ИССЛЕДОВАНИЕ МОДЕЛИ ПРИБЫЛИ КИТАЙСКОЙ ПЛАТФОРМЫ ЭЛЕКТРОННОЙ КОММЕРЦИИ НА ПРИМЕРЕ ALIBABA И DHGATE

Ву Си, В.Г. Борковская

Ву Си,
студент магистратуры, факультета «Менеджмента», направления «Международный бизнес», Российский экономический университет имени Г.В. Плеханова, Китай.
ORCID 0000-0002-1909-4305
E-mail: 1072459636@qq.com

Борковская Виктория Геннадиевна,
кandidat экономических наук, доцент кафедры Предпринимательства и логистики, Российский экономический университет им. Г. В. Пеханова, Москва, Россия,
РИНЦ SPIN- код 8308-7202/ ORCID 000-0003-0516-2124
E-mail: Borkovskaya.VG@rea.ru

Аннотация. С развитием науки и техники и повышением уровня жизни людей, конкуренция в китайской индустрии электронной коммерции стала более жесткой. Наступила эра "новой розничной торговли", а именно "онлайн + оффлайн". В качестве одного из фундаментальных факторов, определяющих выживание предприятия, модель прибыли должна быть принята каждой платформой электронной коммерции, чтобы справиться с текущими и будущими тенденциями развития сферы электронной коммерции. Авторы данной статьи выбирают кейсы Alibaba Group и DHgate и анализируют их существующие модели прибыли на основе SWOT-модели. Статья посвящена изучению основных факторов, влияющих на развитие электронной коммерции в Китай, анализу проблем формирования рынка электронной коммерции, а также сопоставлению двух отраслей интернет-торговли Alibaba Group и DHgate. Дана характеристика современной структуры электронной коммерции в Китае. В центре внимания оказываются основные факторы влияния интернет - гигантов на социально - экономическое развитие Китайской Народной Республики-на примере Alibaba Group. Авторы статьи считают, что Alibaba Group должна начать свою самостоятельную логистику и отдельное складирование, чтобы улучшить свою модель прибыли. В то время, как DHgate должна воспользоваться возможностью обновить свою модель прибыли, используя преимущества своего оффлайн опыта, применяя его в онлайн.

Ключевые слова: модель прибыли, электронная коммерция, SWOT, практика Alibaba и DHgate, логистика, риски, предпринимательство.
RESEARCH OF THE PROFIT MODEL OF THE CHINESE E-COMMERCE PLATFORM
ON THE EXAMPLE OF ALIBABA AND DHGATE

Wu Xi, V.G. Borkovskaya

Wu Xi, 
Master's degree student of the Plekhanov Russian University of Economics, faculty of Management, international business», China. 
ORCID 0000-0002-1909-4305 
E-mail: 1072459656@qq.com

Victoria G. Borkovskaya, 
PhD in Economics, Associated Professor, Plekhanov Russian University of Economics, Moscow, Russian Federation, 
ORCID Code: 0000-0003-0516-2124/ Scopus ID 55976587600, 
E-mail: info@professorstoday.org

Abstract. With the development of science and technology and the rise of people's living standards, competition in the Chinese e-Commerce industry has become tougher. The era of "new retail" has come, namely "online + offline". As one of the fundamental factors determining the survival of an enterprise, the profit model should be adopted by every e-Commerce platform to cope with current and future trends in the development of the e-Commerce sphere. The authors of this article choose the cases of Alibaba and DHgate and analyze their existing profit models based on the SWOT model. The article is devoted to the study of the main factors affecting the development of e-Commerce in China, the analysis of the problems of the formation of the e-Commerce market, as well as a comparison of the two branches of e-Commerce Alibaba Group and DHgate. The article describes the modern structure of e-Commerce in China. The focus is on the main factors of influence of Internet giants on the socio-economic development of the people's Republic of China—for example, Alibaba Group. The authors of the article believe that Alibaba should start its own logistics and separate warehousing to improve its profit model. While DHgate should take the opportunity to update its profit model, taking advantage of its offline experience by applying it online.

Keywords: profit model, e-commerce, SWOT, practice of Alibaba and DHgate, logistics, risks, entrepreneurship.

