Research on Profit Model of Suning Smart Retail E-Buy in Digital Ecology

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Abstract. With the popularity of the Internet, the traditional retail model has caused a huge impact. With the application of Internet of things to retail enterprises, it has produced a lot of data. Suning has developed e-commerce through Smart retail (hereinafter referred to as SR), which has brought huge profits to Suning e-buy (hereinafter referred to as Suning). Traditional retail enterprises must transform and upgrade, which will achieve better profits. By integrating into the Internet, Suning e-commerce launched an e-commerce model. Through the e-commerce platform, Suning can easily experience online shopping, which will improve sales through price strategy. Through e-commerce, Suning continues to expand its market scale, which also continues to ensure its position in the industry. Through the Internet platform, Suning ensures the stable profit level of the enterprise, which can ensure the transformation of the enterprise to the profit model (hereinafter referred to as PM). Firstly, this paper analyzes the main retail models. Then, this paper constructs a PM of SR in digital ecology. Finally, some suggestions are put forward.

Keywords: Digital Ecology, Suning, Smart Retail, Profit Model

1. Introduction

In recent years, artificial intelligence has entered all walks of life, which has also become the field of attention [1]. Therefore, the retail industry is gradually changing to the direction of SR, which will better improve the PM. With the retail enterprises gradually changing to the smart sales mode, the traditional Chinese retail giant Suning is also gradually changing to the direction of SR [2]. Based on artificial intelligence, Suning promotes the sustainable development of retail industry based on modern technology. Through SR, Suning has changed its original extensive business model, which will meet the new needs of consumers [3-6].

2. Related concepts

2.1. O2O mode
O2O is a two-way closed-loop mode, which connects offline stores and online platforms at the same time. O2O is a mode based on Internet technology. Consumers can experience consumption through online payment, or first experience in physical stores and then purchase online. O2O integrates commodity information, after-sales information, logistics information and other aspects, which can achieve a win-win situation for businesses, customers and sales platforms. First, consumers enter the closed-loop structure between offline stores and online platforms through the network. Second, the close relationship between online and offline enables consumers to screen online information and actual products, which will deepen consumers' intuitive feelings about brands [7-8]. Through O2O, we can encourage consumers to buy back. Therefore, the traditional retail industry has certain advantages when it changes to O2O mode. On the basis of adhering to the high quality of products, enterprises can use modern scientific and technological thinking to enter the online market. The traditional O2O model retail industry is not limited to the boundary of online and offline, which has been realized online and offline. The deep integration of market resources overcomes the problems of information inequality and information circulation tension in traditional consumption [9-11].

2.2. SR model

SR is a sales mode based on consumer psychology technology such as artificial intelligence and big data. By cooperating with the call of the state, we can reconstruct the consumption pattern of China's retail industry. SR model is a model with consumer experience as the core. Through inventory, service mode and other data, we can integrate online service and offline experience, which will organically integrate the different characteristics of the retail industry. China's SR is different from the early traditional retail. After China entered the Internet era. Technology has promoted the development of retail industry, which has gradually improved the backward asset allocation. Through SR, the consumption mode reverses the production chain. Compared with traditional retail, SR has the following characteristics. First, the enterprise itself and its retail format have also been developed. Second, through the analysis of sales data, enterprises can find that it has a certain pull back effect on the retail end, which will gradually transform the supply chain into C2B. Third, enterprises can change different social needs scenarios, which will meet the personalized needs of different consumers [12].

3. Construction of PM of SR

3.1. Building the PM of SR

Based on Adrian J. slywotsky's PM theory, this paper constructs a smart new retail PM from three perspectives, including profit point, profit measures, as shown in Figure 1.
3.2. **Profit point**

Profit point is one of the most indispensable elements in the PM of SR, which is the income source of enterprises. Profit point refers to the fee charged by an enterprise for selling goods or providing services to customers. Due to the differences in market positioning, product types and service quality, different enterprises have different sources of income. Traditional retail enterprises mainly obtain income by expanding the price difference between purchase and sale and collecting channel fees. Because of the game between the upstream and downstream of the supply chain, it will force manufacturers to reduce the purchase price and transfer the benefits to customers. Under the PM of SR, the boundary between online and offline becomes very fuzzy, and consumers are always active to integrate online and offline scenarios. The retail nature of enterprises can provide high-quality goods and services, which will promote the two-way fit of transactions.

