

Countermeasures on the Upgrading and Transformation of the Traditional General Merchandise Industry in the Internet age

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Abstract. As a traditional industry, the general merchandise industry has formed a complete industry chain and management model. With the rising of the Internet and e-commerce, people's lifestyles and consumption behaviors are gradually changing. Although department stores have undergone some changes in market transformation again and again, traditional department stores are facing heavy competitive pressure and may even go under. The paper analyses the present situation of the domestic department stores, summarizes some countermeasures and suggestions based on the case of a department store, which are expected to play a role in upgrading and transforming the general merchandise industry.

1. Introduction

With the development of the economy and the continuous upgrading of Internet technology, traditional department stores are facing significant changes and huge challenges. In recent years, the gradual decline in the performance of the department store industry has made an urgent task the upgrading of traditional department stores. However, due to some objective factors, many department stores did not make timely adjustments. The timeliness of the modern economy is particularly important. Therefore, in the current domestic and overseas environment, research and discussion should be focused on the transformation, upgrading and development strategies of traditional department stores in China, and relevant countermeasures and programs should be introduced.

2. The present situation of the general merchandise industry

There has been a lot of stores closed due to the bad management in China's retail and service industries since 2015. According to the statistics, there were 865 stores closed in the traditional retail industry in 2015. In the first quarter of 2016, 41 in 54 retail companies saw a decline in turnover. According to Wind's statistics, in the 2015 financial reports of 88 listed retail companies, 47% of the company's revenues declined, 60% of the company's net profit fell, 33% of the companies were double-sliding and up to 15% of the companies had losses. The traditional retail industry, which once enjoyed prosperity, is facing a tough time when the performance falls and stores go out of business.

3. Case analysis

As a department store with an exceptional feature, Tianjin Quanyechang Hall has its own historical and cultural competitive advantages. Due to the objective restrictions such as the land area and some historical issues, it is infeasible to blindly copy the business model of a domestic commercial complex, or to copy that of a successful foreign department store. Therefore, the industry can only create a new commercial model. In response to the current business difficulties and the impact of the e-commerce and shopping centers, this paper puts forward some suggestions on transformation and upgrading.

3.1 Transforming the thinking mode

3.1.1 Valuing the Experience

The advent of the Experience Economy era has had a profound impact on the department store industry, especially in terms of marketing concepts. Experience is king is one of the core of Internet thinking, and the user thinking system covers the most classic brand marketing elements. Experiential thinking, which breaks through the hypothesis of the original rational consumer, believes that the consumer behavior is the result of the combination of rationality and sensibility. The real human cognition comes from experience, and a good customer experience runs through every detail. It can make customers feel and exceed customer expectations, bring surprises to customers, and run through the entire chain of brand and consumer communication. Therefore, the customer's experience before, during and after consumption is the key to researching consumer behavior and corporate brand management. An improved consumer experience can increase the shopping stickiness. "Quan Ye Chang" Hall has no advantage in terms of consumer experience, especially in the past when attention was paid more to the completeness of brands and product categories, and less to whether the product quality and service can satisfy customers. There is still much room for improvement in terms of experience requirements. In the layout of the shopping mall, more consideration should be given to the various needs generated by consumers in the shopping process. As to the cash desk, the payment habits of different consumers should be taken into consideration. Moreover, the selection of goods and services can also be considered to form a good interaction with consumers. The project allows consumers to experience surprises beyond expectations during the shopping process.

3.1.2 Valuing the Fans

Another problem that traditional department stores need to deal with is the positioning of target consumers. Most of the current consumers are online aborigines, whose mode of thinking and social behaviors, as well as the habits of shopping, are different from previous consumers'. The consumer group has changed while the department store's business model has not. Today, with the change of consumption sites, it is no longer possible to stick to the tradition. Expanding the number of customers and increasing the stickiness are essential issues that traditional department stores need to focus on. Fans-economy thinking severs as an important breakthrough. The fans economy is centered on emotional ties. Fans community is the carrier. And fans themselves are the source of all the hits. How to increase the user viscosity with the increasing number of customers constitutes a further consideration, especially for traditional department stores, which has less competence in shopping convenience. Quanyechang Hall has a specific membership institution. However, it only gives members a certain discount through the membership system, but does not really form an interaction with customers which the Fan economy demands. Therefore, as a solution, it is optional to open a self-media account and implement online and offline interactions that are not subject to space and time constraints through social platforms commonly used by consumers such as Weibo, WeChat public account, and video software. The use of fragmented time and the implementation of fragmented marketing, more convenient sharing and recommending more social participation, will attract more fans.

