Business Model and Mobile Marketing Strategy of Online to Offline: An Exploratory Study

Houchun Ding[1*], Li Jiang[2]

[1] Business School, Huanggang Normal College, Huanggang, China

[2] Business School, Huanggang Normal College, Huanggang, China

dinghouchun@126.com; jlshadow@163.com

Abstract. In the times of needs of the minority, rich information and shopping experience of online to offline (O2O) strengthen the interaction and integration of the shopping process, which meet the interests demand of all parties involved. With the expansion of mobile phone users and the improvement of information interaction ability of mobile terminal and mobile payment security, this new business model ushered in its "mobile marketing era". Therefore, businesses should provide local and value-added services, and establish multi-channel digital electronic business (EB) platform so that online and offline resources could be integrated efficiently and advantages of mobile marketing could be developed effectively.

Keywords: O2O, Electronic Business, Mobile Marketing, Business Model

1. Analysis on Business Model of Online to Offline

The development of electronic business is changing human's living and consumption patterns, and related research in China has shown that in 2012 there was RMB1.26 trillion trading volume in internet shopping market, up 66.5% from 2011, and average yearly consuming amount per consumer online reached RMB5.203 thousand, up 25% from 2011, and average shopping times online every six months had risen to 18 times. However, in 2012 the total trading volume of internet retail market only accounts for 6.1% of the total amount of consumable retail, even in America with the most advanced electronic business, the proportion is less than 10%. Thus it can be seen, there is

great room for improvements of integrating online to offline for traditional electronic business. Under these circumstances, O2O business model has been brought into being. First of all, O2O platform provides media for businesses to release information and promote commodities which also help consumers to select goods and services; when consumers browse websites and make decisions online, the data including lots of personalized information will be stored in O2O platform, which is the very important decision-making parameter for offline businesses; finally, after making decisions online, consumers could enjoy services offline. Therefore, O2O not only retains the advantages of traditional electronic business, such as rich information flow and payment online, but also develops the unique value of logistics and business flow offline, in order to provide more attractive business model for all parties involved. The process of O2O is shown in Figure 1.
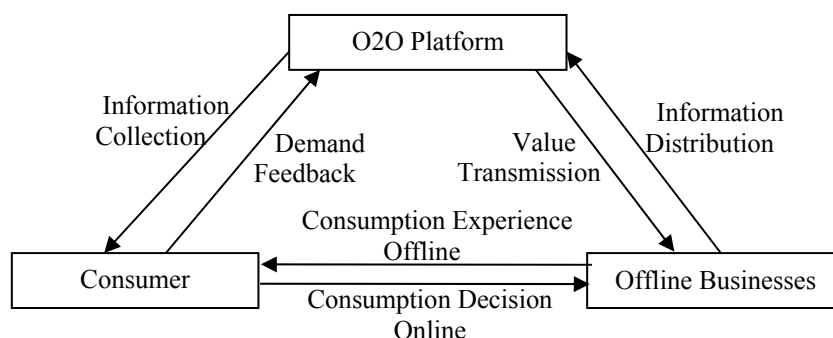

Fig. 1: O2O model.

1.1 To Focus on Dissemination and Acquisition of Information to Develop Businesses Marketing

In theory, the price and the quantity of commodities should meet consumers demand exactly. However, in practice, businesses may provide more or less quantities or set higher or lower prices because of information asymmetry or incompleteness. Thus, to businesses, O2O can break regional restrictions to transmit information of consumer price and performance, attract and help consumers to select goods or services needed, and make it possible to realize the scale of production based on needs of the minority. Most of all, O2O platform has strong functions of information acquisition and selection, which can help businesses get to know consumers well, and according to their personalized and diversified demands businesses can make right decisions about products development and manufacturing, distribution channels and so on, in order to promote businesses marketing.

1.2   To Focus on Shopping Experience to Meet Consumers Demand

Traditional electronic business emphasizes the model of electronic market and logistics, that is to say, consumers purchase goods online and businesses transfer ownership of the goods through logistics. However, this model cannot bring the feeling and experience of shopping on spot, and consumers cannot enjoy the services in person. Compare with traditional electronic business, O2O pays attention to the model of electronic market and offline experience. Consumers can obtain and select favorable information online without territorial limitation, make decisions efficiently, and enjoy spot experience and services offline which bring numerous special feelings to consumers. O2O gains consumers attention of shopping experience and is more closer to consumers appeal of shopping process.

