

Research on Transformation Path of Wuhan Traditional Retail Industry Based on SWOT Analysis

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Abstract: Driven by multiple factors such as information technology, consumption upgrades, and competitive posture, China's retail industry is welcoming new opportunities for development. As a superior industry in Wuhan, the retail industry ranks among the best in the national ranking. This paper combines the development of Wuhan retail industry with the SWOT analysis method to explore how to enhance the industrial competitiveness in the new era and realize the healthy development of Wuhan retail industry.

1. Introduction

On November 11, 2016, the General Office of the State Council issued the “Opinions on Promoting the Transformation of Entity Retail Innovation[1], which clarified the guiding ideology and basic principles for promoting the transformation of China's physical retail innovation, and adjusted the business. Make specific arrangements for structures, innovative development methods, promoting cross-border integration, optimizing the development environment, and strengthening policy support. In recent years, the global Internet technology and retail industry has become more and more cross-border integration. Under the background of the rapid development of “new retail”, the development environment of the traditional retail industry has undergone tremendous changes, and new and higher requirements have been put forward for the development of the retail industry. Under the background of the new era, clarifying the advantages and disadvantages, opportunities and challenges of the development of Wuhan's traditional retail industry is conducive to Wuhan's development of new retail formats, nurturing new economic momentum and rebuilding urban competitiveness.

2. Analysis of the Status of Wuhan Retail Industry Development

From 2013 to 2017, the total retail sales of consumer goods in Wuhan increased from 387.86 billion yuan to 619.63 billion yuan, with an average annual growth rate of 11.54% (see Figure 1).

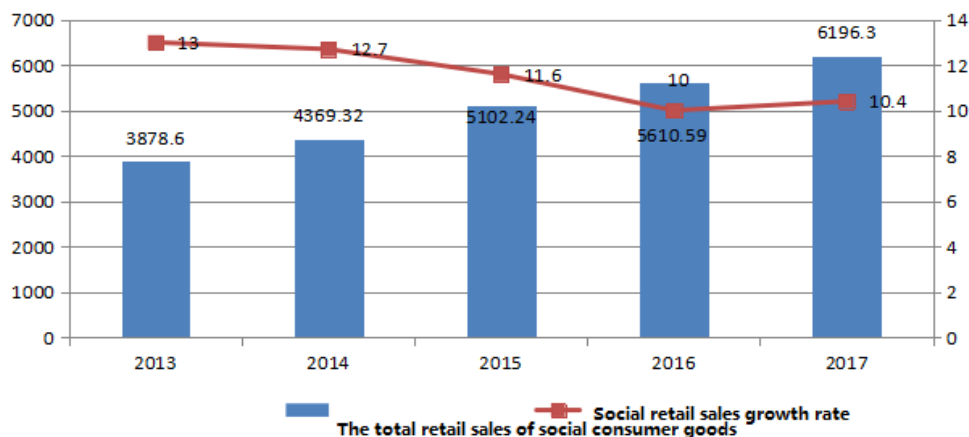


Fig 1 Total retail sales of social consumer goods (100 million yuan) and growth rate in Wuhan, 2013-2017 (%)

In recent years, the zero amount of Wuhan society has maintained rapid growth, but in 2013-2016, the zero growth rate of the society has slowed down year by year. In 2017, the growth rate was finally 0.4 percentage points higher than the previous year.[1]

At the same time, the emerging industry in Wuhan has grown rapidly. In 2017, the retail sales of non-stores above the designated limit reached 51.151 billion yuan, a year-on-year increase of 41.1%, accounting for 12.9% of the total retail sales of social consumer goods above designated size, and its contribution rate reached 40%.

