

# Research on Community Purchase Competitiveness Based on Swot Analysis

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**Abstract:** With the gradual deepening of WeChat marketing, new development trends have emerged in online shopping, and community group purchases have become the outlet of the online economy. Many capitals have entered this field, and the community group purchase market is also facing fierce competition. This article uses the SWOT analysis method to explore the advantages, disadvantages, opportunities and threats that occur in the development of community group purchase. It provides strategies for the future development of community group purchase. To avoid risks, seize opportunities, and achieve sustainable growth.

## 1. Introduction

Community group purchase is a group purchase model of “online booking + offline self-picking” based on offline physical communities and online social tools. Traditional e-commerce has used the advantages of third-party payment and logistics for many years. Community group purchases use fresh products and daily necessities as the entrance. Based on e-commerce, they can increase customer base through social interaction. Based on the neighboring attributes of offline communities, Make a bulk purchase.

The reason why community group purchases have become the outlet of e-commerce is that after the economic level has improved, residents' consumption concepts have changed, from purchase the goods they need to purchase the goods they like. As a super traffic portal, WeChat has become a new platform for people to communicate. Marketing on WeChat platform is easier to tap consumers' deep purchasing desires. Community group purchase enters the household consumer market through WeChat marketing. The main target customer group is women between the ages of 25 and 45. They have the right to make decisions on the purchase of household goods. Once the household goods are selected, the repurchase rate is very high and sales are stable.

In recent years, group purchase platforms such as squirrel fight, food enjoyment, good shopping, prosperous selection, koala selection, box community, home shop, etc. have become popular, and community group purchase presents a situation of a hundred group wars. With the fierce competition in 2019, community group purchase has also ushered in a major reshuffle in the industry. Acquisitions, mergers, alliances, and bankruptcy have become new trends in this circle. Facing competition and trials, this article uses SWOT analysis to conduct in-depth analysis of community group purchase.

SWOT analysis is also called situation analysis. S (strengths) is an advantage, W (weaknesses) is a disadvantage, O (opportunities) is an opportunity, and T (threats) is a threat. The SWOT analysis method draws conclusions by analyzing the strengths and weaknesses of the research object, and assessing the opportunities and threats brought by the external environment, and then adjusts the development strategy.

## 2. Swot Analysis of Community Group Purchase

The organizer of community group purchase (commonly known as the head) is generally a housewife, a convenience store owner or a courier owner, etc., is a real offline user, with after-sales protection, unlike Taobao transactions, which are unfamiliar online transactions. Neighborhood and friend relationships will shorten the psychological distance between consumers and the group leader, which can strengthen the trust between each other. Wechat Solitaire group purchases will easily

lead consumers to follow suit. After group friends buy, they will also feedback the quality of the goods in the group. The interaction between the customer and the customer will reduce the asymmetry of information and increase the consumer's awareness of the product, thereby promoting the purchase of new customers and the repurchase of old customers.

On the one hand, many communities buy vegetables and fruits directly from the origin, reducing intermediate links and reducing procurement costs. On the other hand, community group purchases focus on daily household consumption, and the unit price of daily necessities is low. The group head of community group purchase, centralized ordering, platform centralized delivery, and self-collection by customers who arrived can perfectly solve the last-mile delivery problem, which greatly reduces logistics costs and delivery costs. Therefore, the community group purchase is convenient and quick after the purchase order, and it is more economical and affordable than the direct online purchase.

The heads of the group purchase platform are mostly people with inherent customers such as express store managers and convenience store owners. They establish WeChat groups through their own contacts and initiate group purchase in the group. Many group-purchase platforms provide users with points and commissions with a double reward for spontaneous sharing of orders, encouraging the old to bring the new, and the customers to promote customers; at the same time, good quality products will also have word of mouth and spontaneous customers. Through these promotional methods, the size of the group purchase group will rapidly expand, so the customer acquisition cost and channel cost of the group purchase are relatively low, and there is no need for advertising promotion and store rental.

The traditional retail industry's thinking is to produce first and then sell. The supply chain is "producer-dealer-retailer-consumer", which is a top-down distribution method. The community group purchase is to first determine the customer needs, and then to produce and match the required products. The supply chain is "consumer-group leader-group purchase platform-supplier", which shortens the retention time of goods in the channel, and the circulation efficiency is much higher than Traditional channels, and can promote businesses to achieve zero inventory management, will not accumulate funds to occupy goods, reducing supply chain costs. Some group purchases adopt the group pre-sale model, which first places an order for payment and then uniformly receives the goods, which can reduce the pressure on cash flow and reduce the operating cost of the platform.

