

# THE BREAKTHROUGH OF TRADITIONAL RETAIL MARKET IN CHINA

How Internet Can Bring More Profits to  
Traditional Retailers in China

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## ABSTRACT

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The rapid development in China is in multiple aspects, economy, internet and other infrastructure in the country, these changes lead to the booming of E-commerce and online shopping, which caused pressure on traditional retail industry. A solution to overcome the situation is needed by the traditional retailers.

The purpose of this study was to evaluate the available internet resource and ascertain how traditional retailers can improve their competitiveness with the internet. Hence, the main research question was to discover how internet can bring more profits to a traditional retailer. The research was done through online survey, case studies and empirical studies, and received a lot of supporting data from statistics available on the internet. The study finally provided insightful descriptions of the useful tools on the internet, and the suggestions to retailers on how to utilize internet to enhance their business.

The result of the online survey showed that online chat is the most welcoming type of customer service, and customers' most concerned factors of customer service are the quality of service, and response time. From the data analysis and literature review, the researcher found that there is an evident trend of increasing mobile shoppers, and large-scale companies will gradually transform to Omni-channel retailing.

The findings indicate that due to the large number of social network users, social media and influencer marketing are seen as the most efficient marketing methods. A friendly return policy, and the clear description of products are very likely to attract the new customers, also, it helps to increase customers' satisfaction. And making the customers feel concerned by communicating with customers promptly and constantly can improve customer loyalty.

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Key words: China retail market, retail transforming, online retailing, Omni-channel

## CONTENTS

1	INTRODUCTION.....	6
1.1	Objective and Purpose of the Study .....	6
1.2	Research Questions.....	7
1.3	Research Methodology .....	7
1.3.1	Structure of Research.....	7
1.3.2	Reliability and Validity of Study .....	8
2	OVERVIEW OF E-COMMERCE AND RETAIL MARKET IN CHINA .....	9
2.1	Current Status of E-commerce and Retail Market in China .....	9
2.2	Driving Factors of E-commerce in China.....	11
2.2.1	Economy .....	11
2.2.2	Internet .....	12
2.2.3	Online Payment.....	13
2.2.4	Transport.....	16
2.3	The SWOT and Trend of Traditional Retailers in E-commerce Context in China.....	18
2.4	The Future of E-commerce and Retail Market in China .....	19
3	RETAILERS' APPROACHES TO TRANSFORM IN INTERNET ERA .....	20
3.1	Selling Online to Expand Sale Channel .....	20
3.2	Building an Efficient Customer Service .....	21
3.2.1	Online Chat .....	23
3.2.2	Phone.....	23
3.2.3	Email and Message .....	24
3.2.4	Customer Service Skills.....	24
3.2.5	Survey of Users' Attitude about Customer Service.....	25
3.3	Collecting and Analysing Data to Know Customers' Requirements .....	26
3.4	Creating Online Customer Community .....	27
3.4.1	Social Media .....	28
3.4.2	Forum.....	29
3.5	New Forms of Advertising .....	29
3.5.1	Search Engine Marketing (SEM).....	29
3.5.2	Posting on Social Media .....	30
3.5.3	Online Video.....	32
3.5.4	Email.....	32
3.5.5	Other .....	33
3.6	Partnering with Latest Technology.....	33
4	CASE STUDY .....	36

4.1	Case 1 Suning Omni-channel Retail.....	36
4.1.1	Suning online Operations.....	36
4.1.2	Suning Offline Operations .....	37
4.1.3	Reflection.....	38
4.2	Case 2 Uniqlo Integrating Online and Offline Retail .....	38
4.2.1	Uniqlo in China.....	39
4.2.2	Uniqlo Online Operations .....	39
4.2.3	Uniqlo Offline Operations .....	40
4.2.4	Reflection.....	41
5	DISCUSSION .....	42
5.1	How to Attract More Customers and Increase Sales? .....	42
5.2	How to Understand Customers' Requirements and Improve Customers' Satisfaction?.....	43
5.3	How to Improve Customer Loyalty? .....	44
6	CONCLUSION .....	45
6.1	Conclusion .....	45
6.2	Limitation and Recommendations for Future Research .....	46
	REFERENCES .....	48
	APPENDICES .....	52
	Appendix 1. Questions of the Survey.....	52

## ABBREVIATIONS AND TERMS

EU	European Union
CNCIC	China National Chemical Information Center
IT	Information Technology
GDP	Gross Domestic Product
DPI	Disposable Personal Income
CNY	Chinese Yuan
CECRC	China E-commerce Research Center
APP	Application
CRH	China Railway High-speed
SWOT	Strengths, Weaknesses, Opportunities, Threats
B2C	Business-to-consumer
C2C	Consumer-to-consumer
SNS	Social Networking Service
CEO	Chief Executive Officer
MAU	Monthly Active Users
DAU	Daily Active Users
IM	Instant Message
SEM	Search Engine Marketing
PPC	Pay-per-click
CNNIC	China Internet Network Information Center
JD	JingDong.com
GMV	Gross Merchandise Volume
3C	Computer, Communication, Consumer Electronics

# 1 INTRODUCTION

Internet has arisen a revolutionary reform in industry, it changed the way of manufacturing, the way of buying and selling. Internet brings new opportunities as well as challenges to the retail industry, and it is rapidly changing people's life. The internet connected more people from rural area to the market, at the same time it increased consumers' requirements, in consequence, the retailers become consumer-oriented to provide more friendly service and experience.

As more online shops are available, the physical stores are facing the reducing number of consumers, but increasing cost of rental and employees' salary. Unquestionably, the situation requires a change from traditional retailers. Therefore, this thesis reviewed some of the available resource on the internet and gave suggestions on how to use them efficiently. Moreover, this thesis introduced the future trend of retail market. According to a statistic about the penetration of mobile shopping in China on Statista (2016), the proportion of mobile shoppers are rising quickly, the number of mobile shoppers is expected to pass that of shoppers on PC by 2017.

Through case studies of Suning and Uniqlo, this thesis analyzed the benefits a company could get from the internet. The two companies were typical traditional retail companies and successfully utilized internet to boost the business, the case studies could give an example to other companies on how to take advantage of internet, and implied the direction of future E-commerce.

## 1.1 Objective and Purpose of the Study

The objective of the thesis is to evaluate the current available internet resource and provide insights for traditional retailers in China, so that the retailers can be more clear when making business plans. The purpose is to find out how E-commerce influenced the traditional retail industry, and how to overcome these impacts. The result of the study is an overview of internet resource in China such as social networks, marketplace, and a guideline for traditional retailers to utilize internet.

## **1.2 Research Questions**

The initial research question in this thesis is, in the era of internet, how internet can bring more profits to a traditional retailer? The question is divided to three sub-questions to describe the question more completely:

- a. How to attract more customers and increase sales?
- b. How to understand customers' requirements and improve customers' satisfaction?
- c. How to improve customer loyalty?

## **1.3 Research Methodology**

In order to achieve the desired goal of this thesis, the study adopted various methods including online survey, case study, literature review, and data analysis. The online survey received 46 responses, and the researcher obtained useful information about customers' attitude about different types of customer service from the survey. A lot of data were acquired through internet, such as the age distribution of internet users in China, and the penetration of online shopping in China. Besides literature review, some reports about Chinese retail market from consulting firms KPMG and Deloitte were also used in this thesis.

### **1.3.1 Structure of Research**

The thesis is comprised of 6 chapters: introduction, overview of E-commerce and retail market in China, retailers' approaches to transform in internet era, case study, discussion, and ends with conclusion.

The introduction chapter introduces the aim of the study, the research questions, and the methodology. The research limitations, structure of research, and reliability are also talked in this chapter.

The second chapter gives information about the retail market situation and development of infrastructures in China, including economy development, internet, online payment,

and transport. These factors are seen as the drivers of E-commerce development in China.

The third chapter is a main chapter of this thesis. It starts with the introduction and analysis of available resource on internet for retailers in China. The latter part of this chapter talked about the suggested methods for retailers in China.

The fourth chapter contains two case studies, Suning and Uniqlo. The two companies have different approaches to deal with E-commerce and both of them have succeeded to win in their market.

The discussion chapter explains the situation of the retailers in China, and the objectives of the thesis again. And it brings back the research questions in this study and answers them in detail.

The final chapter is the conclusion, this chapter briefs the whole contents of the thesis, it repeatedly addresses the important findings of the study, and also talked about the limitation of the study, and recommendations for future study.

### **1.3.2 Reliability and Validity of Study**

The result of the study is achieved by conducting survey, reading companies' reports and previous research papers, as well as analyzing the statistics of activities of Chinese internet users and online shopper. There were a lot of evaluation and check behind the usage of data from internet, to ensure the reliability of the data, and the reliability of this thesis. The two case studies in the thesis were chosen to represent two typical types of retailers, and the plentiful data from both of the case companies ensured the credibility of the research.

This research was done in 6 months, in a sufficient time. Although the validity is inevitable, the author has spared no effort to find the most reliable sources of all information used in the thesis.

## **2 OVERVIEW OF E-COMMERCE AND RETAIL MARKET IN CHINA**

In the global range, the E-commerce is composed by the United States, European Union (EU) and Asia. The United States was the first to start E-commerce and is the most mature market for E-commerce. Although EU started E-commerce after the United States, the rapid development makes it leading in the world market. Asia is new to E-commerce, but the huge potential market and fast penetration of latest technologies let Asia keep a high growth rate.

In 1997, the China National Chemical Information Center (CNCIC) started to provide online business service, it is recognized the sign of emergence of E-commerce in China. From 2003 to 2007, it was the rapid development of E-commerce period in China, the infrastructure and policies were established during that time. The 2008 Financial Crisis didn't have a severe impact on the development of E-commerce, it still kept a stable growth till today.

