

Analysis on Transformation Path of Entity Retail Enterprises Under New Retail Background

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Abstract: With the development of the times, retail entity has been seriously impacted by new retail, high operating cost and fierce competition, which prompted many retail enterprises intuitively to seek a change. Through the analysis of entity retail, entity retail enterprises mainly face with three challenges: the impact of the development of online retail and new retail, the change of consumers' needs and preferences and fierce competition in the industry. Physical retail enterprises can promote the integration of online and offline development, innovate the products and services of physical retail enterprises, and build online and offline shared data system to transform and develop.

Key words: new retail; Entity retail enterprises; The transformation path

1. Introduction

The Internet has brought rapid development and reform to China's economy and society. While many industries are benefiting from the dividend brought by the Internet, some industries are also faced with crisis. Online retail developed rapidly because of rich product variety, lower operating costs and not limited by time and space. And in recent years, new retail model that involve the online and offline retail are developing rapidly. Under such circumstances, the entity retail enterprise if still follow traditional retail approach to operate, it will face large competition pressure. Therefore, the entity retail enterprises urgently need transformations to seek a way out.

2. Development of new retail

The term "new retail" was first put forward by Jack Ma, the leader of China's e-commerce industry, in 2016. It is a kind of new retail mode that through the use of big data and other advanced technologies to upgrade and transform the traditional retail mode. In this mode, retailers comprehensively obtain data online and offline, analyze and forecast the consumption trend. That achieves a comprehensive new retail form includes more efficient and convenient commodity circulation, social, shopping and entertainment. [1] On the one hand, in recent years, the dividends that brought by the user growth due to Internet and mobile Internet terminal widespread popularization are gradually tapering off; on the other hand, the traditional online retail can't provide customers real scenes and good shopping experience such as the visibility and availability of the goods, Online e-commerce has never found a realistic path that can solve this problem. Especially that the per capita disposable income of Chinese residents is continuously increasing, people's focus on shopping is no longer limited to the advantages of online e-commerce once proud of, such as low price, but increasingly pay attention to the experience and feeling of consumption process. Online retail enterprises began to develop offline entity retail business, thus the new retail model was born.

Compared with the traditional retail model, the new retail model takes consumers as the center, and provides consumers with high-quality personalized services by combining the convenience of the online model with the experience of the offline model.

Table.1.Entity retail versus New retail

	Entity retail	New retail
Strategy	Provide the goods	Consumer-centered,to provide a full range of diversified services
Channel	Offline physical stores	Offline stores and online stores
Communication	Offline experiences	Online and offline co-marketing
Customers	Nearby customers	Unlimited
Costs	Rent, product cost, employee wages	Rent, product cost, employee salary, logistics cost, online operation cost
Profits	Customer spending in stores	Online and offline joint sales, reduce store rents, improve product sales

3. Development difficulties of physical retail enterprises

3.1 The Impact of the development of electronic business and new retail

In the era of mobile Internet, consumers have broken the time and space restrictions in shopping, which makes shopping become more convenient. Without store rent, online retailers can make profits at lower prices. "Online shopping" has gradually become the main way of shopping for consumers, resulting in the rapid growth of online retail. According to the long tail theory, the storage and management costs for online retailers to achieve the same sales revenue of unpopular products are significantly reduced, or even almost zero, compared with traditional retailers that set up stores. The development of new retail makes up for the shortcomings of traditional e-commerce enterprises in terms of consumer experience, and their offline stores pay more attention to consumers' sense of experience, rather than simple commodity display. In addition, the traditional retail enterprises suffer from the single promotion mode, lack of corresponding data information can not directly understand the real demand of consumers and other problems. All these factors lead to the great impact of online retail and new retail on traditional retail enterprises, resulting in the entity retail difficult.

3.2 Changes in consumers' demands and preferences

With the progress of society, people's material life has been greatly satisfied, their spiritual life is increasingly rich, the public is not satisfied with the simple survival demand consumption, its demand has undergone a great change. Especially in the Internet era, due to the infiltration of various cultures, Internet users, especially young people, have a variety of ideological forms, consumer habits, consumer needs, and consumer affordability. This kind of personalized consumer demand is often easier to be satisfied in online retail service framework that has the outstanding ability to change rather than the physical retail stores with more restrictions. Under this trend, some niche brand with unique brand value expanded our market share, and got the attention of the new consumer groups. New consumer groups, especially after 00, after 90 pay more attention to the shopping experience, and don't care about the price, care more about the emotional value of the goods. They are easy to follow the behavior of brand, which also is the foundation to the development of the fan economy. [2] With the development of social media, especially the mobile Internet, the marketing information have great influences on young people's consumption habits, which is more likely to meet thousands of different consumption demands. It will be the development trend of China's retail industry in the future, that is to say, the retail industry is developing in the direction of the meet the personalized needs. However, offline physical retail stores are difficult to meet the personalized needs of consumers under the condition of profitability.

3.3 Fierce competition among retail enterprises

The traditional retail industry mainly relies on product sales and other aspects to obtain profits. It has the characteristics of white-hot competition and perfect competition. Offline retail stores offer almost the same goods and services, resulting in their low profit.

