Economic Analysis of the “Double Eleven” Shopping Festival on Online Shopping Platforms

Ruihan Guo

Tsinghua International School Daoxiang Lake, Beijing, China

123982828@qq.com

Abstract. With the rapid development of the Internet economy, China’s e-commerce transaction volume continues to grow, and the largest contribution to the transaction volume is the annual “Double Eleven” shopping festival. Over the years, “Double Eleven” activities have triggered a wave of shopping sprees over the years, and its success is based on many economic principles: factors such as price elasticity and consumer income levels in demand theory; cost, benefit, hunger marketing and other means in supply theory; strategies such as price discrimination and bundling pricing in production pricing. Based on economic theory, this paper analyzes the reasons for the development of the “Double Eleven” shopping festival and the new retail model in China, demonstrates the social welfare and negative effects brought by the “Double Eleven” shopping festival, and puts forward reflections and suggestions accordingly.

Keywords: E-commerce, “Double Eleven” Shopping Festival, Economic Analysis.

1. Introduction

“Double Eleven” Shopping Festival (hereinafter referred to as “Double Eleven”), refers to the network promotion day on November 11 every year, originated from the online promotional activities organized by Taobao Mall (Tmall) on November 11 2009, when the number of participating merchants and promotional efforts are limited while the turnover is far more than the expected effect, so November 11 has become a fixed date for the major online shopping platforms to hold large-scale promotional activities. Taking Taobao Mall (Tmall) as an example, Taobao Mall first launched the “Double Eleven” shopping festival in 2009, and the turnover that year was more than 50 million yuan, while the turnover in 2010 amounted to 936 million yuan, which is a multiple of 18 times of the turnover in 2009. The turnover from 2011 to 2021 is still increasing every year and records are constantly being set.

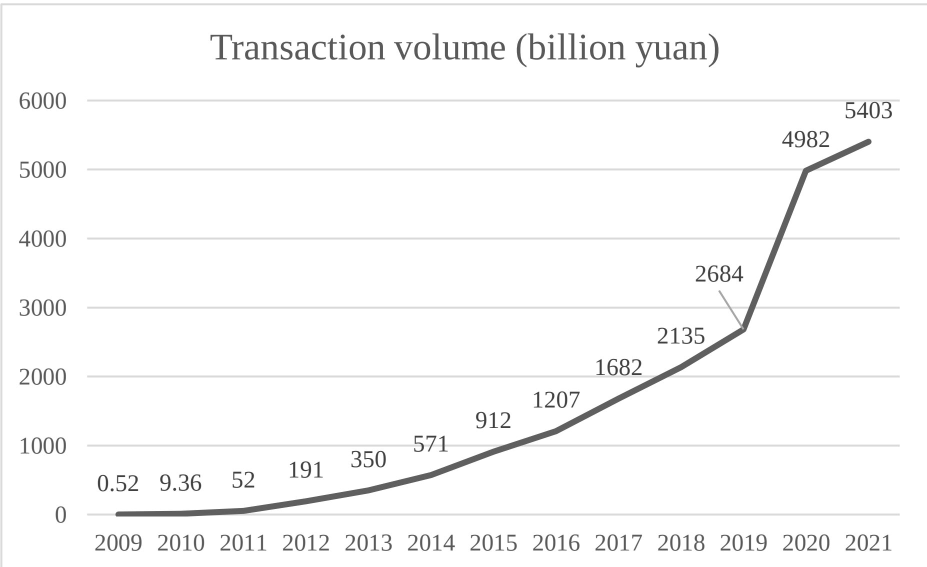

Figure 1. Turnover of Taobao Mall’s “Double Eleven” shopping festival from 2009 to 2024

Behind the huge turnover is the impact and influence of the Double Eleven shopping festival on the traditional business pattern, which promotes the development of the retail and e-commerce industry in China and even around the world [1]. Therefore, analyzing the reasons for the success of the "Double Eleven" from the perspective of economics will bring a lot of enlightenment to the market under the new situation. This paper analyzes the reasons for the development of the "Double Eleven" shopping festival and the new retail model from the perspective of economic theory, demonstrates the social welfare and negative impacts of the "Double Eleven" shopping festival, and puts forward reflections and suggestions accordingly, which is conducive to the verification of economic principles in practice and the development of e-commerce development. It is conducive to the verification of economics in practice, and also provides theoretical basis for the development mode of e-commerce, and provides useful references for business management and the development of e-commerce industry.