### **2.1 Current Status of E-commerce and Retail Market in China**

E-commerce developed so fast in China that affected all industries, including online retail, internet finance, the society and even people's daily life. As early as in 2013, China surpassed the U.S. to be the world largest E-commerce market. In 2016, China eclipses the U.S. as the largest retail market in the world with total sales of \$4.886 trillion (e-Marketer, 2016). In August 2016, e-Marketer also forecasted China to top \$899.09 billion by the end of the year, which takes up 47% of digital retail sales worldwide, and 18.4% of the nationwide total retail sales. (figure 1)

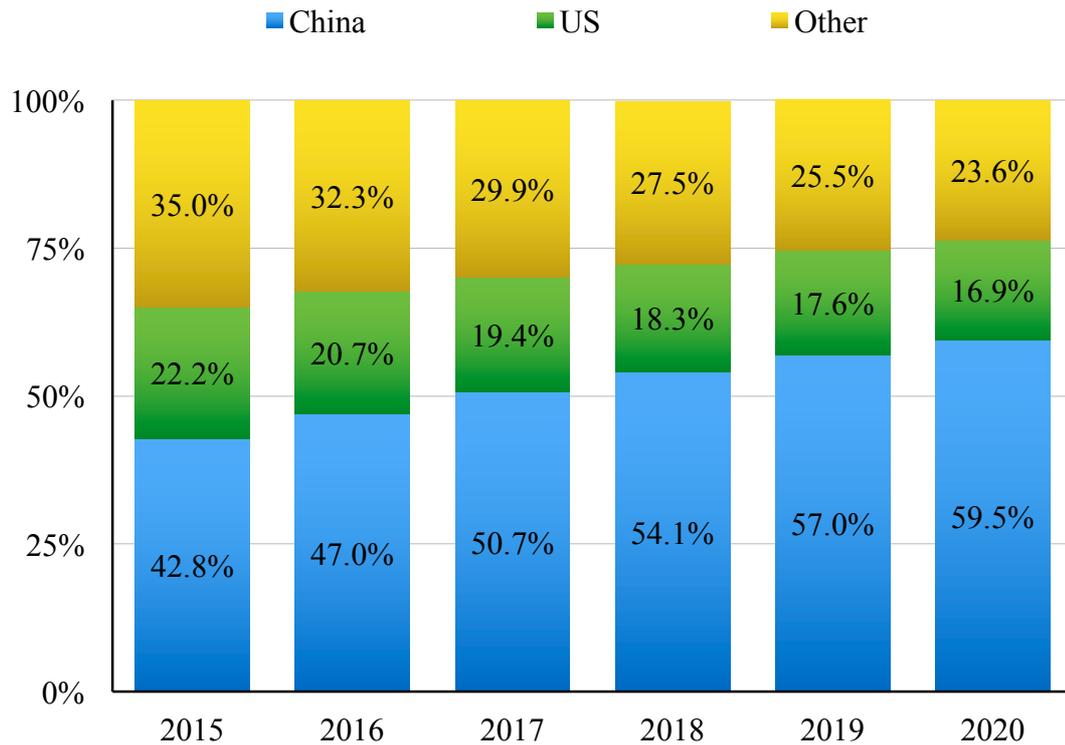


FIGURE 1. Retail E-commerce sales share of worldwide, China vs US (e-marketer 2016)

Compared with the booming of E-commerce in China, the revenue growth rate of the traditional retail has seen a decline for four consecutive years. The costs of operating physical stores have increased significantly, the expenditures of rental and labour are affecting companies' profit, from 2013 to 2014, the rental and labour costs increased by 4% and 7.5% on average (Deloitte, "China power of retailing 2015", August 2015). The stress from different dimensions especially online sales has had severe impacts on traditional retails. Some companies have tried adapting to E-commerce, but it is extremely challenging for them to establish their own channels, the reasons are either they are too small in size or too inexperienced to manage such transitions (Chen 2015).

Therefore, about 90 percentage of Chinese electronic retailing are on virtual marketplaces such as Taobao and Tmall, where the retailers can receive marketing and site-design services, payment fulfilment, delivery and logistics solutions, customer service and IT support. (Dobbs, Chen, Orr, Manyika, Chui & Chang 2013) The preconditions have attributed to the fact that small companies open their online shops mostly on Taobao or Tmall, and both of them are owned by Alibaba. As a consequence, Alibaba gradually

build their ecosystem, and it is more impossible for new players to build their own marketplace. Baidu, the largest search engine in China, blocked the contents from Taobao and Tmall, as a result, unlike the consumers in foreign countries look for products and shops in Google, Chinese consumers usually turn to Taobao and Tmall when they are looking for a merchant, so that Taobao and Tmall have a high traffic volume and it benefits all shops within their marketplace.

On the other hand, the development of economy in China have significantly improved people's willingness to shop, along with the convenience brought by internet, there is a considerable number of Chinese doing shopping online. It is worth mentioning that the smartphones will progressively connect hundreds of millions consumers in rural areas to the E-commerce market, the retail market in China has a huge growth potential, as the internet penetration rate is only 50% in terms of nationwide.

## **2.2 Driving Factors of E-commerce in China**

There are a lot of things changed in the country, especially the improvement of payment methods and logistics contribute to the E-commerce development. The leap in Chinese E-commerce and retail industry is attributed to the development of economy, faster and cheaper internet, prevalence of online payments, as well as the forward transportation and logistics. This section introduces the progress of the trend of these factors. In consequence, E-commerce also stimulated the development of other industries booming of new services.

### **2.2.1 Economy**

China's Gross Domestic Product (GDP) has tremendously grown during the past two decades, the latest information listed on Knoema (Knoema GDP Ranking 2016) shows China, the world's second largest economy, has GDP amounted to 11,383 billion USD, accounting for 15 percent of the global GDP.

In 2015, the National Bureau of Statistics of China reported the Disposable Personal Income (DPI) in China increased to 31,195 CNY in 2015 from 28,844 CNY in 2014. The figure is even higher in the economically advanced cities such as Beijing, Shanghai.

### 2.2.2 Internet

With the faster internet speed and continuous drop in internet price, more population in China are accessing to internet. When it was in 2005, there were of only 8.5% of Chinese have used internet, 10 years later in 2015, the penetration of internet in China rose to 51.3%, which represented there were more than 700 million internet users in China by 2015, and the number is still growing. Based on an earlier survey done by ComScore in 2014, 30% of the Chinese internet users were between 15 and 24 years old, and 32% between 25 and 34 years old, the group aging from 35 to 44 takes up 23%. (figure 2)

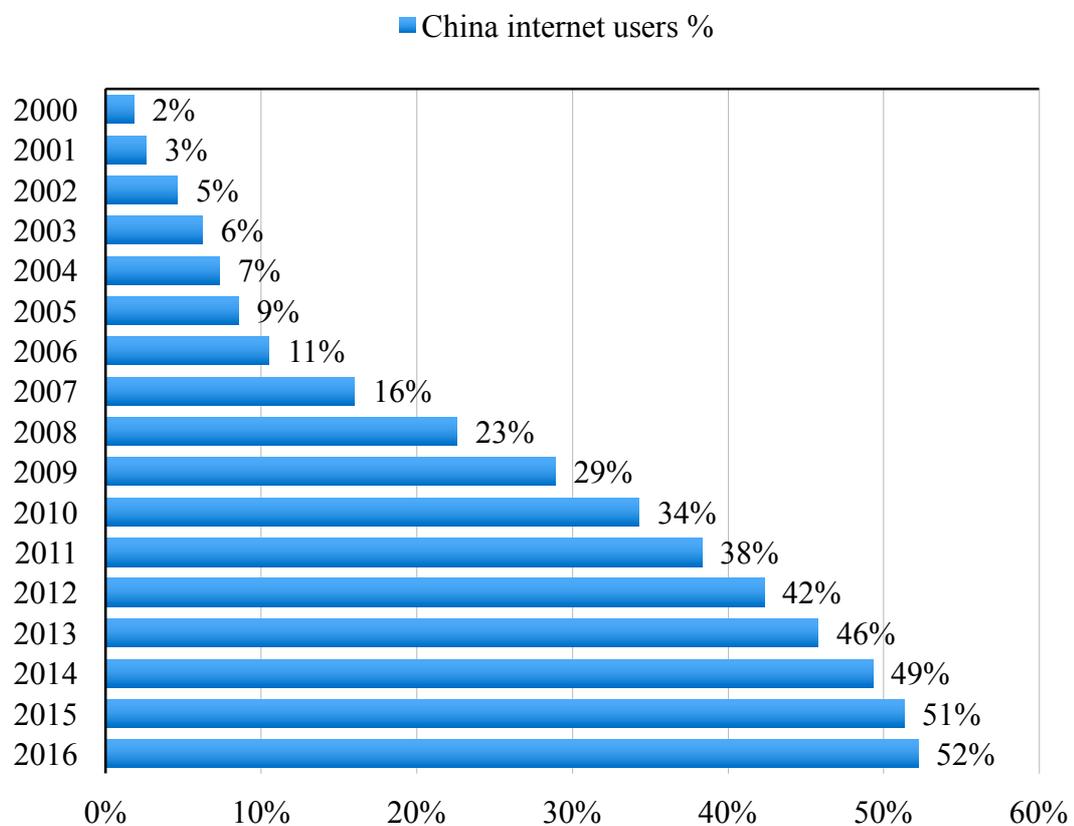


FIGURE 2. China internet users (Internet Live Stats 2016)

Internet related actives are gradually accepted by the public, from 2006 to 2015, the number of online shoppers increased drastically, especially after 2010, when smartphones took over the mobile phone market, the growth rate of mobile shopping doubles year on year, the mobile phone internet user penetration is expected to reach 65% by 2020. (Statista Mobile Users 2016) (figure 3; figure 4)

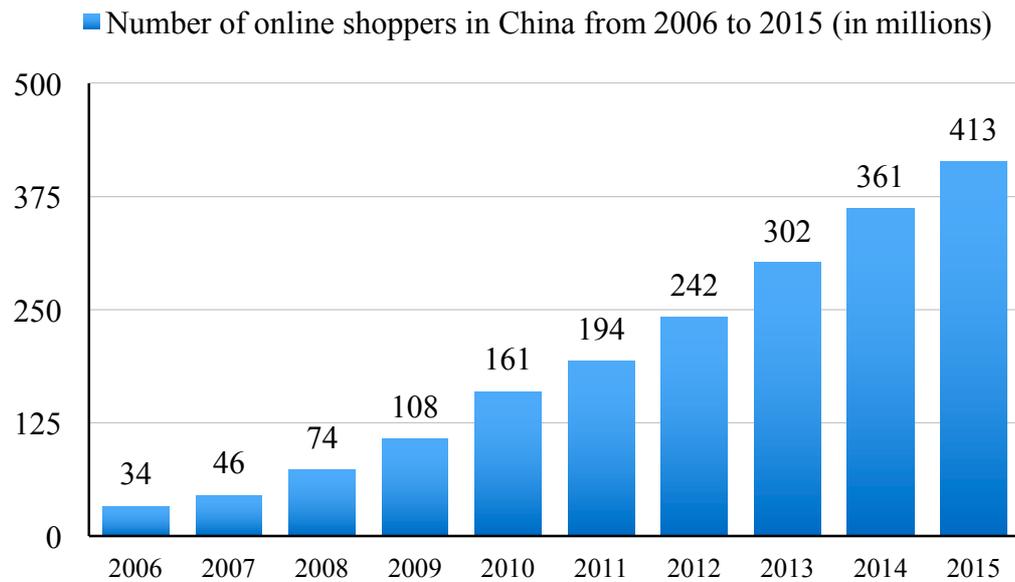


FIGURE 3. Number of online shoppers in China from 2006 to 2015 (Statista 2016)

