

E-Commerce Impact on Traditional Retail: Exploring the Transition to New Retail Approaches

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Abstract. The rise of e-commerce has greatly impacted the brick-and-mortar retail industry, and with the empowerment of digital technology, the new retail model has become the development trend of most enterprises. This paper analyzes the transformation of brick-and-mortar retail industry by using SWOT model and provides suggestions for the transformation of brick-and-mortar retail industry. Let the enterprise according to their own situation to develop a feasible transformation program, the use of policy support, in line with the consumer psychology of the implementation of the transformation, the flexible use of big data and other technologies to better position the changes in market demand, to achieve inventory stability, the reasonable ratio of import and export, drawing on the experience of e-commerce online sales, to create a more perfect service system and sound supply chain management, improve logistics technology, to provide consumers with a better shopping experience. In addition, enterprises in the transition process need to pay attention to the integration of online and offline to play the advantages of the new retail model, away from the homogenization of the competition, to achieve the purpose of enhancing competitiveness, so that enterprises are truly invincible. The rise of e-commerce has brought opportunities and challenges to the traditional retail industry, and the transformation of physical retail to new retail is the inevitable choice of the times.

Keywords: Brick-and-Mortar Transformation, New Retail Model, E-commerce Impact.

1. Introduction

According to official statistics, the number of registered individual business households in China has reached 115 million, nearly 90% of which are active in wholesale and retail, catering and accommodation and other real economic fields, and the activity of individual business households affects the development of the entire economic market. However, with the rapid development of the Internet, people also favor convenient online shopping, supported by big data technology, computer technology, communication technology and logistics technology and other technologies, e-commerce has gradually emerged, the entity of the traditional industry has brought a huge impact and challenges, a large number of consumers from the offline shopping to online shopping, and e-commerce market share is also growing, resulting in the entity of the retail industry The new retail model was born. The new retail model has emerged, which integrates online services, offline experience and modern logistics in depth. Under the background of new retail, the digital transformation of some brick-and-mortar retail enterprises is an inevitable choice for sustainable survival under the impact of e-commerce, as well as the inevitable result of technological and consumer upgrading.

In this context, this paper will analyze what aspects of the traditional retail industry has been affected, what corresponding changes have been made, and explore the advantages and disadvantages of e-commerce and traditional retail industry. It aims to improve the competitiveness of the physical retail industry and provide new ideas for the development of the retail industry. This paper finds data in relevant databases to understand the market share and competitiveness of e-commerce and traditional retail industry in recent years, apply SWOT model analysis to explore the impact of the transformation of the physical retail industry to the direction of new retail on its competitiveness, recognize the advantages of the new retail model and the related technical support, and point out the shortcomings of the traditional retail industry, so as to provide help for the development of the physical retail industry.

Existing literature mostly focuses on the digital development of the retail industry with the help of new technologies, and this paper analyzes the changes that the traditional retail industry can make

under the impact of e-commerce by combining various business models and consumer preferences. This paper is different from the existing literature in that it analyzes the development of the retail industry in different business models and at the same time, it will also analyze the difference of consumer goods in the physical retail industry.

2. Literature Review

In the existing literature, the scholars have made a more detailed analysis of the disadvantages of the traditional retail industry compared to e-commerce in the industry chain, operating costs, information technology, etc., and pointed out the development of individual business models.