3.1.3 Valuing the data

Although traditional department stores have rich offline customer resources, most department stores do not make full use of them. The success of e-commerce is based on their competitive advantage of analyzing data. By analyzing the information of consumers, such as the browsing history, the e-commerce entities could better target ads to shoppers and provide customized promotions. Moreover, some e-commerce companies calculate the price sensitivity of consumers, implement price discrimination to realize the illusion of low price, and finally achieve sales activities more effectively. If traditional department stores change the way of thinking, apply data excavation methods and implement more precise marketing, they will best improve their trading ratio.

3.1.4 Valuing the Brand

In theory, different price ceilings will be formed because different consumers have different levels of value cognition and understanding of the value of goods. If the price is set within this limit, the

transaction behavior can be facilitated relatively smoothly. Traditional department stores can establish online platform based on high-quality and diversified product information to use this theory, thereby increasing consumers' recognition and cultivating the client's trust. Besides, by providing the high-quality service, department stores can cultivate the consumers' loyalty towards the brand and win the trust and support of young people by fostering their consumption habits. In addition, general merchandise industry must pay attention to the promotion of social value, pay attention to the promotion of its brand image and get good word of mouth, especially to be popular with young people, making itself a symbol of cultural tide.

3.2 Upgrading of management mode

3.2.1 Using modernized information technology to reduce logistics costs

With the rapid development of information technology, Quanyechang hall should use the information management to improve the management of internal products effectively and to better realize the control of inventory through managing the processes of procurement, sales, warehousing, etc. Due to its limited operating area, it is necessary for Quanyechang hall to expand its operating area by reducing storage. When the offline stores are only used for displaying merchandise and the deal is entirely closed online, it is more important for department stores to find logistics partners and establish business alliances, upgrade online payment system and logistics distribution systems, reduce management costs, and improve the operation and management.

3.2.2 Innovation of internal management mechanism

In terms of internal management, Quanyechang hall can implement strict internal control strategy and improve internal environment to avoid risks. At the same time, implementing a flat management mode can promote the information transfer, improve the efficiency, and enable it to respond quickly to market changes.

3.2.3 Policies in human management and incentive

It is important to cultivate the talent and improve the ability of staff. Outsourcing the staff training to professional training companies is a effective way to improve employee etiquette and strengthen service consciousness. Also, internal control should be used, such as setting high standards for services, the establishment of norms and standards, and then setting performances in personal evaluation. Besides, pay attention to the training of all types of experts, select excellent employees for further study, and interchange and communicate with other department stores abroad. By these processes, employees can broaden their horizons and gain experience, and the hall can introduce excellent management talents both at home and abroad.

Secondly, by establishing appropriate employee incentives, a positive relationship between pay and return is achieved. The hall should meet out rewards and punishments fairly. Through incentive policies, employees' satisfaction degrees are increased and employees are truly integrated into the work of the mall. It means that the company should persist with humanized management in managing employees and building its own corporate culture.

3.3 Rebranding and marketing reconstruction

3.3.1 Brand upgrading

As for introducing brands, the hall should not only consider the trend of fashion and brand effects, but also consider whether the brands are attractive to the target customer group and match customers' purchasing power. Also, the brands introduced need to be regularly upgraded and thereby the hall can constantly absorb new customers. Besides, the hall can choose some brands full of technological elements. For example, an experience space of technology company, which has a very nice atmosphere, gives people a feast of the senses and results in better consumer experiences. Moreover, for halls wishing to maintain some traditional brands, multi-brand integration strategy can be taken through displaying similar brands in a designed area, which will both solve the problem of lacking in area and enhance the pertinence to target customers.

