

# Strategic Management Research of New Development Period for Internet Retail Enterprises

-- Using Xing Sheng You Xuan as an example

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**Abstract:** The new development period refers to the stage from the explosive growth of internet retail enterprises in 2018 to the present, experiencing the fluctuations of the pandemic and the capital boom, as well as unstable economic development. Strategic management for enterprises during this period is particularly important. Under turbulent conditions, what methodologies should business organizations choose as the basis for forming their forecasting and development strategies? Under unstable conditions, how can enterprises form the optimal strategic management system? This paper combines relevant theories and case studies to explore the effectiveness and feasibility of enterprise strategic management in specific situations, providing reference for relevant practitioners and interested parties.

**Keywords:** Community group purchasing, Xing Sheng You Xuan, Strategic management.

## 1. Introduction

### 1.1. Characteristics of Different Phases in the Retail Industry

#### 1.1.1. Traditional Retail:

Characterized by high regional concentration and an underdeveloped transportation system, traditional retail predominantly relies on offline payment methods. The quality of service and consumer experience are generally moderate.

#### 1.1.2. E-Commerce:

Propelled by the advancement of the internet, the retail sector has gradually expanded its reach across regions, contributing to the development of a more comprehensive logistics system and the emergence of online payment methods. The reduced transaction costs have indirectly elevated profit margins, ensuring improved after-sales service and an optimized consumer experience. This optimization further promotes the penetration of the internet and the Internet of Things (IoT) into various industries and organizations, along with the digital transformation of infrastructure. During this period, the domestic e-commerce sector entered a rapid growth phase. Notable milestones include the launch of Alibaba's C2C platform Taobao on May 10, 2003, eBay's entry into the Chinese market through the acquisition of a 33% stake in EachNet for \$30 million in 2002, and the online debut of JD.com in 2004. Companies like JD.com, valued at over 800 billion, began to gain prominence. In 2007, VANCL went online and quickly secured tens of millions of dollars in venture capital, gaining favor in the capital market along with JD.com.

#### 1.1.3. New Retail:

This is an integrated model combining both online and offline sales channels. With further advancements in the logistics system and the entry of major internet capitals, various aspects of the retail industry—such as the payment environment, customer acquisition channels, transaction costs, and product added value—have been optimized.

Representative sub-sectors in this phase include:

**Multi-format Segments:** Integration of various segments into traditional retail stores, such as Hema incorporating fresh produce.

**Unmanned Retail:** Technology-enabled, resembling automated vending machine shops, like Alibaba's unmanned markets and SF Express's automated grocery cabinets.

**Platform-based Retail:** E-commerce platforms developing new retail segments that do not require additional warehousing but need last-mile delivery, offering speed advantages over traditional courier services, such as Tmall Supermarket and JD Supermarket.

**Community Group Buying:** A model that utilizes apps or mini-programs for product display and payment, while offline partnerships facilitate pickup points. Essentially operating on an S2B2C model, community group buying applies B2B supply chain models to B2C scenarios through "pre-sales," "group buying," and "self-pickup," effectively reducing warehousing, delivery, and transaction costs. Notable companies include Xingsheng Youxuan, Tao Caicai, and Meituan Youxuan.

**Instant E-Commerce:** Customers purchase directly through online platforms and receive deliveries within a specific time-frame (currently ranging from 30 to 60 minutes). This model requires extensive community warehousing and a large number of delivery personnel, attracting a certain consumer segment but increasing platform costs. Representative platforms include Tao Fresh (Hourly Delivery), JD Daojia (1-hour Delivery), Hema (30-minute Delivery), and Dingdong Grocery (29-minute Delivery).

