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ISSN (Online) : 2455 - 3662

SJIF Impact Factor :5.148

# EPRA International Journal of Multidisciplinary Research

Monthly Peer Reviewed & Indexed  
International Online Journal

Volume: 5 Issue: 4 April 2019



Published By :EPRA Publishing

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# RESEARCH ON THE PATH OF ENTITY RETAIL INNOVATION DEVELOPMENT: A CASE STUDY OF LOUDI CITY

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## ABSTRACT

*Under the background of the nationwide exploration of supply-side structural reform and efforts to revitalize the real economy, this study intends to take the demand side as the entry point, focus on the consumer, deepen the researcher's behavior characteristics, optimize the consumption structure, and realize Consumer products continue to upgrade, continuously improve people's quality of life, and achieve innovation-coordination –green –open -shared development. Thinking about physical retail, especially the problems faced by physical sales and development of large department stores, shopping centers, etc., and the new situation, Hunan. The physical retail innovation initiative, combined with the new situation at home and abroad and new trends in new technology changes, explores the future development path of physical retail. Suggestions and suggestions for accelerating the development of physical retail innovation.*

**KEYWORDS:** *physical retail, turnaround, development.*

## 1. INTRODUCTION

With the continuous development of modern society, the emergence of various online shopping apps such as Taobao, Vipshop, Jingdong, etc., people can easily shop without leaving the house, which is more convenient for people's lives. According to statistics, in 2017, the total amount of e-commerce transactions reached 29.2 trillion yuan, while the retail sales of Chinese goods reached 26.5 trillion yuan. This has caused a serious impact on the retail industry as the main sales model, and many retail economies are facing huge survival problems and even bankruptcies. The development of e-commerce has smashed the local protectionist barriers of commodity circulation, broke the retail pattern of sales by region, and intensified market competition, resulting in imbalances in the development of retail regions and net inflows and net consumption between provinces and cities. Outflows have led to a series of new changes in the regional pattern of consumption and the retail market, and will lead to deeper reforms in the supply side of the retail industry, which will have a profound impact on the circulation industry and the production and consumption system.

## 2. TOPIC AND FOCUSES

This topic is innovative and focuses on two aspects:

**(1) It is the innovation of the research perspective.** This topic uses an analytical framework for supply-side structural reforms. Starting from consumer demand, this paper explores the future path of physical retail innovation development and enhances the level of physical retail supply.

**(2) It is the innovation of research methods.** The topic uses sociological research methods such as consumer questionnaires and in-depth interviews to grasp the first-hand survey data, deeply analyze the characteristics of consumption upgrades and the trend of consumption upgrades, and grasp the future physical retail direction.

The main research object is that the main research object of Loudi City Department Store.

The definition of traditional retail industry is that the most traditional of retail enterprises refers to the direct sale of products produced by industrial producers to residents through the form of sale and purchase as a commodity sales industry for consumer consumption or for sale to social groups for public consumption.

## 3. CURRENT PROBLEMS FACING THE RETAIL INDUSTRY

(1) High cost, high competition, low returns, and difficult expansion. According to the Prospective Industry Research Institute's "2016-2021 China Retail Industry Market Prospect and Investment Strategic Planning Analysis Report", retail companies have been facing high cost, high competition, low returns, difficult expansion and other problems since 2011, and low profits. In the context of slowing economic growth and the impact of online shopping, the physical retail industry is facing severe challenges of low growth rate and negative corporate profits.

(2) Unbalanced regional development. Due to the differences in China's economic development, it is determined that the commodity market also has obvious differences in different regions. The economically developed eastern coastal provinces have more retail outlets and faster development, and their market share is relatively large. According to the census data, the development of commercial outlets in the retail market is obviously uneven. The number of retail enterprises in the eastern part of China accounts for more than half of the national total, reaching 61.8%, and the number of employees also accounts for 59.1%. The number of retail enterprises in the central and western regions accounts for 22.6% and 15.6% respectively, and the number of employees is 26.5% and 14.4%.

