

Exploring Online E-commerce Platforms for Individual Industrial and Commercial Households

-- Taking Alibaba as an Example

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Abstract: With the rapid development of information technology and the popularization of the Internet, online e-commerce platforms have become an important part of modern commercial activities. As a leader in this field, Alibaba has not only led the rapid development of China's e-commerce industry with its unique business model and innovative business philosophy, but also has set a benchmark worldwide. This paper aims to take Alibaba as an example to deeply explore the constraints of online e-commerce platforms on individual merchants, and analyze the impact of these constraints on individual merchants' business strategies and development paths. By conducting case studies on individual merchants on the Alibaba platform, we can understand more specifically the specific manifestations and impacts of these constraints, thereby providing targeted suggestions for individual merchants to help them better cope with challenges and achieve sustainable development. . At the same time, the research results of this paper will also help online e-commerce platform operators understand the needs and dilemmas of merchants, further optimize platform rules and services, and achieve a win-win situation between the platform and merchants.

Keywords: Online e-commerce platform, Individual merchants, Alibaba, Operation mode, Industry trend.

1. Introduction

Online e-commerce platforms provide individual merchants with an unprecedented opportunity, allowing them to break through geographical restrictions, expand markets, and achieve sales growth. On this platform, individual merchants can reach more potential customers and use various resources provided by the platform, such as data analysis, advertising promotion, etc., to optimize their business strategies and enhance competitiveness.

However, just as everything has its two sides, while online e-commerce platforms bring convenience and opportunities, they also impose certain constraints on individual merchants. Especially on giant e-commerce platforms like Alibaba, while individual merchants enjoy the traffic dividends brought by the platform, they also have to face restrictions from platform rules, fierce competitive pressure, manipulation of data algorithms, and supply chain and logistics dependencies and other issues. These problems limit the autonomy and innovation capabilities of individual merchants to a certain extent, and may even cause them to get into trouble.

2. Overview of Online E-commerce Platforms

Economists study platforms from the perspective of network externalities and believe that a platform is a multi-sided market. In this market, it serves as an intermediary to connect multilateral entities that were previously unable to directly contact and trade, allowing them to communicate with each other, it becomes possible to realize the transaction [1], thereby obtaining benefits from it.

Armstrong (2006) believes that platforms have network externality characteristics, which means that when two parties conduct transactions through the platform, one party joins the platform, the benefits that can be obtained depend on the size

of the entity on the other side [2].

Compared with traditional enterprises, e-commerce platform enterprises have the following characteristics: (1) The network effect formed by high-density cross-reaction among different users, resulting in a positive cycle - the more platform users, the more attractive and valuable the platform will be. The bigger it is, the more users it attracts. (2) Evolutionary characteristics. Different merchants on the platform provide rich and diverse products to meet buyers' needs in a timely manner. This is also the reason why online e-commerce platforms have developed rapidly in recent years and occupied a considerable market size.

3. Alibaba's Operating Model and its Impact on Individual Merchants

3.1. Alibaba's Operating Model

In recent decades, China's e-commerce has entered a period of vigorous development. According to statistics, the total transaction volume of China's e-commerce market in 2014 has been close to 300 billion yuan. Since 2008, the transaction volume of China's e-commerce platform has maintained an annual growth rate of 15%-20%. E-commerce mainly has business-to-business (B2B), customer-to-customer (C2C), business-to-customer (B2C) and other forms, business-to-business (B2B) is one of the important operating modes of e-commerce. Business-to-business (B2B) is based on the Internet, the integration of finance and logistics and other industries to form a virtual, no entity trading platform, the platform for merchants to provide transaction information and transaction services.

Alibaba initially started with a B2B (Business-to-Business) model, providing a broad market space and trading platform for small and medium-sized enterprises and individual merchants, so that these enterprises can cross geographical

restrictions, reach more potential customers, find suppliers and buyers on a global scale, and achieve sales growth. At the same time, Alibaba is not only a simple trading platform, but also a comprehensive e-commerce platform. It provides a series of services including payment, logistics, finance and so on, forming a complete e-commerce ecosystem. This platform operation mode makes it more convenient for individual merchants to obtain the required resources and reduce the operating costs in the operation process.