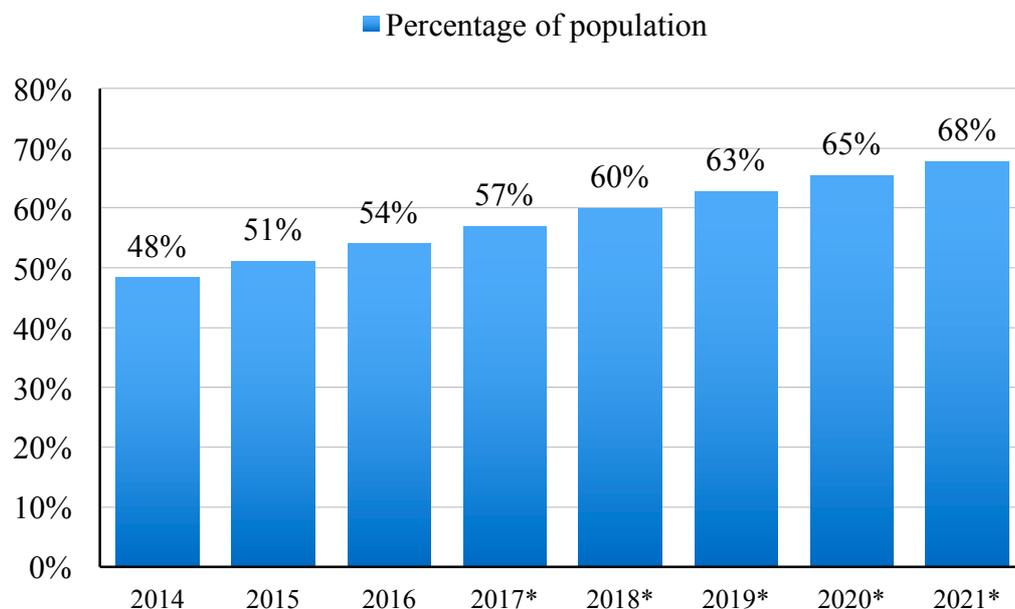


FIGURE 4. Mobile phone internet user penetration in China from 2014 to 2021 (Statista 2016)

### 2.2.3 Online Payment

In 2014, Alibaba Group launched the online third party payment platform Alipay, till now, it has more than 400 million registered users, 80 million transactions per day, (Smith 2016) taking up to 50 percent of the online payments in China, and 78 percent of the mobile payments. The second popular online payment tool is Tenpay owned by Tencent, sharing

20 percent of the Chinese online payment market (iResearch, 2016). According to China E-commerce Research Center (CECRC) that as of December 2014, mobile online transactions in China reached 928.5 billion yuan, a growth of 240% from 2013, and the trend is fast growth. (figure 5)

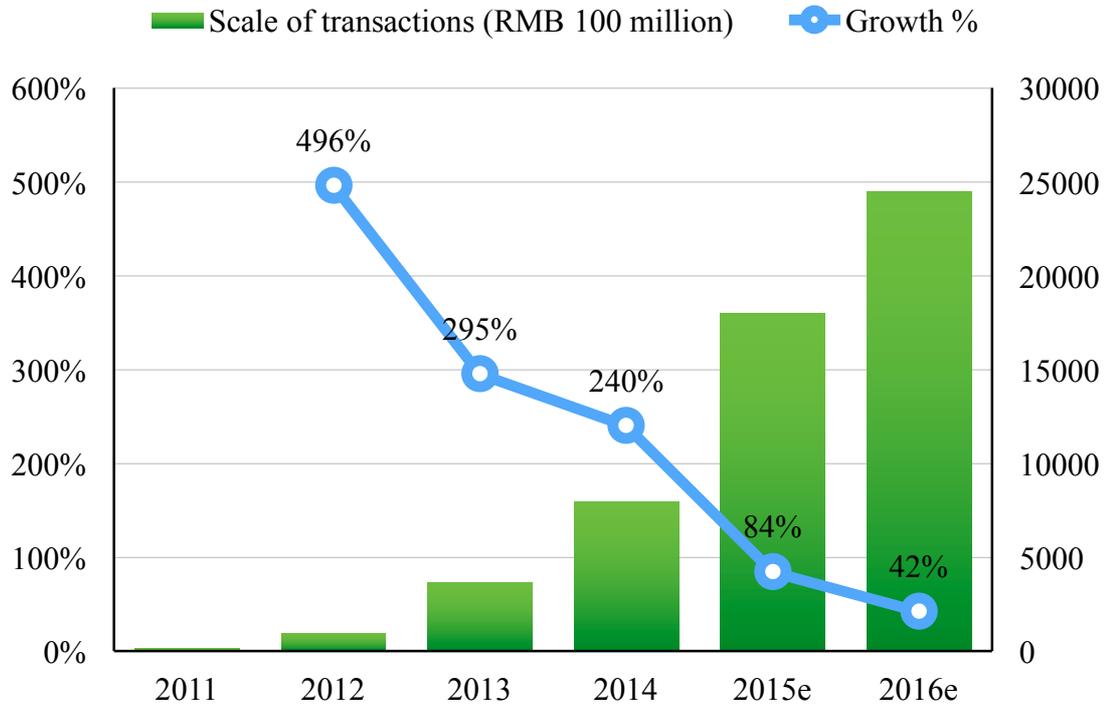


FIGURE 5. 2011-2016 Scale of mobile online transactions in China (CECRC 2014)

The payment provider has made purchasing and even life much easier. Taking Alipay as example, it allows users to pay mobile phone, electricity, water bills, transfer money to friends without transaction fee, pay at a convenience store with the Alipay App. Because of the convenience and security of such services, users are fond of using them to complete their payments, among the mobile payment users, 78 percent are between 21 and 39 years old. (figure 6)

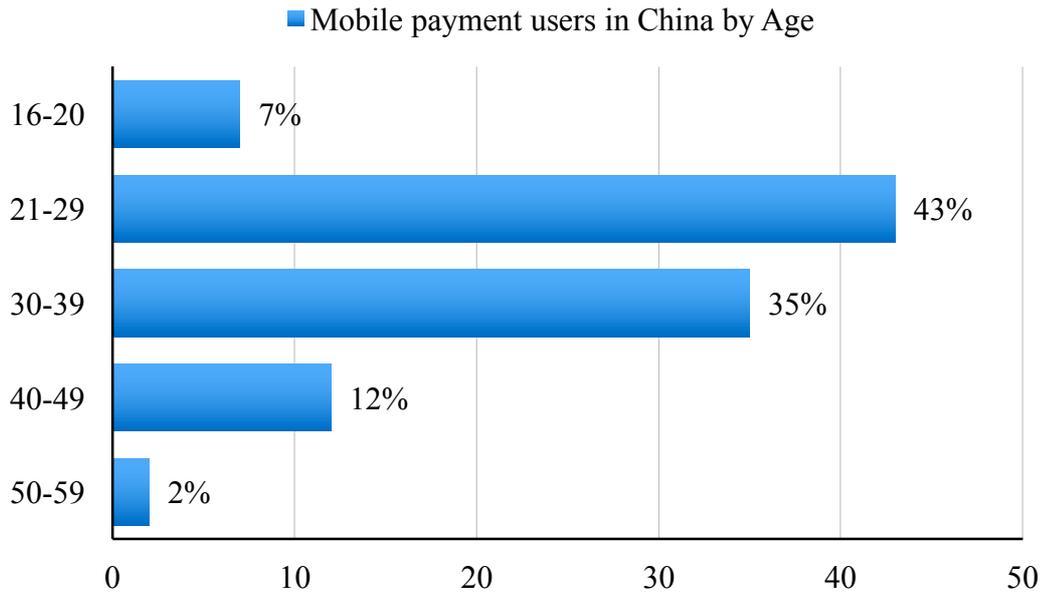


FIGURE 6. More than 6 out of 10 China internet users pay by Mobile (CIW Team 2016)

More individual online stores are adopting Alipay, as well as a number of physical stores, recently physical stores in Japan, the United States and some countries in Europe start to support Alipay. With the mobile payment technology further developing and penetrating, it is expected more than half online transactions in the future are done with mobile phone. (figure 7)

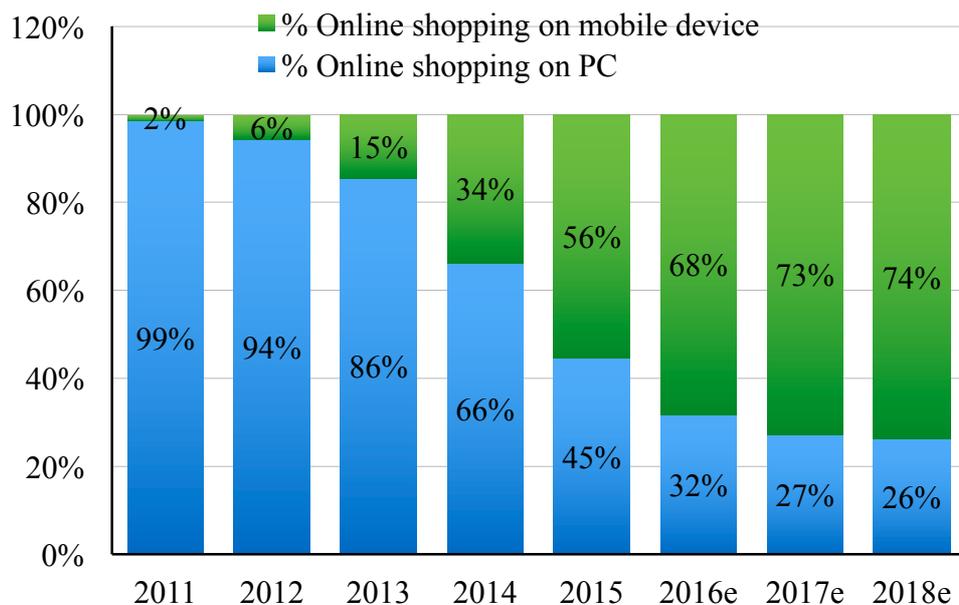


FIGURE 7. Share of China online shopping on PC vs mobile devices 2010-2018 (iResearch 2016)

## 2.2.4 Transport

China has world's third largest land size; thus the transport of goods is a natural challenge for China. For this reason, infrastructure development has been a major task for the Chinese government. In recent years, the GDP growth rate is slowing down in China, therefore, in 2012, the State Council promulgated the 12th Five-Year Development Plan for integrated transportation system.

The road system in China has a wide coverage and still growing. The highways in China have worked to speed up the transportation of passengers and goods. The highways are still the primary choice of transportation in China, carrying 93 percent of the total passengers and 79 percent of the freights. In the first and second-tier cities, roads are expanded in order to adapt to the increasing amount of vehicles, different policies are also carried out to ensure the efficiency of traffic in cities.

