ISSN 2616-5902 Vol. 7, Issue 9: 29-34, DOI: 10.25236/AJBM.2025.070905

Comparative Analysis of Financial Risks between Traditional E-Commerce and New Live-Streaming E-Commerce

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Abstract: *This paper takes JD E-commerce and Oriental Selection as the case study objects representing traditional e-commerce and new live-streaming e-commerce respectively. Through comparative analysis, the study finds the following results: In terms of financing risk, the proportion of long-term debt of JD E-commerce, a traditional e-commerce enterprise, is much higher than that of Oriental Selection, a new live-streaming e-commerce enterprise, indicating that JD E-commerce's long-term solvency is weaker than that of Oriental Selection. However, the new e-commerce enterprise has a high proportion of short-term liabilities, limited financing capacity and channels, resulting in relatively high short-term liquidity risk. In terms of investment risk, the investment return of traditional e-commerce is relatively stable but at a low level, while the investment return rate of new e-commerce is significantly higher than that of traditional e-commerce. Nevertheless, the business of new e-commerce is highly dependent on platforms and online celebrities with large followings, leading to weak sustainability of profitability. In terms of operation, JD E-commerce, as a traditional e-commerce enterprise, has a well-developed logistics and warehousing management system, resulting in a high operational turnover rate and a low product damage rate. In contrast, Oriental Selection, the new e-commerce enterprise, has a relatively low turnover rate and a high damage rate, and thus needs to further enhance its operational capabilities.*

Keywords: *E-Commerce; JD E-Commerce; Oriental Selection; Financial Risk Analysis*

1. Introduction

Against the backdrop of the rapid development of the digital economy, e-commerce has become a crucial component of the global economy and has exerted a profound impact on people's daily lives. With the continuous advancement of the Internet era and the diversification of people's consumption demands, the e-commerce industry has gradually evolved into various forms, including traditional e-commerce and new live-streaming e-commerce. However, while different types of e-commerce enterprises are developing rapidly, they also face complex financial risks, which directly affect their profitability and sustainable development.

In the process of market development, traditional e-commerce focuses on search as its core. Relying on established e-commerce platforms such as Taobao, Tmall, and JD E-commerce, it maintains a steady development momentum by leveraging technology-driven approaches to acquire platform resources and traffic. Additionally, it combines the advantages of online shopping and offline physical stores to meet consumers' demands for convenient and fast shopping. In recent years, several new types of e-commerce enterprises have emerged, such as Douyin, Oriental Selection, and Kuaishou. These platforms have established strong online communication networks and partnerships with merchants, adopting live-streaming with goods as their primary sales method. Through anchors introducing and showcasing products in live streams, they attract consumers to watch and make purchases, providing users with personalized recommendations and social sharing shopping experiences, and thus leading a new trend in the e-commerce industry[1] .

This paper takes JD E-commerce, a traditional e-commerce enterprise, and Oriental Selection, a new live-streaming e-commerce enterprise, as the research objects. By comparing and analyzing the financing risks, investment risks, and operational risks of the two enterprises, it reveals the financial risks existing in different types of e-commerce enterprises. As a representative of traditional e-commerce, JD E-commerce's heavy-asset model and diversified financing channels have endowed it with a certain degree of stability in terms of financial risks. However, it also faces issues such as unstable return on capital and a relatively high asset-liability ratio. On the other hand, Oriental Selection, as an emerging live-streaming

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e-commerce enterprise, has reduced part of its financial pressure through its light-asset operation model. Nevertheless, problems such as its dependence on top anchors and platforms, as well as low inventory turnover efficiency, have brought about relatively high financial risks.

By analyzing the financial data and risk management strategies of the two enterprises, this paper provides practical suggestions for the e-commerce industry. It helps e-commerce enterprises identify financial risks and management problems, optimize their financial structures, and enhance their risk resistance capabilities. Meanwhile, it also provides references for investors and regulatory authorities. Furthermore, the research in this paper will further enrich the theoretical system of financial risk management for e-commerce enterprises, provide new perspectives and ideas for subsequent studies, and offer important insights for the healthy and sustainable development of the entire industry.

2. Comparative Analysis of Financial Risks between the Two Types of E-commerce

2.1 Comparative Analysis of Overall Status

Traditional mainstream e-commerce enterprises have relatively mature business models and stable market positions, so they face relatively low market risks. However, in the context of fierce market competition, when taking measures to adapt to market changes and expand their business, they should also consider their own capital supply, required costs, and the profitability of the expanded business. In addition, when facing market changes or emergencies, traditional mainstream e-commerce enterprises still need to strengthen capital management and liquidity risk control to ensure the stable operation of their business.

