

# New Business Model for Company to Win the Competition

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## Abstract

**With the rise and development of e-commerce, a huge impact is given on traditional retailing. Nowadays the retailing e-commerce competition is very fierce. In this paper nine possible developing directions of retailing e-commerce in future are discussed. By using interpretative structural modeling the direct correlation of these nine directions is analyzed, and then the development trend is divided into five stages involved the stage of mobile e-commerce retailing.**

## Keywords

**e-Commerce, Retailing, Online Shopping, Development Trend**

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## 1. Introduction

Retailing is defined as the marketing industry that selling agricultural and industrial products directly to consumers and social groups for public consumption by trading. Thirty years since the advent of the reform opening up, the retail trade in China has experienced an evolving process from small to large, closed to open, single to multiple and Tradition to Modern. However, the current development of China's retailing is still immature for various of retailing modes coexists like small groceries, supermarkets and chain management. And now with the impact of e-commerce, the development trend of retailing e-commerce in future is worth studying.

In the wide global commercial activity and the open internet environment, e-commerce is a new type of commercial operation mode which can implement the electronic, digital and networking of the entire commercial process by using computer technology, network technology and telecommunications technology. It covers the areas of information flow, business flow, logistics, capital flow and so on. As a hot topic of new economic era the e-commerce sweeps across each aspect of the economy with a series of significant trading advantages such as low cost, high efficiency, wide coordination and high transparency. E-commerce changes the existing commercial system, creating a new business model and changing the way people trade and consumption [1]-[14].

The online shopping mall is a new business model, and *it* develops rapidly with the development of e-commerce.

Online Shopping Mall covers all aspects of planning, investment, procurement, sales, storage, reconciliation payment through electronic supply chain management. Through the Internet suppliers, distributors, transporters, banks and ultimately consumers are integrated from retail terminal, therefore, the information is shared timely, operational efficiency of the entire supply chain is improved and ultimately all participants on the chain can benefit. The fourth retailing revolution is still underway, the retailers represented by Online Shopping Mall gradually developed as the leader of the supply chain, which will subvert the dominance of the substantial retailing.

Nowadays the competition of retailing e-commerce is very fierce. In this paper, the future developing directions are as follows.

## 2. The Development Directions of Retailing e-Commerce

### 2.1. Large Logistics

The logistics delivery speed is a greatly concerned aspect for consumers while shopping online. However the modern logistics development of our country is not mature. The construction of traffic infrastructure need to be improved further, the logistics cost is high and the speed of transportation is slow, these problems are particularly outstanding. With the rapid development of retailing e-commerce, courier service quality is bound to increase further. Given the diversity and numerous of retail trade, the construction of large-scale logistics network and reducing logistics costs will be a major development direction of retailing e-commerce in future. And now Jack Ma purports to spend billion to invest an unprecedented China smart logistic network (CSN) so that all products in china can be delivered within 24 hours. Retailing e-commerce will be promoted to another different level completely if this proposition is realized.

### 2.2. The Refined Supply Chain

Supply chain management is a very important part for many companies. Focusing on the core enterprises, the Supply chain management controls information flow, logistics and capital flow during the procurement of raw materials and the production of intermediate and final products. Finally, the products are delivered to consumers by distribution network. A supply chain is a functional network which connects the supplier, the manufacturer, the distributor, the retail merchant and the end-customer. Therefore a complete supply chain should include suppliers (suppliers of raw materials or parts suppliers), manufacturers (processing factory or assembly plant), distributors (dealers or wholesalers), retailers (stores, department stores, supermarkets, specialty store, convenience stores and grocery stores) as well as consumers.

Supply chain management includes all aspects of production and operation in the entire enterprise. For the retail industry, Optimizing the supply chain management and streamlining the intermediate process is particularly important. The essence of retailing based on e-commerce is to establish a contact platform for manufacturers and consumers, thus simplifying the intermediate distribution links and reducing the intermediate cost greatly. Traditional sales model has changed tremendously because of retailing based on e-commerce and this change is no longer a minor local innovation, but a revolution in a real sense.

In this paper the refined supply chain is the future development trend of e-retailing, which mainly means retailers should increase internal and external virtual organizations such as virtual stores and virtual departments to reduce operating costs. At the same time should streamline unnecessary stores, strengthen the management of information flow, develop new trading tools and establish direct relationship with consumers.

