

Predicaments and Countermeasures in the Development of China's Retail E-Commerce

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Abstract: After more than two decades of development, China has remained the world's largest online retail market for 13 consecutive years, achieving a remarkable transformation from "the world's factory" to "the world's shopping center" and leading the development of the global e-commerce industry. However, the current development of China's retail e-commerce is confronted with numerous difficulties and has entered a bottleneck. This paper identified several predicaments facing China's retail e-commerce, such as cut-throat price wars, blind conformity, marketing myopia, celebrity livestream selling, traffic obsession, and trust crises. Corresponding countermeasures are proposed, including striving to cultivate core competitive advantages, conducting in-depth research on consumer needs, focusing on products and services rather than channels, adhering to the bottom line of operating with integrity, and continuously creating new value for customers.

Keywords: E-Commerce; Online Retail; Retail E-Commerce; Predicament

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1. Introduction

In 1999, the establishment of e-commerce platforms such as 8848.com, Alibaba Group, and Dangdang marked the official commencement of substantive commercial applications of e-commerce in China. Over the past two decades, e-commerce has evolved from its initial phases of hardship and volatility to a trajectory of vigorous expansion and unprecedented prosperity. Countless internet consumers now stay up late waiting for the Double 11 Shopping Festival to rush their purchases, while Taobao Towns and Taobao Villages have proliferated across the country, even becoming showcase projects for some local governments. Today, purchasing a wide range of goods and services through e-commerce has become a habitual part of daily life for Chinese consumers. At the same time, China has remained the world's largest online retail market for 13 consecutive years^[1], achieving a remarkable transformation from the world's factory to the world's shopping center, and leading the development of the global e-commerce market. However, the current development of China's retail e-commerce appears to have entered a trough period. Taobao Towns and Taobao Villages are rarely mentioned anymore; the Double 11 Shopping Festival no longer attracts widespread attention; criticism of e-commerce has become pervasive in public discourse; and even China's Ministry of Commerce (MOC) quietly discontinued the publication of the China E-commerce Report in 2023 after 17 consecutive years of release. The once-glorious e-commerce industry now leaves an increasing number of practitioners feeling disoriented and anxious. The underlying reason is that retail e-commerce is confronting multiple predicaments and has reached a developmental bottleneck.

2. Predicaments in the Development of China's Retail E-Commerce

2.1 Cut-throat Price Competition

As China's e-commerce market has reached a high level of maturity, price transparency is extremely high and competition is extremely fierce, with most merchants relying on price as their primary competitive lever. Consequently, price wars among retail e-commerce players have been escalating, with major platforms each deploying their own distinctive strategies—much like the Eight Immortals crossing the sea, each revealing their unique powers: JD.com (Jingdong) claims that “low price was JD's most important weapon for past success and will remain its sole foundational weapon going forward”; Alibaba Group has successively introduced the “price power” strategy and objective of “the lowest price across all online platforms”; Douyin E-commerce has likewise elevated “low price” to a core strategic priority; Pinduoduo (PDD) has taken low-price e-commerce to its extreme by directly subsidizing purchases — a blunt yet immediately effective approach. However, the prevalence of this “low-price mindset” has seriously undermined the business ecosystem and sound development of retail e-commerce. In the long run, this trend will only lead to a “Gresham's Law” dynamic where bad money drives out good money. It must be recognized that “you get what you pay for” remains an enduring consumer wisdom—while price is undoubtedly important, if products and services fail to meet expectations, customers will still turn away. Moreover, the low-price advantage of retail e-commerce relative to the brick-and-mortar economy is premised upon tax incentives. Yet how much longer can such preferential policies last? The abolition of tax exemptions for e-commerce is an inevitable trend, as demonstrated in recent years by the European Union, the United States, Japan, Vietnam, and other countries that have successively revoked duty-free treatment for imported e-commerce goods.

2.2 Blind Follow

Numerous enterprises and online stores blindly pursue the bestsellers (viral products), hoping to realize rapid profits by piggybacking on the popularity of bestsellers. However, following hot items is akin to retail investors chasing rising stocks in the stock market — after blindly entering the red-ocean market, they discover that behind the bestsellers lie the traffic monopolies and price wars orchestrated by major players. A bestselling product does not necessarily guarantee profitability; consequently, sellers often find themselves caught in the dilemma of either continuing to burn cash or slashing prices to liquidate inventory. For example, the waist-slimming machine that went viral on Douyin in recent years saw its top 10 sellers all being large stores with over 100,000 units in sales, backed by celebrity endorsements, influencer store visits, the Key Opinion Leader (KOL) product reviews, and trending topic recommendations. Latecomers found it extremely difficult to compete and most could only choose to clear inventory at a loss. According to surveys, in 2025, loss-making merchants accounted for over 30% of the e-commerce sector, with another 30% operating at razor-thin profit margins of 0–5% ^[2]. This compression of profit margins has weakened merchants' capacity to withstand market fluctuations and dampened their willingness to make long-term investments in product R&D and brand building.

