

Research on Opportunities and Challenges for Chinese Retailers in the Post-Epidemic Era

Lili Cao, Jing Huang*

¹International Business School, Jilin International Studies University, Changchun, 130117, Jilin, China

*Corresponding Author

Keywords: Post-epidemic era, Retail enterprises, Business transformation

Abstract: When the COVID-19 epidemic broke out in China, all sectors across the country have been affected by the epidemic, such as agriculture, micro and small businesses and the logistics industry, inevitably suffering serious damage. In particular, traditional retail business has suffered greatly during the epidemic. At the same time, the new e-commerce model has become more and more popular because of its convenience and speed, and a large number of traditional retail enterprises have seized the opportunity to enter the new retail upgrade and transformation period. In recent years, Suning Tesco co.,ltd., as a leading retailer in China, has also experienced considerable challenges during the epidemic. This paper takes the retailer Suning Tesco co.,ltd. as an example to analyse the challenges and opportunities it faces in the post-epidemic era.

1. Introduction

As a result of the widespread outbreak, the development of China's traditional retail, restaurant, tourism and entertainment industries was hit hard, and many companies had to face bankruptcy and closure due to months of production shutdown.

2020 is the difficult year for the retail industry, an industry already hit hard by the epidemic, and companies must quickly complete the transformation of their retail models. In the first half of 2020, Suning Tesco co.,ltd. had a loss of 17.147 billion yuan, down 12.65% year-on-year, on operating income of 118.423 billion yuan. Facing the market pressure under the epidemic, Suning Tesco co.,ltd. intends to open up all segments of its online and offline retail model, complete the combination of its two production lines and expand the overall layout of its new retail model to quickly seize the lead in the new retail industry and become an iconic leader in China's traditional retail industry.

COVID-19 has brought not only shocks under all aspects of life to the people, but also great opportunities. In this paper, we will analyze how Suning Tesco co.,ltd. has responded to the challenges and seized the opportunities around the development status of the epidemic period.

2. Suning Tesco Business Operation Conditions during the Covid-19 Epidemic

2.1 Suning Tesco Income Plummeted At the Beginning of the Covid-19 Epidemic

Table 1 Financial Data Of Suning Tesco in the First Half of 2020

Unit: thousand Yuan

Project	Current reporting period	Same period of previous year	Increase/ decrease in the current reporting period compared with the same period of the previous year
Operating income	118,423,830	135,571,179	-12.65%
Net profit attributable to shareholders	-166,597	2,139,465	-107.79%
Net profit after extraordinary gain or loss attributable to shareholders of the listed company	-745,111	-3,189,780	76.64%
Net cash flows from operating	204,547	-10,267,957	101.99%

activities			
Basic earnings per share (yuan/share)	-0.0182	0.2328	-107.82%
Diluted earnings per share (yuan/share)	-0.0182	0.2316	-107.86%
Weighted average return on net assets	-0.19%	2.63%	-2.82%

By the data in Table 1 for display, the first half of 2020 Suning Tesco's operating cost income can reach 118.423 billion yuan, the epidemic on the enterprise caused a loss of up to 17.148 billion yuan, down 12.65% year-on-year, the net profit loss of shareholders reached 160 million yuan.

Due to the epidemic, in order to avoid the phenomenon of “human-to-human transmission”, almost all people were required to stay at home and isolated under a series of national epidemic prevention measures, and could not go out to consume, so the consumption channels in the market were suppressed to a great extent. Comparing the above data, it is clear that at the beginning of the epidemic, Suning Tesco's operating income and net profit declined significantly compared to last year, and it is obvious that the business condition is not as good as before and the company is facing huge losses.

2.2 Suning Tesco Increases Online Sales during the Middle of Epidemic

Table 2 Financial Data Of Suning Tesco for the First and Second Quarters of 2020

Unit: thousand Yuan

Projects	First quarter of 2020	Second quarter of 2020
Single-quarter operating income	57,839,184	60,584,646
Single-quarter operating profit	-851,706	237,009
Total profit in a single quarter	-834,849	296,670
Single-quarter net income	-739,434	197,327
Single-quarter net profit attributable to parent shareholders	-550,949	384,352

Although the first two quarters of 2020, corporate development occurred with a large loss, Suning Tesco can still proactively respond to the changes in the Chinese market, quickly change the strategy of the retail industry and accelerate the upgrading and transformation of the retail model. After the first round of battle with the epidemic, Suning Tesco has realized that relying only on the traditional retail model during the national fight against the epidemic has been unable to make the enterprise sustainable profit, in order to break through this loss status, Suning Tesco began to actively seek changes.

