

# Economic benefit analysis of scene transformation of business model-taking Suning.cn as an example

Yuting Song

SETTING: Jiangxi Normal University School, Jiangxi, China

Email: 1124519591@qq.com.

**Abstract.** With the rapid development of the new economy promoted by the new generation of technological revolution, new scenes, new formats and new models have become the direction and path of China's economic transformation and upgrading. For the retail industry, which is significantly affected by the impact of the Internet, scene transformation is the hottest and most powerful straw to reverse the current difficulties. This paper takes Suning.cn as the target case company to study the economic benefits brought by its scene transformation. Firstly, it points out the dilemma faced by the retail industry at present, and analyzes and explains the concept of scene with other experts' theories. Secondly, the scene layout of Suning is sorted out and compared with that of Sichuan Changhong in terms of profitability, operation ability and development ability. Finally, from the financial perspective, it summarizes the economic benefits brought by the scene transformation to Suning.

**Keywords:** business model transformation; Scenarioization; Suning.com.

## 1. Introduction

With the concept of "new retail" put forward, major retail industries set off a wave of business model transformation. For example, Yonghui Supermarket realized the full link digital deployment, Li Ning built a smart store integrating smart fitting glasses and cloud shelves, and L'Oréal's first concept flagship store in the world. From the transformation and upgrading of these brand stores, we can see that products of different types and industries are reflected in each other, showing a trend of personalization and diversification. Similarly, aiming at the development trend of the times and aiming at "Internet-based retail enterprise", Suning.cn has successfully developed into a technology-driven retail service provider with supply chain, logistics and scenario solutions as its core competitiveness, from leading household appliances to full-scale online and offline new retail. Not only did it not decline during the economic downturn, but it ushered in a new spring of economic growth. Compared with the previous period, it was deeply mired in the transformation quagmire, and its strong economic rebound now has caused extensive discussion and study in the industry.

By analyzing these examples, it is found that an essential feature of new retail is data-driven, relying on digitalization to provide accurate services, aiming at and meeting the increasingly obvious personalized needs of consumers. (Zhang Yuan, 2023) How to get through the customer's consumption data is the biggest breakthrough point of offline entity business competition, and it is also the foothold and profit point of new retail. The biggest difference between online sales and offline sales lies in the venue, and the biggest advantage of offline sales also lies in the venue. How to give consumers a better experience is the key to its breakthrough and online sales. Therefore, the word "scene" has become a hot spot in contemporary retail industry, which is accepted by most consumers.

Nowadays, scenarioization is the focus of major enterprises in the Internet era, while scenarioization of business model refers to nesting scenarioization on the original business model, taking the user's experience as the standard, paying more attention to consumers' consumption habits and actual situation, and making customized products with designs close to users. Its forms of expression are rich, showing the characteristics of multiple scenes and cross-border integration, which is conducive to narrowing the distance with users and meeting the consumption needs of different customers.

In recent years, scholars at home and abroad pay more attention to the scene of business model. It is through the quantitative change of scene that business model realizes the qualitative change of

scene business model and innovates business model. (Wang Fu et al., 2022) The theory of scene adaptation comes from the theory of supply and demand matching, which specifically refers to the three-dimensional scene adaptation of "Business Scenario--Consumer Demand--BusinessScenario", "Business Scenario--Consumer Habits-Business--Scenario", "Business Scenario--Consumer Preference--Business Scenario " to meet the consumption needs, consumption habits and consumption preferences of the right people at the right time and in the right space. (Wang Fu, 2020)Therefore, this paper takes the scene transformation of Suning.cn business model as an example to analyze and discuss the economic benefits brought by the transformation.

## **2. Design of research scheme**

### **2.1 Research Case Method**

This paper is a case analysis paper, which mainly adopts the following three research methods: literature research, case analysis and comparative research. First of all, the research topics at home and abroad are described and summarized, and the definition and characteristics of business model scenario are understood. Secondly, through an in-depth study of the specific case of Suning.cn, this paper explores the measures and effects of scene transformation of its business model. At the same time, through the analysis of Suning.cn's financial indicators, this paper makes a vertical comparison before and after the scene transformation of business model, and makes a horizontal comparison with competitors in the same industry. This paper not only provides specific empirical data and case analysis, but also describes in detail the steps of case selection, case analysis methods and data analysis and comparison, so as to reflect the differences in economic benefits brought by the implementation of scene transformation in the same enterprise in different years and whether different enterprises implement scene transformation or not.