2.3 Marketing Myopia

When enterprises focus excessively on the advantages of their own products and devote disproportionate attention to product iteration or technological upgrades while neglecting shifts in market demand, they tend to overlook or misinterpret consumers' genuine needs. This mistake is frequently made by proprietors transitioning from physical retail or factory-direct operations to e-commerce — they consider only “what we offer” rather than conducting in-depth analysis of “what customers truly want”. For instance, a mother-and-baby products factory with ten years of OEM experience for well-known brands prided itself on using premium materials, yet its own-brand online sales remained underwhelming. Upon closer examination of its product detail pages, it was found that they were filled with technical jargon such as “3D three-dimensional cutting” and “nano-antibacterial fabric”, whereas what mothers actually cared about most were practical concerns like “whether the garment allows free movement”, “whether it will shrink after washing”, “whether milk and drool stains can be easily wiped off”, and “whether it feels breathable when worn in summer”.

2.4 Celebrity Livestream Selling

Livestream selling per se is not a formidable scourge; its original intent is to enhance consumer experience and facilitate the market reach of quality products, thereby promoting the real economy. However, livestream selling was supposed to be

a competition of products and services, but it has devolved into a contest of fame and popularity. With celebrities simply standing in front of the camera and addressing viewers as “family members”, they can generate enormous sales volumes and exorbitant profits. Driven by staggering profits, some celebrities have become morally obtuse, casting aside social responsibility and even professional ethics, disregarding product quality in pursuit of slot fees and sales commissions, and fabricating false promises to boost sales. For example, in 2020, internet influencer Simba exaggerated the efficacy of his bird’s nest products during a livestream, even claiming they could cure cancer, while independent authoritative testing revealed the presence of harmful substances in the relevant products ^[3]. This over-commercialization of celebrity influence has turned livestream selling into an “arena of fame and profit”, with consumer rights violations occurring frequently.

2.5 Traffic Obsession

In the 1990’s, the principle of channel supremacy was highly valued. Whereas, today the prevailing belief is that traffic is the king. It is generally believed that e-commerce is essentially a fan economy, that traffic equates to market share, that sales are impossible without traffic, and that whoever commands the largest traffic volume controls the most customers and possesses the core competitive edge. Consequently, the so-called “public-domain traffic acquisition + private-domain monetization” model has been canonized as the golden rule: platforms first invest heavily in public traffic channels to attract potential users, then funnel these users into private traffic pools, and exhaust every means to achieve conversion and monetization. Yet, as an ancient adage from Xunzi (Wangzhi Chapter) warns: “Water can carry a boat, but it can also overturn it”. The loyalty of fans is far less stable than that of consumers to a product. Traffic can surge quickly but can also dissipate just as rapidly; once negative factors emerge, traffic may plummet sharply or even collapse overnight. A telling case occurred during the 2024 Mid-Autumn Festival, when the influencer Xiaoyangge was accused of false advertising and misleading consumers in his livestream sales of Hong Kong Meicheng mooncakes. The product was subsequently removed from major e-commerce platforms, and within less than a month, his account lost over 2.18 million followers ^[4].

2.6 Trust Crisis

As the volume of products and merchants on e-commerce platforms grows at an exponential rate, competition has become increasingly cutthroat. Phenomena such as counterfeit and substandard goods, fake orders and fraudulent reviews, deceptive marketing, privacy breaches, big data-driven price discrimination, tax evasion and tax avoidance, online fraud, and intellectual property infringement have emerged repeatedly and remain difficult to eradicate. These practices seriously infringe upon consumers’ legitimate rights and interests, undermine fair market competition, and impede the healthy development of the e-commerce industry, generating substantial negative repercussions. They have eroded consumer trust in e-commerce platforms, damaged platform reputations, and increased the complexity of platform governance. Some merchants have even transplanted these common domestic “business practices” to cross-border e-commerce, assuming they could easily “harvest” foreign consumers who appear “simple-minded” and “rigid”, only to find themselves penalized for regulatory violations or outright illegality. For example, in 2025, SHEIN, which is the China’s largest online fast-fashion retailer globally, was fined €40 million by General Directorate for Competition, Consumer Affairs and Fraud Control (DGCCRF) for deceptive commercial practices, including unauthorized collection of consumer data, false discounting, and greenwashing ^[5].

3. Countermeasures and Suggestions for Promoting China’s Retail E-Commerce Development

3.1 Strive to Cultivate Core Advantages and Pursue Differentiated Competitive Positioning

The key to competitive strategy is “differentiated competitive strategy” rather than chasing fleeting trends or bestsellers. Therefore, enterprises should consistently focus on strengthening their core competitive advantages and continuously optimizing their supply chain systems. By building on their own strengths, with unwavering persistence and a commitment to excellence—striving for “better than the best” — they can persistently provide differentiated products or services to Consumers, thereby creating unique competitive edges and achieving steady and sustainable growth. Whether in traditional commerce or e-commerce, the essence of any business model should always be “sustainable profitability”, not “quick money”. Any obsession with short-term, high-speed profit models essentially amounts to overdrawing brand reputation and quietly undermining the foundation of long-term enterprise development.