Introduction

Background of the topic. Under the "Internet plus" mode, since the 1990s, China has produced a variety of business models, offline sales plus the Internet is O2O, Chinese Jack Ma created an online trading platform - Taobao, the birth of Alibaba, e-commerce has been booming since then [3,9,12,15,16,17]. Under the new situation, where should e-commerce go?"The word 'e-commerce' may soon become obsolete," Jack Ma said at the 2016 Computing Conference in Hangzhou,"The era of pure e-commerce will soon be over. There will be no e-commerce in the next ten or twenty years. Instead, 'new retail' will replace it. Online and offline, combined with logistics, to create new retail."

DHgate is a typical representative of traditional retail enterprises to turn to e-commerce under the background that the profit model of traditional retail enterprises has been greatly
challenged. It has undergone two strategic transformations: In 2011, offline DHgate was operated independently, and then in 2013, it was transformed into "DHgate" with combined online and offline operations. At the beginning of 2017, Wang Shutong, chairman of DHgate, announced that he would set up 1,000 new DHgate stores in the rural market, which could be seen as a timely transformation in the "new retail" market.

Research purpose and significance. With the development of the Internet, enterprises and academia have gradually become concerned about the discussion on the profit model. There have been a lot of international research articles on the profit model, which is a key strategy for the development of e-commerce enterprises. However, these articles often take an e-commerce enterprise as the only protagonist, and there are few articles that put two e-commerce enterprises together for comparison. Compared with other enterprises in the industry, DHgate has unique advantages -- mature management mode and strong capital base. Therefore, this paper aims to compare the profit model of DHgate and Alibaba, and draw the difference between them. After analyzing the development situation of Alibaba and DHgate based on SWOT model, this paper aims to propose the profit model suitable for them at present.

Literature review. There are two theoretical sources of profit model. By strategy expert Michael porter (1997) put forward the value chain concept, and it considers every enterprise of the same industry in a specific link in the value chain, enterprise efficiency and competitive advantage depends on effective combination and optimization of the value activities, enterprises in the business competitive advantage depends on successful value chain design [1];The second is from Adrian · Weasley Voss and David Morrison in 1999 co-authored book profit pattern, the book summarizes and expounds the 30 kinds of profit model, and put forward the enterprise to interval is the industry's profit, achieve long-term profitability and must be as the change of industry environment adjust their profit model.

Adrian Slywoski put forward the theory of five elements of profit model, which he believed were profit point, profit object, profit source, profit measure and profit barrier [2]. Enterprises rely on the combination of different elements to get their own profit model. Profit refers to the enterprise survival and the starting point of profit, including enterprise value and customer value, profit object is the enterprise target customer group, the enterprise mainly through the customer access to most of the profits, revenue and earnings measures respectively to show the enterprise profit way and the measures taken by profit barrier is the fundamental guarantee of profit enterprises obtain persistent competition, is to keep the enterprise unique competitive advantage [4].

Materials and Methods

Discrimination of related concepts.
(1) Profit model theory overview.
In international studies, there is no unified definition of profit model. The profit model theory adopted in this paper is as follows: profit model includes a core (value creation) and four basic elements (profit increment point, profit barrier, profit object and profit growth point).
(2) SWOT model overview.
SWOT model, originating from Mckinsey consulting company, is a model that analyzes four elements of an enterprise: strengths, weaknesses, opportunities and threats.

Result and discussion of Alibaba's profit model based on SWOT model

1. SWOT model of Alibaba

Strength. First, according to table 1, Alibaba's debt paying ability and operating capacity are
relatively stable. Second, Alibaba took the lead in launching the first third-party payment platform in the industry -- Alipay. Thirdly, according to the consumption level, Alibaba is divided into Taobao, Tmall, Juhuasuan, Xianyu and other multi-level shopping platforms to maximize the coverage of all income levels and the needs of consumers with different shopping preferences, as well as the preferences of merchants with different sales sizes and sales policies. Fourth, Alibaba established "TrustPass" in 2001 to realize the combination of online interactive credit management system with traditional authentication services and real-time interaction on the Internet. Fifth, Alibaba was listed on the New York stock exchange in 2014. Relatively speaking, the operating risk of Alibaba is much smaller than other enterprises in the same industry.

**Weakness.** First, the lack of a real economy. Compared with other e-commerce enterprises, Alibaba lacks its own offline physical stores. Second, product quality is uneven and difficult to guarantee. Many merchants on Alibaba's platform are not official stores, and the supervision is not strict, which makes it difficult to guarantee the quality of products and even less guarantee the after-sales service. Third, logistics service and its independence lag behind some other enterprises in the industry. Alibaba does not have its own logistics, which is more prone to third-party disputes.

