The Digital Transformation Path of Traditional Industries: A Case Study of Wangfujing

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Abstract. In the 21st century, marked by rapid advancements in digital technology, numerous traditional industries face immense competitive pressures and challenges while simultaneously encountering unprecedented opportunities. The digital transformation of traditional industries represents an inevitable choice for enhancing industrial competitiveness and achieving sustainable development. This paper selects Wangfujing Group Co., Ltd., a traditional retail enterprise commonly referred to as "Wangfujing," as its research subject. Employing a literature analysis approach, it meticulously examines Wangfujing's transformation pathways and outcomes across key areas: omnichannel deployment, supplier collaboration, customer and merchandise operations management, and organizational restructuring. Research reveals that Wangfujing, centered on data-driven strategies, has progressively advanced a value co-creation model characterized by internal-to-external, tiered, and comprehensive collaboration. This approach has enabled its ecological transformation from a single offline store to a fully integrated omnichannel digital business ecosystem. Research indicates that for traditional industries undergoing digital transformation, internal efforts must prioritize technological innovation and organizational restructuring, while externally, cross-entity collaboration fosters sustainable competitive advantages. This approach enhances core competitiveness and provides replicable theoretical and practical references for digital transformation among peer enterprises.

Keywords: Traditional industries, digital transformation, Wangfujing pathway.

1. Introduction

In today's era, an unprecedented wave of digital revolution is sweeping across China and the entire world. With its unique digital and electronic nature, this revolution is subtly reshaping professional roles in daily life and altering the operational strategies of companies and enterprises of all sizes. Consequently, digital transformation has become one of the essential paths for the vast majority of businesses to pursue.

Digital transformation is critical for organizations to remain competitive, delivering benefits such as improved collaboration, reduced delivery times, and enhanced production flexibility. It involves leveraging technology to transform how businesses operate, create value for customers, and adapt to the digital era [1]. From the perspective of traditional enterprises, this wave of digital transformation presents numerous challenges while also offering unprecedented opportunities for transformation.

Traditional enterprises constitute a vital component of the national economy, having long played an indispensable role in promoting national economic development and enriching people's livelihoods. According to data from the National Bureau of Statistics, in 2024, the value-added output of the wholesale and retail sector reached 13.8 trillion yuan, representing a year-on-year increase of 5.5% and accounting for 10.2% of Gross Domestic Product (GDP). Amid the digital economy wave, the digital transformation of traditional industries has become a core driver for China's high-quality economic development. As a pivotal link connecting production and consumption, the effectiveness of traditional retail's transformation directly impacts the efficiency of the distribution system.

Wangfujing Group is a long-established retail giant that holds a significant position in the traditional retail sector. Since approximately 2013, Wangfujing has been continuously advancing its digital transformation efforts. Beyond technological upgrades and optimizations, Wangfujing has also redefined its fundamental organizational principles, corporate culture, and management models. By introducing new sales channels, upgrading operational workflows, streamlining decision-making processes and strategic objectives, and unifying customer experiences, the company has achieved greater efficiency in both online and offline store operations. Continuously integrating advanced digital technologies into daily business practices, Wangfujing has strengthened and enhanced its sustainable profitability and competitive edge in the market [2].However, during its digital transformation, Wangfujing Group still faces common challenges typical of traditional enterprises: how to balance traditional business models with digital innovation, how to translate technological investments into tangible benefits, and how to achieve data synergy across multiple business lines. These issues require systematic research to resolve. Therefore, a deep analysis of Wangfujing's contextual factors, specific pathways, and risk challenges in its digital transformation can provide general reference points for the company's transition. It can also offer actionable guidance for other traditional retailers and businesses, helping them overcome common industry challenges. Simultaneously, this paper's theoretical significance lies in filling a research gap by concretely mapping the transformation pathways of traditional retail. It enhances the linkage mechanism between case studies and industry patterns.