2. Demand Analysis

2.1. Price Elasticity of Demand

There is a difference between elastic demand and inelastic demand for commodities. Elastic demand refers to the situation that when the price of a product or service changes, the market demand for that product or service also changes significantly. Under the condition that other relevant factors remain unchanged, for general commodities, the price and quantity demanded of commodities change in the opposite direction. In economics, the extent to which price changes affect changes in quantity demanded is referred to as the price elasticity of demand, and if the quantity demanded of a good is sensitive to changes in price, then that good is an elastic good, and vice versa for inelastic goods [2].

During the "Double Eleven", the major online shopping platforms carry out promotions or price reductions with substantial discounts by utilizing this feature of price elasticity. When consumers log on to Taobao, Tmall, and other platforms, they see the large promotions and increase their demand. For some goods that have a large elasticity, the sales volume of the goods can be increased through promotions, and the use of promotions can be very effective.

Further analysis reveals that necessities tend to be inelastic goods and changes in price have little effect on changes in their demand.

Most of the "Double Eleven" discount promotion is clothing, shoes and bags and other non-essential goods, which are elastic goods and their demand is easily affected by the price. For manufacturers, price reductions for these elastic goods can undoubtedly significantly increase their sales volume, thus achieving the purpose of increasing revenue. This explains the phenomenon that the lowest discounts and the largest sales volume on the day of "Double Eleven" are on clothing, shoes and bags.

2.2. Consumer Income Level

According to macroeconomics, the level of consumption of consumers is determined by their income level, which in turn affects their consumption demand. In the case of residents' income growth and consumption tendency remains unchanged, the amount of consumption will also grow. Overall, along with the development of China's economic and technological level, the per capita disposable income is also increasing. In the era of network informationization, online shopping has become the main force of consumer consumption, and the "Double Eleven" has seized the proportional relationship between the level of consumer income and consumer demand, which has significantly increased the shopping demand of consumers.

As far as consumer income level is concerned, China's per capita income has shown an increasing trend in recent years, and the per capita disposable income of Chinese urban residents in 2024 was RMB 54,188, which is 3.16 times higher than that of 2009, and the income level has increased significantly. With the improvement of income level, the purchasing power of Chinese consumers has also been improved. Obviously, the increase in the level of national income is the main reason for the increase in consumption.

As far as consumption preference is concerned, as consumers in China have gradually become "rich" in recent years, they are more inclined to improve their needs when consuming, instead of only purchasing commodities that are necessary for them to satisfy their needs in life. The so-called "improvement demand" means that consumers pay more attention to the quality, brand and personalization of goods when purchasing goods. The change in consumer preferences is undoubtedly an important reason for the success of the "Double Eleven" Shopping Festival.

2.3. Other Factors

There are other many factors that influence consumer demand in daily life, such as herd mentality, technological advancements, policy support and others. For example, as the annual "Double Eleven" approaches, Taobao Mall engages in extensive promotional activities through various means. Moreover, as the loyal shopping community on Taobao expands, word-of-mouth promotion is also subtly taking place, and regardless of the method of promotion, it increases consumers' desire to shop, which is likely to lead to impulsive and blind consumption. This herd mentality undoubtedly adds fuel to the "Double Eleven" shopping frenzy. Additionally, in recent years, China's logistics industry has gradually grown stronger, and the rapid development of logistics has provided certain support for online shopping, allowing consumers to shorten their waiting time and thus enhance their utility. Furthermore, with the popularization of the internet, online consumption has gradually become mainstream, and the transaction volume of online consumption has rapidly increased.

