

Digital Transformation Strategies for Enterprises - An Case Study of the Traditional Retail Industry

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Abstract:

Against the background of rapid changes in science and technology and the rapid development of the digital economy, the market landscape is going through unprecedented and profound changes, consumer preferences becoming more and more personalized and diversified, while the e-commerce sector has shown a vigorous development trend. More and more traditional retail companies realize that digital transformation has become an unavoidable trend under competitive pressure. How traditional retail companies can establish a competitive and adaptable business model through digital technology is an urgent problem that needs to be solved nowadays, but many companies have no clear idea about it and lack systematic digital transformation plans. This paper analyses the current situation of traditional retail enterprises and the dilemma of digital transformation. It puts forward suggestions for digital transformation strategies, hoping to help retail enterprises understand and cope with the challenges of digital transformation, enrich the ideas of digital transformation at the theoretical level, and provide references for traditional retail enterprises that are undergoing digital transformation.

Keywords: Retail; digital transformation in retail industry; digital technology

1. Introduction

On 30 June 2024, China's National Bureau of Statistics released the Digital China Development Report (2023), which shows the foundation for China's digital economy development has become more solid, and a national data work system with upward and downward links and horizontal synergies has initially been formed in 2023. The digital economy maintains steady growth, and the added value of the core industries of the digital economy exceeds 12 trillion yuan in 2023, accounting for about 10 percent of GDP. The report also pointed out that looking ahead to 2024, the development of digital China will further improve quality and speed. The deep coupling of digital technology and data elements will develop and become a new breaking point to drive the growth of the digital economy. At the same time, the digital economy and the real economy further deep integration [1]. The government is optimistic to promote the integration of the digital economy and the real economy. Therefore, digitalization is destined to be what enterprises have to consider.

In the environment of rapid development of the digital economy, digital retail has emerged. It uses artificial intelligence, big data, and other technologies to optimise the production, logistics and consumption links, and to build

a fast-response supply chain and channels. Moreover, it operates by linking online and offline with consumer experience as the core. China's leading retailers such as Yonghui Supermarket, Freshippo and RT-Mart have begun to experiment with the use of digital technology.

Today's traditional retail enterprises are in the predicament of insufficient competitiveness, and different types of offline retail shops (such as department shops, hypermarkets, convenience stores, snack shops, and so on) are in a saturated state, and the competition in the same industry is very intense. Secondly, the rental of buildings and equipment, labour, decoration, and other expenses consume a large amount of money, so that it does not have the advantage of the relatively low cost of online retailers [2]. At the same time, online shopping already became one of the main shopping habits of contemporary youth, and consumer preferences are being more personalised and diversified. Compared to e-commerce platforms that use big data preference push in depth, traditional retail shops are difficult to grasp the changes in consumers' needs. Additionally, the inefficient means of billing in brick-and-mortar shops do a poor job of offering consumers a convenient shopping experience. Nonetheless, traditional retail is not only unlikely to give up offline business, but also unable to follow the e-commerce model completely.

As a result, an increasing number of retailers are endorsing a digital retail ecosystem that combines online and offline. As a result, traditional retailers need to pay more attention to digital transformation. They can update their profitability by introducing advanced digital technologies and management concepts, to better respond to the rapidly changing market, meet the diverse needs of consumers, as well as to improve the overall economic efficiency of their businesses in the new era, thereby maintaining a leading position in the fierce competition.

Following the integration of the digital economy with the real economy, most retail companies have begun to try to develop digitally from the supply chain, logistics, storage management, sales channels, customer service, and other perspectives, but due to limited budgets, lack of relevant talent, insufficient technology, lack of systematic planning and other factors caught in the transformation dilemma, and even after investing large amounts of costs the transformation results are not obvious. This article focuses on analysing the reasons why retail enterprises are caught in the transformation dilemma, as well as helping them to cope with the challenges and opportunities of digital transformation. In addition, it helps them to grasp the current and future market trends in order to formulate appropriate digital transformation paths and to create an advantage for the competition.

2. The Dilemma of Digital Transformation for Traditional Retailers

2.1 Transformation Requires a Lot of Money

Digital transformation involves a full range of areas of the enterprise, which means that a large amount of capital investment is required, the cycle of cost recovery is difficult to determine, and maintaining the technology upgrade requires a large amount of human, material, and financial resources. Therefore, for traditional retail enterprises that lack capital and technology, the risk of failure or ineffectiveness of digital transformation is difficult to bear. Hence many companies are hesitant about digital transformation or have only made some low-cost attempts. Further, companies need to consider how to invest their limited resources in those areas of digitalisation which can effectively benefit the business. In the longer term, retailers should avoid focusing on short-term returns while ignoring the long-term value that digital transformation could bring.

