

Research on Business Model

Transformation of Traditional Retail Enterprises under the Background of Digital Economy



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Abstract: With the rapid development of Internet technology, the global economy is gradually entering the digital era, and traditional industries are facing unprecedented challenges and opportunities. The retail industry, as an important part of it, is experiencing the change from traditional business a model to digital transformation to adapt to the changing market environment and consumer demand. This paper discusses the path of business model transformation of traditional retail enterprises in the context of digital economy, emphasizes the necessity and urgency of business model transformation, and points out that the only way for enterprises to maintain competitiveness and achieve sustainable development in the fierce market competition is through digital transformation. The path of transformation practice includes the dimensions of online-offline integration, digital supply chain management, data-driven precision marketing, and innovative payment and settlement methods. By combining specific cases in the Philippine market, practical transformation strategies and theoretical guidance are provided for traditional retail enterprises to help them realize a new round of growth in the era of digital economy.

Keywords: digital economy; traditional retail; business model transformation; online-offline integration; supply chain management; precision marketing

Introduction

Against the background of the increasing digitization of the global economy, digital economy has become an important force driving social progress and industrial change. With the rapid development of Internet technology, digital economy has not only changed the behavior of consumers but also profoundly affected the business model of various industries. Especially in the retail industry, the rapid expansion of e-commerce, the wide application of emerging technologies, and the surge in consumer demand for online shopping have forced traditional retail enterprises to re-examine their business models and explore transformation paths in order to maintain market competitiveness. In this context, the business model transformation of traditional retail enterprises not only has important

practical significance but also provides rich material for theoretical research. The success or failure of transformation is not only related to the survival and development of enterprises but also has a profound impact on the overall competitive pattern of the industry.

1. The Impact of Digital Economy Background on the Business Model of Traditional Retail Enterprises

1.1. The change in consumer behavior

Under the impetus of digital economy, consumer behavior has undergone significant changes, for example, in the Philippines, where the author works, its total population is 118 million, of which young people under the age of 35 account for 64%. The large and young population base provides great potential for the development of the e-commerce market. With the popularization of

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digital technology and the widespread use of mobile internet, more and more Filipino consumers are becoming accustomed to shopping through e-commerce platforms. According to the Philippine Statistics Authority (PSA), the share of e-commerce in digital economy has reached 14% in 2023, a year-on-year growth of 18.5%, placing the Philippines among the top 10 countries in terms of global e-commerce traffic. This growth trend reflects the shift in consumer buying behavior from traditional offline channels to online platforms. E-commerce platforms, represented by Shopee and Lazada, had combined sales of approximately \$630 million in April 2024, demonstrating the strong demand for online shopping. Categories such as electronics, apparel and fashion, and hobbies and toys are particularly favored as spending hotspots in the Philippine market. This shift poses new challenges for traditional retailers, who must adapt to the changing consumer preferences and meet the growing digital consumer demand by optimizing the online shopping experience and enriching their product offerings. In short, the shift in consumer behavior has prompted traditional retail enterprises to accelerate the digital transformation of their business models in order to remain competitive in the market.

1.2. Increased market competition

Driven by digital economy, the competitive landscape in the Philippine market has intensified, especially in the e-commerce sector, where competition among major platforms has reached a fever pitch. Lazada leads the Philippine e-commerce market, with an average of more than 60 million visits per month, far outstripping its competitors, Zalora, Shopee, and eBay. This strong traffic advantage has made Lazada the preferred platform for Filipino consumers to shop, giving it a distinct advantage over its competitors in the market. However, the competition is not limited to traffic. In order to maintain its leading position, Lazada is not only committed to increasing its brand awareness but is also constantly optimizing and upgrading its product offerings and logistics infrastructure. Lazada intends to consolidate its dominance in the above key

areas to ensure that it stays ahead of the competition in a fiercely competitive market. Meanwhile, other e-commerce platforms such as Zalora, Shopee, and eBay are also innovating and improving to compete for more market share. This fierce market competition has put tremendous pressure on traditional retail companies. Traditional retailers not only have to face direct competition from e-commerce platforms but also need to respond to rapidly changing consumer preferences and needs in the market environment (Qin, 2024). Therefore, how to enhance competitiveness through innovation and transformation in the context of digital economy has become an urgent problem for traditional retail enterprises.

