

Analysis of the Sustainable Profit Development Path of Community Group Buying

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Abstract

As a combination of e-commerce and traditional shopping methods, community Group-buying has a stronger anti-risk ability compared with the convenience of supermarkets and street business stalls. The development of the new retail channel system of "online + offline" has attracted it more and more attention. However, this business profit model lacks sustainability. Therefore, this paper takes the new retail background as the entry point, puts forward the innovative advantages of community group buying and the problems existing in the operation of this business form, and puts forward the corresponding development path, in order to provide development ideas for community group buying, and provide reference for the development and breakthrough of the new retail model.

Keywords

New Retail; Community Group Purchase; Incentive Factor.

1. Introduction

During the epidemic period, large supermarkets were unable to guarantee the normal supply due to blocked supply channels, so the residential consumer goods turned to online solutions. Orders for daily necessities such as grain, oil, rice and noodles, fresh agricultural products, masks and disinfectants have ushered in explosive growth, placing orders with small programs and picking up goods at home. This safe and convenient "community group purchase", however, has become a new consumption choice for consumers during the epidemic. Reducing going out and strict prevention and control measures have given birth to the "house economy", which makes the community group buying with the characteristics of "e-commerce", "group gathering" and "acquaintance economy" very popular.

However, as major Internet platform enterprises enter the community group buying market, the order is not standardized and the operation is illegal; single product type, serious operation homogeneity; supply chain service capability cannot meet customer needs... many problems are increasingly apparent.

2. Development Status of Community Group Buying

Community group buying to the community as a unit to recruit supermarket store manager or express station stationmaster as the head, through the online release of group purchase goods information. After consumers complete the online ordering, the channel business will deliver the goods to the designated store in the community, and the user will pick up the goods by themselves and complete the transaction. The whole process reduces the cost by reducing the intermediate link process and adopting the collective purchase and pre-sale mode, to reduce the commodity prices and attract customers. Compared with traditional offline stores, community group buying can reduce the cost of manpower, material resources and land rent,

and compared with traditional e-commerce, it can obtain large customer flow and online order rate. At present, the rapidly gaining development of group buying platforms are: Orange Heart, prosperity, one, neighbor, koala selection and so on, On the view of community group buying, more than half of consumers said that the price is indeed cheaper, but not much. Thirty-four. 42 percent think community group buying is a cheap way of shopping and is worth a try. A few people believe that this is just a new business model, where platforms will use various methods to make huge profits from consumers, with no discounts. For consumers who have used community group buying platforms, 34.78% are satisfied with the use experience, and 55.37% are generally satisfied with the use experience. for those who have not used the community group buying platform, 37.45% are willing to understand and participate, 33.77% want to see if many people around them participate, and only 21.46% are reluctant to participate for the time being.

When it comes to community group buying is the most attractive aspect, 67.44% of users think because the price is cheap, 57.41% think its goods distribution fast, can buy their want products, 42.47% think group purchase category is rich, many things are difficult to buy in the local, 47.87% think the community pick up location near home, on the way every day, convenient, and other aspects, such as good quality, etc.

According to the survey, the community group buying market size will reach 500 billion yuan in 2022. In today, in the context of the post-epidemic era, there is no doubt that the community group buying in the tuiyere has broad prospects for development.

However, some public opinion believes that the entry of Internet capital will disrupt the market order, and even "seize" the livelihood of some vegetable farmers. after the investigation, the affected are those offline stores that are poorly managed, the community group buying model is the choice of consumers, consumers will become the biggest beneficiary, the competitive market will survive the fittest, and eventually achieve a win-win situation. On the other hand, the addition of Internet giants has accelerated the "digital process", and also brought new job opportunities.

3. The Current Problems of the Community Group-buying Model

(1) Management measures need to be improved

Group buying in the community will be closely linked to consumers and businesses, with the head as the link. However, most of the heads of community group buying have not received professional training, and their business processing ability needs to be improved. Due to the large number of people, it makes it difficult for the system to monitor their work and the services they provide to group buying customers. Many involved in group purchase users said in an interview, "the platform prices look exciting, but after buying many times, but found that the quality of fresh products and good and sometimes bad, even in the process of delivery problems", "and rights more trouble, occasionally contact head is also very difficult, not on the phone.". Compared with online group buying, which is difficult to guarantee the quality, physical store consumption has eventually become the choice of more and more users.

(2) Low-price strategy triggered a price war

Facing emerging markets, the addition of major Internet giants has broken the balance formed between previous startups. Simple replication of operation mode, strong burning money for monopoly, make community group buying into the competition for new users, the ranks of the sinking market.

