

The Future of Circular Economy: Second-hand E-commerce

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Abstract

The National Development and Reform Commission and other departments issued the "fourteenth five-year" circular economy development planning notice, which proposed to encourage the development of "Internet + Second-hand" mode, strengthen the management responsibility of Internet trading platform, strengthen the supervision of trading behavior, to provide standardized and standardized services for Second-hand goods trading. Under the cultivation of green consumption concept, the younger generation is willing to participate in the sharing economy and circular economy, and various online Second-hand trading platforms have emerged.

Keywords

Second-hand Goods; E-commerce Platform; Network Transaction.

1. Introduction

Sharing economy has been a buzzword in recent years. Whether it is time-sharing rental in the field of shared travel, or online short-term rental in the field of shared accommodation, whether it is co-working in the field of shared space, or expert services in the field of shared knowledge and skills, etc.

At the same time, a lot of people in the "sharing" and "lease" disputed between the two concepts, no matter what name, both belong to the category of idle economy, its essence is to increase the value of goods in limited life cycle, make the same goods in different stages of life to meet more people use requirements or maximum extent, improve the added value.

As Internet giants have entered the bureau, Second-hand E-commerce has also become a new focus in the context of idle economy. There are three main reasons for this:

First of all, idle quality and quantity, urgent circulation;

Secondly, the development of big data, intelligence and other technologies and the improvement of logistics and payment services;

Thirdly, new ideas of consumption such as environmental protection and realism have replaced old ideas such as extravagance and waste.

2. The Development of China's Secondary Market

In contrast to Japan, Second-hand E-commerce is still in the early stages of growth

The development and prosperity of Japan's Second-hand market came from 1980s and 1990s, mainly because Japan's economic growth rate fell sharply, the economy fell into long-term stagnation, the national consumption power declined, the consumption returned to mature and rational development of circular economy, and the implementation of garbage classification and charging. As a result, people pursue practical and cost-effective, and gradually turn from new products to Second-hand idle goods exchange, transfer or gift regional flea markets, a variety of medieval shops, professional Second-hand recycling companies emerge at the historic moment, with a strong momentum of development.

At present, Japan's economy continues to decline, the aging of the population intensifies, the decline of the productive age population, the increasing pressure of natural disasters and the rise of the Internet and other factors accelerate the adoption of the minimalist life of desarai and sharing, and begin to examine the social significance of consumption. Second-hand has become the Japanese culture and trend of Second-hand E-commerce rapid growth, middle stores online and offline a lot of innovation and chain development, a large number of Second-hand goods exported overseas Japanese Second-hand goods market has gradually formed middle physical stores, flea market and Second-hand E-commerce complete and mature industrial chain.

In terms of China's consumption upgrading environment, the secondary market is still in the initial growth stage. From the perspective of the economic basis of consumption, China is in a period of rapid growth of total retail sales of social consumer goods, accelerated frequency of commodity replacement, and rapid growth of people's consumption capacity. People have wealth from scarcity to abundance, but far from excess. In contrast, Japan is in the third consumption era.

3. Foundation of Second-hand E-commerce: Incremental Market and Improved Infrastructure

In terms of the contribution of consumption, investment and export to China's economic growth, final consumption expenditure contributed 76.2% in 2018, becoming the primary driving force for economic growth for five consecutive years.

In 2018, the total retail sales of social consumer goods reached 38 trillion yuan, and the Ministry of Commerce expects it to reach 48 trillion yuan in 2020. The huge increase of social consumer goods has created huge potential space for the Second-hand trading market.

A large number of idle goods in the hands of consumers need professional and efficient circulation market to invigorate, circular economy will usher in rapid development.

Thanks to more than ten years of development and penetration of E-commerce platforms, online retail has accounted for more than 20% of the total retail sales of social consumer goods, and it is gradually increasing. Consumers have become accustomed to shopping experience through E-commerce platforms, which lays the foundation for the development of Second-hand E-commerce.

Second-hand E-commerce platforms eliminate regional restrictions through Internet technology, reduce information asymmetry, and open up information flow, capital flow and logistics, so as to complete the whole transaction closed loop.

With the continuous growth of the total retail sales of social consumer goods, the support of online shopping and the change of people's consumption concept, the potential of Second-hand trading market is being continuously released. China's Second-hand goods trade in 2017 has reached 500 billion yuan, and the annual growth rate of more than 30%. It is expected to reach 1 trillion by 2020.

Compared with other countries, the Second-hand trading market in the United States has reached about 2 trillion yuan, higher than China, Australia and Canada around 200 billion yuan, Japan (excluding Second-hand cars) around 130 billion yuan.