3.2 Conduct In-depth Research on Consumer Needs

Retail e-commerce must thoroughly abandon traditional product-centric marketing mindsets and adopt an empathetic, consumer-oriented perspective. Enterprises should immerse themselves in studying consumers' genuine needs, closely monitoring market trends and evolving user preferences, rather than presumptuously guessing consumer opinions based on their own product understanding. They must precisely address consumer pain points by offering exactly what consumers need. Only by doing so can products and services meet or exceed user expectations, create truly valuable offerings, effectively convert traffic into sales, enhance brand image and value, and foster customer loyalty. At the same time, enterprises can establish deeper emotional connections with consumers through user communities and personalized content, transforming simple transactional relationships into brand relationships built on trust and identification—shifting from “selling products” to “managing customer relationships”.

3.3 Focus on Products and Services Rather Than Channels

Consumer demands are becoming increasingly personalized, fragmented, and instant. Moreover, consumers are no longer satisfied with standardized goods; they seek products and services that cater to their specific preferences and emotional needs. This shift poses a significant challenge to the traditional model of mass production and mass distribution, requiring enterprises to possess the capabilities of rapid market insight, flexible manufacturing, and precise consumer targeting. Continuous improvement and optimization of existing products and services are essential to enhance quality and competitiveness. As long as products and services are excellent, even the deepest alley will not deter customer enthusiasm. For example, Pangdonglai, hailed as the “ceiling of retail”, still operates only in the cities of Xuchang and Xinxiang in Henan Province, yet it remains crowded with customers from all over the country. Despite its popularity, Pangdonglai has not expanded aggressively. Its Zhengzhou store only recently completed registration procedures. Moreover, it launched its online channel—the “Pangdonglai Department Store Mini Program”—only in March 2024, which was immediately overwhelmed by enthusiastic consumers and even entered maintenance mode. Conversely, without due attention to product quality, no matter how vast and prosperous the channel system may be, it remains a castle in the air, vulnerable to collapse at the slightest disturbance—a lesson painfully learned from the decline of Sanzhu Oral Liquid.

3.4 Adhere to the Bottom Line of Operating with Integrity

Integrity is the foundation of commerce^[3]. Whether online or offline, consumers seek reassurance, satisfaction, and delight in their purchases. Therefore, the core of retail e-commerce lies in quality competition, and the bottom line is the steadfast observance of integrity. Only by offering genuine value and honest operations can businesses gain “true fans” and remain standing amidst turbulent competitive waves. Deceptive business practices may succeed temporarily, but they will ultimately perish due to negative reviews and fade away. In an era where “Consumers vote with their feet”, sincerity always outperforms trickery. Only those merchants with real strength, distinct characteristics, and unwavering principles can survive and thrive in this stage, and only those “honest players” who quietly focus on improving products and services can gradually build million-level stores.

3.5 Continuously Create New Value for Customers

In an increasingly homogeneous and fiercely competitive market, relying solely on efficiency and cost advantages is no longer sufficient to build lasting competitiveness. Enterprises must innovate to create new, unique customer value. First, through deep insight into user data, companies can identify unmet latent needs and develop more attractive new products or services that greatly enhance customer experience. For example, leveraging AR/VR technologies to allow consumers to “virtually try on” clothing or “preview” furniture placement in their homes before purchase — such immersive experiences themselves constitute significant customer value. Enterprises must not misuse big data for precision price discrimination, as that “clever but foolish” practice will eventually be exposed by consumers.

4. Concluding Remarks

Due to the decline of physical stores, regulatory pressures on retail e-commerce in some countries, and the internal problems of the industry itself, many are now pessimistic about the future of retail e-commerce. However, this does not signal the end of retail e-commerce; rather, it indicates that retail e-commerce has entered a new development phase. In the author's

view, retail e-commerce is an irreversible tide in the evolution of commerce. In the foreseeable future, unless entirely new business concepts emerge or transformative technologies such as artificial intelligence and blockchain are widely adopted to revolutionize sales channels, retail e-commerce will remain the dominant sales channel alongside offline physical stores, with its share continuing to grow. On the other hand, to break through the current predicaments, retail e-commerce must reflect deeply, summon the courage for radical reform, and completely abandon self-destructive practices such as “draining the pond to catch fish”, “killing the goose that lays the golden eggs”, and “one-off transactions”. It must genuinely prioritize product and service quality, user experience, and satisfaction, and earn consumer trust with sincerity. Only then can it find a way out, overcome bottlenecks, ascend to a new level, embark on a new journey, and continue to lead the development of global e-commerce.

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Reference

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