3.3.2 Business upgrading

In terms of retail format choices, the possibility of Quanyechang hall completely turning into a shopping center is relatively low, due to its limited operating area. Therefore, the only feasible way is to copy the good user experience of shopping center by providing a better organized layout, which needs devoting attention to detail and changing the traditional ideas. As for the management mode, the hall should analyze the consumption psychology of the target consumer group, including young people's expectations of experience and favorable types of retail business. Besides, the consumption of the food and goods always happen when people accompany children or partners during learning or entertainment. So it's time for department stores to convert control of goods into control of customers. Due to the objective restrictions of Quanyechang hall, it can achieve food selling by introducing well-known bread shops, sushi restaurants or tea houses rather than general restaurants, to meet the needs of the customers during their shopping process. In addition, introducing offline experience stores of well-known brands is also an effective way. Compared with traditional shopping methods, e-commerce has a disadvantage that the information obtained through the network is insufficient for most consumers to make shopping decisions. This is the reason why many items have a low rate of forming an order online. But with offline experience stores this rate can increase a lot. For goods such as electronics, cosmetics, clothing, etc., customers need to know the products comprehensively before making consumption decisions. If they visit the offline stores and listen to the introduction, consumers will be more willing to buy. Therefore, opening experience stores can promote offline transactions. And providing delivery services after order also provide motivation, which solves the problem of customers carrying goods, reduces warehouse cost and saves space. Meanwhile, creative culture can help attract customers. For example, a hall can indenting culture themes, create different creative atmospheres, regularly replace the photo wall, and improve popularity on the internet. Some manual experience workshops can be introduced in, including shops making leather goods and workshops for wood art, baking, jewelry, clothing and other handicrafts. Customers watch processes of D.I.Y. and spend more time in hall, stimulating consumers' desire to buy. As for halls located in the center of the business, where there are too many similar department stores, it may consider a brand management model called brand set shop to solve the problem of high rate brand repetition. Applying the buyer model called product-development patterns can promote the department store to turn into self-operated and help solve the local employment problems. In addition, by using the buyer team, the hall can effectively screen brands to only introduce well-known brands meet the style of the hall.

In recent years, with the explosive growth of the number of shopping malls, outlets gradually become a favored retail format. According to statistics, Ole, which entered TOP20 ranking in 2017, created a total profit of 40.879 billion yuan, exceeding the same period last year by 19%. Ole's competitive advantage is its discounts for many well-known brands. However, Quanyechang hall uses discount sales but has poor effects. The reason is that the amount of famous brands introduced is relatively small, and this is related to its inherent restrictions. To solve it, the department stores can adjust the weight of luxury brands, entry luxury brands and fast fashion and ultimately form an relatively moderate brand structure to attract consumers. Additionally, it is important for Quanyechang to get rid of the profit model of rent collection and to build its own efficient business model. In this way, the hall will make profit by selling products rather than collecting rents. And it can use the well-known brand effect to customize the products and finally shape its own brand products.

3.3.3 Introduction of contemporary marketing mode

Outdated marketing mode is one of the problems encountered by many traditional department stores. And creating a "hot cake" is now a popular marketing mode with the advantage of applying the sharing and viral marketing. During the early stage marketing, marketing subject leads consumers to participate in the buying process, but in the later stage, these consumers can became main marketing body. And the targeted, creative and large-scale marketing mode of creating a "hot cake" can foster the consumption habits of customers and create high degree of customer loyalty and repeat business. Additionally, live broadcast is useful for marketing. As of August 2017, there were

more than 270 live broadcast platforms in China with 343 million live broadcast users. This is a very large group, and most of them are young consumers. As long as the process and rewards are well designed, the live broadcasts can turn every user into a participant or even a marketing body.

3.3.4 Organic combination of online resources

In recent years, the development of online shopping in China is obvious to all. The mode of online and offline o2o has become a trend in physical retailing industry. In order to be networked, department stores should integrate online and offline, which includes increasing online sales channels and making full use of online resources. And several examples are given below. First, the online part can become the front desk of the offline. Networked store facilities should be used to realize this both by providing a map of the distribution of goods to help customers quickly locate the position of the goods and by pushing information about related products which is part of precision marketing. Besides, traditional department stores can use big data analysis platform to obtain information as consumer age, gender, purchasing power and consumer preferences, and thereby achieve the goals of precision marketing and customer management. In addition, department stores can use Internet to achieve the self-operation business and pre-judge the market before purchasing to provide effective demand information to buyers.

4. Summary

The traditional domestic general merchandise industry has been facing more severe challenges and pressures over the years. Under such pressures and challenges, the upgrading and transformation of traditional department stores are imperative. All in all, the traditional department stores should first have a positive and open attitude, study advanced management experience and take advantage of its profound culture and Internet to support traditional department stores. And then put forward the optimizing measures for commercial layout in accordance with the law of development. All steps mentioned above will finally promote the upgrading and transformation of the traditional general merchandise industry.

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