

St. Petersburg State University  
Graduate School of Management

Master in Urban Management and Development

**DIGITALIZATION OF SMALL AND MEDIUM RETAIL ENTERPRISES AFTER  
COVID-19 PANDEMIC: THE CASE OF CHINA AND RUSSIA**

Master's Thesis by the 2<sup>nd</sup> year student:

Sun Ju

Research advisor:

Sokolova Ekaterina Vladimirovna, Associate Professor

St. Petersburg

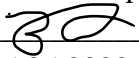
2022

ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ  
ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

Я, Сунь Цзюй, студент второго курса магистратуры направления «Менеджмент», заявляю, что в моей магистерской диссертации на тему «Цифровизация малого и среднего бизнеса в сфере розничной торговли после пандемии COVID-19 (на примере Китая и России)», представленной в службу обеспечения программ магистратуры для последующей передачи в государственную аттестационную комиссию для публичной защиты, не содержится элементов плагиата.

Все прямые заимствования из печатных и электронных источников, а также из защищенных ранее выпускных квалификационных работ, кандидатских и докторских диссертаций имеют соответствующие ссылки.

Мне известно содержание п. 9.7.1 Правил обучения по основным образовательным программам высшего и среднего профессионального образования в СПбГУ о том, что «ВКР выполняется индивидуально каждым студентом под руководством назначенного ему научного руководителя», и п. 51 Устава федерального государственного бюджетного образовательного учреждения высшего образования «Санкт-Петербургский государственный университет» о том, что «студент подлежит отчислению из Санкт-Петербургского университета за представление курсовой или выпускной квалификационной работы, выполненной другим лицом (лицами)».

  
\_\_\_\_\_ (Подпись студента)


25.05.2022 \_\_\_\_\_ (Дата)

STATEMENT ABOUT THE INDEPENDENT CHARACTER OF  
THE MASTER THESIS

I, Sun Ju, (second) year master student, MUMD program «Management», state that my master thesis on the topic « Digitalization of Small and Medium Retail Enterprises after COVID-19 Pandemic: the Case of China and Russia », which is presented to the Master Office to be submitted to the Official Defense Committee for the public defense, does not contain any elements of plagiarism.

All direct borrowings from printed and electronic sources, as well as from master theses, PhD and doctorate theses which were defended earlier, have appropriate references.

I am aware that according to paragraph 9.7.1. of Guidelines for instruction in major curriculum programs of higher and secondary professional education at St.Petersburg University «A master thesis must be completed by each of the degree candidates individually under the supervision of his or her advisor», and according to paragraph 51 of Charter of the Federal State Institution of Higher Education Saint-Petersburg State University «a student can be expelled from St.Petersburg University for submitting of the course or graduation qualification work developed by other person (persons)».

  
\_\_\_\_\_ (Student's signature)

25.05.2022 \_\_\_\_\_ (Date)

## АННОТАЦИЯ

Автор	Сунь Цзюй
Название ВКР	Цифровизация малого и среднего бизнеса в сфере розничной торговли после пандемии COVID-19 (на примере Китая и России)
Образовательная программа	Менеджмент
Направление подготовки	Менеджмент и развитие городских агломераций
Год	2022
Научный руководитель	Соколова Екатерина Владимировна
Описание цели, задач и основных результатов	Это исследование посвящено изучению развития малого и среднего бизнеса розничной торговли в Китае и России во время COVID-19 пандемии и представило ряд предложений по политике помощи правительствам Китая и России в сфере цифровизации. Вспышка пандемии привела к серьезным разрушениям в развитии малого и среднего бизнеса в сфере розничной торговли обеих стран. А по данным онлайн-опроса, большинство потребителей готовы пользоваться цифровыми онлайн-услугами, что доказывает осуществимость цифровой трансформации для МСП. На этой основе в исследовании представлены рекомендации о том, как правительство может помочь малому и среднему бизнесу в сфере розничной торговли в их цифровой трансформации.
Ключевые слова	Цифровизация; розничная торговля; малый и средний бизнес; поведение потребителя; политика; COVID-19; пандемия; Китай; Россия

## ABSTRACT

Master Student's Name	Sun Ju
Master Thesis Title	Digitalization of Small and Medium Retail Enterprises after COVID-19 Pandemic: the Case of China and Russia
Educational Program	Management
Main field of study	Master in Urban Management and Development
Year	2022
Academic Advisor's Name	Sokolova Ekaterina Vladimirovna
Description of the goal, tasks and main results	<p>This research focuses on the development of small and medium retail enterprises in China and Russia during the COVID-19 pandemic and provides a series of suggestions for the Chinese and Russian governments' support policies in terms of digital transformation. The outbreak of coronavirus has caused huge disruptions to the development of small and medium retail enterprises in both countries. However, online surveys show that the vast majority of consumers are willing to use online digital services, which proving the feasibility of digital transformation for small and medium enterprises. On this basis, the study provides recommendations for how the government can help small and medium retail enterprises in their digital transformation.</p>
Keywords	Digitalization; retail; small and medium enterprises; consumer behaviour; policy; COVID-19; pandemic; China; Russia

## Table of contents

Introduction.....	1
Chapter I. Small and medium retail enterprises during the pandemic in China and Russia	3
1.1. Small and medium retail enterprises during the pandemic in China .....	3
1.2. Small and medium retail enterprises during the pandemic in Russia .....	13
1.3. Evaluation of relevant policies and measures in China and Russia.....	21
1.4. Concepts and peculiarities of digital transformation .....	27
Chapter II. Data analysis and recommendations .....	32
2.1. Questionnaire design .....	32
2.2. Data research .....	34
2.3. Policy recommendations.....	45
Conclusions, limitations and exceptions.....	58
References.....	60
Appendix.....	67

## Introduction

It has been one and a half years since Wuhan, Hubei Province reported the first batch of COVID-19 cases in December 2019. However, the spread of COVID-19 around the world has not been effectively controlled but has become more serious. COVID-19 is the third highly pathogenic human coronavirus disease to date, the rapid spreading of this highly contagious disease has posed the severest threat to global health in this century [Hu et al., 2021]. There is no doubt that COVID-19 pandemic is the most serious global public health crisis in the 21st century [Bagchi et al., 2020]. It has caused tremendous damage to the development of human society in the entire world. As for August 4, 2021, more than 200 million people have been infected and over 4 million people unfortunately passed away because of this formidable virus all over the world<sup>1</sup>.

As the first country, which be severely hit by the COVID-19 pandemic, however, China has effectively prevented the spread of the virus in a short period of time and brought the pandemic under control. The number of newly confirmed cases in a single day reduced from 13726 on February 12 to 7 on May 12 in 2020<sup>2</sup>. It benefits by the rapid response and powerful control measures of the Chinese government. Chinese government have established strong command-and-control mechanisms, several provinces and cities entered the wartime state, implemented closed management in areas with severe epidemics, used big data technology to track patients' trip to control the source of infection [Cheng et al., 2020].

But across the world, due to the different political systems and different senses of worth in different countries, the attitudes and methods adopted by governments and people to the Covid-19 pandemic were also different. This has led to the fact that the pandemic has not been effectively controlled globally, and the number of new diagnoses and deaths per day remained high for a long time.

In addition to human health and security, the pandemic has also caused a serious social-economic crisis [Brodeur, et al., 2021]. As the two powers in the world, the economic development of China and Russia both encountered great challenges during the pandemic: in the first quarter of 2020, China's GDP was only 3.17 trillion U.S. dollars, a year-on-year decrease of 6.8<sup>3</sup>. and Russia's

---

1 WHO Coronavirus (COVID-19) Dashboard. URL: <https://covid19.who.int/?mapFilter=cases>.

2 Data from NHC China. URL: [http://www.nhc.gov.cn/xcs/yqtb/list\\_gzbd.shtml](http://www.nhc.gov.cn/xcs/yqtb/list_gzbd.shtml).

3 中华人民共和国 2020 年国民经济和社会发展统计公报. URL: [http://www.stats.gov.cn/tjsj/zxfb/202102/t20210227\\_1814154.html](http://www.stats.gov.cn/tjsj/zxfb/202102/t20210227_1814154.html).

GDP in 2020 is 1.5 trillion U.S. dollars, a year-on-year decrease of 3%<sup>4</sup>. So, the impact of the pandemic on both China and Russia is huge.

The economic crisis has also dealt a serious blow to enterprises. Since the government implemented strict quarantine measures at the beginning of the outbreak, employees and consumers were restricted from activities, many enterprises have to face the situation including reduced production and demand and supply chains disruption [Kraus et al., 2020]. Chinese and Russian companies are also facing these issues. This has caused a sharp decrease in corporate income, and many companies need to face the problem of bankruptcy or layoffs.

In the face of unavoidable crises, large enterprises can still rely on their strong financial resources and huge size to support the epidemic to be completely controlled. But for small and medium enterprises, this is a daunting challenge. And in all industries, due to supply disruptions and reduced customer demand, the retail industry has naturally become one of the industries that have been hit hardest during the epidemic.

The main goal of this study is to provide recommendations concerning possibilities of digital transformation of small and medium retail enterprises in post-pandemic economies in China and Russia. The following questions will be the cure of this research: RQ (1): Which policies the Chinese and Russian government has adopted to help and support small and medium retail enterprises during the pandemic; RQ (2): What is the public's attitude of small and medium retail enterprises or stores and online shopping; RQ (3): How may the Chinese and Russian governments guide the digital transformation of small and medium retail enterprises in the future? In addition, this article also describes a survey of the population in specific regions of China and Russia, from which more useful information can be obtained.

This article has a certain contribution to future research. First of all, this is one of the few articles that studies the difference of retail industry during the pandemic between China and Russia, which can better understand the relevant measures and consumer behaviors taken by the two countries. Secondly, this article gives some insights and measures on the future digital transformation support of small and medium retail industry for the reference of the government and related enterprises, and it is beneficial to promote the development of small and medium retail enterprises in China and Russia.

---

<sup>4</sup> Росстат представляет первую оценку ВВП за 2020 год. URL: <https://rosstat.gov.ru/folder/313/document/113015>.

# **Chapter I. Small and medium retail enterprises during the pandemic in China and Russia**

Due to the different political, economic and cultural characteristics, the definition standards for small and medium enterprises in different countries are also different. In China, enterprises with less than 300 employees or less than 2 billion yuan (31.3 million U.S dollars) in operating are small and medium enterprises<sup>5</sup>. While in Russia, the standard is than 250 employees and less than of 2 billion rubles (2.7 million U.S dollars) are considered small and medium enterprises<sup>6</sup>. Although there are differences in terms of demarcation criteria, small and medium enterprises in both countries face the same issue: how to overcome the operational crisis caused by the Covid-19 pandemic.

The Covid-19 pandemic is the severest economic recession since the Great Depression in 1930s [Shen et al., 2020]. In China and Russia, this crisis has also had a huge blow to the economic development of these two countries. Especially the small and medium enterprises in the two countries have suffered huge losses in this catastrophe. This chapter explores the development of small and medium retail enterprises during the epidemic in China and Russia, analyzes the measures taken by the governments of the two countries to support small and medium enterprises, and evaluates their effect.

## **1.1 Small and medium retail enterprises during the COVID-19 pandemic in China**

In China, the status of small and medium enterprises is prominent. Because small and medium enterprises account for the vast majority of Chinese enterprises, they are the mainstay of economic development, representing 99.6% of Chinese enterprises, providing more than 80% of jobs, and owning more than 70% of patents. [Liu et al., 2020] Therefore, it is no exaggeration to say that small and medium enterprises are a crucial force for promoting the development of the national economy and social stability.

### ***1.1.1 Current situation in China***

---

5 关于印发中小企业划型标准规定的通知. URL: <https://www.miit.gov.cn/n1146285/n1146352/n3054355/n3057278/n3057286/c3592332/content.html>.

6 ФЗ «О развитии малого и среднего предпринимательства в Российской Федерации». URL: <https://normativ.kontur.ru/document?moduleId=1&documentId=413574&rangeId=5591388>.



In fact, due to the impact of the global economic slowdown and the trade disputes between China and USA before the outbreak of the Covid-19 pandemic, the development of Chinese small and medium enterprises was already facing an ordeal [Jiang et al., 2020]. The sudden pandemic and the government's strict quarantine measures have made the situation of small and medium enterprises worse. The main problems faced by Chinese small and medium enterprises during the pandemic are the shortage of cash flow and reduced income caused by the disruptions in logistics, restrictions on labor mobility and decline in external demand [Dai et al., 2021]. After the outbreak of COVID-19 pandemic, Tsinghua and Peking University conducted a survey of 995 small and medium enterprises (include retail enterprises) across China to analyze the impact of the pandemic on the operation and management of enterprises. The survey results show a cruel fact: during the pandemic, 30% of enterprises' operating income decreased in 30% to 50%, and nearly 60% of enterprises have reduced their operating income by about 20% (Figure 1.1). At the same time, more than 30% of companies report that the company's cash flow may only last for one month without new business development, and nearly 80% of companies' cash flow can only last for three months at most (Figure 1.2), which means, if there is no timely support and help, nearly 77% of small and medium enterprises will face the danger of bankruptcy or layoffs in the short term. The extraordinary 2020 has had a huge blow to the survival of small and medium enterprises.

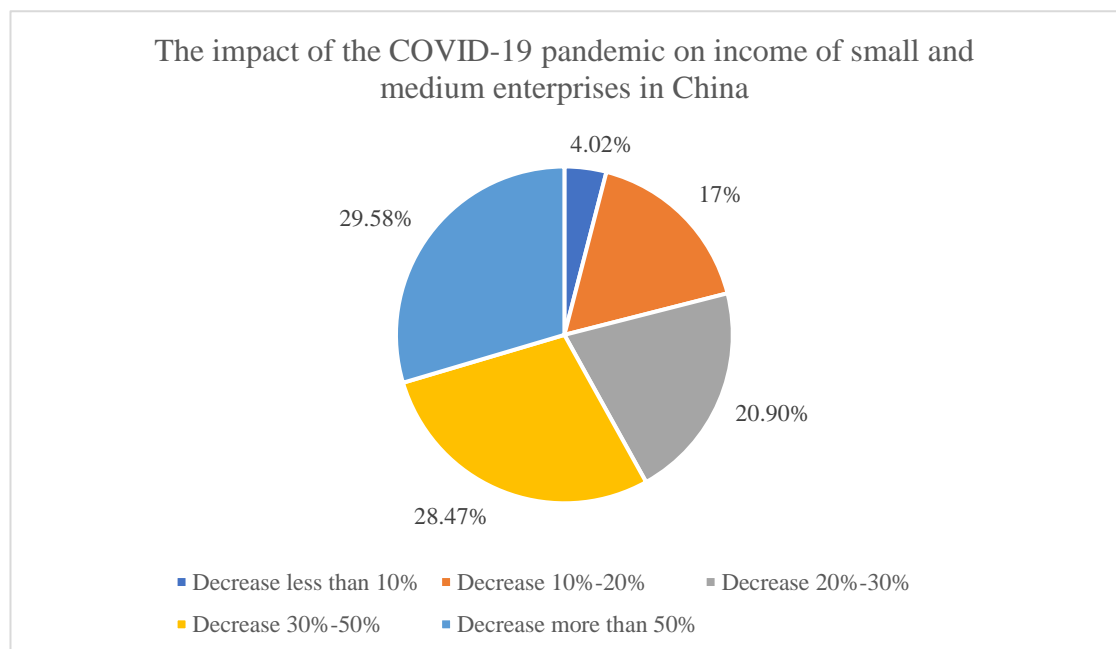


Figure 1.1 The impact of the COVID-19 pandemic on income of small and medium enterprises in China

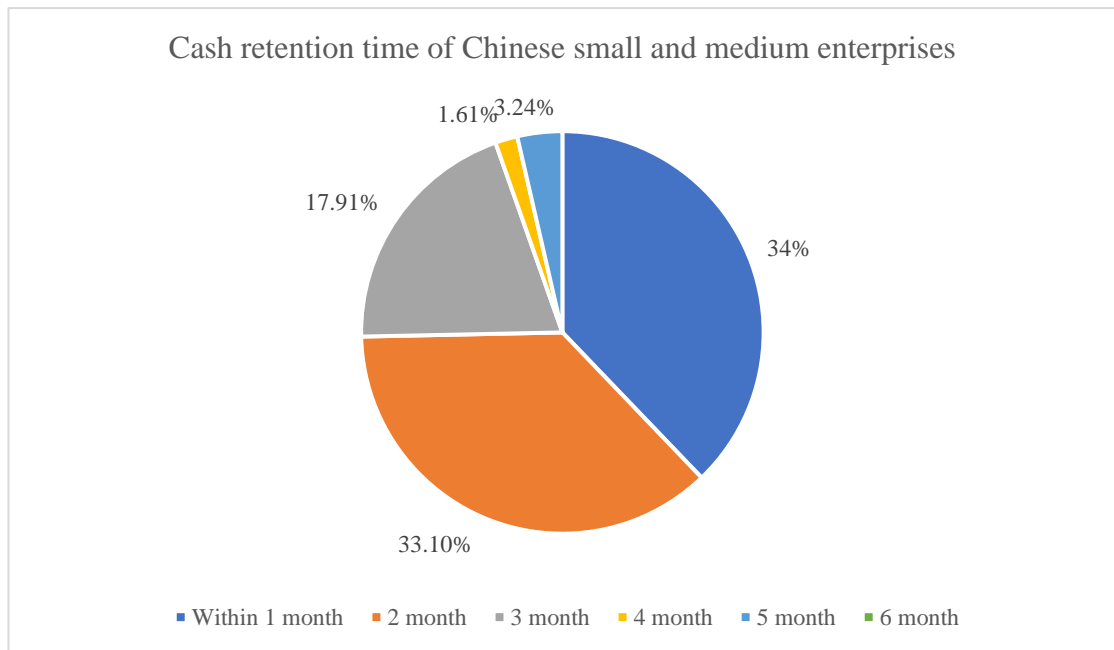


Figure 1.2 Cash retention time of Chinese small and medium enterprises

The decreasing investment scales and reducing the total revenue, which caused by the COVID-19 outbreak, also has a significant negative impact on the performance of Chinese enterprises [Shen et al., 2020]. In the face of unavoidable crises, large enterprises can still rely on their strong financial resources and huge size to support the epidemic to be completely controlled. But for small and medium enterprises, this is a daunting challenge. Small and medium enterprises are facing tremendous pressure to survive [Dai et al., 2021]: the SMEDI<sup>7</sup> 2020 was significantly affected by the pandemic, and the index was only 76.4 in February 2020. And among the 8 major industries, which are involved in China's small and medium enterprises, the industry index is below the critical value of 100, especially the retail industry. Affected by the pandemic in the first quarter of 2020, the industry index of small and medium retail enterprises dropped by 9.8 from the previous month to only 82.8, ranking relatively low among the 8 major industries [China Association of Small and Medium Enterprises, 2021]. According to incomplete statistics, as of June 2020, more than 800 thousand small and medium enterprises (not include stores and shops) have closed down in China, accounting for nearly 80% of the total amount of closed enterprises in 2019.