### 1.2. Development History of Community Group Buying

The integrated model of New Retail is essentially grounded in the digital industrialization and industrial digitization processes enabled by the Internet of Things (IoT), artificial intelligence (AI), and big data industries. Community group buying has emerged as a particularly hot sub-sector in recent

years, demonstrating robust growth momentum. Prior to 2018, the primary aim of community group buying was to clear inventory and sell off surplus stock. However, from 2018 through 2021, a surge of capital investments flooded into the sector, expanding the number of community group buying companies from the initial 'Big Three'—Xingsheng Youxuan, Tongcheng Life, and Shihuituan—to dozens or even hundreds. After a fierce capital-driven price war, the industry underwent a significant transformation. In July 2021, Tongcheng Life declared bankruptcy; in March 2022, Xingsheng Youxuan's related businesses were shut down; in the same month, Shihuituan's official website became inaccessible. As of now, the market share is mainly divided between Xingsheng Youxuan and the new 'Big Three'—Meituan Youxuan, Tao Caicai, and Duoduo Grocery.

## 2. Theoretical Foundations

### 2.1. Concepts in Strategic Management

Strategic management is a relatively comprehensive term that serves as a guide for planning, organizing, managing, coordinating, controlling, and innovating in management activities. It is also a dynamic and ongoing process. Chandler [2] posits that strategy is the determination of long-term organizational goals along with the allocation of corresponding resources. Ansoff [3] defines strategic management as the fundamental and long-term planning and guidance carried out by top-level managers, based on an analysis of both the external and internal environments of the organization. Mintzberg conceptualizes strategy as consisting of five 'P's: plan, pattern, ploy, position, and perspective. To assist in understanding the holistic process of corporate strategy, we explored the definitions of plan, strategy, pattern, position, and perspective based on Mintzberg's 5P model, and considered the relationships among these concepts. [4]

### 2.2. Strategic Management Theories in the New Era

#### 2.2.1. Dynamic Capabilities Theory:

Teecce [5] suggests that dynamic capabilities are an organization's ability to integrate, build, and reconfigure internal and external resources to adapt to changing environments. The core assumption is that this adaptability will help organizations achieve sustainable advantages. This perspective transforms strategic management into a dynamic and vertical analysis, focusing on the transition from one-time acquisition and transformation capabilities to the capabilities for continuous improvement and optimization. These latter capabilities can help organizations acquire and maintain competitive advantages in rapidly changing and highly competitive environments.[6]

#### 2.2.2. Knowledge Management Theory (KBT):

Derived from Resource-Based Theory (RBT), KBT emphasizes that organizations should become learning organizations. They should possess the necessary abilities to absorb external knowledge, manage internal knowledge, and wield organizational knowledge power in order to adapt to the rapidly changing new era.

#### 2.2.3. Edge Competition Strategy Theory:

Originally from Brown's 1988 work "Edge War," this theory is based on strategic change theory. It posits that the primary characteristics of the current business environment are rapid change and unpredictability, making organizational

change management crucial. The key points include transcending competition (shifting focus to innovative cooperation and the creation of knowledge networks), organizational structure (maintaining a balance between chaos and order, setting a self-paced rhythm to influence market patterns, and continuously innovating and changing), and integrated development (incorporating transaction cost theory, organizational institutional theory, social network theory, organizational ecology theory, and ensemble evolution theory). Additionally, the theory of strategic inflection points appears somewhat passive in comparison.

### 2.3. Models chosen for this Strategic Analysis

#### 2.3.1. Porter's Five Forces Analysis [7]

A foundational framework for assessing industry competition and market attractiveness. It's included to evaluate the external competitive environment.

#### 2.3.2. Coopetition and Six-Forces Model

Expands on Porter's model by adding a sixth force, Complementors. Chosen for its nuanced approach to industry dynamics that considers both competitive and cooperative interactions.

#### 2.3.3. Core Competence Analysis

Focuses on unique capabilities that offer competitive advantage. Included to guide resource allocation and strategic focus.

#### 2.3.4. Balanced Scorecard

Offers a multi-dimensional performance evaluation, going beyond financial metrics. Included for its holistic approach to performance assessment.

#### 2.3.5. SWOT Analysis

A versatile tool for internal and external assessment based on strengths, weaknesses, opportunities, and threats. Chosen for its utility in identifying strategic priorities.

