

# Research on the Impact of COVID-19 Epidemic on China's Retail E-Commerce Industry

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## ABSTRACT

While the COVID-19 epidemic has had an unprecedented impact and impact on the traditional economic model, it has played a huge role in promoting the new retail industry. Under the COVID-19 epidemic, on the one hand, the new retail industry chain successfully penetrated into the fresh food field, which raised the awareness of industry chain management in the industry and formed a new format. On the other hand, as consumers develop new consumption habits, the new retail industry chain will be highly integrated with online and offline businesses, and will continue to broaden the customer base through social marketing and digital technology, and accelerate the integration within the industry chain.

**Keywords:** *COVID-19, e-commerce, new retail, industrial chain*

## 1. INTRODUCTION

After the outbreak, the international economic investment environment is complex, and promoting domestic demand has become the key to China's economic development. Looking at the work report data of various provinces and cities across the country, the economic growth rate of all provinces and cities across the country in the first half of 2020 has fallen compared with the same period last year, and the growth rate has remained relatively stable. Stimulating domestic demand is also the foothold and development point of local economic recovery. Take Hangzhou, Zhejiang as an example. As of April 2020, the government has issued a total of 550 million yuan in consumer coupons, and more than 100,000 merchants have participated in the event, which has driven local consumption to more than 2.22 billion yuan. At the same time, many cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Zhengzhou, and Jinan have successively implemented this round of government-led consumer vouchers to stimulate domestic demand. After careful observation, it is not difficult to find that this nationwide promotion of domestic demand has a distinctive feature, that is, many local governments no longer rely solely on their own regional media channels, but choose to cooperate with large Internet platforms such as WeChat, Alipay, and Meituan. Cooperation, using online retail as a carrier to drive regional economic development. Internet retail, as an industry with low barriers to entry,

obvious Internet genes, and strong endogenous motivation, may become an important growth point for local economic growth in the post-epidemic era.

## 2. LITERATURE REVIEW

### *2.1 The characteristics of China's Internet retail industry and platform business operation mode*

Overseas generally choose to issue cash to stimulate consumption, while China chooses to issue consumer vouchers to stimulate domestic demand. China's Internet retail industry has distinctive features different from other countries. [1]

Over the years, overseas B2C giant websites have generally maintained a dominant position and monopolized the overseas Internet retail industry. Take Amazon as an example. Last year, Amazon's total online sales across the U.S. accounted for 47% of U.S. e-commerce sales, and Amazon e-commerce is just one of Amazon's huge industries. [2] China's Internet retail market is operated by e-commerce platforms. The three major platforms represented by Taobao, JD.com, and Pinduoduo have gradually risen to segment the market and become China's large-scale market with the shift of users from PC to mobile. E-commerce platform. Taobao started from clothing. As China's largest e-commerce trading platform, it now relies on system differences

such as Tmall, Taobao, Tmall International, Juhuasuan, Tmall Supermarket to form product and service differences, and build C2C e-commerce for all categories and ages. Retail; Jingdong started based on 3C (computer, communications, consumer electronics) products. When it was founded, Jingdong was not only a trading platform between retailers and consumers, but also based on JD's self-operating as an online retail service provider, Relying on JD's own logistics system to form a competitive advantage; while Pinduoduo started with preferential forms such as limited time spikes and group free orders through food categories, adding the attributes of social fission. Based on different market positioning, these e-commerce platforms are strongly driving the expansion of China's online retail market. [3] Opening up opportunities to small, medium and micro enterprises and individual merchants. Based on China's Internet retail platform business model, according to the analysis of McKinsey Global Institute, China's online retail accounts for 60%-80% of the global C2C market, which reflects China's Internet The retail market is not only for large-scale brands, many small and medium-sized enterprises and individual businesses also have development opportunities based on the virtual economy. [4] The platform model allows SMEs and individual merchants to prepare relatively low offline start-up funds to complete online retail processes such as online store opening, purchase, logistics, etc., and at the same time have the option of stopping losses in time when encountering loss risks. [5] Although a large proportion of the profits of independent e-commerce companies will be drawn by the platform, the platform is still the biggest winner in the online retail market, but this kind of platform mechanism with low entry barriers is already in a relatively weak position in the market. Of small, medium and micro retailers have increased opportunities. Take Pinduoduo as an example. For small, medium and micro enterprises and individual merchants, the cost of opening a store is extremely low, the rules are easy to understand, and the process is simple. The seller itself may be the manufacturer. Therefore, there is no price difference between consumers and supplier manufacturers. In the case of "wool", manufacturers conduct online retail for the purpose of dumping goods, and consumers have also obtained lower transaction prices. [6]

