

Innovations

Research on the Development Status and Sustainability of Community Group Buying

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Abstract: *As one of the new retail business models, community group buying "production based on sales" provides consumers with a new and more convenient way of purchasing, and it has also become a new consumption habit for community residents. However, in the process of its barbaric development, it has disrupted the existing market order to a certain extent. At the same time, at the consumer level, the reputation of community group buying has also begun to show a clear negative trend. The article believes that the community group buying industry currently has the following problems: First, the platform products are of varying quality and the quality control is unstable; second, the group leaders are less professional and have low overall quality. At the same time, it puts forward practical suggestions for the operation of the community group buying platform to form a competitive advantage, win consumer reputation, and ensure sustainable development.*

Keywords: *retail e-commerce; community group buying; development status; sustainable development; countermeasures and suggestions*

Introduction

As a new model of e-commerce, community group buying has appeared as early as 2016. At the beginning of 2020, with the outbreak of the COVID-19 pandemic, the global real economy suffered a heavy blow. In China, more than 10 million stores in the catering, education, tourism and other industries have closed down. During the epidemic, working from home and

contactless commodity delivery have become the main lifestyles of residents. Against this background, the delivery service of community group buying has developed rapidly and has become the safest and most convenient way of shopping. The business model based on social marketing has made community group buying a blue ocean that major capitals and platforms are scrambling to seize, and the development trend is very rapid. However, the subsequent ultra-low price subsidies, malicious monopoly and other behaviors have added negative reputation to this new format. At the same time, in the post-epidemic era, the income of consumers has declined, consumer confidence is insufficient, and they have begun to wait and see about community group buying. Based on this, it is necessary to explore the sustainable development of community group buying, which can not only provide strategic support for community group buying, an emerging retail method, but also contribute to the healthy development of the entire e-commerce group buying industry.

Analysis of the Development History and Business Model of Community Group Buying

1. The origin and development status of community group buying
Community group buying is a consumption state that combines online consumer goods and offline communities. It relies on e-commerce platforms and is inseparable from real offline community consumers. Community group buying sets up a group leader in each community, who will set up a corresponding group chat and directly publish product information to the group chat or share product links to the group chat, and community users can choose to place orders and purchase them on their own. The group leader reports the order information to the platform, and the platform delivers the goods to the group leader's pick-up point the next day. The community users who place orders go to the pick-up point to pick up the corresponding goods.

Community group buying began to take shape in 2015, and in 2016, as a new type of social e-commerce model, community group buying began to rise in China. The first representative enterprise was "Niwonin" in Changsha, China in 2016, and then Xingsheng Youxuan pioneered the "pre-sale + self-pickup" sales model in 2017, realizing product release, ordering and delivery processes through We Chat mini-programs, but it has not yet been fully standardized. In 2018, the community group buying market gradually expanded. In that year, the financing scale of the community group buying industry reached RMB 4 billion, the market size reached RMB

7.36 billion, and industry competition intensified. At the same time, the development of community group purchasing has gradually improved, from sharing products within WeChat groups to WeChat mini-programs, mobile APPs and other methods. With the emergence of the COVID-19 epidemic in China at the end of 2019, community group buying has developed rapidly. Leading enterprises gradually emerged, and the industry market size reached RMB 34 billion. The reason why community group buying has been able to develop rapidly is that it has opened up the "last mile" of community residents' lives and provided great convenience for the lives of community users (Sadowski, 2021). In this context, major Internet giants have seized the opportunity and entered the community group buying market, focusing on fresh food, fast-moving consumer goods and essential epidemic prevention materials that are in urgent need of users and have high repurchase rates under epidemic prevention and control.

