

# Analysis on the Impact of Digital Economy Development on Traditional Business Model

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**Abstract:** With the continuous progress of technology, the digital economy is rapidly rising globally, bringing unprecedented impacts to traditional business models. In order to gain a deeper understanding of this phenomenon and provide reference for traditional enterprises, this study aims to analyze the impact of digital economy development on traditional business models. This article analyzes the characteristics of the digital economy and its impact mechanism on business models; Explored the challenges and opportunities of traditional business models in the digital economy era; Summarized the innovative practices and optimization strategies of business models in the context of the digital economy. This study can provide reference and inspiration for traditional enterprises to achieve transformation and upgrading in the digital economy era, and hopes to promote enterprises to achieve greater commercial value and social contribution in the digital economy era.

## 1. Introduction

Digital economy is a new economic form with information technology as the core and network as the infrastructure, which realizes the optimal allocation of resources and efficient economic growth through digital knowledge and information. In recent years, the rapid development of big data, cloud computing, artificial intelligence and other technologies has provided a strong impetus for the rise of the digital economy [1]. Countries around the world have introduced policies to promote the development of digital economy and make it a new engine of economic growth.

The traditional business model mainly takes offline physical stores, distribution channels and advertising marketing as the main means, and realizes profit through economies of scale and scope [2]. However, under the influence of digital economy, the traditional business model is facing many challenges. First of all, the rise of e-business has changed consumers' shopping habits, and offline stores are facing the problem of declining passenger flow [3]. Secondly, information asymmetry is eliminated, and consumers can compare the prices and quality of different products more easily, which weakens the competitive advantage of traditional enterprises [4]. In addition, with the rapid development of digital technology, emerging business models are constantly emerging, which has created tremendous competitive pressure on traditional enterprises.

The purpose of this study is to deeply analyze the influence mechanism of digital economy development on traditional business model, reveal the opportunities and challenges, and put forward corresponding optimization strategies. Its research significance is mainly reflected in the following aspects:

(1) Theoretical significance: By deeply analyzing the interactive relationship between digital economy and traditional business model, it will help to improve the existing business model theory and provide theoretical support for future business model innovation;

(2) Practical significance: By summarizing the innovative practice and optimization strategy of business model under the background of digital economy, it is helpful to guide traditional enterprises to meet the challenges of digital economy, realize transformation and upgrading, and enhance their competitiveness;

(3) Policy significance: Through research, it can provide support for the government to formulate

relevant policies, promote the healthy development of the digital economy, and promote the transformation and upgrading of traditional industries.

## **2. Characteristics of digital economy and its influence on business model**

As a new economic form, digital economy has some remarkable characteristics: high informatization, networking, data-driven and innovation-driven. The impact of the digital economy on the traditional business model is mainly reflected in the following aspects:

(1) Changes in consumer behavior: Under the influence of the digital economy, consumers' shopping habits, information acquisition methods and decision-making processes have all changed. Traditional enterprises need to adapt to these changes and adjust their product and service strategies to meet the individual needs of consumers.

(2) The change of value creation mode: The digital economy makes the value creation mode change from linear to network, and enterprises need to provide comprehensive solutions from pure product sales to realize value creation.

(3) Remodeling of competition pattern: The rise of digital economy makes emerging enterprises rise rapidly by virtue of technological innovation and model innovation, which has created tremendous competitive pressure on traditional enterprises. Traditional enterprises need to strengthen digital transformation and enhance their competitiveness.

There is a close interaction between digital economy and business model. The technological foundation of digital economy provides the possibility for business model innovation, such as big data analysis, cloud computing, artificial intelligence and other technologies to support innovative applications such as personalized recommendation and precision marketing [5]. Moreover, the innovative practice of business models has provided impetus for the development of digital economy, such as the emergence of new business models such as e-business, platform economy and sharing economy, which has promoted the rapid growth of digital economy. The characteristics of digital economy and the innovative practice of business model promote each other and form a virtuous circle. The development of digital economy has promoted the continuous innovation of business model, and the innovative practice of business model has provided impetus for the further development of digital economy.

