

# Network and International WeChat Agent Purchasing Business

Xiao Li<sup>1, \*</sup>, Luqi Xiao<sup>2</sup>

<sup>1</sup>Department of Economics, University of Colorado Denver, Denver, 80208, United States

<sup>2</sup>Cardiff Six form College Cambridge, Cambridge, CB2 1AW, United Kingdom

**Abstract.** With the development of globalization and the Internet, a new type of e-commerce, namely international WeChat agent Purchase (also known as "Daigou"), has achieved success. This is a kind of business that WeChat merchants represent their customers for overseas shopping. These sole proprietorships include a large number of international students, tourists, and long-term Chinese expatriates. They combine the networks of their purveyors and customers to sell foreign products on WeChat, the most popular national communication application and use the price difference between these products in China and other countries as a profit opportunity. In this case, the customer and the purchasing agents had become interconnected nodes and form a unique commercial operation mode, which is not only building a commercial network and constructing based on a kind of social network. Through this approach, the purchase agent established their own business and commercial system. This article will analyze the operation mode of its business and the method of purchase agents building their customer network, the profitability of companies in this business network, and the role of network in the profit-making.

## 1 Introduction

Under the background of globalization, the international commercial transaction is no longer an unusual affair. These days, an increased number of individual enterprises smelled the business opportunities that occur in between the conversion of exchange rates on different countries' product prices. A similar condition was shown in China. China E-business Research Center reveals the data that there are 35% of people tried to buy oversea products through purchasing agents in 2015, and the percentage predicted to be continuing to rise in the future [1]. Many international students, tourists, and long-term Chinese expatriates were seeking better quality or cheaper goods overseas. Many of these individual businesses have taken advantage of the most popular communication app in China, WeChat, and use it as a selling platform (specifically referring to WeChat's function "moments") for advertising their goods. Meanwhile, more and more Chinese customers were attracted by the cost-effective product shown by the purchasing agents in their moments. The customer and the purchasing agents then become interconnected nodes and form a unique commercial operation mode, which is not only building a commercial network and constructing based on a kind of social network.

Such a network relationship provides a clearer understanding of WeChat purchasing agents for the public and indicates that this industrial chain is moving toward a more formal and acceptable route. The reason that WeChat agent purchasing businesses are becoming more influential in China, it seems to put forward more variety for the future international e-commerce market

and serve as a guide for the development of new emerging shopping markets. Therefore, it's necessary to address the importance of researching the content.

## 2 Literature review

According to the data provided by China E-Business Research Center, the growing influence and significance of purchasing agents were fully reflected in the introductory stage [1]. Regarding the operation mode of the international WeChat agent purchasing business, and it's simply divided into 2 parts, which respectively show its running mode toward the client network and the supplier network. Chen and Yang's research shows the advantages and frontier of the WeChat agent purchasing [2]. Wang et al. mentioned the feature of multifunctional integration of WeChat, reflecting the reason why WeChat can be purchased agent as a selling platform [3]. Swamynathan mentioned that the customer's behavior of establishing personal data on the platform is conducive to the establishment of a trust mechanism, which explains the operation logic of the WeChat purchase agent toward its client [4]. Furthermore, in the second subheading, Zhang mentioned in his research the logistics mode of B2C e-commerce, which helps explain how WeChat purchase agent obtains goods from suppliers [5].

For the profitability of international WeChat agent purchasing business through the network, Chen holds that international agent purchasing businesses can be considered as intermediaries on social e-commerce sites, which act as local trend detectors and social grocers [6].

\* Corresponding author: [xiao.3.li@ucdenver.edu](mailto:xiao.3.li@ucdenver.edu)

According to Zappa's research, as common agents that work as intermediate between their principal and the final consumer, they ease negotiations between the two parties and earn a commission proportional to the professional service they have provided [7]. As common agents that work as intermediate between their principal and the final consumer, they ease negotiations between the two parties and earn a commission proportional to the professional service they have provided. They will provide a clear and vivid explanation of the role of international agent purchasing businesses. According to the data from Chinese Ministry of Commerce, the prices of 20 brands of high-end consumer goods in watches, luggage, clothing, wine, and electronics, which are the main things purchased by international WeChat agent purchasing businesses, are about 51% higher than in the US, and 72% higher than in France [8]. And this can provide specific data about the price difference in different countries, and according to Oxford Analytica, price markup especially reflects in consumer goods that cannot otherwise be sold in China but can be sold through the cross-border e-commerce channel [9]. These will be able to prove why price markup exists and how they work in international WeChat agent purchasing. According to Neben, social structuring behavior is the dependent variables (DV), and it is operationalized as individuals' usage of group selecting feature [10]. According to Grant, on WeChat, the businesses will be able to have access to data on consumer behaviors, such as buying pattern and demographics for free, which will help them having better understanding of their customers [11]. These two will show the customers' purchasing preference and how it is used by the international WeChat purchasing businesses. Based on QPSoftware, unlike other cross-border platforms such as Tmall and JD. com, WeChat provides customers with behavioral data that is crucial for organizing marketing activities, which can support the business to advertise more target [12]. This can prove the importance of advertising and sponsorships in international WeChat purchasing businesses.

