

## ARTICLE

# Defects of Traditional Marketing Model and New Consumer Experience Requirements in the Context of "New Retail"

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### ABSTRACT

With the concept of "new retail" and the rapid development of "new retail" format, the defects of traditional marketing models such as advertising marketing, direct marketing and e-commerce marketing are becoming more and more obvious, which has seriously hindered the further development of the consumer retail industry. At the same time, under the background of "new retail", the industry demand based on the improvement of consumer experience is increasingly characterized by consumer entertainment, consumer autonomy, consumer personalization, and consumer socialization, which provides ideas and reference for the construction of new marketing models in the consumer retail industry.

## 1. Introduction

In recent years, with the in-depth development of China's Internet and e-commerce industries, retail formats and interrelated business models have undergone profound changes. The new formulation of the retail industry has also emerged and led the industry's development ideas and direction of change. At the "2016 Computing Conference" held on October 13, 2016, Ma Yun, Chairman of the Board of Directors of Alibaba Group, a global e-commerce benchmarking company, put forward during the keynote speech that, there will be five new trends in the social development process over the next 30 years – new retail, new manufacturing, new finance, new technologies and new resources. And he believes that in the next ten to twenty years, only online and offline business and logistics can be combined to create a real new retail. The core of Alibaba's "new retail" is that the company relies on the Internet to upgrade and transform the production,

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circulation and sales process of goods through the use of advanced technologies such as big data and artificial intelligence, thereby reshaping the business structure and ecosystem, and integrating online services, offline experience and modern logistics to form a new retail model.<sup>[1]</sup> In March 2017, Zhang Jindong, Chairman of the Board of Directors of Suning Group, put forward the concept of "smart retail" at the two national conferences. That is to use the Internet and Internet of Things technologies to fully perceive consumer habits, predict consumption trends, guide manufacturing, and provide consumers with diversified and personalized products and services. At the IT Leaders' Summit on April 2, 2017, Ma Yun once again mentioned new retail and believes that e-commerce will continue to grow at a high rate in the future. However, pure e-commerce and offline retailing will encounter development difficulties. Therefore, the new retail industry should integrate the online and offline business as well as the logistics industry, and realize the transition from the traditional retail "promotion" (how to achieve sales) to the new retail "service" (how to improve the consumer experience), so as to promote and promote tremendous changes in the retail industry. In July 2017, Liu Qiangdong, Chairman and CEO of Jingdong Group, presented the "fourth retail revolution" in an interview with *Caijing* magazine. He believes that the essence of retail is still the improvement or improvement of cost, efficiency, experience, etc., and subsequently proposes and expounds the concept of "unbounded retail" based on the "fourth retail revolution". On November 6, 2017, Ding Lei, Chairman and CEO of NetEase Group, first proposed the concept of "new consumption" in the special speech of "2017 Cross-Strait Entrepreneur Zijinshan Summit". He believes that the middle class has formed an independent consumption concept, technological advancement to improve consumer participation and manufacturing upgrades and other factors have formed the current era of new consumption. On March 20, 2018, the 2018 China Retail Digital Innovation Conference opened in Shenzhen. Lin Xun, Vice President of Tencent, explained the concept and core proposition of Tencent's "Smart Retail" for the first time. He analyzes how smart retailing is driven by retailers to improve overall link operational efficiency, optimize customer experience, and create new business opportunities.

Whether it is Alibaba's "new retail", Suning, Tencent's "smart retail", or Jingdong's "unbounded retail", NetEase's "new consumption", even if there are differences in wording, they are all attempts to reconstruct and upgrade the development concept and business model of the consumer retail industry under the existing economic and technological conditions, compared to traditional retail formats

and even pure e-commerce. The "new retailers" will pay more attention to the satisfaction of consumers' individualized needs and the diversified consumption experience. The operational efficiency and social value of the entire retail format will also be greatly improved.<sup>[2]</sup> Therefore, it is of great practical significance to analyze the existing defects of the traditional retail industry marketing model, to explore the consumption experience demand under the "new retail" perspective and to construct a new marketing model based on the improvement of consumer experience.

## 2. Types and Defects of Traditional Marketing Models in Consumer Retail Industry under the Background of "New Retail"

### 2.1 Advertising Marketing

Advertising marketing refers to the activities in which enterprises promote and promote products through advertising, promote consumer purchasing decisions, expand product sales, and enhance corporate visibility, reputation and influence. With the rapid development of economic globalization and market economy, advertising marketing activities, which are an important part of the enterprise marketing mix, play an important role in the corporate marketing strategy. However, with the transformation of business models and the intensification of market competition, the cost performance of advertising marketing behavior is declining. On the one hand, the scarcity of advertising resources makes the financial cost of implementing advertising marketing behavior high, and the high advertising expenses consume a lot of funds of the enterprise, and even seriously affect the normal development of the main business of the enterprise. There has been a situation of "have money to find celebrity to do endorsements but have no money to do product research and development". With the development of the Internet and self-media technology, the presentation and dissemination of product information is increasingly diversified, and the consumption traffic of traditional advertising media is gradually being differentiated and diluted, and the advertising marketing dividend is continuously decreasing. On the other hand, the false advertising of product features, the false endorsement of celebrities, the false hype of marketing, the aesthetic fatigue of advertising content, and the polluting environment of advertising have seriously affected the development prospects of advertising marketing model in the new economic era.