At the same time, Alibaba has been focusing on technological innovation and constantly improving the operational efficiency and service quality of the platform by introducing advanced technologies such as big data, cloud computing and artificial intelligence. These technological innovations provide more accurate market analysis and marketing strategies for individual businesses, helping those better grasp market trends and enhance competitiveness. Not only that, Alibaba has always adhered to the user-centered business philosophy, and constantly optimized the user experience to improve user satisfaction. Through in-depth understanding of user needs and providing personalized services, Alibaba has won the trust and support of a large number of users, providing a stable source of customers for individual merchants.

3.2. Alibaba's Positive Impact on Individual Merchants

In the overall system of the e-commerce platform, the relationship between various elements is for mutual coexistence, not only the mutual relationship between buyers and sellers, but also sellers and sellers, buyers and buyers, and every link between the purchase of products, sales and transportation. By cooperating with each other to create higher value, the relationship between the entire platforms is closer.

3.2.1. Market Expansion and Resource Integration Sub Heading

Alibaba Group's e-commerce trading platforms mainly include: Taobao, Tmall, 1688 website, Feizhu Travel, etc., all of which provide buyers and sellers with demand and product information through online platforms. In this process, there will be a large amount of information exchange and the flow of materials, commerce and funds. Merchants can obtain the latest market information, industry dynamics and customer needs through the platform in order to better adjust their business strategies. At the same time, the platform also provides a variety of marketing tools and services to help merchants enhance brand awareness and competitiveness.

3.2.2. Reduce Operating Costs

Alibaba Group's payment platform Alipay, logistics service platform Cainiao Network, online marketing service platform Ali Mom and other dozens of companies formed a matrix to provide individual merchants with various dimensions and aspects of services. Through Alibaba platform, individual merchants can enjoy more convenient and efficient transaction services and reduce operating costs. The payment, logistics, financial and other services provided by the platform enable merchants to focus more on product development and sales in the process of operation, and improve operational efficiency.

4. Alibaba's Stranglehold on Individual Merchants

4.1. Market Access and Business Restrictions

4.1.1. High Entry Fee and Security Deposit

On e-commerce platforms such as Alibaba, individual merchants need to pay a certain entry fee and a deposit in order to be eligible to operate. Take Alibaba as an example, as of 2024, the annual fee (Credit Pass) required for individual merchants is 6,688 yuan, and the deposit is 3,000 yuan. In addition to the high threshold for some activities, the guarantee fund refers to the guaranteed funds that sellers who join the integrity protection service independently pay to Alibaba in advance, and the funds used to pay compensation to buyers when the sellers fail to fulfill the buyer protection service commitment, and can be refunded when they do not want to do it. And if it is Alibaba International station, the annual export through the basic amount is 29800 yuan per year, the current price of Jinpin-cheng enterprises is 80,000 yuan per year, on top of these two basic prices, it is generally recommended to match 10,000 yuan through the promotion fee to open an account. These fees are a big burden for start-ups, and high costs limit their opportunities to enter the e-commerce market.

4.1.2. Strict Qualification Audit and Supervision

In order to protect the rights and interests of consumers and the reputation of the platform, the e-commerce platform carries out strict qualification review and supervision on the entered merchants. Merchants need to provide relevant supporting documents and materials, and comply with the rules and standards established by the platform. In addition to the company-related qualification certificates that must be prepared, such as business license, tax registration certificate, organization code certificate, etc., it is also necessary to prepare commodity-related certification documents, including but not limited to brand authorization certificates, import and export rights certificates, product inspection certificates, etc. These basic reviews should be done, but also the basis for the platform to supervise merchants and consumers to trust merchants, however, there are some audit and supervision measures are too strict, for example, store entry audit, to pass the brand qualification audit, preliminary review and review of the three levels, many powerful companies are not approved, and even breeding some relevant business personnel to accept bribes, illegal approval. This audit and supervision system increases the operating costs and time costs of merchants.