### **3 The operation mode of WeChat agent purchasing**

WeChat agent purchasing businesses are becoming more influential in China, it seems to put forward more variety for the future international e-commerce market and serve as a guide for the development of new emerging shopping markets. Therefore, it's necessary to address the importance of researching the content. In the following paper, the study focuses on what are the ways WeChat purchasing agent attracts the customer and establish business.

#### **3.1 Client network build through WeChat software**

In previous research, scholars Chen and Yang have offered the idea that traditional online marketplaces such as eBay routinely transact with total strangers, this

characteristic will make the customer feel vulnerable to malicious fraudsters [2]. The WeChat agent purchasing businesses is different from this conventional cross-border e-commerce. WeChat was first created as a social media with a barely commercial purpose, which is simply a communication app that builds a bridge to connect users and their families and friends. However, the versatile nature of the software foreshadows its role as an important part of the social network for agent purchasing business. As Wang et al. mention WeChat is a "multifunctional integration", people can be very efficient while using this app which provides not only a chatting space, and entertaining space; but also "moments" as a personal blog, and function of payment [3]. This means it will be very convience for the purchasing agent to develop its client network through its WeChat buddy. All these beneficial factors determine the purchasing agent to use it as a medium to sell goods. For the customer, a certain trust level had already been built when they first join the network and start managing their profile and set up joins with their companions [4]. In this way, the acquainted customer group often has a better trust mechanism compared to a hundred percent strange customers. At the early stage of running a WeChat agent purchasing business, agents would like to make sure their businesses are built on top of an interlaced acquainted client network. Whether out of friendship or indeed in the reason of the good quality of the product, these acquainted customers were more likely to recommend the purchase agent's business to their surrounding friends. The number of WeChat agents purchasing businesses' customer groups then will show an exponentially growing trend once the surrounding friends involve in the purchasing activity.

Moment, a function in WeChat, serves another important role of helping the agent to advertise their goods. In moments, the agent will post intensive slogans, product information, product price, and pictures to attract potential customers' attention. Unlike normal sales platforms, this is not a unilateral outputting process from the merchant. The interactive nature of moments as social media allows customers who are interested in products to post their questions and comments about the product easily to agents under the post. Chen and Yang concluded that increasing the connection between consumers and the sale platform is a more efficient way than expanding their original company's overseas market [2]. To a certain extent, this explains one of the advantages of using Moments in the WeChat agent purchasing business. Nevertheless, the purchasing agent will also repost positive customer feedback and purchase chat history on their moments. Some scholar comes about appear that the more shoppers are willing to share their shopping involvement on a shopping website, the more influence the customer experience has on their purchasing intentions [2]. Moments allow more connections to appear during the purchasing process. This help in building a stronger tie between the merchant and the consumer.

### 3.2 Operation mode and commercial network toward its client

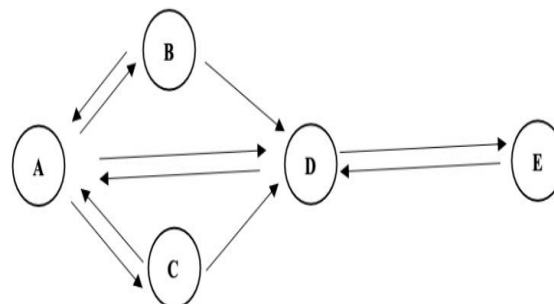
Since the WeChat agent purchasing business mostly builds on its customer network, it shows a personalized characteristic. During the actual purchasing process, the agent will first communicate with its customer to affirm their needs. The goods that meet customer’s demands are diverse, these include luxury, beauty, K-pop peripherals, and even Japanese animation goods. It’s worth mentioning that when a single type of item had come with large numbers of demanding customers, the purchasing agent will use surveys and data tables (such as excels) to collect customer information. This not only provides the purchasing agent with a clear plan in mind, but they also post the form to the customer chat group to establish their credibility and prove that they are trustworthy.

