

From Incremental Market to Mature Market: Challenges and Countermeasures for Business Model Transformation of Chinese Enterprises

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Abstract: In light of the deceleration in economic expansion, Chinese enterprises are faced with a multifaceted and evolving business landscape. In this context, the implementation of refined management strategies is of paramount importance for the successful transition. This paper examines the challenges and responses involved in the transformation of business models from a focus on incremental market expansion to one of adapting to the existing market. This paper examines the strategies of two e-commerce giants, Alibaba and JD.com, in response to slowing market growth. It considers how these companies have strengthened their product offerings and optimized their operations in order to maintain competitiveness. In response, Alibaba has implemented a new retail program that integrates online and offline shopping experiences, with the aim of catering to a more sophisticated and demanding consumer base. At the same time, JD.com is concentrating on leveraging advanced technologies in logistics and supply chain management to ensure efficiency and dependability. These adjustments underscore the need to develop targeted and value-added products and services, ensuring the maintenance of business growth and competitiveness in a slowing economic environment. It is anticipated that these insights will prove valuable for other businesses undergoing comparable market transitions.

Keywords: Market Transition, Incremental Market, Mature Market, Alibaba, JD.com.

1. Introduction

Against the backdrop of a changing global economic landscape, the Chinese market is undergoing a critical shift from an incremental to an existing market [1]. This shift marks a transition from a phase of rapid growth to one of market maturity and stability. This new phase presents both challenges and opportunities for companies operating in the Chinese market. In incremental markets, companies typically benefit from robust demand growth, which provides a conducive environment for business expansion and market share acquisition. However, as the market progresses to the Mature market stage, where demand growth stabilizes and competition intensifies, it is imperative for companies to undertake a comprehensive reassessment of their business models to ensure their continued success in the evolving environment. Effective precision management is essential for navigating this shift successfully. In addition to innovating their products and improving their services, companies must also leverage advanced technology and data-driven insights to enhance operational efficiency. In the

context of intensifying competitive pressures and shrinking margins, the capacity to optimize resources, streamline processes, and enhance the customer experience is of paramount importance for maintaining a competitive advantage [2]. This paper examines the ways in which two prominent Chinese companies, Alibaba and JD.com, have adeptly transformed their business models. This study examines Alibaba's new retail strategy and JD.com's logistics and supply chain innovations to illustrate the refined management practices that these two firms have adopted to address market challenges and achieve significant transformation outcomes, offering insights for other enterprises undergoing similar transformations.

2. Characteristics of Incremental and Mature Markets

2.1. Characteristics of Incremental Markets

The distinctive feature of incremental markets is the accelerated growth of market demand, where the expanding consumer demand for new products and services provides companies with substantial opportunities for growth. Technological advances and social changes serve as the primary catalysts for the emergence of new consumer demand, which in turn facilitates accelerated market expansion. For example, the proliferation of the Internet and smartphones has created numerous new market opportunities, allowing companies to rapidly enter and capture market share. In incremental markets, companies that continuously innovate to meet the evolving needs of consumers often gain a significant competitive advantage. The competitive landscape in the incremental market is highly dynamic, with the constant influx of new competitors, coupled with the innovation and marketing activities of existing competitors, intensifying competition in the market. These new entrants, which may include start-ups or companies from other industries, have had a significant impact on the market landscape with their innovations and competitive strategies. As a result, companies have to be flexible and adopt a range of strategies such as price competition, product differentiation, and marketing to secure market share. Furthermore, incremental markets present significant prospects for business expansion. With increasing market demand, enterprises may consider exploring new market segments, including regional expansion, internationalization, and business diversification. The considerable growth potential of the incremental market will also attract substantial investment, thereby providing companies with the requisite capital to expand their business operations through financing and mergers and acquisitions [3].

2.2. Characteristics of Mature Markets

In contrast to incremental markets, mature markets are characterized by market saturation and stable demand. In Mature markets, market demand has reached a saturation point, and consumer demand for existing products and services remains relatively stable. In such environments, market growth largely depends on replacement demand (upgrading old products) and upgrade demand (seeking higher quality or more advanced products). With limited market space, companies face intensified competition and need to innovate and optimize to maintain their market share. Competition in Mature markets is often marked by intense price wars. The fierce battle for market share leads companies to frequently lower prices to attract consumers, compressing profit margins. Therefore, companies must focus on enhancing brand value, improving product quality, and strengthening customer service to establish a competitive edge [4]. Besides, customer demand in Mature markets is both stable and diverse. Although overall demand remains steady, specific consumer needs can vary due to personal preferences, regional differences, and other factors. Companies need to address this diversity through market segmentation and targeted marketing. For instance, businesses can offer personalized products and services tailored to different consumer groups, adapting to market changes more effectively.