### 2.2 Direct Marketing

The practical performance of the direct sales model has been highly respected by many domestic companies, especially in the context of the increasingly low cost perfor-

mance of the simple advertising marketing model. Industry companies, including the health care products industry, have turned to direct marketing models to further expand product sales and enhance their marketing performance. Under the direct selling mode, the producers, manufacturers and importers of the products push the products directly to the end consumers without any intermediate circulation, effectively shortening the circulation links of the products and compressing the intermediate operating expenses of the industrial enterprises, thereby reducing the time cost and economic cost of commodity marketing, and improving the operational efficiency and overall value of the company's marketing activities. In addition, most of the direct sales personnel have the experience of using direct sales products, through the physical store goods marketing and familiar social activities marketing, can deliver real and reliable product information to the surrounding sales objects, which is conducive to fostering long-term stable consumer trust and consumer stickiness at a lower transaction cost, thus contributing to a steady increase in direct sales performance.<sup>[3]</sup> However, the direct marketing model also has its own insurmountable deficiencies. The direct selling model is vulnerable to the risk of illegal pyramid schemes, the direct management team's own management is loose and the professional quality is not balanced, and the salary incentive mechanism is not scientific, which has led to the instability of the direct sales team and other issues that limit the continued development of the direct sales model in the new retail era.

### 2.3 E-commerce Marketing

E-commerce marketing is a marketing method that emerges with the continuous development of network communication technology, electronic payment technology and the continuous improvement of social logistics efficiency. It is intuitive, convenient and efficient. It has gradually become an important way and technical support for the strategic transformation and performance improvement of traditional enterprises.<sup>[4]</sup> The continuous innovation and development of e-commerce has changed the marketing mode of traditional enterprises and the development direction of traditional marketing methods. Specialized division of labor and collaboration have been achieved to varying degrees in all aspects of product introduction, payment settlement, warehousing and distribution involved in trading activities, which has caused the consumer retail industry to undergo subversive changes in terms of transaction time, trading location, transaction rate, and transaction efficiency. The e-commerce marketing model based on technology support has more advantages than the traditional marketing model in terms of credibility and security of transactions, making the e-commerce-based

consumption activities an easy and convenient trading experience. However, as Liu Qiangdong said, the network cable will never flow milk.<sup>[5]</sup> Although the existence of e-commerce has greatly improved the efficiency of daily retail transactions, through the continuous construction and improvement of infrastructure such as the network and logistics, consumers can complete consumer transactions on a global scale without leaving their homes. However, the e-commerce marketing method only changes the appearance of the transaction to a certain extent, and cannot satisfy all the trading needs of consumers. Ma Yun has also repeatedly stated in public that pure e-commerce is outdated, and the online trading method that the e-commerce marketing model focuses on cannot take into account all consumer demand for consumers. Moreover, e-commerce itself is also lacking in the security, integrity and comfort of transactions. The e-commerce marketing method should organically link the online and offline parts of the retail consumer transaction on the basis of fully considering the consumer's personalized experience, thus promoting the innovative development of the retail format under the "new retail" perspective.

### 3. New Consumer Experience Needs in the Context of "New Retail"

The essence of consumption is that consumers pay a certain amount of price or fee to the supplier of the product or service to obtain the economic utility of the product or the sensory experience of the service. The development concept of "new retail" is based on the breakthrough of the traditional retail industry development model, and the online and offline links involved in the retail exchange are connected to each other, so as to achieve greater efficiency in retail business development (more profitable businesses) and create more value for consumers (better consumer experience).<sup>[6]</sup> With the continuous improvement of social and economic conditions and the increasing consumption power of the society, the social consumption demand in the context of "new retail" has gradually expanded from the satisfaction of basic life needs such as finding food, clothing, housing and transportation to the higher-level demand areas such as entertainment consumption and social consumption, seeking spiritual satisfaction and self-realization. And even in the process of satisfying basic needs, more attention is paid to the entertainment and sociality of consumer activities. In addition, the entertainment and socialization of consumer activities are often accompanied by the personalization of consumer content and the autonomy of consumption patterns, in order to enable consumers to obtain better subjective feelings and emotional satisfaction in the process of consumption, thereby achieving a high-quality consumer experience.