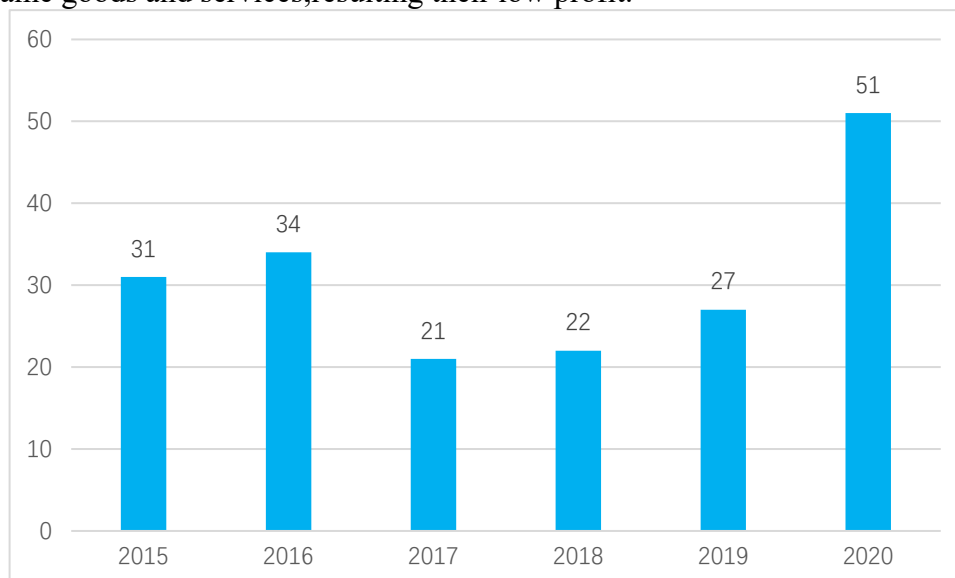


Figure 1. Number of chain top 100 sales negative growth enterprises in 2015-2020

As shown in the Figure 1, the number of enterprises with negative growth in the top 100 chain enterprises from 2015 to 2020 can be seen. From 2015 to 2016, more and more chain hundred enterprises saw a decline in growth. After a respite in 2017, the situation has returned. In the chain of 100 enterprises, the average of about 30 percent of retail enterprises appear sales growth phenomenon. Half of the top 100 chain companies saw negative sales growth in 2020 due to the epidemic. It can be seen that traditional retail enterprises are in urgent need of reform.

4. Transformation path of entity retail enterprises

4.1 Promote the integrated development of online and offline sales

In the context of new retail, the development of online sales business is essential for entity retail enterprises to do a good job in transformation and upgrading. If the enterprise is strong enough and has sufficient funds for R&D and publicity, it can develop its own platform, such as Hema; Small and medium-sized entity retail enterprises can develop online businesses by entering existing platforms such as Taobao and Pinduoduo. Multi-channel sales is the key to the transformation and upgrading of traditional entity retail enterprises. According to transaction cost theory, multi-channel sales can effectively reduce the transaction cost of information transmission, which is beneficial to the improvement of consumers' consumption intention. With the popularity of smart phones and mobile Internet, in addition to the original e-commerce platforms, Meituan, wechat mini program, wechat public account and short video platforms like Tik Tok have also become rapid development paths for retail enterprises. In addition, self-built software, neighborhood wechat groups and point exchange are also important ways for traditional retail enterprises to expand sales. [3] If Bricks-and-mortar retailer build an multi-channel sales network, customers can browse and place orders online, try on products and services offline. Problems related to product maintenance and return can also be solved face-to-face, which will improve customer experience.

4.2 Innovate products and services

In the context of new retail, entity retail enterprises should constantly innovate the quality of their products and services, give full play to the functional advantages of products and experience advantages of services, so as to meet the consumer needs of different groups. In order to innovate products and services, entity retail enterprises should accurately understand the needs of consumers in multiple dimension, and more targeted to provide one-to-one services for consumers. Along with the rapid development of Internet technology, physical retail enterprises can use big data, cloud computing and other means to mining and analysis of consumer behavior habits and interests. Then retailers can recommend goods and services to consumers that they really want to achieve precision marketing, personalized and differentiated services. [4] In addition, in order to ensure consumers get the best consumption experience, enterprises should also strengthen the construction of their own logistics distribution system, and greatly improve the timeliness and accuracy of product distribution.

4.3 Build an online and offline shared data system

In the process of transformation, entity retail enterprises can focus on the development of , so as to grasp the demand of different consumer groups. At the same time, data analysis system can provide data support for business decisions, with that managers can make more accurate business decisions and then improve sales revenue. With big data as the core, it can effectively realize automatic summary of consumer information, and then integrate consumer behavior and consumption habits to realize demand analysis, and then carry out targeted product retail. Compared with the pure online retail, the price in offline retail will be affected due to labor, water and electricity, rent and other factors. However, compared with online retail, it has the guarantee of product clarity. Consumers can know the physical products of retail products when entering the store, and the product quality of offline retail will undoubtedly be more guaranteed [5].

Data collection should not be limited to online data. After a long time of accumulation, physical stores also accumulate a large amount of high-quality sales data. Through precision marketing, key business indicators such as sales turnover rate, repurchase rate and joint rate can be improved. Online data and offline data should be interconnected to better understand customers' consumption habits and preferences, which helps retailers accurately provide customers with goods and services they want.

5. Conclusions

In the context of the new retail era, entity retail enterprises must make full use of network information technology to develop online business in the process of transition, so as to improve competitiveness and gradually expand market share. At the same time, it is necessary to cultivate a group of retail professionals to provide consumers with better products and services.

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