

Supplier Selection Strategies in New Retail: A Case Study of Oriental Selection

Runyan Zhao^{1,a,*}

¹*School of Economics and Management, Huzhou University, Zhejiang, 313000, China*

a. rfikes64374@student.napavalley.edu

**corresponding author*

Abstract: New retail refers to integrating online and offline business models and realizing omnichannel sales, personalized customization, intelligent management, and other innovative ways through e-commerce technology. With the continuous development and popularization of e-commerce technology in China, new retail has become one of the key topics of current research. Researchers have found that the new retail model has become a trend in the traditional retail industry. However, a unified understanding of the new retail supplier selection problem is needed. In this paper, by using Oriental Selection as an example to explore the supplier selection problem under the new retail model, the study finds that the supplier selection in the new retail industry needs to conform to the development of the industry. With the help of the digital supplier selection model, it will establish in-depth partnerships with suppliers simultaneously to strengthen the development of a self-supply chain to prevent the supply risk problem.

Keywords: new retail, supplier selection, oriental selection, supply chain optimization

1. Introduction

With the development of Internet technology and economic and social development, different researchers in the academic world have made relevant definitions of new retail from their perspectives. Du et al. borrowed the definition of the Baidu Encyclopedia that new retail is a new model of retailing in which enterprises rely on the Internet to upgrade and transform the process of production, circulation, and sales of commodities through the use of advanced technologies such as big data, artificial intelligence, etc., and reshape the structure of the industry and the ecosystem, and deeply integrate online services, offline experience, and modern logistics. Service, offline experience and modern logistics for the deep integration of the new retail model [1].

According to data from the National Statistics Office, the national online retail sales growth rate has declined for three consecutive years. The national online retail sales in September 2015 were 2,591.4 billion yuan, the year-on-year growth fell to 36.2%, and in September 2016, the national online retail sales were 3,465.1 billion yuan, a growth rate of only 26.1%. In addition, from the 2016 Tmall, Taobao “double 11” total turnover of 120.7 billion yuan, the GMV growth rate from more than 60% in 2013 to 24% in 2016, according to Avery Consulting forecast: the slowdown in the growth rate of domestic online shopping will continue to decline by 8-10 percentage points per year trend. The traditional retail industry is also unable to meet the requirements of people for retailers. The emergence of new retail is the inevitable result of the development of the retail industry [2].

According to Zhou and Li, the development motivation of new retail, firstly, the popularization of network terminals and the development of Internet technology provides the preconditions for its emergence; secondly, the continuous growth of consumers' heterogeneous and experiential consumption demand provides the original impetus for the emergence of new retail; finally, the advancement of logistics and distribution technology provides the necessary support conditions [3].

New retail is developed based on traditional retail. Wang, Yu and others on China's new retail research review and outlook pointed out that the difference between new retail and traditional retail is reflected in the new retail with digital features [4]. New retail tends to channel diversification, combining online and offline sales channels. In terms of supply chain selection, the new retail model expects a faster market response, so it has the characteristics of a flexible supply chain, realizing the efficient unification of information flow, capital flow and logistics [5, 6].

Supplier selection is important in operating a new retail model [7, 8]. Reading the related literature found that there is a lack of practical examples in the research of new retail, and this study discusses supplier selection under the new retail model by using Oriental Selection as an example.

2. Case Analysis: Oriental Selection

2.1. Innovations in Oriental Selection E-Commerce

According to the official website of Oriental Selection, Oriental Selection was founded in 2021 and is the only agricultural e-commerce platform under New Oriental. Oriental Selection is committed to connecting producers and consumers and providing high-quality agricultural goodies. The biggest innovation is at the strategic level. Oriental selection adheres to the quality of the king, not simply taking the low-price route strategy. From the point of view of the customer group of Oriental Selection, the audience group is mainly post-80s and post-90s; high acceptance characterizes these groups, and they can skillfully use the network electronic platform. Secondly, the proportion of customers in first- and second-tier cities reached 51%, the average pricing of Oriental Selection is higher than other e-commerce companies, and consumers in these economically developed provinces are more willing to pursue high quality. They are willing to pay a higher price.

Finally, Oriental Selection in the live content of the anchor's knowledge of the product promotion, using the unique 3331 rule, that is, 30% of the explanation of product knowledge, 30% of the relevant encyclopedia, 30% of the outlook on life and values, and 10% is the output of memorable sentences, which greatly enhances the consumer's expectations. Bilingual live broadcasts and explanations of some knowledge make Oriental Selection stand out from live broadcasts that mainly introduce product features. In contrast to traditional e-commerce companies that attract consumers with price advantages, Oriental Selection's approach of attracting readers with culture has a more long-term effect.

