the rapid growth of vertical B2B2C e-commerce and bring more business.
- All the huge e-commerce enterprises are making great efforts to complete the layout of the mobile terminal. The completion of the mobile shopping scene has also contributed to the advancement of mobile shopping which can also have a great effect on the vertical B2B2C part and bring much more users.

4.4.3 Policy factor

New policies have formulated by the Chinese government to promote the development of e-commerce. According to a State Council executive conference chaired by Premier Li Keqiang on Apr.1 2015, the meeting noted that we’ll develop e-commerce and other emerging service industry, deploy revitalize the stock of financial resources and co-ordinate the use of precipitation to effectively support economic growth; determining measures to accelerate the development of electronic commerce, fostering new economic power. The conference also pointed out that we’ll focus on the innovation of government management and services, actively support the development of electronic commerce, for which to smooth away the obstacle and offer essential support. In the development we’ll lay emphasis on norms and guidance.
Firstly, we will implement decentralization policy to facilitate the registration of e-commerce enterprises. Relax restrictions on the registration of petty bourgeois enterprises and provide them with more equitable registration and operating conditions. Secondly, we will provide more financial support for the e-commerce platform, reduce the threshold of bank loans, and reward advanced enterprises. (Summarized from the website of Chinese government).

These policies are changing the pattern of China's network development. On the one hand, the economic benefits of policy are chain reaction, which will make Internet shopping, electronic management, software development and other Internet economies flourish. On the other hand, the policy also has a binding effect. It makes the network world more standardized, plays an important role in combating crime and civilized transaction, and helps to improve the professionalism and standardization of the practitioners. (Yu, 2015).

**Internet +**

According to the opening ceremony of the third session of the 12th National People’s Congress was held in the Great Hall (2016.03.05). Premier Li Keqiang put forward the “Internet +” action plan. Li Keqiang proposed in the government work report, “the Internet +” action plan aims at promoting the combination of mobile Internet, cloud computing, big data, Internet of things and modern manufacturing industry, promoting the healthy development of e-commerce, the Internet industry and the Internet finance, guiding the Internet enterprises to expand the international market.” The Ma submitted to the NPC this, Ma explained, “Internet +” strategy is the use of the Internet platform, the use of information and communication technology, the Internet and including traditional industry, including businesses combine (Caijing, 2015).

“Internet+” strategy is one of the four proposals put forward by Ma Huateng, Chairman of the Board and CEO of TenCent, a delegate to the National People’s Congress. Ma Huatent explained, “Internet +” strategy is to make use of the Internet platform and communication technology to combine the Internet and traditional industries from all walks of life and create a new ecosystem in new areas. In plain words, it is the “Internet + XX traditional industries = Internet XX industry”, although the actual effect is not a simple addition. This “Internet +” example is nothing new. For example, the traditional market + Internet, we have Taobao. The traditional department stores + Internet, we get JD.com. The traditional bank + Internet, we have Alipay. The traditional matchmaker + Internet, we get Jiayuan. Com. Internet + traditional traffic we have Drops Travel. In the field of retail and e-commerce, a combination with the Internet can be seen over the past few years (Li, 2015).

As Ma said, "this is the upgrading of traditional industries, not the subversion of traditional industries." Among them, the Internet, especially the mobile Internet, has played a huge role in upgrading the original traditional industries. In fact, the
"Internet" has not only been fully applied to the tertiary industry, but has created some new industries, such as new Internet finance, Internet traffic, Internet health care, new Internet education, etc. And infiltrated into the primary and secondary industries. Ma said that the Internet industry is permeating from the consumer goods industry into manufacturing and energy, new materials and other industries, promoting the transformation of traditional industrial mode of production. Internet agriculture also permeates the Internet from e-commerce network marketing chain to the production areas, bringing agriculture new opportunities and a broad space for development (Zhang, 2015).
5. Analysis

The purpose of this paper is to provide the feasibility study report of vertical B2B2C e-commerce for enterprises. This chapter analyzes the advantages and development difficulties of vertical B2B2C e-commerce from different aspects through the cross case analysis of multiple case companies from the controllable angle of the enterprise itself, and finds out what kind of business model innovation has been completed.

