

The Study of O2O Business Model Development Strategy in SMEs

Xia Xing

Postgraduate, College of Management
Shanghai University of Engineering Science
Shanghai
China, 201600

Zhu Junxuan

Associate Professor, College of Management
Shanghai University of Engineering Science
Shanghai
China, 201600

Abstract

Under the new situation of economic development, structural adjustment and industrial upgrading has become an inevitable trend. The survival traditional advantages of SMEs (small and medium sized enterprises) gradually disappeared, facing the great challenge of development. How to use the new innovation mechanism of e-commerce model, to strengthen the vigor and impetus for enterprise development in the new economic environment and to reinforce the growing momentum of business are becoming more and more important. This paper will focus on the introduction of O2O model and its development strategy in SMEs, therefore to promote the application and development of electronic commerce.

Keywords: O2O business model; development strategy; SMEs; electronic commerce

China's economy has experienced nearly 20 years of rapid development; economic structural adjustment and industrial upgrading have become increasingly urgent. The traditional advantages of SMEs, such as cheap labor force, low threshold competition advantage are gradually disappearing. But with the rapid development of Internet technology, the fast integration of e-commerce technology and mobile communication, O2O is rapidly becoming a new business mode with huge market potential. Its rapid development has injected vitality and new energy to the small and medium-sized enterprise. By the rapid development of O2O business model, SMEs can enhance the brand concept, seize market share and interact with customer in a timely manner so as to gain the new growth momentum in the new economic environment.

1. Characteristics of O2O E-Commerce and Its Development

E-commerce is trading in products or services using computer networks, such as the Internet. e-commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange(EDI), inventory management systems, and automated collection systems. ^[1]Compared with the traditional e-commerce, O2O e-commerce has its unique advantage.

- First, the widespread existence. Users will change constantly in the mobile condition. It will not subject to restrictions of time and places (as long as the mobile phone signal) to conduct business activities.
- Second, highly individualized experiences. The mobile terminal service users are generally personal mobile phone users, They can customize the corresponding services and information according to their needs and preferences.
- Third, better portability. The mobile terminal is very convenient to carry, and mobile payment is convenient and low with simple operation.



Figure 1: O2O Business Model

China's mobile Internet has entered a period of rapid development since 2009. According to iResearch's statistics, as of 2012 July, China Internet users reached 538000000, Internet penetration rate is 39.9%, the number of mobile phone has eclipse desktop and laptop computers as the primary way people access the internet. Mobile phone users reached 388000000, of which 3G users have more than 80000000. ^[2] And showing characteristics and trends of that: mobile phone network video user growth is strong, number of micro-blog users undertaking a stable growth period, mobile phone micro-blog is maintaining rapid development, the growth of network shopping users tends to be stable, payment of Internet banking and online application, IPv6 address number is increasingly growing to the third place of the global ranking. ^[3]

The present development models of China's e-commerce including:

- (1) Mobile e-commerce dominated by the representative operators such as "China Mobile". The telecom operators are at the core position in the industrial chain of the information transmission by virtue of its great advantage of user number and the information channel. This kind of model focus on building mobile e-commerce platform, therefore to control the industry value chain of mobile e-commerce.
- (2) Mobile e-commerce mode dominated by the traditional e-commerce providers such as Taobao and Dangdang. This model focus on PC business operation and management experience, getting a large number of orders from the enterprises. It pays attention to the brand influence and operating capability, emphasizing to grasp the personalized demand of consumers.
- (3) Mobile e-commerce mode dominated by the new-emerging providers such as Ligo and Love-to-buy. This model has the idea of "focus + innovation". It focuses on the particularity of mobile e-commerce service, emphasizing the innovation on the mobile e-commerce proprietary service.

2. Impact on the Development of E-Commerce for SMEs

Mobile commerce is the main direction of the future development and mobile applications are the new trend in the development of e-commerce. E-commerce application has the advantages of low cost, accurate marketing orientation and personalized service. It is very suitable for SMEs quickly become bigger and stronger by using the "corner beyond" business strategy. ^[4] The rapid development of mobile phone users can bring enormous business opportunities for SMEs. It will lead a large number of SMEs to the era of mobile commerce, to seize the commanding heights of e-commerce and the unlimited business opportunities.