### **2.2 The choice of case object enterprises**

Considering the availability and typicality of case data, this paper finally chooses Suning.cn Group Co., Ltd. (hereinafter referred to as Suning.cn) as the case study object.

1) data availability. Suning.cn Group Co., Ltd. was founded on December 26th, 1990 and headquartered in Nanjing. It is the leader of commercial enterprises in China, and its products cover traditional household appliances, consumer electronics, department stores, daily necessities, books, virtual products and other comprehensive categories. By the end of 2022, Suning.cn had operated 969 home appliance 3C direct stores in the storefront channels of first-and second-tier markets such as Beijing and Shanghai, and maintained the development speed of franchise stores in the retail cloud channels of the fourth-and sixth-tier markets. In 2022, 769 stores were opened, showing a good development trend. In this paper, a large number of available materials related to the research subject of this paper are collected through official website, annual report, database, news media, newspapers and magazines.

2) Typical case. There are two reasons for choosing Suning.cn as a typical case: First, the representativeness of the industry. Suning.cn is the leader of commercial enterprises in China and one of the largest B2C e-commerce platforms in China, which provides online sales of household appliances, homes, department stores, books, digital, mobile phones, computers and other commodities, and has an important position. Second, the novelty of the case. Suning.cn is one of the typical cases that took the lead in implementing scene transformation. By creating a scene-based shopping experience, it will bring new potential to the scene channel and sales model of home appliance integration. In addition, through the integration of multi-industry and multi-format resources, Suning.cn has achieved full-scene retail and led the current mainstream of consumption.

### **2.3 The development stage of the case enterprise**

Suning.cn Group Co., Ltd. was founded on December 26, 1990, and its vision is to lead the industrial ecology and create a quality life around the strategy of "technology Suning, smart service".

Its business categories cover household appliances, 3C, maternal and child, department stores, supermarkets, clothing, etc., and it is in a leading position in the industry. Suning.cn has experienced three stages of business model evolution: traditional,+Internet and internet plus, and has formed a value system in different stages of development.

Table 1-1 Value System of Suning.cn at

	Traditional type (1990-2009)	+Internet type (2010-2013)	Internet plus type (2013-present)
position	Based on air conditioning, electrical appliances franchise.	Multi-channel mode of combining physical store with Suning.cn mall	Fully transform Internet retail enterprises.
Key resource capacity	Low-cost purchase price and supplier rebate	Precision marketing, after-sales service and logistics distribution form a new development engine.	The construction of three major business systems creates a new profit model.

### 3. The Scene Transformation Layout Of Suning.Cn

#### 3.1 the scene put forward stage

"Full Scene Smart Retail" dates back to 2017 at the earliest. At the end of that year, Suning launched the smart retail development strategy, and its core theme was summarized in the words "ten thousand stores are interconnected and ecological sharing". In order to continuously promote the strategic upgrade, Suning.cn adheres to the concept of "future retail is smart retail", and the offline layout has also changed from simple opening of chain retail to comprehensive empowerment, and has been expanding substantially.

#### 3.2 Scene layout stage

After two years' precipitation, Suning.cn has customized a new offline business model of "two big, two small and multi-specialized" according to the actual needs of offline customers, and replicated it throughout the country. At the same time, through the integration of finance, logistics, data and other formats, we actively expand multi-channel scenarios.

In order to build this model, Suning invested 4.8 billion yuan to acquire 80% equity of Carrefour China, a retail giant, and then acquired a series of non-head enterprises in the industry transition period, so as to better serve them in building the whole scene layout. On October 21st, 2019, Hou Enlong, president of Suning.cn, redefined "double 11" as "double 11 of the scene" and announced that Suning had completed the retail layout of the whole scene.

