

E-commerce and the Transformation of Offline Retail in China: Based on the Perspective of Sales Model Transformation

Wenmiao Zou^{1,a,*}

¹*Guangxi University of Finance and Economics, 100 Mingxiu West Road, Nanning City, Guangxi Province, China*

a. 928111218@qq.com

**corresponding author*

Abstract: This paper focuses on the in-depth exploration of how traditional offline retail has been impacted by e-commerce to a certain extent in the context of the wave of e-commerce sweeping the world, and how to flexibly cope with this great change, survive and stand out in such competitive challenges, not only quickly integrate into and adapt to the new market environment, but also stabilize its position and continue to develop in the highly competitive consumer market. The strategic path of the exhibition is to compare the purchase channels of various categories of e-commerce transactions in the past 5 years, e-commerce sales, e-commerce purchases, wholesale and retail end goods inventory. The analysis of offline retail and other data and the use of SWOT analysis to comprehensively analyze the future development mode of China's offline retail and the importance of e-commerce and digital transformation to China's offline retail, so as to obtain targeted information from the government. Suggestions are given at the three levels of the industry and the company itself, and the problems and challenges that may exist and need to be further solved and improved in the transformation of the traditional offline retail industry are also explained.

Keywords: e-commerce, traditional offline retail, sales model, digital transformation.

1. Introduction

With the changes of The Times and the continuous rise of the Internet economy, e-commerce, as a new form and model of business activities relying on the Internet and mobile Internet, has begun to appear frequently in the vision of consumers and realize capital flow. The effective use of the combination of logistics and information flow shows a great picture for the development of China's economy. Simultaneously, the rapid ascent of e-commerce in China has precipitated an unprecedented challenge to traditional brick-and-mortar retail, as evidenced by the escalating inventory accumulation in certain retail sectors. To overcome this obstacle, conventional offline retailers must identify innovative strategies and forge synergistic partnerships with e-commerce platforms. By cultivating novel sales models that amalgamate the strengths of both online and offline retail, businesses can enhance their appeal to consumers and ensure continued relevance in an increasingly digital marketplace.

2. Literature review

2.1. Electronic Commerce

In China, the tentacles of e-commerce have penetrated every corner of people's lives, and its profound influence has made it an indispensable element of life in modern society. In this digital revolution, social e-commerce and live e-commerce are like two bright new stars, lighting up the market at an astonishing speed and leading the future trend of the retail industry. Social e-commerce is a new business model that uses the power of social media to promote e-commerce transactions through socialization. As an innovative expansion in the field of e-commerce, its core lies in the use of diversified social media platforms as communication media[1]. Live streaming e-commerce refers to the business model of selling goods through online live streaming platforms, and reconstructs the three elements of human and freight fields using live streaming, but the essence is still e-commerce. As the product of the two-way integration of live streaming and e-commerce in the digital era, it has become an important part of the e-commerce industry[2].

2.2. The challenge of e-commerce to the traditional offline retail industry

In recent years, a lot of new players due to the emergence of e-commerce platforms, and in the market competition is intense, so the traditional offline retail industry suffered different dimensions of competition, not only from the previous similar industry competitors, but also consider the impact of cross-border emerging powers, lead to the profit space or living space is gradually tightening[3]. At the same time when many retail enterprises enter the Internet era, they are faced with a major challenge: the lack of cutting-edge technology application and efficient management mode to effectively expand the sales territory, which intensifies the operating costs of enterprises, and some enterprises even fall into the predicament of loss [4].

2.3. Sales model adjustment and transformation

In response to such challenges and impacts, due to the serious problem of aging with fewer children in Japan, most managers in the traditional retail industry are elderly people, which has a profound impact on the operational efficiency of the industry, the speed of technology adoption and the orientation of strategic decision-making. With the aging of the age structure of employees, the ability to absorb and apply new technologies is also significantly weakened. At the same time, as the main consumer group of new digital technology products, the reduction of the number of young people directly affects the market demand [5]. To a certain extent, the two have hindered the combination of Japan's traditional offline retail industry and e-commerce to adjust the form of sales model, so Japan only needs to seek breakthroughs in stability, and gradually accumulate significant competitive advantages through subtle and continuous improvement [6]. From this point of view, due to the implementation of China's full liberalization of the two-child policy to combat the problem of population aging [7]. China's traditional offline retail industry can not refer to Japan's adjustment countermeasures to look at the United States, multi-channel retail strategy has become an important strategy for offline retailers to increase trading volume to achieve economies of scale, while committed to improving operational efficiency to reduce operating costs. These two strategies complement each other and help the offline retail industry in the United States achieve effective cost control and profitability improvement while maintaining competitiveness [8]. China's traditional offline retail industry can take this as a reference and effectively combine e-commerce to promote supply chain management innovation [9].