5.1 Advantages of vertical B2B2C e-commerce

5.1.1 The control of seller's qualification

The qualification of the sellers on the e-commerce platform is one of the most important part that it has a direct effect on the shopping experience of the consumers. Not only the quality of the product, there are other issues such as the service that the consumers can get from the sellers and the credibility which related to the qualification of the sellers. Taobao's built up a credit rating system which became the moral code of the entire Taobao world, restricting the buyers and seller’s behaviors. After each transaction is completed, the buyer and the seller should evaluate with each other (Jin, 2015). This step have changed the online consumption custom in China that the rate of bad evaluation became the most important data for the both sellers and consumer. It helped Taobao to control the qualification of the sellers to some extent. But during the development of this system, the sellers found many ways to avoid the bad evaluation such as paying back or give discount to the consumers which reduced the power of this system.

When it comes to vertical B2B2C e-commerce, it became one of the advantage. Since they are different business models, seller transformed into supplier, purchaser and online retailer seller in vertical B2B2C e-commerce. “As I said, Oboy group invested Shangpa that means we already have the sauce in this industry and bring a lot of suppliers, purchasers, manufacturers and business partners. With the network and the deep understanding of this industry, it is easier for us to control the qualification of newcomers” (Interview, 02-05-2016). Most vertical B2B2C e-commerce companies have the support of the companies that already set up in the industry or good network with many of them. The experience, network and the understanding of the industry will help to control the qualification of the supplier, purchaser and online retailer seller.
The advantage is summarized by the follow:

- **Supplier:** Vertical B2B2C platform provides a transparency display of the manufactures’ qualification of production scale and a complete portal display function for the manufacturers, contractual rights and obligations, giving the manufacturer a certain administrative privilege (such as price controls, etc.). Through the audit assurance, it ensures that all the traders in the platform occupancy are brand traders and China general agents of the foreign brands who are referred to suppliers (Chang, 2013). Permissions are set to avoid suppliers misplacing other categories of goods. A series of regulations is made to offer corporate and brand display of publicity and patent protection of product design for suppliers.

- **Purchaser:** Vertical B2B2C platform opens to the entire industry, will be involved in some retail companies’ purchase through other channels. It has a strict audit for registered purchasers to avoid the fake ones. There should be a purchaser permission to offer wholesale information about professional products to make purchasers more relaxed.

- **Online retailer:** Through a unified distribution of goods to suppliers and through category registration vertical B2B2C platform has avoided the homogenization of the business. It has solved the issues such as warehousing and shipping, so the online retailers can return to a mode of light company operation.

### 5.1.2 Product management

Consumers are in great demand for low-cost goods, which determines that merchants produce fake and shoddy products in order to meet this demand, and Taobao is also affected. Since its birth, Taobao's advantage is the low price, and Taobao's rapid development is also driven by this high-speed engine. Having missed many anti-counterfeiting opportunities. Taobao, which was born based on low cost, has fallen into a dilemma. Once a thorough renovation fake is launched, Taobao foundations will be shaken, thus affecting the entire Tmall and Ali Baba (Huang, 2010). Precisely, as to the pattern for the proliferation of fake, Taobao is helpless and in a confusion unable to find a solution to the dead end. On one hand, the market is questioning Taobao’s fake goods. On the other hand, the market is suffering a heavy loss after the anti-counterfeiting campaign. Taobao has been weighing the pros and cons. With the further escalation of competition in thee-commerce, Taobao, standing at the cusp, is in an unbreakable dilemma in fake disposals.

