



# The Impacts of Business Model Innovation on Enterprise Development: Taking East Buy Holding Limited as an Example

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**Abstract.** Nowadays, Internet is very developed, so plenty of enterprises choose to expand new sales channel, which is e-commerce. This study is going to explore the impact of business model innovation on enterprise development. The study adopts case study to analysis a specific company: East Buy Holding Limited. Not only this study analyses business model innovation of this e-commerce enterprise in detail, but also gives some future suggestions to this company according to it strengthens, weakness, opportunities, and threats. The result of study is that corporations need to find appropriate business model innovation methods to better their development. The outcome of this study is useful to firms which are encountering some difficulties, for this study stresses the importance of business model innovation. The study is limited to e-commerce companies. Future research may include other enterprises across pattern boundaries.

**Keywords:** business model innovation · business development · e-commerce

## 1 Introduction

### 1.1 Background of the Study

Nowadays, Internet is very developed, so plenty of enterprises choose to expand new sales channel, which is e-commerce. Though e-commerce has plenty of advantages, it also faces a plurality of problems. For example, despite the rapid development of e-commerce, some companies have highly homogenous business models. In this way, the whole market would be less dynamic, and competition between companies will also increase a lot. So, different e-commerce corporations need to take different business routes to carry out business model innovation, which can help companies maintain their competitive advantages, and thus they can make profits from their potential customers.

### 1.2 Problem Statement

Innovation is of great significance for business future development, and plenty of enterprises need to innovate in times of transition or difficulty. Business model innovation

also have a profound impact on companies' future development. Innovation is mentioned in many studies, and different studies have their own perspectives and research directions on it. Some studies discussed that companies could use big data and information networks to develop new business models or innovate existing ones [1]. Some studies demonstrated the impacts of business innovation on future employment [2], on brand value [3], and on business performance [4]. Other studies posited the various types of business model innovation [5]. However, much information is not related to how business model innovation affects enterprise development. And there is a certain connection between business model innovation and enterprise future development.

### **1.3 Aim(s) of the Study**

This study seeks to explore the impact of business model innovation on business future development to figure out the relationship between innovation and companies' future development.

### **1.4 Objective of the Study**

The main objective of the study is to explore the impacts of business model innovation on enterprise development: taking Eastern selection as example.

### **1.5 Supporting Objectives**

To achieve the main objectives as state above, the following specific objectives will be pursued:

To explore the impacts of business model innovation on enterprise development.

To investigate the opportunities and challenges brought by business model innovation on enterprise development.

To find solutions to deal with problems that business model innovation on enterprise development encounters.

### **1.6 Research Questions**

What are the impacts of business model innovation on enterprise development?

What are the opportunities and challenges brought by business model innovation on enterprise development?

What are the solutions to deal with problems that business model innovation on enterprise development encounters?

### **1.7 Significance of the Study**

In the process of selling online, enterprises may encounter with plenty of problems, which means that enterprises need continuous innovation to keep up with the trend of the times. Studying this research can help companies to know the impacts of enterprise business model innovation, thus helping companies better attract customers and making more profits.

## 1.8 Delimitation of the Study

This study only focuses on e-commerce company. Particularly it explores the business model innovation. It does not consider other types of business.

## 2 Literature Review

This section addresses the empirical information regarding the research topic. This study equally relies on previous write-ups to address the impacts of business model innovation on enterprise development.

### 2.1 Theoretical Background

Trapp [6] reckoned that today's environmental changes make it difficult for companies to maintain business models with above-average returns, and the purpose of business model innovation is to seize new opportunities. Other scholars also raised environmental concerns. According to Dymitrowski [7], In a dynamic and changing environment, companies are seeking new methods to have competitive advantage, one of which is business model innovation.

### 2.2 Conceptual Framework

According to Hargadon [8], a novel business model should be a byproduct of a process focused on providing maximum long-term value to customers. Cavalcante, Kesting, and Ulhøi [9] reckoned that business model changes have 4 different types: business model extension, creation, termination, and revision.

### 2.3 Impacts of Business Model Innovation on Enterprise Development

Business model innovation can bring plenty of effects to enterprise development. Innovation performance can be influenced positively by business model design that is efficient and novel [10]. According to Yang, Likai and Ruoyu [11], Business model innovation is positively correlated to enterprise growth. Also, Gatautis, Vaiciukynaite, and Tarute [12] posited that the implementation of BMI practices results in structural and strategic changes in the business and positively impacts SME innovation and performance.