3. Methodology

3.1. Chart data analysis

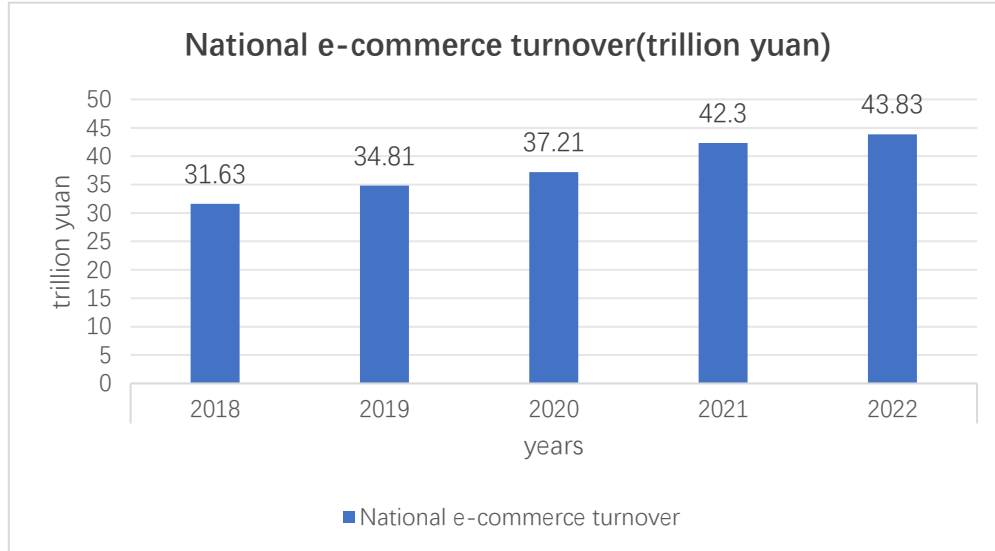


Figure 1: National E-commerce Transaction Volume (2018-2022)(Source: National Bureau of Statistics of China) In the next five years, starting from 31.63 trillion yuan in 2018, the national e-commerce transaction volume continued to rise steadily to 43.83 trillion yuan.

As can be seen from Figure 1, in recent years, China's e-commerce transaction volume increased year by year, has become an irresistible trend, e-commerce industry shows a strong cross-industry penetration ability, both on the manufacturing wholesale industry, processing industry and other business sales have caused no small impact, while inevitably affecting the traditional retail industry as can be seen from Table 1, although the e-commerce transaction volume of the retail industry is no less than that of the computer communications and other electronic equipment manufacturing, wholesale industry and tobacco products industry, etc., the transaction volume after the integration of e-commerce is not to be underestimated, and has ranked among the top 10 industries Therefore, in the context of the development of e-commerce, traditional offline retail has to change its own sales model, if you want to gain a foothold in the future consumer market, you can not only focus on offline retail as in the past.

Table 1: Top 10 industries by e-commerce transaction volume (ranked by E-commerce transaction volume)(Source: National Bureau of Statistics of China)

rank	Industry category	Annual e-commerce turnover (100 million yuan)	E-commerce sales(100 million yuan)	E-commerce purchases (100 million yuan)
	Total	28825.20	34656.14	22994.25
1	Computer, communications, and other electronic equipment manufacturing	5081.71	5639.27	4524.15
2	Wholesale trade	4918.56	6030.93	3806.19
3	Motor industry	2929.85	3945.89	1913.81
4	Tobacco industries	2860.98	4690.38	1031.58

Table 1: (continued).

5	Ferrous metal smelting and rolling industry	1572.45	2229.20	915.70
6	Electrical machinery and equipment manufacturing	1219.38	1181.01	1257.75
7	Electricity and heat production and supply industry	1014.90	193.94	1835.87
8	Nonferrous metal smelting and rolling industry	931.48	1080.72	782.24
9	Manufacturing of chemical raw materials and chemical products	890.23	947.81	832.64
10	Retail industry	757.21	863.08	651.33

Table 2: Ending commodity inventory of wholesale and Retail trade from 2018 to 2022 (RMB 100 million)(Source: National Bureau of Statistics of China)

	The year 2018	The year 2019	The year 2020	The year 2021	The year 2022
Ending inventory of goods in wholesale and retail trade (RMB 100 million)	42117.20	46410.00	52982.94	54539.40	57573.90

As can be seen from Table 2, in recent years, the ending commodity inventory of the wholesale and retail industry has increased year by year, which means that most wholesale and retailers have overstocked inventory. The operating pressure of traditional offline retail is increasing, and its operating costs are also increasing, which undoubtedly reduces profitability. Therefore, the transformation of traditional offline retail is imminent, and the pace of digital transformation needs to accelerate, open up online channels, and achieve online and offline integration to broaden sales channels and improve inventory entertainment turnover efficiency.