### 2.3. Low Inventory Even Zero Inventory

The transfer of retailing e-commerce inventory can be realized, due to the decrease of the stores, network transactions, retailers can no longer need to own a large inventory of merchandise, but you can share information with the manufacturer to implement changes in their function retailers only need to provide a transit point for goods, how much will turn out much, and the manufacturer bears responsibility for inventory. If you can not achieve a good change of this function, it is likely to be engulfed by this torrent of e-commerce.

The retailing profits are gradually reduced as the competition in the e-retailing industry is increasingly fierce.

In the information stage, requirements of retailers cost control is very high. In the future of retailing e-commerce, only the merchant that have low inventory even zero inventory are able to survive. Traditional large-scale retail enterprises tend to have their own storehouses. Generally the inventory merchandise can maintain the sales for a week, therefore its inventory costs are very high while high inventory will lead the cash flow decreased and the fund turnover to be ineffective, that even lead to the company's bankruptcy. The transfer of inventory can be realized because of retailing e-commerce. Due to the decrease of the stores and networked transactions, retailers can no longer need to have large inventory, instead, they can share information with manufacturers to implement transformation of their function. Retailers only need to provide a transit station for goods while the manufacturer bears the inventory.

#### 2.4. The Quick Response to the Market

A famous entrepreneur once said, companies that cannot be well adapted to the rapidly changing of the market will be eliminated eventually. Retailing e-commerce has a unique advantage to realize quick response to the market, which is the convenience of online transactions. Consumers can purchase whatever they need through the network whenever and wherever possible while manufacturers can promote new products online. The information based on consumer purchase behavior can be well captured, then manufacturers can produce new consumer's preference and demands. It is easily seen that the future trend of retailing e-commerce is to realize quick response to the market.

#### 2.5. The Diversification of Variety and Fields

As we all know, traditional retail are operated with shopping malls, large chain stores, even for Grand buy the *brands* and types of commodities are limited. The e-commerce is able to make up for this short coming, that consumers can purchase whatever they need through the network whenever and wherever possible. Purchasing will no longer be limited to geographic location of the mall and the type of commodities. Nowadays the development of retailing e-commerce has changing from *singleness* to diversification *both in variety* and field.

About 10 years ago the garment industry was the first one that sold online, it has been recognized by consumers gradually, and soon, appliances, furniture and electronic products also joined the ranks of e-commerce. The e-commerce is *penetrated into* every industry and the types of commodities can be purchased online are increasingly abundant.

On the other hand, its online sales model has also changed tremendously. B2B, B2C, C2C, O2O and other modes developed, auction, group buying and procurement service also have spread across China. The future development of e-commerce will go to the direction of more diversified variety and fields, even personal customization, personal conception of products and services can be purchased through the network.

#### 2.6. Sales Mode That Combine Online and Offline

Although the retailing e-commerce has a lot of advantages, many commodities can be purchased online directly by which time and transaction costs can be saved. However, many consumers experience value when purchasing commodities in a mall is taken away. I think that the future trend of retailing e-commerce sales mode is to combine online and offline. One of the most popular modes is O2O which mainly refers the shopping pattern that the consumer order online, and then consume offline. This business model can attract more consumers who are keen to shopping in physical stores. The disadvantage of discrepancies in pictures, passing a defective product as a high-quality one and false information in traditional shopping online will completely disappear. The traditional core of O2O is online payment while Ibancl and Xiangyu Mall improved it. The consumers can experience commodities offline before paying online, which eliminates the consumers' distrust psychological for online shopping. Consumers can select the optimum one from a range of commodities offered by online merchants. Shopping online is not only a process with reassurance and security, but also a pleasure and enjoyed process. Even Jack Ma is also very optimistic about this model. On the one hand the sales model that combined online and offline can meet consumer demand for a wide variety of commodities, on the other hand, the physical store can improve consumer confidence and meet the consumer psychological need who like shopping in mall. It can make up the deficiency in both traditional retail trade and e-retailing trade and is the main trend of future development. At the same time we should recognize that O2O is not only the sales mode that combine online and

offline. How to combine sales online and offline adequately and fulfill its utmost value need to be studied further.