The industry situation of small and medium retail enterprises is one of the worst among all industries. The main reason is that the retail industry has been the most affected by the pandemic.

<sup>7</sup> SMEDI: Small and Medium Enterprises Development Index. The value range is between 0-200, the closer to 200, the higher the degree of prosperity

During the pandemic, the retail sales of the entire retail industry also fell sharply. The total retail sales of consumer goods and the growth rate fell sharply year-on-year. According to data from the National Bureau of Statistics, from January to April 2020, the total retail sales of consumer goods was 10,675.8 billion yuan, a year-on-year decrease of 16.2%; the retail sales of goods was 9,842.5 billion yuan, a decrease of 13.1%. The total retail sales increased from March to April, among which the total retail sales of consumer goods in April was 2,817.8 billion yuan, a year-on-year decrease of 7.5%<sup>8</sup>. Classified by consumption type, in April 2020, retail sales of goods totaled 2.5871 billion yuan, decreased 4.6%<sup>9</sup>. Among them, the hardest hit by the COVID-19 pandemic is mainly concentrated in physical retail enterprises. Although online retail has also experienced a large decline, the growth rate has always maintained a positive growth.

The growth of online stores during the pandemic has impacted the performance of small and medium retail companies. Due to strict quarantine measures during the pandemic and increasing awareness on personal hygiene, [Cheng et al., 2020] more consumers tend to buy what they need online. As shown in Figure 1.3, the growth rate of offline retail channels has been slow during the pandemic, and offline consumption has been significantly hindered. Between January and February, the year-on-year growth rate of offline retail sales was only -26.2%; in March and April, the growth rate was lower than -10%. Although others have eased, they are all in a state of negative growth as of October.

---

8 2020年4月份社会消费品零售总额下降7.5%。URL: [http://www.stats.gov.cn/xxgk/sjfb/zxfb2020/202005/t20200515\\_1767716.html](http://www.stats.gov.cn/xxgk/sjfb/zxfb2020/202005/t20200515_1767716.html). (accessed: 15.09. 2021)

9 Ibidem detail.

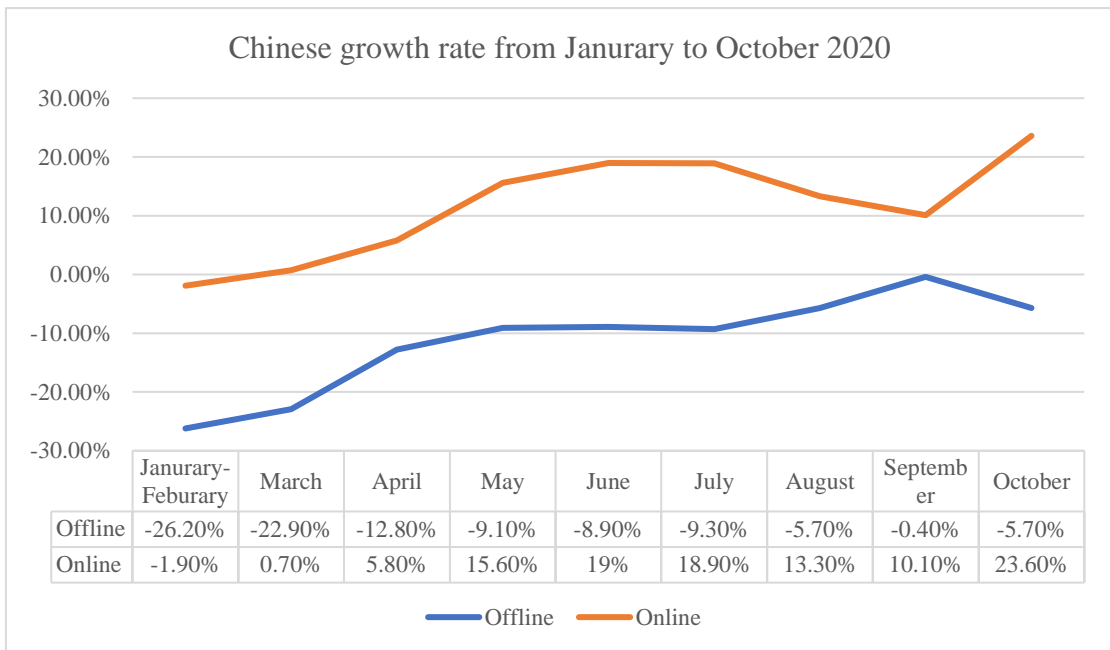


Figure 1.3 Chinese growth rate from January to October 2020

The COVID-19 pandemic has promoted the shift of consumption channels to online, and the penetration rate of e-commerce has gradually increased. Among physical retail enterprises, department stores and small and medium retail stores have been significantly affected by the epidemic [National Bureau of Statistics, 2021]. During the pandemic, Li investigated on the consumers' behavior in the food and groceries sector in China, and the results showed that, after the outbreak, the number of customers using online shopping has increased dramatically, with the percentage of consumers buying food and groceries online increasing from 11 percent before the outbreak to 38 percent, with online food shopping becoming the most popular channel during the outbreak. Even after the pandemic was under control, almost 80% of online shoppers remained online shopping malls [Li et al., 2020]. In addition, the number of consumers who choose supermarkets has decreased to a certain extent compared to before the pandemic, but they still maintain a large base, accounting for 35% of the respondents, and they are still one of the most popular shopping modes (Figure 1.4). convenience stores, and grocery stores have experienced a sharp drop in passenger flow during the pandemic, and their operating results have been severely affected.

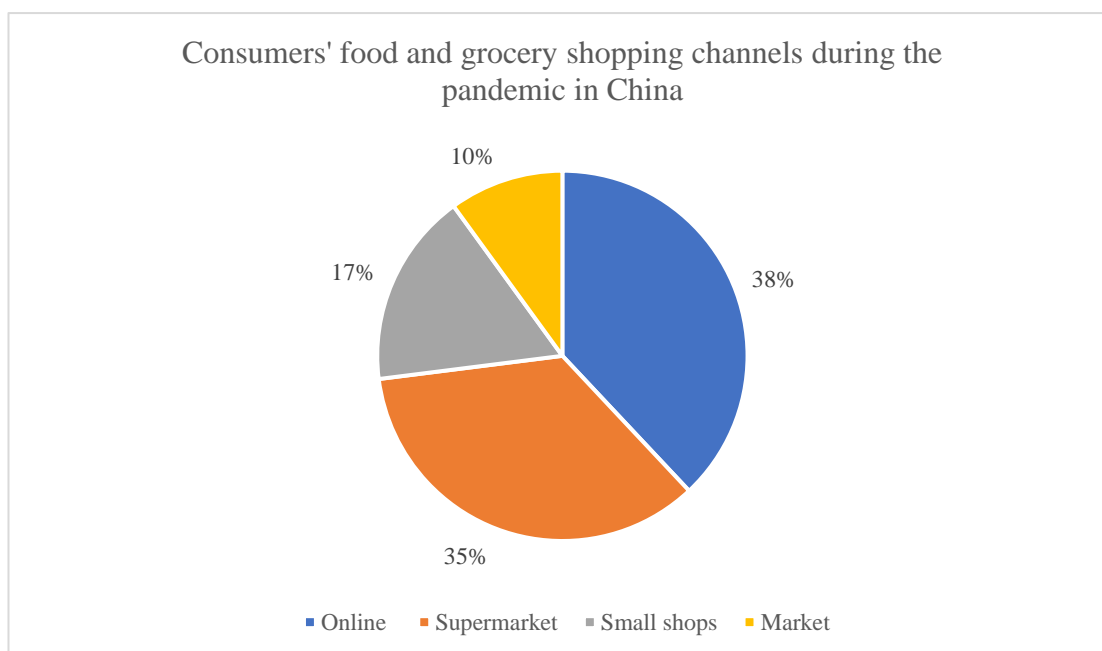


Figure 1.4 Consumers' food and grocery shopping channels during the pandemic in China

Through this example, we can find that small and medium physical stores are becoming less attractive to customers, 56% of small and medium retail enterprises face the business difficulties caused by falling customer demand [China Chain Store & Franchise Association, 2020].

The unexpected pandemic and the impact of e-commerce have dealt a heavy blow to Chinese small and medium retail enterprises: according to the data statistics of Chinese enterprise query tool Qichacha, only in 2020, more than 3.1 million physical retail stores and enterprises in China have chosen to close down and cancellation, tens of millions of employees lost their jobs. The task of saving small and medium retail enterprises is imminent.

### ***1.1.2 The support policies and measures of Chinese government***

While the pandemic was gradually being brought under control, the Chinese government has quickly begun to resume work and production on the basis of abiding by the principles of pandemic prevention and restore the economy. China's central bank has given the economy a monetary stimulus of RMB 1.2 trillion in February to ease borrowing costs and funds availability [Zhang et al., 2020]. With the strong support of the central government, China's economy has gradually improved. At the end of 2020, China's GDP reached 5.65 trillion US dollars, a year-on-year increase of 2.3% [National Bureau of Statistics, 2020], and this made China became the only major global economies, which achieve positive economic growth in 2020 [Sheng, 2021]. In 2020, when the global economy is in deep recession, this is a remarkable achievement. China's economy could achieve such achievements in 2020 mainly due to four aspects:

1. Strong pandemic prevention measures have effectively curbed the spread of the epidemic. After the outbreak of the COVID-19 pandemic, China took decisive measures to prevent the epidemic, which initially contained the spread of the epidemic in a short period of time and controlled the number of new confirmed cases in a single day to single digits and laid the foundation for economic recovery.
2. Macroeconomic policies have effectively achieved the "six Stability" and "six Guarantees" goals. During the pandemic, Chinese government adopted a proactive fiscal policy, implemented a prudent and loose monetary policy, and proposed "six Stability" and "six Guarantees." Six stability refers to: stabilizing employment, stabilizing finance, stabilizing foreign trade, stabilizing foreign investment, stabilizing investment, and stabilizing expectations. The six guarantees are: guaranteeing the employment of residents, guaranteeing the basic livelihood of the people, guaranteeing the main body of the market, guaranteeing the safety of food and energy, guaranteeing the stability of the supply chain of the industrial chain, and guaranteeing the operation of the grassroots level. [Wei, 2020] "Six Stability" and "Six Guarantees" constitute the core of gravity of China's economic development in 2020. In particular, around the "six Guarantees", the government introduced targeted fiscal and financial policies and direct policy mechanisms, which effectively alleviated the impact of the epidemic on the economy, and 54 impoverished counties across the country "lifted out of poverty."
3. Resumption of work and production in a timely and efficient manner. The rapid resumption of production and work by enterprises in various places reflects the advantages of China's complete economic and industrial sectors, strong industrial chain resilience, high flexibility, and strong self-recovery capabilities [Guangming Daily, 2021]. Even if individual companies in the industry chain had problems because of the pandemic, the corresponding alternatives will soon be able to make up, avoiding a long-term and serious impact on the industry chain.
4. Unswerving opening up. China has unswervingly implemented the opening-up measures, actively promoted and successfully signed the Regional comprehensive Economic Partnership (RCEP) and the China-Europe Investment Agreement, stabilized the positive expectations of China's economic development at home and abroad, and expanded China's foreign trade.

The real economy is the foundation of a country's economy, the source of wealth, and the vital support for the country's development.[Hu, 2006] The retail industry occupies a very crucial strategic position in it.[Zhang & Qian, 2020] Therefore, in response to the survival difficulties faced by small and medium enterprises, especially small and medium retail enterprises during the pandemic, the Chinese government has introduced several relevant support policies and measures to relieve the financial pressure on small and medium enterprises and ensure that more small and medium enterprises can tide over the difficulties:

1. *Deferred the payment of social insurance premiums.* If the enterprises are incapable to submit payment for the corporate social insurance premiums on time due to the COVID-19 pandemic, it can be postponed paying within 3 months after the pandemic is under control, during which no overdue payment will be charged.
2. *Delay in payment of housing provident fund.* Before the end of June 2020, companies can apply for deferred payment of the housing provident fund [Song et al., 2020]. During this period, the employee's provident fund loans that cannot be repaid normally due to the impact of the epidemic will not be processed overdue.
3. *Delay in paying taxes.* For small and medium-sized enterprises that are affected by the pandemic and unable to file tax declarations on time, they will be allowed to postpone their declarations in accordance; those meeting the conditions for deferred payment of taxes will be allowed to postpone their tax payment in accordance, with a maximum period of no more than 3 months.
4. *Real estate tax relief.* For small and medium-sized enterprises that are affected by the pandemic and have real difficulties in paying real estate tax and urban land use tax, they can apply to the competent tax authority. After review, they will be granted tax deductions of not less than 2 months. [China Ministry of Finance, 2020]
5. *The central government arranges interest subsidy funds to support the reduction of corporate financing costs.* On the basis of the preferential interest rate credit support provided by the Bank of China's special re-lending support financial institutions, the central treasury will discount interest at 50% of the loan interest rate actually obtained by the enterprise. [Jiang et al., 2020] The discount period should not exceed 1 year; increase credit loans and medium and long-term loans to reduce comprehensive financing costs.

6. *Preferential tax policies related to value-added tax and consumption tax.* Enterprises that provide taxpayers with living services and provide residents with essential living materials, are exempt from value-added tax. For enterprises which donated self-produced, commissioned processing or purchased goods in respond to the COVID-19 pandemic, [Liu et al., 2021] value-added tax, consumption tax and surcharges are exempted.
7. *Strengthen financial support for small and medium enterprises.* For a long time, China's small and medium enterprises have been faced with the problem of difficult and expensive financing [Jiang et al., 2020]. This is mainly due to the small and medium enterprises' small size, large uncertainties in future development, and high risks. During the pandemic, the central government has paid more attention to the real economy and took a several of financial support measures to save small and medium enterprises, to help the resumption of work and production of small and medium enterprises. Increase credit support, strengthen connections with financial institutions in various regions, and promote financial institutions to appropriately lower loan interest rates for small, medium and micro enterprises, which are temporarily in difficulties due to the impact of the pandemic, and increase credit loans, medium-term and long-term loans.[Simen & Sheresheva, 2020] Renew loans for small and medium-sized enterprises that have difficulties in repayment on maturity, encourage qualified places to establish loan risk compensation funds, and provide appropriate compensation for non-performing loans issued by financial institutions to small and micro enterprises during the pandemic; strengthen financing guarantee services; cancel counter-guarantee requirements, and reduce guarantee and re-guarantee rates. For small enterprises that do not have the ability to repay, government financing guarantee institutions that provide financing guarantee services for them should perform their compensation obligations in a timely manner; innovate financing products and services, expand the financing supply for small and medium enterprises; [China National Development and Reform Commission, 2021] develop financing products suitable for SMEs during the pandemic period; accelerate the promotion of equity investment and services, encourage greater investment in SMEs that experiencing difficulties affected by the pandemic, accelerate the investment progress and help enterprises to survive.



8. *Vigorously develop the “stall economy”*. The “stall economy” refers to an economic form formed by operators who have no fixed business premises and obtain income sources by trading goods and services in the form of stalls. The “stall economy” has a long history of development in China. It is a traditional economic form. Because “street stalls” do not need to pay expensive rent and charges of water and electricity, operators do not need to have management experience or senior education. The development of “stall economy” will provide a path for unemployed and low-income groups to sustain their livelihoods, which can play a role in increasing employment, alleviating employment tension, stimulating social consumption, and maintaining social stability in the short term. But at the same time, this way method is prone to cause traffic congestion, urban pollution and other problems, and its own legal compliance still needs to be discussed, so its form of existence has also been criticized. Therefore, the Chinese government had implemented strict control and management measures on the stall economy in recent years.

But the outbreak of the COVID-19 pandemic has made the development of Chinese retail industry into difficulties. Faced with the severe employment situation and huge economic development pressure, Premier Li Keqiang mentioned at the National People's Congress 2020 to vigorously develop a "stall economy." The state and local governments have also introduced relevant incentive policies to liberate the stall economy one after another: "Allow mobile vendors to temporarily occupy roads for operation" "No longer use road occupations, road markets, mobile vendors, etc. as the evaluation criteria for this year's civilized city evaluation." While further strengthening and standardizing urban governance, the government also adapted measures to local conditions to release the greatest vitality of the stall economy." To stimulate employment through the stall economy and promote the overall development of the retail industry and the Chinese economy.

After the central government published the support policies for small and medium enterprises, the provincial and municipal governments have also begun to actively respond, successively launching support measures for small and medium retail enterprises. Beijing Government provided up to 70% housing rental support and tax relief for establishment projects such as restaurants, grocery stores, convenience stores, and micromarkets that are severely affected by the pandemic or guarantee the basic lives of citizens in the prevention and control of the COVID-19 pandemic

[Government Beijing, 2020]. Government of province Jiangsu included small and medium retail, wholesale and catering enterprises into the list of enterprises in difficulty, reduced or exempted corresponding taxes and rents. And according to regulations, provided job stabilization subsidies, simplify application procedures to stabilized employment. Under the same conditions, priority will be given to accepting applications for social insurance subsidies, job subsidies and training subsidies for small and medium enterprises in the above-mentioned industries [Government province Jiangsu, 2020]. Hubei Province implemented rent reduction or exemption for small and medium retail enterprises with operational difficulties, realizing a 3-month rent exemption and a 6-month rent reduction in half. In order to reduce operating costs, the price of water and gas had been reduced by 10% for a period from January 1, 2020, to June 30, 2020. For the electricity, gas, water, etc. required for the production and operation of small and medium enterprises, the implemented measure "non-stop supply if arrears" arrears shall be paid after the pandemic is controlled. In addition, for small and medium retail enterprises, refunded directly 50% of the unemployment insurance premiums, which paid last year [Government province Hubei, 2020].

