

TAOBAO, THE MARKETING PROBLEM AND RECOMMENDATIONS FOR IMPROVING CUSTOMER SATISFACTION

Zhou Fan¹

Graduate Student, Graduate School of Commerce, Burapha University

Krit Jarinto,

Assistant Professor, Graduate School of Commerce, Burapha University

krit.dbal@gmail.com

Abstract

This study encodes the online customer comments from Taobao based on content analysis, and through summarizing the comments categories. The data were 547 comments collected from review evaluation system pages of each of 100 Taobao's women's clothing stores. Content analysis and open-ended coding were used to process and analyze the data. The result of analysis showed that different categories have different frequencies. There are 6 problems with Taobao's women's clothing stores: quality of products, the product information accuracy, price of products, logistics service, quality of service, and others. For each problem solution, the researcher puts forward recommendations that the entrepreneur should ensure products quality, optimize the product strategy to ensure product information accuracy, optimize the pricing strategy to ensure a reasonable price, improve logistics service by fourth party logistics, improve quality of service, and improve customer satisfaction. And finally, recommendations for further study has been offered.

Keywords: Taobao, Marketing Problem, Online Marketing, Customer Satisfaction

¹ *Corresponding author:* Burapha University,
169 Longhaad Bangsaen Road, Saensook, Mueang, ChonBuri 20131

Introduction

Electronic commerce refers to using the Internet or other electronic tools (including telegraph, telephone, radio, television, fax, computer, computer network, mobile communication, etc.) in the global business trade, on the basis of the computer network of a variety of business activities, including goods and services providers, advertisers, consumers, intermediaries and other related parties. Relying on a relatively perfect credit system and safety certification, the development of online shopping has become more perfect, and is becoming mature. As a new kind of retail shopping mode, online shopping has become a powerful trend. Today, the traditional business model faces more challenges from online shopping, with online shopping becoming more mature, people choose to stay at home surfing the Internet, and enjoying how online shopping brings convenience and low prices.

Founded by Alibaba Group on May 10, 2003, Taobao is Asia's largest retail shopping site. Taobao has made rapid progress in recent years. Taobao is a Chinese website for online shopping similar to eBay or Amazon which is operated in China by Alibaba Group. Taobao facilitates the consumer to consumer (C2C) retail by providing a platform for small businesses and individual entrepreneurs to open online store that mainly cater to consumers in Chinese-speaking regions (Mainland China, Hong Kong, Macau and Taiwan) and abroad. At the end of 2010, the number of registered members on Taobao had reached over 370 million, around 80% of the Chinese online shopping market. With around 760 million product listings as of March 2013, Taobao is one of the world's top 10 most visited websites according to Alexa. For the fiscal year ending on March 31, 2013, the combined gross merchandise volume of Taobao exceeded 1 trillion yuan, more than that of eBay and Amazon combined. Taobao has more than 1.4 billion online goods, including appliances, clothing, home decorations, bags, cars, cosmetics, baby products, books and other industries, for a total of more than 30,000 brands (Wikipedia, 2017).

With the globalization of the market economy and e-commerce's rapid development, online shopping has broken geographical constraints through commodity circulation channels and become an important means of enterprise marketing. Online shopping marketing has changed the traditional form. The entrepreneurs have to take it into account (Jotikasthira & Onputtha, 2018). It helps enterprises to reduce costs, expand their market, improve work efficiency and bring more social and economic benefits.

Taobao online shopping marketing is in rapid development; however, it is still in the immature stage. Many people are paying attention to the issues of Taobao: the quality of products, credit index, online payment security, brand and pricing, logistics distribution, delivery service, after-sales service, customer satisfaction and laws and regulations, etc. Therefore, the researcher was interested in studying about the marketing problem and recommendations for improving customer satisfaction. With this study, the result can help improve the online shopping entrepreneurs' performance.

Research Objectives

1. To study the comments of Taobao's women's clothing store and find the problems in Taobao's marketing
2. To recommend solutions to the problems of Taobao's marketing

Research Limitations

The foremost limitation of this study is the representativeness of the sample. This research was a qualitative focus group survey, and selected secondary data for analysis from the Taobao website. It may not have produced results that can be generalized to a large population. In addition, the numbers of variables are growing rapidly every day, so the data of each sampling may be one-sided. The result of this study depends on the accuracy of participants who commented on their experiences on the Taobao website.

