

# *On the Development Drend of Online Retail and Offline Retail*

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**Abstract:** Due to the changes in many industries after the epidemic, in order to promote national consumption power, China has listed the retail industry as one of the key development objects. This paper studies the historical development of the retail industry, studies the development characteristics of online retail industry and offline retail industry respectively, and analyzes the current development situation and its reasons by means of searching data, analyzing and demonstrating, and making comparison. Through research, this paper finally concluded that the online retail industry and offline retail industry are currently in a situation of mutual integration and joint promotion of development, and this conclusion is a guide for the retail industry research in the new stage. This research would be helpful for scholars and decision-makers to further explore relevant measures. Other articles on the recent situation analysis and future prediction of the retail industry can draw reference from this paper.

**Keywords:** online and offline retail, development, interconnection

## 1. Introduction

China's retail industry first appeared in the form of ancient markets and small workshops. It was not until around the 19th century, when the interconnections between the world were strengthened, that the retail industry entered a new stage, with the emergence of department stores, retail stores, etc [1]. The rapid development of e-commerce around the SARS period brought the retail industry into a new stage. At this time, online retail industry made up for the shortcomings of offline retail. In the next nearly two decades, it has suppressed the offline retail industry, until the outbreak of the new coronavirus epidemic in 2019, the retail industry has upgraded again, forming a state of online and offline connection.

## 2. Recent Developments in the Retail Industry

### 2.1. Development and Advantages of the Offline Retail Industry

Since 2000, China's retail industry has been in a state of rapid development, and the growth rate has been more than 10% or even as high as 25% before 2019 [2]. However, after 2019, it may be affected by the epidemic, and the retail sales and sales growth rate are relatively unstable, and the sales volume will not increase but decline in 2020, and after recovering to the right track in 2021, the retail sales

volume will increase and decrease in 2022. After the epidemic in 2022, the national consumption level has declined, and the consumer confidence index of consumers has also plummeted to a negative number.

The country will encourage national consumption in the future, stimulate the national economy, combine the development level of science and technology, vigorously develop the retail industry, and list the retail industry as a key development industry. In the next few years, the retail industry may be re-developed to a high level through reform.

For the offline retail industry, the offline high-end retail consumer market and the stall economy (including night markets, etc.) are the main development forces.

With the development of social economy and technology, new forms have appeared in the retail industry [3].

According to the Latest Development Report of China's Night Economy in 2021, the scale of China's night economy in 2021 exceeded 30 trillion yuan, and the scale of China's night economy in 2022 will increase to 36 trillion yuan [4].

In recent years, the overall retail sales are slowing down, but because social retail has been in the offline trading state for a long time, facing the impact of the epidemic, people should stay at home isolation and not go out, offline retail such as the department store industry and the stall economy have been severely impacted by the passenger flow restriction, according to the joint survey of China Department Store Commercial Association and Feng Group Li & Fung Research Center. Among the surveyed enterprises in 2022, 85.9% of the enterprises' sales declined, and the profit situation of the enterprises was not optimistic, and the survey showed that the net profit of 86.6% of the surveyed enterprises fell in 2022. Enterprises with a decline rate of less than 10% accounted for 27.8%, those with a decline rate of between 10% and 20% accounted for 15.5%, and those with a decline rate of more than 20% accounted for 43.3%, of which 32% of enterprises had a decline rate of more than 30%, indicating that offline retail transactions were seriously affected during the epidemic period [4]. Under the impact of the epidemic, the revenue and net profit of the sub-department store retail industry both declined, but high-end department stores continued to expand.

As shown in the figure, the retail sales of necessities such as food and necessary office or school supplies are still growing at a high speed, because the sales of necessities will not be greatly affected [5], while the sales of high-end luxury goods such as some clothes and cosmetics for wearing have declined, which may be due to the decline in people's spending power after the epidemic (GDP growth rate has declined).

Besides, big stores are also changing from supermarket chains [6]. It is worth noting that China's high-end retail consumer market is growing rapidly, attracting many international high-end brands to increase their size in the Chinese market. The sales of personal luxury goods market in China have made rapid progress in recent years, and the sales volume doubled from 2019 to 2021 [7]. Although it was also impacted during the epidemic period and showed a sales decline trend for the first time in 2022, the high-end retail consumer market still has great potential. According to Figure 1, the reason for the decline in sales in the high-end retail consumer market in 2022 May be that the sudden increase in the high-end retail consumer market has increased the competition in the industry to reach a supersaturated state[8]which is about to fall to a saturated state and tend to balance(From left to right, online retail of physical goods, convenience stores, specialty stores, supermarkets, specialty stores, department stores, and total retail sales).