#### 3.3 Scene strengthening stage

After 2020, Suning will further strengthen its strategy by focusing on the main retail business, and focus on improving its operation and service capabilities, so as to provide users with better scenes, products and service experiences. Then Suning seized the rise of the concept of "home consumption" in time, and innovatively created a "four-in-one" store format of "home appliances, home improvement and home service", which won the unanimous approval of consumers and added vitality to the construction of new consumption scenes.

In fact, the scene retail built by Suning is not a single, limited and flat place, but a new application mode that integrates various businesses such as user consumption scene, shopping scene and experience scene deeply and has a good user experience. In the future, Suning will further build a

platform for ecological interconnection, and join hands with brands to jointly explore the new retail era of customized family scenes.

#### 4. The Economic Benefit Analysis Of Business Model Transformation

The financial risk level of an enterprise is closely related to the future of the enterprise. Since 2017, Suning has been committed to the layout of omni-channel new retail. By the end of 2019, Suning has basically completed its transformation and developed rapidly. This paper will combine the characteristics of retail production and operation, and make a comparative analysis with Sichuan Changhong Co., Ltd. of the same type from the aspects of profitability, operational ability and development ability, and get the economic benefits brought by the scene transformation of Suning.cn's business model.

##### 4.1 profitability analysis

When analyzing the profitability of Suning.cn, this paper selects the operating income, operating cost and net profit of Suning.cn and Changhong Company from 2016 to 2020, calculates the relevant profitability indicators, and summarizes the changes in profitability brought about by the implementation of scenes in Suning.cn.

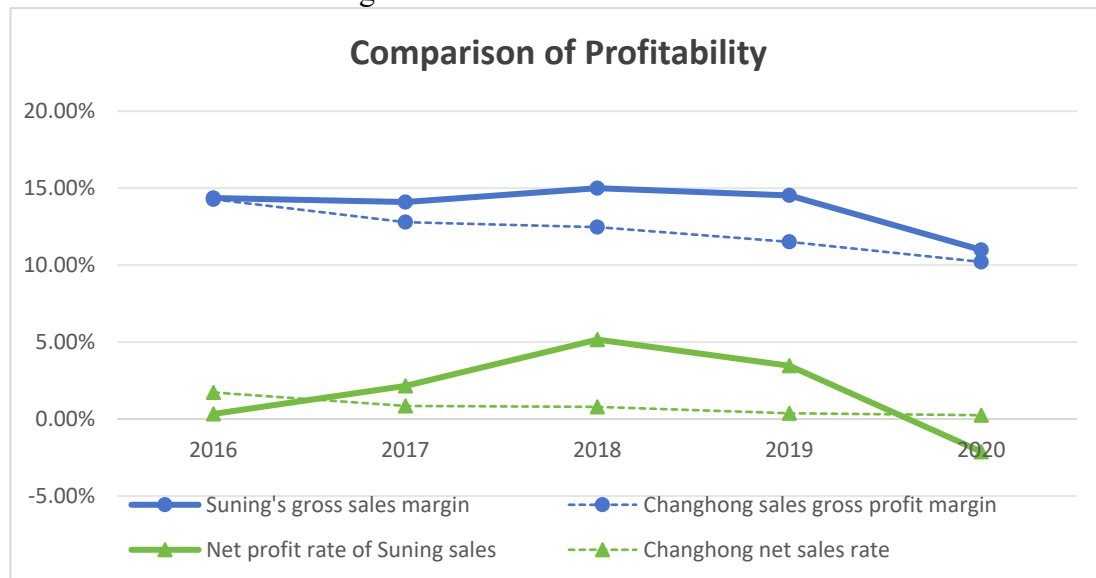


Figure 3-1 Comparison of Profitability

Table 3-1 Profitability Analysis Indicators

Source: Suning Annual Report and Changhong Annual Report.

