

Research on the Influence of Monopoly Behavior on Consumers and Marketing Strategy—Take Monopoly Comparison between Alibaba and Amazon as an Example

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Abstract. Monopoly is the only way that corporations can lead to profit-maximizing. As the Internet gathers pace, recent years witnessed a tremendous bloom in the number of monopolies by manipulating digital technology, which occupies the main market share that controls the economy in society. In the introduction, the author takes Coca-Cola as an example, using data to show significant results. The paper looks forward to utilizing two e-commerce companies as examples and comparing them to reflect the influence of monopoly by different marketing strategies on consumers. Secondly, the author gives a detailed description of Alibaba and Amazon, including the time setting up, marketing strategies, and a rough of how they monopolize and eventually get punished. In the third paragraph, there are two similarities and differences between Alibaba and Amazon. Top management all grasp the trends of the times, which gives them enough time to dominate the market earlier. More importantly, these two companies abuse the dominant market position by using illegal methods to restrict competition, striking the infant. Obviously, the core business operating model of Alibaba is B2B, which becomes the transaction platform between raw materials and manufacturing companies. Amazon is totally different, and its main customers are individuals. This has allowed Amazon to expand the company globally, serving consumer groups and delivering products everywhere. Alibaba become a leading Chinese e-commerce platform. Monopolistic behaviors must draw a lot of problems, and at the end of the paper, the author will demonstrate the corresponding suggestions for each problem.

1 Introduction

1.1 Research background

Global network technology is developing at a tremendous speed. Big data and cloud computing are changing business models; due to the transparency of the Internet finance era, the possibility of market information asymmetry has greatly declined, and more and more

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industries, like tourism and education, are quietly promoting their products through this new financial platform [1]. Monopoly means there is only a sole seller or organization that coordinates the operation and controls the supply of that product [2]. Monopoly evolved from the concept of monopoly capitalism proposed by Marx in his book “Capital” in the last quarter of the 19th century to the beginning of the 20th century and was fully formed after the Second World War [3]. With the gradual formation of the world market and the progress of science and technology, the scale of companies has become larger and larger, swallowing up small enterprises to achieve the result of ‘economies of scale’, there is an example: Coca-Cola once tried to merge Huiyuan with 2.3 billion dollars. Huiyuan is a beverage company that occupies 42 percent of the Chinese market. Coca-Cola is also deeply famous in China, dominating 50 percent of the market. If this plan is achieved, Coca-Cola will occupy 92 percent of the Chinese beverage market. However, 80 percent of the Chinese general public and the government strongly oppose this action. The reason for the masses is that Coke contributed 15 percent and 19 percent of China’s GDP growth in 2008 and 2009, respectively [4]. If merged, it can greatly control the country’s GDP, which shows how the monopoly’s influence on consumers and the country can be. On the one hand, the government is to enable Huiyuan to compete with leading international enterprises, and on the other hand, in order to protect infant industries so that more companies can ensure there is still room for survival, the government eventually put a stop, according to China’s Anti-monopoly Law, which was enacted in 2007 and implemented in 2008, if, in the absence of government intervention, the formation of a monopoly is the inevitable consequence of free competition [1]. A natural monopoly is a form of monopoly in which only one firm in the market can allocate natural resources properly and convert them into energy due to technological superiority, for instance, the telecommunication service, railway transportation, and network engineering in Sweden in 1970 [5]. In addition, in the past few decades, natural monopolies of resources have occurred in Canada and the United States, such as the supply of oil and gas, tap water, and land resources. The reasons for that are the neglect of price control and the quantity of demand [6].

1.2 Literature review

Schumpeterian, a famous economist of the early 20th century, proposed that in the process of monopoly, funds can be used to promote product innovation because the capital chain of the enterprise is fixed, and it occupies a stable market quota, believing that the advantages of monopoly outweigh the disadvantages [7]. Yet, Judge Posner takes the opposite view, claiming that monopolies generate deadweight losses and, therefore, must be regulated or committed by the government or consumers in exchange for a reasonable price or service [8]. In other words, only in imperfect competition can the two forces of competition and monopoly create a more reasonable market price. Nicholas used mathematical methods to calculate that monopolists could still profit by driving independent companies out of the market by raising costs [9]. Robert used economic images and model thinking to measure and analyze the power of monopoly and anti-monopoly in dynamic markets [10]. Most scholars’ articles use economic theories and mathematical models to criticize what monopoly does to enterprises, and they are divorced from reality and neglect that many factors will not remain unchanged forever in real life, such as cost and some human factors. Few articles make a comparison with two real examples and then discuss the effects of monopolies on consumers and the differences in their marketing strategies, which is the reason for this article.