China has experienced rapid expansion of its transport in recent years. The primary transportation is railway, which has connected major cities all over China. Since the first China Railway High-speed (CRH) train launched in 2007, the total length of CRH railway network is now more than 12,000 kilometres, accounting for 60 percent of the global high-speed railways (Ou, Bullock, Jin & Zhou 2014) In China, the railway carries about 9.6 percent of all passengers, and 4.9 percent of the freights. (table 1)

Roads	Values
Investments into road construction in China	CNY1347.5bn
Total length of public roads in China	4.46m km
Road density in China (km of road per 100 sq. km of land area)	46.5km/100km <sup>2</sup>
Number of road tunnels in China	12404

Railways	Values
Investments in locomotives in China	CNY103.8bn
Train fleet of freight cars in China (number of carriages)	688042
Length of China Railways' double-track railroad embankment network	48k km

Air	Values
Number of civil airports in China	202
Number of domestic civil aviation routes in China 2013	2449
Number of aircraft take-offs and landings in China	7.93m

Waterways	Values
Investments in shipping in China	CNY192.7bn
Number of vessels in China	172k
Length of inland waterways in China	126.3k km

Urban public transportation	Values
Investments into urban transport in China	CNY226.4bn
Number of public transport vehicles in China per 10000 inhabitants 2013	12.8
Number of taxis in China's cities	1370100
Number of operating subway lines in China's cities	92

TABLE 1. Facts on the transport infrastructure in China (Ou, Bullock, Jin & Zhou 2014)

All these factors contribute to the prompt delivery of orders from online shops, more importantly, a better infrastructure of express delivery industry in China. Besides, a policy aiming to accelerate the development of express delivery industry in China was carried out in 2015. According to the State Council, the government plans to build a safe and efficient delivery network that covers both cities and countryside with quality service by 2020. (The State Council of China 2015)

The express delivery companies are investing on the infrastructure building. Most of the express delivery companies in China are implementing latest technology to their business for more efficiency, such as automatic sorting technology, video monitoring, mobile payment and mobile App for customers to place order and track shipments. On top of that, the companies are optimizing the warehousing and distribution, providing faster and farther delivery, (Young 2015) including the construction of assembly lines, upgrade of cargo planes, and increase air routes. In a word, the express delivery in China is developing rapidly.

### **2.3 The SWOT and Trend of Traditional Retailers in E-commerce Context in China**

Undeniably, the E-commerce has had a crucial influence to the traditional retail industry, because of the convenience and cheap price, consumers tend to prefer shopping online, and therefore it is not surprising that many traditional retailers choose to bring their business online. As stated above, more retailers are setting up E-commerce business, and most of them are still at the beginning stage, which means there is a huge space for improvement. At the same time that E-commerce is having impact on traditional retail industry, and it is stimulating the development of traditional retailing. The session gives a SWOT analysis for general traditional retailers in E-commerce context in China.

#### **a. Strengths**

The sales assistants in the physical shops can provide immediate help, as a result, a better customer service.

Direct contacting with customers is helpful to understand customer preferences.

Customers can touch and look at the merchandise closely, which helps them to find the correct products.

When customers need to return or change a merchandise, doing it at a physical store is faster and the experience is better

#### **b. Weakness**

For companies trying to transform to E-commerce, especially large-scale companies, it is hard to change the organization structure.

Lacking talents in E-commerce to accelerate the pace of digitalization.

Unfit supply chain to afford to the short-cycle and large-quantity online orders.

The technical challenges are hindering companies to make an easy-to-use online shop.

#### **c. Opportunities**

The traditional retailers can join online marketplace to increase sales.

The social media can be used as a platform to communicate with customers, in order to improve shopping experience.

Multichannel retailing will improve the competitiveness of traditional retailers.

#### d. Threats

Increasing number of consumers are shopping online, causing less consumers shopping in physical stores.

The higher cost of rental and employees' salary is also giving pressure to a traditional retailer.

Prices are becoming transparent on the internet, and prices are usually cheaper online.

The sales of a company's online and offline may conflict, and the increase of online sales may reduce offline sales.

The E-commerce brings both pressure and opportunities to the traditional retail industry, and digitalization can blunt the threats. Opening online shop helps increase the sales, and creating online community will smooth the customer relationship. There is a rapid increase of online sales, and consumers are more frequently shopping with mobile devices. Traditional retailers should catch the trend and make use of the E-commerce to enhance competitiveness.

## **2.4 The Future of E-commerce and Retail Market in China**

In the following years, the digitalization of retail industry will keep growing fast. Major attributions are the increasing penetration of internet; more acceptance of online payment; better logistics network; and online shopping are penetrating rural areas.

The number of mobile internet users in China is increasing quickly and it is expected to surpass PC users by 2007, therefore, the mobile shopping is going to take over the online retail market. Currently, the major age distribution of online shoppers is 20 to 40 years old, and the same group of consumers will be 30 to 50 years old in ten years, thus, retailers should also take this trend into account.

### **3 RETAILERS' APPROACHES TO TRANSFORM IN INTERNET ERA**

The essence of business compete is occupying the market, seizing the consumers. In the era of internet, the consumers have unprecedented number of choices so that the competitiveness among retailers are increasingly intense. Internet has enormously changed people's life, as well as the patterns of how people buy and sell. With smartphones and internet, consumers could make the purchase at any time. The retailers ought to make adjustments to fit consumers' changing requirements. Retailers have tried various methods to keep in pace, and their achievements by digitalizing are evident. Digitalizing with the appropriate methods is a key to success in this competition. This section introduces some methods for companies to go online.

#### **3.1 Selling Online to Expand Sale Channel**

Opening an online shop starts to be a standard for companies. Internet has made the impossible possible, as soon as a company is coming into the world of internet, it is not merely serving the consumers locally, but nationwide, and even worldwide. Online shop broadens a company's opportunities, not only reaching more consumers, but also more companies, it is much easier to find a collaboration than ever. Online shop also makes inventory more flexible, as owners can supply on demand, it reduces the cost and risk for the company.

In China, there has emerged lots of resource for E-commerce during the last few years, resulting in a variety of online shops. One type is retailer's individual web store, examples are Suning, Samsung online shop, and Huawei online shop.

Secondly, opening a store in Taobao marketplace is the first choice for small-scale retailers, retailers are favourable to its low learning and economic cost, accessibility to the enormous number of consumers, to be more concrete, the latest data from Similar Web shows the number of total visitors to Taobao in just August 2016 was 553.8 million, along with 350 million annual active buyers on the site (Alibaba Annual Report 2015)

Tmall is a trade site set up for B2C (business-to-consumer) transactions based on Taobao platform, while Taobao marketplace is operating on C2C system (consumer-to-consumer) open for everyone, only authorized retailers and companies can open a shop on Tmall, hence shops on Tmall are generally more reliable. By March 2015, more than 140,000 brands launched in Tmall, global giants such as Apple, Amazon, Unilever and Nike opened online flagship stores in Tmall, the largest third-party platform for retailers in China, according to GMV (iResearch 2016).

### **3.2 Building an Efficient Customer Service**

One of the most important benefits of internet for people is the convenient communication. In the past, the consumers can only buy the products that companies or organizations are producing, these companies do not know whether users like it or not, whether the material feels comfortable. Nowadays, the situation is reversed, consumers can view the feedback from the other users, the market has become user-centered.

However, the Chinese think face-to-face transactions make contributions to building trust (Yu 2006). This factor is seen to have a negative effect on E-commerce as it lacks of the personal transactions (Samiee 1998; Haley 2002). Furthermore, the Chinese consumers have a strong favour to see and touch the products to make sure the products meet their expectations (Wong, Yen & Fang 2004). These have provided additional evidence to the importance of dealing customer service well in E-commerce. A report from KPMG in 2014 (figure 8) showed the consumers' concerns when purchasing online. 78 percent of respondents feel unsure about the authenticity of online products, and most consumers would like to try the product before purchase. Another problem of online products is its difference between actual appearance and the image online, almost half of the respondents have a worry about it. For online retailers, it is important to keep a good after sales service, including the return or change of a merchandise, the improvement in these aspects are very likely to increase consumers' satisfaction.

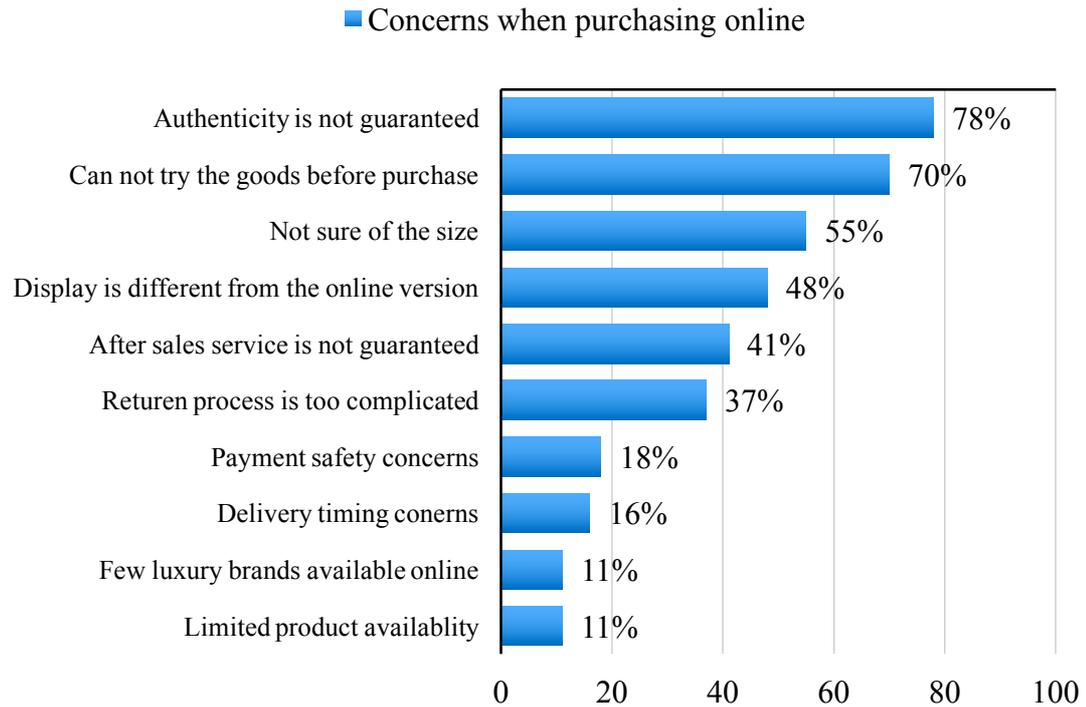


FIGURE 8. Concerns when purchasing online (KPMG 2014)

The performance, access, security, sensation and information of an internet service are determining customers' experience, of which, performance is likely the most critical to internet retailers, as online consumers do not possess the chance to check the merchandise with their own hands, and easily pick the wrong size or colour especially when shopping an unfamiliar brand (Janda, Trocchia & Gwinner 2002).

Retailers need to use strategies to accelerate consumers to purchase online, for example, ensuring delivery is on time, better after-sales service, more accessibility and accuracy of product information, consumers are likely to perceive less risk when retailers offer a guarantee of satisfaction (Teo & Liu 2007; Ostrom & Iacobucci 1998).

Hence, an efficient and satisfying customer service is very necessary. Customer service represents the company when communicating with customers, meanwhile it exists not only in after-sales, but also when customers reach for a variety of reasons, and the consumers usually contact the internet retailers through either online chat, phone or email. The following part introduces the three main types of online customer service and evaluates their efficiency in customer service.