2.2 Lack of Organisational Experience Leads to Wasted Resources

Many retailers will expand their sales channels by building and launching shopping apps, and joining head take-

away and e-commerce platforms, etc. However, they fail to effectively integrate the expanded channels in the process, which leads to problems of customer diversion, lower service quality, and competition among different channels. For consumers, they may need to enroll in several apps, yet the data from different channels are not connected and the benefits cannot be shared, which leads to consumer dissatisfaction. For companies, this will also cause inefficiency in the collation of inventory and order data, which derives some unnecessary labour costs. Eventually, there might be conflicts between different business segments in similar categories and operations, which can cause problems such as wasted channel resources and internal competition depletion.

For example, in 2018, Yonghui Supermarket, due to strategic planning issues, its “Yonghui Grocery” and “Yonghui Life” APPs both provide online shopping and home delivery services. As a result, consumers jumped back and forth between the two channels, which also caused channel conflicts and waste of overlapping resources. In 2020, Yonghui regrouped its channels and unified the operation of online business, so that it accelerated the process of integrating online and offline shopping [3].

2.3 Lack of Data Support and Data Analysis Capacity

Traditional retailers are significantly inferior to e-commerce platforms in the application of big data and also lack the ability to analyse useful data about consumers’ purchasing motives and feedback on their purchasing experience. Nowadays, consumers’ demands have become more diversified and personalised, and the frequency of changes in popular products is also accelerating. All this means that if companies are not equipped with effective data analysis tools, they are at high risk of suffering losses due to the cold reception of commodities and over-stocking. Unfortunately, most traditional retailers, especially small and medium-sized enterprises (SMEs), struggle to obtain effective customer data, which greatly limits their competitiveness in the market. However, if they purchase data or related services from other companies, it is not only difficult to ensure the validity of the data, but also raises doubts about privacy and security issues. On the other hand, traditional retailers are less invested in emerging technologies such as digital analytics and AI model training, which makes it difficult for them to turn data into meaningful decisions even when they have the data.

2.4 Organisational Issues and Lack of Digital Technology Talent

Many retail companies have encountered problems of organisational rigidity, talent shortage, and tedious processes

in digital construction. Just add a variety of digital equipment and purchasing a variety of data analysis software can hardly promote the digital transformation of business. The key point is to set up a digital transformation team and reshape the business process to match digitalisation. In addition, the traditional retail industry is a labour-intensive industry in which most enterprises adopt a pyramid-style organisational structure. This also means that multi-format and cross-regional operations are the norm for them, which results in problems such as complex organisational structures and cumbersome processes. When businesses transform digitally, resistance often stems from the fact that the original organisational structure is not suitable for the new business processes. Therefore, enterprises are inevitably required to revisit their internal organisational structure and workflow to cater to the new business requirements and operational models.

3. Analysis of Strategies for Digital Transformation in Traditional Retail

3.1 Short-Term Effective Strategies

Firstly, retailers have the opportunity to boost sales in the short term through initiatives such as expanding channels for online sales, paid promotions on social media, and establishing a digital membership system. Additionally, on the one hand, building an intelligent platform can significantly improve the internal efficiency of an organisation. The enterprise digital platform enables the use of a monitoring system to supervise the operation content of employees. For instance, once it encounters an employee's illegal handling on the platform or a problem with the operation steps, it will be warned the first time to guide it to operate correctly [4]. Another example, is online inspections can significantly save the time and financial cost of inspecting shops. Further, artificial intelligence could be one way to monitor shop data in real-time and analyse the performance of the work. On the other hand, retailers can greatly enhance the efficiency of their shop staff by training and communicating with them through intelligent platforms as well as optimising scheduling management and automating tasks. Additionally, companies can provide their employees with the latest technology tools and mobile devices so that staff can access detailed information about products, customers, inventory, and orders in real time, which will further enhance their service capabilities and work efficiency. In the short term, such a strategy will help companies meet market challenges and achieve improved performance. Nevertheless, digital transformation is a long-term process, and enterprises must develop a long-term transformation plan to pave the way for subsequent transformation and upgrading.