Table 3: Comparison of purchase channels by category (Data source: BIDmarket Research)

purchasing channel		Adult clothing	Children's Clothing	Shoes and leather goods	furniture	beauty makeup	Digital electric appliance	entertainment	educational training
online	Integrated e-commerce platform	77%	69%	73%	73%	74%	75%	56%	49%
	New online channel	36%	35%	37%	35%	38%	31%	51%	53%
	Department stores/shopping centers	46%	48%	44%	44%	37%	33%	34%	22%
	brand monopolized shop	42%	42%	36%	34%	41%	39%	18%	32%
offline	supermarket	23%	23%	27%	35%	25%	27%	27%	28%

Table 3: (continued).

	Ole/Discount Store	13%	12%	13%	8%	7%	5%	1%	0.4%
	convenience store	4%	4%	3%	24%	20%	8%	13%	10%

It can be seen from the comparison of the purchase percentage of various types of demand of online channels and offline channels in Table 3 that offline purchase has been a general trend in the background of e-commerce, no matter it is clothing Shoes, bags, and leather goods or recreational goods, most consumers are more willing to choose online channels to buy, especially the integrated e-commerce platform, it can be seen that a single offline retail has long been unable to meet the consumer needs of contemporary consumers.

3.2. SWOT analysis of the traditional offline retail industry

3.2.1. Strengths analysis

For the traditional offline retail industry, the instant shopping experience is a factor that makes it irreplaceable in a variety of scenarios. Consumers can take away and use the goods immediately after purchasing them, without waiting for delivery like online shopping[10]. At the same time, the offline shopping environment gives consumers a unique opportunity for a physical experience so that they can touch and try the product with their own hands. This intuitive contact greatly enhances consumers' trust and confidence in the product. Compared with online shopping, consumers do not need to judge by picture description or virtual model, but can directly observe the material details of the product. Evaluate the quality level, and confirm whether the size of the product perfectly fits the individual needs [11]. Through such face-to-face communication, the barriers of information asymmetry are effectively reduced, and consumers can make more informed and satisfied purchase decisions while reducing the return and dissatisfaction caused by products that do not meet expectations.

3.2.2. Weaknesses analysis

In the current digital wave, consumers' information acquisition paths and shopping modes are undergoing unprecedented changes. The seamless interaction of social media and the convenience of shopping on e-commerce platforms have made more and more consumers shift their focus from offline to online consumption. This transformation makes information dissemination and commodity transactions increasingly rely on the digital space However, in the face of the profound changes in this consumption phenomenon, some traditional offline retail enterprises appear to be slow in the market strategy deployment, and fail to fully grasp the pulse of The Times. They still cling to the old thinking mode, relying too much on past successful experience, and ignoring the market opportunities and challenges brought by new technologies and new platforms In terms of target market segmentation and positioning, these enterprises fail to make effective use of big data, a powerful tool, to dig deeply into the changes of consumers' behavior patterns, preferences, and potential demands, which leads to the ambiguity of market positioning and the failure of marketing strategies [12]. At the same time, the lack of product innovation leads to the lack of differentiation in the consumer market, which is also extremely obvious. More and more consumers tend to personalize their consumption trend, and they usually look for freshness and satisfaction in consumption, while homogenization seriously leads to saturation of the market, and consumers are faced with a lot of functional quality design or appearance On this basis, the industry may potentially reduce the loyalty of consumers to the specific brand they have been buying. As for the added value of the brand,

homogenized goods cannot be effectively improved, and eventually, the competitiveness of the brand in the consumer market will greatly decline.

3.2.3. Opportunity analysis

In the current complex and changing market environment, the traditional offline retail industry is ushering in a strong wave of transformation, of which digital transformation is its key opportunity through the introduction of advanced technologies such as big data cloud computing artificial intelligence, traditional offline retail enterprises can achieve precision marketing personalized recommendation inventory management optimization and other functions For the problems mentioned in the above disadvantages, through big data analysis of consumer purchasing behavior and preferences, enterprises can develop more targeted marketing strategies and improve sales conversion rates. At the same time, for the problem of ending inventory overstocking as shown in Table 3, the intelligent inventory management system can be used to monitor the inventory situation in real time, avoid excessive overstocking or stock shortage, and reduce operating costs.