### 2.7. Massive Improvement of the after Service Quality

The after service of traditional retail trade is relatively simple because of the fixed sales locations. Consumers can return or repair the commodities only by backing to the shop. The sales model of e-commerce retail trade is online sales and commodities are delivered to consumers through courier companies, Consumers need to re-send it back to the merchant if the commodity has any quality problems that need to be replaced or repaired. So the process is complicated and the time for which is ranging from one week to more than a month, thus greatly increasing the intermediate costs and also reduces the second purchase desire of consumer. This is an important problem existing in e-commerce retail trade. As the development of the times, consumers are increasingly paying attention to service rather than the commodity itself. Although the excellent quality of commodity is important, the repairing after damage, feedback of consumers and other after-sales problems are also important. So this is one of the deficiencies for e-commerce retail trade. For the future development of e-commerce retail trade, it should pay more attention to after-sale service. Through opening after service stores, shorten the process of circulation and other aspects, the quality of after-sale service can be improved.

### 2.8. Resources Optimization Deployment Worldwide

In the future merchants should not only sell commodities in our country, but also to the worldwide. Amazon is a big seller in the United States at the same time it develops e-commerce retail trade worldwide. As far as I am concerned that e-commerce retailers will be eliminated one by one because of the fierce competition in the future. Finally it will come into an oligopoly period (This is similar to traditional retail trade). The surviving winner must be the companies which are able to realize optimal resource deployment worldwide. Compared with the traditional retail trade, the e-commerce retailers also need to realize optimal resource deployment worldwide. For example Wal-Mart can purchase worldwide which fully reduce the costs and improve the commodity quality. We may be surprised to find that the commodity with same brand has a different quotes online, for the cost control of all merchants are not the same, In the same conditions, only merchant gives low quotes can finally survive. Generally large e-commerce retailers have more resources and they can invoke resources according to actual situation initiatively, so as to adapt to market demand. Although not every company can become the Amazon, but I think as the process of retailing e-commerce a few retail giants such as Amazon will eventually appear.

### 2.9. The Transition to Mobile e-Commerce

Mobile e-commerce is to use mobile phone, PDA (Personal Digital Assistant), also known as Pocket PC and handheld computers and other wireless terminals for B2B B2C or C2C. It combine Internet, mobile communication technology, short-range communications technology and other information processing technology perfectly, so that people can process various business activities at any time and any place. Shopping and transactions online and offline at any time and any place, online electronic payment and various trading activities, business activities, financial activities and related comprehensive services activities can also be realized.

In the mobile internet era, Kai-fu Lee believes that from user's perspective, positioning with mobile, social networking and location will bring a lot of short-term opportunities for enterprises and entrepreneurs. At the end of 2011, the number of Internet users in China reached 513 million, the national mobile phone users reached 100,692 million of which mobile Internet users reached 360 million people. With the progress of society, mobile clients will be more popular, this objective conditions laid the foundation for the development of mobile e-commerce. Mobile e-commerce with its unique convenience gradually affects people's lives, at the same time promotes the process of retailing e-commerce trade. I believe that in the near future, mobile e-commerce will become an important part of retailing e-commerce trade.

## 3. Interpretative Structural Modeling

According to the nine major trends of e-commerce retail trade development in above analysis, by using interpretative structural modeling I analyzed my own views, and made an analysis table for the direct correlation of

these nine trends. **Table 1** and **Table 2** are shown below.

Based on the calculation result of I SM the structure can be divided into five main layers, shown in **Figure 1**.

We may think that it is the five stages of the future development of retailing e-commerce.

The first stage is the development of mobile e-commerce retailing, in this stage the refined supply chain and development of mobile e-commerce should be realized. Because in the mobile Internet era, the development of mobile e-commerce and seizing market opportunities are very important. The development of traditional e-commerce retail trade has entered a mature stage and the rhythm of people’s life in the future will certainly be faster. Mobile e-commerce can well adapt to the development of society comparing with others. While simplifying the supply chain becomes the primary task of the retailing e-commerce revolution. Because only by shortening supply chain can the costs be reduced further, the labor productivity be improved and the foundation be laid for the development of mobile e-commerce. Nowadays this development stage is coming and the upsurge of mobile e-commerce will sweep the country in the near future.