	Suning's gross sales margin	Changhong sales gross profit margin	Net profit rate of Suning sales	Changhong net sales rate
2016	14.36%	14.28%	0.33%	1.73%
2017	14.10%	12.79%	2.15%	0.85%
2018	15.00%	12.47%	5.16%	0.79%
2019	14.53%	11.51%	3.46%	0.38%
2020	10.99%	10.21%	-2.12%	0.25%

The profitability indicators of Suning.cn and Changhong are shown in Figure 3-1. Suning.cn's gross profit margin remained roughly at 15%, which remained basically stable. In the past five years,

Changhong Electric has been flat with Suning from the beginning to the gradual decline, showing a declining trend of its profitability.

During the period before Suning entered the "+Internet-based" scene transformation (2013-2016), the net profit rate of sales was below 1% for a long time, which was lower than that of Sichuan Changhong Electric. However, after the scenario transformation was proposed, the net profit rate of sales showed a large fluctuation in the initial stage (2016-2017). During this period, Suning actively expanded the multi-channel scene description scene transformation through the integration of finance, logistics, data and other formats. The growth of its data shows that the scene transformation has given Suning new vitality. In the stage of scene transformation (2017-2019), Suning's net sales profit rate has been greatly improved, which reflects its strong development momentum and shows that scene transformation can bring a long-term positive situation to Suning.cn. However, because Sichuan Changhong did not adjust its product production in time according to the changes in consumer demand, its gross profit margin and net profit margin were stronger than Suning at first, and then fell year by year and finally fell below 1%.

Comparing two enterprises of the same type, it can be seen that the improvement of profitability brought by scene transformation to Suning.cn is remarkable. In 2020, due to the impact of COVID-19 epidemic, the performance declined, which was greatly different from the external environment in other years, so the data was not comparable.

#### 4.2 Analysis of operational capacity

In the analysis of Suning.cn's operating capacity, this paper selects representative figures such as operating income, total assets and current assets to calculate the turnover rate of total assets and current assets as a microcosm to witness the changes of the company's operating capacity after the scene transformation.

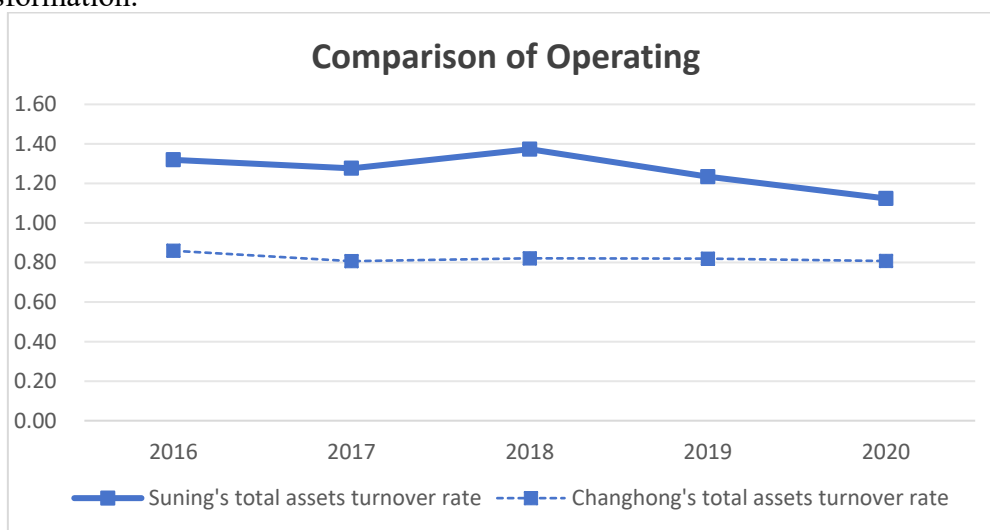


Figure 3-2 Comparison of Operating Capacity

Source: Suning Annual Report and Changhong Annual Report

Table 3-2 Operational Capacity Analysis

	Suning's total assets turnover rate	Changhong's total assets turnover rate
2016	1.32	0.86
2017	1.28	0.81
2018	1.37	0.82
2019	1.23	0.82
2020	1.12	0.81