3. Supply Analysis

3.1. Costs

From the perspective of an economic person or a rational person, the purpose of holding the "Double Eleven" shopping festival is to pursue economic profits. Compared to offline physical store sales, online sales have unparalleled cost advantages. During the "Double Eleven" promotional period, it is not surprising that merchants obtain substantial profits through various promotional methods.

First, when selling products online, merchants do not have to pay regular store rent. Although Tmall merchants need to pay certain technical service fees, deposits, and other costs to the website each year, this amount is significantly less than the rent for physical stores. Additionally, online merchants do not need to maintain large inventories, so they do not require dedicated warehouses, greatly reducing storage costs. In coastal areas such as Jiangsu, Zhejiang, and Shanghai, if a merchant has a large daily shipping volume, they can negotiate with courier operators to obtain very low shipping costs.

Second, physical stores require a large number of employees to maintain operations, such as sales staff, cashiers, and cleaning personnel, while online stores often only need a few customer service and technical staff to conduct transactions, resulting in lower labor costs.

Third, due to the real-time interactivity, cross-domain connectivity, and accurate information retrieval characteristics of the internet, it can reduce search costs before transactions, bargaining and negotiation costs, and contracting costs during transactions. At the same time, the execution and supervision through the internet also lower the execution and supervision costs of transactions.

3.2. Earnings

For the revenue analysis of e-commerce, it is also necessary to analyze the price elasticity: the price of goods with large price elasticity will increase their profits by reducing their prices. Most of the products in the "Double Eleven" have a trend of first increasing the price and then lowering the price, and the study found that the products that have been significantly reduced during the "Double Eleven" tend to sell more. E-commerce grasps the profit-making psychology of consumers, first rises and then falls on the basis of the original price of products, and creates the illusion of big discounts to stimulate consumers, so that the way of reducing prices for sales not only stimulates consumption, but also promotes the transaction volume to be far ahead.

3.3. Hunger Marketing

Hunger marketing is an important marketing strategy, which intentionally limits supply to stimulate consumer participation in rush buying, thereby bringing huge profits to the business. With the development of the Internet, hunger marketing has created significant social and economic benefits. The "Double Eleven" employs hunger marketing strategies, using slogans like "limited-time flash-sale", "only 1000 items left", and "out of stock soon", creating a supply shortage due to competition, stimulating impulsive consumer behavior, and enhancing consumers' desire to purchase, thus driving the phenomenon of shopping frenzies and increasing sales [3].

4. Pricing strategies

4.1. Price Discrimination

E-commerce in the pricing of goods using the principle of price discrimination in economics, that is, for an identical commodity, different pricing is chosen for different consumer groups: high-income groups pricing is relatively high, low-income groups pricing is slightly lower.

However, the e-commerce industry does not engage in such direct price discrimination. In the case of "Double Eleven", e-commerce platforms will issue a large number of coupons that need to be collected at a fixed time, and the coupons can be deducted when placing an order. In general, even if the high-income people have an urgent desire to buy, they will not squat on time to grab coupons, the price of their purchases will be higher than some of the low-income people squatting on time to grab coupons, so the high-income people to purchase at a high price while the low-income people to buy at a lower price, thus forming price discrimination. This kind of invisible price discrimination will stimulate a large number of low-income people's crazy consumption, causing a shopping tide.

4.2. Bundled Pricing

Bundle pricing, as a common pricing strategy used by companies, is a profit-making tactic in which a producer combines two or more goods and sells them at a fixed price so as to obtain consumer surplus. Bundled pricing usually adopts a common sales method for commodities, and sellers no longer need to price commodities individually, which is a favorable strategy for e-commerce sellers to obtain consumer surplus. During the "Double Eleven", e-commerce companies implemented bundled pricing for some products, i.e., the price of a single product remained unchanged, but vendors set differentiated prices for a combination of products offered, thereby shifting consumer attention away from the price of different commodities in order to bundle the sale of some products. The benefits of bundling can be realized, for example, by adding a small fee to the price of an item to obtain a product that is worth more than the small fee [4].

