

Analysis of factors influencing the cost of products in Buy Together

Shuang Guo^{1, a, *}, Jing Ren^{2, b}

¹School of Accounting (MPAcc Education Center), Shanxi University of Finance and Economics, Taiyuan, C030006, China

²School of Finance, Shanxi University of Finance and Economics, Taiyuan, C030006, China

^a1135977469@qq.com, ^bm18735696571@163.com

*Corresponding author

Keywords: Buy Together, e-commerce cost

Abstract: Buy Together, founded in September 2015, is a third-party social e-commerce platform focusing on C2B model. By forming groups with friends, family, or neighbors, users can purchase high-quality goods in groups at a lower price. The social concept formed through communication and sharing has formed Buy Together's unique new social e-commerce thinking. Buy Together reached 385.5 million annual active users in 2018, surpassing JD and become the second largest e-commerce platform in China. Buy Together has accumulated more than 300 million users in just three years, and its rapid growth has attracted people's attention. We can see that the most important reason for its success is the low selling price, and the most important factor that determines the selling price is cost. This paper analyzes the factors that affect the cost of products in Buy Together from multiple perspectives and puts forward some suggestions.

1. Introduction



Figure 1 frame diagram



Figure 2 the diagram of factors that affect the price

Buy Together is the mainstream mobile phone shopping APP in China. Founded in September 2015, Buy Together allows users to purchase products at a lower price through organizing groups with friends, family members and neighbors. It aims at helping people buy better things with lower prices by gathering more people's strength and enjoy more benefits and fun. It took less than three years from the establishment of the company to the realization of listing on NASDAQ in the United States, and it was well received by many investors. It successfully surpasses other similar enterprises such as Vipshop, Netease, Suning, etc. Analyzing the reasons of its success, cheap is the most important point. Through the advantage of price, Buy Together successfully broke into the public's field of vision with the slogan of "buying in groups is cheaper" and found its way into the market. The factors that affect the product sales price include cost, market supply and demand, product life cycle, competition, government policy and so on. Among them, cost is the most basic factor that affects the product sales price.

2. Analysis of factors affecting cost

2.1 Upgrade the supply chain and reduce the cost of marketing and intermediate circulation.

Unlike traditional e-commerce, Buy Together combines social networking with e-commerce. Through the cooperation with Tencent, consumers can send all kinds of activity links in wechat. Even if they do not download Buy Together, they can also shop in Wechat. In the activities of "bargain for free" and "snatch red packets" launched by Buy Together, buyers need to send links to wechat friends. As long as their friends pay attention to Buy Together or download Buy Together app, they can help buyers bargain or unpack red packets, which greatly satisfies people's psychology of taking advantage of the price. Therefore, Buy Together expands its brand influence and gains a large number of consumer groups through this way. From the perspective of several factories supported by Buy Together which rely on a large number of consumers of this platform, Buy Together effectively promoting the spread of high-quality goods in social networks and making good goods speak for themselves. It is equivalent to countless free advertisements lead to the decrease of marketing expense.

Buy Together's current strategic is focus on supply chain upgrading. There are many high-quality production factories in China, but their market share is not much. Buy Together opens up the upstream supply chain by supporting this kind of factory, and then achieves direct sales from the production area. As a result, the products produced by these factories are sold out quickly in a short period of time, and effectively digesting the factory capacity. And in the way of producing area direct delivery, the supply chain is compressed to the shortest and saving the cost of the intermediate circulation.

2.2 Reduce average product cost by buying in group

Most of the consumers in Buy Together are residents of the third and fourth tier cities, or college students without income sources, who are highly sensitive to price. Through the mode of group buying, Buy Together meets the demand of these kinds of consumers. At the same time, Buy Together successfully makes people feel shopping online just like shopping in real life through forwarding links, inviting relatives and friends to bargain. The mode of "buy in group" not only meets the needs of consumers, but also improves the sales volume, and finally realizes the scale economy and reduces the average cost of products.