However, since the second half of 2020, some community group buying enterprises have taken advantage of their financial advantages to provide large amounts of price subsidies, which has disrupted the market operation, broken the conventional market order, and attracted wide attention from all sectors of society. According to the survey data, in 2021, China's community

group buying and fresh food e-commerce accumulated financing of more than 11.3 times, the financing amount reached 11.4 billion yuan. In fact, community group buying (pre-sale + sub delivery mode) is a price advantage achieved at the expense of delivery time (the next day) and food freshness. If prices well below cost gradually return to normal in the future, don't online supermarkets deliver within an hour and the neighborhood market buy on the same day?

An official with the State Administration for Market Regulation has said that many large enterprises have malicious competition that "obtain huge amounts of money to spend money to seize the market", which will ultimately hurt consumers. In the short term, when related companies adopt a "subsidy" strategy at the early stage of the competition, consumers can really get short-term benefits at a lower price. But, after occupying the market, these companies will use their monopoly to pull wool from the people. To the "kill familiar" road, the victim, or consumers.

In fact, this is also the disadvantage of many communities group buying, that is, easy to form a monopoly and unfair competition. There is a view in economics called a comprehensive fallacy. That is, what is right at the micro level is not always right at the macro level. A large number of community group buying will lead to repeated production, waste of resources, single supply and demand, and lead to some weak strength, no scale, lack of capital operation of ordinary operators and practitioners at a disadvantage."

With their huge financial advantages, Internet platform enterprises can use their capital and traffic to enter community group buying, and compete for the sinking market at a price lower than the cost, which will impact offline community economic models such as retailers and community convenience stores, bring obvious negative effects, and even affect people's livelihood.

(3) The supply chain construction is not yet mature

According to community group buying practitioners, most of the vegetable and fruit wholesalers supplied for community group buying now buy leftovers and unsalable products at the local wholesale market at prices lower than the purchase price of the origin, and then sell them on the platform at a slightly higher price. Within suppliers, the quality level of vegetables and fruits sold on the community group buying platform is basically 2-3 levels lower than that of physical stores such as fresh fruits and vegetables. "There is no way, the audience is there, and the community group buying is a low-price market, and the current community group buying users are extremely sensitive to the price," said a fruit and vegetable supplier.

At present, community group buying is still mainly fresh products, but the quality of vegetables and fruits on some platforms is uneven, which undoubtedly hits consumers' enthusiasm and confidence in community group buying. In the long run, it is bound to let consumers give up the community group buying.

(4) Unstable user group.

As a new fresh food brand of the people's livelihood, community Group-buying company adopts the "spell" development model, in a short period of time attracted a large number of users, but as the past two years chat platform "help me click to win 100 yuan in cash" mode of rapid development, more and more young people tired of the marketing model, lead to the loss of young users. And although the old fresh food enterprises are mature, they still lack a mature online marketing system, and fewer young customers are easier to enter the community group buying model; and many elderly customers are not used to buying goods online. How to use effective publicity to attract more real users is an urgent problem to be solved.

(5) Large costs of operation, storage and distribution

At present, the "online + offline" community group buying model is still in the initial stage of delivery requirements are not high. But as more and more users join in, so are more orders. The increase of the quantity of warehousing and logistics leads to a great increase in the pressure

of warehousing and logistics. At the same time, the accuracy requirement of goods sorting and distribution is also becoming higher and higher. the decentralized distribution mode consumes huge resources in the process of transportation, and is also limited by the distribution time speed, which is difficult to meet the needs of users in the professional level and radiation range. Although some industry giants have huge amounts of money, they also face huge cost pressure. How to recover costs and obtain later profits is a brand that needs to survive in the market for a long time.

4. Community Group-buying Model Innovation

(1) Strengthen supervision and management

Brand supervision not only includes the control of the quality of the products sold, but also the management system of the "head". While strengthening the management of the platform, only multi-directional management measures can promote the community group buying industry to enter a stable development track. At the same time, we should actively introduce professionals to provide customers with better after-sales experience, to strengthen the adhesion with customers.

(2) Big data enables community group buying

Supplies use big data to directly obtain consumer demand data for accurate production and order planting. The platform can also use data analysis to understand the future direction of operations and help companies make key decisions, including developing new products, investigating suppliers, investigating supply chain service capabilities, developing product pricing and promotional packaging strategies. For example, the questionnaire survey shows that consumers more often use community group buying to buy fresh fruits and other unstored goods, and the logistics and distribution services of the platform need to be more accurate and fast. Similarly, there are many problems in the field surveys of fruit shops. For example, when more users buy the same goods, some customers will find that the goods are gone and can only wait for the next delivery. Some customers show that the goods have reached the self-pickup point, but the pickup point has not received the goods, which has a huge impact on consumers. In order to solve these problems, the major platforms should make use of big data to meet the personalized needs of consumers, improve the supply chain, and meet the needs of consumers. Targeted analysis of the needs of each user, improve the response ability of the supply chain, to meet consumer needs.