5. Analysis of Economic Consequences

5.1. Economic Benefits

5.1.1. Stimulate national economic development

Through the Internet, consumers can have a more comprehensive understanding of the information about the goods they want to buy, compare a commodity with many other commodities in many ways, and finally take the commodity into their pockets with just a mouse click. This greatly saves consumers' energy and shopping time, providing them with more buying opportunities and the right to choose. At the same time, online shopping also provides a broader market for businesses, the Internet has broadened the product information dissemination channels and sales channels, improve the visibility of products and businesses, and promote the growth of sales. "Double Eleven" activities provide more development opportunities for small and medium-sized enterprises, help them survive and rise, and provide new impetus for the development of the national economy.

5.1.2. Overseas purchase promotes the prosperity of import trade

The "Double Eleven" will promote the change of supply and demand relations in the whole society. Investment, consumption and export are the "troika" of economic growth. In addition to its impressive sales, another highlight of the "Double Eleven" is the soaring sales of overseas goods. From imported milk powder to toilet seats, all of them are sought after, which reflects the importance of Chinese consumers to product quality after the improvement of living standards, which not only drives the domestic economy, but also drives the world's economic development.

5.2. Problems

5.2.1. Irrational Consumption

Robert Shearer, one of the winners of the 2013 Nobel Prize in Economics, has said in his book Irrational Exuberance that markets tend to be driven by emotions rather than value judgments. Emotions are contagious with each other, which will make the market move more and more away from value judgment, and also more and more prosperous. In the same way, during the "Double Eleven" period, under the superficial stimulation of price temptation, the irrational demand of consumers was greatly stimulated and released in one day. When the media around them are reporting the "Double Eleven" activities, when friends around them are selecting their own discounted goods, individual consumers will unconsciously into this state, the irrational consumer behavior in the psychological rationalization, which significantly reduces the spending of money to shop for the sense of guilt and guilt, and significantly increase the sense of excitement and pleasure of shopping, ultimately leading to over-consumption [5].

5.2.2. Counterfeit and shoddy products emerge endlessly

The "Double Eleven" Shopping Festival is essentially a promotional package for "online shopping". One of the problems often encountered in online shopping is that buyers can not directly feel and experience the texture and performance of the goods.

Some unscrupulous traders will take advantage of the low price competition in this shopping festival to promote goods that are otherwise slow-selling, which provides a channel for the inflow of counterfeit and substandard goods into the market. Although this method can make some merchants in the short term to obtain a certain amount of revenue, but in essence, this will cause great damage to the legitimate rights and interests of consumers, and the credibility of the merchants will be greatly reduced, and ultimately disrupt the market order of network e-commerce, consumers on the network of shopping credibility is reduced, which will lead to the gradual deterioration of China's e-commerce market environment [6].

6. Summary

With the rapid development of the Internet economy, China's e-commerce turnover has been growing, of which the major contribution to the turnover is the annual "Double Eleven" shopping festival. The success of "Double Eleven", which triggers a wave of shopping every year, implies great economic principles: price elasticity and consumers' income level in demand theory; costs, benefits, hunger marketing and other means in supply theory; and price discrimination and bundled pricing in production pricing.

The emergence of the new retail model and the "Double Eleven" shopping phenomenon has changed China's business landscape, promoting the reform and development of China's online and offline business and playing an important role. E-commerce is a huge innovation in the Internet era, and its rapid development has certain advantages for promoting healthy economic growth and increasing consumer welfare. However, if not regulated, e-commerce, with the "Double Eleven" shopping festival as a representative activity, will also bring a series of problems, harming the welfare of consumers and worsening the online e-commerce market environment, which is not conducive to the development of online shopping.

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