## ***2.2 Social platform KOL plays a role in sales***

The shift of users from PC to mobile has not only prompted the rise of China's e-commerce platforms, but at the same time, social platforms have also shown a strong momentum of development. Take ByteDance products as an example. Today's Toutiao and Tik Tok based on algorithm recommendations have been released one after another. Baidu, which was strong in the PC era, is gradually at a disadvantage in the

competition with ByteDance products[7]; Weibo, WeChat, Kuaishou, BILIBILI, Xiaohongshu, Zhihu and other social platforms have also firmly captured the attention of users in the mobile Internet era. [8] As social platforms gradually occupy users' consumption time [9], some social platform-based IPs have gradually formed. The content system converts public domain traffic of social platforms into private domain traffic of personal accounts, thereby converting "fans" into "users", and "content influence" is transformed into "consumption purchasing power". [10]

## **3. THE IMPACT OF THE COVID-19 EPIDEMIC ON THE RETAIL E-COMMERCE INDUSTRY**

### ***3.1 Under the influence of the COVID-19 epidemic, the new retail industry rapidly penetrated into the fresh food field***

The new retail industry chain is undergoing changes under the influence of the epidemic. In the past, "how to make the middle-aged and elderly people feel the convenience of new retail" has always been the biggest problem for new retail to enter the fresh food field. Today, affected by the COVID-19 epidemic, middle-aged and elderly people are forced to turn to online fresh food platforms that provide services during the epidemic. Once the middle-aged and elderly people feel the convenience and security of contactless services and door-to-door services, they will dispel their unfamiliarity with the new model, gradually form new consumption habits, and become accustomed to this convenient shopping model.

With the help of the COVID-19 epidemic, new retail companies have acquired a large number of customers at a very low cost, expanded their business areas, and rapidly expanded the market in the fresh food field, achieving rapid transformation of the new retail industry.

### ***3.2 New retail companies have raised their awareness of industrial chain management through the COVID-19 epidemic***

In a special period, the inventory, sorting and logistics management of many new retail platforms are slightly inadequate under the impact of opportunities. Many retail companies see the rapid increase in customer demand, but are unable to provide the products they need due to insufficient inventory, stagnant logistics, and other reasons, missing great opportunities. This makes new retail companies realize the importance of industrial chain management in retail business management. New retail companies need to seize opportunities during the epidemic period and show excellent industrial chain management to gain a greater

market share. Due to home isolation, online shopping has risen rapidly, and new retail companies need to form real-time docking with local merchants to ensure sufficient product supply. When normalized logistics cannot be fully restored, new retail companies need to use zero-touch distribution in the new format to ensure the safety of distribution, and organize enough distribution capacity to ensure the timeliness of distribution. Supply also has many problems due to the COVID-19 epidemic. New retail companies need to reach a consensus with upstream and downstream suppliers to help the entire industry chain smoothly tide over the crisis of the COVID-19 epidemic and seize new opportunities.

### ***3.3 The emergence of new formats in the retail industry chain***

In order to ensure performance during the COVID-19 epidemic, companies in the retail industry chain actively used online live broadcasts and other methods to promote their products and conduct sales. Users can see the products through small programs, Moments of Friends and other channels without leaving home, and understand the prices and features of these products. Suning.com uses mobile Internet tools such as linkage applets, APPs, live broadcast platforms, and a combination of celebrity store employees and Internet celebrity anchors, allowing users to select and purchase products without leaving home. The KOL promotion model represented by "Li Jiaqi" and "Weiya" has brought consumers a more intuitive and vivid shopping experience, with a high marketing conversion rate, and has gradually become a new growth driver for e-commerce platforms and content platforms. The retail industry chain is gradually embracing new business formats with brand-new ideas, reshaping traditional retail scenes with brand-new models, and giving customers a more intuitive and vivid shopping experience.

## **4. CHANGES IN THE RETAIL E-COMMERCE INDUSTRY AFTER THE COVID-19 EPIDEMIC**

### ***4.1 In the future, new retail will move towards a high degree of integration of online and offline industrial chains***

Under the COVID-19 epidemic, online retailers are facing the dilemma of high customer acquisition costs. At the same time, offline traditional physical stores are facing difficulties in using Internet technology to transform and upgrade. Therefore, the integration of online and offline industries will become the retail industry. The trend of further development. Although Internet companies and e-commerce platforms are constantly looking for ways to break through the current

traffic dividends, and entity companies are constantly exploring ways to use high-tech technology to attract consumers, for consumers, in addition to high quality and low price, can they be timely Getting the goods they need is what they care about most. Therefore, physical retail stores will be an indispensable and important sales channel, and the timeliness of consumers shopping is precisely what e-commerce lacks. With the rapid development of the economy and the advent of the technological era, the logistics industry has risen rapidly in the development of enterprises across the country. Smart logistics uses computer science and technology, including the Internet of Things, to effectively combine the advantages of the Internet to form a network information state, allowing complex data Value added has been realized, warehousing and logistics costs have been reduced, the operational efficiency of logistics outlets has been improved, and the development of the retail industry has been accelerated. Therefore, the new retail online and offline industrial chains should move from opposition to integration.