New live-streaming e-commerce enterprises have emerged in response to market changes and by seizing new market opportunities in the era of big data. They have relatively small business scales and market shares, resulting in weak risk-bearing capabilities. The financial risks of Oriental Selection are relatively concentrated, mainly affected by factors such as its business model, dependence on anchors, and cost control. Moreover, due to the particularity and innovation of its business model, the credibility of real-time e-commerce among consumers may be relatively low[2]. Therefore, new live-streaming e-commerce enterprises need to pay more attention to credit building and management to improve consumers' trust and loyalty towards them.

2.2 Comparative Analysis of Financial Risks

2.2.1 Comparison of Financing Risks

(1) Debt Financing Risks

Table 1: Comparison of Data between Oriental Selection and JD in 2023

Indicator	JD E-commerce	Oriental Selection
Debt Maturity Structure	Mainly long-term debt	Mainly short-term debt
Short-term Debt/Total Liabilities	1.51%	98.06%
Asset-Liability Ratio (%)	52.88%	27.23%

As shown in Table 1 above, JD E-commerce has a large scale of liabilities, mostly long-term debt. If market interest rates rise or inflation occurs, JD E-commerce's financing costs will increase, which may lead to significant financial leverage risks. As a heavy-asset investment enterprise, JD E-commerce has a large number of logistics assets used as collaterals. If its operation performance deteriorates, it will face the risk of asset disposal. Oriental Selection adopts a light-asset model and has a relatively low asset-liability ratio. However, its short-term debt accounts for 98.06% of the total liabilities, mainly including short-term loans and accounts payable. In addition, Oriental Selection's revenue mainly relies on traffic and anchors, and it is highly affected by policy supervision, resulting in unstable solvency. Furthermore, its limited collateral assets restrict its debt financing capacity.

(2) Equity Financing Risks

As shown in Table 2, JD E-commerce has more diversified financing channels, such as bonds, equity financing, and bank loans, presenting a variety of forms. In contrast, Oriental Selection mainly relies on short-term loans and accounts payable, with a single financing tool. In this regard, JD E-commerce has strong risk resistance capabilities, while Oriental Selection is prone to falling into financing difficulties during credit tightening.

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Table 2: Comparison of Data between Oriental Selection and JD

Indicator	JD E-commerce	Oriental Selection
Diversity of Financing Channels	Bonds, equity financing, bank loans, etc.	Short-term loans + accounts payable
Credit Rating	BBB+	No public rating support
Exchange Rate Risk	US dollar bonds account for approximately 30%	Almost no foreign currency liabilities
Impact of Market Value Fluctuation	Market value exceeds 40 billion US dollars, and stock price fluctuations have little impact on financing	Market value was approximately 3.6 billion US dollars in 2023, with high stock price sensitivity

In Table 2, JD E-commerce has obtained a credit rating of BBB+ from S&P, and its internal cash flow is sufficient to cover short-term debts. Additionally, JD E-commerce has strong asset-backed financing capabilities and can achieve low-cost and stable debt rollover through the international capital market in the future. However, Oriental Selection's financing is highly dependent on the credit of New Oriental Group, with a relatively low independent credit rating. It mainly relies on external financing for "borrowing new loans to repay old ones" and lacks high-quality collaterals, resulting in great difficulties in refinancing. Therefore, compared with JD E-commerce, Oriental Selection will face greater refinancing capacity risks.

In terms of the impact of market value fluctuations, JD E-commerce has strong resistance to stock price fluctuations. If Oriental Selection's stock price plummets, its equity financing channels may be closed. Due to Oriental Selection's high dependence on equity financing, it is not conducive to the long-term sustainable development of the company. Oriental Selection faces relatively high equity financing risks, which are mainly reflected in the single financing channel, strong dependence on the parent company, significant impact of stock price fluctuations, and insufficient refinancing capabilities. Compared with JD E-commerce's diversified financing methods and strong credit rating, Oriental Selection has obvious disadvantages in terms of financing stability.

JD E-commerce has a significant advantage in low-cost financing, while Oriental Selection's relatively high financing costs may increase the company's financial burden. Nevertheless, JD E-commerce needs to manage the impact of exchange rate fluctuations on interest expenses, while Oriental Selection does not face this risk. Therefore, in terms of financing cost and channel risks, JD E-commerce may face relatively high interest rate risks, while Oriental Selection faces relatively high financing channel risks and financing cost risks.