Many scholars have studied the impact of e-commerce on traditional retail, combined with the growth trend of e-commerce turnover and consumer preferences [1, 2]. In recent years, the research always focusses on analyzing the disadvantages of traditional retail and the advantages of e-commerce, and unanimously concluded that under the digital era, the physical retail industry in the context of e-commerce impact and rising operating costs, the traditional retail industry is developing into a "new retail" mode [3]. It is unanimously concluded that in the digital era, under the background of the impact of e-commerce and rising operating costs, the traditional retail industry is developing towards the "new retail" mode, and the traditional retail enterprises want to change the current disadvantageous situation and must use the relevant technology to transform [4, 5]. Wu et al. synthesized the views of the business community and academia, and concluded that the essential feature of new retail is to take big data, artificial intelligence, blockchain and other emerging technologies as the basis for the in-depth integration of online and offline channels, to create a "people"-based consumer core, creating a new shopping model [6]. Zeng studied the e-commerce transformation of traditional retail enterprises, 32 e-commerce transformation of retail listed companies as a sample, through the SPSS software for empirical analysis of their business performance, concluded that the traditional retail enterprises in the e-commerce transformation, its short-term performance has not been significantly improved, that may be after the transformation of the retail enterprise's logistics and transportation capabilities, related talent reserves and network platform management, and so on, it is inferred that the transformation of the retail enterprise's logistics and transportation capabilities, related talent reserves and network platform management. It is believed that it may be caused by the logistics and transportation ability, related talent reserve and network platform management of the transformed retail enterprises, etc. Therefore, it is deduced that the transformation of enterprises to do well in the traditional industry is the top priority, and it should make the integration of online and offline development [7]. Wang takes "Three Squirrels" as the research subject, discusses its strategic transformation in the context of new retail, analyzes the vitality of the new retail industry and the future development trend of the retail industry, and concludes that the profitability of "Three Squirrels" has improved greatly compared with that before the new retail model [8]. It is concluded that the profitability of "Three Squirrels" is greatly improved compared with that before the new retail model [8]. Yang proposed that the future competition between enterprises is the competition of business models, in which the offline advantage is to provide personal experience, shopping guide services, scene-based consumption, which is a good complement to the online price transparency, fast payment, door-to-door delivery and other advantages. The game of "new retail" business model very appropriately represents the fusion of online and offline, the fusion of e-commerce and retail, the fusion of technology and industry, the fusion of tradition and innovation, and the fusion of the past and the future [9]. Zhou et al. combined the SWOT-PEST model and established a SWOT-PEST matrix to analyze the digital transformation of the physical retail industry in Anhui Province in a comprehensive way [10].

3. Transformation from Traditional Retail to New Retail based on the SWOT Analysis

3.1. Strengths

China has issued a number of policies to support the transformation of the entity retail industry, and the State Council issued the Opinions on Promoting the Innovation and Transformation of Entity Retail in 2016, which clearly points out the importance of entity retail and proposes a number of types of policies to optimize the development environment and strengthen the policy support of entity retail, in order to promote the innovation and development of entity retail to the new retail model. The General Administration of Taxation issued the "Preferential Policies for Income Taxes of Small and Micro Enterprises and Individual. In 2023, the State Administration of Taxation issued the announcement of "Preferential Policies on Income Tax for Small Micro Enterprises and Individual Industrial and Commercial Households", which reduced the tax for individual industrial and commercial households by half and extended it to 2024. Beijing, Jiangsu, Sichuan and other places have introduced a number of favorable policies for small and medium-sized real enterprises and supported support for the individual industrial and commercial households to carry out online business and clean up the online platforms of individual industrial and commercial households of unreasonable charges and restrictions on the rules and regulations.

With the continuous development of the economy, the per capita disposable income continues to rise, the national consumption level also continues to improve, the total demand for goods increased. Driving the development of the retail industry. In addition, with the popularization of the Internet, the scale of Internet users has expanded, the number of online consumers has increased, and people are not only concerned about the quality of the goods, but also about the speed and convenience of the shopping experience, which makes the consumer's recognition of new retail higher. In addition, new retail has unique competitive advantages and can better adapt to changes in market demand. Taking consumers as the core, it can maximize the possibility of meeting consumers' needs and improve consumers' purchasing experience, which has a greater advantage in the market competition and has great development space and potential.

The booming development of e-commerce can provide a feasible method for the physical retail industry to transform into new retail, which can be roughly understood as the combination of traditional retail and e-commerce. Whether it is an online or offline sales method, the basic goal of both is to satisfy consumer demand and to save costs and improve efficiency to gain more profits. The success of most brick-and-mortar e-commerce companies can provide strategic references for brick-and-mortar retailers. Especially in logistics services, supply chain improvement, business concepts, transaction efficiency, and other aspects, on the basis of which to better realize the integration of online and offline, the transition to the new retail direction.

The continuous maturity of transformation-related technologies also makes the transformation of the physical retail industry more advantageous. Under the background of Internet+, retail enterprises should keep pace with the times and make the retail mode more intelligent. The physical retail industry can make full use of Internet technology to realize intelligent marketing system, making the shopping experience more efficient and convenient, the continuous development of network payment technology makes the security of online transactions constantly improve, and the big data technology through the data analysis of the consumers' purchasing records and consumption intention makes the enterprises accurately explore the Big data technology enables enterprises to accurately discover market trends through data analysis of consumers' purchase records and consumption intentions, thus providing different recommendation services for different customers. In addition, the use of Internet of Things technology can also enable enterprises to establish a more intelligent supply chain. It makes the operation faster, more efficient and lower cost. Physical retail enterprises in the digital environment have more choices and development opportunities.