The operating capacity of Suning.cn and Changhong is shown in Figure 2-2. The turnover rate of total assets is a measure of the benefit of an enterprise's asset investment. The faster the turnover, the stronger the enterprise's operational ability. In the selected year, Suning's total asset ratio has fluctuated up and down, but it has remained stable as a whole, which is about 1.3, indicating that Suning has well controlled its assets during the scene transformation period. Changhong's total assets turnover rate is maintained at around 0.8, but its trend is downward. In the stage of scene transformation, the turnover rate of total assets increased slightly. The higher the index, the better the asset utilization rate of the enterprise. During this period, Suning replicated and promoted the new offline scene business model of "two big, two small and multi-specialized" all over the country, which was welcomed and warmly welcomed by a large number of consumers. The increase in asset turnover rate just shows that Suning's market share has expanded at this time, and its products have catered to the demand in the market. Changhong's total assets have not changed much, which means that the enterprise may not make full use of its assets in the course of operation, or it may not effectively optimize and adjust its assets.

### 4.3 Analysis of development ability

The development ability of an enterprise refers to its ability to expand in the future, to find new profit points and to increase market share. By calculating the growth rate of operating income, total assets and net interest rate, the growth ability of an enterprise can be roughly evaluated, which is helpful to understand the size of the development space brought by the scenario model to its enterprise.