### 2.4 Opportunities and Challenges Brought by Business Model Innovation on Enterprise Development

When enterprises are carrying out business model innovation, they may both have some opportunities and challenges. Guo, Tang, Su, and Katz [13] demonstrated that business model innovation plays a mediating role in the positive relationship between SME performance and opportunity identification, which means that business model innovation can help companies identify opportunities and thus contribute to better performance. According to Taran, Boer, and Lindgren [5], business model innovation is not only becoming more significant because of increased competition and globalization, but also facing great challenges in theory and practice.

## **2.5 Solutions to Deal with Problems that Business Model Innovation on Enterprise Development Encounters**

People can have many ways to solve the encountered problems. Competition, knowledge and customer ties are essential conditions to achieve high level of business model innovation [11], which means that we need to take these factors into consideration when facing problems. However, some scholars only focused on customers rather than taking too much information into account. The effectiveness of business model innovation is determined by three process stages carried out in cooperation with customers: value use delivery, value proposition definition, and value delivery design [14].

## **3 Methodology**

The researcher will introduce how the research is designed in case study.

### **3.1 Research Design**

This study will mainly use case study and will take the innovation of East Buy Holding Limited business model as an example. This study will systematically analyze the innovation of the company's business model, and uses the business model canvas, 4P theory, STP marketing theory, SWOT analysis method to study the company's strengths and weaknesses, opportunities and challenges, and gives some recommendations to solve the problems.

### **3.2 Data and Data Analysis**

In this study, the researcher analyzed the collected data from the website. And the researcher used line chart to analyze the data by using numbers software.

## **4 Analysis**

This chapter will analyze the company - Eastern Selection by using business model canvas, 4P theory, STP marketing theory, and SWOT analysis method.

### **4.1 Business Model Canvas Analysis**

#### **4.1.1 Value Proposition**

Its value propositions are professional towards, adhere to integrity, excellent pursuit, and continuous progress.

#### **4.1.2 Consumer Relations**

They offer products that cater to the needs of different consumers. And also, they build profitable relationships to customers and provide consumers with satisfactory after-sales service.

### **4.1.3 Distribution Channel**

East Buy Holding Limited only uses online distribution channel, and it does not have any offline stores.

### **4.1.4 Customer Segment**

It both uses psychographic variables and demographic variables to segment customers. As for psychographics, they will share different stories or life lessons every day live to trigger the resonance of different consumers. While for demographics, they offer products at different price points for customers with different incomes.

### **4.1.5 Key Activities**

This company mainly have two key activities. One is spreading culture. Anchors sell goods while teaching customers English and performing talents in the live room. Another is public welfare for agriculture. They go to different parts of the country to carry out outdoor live broadcast, and the live broadcast content is integrated into the local culture, to help farmers sell goods and solve their problems, thus improving the living standards of farmers.

### **4.1.6 Key Resources**

The first resource that they possess is high educated and experienced whole faculty, which can spread positive values to customers. And also, the public is more likely to pay for knowledge because they have a unique feeling of the profession of teacher. The second resource is high-quality live content. It continuously outputs useful and valuable live content for potential customers, thus gaining high flow at low cost. Then their live streams get continued promotion through spontaneous dissemination.

### **4.1.7 Key Partners**

In terms of logistics, Eastern Selection has reached a close partnership with SF Express Logistics and Jingdong Logistics, and they also plan to establish a self-operated product warehouse to provide logistics services for self-operated products nationwide. And it also cooperated with Guomai Culture Media Co., which will conduct regular selection and send samples to the Eastern Selection.

### **4.1.8 Cost Structure**

East Buy Holding Limited cost structure is divided into three main sections. The first is labor cost, for example salaries and commissions of anchors and other staffs. The second is marketing cost, for they need advertising and other marketing approaches to promote and spread the brand, while this part accounts for a relatively small amount. The last is cost of goods and storage. It has established several warehouses for their own products, which means that it needs to take this part into consideration, for they need to buy goods from manufacturers and have warehouses to store them.