## **1.2 Small and medium retail enterprises during the COVID-19 pandemic in Russia**

### ***1.2.1 Current situation in Russia***

Compared with the rapid and effective response measures of the Chinese government, the Russian government's response to the epidemic was slightly slower. At the start of the outbreak of COVID-19 pandemic, Russian government already acknowledged the pandemic, but presented it as a problem of other countries [Aslund, 2020]. Therefore, stricter quarantine measures were not taken from the beginning. Russia only implemented quarantine and closed all frontier port on March 30, 2020, but this has been incapable to restrain the spread of the virus in Russia. Although the Russian government announced on August 11, 2020, that the world's first COVID-19 vaccine was registered in Russia [TASS, 2021], Russian citizens' unacceptance and distrust of anti-pandemic medical supplies such as masks and vaccines, still have brought a severe challenge to the pandemic prevention in Russia and aggravated the spread of the virus in Russia. According to statistics, as of February 22nd, 2022, the vaccination rate in Russia was 49.07%, while in the United States, the United Kingdom, and China, the three countries that have also developed their

own vaccines, the vaccination rates were respectively 65.29%, 71.72% and 85.48%<sup>10</sup>. In terms of wearing masks, a similar situation has also been encountered. According to the survey, in Russia, only 15% of the respondents support the policy of long-term wearing masks in public places [RIA Novosti, 2021], and almost 64% are opponents. In the United States and China, however, the proportions of people who have been wearing masks in public are respectively 50% and 83% [Statista, 2020]. For various reasons, the epidemic in Russia has not been effectively controlled, but it has become more and more serious. As of November 5, 2021, the cumulative number of new confirmed cases in Russia reached 8,755,930, and the number of new confirmed cases in a single day reached a record 40735<sup>11</sup>. The high daily new confirmed cases and the mortality rate have a huge impact on the normal life of the Russian people and the development of Russia.

The sudden outbreak of the Covid-19 pandemic broke the recovery of Russia's slow economic growth. Before the pandemic, Russia's GDP had a slowly growth, and the unemployment rate, inflation rate all remained stable. Starting from the third quarter of 2019, the actual disposable income of Russian residents has begun to reverse the continuous decline since 2014, with a slight increase [Li, 2020]. However, the pandemic broke this trend. After the Russian government implemented quarantine measures, factories and stores closed, production, life and economic activities were almost completely suspended. This has dealt a heavy blow to the Russian economy. In the second quarter of 2020, the actual disposable income of residents fell by 8%, setting a record for the largest decline in the past 20 years [Seleznev, 2020]. The decline in the third quarter was slightly slowed down, but still reached 5%.

Along with the pandemic, there was also a sharp drop in international oil prices. From the outbreak of the pandemic in January to mid-February, international oil prices have fallen by 20%; international oil prices plummeted again in March, and the international oil prices were even negative for a time in April. As the world's second-largest energy exporter, oil export is a crucial source of Russian foreign exchange income [Connolly et al., 2020]. The plunge in oil prices and the raging pandemic eventually led to a severe decline in the Russian economy. In the second

---

10 Our World in Data. URL: [https://ourworldindata.org/explorers/coronavirus-data-explorer?zoomToSelection=true&time=2022-02-22&facet=none&pickerSort=asc&pickerMetric=location&Metric=People+vaccinated+%28by+dose%29&Interval=7-day+rolling+average&Relative+to+Population=true&Color+by+test+positivity=false&country=ARE~PRT~CUB~CHL~SGP~CHN~IND~USA~IDN~PAK~BRA~NGA~BGD~RUS~MEX~JPN~ETH~PHL~EGY~VNM~TUR~IRN~DEU~THA~GBR~CAN~FRA~ITA~OWID\\_WRL](https://ourworldindata.org/explorers/coronavirus-data-explorer?zoomToSelection=true&time=2022-02-22&facet=none&pickerSort=asc&pickerMetric=location&Metric=People+vaccinated+%28by+dose%29&Interval=7-day+rolling+average&Relative+to+Population=true&Color+by+test+positivity=false&country=ARE~PRT~CUB~CHL~SGP~CHN~IND~USA~IDN~PAK~BRA~NGA~BGD~RUS~MEX~JPN~ETH~PHL~EGY~VNM~TUR~IRN~DEU~THA~GBR~CAN~FRA~ITA~OWID_WRL).

11 Коронавирус в России на 5 ноября 2021: сколько заболевших на сегодня. URL: <https://coronavirus-control.ru/koronavirus-v-rossii-na-5-noyabrya-2021-goda-skolko-zabolevshix-na-segodnya/>.

quarter of 2020, Russia's GDP fell by 8.5%, which was the largest drop in a single quarter since 2008. For the whole year of 2020, the GDP has also fallen by 3%. The most affected industry is the service industry, of which the hotel and catering industry dropped by 56.9%, and other industries were also affected to varying degrees. [Kolareva, 2020] Industrial output value fell by 9.6% in May 2020, and 8% in July; oil and mining, which contributed the most to industrial output value, both fell by more than 15%.

Compared with the economic crises of 1998-1999 and 2008-2009, the economic dilemma caused by the pandemic has a severer damage to Russian enterprises. 3 million companies are facing the risk of bankruptcy, and correspondingly 8.6 million people are newly added, plus the 3.5 million unemployed before the pandemic, the overall unemployment rate may exceed 16%, even the 1998-1999 economic crisis did not exceed 13% at its peak. [Kolareva, 2020] It is relatively certain that Russia will face its worst economic decline since its transition. This is destined to require a longer recovery period.

Among the sectors affected by the pandemic, small and medium enterprises are undoubtedly the most severely impacted, and the proportion is also the highest. During the pandemic, the NAFI Analysis Center conducted research on the impact of the COVID-19 pandemic on Russian enterprises and conducted surveys on 1,500 small and medium enterprises across Russia [NAFI, 2020]. According to the result, it is not difficult to find that 85% of small and medium enterprises said that the spread of the COVID-19 has had a negative impact on their financial performance (Figure 1.5)<sup>12</sup>. What's more, in companies with less than one hundred employees, the negative effects are even more obvious [Zaitseva et al., 2020].

---

<sup>12</sup> <https://nafi.ru/projects/predprinimatelstvo/rossiyskiy-biznes-i-koronavirus-chast-1-predprinimateli-o-vliyani-epidemii-na-ikh-biznes-i-o-potrebe/>.

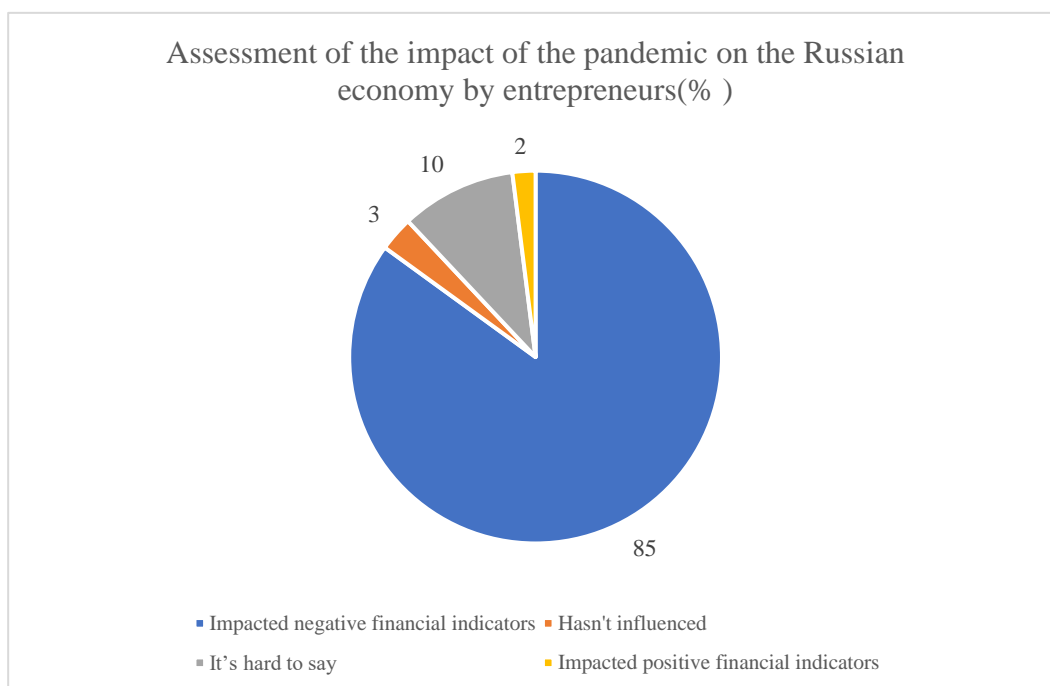


Figure 1.5 Assessment of the impact on the Russian economy by entrepreneurs (%)

At the same time, like China, the consumers' behavior of Russia has been quietly changing during the epidemic, and online shopping has become more widely used. According to the survey, from 2019 to 2021, the number of online shoppers in Russia increased from 50.1 million to 64.8 million. According to the survey of RBC, 45% of respondents admitted that they started to shop online more often, and this increase won't be temporary. As shown in the figure 1.6<sup>13</sup>, compared with 2020, when the epidemic began, the group of online shopping in 2021 had been expanding. 45.5% of the respondents use online shopping more frequently than in 2020. At the same time, another 8.4% of the respondents have joined the group of online shopping. The change in the way consumers shop has led to a huge development of the Russian online market. However, the inevitable result of this trend is the decline of traditional small and medium retail enterprises and stores and their performance.

<sup>13</sup> Аналитики описали портрет типичного покупателя интернет-магазина. URL: [https://rbc-ru.turbopages.org/turbo/rbc.ru/s/technology\\_and\\_media/10/10/2021/61618e229a7947975cf67c04](https://rbc-ru.turbopages.org/turbo/rbc.ru/s/technology_and_media/10/10/2021/61618e229a7947975cf67c04).

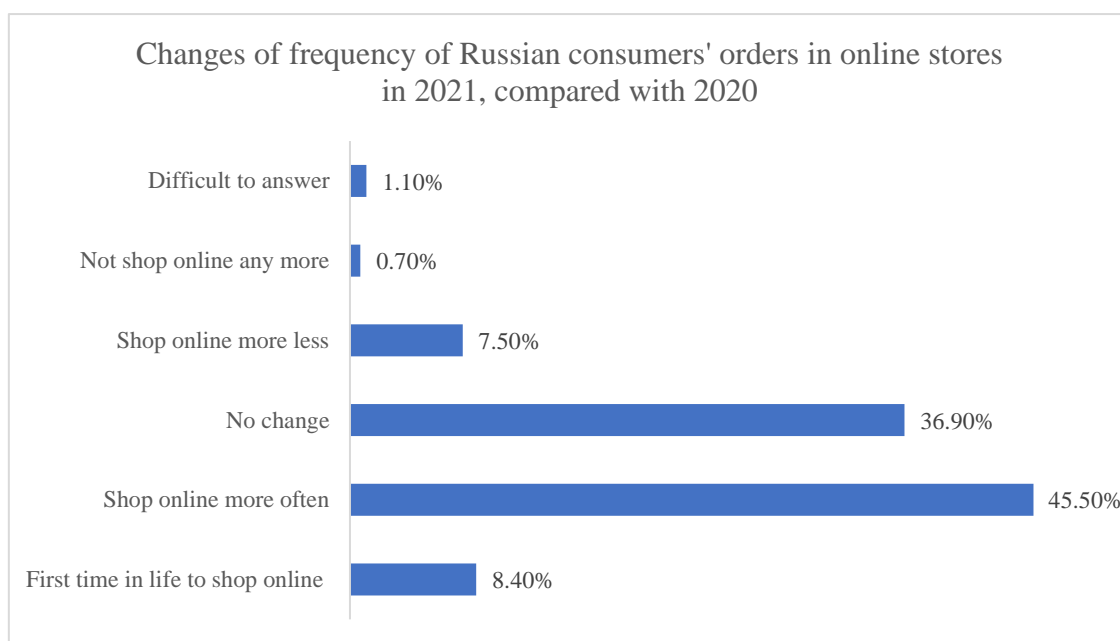


Figure 1.6 Changes of frequency of Russian consumers' orders in online stores in 2021, compared with 2020

Dismal performance and sharp decline in revenue have led to the "disappearance" of a huge number of small and medium enterprises in Russia. Compared with before the pandemic, the number of small and medium enterprises in Russia has dropped sharply. As of June 10, 2021, the total number of enterprises was 5871.4 thousand, a decrease of 334.7 thousand from the same period last year, and business (entrepreneurship) activities have declined. In addition, the number of employees in small and medium enterprises has also significantly dropped year-on-year. In particular, as of June 10, 2021, the number of employees in the small and medium enterprises' sector decreased by 297.3 thousand compared with the same period last year (Figure 1.7)<sup>14</sup>. In these difficult times, most enterprises are facing various challenges and threats. The measures to control coronavirus infection through isolation and quarantine policies have led to a further decline in the production capacity of enterprises. In addition, the supply chain is interrupted, and the consumers' demand for products and services has fallen sharply, resulting in a decline in corporate profits [Ikmal et al., 2020]. Obviously, without government assistance, small and medium enterprises cannot get out of their predicament at all, because the losses are huge.

14 Единый реестр субъектов малого и среднего предпринимательства. URL: <https://ofd.nalog.ru/statistics.html>

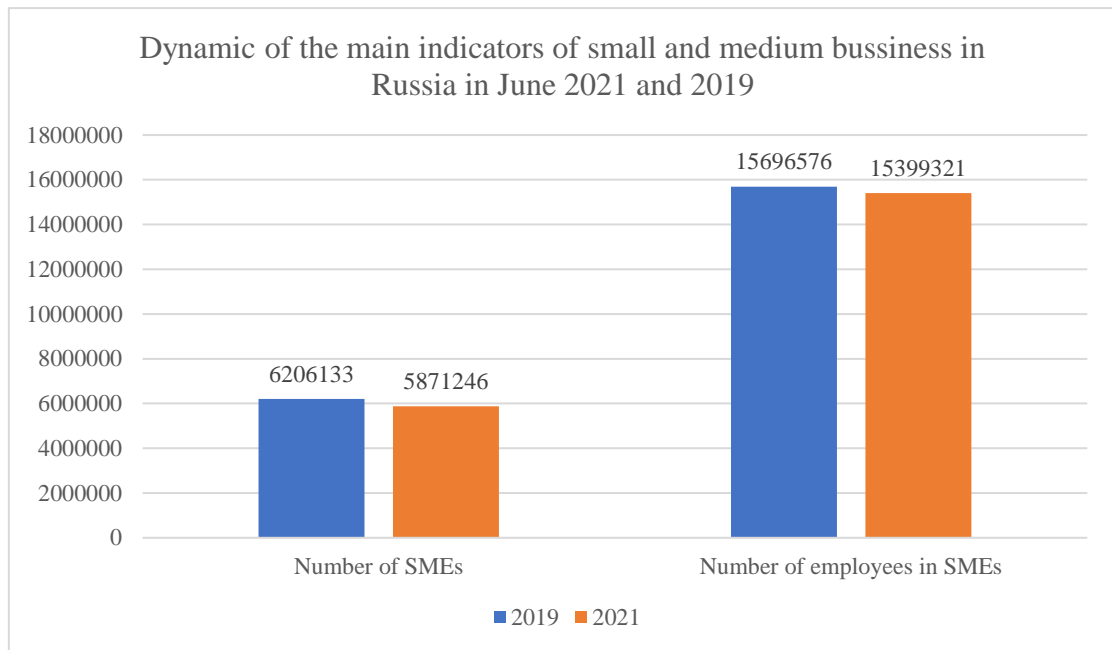


Figure 1.7 Dynamic of the main indicators of small and medium business in Russia in June 2021 and 2019

### ***1.2.2 The corresponding measures of Russian government***

In response to the economic stagnation caused by the pandemic, Russia introduced anti-crisis bills on March 30 after joint discussions in the State Duma, the Federation Council and the government. These measures, programs and plans are not only focused on the current needs of the fight against the pandemic and the crisis, but also set long-term development goals for Russia, considering the changes in the world economic situation.

According to the economic recovery plan presented on June 2, 2020, the Russian government divided the economic recovery into three stages: adaptation, recovery, and active growth, allocated 5 trillion rubles to fund 500 economic activities [Polbin et al., 2020], in order to overcome the recession caused by the pandemic and achieve a stable GDP growth rate, which will eventually ensure a stable increase in the real income of the population.

1. Implementation of large-scale assistance to the unemployed and vulnerable groups. The Russian federal government has allocated more than 56 billion rubles to the regions and has taken a series of measures, including increasing the maximum unemployment benefit, to provide assistance to the unemployed groups [Zoidov et al., 2021]. In addition, the Russian government also provides a monthly subsidy of 3000 rubles to every family with children under the age of 18.
2. Provide assistance and support to specific enterprises in strategic and core industries.

Russia has implemented a series of relief measures for key industries and regions related to national security and financial security. On May 10, 2020, according to the declaration of various departments, the Russian government finally made a resolution that 1151 companies were included in the list of crucial companies affected by the epidemic. These companies can obtain preferential policies such as deferred tax payment, cost subsidies, preferential loans and government guarantees.

3. Implementation of anti-crisis financial support and control of financial systemic risks. The Bank of Russia announced on March 9 that it would not purchase foreign currency on the domestic market for 30 days, and from March 10 it actively sold foreign currency on the domestic market within the framework of budgetary rules and launched four repurchase operations totaling 500 billion rubles on March 10, 13, 19 and 31 to stabilize the ruble exchange rate. [Xu, 2020]
4. Implementation of loose fiscal policy and active monetary policy. Russia has maintained a balanced and prudent fiscal policy tone since Vladimir Putin assumed office as president [Xu, 2020]. However, in response to the impact of the pandemic, the Russian government had to make adjustments to fiscal and monetary policies, and in general, monetary policy has gradually moved toward easing and fiscal policy has become more active. After the outbreak, Russian government increased allocations for state programs by 1.8 trillion rubles and provided 10 billion rubles per year in additional allocations to 10 federal subjects in economic difficulty.