Research Contributions

On the one hand, through studying the problems in the process of Taobao's marketing, and the summary and analysis of these problems, and on the other hand, putting forward related recommendations aimed at current problems, this research not only promotes the development of Taobao, but also marketing activities will be more flexible with relevant theories in the future. By promoting China's e-commerce marketing innovation, we can achieve a win-win situation for both consumers and sellers and create more value for society.

Literature Review

1. Taobao's strategic management

Liu (2016) showed that Taobao is an acknowledged leader in both business to business (B2C) and consumer to consumer (C2C) online shopping in China. Taobao had more than 190 million registered users at the end of April, 2010. It has built a strong brand and is recognized by more Netizens (which is defined as the Chinese population who have accessed the Internet in the past 6 months by the China Internet Network Information Centre). The company is well-thought-of by customers, which gives Taobao more advantages in competition. Yang and Liu (2009) stated that Taobao is at the top of the E-commerce market in recent years. The most important and effective strategies are operation strategies and service strategies. Li and Zhang (2012) reported that there are three main business strategies adopted by Taobao consisting of "completely free of charge" strategy, promotion strategies and cooperation with banks.

2. Taobao's product quality

Quality refers to the ability of a product or service to consistently meet or exceed customer requirements or expectations. Different customers will have different expectations, so a working

definition of quality is customer-dependent. Taobao sells most products at a low price, which would have been the advantage of e-commerce, but with Taobao's open policies and the price competition between small sellers and medium-size sellers, fake and imitation goods appeared on Taobao. This will seriously affect the consumers' views of Taobao, especially first-time online shoppers. Yan and Wang (2012) mentioned that Taobao has established a series of regulations that are used for administration. For instance, Taobao signed a consumer protection agreement with 6 million Taobao sellers and set up a fund of 200 million yuan to guarantee the security of online purchases. Taobao also established a security system to protect the customer's rights and other.

3. Taobao's product information accuracy

Product information plays a key role in online sales: it is important when making a purchase decision. In particular, product descriptions and images are critical, with the vast majority of consumers saying they are important. Product reviews are also important in the online sales process. Li (2015) survey showed that the Taobao shop and user purchase channels continue to increase, leading to customer loyalty decline. Factors influencing online shopping customer satisfaction include product properties, product information description and service quality. Product information description includes: product size, picture color discrepancy, product description differences and other.

4. Taobao's product price

Many Taobao online stores depended on the advantage of the supply chain to implement sales promotions, through a high-volume, low-margin business strategy. Gao (2016) stated that current pricing of Taobao sellers included experience of the pricing method, based on past experience. This method has advantages and disadvantages. The advantages can include saving time and quick decisions. However, the disadvantages can be about the insufficient market analyses lead to no profit. Wang (2013) explored influential factors of Taobao's pricing strategy pricing targets, product costs, product properties, market shifts and demands, competitors' price and logistics factors. Therefore, it is very important to consider about the pricing strategies.

5. Taobao's logistic service

Zhang (2010) stated that Taobao cooperated with many logistics companies, but the logistics companies' service quality and service prices are different. If customers found problems in the logistics distribution segments, they associated them with Taobao sellers, thus affecting the Taobao sales and corporate image. Wang (2013) mentioned that Taobao is an online marketplace, in which all of the sellers have to send their products by logistics companies. Taobao does not just provide the local products, but also offers the procurement of overseas products, which means staffs

from overseas purchase products that are only sold in foreign countries. For these reasons, the logistics companies play a key role in delivery.

6. Taobao's service quality

According to Yue (2008), Taobao provides many kinds of customer service to meet both sellers' and buyers' needs. Customers can ask questions or make complaints through their call center, live chat or emails. A call center is available 24 hours, seven days a week and Taobao promises that any questions and complaints will be settled within 24 hours. Customers can also enter the "Taobao Helping Community" to have a live chat with other members to give and receive help. Taobao's top management executives frequently communicate with their customers in order to better understand their needs and requirements. When Taobao discovered its customers were willing to negotiate with sellers before purchasing, the company quickly provided an online messaging service called "Ali-Wangwang." Ali-Wangwang provides instant communication between buyers and sellers and enables buyers to get thorough product knowledge in a short time and a chance to negotiate before they decide to purchase.

