A Review of Selling Mode Decision-making based on Platform Supply Chain

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Abstract

As an important carrier of e-commerce development, the platform has attracted more and more attention from all walks of life, and if enterprises want to complete the sales of products through the platform, one is through the reselling mode contract, that is, the platform buys products from the enterprise at wholesale prices and then sets the retail price to sell, and the other is through the agency mode contract, that is, the enterprise can directly price the product through the platform and complete the sales of the product, but need to pay a fixed percentage of commission fees to the platform. Therefore, the choice of these two selling modes is the primary issue for enterprises at the beginning of cooperation with the platform. This paper will review the research on selling mode selection, and on this basis, the future prospect of selling mode selection research will be carried out, and the research on selling mode selection will be extended to the competitive supply chain environment and the introduction scenario of private labels.

Keywords
Platform; Reselling Mode; Agency Mode.

1. Introduction

With the rapid development of the Internet, online shopping has become an indispensable part of people’s lives, and the resulting online order transaction volume has also increased year by year. Tmall.com, owned by Chinese e-commerce platform giant Alibaba, achieved a staggering 498 billion in turnover on Singles’ Day in 2020, an increase of 85.4% compared to 268.6 billion in 2019. It was followed by JD.com, another Chinese e-commerce platform giant, which lost to Tmall.com but also reached 271.5 billion in turnover on Singles’ Day, an increase of 32.8% compared to 204.4 billion in 2019. At the same time, on August 1, 2019, the General Office of the State Council of China issued the Guiding Opinions of the General Office of the State Council on Promoting the Healthy Development of the Platform Economy, aiming to optimize the environment for the development of the platform economy and encourage the development of new business forms of the platform economy, setting the development direction for the development of the platform economy. In the United States, Amazon achieved $280.5 billion in turnover in 2019, up 57.7% from $177.9 billion in 2017. Flipkart, India's largest online marketplace, had sales of around Rs 22,000 crore in 2018, up about 40 per cent from the previous financial year [1]. In summary, the development of the platform economy has not only been supported by policies, but also widely welcomed around the world, laying a solid practical foundation for theoretical and practical research related to the platform economy.

With the vigorous development of the platform economy, the selling mode of platform retailers is no longer just the traditional reselling mode, but also includes the agency mode. The reselling mode is the traditional wholesale price mode, in which the manufacturer provides a wholesale price contract, and the platform retailer purchases the product from the manufacturer and further formulates the final retail price of the product. Representative platforms for this type of
sitting mode include BestBuy.com. The agency mode is that manufacturers set up stores on the platform to sell products directly to consumers, and the platform acts as an agent to obtain profits by collecting commissions, and the representative platforms of this selling mode include Pinduoduo, Tmall.com and so on. At the same time, the market share of the platform occupied by this selling mode has grown significantly over the past many years, for example, in 2019 alone, more than 1.2 million new sellers entered the Amazon platform with this selling mode, and Amazon’s agency mode active sellers exceeded 3 million during the same period. It is enough to see that the agency mode is becoming more and more important in the platform market, and it is constantly challenging the traditional reselling mode. The biggest difference between the agency mode and the reselling mode is also the attribution of the final pricing power. In addition, the selling mode of many platforms has also changed, for example, JD.com, Suning.com and other platforms have evolved from the early reselling mode to two modes of agency and reselling, and the Zappos.com platform has changed from the initial agency mode to a pure reselling mode. Then, for each e-commerce platform and every seller who sells products on the e-commerce platform, how to analyze the two selling modes and choose the selling mode that can bring them the best profit has become the first key problem to be solved.