Due to the policy of universal home isolation, Suning Tesco began to seek new ways of retail development. With the support of the policy environment advocated, Suning Tesco used the development of online retail model to vigorously develop off-store sales and home-to-home business, and the company's revenue reached 60.585 billion yuan and merchandise sales reached 88.672 billion yuan, achieving an increasing quarter by quarter.

According to the comparison between the first quarter and the second quarter in Table 2, the operating performance of Suning Tesco began to gradually improve, and the operating income profit in the second quarter immediately achieved a substantial increase, from a loss of 730 million to a profit of 190 million enterprises in only three months, Suning Tesco e-tailing in a short period of time to achieve a profit, profit is much higher than the industry average, showing the flexibility and potential of Suning Tesco panoramic retail.

After the successful transformation of Suning Tesco's retail model, the market economy of domestic retail enterprises has shown strong vitality, with many retailers joining the new retail model of online sales and home delivery. Since the outbreak of the epidemic, new consumer models such as non-contact distribution and unmanned vending have continued to develop rapidly, injecting new momentum into the new retail industry.

2.3 Suning Tesco Strategic Transformation after the Middle of Epidemic

In the 21st century, technology has been innovating and the needs of the consumer market are changing, and young people of today are pursuing faster and more convenient ways of

consumption. The traditional retail model cannot meet the requirements of consumers who can buy everything without leaving home, so the online retail model began to appear in the public's view. In the 21st century, technology has been innovating and the needs of the consumer market are changing, the quality of goods is gradually improving, and young people of today are pursuing faster and more convenient ways of consumption. The traditional retail model cannot meet the requirements of consumers who can buy everything without leaving home, so the online retail model began to appear in the public's view.

At this point, the company's new business needs in the supply chain, technology, and products and channels beyond the consumer. Therefore, Suning Tesco opens up the company's own resource advantage analysis capabilities to build a full-scene smart retail ecosystem with brands.

By September 2020, Suning Tesco's online platform merchandise turnover achieved 82.266 billion yuan, and the share of non-electronic merchants in the platform reached 89.46%. Suning Tesco online platform grew rapidly, and the share of merchant platform composition expanded from electronic products merchants to non-electronic products merchants.

At the same time, Suning Tesco seized the value of Internet traffic during the epidemic, allowing each offline store to carry out online live sales channels, thereby creating a new retail approach. Suning Tesco has initially built a new retail business model, forming a gradual expansion from electronic products to household products, daily necessities, baby products, medical and beauty products.

3. Suning Tesco Face the Challenges in the Post-Epidemic Period

3.1 Rapid Development of Online Platforms

The epidemic has strengthened people's online shopping habits, forcing even those who normally do not like to shop online to buy goods online under the force of the epidemic. At the same time, many offline merchants were affected by the epidemic and joined third-party online retail platforms to develop sales channels, and many companies developed their own apps, small programs, Official Accounts, etc., to realize a two-line sales model of 'online shopping + home delivery'.

In addition, during the epidemic, supermarkets and vegetable farms around the world greatly shortened their opening hours, and neighborhoods strictly controlled the access of residents and other epidemic prevention measures. The inconvenience of travel led more and more people to choose the new retail method of online shopping, and the home delivery service can also meet consumers' requirements of pursuing fast and convenient delivery, so the online sales of major fresh food supermarkets have gained notable sales results. For example, the average sales per order of Dingdong vegetables rose from 50 yuan to 90 yuan; the sales of Daily Fresh 2020 rose three times compared with the same period last year; the orders of Meituan Buy vegetables during the epidemic were twice as many as last year, etc.

Therefore, considering the rise of major online sales platforms today, Suning Tesco also began to face the challenge of competitors.