## **3. Difficulties and opportunities of traditional business model in the digital economy era**

### **3.1. Difficulties and opportunities faced by traditional business models**

In the era of digital economy, the traditional business model is facing many difficulties, such as the decline of offline traffic: with the rise of e-business and the change of consumers' shopping habits, the traffic of offline physical stores is declining, which affects the sales and profits of traditional enterprises [6]. Elimination of information asymmetry: the digital economy makes information more transparent, consumers can compare the prices and quality of different products more easily, and the competitive advantage of traditional enterprises is weakened. Rising operating costs: The traditional business model needs to invest a lot of manpower, material resources and financial resources in the operation process. With the intensification of market competition and the diversification of consumer demand, the operating costs are rising. Lack of innovation: Traditional enterprises often lack innovation awareness and ability, and it is difficult to adapt to the rapid changes in the digital economy, resulting in the lack of competitiveness of products and services.

Although the traditional business model faces many difficulties in the digital economy era, there are also some opportunities and challenges. See Table 1 and Table 2 for details.

Table 1 Opportunities faced by traditional business models

Opportunity	Describe	Example
Digital transformation	Use big data, cloud computing and other technologies to improve operational efficiency and service quality to meet individual needs.	Through data analysis, we can understand consumers' buying habits and preferences and recommend related products for them.
Online and offline integration	Create an omni-channel marketing system, realize online and offline interactive marketing and enhance brand influence.	Provide virtual fitting room in physical stores, so that consumers can choose and try on goods online.
supply chain optimization	Reduce operating costs, improve product quality and service level, and enhance competitiveness.	Track the production and transportation process of goods through the Internet of Things technology to ensure the quality and timely delivery of products.

Table 2 Challenges faced by traditional business models

Challenge	Describe	Example
Technical threshold	Digital transformation needs a lot of capital and human resources, and the technical threshold is high for small and medium-sized enterprises.	Small and medium-sized enterprises may not be able to bear the high cost of technical equipment and personnel training.
Data security and privacy protection	In the era of digital economy, data security and privacy protection have become important issues, and data management and security protection measures need to be strengthened.	Enterprises need to establish a perfect data protection mechanism to prevent data leakage and abuse.
Legal and regulatory restrictions	With the development of digital economy and the continuous improvement of relevant laws and regulations, enterprises need to abide by relevant laws and regulations and avoid legal risks.	Enterprises need to pay close attention to changes in laws and regulations to ensure business compliance.

### 3.2. Innovation and transformation path of traditional business model

To meet the challenges and seize the opportunities in the digital economy era, businesses must innovate and transform their traditional models. The specific paths for achieving this include:

(1) Businesses should promote digital transformation by utilizing big data, cloud computing, and other relevant technologies. This transformation aims to improve operational efficiency and service quality. For instance, by implementing a comprehensive membership system and introducing intelligent shopping guides, businesses can enhance the overall consumer experience.

(2) Companies should adopt an online and offline integration strategy. This involves building an omni-channel marketing system that facilitates interactive marketing across both online and offline platforms. For example, they can attract consumers through online bookings and provide them with an engaging offline experience.

(3) It is essential for enterprises to optimize their supply chain management. This can be achieved by strengthening collaboration and communication with suppliers, reducing operating costs, and improving product quality. One way to accomplish this is by adopting an advanced logistics management system and establishing a rapid response mechanism.

(4) Organizations should cultivate a culture of innovation by encouraging employees to propose new ideas and suggestions. They should also invest resources in research, development, and the implementation of innovative solutions. For instance, setting up an innovation fund and assembling a dedicated research and development team can foster a creative environment.

Moreover, businesses must remain vigilant and proactive in monitoring industry trends and technological advancements. By maintaining market sensitivity and adjusting strategies in a timely manner, they can adapt to the ever-changing landscape and seize new opportunities.