1.3   To Focus on Application Platform to Enhance the Integration and Interaction of Shopping Process

Electronic business can provide application platform to enterprises, consumers and the third party service providers, which forms a new medium and enrich the process and connotation of modern business activities. Furthermore, with the advent of O2O, innovation is not only involved in model transformation, but also expanded to revolutionized areas, such as shopping activities, habits, mode, process and so on. As the technology of O2O application platform is improved and completed constantly, innovation will influence more domain widely and drastically, such as information interaction, mobile communication, payment security, interaction ways among consumers, businesses, the third party organizations and O2O operators. Actually, O2O is making further integration of business process and all parties involved. Their relations are shown in Figure 2.
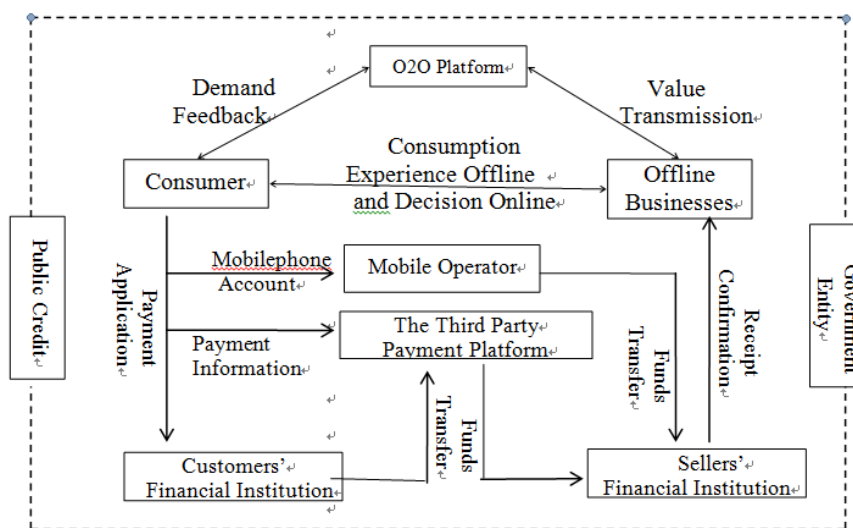
Fig. 2：Main parties and shopping process of O2O.

2.　Mobile Marketing: the Future of O2O

In 2011, IT risk investor, John Doerr, brought forward the concept of "SoLoMo" for the first time, which means social, local, and mobile. Mary Meeker, analyst from Morgan Stanley, has predicted that mobile internet would surpass desk internet quickly, and would be the development tendency of internet. Therefore, it is necessary for O2O to take full advantage of mobile internet to develop mobile marketing.

2.1　Increasingly Expanded Users of Mobile Internet and Huge Market Potential of Mobile Marketing

From 2007 to 2012, the percentage of netizens by mobilephones is 24%, 39.5%, 60.8%, 66.2%, 69.3% and 74.5%, respectively. Users scale of mobilephone microblog has reached 202 million accounts for 65% of total microblog users. According to the 31st report of China Internet Network Information Center (CNNIC) published in 2012, there are about 420 million users access to internet by mobilephones, and annual growth rate is up to 18.1%; the 32nd report of CNNIC shows that in the first half of 2013 70% 0f new internet users adopt mobilephones to log in internet, and the proportion of netizens by mobilephones continue to grow from 74.5% in 2012 to 78.5%. The data suggest that there are large scale of netizens by mobilephones in China, and mobile internet has become the largest internet terminal, which provide huge market potential and

drive businesses to develop mobile marketing. The detailed information is shown in Figure 3.
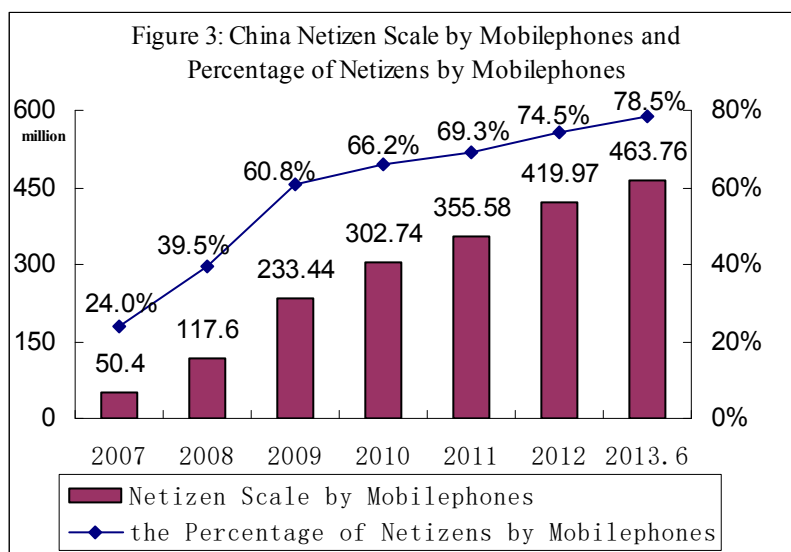

Fig. 3: China netizen scale by mobilephones and percentage of netizens by mobilphones