Community group purchase wins with economy and convenience, but the group leader is only responsible for sales and online maintenance. Community group purchase merchants provide the entire operation system of supply chain, logistics, warehousing and after-sales. If the quality of the product is good, sharing positive feedback to the group will play a propaganda role, and if there is a defect in the product or a logistics lag, it will bring a great negative impact. With the increase in the number of consumptions, the information is gradually transparent, and the neighbourhood relationship has less and less influence on purchasing decisions. In the end, it still depends on the excellent quality of the products to win the trust of consumers. Arrival quality and arrival speed are determined by the platform. Consumers will choose "vote with their feet." If the quality is high and the speed is fast, they will buy repeatedly. Otherwise, they may quit the group purchase group. So the link between commodity management and supply chain is very important.

The head of the group, as the builder of the community group purchase platform, connects the group purchase platform on the one hand, and contacts the community residents on the other. The head of the group is responsible for the establishment, maintenance, answering questions and adjusting the atmosphere of the group, as well as constantly sharing information about new products on the shelves. Some heads are also responsible for the last mile delivery. Therefore, the role of the group leader in the entire chain is very critical. Its remuneration is mainly commissions for group purchase sales. For the sake of profitability, it is more inclined to sell high-commission platform products, and its loyalty to group purchase companies is limited. Once the group leader resigns, the group purchase group may dissolve, and the channels and customers that had been hard to maintain before will be lost.

According to the "44th Statistical Report on the Development of the Internet in China" issued by

the China Internet Network Information Center (CNNIC), as of June 2019, the number of Internet users in China has reached 854 million and the number of online shopping users has reached 639 million. That is, there are 6 netizens for every 10 Chinese, and 4 of these 6 netizens participate in online shopping.

In 2018, the total retail market in China exceeded 40 trillion yuan. According to a 1% ratio, community group purchases also have a market potential of 100 billion yuan. The traditional e-commerce online marketing market has been relatively saturated. In recent years, new demands have been tapped in market sinking, cross-border e-commerce and model innovation. Community group purchases have met the needs of consumer grading and market sinking. Community group purchases and purchases are mostly necessities for the public. Through community interaction, consumers are stimulated to purchase desires and purchase behaviors. They deeply penetrate and cooperate with communities, real estate, and courier points to allow neighboring consumers to gather to form new consumption. market.

Community group purchase is targeted at residential areas as a unit, and penetrates into the customer base with a more subtle antennae and penetrates into each household. This micro-level management requires information to support it. Mobile payment has brought new opportunities to new retail. WeChat Solitaire group purchases, lottery applets, and WeChat stores and WeChat albums all make online marketing smart and Efficient. Many group purchase platforms have their own back-end systems for order management, distribution, and product loading and unloading, creating an efficient supply chain system. The group leader only needs to share the group purchase information. Consumers can place an order by clicking a link, and they can view the order information and track the logistics through the platform.

After the outbreak of the new crown in 2020, the whole country restricted travel, a large number of stores also closed business, and offline physical stores were in a state of misery. Under the epidemic situation, the original online industry has been rejuvenated, and the orders for community group purchase platforms such as JD Home, Hema Fresh, and Xingshengyou have surged by more than 300%. Under the epidemic of the catering and retail industries, online distribution has started to rescue themselves. From the data of January to February 2020, the community group purchase in Wuhan has the fastest growth, which has increased by nearly 10 times compared with usual times. The growth rate is about 4 times. Judging from the group purchase initiation data of group Solitaire, more and more physical stores have started to join the community group purchase. From previously limited to fresh food, fruits, vegetables, and daily necessities, it has now developed into catering, hygiene products, skin care and other industries. In the past, some middle-aged and elderly people were unfamiliar with mobile payment and were willing to go to physical stores to purchase. Now they have joined the community group purchase army from a security perspective. Once these people have developed habitual consumption, they will become a new force for community group purchase.

Group purchase does not involve technological innovation, it is only channel innovation, so the barrier to entry is not high. Community group purchases have been piloted in third- and fourth-tier cities since 2018. By the second half of 2019, the number of group purchase platforms has exceeded thousands, and competition has intensified. There are multiple ways to grab territory, communities, group leaders, and channels. Seize the market, so the competition between community group purchase and the industry is very fierce.