### **4.1.9 Revenue Stream**

When it comes to East Buy Holding Limited revenue stream, it is divided into two main parts, stemming from platform rewards, and selling products. As for platform rewards, it uses an e-commerce platform called TikTok to sell products, which will reward those who do a good job. Nevertheless, its main revenue comes from selling products. For consignment products, it will charge high commissions; for self-selling products, it will buy and sell then on an underwriting basis, pocketing the difference.

## **4.2 4P Theory**

### **4.2.1 Product**

East Buy Holding Limited focuses on selling agricultural products. Although it sells a plurality of products, it is dedicated to selling health, high-quality, and cost-effective products, thus making more and more customers satisfied.

### **4.2.2 Price**

Although some individuals may consider that the products that are sold by Eastern Selection are relatively expensive, its products do have a lower price in their category. In the current market, the phenomenon that the quality of product is not proportional to the price is quite common, for agricultural products are not branded, and thus consumers do not know whether the products is of high quality at all. For example, luxury goods can be sold at high prices not only because of good quality, but also because they spend a lot of money on marketing and promotion and then let consumers know their value and recognize their value and idea, and thus consumers are willing to pay for them. Eastern selection insists selling high-quality agricultural products with relatively low prices can better promote these agricultural products to more people to become brands, thus making people recognizing their value.

### **4.2.3 Promotion**

It mainly has two promotion method, and both are free. One is the advertising of TikTok users. For example, some users who watch the live broadcast of Eastern Selection will find their live content interesting and novel, and then they upload their live clips to the TikTok platform or recommend this live broadcast to their friends and relatives, so that more and more people will know and see this interesting live broadcast, and thus this company also will get more free flows from the platform as rewards because many people will stay in this live broadcast room and watch the live broadcast. The other is the spontaneous propaganda of journalists of we-media. After some journalists of we-media see many individuals promoting the company, they will also help to advertise and promote this company in order to seize the current hot spots to get more flows and fans.

### **4.2.4 Place**

East Buy Holding Limited is basically using indirect marketing channel. As a middleman, it buys the products from manufactures and then sells them to consumers, thus earning

the difference in price. Also, it gained a plurality of profits from this marketing channel. According to financial report of East Buy Holding Limited, in the first half of the 2023 fiscal year, the total revenue of the company's live streamers was 2.08 billion yuan, and the net profit was 585 million yuan [15], which is relatively high for a newly developed e-commerce company.

### **4.3 STP Marketing Theory**

#### **4.3.1 Segmentation**

East Buy Holding Limited uses multiple segmentation methods, for it uses a variety of segmentation variables to create smaller, more concrete groups of consumers. For example, though it mainly sells agricultural products, it also sells other products such as books, which segment different occupations, for students may prefer buy books rather than buying expensive high-quality agricultural products.

#### **4.3.2 Target**

East Buy Holding Limited basically uses differentiated marketing way to target customers. It targets several segments and then provides different products for different segments, which will not only allow it to detect potential customers more precisely, but also will better respond to its competitors.

#### **4.3.3 Positioning**

It has positioned itself as a live broadcast room helping farmers to sell products. And also, it possesses a large number of point of differences. Firstly, its values are not as the same as other companies which may concentrate more on profits or services, while its values are more emotional and humanistic. Secondly, its anchor team is different from other anchors, for its anchor team are all teachers will long teaching experience, more educated, and thus more able to spread the value and resonate with the public.

### **4.4 SWOT Analysis**

#### **4.4.1 Strengths**

As for East Buy Holding Limited, it has plenty of strengths. It uses its whole team of teachers to share knowledge by live broadcast, which is a buzz that can attract more flows. And each teacher is skilled, which can increase the length of stay in the live broadcast room, thereby increasing the rate of orders. It also can invite all kinds of big names to be guests in the live broadcast room, which can help to grow the fame of its live broadcast room.