3.2.4. Threat analysis

With the popularity of e-commerce and its e-commerce platform, consumers' shopping habits have changed significantly. More and more customers turn to e-commerce platforms. The driving force behind this phenomenon lies in the unparalleled convenience shown by the e-commerce platform, the unprecedented variety of goods, and the significant advantage in price. At the same time, after the development of Internet of Things technology, self-service shopping without retail has appeared in the consumer market, consumers buy their bills, greatly saving time and cost, this convenient shopping method has attracted many consumers who pursue high efficiency, and its 24-hour uninterrupted service model has brought great convenience to consumers who work at night[13].The transformation of this shopping mode, like an unstoppable trend, directly impacts the operation ecology of traditional offline retail stores, resulting in thinning store customer flow and declining sales, forcing the entire retail industry to re-examine and adjust its sales and business model

4. Discussion

Behind the above multi-table analysis and SWOT analysis, a message is revealed that the sales model of offline retail must be changed, digital transformation must be carried out, and comprehensive online and offline sales integration can be achieved. Otherwise, even if there is a unique advantage of the instant shopping experience, it will inevitably be difficult to survive in the consumer market fully penetrated by e-commerce in the future.

Enterprises are gradually moving towards the sustainable development path of deep integration of physical retail and online retail, which indicates the long-term trend of the future market. The key to the sustainable development of traditional offline retail is to build and continue to innovate the business model of online and offline collaborative development, but in the offline + offline collaborative sales model, seamless integration of technological innovation Process optimization, and multi-party collaborative management have become a problem for many merchants. In this process, the balance of the relationship between all parties and the coordination of positions has become a major challenge. Due to the natural differences and competition between different departments and different stakeholders, how to maximize the sharing and utilization of resources while maintaining their respective advantages has become the key to collaborative management. Based on the analysis, the government encourages online and offline interactive innovation technology application innovation, including tolerance and encouragement of business model innovation, and releases the vitality of the trade circulation market[14]. Promote the digital transformation of physical stores,

through the deep integration of Internet technology, not only the online platform's wonderful display and sales of goods and services, but also vigorously improve the experience of offline stores distribution efficiency and after-sales service quality, and build seamless online and offline shopping ecology[15]. At the same time, the government can set up special funds to give one-time or phased financial subsidies to enterprises that meet the transformation and upgrading standards. The amount of subsidies can be differentiated according to factors such as the scale of the transformation of enterprises, the amount of investment, and innovation achievements. At the same time, the government will encourage enterprises to increase the upgrading of technological innovation equipment. The investment in personnel training and other aspects, and the corresponding proportion of subsidies for these actual investments, can not only effectively alleviate the financial pressure of enterprises, but also encourage them to more actively promote the transformation and upgrading process.

The industry should guide its future development based on the detailed classification and specification of retail formats based on the national standard retail format Classification[16].while encouraging enterprises to actively participate in the formulation of international standards, national standards, and industry standards, and lead the industrial development with advanced standards. Offline retailers should actively respond to government policies, innovate sales models, and develop smart retail[17].For example, new retail formats such as smart supermarkets and smart stores use big data analysis and artificial intelligence technology to improve customer experience and operational efficiencies[18].For reference, BBK and Tencent cooperate to build a data-driven smart retail enterprise[19].

At the same time, in combination with social e-commerce, cooperating with key opinion leaders (KOL) such as Internet celebrities or industry experts to directly display the product use process and effect on social e-commerce platforms through short live videos of TikTok Xiaored Book, etc., providing consumers with the immersive shopping experience and using big data analysis to help enterprises identify different fields. Different styles of KOL fan groups of interest points and consumption preferences, and then customized push personalized products and services KOL with its unique insight style and presentation for these precise audiences to provide valuable shopping advice[20].

5. Conclusion

This paper aims to study how traditional offline retail can quickly adapt to the overall development trend of e-commerce while gaining a firm foothold in the consumer market. Through data analysis of wholesale, retail ending commodity inventory, comparison of online and offline purchase channels, and SWOT analysis of traditional offline retail, it can be concluded that the digital transformation of e-commerce is the only way for conventional offline retail. At the same time, it deeply analyzes the severe impact and challenge of traditional offline retail under the background of the rapid development of e-commerce. In response to these challenges, we have carefully constructed a series of innovative strategies, that enrich the transformation path of traditional retail industry, provide traditional retail enterprises with operational transformation solutions, and help them to stand firm in the fierce market competition and achieve sustainable development.

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