The purchasing agent will check and collect the goods specified by the customer in the relevant country after they complete the purchase in the foreign country. Then it comes to express transportation, which is a very important node of the WeChat commercial agent running its businesses as a type of international e-commerce. However, different forms of e-commerce use different logistics and customs clearance methods. In such conditions, WeChat agent purchasing businesses were more like to be B2C (Business to Customer) platform-type e-commerce. According to Zhang's summary, B2C platform type cross-border e-commerce using postal, express, bonded, and other customs clearance methods. For logistics methods, some merchants use direct mail, and some merchants use bonded methods [5]. Many people who choose to buy goods through purchase agents are looking for a relatively low price. Naturally, the agent chooses to use bonded logistics services rather than direct mail. WeChat purchasing agents often set up warehouses in China, using the warehouse as a place similar to a transit station for goods. This is prepared for short-term storage and delivery to domestic customers.

At the time, there will be a relatively long waiting period for cross-border express delivery. After the goods arrive in China, the purchasing agent will contact its customer through the WeChat platform to affirm the order list and ask for domestic postage. Once all the detailed information is verified, the customers then can wait for an agent to send their parcel to their residential address. After the whole series of processes, the deal between the purchasing agent and the domestic customer finally comes to an end. Nevertheless, most merchants will also take another way to sell. It is mostly because of the reasons of customers’ patience, making more efficient trade, and increasing their comparative advantage. By extension, the other way of selling is that the purchasing agent will hoard specific, more popular products in advance in the warehouse. So, for the purchasing agent, the second method can make sure the customer gets the goods their need in a more efficient way, saving their patience, and improving the order turnover ratio. However, in general, most of the WeChat purchasing agents will combine and develop the two operating methods together to maximize their profit.

### 3.3 Directed graph to show the network relationship

Based on the context above; an adjacency matrix diagram can be constructed to show the network relationship among WeChat agent purchasing businesses. Assuming the acquainted customer to be “A”, other customers to be “B” and “C”, the WeChat agent to be “D” and the supplier is “E” (shown in Figure 1).



**Fig. 1.** Directed graph for the network relationship (Photo/Picture credit: Original).

This is showing a hypothetical scenario in that customer A is the acquainted customer with purchasing agent D, and since then, this is the two nodes that are connected. However, in the reason that Customer B and Customer C are friends of Customer A, it led to building the one-direction connection between purchasing agent D and the two other customers (Customers C and D were usually strangers to each other). Purchasing agent D is the only one that has a relationship with supplier E, and the relationship is mutual.

## 4 The profitability of international WeChat agent purchasing

In this part, the paper analyzes the profitability of the businesses under this business network and the role of network in the profit making.

The profitability of the WeChat agent purchasing business will be divided into seven parts: advertising and sponsorships, commission on product sales, cross-border payment processing, partner collaborations, price markup, subscription or membership programs and service fees. At the same time, they can also be classified into two groups, one is the ones which belong to the network of customers and the other are the ones belong to the network of producers. All of these will be analyzed separately to understand the profitability of the businesses under this business network and the role of network in this process.

### 4.1 Methods of making profits that belong to the network of customers

#### 4.1.1 Commission on product purchases

According to Chen’s study, international agent purchasing businesses can be considered as

intermediaries on social e-commerce sites, which act as local trend detectors and "social grocers" [6]. Just like its definition, WeChat agent purchasing businesses is a business that purchasing goods through agents. As common agents that work as intermediate between their principal and the final consumer, they ease negotiations between the two parties and earn a commission proportional to the professional service they have provided [7]. As a result, charging customers a commission on each product purchase in their business is a typical way of them to make profits. The commission is usually a percentage of the total transaction value, which covers the service provided by the WeChat agent purchasing businesses. As the amount of commission depends on the number of the customers, the more a business have, the more profit it can earn through the commission on product purchases. As the result, the network of customer plays a really important role in this process, as weak relations play a key role in information diffusion, this network can provide not only customers but also the customers' relationship with other people, which can provide the possibility that the businesses can enlarge their market to earn more profits on commission.