"We got many products from Oboya group. To make it more clearly, that the Oboya group is one of the main part of the B2B in the B2B2C model. I am honored to say that the product from Oboya are with the highest quality all over the world and as I said the competition among the B2B2C vertical e-commerce platforms in the same industry is very fierce. Be the top1 or die. The product
on our platform must have the good quality” (Interview, 02-05-2016). As we mentioned in 5.2.1, most B2B2C vertical e-commerce platforms have the support from the company that already set up in the industry, the products from that company will set a standard for the other product on the platform. With the competition both in the platform and between other platforms, the quality of products is guaranteed. “Consumers come to Shangpa they pursuing the high quality of life standard and of course they come for the better products” (Interview, 02-05-2016). Compare to the huge e-commerce platform such as Taobao, the motivation of consumers to shop on the vertical B2B2C platform is to find the better products with higher quality. Price is still one important feature to be considered but no longer the first thing in their mind. The pursue of the consumers decided the product management in the Chinese e-commerce market and the competition helps the B2B2C vertical platform to build up the advantage of product management.

“Since we have the control of the qualification of the first B part and we have already had the cooperation with some of them, there is no possibility for Shangpa to have one piece of fake product” (Interview, 02-05-2016). In vertical B2B2C platform, suppliers provide all sources of products through the advanced model, blocking the chance of retailers selling defective products. Suppliers are responsible for product quality and protect the interests of consumers. Logistics system are combined with traditional channels of logistics, keeping the lost in the process of logistics to the minimum. “We will remove the products which meet the quality problem immediately, it was in the contract with the B2B part” (Interview, 02-05-2016). Vertical B2B2C platform design and merchandises products, under a unified management of suppliers on standardized display. The retailers can present their products according to their own needs but cannot change the product specifications. Once there is a product quality problem, all the products of the same kind should be immediately off the shelf. Unified product evaluation is adopted. Once the evaluation is lower than the provisions, all the products should be off from the platform and Apps.

5.1.3 Integration of the suppliers, retailers and consumers

“After set up Shangpa, the resource of the industry for us has been integrated which also had a feedback for Obuya too and how much we integrated from the B2B part have been one of the most important factor to decide whether we can reach the top1 of this segment market” (Interview, 02-05-2016). Integration of the suppliers, retailers and consumers can be one of the advantage for the vertical B2B2C e-commerce and also give more resource for the industry company as we mentioned. “Suppliers, retailers establish partnerships to help reduce the transaction costs associated with the process. For example, communication and mutual cooperation can reduce the transaction costs of searching for information of trading partners; mutual trust and commitment can reduce the performance risk. Only by achieving all-win of suppliers, retailers and consumers can we enhance the competitiveness of enterprises” (Interview, 02-05-2016).
Supplier integration: As a complete set of e-commerce solutions have been provided for the suppliers, having solved the problems of capital flow, logistics, information flow and distribution of benefits and other issues, it’s simple to make the integration of suppliers.

Retailer resource integration: All the measures, such as a first wholesale distribution of goods for retailers, simple operation, zero inventory operations, and a reduce in packaging and labor costs, are more in line with the demands of retailers, thus making vertical B2B2C platform business model the most competitive.

Consumer integration: Vertical B2B2C platform’s integrating consumer advantages rely on professional, quality and service. Platform can meet consumers’ demands through specialized B2C platform information display, professional marketing activities, professional services, and manufacturers’ guarantee of product quality.

5.1.4 Service

In terms of standardized management, Taobao has a set of well-established rules and procedures. Even if you're a novice, you can use Taobao's guidelines for new users to use rules, shop processes, and the qualities necessary for employees to use them fluently. Ali Wangwang is Taobao's special communication tool, as an instant chat software integrated by word, voice, video communication, transaction alerts, shortcut channel, the latest business information and other functions, which is powerful shopping assistant (Qian, 2012). Chatting is only a small part of its function. Ali Wangwang is a very efficient management of the sellers, which deals with transaction status, acceptance evaluation, deals, complaints and other general information and various business opportunities, marketing consulting. Most service are realistic by Ali Wangwang both the seller side and consumer side.

