

Problems and Countermeasures of Circulation Enterprises in Major Public Health Incidents

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Since the 18th National Congress of the Communist Party of China, the circulation industry has entered the fast lane. The leading and fundamental position and role of circulation industry in the national economy are constantly highlighted. Circulation industry plays an important role in promoting the formation of a strong domestic market led by consumption and improving the effective supply required by the upgrading of people's consumption. In particular, under the background of China's efforts to enhance the role of consumption as a "ballast" in stabilizing economic growth and as the "first driving force" of economic growth, the main problems faced by the circulation enterprises in their transformation and upgrading are as follows: first, the operation quality and efficiency of the circulation industry need to be improved; second, the standardization degree of the current circulation industry is not high, which leads to the low efficiency of factor allocation; third, the concept and degree of information construction are still insufficient; fourth, the circulation industry is not modernized enough. In case of public health incidents, the circulation enterprises should adopt the following strategies: first, to ensure their own safety; second, to stabilize price and guarantee the supply of people's livelihood; third, to vigorously develop smart retailing with new technologies; fourth, to develop O2O omnichannel strategy.

Keywords: major public health incidents, efficiency promotion, smart retailing

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environment and main problems faced by circulation enterprises to improve their development quality and promote the efficiency of circulation industry.

1. Analysis on the Business Environment of Circulation Enterprises in the Context of Major Public Health Incidents

At present, cultivating a strong domestic consumer market is one of the important goals of developing circulation industry in China. Consumption upgrading not only means the increase of total consumption and the improvement of consumption quality with the increase of residents' disposable income, but also includes the optimization of consumption structure and the continuous improvement of consumption concept, as well as the increasingly diversified consumption patterns formed in the process.

1.1. Consumption Upgrading Brings New Opportunities for the Circulation Industry

1.1.1. Consumption Structure Continues to Be Optimized

In recent years, the continuous optimization of consumption structure has become an important manifestation of consumption upgrading. The statistical data show that the Engel coefficient continues to decline: especially since 2015, the Engel coefficient of urban residents has been lower than 30%. China has entered the 20~30% Engel coefficient range of developed countries or rich countries, which shows that the growth rate of consumer spending for development and enjoyment is significantly faster than that of basic living consumption, and consumption upgrading trend is obvious. From the perspective of consumption practice, the transformation to quality consumption is increasingly obvious, and the growth rate of service consumption expenditure is faster. At the same time, in the context of rapid growth of service consumption, commodity retail industry is also accelerating the comprehensive integration with catering, tourism, sports, culture, entertainment, health, and elderly care.

1.1.2. Consumption Concept Continues to Improve

While the consumption structure is continuously optimized, the continuous improvement of people's consumption concept is also evident, which is reflected from the following: personalized and diversified consumption has gradually become the mainstream, and the consumption concept has also changed from extravagance to green, saving and sustainable consumption. Consumers are more rational and more cost-effective. They are more concerned with convenience, quality, high-end, customization, professionalism and experience. They also value more the transformation from delayed consumption to instant consumption, from low to high

consumption quality, from tangible to intangible consumption patterns, from superior to unique consumption effect, and from extensive to refined consumption process.

1.1.3. Consumption Patterns Are Becoming Increasingly Diversified

The increasingly diversified consumption pattern is also an important manifestation of consumption upgrading. In recent years, with the rising residents' disposable income and the spread of Internet technology, the consumption mode has developed from offline only to the combination of online and offline. The new consumption modes associated with Internet consumption such as sharing economy, second-hand economy, group online shopping, and cross-border consumption have become an important support of consumption growth. With the improved quality of online physical goods, the downwardly extended channels, the active new business forms, the accelerated online and offline integration, the intensified marketing and the improved consumption experience, the growth rate of online physical goods retail sales continues to be significantly higher than that of total retail sales of social consumer goods. It is expected that for some time to come, the proportion of online consumption in China is to maintain a rapid growth, and the new "online + offline" retail mode will be further popularized, and online consumption with low transaction cost and offline consumption with high user experience will be mutually empowered to jointly improve the total consumer welfare. In August 2019, the general office of the State Council pointed out in the *Opinions on Accelerating the Development of Circulation and Promoting Commercial Consumption* that it is necessary to activate nighttime commerce and market, encourage major business districts and characteristic commercial streets to closely integrate with culture, tourism and leisure, appropriately extend business hours, set up late-night business zones, 24-hour convenience stores and "late-night canteen" and other characteristic catering blocks.