Since 2020, under the catalysis of the COVID-19 pandemic, people's consumption habits have been completely changed, and community group buying has become a new development direction for major capitals, ushering in explosive growth. The community group buying industry has huge development potential and fierce competition, and major platforms have rushed to seize market share (Qian Wenhui, 2020). In China, more and more well-known e-commerce platforms have entered the community group buying field and launched huge subsidies. The entire market is gradually divided by top capital players such as Shihuituan, RT-Mart, Xingsheng Youxuan, and Meituan Selected. These e-commerce platforms use different carriers such as group leaders, express delivery points, and convenience stores as community focus points. In 2021, Internet giants increased subsidies and the industry developed rapidly. At the same time, regulatory restrictions on community group buying began to gradually become clear, and industry norms were further improved. In 2022, Shihuituan gradually closed down its grid warehouses and self-pickup stations in China, and may have a debt of RMB 200 million yuan and prepare to apply for bankruptcy liquidation. Shihuituan, Chengxin Youxuan, etc. have successively withdrawn from community group buying.

After several years of rapid development, community group buying has formed a relatively mature business model. With the continuous expansion of the market scale, the development of community group buying has gradually stabilized. In 2023, community group buying has been further developed, mainly forming e-commerce platforms

represented by Taobao, JD.com, Pinduoduo, and Meituan, as well as Xingsheng Youxuan community e-commerce platforms and dynamic changes in Tencent Internet companies. Overall, it shows that the current community groupbuying business will gradually shift from multi-subject competition to a development trend of gathering e-commerce platforms represented by Taobao, JD.com, Meituan, and Pinduoduo.

2. Business model of community group buying

Community groupbuying is a regionalized and localized business group buying model (Lv You, 2022). Different from the traditional consumption model, community groupbuying is mainly guided by consumer demand and is committed to maximizing and conveniently meeting the various needs of consumers. Adopting an online + offline operation model, community groupbuying is a business model that collects order information through platforms or communities. After receiving the order information, the merchant will deliver the goods from the regional distribution center warehouse to the group leader, and the consumer will pick up the goods by himself. This model reduces the end-to-end delivery link and reduces the delivery cost, which benefits the group leader and consumers, allowing consumers to enjoy better products at a lower price, and using the group leader's social relationship to acquire new customers at a very low cost. The cost of opening a community group buying pick-up point is extremely low. This model can achieve rapid expansion. It can also reduce the loss of fresh food and reduce the overall cost of the supply chain through methods such as sales-based procurement, bulk procurement, and centralized distribution. Therefore, community groupbuying is a typical light-asset operation model.

The end cost of community groupbuying is mainly the commission of the group leader, but this part of the expenditure is far lower than the cost of manpower, rent, distribution, etc. when the enterprise builds warehouses and opens stores, so community groupbuying has a greater chance of making a profit. The community groupbuying model also has certain disadvantages. Since it needs to purchase in bulk to obtain lower prices, it attaches great importance to product selection; and in order to maintain the rapid response capability of the supply chain, the categories of community groupbuying are generally relatively single. The community groupbuying model is to operate through the method of "pre-sale, next-day delivery, and self-pickup" (see Figure 2.1 for the operation process), and the specific process is:

- (1) Select community groups with good geographical locations and

active activities as the leaders of the self-pickup points, establish a WeChat group, and push cost-effective products in the group.