3.2 Changing Consumer Buying Habits

During the epidemic, people responded to the state's request for quarantine and very few people went out to spend money, turning to online shopping. As a result, the proportion of online shoppers skyrocketed to over 40%, meaning that not only young people loved online shopping, but also many older people had learned to shop online. The dramatic change in the number of online shoppers over the year shows that consumers' buying habits have been cultivated to online shopping under the epidemic, so some retailers need to consider whether consumers' spending habits will shift back to offline businesses when the epidemic is over.

3.3 Risk of Supply Chain Breakage Exacerbated by Obstructed Logistics

The epidemic Suning Tesco was also affected by the transport companies had to extend their holidays, logistics and transport were also hindered, the procurement chain of the enterprise was

broken, at the same time during the closure of the district, the residents' demand for household goods as well as food was increasing, Suning Tesco was under great pressure in the supply chain of the enterprise.

Within the scope of enterprise development supply chain management, by improving logistics, commercial flow, information flow and capital flow are closely interconnected, when an unexpected event causes a serious impact on one part of the industry chain, it will also affect the operation of various important links in other countries through the information transmission effect. If an enterprise cannot bear the risk of supply chain, leaving it in a state of chaos and stagnation, it will cause economic loss to the enterprise.

Therefore, the supply chain plays a vital role in the normal operation of the enterprise, and the enterprise should accelerate the improvement and upgrading of the supply chain to avoid the risk of supply chain breakage when encountering unexpected situations.

4. Opportunities and Development of Suning Tesco in the Post-Epidemic Period

4.1 Government Guide and Helps Companies to Overcome the Epidemic

In the post-epidemic period, the CBRC also introduced loan interest rates suitable for enterprises, improved loan renewal policy arrangements, reduced taxes and fees, and increased medium- and long-term loans and credit to help enterprises tide over the epidemic and post-epidemic period.

Governments at all levels strongly support the tripartite e-commerce platform to help enterprises develop online operations. At the same time, through the flow of attraction, cost subsidies, freight insurance subsidies and other preferential measures to reduce the cost of business online operations.

4.2 Purchasing Power Downgrading May Provides New Opportunities

Due to the impact of the New Crown epidemic, economic activities in various industries have come to a halt, and many small and medium-sized enterprises have begun to lay off employees and cut salaries in order to reduce costs and maintain survival. While people's income decreased, the various expenses borne by families and the education expenses of their children did not decrease. During this period, there was a significant increase in the index of the middle and low consumer groups and a change in the consumption behavior of the population, a change that was mainly reflected in the downgrading of consumer purchasing power. However, this downgrading of consumption is not a downgrading of consumers' preference for the quality of goods, but rather a 'downgrading' of prices and an 'upgrading' of quality. Under the epidemic, goods with high cost performance are more likely to be favored by consumers.

Therefore, in the face of the downgrading of consumers' purchasing power and the pursuit of quality triggered by the epidemic, the retail industry should seize the opportunity to improve the cost performance of goods by issuing electronic coupons, full discount offers, sending red packets and other promotional methods, which can not only attract new consumers, but also retain old customers and play a role in stabilizing customer sources.

Suning Tesco has seized this opportunity and launched the 'Retail Cloud' platform. The platform is a platform that uses artificial intelligence technology to empower online sales by analyzing and integrating user point-of-purchase data information and recommendation systems to improve the match between users and pre-purchased goods, while increasing shared services to enhance the new retail dividend in the data era. Retail Cloud, a high-growth, high-potential business sector, enables traditional stores to achieve a low-risk transformation, and its gradual development marks the accelerated landing of Suning Tesco's retail strategy focus.

4.3 'Stay-At-Home economy' Economy Rapidly Growing

During the work of the epidemic, the consumption habits of the public have changed dramatically, and some goods that used to be in low demand have caused shortages in the retail market, while some basic necessities have become the immediate needs. At the same time,

stay-at-home economy can meet the current ‘do not go out’, ‘no contact’ delivery instant demand, the network platform began to enter the rapid development of the situation.

Suning Tesco just completed a full-scene layout last year, this time taking the measure of multi-point combat. In addition to the main station Suning Tesco and Suning Small Shop deepening the community, Suning's vegetable market model sales are also growing year-on-year, and the online Suning supermarket management business is showing constant doubling. Suning's home-to-home business has grown nearly four times over a year ago.