1.2. Digital Economy Brings Opportunities and Challenges to Circulation Industry

1.2.1. The Application of New Technology Is Necessary for the Development of Circulation Industry

At the end of last century, with the advent of the information age, information data have become the source of economic growth and value creation. In the third decade of the new century, digital economy, a new economic form, is changing our life more and more profoundly. Digital technology, represented by artificial intelligence, Internet of things, augmented reality, virtual reality, blockchain, and next-generation network, has continuously achieved breakthrough innovation, rapidly penetrated into various fields of economy and society, and promoted the change and adjustment of economic form, industrial structure and market demand.

In the era of digital economy, the application of new technology is of greater necessity for circulation industry. In terms of infrastructure construction, in the traditional economic era, physical infrastructure is indispensable to the economic operation, and it is also one of the important conditions for the circulation industry. In the era of digital economy, digital infrastructure and physical infrastructure have both become an important part of modern economic system. Both the traditional physical infrastructure with digital components, which is based on Internet of things, big data, cloud computing and blockchain technologies, and pure digital infrastructure, have become indispensable elements for the development of circulation industry, and play an important role in promoting the development of circulation industry.

1.2.2. Important Changes Have Taken Place in the Development Mode of Circulation Industry

Retail industry is an important part of the circulation industry, is a business form closest to the people's livelihood, is an important driving force for economic growth. In recent years, with the development of economy and the improvement of people's living standards, the retail industry has boomed. With the advent of digital economy, the business expansion and model innovation of retail enterprises have a new logic. Specifically, while in the traditional business environment, the survival of retail enterprises mainly depends on the supporting physical elements, and the source of growth is mainly the nurturing of real economy; in the era of digital economy, the source of enterprise growth has become data. How to transform data into customer value and market value has become the core of retail enterprise growth and the logical starting point of the business layout and business model design of retail enterprises. For many retail enterprises and even circulation enterprises, with the rapid application of emerging technologies such as big data and blockchain, enterprises must fundamentally change the thinking inertia and development mode formed in the industrial era and carry out systematic reform and innovation to build a development mode suitable for the digital economy.

For retail enterprises, to provide three-dimensional user experience by identifying potential customers and potential needs of customers with the help of new technologies has become the basic requirements for retail and circulation enterprises in the era of digital economy. Take big data technology as an example, as this technology helps to identify the potential needs of users quickly and widely and to provide insight into the minds of users, it enables enterprises to provide excellent user experience and gain advantages in competition through the speculation of customers' minds and the satisfaction of customers' needs.

1.2.3. Higher Requirements for Employees in Circulation Industry

One of the important changes brought to the circulation industry by the digital

economy is the comprehensive spread of intelligence. Many posts and links of traditional manual operation are changing to intelligent operation with learning ability, the sorting robot and UAV have been applied widely in logistics, and the degree of automation is getting higher and higher. It can be predicted that in the near future, all links such as warehousing, registration, tally and sorting will be fully automated, and the smart circulation industry will be realized soon.

Corresponding to the universal spread of intelligence, the requirements for the quality of employees will be higher and higher. Nowadays, mobile payment has been widely used, and consumers can use scanning code to pay, which is convenient and safe, and can also keep consumption records. However, the improvement of the quality of employees in the circulation industry, especially the improvement of digital literacy, has lagged behind. In this context, how to train and use employees with high learning ability of digital skills has become a key factor for the development of enterprises.

1.3. Impact of Public Health Incidents

Since the outbreak of COVID-19, the CPC Central Committee and the State Council have attached great importance to it. General Secretary Xi Jinping has emphasized that people's safety and health always come first and that measures should be taken to resolutely curb the spread of the epidemic. Premier Li Keqiang gave clear requirements for epidemic prevention and control. All walks of life thoroughly carry out the spirit of general secretary Xi's instructions, fully implement the decisions and arrangements of the CPC Central Committee and the State Council on epidemic prevention and control, and continue to do a good job in epidemic prevention and control.