### ***4.2 The social industry chain marketing continues to grow***

In the COVID-19 epidemic, people rely more on social software for communication. The in-depth integration of social marketing and social interaction can become an important channel for new retail to acquire new customers. There is a huge potential for consumption in social networks, which has attracted many brands to enter major social platforms to promote and sell their products and services. The relationship network between users has very precise positioning and targeted marketing, which greatly improves marketing efficiency and reduces publicity costs. It can be seen that the social user base is large, the scope is wide, and the activity is high. The platform-based social circle has strong proliferation, which is convenient for using acquaintances to build brand reputation.

### ***4.3 Leading companies integrate industrial chain ecology***

In the case of unsmooth logistics, leading companies with good industrial chain management capabilities can quickly expand the market with the help of large platforms. Users need to rely on retail platforms to purchase necessities during the COVID-19 epidemic. After this period, strong user stickiness will be generated, and at the same time, other companies in the industry chain ecology will also benefit from the platforms of leading companies and form a closer ecological partnership.

After the COVID-19 epidemic is over, the integration of the new retail industry chain will accelerate, leading companies with better performance

will be able to impress consumers, and small chain platforms with poor performance will be eliminated or acquired. For example, large platforms such as Alibaba, JD.com, Meituan and Suning can take advantage of this opportunity to sink their businesses and obtain a large number of customers who rely on nearby small retailers.

#### ***4.4 Integration of digital technology into the new retail industry chain***

During the anti-epidemic period, in order to avoid human-to-human contact infection, the application of unmanned digital technology has become an important service method for new retail. In terms of warehousing, automatic picking and automated transportation have made logistics more smooth; in terms of distribution, JD's intelligent distribution robots have made great contributions in Wuhan; in terms of sales, unmanned supermarkets have returned to people's vision. Through the COVID-19 epidemic, people have realized the convenience brought by digital technology, and the new retail industry chain has also improved the efficiency of operations through these methods.

### **5. THE DEVELOPMENT TREND OF THE RETAIL E-COMMERCE INDUSTRY AFTER THE COVID-19 EPIDEMIC**

#### ***5.1 Strengthen the innovation of new retail scenarios***

The development of the new retail industry chain should strengthen the innovation of new retail scenarios through technologies such as big data and cloud computing. Optimize management through new technologies and new models such as smart containers, smart logistics and smart terminals, in-depth understanding of customer needs, and enhanced interaction scenarios between customers and products. With the analysis of big data, the management efficiency of large and small retail enterprises in the industry chain is improved, and a unified business model is formed, leaving a stable and good reputation in the hearts of customers.

#### ***5.2 Actively embrace new retail concepts and digital economic means***

Under the impact of the COVID-19 epidemic, traditional retail should actively embrace new retail concepts and digital economic means. The advantage of a community-level retail store or supermarket is a relatively stable source of customers, but it lacks efficiency and services tailored to customer needs. Traditional retail still uses price reduction as a promotional method, and cannot make refined promotions based on the age, occupation, and consumption habits of customers. However, digital

economic methods can enable traditional retailers to discover more potential needs that are difficult to be discovered by customers, and provide more Targeted services. Industry leaders can build an industrial chain ecosystem, achieve full coverage of the retail areas of online and offline, communities and business circles, and enhance the anti-risk capability of the entire new retail industrial chain ecosystem. On the new retail industry chain platform, companies can quickly learn about each other's needs and make corresponding adjustments in a timely manner. The full coverage of the retail areas of online and offline, communities and business circles can achieve synergies and reduce the management costs, technical costs and commercial risks of the entire new retail industry chain.

### **6. CONCLUSION**

While the COVID-19 epidemic has had an unprecedented impact and impact on the traditional economic model, it has played a huge role in promoting the new retail industry. Under the COVID-19 epidemic, on the one hand, the new retail industry chain successfully penetrated into the fresh food field, which raised the awareness of industry chain management in the industry and formed a new format. On the other hand, as consumers develop new consumption habits, the new retail industry chain will be highly integrated with online and offline businesses, and will continue to broaden the customer base through social marketing and digital technology, and accelerate the integration within the industry chain.

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