3.2. Weaknesses

Entity retail enterprises are subject to the impact of e-commerce, the market share is reduced, in the case of not involved in the field of e-commerce, the idea of online sales is backward, the sales model is insufficiently cognitive, do not know how to innovate the online management style and business model, the lack of experience in online sales leads to the difficulty of in-depth use of big data and artificial intelligence technology to achieve accurate push services, cannot grasp the market demand well, cannot keep up with the changes in the market, the Lack of understanding of sales information, online business in the early stage of transformation is not broad enough, the user experience is poor. And facing the lack of relevant talent reserves and network platform management, unable to attract many customers, resulting in insufficient market competitiveness, online services in the competition with e-commerce at a disadvantage.

Entity retail transformation due to the emergence of new sales methods, it is easy to appear online and offline synergies are insufficient, in commodity prices, operating costs, after-sales service and other aspects of the large differences between the online and offline operation of the fragmentation of the information flow, the customer base, the flow of funds to achieve an effective fusion, resulting in higher operating costs at the same time did not integrate online and offline customer groups and commodity resources, resulting in the loss of customers, higher costs, operational efficiency, and the integration of customer service. As a result, there is a loss of customers, higher costs, low operational efficiency and other problems, even leading to online and offline dual-channel competition.

Most brick-and-mortar retailers suffer from immature logistics technology in the process of transformation. Take RT-Mart's digital transformation as an example, in the initial transformation exploration, due to the lack of maturity of the logistics technology, there is a long time-consuming delivery of goods, courier costs are too high, and there is an obvious disadvantage in the competition with large e-commerce platforms such as Jingdong and Tmall. Alibaba and other companies that started with e-commerce have a more complete logistics system, and have obvious advantages in logistics, Jingdong has established its own logistics system, making logistics more efficient and greatly reducing transportation costs.

3.3. Opportunities

China's general environment is friendly to the transformation of entity retail. The government has launched a few favorable policies and strengthened its support, providing economic support and guiding demonstration for the transformation of entity retail enterprises. The per capita disposable income of national residents has increased, people's consumption ability and consumption level have been improving, the audience of online sales under the background of Internet+ has increased, and people are increasingly pursuing better quality and more personalized services, while the new retail model can combine the convenience of online with the strong offline experiential characteristics, which gives the new retail model an advantage. People's acceptance of new shopping methods has increased, and the improvement of the overall quality of the nation also provides a certain guarantee for online transactions. Enterprises should seize the opportunity to understand the market trend and seize the transformation opportunity under the guidance of the general environment and national policies.

The development of digital technology has accelerated the digitization process of brick-and-mortar retail enterprises, adding new momentum to the transformation of the retail industry. For example, the combination of big data analysis, artificial intelligence, Internet of Things (IoT) and other technologies, through data collection, data processing to master more information, detect market changes, so as to adjust the procurement management, according to the data analysis of the order, to explore a better production management model and sales optimization of the commodity inventory management, through the Internet of Things (IoT) technology to make the product production, storage, sales, transportation of the online and offline channels perfect to improve the supply chain operational efficiency and cost reduction. In addition, the Internet technology for retail enterprises to better communicate with customers, so that the transaction is not limited by space, and to provide strong

protection for its after-sales service. The continuous development of logistics technology also provides a strong guarantee for the entity retail industry to carry out online selling services, and the distribution of logistics will be timelier, and the logistics system of large logistics companies is more perfect, with wider coverage and higher distribution efficiency, so that users can break through the geographic limitations to get the goods they want. Entity retail enterprises should pay attention to the development and use of related technologies to better serve consumers, maximize the reduction of enterprise operating costs, create an online and offline integrated industrial chain, better and faster to achieve the transformation and development, to explore a new retail model suitable for their own, and to improve market competitiveness.

BEStore, as a high-end casual snack brand, started from the offline, into the online, can well realize the dual-channel operation, with the use of the brand effect out of the homogeneous competition, the use of relevant technology to achieve a more successful transformation, online competitiveness is strong, in the importance of balanced development of online and offline at the same time also focuses on the development of the offline intelligent stores, is good at leveraging technical support, has developed APP to help online operations, and has developed a new retail mode that is suitable for itself to improve market competitiveness. It has developed APP to help online business, established a membership system to increase customer stickiness, launched "half-hour delivery" service, and established an intelligent and efficient supply chain system to expand its advantages.

3.4. Threats

The development of the Internet has laid the foundation for the rise of e-commerce, while the progress of society has made people pay attention to the goods themselves and hope to spend less time and energy to buy the goods they need. Competition for online sales is fierce, and companies transformed from traditional retailers can hardly take advantage of the online competition compared to those who started from e-commerce. Therefore, if you want to stand out in the consumer market, you should change the inherent ideas of traditional sales, establish e-commerce thinking, and realize the transformation with the help of technological support.

