

Study on the Development of O2O E-commerce Platform of China from the Perspective of Offline Service Quality

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Abstract

O2O e-commerce mode is a combination of offline business opportunities with the Internet. O2O e-commerce platforms attract customers online, but the real consumption of services must be experienced by consumers offline. This mode puts high request forward to offline service quality. Firstly, this paper analyzes the present situation of the O2O e-commerce development in China. Then it expounds the offline service quality problems of O2O mode at the present stage. At last, this article puts some countermeasures forward for how to improve offline service quality from the dimensions of tangibles, reliability, responsiveness, assurance and empathy, in order to provide some suggestions to the healthy development of O2O e-commerce platform in China.

Key Words: O2O; offline service quality; e-commerce platform

1. Introduction

With the development of electronic commerce, a new e-commerce mode——O2O (Online to Offline) emerged. This mode connects the offline business opportunities with the Internet, makes the Internet be the front counter of offline trade. Offline services can attract customers online and the customers also can screen the services online. The operation flow of O2O e-commerce mode is shown in Figure 1. This article focuses on the third process of the operation flow: Offline consumption.

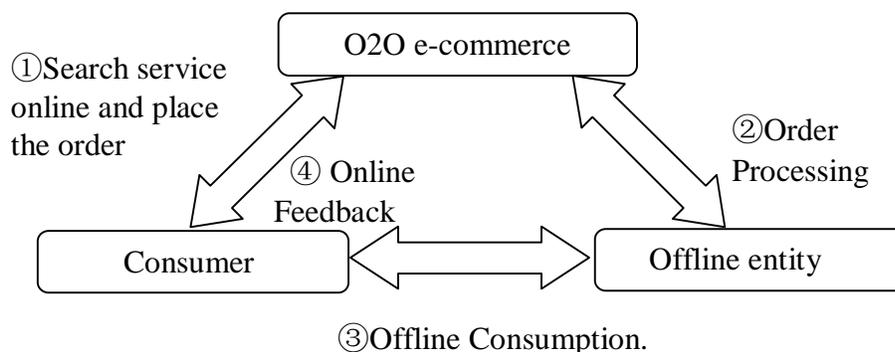


Figure 1 Operation Flow of O2O e-Commerce Mode

Offline consumption is an important segment of the O2O mode. If the consumer could not get the expected service in the offline entity shop, then the mode is not successful, because it can influence the customers' trust of O2O platform, they may even throw doubt upon the whole O2O mode. Therefore, improvement of the quality of offline services plays a very important role in customer retention and lifting customer loyalty to O2O platform.

2. Development of O2O e-Commerce in China

Tracing back to the O2O mode in China, Ctrip is the earliest O2O mode. The emergence of the group-buying mode made the information flow and cash flow implemented online. It also made the commercial flow and service flow implemented offline. It marked the O2O of China has entered a new stage. Group-buying is only tiny microcosm of O2O market, but this mode embodied the O2O concept.

2.1 Development Potential of the O2O Mode in China

According to the data released by Forrester Research, in 2013, the United States directly online sales account for the proportion of total retail sales reached 8%, offline consumption rate is 92%. While in China, this proportion is 3% and 97%. Thus, the prospect of online sales market is very big. The traditional service industry which is not developed online will form the huge potential in the development of O2O mode.

In addition, in recent years, mobile Internet in China developed rapidly (Figure 2). Moreover, by the end of June 2013, the number of cellphone netizen reached to 464 million, mobile phones exceeded desktop computers, became the biggest network terminal.

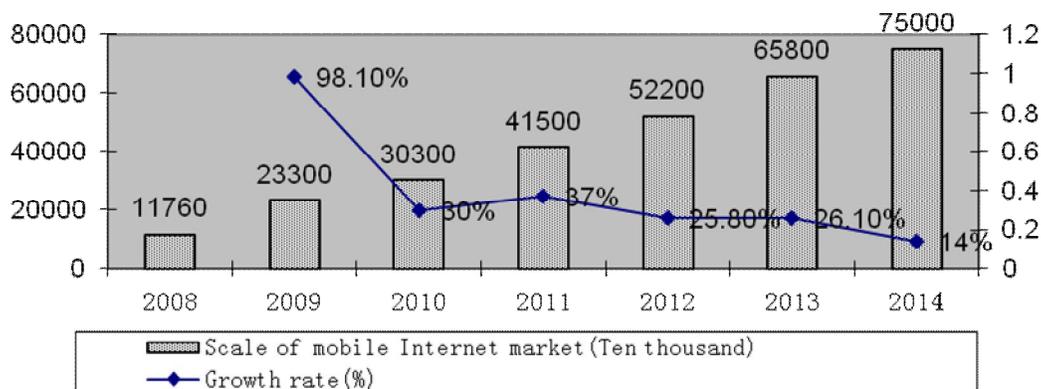


Figure 2 2008-2014 China Mobile Internet User Scale and Prediction

Data sources: iResearch

The era of mobile Internet impels the mobile terminals to become the most important development direction of O2O. Life-service, which O2O mode focuses on, is correlated with geographical position. Therefore, the location property of the mobile equipment determines the mobile terminal is more suitable for the development of O2O. At the same time, the portability of mobile equipment is suitable for the user's real-time demand.