**Opportunity.** First, with the birth of the sharing economy, Alibaba can cooperate with the sharing economy and even acquire some sharing economy enterprises to improve its business coverage. Second, under the new situation of "One Belt And One Road" [3], Alibaba can take advantage of its popularity and influence in the world to participate in China's "bring in and go out" strategy and expand the current enterprise market.

**Threat.** First, China's e-commerce enterprises are constantly emerging, constantly seizing the market occupied by Alibaba. Second, with the growth of other e-commerce enterprises, many merchants that originally only settled on Alibaba such as Taobao have been diverted. Third, with the further implementation of the national policy to encourage the real economy, Alibaba may lag behind the market development with the gap in the real economy.

**Alibaba's profit model.** In terms of value creation, Alibaba is devoted to the construction and development of more efficient and safe transaction platform (Taobao, Tmall, Juhuasuan, and Xianyu), pay intermediary (Alipay - coverage of China's largest third-party payment tool), the credit guarantee ("TrustPass membership system") as part of its company value creation.

In terms of profit growth points and profit measures, Alibaba has put the main profit sources in the membership fees paid by registered members and the charging service of "keyword search bidding", as well as through cooperation with high-quality enterprises in other industries to obtain benefits [12], such as investment in bike-sharing and other emerging industries to form diversified services.

In terms of the target of profit, Alibaba analyzes China's actual national conditions and targets the target of profit for the numerous small and medium-sized enterprises, start-up enterprises and multinational companies that want to enter the Chinese market.

Table 1

<table>
<thead>
<tr>
<th>Financial data sheet related to Alibaba's solvency and operating capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project/Year</td>
</tr>
<tr>
<td>Current ratio</td>
</tr>
<tr>
<td>Equity ratio</td>
</tr>
<tr>
<td>Accounts receivable turnover</td>
</tr>
<tr>
<td>Current asset turnover</td>
</tr>
<tr>
<td>Turnover of fixed assets</td>
</tr>
</tbody>
</table>
In terms of profit barrier, Alibaba has mainly adopted the following three strategies. First, the establishment of the "TrustPass" membership system, which provides Alibaba with a large amount of market supply and demand information. Second, it has implemented the "free strategy of Taobao" and attracted a large number of small merchants to settle on Taobao instead of other e-commerce platforms. Third, as an online e-commerce company, Alipay was the first payment tool to be launched and the concept of "full compensation" was first proposed. It took the lead in occupying the high ground of "payment", making it easy to defend and difficult to attack, thus ensuring the security of the transaction platform in payment, which is in line with the trend of e-commerce industry towards integration. According to the comparison in table 2, it can be found that at present, Alibaba has no corresponding countermeasures in its current profit model for its disadvantages -- uneven quality of traded goods and lack of self-operated logistics and warehousing services.

Table 2

<table>
<thead>
<tr>
<th>SWOT</th>
<th>Strength</th>
<th>Weakness</th>
<th>Opportunity</th>
<th>Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Stable financial position, high efficiency in the use of funds, and successfully listed on the New York Stock Exchange. 2. Take the lead in launching &quot;Alipay&quot;.</td>
<td>The lack of offline physical stores makes it difficult to merge with the current trend of e-commerce real economy.</td>
<td>1. The sharing economy provides new potential markets. 2. &quot;One Belt And One Road&quot; policy to develop cross-border e-commerce.</td>
<td>China's e-commerce market tends to be saturated, thus restricting development.</td>
</tr>
<tr>
<td>Profit model</td>
<td>Value creation: China's largest transaction platform and payment intermediary. Profit barrier: the first birth of &quot;Alipay&quot; is conducive to the development of potential users.</td>
<td>Profitable measures: use &quot;Alipay&quot; to make up for Alibaba's own gap in the real economy.</td>
<td>Target of profit: multinational companies that want to enter China. Measures to make profits: &quot;Alipay&quot; almost covers the transaction process of the sharing economy.</td>
<td>Barriers to profitability: TrustPass and Taobao's free strategy provide Alibaba with a lot of information it needs.</td>
</tr>
</tbody>
</table>