2020 is the year when China will complete the building of a moderately prosperous society in all respects and the end of the 13th Five-Year Plan. It is an arduous task to achieve the first centenary goal and lay a solid foundation for the development of the 14th Five-Year Plan and the realization of the second centenary goal. Affected by the COVID-19, the whole nation is currently fighting the epidemic. Many measures such as lockdown, suspending part of public transport, and delay in resuming work have brought a certain impact to many industries.

Circulation enterprises were not spared in the epidemic, and suffered serious impact. The changes in the operating environment of circulation enterprises brought about by the epidemic are not only pressure tests but also opportunities and challenges. For most of the circulation enterprises, the circulation industry with a sense of social responsibility should overcome difficulties and do a good job in the procurement of goods, market allocation, logistics distribution, commodity replenishment, and epidemic prevention and control. At the same time, it is also an opportunity for the circulation industry to review its own business model and improve its ability to respond to emergencies and its ability of smart and information-based equipment.

Through the test of response to the epidemic, the circulation industry is confronted with the issue of how to self-evolve and re-examine its own business model.

2. Analysis on the Main Problems Faced by Circulation Enterprises in the Context of Major Public Health Incidents and Their Causes

Since the 18th National Congress of the Communist Party of China, the development achievements of the circulation industry are obvious to all, and its driving and radiating effect on economic growth, regional development, and employment are also increasingly obvious. However, there are still some problems hindering the healthy development of the circulation industry. Solving these problems will greatly release the development potential and improve the development quality of the industry, including the low efficiency of factor allocation, the poor information exchange, and the imperfect credit system. Especially since the outbreak of COVID-19, all walks of life have been greatly affected. For the circulation enterprises, they could withstand the extreme pressure test under major public health incidents while ensuring supply and stable prices, thus re-examining and adjusting their own development mode and business resilience.

2.1. Main Problems Faced by Circulation Enterprises

2.1.1. Main Problems Faced by Circulation Enterprises in Their Transformation and Upgrading

At present, the development of circulation industry in China still faces the problem of low efficiency of factor allocation, which constrains the industry from getting more modernized. The low efficiency of factor allocation is mainly manifested in the following aspects.

First, the quality and efficiency of circulation industry still need to be improved. With the wide application of information technology and Internet, the circulation industry has been deeply integrated with e-commerce, changing many operation modes of traditional commerce, and strengthening the core position of circulation enterprises in meeting customers' needs. For this reason, the circulation industry should become more intelligent to improve the operation and resource allocation efficiency. With the gradual application of new technologies such as cloud computing, big data and customized production, consumption upgrading is inevitable. At the same time, the traditional production mode is facing major challenges. Analyzing the personalized and potential shopping needs of consumers can better meet the consumption demand, and it can also guide the production to shift from the traditional large-scale production to the customized production gradually, so as to meet the personalized needs of consumers.

Second, the low standardization of circulation industry leads to the low efficiency

of factor allocation. As the circulation industry gets more modernized, the business forms are gradually enriched, the circulation channels are increasingly unblocked, and the policies and regulations are gradually improved. However, the key factor constraining the industry is its low standardization. Especially after entering the era of big data, traditional commerce still faces some obstacles and difficulties in the application of new technologies. On the one hand, we should actively expand the information construction in the field of circulation and improve the level of informatization to promote the efficiency of circulation; on the other hand, we should improve the standard system and reduce the circulation cost. China has issued a series of policies and measures in this regard, but in practice, with the rising consumption level, the relevant standards concerning product, commodity and service should also be gradually improved, which should keep the “same line, same quality and same standard” with foreign level. When improving the level of modernization, circulation enterprises should better meet the consumers’ demand, realize intensive development, and transform the circulation industry from being large to being strong.

Third, the concept and degree of informatization construction is still insufficient. Informationization construction is an important support for the transformation and development of modern circulation industry. At the present stage, some commercial circulation enterprises in China are still confined to the outdated ideas, lacking strategic vision and global thinking. These enterprises are small and many, weak and scattered, and the scale of operation does not match the operating efficiency, the management concept and business model are relatively backward, and the structural contradictions of enterprises are prominent. Many circulation enterprises are unwilling to invest in informationization construction, their application of information technology is not enough, the efficiency of logistics distribution is not high, the level of automation, standardization and informatization of logistics enterprises is uneven, and the overall service ability and service level are weak, which leads to the weak comprehensive competitiveness and inability to meet the requirements of e-commerce development. In particular, the informatization construction in rural areas lags far behind that of cities, and many of the rural commercial circulation enterprises still remain in the traditional state, which has become the bottleneck restricting the transformation and upgrading of modern circulation industry.