Oriental Selection is not only a representative of new retail e-commerce but also has outstanding contributions in terms of social responsibility. Based on the original agricultural products sales channels, Oriental Selection opens new e-commerce channels, forming synergistic cooperation among supply chains, saving the cost of opening new supply chains and maximizing the value of the original supply chains.

2.2. Oriental Selected Suppliers

Regarding supplier selection, Oriental Selection has achieved two controls, and the first is quality control. Through anonymous selection and evaluation, preferential praise more top quality suppliers to ensure the quality of goods. With the advancement of the digital transformation of Oriental Selection, the sources of its suppliers have gradually diversified. Oriental Selection for the selection of suppliers abandons the traditional form of offline assessment, the use of an open and transparent

SAAS supplier business system, all suppliers can enter the enrollment brand screening, supplier product selection is not dependent on the relationship with the pit fee, greatly reducing the cost of suppliers. SAAS mode supplier management platform is to OA process as a vein, through the supplier digital management platform, to help organizations form a digital image of the supplier, improve supplier assessment, correction, filtering, screening efficiency, accurate planning supplier level, and timely elimination of unqualified suppliers. Using the evaluation made by the system to make digital-driven decisions is conducive to promoting scientific decision-making in the overall supply chain, using mathematical models and digital systems to systematically organize the resources that exist in the supply chain for rational allocation, reducing decision-making errors due to information occlusion and, subjective thinking.

Second, supply control. To assess the form of supplier control, Oriental Selection adopts a perfect intelligent scoring assessment platform, timely understanding of the supplier's supply efficiency, product quality, service attitude, the cost of the offer and other aspects of information. According to the results of the preliminary assessment of the supplier grade classification, and based on the supplier SAAS platform system in the selection and sample management links, to achieve process, standardized operation, effectively match the resources upstream and downstream of the industry chain, for customers to build communication channels, broaden business opportunities to provide a full range of solutions, and help Orient Selection in the process of rapid development to improve the efficiency of business operations, to help it build a strong product power. (Source: Zhihu Oriental Selection burst of fire, revealing the supplier management behind its "power" tiling rhinoceros)

2.3. Oriental Selection's Self-Constructed Supply Chain

Under the unique live culture and operation mode of Oriental Selection, the suppliers and product types of Oriental Selection are expanding, which makes Oriental Selection realize the existence of the supply risk problem, and Oriental Selection quickly makes supply chain adjustments and develops a self-supporting supply chain. Since the first launch of self-managed products in April 2022, Oriental Selection has now launched more than 60 self-managed products, focusing on agricultural products and food products, which are healthy, delicious, high-quality and cost-effective. By developing self-managed products and accumulating repurchase users, Oriental Selection is positioning itself to move into the trillion-dollar consumer retail market. The financial report shows that from November 2022, Oriental Selection launched 65 self-managed products, with an average of more than 10 new products per month, and the number of jittery orders for Oriental Selection's third-party products and self-managed products has reached 70.2 million orders. Oriental Selection's self-built supply chain initiative has also achieved good results.

In sharp contrast to traditional e-commerce, the self-supporting supply chain of Oriental Selection can effectively alleviate the problem of supply risk and facilitate the implementation of the supply chain's value engineering strategy to reduce the supply cost and maximize the protection of the brand's long-term development. For Oriental Selection's self-owned supply chain, picking and selling are two important parts. Regarding sourcing, the Oriental selection of goods to the self-management self-management model can first meet the customer's commodity customization exclusive. Secondly, their enterprises can control the gross profit and the intermediate price difference to determine the benefits. Finally, the self-management model can ensure the stability of the source of goods and mature self-management model sales to a certain extent; the net profit will be exponentially higher than the sales generation.

At the risk level, the risk of self-management is less than the risk of sales if the risk of self-management will decide to grasp in their own hands. Their enterprises control the price and selling price of goods, which is the flexibility of the business model. Oriental Selection, the main use of the self-management mode of labeling self-management, is the least difficult, the least investment in a

kind of. For the newly developed Oriental Selection, e-commerce is very suitable. However, this labeling self-management is only partially free from the problem of being subject to the supplier, and it objectively ensures the stability of the source of goods.