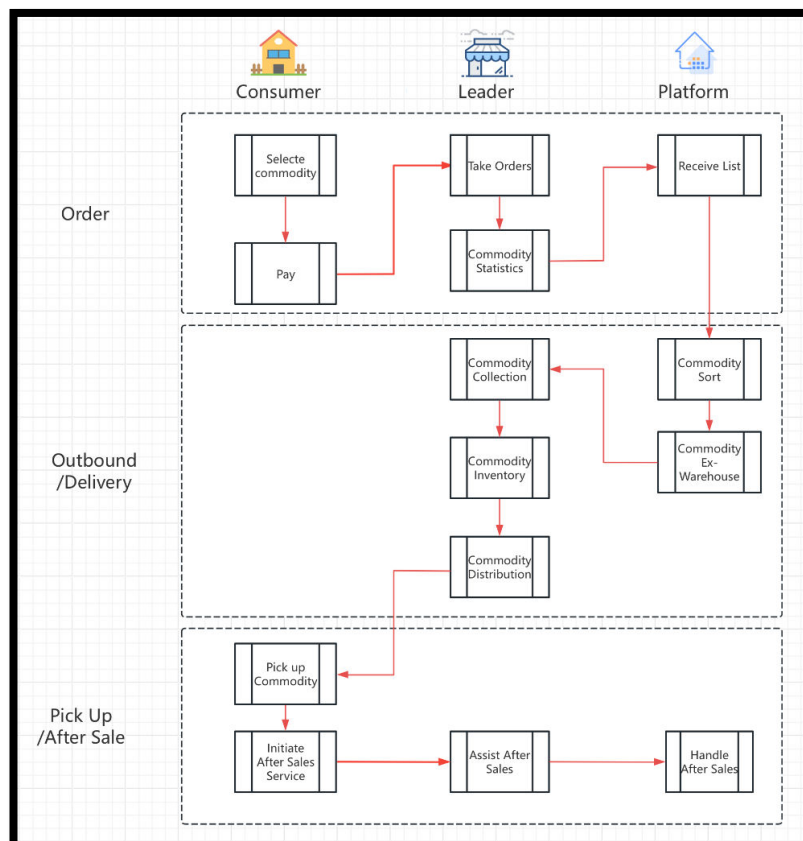
(2) Customers can place orders before the next-day delivery order deadline. They can place orders on the platform or on the WeChat mini-program.

(3) The platform will collect the order details of each self-pickup point and the customer that night, and the platform will coordinate the upstream and downstream of the supply chain to meet the needs of customers.

(4) The platform will deliver the goods to the self-pickup point the next day.

(5) Customers can pick up the goods at the self-pickup point within the agreed time range.

Figure 1. Specific Process of Community Group Buying



The community group buying platform has promoted the digital transformation of the retail industry. Its new business model has not only improved shopping convenience, but also promoted the optimization and efficiency of the supply chain (Zhou Ziqi, 2022). The operation of community group buying perfectly fits the 4C marketing rules. Compared with traditional marketing methods, community group buying operations pay

more attention to customer needs (consumer), improve customer satisfaction; reduce customer total costs (cost), including monetary costs, time costs, and physical costs, and improve customer loyalty; the diversity of information acquisition and the directness of commodity extraction have greatly increased the convenience of platform shopping methods (convenience); at the same time, the geographically based community has shortened the psychological distance between community group buying members, making communication smoother (communication).

Problems with community group buying

1. Platform products vary in quality and quality control is unstable

Customers' loyalty to shopping platforms ultimately comes from the quality of the platform's products. For community group buying, fresh food is a daily necessity for consumers, with a high consumption frequency and repurchase rate, so it accounts for a large proportion of community group buying. However, the quality of products on community group buying platforms, including fresh food, varies greatly, and quality control is unstable. Consumers often complain about the quality of products on community group buying platforms.

For the quality control of commodities on community group buying platforms, especially fresh products, the key lies in the procurement and logistics of products. For the procurement of fresh products with large individual differences such as meat, seafood, vegetables and fruits, there is a lack of clear selection standards, and product quality control is not strict, resulting in poor quality control of such products from the source. On the other hand, the transportation of fresh products has higher requirements, and it is necessary to ensure that the products remain fresh and the quality is stable during transportation. Temperature control is the key. It is necessary to ensure that the temperature is always maintained within the appropriate range according to the characteristics of the product to prevent the product from spoiling. However, the cost of cold chain transportation technology is relatively high. Cold chain transportation is the key and difficult point in ensuring the quality of fresh food, and it is also an inherent pain point for fresh food e-commerce.