1.3. Digitization of the supply chain

Driven by digital economy, the digitization of the supply chain has become an important part of the transformation of the business model of traditional retail enterprises. Lazada has constructed a complete logistics network throughout the inventory management of commodities, the first kilometer of pickup, warehousing, and transportation, and the last kilometer of delivery through its self-built logistics system. This whole-chain logistics management not only improves operational efficiency but also significantly reduces the logistics cost of each order, giving the platform a significant cost advantage in the fierce market competition. Lazada's supply chain digitization is not limited to the optimization of the logistics link. Through the introduction of AI technology, Lazada has also launched intelligent customer service tools such as LazzieChat and advertising ROI prediction products, and these innovative applications have greatly improved the quality of the platform's customer service and the accuracy of advertising, which ultimately translates into higher sales performance and customer satisfaction. Against the backdrop of increasingly fierce competition in overseas markets, Lazada has not only achieved "cost-cutting" through the digitization of its supply chain but also promoted the platform's profitability through "open sourcing". For traditional retail enterprises, Lazada's supply chain

digitization practice provides important reference significance. In the process of transformation, enterprises must pay attention to the digital transformation of the supply chain to improve overall operational efficiency, reduce costs, and open up new revenue growth points through technological innovation, so as to maintain competitiveness in digital economy.

1.4. Changes in marketing model

In the context of digital economy, the marketing model of traditional retail enterprises is undergoing profound changes, with the rise of social media in particular being a key driver of this transformation. While website traffic is certainly an important factor in the success of e-commerce, the impact of social media on the development of e-commerce in the Philippine market cannot be ignored. Data shows that 18% of local users access product information through social platforms such as Facebook and Instagram, indicating that social media has become an important channel for e-commerce businesses to attract customers. More notably, 43 of the top 48 e-commerce platforms in the Philippines have more Facebook fans than their website traffic. This phenomenon reflects the importance of social media in branding and customer relationship management. According to Digital Marketing Philippines, social media advertising, social media interaction, and content marketing are considered the most effective marketing channels for digital influencers. In the face of this trend, traditional retailers must revisit their marketing strategies and actively embrace the power of social media. By utilizing platforms such as Facebook and Instagram for precise advertising, interactive marketing, and content creation, companies can more effectively reach their target consumers and increase brand awareness and customer loyalty. Therefore, the change of marketing model is not only a necessary choice to adapt to digital economy but also a key path to enhance the competitiveness of enterprises.

2. The Significance of the Business Model Transformation of Traditional Retail Enterprises

The business model transformation of traditional retail enterprises in the context of digital economy has far-reaching significance, which is not only an inevitable choice to cope with the changes in the market environment but also a key driving force for the sustainable development of enterprises. First of all, the transformation helps to enhance the market competitiveness of enterprises. In the digital era, consumer demand and behavior patterns have changed significantly, and emerging channels such as e-commerce and social media have become the mainstream shopping mode. By transforming their business models, traditional retailers can better adapt to these changes, maintain their market share, and become invincible in the fierce competition. Second, transformation is critical to meeting consumer demand. Digital transformation involves not only the expansion of online channels but also the optimization of the supply chain, the enhancement of customer experience, and the innovation of products and services. Through the application of digital technology, companies can gain a more accurate insight into consumer needs and provide a personalized shopping experience, thus increasing customer satisfaction and loyalty. Again, business model transformation can also drive business growth and sustainability. Digitization brings new sources of revenue, such as online sales and data-driven value-added services, which not only helps to improve the profitability of the enterprise but also reduces the operating costs under the traditional model and improves the overall efficiency (Zhu, 2024). Finally, and most importantly, transformation helps enterprises maintain flexibility and innovation in the ever-changing market environment, ensuring that they can sustain their development in future market competition. Overall, the transformation of the business model is not only a necessary way for the survival of enterprises but also a necessary means for them to realize their long-term strategic goals.