At present, the relevant frozen products of Oriental Selection also cooperate with its local company, on the one hand, using its network influence to expand the market awareness of the local company, opening up more markets for it. On the other hand, Oriental Selection utilizes the existing supply chain of local companies to reduce the cost of its supply chain construction process. Oriental Selection and the manufacturer have become the two most core enterprises in the supply chain, reducing the cost of intermediary spreads, improving the gross margin of the product, and achieving the purpose of win-win cooperation. (Source: Zhihu Oriental Selection builds its supply chain. Which suppliers still have a chance to ride? Frozen Food Watch)

2.4. Impact

According to QQ.com, China Business News reported on the Oriental Selection from selling products to selling feelings. The article pointed out that the Oriental Selection of samples has a strong demonstration significance. First of all, the transformation of enterprises should be centered on their core competitiveness, and even if they see good business prospects, they must keep their competitiveness on track. This provides a good example of the transformation of the traditional retail industry. Secondly, Oriental Selection chooses agricultural e-commerce as the entry point for live broadcasting, reflecting the value of the enterprise in carrying out the cost of revenue model selection. Oriental Selection does not charge any pitfall fee. The use of pure commission fee mode, according to the nature of the commodity to determine the proportion of commission, Oriental Selection's profit margins will be significantly reduced. For this choice, Sun Dongxu, CEO of New Oriental Online, head of Oriental Selection, said in a presentation to the media, "Agricultural products do not have such high profits, to respect the laws of the industry, not to pursue profitability, the pursuit of the amount of profit, and to do a good job of scale." This value selection is conducive to the establishment of stable supplier partnerships. What are the characteristics of the marketing model of Oriental Selection in Zhihu? In this question, the author pointed out that the innovative supply model of the Oriental Selection without pit fees is conducive to its long-term development, and this can attract more stable suppliers, the formation of a partnership to improve the general environment of the live bandwagon sky-high pit fees.

Regarding price, the Oriental selection emphasizes improving quality advantages and positioning as "better than the market products, but more expensive." Breaking the law of low price that has always been pursued by live banding reduces various trust issues caused by product price as a way to improve customer satisfaction. This innovative supply model forms a partnership with suppliers, strictly controls product quality, wins a good corporate reputation, and creates stickiness between consumers and the live broadcast, which leads to constant repurchase.

3. Implications for Supplier Selection in New Retail Models

In the supply chain of the new retail industry, the selection of suppliers directly determines the operating effect of the supply chain, and it is pointed out in Hu's research [9]. In the supply chain partnership, suppliers must be selected in advance to carry out a certain amount of evaluation and audit and to control the links and basic stages of their supply. On this basis, further understanding of the positive benefits and negative impacts of suppliers in the cooperative relationship, analyzing their strengths and weaknesses and then carrying out more efficient supplier selection. For the new retail industry, the selection of suppliers needs to focus on the supplier's quality level and market responsiveness to better meet the needs of the consumer market.

In Cai's study on supplier selection for new retail platforms, it is pointed out that new retail supplier selection can start from the supplier, internal and external aspects of the enterprise, of which the internal includes product quality, supply capacity and so on. External includes enterprise reputation and after-sales service, etc. [10]. As a representative enterprise of new retail, Oriental Selection's selection of suppliers pays more attention to the quality of their products and corporate reputation. Through a series of initiatives such as making concessions on profits and reducing pit fees, it is committed to helping suppliers improve product quality to meet customer demand for high-quality goods and establish stable partnerships to achieve the long-term development goal of mutual benefit and win-win.

From a supply chain self-support perspective, Oriental Selection employs label self-support, a practice that somewhat mitigates the problem of unstable sourcing. Label self-support means that companies add brand labels to their products and then sell them to consumers. This practice helps build brand awareness, improves product recognizability, and reduces reliance on intermediaries and wholesalers. In this way, Oriental Selection can better control the quality of its products and the stability of its supply chain. However, in the new retail e-commerce sector, once the sales volume reaches a certain number, companies can consider adopting direct sourcing with independent support. This means the business will work directly with the manufacturer, skipping the intermediaries and wholesalers and sourcing the products directly. There are several important benefits to doing this. First, it eliminates the costs associated with intermediaries and makes the product more competitively priced. Second, it maximizes the quality of the product because the company can work directly with the supplier to oversee the production process and ensure that the product meets its standards. Most importantly, direct sourcing autonomy support can improve the efficiency of the supply chain and shorten the delivery time, thus better satisfying consumer demand.

4. Conclusion

This paper finds that Oriental Selection, in the selection of suppliers, has a great degree of compliance with the laws of industry development and adheres to the suppliers using digital selection methods, breaking the supply and demand sides of the information gap, improving the efficiency of supplier selection, and to the quality of the product as the core of the supplier selection through the exemption of the life with the goods of the pit fee of the innovation of the supply model to develop long-term stable supplier relations, in cooperation with local small and medium-sized enterprises, at the same time, the development of the self-supporting supply chain, to reduce the cost of each link between the source, directly involved in the production and sale of the product, and the suppliers play a supervisory role. The supplier selection study of Oriental Selection bridges the gap of examples of new retail supplier selection and provides a positive demonstration for the subsequent transformation of the retail industry. At present, the self-owned supply chain of Oriental Selection is in the development stage, and the integrity of its supply chain needs to be improved; future research will make more in-depth discussion on the supplier selection of the self-owned supply chain under the new retail model.

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