3. The SWOT Analysis of the Development of Wuhan Traditional Retail Industry

3.1 Advantages

First, location and logistics advantages. Wuhan, which is known as the “Nine Provinces Wanted”, is located in the “heart” area of the Chinese mainland. It is an important transportation hub. The modern logistics industry is developed, providing unique natural conditions and supporting industrial support for the development of the retail industry. Due to its superior geographical location, the national strategy of “One Belt and One Road” construction, free trade zone experiment, Yangtze River economic belt construction and the Yangtze River middle-story urban agglomeration development strategy benefited Wuhan, as the only central comprehensive innovation reform pilot zone and national service in the central region. In the pilot city of trade innovation and development, Wuhan has been given the right to take the lead and try to provide a strong support for the further development of the regional retail industry.[2]

The second is the industrial advantage. In the national city rankings, the retail sales of social consumer goods in Wuhan has always been at the forefront. In 2017, it ranked second among the 19 sub-provincial cities and above in the country, ranking sixth. As a long-established commercial town, Wuhan has a strong commercial atmosphere. With the development of the city's economy, the scale of trade and circulation continues to expand, and the market is steadily building, providing a solid foundation for the development of the retail industry.

The third is the support of local leading enterprises. Wuhan retail industry has strong local enterprise support, with Wushang Group, Zhongbai Group and China Merchants Group as the leading enterprises. In 2017, the profit of Wushang Group increased by 24.05% year-on-year, the highest level in history. Zhongbai Group's profit increased by 128.78% year-on-year. The profit of the China Merchants Group increased by 577.95% year-on-year. Among them, Wushang Group and Zhongbai Group were selected as the top 500 enterprises in China's wholesale and retail industry in 2017, ranking 339th and 385th respectively.[3]

Fourth, sufficient talent reserves. Hubei has always been a large province of science and education. According to statistics from 2018, the total number of university students and graduate students in Wuhan accounts for more than 10% of the resident population, accounting for 5.78% of the total number of university students and graduate students in the country, ranking first in the world. At present, there are 99 colleges and universities in Wuhan, 96 scientific research institutions, 27 national laboratories and key laboratories, 23 national engineering technology research centers, 19 national enterprise technology centers, and 68 academicians of the two academies. name. In addition, the Wuhan government launched the “Millions of University Students to Stay in the Han” and “Million Alumni Assets to Return to the Han” project, which will provide sufficient talent reserves for the development of Wuhan retail industry.

3.2 Disadvantages

First, the total economic output is insufficient, and the industrial structure needs to be continuously optimized. In 2017, Wuhan's GDP reached 1,341.034 billion yuan, ranking ninth among cities nationwide, after Chengdu. With the rapid rise of cities such as Changsha and Wuxi, Wuhan needs to vigorously tap its own economic development potential if it does not advance or retreat. In order to achieve urban modernization, the service industry should account for more than 60% of urban GDP. In 2017, Wuhan's tertiary industry accounted for 53.3%, far lower than the

proportion of the third industry in Shanghai at the same time, accounting for 69.0%. It is still necessary to vigorously develop modern service industries and high-tech industries.

Second, the private economy is not active and the innovation atmosphere is not good. Wuhan has always been dominated by the state-owned old industrial economy, and the urban economy lacks vitality and vitality. In the context of the new normal economy, new industries, new formats, and new business models have emerged, but they are still in their infancy. Compared with cities such as Chengdu, Wuhan's private economy is not active, showing a weak social atmosphere with a weak sense of innovation and entrepreneurship[4].

Third, the commercial complex has serious competition for homogenization and insufficient operational management capabilities. In terms of quantity, Wuhan's large-scale commercial complex still has a large room for growth. However, the current homogenization operation of 54 commercial complexes is very serious. On the one hand, positioning and functions are concentrated in "specialized stores + restaurants + cinemas". On the one hand, the format is concentrated in the traditional retail industry, and the main store brand overlap is more than 50%, and the interaction between the main store and the weak brand is not realized, and the consumption experience is relatively simple. In addition, the commercial complex developers transformed from residential developers lack understanding and understanding of business rules, eager to withdraw funds, and focus on short-term benefits for light and long-term operations, showing that industry innovation is scarce, investment effects are difficult to manage, and marketing customers are not divided. And other issues.[5]

3.3 Opportunities

The first is national policy orientation. Since the 18th National Congress, the state has successively issued a series of policy documents from the aspects of deepening the reform of circulation system, cultivating consumption hotspots, improving the business environment, and promoting the integration of online and offline development, aiming at cultivating new kinetic energy for consumption development and building a new mechanism for expanding consumption. To create new conditions for consumption supply, establish a new order for the consumer market, and reduce the cost of enterprises. This policy orientation is conducive to the development of new formats and new models for the retail industry, further reducing costs, improving efficiency, and providing excellent services to better meet the new requirements of economic and social development .