Research Methodology

1. Research design

This research takes customers' comments about Taobao's women's clothing stores as the research object, analyzes the customer's comments by content analysis, concludes the major categories and frequency of comments, and proposes solutions and suggestions to improve customer satisfaction with Taobao. "China's online shopping user behaviour research" (China Daily, 2012) reported that the "Top five of Taobao sales" included: Women's clothing, Men's clothing, Mobile phones, Cosmetics and skincare and Digital accessories. Herewith, the researcher chose the first ranked stores by sales, which is women's clothing, and obtained secondary data from the evaluation system web page of Taobao.

2. Sampling selection

Donald and Pamela (2014) stated that a non-probability sample that conforms to certain criteria is called purposive sampling. Purposive sampling occurs when a researcher selects sample members to conform to some criterion. When one wishes to select a biased group for screening purposes, this sampling method is also a good choice. It is also used to improve representativeness. The logic behind purposive sampling is that certain relevant characteristics describe the dimensions of the population. If a sample has the same distribution on these characteristics, then it is likely to be representative of the population regarding other variables over which we have no control.

The sample for this research study was a purposeful selection of comments about Taobao women's clothing stores. The criterion is that each Taobao online store must be of the type women's

clothing. The researcher chose the purposive sampling method. The results indicated that there were 547 comments regarding the types of women's clothing, which they were 170 comments regarding coats, 159 comments regarding pants, 106 comments regarding skirts and 112 comments regarding underwear.

The researcher viewed each store's evaluation page to find the negative comments, collected secondary data and classified it. It is quick and easy to obtain the sample feedback, because it does not require direct contact with a study participant or group.

3. Data collection

People demand more personalized service, offline store coverage and many types of the goods. This study collect some online customer comments data, and these comments are targeted which representing customer satisfaction with products and services. The Taobao evaluation system records each member's comment and requires feedback after each transaction made. The feedback list contains the overall ratio of customers' positive feedback, and the separate data of recent week, month and half year, etc. Every Taobao store has an evaluation page, and every customer can read comments before decide purchase.

For this qualitative research, there was a purposive selection of comments from each women's clothing store's evaluation page of the first ranked sales. The researcher recorded the comments about the store, customers insight, their purchase experiences, and their expectation about each product, as well as including service quality on the evaluation system page.

4. Data analysis

Donald and Pamela (2014) stated that content analysis measures the semantic content or aspect of a message. Its breadth makes it a flexible and wide-ranging tool that may be used as a stand-alone methodology or as a problem-specific technique. Content analysis may be used to analyze written, audio, or video data from experiments, observations, surveys, and secondary data studies. The obvious data to be content-analyzed include transcripts of focus groups, transcripts of interviews, and open-ended survey responses. But, researchers also use content analysis in advertisements, promotional brochures, press releases, speeches, Web pages, historical documents, and conference proceedings, as well as magazine and newspaper articles.

Results

One of the primary reasons for using open-end coding is that insufficient information or lack of a hypothesis may prohibit preparing response categories in advance. Researchers are forced to categorize responses after the data are collected (Converse & Presser, 1986). Through managing and analyzing the collected data to explore the concept, this research derived 6 categories of comments including quality of products, product information accuracy, product information

accuracy, price of products, logistics service, quality of service and others. Through analyzing the content of customer's comments it was found that different categories have different frequency.

Table 1 Frequency of comments in each category

Code	Category of comments	Frequency	Rank
1	Quality of products	196	1
2	Product information accuracy	115	2
3	Price of products	28	6
4	Logistics service	59	4
5	Quality of service	112	3
6	Others	37	5
Total		547	

From the Table 1, the finding showed that the frequency of comments in each category. The most common complaint is about the quality of products (total 196 comments), the second is product information accuracy (total 115 comments), the third is quality of service (total 112 comments), the fourth is logistics service (total 59 comments), the fifth is others (total 37 comments), and the last one is price of products (total 28 comments).