(3) The impact of e-commerce websites on the physical retail industry. In recent years, in the process of economic globalization, with the rapid development of network technology, the way of

business processing has undergone tremendous changes. As an advanced trading method, e-commerce has brought tremendous impact and influence to the physical retail industry with its ever-changing technological progress and innovative marketing methods. In particular, in recent years, major e-commerce website promotions have repeatedly updated sales records, and at the same time creating social hot topics, it also sounded the alarm for physical retail enterprises. Taking the “Double 11 Event” of Tmall Mall under the Alibaba Group as an example, we can clearly see the rapid development of e-commerce. Tmall Mall began its “Shopping Carnival” on November 11th every year from 2009. In the past six years, this day has gradually become an annual event of concern to the Chinese e-commerce industry and the whole society from an ordinary day. The turnover of “Double 11” has grown geometrically for six consecutive years. In 2009, Taobao launched the “50% off branded goods” campaign on November 11th, with sales of 100 million yuan on the same day. On the same day of 2010, sales increased 9 times to 936 million yuan. In 2011, double 11 deals The amount rose to 5.2 billion yuan; in 2012, the double eleven achieved 19.1 billion turnover, only Tmall reached 13.2 billion yuan; in 2013, the double eleven payment transaction amounted to 350.19 billion yuan, which is equivalent to China's daily social society. 50% of total retail sales. In 2014, the transaction volume of double eleven Alipay reached 57.1 billion yuan, of which the mobile port payment transaction amounted to 24.33 billion yuan.

(4) The social atmosphere is lacking, the real economy has not received due attention, and social speculation is pervasive. The existence of social speculation has seriously hindered the development of the real economy. Compared with industrial developed countries, Chinese enterprises are generally more impetuous, do not want to down-to-earth to operate physical enterprises, and more dreams of speculation overnight. The non-standard operation in the process of state-owned enterprise reform, shareholding system reform,

capital market development, and real estate market development has strengthened social speculation to a certain extent. Driven by higher social speculative sentiment, the operation of the real economy has been largely ignored, and the whole society has almost fallen into the enthusiasm of blindly developing the virtual economy. The virtual economy is accelerating its development on the basis of continually eroding the interests of the real economy. Some virtual economic links have even broken away from the necessary foundation of the real economy.

#### **4. PROPOSAL OF ENTITY RETAIL INNOVATION DEVELOPMENT STRATEGY**

##### **(1) Improve the quality of physical retail services**

Although the practice of improving the quality of service is a cliché and lacks new ideas, it is the most effective and practical way to cope with the surging e-commerce army. The situation in neighboring Japan is very worthy of reference for the domestic physical retail industry. As we all know, the development of e-commerce and online services in Japan is very slow. One of the important reasons is that its offline service system is very perfect. Ordinary people can still enjoy first-class services even if they do not use online shopping or online services. It can be said that Japan's physical retail industry's meticulous service has spoiled its consumers, making their demand for e-commerce very low. For example, products and services in Japan can be purchased and booked by telephone. The process of answering calls and inquiring and recording by the staff of the store is very skilled. It usually takes less than a minute to complete the entire process, and is enthusiastic and professional.

In Japan, almost all of the problems that current online services have to solve can be solved in other ways through other systems, such as the recent popular mobile payment methods in China. In fact, Japan has been fully developed and popularized more than a decade ago. . The comprehensive and thoughtful service has made Japanese consumers not

have much motivation to choose new products on the Internet. Therefore, the service attitude and business experience of the Japanese entity retail industry are worthy of reference and reference from relevant practitioners in China.