The Russian government also uses the State Welfare Fund to remedy the lack of budgetary funds [Zoidov et al., 2021]. On March 16, 2020, the Russia Ministry of Finance transferred the additional oil and gas revenue funds received at the end of 2019 to the State Welfare Fund, bringing the total amount of the fund to 12.2 trillion rubles. In the Russian government's anti-epidemic and anti-crisis plan, the State Welfare Fund is utilized as the main source of financial funds. On this basis, on March 21, 2020, the Russia Ministry of Finance began to implement the priority action program and determined 300 billion rubles of financial funds to deal with the current situation. The main measures include zero tariffs on imported drugs and simplified government procurement procedures. On March 31, 2020, the Russia Ministry of Finance reserved 1.4 trillion rubles (1.2% of GDP) for controlling the spread of the pandemic and adopting anti-crisis measures, mainly for



health measures, civil society assistance, and support for federal entities (delayed payment 71 billion rubles of budget loans).

In the entire economic recovery program, the Russian government focuses on helping and supporting small and medium enterprises. Russia's anti-epidemic and anti-crisis relief plan for small and medium enterprises mainly includes: First, to reduce the burden of closed small and medium enterprises, the social insurance payment rate for small and medium enterprises will be reduced from 30% to 15% [Government of Russia, 2020], and the subsidy will be provided in the next 9 months. Small and medium enterprises provide an additional 285 billion rubles in support. In addition, the Russian Federal Government had suspended tax audits until June 30, 2020, and extended the deadline for submitting tax reports, extended the deadline for submission of documents on demand, and suspended collection measures until July 01, 2020 [Ministry of Finance of Russia, 2020], which timely eases the tax pressure on SMEs. Second, small and medium enterprises affected by the pandemic can delay payment of all taxes except value-added tax for six months and give priority to supporting enterprises that maintain employment rates [Obraztsova & Chepurensko, 2020]. The Russia Ministry of Finance stated that the deferred payments and installments in the first and second quarters will cost the budget more than 185 billion rubles, of which about 95 billion rubles are taxes and insurance premiums [Government of Russia, 2020], which will be offset in the second quarter. The third is to provide necessary funds to increase preferential loans to SMEs. Provide 500 billion rubles of budgetary funds to support enterprises that need loan funds and must provide additional guarantees; provide emergency loans to small and medium enterprises to pay wages. The interest repayment period of loans already issued can be extended for up to 6 months. 1/3 of the loan interest will be covered by the federal budget, the central bank will use its own funds to cover 1/3, and the enterprise will pay 1/3 [Government of Russia, 2020]. Fourth, on May 8th, the Russian Federal Government signed an amendment order, planning to allocate 81.1 billion rubles to provide subsidies to the small and medium enterprises affected by the epidemic. Taxpayers can submit subsidy applications on the Federal Tax Service website or by mail, which can apply for each employee 12,130 rubles (minimum salary), to solve urgent problems, including salary payment, but the funded company must meet the conditions of retaining at least 90% of the employees as of April 1, 2020 [Smirnova, 2021]. Fifth, Russian government launched a short-term special and preferential loan program with a budget of 150

billion rubles for small and medium enterprises. In the first 6 months after the implementation of the plan, the loan interest rate provided by banks to small and medium enterprises should not exceed 4%. For loans under 150 billion rubles, Russian commercial banks no longer include restrictive conditions such as the amount of investment portfolio when providing loans [Obraztsova & Chepurensko, 2020]. Moreover, government also provided a credit support plan for enterprises, the loan amount is the minimum wage of the average number of employees in the company for 6 months. In addition to small and medium enterprises that must use the program, some affected departments in large enterprises can also apply. At the same time, in order to prevent the flow of funds to large enterprises, it is planned to provide quota funds for small and medium enterprises to account for 40% of the total [President of Russia, 2020].

In order to solve the problem of small and medium enterprises' difficulty in obtaining loans, the Central Bank of Russia has simultaneously relaxed the minimum rating requirements for credit institutions, lowering it from AA to A-, and eased the liquidity supervision of credit institutions, giving them more opportunities to provide loans for small and medium enterprises. The central bank also reduced the fee for the right to use irrevocable credit lines from 0.5% to 0.15% and increased the maximum limit of irrevocable credit lines from 1.5 trillion rubles to 5 trillion rubles from April 1, 2020, to March 31, 2021. These measures can effectively broaden the ways for small and medium enterprises to obtain loans. At the same time, it is stipulated that small and medium enterprises can obtain a "credit vacation" of up to 6 months from March 31, 2020, and small and medium enterprises whose income has fallen by more than 30% before September 30 can apply for a grace period and postpone the repayment of capital.

### **1.3 Evaluation of relevant policies and measures in China and Russia**

Although there has a distinction in the attitudes and methods of the two countries in dealing with the pandemic, both China and Russia have taken active and timely measures to save the economy and support small and medium enterprises. At the start of the outbreak, a series of policies have been introduced and implemented to ensure the normal development of small and medium enterprises, and policies and laws have been continuously revised to adapt to the new situation. As shown in table 1.1-1.4, the policies adopted by the Chinese and Russian governments to support the development of small and medium enterprises during the epidemic period can basically be

summarized into the following four aspects: Taxes, Related fees, Financial subsidies and Loans, and there are many similarities among the Chinese and Russia policies. In general, the Chinese government pays more attention to the reduction and exemption of taxes and fees related to small and medium enterprises, while the Russian government is more inclined to relieve the pressure on small and medium enterprises through subsidies and loans.

Table 1 Related fee reduction policies in China and Russia

<b>China</b>	<b>Russia</b>
Delayed in paying social insurance premiums to three months after the epidemic is under control	Reduced social insurance premiums from 30% to 15%
Delay in payment of housing provident fund until June 2020	Extended the administrative penalty period from 60 to 180 days
For small and medium enterprises that rent government-owned assets for business use, exempted first month's rent and halved next two months' rent.	
Reduced or exempted the charges of water, electricity and gas for small and medium enterprises	

It is not difficult to find that both the Chinese and Russian governments have adopted policies to reduce or delay the payment of social insurance premiums. The essence of social insurance premiums is a social and economic welfare system that provides income or compensation for the citizens who lost their jobs. However, under the destruction of the pandemic, small and medium enterprises are facing the risk of breaking the capital chain. Reducing or exempting social insurance can enhanced the vitality of enterprises, greatly reduced the burden on enterprises, and significantly eased the labor costs of enterprises, promoted the economic development of enterprises, and stabilized social employment. In addition, the purpose of reducing or exempting rent, charges of water, electricity and gas were also to ease the financial pressure of enterprises and promote their development.

Table 2 Related tax policies in China and Russia

<b>China</b>	<b>Russia</b>
Delayed in tax payment for three months	Delayed the payment of all taxes except value-added tax for six months
Property tax relief	Suspend tax audit until June 30, 2020
Small and medium enterprises that provide residents with daily services and basic living materials were exempt from value-added tax	
Exempted the value-added tax and consumption tax for enterprises that donated needed products in response to the pandemic	

In terms of tax reduction and exemption, the Chinese and Russian governments have focused their attention on the reduction and exemption of value-added tax. Value-added tax accounts for a considerable part of the taxes paid by small and medium enterprises. The reduction or exemption of value-added tax was equivalent to providing enterprises with a large amount of funds that can be used for operation, which helps to reduce the burden on enterprises.

Table 3 Related financial subsidies in China and Russia

<b>China</b>	<b>Russia</b>
Provided subsidies for employment, accounting for 45% of the total subsidies	Provided employment subsidies for small and medium enterprises, each employee can apply for 12130 rubles (40% of the total subsidy funds)

When the pandemic was at its worst, a large number of enterprises were suspended, and some small and medium enterprises with insufficient capital reserves were forced to lay off a large number of employees or stop paying employees' wages, which caused employees to lose financial resources. Chinese and Russian government provided subsidies to employees of small and medium enterprises, which can ensure the normal life of employees during the epidemic, and effectively prevent further layoffs by enterprises, so as to stabilize the social employment rate.

Table 4 Related loan policies in China and Russia

<b>China</b>	<b>Russia</b>
Renew loans for small and medium enterprises that have difficulties in loan repayment	Postponed the loan repayment period by 6 months
Strengthened financing guarantee services	Provided 500 billion rubles of preferential loans funds and financing guarantee services
Promote financial institutions to reduce loan interest rates for small and medium enterprises	The federal government paid 1/3 of the interest on corporate loans
	Relaxed the minimum rating requirements for credit institutions

The purpose of the Chinese and Russian governments' financial support for small and medium enterprises was to eliminate the concerns of small and medium enterprises in loans. Through preferential interest rates, postponing repayments, strengthening financing guarantees and other policies, our government tried to encourage small and medium enterprises to take out loans, and to maintain the operation of enterprises through a large amount of funds obtained in a short period of time, in order to prevent a large number of enterprises from going bankrupt.

Although the methods adopted are different, they have played a positive role in promoting employment, alleviating the difficulties of small and medium enterprises, and promoting the healthy development of small and medium enterprises.

According to statistics, in the first eight months of 2020, China has achieved tax and fee reductions of more than 1.8 trillion yuan. As of the end of September, the balance of inclusive loans for small and medium enterprises has also reached 14.6 trillion yuan, a significant year-on-year increase of 29.6% [Guangming Daily, 2020], effectively alleviate the production and operation difficulties of small and medium enterprises caused by the pandemic. Since the second quarter of 2020, the economic performance of small and medium enterprises has continued to improve. According to data from the National Bureau of Statistics of China [Guangming Daily, 2020], the total profits of small and medium enterprises in the first eight months have increased by 0.6% year-on-year, and the profitability has basically returned to the level of the same period in 2019. The operating income margin returned to 5.6%, an increase of 0.3 % from the first half of the year. The index of domestic orders and export orders of small and medium enterprises has

rebounded for 7 consecutive months and the proportion of small and medium enterprises with recruitment needs has rebounded for 3 consecutive months. The unemployment rate also fell from 6.2% in February to 5.2% in December 2020 [National Bureau of Statistics, 2021].

Small and medium enterprises are also relatively satisfied with the assistance policies implemented by the Chinese government. According to a survey of 2507 small and medium enterprises conducted by the China Association of Small and Medium Enterprises [Economic Daily, 2020], more than 97% of enterprises have enjoyed one or more supporting policies, 80% of enterprises have knowledge of the policies, and 53.09% of small and medium enterprises indicated that the market demand is gradually, while 43.27% of small and medium enterprises have recovered their confidence. At the same time, small and medium enterprises in China have provided nearly 10 million new operating position for the society.

In Russia, these policies also exert their effectiveness. By the end of 2020, with the support of policies, 13% of Russian small and medium enterprises have taken measures to support anti-crisis management related to the Covid-19 pandemic, 22% of small and medium enterprises are accepting support measures, and 40% plan to accept any support measures in the future. And in May 2020, compared with the quarantine period, the sales of small and medium enterprises increased by 17%, which is close to the value before the outbreak [Dmitrieva & Arkhipov, 2021]. In April 2020, the Russian unemployment rate increased by 23% from the previous month to 5.8%<sup>15</sup>. In December, although the unemployment rate remained at 5.9%<sup>16</sup>, it was down 3% from the previous month. This shows that the relevant policies of the Russian government were effective in relieving employment pressure and stabilizing the employment rate.

In addition, small and medium enterprises have also obtained a huge amount of loans from banks to ensure the normal development of enterprises. From April 2020 to March 2021, the total amount of bank loans to small and medium enterprises had reached 7.9 trillion rubles, and the small and medium enterprises loan portfolio has increased by 24.6%, which is more than twice the amount of the same period last year (11.9%) [Bank of Russia, 2021]

Although the measures taken by the Chinese and Russian governments to support small and medium enterprises have achieved some results, they are far from enough to help small and

---

15 Федеральная служба государственной статистики. Занятость и безработица в Российской Федерации в апреле 2020 года. URL: [https://www.gks.ru/free\\_doc/2020/b20\\_01/100.htm](https://www.gks.ru/free_doc/2020/b20_01/100.htm).

16 Федеральная служба государственной статистики. Занятость и безработица в Российской Федерации в декабре 2020 года. [https://gks.ru/bgd/free/B04\\_03/IssWWW.exe/Stg/d02/17.htm](https://gks.ru/bgd/free/B04_03/IssWWW.exe/Stg/d02/17.htm).

medium enterprises overcome difficulties and promote the normal and healthy development of small and medium enterprises. However, it is also not difficult to find that these policies are not enough to cover all small and medium enterprises. For example, in Russia, according to statistics, 48% of the enterprises surveyed conduct business in areas not covered by the support policies [OPORA,2020], while only nearly 20% of the beneficiaries of government assistance programs [Obraztsova & Chepurenko, 2020.]. Although many small and medium enterprises have enjoyed some of these policies, their practical difficulties have not been fundamentally resolved. Issues and shortcomings still exist, there are some common problems in the policies pursued by the two governments.

The implementation of policies is unfulfillment, and the inefficient use of funds also affects the effects of policies. At present, the utilization rate of the funds allocated by the Russian government to support small and medium enterprises is only 20% [Xu, 2020], and nearly a quarter of applicants have been rejected for funding [OPORA, 2020]. The Chinese and Russian governments have introduced many policies and measures, but whether the various policies that have been introduced can be implemented in place, in detail and timely are the top priority. Some policies and measures are not operability, and lack of tracking, supervision, and feedback on the implementation process. The government and relevant departments must clarify their responsibilities and put the burden reduction of enterprises in the first place.

In addition to the problem in implementation, single support policies, and lack of diversity are also serious issues. In China and Russia, the structure of the small and medium enterprises' industry is complex, involving primary, secondary, and tertiary industries. The difficulties faced by enterprises in different industries and the measures they hope the government will take are different. During the epidemic, although China and Russia have implemented many policies from the central to the urban government, in order to support small and medium enterprises to overcome difficulties. However, the current policies for supporting small and medium enterprises formulated by various regions are similar in one aspect, limited to tax reduction and exemption, subsidies and loan support, there is a lack of individualized measures for different industries. According to the Economic Daily-Postal Savings Bank of China's survey of small and medium enterprises across the country [Economic Daily, 2020], small and medium enterprises expect that in addition to subsidies, tax reductions and exemptions, the government can also focus on technical support to

respond the new trend of online shopping. There are many mismatches between this result and the current government support measures.

What is more noteworthy is that neither the governments of China nor Russia seem to focus on small and medium retail enterprises that have been severely affected by the epidemic. Almost none of the two countries has introduced policies specifically targeting small and medium retail enterprises. As a crucial industry that maintains the country's economic development and protects people's lives, the retail industry has not received enough attention. Small and medium retail companies are still struggling to survive in a difficult situation. In order to fill abovementioned gaps, this article will be devoted to making suggestions for the future development of small and medium retail enterprises in a specific way — digital transformation.

### **Concepts and peculiarities of digital transformation**

Before providing specific digital transformation assistance policy recommendations to the government, we need to figure out at first: What is digital transformation? What are its characteristics? Why is the digital transformation of small and medium retail enterprises so important? This is inseparable from the model "New retailing", which has emerged in recent years.

With the development of contemporary social science and technology, the Internet and smartphones have been greatly popularized, from the originally out-of-reach "luxury" to the "daily necessities" without which everyone can't live. The development of the Internet and smartphone functions has made people's lives more and more convenient, while also constantly changing people's living habits. Among them, the transformation of shopping methods is the best example. According to data from iiMedia Research, from 2015 to 2020, the scale of global online shoppers has continued to grow. By 2020, the number of global online shoppers has reached nearly 3.4 billion, a year-on-year increase of 9.5%, and the scale of global e-store has also increased by 25% year-on-year, reaching 24.3 trillion US dollar<sup>17</sup>, the highest growth rate in history. With the rise and development of online stores and logistics and distribution industries, people have gradually changed from a single offline shopping to a new shopping method of "online + offline". The outbreak of the COVID-19 pandemic has accelerated this transition and has also allowed more

---

17 URL: <https://www.iimedia.cn/c400/71739.html>.



consumers to join the ranks of online shopping. Under these dual influences, a new retail model that is different from the traditional retail model that is product-centric and passively welcoming customers is gradually emerging and attracting more and more people's attention, which is called "New Retailing".

The concept of new retailing was first proposed by Jack Ma, the former chairman of Alibaba's board of directors, at the Alibaba Yunqi Conference in October 2016. "There will be no e-commerce in the future, only new retailing", he said. This makes new retailing gradually become a hot word in the public. New retailing is simply a combination of online, offline, logistics and big data [Xu et al., 2021]. Enterprises relying on the Internet, transform the production, circulation and sales process of products through the application of advanced technologies such as big data and artificial intelligence. It is a new retail model that integrates online and offline, organically links service and experience, and deeply integrates with modern logistics [CGAP, 2019].

The essential reason for the emergence of new retailing is that it can effectively make up for the shortcomings of traditional retail and fully inherit the advantages of traditional retail [Zhang, 2019]. With the help of the network, new retailing will not be limited by objective factors such as geographical location and transportation. Consumers only need a smartphone or computer to complete a shopping anytime, anywhere. Therefore, just like online retailing, the consumer group faced by new retailers is no longer a regional, small-scale consumer group [Zhang, 2019], but is aimed at consumers who use online shopping throughout the country and even around the world. In addition, it provides a variety of products, which will far more than traditional retail. What's more, new retailing has not lost the advantages of traditional retail. Since new retailing will not lack offline stores, like online retailing, it can provide consumers with not only personal experience to ensure the quality of products, but also leisure opportunities, consumers can relax and enjoy shopping entertainment. Through the "online + offline + logistics" model, new retailing has greatly enriched the online and offline linkages of the retail industry, and also enriched the options for consumers. It is a crucial driving force for the retail industry to move forward, and it is also the inevitable trend of the development of retail industry.

In order to enter the era of new retailing, it is inseparable from the help of the modern technology such as Internet, big data and artificial intelligence. Therefore, the digital transformation of retail enterprises will be the focus of future retail development.

Digital transformation has become one of the most crucial issues in the world today [Mugge et al., 2020]. In the era of digital economy, digital transformation is an inevitable choice for the development of the retail industry. The emergence and development of digital transformation has broken down the barriers between people and enterprises and enhanced mutual communication and connection, so as to provide people with more efficient and high-quality services and products [Schwertner, 2017]. For small and medium retail enterprises, digital transformation is also the vital way to break through the current predicament and achieve sustainable development. The so-called digital transformation in small and medium retail enterprises is not simply a shift from offline to online and digitalization, but a fundamental adjustment to the system and operation ecosystem of an enterprise in terms of thinking and management [Ulas, 2019], so as to keep up with the pace of digitalization of the period and apply the digital capabilities to processes and commodities to improve efficiency, better understand customer needs, manage risks and identify new opportunities. In other words, the essence of the digital transformation of the retail industry is the transformation of the production supply system and the circulation supply system driven by digital technology. Retail enterprises all over the world, including China and Russia, are exploring this change and trying to build a digital business ecosystem in the retail industry (Figure 1.8) [Li et al., 2020].