The second is local government support. The Wuhan Municipal Government is striving to deepen the work of "National Central City", "Comprehensive Innovation and Reform Pilot Zone" and "Pilot City of Service Trade Innovation and Development", and strive to build Wuhan into a national trade center and inland region that will drive the middle reaches of the Yangtze River, serve the whole country, and radiate globally. Opening up to the highlands has become an important growth pole for the country's business economy. In order to build a national consumer center city, build a strong trade market with high standards, and further tap the consumption potential, the Municipal Bureau of Commerce has adopted a series of measures, such as vigorously developing e-commerce, modern supply chain, promoting online and offline integration, and integrating domestic and foreign trade; Improve the business environment, optimize the consumption environment, expand high-end consumption, and promote consumption upgrades; deeply integrate into the "One Belt, One Road" international cooperation,[4] encourage enterprises to conduct cross-border mergers and acquisitions, and support enterprises to improve their international management capabilities.

The third is the rapid development of high-tech industries. Wuhan has made full use of the advantages of local science, education and human resources. In the past 20 years, the city's high-tech industry has grown more than 50 times, with an average annual growth rate of 23.2%. At the end of 2017, there were 2,827 high-tech enterprises in the city, and the "four-up" enterprises realized an added value of 267.507 billion yuan, accounting for 19.9% of GDP. The high-speed development of high-tech industries will help to grasp the new generation of information

technology revolution with the Internet as the core, accelerate the restructuring of the social and economic structure, and provide technical support for the development of Wuhan retail industry.

Fourth, new cultural formats emerged. As a historical city, Wuhan brings together Shouyi culture, red culture, Jingchu culture, religious culture, etc. In 2017, Wuhan's cultural industry added value accounted for more than 4% of GDP, accounting for more than half of the province's cultural industry added value, and is becoming the city's economic growth. A new pole. In particular, the development of cultural and creative industries has accelerated, and a large number of new formats have emerged. The “Internet +” development methods such as creative design service industry, game software development and design industry,[4] and cultural information transmission service industry are becoming more and more mature, which will effectively promote the development of Wuhan retail industry.

3.4 Threats

First, the traditional business model is difficult to sustain, and the growth of retail enterprises is weak. The new technology represented by the Internet has created a huge challenge to the development model of traditional commerce and trade. The consumption concept, consumer appeal and consumption patterns with consumption upgrading as the main line have undergone profound changes. The traditional retail business model has restricted the sustainable and healthy development of Wuhan retail industry to some extent. The overall growth of traditional retail enterprises is weak. For example,[2] China Merchants Group and Sanhuan Group have even begun to show negative growth. The retail industry is undertaking the task of innovation and development. How to adapt to the new market model, tap the potential demand of the market, and innovate the vitality of the enterprise has become a key issue affecting the survival of retail enterprises.

Second, the operating cost advantage is weakened and the competitive environment is becoming increasingly fierce. Subject to rising real estate prices, rising labor costs and rising hardware costs for shop decoration, Wuhan retail enterprises have increased operating cost pressures and lost cost advantages. According to the typical retail price of each district, the sales of Wuhan shops are generally higher, and the amount of rent is generally higher, which is a trend of continuous growth, which greatly increases the operating costs of physical retail enterprises. In addition, the average annual salary of social workers in Wuhan rose from 52,387 yuan in 2013 to 84,876 yuan in 2017, which is also an important factor driving up the operating costs of traditional retail enterprises[4].

Third, the blind expansion of business investment and the uneven development of commercial outlets. From the perspective of regional structure, Wuhan's commercial real estate development is uneven, central commercial outlets are concentrated, some commercial projects in some core areas are excessive, the proportion of residential and commercial facilities is unbalanced, commercial investment is overheated, and some commercial complexes are “empty cities”. From the perspective of the structure of the industry, large department stores and supermarkets are saturated, and the “last mile” community business is still in its infancy, showing structural contradictions.