In terms of research methodology, this paper employs a literature review approach, proceeding through the sequence of “current state analysis—pathway examination—anticipated challenges.” First, it synthesizes multiple domestic and international studies from 2021 to 2025 covering corporate digital transformation, systemic change in economic security, and new retail models, establishing a theoretical foundation and robust evidence base for the research. Second, it systematically reviews the existing research on Wangfujing Group, identifying that most existing studies offer broad transformation recommendations and strategies applicable to the retail sector as a whole. These tend to be rather general and lack detailed, specific transformation guidelines tailored for a particular iconic enterprise within the traditional retail industry. This gap establishes the entry point for this research.

The entire text is divided into five sections: Section One: Introduction, outlining the research background, significance, approach, and methodology; Section Two: Analysis of the background and current status of Wangfujing's digital transformation; Section Three: The path and practices of the company's digital transformation; Section Four: Analysis of challenges encountered during the transformation and their underlying causes; Section Five: Optimization recommendations and conclusions, summarizing research findings while identifying limitations and future directions..

2. Fundamental Characteristics of Wangfujing's Traditional Business Formats (Pre-Transformation)

2.1. Enterprise Introduction

Wangfujing Group Co., Ltd. was founded in 1955, succeeding Beijing Department Store—the “first store of New China.” By the end of 2024, Wangfujing had established a scaled retail platform spanning China's seven major economic regions and 38 key cities. Its approximately 80 retail outlets collectively occupy a total floor area of 5.432 million square meters. The company remains committed to pioneering a diversified retail ecosystem and innovative business modules. Through talent acquisition, business process reengineering, and digital transformation, it continuously meets customers' personalized shopping needs while enhancing overall operational efficiency.

To date, the company has built a substantial and stable traffic foundation comprising over 25 million members and more than 28 million fans nationwide, providing robust support for its development. Looking ahead, Wangfujing remains committed to its core retail business, driving the integrated operation of diverse retail formats including shopping malls, department stores, and duty-free shops. The company will persist in expanding its multi-channel operations across online and offline platforms, focusing on building two key operational capabilities—self-operated business and online business—to empower the high-quality development of all retail formats. Wangfujing aims to establish itself as a leading enterprise in China's retail sector.

2.2. The Foundational Characteristics of Wangfujing's Traditional Business Formats Prior to Transformation

Wangfujing's current business model centers on offline department stores, driving and encompassing the integrated development of multiple formats including shopping malls, outlet centers, tax-free operations, self-operated stores, and online platforms. Its operational model combines joint ventures, self-operated stores, and leasing, with joint ventures as the primary approach. Main business revenue relies heavily on brand joint ventures (with a low proportion of self-operated stores), while profits are primarily derived from “rental income + commission deductions.” While the joint operation model appears to reduce direct operational costs, it poses long-term risks in core areas such as profit margins, brand control, and market adaptability. Particularly amid accelerating consumer demand shifts and intensifying market competition, this model's shortcomings will be amplified, hindering Wangfujing's own digital transformation.

At the user management level, although Wangfujing currently boasts a membership base exceeding 25 million, the independent operations of its various stores result in relatively isolated and fragmented member groups. The absence of a unified user profile traps the company in a vicious cycle of ineffective marketing, disjointed service delivery, and blind decision-making, ultimately causing it to gradually lose its competitive edge in the market.

Moreover, this limitation is also reflected in Wangfujing's sales channels. While its physical stores cover several core cities across China, online sales channels remain a relatively minor supplementary means, resulting in the early official website having limited functionality. As the core carrier of a company's online image and a vital window for user interaction, the website's lack of diversity can lead to user attrition, weaken brand competitiveness, and place the company at a disadvantage in the digital marketplace.

3. Analyzing the Core Pathways of Wangfujing's Digital Transformation

3.1. Channel Transformation

Establishing an online channel matrix. Wangfujing is transitioning from a single offline scenario to a full-channel ecosystem. To build its omnichannel online presence, Wangfujing has launched multiple entry points including an official app, mini-programs, social media accounts, flagship stores on third-party platforms, and live-streaming channels, forming a “traffic gateway cluster.” This enables users to shop anytime, anywhere, using nearby or handheld electronic devices, enhancing consumer experience and driving business growth while building competitive advantages across multiple dimensions. Consequently, it optimizes operational efficiency, reduces marketing costs and risks, and accumulates data assets to support the company's digital transformation.

