

Business Model of Social Commerce Platform from the Perspective of Value Co-Creation: Based on a Case Research of Wechat Ecology

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Abstract: With the end of the dividend in the traffic era, social commerce has become a new product in the post-e-commerce era, and its scale has grown rapidly. Based on the characteristics of the social commerce industry, this research attempts to study its business model, and builds a business model analysis model of social commerce platform. The model summarizes the key elements and reorganization value modules, revealing the internal mechanism and innovation path of its business model. Through the integration of the value network, the business ecology of the social commerce platform will be formed, and ultimately the multi-party value win-win will be realized. The research results provide a reference for the business model with sustainable competitive advantage in the social commerce platform in the context of mobile internet.

1. Introduction

Social commerce is a new business model that combines traditional e-commerce and social networks. It meets the marketing needs of enterprises and is the future development direction of e-commerce. Social commerce is based on the information of goods that consumers share independently, thus guiding further purchase or consumption. The present study on the business model of the social business platform mainly focuses on the sustainable profit model, multiple role identities of users, socialization of marketing methods, and mining and use of consumer-generated content. However, these aspects are analyzed from the unit level. From the perspective of the value creation logic as a business model, there are few studies on the social business platform. A shift in the logic of value creation in the context of the Internet has had a revolutionary impact on business models. Co-creating value with consumers has become the key to change in business model^[1].

Traditional value creation logic is driven by the enterprise. Every value creation needs other key nodes in the value network to join. The interests of other members in the value network must be taken into account to achieve sustainable competitive advantage^[2]. Over time, the Internet business model in the context of the new economic era is oriented to consumer demand, and the community-based e-commerce platform business model has become the basic business logic of the new economic era. The platform formed by the community must be used to integrate cross-border resources so that consumers and enterprises can create value together^[3]. Therefore, the present study is based on the value creation theory proposed by Vargo and Lusch^[4], emphasizing the main status of consumers in value creation. As promoters of value creation, platform enterprises provide consumers with the support of an innovation platform and guide innovation practice. This study clarifies the importance of the connection and interaction between platform companies and consumers for value creation, and reconstructs the value logic of the “value proposition, value co-creation, value transmission, and value acquisition” business model by tightly establishing the “platform-consumer” relationship, and introduce eight value elements based on the characteristics of the social commerce platform to promote the innovation of the social commerce platform business model.

2. Case Analysis

Considering WeChat as an example, the present study constructs an analysis model of a business model of the social commerce platform. Based on the existing literature, the present study extracts the most representative eight value elements. Hence, the constituent elements of the most valued network are as follows: target users and needs, function and service positioning, member bodies and activities, core business and resources, experience and interaction, partner networks, consumer relationship networks, and profit models.

2.1 Value Proposition Module Innovation

2.1.1 Target User and Demand Level

The target user group of WeChat includes all netizens. For the elderly with issues of mobility and vision and less literate persons unable to type, WeChat developed the “voice intercom” function to allow this group of people to enjoy the convenience enabled by instant messaging software. For the young and middle-aged people who love socializing and playing games, WeChat has developed functions such as “near people” and “games.” For young people seeking a simple and convenient lifestyle, WeChat launched the “WeChat payment” function for fast and convenient payment. In addition, to allow every netizen to use WeChat, the picture is set at the best medium, and the operation of the “friend circle” is simple and easy to understand. Therefore, WeChat attracts more and more users.

2.1.2 Functional and Service Level

Initially, WeChat’s functional positioning was instant messaging, which changed how traditionally paid messages were sent. Therefore, WeChat continues to develop mobile communication functions and launch communication functions such as voice intercom function, video information transmission, and real-time video chat. In the process of continuous innovation, the function positioning of WeChat instant communication runs through the products. As the demand of WeChat users continues to evolve, WeChat’s related functions based on Local Based Service are gradually started. For example, “shake” and find “near people,” WeChat’s service innovation breaks the traditional acquaintance-based socializing. WeChat forms a diversified social system interwoven by a strong relationship network based on acquaintances and a weak relationship network based on strangers’ social interaction.