### **3.2.1 Online Chat**

Online chat is instant, direct, meanwhile, it creates a customer-retailer interaction, in part, online chat makes up for the impersonality of online service, customers can easily feel the emotions delivered the other side.

When the customer is contacting for complaints or need of instant help, it is important to respond in a short time. Take tracking delivery as an example, when a customer is asking for the reason of the product is not delivered in the promised time, a reasonable answer could diminish customer's anxiety. An efficient communication can reduce complaints and after-sales stress.

There are multiple approaches for retailers to acquire online chat function, such as embedding online chat function in the web store, and creating social networking service (SNS) accounts to chat with customers. At present, popular SNS with online chat in China there are Weibo, WeChat Media Platform and QQ.

### **3.2.2 Phone**

The only two disadvantages of phoning are the customer has to dial, and it is not free. Apart from that, talking over the phone is faster than typing, phone delivers more emotional feeling and it leads to higher satisfaction (Ishii & Markman 2016). Apple, the technology hardware and software leader, is favoured for its pleasing user experience, they started with only phone service, and now they practice online chat in some countries, but have not used email service as channel to hear from customers yet. This can be easily understood that Apple wants to make direct and prompt communications. Moreover, some luxurious brands such as Chaumet only requires the customers to leave their phone number and available time in the website, and they will call customers, this avoids the drawbacks.

### **3.2.3 Email and Message**

This type of communication is the most widely implemented, because it is cheap and safe for companies. Riordan and Kreuz (2010) found that email was more advantageous for communicating negative emotions because of its editing capabilities. Besides, companies are given sufficient time to react to problems such as complaints, which likely are the largest portion of customer emails (Gupta, Gilbert & Di Fabrizio 2013). For customers, email makes it easy to express more explicitly, along with the easiness of attaching photos and other evidence to companies. The most inefficient point is the unknown waiting time. Waiting makes most people anxious, especially when you have no idea how long you are going to wait.

### **3.2.4 Customer Service Skills**

No matter which means the customer service is, a good customer service skill is essential for the experience. Communication skills are important in any situation of talking, not to mention customer service. Besides the basic skills such as being enthusiastic, professional and patient, Gregory Ciotti (2016), a customer service professional from Help Scout gives a list of tips including:

- a. Practice clear communication with customers
- b. Speak as your customers' do
- c. Always use positive language
- d. Give credence to customer complaints
- e. Know how to close a conversation
- f. Keep standards high and response times low
- g. Make use of strategic automation
- h. Be data-informed, not data-delusional
- i. Give thanks in the real world
- j. Unify your customer service team

### 3.2.5 Survey of Users' Attitude about Customer Service

The survey aims to find out customers' satisfaction about three different types of customer services. The questions of the survey can be seen in appendix 1. There are 46 valid respondents participated in the survey. The survey is consisted of two parts, in the first part, the participants were asked to select their favorited type of customer service from Online chat, Phone, Email and Other. The result is shown below (figure 8). Online chat is the most preferred, more than half participants selected online chat. The second is phone, and less than 10% of participants selected email.

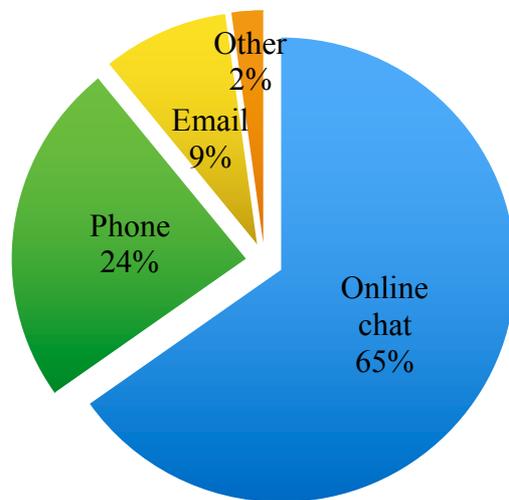


FIGURE 8. Preference of types of customer service

The second part of the survey asked the participants how do the factors influence their experience, including Response time, Quality of service, Available time, Friendly wording, Formal wording and Design of the customer service interface. The participants could scale their opinions from 0 to 10, with 0 means the factor is not influencing at all, and 10 means it influences a lot. The result is shown below (figure 9).

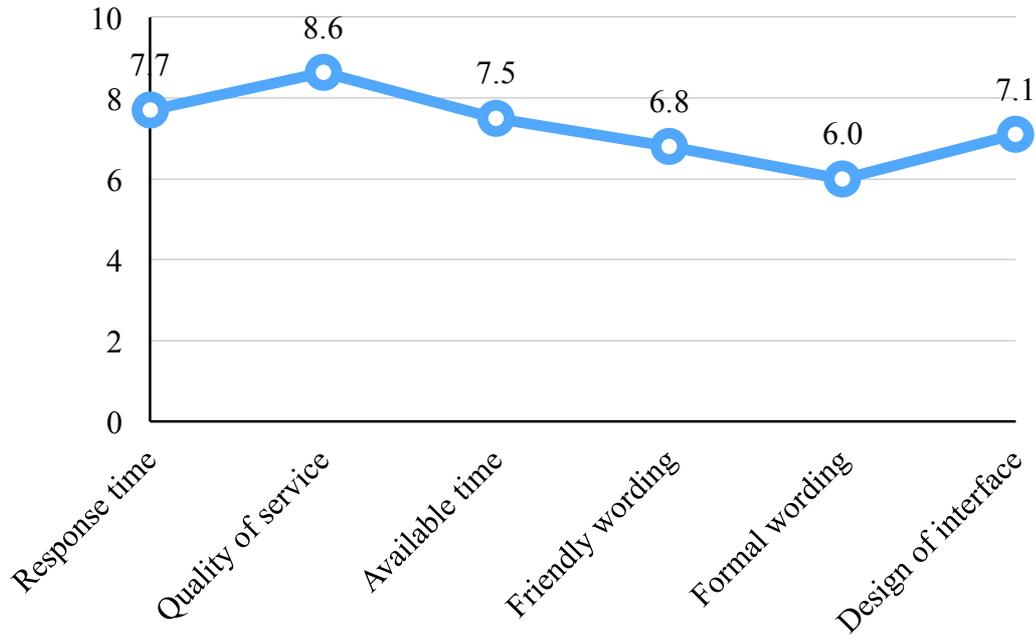


FIGURE 9. Users' concerns about customer service

The three most influential factors to the experience are Quality of service, Response time, available time. Design of the interface also has a place in the experience, while Friendly wording and Formal wording got the last places, however, it does not mean these two factors are not important, but it reveals a problem that non face-to-face communications are likely to make misunderstandings, it is not appropriate to be either too friendly or too formal. Instructions on how to talk to a customer can be found on the internet.

### 3.3 Collecting and Analysing Data to Know Customers' Requirements

Understanding customers and their personalized requirements is a big task for retailers. Consumers are requiring higher service quality and better experience, thus retailers serving customers as individuals is becoming more prevalent (Walsh & Godfrey, 2000). The consumers' requirements should be taken into consideration in product design and development in order to produce the products that consumers really meet consumers' expectations. Therefore, the competition of collecting and utilizing big data is another task for retailers nowadays.

Compared with conventional processes of research, internet has brought many advantages, internet makes it possible to collect and analyse a large amount of data quickly with a lower cost. However, the data are still challenging for retailers to perceive the most useful information, just because the information is too much, data should be divided into several groups and analyzed differently. The shopping data are direct, retailers can immediately know which items are the bestsellers, which colour is the most popular, which sizes run out the first, this helps retailers to organize the inventory and predict the trend.

The basic data directly collected from customers are huge, such as age, gender, region, occupation, income, plus most online marketing platforms including Taobao and WeChat are providing backend information when the customers give permissions, such as the device model, time spent in viewing the shop, products been viewed, products and buttons a customer has clicked, login frequency, frequent time of login and lots more. From these data, retailers could find out how customers browsed the online shop, customers' requirements, purchasing habits, and other information which are very valuable but difficult to get in the old days. Moreover, these data can be used for targeting advertising.

### **3.4 Creating Online Customer Community**

Unlike traditional face-to-face shopping, customers seldom have direct contacts with the retailer when doing online shopping, therefore some measures ought to be taken in order to bridge the relationship with customers.

IBM did a survey earlier which found that 1,709 CEOs from more than 60 countries believe that after face-to-face interactions, online customer communities are the second most important factors effecting customer relations. Creating customer communities to gather all loyal and potential customers together can not merely increase sales, provide informational benefits for customers, but also strengthen customers' sense of identity and belonging (Manchanda, Packard & Pattabhiramaiah 2015; Fournier & Lee 2009; Porter & Donthu 2008; Williams & Cothrel 2000).

Mentioning community, the conventional concept of a community is a place to interact with others. Indeed, interaction is an essential role in online customer community, but according to Coulter, Gumerus, Liljander, Weman & Pihlström (2012), most customers

use brand community for up-to-date information, the members are more interested in the brand itself than in the other members. The online customer community should cover both interaction and informational aspects, while giving a focus on publishing high quality contents, thereby, we could extend the definition of online customer community to a site of sharing information and communicating with customers.

### **3.4.1 Social Media**

Each individual can join social network, in China, 58 percent of internet users are on social networks (Statista 2016). To some extent, it is an online society. Additionally, consumers are actively engaging with online campaigns, and some consumers check feedback of products on social media. Social media is becoming more significant as it enables retailers to interact with both existing and potential consumers. Therefore, the retailers need to integrate social media as a part of their overall strategy in China.

As reported in a statistic published by Digital Company Statistics in 2013, the largest social networking sites in China are Q-zone, Weibo and WeChat, among which, Weibo claims by 2015 in the annual report that there are 220 million monthly active users (MAU), and 100 million daily active users (DAU) in just September. In addition, 76% of the users possess a undergraduate diploma, users aging from 17 to 33 make up 79% of the total users. WeChat also reported recently that the number of business users had risen more than 20 million.

Numerous companies are using Weibo and WeChat for social media, whilst they are quite different, Weibo is like a Chinese version of Twitter, and WeChat is a Whatsapp-ish instant message (IM) application. Retailers can send information to and receive messages from followers, additionally, set up some online events such as raffles and promotions.

Active engagement behaviours from customers can bring more comments, reposts and likes, so there are more exposures, at the same time more followers into the community and more revenues. Accordingly, retailers should encourage and reward consumers to be more active in the community to achieve maximal relationship benefits (Coulter et al. 2012).

### **3.4.2 Forum**

In a forum, users can post new threads or reply on others' posts, it is a site mainly for users to discuss and share information among each other. Users are the main roles of this autonomous site, including administration, posting, asking and answering questions. The forum owner ought not to interfere the contents too much. Instead, the owner should avert low quality contents and avoid being over-commercialized to refrain from the loss of loyal members (Brandtzæg & Heim 2007). Because the forums require a number of loyal members to organize, it is considered only suitable to large firms, companies and organizations.