Empowering offline scenarios. Wangfujing has created smart stores that seamlessly integrate online and offline channels, transforming each location into an “experience center + pickup point + livestreaming hub.” This enables cross-channel shopping experiences such as online ordering with home delivery, online payment with in-store redemption, and online ordering with in-store pickup. The initiative also shortens delivery times, enhances the customer shopping experience, and improves operational efficiency.

3.2. Operational Transformation (Consumer-Facing)

User Management. To deliver high-value services to diverse users, enterprises must leverage digital technologies to segment users and better understand the distinct expectations of specific user groups, thereby achieving more effective user management [3]. Wangfujing leverages advanced internet and AI technologies to analyze big data such as consumer spending records, shopping preferences, and browsing behavior. This enables the classification of members into 12 distinct categories—including “Luxury-Oriented” and “Family-Focused”—for targeted promotional campaigns.

Product Management. By analyzing online and offline sales data, Wangfujing eliminates slow-moving brands, introduces niche designer labels, and establishes partnerships with international luxury brands and curated boutiques featuring trendy luxury labels. Implementing a “tailored strategy for each store” approach, it cultivates unique characteristics for each location, offering customers higher-quality fashion products and a more comfortable, enjoyable shopping experience.

Marketing Innovation. Deliver personalized services to users by tailoring promotions to individual profiles—such as offering discounts on children's products alongside family activity invitations for “maternity and baby users.” Hosting nationwide street dance competitions across Wangfujing stores blends local traditions with youth culture, embodying the brand's spirit of embracing change and championing diverse expressions. From dining and tea to sports and outdoor gear, from international brands to time-honored Beijing establishments, innovative approaches attract consumers, creating a mutually beneficial relationship between stores and brands.

3.3. Organizational Transformation

Organizational restructuring. The transformation of organizational pathways is a critical safeguard for ensuring the smooth implementation of both technical and business initiatives. Traditional industries must break free from the constraints of conventional organizational structures and establish user-centric, flat, and flexible organizational frameworks capable of rapidly responding to market changes [4]. Wangfujing established its “Digital Retail Center” in 2019, directly connecting business departments with technical teams to establish an agile project management mechanism and coordinate online and offline operations. The company's culture has shifted toward greater openness, innovation, and inclusivity.

Talent Transformation. Digital transformation hinges on specialized talent. Wangfujing not only recruits professionals with digital expertise—such as data analysts, AI engineers, and e-commerce operations specialists—but also trains traditional sales associates in “live-streaming techniques” and “user engagement strategies.” The goal is to ensure every employee keeps pace with the company's digital transformation journey.

Business Process Reengineering. Business process reengineering is a critical component of digital transformation, aiming to reshape an enterprise's value creation process through digital means [5]. In recent years, outsourcing and establishing strategic partnerships have become increasingly important for corporate digital service innovation [6]. Therefore, Wangfujing has partnered with NetEase Cloud Commerce to fully integrate large-model capabilities such as AI. By leveraging intelligent agents and predictive care, the company is accelerating scenario adaptation and achieving comprehensive online-offline integration to shorten user delivery cycles. Concurrently, Wangfujing has established a “Digital Project Rapid Response Mechanism” to streamline new product launch processes.

4. Challenges

China's economy has maintained steady progress amid pressure, with the consumer market showing overall recovery though still exhibiting uneven characteristics. Influenced by external factors, consumers have become more rational, rapidly altering their spending habits with heightened emphasis on value for money and the rapid rise of experiential consumption. Wangfujing faces intensifying market competition at multiple levels, as new e-commerce models and platforms—including group buying, social commerce, and livestream shopping—expand rapidly, while physical retail continues to face pressure from online retail. The company faces certain macroeconomic risks and industry competition risks. Simultaneously, its digital transformation is hindered by low employee acceptance of digital tools and the short-term impact on profits from increased digital investment. This paper will analyze and propose solutions for these three challenges below.