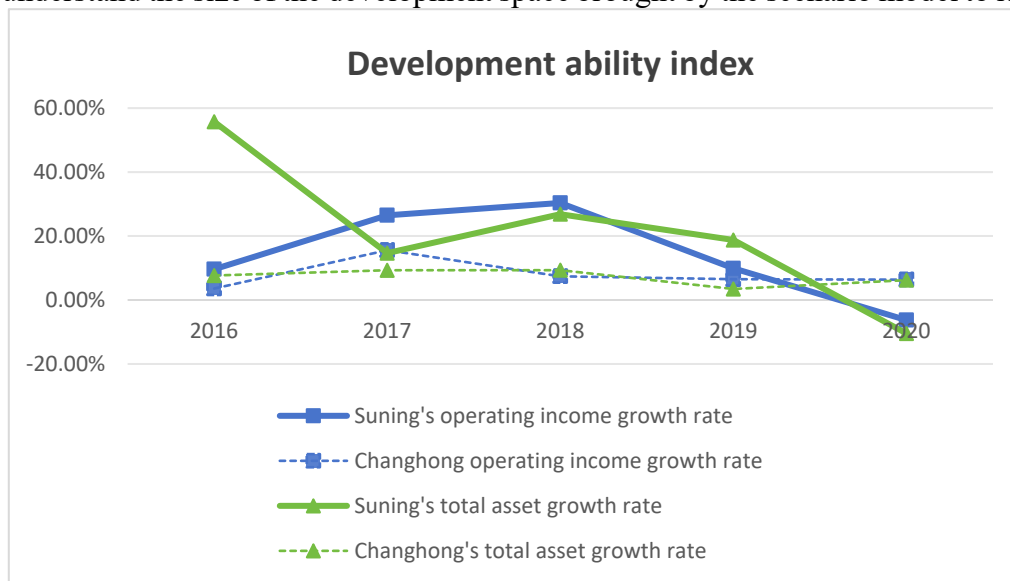


Figure 3-3 Comparison of Development

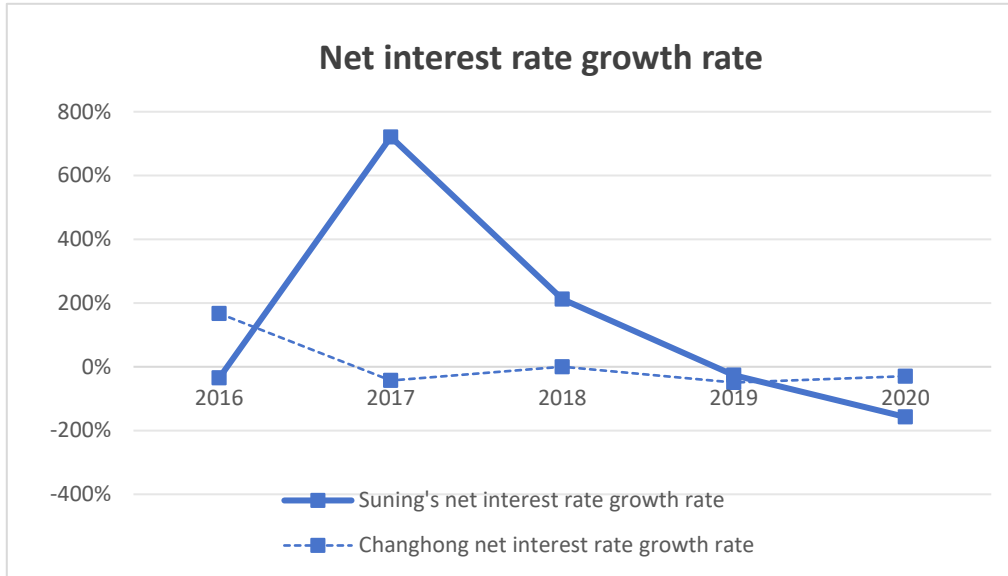


Figure 3-4 Comparison of Development Ability  
Source: Suning Annual Report

Table 3-2 Operational Capacity Analysis Indicators

	Suning's operating income growth rate	Changhong operating income growth rate	Total assets growth rate of Suning	Changhong's total asset growth rate	Suning's net interest rate growth rate	Changhong net interest rate growth rate
2016	9.62%	3.59%	55.74%	7.64%	-34.91%	167.23%
2017	26.48%	15.57%	14.66%	9.29%	721.02%	-42.96%
2018	30.35%	7.41%	26.83%	9.32%	212.20%	-0.10%
2019	9.91%	6.49%	18.74%	3.45%	-26.28%	-49.40%
2020	-6.29%	6.37%	-10.46%	6.21%	-157.49%	-29.70%

The development capabilities of Suning.cn and Changhong are shown in Figure 3-2. In the selected data reporting period, all indicators of Suning have increased substantially, and the momentum is strong.

The growth rate of operating income can be used to measure the product life cycle of a company and judge the stage of its development. From the initial stage of scenario (2016-2017), it can be seen that its operating income increased rapidly from 9.42% to 26.48%, nearly tripling, and the corresponding time point at this time is the stage when Suning started the smart retail development strategy and proposed scenario. At the same time, Suning's operating income growth rate reached more than 25% in the ongoing stage of scene transformation (2017-2019), which was in a high-speed growth stage, indicating that the benefits brought by scene transformation at this time were obvious and it was in the growth stage of the company's development. During this period, Suning's competitiveness in the industry has been greatly improved. While other enterprises are still just a concept of scene, Suning has deployed multi-formats from urban to rural areas, from individuals to business users, from home appliances to supermarkets to department stores, entertainment and leisure, content services, and life services, and has opened up omni-channel networks and built data-based entities. The information reflected by the operating income index is that Suning's growth and expansion has accelerated and maintained a good growth momentum during this period. In 2019, the growth rate of Suning's operating income slowed down, and the growth rate was below 10%, indicating that the company's products had entered a stable period at this time, which coincided with Suning's announcement that the layout of the whole scene had been completed at the end of 2019. In

contrast, in the past five years, the business growth of Sichuan Changhong Company has been slow, which may indicate that the company lacks growth potential. At this stage, Sichuan Changhong Company has not undergone scene transformation, and the market demand has changed direction. Therefore, the competitiveness of Changhong Company in the market has been insufficient.

The growth rate of total assets reflects the change of the scale of total assets of enterprises. The data in 2016 is particularly outstanding, with the growth rate of total assets reaching over 50%. After analysis, the main reason is that Suning has purchased a large number of related assets and is ready to expand, preparing for its scenario strategy in 2017. Generally speaking, from the point of time, the scale of assets changes faster than the time in revenue, so the growth rate of total assets in 2016 is particularly prominent compared with subsequent years. Similarly, the growth rate of total assets in 2018 is more than 25%, which is also a side reflection of the completion of the whole scene layout in 2019. The growth rate of total assets of Changhong Company in the past five years is relatively stable and slow, which shows that Changhong Company has not experienced rapid expansion or excessive debt. But at the same time, it also shows that the company lacks the motivation to expand, and the profitability of subsequent companies will be limited.

