



Factors Leading to Success for Entrepreneurs in the Chinese Online C2C Market

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Background and Purpose According to the China Internet Network Information Center (CNNIC, 2019), there are 829 million Internet users in China and more than 610 million of them are online shoppers. These shoppers are responsible for online sales that exceeded 7.5 trillion Chinese Yuan (1.1 trillion USD) in 2018, in which 60% is business-to-consumer (B2C) sales and 40% is consumer-to-consumer (C2C) sales (iResearch, 2019). Apparel and fashion accessories remain the most popular product category (74%) for online customers (iResearch, 2017).

More than 87% of the C2C shoppers have used Taobao, the largest Chinese C2C platform (CNNIC, 2015). Recently, Taobao has become a new venue for entrepreneurs because of its easy access, booming sales, and tax-free environment (Jing, 2015). Numerous studies have examined the online C2C market, although the majority of them have focused on a consumer's perceptions of the design/quality of the C2C website, the seller's reputation, and customer relationships (e.g., Pan, Kuo, & Pan, 2015; Verma, Sharma, & Sheth, 2016). However, current practices and strategies, as well as their effectiveness, from the perspective of C2C entrepreneurs have not been examined. This information could help fledgling sellers create a more profitable operation and offer viable income opportunities for those who have had difficulty finding employment or needing to supplement their wages. Hence, the purpose of the present study was to gain a deeper understanding of the Chinese online C2C market by exploring the roles of personal motivations, resources, and Chinese institutional environment (e.g., norms, culture) factors in business operations and success from the seller's perspectives. In particular, the present study investigated online entrepreneurs' means of identifying and acquiring different resources, the operational strategies they employed, and other factors they perceived to impact their business success.

Research Framework A modified resource framework developed for small businesses by Greene, Brush, and Brown (2015), was used as the conceptual framework. In this framework, social and financial capital were added to the Resource-Based Theory (Barney, 1991), which includes human, physical, and organizational capitals, to better capture an array of variables that predict new venture success. Building on the modified resource framework, special operational strategies that Chinese C2C entrepreneurs perceived to affect their success were examined. These included entrepreneur marketing aspects-- risk management, value creation, customer centric innovation, and opportunity vigilance (Fiore, Niehm, Hurst, Son, & Sadachar, 2013).

Methods A grounded theory approach (Corbin & Strauss, 2008) was used to systematically and inductively develop understanding of Chinese C2C market dynamics and online entrepreneurs' business operations. Data were collected from participants who were Chinese C2C sellers and have owned a business for at least one year using semi-structured, in-depth interviews. The snowball sampling technique was used to recruit participants until the information gained from interviews reached saturation. Nine interviews were conducted, and each interview lasted 40 to 60 minutes. Open, axial, and selective coding was conducted by two researchers to identify the

core themes. Intercoder reliability was 71% originally, and improved to 93% after discussions to address disagreement.

Results Results of this study showed that both “pull” factors (e.g., the pursuit of achievement and recognition, pride and enjoyment, a flexible lifestyle), and “push” factors (e.g., unemployment and dissatisfaction with a previous job) motivated the participants to start their own online businesses. In addition, the low entry cost was an important factor.

Of the five resource capitals framed by Greene et al. (2015), participants considered social capital the most important. The participants leveraged their “guanxi”, that is, strong ties that consist of frequent interactions, emotional attachment, and repeated exchange of resources (Bian, 2005) with vendors, customers, business partners, and government agency officers to gain competitive advantages for their businesses. These advantages included special channels of sourcing products; a stable and reliable supply of trendy, good-quality, and scarce goods; mutual endorsement of creditability with business partners; and a loyal and active customer base. These types of social capital required investment of time, money, and effort to maintain and cultivate, such as hosting offline customer gatherings to establish personal relationships.

Human capital, which included formal and informal education and previous experience with online business operations, was another important factor that helped the participants sustain smooth operation of their stores. Financial capital was not a concern for the participants. The participants considered the overhead costs for operating an online store minimal, and they were all able to acquire start-up funding from personal savings, family support, and/or bank loans. Furthermore, this study confirmed that physical and organizational capital is not as important to individual C2C entrepreneurs as it is to large established enterprises (Greene et al., 2015).

All four aspects of entrepreneur marketing were reflected in the participants’ responses. The participants strived to innovatively utilize their existing resources to gain more resources, expand their customer base, and boost their sales. For example, participants used the C2C platform’s reputation rating system to assess the trustworthiness of buyers for risk management purposes. Some participants shared styling suggestions and content related to fashion trends on social media to create extra value for their customers. Some participants indicated using crowdsourcing via instant messaging tools, such as Wechat, to obtain customer feedback that helped inform the participants’ assortment planning decisions. In addition, e-word of mouth was actively utilized to promote the store and products. Other unique operational strategies included utilizing social capital to boost sales volume and reputation rating in a short period of time to attract more attention, utilizing social media and instant messaging tools as alternative sales channels, and utilizing Taobao’s promotion tools such as “Fastlane” to increase the store’s and products’ visibility on the website.

The participants perceived their success to include both financial success and measures, such as customer/employee satisfaction, friendship with customers, a sense of self-fulfillment/realization, and a good reputation. The participants indicated that the most critical

factors leading to success were input of time and effort, determination and persistence, and innovative ideas for store operation. Effective promotions, such as using social media or search engine optimization, was also an influential factor. Contrary to what was anticipated, the Chinese institutional environment did not have much impact on participants' business operations.

Discussion Whereas the sample does not allow generalizability to all Chinese online C2C entrepreneurs, the findings of this study suggest that these entrepreneurs may benefit from positioning themselves in a carefully identified product category or apply novel operational strategies based on their possessed resources to achieve success. Specifically, proactive cultivation and leveraging of their external “guanxi” and implementation of technology may significantly enhance the effectiveness and efficiency of such efforts. The study's results will inform development of a conceptual model and scales used in a quantitative survey sent to a large sample of Chinese online C2C entrepreneurs to assess the generalizability of the present study's findings.

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