"Besides the normal service of vertical B2B2C platform, Shapa also provide design service for the C part such as the design of home garden or decoration using the flower, green plants and plants wall. For the B part, we added small volume financing support" (Interview, 02-05-2016). Vertical B2B2C platform focusing the segment market which means it can provide more professional and detailed service for both the consumers and the first B side. Due to the diversity and open-ended business model, more services could be added according to the industry. The common advantages are summarized by four aspects:

- Supplier service advantage: The vertical B2B2C platform provides the suppliers with online retail and wholesale channels, low cost, high efficiency, low inventory risk. Using platform system, suppliers can manage platform retail businesses such as product prices, inventory, brand promotion, new market
research and other services. It can provide the third-party logistics services, combining factory shipments and wholesale. For example, the original delivery from factory shipments to a city is 100, and now the platform shows an increase of 10. So, manufacturer will send a delivery of 110 to the city. The final distribution will be completed in cooperation with local express and the local stores. The manufacturer can also build sub-warehouse to solve the problem of inadequate inventory (Chang, 2013).

- Online retailer service advantage: Online retailers can get a monopoly display in advance by means of technology. For example, those specializing in accessories may have the priority to first display among the accessories category, using technical methods to avoid accessories businesses releasing a large number of car accessories and repeating distribution problems (Xiao, 2013). Retailers can be provided with more consumer information, such as the consumers’ identity and age, consuming tendency, and consumption level, which offers the retailers an accurate understanding of consumer demand in the premise of not involving their personal privacy. Retailers can provide the accurate marketing data analysis for the stores, put forward suggestions and solve the problem of zero inventory operations by means of supply chains.

- Purchaser service advantage: One-stop shopping is provided for purchasers, offering them commodity price transparency, quality assurance, the lowest cost of logistics, the highest efficiency, less time, faster logistics to solve purchasers’ inventory problems.

- Consumer service advantage: Vertical B2B2C platform provide consumers with direct supply products and quality assurance. With channels and warehousing cut off, and logistics costs reduced, giving more benefits to the consumers.

5.1.5 Convenience of operating

“We provide network retail and wholesale channels for the suppliers, to reduce costs, improve efficiency, inventory handling and other services. As for retailers, we give them support to understand consumer demand, marketing for businesses and stores to give accurate data analysis proposals to address zero inventory operations. We offer one-stop shopping to the purchasers to ensure commodity price transparency, quality assurance, and low cost of logistics. We provide product quality protection for consumers, cut off channels to reduce the cost of logistics and warehousing, thus bringing benefits to the customers” (Interview, 02-05-2016). Compare to the old e-commerce business models, the advantages of vertical B2B2C e-commerce on the convenience of operating are summarized by four aspects.

- Supplier operation convenience: “We use an ERP system that built up in Netherlands which was used in the flower industry there to help suppliers, online retailers and purchasers to get the live information for each other” (Interview, 02-05-2016). Vertical B2B2C
platform will provide suppliers with a complete set of e-commerce solutions and ERP, SCM and CRM system support, through which suppliers can optimize product inventory. As for unsalable goods, they can stop production immediately. Using e-commerce system, it is more convenient for suppliers to reduce operating costs and improve efficiency.

- Retailer operation convenience: Vertical B2B2C platform will provide a consignment system and more marketing support for retailers, which is convenient to operate and reduce the cost. Also, it will offer data analysis, consumer information, marketing tool development to help retailers.

- Purchaser operation convenience: The suppliers are concentrated, all kinds of brand products have standard prices, and the payment system is perfect. Varieties of goods, a timely logistics and convenient purchase.

- Consumer operation convenience: Vertical B2B2C platform’s pre-sale introducing customer can precisely match the demand of market; accurate marketing promotion can introduce the desired consumes; Varieties of marketing activities for the consumers can be held by joint businesses (Chang, 2013). It is more professional in product display category, accurate search, and differentiation display, which meet the consumers’ demand. It can eliminate duplication and misplaced goods and the payment process is much smoother. It is more professional in judgment about refund and after-sales complaints, more effective to handle disputes. If there is the entity store to check the product quality, it will be easier to serve the customers and reduce disputes.