## **4. Innovative practice of business model under the background of digital economy**

### **4.1. Innovative practice of e-business model**

Under the background of digital economy, e-business model has been widely applied and innovated, including social e-business, content e-business and cross-border e-business [7]. Social e-business combines socialization with e-business, and realizes sales transformation through social media platforms, for example, using social platforms such as WeChat and Weibo to establish communities and promote and sell products. Content e-business takes content as the core, attracting users through high-quality content and realizing commercial value. For example, knowledge sharing platforms such as Zhihu and Xiaohongshu attract users by providing professional knowledge and experience sharing, and then promote related products. Cross-border e-business uses internet technology to realize cross-border transactions and meet consumers' demand for overseas goods. For example, cross-border e-business platforms such as Amazon and Tmall International provide consumers with a global shopping experience. Driven by the digital economy, these practices are constantly developing and improving.

### **4.2. Innovative practice of platform economy model**

In the era of digital economy, the platform economy model has been rapidly developed and innovated, including the sharing economy platform, industrial Internet platform and financial technology platform. Sharing economic platforms reduce costs and improve resource utilization efficiency by sharing idle resources. For example, Didi Chuxing, Airbnb and other platforms share idle car and housing resources respectively, which maximizes the utilization of resources and provides users with convenient services [8]. The industrial Internet platform connects the upstream and downstream enterprises in the industrial chain to realize resource sharing and collaborative cooperation. For example, platforms such as finding steel nets and rapid plastic nets optimize the industrial chain of traditional industries through digital means, and provide solutions such as one-stop procurement, sales and financial services to promote industrial transformation and upgrading. Financial technology platforms use financial technology to provide convenient and safe financial services. For example, platforms such as Ant Group and Jingdong Finance improve the inclusiveness and efficiency of financial services through technologies such as big data and artificial intelligence, and provide consumers and enterprises with more personalized and efficient financial service experience. Driven by the digital economy, these platform economic practices are constantly developing and improving, which has injected new impetus into the economic and social development.

### **4.3. Innovative practice of sharing economic model**

In the era of digital economy, the sharing economy model has been widely applied and innovated, including bike-sharing, shared car and shared charging treasure. Through smart locks, GPS and other technologies, enterprises in bike-sharing have solved the problem of urban travel and provided citizens with convenient and environmentally friendly travel modes. However, shared car platforms such as Gogo shared car and Panda shared car resources through time sharing, which reduced the travel cost of users and provided flexible car rental services. In addition, companies that share charging treasures, such as Caller Technology and Xiaodian, have solved the problem of insufficient mobile phone power when users go out and provided convenient charging services. These sharing economic practices not only reduce the idle rate of resources and improve the efficiency of resource utilization, but also improve the convenience and comfort of urban life, which has become an important development trend in the digital economy era.

### **4.4. Practice and exploration of other innovative models**

In addition to the above three typical business model innovation practices, there are some other innovation models that are being explored and practiced. Unmanned retail mode is realizing unattended retail experience through vending machines and unmanned convenience stores [9]. For example, companies such as Bingo Box and F5 Future Store are actively exploring the commercial

potential of unmanned retail. Moreover, virtual reality technology is developing new commercial applications in entertainment, education, medical care and other fields, such as VR games and VR education. In addition, the concept of smart home is also realizing the interconnection of home devices through the Internet of Things technology, aiming at improving the quality of family life. Enterprises such as Xiaomi and Haier are actively promoting smart home products and services. The innovative practices of these business models are constantly emerging in the environment of digital economy, which provides a new path for the transformation and upgrading of traditional enterprises.