2.2.2 Comparison of Investment Risks

(1) Market Risks of Business Models

Table 3: Comparison of Data between Oriental Selection and JD

Dimension	JD E-commerce	Oriental Selection
Core Business	Self-operated e-commerce + logistics infrastructure (heavy assets)	Live-streaming e-commerce + self-operated agricultural products (light assets)
Industry Competition	Competing with Alibaba and Pinduoduo for the low-tier market, with continuous price wars	Competing with "Friends, Let's Chat" (a live-streaming brand), Dragon TV, etc. for live-streaming traffic
Revenue Concentration	3C home appliances account for approximately 48% (cyclically sensitive)	The majority of revenue comes from the Douyin platform
Policy Sensitivity	Anti-monopoly investigations and the Data Security Law increase compliance costs	Tax supervision in the live-streaming industry and quality inspection risks of agricultural products
Technology Substitution Risk	Insufficient investment in logistics automation may lead to being surpassed by J&T Express, etc.	Potential threat of AI virtual anchors replacing real anchors

As shown in Table 3 above, As a comprehensive e-commerce platform, JD E-commerce faces fierce competition from giants such as Pinduoduo and Alibaba. The low-price strategy will squeeze its profit margins. In terms of policy supervision, data security and anti-monopoly reviews may affect its business model. Additionally, the current tightening of environmental protection policies in the logistics industry

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may increase its operating costs.

Oriental Selection needs to address the issues of content homogeneity and user fatigue. In terms of policy sensitivity, Oriental Selection may face brand crises due to product quality control problems. In terms of technology disruption risks, Oriental Selection has a high dependence on its IP, resulting in significant technology substitution risks.

(2) Capital Return Risks

Table 4: Comparison of Data between Oriental Selection and JD

Indicator	JD E-commerce (2023)	Oriental Selection (2023)
Gross Profit Margin	14.73%	43.34%
Return on Capital	7.09%	34.45%

Source: Wind

In Table 4, JD E-commerce is mainly driven by low-margin scale, and its profit margin is easily squeezed by price wars. Although Oriental Selection has a high gross profit margin, its costs fluctuate significantly, and the warehousing losses of agricultural products may erode its gross profit. JD E-commerce's asset efficiency needs to be improved, which may be dragged down by logistics assets. Oriental Selection's high return depends on traffic dividends, so its sustainability is questionable. If the popularity of live-streaming declines, Oriental Selection will face a relatively high risk of goodwill impairment.

2.2.3 Comparison of Operational Risks

(1) Comparison of Supply Chain Management Risks

Table 5: Comparison of Data between Oriental Selection and JD

Indicator	JD E-commerce	Oriental Selection
Supply Chain Complexity	High	Medium
Logistics Cost Ratio	Approximately 6%-8%	Approximately 8%-12%
Supplier Concentration	Top 5 suppliers account for <5%	Top 5 suppliers account for >30%

Source: Compiled from the annual reports of the two companies

A conclusion can be drawn from Table 5, JD E-commerce's supply chain covers the entire national chain of warehousing, distribution, and after-sales services, requiring coordination among tens of thousands of suppliers and logistics nodes. Oriental Selection's supply chain mainly focuses on the model of direct procurement of agricultural products + third-party suppliers, relying on direct supply from agricultural product producing areas, but it faces high difficulties in quality control. In terms of logistics costs, JD E-commerce reduces costs through economies of scale, while Oriental Selection has high rigid expenditures on cold-chain transportation for agricultural products, which largely cuts into its profits. JD E-commerce has diversified suppliers, which enables it to better diversify risks. Oriental Selection is dependent on producing areas; if a core producing area is affected by a disaster or the cooperation is interrupted, Oriental Selection's supply chain is likely to break down.

(2) Comparison of Inventory Turnover Risks

Table 6: Comparison of Data between Oriental Selection and JD

Indicator	JD E-commerce	Oriental Selection
Inventory Turnover Days	35 days	>60 days
Inventory Impairment Rate	1.79%	5%-8%

Source: Compiled from the annual reports of the two companies

A conclusion can be drawn from Table 6,JD E-commerce's inventory turnover days are much shorter than those of Oriental Selection, indicating that JD E-commerce has strong inventory liquidity. In contrast, if Oriental Selection makes mistakes in product selection or the live-streaming traffic declines, it is prone to inventory backlogs. JD E-commerce can quickly clear unsold products through promotions, keeping its impairment risk within a controllable range. However, the fresh products selected by Oriental Selection are subject to natural losses, and the problem of price reductions for products approaching their expiration dates leads to direct impacts on the gross profit from the losses of fresh products.

(3) Comparison of External Dependence and Compliance Risks

It can be seen from the data comparison in Table 7, Since JD E-commerce has its own APP and official website, it controls user data and traffic entry points. In contrast, Oriental Selection is restricted by Douyin's algorithm rules and has weak bargaining power. In terms of policy compliance risks, JD E-

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commerce needs to continuously invest in compliance systems, while Oriental Selection may have its business suspended due to live-streaming violations or food safety issues. In the event of natural disasters, JD E-commerce can alleviate the impact through the deployment of goods across multiple warehouses. However, if Oriental Selection's core producing areas are affected by disasters, it will be difficult to replace the supply in the short term.