#### **4.4.2 Weaknesses**

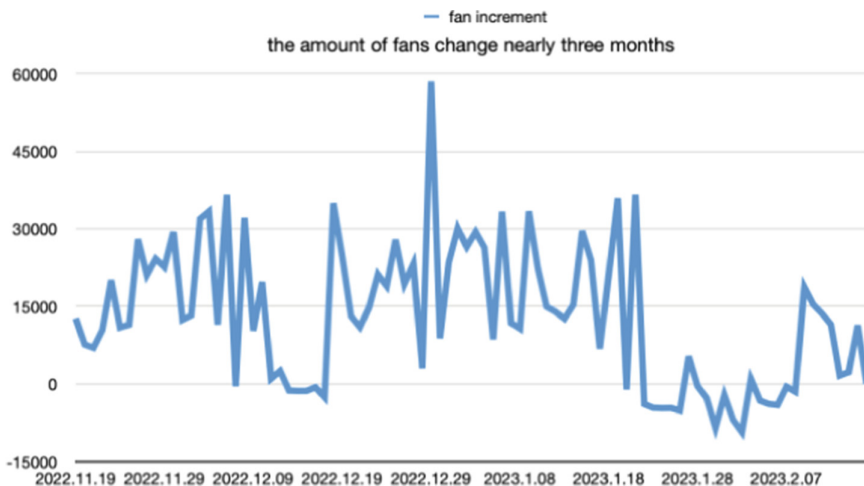
The main weakness of East Buy Holding Limited is that the quality control of products in the broadcasting room is not strict. For example, some consumers have received agricultural products that were not fresh or even broken, which greatly affects the reputation of the brand, thus losing potential customers.

### 4.4.3 Opportunities

When it comes to opportunities, East Buy Holding Limited has faced with plenty of opportunities. The first is the support of national polices. For example, the state will reduce the corporate income tax of companies selling agricultural products in order to support agricultural development. The second is the innovation of live mode. The team chooses to broadcast live in the production base of agricultural products across the country and uses local scenery as the background of the broadcast. The last is that it carried out the innovation of business model and seized the outlet of the e-commerce live selling goods.

### 4.4.4 Threats

Competitor suppression is one of a big threat. From example, some anchors' small actions or words are often amplified infinitely by competitors and spread across the Internet, thus giving potential consumers a bad impression of the company. Consumer aesthetic fatigue is another major threat. We can find that during the recent month of live broadcast, the number of fans increment has shown a downward trend. People always are interested in novel things, especially this unique way of live streaming. This will be followed by endless imitations from other companies, thereby bringing aesthetic fatigue to customers. In this way, East Buy Holding Limited cannot capture value from customers and gain profits (Fig. 1).



**Fig. 1.** The number of fans change nearly three months. Source: <https://xd.newrank.cn/tiktok/detailV2/overview/EBAEAD1238C1DD416DA84274C7877B301F8497AE7E9FE76C524D82820B5A8ABC>



## **5 Conclusions**

This chapter will make conclusions to the research and give some recommendations to the company: Eastern Selection. 5.1 will present some conclusions according to the research objectives and will demonstrate whether the objectives are achieved or not. 5.2 will present some limitations to this research.

### **5.1 Research Findings**

#### **5.1.1 To Explore the Impacts of Business Model Innovation on Enterprise Development**

Business model innovation has a two-sided impact on enterprise development. The positive side is that it allows companies to be more competitive and have points of difference, so it can better capture potential customers and collect profits. The negative side is that on the basis of this successful transmission, it must be imitated and hit by competitors, so it needs to carry out continuous transformation and upgrading to follow the trend of the times.

#### **5.1.2 To Explore the Opportunities and Challenges Brought by Business Model Innovation on Enterprise Development**

In this research, business model innovation brought policy support, live pattern innovation, and consumers' recognition of its livestreaming philosophy and its core value on enterprise development. However, it also brought some challenges, such as suppression from competitors, consumer aesthetic fatigue and products' quality control.

#### **5.1.3 To Find Solutions to Deal with Problems that Business Model Innovation on Enterprise Development**

From this research, East Buy Holding Limited needs further transforming and upgrading to better diversity the live format. For example, the members of their live team can be not only teachers but also the best in various industrials to make the live streaming more professional and complicated. Live team members also need to be more disciplined in their behavior, for a small inappropriate behavior can even make the whole enterprise image damage, thus making the company lose consumers and affecting profits. And lastly, the company needs to strictly control the quality of its products and invest more human resources to this section so that consumers can buy satisfactory products.

### **5.2 Limitation**

This study only focused on e-commerce company, and companies in other fields are not included in this study, which means that is not quite comprehensive.

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