The second stage is the era of big data and big logistics. This stage comes after the mobile internet era which is not fully developed yet. As people will sought to purchase online in the future, the transport of commodities will become a major problem. Only solved the logistics problem can the merchant take the initiative. With the rapid development of mobile e-commerce, a new generation of retailers with big data big logistics is spawned. And shorten the supply chain can also promote the development of logistics. Jack Ma once said to invest an unprecedented China smart logistic network (CSN) so that all commodities in china could be delivered within 24 hours. If this proposition is realized people’s dependent on e-commerce would be greatly improved. And that will be another major change following the mobile e-commerce.

The third stage is the era of sales model that combined online and offline. By realizing the great-leap-forward development of large logistics, the inventory costs will be reduced. Facilitated the logistics enable the merchants to lease less warehouses for inventory through which merchants will become transfer stations of commodities. Thus the requiring commodities can be dispatched in real time which enable merchants to realize lower inventory even zero inventory. On the other hand, the establishment of large logistics needs various towns and even villages to set up logistics transfer stations. If there are offline merchants around these transfer stations, it can decrease the overstocking pressure of transfer stations and also provide a good experience channel for consumers.

**Table 1.** 9 major development trends.

No.	Development trends	si
1	<b>Large logistics</b>	s1
2	The refined supply chain	s2
3	Low inventory even zero inventory	s3
4	The quick response to the market	s4
5	The <i>diversification</i> of variety and fields	s5
6	Sales mode that combine online and offline	s6
7	Massive <i>improvement</i> of the <i>after service quality</i>	s7
8	Resources optimization deployment worldwide	s8
9	The transition to mobile e-commerce	s9

**Table 2.** Related factors.

	s1	s2	s3	s4	s5	s6	s7	s8	s9
s1	1	0	1	1	1	1	1	1	0
s2	1	1	1	1	1	1	1	1	0
s3	0	0	1	1	1	0	0	0	0
s4	0	0	0	1	0	0	0	0	0
s5	0	0	0	1	1	0	0	0	0
s6	0	0	0	1	0	1	1	1	0
s7	0	0	0	0	0	0	1	0	0
s8	0	0	0	1	0	0	0	1	0
s9	0	0	0	1	0	0	0	1	1