Table 7: Comparison of Data between Oriental Selection and JD

Risk Type	JD E-commerce	Oriental Selection
Platform/Channel Dependence	Mainly relying on its own platform	The majority of GMV (Gross Merchandise Volume) relies on Douyin
Policy Compliance Risk	Data Security Law, anti-monopoly investigations	Supervision of live-streaming content, quality inspection of agricultural products
Impact of Natural Disasters	Localized distribution disruptions due to regional warehouse damage	Supply disruptions caused by extreme weather in agricultural product producing areas

3. Conclusions and Recommendations

3.1 Financing Risks

JD E-commerce has strong financing capabilities but faces pressure from heavy-asset investments. It has high operational efficiency but needs to cope with price wars and compliance costs. JD E-commerce can leverage its stable cash flow and industry position to keep long-term risks under control. However, it needs to hedge against the exchange rate risks of US dollar bonds. Since US dollar bonds account for a relatively high proportion, the depreciation of the RMB may increase foreign exchange losses. JD E-commerce should replace US dollar bonds by issuing RMB bonds to reduce exchange rate risks.

Oriental Selection has high growth potential, but its main revenue relies on the Douyin platform and top anchors. If the main anchors resign or their images are damaged, the business may be significantly affected. Moreover, it faces great difficulties in financing under the light-asset model. Oriental Selection has pressure on the rollover of short-term debts; its contract liabilities reached 250 million yuan in 2023. If the growth of the platform's total merchandise transaction volume slows down, the default risk will be exacerbated. In addition, Oriental Selection is overly dependent on supplier payment terms and shareholder loans, resulting in weak resistance to external shocks. Its high valuation mainly relies on the growth of live-streaming business, and business fluctuations are likely to trigger a stock price collapse. Oriental Selection can extend the payment terms of accounts payable and sign flexible clauses with suppliers to reduce the rollover pressure. Meanwhile, it should appropriately expand financing channels, accelerate the construction of its own channels, and reduce dependence on a single platform to improve the stability of valuation[3].

3.2 Investment Risks

JD E-commerce needs to continuously invest in its logistics network. If the penetration of the low-tier market fails to meet the original expectations, the asset utilization rate will decline, and the gross profit margin of the retail main business will be difficult to exceed 15%. JD E-commerce needs to be alert to price wars and weak consumption. It can balance the revenue structure by increasing high-margin service businesses such as advertising and finance.

Oriental Selection has an excessively high dependence on the Douyin platform. Adjustments to algorithms or the loss of anchors may lead to a sharp drop in GMV. Its supply chain is relatively fragile: the non-standard nature of agricultural products leads to slow inventory turnover and a high loss rate. According to calculations based on public data and industry benchmarks, the annual loss rate is approximately 18%-25%. Oriental Selection should accelerate the construction of its own APP and actively explore private domain traffic such as WeChat to reduce the risk of platform dependence.

3.3 Operational Risks

Through the comparative analysis of the two types of e-commerce enterprises, it is found that JD E-commerce faces pressure from heavy-asset operations and high maintenance costs of its logistics network. If the order density decreases, the marginal cost may rise rapidly. In addition, the data security and anti-

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monopoly supervision of JD E-commerce have greatly increased the complexity of its operations. JD E-commerce can update its inventory statistics system to reduce unsold inventory and pilot the shared warehouse model in some regions to improve asset utilization rates[4].

Oriental Selection's agricultural product supply chain is fragile. Direct procurement from producing areas relies on weather conditions and the stability of cooperation with farmers, resulting in high difficulties in quality control. Its inventory liquidity is relatively poor, and it faces high risks of fresh product losses. JD E-commerce has significantly stronger capabilities in occupying supplier funds than Oriental Selection. Oriental Selection's high cold-chain logistics costs have squeezed its profit margins. The supply chain of Oriental Selection has a high concentration, leading to weak risk resistance capabilities, and it is dependent on the Douyin platform. The uncontrollable algorithm-based traffic allocation results in high GMV volatility[5]. In addition, the loss rate of fresh products exceeds the industry average, and the short supplier payment terms exacerbate the cash flow pressure. Oriental Selection can design measures to shorten the transportation links, thereby reducing the loss rate and logistics costs. At the same time, it can appropriately expand multi-platform distribution on channels such as WeChat Channels and Kuaishou to reduce dependence on the Douyin platform.

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