And the transformation of the enterprise network management experience is insufficient, the online channel sales process may appear in the process of consumers' personal information leakage of serious problems, and the transformation of the sales channel diversification at the same time also makes the management more difficult, online shopping has the advantage of breaking the geographical limitations, can attract more consumers, but also brings the problem of logistics management and commodity storage and configuration. Enterprises should pay attention to the customer's sense of consumption experience and operating costs while safeguarding customer security and privacy. Currently, enterprises need to pay extra attention to the use of big data, cloud computing and other technologies to build a new type of customer relationship, establish a reasonable management system, save costs for the company's operations, and give consumers a better shopping experience.

In addition, the correct realization of online and offline dual-channel integration is crucial. E-tailing and physical retailing each have their own advantages, and the transformation of enterprises should correctly realize the integration of online and offline, to make the advantages of the two complement each other. Offline sales can help online channels to achieve a larger scale of publicity, drawing on the experience of e-commerce business promotion, through the application of big data technology to better understand the needs of consumers, but also through the common online retailing "single order" way of selling at a low profit and more sales, to attract consumers to a greater extent. Although online sales break through the time and space limitations, but there is a sense of customer shopping experience is not strong defects, therefore, through the offline channel to provide customers with a sense of experience is very important to enhance the customer purchase rate at the same time to solve more after-sales problems. Online and offline channels cannot be replaced by each other, to achieve the effective integration of the two to maximize the competitiveness of the enterprise market, online and offline platforms can share the source of goods, sources of customers, etc., the integration

of capital flow, logistics, etc., the implementation of online and offline commodities with the same price and quality, to promote the common development of the two.

4. Suggestions

Under the impact of e-commerce, most of the entity retail enterprise transformation is the inevitable result of its sustainable development, but the transformation failure, earning profits do not increase rather than decrease in the minority of enterprises, in order to be in today's market diversified competition in the long-term foothold, the correct transformation strategy is essential.

Enterprise transformation to make full use of the advantages of transformation, with the support of national policies, in line with the changes in consumer habits of consumer groups, master the application of relevant technologies, actively learn the methods of online sales, pay attention to the cultivation of digital talents, enhance the internal drive at the same time with the help of social support to realize the transformation.

Enterprise transformation must not be too hasty, should have a long-term vision, to develop a reasonable transformation plan. First, the transformation of enterprises should learn from the lessons of other transformation cases, but not blindly copy, but according to their own situation and environment to explore their own transformation. Enterprises need to seek a suitable transformation path and explore the best business model according to their market environment, capital investment, types of consumer goods and other circumstances. Secondly, the direction and strategy of transformation are not static. Transforming enterprises should break the inherent thinking, be flexible, explore more possibilities of business models, and pay attention to the business models that are more suitable for different consumer goods. For example, people have different reasons for demand and commodity requirements for consumer products such as fresh food, daily necessities, medicines, and snacks, etc. Enterprises facing different consumer products should choose different consumption model tendencies to better serve consumers.

5. Conclusion

This paper analyzes the transformation of physical retail industry with SWOT model, points out the defects of traditional retail industry and the advantages of new retail mode, and reflects the necessity of transformation of physical retail industry under the impact of e-commerce. And the following points are analyzed. First, the transformation of physical retail enterprises has the favorable conditions of policy support, market orientation, and related technology and social demand. However, there are still disadvantages in the competition with e-commerce after the development of online channels, such as the lack of experience in online sales, business ideas are more traditional resulting in several problems, and the lack of talent reserves, easy to produce immature technology utilization, online and offline development is not synergistic and other issues. In conclusion, in the Internet + era, today's brick-and-mortar retail enterprises have both opportunities and face great challenges. Enterprises should overcome the difficulties, combine the advantages of both online and offline operations, and find the best way to suit their own transformation and development. It is especially important to emphasize the integration of online and offline dual-channel and use the transformation method that really suits you. Enterprises should understand the irreplaceable nature of online and offline, so that the two are integrated, complement each other, and give play to the advantages of the new retail model. It should also be clear that the new retail model is not fixed, but requires different enterprises to reasonably regulate their online and offline capital investment, product type, sales format and so on.

This article provides ideas for the transformation of the physical retail industry, and encourages enterprises to explore their own transformation methods, but did not do an in-depth analysis of different types of retail enterprises and different types of consumer products suitable for the business model. It is hoped that after the successful transformation of many enterprises, targeted

transformation programs suitable for different enterprises will be analyzed based on the successful cases of different enterprises.

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