#### 2.3.6. Integrated Analysis Model (BSG)

Classifies business units based on market growth and share to guide resource allocation. Included for its strategic portfolio management approach.

## 3. Case Analysis

### 3.1. The Development History of Xingsheng Youxuan

Xingsheng Preferred was born out of Hunan Province's largest chain of convenience stores — Furong Xingsheng, which was established in 2001. Phase One: In 2014, founder Yue Lihua consolidated over ten thousand mom-and-pop shops through a mix of direct operations and franchising, laying a solid foundation for a self-pickup model. With the rise of e-commerce platforms like Taobao and JD.com impacting in-store performance, Xingsheng began its transition. Phase Two: The brand innovated a community group-buying model that combined "pre-sales + self-pickup." Store owners acted as group leaders and promoted cost-effective fresh produce to surrounding community members via WeChat groups. Upon receiving customer orders, bulk purchasing and next-day delivery to stores were coordinated. This evolution included transitions from store self-delivery to internet warehouse models, ultimately solidifying the community group-buying framework. Phase Three: The COVID-19 pandemic in 2020 catalyzed Xingsheng Preferred's growth and drew the attention of investors. With financing

from JD.com and Capital Today, among others, and supported by funding and technology, the company iteratively developed its Warehouse and Distribution 5.0 model. This resulted in a deeply penetrated and high-volume self-operated sharing and central warehouse integration, centered around four main hubs — processing, B2C, storage, and transportation—all located within a unified industrial park. Since 2015, Xingsheng Preferred has been building its own logistics system, Abida, based on a self-controlled logistics team, establishing a five-tier service point system that covers "cities, districts, counties, towns, and villages." As of 2020, Xingsheng Preferred's GMV had exceeded 40 billion RMB, with daily orders surpassing 10 million RMB. From Series A investment in September 2018 to strategic investments in July 2021, the company has raised over 5 billion USD through nine funding rounds. After three years of intense capital interest, the final valuation in 2021 exceeded 12 billion USD.

## 3.2. Basic Model Analysis

### 3.2.1. Analysis of Organizational Vision and Mission

Vision: Revitalize a million physical convenience stores in China, connect tens of millions of global brands directly to hundreds of millions of households, and change the lifestyle of hundreds of millions of Chinese families.

Firstly, Revitalizing Stores: By reinvigorating traditional convenience stores, stable distribution and community traffic bring added vitality to the shops.

Secondly, Empowering the Upstream: Stable market penetration ensures sustained growth for brands. Direct collaboration between manufacturers and platforms optimizes the supply chain, reduces costs, and enhances both brand sales and profitability.

Lastly, Changing Consumer Lifestyles: Placing orders for parents in remote areas serves as an emotional tether in places hard-to-reach by conventional delivery services.

### 3.2.2. Analysis of Organizational Change Background

Xingsheng Preferred originated as an offline convenience store chain known as Furong Mister. Utilizing Porter's Five Forces analysis, the industry suffers from excess capacity and has high-profit sectors like snack foods largely monopolized. Consequently, suppliers wield significant bargaining power. The primary consumer base—Gen Z and Millennials—places a higher value on novelty than on price negotiation, making this variable less analytically significant. From the perspective of threat of substitutes, the convenience store industry in China is still in a growth phase, accounting for only 0.8% of total sales, far below the index in developed countries. The main substitutes for convenience stores are supermarkets and specialty stores, which offer similar pricing but a wider variety of product choices. In 2015, the number of medium and small-sized supermarkets was 1.9 times that of convenience stores, and the number of specialty stores was 6.4 times higher. This indicates a high threat from substitutes. Internal competition is equally fierce, with brands like Red Flag convenience stores in Sichuan and Good Neighbors in Beijing, limiting growth and profitability prospects.