4. Second-hand E-commerce Industry Model

From the current business categories, the Second-hand E-commerce market presents a comprehensive oligarchic confrontation, vertical segmentation industry refined operation pattern. Xianyu and Zhuohuan two comprehensive platforms have absolute advantages, occupying more than 90% of the market share, penetration rate of 72.9% and 33.1%,

respectively. The vertical segmentation platform covers the fields of electronic products, luxury goods, Second-hand houses, Second-hand cars, and fashionable games. Different from Second-hand houses and cars and other high unit price goods, idle fish and around the goods are mostly idle private non-standard goods, low prices, in the long tail of E-commerce position, the platform is difficult to directly profit from the transaction, more rely on flow, logistics and other enterprises to build a moat, seeking profits.

From the perspective of business model, the current industry is mainly C2C and C2B2C. C2C mode is light. Enterprises mainly serve as platforms to provide transaction channels and services for buyers and sellers, create interest communities, and do not interfere in transactions. The C2B2C model is relatively heavy. The platform mainly focuses on high-priced products such as 3C digital products and fashion games. It provides a series of services such as item identification, renovation, logistics and after-sales service, and participates in the whole transaction to ensure the rights and interests of both buyers and sellers. In C2C mode, users publish pictures, videos and other modes, and get exposure by relying on platform classification and recommendation. Buyers and sellers communicate and negotiate by means of private messages, messages and other ways, with a strong social atmosphere, flexible transaction and high activity. In contrast, the intervention of the platform under the C2B2C model can effectively complete the re-standardization of Second-hand goods. Take digital products Second-hand E-commerce as an example, it has standard recycling process for digital products, and detailed classification of the old and new degree of models, which can reduce information asymmetry to the maximum extent and improve the turnover rate of Second-hand goods.

5. Driving Force of Second-hand E-commerce: The Change of Consumption Trend

The post-80s and 90s generation has become the most important consumer group in China. Compared with the "old and new", they care more about the practicality and cost performance of goods. The traditional thinking of "liking the new rather than the old" is gone.

(1) From the blind pursuit of big brands to pay attention to the cost performance of products. Compared with "conspicuous consumption", young people pay more attention to the quality and performance of products, find the most suitable for their own goods, and meet the needs of life through reasonable prices.

(2) From egoism to altruism, from private possession to the awakening of sharing consciousness.

Young people will not gain satisfaction by monopolizing materials, but gain spiritual satisfaction by sharing with others. They will spontaneously engage in common use of goods, lease rather than possession, and reuse of old goods.

At the same time, with the development of information technology, especially the emergence of the Internet, the sharing of goods, such as exchange, the sale and sale of used goods has provided a more simple and convenient channel.

(3) the sense of responsibility of making the best use of materials, low-carbon environmental protection, and building a resource-conserving society.

From focusing on themselves to focusing on the country and society, young people hope to make the most of the use value of goods and practice the concept of green consumption.

6. Current Situation of Second-hand E-commerce Platform: The Coexistence of Comprehensive and Vertical Categories

At present, the Second-hand E-commerce platforms in China are divided into comprehensive and vertical categories. The number of skUs of comprehensive platforms is quite large, and the choice of users is relatively fully satisfied. With the cooperation of various resources, such platforms can acquire more users in a short time, and at the same time, resource sharing in credit system and logistics service can be achieved to improve the efficiency of the platform.

From the perspective of the development of Second-hand E-commerce at the present stage, some comprehensive platforms have a higher starting point and better resources, which is difficult for small start-ups to compete with.

In terms of vertical categories, Second-hand goods and primary goods have different degrees of standardization, and the former has higher requirements on the depth and efficiency of supply chain, which makes a lot of entrepreneurial space for vertical E-commerce under large categories, such as cars, mobile phones, clothes, mothers and babies, luxury goods, books and so on.

With a deeper understanding of individual user needs and more professional services, vertical platforms can bring consumers a better experience. As China has the largest consumer market, many categories of Second-hand markets are more than 100 billion to be excavated.

6.1. Used Mobile Phones

The number of new mobile phones in China is 400 to 500 million each year, and the recovery rate of mobile phones is between 4% and 5%, which is far from the 50% recovery rate in developed countries. At the same time, due to the fast iteration time of mobile phone update, the average time for consumers to replace their mobile phone is 18-22 months. In the sinking market, there is a huge demand for Second-hand high-end mobile phone. Therefore, mobile phone is one of the most popular categories in the Second-hand market.

As the idle rate of mobile phone is more than 60%, the stock of waste mobile phone market is more than 2 billion, and the scale of Second-hand mobile phone market is roughly hundreds of billions.

6.2. Second-hand Clothing

Average nearly five years, China's apparel retail sales in 1.3 trillion, the average service life of a dress, generally within five years, the young replacement time will be shorter, each new purchase clothing in 8-10, conservative estimates that every year in more than 6 billion in the inventory of old clothes and, therefore, available for old clothes for the circulation market also is in the scale of hundreds of billions.