3. Under the Background of Digital Economy, the Traditional Retail Enterprise Business Model Transformation Path

3.1. Online and offline integration and development to realize Omnichannel marketing

In the context of digital economy, Omnichannel marketing is not only the expansion of the traditional single sales channel but also the effective integration of online and offline resources, through a variety of contact points to interact with consumers and provide a seamless shopping experience. The integrated development of online and offline can effectively expand the market coverage of enterprises (Cui, 2024). Based on the online e-commerce platform, traditional retail enterprises can break through geographical restrictions and reach more potential customers. Meanwhile, offline stores can be used as experience centers or pickup points to further enhance consumer trust and shopping convenience. Particularly worth mentioning is the preferential policy of no deposit and no service fee launched by Philippine e-commerce SM-wholesale shop, which enables merchants to enter the e-commerce market with a lower threshold and reduces business risks. This policy has attracted more merchants to participate in online business, promoting the prosperity and development of the e-commerce platform. Through the deep integration of online and offline, SM-wholesale shop not only provides merchants with more profit margins but also promote the digital transformation of the entire retail industry.

Besides, Omnichannel marketing can enhance customer experience and satisfaction. By integrating online and offline customer data, companies can more accurately understand consumer shopping behavior and preferences, and thus provide personalized services and recommendations. This integrated shopping experience not only improves customer engagement and loyalty but also greatly increases sales opportunities. The integration of online and offline also helps to enhance a company's brand image. Through consistent brand communication and service standards, companies are able to deliver a unified brand value across different channels, enhancing consumers' brand awareness and trust (Zhang & Wei, 2022). In this process, the synergistic effect of online and offline channels will

effectively enhance the market competitiveness of enterprises and enable them to occupy a more favorable position in the era of digital economy.

3.2. Digitalized supply chain management to enhance operational efficiency

In the context of digital economy, traditional retail enterprises must improve operational efficiency through digital supply chain management to cope with the increasingly fierce market competition and changing consumer demand. Digital supply chain management involves not only upgrading at the technical level but also optimizing and innovating business processes. By introducing advanced digital technologies, such as big data analytics, artificial intelligence (AI), the Internet of Things (IoT), and Blockchain, companies can achieve efficient coordination and precise management of all aspects of the supply chain. Big data analytics technology enables enterprises to monitor inventory levels and changes in market demand in real-time, so as to optimize purchasing plans and reduce the risk of inventory backlogs and goods shortages (Tang, 2024). Through AI technology, enterprises can predict market trends and consumer demand, conduct more accurate supply chain planning, and improve the overall supply chain response speed. Meanwhile, the application of IoT devices in logistics and warehousing makes the tracking of goods and the optimization of transportation paths more efficient, ensuring that products can be delivered to consumers on time and accurately. This intelligent management not only improves customer satisfaction but also significantly reduces operating costs and increases the profit margin of enterprises. In addition, the application of Blockchain technology can provide a guarantee for supply chain transparency and security. Through Blockchain, enterprises can realize the traceability of each link in the supply chain and ensure the transparency of the quality and source of products, thus enhancing consumer trust. This technology can also effectively prevent fraud in the supply chain and enhance the overall reliability of the supply chain. Digital supply chain management provides strong support for the transformation of

traditional retail enterprises in digital economy. By optimizing the supply chain process and improving operational efficiency, enterprises can respond more flexibly to market changes and meet the diverse needs of consumers, thus gaining a greater advantage in competition and achieving sustainable development (Zhang et al., 2024).