1.3 Research framework

The logical idea of this paper is first to introduce the basic situation of Alibaba and Amazon. Next, finding out the similarities and differences between their operating models or attempting to monopolize the impact on consumers, whether it is for consumers, sellers, or the internal management of the enterprise itself, will have some shortcomings, and finally, the author will put forward some suggestions and conclusions.

2 Description of Alibaba and Amazon

Alibaba is a multinational e-commerce company in China that was founded in Hangzhou in 1999. Alibaba is one of the world's top 500 enterprises and has become the world's largest online retail and third-party e-commerce platform. A small organization of 18 people headed by Jack Ma, Alibaba Group has a number of subsidiaries, including Taobao, Tmall, Alipay, and so on. Alibaba's main business relies on the Internet and cloud computing analysis to conduct B2B and C2C analyses. The success of this company is largely attributed to its unique innovation ability and business model, which is promoted by the use of digital technology management, transforming traditional offline business activities into online e-commerce. Ming Zeng once said that he is now the CEO of Alibaba and that he will never let an MBA near a market that can run on its own [11]. This shows the importance of update iterations. Alibaba is also very good at attracting attention. For example, in China, the 'Double Eleven Shopping Festival' falls on November 11th every year, and during this period of time, the number of electronic commodity stations consumed will explode in a blowout [12]. In December 2020, the General Administration of Market launched an investigation into Alibaba's abuse of market dominance and was eventually fined 18.228 billion yuan, 4% of its 2019 sales, for the behavior of 'two choose one' [13]. Amazon was founded by Jeff Bezos in 1994, and it is headquartered in Seattle, the United States. It is one of the world's largest e-commerce companies, and its main business includes artificial intelligence, cloud computing, and other digital electronic technology fields. Amazon's application offers a wide range of lifestyle items such as furniture, home appliances, and sports products. It has a number of subsidiaries, including a9 and lab126 [14]. Amazon continues to expand into an industry giant with its customer-oriented corporate philosophy and big data management model. First of all, Amazon occupies a dominant position among e-commerce companies through its huge scale, disrupts the market balance by slashing prices, and then invests heavily in long-term business development, increasing employees, warehouses, and transportation trucks. Although it loses a lot of profits in the short term, it greatly enhances user loyalty. For sellers, Amazon drives up registration platform funds, but the huge customer traffic and exposure make it difficult not to rely on the Amazon platform [15]. Finally, the use of chain reactions to disrupt the balance of the market also puts the company at the legal antitrust level.

3 Comparative of Alibaba and Amazon

3.1 Similarity identified between Alibaba and Amazon

3.1.1 Seize the trend of times

Xiao mi Founder Lei Jun once said a famous saying: a pig can fly if it stands in the mouth of a typhoon [16]. The success of Alibaba and Amazon is based on their ability to grasp the times. The development of China in the past 40 years has been characterized by the rapid

expansion of rural-dominated to urban society until 2011, and the urban population accounts for 51.27 percent of the total population. It also coincides with the rapid increase in Taobao application this year [17]. The innovation of company operation mode management depends on the popularization of scientific and technological intelligence, which is more difficult for rural residents to access. The growth of the urban population also contributed to Alibaba's success. There are five types of innovation: leading innovators, followers, imitators, defenders, and technology imports. Alibaba falls into the third category. Hence, the leading innovator is actually Amazon. As soon as the smartphone Apple went public, Amazon executives began talking about changes at the company, and the reason is that the era is moving towards the Internet and AI; why not let those offline retailers sell online? It is more convenient. Alibaba has affirmed this view by combining it with the background of society, achieving radical innovation, and then setting up its subsidiary Ant Financial in 2014 [11]. Grasped the development trend of the social era, let Alibaba and Amazon occupy the main position of the market early, and finally laid the groundwork for monopolistic behaviors.

3.1.2 Stifle market competition with the illegal method

Many readers may have misunderstandings about monopoly. Even if all residents in the country buy products from this company, everything after that is not illegal as long as it is normal market behavior. Illegal means abusing the dominant position in the monopoly market and engaging in improper competition while the tiny company wants to grow. Alibaba and Amazon both use illegal methods to limit competition. As mentioned earlier, Alibaba forces merchants to 'two choose one'. Sellers can only choose between Tmall or other e-commerce platforms, but not at the same time; when Alibaba finds that there are violations, the platform will immediately punish or even remove the commercial products sold on the shelves. Such behavior not only seriously affects the channels for consumers to buy products but also harms the sales strategies of merchants and weakens the innovation and vitality of market development. Stifling the hope of the rise of small electric commodity companies is an act of platform-binding users [15]. Tencent is also a Chinese company that exhibits monopoly behavior, so why not break the law? It turns out that it uses the strategy of customer bundling users. Tencent's basic disk is social software, which uses its own first-mover advantage to give priority to its products to spread out the market when everyone around who uses QQ and WeChat to contact, which seems to give users the right to choose a social platform, but Tencent also knows that ordinary people will have no choices [1]. Amazon has also fully leveraged its strengths in search software. Science shows that 70 percent of consumers will choose a product on the first page of search results, and less than 10 percent will click on the fourth page. Amazon manipulates search results by recommending sponsored advertising to its own products and giving the most prominent position, thereby misleading consumers' choice of results and ultimately causing sales of the rest of the products to plummet [18].