3.3. **Profit measures**

Profit measures are related activities taken by enterprises in order to obtain profits, which are mainly divided into two aspects, namely, improving internal ability and external behavior. The internal ability is mainly to strengthen technology research and development, internal control, management, culture shaping and so on. The external behavior is mainly to shape the brand image, such as advertising, promotion, network promotion and so on. Traditional retail enterprises are mainly in the form of physical stores, which has low demand for high technology. Under the "SR" environment, online and offline integration. Enterprises pay more attention to cloud computing, artificial intelligence and other high-tech applications as well as the construction of logistics, which will improve the user experience.

3.4. **Profit object**

Profit object is the target customer group of product or service sales. Enterprises must deeply understand the needs and preferences of consumers. By considering how to create value for consumers, enterprises...
can gain profits from customers. In traditional retail activities, there is a simple commodity trading relationship between enterprises and consumers. Online retailing can only obtain online consumers, while physical store retailing can only obtain offline consumers. Through big data technology, retailers can restore consumers' consumption map more accurately, which will realize in-depth mining of consumer demand. By entering the lifestyle of consumers, enterprises can form an integrated close contact with consumers, which can realize the two-way diversion online and offline.

4. Suning SR e-buy PM

4.1. Suning's return on net assets

Return on equity refers to the ratio of net profit to average shareholders' equity. This paper analyzes the changes in the rate of return on net assets of Suning, as shown in Figure 2.

![Figure 2. Suning's return on net assets](image)

|                | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------|------|------|------|------|------|------|
| Industry average | 8.22% | 5.70% | 6.88% | 4.03% | -5.73% | 3.04% |
| Suning e-buy     | 2.96% | 2.86% | 1.07% | 5.34% | 16.47% | 13.09% |

4.2. Net profit rate of sales

Net profit on sales is the ratio of net profit to sales revenue. This paper analyzes the changes in the net profit rate of sales of Suning, as shown in Figure 3.
5. Optimization measures of Suning PM

5.1. Adjust their own cash flow structure

Suning must adjust its own cash flow structure, which requires a correct understanding of the cash inflow of investment and financing activities. Suning SR mainly obtains cash inflow from investment activities by selling assets and Alibaba shares. By the end of 2018, Suning had sold all its shares in Alibaba. Therefore, only when Suning realizes the unsustainability of cash inflow from investment and financing activities can it better adjust its own cash flow structure. Suning needs to increase revenue and reduce expenditure reasonably. By adjusting its own cash flow structure, Suning can establish an effective operating cash flow budget system, which can make the operating cash flow from negative to positive. By stabilizing the cash flow into the blood supply point, Suning can strengthen the financial flexibility of the enterprise, which will reduce the capital risk of the enterprise.

5.2. Optimize profit structure

Suning is taking a diversified development path, which will make the limited resources of the enterprise scattered. As a result, the pull of main business to profit is relatively slow. The implementation of SR strategy also increases the investment of enterprises. Under the SR, Suning needs to make changes from the perspective of consumer experience, which will establish a set of high consumption experience marketing strategy from pre-sale to after-sale. Suning needs to realize its SR strategy nationwide. Pre sales need to use big data and cloud computing technology to depict the consumer portrait. Through intelligent recommendation, customers may be favored by consumers. During sale, the store can be upgraded from two aspects of Internet and shopping environment. Through AR, VR, Suning can increase the sense of shopping technology and interest, which will complete the "social + experience" shopping platform. By adding reverse customization, we can meet the needs of consumer personalization and differentiation. After sales needs to provide door-to-door service with the help of the number of physical store resources and geographical advantages, which can repair the products purchased by consumers. At the same time, goods purchased online can be sent back free of freight,
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which will improve the consumption experience. By improving consumer stickiness, Suning can optimize its profit structure, which will improve its profitability.

6. Conclusion

With the development of science and technology, Suning SR PM will continue to change, which will gradually develop to B2C PM. Therefore, Suning needs to further optimize its profit structure, which will maintain its position as a retail giant. At the same time, other retail enterprises in China also need to gradually realize SR, which will gradually gain advantages in the industry competition.

Acknowledgments

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