5.1.6 Multiple business model

Vertical platform has reached its peak theoretically in the integration of industry businesses and consumers. But because it is only designed to the chain of production, supply and marketing in electronic network, the model can serve as extended offline service after it is mature. For example, the case company Shangpa providing design service for the customers on home gardening and decorating by sending the designers. In collaboration with the local entity shop, it can make the completion of the final distribution. After optimization and upgrading, this mode can be used for localization services, which is appealing to the customers. In this way more customers are brought to the entity store, increasing the distribution of income (final delivery to customers or clients get the goods by themselves). The entity store can also reduce procurement and warehousing costs through vertical platform, which is a win-win model.
5.2 Development difficulties

5.2.1 Experienced staff

“As this is a new model of e-commerce in China, we have met the problem of building up our team that the experienced staff especially the staff with a deep understanding of this model is so shot of in the talent market. The staff also need to have the understanding of our industry but this can be trained after. The solution we use is to find staff from the headhunters and train part of the staff during working.” (Interview, 02-05-2016). For lack of the staff who are both familiar with the industry law and vertical B2B2C e-commerce operation thinking, a team of vertical B2B2C company should be talent-centered, led by someone familiar with the industry and vertical B2B2C e-commerce. It is more appropriate for team with the promotion of Internet operation, industry investment, event marketing, product design, and R & D, because they can have complementary advantages. With the development of e-commerce, Taobao and JD.com have cultivated a large number of e-commerce elite. Traditional companies have constantly trained their own personnel (Hu & Yang, 2014). Once the features of e-commerce and the Internet are mastered by the industry elite, they will grow rapidly. We can see that people who have a good command of e-commerce will definitely gradually increase in the next three years. But for current situation, companies who want to start the vertical B2B2C e-commerce need to spend more time and paying more salary for the experienced staff. Another problem for the staff issue is that vertical B2B2C platform need technical team to build up, maintain and update the platform and the Apps. With the analysis in 5.1.2, the mobile terminal became the most important part of the vertical B2B2C e-commerce, the requirement of this technical team is increasing and the experienced staff is also in short supply. “We have to outsource this part to the technical company who has focusing on platform building and updating but we will definitely raise our own technical team on platform and App design in the future” (Interview, 02-05-2016). Outsourcing is the way that most companies adopted. With the rapid growth of vertical B2B2C e-commerce in China, the staff will not be any difficulties in the future.

5.2.2 Market volume

“It is the best timing for us to get into this field, that the vertical B2B2C e-commerce in China is in the beginning period, it did not go down to the smallest segment market that we can do both flowers, green plants, green wall and home gardening together. Otherwise the market volume will be too small for us” (Interview, 02-05-2016). The market volume is small for the vertical B2B2C companies (Zong, 2013). For example, the annual sales of some online segments of the industry only amount to tens of millions of yuan. There is not much space for development even if you are a monopoly. In some industries such as home decoration, consumers rely heavily on the traditional decoration companies. It cost much to develop online shopping. But some industries, grown out of Taobao, have
been mature, such as the automotive market, home furnishing and other industries. Before a single vertical B2B2C e-commerce start on a small industry, companies can set out from its major industry. Market volume is not a problem for the vertical B2B2C companies but after this field turning to be mature, it can be one of the difficulties.

5.2.3 Logistics and warehousing

“We got the high-tech products from Obaya group that solve the problems such as the storage of water when delivering the flowers to keep them fresh and keep them well protected.” (Interview, 02-05-2016). Although the logistics can be outsourced and zero warehousing is one of the advantage of vertical B2B2C e-commerce, for some industry it can be a huge problem such as fresh food. For our case company Shangpa, it can be the biggest difficulty but Shangpa got the industry support from Obaya and that may be the reason why Mr. Robert come back to China from Sweden to start this vertical B2B2C company. But building up the own logistics is another issue, Shangpa chose to half outsource the logistics and for some industry, this maybe the first difficult they need to solve before building up all the vertical B2B2C business.