### **(2) Strengthening financial and financial support**

The State Council has some burdens on reducing corporate tax charges. Where conditions permit, the actual situation can be combined to play the role of financial funds to guide and promote the innovation and transformation of physical retail. We will make good use of the National Emerging Industry Venture Capital Guidance Fund and the SME Development Fund to encourage qualified localities to set up investment funds in accordance with the principle of marketization, and guide social capital to increase investment in new technologies, new formats and new models. Actively and steadily expand consumer credit, and promote consumer finance companies to the whole country. A variety of ways to support the payment business processing of online and offline integration of retail enterprises. Innovate and develop financing methods such as supply chain financing to broaden corporate financing channels. Support commercial banks to issue medium and long-term loans under the premise of risk control and commercial sustainability, and promote fixed assets investment and mergers and acquisitions. Actively research and improve the financial services of small and micro enterprises through the movable property pledge financing mode such as accounts receivable, inventory, warehouse receipts, etc., and actively support qualified small and micro enterprises through entrepreneurial guarantee loans.

### **(3) Development of more physical retail formats**

The shopping mall, referred to as “Mall”, is a new type of retail business that integrates shopping, leisure, entertainment and food, including department stores, hypermarkets and many professional retail chains. In the development of large and medium-sized cities in recent years, a large

number of shopping malls have appeared. The reason is mainly that the comprehensive format of large shopping malls can fully meet the composite needs of consumers for leisure and entertainment during weekends and leisure time, reducing the cost of choice and time cost for consumers. Regardless of the extent to which e-commerce and network technologies are developed, they cannot replace the social and leisure needs of ordinary consumers. Therefore, the ability of large shopping centers to integrate various types of physical retailers becomes the biggest advantage of e-commerce.

On the other hand, due to the increase in the number of shopping centers under construction and under construction in major and medium-sized cities, the intensity of competition has also increased. Reducing rents and improving the quality of ancillary services have become an important means for major shopping malls to compete for merchants to settle in. This has also brought benefits to the physical retail industry, which has suffered from rising rents, allowing them to obtain better store locations at lower rents. And the use of the flow of people in the shopping center to bring greater profits to the settled merchants. Therefore, entering new shopping malls has also become an effective way for many physical retailers to reduce costs and increase revenue.

### **(4) Going international**

Famous and outstanding products have spread all over the country, and Ye Guofu proposed another way for the transformation of China's physical retailing – the creation of superior products. The excellent product model refers to product innovation, quality and low price. These three characteristics are not in order, and the three are concentrated on one point. Ye Guofu said that in the past few years, the physical retail sales in the United States were cheap and good, especially in Japan, where physical retailing is good, services are good, products are good, and prices are very cheap. Most of the products in US and Japanese stores are made in China. And these are particularly good sales in foreign markets. This will be a good selling point for

Chinese physical retail.

## 5. FUTURE TRENDS

### (1) Proposal for new retail

In 2016, Alibaba provided new retail for the first time. It is expected that in the next ten or twenty years, there will be no new e-commerce, only new retail, and the emergence of new retail, which will bring a huge change to the retail industry. New retail refers to: relying on the Internet, the company upgrades the production, circulation and sales process of commodities through advanced technologies such as big data and artificial intelligence, thereby reshaping the business structure and biosphere, and serving online services and A new retail model of offline experience and deep integration of modern logistics. Online and offline, combined with logistics to generate new retail. At the same time, with the development of artificial intelligence, the retail industry will undergo earth-shaking changes. The retail industry is expected to be the industry that has benefited the most from the development and innovation brought about by artificial intelligence, but it is also the industry that most tests artificial intelligence technology. In 2020, 50% of retail consumer service consulting will be done through conversational AI applications; 85% of consumer interactions will no longer need to be done manually. According to the data, artificial intelligence can bring more than \$2 trillion in additional growth to the wholesale and retail industry by 2035.