The smartphone manufacturer Xiaomi is an example. Xiaomi created an online forum in the very beginning of its product development aiming to make a friendly user experience. Xiaomi hear the suggestions and feedback from users in the forum and improve the product based on them. Finally, Xiaomi's smartphones successfully made customers satisfied and attracted more loyal users.

## **3.5 New Forms of Advertising**

Online advertising offers both multiple channels and forms of information delivery. It is prior to traditional mediums as online advertisements are more interactive, have a better visual quality, and the accessibilities to the advertised contents, also, more accuracy to reach the targeted audiences.

There are a few of options concerning online advertising, it includes search engine marketing (SEM), online display advertising, social media, email, mobile advertising and in-app advertising. This chapter introduces several primary forms of online advertising, however, marketers should also pay effort to the contents of advertisements.

### **3.5.1 Search Engine Marketing (SEM)**

Search engine marketing, also usually known as Pay-per-click (PPC), is a general definition referring to paid service provided by search engines that they will prioritize clients'

information in the search result, it is one of the most common and effective forms of online advertising (Wordstream 2016)

In the past a few years, due to the soaring number and actives of mobile devices, the paid search has extended to paid social. Contrary to the paid search advertising that users are initially searching for the keywords, in social network, advertisers are searching for users. The most notable advantage of paid social advertising is that advertisers can target prospective customers, attributing to the bountiful demographic data users have given in the social accounts. For example, Facebook Advert service could target the audiences by location, demographics, interests, connections and more (Facebook Business 2016)

### **3.5.2 Posting on Social Media**

Chapter 3.4.1 presented the benefits of creating online customer communities in social media, the followers on social media have more acceptance of the advertising information from the company (Coulter et al. 2012). Reposting, commenting and liking activities are a form of online word-of-mouth. It is noteworthy that social media is the second important reason for customers who shop online (figure 10). According to the China Internet Network Information Center (CNNIC) over 40% of the Chinese online shoppers have seen a product on social media before buying it. For these reasons, the social media is an outstanding tool for retailers to reach consumers.

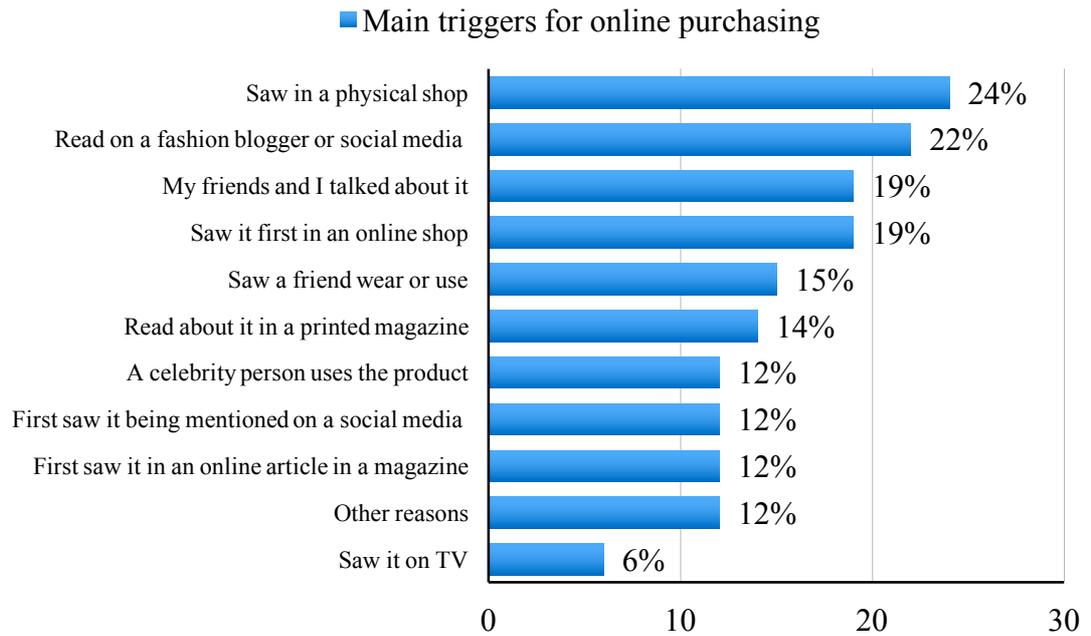


FIGURE 10. Main triggers for online purchasing (KPMG 2015)

Moreover, the social media can provide valuable data for marketing. For instance, the marketers can use the information collected by Weibo to release more targeted campaigns. Another feature of social media is the users are centralized among 18 to 35 years old, and consisted of 61.6 percent mobile users (Statista 2016) (figure 11; figure 12)

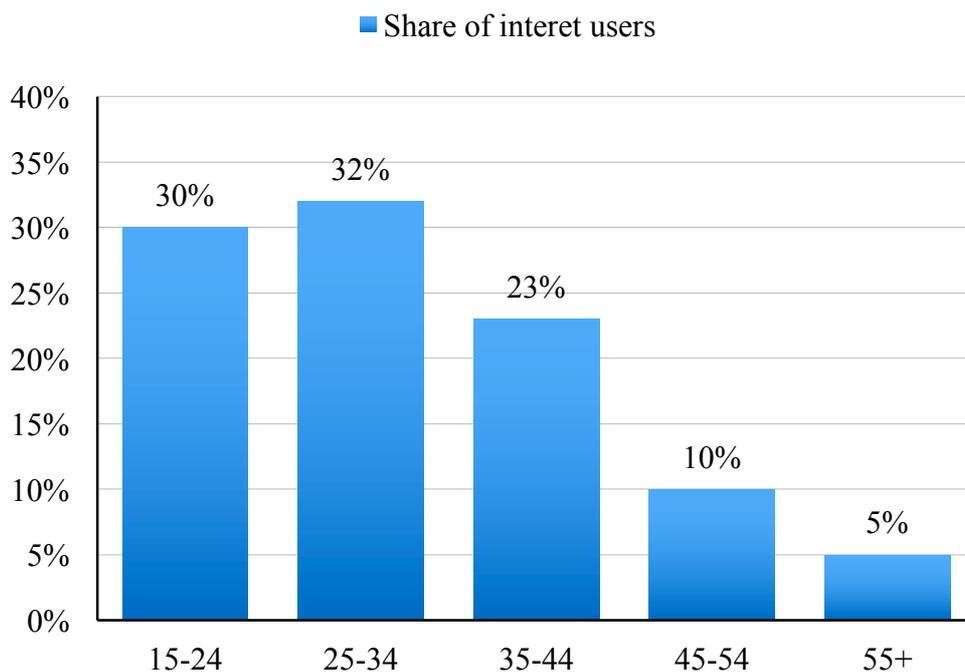


FIGURE 11. Distribution of internet users in China, by age group (Statista 2016)

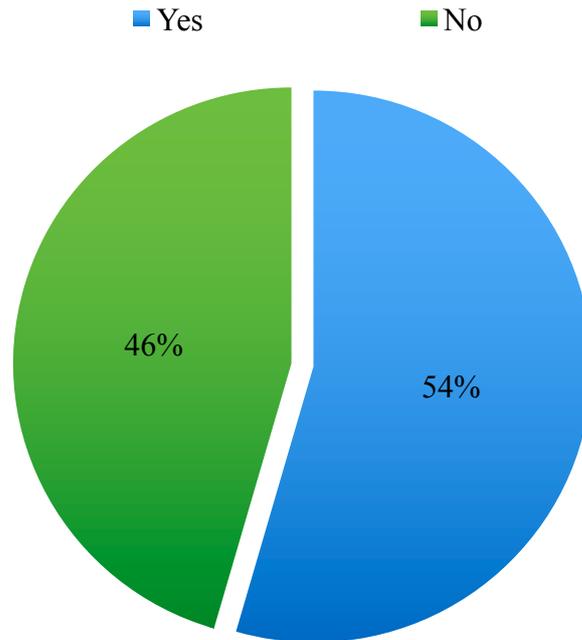


FIGURE 12. Percentage of consumers sharing their experience after an online purchase

### 3.5.3 Online Video

Video has taken up a considerable proportion of online contents, better adaptabilities and more interesting videos are appealing to audiences. It can be seen a rise of video posts on Weibo and WeChat. For companies, making video advertisement requires more effort and cost, but the visual and sound effects are more likely to make the advertisement unforgettable, moreover, a 30-second video can tell as much as a long paragraph, audiences are inclined to have more initiative to watch a video rather than reading texts.

### 3.5.4 Email

Usually, companies and retailers ask customers to leave an email address when they are either registering or shopping in the online shop. Afterwards the companies and retailers can send newsletters or promotions through email to customers. Email is an economical and effective mean of advertising for marketers, paradoxically, consumers often feel the email advertisements are irritating and irrelevant (Hartemo 2016). It is challenging to

make email advertising profitable in these days, but still it is one of the most popular online advertising tool.

The solutions suggested by Hartemo (2016) are by sending emails to permitted consumers only and by making consumers active in communication process. Therefore, a simple click to unsubscribe is essential as consumers may not notice when providing the email address. Also, allowing consumers to personalize newsletter contents may be seen as a communication process.

### **3.5.5 Other**

There are more ways of online advertising in contemporary internet. The internet has made lots of influencers on social media, in various fields. The influencers mostly have a large number of followers, and actively post high quality contents, leading to active interactions among followers. Marketers can associate with influencers and start the campaign.

Web Magazines, aka webzines, like traditional magazines, are aiming to a specific group of audiences, producing quality contents, photos and stories. Advertising through webzines could reach audiences who are steadfast to a particular culture.

## **3.6 Partnering with Latest Technology**

Technologies are making people's life more convenient, and technologies also have changed retail industry significantly. Date back to decades ago, the barcode was almost a revolution for this industry. Retailers should always keep an eye on the technologies and improve themselves by adopting some of them appropriately.

### **a. Payment methods**

Young people today embrace new technologies, concurrently, new technologies make shopping more convenient, naming some commonly used new technologies in China, Alipay, Apple Pay, WeChat Pay and Quick Pass. Users in 21 to 29 age group from the

first-tier and the second-tier cities are the main mobile payment users, accounting for 43%, followed by users in 30 to 39 age group (35%) according to e-Marketer (figure 13).