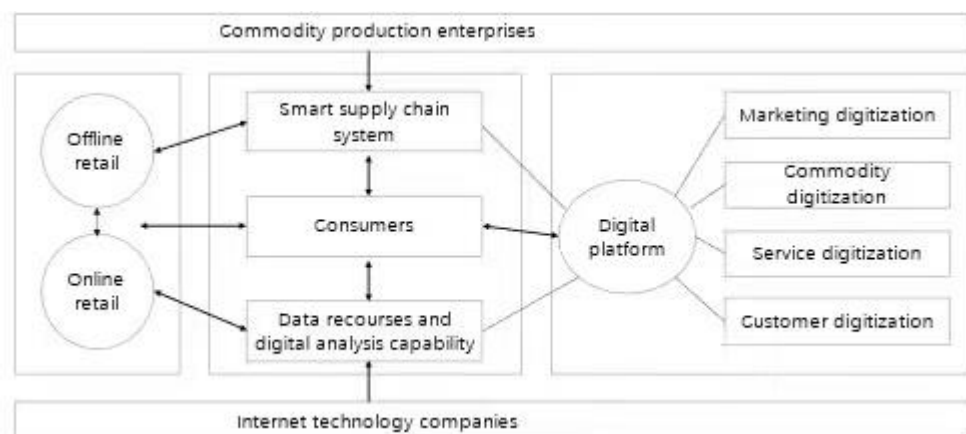


Figure 1.8 Digital ecosystem in retail industry

Digital transformation has an unparalleled importance in small and medium retail enterprises. Digitization can give enterprises a unique competitive advantage. Classical competitive advantage theory holds that enterprises gain competitive advantage through lower cost or differentiated products and services [Leao & Silva., 2021]. But in the era of digital economy, the formation mechanism of competitive advantage is more complicated. And competition between enterprises is no longer the competition of individual enterprises, but a competition between two different

systems. A digital business ecosystem can integrate external resources more extensively than one individual enterprise. Based on resource complementarity and business collaboration [Li et al., 2020], stakeholders are easier to achieve Internet economy and economies of scale. Compared with the market transaction relationship, the digital business ecosystem can reduce the transaction cost of integrating resources, improve the degree of business synergy among various stakeholders and increase the efficiency of resource allocation by the construction of an effective incentive mechanism [Li et al., 2020] and the closer cooperative relationship. Therefore, building a digital business ecosystem is not only an inevitable choice for retail enterprises to gain systemic advantages and reshape their core competitiveness, but also the ultimate goal of digital transformation for the retail industry.

Moreover, the digital system can further meet the needs of consumers. In the era of digital economy, with the continuous upgrading of residents' consumption structure, some new features have gradually evolved:

1. Personalization. Personalized consumption reflects the unique needs of consumers, that is, consumers who buy goods are no longer just to meet the needs of life but pay more attention to the personalized characteristics of goods, hoping to reflect their own taste value through personalized consumption.
2. Dynamics. Consumer demand is a dynamic process of generation, satisfaction, and then re-generation [Guo, 2020]. Consumers' purchasing habits, paths and needs become more complex, and the speed of dynamic changes continues to accelerate.
3. Integration. Consumers hope to complete a series of purchase activities through a simple interface or click, and efficiently meet a variety of needs in a fast and convenient way.
4. Experience. An excellent experience has become an important demand in consumer preferences in the new era. Consumers hope that enterprises can meet their all-purchase needs and can get the best consumer experience. The digital system enables consumers to get the goods they need without leaving home, and analyzes consumers' preferences through big data, automatically recommends relevant products to consumers, and remembers the earth to meet the ever-changing needs of consumers.

Although numerous retail enterprises including China and Russia have undergone digital

transformation in recent years, it is still in the exploratory stage, and the successful transformation model has not yet been formed [Guo, 2020]. At present, due to the shortage of digital professionals and insufficient funds, the digital transformation of the retail industry is still mainly concentrated in industry-leading enterprises (such as Alibaba, Jingdong in China and Yandex in Russia), while the digitalization process of the majority of small and medium retail enterprises is lagging behind. This is mainly because in the process of digital transformation, the development and application of advanced technology and big data requires enterprises to have strong financial strength and technology research and development capabilities [Klein & Todesco, 2021]. At the same time, the digital transformation of enterprises is a process of continuous investment. In addition to introducing advanced technology and equipment, launching new store types and building new interactive scenes also requires a vast amount of capital investment. The reason why leading retail enterprises can make continuous technological investment in online and offline businesses in the process of digital transformation is that these companies have strong financial strength and capabilities. And this capacity is laborious for ordinary small and medium retail enterprises to have. In order to enable small and medium enterprises to find their own place in the digital business ecosystem, so as to survive and develop sustainably in the market competition in the digital economy era, the government must play its role of guiding and assisting to pitch in small and medium enterprises in the process of digital transformation.

In addition, another challenge facing our small and medium enterprises is consumers' acceptance. For younger consumers, online shopping may be a very common behavior. However, for some consumers who are older or have special circumstances, online shopping may not be so easy. Especially the elderly, many of whom cannot understand the Internet and cannot use mobile phones or computers. There may still have some other consumers prefer the feeling of offline shopping and therefore refuse to use any new shopping modes. If the above-mentioned groups account for a large proportion of consumers, the digital transformation of small and medium-sized enterprises will cause great difficulties. To understand consumer attitudes towards online shopping and the feasibility of digital transformation. This study investigated consumers from China and Russia through questionnaire.

## **Chapter 2 Data analysis and recommendation**

### **2.1 Questionnaire design**

Consumers' behavior and the digital transformation of small and medium enterprises interact and influence each other. The outbreak of the COVID-19 pandemic has forced many consumers to abandon the original shopping mode and change from "offline-based" to "online-based". And this convert has also compelled offline retail stores and enterprises to consider about opening online stores for digital transformation. Therefore, the development direction of consumers' future shopping patterns also affects the process of digital transformation of small and medium retail enterprises. Therefore, it is necessary to comprehend more about the impact of the pandemic on the changing shopping patterns of Chinese and Russian consumers, as well as their views and attitudes on online and offline shopping, and whether it is acceptable for the stores they frequent to become online stores. For this purpose, this study developed a questionnaire to gain insight into consumer behavior and perceptions in both countries.

Fifteen of the sixteen questions in the questionnaire are closed-ended questions. Too many open-ended questions will waste more energy and time of the respondents, which often makes the respondents tired of the questionnaire and affects the reliability of the questionnaire results. Therefore, in order to save the respondents' answering time and facilitate the respondents to answer and analyze the results of the questionnaire in the future, closed-ended questions have become the dominance of the questionnaire. These questions can be divided into two types: basic questions and questions about shopping patterns. Among them, the basic questions are mainly some basic information of the respondents, including gender, age, education, occupation and monthly household expenditure. These seemingly mundane questions can provide crucial data support for future research to help the further analysis on the different attitudes and perceptions of consumers with different ages, education and economic conditions towards different shopping methods. The role of fundamental issues cannot be ignored.

Next are the questions related to shopping patterns. These questions are mainly to investigate the impact of the pandemic on the transformation of consumers' shopping patterns (changes in the frequency of shopping in small and medium-sized stores) and consumers' attitudes towards online shopping. It mainly includes the following aspects:

(1) The frequency of consumers shopping in small and medium stores before and during the epidemic (due to the different epidemic prevention and control situations in China and Russia, the time period “after the epidemic is under control” needs to be added to the Chinese version of the questionnaire);

(2) Frequency of online shopping by consumers before and during the epidemic;

(3) What aspects consumers enjoy/dislike about shopping in small and medium stores during the epidemic;

(4) The advantages and disadvantages of small and medium stores;

(5). Whether consumers accept online services from familiar stores and why.

Table 1 presents all the questions and options for this questionnaire. And since this questionnaire is designed to examine the perceptions of consumers in China and Russia, the questionnaire needs to be translated into Chinese and Russian respectively and distributed in both countries at the same time.

After completing the design of the questionnaire and translating it into the language of the country under investigation, the next step is to publish the questionnaire to the respondents through the Internet to complete the data collection. Both China and Russia have vast territories and thousands of cities, and it will take a huge amount of energy and money to complete the survey for the whole country. So, the best way is to select a more representative city in each of the two countries and conduct a sample survey of consumers in this city. This study selected Beijing and St. Petersburg as the survey cities. As two metropolises, Beijing and St. Petersburg gather a large number of consumers of different ages and family conditions, which is very conducive to the filling of questionnaires and the collection of a large number of different data. Secondly, Beijing and St. Petersburg, as one of the cities with the best economic development conditions and the highest consumption level in China and Russia respectively, represent the mainstream consumption behavior and shopping methods of the two countries to a certain extent. It can make this study have a more accurate grasp of the overall situation of China and Russia.

Questionnaires were distributed and collected online. This is because the network can get more data by sending questionnaires to more respondents in less time. However, the negative impact of this method is that the respondents of the survey are more inclined to those respondents who can use the Internet to fill in the questionnaire [Kim & Song, 2017]. The study used online

questionnaire platforms that are widely accepted in China and Russia for data collection. In China, this study used the most famous questionnaire website in China, "Wenjuanxing", to distribute the questionnaires. In Russia, we used Google Forms. These two platforms have a large potential sample population, which guarantees the randomness of sampling and the reliability of reasoning [Ning et al., 2020]. The survey begins by explaining the purpose and protocol of the study. Participants must read and confirm their agreement to the statement before proceeding with the questionnaire. They can withdraw at any time while completing the questionnaire. Only those surveys with no missing answers can be submitted. According to the platform's IP address recording system, each respondent can only submit one questionnaire.

Finally, after three weeks of waiting, a total of 429 people (Chinese 324, Russian 105) completed the questionnaire. After that, the returned questionnaires were checked for logic, 20 copies containing logical errors (Chinese 17, Russian 3) were excluded, and the final sample size was 408 (Chinese 306, Russian 102) for data analysis.

## **2.2 Data research**

The results of the basic questions of the questionnaire (Table 5) were analyzed. It is not difficult to find that among the respondents in the survey in China, men account for more, accounting for 51.6%, while women in Russia account for the majority, accounting for 54.9%. In terms of age, the questionnaire covers a wide range of age groups, with respondents from all six age groups. Among them, the respondents aged 41 to 50 are the most in China, accounting for 30.7%, while the respondents in Russia Those who are mainly concentrated in 21-30 years old, 63.7%. In addition, the survey questionnaires in both countries failed to collect enough answers in the year over 60 years old, which will make the survey results have certain limitations and cannot take into account the attitudes of elderly consumers. In terms of occupation, Chinese respondents are mainly company employees, while Russian respondents are mainly students, and there are fewer respondents in other occupations. In terms of monthly household income, respondents with a monthly income of 3,000-5,000 yuan (30,000-50,000 rubles) were the most in both countries, reaching 25.5% and 32.4% respectively. Among them, due to the low living expenses of the young group living alone, the monthly household expenditure is basically at the level of 3001-5000 yuan, while the middle-aged and elderly groups already have a family, monthly living expenses, children's education expenses and parents' medical expenses and other expenses. Increase, so the

monthly expenditure in households is mostly 10,000 yuan (100,000 rubles). In China, due to the large number of respondents aged 41-50, the proportion of household income above 10,000 yuan is also relatively large, accounting for 25.5%.

Table 5 Answers to basic questions by Chinese and Russian respondents

Question	Category Options	Result in China		Result in Russia	
		Frequency	Percentage (%)	Frequency	Percentage
<b>Gender</b>	1. Male	158	51.6	46	45.1
	2. Female	148	48.4	56	54.9
<b>Age</b>	1. Under 20	36	11.8	20	19.7
	2. 21-30	46	15.0	65	63.7
	3. 31-40	44	14.4	6	5.9
	4. 41-50	94	30.7	3	2.9
	5. 51-60	67	21.9	5	4.9
	6. Above 60	19	6.2	3	2.9
<b>Occupation</b>	1. Student	33	10.8	67	65.
	2. Government employee	34	11.1	5	4.9
	3. Employee in companies	119	38.9	14	13.7
	4. Teaching-related	15	4.9	6	5.9
	5. Farmer	9	2.9	0	0
	6. Private Business owner	50	16.3	7	6.9
	7. Unemployed	23	7.5	0	0
	8. Retiree	23	7.5	3	2.9
<b>Household expenditure</b>	1. No more than 1000 yuan / 10000 rubles	6	2.0	7	6.9
	2. 1000-2000 yuan / 10000-20000 rubles	18	5.9	8	7.8
	3. 2000-3000 yuan / 20000-30000 rubles	35	11.4	16	15.7
	4. 3000-5000 yuan / 30000-50000 rubles	78	25.5	33	32.4
	5. 5000-8000 yuan / 50000-80000 rubles	63	20.6	22	21.6
	6. 8000-10000 yuan / 80000-100000 rubles	28	9.2	8	7.8
	7. More than 10000 yuan / 100000 rubles	78	25.5	8	7.8

The first is about consumers' attitudes towards small and medium retail enterprises. When asked about the shortcomings of small and medium-sized retail enterprises, the respondents gave



their true views. Although China and Russia have different economic, social and cultural conditions, consumers in both countries have similar views on the disadvantages of small and medium enterprises. As shown in Figures 2.1 and 2.2, 56% and 52% of respondents in the two countries, respectively, reported that small and medium enterprises lack product and service diversity. The lack of commodities in small and medium retail enterprises means that the special needs of some customers cannot be met. Consumers can only go to supermarkets or buy specific products of specific brands they need through other channels such as the Internet. This is also reflected in the questionnaire results, with 36% and 41% of respondents in China and Russia respectively considering that the inability to meet their special needs is a crucial issue. Another shortcoming shared by respondents in both countries was the quality of their merchandise. Stores sometimes choose irregular purchase channels and product manufacturers in order to reduce costs, which leads to uneven product quality. In China and Russia, 23% and 42% of the respondents believe that small and medium retail stores lack the assurance of commodities' quality. In addition, unreasonable prices and poor service attitudes are also perceived by Chinese and Russian consumers as the shortcomings of small and medium retail stores, which need to be further corrected.

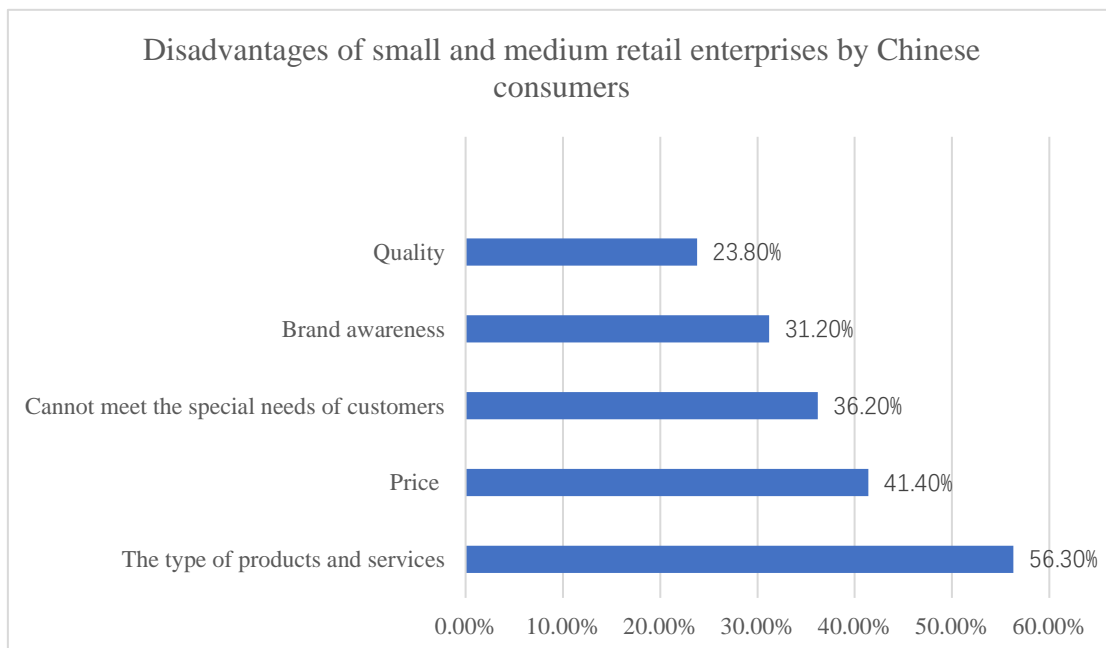


Figure 2.1 Disadvantages of small and medium retail enterprises by Chinese consumers

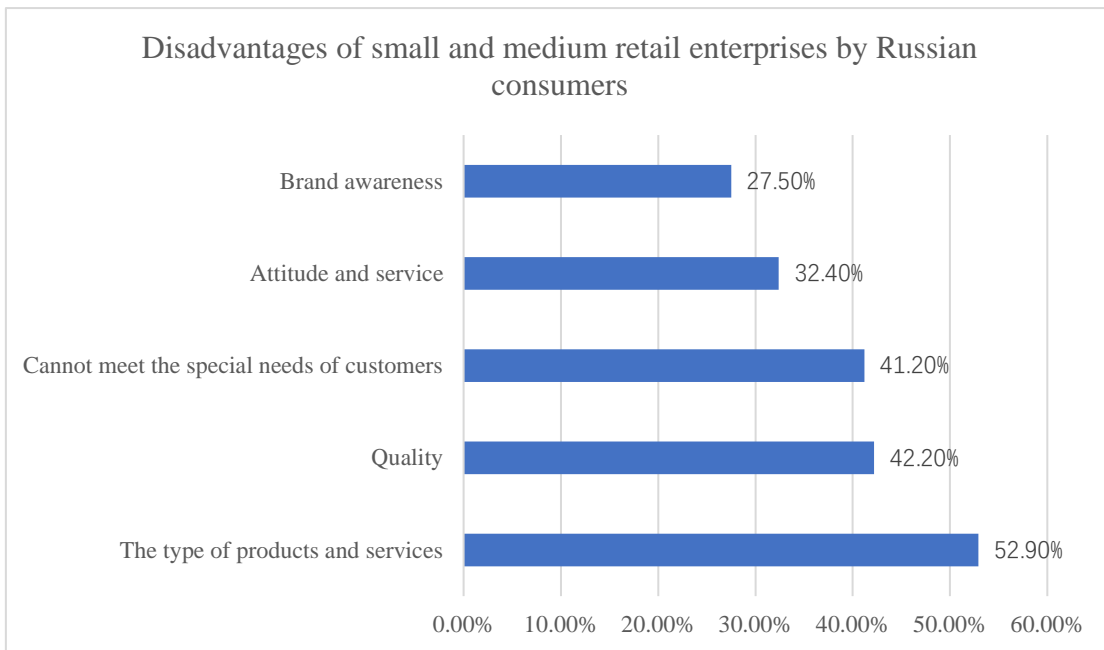


Figure 2.2 Disadvantages of small and medium retail enterprises by Russian consumers

In comparison, Chinese and Russian consumers have similar and different perceptions of the shortcomings of small and medium retail stores. Consumers in both countries believe that stores need to be able to provide them with enough variety to choose from. This can also reflect the characteristics of modern consumers, that is, the diversification of commodities required. This is why consumers are increasingly inclined to shop on retail platforms or shopping malls. From the perspective of differences, Chinese consumers are more concerned about the price of goods, while Russian consumers are more concerned about the quality of goods and service attitudes. This also reflects the different consumer psychology of consumers in the two countries. Chinese consumers only pursue the maximization of economic benefits, while Russian consumers not only pay attention to the adaptability of products, but also hope to obtain better consumption and service experience. This requires the governments and small and medium retail enterprises in China and Russia to formulate different strategies according to the different attitudes and opinions of consumers in the two countries.