4.2. Management and Competitive Pressure

4.2.1. Constraints of Platform Rules and Algorithms

Strong traffic and resource support will make individual merchants have a strong sense of dependence on the Alibaba platform, and once the platform policy adjustment or market changes, it will have a greater impact on merchants. This dependence makes the business lack of autonomy in the business process, difficult to develop independently. At the same time, the e-commerce platform manages the business behavior of merchants by formulating a series of rules and algorithms. These rules and algorithms often have an impact on merchants' product displays, search rankings, promotions, and more. Merchants need to constantly adapt to changes in platform rules and adjust their business strategies.

4.2.2. Constraints of Platform Rules and Algorithms

By using game theory, scholar Dellarocas [3] studied the honesty and fraud behaviors of merchants in market transactions. According to the study, under a balanced transaction environment, merchants will still tend to commit fraud, because low-quality products have greater returns, which is also the source of credit risk in market transactions. Nir Vulkan (2001) [4] studied the integrity of intermediaries in B2B and B2C transactions, and the study showed that the choice of strategies of both sides of the transaction would change according to the integrity of intermediaries.

There are a large number of merchants on Alibaba platform and fierce competition. For individual merchants, the sales volume and praise of the store are crucial to the store, because the platform sorts the overall weight of the items of the merchants, which determines the ordering of the goods displayed on the platform page when the buyers search for goods. If the ranking is lower, it is difficult for the merchants to have the opportunity to be seen. Factors such as sales, visits, whether there is freight insurance, and whether there is no reason to return goods for seven days are crucial to businesses, which is also in line with the psychology of consumers, but in order to attract more customers and traffic, businesses need to continuously invest funds and resources in marketing and promotion, and even the price war and vicious competition between businesses, making the profit space of businesses compressed. Some businesses even in this process will choose to brush the single, false propaganda, true and false mixing and so on means to increase the sales and flow of the store, but many businesses focusing on the amount of exposure will also ignore the most important goods - the quality of its own, from causing a high return rate.

4.3. Data Ownership and Usage Restrictions

E-commerce platforms hold vast amounts of consumer and merchant data. These data have important business value for merchants. However, on e-commerce platforms, merchants often do not have the ownership and use of these data. This limits the merchants' ability to use and mine the data. E-commerce platforms also place strict restrictions on merchants' use of data. Merchants need to comply with the data use agreements and rules set by the platform, or face penalties and sanctions. This limitation limits the ability of merchants to use data for precision marketing and personalized services.

5. Conclusion

The restriction of e-commerce platform to individual merchants is a complex and serious issue. These constraints not only limit the autonomy and choice of businesses, but also increase the operating costs and risks of businesses, and limit the innovation and development of businesses. In order to

solve this problem, we need to start from many aspects, including strengthening government supervision, improving platform rules, and improving the quality of merchants.

First of all, the government should strengthen the supervision and regulation of e-commerce platforms to protect the legitimate rights and interests of merchants and fair competition. The government can formulate relevant laws, regulations, policies and measures to regulate the business behavior and management methods of e-commerce platforms. At the same time, the government can also establish corresponding regulatory agencies and complaint channels to strengthen the supervision and management of e-commerce platforms.

Secondly, e-commerce platforms should improve their own rules and standards to improve the autonomy and choice of merchants. The platform can develop more flexible and reasonable rules and standards to adapt to the needs and situations of different merchants. At the same time, the platform can also provide more support and help, such as marketing promotion, logistics distribution, etc., to reduce the operating costs and risks of merchants.

Finally, businesses also need to strengthen their own ability and quality improvement, and actively respond to market changes and competitive pressure. Merchants can strengthen their own brand building, improve product quality and service level, strengthen marketing promotion, etc., in order to enhance their competitiveness and sustainable development ability. At the same time, merchants can also actively seek cooperation and alliances with other merchants and platforms to jointly address market challenges and opportunities.

Looking to the future, with the continuous development and change of the e-commerce industry, the shackles of e-commerce platforms on individual merchants will also be gradually reduced. At the same time, with the continuous progress and innovation of technology, businesses will also have more autonomy and choice to cope with market changes and competitive pressure. We look forward to the arrival of a more fair, transparent and healthy e-commerce ecosystem, so that individual merchants can achieve more free and sustainable development on e-commerce platforms.

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