### 3.2.3. Analysis of Strategy Formulation and Implementation

In 2014, considered the inception year for community-based O2O, e-commerce was booming. Management experimented with empowering tens of thousands of stores to form a real-time, online-to-offline delivery model that includes home delivery. This organizational capacity to

integrate, build, and reconfigure internal and external resources to meet changing environments is an exemplification of dynamic capabilities.

### 3.2.4. Analysis of Strategic Transformation

By the end of 2018, about 30 million RMB was spent without realizing significant expansion. This is primarily because instant online delivery requires a ready pool of delivery riders, posing a considerable challenge to the existing industrial structure. The requirement for AI and algorithms to facilitate cost-effective instant delivery is high. (Meituan, the food delivery giant, only reached over 500,000 active riders by the end of 2017). The short time frame also prevents pre-stocking, leading to issues like stock-outs and overstock of some items. In 2018, Xingsheng Preferred extended its model to "pre-sales + self-pickup." Customers place orders on the platform and pick them up at designated points the following day, with group leaders serving as intermediaries. This model resolves the aforementioned issues and leverages the decentralized group leader model for customer acquisition. With the platform streamlining upstream supply chains and group leaders reaching end consumers, the model not only aligns with organizational goals but also fully leverages the industry's supply chain advantages. Upon its introduction, the model quickly turned profitable on a small scale, attracting significant capital investment and achieving annual revenues exceeding 10 billion RMB—equivalent to the scale Yue Lihua achieved after running small stores for 30 years.

### 3.2.5. Macro Analysis (PEST.G)

#### 1) Political Factors

The internet giants entering the market inevitably triggered online capital price wars, leading to monopolistic tendencies. As a result, in 2020, the People's Daily specifically criticized these monopolistic giants, advocating for the protection of small vendors. On November 15, 2021, the State Administration for Market Regulation released a response concerning "Preventing Large Internet Companies from Monopolizing Markets through Online Group Buying and Severely Affecting the Interests of the Masses." The response emphasized an ongoing commitment to "strengthen anti-monopoly regulations and prevent the disorderly expansion of capital." The political environment is complex, and while this is not favorable news, it's noteworthy that Xingsheng Preferred is not among the punished companies.

#### 2) Economic Environment

Impacted by the COVID-19 pandemic, the international economic landscape has faced challenges. However, China's economy has been steadily transitioning to high-quality development, maintaining growth in GNP over recent years. During the period of the "new normal" with COVID-19, economic activities are under pressure and consumer incomes are affected. However, community group buying channels have gained popularity. In 2021, the user base reached 650 million people, a 37% growth compared to 2020. Moreover, the safety and convenience of community group buying are self-evident compared to express delivery and supermarkets during these special times.

#### 3) Sociocultural Environment

The basic Chinese values of thrift and frugality, along with the social aspects of community group buying, are favorable factors.

#### 4) Technological Environment

The digitization of the internet industry and the industrialization of digital technologies, along with the

development of artificial intelligence and algorithms, will inevitably result in superior business models and reduced inventory losses.

#### 5) Geographic Environment

A unique tiered market structure is part of the company's core competitive strength.

### 3.2.6. Meso Analysis (Porter's Five Forces Model)

#### 1) Supplier Bargaining Power

The Chinese fresh retail market size was around 5.1 trillion RMB in 2020, while the consumer goods retail market was around 6.0 trillion RMB. Generally, the larger the platform, the lesser the bargaining power of suppliers. In the community group buying model, suppliers usually profit from thin margins and volume or subsidies. As they mature, they rely more on thin margins. Once the subsidy phase is over for large platforms, they may have a greater number of contracted suppliers and could use a bidding system for rankings. Xingsheng Preferred is relatively large in scale, reducing supplier power.

#### 2) Buyer Bargaining Power

Under the ongoing pandemic, consumer dependence on community group buying has increased, limiting their bargaining power. However, if given a choice, consumers can switch platforms, indicating higher bargaining power from this perspective due to low platform loyalty.