Although small and medium enterprises have many shortcomings that need to be corrected and addressed, this does not mean that consumers no longer need these stores. As shown in figure 2.3-2.4, they have unique advantages to compete with other channels such as online shopping. The first is that they can touch and observe products with their hands or eyes when shopping, so as to better understand product information. 67.7% of Chinese respondents and 43.1% of Russian

respondents agree with this view. Secondly, 60.8% of Russian respondents believe that goods in stores are cheaper than buying from other channels, and 59.8% of Russian respondents believe that small and medium-sized stores are more convenient, even more convenient than online shopping. This is mainly because of Russia's vast territory and logistic system that are still in the development stage. Sometimes, commodities ordered online may take days or even weeks to arrive, while offline stores can buy and use it right away, eliminating the waiting time. 48% of Chinese respondents also believe that offline shopping is safer than online shopping and can avoid the leakage of personal information. These advantages can be used by small and medium-sized retail enterprises in the future development.

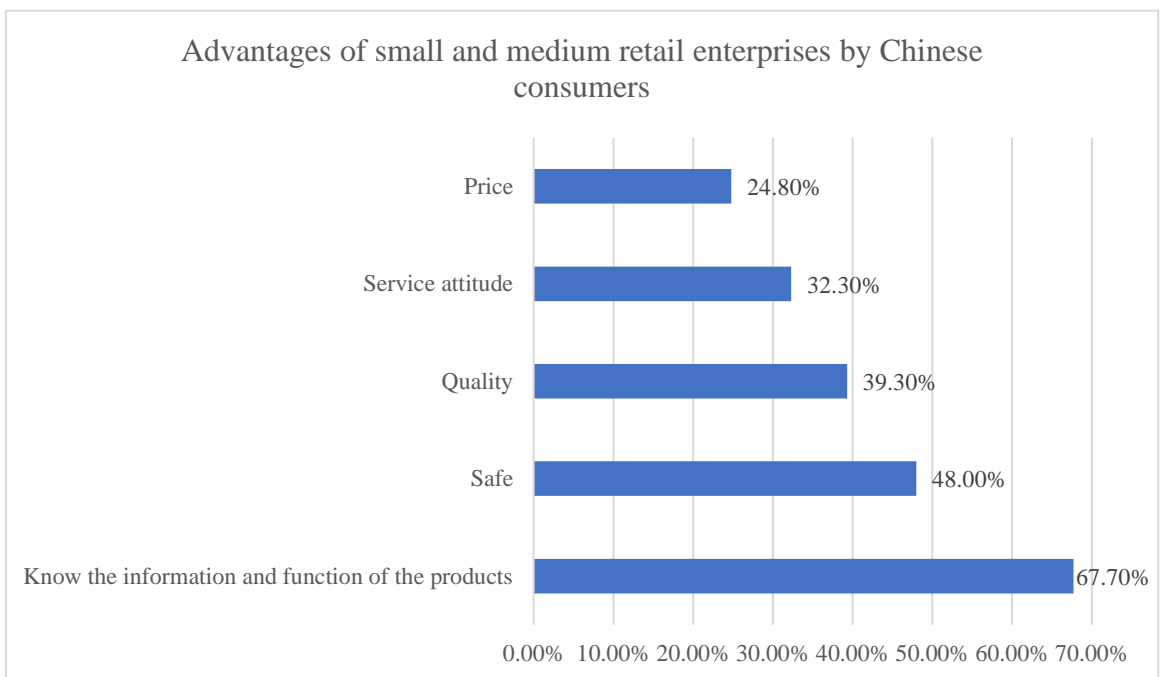


Figure 2.3 Advantages of small and medium retail enterprises by Chinese consumers

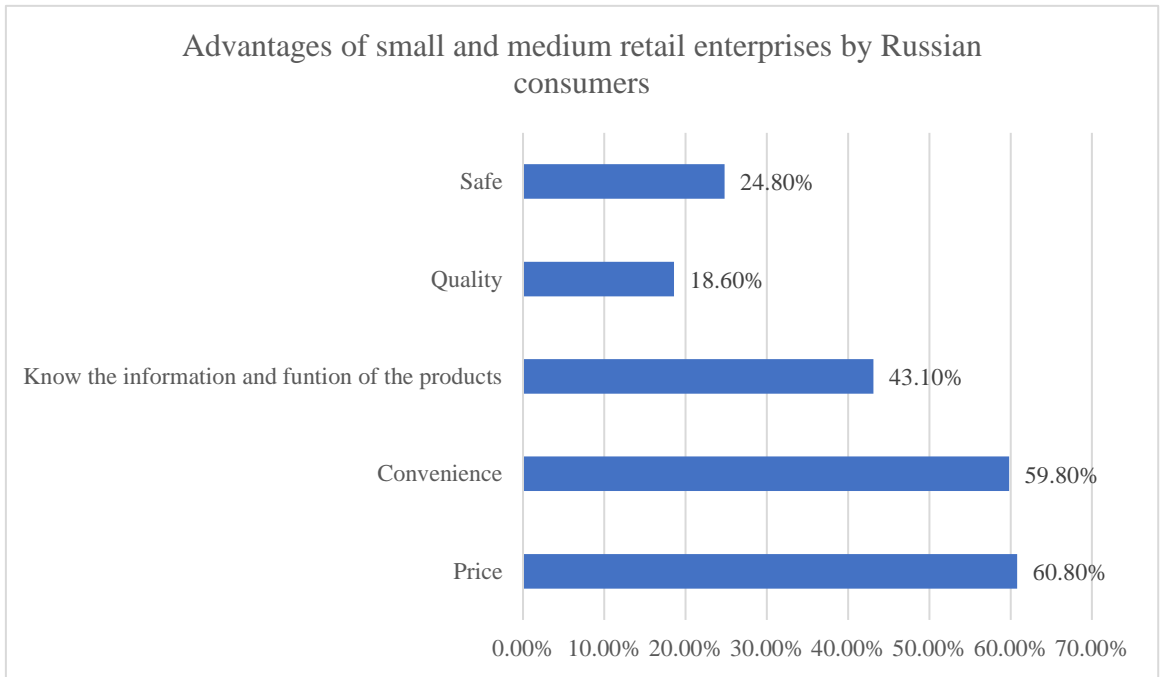


Figure 2.4 Advantages of small and medium retail enterprises by Russian consumers

Another focus of this study is the change in consumption patterns of Chinese and Russian consumers before and during the pandemic. The results obtained from the questionnaire are not significantly different from the assumptions. As shown in Figures 2.5 and 2.6, the frequency of offline shopping in changed dramatically before and during the pandemic. Consumers who visit stores several times a week during the pandemic are nearly 25% less frequent than they were before the pandemic. Most consumers go once a month or once a week. Same situation as in China. As shown in Figures 2.7 and 2.8, among all Russian respondents, the percentage of people visiting the store several times a week during the pandemic was decreased by nearly 30%, compared with before the pandemic.

The above results show that due to the impact of the COVID-19 pandemic, consumers' consumption patterns have indeed changed significantly, and the frequency of shopping in small and medium stores has been greatly reduced. But this does not mean that offline retail stores are no longer important in the minds of consumers, because many consumers still choose to shop here, but the frequency is reduced. Therefore, it is also necessary to retain offline stores.

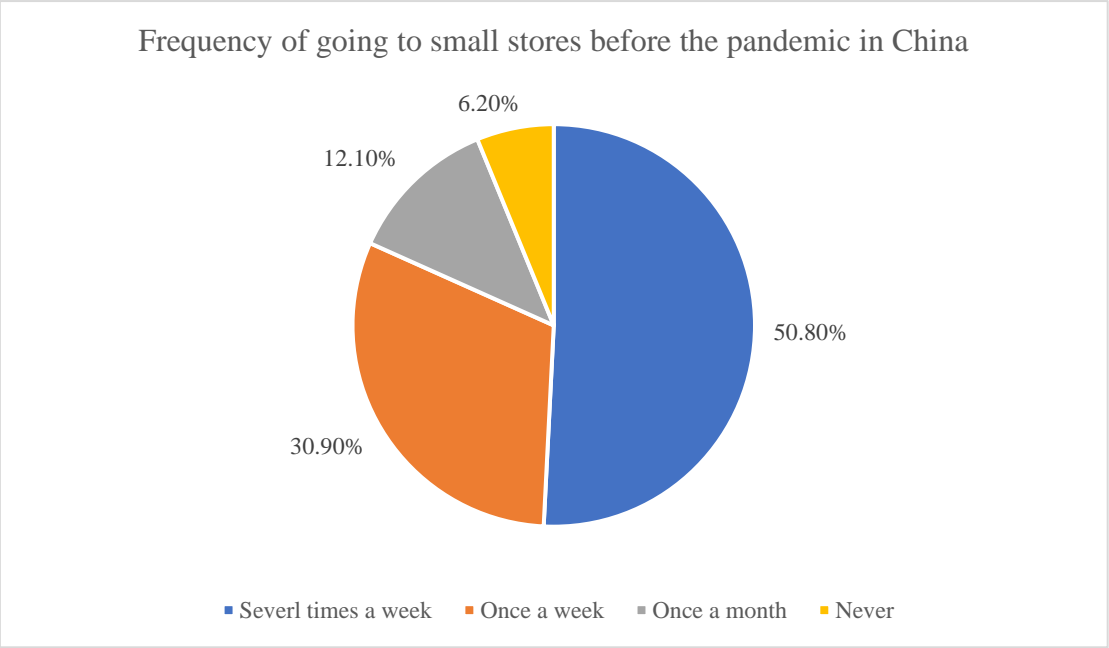


Figure 2.5 Frequency of going to small stores before the pandemic in China

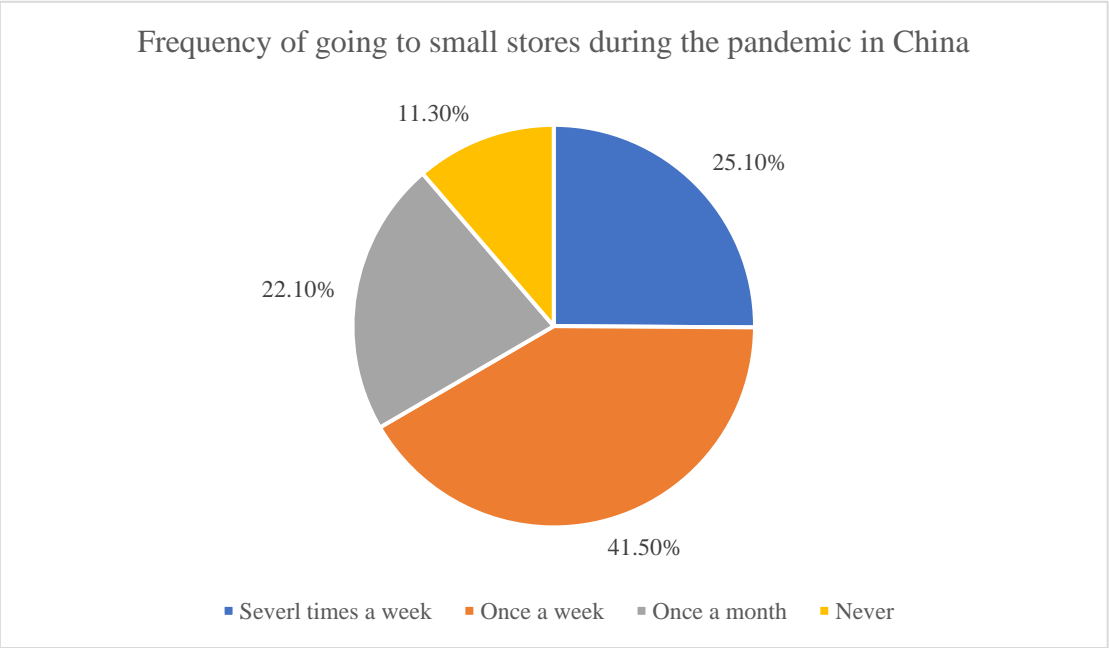


Figure 2.6 Frequency of going to small stores during the pandemic in China

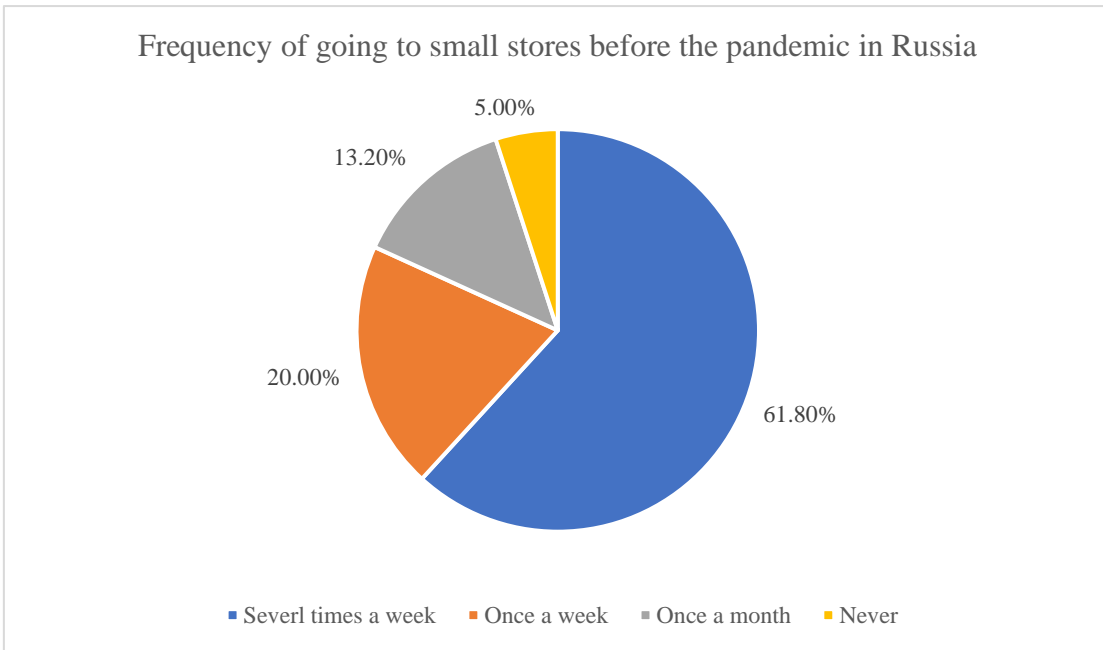


Figure 2.7 Frequency of going to small stores before the pandemic in Russia

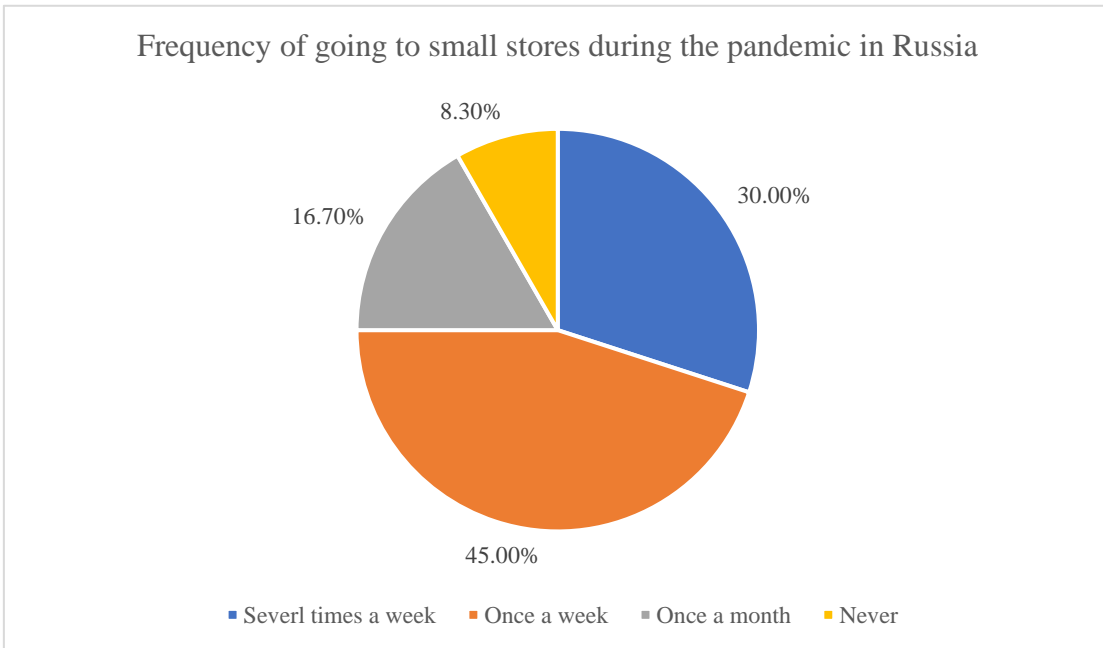


Figure 2.8 Frequency of going to small stores during the pandemic in Russia

Regarding the frequency of consumers' online shopping, according to Figure 2.9-2.14, we can find that the frequency of Chinese consumers' online shopping did not change much before and during the pandemic, was less affected by the epidemic, but the frequency of Russian consumers' online shopping increased significantly. The pandemic has caused Russian consumers to try other shopping models. And more than 70% of the respondents in both countries expressed willingness to accept and try to use online services provided by small and medium retail enterprises.