5.2.4 Promoting and customers’ acquisition

Mobile terminal

The huge user amount is one of the core competence for Taobao and the user amount is also the key factor of vertical B2B2C e-commerce. Some of the companies choose to cooperate with the traditional huge e-commerce platforms but the factor that decide whether the vertical B2B2C company can survive or not is the user amount of the mobile terminal. “Mobile terminal, of course it is the most important part, that was what we are working on. We put our most attention and efforts on the promotion of mobile terminal. Shangpa outsourced the design of Apps to save time for the promotion, time is everything in this field you know, the earlier you enter and the bigger efforts u put on promotion, the more market share you can get. We start the business on WeChat early too, even before our Apps start to be built” (Interview, 02-05-2016). There are over half of the mobile phone users shopping in the mobile terminal in 2015. Mobile e-commerce terminal has exceeded that of PC terminal for the first time. The mobile terminal will become the main channel of e-commerce transactions in China. The popularity of smart phones, has brought the development of the PC end to the mobile terminal. This rate of development will also lead to a shift optimization focus to the mobile terminal, so the optimization of the mobile terminal should not be underestimated. With the rapid development of intelligent terminals and mobile Internet, the convenience of mobile shopping is becoming more and more prominent (Yang, 2016). Promoted by the mainstream e-commerce platform, the consumer acceptance of shopping through mobile terminal has also greatly increased. The users have already developed a habit of mobile
shopping. “The competition for vertical B2B2C companies in the same industry is super high. I always told my staff that be the top one or die. The basic of this business model is the user; and the user won’t keep two app for the same thing in their phone” (Interview, 02-05-2016). The competition between the vertical B2B2C companies mainly lay on the mobile terminal and the fund to make promotion is huge which raise another problem, the capital invests.

**Capital invests**

“We got the invest from Oboy group and we got huge fund from Softbank at the A round financing that the capital invest is not the problem” (Interview, 02-05-2016). Shangpa got the capital in vest from Oboy group and Softbank, but for most of the vertical B2B2C companies, capital invest will be the biggest difficulty to keep their company growing bigger. Capital invest has been the first barrier for this new business model. It takes a long time to manage vertical e-commerce and the start-up costs are relatively high, the growth is relatively slow. Besides, the limited room for growth in the capital market can’t reaches the goal of being quick at entering and exiting. But with the development of e-commerce, the reputation and the advantage of quality service of vertical e-commerce are becoming more and more prominent. So the investment community will surely lay more emphasis on the vertical e-commerce.
6. Conclusions

The last chapter is a review of the main theories and answers to the research questions raised in this paper. Besides, this chapter also puts forward managerial implications, theoretical contributions and limitations, as well as suggestions for further research.

6.1 What is the meaning of vertical B2B2C e-commerce?


Whether from the shopping guide to optimize product quality, after-sale service and product usage, vertical B2B2C platforms can not only guarantee to reach the professional standards as traditional marketing does through excellent integration and direct marketing, but also has a great advantage in understanding and using the information on the product.

6.2 What is the objective environment of vertical B2B2C e-commerce today?

Firstly, the business environment of China’s e-commerce is providing all the necessary condition for vertical B2B2C e-commerce to develop. The entire e-commerce is growing more and more fast in China. Although we all know that the golden age for China’s e-commerce is coming, the possibility to succeed in the same way with the old business models is barely no chance since the big e-commerce platforms such as Taobao have already took the most of the market share. But with the successful case of B2B2C business model such as JD.com, entrepreneurs start to focus on building up the vertical B2B2C e-commerce in their own segment industry.

Secondly, with the popularize of internet and years of online shopping experience, the consumption custom of Chinese have been changed. The convenience of online shopping and the inclination of getting more information before consumption make people which live in the fast-paced cities in China barely shop offline. A big number of consumers no longer put the low price in the first place for shopping online. People are pursuing products with higher quality and better service on the e-commerce
platforms. What’s more, with the high using rate of smart phones and new technology on the payment, the mobile terminal became more important than the PC platform for the e-commerce. All these features are beneficial for vertical B2B2C e-commerce to exert its advantages.