6.3. Maternal and Infant

According to Roland Berger data, in 2015, China's maternal and child market capacity has reached 1.8 trillion, and will grow at an annual rate of 15%, is expected to reach 3.5 trillion in 2020.

Excluding the maternal and child service market which cannot be transferred through secondary circulation, the market of infant and child products alone has exceeded 400 billion yuan in 2015, and will reach 850 billion yuan in 2020. Counting the proportion of 10% flowing into the secondary market, the maternal and child market also has a market size of nearly 100 billion yuan.

6.4. Luxury

From the perspective of the geographical distribution of the global personal luxury market, China has accounted for 30% in 2018 and will reach 46% in 2020, which is similar to the

proportion of Japan during the period of rapid economic development. In 2017, Chinese consumers contributed more than 600 billion yuan to global luxury sales of nearly 2 trillion yuan.

The conversion ratio between new luxury goods and Second-hand transactions in the world is about 10%, but the Chinese market is less than 5%. With the huge purchasing power of Chinese consumers, Second-hand luxury goods transactions are huge.

7. Accelerant of Second-hand E-commerce: Technical Innovation and Improvement of Supporting Services

(1) Big data helps the platform to analyze user needs and make reasonable pricing.

Second-hand goods are non - standard goods, a price, with a typical "orphan" property. Through big data technology, we can analyze consumers' needs and preferences for Second-hand goods, understand consumer behavior, and timely adjust inventory.

At the same time, for the scenarios in which the platform participates in pricing, the price trend analysis is carried out in combination with the old and new damage of the item itself, market sales, supply and marketing relationship, and previous platform transaction data, etc., and the big data algorithm is used to timely adjust the item pricing. On the basis of dynamic pricing, the platform can find profit space.

(2) Intelligent operation improves flow efficiency.

Quality inspection is a special operation link of Second-hand E-commerce platforms, and the replacement of artificial with intelligence greatly improves the efficiency of quality inspection. For self-operated Second-hand trading platforms, it is the only way to improve the delivery efficiency through intelligence.

In addition, compared with first-hand E-commerce, the stability of commodity quality is a bigger test for Second-hand E-commerce. The development of RFID, radio frequency and other technologies has played a great role in tracking and backtracking. The larger the volume of E-commerce platform, the more obvious the efficiency advantages brought by intelligence.

8. Conclusion

In the past few decades, there is no doubt about the speed of China's economic development, but the problems brought by economic development, such as ecological damage, urban infrastructure pressure, food safety and so on, must also be faced. The thinking of circular economy can solve the challenges brought by these problems.

Traditional economic thinking is linear. Enterprises process raw materials into products, and then sell the products to users, who directly throw them into the trash can after using them. This linear economy leads to greater supply of resources than demand, resulting in great waste. The circular economy is the path of "resources -- products -- waste -- products", and returns to products after waste, emphasizing reduction, reuse and recycling. Reduction refers to the use of less resources to meet people's reasonable demand, control the consumption of resources from the source, while reuse and recycling emphasize the use of unused products to re-put into the market, maximize the surplus value.

China has long been a pioneer of circular economy policy and practice, in 2002, our country will have circular economy as the important economic control concept, then introduced circular economy promotion law, circular economy development strategy and action plan recently, at the same time in the "twelfth five-year", "much starker choices-and graver consequences-in planning outline for the implementation of the circular economy in both made specific requirements.

China has always emphasized that only by taking the road of circular economy based on effective utilization of resources and environmental protection can sustainable development be realized.

Compared with China's current development path, the implementation of circular economy in Chinese cities can significantly reduce the overall cost of access to goods and services, saving 32 trillion RMB by 2030 and 70 trillion RMB by 2040. At the same time, fine particulate matter PM2.5 will be significantly reduced, greenhouse gas emissions will be significantly reduced, traffic congestion will be significantly reduced, and water pollution caused by the textile industry will also be improved.

In the past, the participation of individual consumers in circular economy practice was relatively low, mainly because there was a lack of sufficiently developed circulation market of idle goods, sufficient information about idle goods and perfect solutions.

With the development of information technology and the gradual improvement of E-commerce trading platform services, every consumer will provide a second life by selling, renting and exchanging their idle products in the Second-hand market, prolong the life cycle of products, improve the utilization rate of products, and really make the best use of things.

Different from the macro-control of circular economy at the national level, Second-hand E-commerce introduces consumers into practice as the real protagonist, and everyone will contribute to environmental protection.

It can be said that the Second-hand E-commerce platform is an important bearer of consumers' individual practice of circular economy. In the future, the idle economy represented by Second-hand E-commerce will certainly play an important role in circular economy.

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