3.2 Difference identified between Alibaba and Amazon

3.2.1 E-commerce business model

The difference between Alibaba's and Amazon's business models depends on the consumer groups. Alibaba mainly does B2B or C2C, while Amazon focuses on B2C. To take an intuitive example, customers may only drink Pepsi at McDonald's because Pepsi and McDonald's have a direct cooperative relationship. The Alibaba platform connects suppliers and buyers around the world, providing them with an efficient and secure trading

environment with supply chain management [11]. Secondly, Alibaba has a large bunch of offline shopping malls. According to communication with suppliers, Alibaba sells products in its own shopping malls, and these are two examples of B2B. Amazon started by selling books, and its subsequent expansion is also a platform for high satisfaction and fast delivery speed. It is the enterprise that directly delivers to the hands of individuals, which creates a last-mile delivery problem that many economists and mathematicians have trouble with. However, Amazon has strong technical support to overcome this problem simultaneously. Although Alibaba has difficulty achieving B2C, and B2B is usually more profitable, it's approximately ten times the volume of B2C [19]. With the ascending trend of people who began using the Internet to trade, Alibaba also tried to send products directly to individuals' homes. Xianyu is a second-hand trading platform that resells products for customers to other people(C2C). Alibaba played the same role in the Pepsi and McDonald's deals as well.

3.2.2 The difference in expansion strategy

Alibaba's business is mainly in the domestic market, while Amazon is expanding on a global scale. International expansion is a way to ease the domestic system and market restrictions, which is a method to invest abroad and increase branches to deploy or allocate global market resources. Amazon has 14 international websites in developed Western European countries to support B2C business; its international business is 40 times larger than Alibaba's [20]. Alibaba is mainly domestically serviced, with nearly 25,000 employees and 70 offices scattered in different locations across the country. In the remaining six main countries, there are close to 200 million registered members, mostly in the United States, 4.4 million, or 24 percent of the total, as Alibaba's continued focus on B2B projects led to a decline in international individual users from 24.8 percent to 19.9 percent between 2006 and 2010 [21].

3.3 Problem identified

Monopoly has its own platform problems. First, in the monopolistic market environment, in light of the lack of competition for enterprises, the long-term absence of competitors will lack the power of technological innovation and upgrading of products and services. For imitators like Alibaba, as time wore on, business and product services became more deviant compared with Amazon, and how to position its identity in the global market has become the primary problem [11]. Secondly, the risk management issue is where a company's long-term comfort can be replaced by a lack of resilience to potential threats. Additionally, Amazon is expanding internationally with B2C business; while consumers around the world would like to buy products on their platform, a large amount of data will come out, for example, consumers' names, telephone numbers, and family addresses... Furthermore, the problems of the last mile are multifaceted, including excessive cost, limited time, complicated routes, and social issues such as the aging of delivery personnel [22]. To summarize, how to deliver one package to the consumers' hands after the last leg of the journey forms the last-mile problem. In the end, if enterprises eradicate all these problems, the government does not want one enterprise to dominate because it will have the possibility of manipulating the market. Increasing employment is one of the government's five goals, which is what a monopoly does not have; thus, the government may suppress the growing monopoly power of enterprises.

4 Suggestion

4.1 Cooperation leads innovation

Alibaba can cooperate with companies in other industries to solve the problem of goods and services that cannot be upgraded due to monopoly. For example, the trading platform Taobao always ignores users' experience. Consumers often do not know the real quality and information of items, especially since there is a lot of difference between products on the cover and which consumers purchase. The author suggests that Alibaba should learn and cooperate with ByteDance Corporation. TikTok is the largest social software under ByteDance. To commence with focusing on young people to record life in the form of short videos, and then gradually join e-commerce to sell daily necessities. Taobao can augment the behavior of live streaming to upgrade the service and demonstrate the novelty of products in the live broadcast. Secondly, Taobao merchants lack visibility and customer flow. TikTok has millions of online celebrities who can catch consumers' attention by interspersing advertisements in the video played. Alibaba can communicate with ByteDance on the commodity operation mode, advertise products from Taobao on TikTok, and absorb suggestions and feedback from consumers to improve the quality of services and products. On the other hand, Alibaba can collaborate with domestic colleges and universities to cultivate talent, thus leading to scientific and technological innovation and firm market positioning. The development of Ali Business School seems to be a terrific way to improve Alibaba's supply chain management system and innovate in artificial intelligence and big data. This is not only domestically but also through promotion and salary increases to attract a large number of international students while stabilizing the domestic market and increasing international influence.