### (2) Digitization of the retail industry

Digitalization will be the top priority for retail development, using mobile Internet, big data, cloud computing, artificial intelligence, and e-commerce tools to fully promote retail omni-channel digitalization. Member marketing has become the foundation of big data marketing. Through member system design, member data analysis and other mining consumer demand and trends, we can cultivate more loyal customers and improve the competitiveness of enterprises. Deeply tapping the purchasing power of users and forming a secondary sales opportunity has become the goal pursued by the

merchants. At the same time, the digital application makes the communication and interaction between consumers and goods more personalized, and allows brands to better understand the needs of consumers through data analysis. Companies that provide innovative solutions to the retail industry, such as big data, artificial intelligence, mobile payments, and logistics services, are growing rapidly. The refinement of scene marketing and big data management, the construction of new data, and how big data drives future retail will bring better development space for physical retail.

### (3) Electronic business electronic business, connecting with the last mile of the consumer.

When the post-80/90 group is promoted to the main consumer, the demand for purchase anytime and anywhere will become increasingly prominent. The entity can do its own business e-commerce, connection and the last mile of the consumer according to its actual situation, otherwise it will be overwhelmed by the surging Internet tide. Business electronicization is to use the network, especially the various technical means of the mobile Internet, to improve operational efficiency and improve business efficiency, which will become an unstoppable trend.

First, it is more convenient to communicate with consumers and members, and establish channels for interactive communication with consumers through WeChat and the Internet. Second, Cater to the trend, access mobile payment, and cater to the payment needs of consumers to facilitate purchase; Third, Build your own e-commerce channel and seize the purchase time of the other half of the consumer. Fourth, utilize the analytical ability of big data, strengthen the construction of categories, and enhance the service experience of consumers.

### (4) Retail products tend to be diversified and personalized.

Retailers will focus on product diversification, focus on consumers, respect the feelings of consumers, emphasize the supremacy of users, and provide them with different products according to the preferences of consumers of different ages. Use big

data to let the data tell you what the customer needs? The accumulation of data means more fragmented information for retailers, and many savvy retailers are beginning to realize the importance of data and achieve more targeted and personalized shopping through digital technology. Experience.

### **(5) Scale is also an important trend in the development of modern retail industry.**

First, China's traditional department stores will change in two ways. On the one hand, the original low-end goods and hardware appliances in the department store will be diverted to the supermarkets and specialty stores; the proportion of high-margin and low-turning goods in department stores will increase, and services will be upgraded, thus embarking on a standardized road. On the other hand, some department stores still target the market for mass consumption, but they change their formats and transform into large supermarkets. Judging from the overall development of department stores in China at present, the stability of the department store industry will decline and gradually reach a quantitative balance. Second, the supermarket is a new force in China's retail industry. As China's productivity level continues to increase, the chain of fresh food from production to consumption is gradually formed, and the proportion of fresh food in food supermarkets will gradually increase and reach a standardized level. With the acceleration of urbanization in China and the rapid increase of urban population, large-scale integrated supermarkets will have more room for development. Some food supermarkets will also develop into large supermarkets. This format will become the dominant format in China's retail industry. Third, due to the lack of strong consumer support needed by convenience stores in China and the limitation of the level of productivity development, the large-scale development of domestically-friendly convenience stores will take some time. However, with the continuous development of China's economy, the pace of people's life is accelerating, and the entry of large foreign distribution companies will promote the

development of the convenience store. Fourth, professional stores, especially specialty stores, will have great development in China. They will form their own style in terms of brand, business method and standard service. Some of the boutiques and famous stores will enter the location of large department stores; the specialty stores will further develop in the direction of individualization and nationalization. Specialty stores and specialty stores in the form of chain stores also have great opportunities for development in commercial streets, commercial centers, and large commercial facilities and department stores.

In the coming period, it is a period of intense competition among retail trades in China. China's retail industry will gradually understand and understand the various formats that will appear at the same time, and combine China's national conditions to complete the localization process of these formats. At the same time, new retail formats will continue to enter. Of course, the more the technology innovation advantage, the more likely to grow into the dominant format.

### **Acknowledgments**

This paper is supported by Research learning and innovative experimental project of college students in Hunan (2018).

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