Fourth, the circulation industry is not modernized enough, which is mainly reflected in the following aspects: serious homogenized and low-level competition, extensive development mode unchanged, the distribution channel network layout not scientific enough, the unbalanced dual urban-rural development pattern, the low concentration of the industry, and the development characteristics of modern circulation industry with advanced management experience still not obvious. The disadvantages of the traditional circulation industry need to be transformed. The intensive development should be the focus. The modern circulation industry should aim at the development of both high efficiency and low waste of resources, and it should not develop at the expense

of environment and resources, instead it should realize endogenous growth based on factor allocation. It has become a reality to promote the supply-side structural reform by improving the development pattern of the circulation industry, and through the development of circulation industry, it has become an important goal for the circulation industry in the new period to influence the progress of the management experience, the optimization of product technology and the expansion of innovative thinking of the upstream commodity suppliers. From the perspective of supply-side structural reform, it has become an important path for the development of circulation industry in the new period to realize the international cooperation of production capacity, expand overseas markets, improve the added value of products and meet the higher quality consumption demand. This is the only way for the development of circulation industry at the stage of declining demographic dividend and increasing endogenous growth in China.

2.1.2. Analysis on the Impact on Circulation Enterprises in Major Public Health Incidents

The impacts are mainly manifested in the following. First, supply stagnation. At present, except the necessities of life such as food, housing and transportation, most of the economic activities have been in a state of suspension. Enterprises stop work or reduce production, and production activities cannot be carried out normally. The service industry characterized by intensive labor is the first to bear the brunt. Catering industry, tourism, accommodation industry and physical retail industry are the hardest-hit areas caused by the epidemic, and most of them have closed. Second, demand is limited. Restricted by the population flow control needed to prevent and control the epidemic, the terminal consumption demand is greatly reduced due to the sharp decline of population flow and residents' going out. At the same time, because the production activities cannot be carried out normally, the investment demand of infrastructure and manufacturing industry is still very low. Third, labor resources cannot be effectively allocated. The epidemic prevention and control measures based on population flow are combined with the Spring Festival holidays. Circulation enterprises have to wait for the easing of the epidemic and the government's approval to resume production, and more importantly they face the serious shortage and ineffective allocation of labor force. For many labor-intensive service industries, the labor shortage will become more striking due to the above two factors, and it is getting harder for them to find skilled labor force that can meet the job demand. Fourth, the supply chain is slow to recover. Judging from the external environment, in an interdependent world economy dominated by value chain, the economic fluctuations caused by the epidemic may have an uncertain impact on the world economy. From the internal perspective, the impact on manufacturing, infrastructure, bulk commodities and other fields embedded in the upstream and downstream supply chain is more obvious, and the recovery period will be longer after

the epidemic. At the same time, the long tail impact of the epidemic began to appear, especially the negative impact on the service industry, real estate and industry.

2.2. Analysis on the Causes of the Problems Faced by Circulation Enterprises

Factors affecting the promotion of circulation efficiency can be roughly divided into four categories. First, circulation links. The number of wholesale links in the commodity circulation is an important factor affecting the circulation efficiency, and the wholesale link will directly affect the circulation cost. Second, circulation cost. For retail enterprises, the scale and fixed cost are the main factors affecting the circulation efficiency. With the constant fixed cost, the greater the scale efficiency, the higher the circulation efficiency. The long-term stable cooperation between suppliers and retailers can reduce the circulation cost and increase the value of consumption. Third, circulation channels. The internal circulating capacity of enterprises is viewed as one of the decisive factors of circulation efficiency. The reform of circulation system can be deepened by optimizing and reorganizing the influencing factors of circulating capacity, such as transaction cost, capital benefit and social benefit. It is believed that strengthening information transmission and sharing in circulation channels can improve circulation efficiency and speed up the turnover of commodity circulation. The transmission of information between circulation channels can reduce both the inventory of commodities and the channel cost in the circulation of commodities. Under the background of diversified circulation channels, different circulation channels have different circulation costs. Choosing the optimal channel will produce the maximum circulation efficiency. Informatization is an important factor that restricts the development of circulation industry. The further development of informatization can promote the reform of circulation channels. At the same time, it can improve the labor intensity of circulation enterprises and shorten the circulation time of products through technological innovation.