4.2 Blockchain technology can circumvent risk and solve most of the last-mile problems

Blockchain technology can enhance risk management through forecasting, planning, reasoning, and implementation. If there are some hackers and potential threats for data intrusion, the blockchain can be modeled in the virtual scene, simulating all possibilities and finding out the corresponding solution. Every node in the blockchain is a copy of that, ensuring information such as mobile phone number and home address are not dropped. Transparency is one of the key features of this technology, and customers can electronically monitor every process of the items during transportation, from procurement of raw materials, manufacturing, and production, cross-customs logistics, to the final courier service, if customers discover that their purchase of products is in the inaccurate route, they can communicate with customer service immediately. In the last-mile handover process, a large bunch of paper documents are involved, and the short retention time and extreme ease of counterfeiting are drawbacks, greatly delaying the time of product delivery to consumers. Blockchain paperless technology can not only alleviate excessive consumption in the last mile but also increase efficiency in a limited time. Most importantly, consumers do not have to worry about their information being tampered with, which considerably increases the security of the data. The author also suggests that Amazon can frequently use blockchain technology when transporting special items, such as frozen food with extremely strict temperature requirements, to view the temperature trend and make real-time recordings every day so as to provide a suitable transportation circumstance for products.

4.3 Monopolistic companies undertake more social responsibilities

Monopolistic companies that occupy a large number of market shares and social resources should bear more social duties. The purpose of the government to crack down on

monopolistic companies is to encourage fair competition, but as long as companies abide by the law, protect the rights and interests of consumers, and do not maliciously raise prices while improving product quality, the government will not arbitrarily suppress companies. On the contrary, monopolistic behavior also has advantages. Economies of scale can reduce the company's average costs. Similarly, prices may also follow the same tendency. In particular, increasing exports can lead to economic growth. Government-backed natural monopolies in which scarce resources are often kept in the hands of individual enterprises prevent the resources from entering the black market and causing market failures. The government will not pressure monopolistic enterprises, provided they stand on the same runway, pay taxes frequently, do charity, provide more jobs for capable people to work, and promote social development.

5 Conclusion

5.1 Key findings

In conclusion, there are similarities and differences between their business marketing strategies and their impact on consumers. Firstly, they both grasp the trend of the times, which helps them to get a start and occupy the market earlier. Secondly, they all take advantage of illegal means to restrict competition, which is the abuse of market dominance and misguiding the information of products consumed by customers, not to mention they rely on the 'two choose one' model, violating the legal rights registered by merchants. However, the diverse profiles of the company's strategies lead to dissimilar consumer groups. Alibaba mainly serves B2B and C2C. Meanwhile, Amazon primarily does B2C service, hoping to expand the scale of its monopoly in China and globally, mostly serving corporations and individuals. The issue of technological innovation can be worked out through cooperation with other industries and some universities with a top-tier reputation. Besides, the manipulation of blockchain technology can slash the management risk of enterprises and support B2C companies in remitting last-mile problems during transportation. Finally, the author suggests that all the monopolistic companies should be responsible for the mission of this industry in the whole country as well.

5.2 Research value

Naturally, sharing a common goal with the government and consumers can push the company to go further. Enterprises utilize monopolies to achieve profit maximization, and this kind of behavior is dispersing to various industries over time. The author saw a great deal of examples of enterprises being punished for breaching the anti-monopoly law on television, even slowing down the development of society. This article aims to inform readers to deeply apprehend the effects of monopoly on consumers and society, including the monopolistic behaviors interacted by corporate marketing strategies.

5.3 Limitation

There are some limitations, such as the lack of academic knowledge, like mathematical matrices and some theoretical economic knowledge, that make this paper not suitable for scholars. What is more, if the author could have such opportunities to work in a monopolistic company, who may be able to demonstrate the company situation more without prejudice, the suggestions might be more appropriate. Thirdly, the author uses secondary data, which means readers can find it in reference; Nevertheless, the primary data can be obtained in the

form of interviews or questionnaires in future studies, and the readers will be more convinced of that.

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