Anyhow, the development potential of O2O e-commerce mode of is huge, it will be the future development direction of the e-commerce mode in China.

2.2 Development scale of O2O e-commerce in China

According to the data released by iiMedia Research, in 2012, O2O market scale of China reached 98.68 billion RMB, growth of 75.5%. By 2015, O2O market scale of China will reach 418.85 billion RMB O2O e-commerce is mainly oriented to the third industry—Service industry. The local life -service O2O mode is developing rapidly, permeates every aspect of life, such as catering, fitness, movies, performances, beauty salon, rent, etc. According to the data released by iResearch, in recent years, the scale of local life-service O2O market has reached hundreds of billions (Figure3).

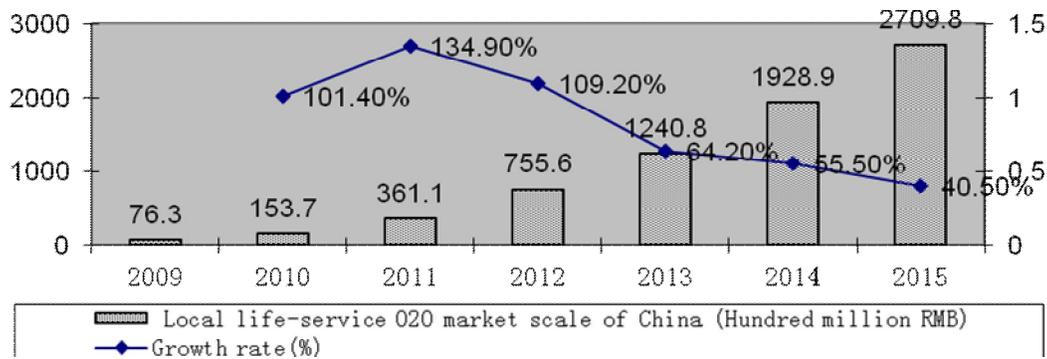


Figure 3 2009-2015 Local life-service O2O market scale of China

Data sources: iResearch

O2O e-commerce makes the information flow and material flow, the relationship between online and offline closer. It also broadens the direction of e-commerce’s development direction and makes e-commerce enter a new stage. It will help the traditional e-commerce enterprises get out of the Red Ocean and see a new Blue Ocean. This is the reason that O2O e-commerce could developed rapidly in China in recent years.

3. Offline Service Quality—O2O’s Short Slab

O2O e-commerce, as a new mode that combines offline business with the Internet, solves the problem that how to make the traditional industry electronized. However, O2O is not a simple Internet mode. The implementation of this pattern is a big challenge to the O2O platforms’ offline capability. It can be said that the level of the ability of offline determines the pattern whether this pattern will be successful. However, most of the O2O enterprises can’t control the offline service quality; it is only the third party intermediary, play a coordinating role in this mode. Therefore, offline service quality problem has been existing in the O2O mode for a long time. Here we take local life-service O2O for example; offline service quality problem is very outstanding (Table 1).

Table 1 Main Offline Service Quality Problem of Local Life-Service O2O

Local life-service	O2O Platform	Offline service quality problem
Catering	dianping.comlashou.com, etc.	Offline catering service level is uneven, the extra charge phenomenon exists, etc.
House-rent	mayi.com xiaozhu.com, etc.	Offline building quality does not accord with the online information., etc.
Car-rent	yyzhaoche.com, etc.	Offline vehicle scale growth can't satisfy the demand of users, etc.

O2O is a business mode which it is emphasis on offline experience; therefore, the most important thing is to improve the quality of its offline merchants’ service. How to ensure the online information identical with offline service will be a key point that decides the O2O mode developed successfully or not.

4. Analysis of the Ways to Improve the Offline Service Quality

O2O mode should pay more attention to the needs of the consumer and give consumer an excellent user experience. Therefore, what O2O platform should do is to control the service quality of offline merchants and help offline merchants to improve service quality based on users’ feedback.

4.1 Dimensions of Offline Service Quality

Lots of scholars have done the research on the definition and components of service quality from different angles. This article cited the generally accepted research findings that Parasuramn, Zeithaml and Berry presented in 1985. They (1985) pointed out that customers' perception of service quality is the gap between the expectation of service provider's service performance and the real performance. It can be expressed by the formula:

$$Service\ quality = Perceived\ performance - Expectation\ of\ Service$$

About the dimensions of service quality, Parasuramn, Zeithaml and Berry summarized five main dimensions to help customers to evaluate the service quality of the company (Table 2) .