#### 3) Threat of New Entrants

Firstly, internet giants have made significant entries, launching platforms to great initial acclaim but then fading away. Secondly, logistics companies with a strong supply chain and cold chain capabilities could pose a significant threat, although no breakthroughs have been observed yet.

#### 4) Threat of Substitutes

The main threat comes from traditional supermarkets developing their online capabilities. Established chains like Yonghui and RT-Mart are joining hands with online platforms like Ele.me and Meituan, posing a certain level of threat to community group buying platforms.

#### 5) Competitive Rivalry

As of December 2022, only Xingsheng Preferred and three large-capital community group buying platforms (Meituan Preferred, Pinduoduo, Tao Vegetables) remain competitive. Due to its origins from Furong Xingsheng's chain of 10,000 stores and a 30-year-old supply chain, it has a competitive advantage that new entrants can't easily replicate. There are also untapped markets with high potential. Industry experts Wang Xuhui [8] believe that platforms should guide and stimulate latent consumer demand, expand consumption, and continuously improve efficiency through digital transformations. Therefore, Tao Vegetables with Alibaba's digital capabilities, Pinduoduo's potential in untapped markets, and Meituan's algorithmic expertise from its delivery platform may emerge as strong competitors. Additionally, these new entrants have unparalleled advantages in terms of traffic and political relationships.

### 3.2.7. Strategic Inflection Point Analysis

The Critical Moment Has Arrived! This is what Andrew Grove, the former CEO of Intel, once said. He argued that things slowly change over time and eventually reach a "strategic inflection point." At this point, a company must adapt to significant external changes promptly, even preemptively. Those who fail to adapt are eliminated. Intel's strategic shift from memory to CPUs in 1985 is a classic example of such a maneuver. As a result, Intel achieved tremendous success.

### Case Study: Xingsheng Preferred

On November 13, 2022, the community group-buying platform Xingsheng Preferred suddenly announced the closure of its markets in Henan, Shandong, Sichuan, and Chongqing. This could well be a strategic inflection point and perhaps a prudent choice.

#### The Illusion of Capital Support

Capital injections and subsidies often mask many issues. Between 2010-2020, more than 4,000 companies entered the fresh produce e-commerce sector. According to data from the China E-commerce Research Center, 88% of these companies are operating at a loss, 7% are incurring massive losses, 4% are breaking even, and only 1% are making short-term profits.

#### The Long-Term Perspective

Competing solely on the basis of capital is not wise in the long run. It might be more prudent for Xingsheng Preferred to focus on their core competencies and markets.

#### Key Takeaway

Just like Intel had to shift its focus to adapt to changes in the computing industry, Xingsheng Preferred's decision to withdraw from certain markets could be an example of a company recognizing its strategic inflection point and taking necessary action. In a highly competitive and fluid market landscape, recognizing and acting upon these inflection points could mean the difference between success and failure.

## 4. Conclusion

In a volatile business environment, Xingsheng Youxuan should prioritize the analysis of both internal and external landscapes, formulating and implementing strategic initiatives while frequently assessing the outcomes. When necessary, organizational transformation becomes imperative to sustain a competitive advantage. Following strategic contractions, Xingsheng Youxuan must bolster its organizational cohesion to evolve into a learning organization [10] endowed with the capacity for external absorption and knowledge management. Three salient heterogeneous resources underpin its strategy: the seasoned capability in group leader operations, the untapped potential in the lower-tier markets, and a pronounced sense of social responsibility. These assets provide the firm with unique advantages not easily replicated by competitors. In line with the observations made by Sun Dawei, Zhao Qilan, and Zhang Xiaomeng, the advent of the big data era necessitates greater agility and intelligence in inventory and warehouse management. Hence, Xingsheng Youxuan should proactively plan and deploy an integrated resource and delivery efficiency system to adapt to the diversified market demands swiftly and stably. In summary, a keen awareness of core competencies, coupled with strategic flexibility, is pivotal for the long-term viability of Xingsheng Youxuan in an unstable context.

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