5. Response Strategies of Suning Tesco in the Post-Epidemic Period

5.1 ‘Online + offline’ Dual-Line Model

When experiencing the sudden outbreak of the epidemic, Suning Tesco immediately developed a response, Suning Tesco through the ‘online shopping + offline delivery to home’ dual-line combination of sales model to reduce the operating pressure brought by the epidemic.

Moreover, in the case of damaged Suning Tesco stores, the company launched the ‘mobile store’ strategy, with some stores continuing to provide services with minivans loaded with goods at fixed locations every day, and selling at the entrance of residential areas in the case of shortage of supplies during the epidemic. This not only solved the inconvenience of isolating people at home during the epidemic but also relieved the pressure of declining business conditions in stores.

At the same time, with retail companies facing increasingly serious problems of obstructed logistics and insufficient stock, companies should focus more on keeping their promises and trying to meet customers' requirements in terms of quality of goods and timeliness of delivery under severe social conditions. And communication with customers is also crucial, and when unexpected problems arise, companies need to take proactive action to compensate customers for their losses.

5.2 Reinforce Supply Chain Management

Under the test of the sudden epidemic, Suning Tesco's industrial supply chain had a series of tricky problems in management such as shortage of suppliers and interruption of logistics companies, which sounded an alarm to the retail industry, which also began to realize the importance of supply chain integrity under the alarm of these problems. After the end of the epidemic, retail companies should be the first to diagnose their supply chains and invest a lot of financial support to improve the flexibility of each link of the supply chain and enhance the vitality of their businesses.

5.3 The Strength of the ‘Stay-At-home’ Economy

In the stimulation of the epidemic, on the one hand, the development of the stay-at-home economy gradually prevailed, on the other hand, China's traditional online shopping, takeaway and other industries are very hot in addition to another important aspect, the relevant research enterprises in the continuous accumulation of technology, platform business management model innovation also gradually formed a mature, especially after the experience of the epidemic, the public have experienced the convenience and speed of online shopping, the number of online shopping user information shows an explosive The number of user information of online shopping has shown explosive growth, and the social model of stay-at-home economy has gradually entered the daily work life of consumers.

In the ‘stay-at-home’ economy market environment, Suning Tesco also immediately carried out the transfer of online industry, accelerated the transformation of the Internet in stores, driven by a series of retail transformation measures, online sales ushered in a substantial increase.

6. Conclusion

In the 21st century, with the rapid development of the economy, along with the rapid sweep of the epidemic around the world, retail businesses have gone through a very difficult process to survive the epidemic. Even if the business survived, the market situation and consumer habits have

slowly changed .Taking Suning Tesco as an example, after analyzing the challenges and opportunities experienced by retail enterprises in the post-epidemic era, we can find that the retail industry is a very dynamic and resilient industry. Under the severe market situation, most retail enterprises have been able to find a way to adapt from their difficulties, shifting from fixed physical stores to flexible online stores, completing the expansion and upgrading of new retail models, and the retail industry is ushering in a new The retail industry has seen a new begging.

References

- [1] Zhang,Kaihuang, and Qian,Qinglan. The impact of the new crown epidemic on the Chinese economy and policy discussion-evidence from listed firms[J]. Tropical Geography,2020,40(03):396-407.
- [2] Zhao,Zhigang. Real enterprises under the epidemic shock: Impacts, problems and policy recommendations[J]. China Finance,2020(09):67-69.
- [3] Wang,Guohong. The marketing strategy path for real enterprises to cope with the financial crisis[J]. Fiscal supervision,2011(05):69-70.
- [4] Ca, Jin Ma,Tianqi Cheng,Pu Li,Jiawei. Challenges and opportunities of global epidemic for China's supply chain: an overview of the online forum “The impact of global epidemic on business operations and countermeasures exchange”[J]. Supply Chain Management,2020,1(04):5-11.
- [5] Shi,Haotian. The complex situation and countermeasures faced by small and medium-sized foreign trade enterprises in the post-epidemic era[J]. Modern trade industry,2021,42(17):19-20.
- [6] Xu,Yajian. Strategic choices of cross-border e-commerce enterprises under the influence of the epidemic[J]. Modern Business,2021(14):44-46.
- [7] Li,Qingman Yan,Xiuli. The dilemma of traditional retail enterprises and business model innovation under the impact of new crown epidemic[J]. Business Economic Research,2021(03):119-122.