## **5. Optimization strategies and suggestions for business models in the context of digital economy**

### **5.1. Strengthen digital transformation and upgrading**

In the era of digital economy, in order to adapt to market changes and meet consumer demand, enterprises should actively promote digital transformation and upgrading. Increasing investment in technology is the key. By introducing advanced information technologies, such as big data, cloud computing and artificial intelligence, enterprises can significantly improve their data processing and analysis capabilities and provide strong support for decision-making. Cultivating digital talents is also an important part. Enterprises should pay attention to cultivating and introducing talents with digital thinking and skills, and build a team with innovative ability to cope with the increasingly complex business environment. Optimizing business processes is the key to improving competitiveness. By using digital technology to improve business processes, enterprises can improve work efficiency and service quality, reduce operating costs, and thus better meet the needs of customers.

### **5.2. Reshaping the value chain and business model**

Under the background of digital economy, enterprises need to re-examine and adjust their own value chain and business model in order to better adapt to the ever-changing market environment and evolving consumer demand. In order to achieve this goal, enterprises can use digital technology to expand into new business areas, such as e-business and internet finance, in order to achieve diversified business development; Secondly, explore and innovate profit models, such as providing value-added services based on data or conducting cross-border cooperation to enhance profitability; Finally, optimize the existing channel strategy, and build an omni-channel marketing system through the deep integration of online and offline, so as to enhance brand influence and increase market share.

### **5.3. Promote platform strategy and win-win cooperation**

In the era of digital economy, platform strategy has become an important direction of enterprise development. In order to achieve a win-win situation with partners, enterprises should actively promote the platform strategy. Enterprises need to take the platform as the core and build an ecosystem including suppliers, partners and consumers to promote resource sharing and collaborative cooperation. Enterprises should open the application program interface (API) to their partners, so as to promote the circulation and sharing of data and achieve win-win cooperation. In order to reduce transaction costs, improve transaction efficiency and enhance the attractiveness and competitiveness of the platform, enterprises should also establish a sound credit system. Through these measures, enterprises can make better use of the platform strategy to develop themselves in the era of digital economy and achieve success together with their partners.

### **5.4. Strengthen risk management and legal compliance**

In the era of the digital economy, as enterprises reap the conveniences and opportunities presented by technology, they also encounter risks and challenges pertaining to network security, data breaches, legal compliance, and various other aspects. To ensure steady and compliant enterprise development, it is imperative to undertake corresponding strategies and measures. Firstly,

a robust risk management system must be established, encompassing risk identification, evaluation, monitoring, and response. Secondly, network security protection must be bolstered. Enterprises should invest enough resources to deploy equipment such as firewalls and intrusion detection systems to ensure the security of enterprise data. Furthermore, enterprises must always pay close attention to the dynamic changes of laws and regulations, ensure that their own business always runs on the track of compliance, and avoid legal risks caused by violations.

The optimization of business model under the background of digital economy not only requires enterprises to promote digital transformation and upgrading at multiple levels, but also deeply reshape their own value chain and business model. Moreover, it is also an important task for enterprises in this era to promote the platform strategy and achieve a win-win situation with partners.

## 6. Conclusions

By studying the business model under the background of digital economy, this paper draws the following conclusions: First, the digital economy is profoundly changing the traditional business model and bringing challenges and opportunities to enterprises. Enterprises need to actively adapt to this change and promote digital transformation and upgrading to meet the needs of consumers and maintain competitiveness. Secondly, reshaping the value chain and business model is an important task for enterprises in the digital economy era. By expanding business areas, innovating profit models and optimizing channel strategies, enterprises can build more competitive business models and achieve sustainable growth. Finally, platform strategy, win-win cooperation, risk management and legal compliance are the key factors that enterprises can't ignore under the background of digital economy. Enterprises need to actively promote the platform strategy, achieve a win-win situation with partners, and strengthen the awareness of risk management and legal compliance to ensure steady development.

Based on the above, in the era of digital economy, enterprises should pay attention to the integration of technological innovation and business models, strengthen cross-border cooperation, and create a win-win ecosystem. Moreover, enterprises should also pay attention to the changes in consumer demand and adjust their product and service strategies in time to meet market demand. In the face of risks and challenges, enterprises should improve the risk management system and raise awareness of legal compliance to ensure sustainable growth.

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