2.3 Create popular products so that it can improve the use efficiency of machines and raw materials

Buy Together uses data to understand users' consumption interests, and consumer habits and preferences in different regions, and puts forward many suggestions on selection and marketing positioning for businesses on its platform. For example, Buy Together will help the brand to analyze the market vacancy according to the sales data, and provide the corresponding product model to the manufacturer. After a small part of production, it will test the basic flow. Under the guidance of the

test results, Buy Together will analyze the customers' click conversion, refund rate and other data based on more detailed real sales data for a second time, so as to provide more refined improvement scheme for the merchants, and give greater traffic inclination to excellent commodities, and create millions of single level pop-up commodities. By creating popular products, each brand only sells popular products. The factory only produces specific types of products for Buy Together, which simplifies the producing process to the greatest extent, and focuses on specific styles so as to maximize the use efficiency of raw materials and machines, and reduces operating costs.

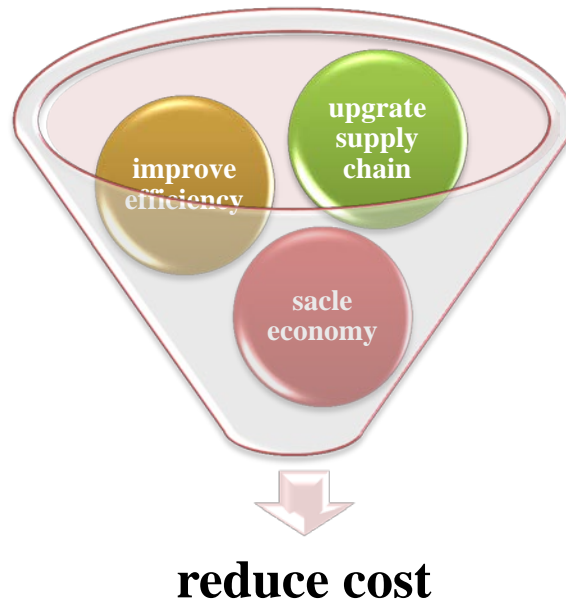


Figure 3 factors influence the cost

3. Problems

Buy Together merchants have no entry fee. What they required to have is just supply of good. Low threshold attracted a large number of businesses accompany with many problems. As Buy Together did not have a strict audit mechanism and effective supervision, the problem of poor product quality, fake products, and serious consumer complaints are common. Therefore its reputation is not very ideal and loss many consumers.

Group buying has some problems while increasing sales. On the one hand, the buyer who shares the product link to the same friend for many times will consume his interpersonal relationship. In the long run, it may be difficult for him to gather people to help him. On the other hand, Consumers can't enjoy the discount when they buy alone. And many middle and high-end consumers don't care about buying in groups. Therefore, as time goes by, these consumer groups will be lost.

4. Advice

First of all, Buy Together should strengthen the supervision and establish a strict audit mechanism to ensure the quality of goods. Secondly, Buy Together should improve the service level of pre-sale and after-sale so that it can create a good consumption experience for consumers and retain customers. Finally, Buy Together should speed up the upgrading of the supply chain in order to guarantee the quality while reducing the price.

5. Conclusion

Buy Together's success is not of course incidental. It has occupied the market with its unique marketing mode and market positioning. What's more, it successfully reduced product prices

through various ways and formed its unique advantages. However, there are many problems needed to be solved in pursuit of low price and rapid development.

References

- [1] Zhang Huajie. Research on low price marketing strategy of Buy Together e-commerce platform [J]. Chinese and foreign entrepreneurs, 2018 (17): 54
- [2] Lin Beichen. Visiting "pinchang": This is the secret of Buy Together's low-cost and high-end funds [J]. Public relations world, 2018 (07): 64-68
- [3] Ding Shuyue. Interpretation of e-commerce black horse -- Buy Together [J]. Modern commerce and trade industry, 2019,40 (02): 54
- [4] Liu Yijia. Analysis of the reasons and existing problems of Buy Together's successful listing [J]. Modern marketing (Business Edition), 2019 (08): 72