

Analysis of the Double 11 Shopping Festival from the Perspective of Microeconomics

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Abstract

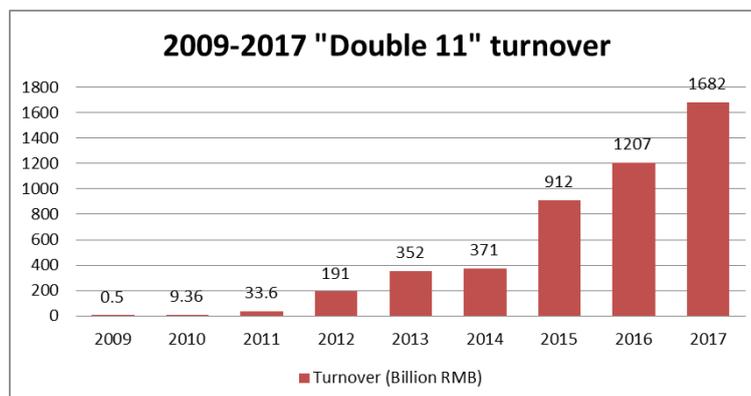
With the development of science and technology, the continuous improvement of infrastructure, the popularization of network and electronic facilities, people's shopping methods are imperceptibly changed, the way of shopping has long been accepted by the public. The rapid development of E-commerce enterprises, such as Alibaba, JD. Along with this, the new marketing model is also emerging, among which the largest and most successful is the "Double 11". 2017, the "Double 11" shopping festival to achieve 168.2 billion yuan turnover. This paper briefly introduces the background of "Double 11", then analyzes the reasons of "Double 11" from the perspective of microeconomics, and finally puts forward some suggestions to the consumers who are keen on "Double 11".

Keywords

Online shopping, economics, Double 11.

1. Introduction

2009, Alibaba's Tmall first held "Double 11" shopping festival, although the number of businesses involved is limited, but the turnover far exceed expectations. The event quickly swept across China and became the largest commercial activity in China's online shopping. From 2009 to 2017, (as Figure 1), we can see "Double 11" shopping festival has become the heart of people shopping important day. Alibaba registered "11.11" as its brand. The 2017 "Double 11" shopping festival is to reach a peak, 11 seconds broken billion, 3 minutes break 10 billion, the whole day turnover of 168.2 billion yuan, the peak transaction reached 2.56 billion per second, which is "black Friday" difficult to achieve. Now, we analyze the reasons for the success of "Double 11" from the perspective of microeconomics [1].



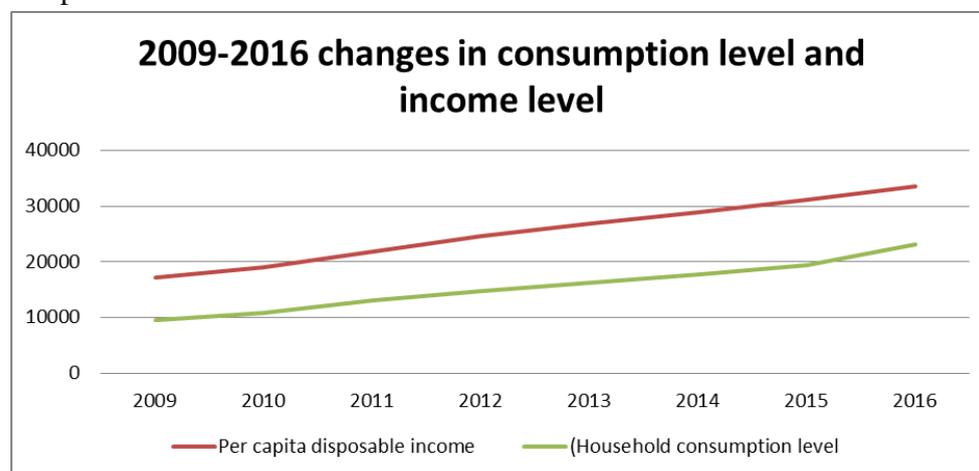
2. Using Microeconomics to Analyze "Double 11"

2.1 Demand Theory

From the perspective of economics, personal demand refers to the amount of a commodity that a person is willing and able to buy at various possible price levels during a particular period.

2.1.1 Level of Income

The consumer's income level determines the consumption level to a large extent. Income is the basis of consumption, when the consumer's income level increases, the demand for goods will increase; Conversely, when income levels fall, consumers will reduce demand for goods. Economist Keynes proposed the absolute income hypothesis that consumption depends on income, the relationship between consumption and income is the tendency of consumption. The relationship between them is expressed as $C = \alpha + \beta Y_t$, α means spontaneous consumption, that is, basic living expenses; βY_t is induced consumption, β indicates marginal propensity to consume, Y_t is spot income, and actual consumption expenditure is a stable function of real income.



China's economy has maintained a steady and rapid growth, people's income has gradually increased, and living standards have been rising. According to the above figure, we can see that the consumption level and per capita disposable income in the 2009 to 2016 basically maintain the synchronous growth. The income increases, and people increase their own consumption correspondingly. This is basically consistent with Keynes's thought[2]. Online shopping is an important part of its recent consumption. In addition, with the rapid development of the Internet and the advent of smartphones, mobile end becomes the main battlefield of network consumption. This brings opportunities for the development and growth of online retailers. 2017, "Double 11" mobile end transactions accounted for 92%. Closely related to the industry (such as logistics) vigorous development, the entire industrial chain operating efficiency greatly improved. It is not difficult to explain how the sales of "double eleven" in 2017 reached 168.2 billion yuan.