#### 4.1.2 Price markup

One basic way, or in other words, the reason why international WeChat agent purchasing businesses appears, is purchasing products at a lower price in one country and sell them at a higher price in another to make profits. According to the data from Chinese Ministry of Commerce, the prices of 20 brands of high-end consumer goods in watches, luggage, clothing, wine, and electronics, which are the main things purchased by international WeChat agent purchasing businesses, are about 51% higher than in the US, and 72% higher than in France [8]. In this way, the business owners can buy things at a low price overseas and then apply a markup on the product prices to cover their costs, including sourcing, purchasing, handling logistics, and providing customer support, which allows them to generate profits on each transaction. This especially reflects in consumer goods that cannot otherwise be sold in China but can be sold through the cross-border e-commerce channel [9]. Due to the fact that the amount of sales volume depends on the number and quantity of customers, the more have, the customer network plays a very important role in this process, as it can not only provide customers, but also provide relationships between customers and others, which can offer companies the opportunity to expand the market and achieve more commission profits. For example, the larger the customer network is, the higher the possibility that the business will achieve a high sell volume will be. At the same time, the business holders fully make use of the strategic complements' theory, when there are more customers in the network who is rich or spend many on consuming, it will be more possible that the people in this network will affect each other and consume more, which will lead to a higher selling volume.

#### 4.1.3 Service fees

Another way International WeChat agent purchasing businesses making profits is charging additional service fees for value-added services they provide. These fees can include product inspection, quality control, packaging, consolidation of orders, and personalized shopping assistance. By offering these services, these businesses can differentiate themselves and charge fees to increase their revenue. In this condition, the customer network will be the thing that provide them customers. At the same time, according to Neben's study, social structuring behavior is the dependent variables (DV), and it is operationalized as individuals' usage of group selecting feature [10]. Because of it, affected by homophily, individuals can belong to groups in different ways and will affect their purchasing habit and form different customer networks. These networks will help the business owners to choose their customer group who are the fittest ones for their business.

#### 4.1.4 Subscription or membership programs

Subscription or membership programs is also a way for some international WeChat agent purchasing businesses to offer subscription or membership programs to customers. These can provide exclusive benefits such as access to special deals, discounts, or faster shipping options. This can work especially well on WeChat is because according to Grant, on WeChat, the businesses will be able to have access to data on consumer behaviors, such as buying pattern and demographics for free, which will help them having better understanding of their customers [11]. Under this situation, customers will pay a recurring fee to be part of these programs, providing a consistent revenue stream for the agent purchasing business. And according to the homophily feature of social network, people are more likely to have social relation with others who are similar to themselves, in this case, the customer network can be seen as a filter of homophily to select the most suitable target customer group for the enterprise, thereby improving targeting and gaining profits.

#### 4.1.5 Cross-border payment processing

International WeChat agent purchasing businesses can also provide payment processing services to customers, especially those facing challenges in making international transactions, to make profits. They handle the currency conversion and payment process, often charging a fee for these services. By offering convenient and secure payment options, the businesses can earn additional revenue. For this method, the role of method can be considered as a filter and a platform of advertising. Just as the simplifying assumption for tractability purposes, in this case, the customer network will help filtering the customers who don't need this service and advertising the service to more customers, which helps the business to realize a better selling volume.



## **4.2 Methods of making profits that belong to the network of producers**

### **4.2.1 Partner collaborations**

International WeChat agent purchasing businesses may also collaborate with local retailers or brands to promote their products to their customer base. One of the main benefits of this kind of cooperation is that it can obtain reference fees or obtain sales share from its platform. This win-win arrangement enables WeChat businesses to make money on its own platform, and also provides local retailers or brands with access to larger customer centers. By obtaining reference fees, enterprises can create additional revenue streams that can improve profitability. The network of producers plays a key role in simplifying these cooperative relationships. It is the foundation of the whole enterprise model, and it is also the pillar that connects the enterprise with the suppliers of various products. The wider the producer network is, the greater the opportunities will be for the businesses. With the expansion of the network, more and more suppliers will join this cooperative relationship, then expand the product range and increase the opportunities for the owners of WeChat businesses to make greater profits. In order to successfully use the producer's network, the purchasing company must actively look for potential partners and keep in touch with them. This process includes identifying qualified dealers or brands that meet the interests and preferences of the customer center. Through strategic partners, enterprises can create synergy tools, enhance the overall customer experience and increase sales. With the growth of production network, it will produce a reflection effect, attracting more producers to participate in the collaborative system. The expanded network not only provides more choices for customers, but also promotes healthy competition among producers, thus improving the quality and diversity of products. In addition, the booming network attracts more customers, who have a wide range of choices and competitive prices, thus further improving the purchasing power of WeChat proxy servers. It can be proved that the cooperation between multinational purchasing companies and local retailers or brands will provide opportunities for creating and expanding profits. By getting a benchmark salary or a percentage of sales, enterprises can diversify their income and improve their profitability. As social networks have a feature of structural holes that individuals who connect otherwise separate parts of a social network enjoy benefits in many contexts, it makes the producer's network an important forum for enterprises to establish and choose such cooperation. With the expansion of the network, more and more suppliers join the collaborative system, expand the product portfolio and increase the product potential. Through strategic partnership and supplier network, WeChat's procurement business can achieve sustained growth and gain profitable opportunities in the global market.