The growth rate of net interest rate reflects the expansion speed of enterprises to maximize value, and is an index to comprehensively measure the performance of enterprise asset operation and management. In the initial stage of the scene (2016-2017), Suning's net interest rate turned from negative to positive, and its growth rate was amazing, reaching more than 700%. In this year, Suning achieved good growth in key indicators such as revenue, transaction volume, number of stores, etc. This is also the best year in the past decade after Suning.cn started the Internet transformation in 2009, largely due to Suning's decision to implement scene transformation. Sichuan Changhong Company, on the other hand, experienced a rapid growth from net interest rate to negative growth during this period, indicating that the company's profitability is likely to have problems. Changhong needs to pay close attention to market dynamics and industry trends, and adjust its business strategy in time to maintain its competitive advantage. The growth rate of Suning's net interest rate in 2018 also continued to grow at a high speed, and the main factor affecting the decline of data in 2019 was the uncertainty of the development of the external economic environment. The company made corresponding impairment provision for its long-term assets, including goodwill and intangible assets generated by mergers and acquisitions. Although the net interest rate growth rate of Suning declined due to external factors and other reasons in 2019-2020, the scene transformation of its long-term layout is still worthy of recognition. Scenario transformation will definitely play a high-quality development role in Suning's development in the future, which will help Suning grasp the market initiative. On the other hand, Changhong Company's annual net profit has continued to decline. Perhaps Suning has intensified the market competition of Changhong Company after experiencing the scene transformation, further compressing the profit space of enterprises, and making the annual net profit continue to decline. In addition, mistakes in business strategy may also lead to a decline in net profit, such as Changhong Company's wrong market positioning and failure to carry out commercial transformation.

## **5. Conclusion And Enlightenment**

### **5.1 Research conclusions**

This paper takes Suning.cn as the target case company to study the economic benefits brought by its scene transformation. Firstly, it points out the dilemma faced by the current retail industry, and then describes the examples of major enterprises' business model transformation, focusing on the achievements of our case analysis object Suning in its scene transformation, and then leads to the main body of this paper. After combining other materials on the concept of scene and related theoretical analysis, it combs the process of Suning's scene layout, and testifies to each other in combination with its financial indicators to understand the financial changes brought by the scene transformation to Suning. From the financial perspective, we can draw the following conclusions:



First, through the transformation, Suning.cn has indeed greatly improved its profitability such as operating income and net profit rate, and its development ability indicators such as operating income growth rate, total assets growth rate and net profit rate during the scene transformation, which shows that Suning's general direction in the scene transformation is correct and has brought new vitality to Suning's commercial transformation. However, in 2019 -2020, the follow-up indicators have not been maintained and followed up. It is necessary to guard against external risks, reasonably control costs, and continue to seek economic growth points. Second, Suning's turnover rate of total assets and current assets are kept within a reasonable range and maintained well, indicating that the company's operational ability is good. However, in the next few years, due to the influence of external factors such as epidemic situation, enterprises need to improve their ability to resist risks. Generally speaking, there are ups and downs during the transition period, but the results are still obvious.

## 5.2 Development Enlightenment

### 1. Strategic transformation should be combined with reality step by step.

The times are unpredictable, and the market forms are complex and changeable. Enterprises need to follow closely and constantly adapt to the changes in the market. However, the commercial transformation is not achieved overnight, but needs to be changed step by step, step by step, and for a long time. As an example of Suning.cn's scene transformation, its transformation is also realized step by step by seizing the opportunity of the times and constantly adjusting the organizational structure of enterprises to meet the needs of the market. From an electrical appliance sales enterprise based on air conditioning franchise to an Internet retail enterprise with deep integration of online and offline and comprehensive transformation, Suning.cn has achieved its present scale by pursuing transformation through numerous difficulties. Finding a way to break the situation is a matter that many enterprises are caught in the barriers of reform and are in a hurry, but the transformation can't be anxious. After 20 years of accumulation, Suning has the strength, ability and security to arrange a step-by-step strategy. Strategic transformation can't be decided overnight, but it must be achieved through numerous discussions, numerous attempts and long-term planning. Strategic transformation needs to be done step by step, and it must not be rushed.