2. The group leader has poor professionalism and low overall quality

The core strength of the community group buying platform lies in the group leader, In the consumer operations of community group buying, group leaders play an important role in early customer acquisition, mid-

term product recommendations, and later after-sales services (Xin Xiaohai, 2020). The group leader sends the latest group buying product information in the WeChat group every day and guides group members to place orders. The group leader is not only responsible for receiving orders, but also bears the responsibilities of commodity storage and distribution (Qi Chunwei et al., 2021). The lack of professional ability and business training of community group leaders can easily lead to many contradictions and conflicts. The problem of group leaders is mainly reflected in the current lack of professionalism and poor overall quality of group leaders. At present, there are few full-time group leaders in various community group buying. Most of the existing group leaders are concurrently served by community convenience store or express delivery point operators. These part-time group leaders are mainly based on their main business, and they do not pay enough attention to the community groupbuying business and are not very enthusiastic. In addition, the group leaders of community group buying have not undergone professional training and assessment by the platform, lack professional ability, and the overall quality of community groupbuying operations is poor.

Therefore, under the current main business environment, most community group leaders only play the role of distribution. In addition, each community group leader has a cooperative relationship with each community groupbuying platform. The community group leader extracts commissions from the group price of orders placed by customers in the community. In order to maximize profits, and because there is no barrier for group leaders on each community platform, a community group leader often cooperates with multiple community groupbuying platforms at the same time. Since community groupbuying is based on geographical location for community marketing, users will consider placing orders on community groupbuying platforms that are closer to them. Therefore, the number of community groupbuying group leaders and the distance from users will also affect the transaction volume of platform products.

3. Malicious subsidies from capital at low prices disrupt market order

Community group buying has successfully created a usage scenario for consumers to consume at close range. The platform's main meat, eggs, and vegetable fresh products have won the favor of a large number of consumers. Therefore, major Internet platforms have implemented a subsidized low-price strategy in order to seize the market. In the second half of 2020, Chengxin Youxuan implemented a commercial subsidy

strategy and launched a large number of one-yuan purchase activities for agricultural and sideline products. This malicious competition behavior broke the normal market price system. For agricultural and sideline products, the price market bottom line is a red line (Hou Liyang, 2022). Major operators can reduce commodity prices by increasing production, but malicious low-price competition subsidized by capital has seriously affected the market balance. And Chengxin Youxuan's low-price subsidy behavior is not an isolated case. These Internet giants rely on their own platform advantages to break the normal price system, which not only causes the profits of the upstream supply chain to be squeezed, but also has a huge impact on the offline community economy such as surrounding supermarkets, farmers' markets, and community convenience stores.

From the perspective of corporate capital, the marketing strategy of low-price subsidies has successfully attracted more merchants and users, allowing more residents to cultivate the shopping habit of community group buying, which has certain positive significance for tapping the potential market of community group buying. However, after seizing market resources and gaining market dominance, these Internet giants often abuse their monopoly advantages, use big data to collect consumer information, and even raise prices or differentially price some products, resulting in "big data killing the familiar", which harms the interests of consumers. In addition, the continuous capital investment has disrupted the order of the fresh agricultural product market to some extent in the monopolistic competition, affecting many farmers and vendors, and even causing serious problems such as employment squeeze, reducing the efficiency of industry operation and social resource allocation, and hindering the benefit to people's livelihood, promoting industry technological innovation and sustainable development (Fan Wenjing, Pan Xian, 2021). The price competition among Internet giants has indeed allowed consumers to enjoy benefits at the moment, and the cost of living has also been reduced. But in the long run, the price discounts that seem to be "pie in the sky" in the early stage are wool on the sheep. In the subsequent operation process, community consumers are likely to pay for these discounts.

Analysis of sustainable strategies for community group buying

1. Establishing a quality control mechanism to optimize product variety and quality Establish a complete quality control system throughout the entire process, and clarify the qualified standard system for the product selection stage, logistics stage, and sampling stage. In the product selection stage, it

is important to review the supplier's qualifications, and it is equally important to monitor the product quality and review the transportation process. At this stage, the operation level of logistics technicians should be improved, and special attention should be paid to the requirements of temperature, microorganisms, and harmful gases during the transportation of fresh products such as fruits, vegetables, and meat. In the later stage, reasonable sampling should be carried out to determine the quality inspection standards for different varieties of fresh products to ensure the quality of fresh products. At the same time, special attention should be paid to the after-sales quality of the products. Once after-sales problems with corresponding frequency occur, they should be investigated and resolved in a timely manner.