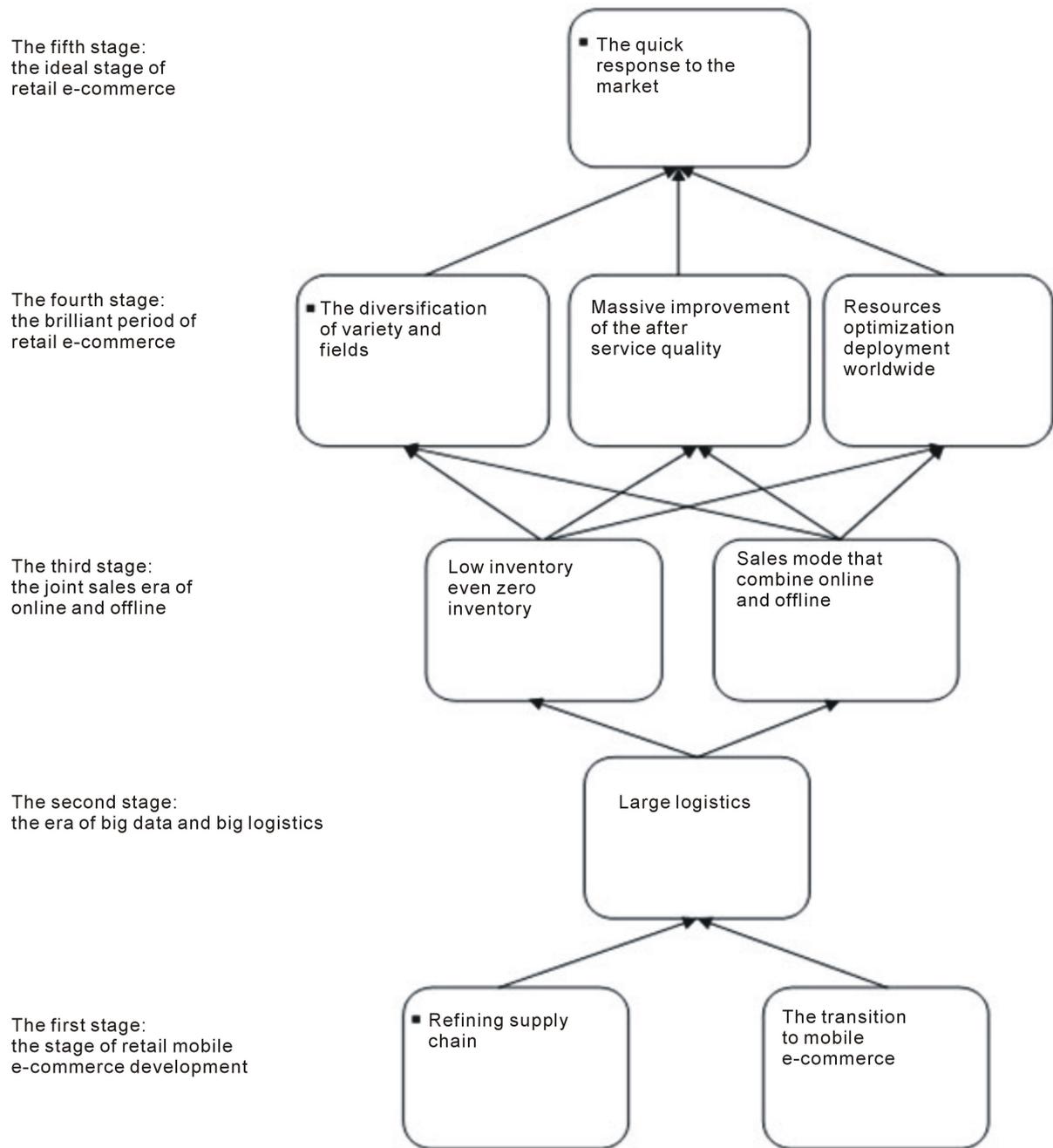


Figure 1. Structure of retailing e-commerce development.

Thus sales model combined online and offline are formed.

The fourth stage is the glorious period of retailing e-commerce. After the realization of the three development stages that mentioned before, the development of retailing e-commerce will enter into a new peak stage. That the diversification of variety and fields, optimization deployment of resources worldwide and massive improvement of the after service quality can be realized. I believe that a few very powerful retail giants would survive through fierce competition which can realize the optimization deployment of resources worldwide and provide high-quality service, sell variety of commodities. Moreover they will occupy a major share of the market.

The fifth stage is an ideal stage of retailing e-commerce, that is to respond quickly to the market. In order to adjust based on market changes in a real time, the merchants need to do well in all aspects of cost control, logis-

tics transportation, marketing model, after service, quality, staff and others. These are the foundation to achieve the goal of respond quickly to the market. Therefore I believe that the final development of the retailing e-commerce will be the result of market choice.

Through interpretative structural modeling, the nine major development trends of retailing e-commerce can be divided into five stages. There is a progressive relationship between the five stages through which I fully understand the future development direction of retailing e-commerce.

#### **4. Transformation of Traditional Retailing**

Ever since the retailing e-commerce trends are so prevailing, question drives to the possibility for traditional retail trading survive. I personally think e-commercial retail trading can't take place of the traditional one entirely, however, the traditional retail trading needs transformation to adapt to the update of our era.

As we all know, traditional retailing is high cost and low profit. By the heavy strike under the impact of e-commerce, it limits traditional retail trade's living space. But the transition is hard to implement in reality, Suning, Gome put a lot of money into e-commerce, but the effect is not obvious. Home Depot announced that they had closed seven major retail stores that sell house building materials in China. In cooperation with Jingdong, they combined the specialty retail stores and online sales, turned the strategic focus point to the e-commerce. The Wal-Mart which has not been interested in e-commerce, began to be concerned about it quietly. But their offline sales is a significant burden for online sales, they need time to test out whether it will have a successful transition or not.

Then how does the traditional transfer, I personally believe that the existing traditional retailers should be based on their goods and their industry to further subdivide the market, look for a suitable way for themselves.