On this basis, “Internet plus” reconstructs the development environment of the circulation industry. First of all, under the background of “Internet plus”, the transfer of ownership of commodities in circulation is no longer through cumbersome wholesale links, and can be achieved through direct communication between sellers and buyers through e-commerce platform. Supported by big data and cloud technology, businesses can accurately collect customer demand information and produce goods according to their needs. The personalized and convenient network services provide an appropriate external environment for the emergence of private customized production. Consumers do not passively choose products provided by businesses. This value chain mode which is consumption demand-oriented can effectively improve the operation efficiency of circulation industry. Secondly, the development of “Internet plus” has led to the change in the form of transaction. Under the new value chain mode, the physical transaction environment can not satisfy the efficient and accurate transmission of the information

flow. The mode integrating online and offline trading has gradually become the main form of transaction, which has stimulated the new consumption point. The desire to buy is inducible and influenced by the buying behavior of others. At present, many product interfaces of some large-scale retail websites present the recommendation of similar products or the same style as stars', which greatly stimulates the consumer desire and improves the operation efficiency of online retail enterprises. With the emergence of the third-party payment platform, the financial industry and Internet technology are gradually integrated, and the development is increasingly prosperous. The powerful data processing ability of Internet and mobile Internet technology is used to make up for the deficiency of traditional financial services and improve the efficiency of financial transactions. The emergence of the third-party trading platforms has played an important role in improving the modern financial system and improving the financial functions; Alipay, Tenpay and WeChat payment are all symbolic signs of changes in the payment system under the background of the Internet. The emergence of third-party payment platform provides a platform for electronic payment. Compared with traditional payment methods, electronic payment can meet the needs of diversified and large-scale online transactions, effectively reduce the operation cost of payment and improve the efficiency.

3. Main Strategies of Circulation Enterprises in the Context of Major Public Health Incidents

3.1. Ensure Their Own Safety in Epidemic Prevention and Control

Compared with the Internet retail platform, many physical wholesale and retail enterprises in the circulation industry undoubtedly have stronger offline genes and deeper industrial chain layout, and are facing more severe tests in fighting the epidemic. Take the circulation chain of agricultural products as an example, the wholesale markets of agricultural products and fresh supermarkets are the key nodes to guarantee the supply of fresh food, but both are places with huge flow of people and public places prone to high incidence of epidemic diseases, and it is foods that people need every day that are circulated at these places. The primary goal of epidemic prevention is to ensure the health of all staff and dealers, as well as the safety of the food. This requires advanced early warning and thorough epidemic prevention work of large-scale supermarkets and agricultural products circulation enterprises to ensure the normal opening and operation of their wholesale markets and supermarkets during the epidemic, which not only lays a solid foundation for the daily supply of fresh food in the urban areas covered by their business, but also ensures their own safety.

3.2. Stabilize Price and Guarantee the Supply of People's Livelihood

For circulation enterprises, their own epidemic prevention is only the first battle,

and the greater test is to ensure the supply of goods for people's livelihood. Because of the long industrial chain and their characteristics of supporting and benefiting agriculture, circulation enterprises have the nature of social responsibility. The circulation of agricultural products represented by "connecting the farmers with supermarkets" and "connecting the farmers with wholesalers" is a vivid example. During this unusual period of the epidemic, circulation enterprises should actively take social responsibility, ensure people's livelihood supply and achieve "stable price and sufficient supply" by optimizing the allocation of internal resources and improving their own management level, so as to reassure the whole society.