### **4.2.2 Advertising and sponsorships**

As international WeChat agent purchasing businesses build a substantial customer network, they can leverage this audience to earn advertising revenue. Through this, they can partner with brands or businesses that want to promote their products to their customer base and charge advertising fees or sponsored content fees. This way is considered feasible and can realize a good outcome is because on WeChat, it's possible for business owners to publish content that may attract a large audience. They can use WeChat as an effective CRM tool to interact with the audience and expand their user base. Unlike other cross-border platforms such as Tmall and JD. com, WeChat provides customers with behavioral data that is crucial for organizing marketing activities, which can support the business to advertise more target [12]. Through this feature of structural holes, the producer network can provide them these advertising customers as well as their relationship networks, by combining these networks together, it will be more possible for the WeChat business owners to get more sponsor and earn more money from it.

## **5 Limitations and outlooks**

Of course, nothing is perfect, the research still has drawbacks. For example, this study mainly uses resources and data to protect the opinion. However, the paper can't able to confirm that these references are generalized or not. At the same time, whether there is an absolute guarantee of their timeliness cannot be fully confirmed. What's more, this study also lacks of the information and data that collected ourselves to prove the opinion. Last but not the least, the limited understanding of relevant professional knowledge also affects the accuracy and comprehensiveness of the analysis. To address these issues, the authors are going to do more further research about this topic. In this case, the information collected personally will be emphasized and it will also enrich the professional knowledge to make the research more generalized and professional. Also, further research like how the network of international WeChat agent purchasing business affects today's market and how it will be in the future will also be considered.

## **6 Conclusion**

The WeChat agent purchasing business built its client network through the special social nature of WeChat, a national messaging app, used this to communicate with its customer, and gradually formed a logical and effective operation mode chain. At the same time, the agent effectively obtained the corresponding supply of goods through various forms, including orders placed on major foreign shopping websites. In a nutshell, customers and purchases had to show a friendly commercial relationship in the transaction, and the nowadays purchasing industry gradually shows its more systematic and professional business operation mode.

Under the system of the international WeChat purchasing business, the business owners form their own

ways to earn profits, which includes advertising and sponsorships, commission on product sales, cross-border payment processing, partner collaborations, price markup, subscription or membership programs and service fees. At the same time, these methods are cleverly linked to the two major network systems, which are the network of customers and producers, generated in the company's operations. WeChat business owners apply different methods to different relational networks according to their different characteristics, in order to achieve better usage effects and obtain better economic benefits.

## Authors contribution

All the authors contributed equally and their names were listed in alphabetical order.

## References

1. China E-commerce Research Center. China E-commerce market data supervision test report, Hangzhou (2016)
2. N. Chen, Y. Yang. *Journal of Retailing and Consumer Services*, **59**, 102344 (2021)
3. J. Wang, J. Zhuang, Y. Shen, Y. Huang. *Cyprus-China Business Forum*, **12**, 57-58 (2018)
4. G. Swamynathan, C. Wilson, B. Boe, K. Almeroth, B.Y. Zhao. *Proceedings of the First Workshop on Online Social Networks* (2008)
5. Zhang, Xiaheng. *China Business and Market*, **1**, 76-83 (2017)
6. Z. Chen, H. Cao, F. Xu, M. Cheng, T. Wang, Y. Li. *Proceedings of the ACM on Human-Computer Interaction*, **4**, 1-24 (2020)
7. A. Zappa. *Daigou: A "Grey" form of market entry into China*, **10** (2019)
8. Allison. *Market Research and Consulting China* (2022)
9. Emerald Expert Briefings. *E-commerce gives exporters greater access to China* (2019)
10. T. Neben, D. Lips, A.V. Trenck. *2015 48th Hawaii International Conference on System Sciences* (2015)
11. M. Grant. *WeChat becomes an e-commerce challenger in China with mini programs*, *Forbes* (2019)
12. Qpsoftware. *Guidance to WeChat cross-border e-commerce* (2023)