Inertia of the traditional model. Human capital is a critical component of enterprise digital transformation. Employee flexibility and innovation capabilities are essential for enhancing organizational capacity. Promoting knowledge sharing, employee training, and establishing effective communication mechanisms to achieve continuous improvement are indispensable [7].

Some veteran employees at Wangfujing Department Store exhibit low acceptance of digital tools, while the cooperation level among affiliated brands in digital transformation varies significantly. To address this issue, the key lies in eliminating their resistance, lowering the usage threshold, providing psychological counseling for staff, conducting tailored training to reduce learning difficulty, and implementing incentive programs to foster usage habits. This approach will gradually shift veteran employees from passive acceptance to active adoption.

Pressure from technological investments. Wangfujing's digital investments grew at an average annual rate of 45% from 2021 to 2023, exerting short-term pressure on profits. This can be addressed through rational investment planning, enhanced cost control, and improved operational efficiency. Additionally, latent value from digitalization can be tapped, such as elevating corporate brand image, strengthening customer loyalty, and optimizing enterprise management systems. At the same time, external support must be sought, as partnerships within the retail enterprise's digital ecosystem grow increasingly vital. These partnerships require differentiation based on value-delivery activities and functional capabilities [8]. For instance, companies can proactively apply for government policies supporting digital transformation to alleviate financial pressure, collaborate with financial institutions to secure more favorable financing terms, and ensure adequate funding for their digital initiatives.

Competition for traffic is intensifying. Facing pressure from both e-commerce platforms and emerging live-streaming e-commerce, online customer acquisition costs have been rising year after year. Wangfujing can adopt a differentiated competitive strategy, such as positioning itself uniquely, segmenting markets, and offering more professional and precise services; creating content tailored to the distinct characteristics of different platforms to strengthen emotional connections between users and the brand; and establishing an efficient supply chain system to shorten product delivery cycles, reduce costs, and enhance customer satisfaction. Wangfujing can optimize ad placements to precisely target users; leverage social media and word-of-mouth marketing to acquire customers cost-effectively through referral programs; develop private domain traffic to boost repurchase rates via WeCom and community groups; and reduce customer acquisition costs through collaborative and affiliate marketing—partnering with influencers and content creators on revenue-sharing sales commissions, joining industry alliances, and exchanging traffic [9,10].

5. Conclusion

In summary, the primary research findings are as follows. Wangfujing's digital transformation path exhibits a distinct “inward-to-outward, tiered progression” characteristic. Internally, it leverages data technology to upgrade offline scenarios and enhance supplier collaboration efficiency through optimized intelligent supply chains. Externally, it builds an omnichannel sales platform and creates a digital commercial ecosystem, transforming single offline stores into diversified service providers. Traditional retailers pursuing digital transformation must prioritize the synergistic alignment of “technology-organization-ecosystem.” Data analysis reveals that Wangfujing not only invested in digital technology upgrades but also restructured its organizational framework—establishing a Digital Retail Center and talent development systems. By partnering with internet companies to build collaborative ecosystems, it established a service-driven, ecosystem-based development model. Wangfujing's digital transformation experience offers universally applicable insights for similar enterprises. First, prioritize consumer needs over blind pursuit of technological gimmicks. Second, advance digital transformation in phases based on the company's actual circumstances, focusing first on addressing core business deficiencies. Third, establish cross-entity collaboration mechanisms to achieve sustainable competitive advantages through resource integration.

In the future, continuously strengthening omnichannel integration and building employees' digital capabilities will be key to achieving sustainable development. As digital technologies continue to advance, the digital transformation of traditional industries will keep pace with the times, with continuous innovation in applications and optimization of strategies serving as new drivers for industry development. This paper also has certain limitations. Due to the availability of literature and corporate data, the analysis of internal organizational changes during Wangfujing's digital transformation process is not sufficiently in-depth. Future research could incorporate field surveys to supplement the data, providing more precise theoretical and practical support for the digital transformation pathways of traditional industries.

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