2. SWOT model of DHgate

Strength. 1) Compared with other e-commerce enterprises, DHgate has been in the e-commerce industry for a long time and has a stronger capital base. 2) In the early stage, DHgate's stores covered a certain number of physical stores in mainland China, Hong Kong and the Japanese market. These stores have provided the foundation for gradually promoting the profit model of "super store + flagship store + LAOX LIFE". The presence of stores enables DHgate to better provide logistics services. In the market where the industrial policy of "real economy" is further implemented, DHgate, which has physical stores covering most regions, undoubtedly has the "innate advantage" of future competition. 3) In terms of logistics, DHgate is one of the first e-commerce enterprises to complete the construction of logistics base, and one of the few enterprises with international express delivery license in China's e-commerce platform. In addition, DHgate has
a large self-built storage, to ensure the speed of service and also ensure the quality of products. 4) DHgate has opened markets in finance, sports, real estate and other fields, and attracted more social resources. 5) According to relevant data provided by China e-commerce research center, in the first half of 2018 China's core platform retail e-commerce user satisfaction list, DHgate ranked first, as shown in table 3.

<table>
<thead>
<tr>
<th>Platform</th>
<th>Type</th>
<th>Proportion of complaints</th>
<th>Platform response rate</th>
<th>Feedback time efficiency</th>
<th>User satisfaction</th>
<th>Comprehensive ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHgate</td>
<td>Self-run + platform e-commerce</td>
<td>6.58%</td>
<td>98.99%</td>
<td>100%</td>
<td>4 level</td>
<td>1</td>
</tr>
<tr>
<td>Vipshop</td>
<td>Self-run + platform e-commerce</td>
<td>9.68%</td>
<td>96.66%</td>
<td>48.95%</td>
<td>4 level</td>
<td>2</td>
</tr>
<tr>
<td>JD</td>
<td>Self-run + platform e-commerce</td>
<td>20.39%</td>
<td>88.29%</td>
<td>43.65%</td>
<td>5 level</td>
<td>3</td>
</tr>
</tbody>
</table>

**Weakness.** 1) According to the financial statements of DHgate in table 4, the growth capacity and profitability of DHgate showed a trend of weakening from 2017 to 2019. 2) Although DHgate has been committed to developing itself into a genuine electronic mall with a complete range of goods, complete logistics services and offline experience, when it comes to DHgate, people generally think of digital electronic products and household appliances.

<table>
<thead>
<tr>
<th>Growth ability</th>
<th>Project/Year</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-over-year growth in earnings per share</td>
<td>-33.33%</td>
<td>0.0000%</td>
<td>140.00%</td>
<td></td>
</tr>
<tr>
<td>Year-on-year growth rate of operating revenue</td>
<td>9.62%</td>
<td>24.44%</td>
<td>3.45%</td>
<td></td>
</tr>
<tr>
<td>Year-on-year growth rate of net profit</td>
<td>-19.27%</td>
<td>0.64%</td>
<td>133.19%</td>
<td></td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>14.36%</td>
<td>14.44%</td>
<td>15.28%</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>0.33%</td>
<td>0.56%</td>
<td>0.76%</td>
<td></td>
</tr>
</tbody>
</table>

**Opportunity.** The era of "new retail" has come, and the sales mode of "offline + online" will become the development trend of e-commerce enterprises, and the construction of offline physical stores will become a competitive place for the players in the field of e-commerce. DHgate in the beginning of the transition has a large range of physical stores. Under this trend, DHgate should take advantage of its own advantages to improve the quality of physical stores and further combine them with storage, logistics and other links.

**Threat.** 1) Some online and other similar e-commodity brands have developed rapidly, thus becoming potential strong competitors of DHgate market share. 2) The business of e-commerce industry is not standard. Some merchants on e-commerce platforms are not registered brands in the industry and commerce bureau. There are still loopholes in the management, resulting in a decline in the quality of consumers' shopping experience. The original distrust of online shopping has not been eliminated, which poses a potential threat to DHgate's strategy of "online + offline".

**DHgate profit model.** In terms of value creation, DHgate and all e-commerce platforms are the same, mainly through the trading platform, promote the value of the company, in particular, DHgate entities have nationwide and even Japan chain, so in the construction of online trading
platform, at the same time DHgate will "offline retail entity" and self-built logistics warehousing as a point of value creation [5,6,7].