Another big issue should be the Policies released by the government recently. The Chinese government is encouraging the e-commerce grow faster in China to lead the economic development. The newest policy “Internet +” sharply build up for vertical B2B2C e-commerce.

6.3 What is the development forecast of vertical B2B2C e-commerce?

Vertical B2B2C e-commerce, as a rather immature business model, has both advantages and disadvantages. Overall, it still has a lot of room for development.

This new business model for e-commerce has a more powerful control of the qualification of the supplier, purchaser and online retailer seller by its operating mechanism and is able to acquire the integration of the whole industry chain. It can provide better and more professional service to both sides of its business model. It provides more convenience on operation for the consumer, retailer, purchaser and supplier. Different kind of offline business could be added depends on the segment industry.

The difficulties of vertical B2B2C e-commerce to develop in China reflected in the difficulty to hire experienced staff and it’s hard to get enough capital invest at the beginning. The promotion of the mobile terminal will be the most competitive part of this field and the logistics may be a problem for some industries.

6.4 Managerial implication

The conclusion and Inspiration of this paper are beneficial for e-commerce enterprises to develop e-commerce activities in China. First of all, the advantages of vertical B2B2C platform was analyzed for the managers to use and the development difficulties are also given to be focus with. Before entering this field, the entrepreneur has to solve the capital invest and found the way of offline services or cooperation and make sure to have enough resource or network in the industry. The team build is hard for a vertical B2B2C company, the proposal for running the company with new
staffs should be planed. The way of promotion is the most important issue and a good strategy on that is needed. The entrepreneur should know that the competition won’t let two vertical B2B2C companies in the same segment industry survive in the future and for some industries, logistics will be the problem.

6.5 Theoretical contribution

This thesis highlights the business model of vertical B2B2C e-commerce in China and explained why it developed so rapidly in China. As this business model was newly formed, several researches have reached this field. The author collected and combined plenty of information and data from the internet and analyze based on the limited scientific researches, giving deeper understand of the business model. The business model innovation was found by comparing to the traditional e-commerce with the cross-case analysis between some case companies. The advantages and development difficulties for vertical B2B2C e-commerce in China was summarized systematically both in the business model and the connection with the business environment, consumption custom and policy factor. The profit model, offline cooperation and supply chain and affiliate collaboration relationship for vertical B2B2C e-commerce (Due to the limitation of the industry of the case company, it may not be interchangeable for all kinds of vertical B2B2C e-commerce) were summarized by the author which maybe the first on the scientific research field.

6.6 Limitation and further research

The research is limited since vertical B2B2C e-commerce is a new business model in China which is still in the start stage, that there is not enough literature to rely on and the model itself is still during the innovation. For these reason, the research cannot go narrower. Due to the feature of vertical B2B2C e-commerce the business model of the case company Shangpa, it cannot represent the generic business model and the comparison was only between the C2C business model of Taobao. It will be interesting for the further study going narrow and deeper in this field, trying to compare all kinds of e-commerce business from vertical B2B2C e-commerce and to research the new situation for this business model. These provide in-depth research recommendations that can increase the value of research findings.
7. Reference


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Appendix I

Interview Guide (In English)

Background Information

- Type of the interview - telephone interview
- Name of the interviewee - Robert Jiang Wu
- Role of the Company - Chairman
- Name of the interviewer - Yuan Qu
- Date of the interview - 2/5-16
- Company – Shanghai ShangPa information technology Co., Ltd.

General Questions

- Can you please tell me the history of the company?
- Can you please describe the products you develop?
- Can you describe the markets in which you operate?
- Can you describe your customers and who they are?
- Can you tell me who your suppliers, online retailers, purchasing agents and consumers are?