From this, it can be found that consumers in Beijing and St. Petersburg have now formed a combined “online + offline” shopping model. Even if they use the Internet to buy goods and obtain services, they will often go to offline stores to shop. This is very much in line with the "New retailing" model described above. That is, while developing online services, retail enterprises also may retain the offline model, which can not only expand sales channels, but also retain the competitive advantages of traditional retail companies.

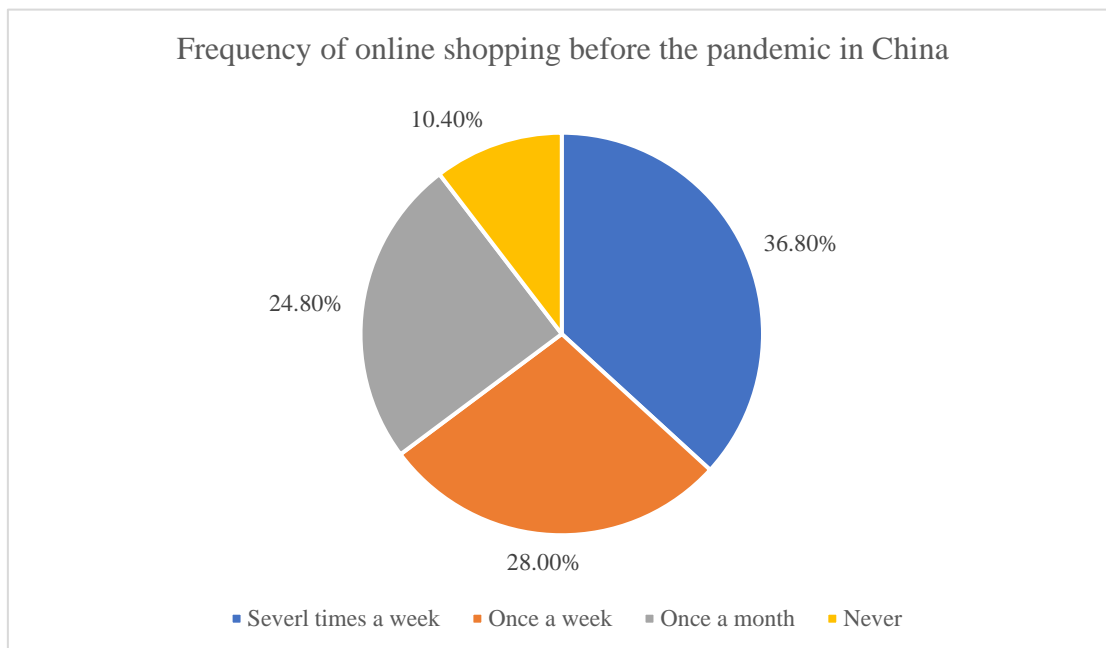


Figure 2.9 Frequency of online shopping before the pandemic in China

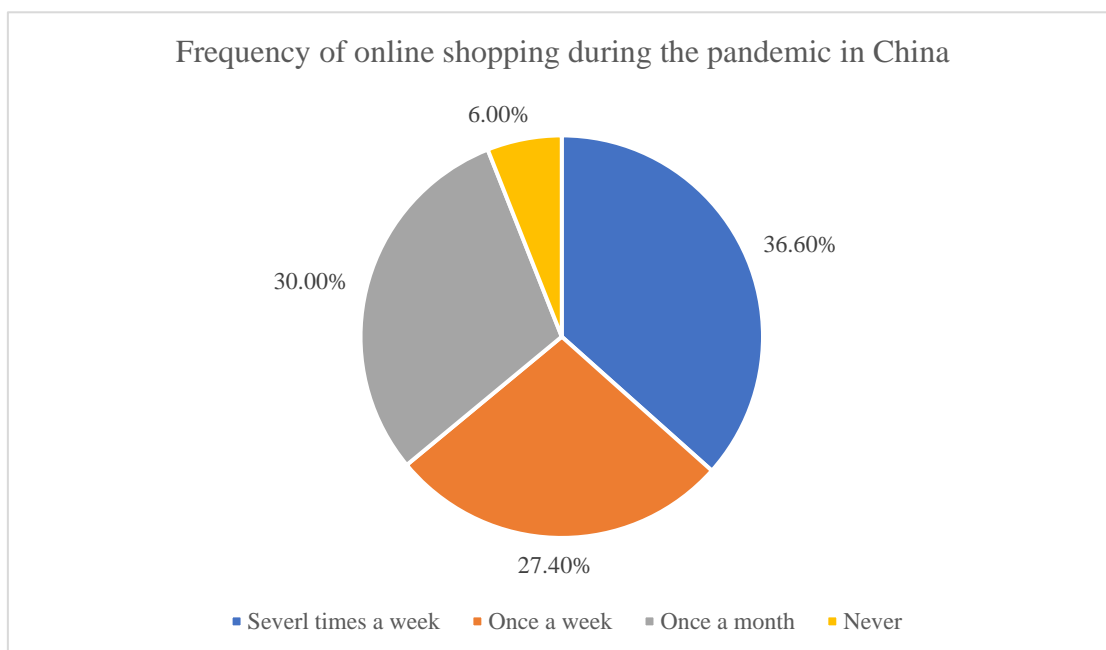


Figure 2.10 Frequency of online shopping during the pandemic in China

Frequency of online shopping before the pandemic in Russia

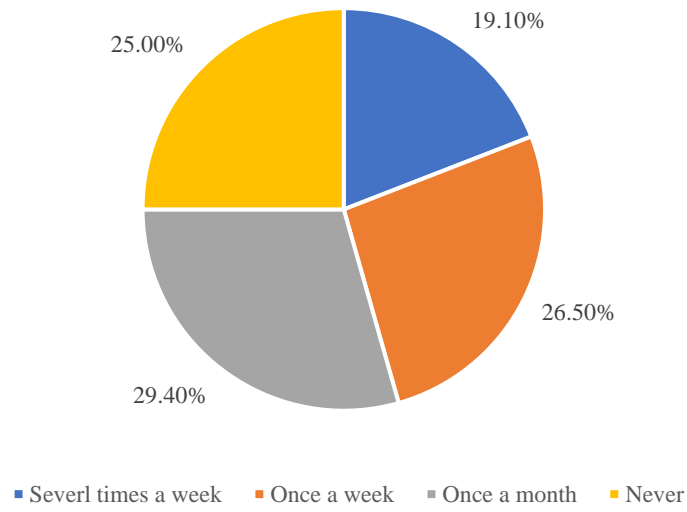


Figure 2.11 Frequency of online shopping before the pandemic in Russia

Frequency of going to small stores during the pandemic in Russia

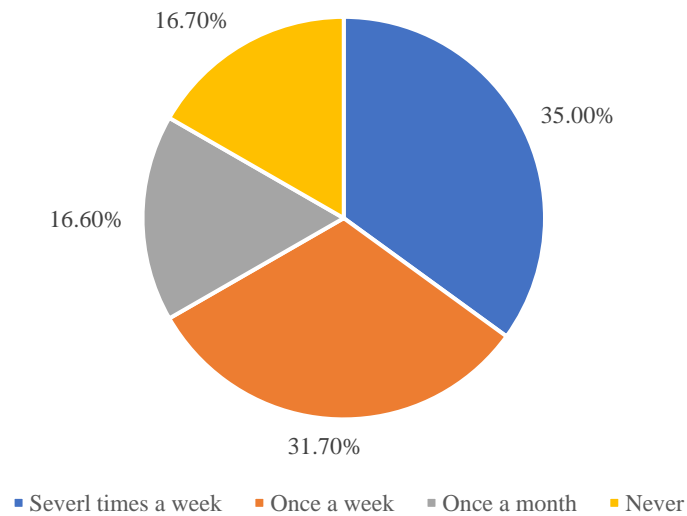


Figure 2.12 Frequency of online shopping during the pandemic in Russia



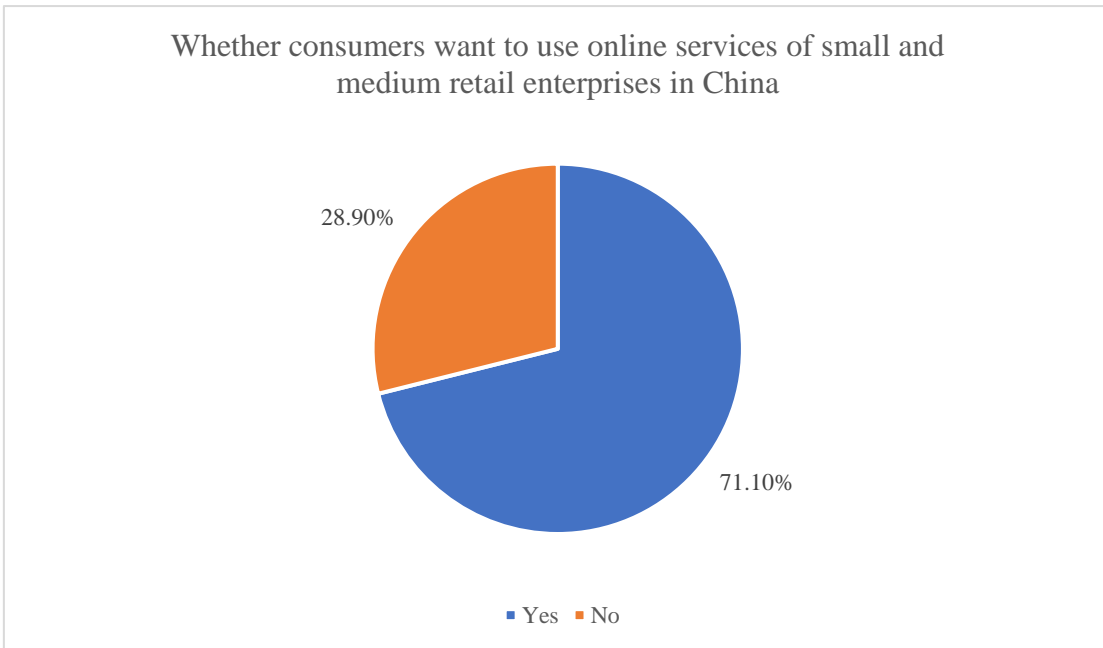


Figure 2.13 Whether consumers want to use online services of small and medium retail enterprises in China

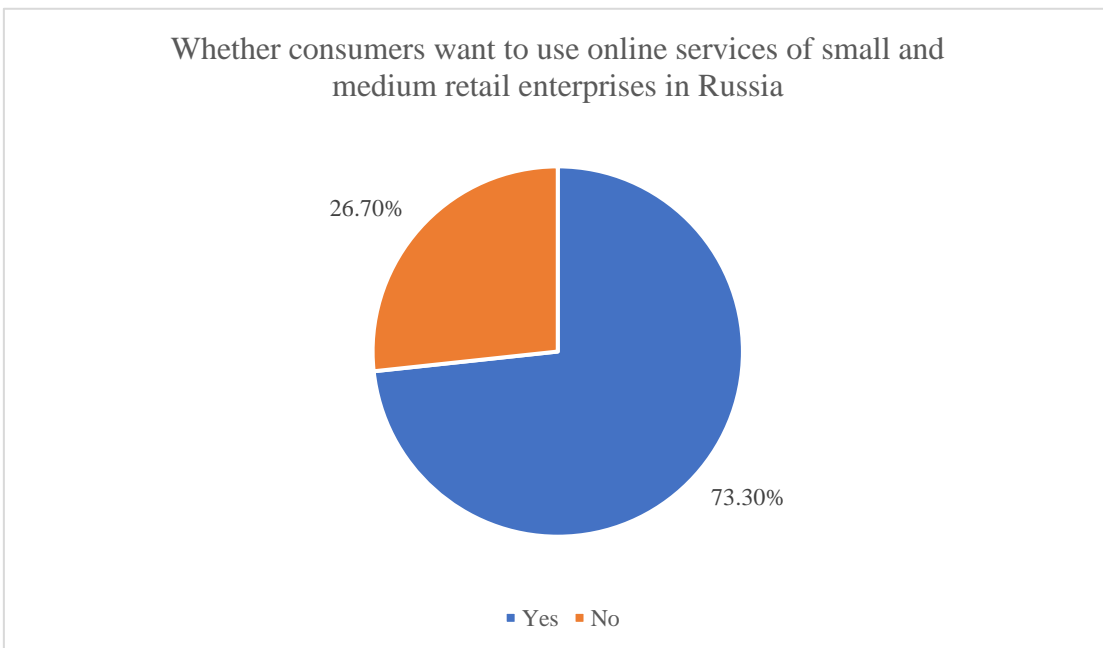


Figure 2.14 Whether consumers want to use online services of small and medium retail enterprises in Russia

This survey is significant for this research. According to the survey, we have grasped the real situation of consumers, that is, consumers are highly receptive to online services and digital transformation, which provides a data foundation for the digital transformation of small and medium retail enterprises. This proves that consumers have high demand for digital services, and the digital transformation of small and medium enterprises has a high feasibility. In addition, the attitudes of Chinese and Russian consumers towards small and medium retail enterprises obtained

from the questionnaire can also provide certain help for policy recommendations. By analyzing the different advantages and disadvantages of small and medium retail enterprises considered by Chinese and Russian consumers, find different focuses and put forward different suggestions for the development of small and medium enterprises in China and Russia

## **2.4 Policy recommendations**

So why is government so important in digitalization of small and medium enterprises? First of all, compared with large enterprises, small and medium enterprises generally have problems such as small scale, poor anti-risk ability, insufficient funds, and social financing difficulties. Digital transformation requires sufficient funds and technical personnel. Under the influence of resource allocation by market, a large amount of capital and technical personnel will flow to large enterprises with better conditions, higher returns and mature technology, while the resources that can be allocated to small and medium enterprises are very small. Without the intervention and regulation of the government's "invisible hand", the digital transformation of small and medium enterprises is difficult to achieve success. Secondly, even if small and medium enterprises choose to cooperate with large enterprises in digitalization, due to the above problems, small and medium enterprises can easily put themselves at an inferiority position, and it is difficult to effectively protect and develop themselves in the cracks of large enterprises without supervision. Therefore, as a reliable backup and solid backing, the government must escort the digital transformation of small and medium enterprises.

For the advice to really help our SMEs, we must have a better understanding of the issues small and medium enterprises are facing right now. From the above results, these problems can be mainly divided into three parts. The first is the lack of funds. The scale of small and medium enterprises is not as huge as large enterprises, and the funds that can be used for turnover and digital development are limited, and the pandemic has exacerbated the problem of capital chains faced by small and medium enterprises. How to get sufficient funds or how to capable small and medium enterprises to complete digital transformation without spending a lot of money will be a top priority. Second, most SMEs lack sufficient digital technology knowledge and related technical staff. In China alone, the digital technology talent gap in 2020 will reach 11 million [APEC Human Resources Development Working Group, 2020]. Faced with such a serious gap, the government must pay more attention to this issue. Finally, are the shortcomings of small and

medium retail enterprises. We have already learned about them through the questionnaire. They mainly include the quality, price, and variety of commodities. Based on analysis of best practices and above survey, the recommendations provided by this study mainly include: cooperation with third-party platforms; setting up professional digital assistance teams; increasing technology expenditures; cultivating technological talents; building and improving relevant infrastructure and strengthening supervision of enterprises and platforms.

#### ***2.4.1 Motivate and guide small and medium enterprises to cooperate with third-party platforms***

As mentioned above, a very vital reason why small and medium retail enterprises do not will transform is the lack of financial and technical support. On the contrary, large-scale retail enterprises and digital retail platforms are gradually taking an absolute leading position in the exploration of digital transformation by virtue of their strong financial strength and technical reserves. Therefore, small and medium retail enterprises can realize their own digital transformation through cooperation with large retail or logistics platforms and use the digital technical support of large enterprises to make up for the lack of funds and related talents. In addition to this, these large-scale digital platforms can also bring novel opportunities to small and medium retail enterprises or stores. In China, according to monitoring data from company BigData-Research, in June 2021, Taobao had 773.874 million active users, while Jingdong had 362.308 million active users, which have already account for 54% and 25% of the country's total population respectively<sup>18</sup>. In Russia, the number of users of Ali express has also exceeded 37 million, and 41 million in Yandex. Market<sup>19</sup>, which are a half of the total population of Russia in total. Digital platforms can efficiently allow a huge number of consumers and sellers to interact [Hanninen et al., 2018], creating more opportunities and profits for merchants who join the platform, which will also bring a lot of benefits to the platform. The addition of small of medium enterprises and stores will benefit both parties.

In this link, the government must play a guiding, regulating and supervising role. For platforms and enterprises willing to freely provide digital technology to small and medium enterprises, and small and medium enterprises willing to cooperate with digital platforms, the

---

<sup>18</sup> Available online: <http://www.bigdata-research.cn/content/201809/778.html>.

<sup>19</sup> Available online: <https://www.similarweb.com/zh/website/aliexpress.ru/vs/yandex.ru/#overview>.

government should provide a certain degree of tax reduction or exemption and give appropriate financial subsidies to digital platforms and enterprises that share more technology and cooperate with more small and medium enterprises and stores, so as to promote the enthusiasm of large enterprises. While enhancing the enthusiasm of digital platforms, the government also needs to encourage and support the electronic trade activities of more traditional small and medium retail enterprises, vigorously promote the construction of e-commerce and supply chain informatization with large enterprises and electronic platforms as the core and fully use the aggregation effect and driving role of large enterprises and platforms in procurement, sales, and logistics, to drive the digital development and transformation of small and medium enterprises. In the process of promoting the digital transformation of small and medium enterprises, the government also needs to correctly handle the relationship between the market and enterprises, adhere to the market-oriented approach, give full play to the decisive role of the market in resource allocation, and promote the favorable combination of technology and application.

In addition, the systems of various digital platforms and enterprises in China and Russia are very different, and the standards and rules and regulations are also diverse. It is very unfriendly to new retailers and enterprises that want to cooperate with, and it is very unfavorable to promote the digital transformation of small and medium enterprises. To make it easier for small and medium enterprises to integrate with digital platforms, the government should also try to unify standards among digital platforms. The e-commerce platform adopts a unified application standard system, which can realize the interconnection between regional platforms and national platforms, breaking the boundaries between platforms and platforms, platforms and enterprises, and enterprises and enterprises, which helps to promote enterprises, especially small and medium enterprises to use the platform. Expand the market and gain new business opportunities; share information to achieve fair competition; reduce costs and improve product competitiveness.