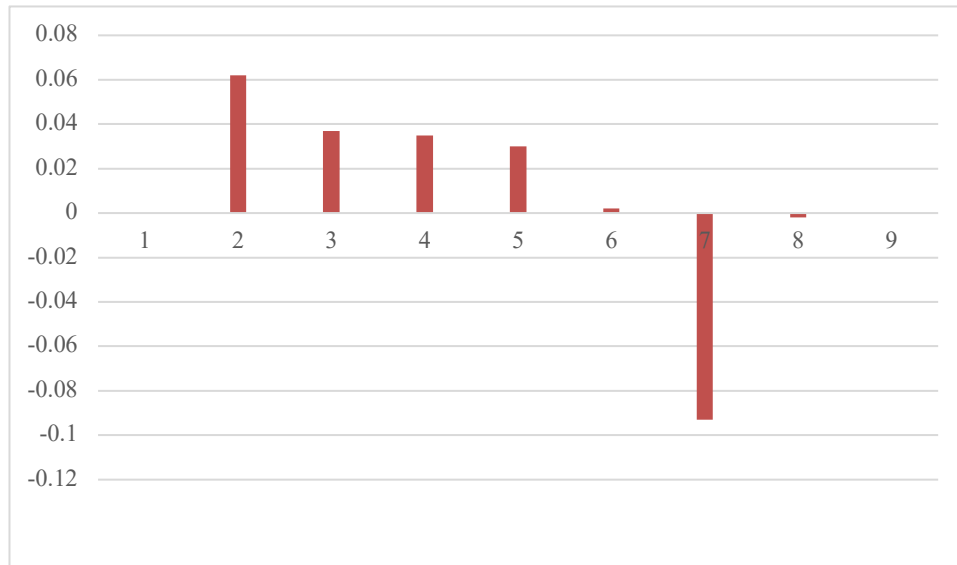


Figure 1: The year-on-year growth of retail formats of units above quota in 2022 [4].

## 2.2. Development of Online Retail

However, with the development of technology and internet, online retail, including online retail and online retail of physical goods, has gradually developed [9]. As can be seen in the figure, in recent years, the proportion of the total online retail sales of physical goods has increased year by year, that is, the overall growth trend of the retail industry will be guided by online retail. And the year-on-year growth of online retail sales of physical goods is the highest compared with other offline retail.

From the perspective of growth rate, the growth rate of online retail is also gradually decreasing. According to the industry development trend chart, it is possible that the reason for this trend is that the online retail industry gradually approaches saturation or development bottleneck after sustained rapid development, and tends to be stable, that is, the development of online retail is gradually mature.

## 3. Comparison and Summary Between Online Retail and Offline Retail

Many traditional offline retail stores have been vigorously developing online retail, and some big-name companies even account for more online sales than offline [10]. During the period of continuous decline or even negative growth of social retail transaction volume from 2019 to 2020, the growth rate of online retail and online retail of physical goods is higher than that of social retail (from Table 1 and Table 2).

Table 1: Current online business model of sample department store retail enterprises [4].

Small program/public number	88%
Live broadcast	75%
Community group buying	50%
APP	38%
PC e-commerce	38%
Home service	31%
Platform flagship store	19%

Table 2: Proportion of online sales in large department stores [4].

Company online sales share note	
Suning Tesco 69.50%	69.50%
Hema 60.00% estimate. The online contribution to GMV as of the end of March was 60%	60.00%
BBK 15.00% estimated value. In the first quarter, it was about 15%	15.00%
Rainbow supermarket 10.00% of home sales	10.00%
Lianhua 10.00% home sales	10.00%
Yonghui 9.70%	9.70%
Jingkelong 9.00% estimated value. Online accounted for 8% of retail business in 2019	9.00%
Ole' Boutique supermarket 7.60%	7.60%
Hanguang Department Store 2.50% estimate.	2.50%
Zhongbai Group 2.20%	2.20%
Chongqing Department Store 1.60%	1.60%

It shows that with the development of the Internet, publicity technology is becoming more and more developed, and more enterprises and merchants are more willing to achieve the purpose of developing their own market through online retail.

#### 4. Conclusion

Why will online and offline retail finally become interconnected? The reason for the development of the industry is that it can make up for the shortcomings of other industries. At the beginning, the retail industry became a small workshop with a small number of commodities and scattered shops, so the emergence of department stores and retail stores solved people's problems. For example, Walmart used to complete the globalization management with the most cost and efficiency. With the gradual saturation of the offline retail industry, the offline retail industry has faced problems such as high rent and high labor cost. As a result, the online retail industry has developed rapidly and suppressed the offline retail industry with the advantages of not requiring rent, large labor costs and wide supply of goods. But why will online retail eventually decline, and offline retail complement each other? In terms of the development process of online and offline retail, the two types of retail also develop rapidly at the beginning, with more pits. Offline retail does not have high rent and high labor cost (competition is not big), while online retail does not have high rent. However, with the increasing number of merchants entering the industry, the competition of individual merchants increases. At the same time, the rent of offline retail industry may rise, the advertising ranking fee of online retail industry will rise, and finally the industry resources in the internal volume will flow to the top few companies (offline such as Walmart, online such as Taobao, Amazon). When the two types of retail are coming to an end, the online retail industry has formed a business model to attract traffic and improve service consumption offline.

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