### 2. Improve the ability to resist risks

Observing the financial data of Suning in 2020, it is found that its indicators are not good, and there is a tendency of recession and retrogression. Affected by the epidemic, most retail enterprises can't survive the storm, and their income and profits show negative growth. However, under the impact of the epidemic, some enterprises give full play to their advantages in all aspects, seize the development opportunity of the epidemic, and usher in the spring of operating income growth. Therefore, when the external environment is facing a great blow, the enterprise's ability to resist risks is particularly important at this time. Digitalization is an effective breakthrough to improve the ability to resist risks. If an enterprise can integrate the digital chain in production, supply, operation and marketing, it will not only promote its operational decision-making and business growth, but also effectively predict risks when the market changes.

### 3. Omni-channel development

Under the upsurge of new retail, offline stores should think about how to give full play to their own advantages and expand consumer groups. The best direction is omni-channel development, think about Suning's transformation model, and create online and offline development and omni-channel sales. First of all, standardize the price, the same price online and offline, to avoid the confusion of the price system. Secondly, the integration of store service and online shopping will be realized, and a new mode of offline experience, online ordering and store distribution will be opened.

Finally, online and offline should combine their own advantages to jointly accumulate strength and achieve a win-win situation. Offline physical stores should focus on using convenient services to meet consumers' consumption experience, while online stores should vigorously upgrade their digitalization and use big data and intelligent marketing to enhance their development efficiency.

Online and offline resource sharing and coordination are conducive to the formation of a benign circular development.

## References

- [1] Zhang Yuan. Research on the path of retail industry's value creation driven by scenario innovation of business model [D]. Jiangxi University of Finance and Economics, 2023. DOI: 10.27175/D.CNKI.gjxcu.20000.000000000606
- [2] Wang Fu. New retail circulation supply chain business model innovation system construction[J].Contemporary Economic Management 2022,42(07):17-26.doi: 10.13253/j.cnki.ddjjGL.2020.07.003. 。
- [3] Wang Fu, liu junhua, Changqing, etc. How does the scene chain create new retail business model value based on the supply chain? —— Case Study of Foton Motor [J]. Science of Science and Science and Technology Management, 2022,43(07):135-155.
- [4] Zhao Yunfang, Zhu Jingjing. Analysis of the transformation effect of Suning.cn's
- [5] business model from the financial perspective [J]. Hebei Enterprise, 2021 (05): 43-44. DOI: 10.19885/j.cnki.hbqy.2021.05.017.
- [6] Liu Yuanhao. Study on the strategic transformation and performance evaluation of retail enterprises under the impact of epidemic situation [D]. Guizhou University of Finance and Economics, 2022. DOI: 10.27731/D.CNKI.GGZCJ.20007.000000000105
- [7] Jin Zelin, He Yaogeng. Enlightenment of new retail development to Gree's layout of new retail [J]. Modernization of shopping malls, 2018 (13): 17-18. DOI: 10.14013/j.cnki.scxdh.2018.13.010.
- [8] Shanghai First Financial Official Account. Zhang Jindong: Suning's core two
- [9] things, the whole scene and smart supply chain [EB/OL]. [2020-02-21]. <https://new.qq.com/rain/a/20200221a05L700>.
- [10] Economic Observer. "double 11" first proposed the new Suning [EB/OL]. [2019-10-26 10: 10]. <https://www.eeo.com.cn/2019/1026/368080.shtml>.
- [11] Zhihu. Research Report on Business Model Transformation of Suning [EB/OL]. [2021-05-27]. <https://zhuanlan.zhihu.com/p/375736746>.