2.2 Value Co-Creation Module Innovation

In addition to that, in products or services, value is also reflected in the consumers’ perception and experience. The interaction between the platform and the consumer, through the input of heterogeneous resources of both parties to create value, has become a new model of value creation. Value co-creation modules can be segregated into member bodies and activities, core business and resources, and experience and interaction levels.

2.2.1 Member Body and Activity Level

Platform integrators, module providers, and consumers are the key members of the WeChat platform value network. The key business of each member has a clear positioning: as a platform integrator, WeChat should focus on refining operation management, integrating various module providers to enter the platform, guiding and supervising the module provider's business in an orderly manner, realizing the organic combination of its core business functions and peripheral services, and building a business ecosystem of social business platform. Module providers mainly include enterprises, advertisers, e-commerce platforms, and third-party services. These providers help the social business platform to provide diversified resources. As a basic unit of value creation, consumers contribute rich resource content for social commerce platforms and use their network to share and interact. With the business model of “resource flow + strong operation + mobile payment,” WeChat stands out in the fierce competition and homogenization of the social business platform.

2.2.2 Core Business and Resource Level

WeChat's social commerce functions include several major businesses. The first is the WeChat public account operation. Several companies are building their brands through social media. Through daily operations and data analysis, a well-planned soft-text tweet can capture the pain points of consumers. Meanwhile, consumers can also push their favourite public articles to their network to share. This form brings unlimited traffic to the enterprise. This is followed by the push of advertising in the circle of friends. The information flow among the WeChat friends circle can lead to a better advertising effect. For example, BMW advertised on the WeChat circle of friends. Within 16 hours, the total exposure was close to 46 million. WeChat users acted as advertisers for BMW through their praise and commented more than 7 million times. Individuals can also use the powerful sharing function to promote products in a graphic form, share them with their relatives and friends, and build trust between people, thus forming a chain effect in the economy, and ultimately achieving the purpose of selling goods. Finally, the rapid development of the WeChat applet allows merchants to easily reach out to hundreds of active users.

2.2.3 Experience and Interaction Level

The WeChat platform applies intelligent algorithm technology to the advertising campaign of friends in order to achieve accurate push to consumers. In this type of ad push, if the consumer is not interested in the pushed ad, they can click the "Ad" icon in the upper right corner, and the "I'm not interested" button will appear, then the ad will be removed. If one is interested in the consumer, then the "View Details" page can be clicked upon for acquiring further details. In the process, every user click is recorded and saved in the background, which provides data support for the next more precise advertising push. Moreover, many brand merchants use their high-quality content in the public platform to attract the consumer's attention and to understand their pain points, trigger consumer emotional resonance and sublimation, and share and interact with them, thereby attracting more consumers and flow.

2.3 Value Transfer Module Innovation

2.3.1 Partner-Network Level

The WeChat platform uses its powerful social network chain to connect people, people and information, people and services, and people and scenes to create a business ecosystem of "information dissemination-service access-scene connection." First, WeChat uses social communication to divert user traffic to friends, public numbers, and small programs that are free to install the software. Second, these free installers can be connected with social communication, WeChat payment, WeChat card, WeChat QR code, WeChat search, and other product usage scenarios to provide a complete service chain covering the online and offline. Finally, the linkage of the public, circle of friends, and small program will help in improving the effectiveness of social marketing. Therefore, the emergence of the small program era has transformed the WeChat industry chain structure from a single chain to a mesh, and the value chain's integrity, circulation, hierarchy, and value-added have been rapidly improved^[5].

2.3.2 Consumer Relationship Network Level

Consumers are key nodes in the value network and critical to value delivery. Therefore, unlike traditional e-commerce marketing methods, the WeChat platform marketing method is mainly based on collaboration and communication between consumers and promotes the relationship between the existing consumers and potential consumers through interaction to increase sales. Owing to the low threshold of social commerce platforms such as WeChat, increasingly more people try this mode of WeChat e-commerce. In the future, social sharing and e-commerce will integrate, and this will be the most popular marketing model. Therefore, the social commerce platform must continually grow together with the consumers to jointly maintain the good environment and order of the community. At the same time, the platform should also improve the trust mechanism with consumers and build innovation in the business model through the interaction with multiple entities of the value network.