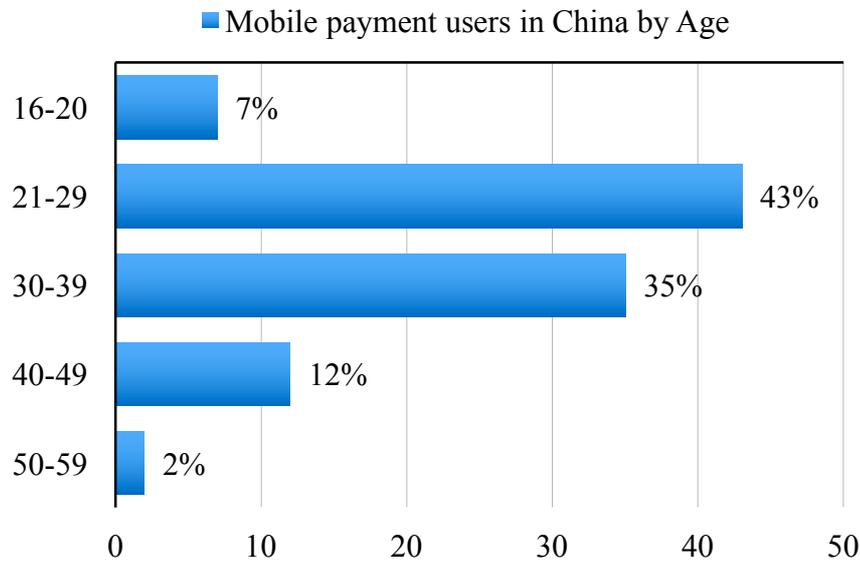


FIGURE 13. More than 6 out of 10 China internet users pay by Mobile (CIW Team 2016)  
The payment methods are widely accepted by both consumers and shops, taking Alipay as an example, a consumer can complete the payment process with a single fingerprint when paying online with it. Even offline retail stores, shopping malls are accepting Alipay or WeChat Pay, potentially, these technologies have increased consumers' trust to an unfamiliar online shop, and brought revenue to retailers. These payment alternatives are becoming a trend of people's lifestyle in the future (Figure 14).

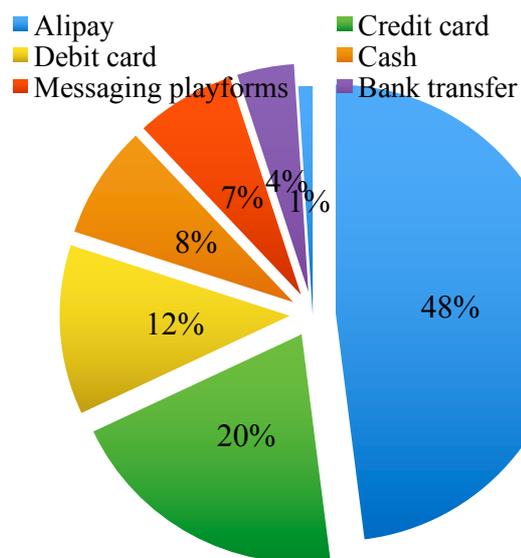


FIGURE 14. Breakdown of purchases by payment types (KPMG 2015)

#### b. HTML5

Website is a window of a company's E-commerce. The HTML5 is a web programming language, it allows more smooth and powerful contents on websites. With HTML5, a website could be inserted a 3D model, or making a website like a Web App. It is easy to use and bringing an exciting experience to consumers.

#### c. Virtual Fitting Room

The virtual fitting room is an application on mobile devices, it also can be embedded to a website. First, a customer needs to create a virtual character that has his or her measurements. Next, the customer could put all available clothes in the virtual wardrobe on the virtual character. This approach could help customers find the correct size of the clothes they want to buy.

#### d. Mobile App

A lot of retailers are making mobile applications for users to download, and there is a variety of functions they are offering. Such as Starbucks' AppEarlyBird, if the user wakes up at the set time and enters a Starbucks within one hour, the user can receive discount for a coffee. The interactions between retailers and consumers become more colourful with the help of these applications.

#### e. Wi-Fi Accurate Locating

Most users will try to connect to the free Wi-Fi as soon as they enter a shopping mall. The merchants could know the location of consumers through their connection, and push suitable notifications to consumers based on their location. Furthermore, merchants are capable of collecting users' frequency of visiting a store or purchasing habits, and provide more tailored contents to customers in the future.

## 4 CASE STUDY

### 4.1 Case 1 Suning Omni-channel Retail

Suning is one of the largest retailers for 3C products in China, it was founded in 1990 in Nanjing. Today, Suning has more than 1600 stores and 5500 after-sales service centers in over 700 cities. Suning started transformation from 2009 by increasing the variety of products and channels of retailing. For a long time, Suning has been the third largest B2C retailers in China, after Tmall and JD. Suning and Alibaba started cooperation in 2015, the action brought large profits and competitiveness to both parties. For Alibaba, the co-operation could reinforce its strong position in E-commerce competence, and for Suning, it is an opportunity to broaden its B2C markets to compete with JD and Gome.

#### 4.1.1 Suning online Operations

Suning opened online shop to make their products always accessible for consumers. Suning has invested heavily to push the E-commerce business, but the heavy input reduced the company's profit.

In 2015, Suning and Alibaba started a partnership, two parties share each's online and offline resource with the other party aiming to establish Omni-channel retailing. Under the collaboration, Suning opened a flagship store on Tmall focusing on home appliances. The store on Tmall not merely increase Suning's sale, but also strengthens Tmall's position in B2C. The alliance expanded Suning's online sale, while Suning's offline stores and service centers enlarge Alibaba's retailing channel.

The outcomes are evident that Suning's revenue growth rate increased significantly from 2014 to 2015. The profit saw a decline because of the 14-billion-yuan investment to the cooperation with Alibaba (table 2). Suning and Alibaba will both benefit from this investment when the retail market in China is enlarged and both of them are the leading players by then.

	2009	2010	2011	2012	2013	2014	2015
Revenue (billion yuan)	58.3	75.5	93.89	98.36	105.29	108.93	135.55
Revenue (growth rate)	-	29.5%	24.4%	4.8%	7.0%	3.5%	24.4%
Gross profit (billion yuan)	3.93	5.4	6.47	3.24	0.14	0.97	0.89
Profit growth rate	-	37.4%	19.8%	-49.9%	-95.7%	592.9%	-8.2%

TABLE 2: Revenue and Profit Comparison of Suning Commerce Group (Statista 2015)

#### 4.1.2 Suning Offline Operations

One of Suning's advantage is its number of physical stores and wide range of coverage in China, most customers would like to visit a physical store and see the products personally when purchasing home appliances. Taking its own advantage, Suning opened the first "Cloud Store" in Shanghai, about half of the store is used to let customers touch and feel the products, such as clothes, imported food and infants' milk, and then the customers can order online through the provided iPad. The sales assistants will explain to customers that creating accounts in Suning online shop will let them be the first to know Suning offers. After the join of Alibaba, consumers from Alibaba side who want to see the actual products could visit a Suning store and complete the order in the store.

Another asset Suning has is its logistics service. During the past few years, Suning has invested enormously in its logistics service and constructed large warehouses in several major cities. And it was the first E-commerce to receive the authority of international express delivery in 2014. Currently, Suning's logistics service covers 90 percent of China's counties including 8 national distribution centers.

Suning's logistics network has already teamed up with Alibaba's logistics affiliate Cainiao Network, and the two companies are going to keep reinforcing the logistics network in China through this collaboration as it is an important part of infrastructure for E-commerce business. Reportedly, Suning and Alibaba are planning to share 10 million square meters of warehouse space, and aiming to reduce distribution costs by 30 percent. By

then, consumers in Shanghai, Beijing and some other first-tier cities will be able to receive their orders within 12 hours.

Suning and Alibaba are aiming to boost China's retail sales from 30 trillion yuan to 300 trillion yuan, thereby, Suning and Alibaba are trying to boost the sales of smaller retailers with their Omni-channel. The ecosystem built by the two companies will eventually be very competitive.

#### **4.1.3 Reflection**

The collaboration of two retailing leaders was breath-taking when it firstly came out. Suning starts to sell on Tmall, and Suning's after-sales service centers provide repair and maintenance for Tmall consumers, it benefits both merchants and consumers. The collaboration reflects the future of retailers, especially for giant companies like Suning and Alibaba that Omni-channel retail is going to be the megatrend.

Suning's integrating online-offline strategy is built on its substantial foundation, and finally the strategy opens endless possibilities in the retail market. In the long run, Suning and Alibaba's alliance will lift up China's retail industry from the slow down economy growth, and numerous smaller retailers are going to benefit from the ecosystem built by Suning and Alibaba.

## **4.2 Case 2 Uniqlo Integrating Online and Offline Retail**

Uniqlo is a Japanese casual wear manufacturer and retailer. The company was founded in 1984 and opened the first overseas store in Shanghai in 2002, till now it has spread to fourteen countries globally. Uniqlo is a primary subsidiary of Japanese retail holding company Fast Retailing.

The business strategy of Uniqlo is making mid-price products with decent quality, and the strategy made extraordinary achievements among the middle class. In 2013, Uniqlo updated the strategy from "Made for all" to "Life Wear", aiming to be a leading brand in the whole Asia.

#### 4.2.1 Uniqlo in China

China is Uniqlo's biggest overseas market that half of Uniqlo international stores are in China, and revenue in China market makes up to 50 percent of the total overseas sales, along with a 45.9 percent expansion rate. (table 3)

Units: Stores		As of February 28, 2015	As of May 31, 2015	As of August 31, 2015	As of November 30, 2015	As of February 29, 2016	As Of May 31, 2016
Uniqlo Japan		845	844	841	844	844	846
Uniqlo International		716	767	798	864	890	928
Asian	China	340	362	387	414	436	449
	Hong Kong	24	25	25	25	25	25
	Taiwan	51	55	55	58	59	63
	Korea	139	154	155	163	163	171
	Singapore	22	23	23	23	24	24

TABLE 3. Uniqlo stores (Uniqlo Annual Report 2015)

Uniqlo has collaborated with Disney in China to open a Disney-inspired concept store. The opening of Shanghai Disneyland gives a good opportunity to promote this collaboration. The entire sixth floor of Uniqlo's Shanghai flagship store is co-designed with Disney, where customers can find clothes with Disney cartoon characters. Uniqlo's products are at affordable prices with nice designs, it opens a large retail market in China.

#### 4.2.2 Uniqlo Online Operations

Uniqlo is a pioneer in E-commerce and lead a digital life for the customers. Uniqlo's online shop ships to a wide range of countries, and the company has released five mobile Apps about new lifestyle. Uniqlock, Uniqlo Calendar, Uniqlo Wake Up, Uniqlo Recipe, and Uniqlooks, are respectively applications for clock, calendar, alarm, cooking and Uniqlo product catalogue. The Uniqlock is a clock integrates models, music, dancing and Uniqlo's latest clothes. With Uniqlo Calendar, the users get a well-designed calendar with

pictures from each season, suitable music, and Uniqlo's posters, in addition, the users can know about which products are coming in specific months. Together, these Apps create a new life pattern among young customers, and form a unique Uniqlo culture.

In China, instead of building the online shop individually, Uniqlo opened the online shop on Tmall platform. Uniqlo makes use of the informational data collected by Tmall from users, for example, Uniqlo can easily find out which regions of China do most customers come from, and this helps Uniqlo to make a decision on where to open the next store.

At the same time, Uniqlo creates online customer communities on several social network sites. On WeChat, Uniqlo shares the brand history, stories behind the design and other interactive online activities, and Uniqlo receives a fast increase of fans, now they have more than 1 million followers on WeChat, and 6 million followers on Weibo.