Based on this, this study will focus on the selection of selling modes in the platform supply chain, and put forward feasible management implications for the development of platform economy and e-commerce platforms by reviewing the selling mode selection problems of modern

2. Review of Selling Mode Selection

2.1. A Review of Selling Mode Selection under One-to-One Mode

In the one-to-one mode, the selling mode selection problems considered by platform retailers are mainly divided into two categories: one is the question of which selling mode is the best choice for each member of the supply chain, such as Geng [2] taking into account whether upstream enterprises adopt the decision of bundling core products and additional products, and analyzing the relationship between each selling mode and various decision-making methods of upstream enterprises; The second is the introduction of the online agency mode of platform retailers, such as Mantin[3] analyzed the impact of the introduction of the agency mode on the supply chain system and members, especially the impact on profits and consumer surplus, and expanded under the negotiating power of retailers, and deeply analyzed the impact of the introduction of the agency mode; Yan[4] comprehensively considered factors such as platform costs, spillover effects, and manufacturers’ inefficient sales capabilities, and through profit comparison analysis, the conditions for introducing the agency mode to achieve performance improvement were obtained. On this basis, Yan [5] extended the mode, taking into account the information asymmetry between manufacturers and platform retailers, and studied the introduction problem of agency mode at this time. Zhang [6] linked the investment in retailer services and the spillover effect on upstream enterprises with whether upstream enterprises chose to enter the platform, and analyzed the necessity of retailer service investment and its role in avoiding upstream enterprises from entering the platform for direct sales. Shi [7] took into account the ratio of product information and logistics cost value into the mode, and analyzed which upstream enterprises or products tend to introduce the agency mode. Cheng [8] comprehensively examined the impact of product green innovation and private label introduction on the selling mode decisions of different members based on the supply chain system composed of a national brand manufacturer and a platform. It can be seen that extensive research has been carried out based on the one-to-one mode, and the equilibrium of selling mode choices under different conditions has been identified, but the disadvantage is that this kind of literature does not take into account the competition of upstream or downstream or even the supply chain.
2.2. A Review of Selling Mode Selection under the Many-to-One Mode

Based on the research of the many-to-one mode, it is an extension of the one-to-one mode after joining the upstream competition, and there are two main types of platform retailer selling mode selection problems: one is which selling mode is the best choice, such as Kwark [9] take third-party information (such as shopping reviews) into account, and at the same time divide the customer's value perception of the product into two situations: quality-oriented and applicability-led, so as to comprehensively analyze the selection of the two selling mode; Chen[10] examined factors such as quality differences and customer loyalty in the retailer-led mode, and analyzed the profit differences and the impact on social welfare of each member of the supply chain under different selling modes. Second, in the case that upstream enterprises can arbitrarily choose a selling mode to cooperate with platform retailers, analyze which selling mode combination is the best choice, such as Tian[11] after fully considering the two factors of upstream competition and order execution costs, they analyzed that selling mode combination is the best choice from the perspective of platform retailers; On this basis, Wei[12] took into account the unequal relationship between the existence of upstream enterprises, and analyzed the optimal selling mode combination in this situation. In addition, Guo [13] fixed the retailer's selling mode as an agency mode, creatively analyzed the bundling sales decision problem of upstream enterprises, and supplemented the problem research under the many-to-one mode.

Although this kind of literature has already involved the existence of supply chain competition, it only involves the competition between upstream enterprises, and the downstream competition and the competition between chains have not been analyzed.