In terms of profit growth point and profit measures, DHgate combines its own advantages in the field of digital electronic products and home appliances, and puts the main source of profit on the online and offline sales revenue of digital electronic products and home appliances. After the successful strategic transformation in 2013, DHgate will focus on building more DHgate boutique supermarkets, large flagship stores and shopping malls through offline chain stores. It will combine online transactions with offline brick-and-mortar retail stores and shopping malls to seize more e-commerce market shares with its offline reputation and resources accumulated over the years.

In terms of profit target, DHgate based on its own actual situation, including advantages and disadvantages, targets mainly at manufacturers and distributors of digital electronic products and other enterprises seeking to expand sales channels through online transactions.

In terms of profit barrier, DHgate mainly adopts the following two ways to maintain its current market position. First, it builds its own logistics warehouse, gradually establishes its own supply chain from reserve to transportation, and at the same time derives its own express service, so as to effectively cope with the market impact brought by Jingdong logistics, Cainiao Yizhan station and other e-commerce platforms on the logistics chain. The second is to develop relevant financial fields, such as the establishment of DHgate bank, the launch of financial products or services such as DHgate financial products (fund), Yizubao (payment platform) and DHgate insurance sales (insurance). These measures can, to some extent, stabilize and develop users and build more commercial relations.

As shown in Table 5, consumers of DHgate generally only trust the electronic and electrical goods of the platform, and most of the products of other categories are not brand direct sales, so the quality and after-sales service of these products cannot be guaranteed, and there is no corresponding improvement plan in the current profit model.

### Table 5

<table>
<thead>
<tr>
<th>SWOT</th>
<th>Strength</th>
<th>Weakness</th>
<th>Opportunity</th>
<th>Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit model</td>
<td>1. Financial strength. 2. Self-operated logistics and warehousing services, and numerous physical stores.</td>
<td>DHgate's trading volume accounts for a smaller share of the market.</td>
<td>&quot;Offline + online&quot; has become a revolutionary trend.</td>
<td>Similar e-commerce platforms, such as GOME, have emerged to pose a threat.</td>
</tr>
<tr>
<td></td>
<td>Barriers to value creation and profitability: trading platforms and logistics warehousing and offline physical sales. Profit target: manufacturers and distributors of digital electronic products.</td>
<td>Measures to make profits: DHgate is one of the few e-commerce platforms with its advertising spokesmen.</td>
<td>Measures to make profits: having many physical stores covering multiple cities and realizing simplification, and successfully realizing the combination of &quot;online and offline&quot;</td>
<td>Profit measures and barriers: DHgate carries out diversified services, involving finance, e-sports, sports and other fields.</td>
</tr>
</tbody>
</table>

### Conclusion

As shown in Table 5, consumers of DHgate generally only trust the electronic and electrical goods of the platform, and most of the products of other categories are not brand direct sales, so the quality and after-sales service of these products cannot be guaranteed, and there is no corresponding improvement plan in the current profit model.
Although Alibaba and DHgate are facing the same e-commerce market development trend, it can be roughly summarized as follows: integrating the front and back ends of the supply chain (Namely from storage, sales, logistics distribution to after-sales service). Further market segmentation to distinguish different regions and different groups; Deepen the combination of "online" and "offline". In terms of the profit model, Alibaba separates different online shopping malls according to the market demand of different levels. In terms of the profit model, DHgate combines offline physical stores with online transactions to launch offline experience stores and self-pick-up services in stores, both of which conform to the changing requirements of market development to a certain extent.

The problems that both Alibaba and DHgate are facing in China's current e-commerce market include: first, consumers mostly prefer products with guaranteed quality and high cost performance. However, due to the problems in cooperation and communication between e-commerce platforms and other third parties, it is difficult to guarantee the quality of products and services. Therefore, the middle cost price is often included in the price. Secondly, there are still big problems in the logistics services and the security of online transactions in the e-commerce industry. It is difficult to guarantee the integrity and timeliness of goods, property security and personal information security of online shopping.

**Recommendation**

1. For Alibaba, the traditional e-commerce member information profit model has been impacted by the industry competition. Currently, it must take cloud storage, cloud logistics and other value-added services as the measures to make profits, such as self-built logistics and warehousing like Jingdong and DHgate.

2. For DHgate, it should seize the current development trend of combining "online + offline", make use of the existing store coverage, further expand the scope and deepen the level, as a measure of profitability, so as to further expand and enrich its business and form a more solid profit barrier.

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