In the near future, the Uniqlo mobile App users can receive information about latest products and offers, and easily make an order online. Besides, providing personal measurements can let the system instantly find the correct size for the customer. Also, Uniqlo allows customers to personalize their products by offering a variety of necks, sleeves and body fits, and regularly release some online only products, to attract more customers to online shop. Uniqlo's approaches have strengthened customers' loyalty.

### **4.2.3 Uniqlo Offline Operations**

As of September 30, 2016, Uniqlo has opened 480 stores in China, and it is expanding by 80 to 100 new stores every year. Most Uniqlo stores locate in city centers for brand promotion and sales increase. Uniqlo has brought Starbucks cafe into some of the stores to keep customers stay longer in the store, and the rest area are equipped with iPad, customers can browse Uniqlo's online shop and customize their products.

When building up online shops and communities, Uniqlo didn't slow down the investment in offline stores, but enhances both sides and tries to find a suitable way to integrate online and offline business. Uniqlo improves customers' online activeness by encouraging customers to scan the in-store QR codes with Uniqlo App to get particular discounts.

The combination of online and offline sale strategy has created a seamless service for customers.

Online, including in the Uniqlo lifestyle Apps, users receive latest news from Uniqlo and get motivation to visit physical stores. On Uniqlo's side, data collected online helps them to understand customers' need, for example, Uniqlo knows how long do the customers spend in viewing a specific product, whether the customers share a product to friends, and Uniqlo can display the most popular products more to the front in stores. Offline, the posters and advertisements motivate customers to check information with their Uniqlo App and introduces the online WeChat and Weibo communities to new customers.

#### **4.2.4 Reflection**

The internet brings extra value to Uniqlo that the latter is able to obtain insightful backend data and provide more service to customers. Meanwhile, Uniqlo is trying to merge E-commerce operations and physical stores to connect all parties together, the lifestyle Apps are enabling Uniqlo to enter customers' daily life, letting customers' recognize Uniqlo's value and culture.

With the help of E-commerce operations and digital marketing, Uniqlo is able to communicate with customers directly and be aware of customers' expectations immediately, the information retrieved is helpful in promotion and design. To sum up, the main benefits Uniqlo get from their integration of online and offline activities are:

- a. Being closer to customers' daily life, and get more interactions and loyalty from customers.
- b. More useful customer data can be collected for further implementation.
- c. A stable growth in both online and offline customers.

## 5 DISCUSSION

The aim of this thesis is to provide instructions to the China's retailers on how to utilize the internet to benefit their business. The importance of making good use of the internet for retail companies in this era is undeniable. The E-commerce is not new, but still some traditional retailers are helpless to execute the transformation to E-commerce and lose competitiveness in the fast-paced market competition. The objective of this thesis was to study the current status of Chinese traditional retail industry, and how they could improve their performance by utilizing internet. The findings may give traditional retailers a clear understanding of the advantages they could take from internet and the instructions to implement them.

The initial research question of this thesis is, how internet can bring more profits to a traditional retailer in China. The question is consisted of three sub-questions which are discussed below.

### 5.1 How to Attract More Customers and Increase Sales?

The fast pace of modern life has led to the emergence of 24-hour convenience store, and some large shopping malls even extend the opening hours. The online shops in no doubt, is an outcome of the internet and consumers' increasing requirements. An online shop is accessible at any time of the day, and from anywhere of the world. It comes at a low cost, and especially in China there is matured marketplace platform for the new-comers of E-commerce to build an online shop.

When doing shopping online, the consumers can not see or touch the product, and they easily pick the wrong size. An online shop could reduce consumers' perception of risk by offering reassuring return policies (Teo & Liu, 2007; Ostrom & Iacobucci, 1998). Besides, an efficient pre-sale is also an option when it helps consumers be aware of the size and authenticity of the products. For larger retailers like Suning and Alibaba, they could provide a service integrated online and offline to allow consumers try or return the products in a physical store and buy it online.

Apart from the policies, retailers should make use of internet to make more targeted advertisements. A retailer can obtain users' data from internet, and find out their internet browsing patterns, and launch the advertisements to the suitable sites. Social media is one of the most effective channel for advertising as 58 percent of Chinese internet users are on social networks (Statista 2016).

## **5.2 How to Understand Customers' Requirements and Improve Customers' Satisfaction?**

Knowing customers' requirements is a key to improve their satisfaction. The more transactions are done within internet, the more data will be collected. Data such as customers' age, region, frequency of shopping, favorite products can be known by retailers. On the Tmall marketplace, the tremendous data have been turned into valuable information for merchants, for instance, Tmall can easily push an advertisement of a men's mid-class car to the male consumers whose annual expense are in the average level and recently searched "car" in the marketplace.

Also, consumers are having a higher requirement of personalized service (Walsh & Godfrey, 2000). A retailer will easily lose its market without catching consumers' real need, therefore, it is important to have a big data strategy for long-term understanding of customers' requirements. Including Uniqlo, a lot of companies are allowing customers to personalize their products. In addition to the products, the newsletter sent to customers should give personalization options as well to keep customers feel the company values their requirements.

Customers' satisfaction is from all aspects of the service. A retailer should make customers satisfied throughout the purchase to obtain the final satisfaction and thus needs to be careful from size choosing and product delivery to after-sales, every stage is a part of customers' experience and may change their satisfaction. Hence, retailers could provide clear instruction of products, reliable delivery service, as well as efficient pre and after-sales communications, such as instant messaging and online chat.

### **5.3 How to Improve Customer Loyalty?**

Consumers are more usually to choose a product because of the brand while paying less attention to the quality. To some extent, it is because consumers trust the quality of brand, and consumers are fond of the brand image. Setting a decent brand image is an effective way to earn customers' loyalty.

Customer loyalty is different with satisfaction, but highly relevant. Mascarenhas, Kesavan & Bernacchi (2006) found out customer loyalty is mainly determined by shopping experience, and experience may be influenced by physical and emotional involvements. The involvements are not only between the company and customer, because more and more customers like to search reviews of a product in the internet, the involvements are everywhere. As a result, retailers should use online customer community to keep a friendly communication with customers, and solves problems promptly, in order to form a reputation on the internet.

Other than providing a nice shopping experience, customer loyalty can also be earned by making customers feel being concerned. Offering discounts to frequent customers, remembering customer's birthday and sending greetings, and conveying the consideration to a customer can increase customer's loyalty.

## 6 CONCLUSION

### 6.1 Conclusion

E-commerce is not going to replace traditional retail, but working as an asset to it. For small-scale companies, internet offers marketplace to open online shops and multiple ways to promote their products. On the other hand, internet is an opportunity for giant companies to access to Omni-channel retailing.

The thesis reviews the approaches for retailers in China to adjust to E-commerce, or reinforce the companies' retail business, and they may be suitable to some other Asian countries as well. The approaches include opening online shop to expand sale channels, improving customer service with internet communication, collecting and analyzing big data to understand customers, creating online customer community to strengthen customers' loyalty, and using internet to advertise efficiently. Also, this thesis introduces several useful platforms for traditional retailers' digitalization, such as Taobao, Tmall, Weibo, WeChat, etc. Moreover, the study gives information about the trend of E-commerce and other shopping pattern. Mobile shopping is going to be more influential in the next 5 years. And currently there are not many online shoppers that are above 40 years old, but this situation may be changed in the next decades, because the main online shoppers who are between 20 and 40 years old will move to the next age group. Thus, the retailers should take these factors into account when making plans in the long run.

The survey about customers' attitude towards customer service methods conducted during this study shows that online chat is the most welcome (65 percent respondents) customer service channel by respondents, and only 9 percent respondents selected Email as their preferred customer service type. In addition, quality of service, response time, and available time are customers' most concerned factors of a customer service. Therefore, an efficient customer service is expected to contain professional service, prompt response, and long service time.

This thesis studied two cases, which are Suning and Uniqlo respectively. The case studies analyzed the E-commerce strategies and outcomes of two companies. Suning is a rather large firm in China, it aligned with another giant firm Alibaba, and starting to form an

Omni-channel retail. Uniqlo utilizes internet and mobile App to increase the communication with customers, and trying to receive more useful data from customers and bring their brand culture into customers' daily life with calendar, alarm application on the smartphones.

Making more profits is the ultimate goal of all activities for a company. The profit is not solely financial, but also the customers' satisfaction, loyalty and the company's reputation. First, to have more customers, besides good quality and nice service, a company should have easy accessibility and friendly return policies to convince the new customers, also send the advertisements to the right group of consumers can magnify the results. Second, customers' satisfaction counts on if their requirements are met. The companies could use big data to understand customers and provide tailored service. Also, mobile shopping and young online shoppers are the theme of this decade, taking the trend of market into consideration will let the company be ahead of the market, and always be ready for customers' changing requirements. Last, customer loyalty is a strong foundation of a company's reputation, a company should care about customers' experience during the whole progress of a purchase, and always make customers feel being concerned. A reputation is not earned in one day, but when a good reputation is formed for a company, it can be a very precious possession for the company.

## **6.2 Limitation and Recommendations for Future Research**

The survey was conducted among the author's friends, who were considered as frequent internet users and online shoppers, however, the number of respondents from the survey is not large, and the survey did not take age distribution into account. The topic of this thesis is focused on Chinese retail market, but there was not many up-to-date previous China-focused research obtained from Google scholar, or the other thesis database. Thus, the author referred to some reports from KPMG and Deloitte.

Another limitation is that most of the statistics in this thesis were obtained from Statista.com, which is an online statistics portal for marketing data. However, a lot of the statistics related to the research were not free, and the author were not able to access them to get more helpful numbers.

For future research on this topic, it is advisable to conduct the survey on a larger scale and take other factors into account, as online shoppers from different age groups may have different opinions towards the customer service, and the result of such kind of survey can contribute to a business which is focused on specific age groups.

Today's technology changes rapidly, although big data is not mature enough at the moment of this thesis was written, it is expected to be more useful in the market in the following years. Further researchers should pay more attention to big data usage and the other leading technologies in market and E-commerce. The author also suggests that future research focus on the trend of consumers' behaviors, instead of simply looking at the current situation.

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## APPENDICES

### Appendix 1. Questions of the Survey

1. Which type of customer service do you like the most?
  - A. Online chat
  - B. Telephone
  - C. Email
  - D. Other
  
2. How much do the following factors influence your experience?  
(0: not influencing; 10: influencing a lot)
  - a. Response time  
(The time you wait for a reply from customer service)
  
  - b. Quality of service  
(How well they solve your problems)
  
  - c. Available time  
(e.g. 24 hours available, 8 hours working time, or in a different time zone)
  
  - d. Friendly wording  
(e.g. “Hi there”, “See ya”, “Alright, I will get you to a technician in seconds”)
  
  - e. Formal wording  
(e.g. “Sir”, “Madam”, “Your question will be forwarded to technical department”)
  
  - f. Design of the customer service interface  
(e.g. The aesthetics, or the ease of use)