At the same time, while operating fresh products, community group buying platforms can appropriately add other categories of products to provide users with more comprehensive shopping choices and experiences. On the one hand, community group buying platforms can add off-season fruits and vegetables on the basis of seasonal fruit and vegetable sales to provide users with more choices; on the other hand, in addition to fresh products, daily necessities products are also the daily needs of community groupbuying platform users. These products often do not have high requirements for warehousing and logistics, have lower costs, and more controllable profits.

2. Establishing a team leader training management mechanism to improve the team leader's professional capabilities

The leader of a community group buying plays an important role in linking consumers and product suppliers during the platform shopping process, and plays an important role in improving consumer trust and loyalty. Therefore, it is necessary to establish a reasonable training and assessment system for group leaders. On the one hand, the group leader needs to deal with the storage management of goods, customer relationship management, after-sales issues, etc. Therefore, the training of group leaders for community group buying should involve content such as product sales, item storage, community management, after-sales problem handling, and App backend use, in order to improve the professional ability and competitiveness of group leaders.

On the other hand, it is also necessary to establish a reward incentive system and an assessment and accountability system for group leaders to consolidate the relationship between the platform and the group leader. The platform can provide reasonable cash rewards to group leaders for

their performance in sales, platform traffic, after-sales service, etc., to encourage them to better serve the platform. At the same time, group leader assessments should be conducted regularly, and group leaders should be held accountable for any behavior that causes losses to the platform or consumers due to their own reasons, so as to improve their sense of responsibility and loyalty.

3. Get rid of low-price subsidy competition and strengthen platform supervision

In the early stage, community group buying platforms quickly seized the market through "price wars" and then adopted high subsidies to attract early users to participate. Once users formed the habit of purchasing daily necessities through community group buying and the market performance of competitors became weak, they would raise prices to recover the marketing funds invested in the early stage to expand the market. The price war created by community group buying through this series of low-price subsidies and the resulting squeeze on employment have aroused certain social concerns.

In order to achieve long-term and standardized development goals, community group buying needs to increase supervision of its own platform in addition to improving service quality. On the one hand, in order to achieve sustainable long-term development, the platform should establish its own supervision mechanism while cooperating with government supervision. This mechanism will become a solid guarantee for the operation of the platform, not only ensuring that the platform operates in an orderly manner within the regulatory framework of the "Nine Don'ts", but also fundamentally maintaining the brand image of the platform and winning the trust and support of consumers; On the other hand, in the process of pursuing economic interests, community group buying must not ignore the social responsibilities it shoulders. Under a certain range of risk levels of public health emergencies and supply chain cooperation, the fulfillment of social responsibilities of the fresh food e-commerce supply chain can effectively improve the performance level of enterprises at each node (Ji Yanan, 2021). In the post-epidemic era, community group buying platforms can rely on their own advantages to provide strong support for the logistics supply chain and ensure the timely delivery of materials. At the same time, the platform can actively participate in agricultural assistance projects and expand agricultural product sales channels. In addition, by increasing employment positions, more job opportunities can be created for the society and employment pressure can be alleviated. In

this way, the community group buying platform can not only establish a good corporate image, but also win the trust and favor of consumers, attract more users to choose, and achieve its own sustainable development.

Summary

As a new social e-commerce model, community groupbuying is still essentially retail. User experience will not depend solely on the high popularity and large scale of the platform. Community groupbuying will inevitably face a series of challenges and difficulties on the road to sustainable development. Community groupbuying needs to effectively improve supply chain capabilities, carry out refined operations, continuously improve product and service quality, and provide business management training for group leaders to form competitive advantages, win consumer reputation, and achieve long-term high-quality development.

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