Table 2 Frequency of comments in each category classified by type of women's clothing

Types of women's clothing	Code	Frequency	Rank
Coats	1	58	1
	2	39	2
	3	8	6
	4	21	4
	5	31	3
	6	13	5
Total		170	1
Pants	1	61	1
	2	33	3
	3	5	5
	4	20	4
	5	36	2
	6	4	6
Total		159	2

Table 2 Frequency of comments in each category classified by type of women's clothing (Cont.)

Types of women's clothing	Code	Frequency	Rank
Skirts	1	39	1
	2	19	3
	3	10	4
	4	7	5
	5	26	2
	6	5	6
Total		106	4
Underwear	1	38	1
	2	24	2
	3	5	6
	4	11	5
	5	19	3
	6	15	4
Total		112	3
Total of all types of women's clothing		547	

From the Table 2, the study showed that for coats, the rank 1 is quality of products, total 58 comments, rank 2 is product information accuracy, total 39 comments, rank 3 is quality of service, total 31 comments, rank 4 is logistics service, total 21 comments, rank 5 is others, total 13 comments and rank 6 is price of products, total 8 comments. For pants, rank 1 is quality of products, total 61 comments, rank 2 is quality of service, total 36 comments, rank 3 is product information accuracy, total 33 comments, rank 4 is logistics service, total 20 comments, rank 5 is price of products, total 5 comments and rank 6 is others, total 4 comments. For skirts, rank 1 is quality of products, total 39 comments, rank 2 is quality of service, total 26 comments, rank 3 is product information accuracy, total 19 comments, rank 4 is price of products, total 10 comments, rank 5 is logistics service, total 7 comments and rank 6 is others, total 5 comments. For underwear, rank 1 is quality of products, total 38 comments, rank 2 is product information accuracy, total 24 comments, rank 3 is quality of service, total 19 comments, rank 4 is others, total 15 comments, rank 5 is logistics service, total 11 comments and rank 6 is price of products, total 5 comments.

Conclusion and Recommendations

1. Conclusion

The 547 comments data were collected from the evaluation system pages of each of 100 Taobao women's clothing stores, then content analysis and open-ended coding were used to process and analyze. The results of the analysis showed that different categories have different frequencies. From the study, there are 6 problems with Taobao's women's clothing stores that can be discussed in this part.

In terms of product quality, in online shopping, the customers cannot touch and feel the real quality of products, but they can only identify it through advertising: it is uncertain. However, the price of Taobao's product is mostly cheaper than a bricks-and-mortar shop, and the requirements for opening a Taobao store is less, so the competition is fierce. Thus, fake and shoddy products become more and more common. The quality of products is the foundation of the long-term development of the sellers, and also the important factor which affects customer satisfaction in online shopping. Many customers prefer to consider the quality of the product (Chienwattanasook & Onputtha, 2018). Quality of product includes the material, performance, workmanship, durability of product and other.

In terms of product information accuracy, the customers need product information to determine whether the products meet their needs. The size of products, whether they are the same as standard size, whether the product description is inaccurate, or the pictures are a different color from the actual product, will all affect customer satisfaction. The customers' negative comments about product information were: "the color of clothes is different from the pictures", "size of clothes is not standard", "the clothes is not same as the pictures" and so on. This finding matches with the study by Filieri & McLeay (2014) who found that the information, especially, on website is crucial for customer to refer it for decision making of purchase. In addition, this result also corresponds with Suwanna, Nilapornkul, and Jantarakolica (2016) who found that the information about the products can be beneficial to the customers, especially in using mobile banking in Thailand.

In terms of price of products, the current sellers on Taobao's online store have a limited knowledge of marketing theory and most sellers do not have a pricing strategy, so there are more and more problems with pricing. For example, when the cost of logistics is high, the price is high. So the attractive price of Taobao is difficult to maintain and the sellers have difficulty getting positive comments from customers (Wang, 2013). When customers receive products and compare with the quality of another online store they give negative comments like: "it is not worth this price".

In terms of logistics service, the logistics service is very important for online transactions because of the different locations of the seller and the buyer. Customers want to receive their products as soon as possible, want to see the product's logistics information in real time, and also to experience quality service from logistics personnel. The logistics service is also important for the

customers' comments after purchasing. This includes logistics speed, logistics information and logistics service attitude.