Community group purchase competitors are not only peers, but also e-commerce companies that are accelerating to sink. Traditional e-commerce and offline retail companies have also begun to join community group purchases. Traditional e-commerce such as Ali, JD.com, Pinduoduo, and Meituan have large scale, strong capital, and strong anti-risk capabilities. They have more advantages in capital, channels and logistics, and Have customer base and market trust. And community group purchase is mostly a rising star. It is very difficult to compete with big giants.

The reason why customers choose community group purchases is that one is convenience and the other is cheap. Community group purchase claims to use the direct production route, on the one hand, it is lower to get goods from the source, and on the other hand, it is more fresh for fresh

products, but in fact, many platforms still pick up goods in two batches. Therefore, on the issue of direct mining, JD.com and Tmall are larger than small group purchase platforms, and the demand is large and bargaining advantage. This makes it difficult for the platform to go directly to the place of origin and local cooperatives for underwriting and quantitative production. So many small platforms choose local direct mining, but after localization, it is difficult to scale. So whether the price advantage can be maintained for a long time has a great impact on the sales volume of community group purchases.

### **3. Research on the Future Development Strategy of Community Group Purchase:**

Community group purchases need to sink customers and increase products. Many websites take advantage of the inconvenience of going out during the epidemic, tap the potential needs of customers, and start group purchases of hygiene products such as masks and alcohol to make customers sticky. For group-purchased goods, minimize the intermediate links, reduce corporate costs, and maximize consumer benefits.

From the perspective of consumption areas, with the further expansion of the e-commerce audience, community group purchases should sink from first- and second-tier cities to third- and fourth-tier cities and county-level areas. Initially, e-commerce was concentrated in first- and second-tier cities with convenient logistics and strong consumption capabilities, but now the consumer market in these cities is gradually saturated. Because consumers in first- and second-tier cities have high incomes, but the density of large supermarkets is large and there are many stores that deliver goods to their homes, users are too selective and their purchasing power is scattered. With the improvement of logistics distribution systems in third- and fourth-tier cities, residents' incomes gradually increase and they are more price-sensitive, community group purchase can better satisfy their consumption needs.

Community group purchases need to strengthen community operation and management, and conduct refined management in terms of head recruitment management, traffic introduction, WeChat group management and product quality monitoring. There must be strict standards for the recruitment of heads, and they must be keen on community management and be willing to share feedback, be able to do good after-sale maintenance, improve user loyalty, and promote the stability of community group purchase. For the replacement of heads of personnel, there must be a durable employment management mechanism. There must be rules for the management of WeChat groups to achieve sustainable development. For the purchase of goods, we must strictly control and guarantee the quality and quantity in order to be an export monument and a brand.

During the severest period of the new coronavirus epidemic, residents were unable to go out, and community group purchases played a very important role, but the main product types were vegetables, meat, and rice. Meet the individual needs of customers. Then we should seize the opportunity to resume work and production across the country, do a good job of market research, enrich the variety of products, and seize market opportunities.

Community group purchases need to survive competition. The provision of high-quality and low-cost products is the basis, and fast and fast logistics is the driving force. The public relations ability for after-sales processing of goods is guaranteed. High-quality products and services improve the repurchase rate of users. The point is. Physical stores began to develop online business, while traditional online e-commerce began to deploy physical stores. This is because the pure online model has developed rapidly, but any problem in one link may cause the entire supply chain to break; the development of the physical model is slower. , But steady and steady, continue to advance. The community group purchase is just in between, so after the group purchase company has a certain reputation, it can use the franchise method to expand the scale, and simultaneously merge offline physical stores to achieve "online + offline" combination to achieve high-speed brand expansion.

The community group purchase platform must first improve the competitiveness of its own products, ensure the regularity of product procurement channels, and provide high-quality products. At the same time, it needs to effectively integrate various systems such as production, procurement,

sales, and distribution to ensure the professionalization of the supply chain. Secondly, it is necessary to improve the efficiency of the platform operation, do a good job in the information construction of the group purchase platform and seamlessly connect with WeChat, Alipay and the group purchase website. Finally, we need to strengthen marketing and publicity to improve the consumer experience: live online merchandise, and use the traffic effect of Net Red to increase sales; use herd mentality, increase the activity of the group purchase group, and turn many potential customers into loyal customers; enhance sales promotion Means to stimulate consumer desires through marketing methods such as special discounts and second discounts, and tap deeper customer needs.

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