2.3. A Review of Selling Mode Selection under One-to-Many Mode

The research based on the one-to-many mode is an extension of the one-to-one mode after joining the downstream competition, and mainly analyzes the sales mode combination problem of downstream retailers. For example, Abhishek [14] analyzed the impact of competition and spillover effects among downstream retailers on the optimal combination of downstream selling modes, the profits of each member and the proportion of agency fees charged after adding the spillover effect of online retail to offline retail. On this basis, Liu [15] expanded Tian [11] to change upstream competition into downstream competition, and analyzed the impact of downstream retailer competition and order execution cost on the best sales channel selection of upstream enterprises. Wei [16] analyzed the optimal channel structure selection under the influence of different channel power and different market shares. In addition, some scholars have analyzed the introduction of the agency mode, such as Liu [17] on the basis of the manufacturer's existing offline retailers, analyze whether to introduce online retailers, and if so, which selling mode should be chosen; Chen [18] analyzed the risk appetite of different participants and the introduction of online agency mode retailers under different power structures. In addition, some scholars have extended under the above-mentioned one-to-many mode, complementing the research under the one-to-many mode, such as Fan[19] considering the situation of one platform retailer entering another platform retailer for direct sales in the form of an agency mode, and analyzing the impact of the two platform retailers on the performance of each member of the supply chain and when the two platform retailers choose horizontal collaboration; Zhen[20] analyzed the capital turnover problem when a manufacturer that uses both a reselling mode retailer and an agency mode retailer faces financial constraints; Wang [21] extended the product sales relationship to the situation where upstream manufacturers sell products to both offline and online retailers, and then offline retailers use online retailers for direct sales and online retailers also carry out direct sales, and at the same time, combined with the problem of information sharing, this paper analyzes the information sharing strategy of platform retailers. This kind of literature and literature based on many-to-one mode are extensions of one-to-one mode research, although they both involve
the factors of competition, but do not take into account the new form of enterprise competition, that is, chain and chain competition.

3. Conclusion

The competition of modern enterprises is no longer the competition between enterprises in the traditional sense, but the competition between supply chains and supply chains. Among them, the supply chain, as a close market competition system, is around the core enterprises, through the effective management of business flow, information flow, logistics and capital flow, starting from the purchase of raw materials, making intermediate products and final products, and finally delivering the final products to consumers by sales channels, connecting suppliers, manufacturers, distributors, retailers, until the end user into an overall functional network chain structure. Chain and chain competition and the previous competition between single enterprises and single enterprises is qualitatively different, first of all, chain and chain competition is more suitable for the contemporary international market trade competition status, and secondly, through the analysis of competition, you can find and summarize the complex competition impact within multiple enterprises, and then derive the management significance better than that of single enterprise and single enterprise competition. However, at present, the research on chain and chain competition mostly focuses on vertical structure selection, contract selection, information sharing, cross-competition supply chain, etc., and few studies have extended the problem of selling mode selection to the environment of competitive supply chain, so future research can be expanded in this direction.

In addition to the development of platforms, another important area for retailers is the introduction of their own brands. As people's incomes increase, their living standards continue to rise, and material things are not just about satisfying needs, but about experience. As a retailer in direct contact with the end consumer, it is inevitable to be aware of this. In order to meet the personalized needs of consumers and reduce the cost of discomfort, more and more retailers choose to introduce their own brands to compete with manufacturers' brands, and erode manufacturers' market share with their advantages in meeting consumers' personalized needs. In China, the earliest NetEase company launched NetEase Yanxuan in 2016, and later there were also JD.com's Jingzao and Alibaba's Taobao Xinxuan, but in general, China's own brand development is still in its infancy, whether it is the product types or sales volume of its own brand, it cannot be compared with the manufacturer's brand. Compared with China, the development of retailers' private brands is stronger abroad, such as Costco's Kirkland Signature, Amazon's AmazonBasics, Walmart's Great Value food products and Boxed.com's Prince & Spring are all private brands. For more detailed data, a report in early 2019 showed that Kirkland Signature's sales accounted for nearly a third of Costco's total sales in 2018, an increase of more than 10% compared to 2017. U.S. e-commerce giant Amazon sold 22,617 different products under 111 private labels in 2020, more than three times the 6,825 store-branded products it had in June 2018, and AmazonBasics alone contains 4,152 household essentials. In addition, Boxed.com's Prince & Spring sales grew by nearly 400% between October 2016 and October 2017, accounting for Boxed.com 15% of its total online sales over the same period. It can be seen that the introduction of selling mode selection into the market environment of private brands will have meaningful management enlightenment.

References