The outbreak coincided with the Spring Festival holiday, and a large number of labor force returned to their hometown, resulting in a lack of productivity. For agricultural products circulation enterprises which are labor-intensive, how to ensure the sufficient and safe supply of fresh fruits and vegetables in the city under the limited resource conditions is a real test. We can see that many agricultural products circulation enterprises take active actions to play the role of the main channel of agricultural products circulation, organize large market operators to procure goods from all over the country with the help of governments and industry associations, ensure the complete range of agricultural products in the market, establish emergency storage of agricultural products, timely adjust the supply, and actively maintain contact with surrounding bases, increase the source of goods and ensure the continuous operation of cold storage. A series of measures are taken to ensure the stable supply, so that goods are available at a stable price. At the same time, circulation enterprises establish information communication and contact mechanism with governments at all levels to keep the government informed and provide an important reference for the government to formulate policies to stabilize the market.

3.3. Develop Smart Retailing with New Technologies

At the same time, the circulation industry should also take this public health emergency as an opportunity to try to find the most suitable scenarios and services for disaster resolution from different business models such as main business, value distribution, user segmentation, core resources and channel and access.

In recent years, with the rise of the Internet economy, traditional retail enterprises have encountered great difficulties, including the limited audience of traditional stores and the high rental cost of business venues, which leads to the overall downturn of the physical retail industry. Smart retailing emerges as the solution to these difficulties. With the gradual maturity and widespread application of new technologies such as cloud computing, Internet of things and blockchain, with the support of new technologies based on big data, it is important for the transformation and upgrading of traditional retail industry to build traditional retail stores into smart retailers that can

provide three-dimensional services.

Smart retailing based on big data can greatly expand the market and consumer groups of traditional retail enterprises, and provide consumers with more value-added three-dimensional services. The common big data application values of smart retailing include customers, stores, sales, commodities, etc. Specifically, data collection is the starting point of big data analysis. Various channels should be used to collect data on the interest points and social platforms that interact with customers. Smart retailing devices in store, such as POS machine, self-service vending machine, virtual fitting mirror and intelligent wearable device, and social networking sites such as microblog and WeChat can be used to collect data, and the retailers' back-end database can be combined with ERP and CRM to timely analyze and respond. Nowadays, mobile Internet has been widely covered in cities, and mobile terminals will become the main channel for data collection. In the future, the data sources of smart retailing must be extremely rich multi-dimensional data sources with multi-channel integration. Especially in case of public health emergencies, smart retailing can portrait and classify customers' needs with big data, so as to better meet the needs of consumers. At the same time, smart retailing devices and terminals enable consumers to close the deal without going out or engaging with others.

3.4. Actively Develop O2O Omnichannel Strategy

With the penetration of network economy, circulation enterprises should actively build O2O omnichannel system to cope with competition while developing smart retailing. With the continuous penetration of network economy, the real retail industry has encountered the problems of store closing and falling sales volume. While promoting smart retailing, physical retail enterprises should make full use of the three-dimensional channel construction scheme, try to break through the consumption space limit of traditional retail, improve the shopping experience of consumers in an all-round way, and actively develop O2O omnichannel strategy.

O2O omnichannel strategy originated from the United States. It focuses organically integrating traditional stores and Internet channels while both giving full play to their strengths. It has been developed and improved since it entered China. Traditional retail stores can use the Internet as the flow entrance, and use their own brick-and-mortar stores as the venue for image display and experience. The concept of O2O is very extensive. It is related to both online and offline, which can be called O2O. Physical retail uses the complementary advantages of online and offline to implement the O2O omnichannel strategy which links online and offline. Online selling can just make up for the weak point of offline stores, as it can be open 24 hours a day and can be unattended to realize self-service ordering. With unlimited goods on shelf and more transparent price, it is not restricted by space, breaking through the boundaries of traditional

business circle. With the advent of information technology in the era of mobile Internet and social network, consumers are eager to be able to shop freely at anytime and anywhere. In order to meet this demand and enhance the competitiveness of physical retailers, retailers should provide seamless connection on the online and offline channels to enhance the user experience. In the case of public health emergencies, the effect of O2O omnichannel strategy is more obvious. When the flow of people is restricted, retailers can rely more on online channels to complete the display and sales of goods. Offline brick-and-mortar stores can be used for image display, logistics transfer and pickup point. In addition, relying on the online platform, consumers can also refer to the evaluation of many buyers and the sales volume of enterprises when shopping, which promotes consumption. At present, traditional retailers have recognized the omnichannel strategy which connects online with offline and are actively trying it out.

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