In terms of quality of service, the customers cannot experience and touch the products when purchasing from an online store, so the customers will have more questions, and will also want to be able to receive the right product at the right time (Yue, 2008). They want to solve products' problems as soon as possible. Therefore, the seller should create the quality of service which it can include seller's attitude to service, seller's delivery speed, after-sale service, and correction if the seller sends the wrong products and packaging problems with products. With these, the service quality has strong influence on customer's decision (Chienwattanasook & Sukortprommee 2016).

2. Recommendations for implication

For recommendations for solving problems, the sellers should ensure the quality of products, optimize product strategy to ensure product information accuracy, optimize pricing strategy to ensure reasonable price, improve logistics service by fourth party logistics, improve quality of service and improve customer satisfaction.

3. Recommendations for further study

For recommendations for further study, firstly, researchers should conduct the focus group study in order to gain indepth of information. Secondly, researchers should diversify the type of products and expand the scope of study, they will find more problems and put forward better recommendations in the future. Lastly, researcher should select more types with 1-2 years comments data to analyze because this research selected only 5 months of comments data (January-May, 2017).

References

- Chienwattanasook, K., & Onputtha, S. (2018). Discrimination analysis of customers considering price and quality in purchasing decision using service marketing mix (7ps) factors. *Journal of Marketing and Management*, 4(2), 70-87
- Chienwattanasook, K., & Sukortprommee, S. (2016). Discrimination Analysis of Low-cost Airlines Customersby Using Service Marketing Mix (7Ps). *MUT Journal of Business Administration*, 13(1), 92-109
- China Daily. (2012). *Taobao extends free online bid service: China onlineshopping report*. Retrieved from http://www.chinadaily.com.cn/business/chinadata/2013-07/31/content_16855621.htm
- Converse, J. M., & Presser, S. (1986). *Survey questions: handcrafting the standardized questionnaire*. Beverly Hills, CA: Sage.
- Donald, R. C., & Pamela, S. (2014). *Business research methods* (12th ed.). n.p.

- Filieri, R., & McLeay, F. (2014). E-WOM and accommodation: An analysis of the factors that influence travelers' adoption of information from online reviews. *Journal of Travel Research*, 53(1), 44-57.
- Jotikasthira, C., & Onputtha, S. (2018). Factors associating with purchasing decision of gems and jewelry and possible implication of online marketing to empowering entrepreneur's sale performance. *International Journal of Applied Computer Technology and Information Systems*, 2(7). 47-55
- Gao. (2016). *Taobao commodity pricing strategy*. Retrieved from <http://www.iecnews.com/ganhuo/2016/0314/41437.html>
- Li, X. C., & Zhang, B. (2012). E-commerce in China: Taobao. *Journal of China Women's College*, 15 (2) 70-72.
- Li, Y. (2015). Commercial research: Online shopping customer satisfaction influencing factors. *Journal*, 1, 453.
- Liu, Y. X. (2016). *International Journal of Management and Commerce Innovations, The analysis of Taobao*. Retrieved from <http://www.census.gov/mrts/www/current.html>
- Suwanna, T., Nilapornkul, N., & Jantarakolica, T. (2016). Usage Behavior of Mobile Banking in Thailand. In *The 9th International Society for Business Innovation and Technology Management Conference (p.21)*. June 12-14, 2016. Bangkok: Thailand.
- Wang, M. (2013). Research on e-commerce intellectuals training system in China. *Books Information & Knowledge* 3, 256.
- Wikipedia. (2017). *Taobao*. Retrieved from: <https://en.wikipedia.org/wiki/Taobao>
- Yan, B.C., & Wang, X. (2012). *Logistic and innovation management: The customer value delivery of online marketplace: Case study of Taobao Company*. Retrieved from <http://www.peopele.com.cn/GB/paper447/10148/929507.html>
- Yang, L.X., & Liu, X. (2009). *Analysis on the successful strategies of Taobao's e-commerce*. Retrieved from <http://www.e-works.net.cn/ewkArticles/Category76/Article10619.htm>
- Yue, J. (2008). *A comparative study between eBay and Taobao in Chinese online auction market. Electronic commerce: Security, risk management and control*. Beijing: Mechanical Industry Publishing House.
- Zhang, H. X. (2010). China business & trade, Taobao logistics of China e-commerce logistics. Research methodology and focus of Economics in China. *Economic Research* 8, 91-95.