### 3.1 Consumption Entertainment Orientation

The development of the retail industry under the "new retail" perspective is based on the advancement of social technology and the escalation of consumption demand. It has gradually realized the transition from focusing on the satisfaction of material needs to provide a pleasant life experience. Consumption activities are more entertaining, casual and experiential.<sup>[7]</sup>

Firstly, in the content and field of consumption, the rapid development of "new retail" has given entertainment consumption more imagination and realization scenarios, and the entertainment of consumption has further promoted the expansion and deepening of the "new retail" format. With the development of Internet technology and e-commerce technology, in recent years, domestic entertainment, film, video, live broadcast, games and other entertainment industries have become increasingly prosperous and become new economic growth points.

Secondly, in the form and approach of consumption, the rapid development of "new retail" has given traditional consumption activities more entertainment and experience. The presence of large-scale integrated commercial facilities such as GINZA SIX in Ginza in Japan, and Oriental Plaza in Beijing, China, has made daily shopping activities for the general public often accompanied by recreational activities thus achieving higher consumption efficiency and better consumer experience; At the same time, the infinite extension of entertainment scenes and the fragmentation of entertainment information have also spawned a lot of probabilistic or rigid consumer demand. The current booming network economy, celebrity endorsement, IP marketing, etc. are typical performances of consumer entertainment.

### 3.2 Consumption Autonomy

The economic utility of the goods provided by the merchant or the content of the service and the consumer demand directly affect the marketing status of the product. Therefore, it is very important to fully absorb and reflect the consumer demand content of the target consumers in the process of product design, production and marketing; For consumers, the independent participation in the design, production and other aspects of product or service content is conducive to better meet their individual consumption needs and enhance their own diverse consumer experience, actually realizing the supply-side demand determines the consumption autonomy logic of production and consumption decisions. The development of the retail industry under the "new retail" perspective focuses on the integration of online and offline business links, and has better resource conditions and technical foundations

in consumer demand research and collection and consumer experience feedback response. Haier Electric collects the functional and structural requirements of products through consumers through the network, and even allows consumers to participate in the design of products such as refrigerators, in order to achieve a higher level of consumer demand and product performance, which creates differentiated customer value and a personalized customer experience in the highly homogenous home appliance market. Xiaomi, a mobile Internet company that specializes in the development of intelligent hardware and electronic products, has created a business model that uses the Internet model to develop mobile operating systems and enthusiasts to participate in the development and improvement. It is committed to enabling everyone around the world to enjoy quality technology products from China.<sup>[8]</sup> In addition, the application of Internet-based big data and artificial intelligence provides a realistic possibility for merchants to collect, analyze and apply consumption preference data, which also provides incentives for goods and services to better meet consumer demand for consumption. With the upgrade and development of business and customer interaction technology, the consumer's demand for independent consumer experience will receive more care and satisfaction.

### 3.3 Consumer Personalization

Consumer groups and individuals have natural differences. Different family backgrounds, living habits, age levels, economic status, and level of knowledge determine the individualization of consumer demand and are embodied in different consumer experience requirements in the consumption process. From the customization of consumer goods to the DIY of consumer objects, the purpose of consumer activities has not formed a qualitative breakthrough in the satisfaction of the various levels of demand in Maslow's hierarchy of needs. However, the consumption patterns of consumption patterns, consumption scenarios, consumption methods, and consumption content of different consumer entities show increasingly obvious characteristics of subjective differences. In the new economic era, where the problem of food and clothing has long been resolved, although people have great value convergence in pursuing the needs of various levels such as physiology, safety, belonging, respect, and self-realization, however, the instrumental differences reflected in the demand satisfaction process are still significant. On the one hand, consumers' taste preferences are never exactly the same; on the other hand, the improvement of economic ability also enables consumers to afford relatively higher personalized consumption costs. From the supply side point of view, in order to cater to the increasingly large individualized

consumer demand, the business has begun the organizational reengineering and process innovation of production and management. On the basis of changing the traditional production -consumption marketing concept, gradually formed a new marketing concept based on the consumer experience, "consumer demand collection - product production landing - scene demand satisfaction" Thereby, the front-end consumer experience is improved, the consumption value is increased, the back-end operating cost is reduced, and the operating efficiency is improved. Therefore, whether it is from the production of goods or the sale of goods are carried out around the needs of consumers, especially paying attention to the individualized needs of consumers, driving the supply of products through personalized demand, and thus continuously improving and improving the consumption experience.<sup>[9]</sup>

### 3.4 Consumption Socialization

With the iterative development of inter-network technology, the path of interpersonal communication has experienced several stages such as traditional mode, PC-side mode and mobile-end mode. The cost of social interaction is generally reduced, and the efficiency of social interaction is constantly improving. The daily convenience and frequentness of social activities have driven the amount and price of consumer behavior in the social process, and even spawned exclusive social behaviors aimed at meeting specific consumer needs. The socialization trend of social consumption is becoming more and more obvious. Whether social behavior contributes to consumer demand or consumer demand contributes to social behavior, the essence highlights the scene attributes of demand triggering and demand satisfaction. That is, in what kind of environment, what kind of consumer demand is tapped, and the appropriate product positioning is used to meet the specific target needs of consumers, and finally the completion of the consumer transaction is completed.<sup>[10]</sup>

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