4. Analysis of the Transformation and Upgrading path of Wuhan Traditional Retail Industry

4.1 Taking reform as a guide to stimulate new developments in the retail industry

Grasping the national medium- and long-term major strategic layout policy, grasping the opportunity of the Yangtze River Economic Belt and the Yangtze River main axis construction, and actively utilizing the central comprehensive innovation reform pilot area and the national service trade innovation and development pilot city to take the lead in trial, and thoroughly study relevant policies and regulations. The system, combined with Wuhan's industrial advantages and characteristics, explores the successful experience of Wuhan's transformation and development in the traditional retail industry.[1]

Actively strive for relevant supporting policy support, strive to focus on key construction projects, accelerate industrial clustering, and focus on forming new competitive advantages in the retail industry. From the aspects of commercial structure adjustment, development mode innovation,

online and offline integration, development environment optimization, and policy support promotion, the traditional retail enterprises will be guided to transform and upgrade, and the development foundation of the core area of the Yangtze River Spindle will be consolidated.

4.2 Using technology as a support to create a new model of online and offline experiential consumption

Accelerate the application and popularization of modern information technologies such as mobile Internet, big data, Internet of Things, cloud computing, geographic location services, and biometrics in the commercial field. With relevant technologies, retail companies are encouraged to carry out technological innovation, promote market expansion, precision marketing and optimization services, and promote business model innovation. With the combination of Internet, e-commerce and physical stores as the core, through the integration of online and offline, the interoperability of product information, member information and transaction information is realized.

Actively encourage retail enterprises to promote digital transformation of physical stores, encourage shopping centers to build Wi-Fi, Beacon and other information infrastructure, improve the level of retail enterprise information equipment,[3] enhance store scene, three-dimensional, intelligent display functions, and develop experience Marketing and customization services. Encourage circulation enterprises to develop and market their own brands, enhance consumer cultural identity and brand loyalty.

4.3 Taking function as the guide to promote the new development of the differentiation of the business circle

Combining with the actual situation of transportation, population and consumption level in Wuhan, we will construct and improve the physical business layout of “City-level Commercial Center, District-level Commercial Center, Community-level Commercial Center and Characteristic Commercial Street”, and form “Network Terminal + Online Mall”. +Express delivery is the core network retail business layout.

Avoid the homogenization of the business circle function and promote the development of the business circle. Improve the comprehensive commercial functions of culture, tourism, hotels, conventions and exhibitions of the six city-level commercial centers; realize the moderate concentration of fifteen district-level commercial centers, complete service functions, complete industry formats, and have certain agglomeration and radiation capabilities; Develop community commerce, solve the "last mile of life", plan the community commercial facilities that match the community's population, and combine functional functions; focus on creating 20 commercial districts with outstanding features, and highlight the combination of business and travel. Break through the consumption time and space constraints, and maximize the satisfaction of the experience of consumer service services, forming a multi-center, networked business new layout.

At the same time, it forms the network retail business layout of “network terminal + online mall + express delivery”. [2]Strengthen the layout of commercial and trade logistics infrastructure such as business logistics parks, urban planning and distribution centers and terminal logistics distribution points.

4.4 Relying on transformation to achieve new enhancements in corporate strength

Combine the advantages of actual resources, use Internet technology to strengthen network marketing, expand marketing breadth and depth, realize transformation of marketing methods; expand commercial channels, enrich functions, realize business models and business functions by redefining target customers and paying attention to individualized needs of consumers Transformation; transforming the profit point from commodity marketing to product design, production control, brand building and other integrated supply chain direction, to achieve business model transformation; establish an internal management information system, and actively use modern technology to achieve management model transformation.[3]

4.5 Taking talents as the core to stimulate the new vitality of “double innovation”

Give full play to the advantages of science and education in Wuhan, and jointly build key training and orientation training bases for key enterprises, universities and research institutes, and form a talent training and incentive mechanism for the synergy of “production, study and research”. Jointly affiliated colleges and universities, promote universal education, and cultivate retail and Internet composite talents.

5. Conclusion

Relying on the leading retail enterprises in the city to build a multi-level application pattern for the development of large and medium-sized enterprises. Encourage key enterprises to open supply chain resources and market channels, and establish a new model of “double innovation” with small and medium-sized retail enterprises for collaborative innovation and cooperation and win-win. Support large-scale retail enterprises and Internet companies to carry out extensive cooperation, use the Internet to optimize the supply chain and service chain system, and continuously enhance the ability of business resource allocation optimization.

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