2.1.2 Change of the Price

The price can be divided into the price of the commodity itself and the expected price of the product by the consumer. Generally speaking, the higher the price of a commodity, the smaller the demand; conversely, the lower the price, the greater the demand. "Double 11" period, the price of goods will have different degrees of decline, so as to increase consumer demand for goods. And, "Double 11" discount promotional goods are flexible goods, like clothing, jewelry, shoes and other non-essential necessities. The ratio of changes in demand is greater than the price change ratio, because the demand for price changes are very sensitive. On the other hand, the "Double 11" is the usual routine that before the festival, the price is raised first, and the price is reduced on festival day. When consumers do not have enough time and energy to pay attention to the price of the commodity that they want to buy, they tend to think that the price of the commodity will rise in the future, which will increase the current demand of the commodity and hoard a lot of goods. For example, Housewives buy a lot of

daily necessities. At two aspects of the common influence, prompting consumers to increase demand, there must be irrational shopping.

2.2 Consumer Behavior Theory

Utility refers to the degree of satisfaction that consumers get from the goods they buy, which is a subjective psychological evaluation of consumers. The purpose of the consumer at the expense of money is to satisfy his own needs. The higher the degree of satisfaction, the greater the effectiveness of the play, the lower the degree of satisfaction, the smaller the effectiveness of play[3]. The utility of commodity not only has its own objective material attribute decision, but also the subjective feeling of consumers. In microeconomics, the difference between the price consumers want to pay for a commodity and the actual final payment price are called consumer surplus. The greater the consumer surplus, the greater the satisfaction the consumer feels from the purchase behavior, and the greater the utility. From this perspective, it is easy to see that the size of the consumer surplus affects the consumer's buying behavior.

Take 2017-year "Double 11" discount promotional activities as an example: Cross shop 400 minus 50, 3 items in the first 2 hours 20 percent off etc, these discount promotional activities make consumers are willing to pay the price and the actual price gap, the greater the gap, the greater the consumer surplus. When consumers rush to buy free products, consumers get maximum utility. Under the premise of "rational economic man", consumers will buy in large quantities to maximize utility.

2.3 Incentive Theory

In microeconomic terms, motivation is something that causes a person to do something, such as the expectation of punishment or reward, and rational people make decisions by comparing costs and benefits, then they respond to incentives. Using incentive theory, businesses can create consumers' desire to buy through various marketing activities. In addition, the theory of relative income consumption proposed by Bailey, an American economist, refers to the "demonstrative effect", that is, people's consumption behavior is often affected by the consumption level of the surrounding consumers. This is also an incentive for most people to be unconscious or conscious of the people around the same class when deciding their own level of consumption. Nowadays, many people are accustomed to online shopping, When they see that the products they need will be offered at a discount, this will encourage them to increase their purchases. The conformity behavior mainly refers to the psychology or behavior that people unconsciously adopt the opinions of most people and adopt the same mentality with most people. By promoting various promotional activities through the Internet, television and other multimedia channels, electric dealers has created a strong festive atmosphere, constantly encouraging consumers to buy and buy. Many consumers who are not very familiar with these activities and those who do not often use online shopping will participate in the activities under the influence of loyal consumers, thereby increasing sales. In the end, more and more online shopping people, more and more online shopping [4].

2.4 Cost Advantage

Compared with the real sales, network sales have a unique cost advantage, which is also a major factor affecting the quantity of supply. The low cost is mainly due to the following reasons:

First of all, First, online sales do not need to pay high rental charges. Some brands enter the shopping malls have a high entrance fee, each year to pay a fixed or even rising yearly rents. In contrast, the Tmall platform only needs to pay a certain amount of technical services or annuity fees, relative to the rental of physical stores, this cost is obviously much less. Secondly, the physical store personnel spending is large, need a large number of relevant personnel to maintain its normal operation, but Tmall only needs customer service and operators, you can realize the face of the entire platform of consumers, so the labor cost is low. In addition, some business model do not need a lot of stock, and brand dealers and manufacturers have a one-stop sale, so the stores do not need a special warehouse and the cost of storage is greatly reduced relative to the entity stores. For example, there are many Bosideng flagship stores on Tmall. They only serve as the sales platform to return the orders sent by

customers to the headquarters, and the final delivery is responsible for the Bosideng headquarters. These flagship stores do not have to bear the cost of purchasing, transportation, storage and delivery. Finally, the current China's network sales tax system is not perfect, the supervision is not strong, there are a lot of loopholes.

3. Rationality to the "Double 11"

Under the leverage of time cost, consumers will pay different price for the same product according to their own time value difference. Thus, the profit of the merchant will increase effectively compared with the direct discount.

Since 2009, "Double 11" has become an annual shopping carnival, the world's attention. "Double 11" marketing means and preferential policies stimulate consumer consumption from many aspects, such as need, utility and psychology, but in the face of "double 11" marketing activities, consumers should keep their eyes bright. Discount sales can really make consumers benefit from it, and promote domestic consumption, mobilize the enthusiasm of the market, to a large extent, to promote China's economic development and progress. However, we also have to consider that if we consume excessively, we will lose more. In the face of "Double 11", we can set up a shopping list in advance, only to buy the real need to avoid impulsive consumption. The behavior of spending money to save money is the misunderstanding of many online shoppers. To treat the "Double 11", we must maintain a certain sense and sober, truly let "spend money" into "save money", so that every penny we have to achieve maximum utility.

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