Table 2 PZB’s Dimensions of Service Quality

Dimensions	Definition
Tangibles	Service place, facility and the appearance of service staffs
Reliability	The ability of providing promised service to customers reliably and correctly
Responsiveness	The will of service staffs to help customers and to provide real-time service
Assurance	Service staffs are professional ,polite and reliable
Empathy	Companies care customers and provide some other special attentions

This article analyzes the ways to improve the offline service quality also from these five dimensions. In view of the characteristics of O2O e-commerce, this article analyzes the specific measures to improve the offline service quality.

4.2 Specific Ways To Improve Offline Service Quality

When we talk about O2O e-commerce mode, local life-service O2O may be the most frequent part that we met in our daily life, which include catering, fitness, movies, renting, KTV ,etc. Then we’ll analyze the ways to improve the offline service quality of life-service O2O from PZB’s five dimensions of service quality.

4.2.1 Tangibles

Tangibles mainly embodies in the offline entity shops’ facilities and the appearance of service staffs. Due to the asymmetry of information, when customer searches service online, they can hardly see the specific information of offline entity shop from the Internet, what they can get is the limited information that the offline entity shop put on the Internet. When customer get into the offline entity shop and see the gap between his expectation and the actual facilities of the shop, there will be a great discount on his impression. Then the customer’s satisfaction will be reduced immediately, and the O2O platform will be doubted at the same time.

Therefore, O2O platform should urge the offline entity shops to put more information of their shops on the Internet to let customers browse. This information should include the location of the shop, the surrounding traffic condition, facility of the shop, etc. The more detail of the information on the Internet, the smaller of the customers’ psychological gap will be. Conversely, it will improve the customers’ satisfaction of O2O platform.

4.2.2Reliability

Reliability mainly embodies in whether the offline entity shop can provide the promised service online. If the customers think that they had not got all the service they purchased online, they will doubt the truthfulness of the information online; it is no doubt that the customers’ trust to the O2O platform will be greatly reduced. Reliability, of course, also should embody in whether the offline entity shop has the qualification to provide service. If the shop has no qualification, once the customers encounter obstacles during the process of consumption, rights protection will become a big problem.

Therefore, before the shops enter in the online platform, the O2O platform should check their qualifications. Secondly, in the aspect of service content, the O2O platform should monitor the offline entity shop and ensure the consistency between online and offline. The O2O platform also should punish the dishonest merchants and give a reasonable explanation and compensation to the customers.

4.2.3Responsiveness

Responsiveness means that the service staffs are willing to help customers and provide real-time service for customers. Service staffs play a very important role during the entire consumption. Whether they can provide service in time or not will affect the customer satisfaction directly.

Although the O2O platform can't control the process of offline service, it still needs to be responsible for customers. What the O2O platform can do is to analyze the operating capacity of the offline entity shop. If the offline entity shop’s operation ability can't afford a certain passenger flow, the O2O platform should control the flow of customers in order to avoid the situation that the customers can not accept service in time.

4.2.4 Assurance

Assurance means that the service staffs have professional knowledge and can obtain the trust of customers. Customers purchase the service online and hope to get professional service offline. So it raises a high request of the service staffs' quality.

If the service staffs are not familiar with the business, it will depress the customers during the consumption. There is no doubt that it will force the customers doubt the O2O platform's review system, and it will also reduce the customers' loyalty to the O2O platform. As the front counter of the online service trade, O2O platform should be responsible for the customers' rights and interests. But now, most of the O2O platforms put the merchants' quality in the second place in order to increase the flow of the platform. This can lead to uneven service quality offline. To this end, O2O platforms must strengthen their review mechanism. For the service that can't be identified online, the platform should conduct field investigations in order to ensure that customers can enjoy professional service.

4.2.5 Empathy

Empathy emphasizes that the offline entity shops care customers and provide some other special attentions. It means that the offline entity shop could provide services except the services that customers purchase online. To the customers, if they have the feeling that "The value of this item is beyond its price" during the consumption, it will undoubtedly increase their satisfaction. If customers experience these pleasant consumption for several times, it will increase their loyalty to O2O platform undoubtedly. Empathy is usually shown to customers by offline entity shops. Of course, these are what O2O platforms want to see. Therefore, for the offline entity shops that provide empathy, the O2O platforms should encourage and let more customers to experience these kinds of consumptions. It's a "win-win" thing for both offline entity shops and O2O platforms.

5. Conclusion

Different from the traditional e-commerce mode, O2O e-commerce mode puts forward high request to offline service quality. Offline service quality will not only affects offline entity shops, but also affects O2O platform. The development of O2O platform cannot leave the collaboration with offline entity shops. Only with the efforts from both "Online" and "Offline", O2O mode will develop well in the future. Although O2O platform can not control the offline service directly, it can help improve offline service quality by strengthening the qualification review mechanism, conducting field investigations, cooperating with offline entity shops and adopting the consumers' advice. Only in this way, it can help improve the consumers' loyalty to O2O platform and finally promote the healthy development of the O2O platforms.

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