(3) The incentive mechanism of the community group buying supply chain by using asymmetric information

Zhang Jingmin (2021) builds an incentive model based on the principal-agent relationship between the community group buying platform and the head of the group, to promote the cooperation between the leaders and improve the overall efficiency of the cooperation between the leader and the community group buying platform, to indirectly improve the profitability of the community group buying supply chain. The Pareto principle is used to find the optimal incentive coefficient of the community group buying platform and the optimal effort paid by the leader. According to Professor Zhang's calculation, the optimal contract model of the available community group purchase secondary supply chain is:

$$\left\{ \begin{array}{l} \max E(U) = \max_{\beta, a, \gamma} [\tau a(1 - \beta\gamma) - \alpha] \\ s.t. \left\{ \begin{array}{l} (IR) \alpha + \beta\gamma\tau a - 1/2ka^2 - 1/2\rho_G\beta^2(1-\tau)^2\delta^2 \geq s \\ (IC) a^{**} = \beta\gamma\tau/k \end{array} \right. \end{array} \right.$$

Using the Lagrange multiplier to solve the available principal agent model
The optimal incentive coefficient is:

$$\beta^{**} = \frac{\gamma\tau^2}{(\gamma\tau)^2 + \rho_G(1-\tau)^2 \delta^2 k}$$

There is no doubt that the output coefficient and retention income are positively correlated with the leader's remuneration, that is, when the leader distributes most of the profits, the leader's efforts will increase, thus providing better services for users and thus enhancing user engagement. However, at the same time, reducing the retention income of the head within a reasonable range is equivalent to reducing the minimum fixed remuneration paid to the head, which can improve the expected income of the platform and stimulate the enthusiasm of the head to get higher remuneration to a certain extent, so as to make the better development of the community group buying supply chain.

Therefore, each platform should make use of the optimal incentive coefficient model to formulate the appropriate incentive proportion, improve the effort degree and work efficiency of the leader, to maximize the profit.

(4) Optimize the operation strategy

Enterprises can use Internet technology, introduce the route optimization technology of takeout delivery, adjust the distribution scheme and route, and improve customer satisfaction while saving costs. Enterprises can also set up warehouse distribution stations in centralized communities in parallel with offline stores in areas far away from their stores, so as they can quickly deploy and deliver products and reduce the cost of the warehouse. The most important thing is that fresh supermarkets should expand channels in multiple directions, cooperate with the supply of goods, improve the quality assurance, meet the shopping needs of customers, and then expand more customers, and increase the income of stores.

(5) Business innovation breaks through the boundary of platform competition

In the face of the huge market development potential of community fresh, professional fresh brands should keep up with the development of The Times for business innovation, seize customers to grasp the market, form a competitive advantage in a fresh supermarket, break through the boundaries of competition.

In the development of the new retail environment, the consumer psychology and demand of consumers have changed greatly. Enterprises should find out the behavior characteristics of the current consumers through the new investigation and research, and carry out targeted product services and technological innovation. At the same time, enterprises need to accurately locate the market. Few customers in first-tier cities developed in all aspects need to participate in community group buying to meet life needs. On the contrary, community group buying can develop more steadily in the second, third and fourth tier cities. In order to break through the industry competition, fresh enterprises should fully analyze the market and develop appropriate marketing strategies.

5. Epilogue

The competition of community group buying is fierce. In addition to entrepreneurial enterprises and Internet giants that have already started operation, Alibaba has also set up Hema Optimization Business Division, and even ByteDance has spread the news of recruiting and layout community group buying. In the community scene, the relationship between people and the goods yard is reconstructed, the value of community, community and social interaction

is highlighted, and the community group buying has achieved explosive growth in this new retail war. Under the background of the people actively exploring new ways of life and rational consumption, through the exploration of market participants, it is believed that community group buying will take this wind to become the typhoon of a new round of competition in the new retail era.

Community group is the product of the Internet and new retail, but the rapid expansion of community group business community fresh supermarket user is unstable, fierce competition, insufficient supervision, high cost, only constantly improve customer satisfaction, innovative business, strengthen supervision and management, optimize operation to make the community fresh supermarket operation for a long time.

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