2.2 Increasingly Improved Interaction Ability of Mobile Terminals and Updating Application Technology of Mobilephones

Huge potential mobile users laid the necessity of mobile marketing, and the ability of information interaction between mobile terminals and internet is decided to the feasibility of mobile marketing. On the one hand, smart mobilephone is constantly upgrading, but its price has been reduced; 3G network spread rapidly, but mobile flow charges is cut down continually; access threshold of mobile internet is decreasing, which make it possible and feasible for mobile terminals and internet to interact information on hardware, and break the limitation of network access and regional obstacles. On the other hand, application technology of mobilephone are also constantly updating. Concerning the characteristics of mobility businesses pay more attention to the development and popularization of mobile searching technology, including diversified input ways, such as text and image, voice, picturing and scanning, two-dimension code, bar code, price searching and so forth. The application of these techniques has broken the limitation of time and place gradually, and makes it possible to shop and pay online anytime and anywhere. Thus, with the completeness of interaction ability of mobile terminals and application

technology, mobile marketing, especially location based service (LBS), will rule the future trends and influence all parties involved profoundly.

2.3 Increasingly Practical Security Guarantee and Workable Mobile Payment

Mobile payment is the key link in the process of mobile business, and consumers are most concerned with its security problem which fundamentally restrict human's mobile business activities. Government is trying to regulate industrial activities by controlling qualification and monitoring credit standing, and businesses involved are attempting to provide more secured and interactive payment platform. For example, Alipay, the third party payment system, has launched offline payment to support consumers in realizing spot payment by scanning two-dimension code with mobilephones. According to the research of CNNIC, electronic business application on mobilephones and online payment with mobilephones develop rapidly. By the end of June 2013, users scale of mobilephone online payment has reached 79.11 million, 43% more than that in 2012. It is clear that in the era of mobile internet efforts of all parties make mobile payment more secured, practical and workable.

3. Several Considerations on How to Develop O2O Mobile Marketing

Compared with successful O2O enterprises in foreign countries, O2O mobile marketing in China is still in the early stage and lacks experience, especially in the areas of value-added services, payment techniques, offline environment, online to offline and the like, which are our main concerns on O2O mobile marketing in the future.

3.1 An Anchor Point: Localization Service

At present, offline consumption still accounts for a larger proportion. The main reason is that needs of the minority is personalized, socialized and experiential, which determines the most consumption is bound to happen in the local. CEO of Trialpay, Alex Rampell has said, common consumers shopping online spend about $1000 a year, if American's average income is $40000 a year, where is the remaining $39000? The answer is that most of money is consumed in the local. Obviously, compared with visible goods packed, numerous invisible and experiential services cannot be expressed. CEO of Innovation Works, Kaifu Lee

has said, If the sales online of packed goods is 500 billion, the sales of life service kinds would reach more than one trillion. Thus, to businesses, localization services should pay more attention to offline experience, providing high-quality products and superior services. Depending on mobile network to develop localization service is the future of businesses marketing, also is a standpoint of O2O mobile marketing.

3.2 A key Point: Diversified Value-Added Services

O2O platform connect businesses with consumers, but it should not just be a middleman, diversified value-added services is desirable. Firstly, O2O platform should provide users with better experience to improve their participation, such as personalized custom-made services, data value-added services, software development and installation, local promotion, reservation, after-sales consulting and so forth. OpenTable, a very famous online order platform in America, makes its success not by advertising and information dissemination but by diversified value-added services, including restaurant's monthly fee, order commission, software installation fees and so on. Moreover, OpenTable is planning to offer data value-added services that will establish a database for each consumer to record their consumption behaviors, including his or her favorite color, price, location, time, food, light, style, etc. Through these means, business can provide more personalized services to enhance consumer loyalty and engagement.

3.3 A Difficult Point: Multi-Channel Digital Electronic Business Platform

It is necessary for O2O to manage the coordination of goods, price, service and logistics by depending on resources and technical supports. Manufacturers, wholesalers, retailers, logistics center, call center, mobile terminals, shopping stores join O2O platform to form a "logistics business group", in order to realize the trans-regional, cross-industrial alliance, improving the overall ability of resource allocation and realizing the coordinated development of Logistics. Therefore, there is a need to establish a multi-channel digital electronic business platform to manage digital orders, cross-channel order allocation, inventory control, and profit allocation. Best Buy, American-based company, the world's largest group operating household appliances, electronic products retail, distribution and services, has more than 1900 retail stores in America, Canada, Puerto Rico, and U.S. Virgin Islands. Best Buy adopts digital order management

system to get and modify various orders, and distribute orders to the most appropriate place according to different delivery modes, then consumers can purchase online, take delivery of goods or return in any store, also require door-to-door delivery and installation. Obviously, businesses should construct multi-channel platform to guarantee accuracy and efficiency to obtain higher customer satisfaction.

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