3. O2O: a new Model for the Development of E-Commerce

In the era of mobile internet, a large number of online users is the key resources for the development of SMEs. Under the background of traditional competitive advantage is dying, the SMEs can only rely on the mobile Internet giant online user resource to seek development. And with the help of mobile Internet development trend to start for e-commerce innovation, application of this enterprise. ^[5] So, O2O business model is the best business model for them.

Unlike the traditional e-commerce of "online market and logistics distribution mode", O2O has the mode of "online market + go to shop". Consumers take orders online through network platform and complete payment, then go to a physical store. This new model is called O2O (from Online to Offline). The group purchase as the representative of the O2O, is becoming the new form of e-commerce. ^[6]

Now that the industry generally agree that : O2O business model will be the combination of online virtual economy and real economy. It makes the network becomes the "front-desk" which lead the real economy to the virtual world , it will be the direction of the mobile Internet and e-commerce development. It realizes the line of business to online mining and attract customers, consumers can select goods and services online, and then to the entity shop purchase and consumption. At present in China the huge market capacity has been formed, contains a hitherto unknown opportunities on the occasion, SMEs can mining large business opportunities to create unlimited value by O2O business model.^[7]

4. Analysis of E-Commerce Development Strategy for SMEs Based on O2O Business Model



Figure 2: SMEs O2O Model Development Strategy

4.1 Build O2O Development Platform

The Internet has become the communication platform between people by developing from simply Web show. Now the Web platform resources is not a single one of a giant company to provide data, but a library by the distribution in each local user participation in building and sharing resource .SMEs can use O2O platform to promote sales of enterprise products with the network group purchase mode as a representative way. SMEs should pay attention to the O2O platform completely open, open platform will be the creative force of O2O business model and will be widely applied.It is based on mobile Internet, the user identity and preferential consumption certificate recognition as a link, the city area as the core, to achieve an efficient, interactive and localization service.In the open platform, enterprises can quickly, easily deploy personalized experience, provide preferential certificates to attract consumers to the entity shop to do consumption or to have the experience, therefore benefit in return.Open e-commerce platform is vital to realize the effective implementation of the integration between virtual economy and real economy from online to offline, thus can bring passenger flow for SMEs. Physical operators can transfer online traffic to the real store, consumers can enjoy the convenience and benefits both online and offline, this realized an open service for consumers.

4.2 Provide Personalized Application Experiences

Personalized recommendation is a means of marketing, is refers to recommend the information and commodity according to the user's interest and purchase behavior. The biggest advantage is that , according to user's preferences ,it can recommend products that fit their needs. Compared with the traditional e-commerce, e-commerce has it's own characteristics, mainly in four aspects: public popularity, user-specificity, location relevance and absolutely real time display. These features make the e-commerce toward higher requirements in the personalization, real-time and other aspects of the personalized recommendation. So, personalized recommendation system of e-commerce will become a magic weapon for SMEs to win in the fierce battle between each other.

4.3 Integrate Educational Resources to Strengthen the Mechanism Construction of Talent Cultivation

Nowadays, the relative lack of professional talents in e-commerce is the cause of restricting e-commerce application and promotion. Therefore, the government should carry out a number of e-commerce training, improve the training system and set up related major to make full integration of educational resources. For the enterprise, they should carry out specialized training. And the most important thing is that SMEs should pay more intention to e-commerce talent. Without a professional guidance, e-commerce is difficult to develop correctly. It is also very difficult to bring substantial benefits for SMEs.

4.4 Construction and Implementation of Secure Transaction Environment

Bottleneck caused by the rapid development of e-commerce is the security of mobile communication has not been adequately addressed, security also needs to be further enhanced through a variety of ways. To effectively solve the security problem is necessary for solving the problem of e-commerce affairs, it will lift trading services quality to a fundamentally new level. At present, the domestic research on e-commerce security system is in progress. The e-commerce security system is gradually forming. Payment security and legal regulations is also improving constantly.

5. Conclusion

In conclusion, e-commerce is currently working towards a new field, O2O services model has its obvious advantages in SMEs. O2O business model has not just changed the consumer mentality and the service model, but bringing new challenges to the traditional e-commerce. It can be said that seeking ways to merge online and offline economy is the inevitable trend for the development of e-commerce. Therefore SMEs' O2O business model has great broad development prospects.

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