Overall, companies in Mature markets must possess strong competitive and adaptive capabilities to address the challenges posed by market saturation.

3. Challenges and Opportunities in the Shift from Incremental to Mature Markets

3.1. Main Reasons for Market Transition

Incremental markets are distinguished by accelerated demand growth, which allows enterprises to rapidly expand their market share. As markets mature, they move into Mature markets where demand growth slows and competition intensifies, a shift that reflects the natural laws of market development, i.e., economic slowdown and market saturation. In incremental markets, companies can rely on expansion and product innovation to drive growth. However, in Mature markets, the key to remaining competitive lies in optimizing existing operations, improving efficiency, and fostering innovation. Moreover, the economic downturn may exert a considerable influence on market dynamics. Reduced consumer spending has led to a deceleration in demand growth, making it more challenging for companies to acquire new customers and expand their market share. Besides, the recession has also intensified the competitive landscape. In a fixed market size, enterprises are compelled to adopt more decisive strategies in order to maintain competitiveness, including price reductions, improvements in product quality, and enhanced marketing efforts. In this context, they must demonstrate the ability to adapt and innovate in order to navigate the changing market landscape.

3.2. Challenges Faced

As China transitions to a mature market economy, a number of key factors are affecting the business environment in China [5]. First, the market witnessed an intensification of competition. The level of competition in existing markets intensifies. As a market matures, the number of competitors in the field increases, and the strategies employed by these competitors become more diverse. To gain a foothold in a saturated market, firms must engage in competitive strategies such as price wars, promotional activities, and market positioning. Such competitive pressures have the effect of eroding profit margins, thereby necessitating the development of effective strategies on the part of firms in order to maintain their market position and avoid being overtaken by competitors. Second, products and services tend to be homogenized, which presents a significant challenge for the Mature market. As markets mature and competition intensifies, products and services tend to become more similar, thereby increasing the importance of differentiation. Enterprises need to innovate in product design, functionality and user experience to stand out. To avoid this problem, it is necessary to identify unique selling points that fulfill specific customer needs. In this way, companies can stand out from their competitors in a saturated market. Third, profit margins have been subjected to compression. In Mature markets, profit margins are frequently constrained. An increase in competition results in a reduction in prices, which has a detrimental impact on profit margins. Thus, enterprises should prioritize cost control, productivity, and operational management. Effective cost management and operational improvements are necessary to maintain profitability and ensure success in a competitive environment.

3.3. Opportunities and Strategies

In China, the market is undergoing a transition from an incremental to a Mature market model, which presents a duality of challenges and opportunities for companies. In order to gain and retain market share, companies must prioritize innovation, product differentiation, and the enhancement of the customer experience. Moreover, it is essential for these companies to adapt their products and services to align with the preferences of local consumers and implement sustainable measures [6]. First, there

should be a focus on innovation and product differentiation as key strategies for gaining competitive advantage in Mature markets. It is recommended that firms continue to innovate and offer products with unique features and superior performance. Through technological advances, improved design and expanded functionality, firms can create unique market advantages. Products that are differentiated not only meet the changing needs of consumers but also assist companies in distinguishing themselves in a market that is characterized by a high degree of homogeneity. Second, the customer experience should be optimized. Improving the customer experience is a crucial factor in achieving success in existing markets. This entails optimizing pre-sales, sales, and post-sales services to guarantee customer satisfaction throughout the purchasing process. The application of data analytics enables the comprehension of customer needs and behaviors, thereby facilitating the provision of personalized product recommendations and services. The enhancement of the customer experience has been demonstrated to increase customer loyalty and positive word-of-mouth, thereby conferring a competitive advantage in a crowded marketplace. Third, it is essential to align local consumer preferences and regulatory requirements in order to achieve success in existing markets. It is imperative that companies adapt their products and marketing strategies to align with the distinctive characteristics of regional markets. Compliance with local regulations and standards can help to mitigate legal risks and facilitate market entry. An understanding of and responsiveness to local market needs is a fundamental prerequisite for gaining a competitive advantage and achieving sustainable growth. Fourth, it is imperative that sustainable development and environmental protection measures be implemented, as they are becoming increasingly important in the context of Mature markets. It is incumbent upon companies to adopt environmental policies and sustainability measures in order to comply with government regulations and social expectations. Such measures serve to enhance the brand image of the company in question, while simultaneously conferring a competitive advantage. By prioritizing sustainability, companies can appeal to environmentally conscious consumers and gain a long-term competitive advantage that supports their continued growth and development.