3.3. Data-driven precision marketing to enhance customer experience

In the era of digital economy, through big data analysis, enterprises can gain a deeper understanding of consumers' behavioral habits, preferences, and needs, so as to formulate more precise marketing strategies. With over 90% social network penetration in the Philippines, consumers usually check reviews, look for promotions, and browse product information on the official Facebook page, which provides a rich source of data for companies. Through in-depth analysis of this data, companies are able to precisely reach their target consumers and implement highly customized marketing strategies by analyzing user behavior and preferences. The data shows that Facebook has the highest volume of advertising, accounting for 38%; followed by Instagram, accounting for 24%. In terms of the type of advertising material, pictures, and video material dominate, especially short videos of no more than 15 seconds in length that can quickly capture consumers' attention. Data-driven precision marketing allows retailers to improve the efficiency of their advertising and also significantly enhance the customer experience. Using data analytics tools, companies can achieve market segmentation, identify high-value customer groups, and launch personalized marketing campaigns for different customer groups. This kind of precision marketing not only improves the efficiency of advertising delivery but also effectively enhances customer conversion rates and loyalty. Data-driven precision marketing can also optimize customer experience through real-time data feedback. By monitoring and analyzing customers' shopping behavior, companies can make timely adjustments to product recommendations, promotions, and customer service strategies to ensure that each consumer gets

the best shopping experience (Yang, 2024). The application of personalized recommendation systems and intelligent customer service tools not only improves customer satisfaction but also enhances the interaction and stickiness between them and the brand. This data-based marketing model is of great significance to traditional retail enterprises. In the context of digital economy, precision marketing has become an important means for companies to achieve sustained growth.

3.4. Innovative payment and settlement methods to optimize the consumption process

In the era of digital economy, innovative payment and settlement methods are one of the key factors in the transformation of the business model of traditional retail enterprises, which can significantly optimize the consumption process and enhance the user experience. In the Philippines, the popularity of mobile money services has brought more convenient payment options to businesses and consumers. In particular, PayMaya and GCash, two of the largest mobile money service providers in the Philippines, have each partnered with Facebook Messenger to launch payment options in their apps. This innovative initiative caters to users' remittance, payment, and mobile data purchasing needs on social platforms, greatly simplifying the spending process. By integrating with the social platform, businesses are able to offer instant payment capabilities when consumers use popular apps such as Facebook Messenger. This not only enhances the convenience of the transaction but also reduces the barriers that can arise during the payment process, enabling consumers to complete their purchases more smoothly. In addition, this innovative payment method can help businesses better track and analyze consumer behavior and optimize marketing strategies and customer relationship management. For traditional retail enterprises, adopting innovative payment and settlement methods can not only meet consumers' demand for convenient payment but also enhance customer satisfaction by simplifying processes and improving efficiency (Zhang, J., 2024). As more and more consumers become accustomed to

mobile payments and direct purchases within social platforms, companies need to actively embrace this trend to remain competitive in the marketplace and drive business growth. The application of innovative payment methods is not only an important initiative to respond to the needs of digital economy era but also an important way to achieve business model transformation and business process optimization.

Conclusion

Driven by digital economy, the business model transformation of traditional retail enterprises has become inevitable. Through the integrated development of online and offline, digital supply chain management, data-driven precision marketing, and innovative payment and settlement methods, enterprises can better adapt to market changes and improve competitiveness and customer experience. In the context of digital economy, business model transformation is not only a key means for enterprises to meet market challenges, but also a necessary way for them to realize sustainable development. In the future, traditional retail enterprises must embrace digitalization more actively and maintain market vitality through continuous innovation. In the wave of global digital economy, enterprises should be positioned to become diversified business entities that can meet local market demands and be globally competitive at the same time. Through the in-depth application of emerging technologies and optimization of business processes, traditional retail enterprises will take on a new lease of life in the era of digital economy, with broader development prospects and potential.

Conflict of Interest

The author declares that she has no conflicts of interest to this work.

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