#### **5. Daily Necessities Communities**

Since the convenience that the retailing e-commerce trade brings is popular, for daily necessities such as toothpaste, toothbrushes, clothes, buckets, mops, some food and so on, if we can set a convenience store in each community. It will be more convenient than buying it online. We can also note that many small convenience stores under the impact of e-commerce is still live well, the real problem is faced by some of the large super-market chains, shopping malls.

#### **6. Clothing and Other Related Industries Should Be Customizable**

If we look for the best selling good on the internet, the answer is clothes and shoes. You can purchase a wide variety of styles online, it is very convenient that you do not need to stroll on the streets tiredly, you only have to click your mouse, the goods will be soon transported, and the inappropriate ones can be promptly returned. This phenomenon has led to many clothing stores are deserted lot, who will go to the streets to buy clothes? I think the people who like shopping on the street and who can't buy the right size will still purchase on the street. Most of these people can't buy the right clothes is different from the others, their size is too big or too small, they have a great need to find the seller who can provide reasonable price and custom-made clothes. So, setting specially tailored clothing store will be able to attract a good part of the consumer, and thus, they will be successful in this highly competitive environment.

#### **7. Goods Such as Books and Magazines Should Increase Their Added Value**

10 years ago, you can see a wide range of chains for Xinhua everywhere. 10 years later, most of Xinhua bookstore have retired, even the store near my home has been closed. The store which sells exam books for living has to depend on the school. The impact of e-commerce has led many consumers to buy books online, or download e-books. So fewer and fewer people would go to the bookstore to buy books. The price of the books in the bookstore is expensive than the ones online, how does it compete with online bookstore? I believe raising the book added value is the way to attract consumer. Such as the book house, it provides consumers a quiet study environment, a cup of black tea, some snacks, a lot of books which they want to read, and you have choices to decide whether buying the books or not, In fact, its essence is to provide a service, rather than just provide a place to sell books. For test counseling books, it can provide an after-school tutor, according with the requirements of parents to arrange the amount of completion for homework. I think the only way to survive in contem-

porary times is improving the added value for knowledge absorbed-goods.

## 8. Electronics, the Sale of Electrical Goods Has to Change from Physical Store to Experiential Store, and Open the Online Store, Selling the Goods Online and Offline

By providing the users' experience for customers, it attracts users to buy. On one hand, the physical store provides a experiential place to promote the products, on the other hand it can also provide maintenance and other after-sales service of the product, improving consumers' confidence to buy. For expensive electronic products it can also provide loans and one-stop selling. One-stop selling is the method where consumers who want to buy electronic goods can take a order directly in the experiential store, therefore the store can delivery and provide a complete set of services.

## 9. Major Components Use Furniture Hypermarket Format

For example, furniture manufacturer like Meikailong has 2000 furniture manufacturers build a furniture city, attracting customers from all over the world to purchase, while also providing home delivery, installation help services. An important drawback is that e-commerce can only be delivered straight to your house by express, the entire handling, installation processes require themselves to solve, so giving the customer a great issue of inconvenience. If supermarkets can provide one-stop service, it will be able to attract consumers to consume again, of course, this will require investment.

## 10. The Transformation of Large Chain Stores and Large Shopping Malls

I think the fixed assets and fixed pattern is the important obstacle for transformation of these two large stores. In general, here are two ways, one is to expand the scale, the second is downsizing. Expanding scale refers to the construction of a large commercial cluster, several businesses combined to build a set of eating, drinking, shopping in a commercial casino. Like 10 years ago, the United States under the impact of e-commerce, only unite to resist a storm coming. Construction of commercial entertainment city was able to provide customers with a good spirit level of enjoyment, not only in the entertainment city to purchase what they want, but also to get a good variety of other services, threw themselves to relax.

Downsizing refers to abandon the part which have not a good prospect and find the part they can manage according to market segments. For example, in large shopping malls, the clothing shops can be reduced, and the entertainment and leisure places can be increased. It should change from a pure retailer into a service provider.

Traditional retailers have the fixed, old customers and other resources. If we can keep such good advantages, meanwhile find out our own disadvantages and make improvements, getting over the difficulties in this competitive world, the success will come to us.

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