4. The Refined Management in Business Model Transformation

In the shift from incremental to Mature markets, enterprises shall re-evaluate and refine their business models to adapt to the evolving market landscape and intensifying competitive pressures [7]. Precision management becomes essential for successful transformation, particularly amid rapid technological advancements and shifting market demands. To effectively navigate these challenges, leading firms have achieved notable success through innovative management strategies and advanced technological implementations. The following sections will provide an in-depth analysis of how Alibaba and JD.com have leveraged refined management practices to excel in their business model transformations.

4.1. Alibaba's New Retail Strategies

Alibaba's new retail strategy aims to fuse online and offline retail channels to create a seamless shopping experience. The strategy aims to integrate Alibaba's online platforms, such as Taobao and Tmall, with brick-and-mortar stores, such as Freshippo. By providing a unified shopping process, it enhances customer convenience and experience. This integration will not only optimize inventory and supply chain management, but also leverage technology to streamline operations and provide personalized service. As a result, the Company employs a data-driven decision-making model to improve business efficiency and customer experience. The examination of substantial consumer data sets can facilitate the acquisition of insights pertaining to customer behavior, preferences, and market trends. These insights can, in turn, inform decision-making processes in a range of domains, including

inventory management, marketing strategy, and customer service. To illustrate, Alibaba uses data analytics to facilitate targeted advertising and personalized recommendations, with the objective of enhancing conversion rates and customer satisfaction. Moreover, Freshippo exemplifies Alibaba's novel retail strategy, which fuses online and offline shopping experiences. This enables customers to utilize the Seahorse app to scan product data, place an order via the internet, and select home delivery or in-store collection. This model enhances convenience and integrates online and offline operations. The app provides real-time information about products, and integration with brick-and-mortar stores allows for efficient inventory management and enhanced customer service. The success of Freshippo demonstrates that the new retail approach is effective in practice [8][9].

4.2. JD's Logistics and Supply Chain Management

JD.com has achieved remarkable success in the logistics and supply chain management, largely due to the strategic expansion of its intralogistics network [10]. Integrated logistics infrastructure, including automated warehouses, sorting centers, and last-mile distribution stations, was established in both urban and rural areas. This extensive network enhances the efficiency and reliability of distribution processes. By assuming control of its logistics operations, JD.com is able to reduce its reliance on third-party services, thereby enhancing the flexibility and responsiveness of its supply chain. In addition, it utilizes advanced technologies, including robotics, the Internet of Things (IoT), and artificial intelligence (AI), in its warehouse operations. The utilisation of automated warehouses, comprising robots and automated guided vehicles (AGVs), facilitates the optimisation of inventory management and order processing. To illustrate, the "Asia's No. 1" logistics center operated by JD employs state-of-the-art picking systems and robotic arms that have greatly improved the speed and accuracy of warehouse operations. The application of these technologies has reduced labor costs, accelerated processing times and improved service quality. Besides, JD.com utilizes big data and machine learning techniques to enhance the efficiency of its supply chain operations. By analyzing large amounts of sales data and market information, the company can predict demand fluctuations, adjust inventory levels and streamline logistics operations. This approach reduces both stock-outs of "mature" products and the accumulation of excess inventory, as well as improves overall efficiency and responsiveness to consumer demand.

5. Conclusion

In short, the transition from an incremental to a mature market represents both a major challenge and a unique opportunity for Chinese enterprises. In order to maintain competitiveness in a maturing market and slowing economy, it is necessary to pursue a transformation path that encompasses innovative business strategies and refined management practices. The integration of online and offline shopping through Alibaba's new retail strategy and the advancements in logistics and supply chain management demonstrated by JD.com exemplify how technology and data-driven insights can be harnessed to optimize operations and enhance the customer experience. This shift demands a re-evaluation of traditional business models, with a focus on product differentiation, customer engagement, and operational efficiency. However, it also provides new opportunities for innovation, product differentiation and optimization of the customer experience. Specifically, enterprises can gain a competitive advantage by focusing on these areas and adapting to local consumer preferences and regulatory requirements. In addition, the implementation of sustainability and environmental protection measures can enhance brand image and confer a long-term competitive advantage. And the transition from incremental to mature markets requires companies to reassess and refine their business models. Precision management, innovation, and adaptation to market changes are essential

for maintaining business growth and competitiveness. The insights gained from this study can serve as valuable guidance for other enterprises undergoing similar market transitions.

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