Theme 1 - Analysis of B2B2C patterns from different subjects

- From the perspective of e-commerce platform, can you talk about your analysis of its history and its future prospects?
- Can you tell us what you can get from the development of e-commerce?
- According to your grasp of the market, can you describe the changes that the
Theme 2 - Industry Background

- What do you think the reason created China's rapid development of vertical e-commerce?
- What do you think the advantages of vertical e-commerce in B2B2C are, and what are the bottlenecks?
- What are your main profit model?

Theme 3 – How to achieve the advantages of vertical e-commerce

- How do you implement the control of seller's qualification?
- Compared with the platform e-commerce companies, what are the advantages in your product management?
  - Product Circulation Management
  - Product Exhibition Management
- What are your advantages in the service?
  - Supplier Service Advantage
  - Internet Retailer Service Advantage
  - Purchasing agent Service Advantage
  - Consumer Service Advantage
- How do you achieve the integration of the suppliers, retailers and consumers?
- What convenience of operating have you offered to your suppliers, retailers, purchasing agents and consumers?
- Is your business model multiple? How do you implement it?

Theme 4 – How to overcome the vertical e-commerce operating difficulties

- Staff who are familiar with how vertical e-commerce operate and have the
thinking model of vertical e-commerce are relatively scarce. How did you set up your team?

● The market of vertical e-commerce is limited; how do you develop and excavate the market?

● How do you solve the problem of logistics and warehousing?

● Through what channel do you promote and get the customers’ acquisition?
  ○ Did you choose the path of anchored existing business platform at the beginning of the promotion?

● How did you solve the problem of capital invest when you set up the company?

● What do you think of the competition among the vertical e-commerce in the same industry?

**Theme 5 – Extension**

● Do you think industry support plays an important role in the model of vertical electric business?

● Do you think vertical e-commerce and platform e-commerce will be transformed into each other after they develop to a certain extent?
2. Appendix II


背景信息

- 采访形式 - 电话采访
- 被采访者姓名 - 乌江
- 被采访者职位 - 董事长
- 采访者姓名 - 曲元
- 采访日期 - 2016.5.2
- 公司名称 - 上海尚葩信息技术有限公司

基础信息问题

● 您能告诉我您的公司的发展历史吗？

● 您都有哪些产品？

● 请您简述下您的公司涉及的市场？

● 您的顾客群体都有哪些？

● 您的供应商，网络零售商或途径，采购商，消费者都有哪些？

Theme 1 - 对电子商务模式不同主体的分析

● 从电子商务平台的角度，您能讲述一下您对它历史的了解以及对以后的展望吗？

● 从电子商务模式中您的企业能收获什么呢？

● 根据您对市场的把控，您能描述一下现在消费者所具有的改变吗？

Theme 2 - 行业背景
您认为是什么造就了中国垂直电商的快速发展？

您认为垂直电商在B2B2C电子商务中的优势有哪些，有哪些发展瓶颈？

您的盈利模式？

Theme 3 – 如何实现垂直电商的优势

您如何实现商家资质的管理？

您在产品管理上较平台电商有哪些优势？
- 产品流通管理
- 产品展示管理

您在服务上有哪些优势？
- 供应商服务优势
- 网络零售商服务优势
- 采购商服务优势
- 消费者服务优势

您如何实现供应商、零售商和消费者的整合？

您给供应商、零售商、采购商与消费者提供了哪些操作上的便利性？

您的商业模式是否多元化？您是如何实现它的？

Theme 4 – 如何克服垂直电商运行的困难

对行业规律熟悉及拥有电子商务运营思维的人才较匮乏，您是怎样组建您的团队的？

垂直电商的市场容量有限，您是如何拓展和深度挖掘市场的？

您是如何解决物流和仓储问题的？

您通过哪些途径进行推广和获取客户？
- 您在推广初期有否选择挂靠现有电商平台这一途径？
- 您在创业初期如何解决资本助力问题？
● 您如何看待同一产业垂直电商的竞争？

**Theme 5 – 延伸**

● 您认为作为垂直电商这一商业模式，实业支撑重要吗？

● 您认为垂直电商与平台电商发展到一定程度后会互相转化吗？