3.2 Omni-Channel Data Interoperability

The most important purpose of channel integration is to reduce the waste of resources and upgrade customer satisfaction. On the one hand, integrated channels can fully interact with consumers to achieve omnichannel marketing and customer management. At the same time, it can effectively avoid the waste of resources caused by overlapping channels and enhance the efficiency of cooperation between internal departments and external distributors at all levels, thereby reducing unnecessary workload. On the other hand, the centralised integration of data collected from all channels facilitates the quantification and comparison of data, which means that companies can better understand consumer demand to optimise inventory management and provide a consistently positive shopping experience. Beyond that, the retailer can use big data analytics and AI technologies to achieve personalised marketing, providing consistent personalised recommendations and services for different consumers across different channels [5].

3.3 Leveraging External Services

Traditional retail enterprises are first needed to conduct data demand analysis based on business enhancement goals to clarify the required data, and then collect valuable and relevant data in all aspects of operation. For example, to achieve precision marketing, enterprises need to build an analytical model covering online and offline consumer behaviour, obtain all the interactive data of consumers in the consumption process, then extract valuable information from it and analyse consumer preferences, to achieve precision push. However, for some small and medium-sized retailers with limited capital and resources, it is quite challenging to accomplish the whole process from data collection, and integration to analysis independently. Therefore, in the short term, these companies may consider partnering with technology companies such as Tencent and Alibaba. They can use the advanced digital tools of these companies to analyse data, effectively improve their digitalisation and better meet consumers' needs.

3.4 Enhancement of Digital Talent Development

As digital technology develops, how it is used in practice is constantly being upgraded and altered. Retailers need talents with the relevant knowledge and skills to drive digital transformation. Therefore, cultivating a team with innovative thinking and advanced digital skills is an important factor in ensuring the sustainable technological advancement of an organisation. Companies have the option of bringing in existing talents externally according to their strategic objectives or quickly acquiring a mature team

through a partner. Meanwhile, it is also essential to pay attention to corporate culture and internal education, as the digital transformation of enterprises cannot be achieved without the cooperation of every employee, which requires employees to have digital thinking and digital skills as well. For example, companies can establish good partnerships with professional educational institutions and technology providers to enhance employees' digital skills through courses and outbound learning seminars. At these points, the company can not only provide learning and promotion opportunities for existing employees but also avoid some of the problems arising from the inconsistency between employees and corporate development objectives.

3.5 Enhancement of Organisational Structure and Business Processes

Companies need to optimise their organisational structure and workflows to cater to the new business needs and operating models. First, establishing new positions and departments to provide strong support for digital transformation, such as data analysts, digital marketing teams [6]. Second, the enterprises also need to define the new responsibilities of the relevant departments at the headquarters and each shop, and at the same time, building a scientific and comprehensive evaluation system for key performance indicators [7]. For example, to expand online business in a better way, traditional retail enterprises are required to reorganise the online and offline customer service system, including pre-sales customer service, after-sales customer service, online customer service, telephone customer service, and so on. Besides, retail enterprises also need to optimise their business processes according to the future direction of business development, as well as to clarify the business scope and management rules after the transformation, which ensures that the business processes can be updated in a timely manner in accordance with the needs of business development.

4. Conclusion

Traditional retail companies are expected to face the challenges of digital transformation with a positive attitude and to address the changes and innovations it introduces. At the same time, retail enterprises are expected to achieve improved management efficiency and enhance core competitiveness through the application of digital technology. However, digital transformation is a long-term, complex, and arduous project. Retail companies not only need to overcome a variety of barriers such as capital, technology, and ideology, but also need the cooperation of various departments of the enterprise so that they

can have advanced planning and layout of intelligent supply chain, digital shops and other businesses. Meanwhile, the different enterprises have different volumes, financial strengths, expected goals, and encountered difficulties, which means that retail enterprises have to select the most suitable digital transformation path for their own business and the matching long-term strategic goals according to local conditions based on a comprehensive self-examination. Even if it doesn't work in the short term, retailers should try new approaches rather than give up. They can consider the actual situation and try different ways of digital transformation with innovative thinking to further fulfill the vital role of the retail industry in contributing to the development of society.

In the process of digital transformation of enterprises, the government should also make policy support. In particular, the overall development level of digital transformation of traditional retail medium-sized enterprises is not high, so they require government support through designated economic policies and laws and regulations. For example, the government can adopt proactive fiscal and taxation policies and implement direct incentives, research and development subsidies, tax and fee reductions, and so on, which increases the impetus for the transformation and upgrading of traditional enterprises.

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