2.4 Innovation of Value Acquisition Module

Value acquisition is the basic condition for ensuring the healthy development of a social commerce platform. It also forms a crucial part of the value creation logic. Business models that fail to achieve sustainable value acquisition are incomplete and unstable^[6]. Value acquisition is mainly derived from the innovation of the profit model.

2.4.1 Advertising Revenue

The information flow through advertisement among the WeChat circle of friends and the push advertisement of public content can positively impact advertisers. It is termed as “precise marketing.” According to the “tag-based” user mode, it accurately pushes users from gender, age, region, interest map, and other indicators. There are two main types of billing for such advertisement: exposure billing and interactive billing. Exposure billing refers to the cost charged by the consumer for each change of advertising, and interactive billing refers to charging based on the effective interaction of consumers, such as praise, forwarding, collection, comments, and so on.

2.4.2 Game Revenue

WeChat games are categorized as embedded social games and self-built social games. Self-built social games require building a social relationship chain within the game, and embedded social games directly implants the friends of the social relationship circle into the game. Embedded social games greatly reduce the cost of the user's social relationship and effectively improve the user's activity so that the WeChat social network can be quickly used to improve the user's stickiness in the game.

2.4.3 Value-Added Service Fee

WeChat's value-added service fee consists of that earned from ordinary users and public platform users. Value-added service fees are Tencent's beneficial services for ordinary users. Therefore, at this stage, paid expression packs, Q-currency recharge, and mobile phone recharge are all value-added service fees for ordinary users. Fee for public platform users is a developing module of the WeChat business model and still immature. At present, each interface of the WeChat platform is free to the public. The WeChat platform should establish open permissions to charge a certain service fee.

2.4.4 Building an O2O Platform

E-commerce has always been the soft underbelly of Tencent. Its QQ store and pat network have failed. Therefore, WeChat's exploration of O2O is expected to bring success to Tencent. WeChat has a large user base and high user stickiness, which can provide the necessary online traffic for the O2O platform. WeChat public number, WeChat shopping, and other services can build various O2O platforms for merchants. WeChat payment, circle of friends, sweeping, and other services can help businesses form a closed loop. Users can share their offline experiences through WeChat's social platform, and the merchant can get more user information. WeChat's business model in the O2O layout is divided into two types. One is to connect the merchant to the user through the public number. Tencent is trying to evolve WeChat as a member management system, which merchants can use to accurately market users. Tencent can also meet the users' needs for local life services through WeChat. The other is to build an O2O layout by holding or investing in Internet companies in the O2O segment and accessing WeChat.

In summary, the value path of the business model of the social commerce platform from the perspective of value creation is shown in Figure 1.

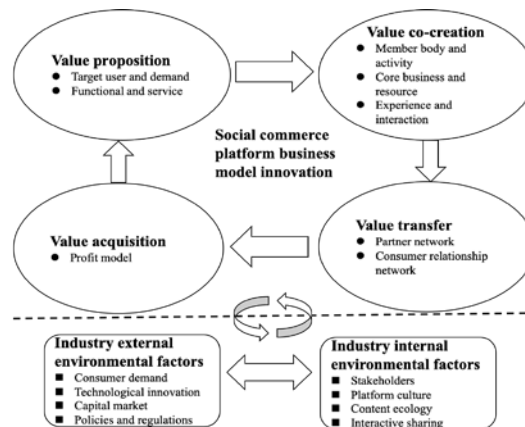


Fig.1 The Innovation Path Model of Business Model of the Social Commerce Platform from the Perspective of Value Co-Creation

3. Conclusion

The social commerce platform business model from the perspective of value creation emphasizes the role of platform and customer interaction in value creation. For consumers, participation in value creation can help in fully expressing their real needs and in meeting their psychological and social needs. On the other hand, it can fully exert its subjective initiative, use the consumer's network of relationships, and interact with others to achieve high-intensity interaction, thus gaining value-added effects in emotion, experience, and socialization, thereby enhancing consumer loyalty and satisfaction. For a social commerce platform, with the value of creating ideas as a guide through open and shared cooperation with consumers and other stakeholders, forming complementary resources and collaborative innovation, creating mutually beneficial business value and jointly building a more viable social business platform business ecosystem.

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