On the other hand, as the most solid backing of enterprises, the government is also a guarantee of cooperation between digital platforms and small and medium enterprises, severely crack down on illegal or contractual violations to ensure the safety, rights and interests of enterprises, purify the cooperation environment between enterprises, and enhance the confidence of small and medium enterprises in cooperation with the platforms. Through the guidance and inclination of policies and laws, the impetus for the transformation of small and medium enterprises will be

elevated. Whether it is for the Chinese government or the Russian government, it is one of the best options to promote the cooperation between small and medium retail enterprises and third-party digital platforms through encouragement and guidance, so as to complete the digital transformation of small and medium-sized enterprises. Third-party platforms have developed a complete digital system with sufficient funds and technical personnel, without the need for the government to invest too much time and budget in this regard. The government only needs to be a good backing, guarantee and provide them with appropriate discounts and subsidies, so that small and medium-sized enterprises and third-party platforms can search and match by themselves, which can give full play to the role of the market, reduce costs and minimize risks.

#### ***2.4.2 Establish relevant digital transformation technical assistance departments***

Digital technology is produced with the development of science in recent years, contains many new concepts and ideas. However, the lack of capital and human resources has resulted in the lack of digital capabilities [Chen et al., 2021] of small and medium retail enterprises. Enterprises have operated traditional technologies to maintain the operations, and from managers to employees, the lack of related knowledge and skills cannot be enhanced. Even if digital technical support is obtained from the others platforms, it is tough for these small and medium enterprises to use these technologies in daily operations and repair the system. This will absolutely hinder the process of digital transformation of small and medium retail enterprises. Basic on this issue, the government should set up a special department to solve the problem of small and medium-sized retail enterprises using digital technology. In addition, the selection of the support mechanism is also very important to the assistance for small and medium retail enterprises. Different enterprises face different problems due to their different organizational forms and personnel education levels. If only one standard is used to help all small and medium enterprises, it will be difficult to achieve the desired effect. In view of the differences in the problems faced by small and medium enterprises, the best solution is to understand the problems faced by each enterprise and provide point-to-point assistance to achieve precise support.

First, government can add relevant content and frequently asked questions about digital technology into the urban e-governance system, and open online customer service and hotlines. In this way, employees or managers of enterprises can learn the most basic information about the use of digital technology through the Internet. When encountering technical failures or difficulties in

usage, simple problems can be solved by inquiring to the online customer service or calling the hotline.

Second, relevant departments need to send members to go down to small and medium retail enterprises or stores for inspection. During the inspection process, governmental staffs should carefully inquire and find out the technical or conceptual difficulties and obstacles encountered in the operation of the enterprises, clarify the current problems, and find the foothold of assistance for the digital transformation of the enterprise. And it is necessary to clarify responsibilities of departments and direct leaders should, clarify the requirements and norms for policy implementation, and require all governmental departments and leaders to enter into the enterprises and establish close contact with enterprises to ensure that every enterprise and store will have staffs from the government departments to connect with, so as to help enterprises solve practical difficulties in a targeted manner.

Third, relevant team of digital technicians should be formed in the department. At the same time, develop a group of digital transformation consulting agencies, set up a team of consulting and diagnosis experts and volunteers to provide several services such as diagnosis, strategic planning consulting, software and hardware integration for small and medium enterprises, and drive the overall digital transformation of enterprises. Open up the linkage between government, industry, academia and research, and guide market players to actively innovate the mode of participation in the digital transformation of small and medium enterprises. These teams and groups will be consisted by staffs from other government departments, who have relevant digital skills or knowledge. Its main task is to come to the enterprises when the enterprise encounters difficulties that are not easy to solve, assist the enterprise in troubleshooting on the spot, and answer and guide all the questions of the enterprise. When enterprises encounter problems that cannot be solved through customer service and telephone, the department can send a professional team to the enterprise to help the enterprise solve the problem or provide further guidance.

Last, in order to improve the overall digital capabilities of small and medium enterprises, the government can also set up digital technology training courses to provide employees, owners or leaders with systematic training on related technologies and concepts, so that the overall digital literacy of small and medium enterprises can be greatly improved. Guide large enterprises and small and medium enterprises to carry out talent exchanges and training activities and strengthen

exchanges in large and medium-sized enterprises in terms of talent concept, technology, and management. Set up the training of leading talents in operation and management of small and medium to help management personnel to expand the vision of integration and development, deepen the thinking of digitalization and development, and improve their digital skills. Implement the digital technology engineer training program, accelerate the training of talents in the digital technology field, and promote the integrated development of the digital economy and the real economy. At the same time, Constantly preach to enterprises, constantly broaden the vision and ideas of enterprises and store owners and improve the sales and management level of small and medium-sized retail enterprises. By describing the situation in detail, fully interpreting the connotation of high-tech such as big data and its impact on the development of enterprises, we can help enterprises seize the favorable opportunities of the sharing economy, carry out cooperation and alliances between enterprises, and create more possibilities for enterprises. With the help of the government, enterprises can learn relevant knowledge and complete digital transformation faster.

#### ***2.4.3 Strengthen fiscal technology expenditures, and guide the digital transformation of small and medium enterprises through taxation policies***

At this stage, the economies of China and Russia are both in a critical period of development mode transformation, industrial structure optimization, and growth drivers transformation. Innovation-driven development [1] will become the key to economic transformation and upgrading of the two countries. While the pandemic has caused severe harm to the economy and society, it has also promoted the rapid development of the market of new digital formats. Increasing financial support for small and medium retail enterprises will help market investors reduce not only the cost of identifying high-quality enterprises, but also the degree of information asymmetry, which can guide financial resources to concentrate on small and medium-sized retail enterprises, and lay a tremendous foundation for technological transformation of enterprises [Brown & Petersen, 2011], which can also become the direct driving force for the digital transformation of enterprises.

Therefore, on the one hand, the government can increase the investment in digital transformation by increasing the fiscal technology expenditure of small and medium enterprises, especially retail enterprises, so that enterprises can relieve their own financing constraints.

Through direct financial support (financial subsidies, financial discounts, etc.), fiscal technology expenditures select enterprises that meet the funding conditions and inject funds into these enterprises [Howell, 2015] to improve the financial status of enterprises [Czarnitzki et al., 2011], This will greatly reduce the cost of digital R&D and usage for enterprises. In particular, fiscal technology expenditures has a certain leading and exemplary role [Lee, 2011]. Set up a "Special technical support fund" for the digital transformation of small and medium enterprises", which can be used to hire experts in digital technology or purchase related technical equipment to help small and medium enterprises solve related digital technology and operation problems. Strengthen the supervision of the use of special funds, clarify the use of special funds, and ensure that special funds are used for special purposes, so as to lay a solid material foundation for the digital transformation of small and medium enterprises. On the other hand, the government can moderately increase the deduction ratio of R&D expenses for small and medium-sized enterprises by improving the preferential tax policies mainly based on income tax, so as to reduce their tax burden.

In addition to small and medium enterprises, our government can also provide appropriate subsidies to large technology companies that have made outstanding contributions and roles in developing digital technologies. Corresponding rewards will be given to scientific research and technical service enterprises, based on the enterprises' total amount and the intensity of R&D investment. At the critical moment when the research team is faced with major difficulties and technological breakthroughs, the government may appropriately reward for enterprises that undertake major national and provincial science and technology projects and key R&D plans, according to the progress performance of the project contract implementation, in order to mobilize the enthusiasm of high-tech enterprises for technology research and development and expand the scale of high-tech enterprises. In addition, adhere to the principle of joint participation of government enterprises and win-win situation for all parties, and encourage local and national scientific research institutes and enterprises to cooperate with enterprises to establish R&D institutions and provide financial support. According to different development stages, support will be provided in stages and files, and financial support will be given to the high-level digital forums organized by the Academy of Sciences and the Institute, as well as activities such as industry-university-research docking.



The support of fiscal technology expenditures enables enterprises to step up their efforts to invest in their own digital transformation. In essence, as one of the crucial governmental policy tools to boost technological innovation of enterprises, fiscal technology expenditures can give enterprises sufficient special funds through direct financial capital injection compared with other economic policies (industry, currency, etc.) [Lin, 2019]. With the gradual usage of new technologies and ideas, the sensitivity of enterprises to the frontier of science and technology has been significantly improved, and then they can better tap the information available inside and outside the enterprise [Liu et al., 2011], so that small and medium enterprises, which strength and status are not outstanding, can also seize the historical opportunity of the rapid development of the new generation of information technology.

#### ***2.4.4 Strengthen the reserve of digital professionals***

The continuous upgrading of digital technologies and the integration and development of new industrial models have put forward higher requirements for advanced digital professionals who serve the digital transformation of enterprises. However, the quantity and quality of compound digital talents currently cultivated by universities and institutes are far from meeting the employment needs of enterprises' digital transformation. The lack of high-end digital professionals has become a crucial shortcoming restricting enterprises' digital transformation. The imperfect training system for related professionals has caused the supply of emerging technical and innovative professionals to lag behind the demand. In addition, with the gradual deepening of digital transformation, except the basic professional programming capabilities, enterprises also require the professionals to give their full play to the comprehensive capabilities in technological innovation, management operations, strategic planning, etc., which makes the role of compound digital talents in digital transformation. Therefore, the reserve of the best digital talents is another important task of the city government of each city.

Promulgate standards for the identification of digital professionals. At present, the lack of a unified digital certification standard makes the quality of digital professionals uneven, making it difficult for them to be competent for today's digital transformation and difficult to meet the requirements of enterprises in the new era for relevant talents. By formulating digital certification standards and issuing digital talent certification certificates, the proportion of high-quality digital professionals can be effectively increased. The government needs to divide digital talents into

junior, intermediate and senior levels, and open up a complete education system from secondary technical school to doctoral education, so that all relevant majors in the secondary vocational, junior college, undergraduate, master's and doctoral education systems are covered. To meet the different requirements of different types and scales of enterprises.

Cooperation extensive with different types of colleges and enterprises to cultivate and construct digital talents. Government should encourage colleges and universities to increase the amount of relevant professional classes and enrollments by relaxing the standards of the enrollment system; encourage local enterprises to use capital, technology, knowledge, facilities, management and other elements to participate in college-enterprise cooperation, rapidly increase the supply of high-quality talents, and strive to form a new form of digital talent training; encourage colleges and enterprises to cooperate to build high-level, professional, and radiating leading role in the integration of production and education training bases, to speed up the training of applied, innovative and compound digital talents; encourage college graduates from other majors to participate in digital talent skills training and vocational skills training for digital talents through financial subsidies and other means. The improvement in the quantity and quality of digital talents can help small and medium enterprises break the embarrassing situation of no one being available and accelerate the progress of digital transformation.

#### ***2.4.5 Improve digital infrastructure***

The construction of digital infrastructure is the foundation of the entire digital transformation. Without broad roads, even the fastest sports car cannot gallop, the digital transformation of enterprises can also only be empty words without advanced digital infrastructure. Digital infrastructure is produced along with the technological revolution and industrial transformation centered on a new generation of information technology; it is an emerging thing. It is generally believed that digital infrastructure is based on information networks, comprehensively integrates novel

information technology, and focuses on data perception, transmission, storage, computing, processing, and security. Digital infrastructure will provide impetus and support for the digital transformation and innovative development of the economy and society. And it can reduce the cost of applying digital technology to the whole society for innovation, and comprehensively enhance the enterprises' viability and economic and industrial strength. At present, the construction of

digital infrastructure has just started, facing problems such as lack of relevant facilities and unstable technology. The Chinese and Russian governments should use an innovative policy support system different from the construction of traditional infrastructure to maximize the innovation vitality and investment enthusiasm of all levels and industries and accelerate the construction of domestic digital infrastructure. Specifically, we can start from the following aspects.

1. Focus on key areas and accelerate construction. Digital infrastructure has a wide range, which include different types. It is impossible to build it all at once. Government may focus on new infrastructure fields with better starting foundation, wider application scope and fastest benefit, speed up investment and construction, and transform digital infrastructure into an endogenous driver of enterprises' development as soon as possible. In the field of information infrastructure, actively promote the introduction and deployment of new technologies, increase investment, accelerate the research and development and construction of 5G and fiber broadband network technologies, and increase the layout of advanced computing infrastructure such as cloud computing. At the same time, use artificial intelligence, Internet of Things, 5G and other technologies to improve the existing digital platform and logistics system to help enterprises build a digital business ecosystem with internal and external interoperability and overall linkage.

2. Simultaneous planning and construction of digital security facilities. Network security and reliability are the baseline for the development of digital infrastructure construction. The government should speed up the establishment of a digital infrastructure network security guarantee system, and promote the establishment of a cross-domain, cross-department, and government-enterprise cooperation mechanism for joint prevention and control of security risks and emergency response mechanisms. Simultaneously plan, construct, and operate supporting network security facilities, strengthen the capability of governmental network security facilities, and encourage market-oriented security facilities construction. Strengthen the research on security risks brought about by emerging information technologies, strengthen network security risk assessment and evaluation, and troubleshoot hidden dangers. Strengthen the design of new infrastructure reliability systems, and comprehensively adopt measures such as optimizing network architecture and routing organization to ensure the smooth operation of new infrastructure. Severely crack down on cyber and digital crimes, purify the Internet operating environment, and

create a favorable atmosphere for more small and medium enterprises to use the Internet and deepen the digitalization process.

Infrastructure construction is a broad topic, from information communication to logistics and transportation, every part is crucial for the digital transformation of small and medium retail enterprises. However, the construction of each module requires huge financial expenditure to support, so it is incapable for the government to update and build all the infrastructure involved at the same time. The best solution is to choose a development focus and vigorously build its associated infrastructure. The socio-economic situation of China and Russia is different, so the focus of infrastructure development will also be different.

With more than a decade of investment in transportation and information infrastructure, as well as the foundation laid by the development of Internet retail companies such as Alibaba and Jingdong in the past years, China has developed a well-established retail system. But here everything is based on 4G technology, Constraints in ICT make it lack an upward path and space. In order to obtain a broader space for development, there will be a new trend of online and offline integration. The Chinese government should focus on network information technology, vigorously carry out research and development and build related infrastructure, and Chinese technology companies such as Huawei are also the leaderships in the 5G technology. The breakthrough has also made the goal of China's next stage of infrastructure development very clear, that is to build 5G. In the process of promoting the construction of 5G communication network, the Chinese government should speed up the construction and development of 5G communication network by actively signing 5G strategic cooperation agreements with domestic basic operators. To build some 5G pilot cities, each of them needs to combine their own regional characteristics to propose a 5G development plan that combines local development characteristics, establish a 5G construction promotion mechanism for relevant departments at all levels, and regularly hold progress communication meetings to coordinate and solve problems in the process of 5G network construction in a timely manner. Improve the administrative approval efficiency of 5G construction-related processes in order to create a favorable environment for accelerating the large-scale deployment of 5G communication networks. After the success of the pilots, it can be gradually spread to the whole country.

While in Russia, the development of network information technology is not a top priority.

Due to the vast territory of Russia, the distance between cities is not very close, especially in the Asian part east of the Ural Mountains, where the population density is extremely low. This has led to the unsmooth transportation and storage of commodities between cities and cities, and the untimely processing of logistics-related information, thus delaying the entire process. So, the Russian government should focus on the construction of a complete logistics system. In addition to promoting the construction of transportation infrastructure such as highways, railways, and airport to ensure smooth logistics channels, the government can also try to build more complete cargo storage hinges in some small and medium-sized cities that are also located in major transportation routes, so as to facilitate the rapid delivery of goods. Transshipment to more remote areas. Update the logistics information processing and detection system to ensure that the location so as to keep the status of commodities are under monitoring and reduce the probability of loss and damage to the goods on the way. Accelerate the digitization of logistics elements such as goods, vehicles, stations, and distribution, and promote the in-depth application of the Internet of Things in the field of logistics. Build logistics information service platform so that consumers can find information about their products at any time, thus creating a new digital logistics information system that covers the whole country and benefits all consumers.

#### ***2.4.6 Strengthen supervision of enterprises and digital platforms***

Another problem that small and medium retail enterprises need to improve is the consumers' satisfaction and their own credit. It is necessary to thoroughly rectify the existing problems such as product quality, price and information security, and establish a good corporate image, so that consumers are more willing to come to consume. Otherwise, even if small and medium enterprises complete their digital transformation, their poor product quality and unreasonable prices will still be unable to attract more consumers. In order to urge small and medium retail enterprises to correct the above-mentioned problems in a timely manner, the government must play its regulatory role and strengthen the supervision of small and medium retail enterprises. Similarly, due to the different shortcomings of small and medium retail enterprises, by opinions of consumers in China and Russia, the Chinese and Russian governments need to choose different focuses to supervise small and medium-sized retail enterprises.

In addition to the different types of goods, according to the survey, most Chinese respondents believe that the prices of goods of small and medium retail enterprises are sometimes too

unreasonable. And that's what the Chinese government need to focus on. The market supervision and administration bureaus of local governments should continuously and dynamically adjust the supervision regions, supervision objects and supervision methods and conduct special price supervision and inspection actions from time to time to screen small and medium retail enterprises, and conduct on-site inspections and online monitoring, pay attention to the outstanding problems reported by consumers and strictly investigate and deal with price violations through complaints and reports and other channels. Especially for daily necessities, the government should pay close attention to market prices and supply dynamics, focus on checking the prices of important livelihood commodities in small and medium retail stores and enterprises, and strengthen policy publicity, widely publicize price policies to operators. At the same time, government also need to increase the efforts to investigate and punish price violations and smooth the channels for price complaints. Organize law enforcement forces, deal with complaints and reports in a timely manner, and resolutely crack down on price gouging and unreasonable price behaviors such as excessive price increases.

In Russia, the respondents are more concerned about the quality of goods of small and medium retail enterprises. In daily supervision, the management of commodity labels and identification should be strengthened, the development of commodity sampling inspection system should be further promoted, and an online commodity sampling inspection mechanism should be established at the same time. Consumers judge products through pictures and product introductions when consuming, so product information must be true and accurate, which means that the information released by merchants on online trading platforms is also subject to stricter supervision. Russian government can try to introduce a tracking and evaluation mechanism of a third-party organization to collect and certify the relevant information of the merchant through the third-party organization and publicize the certified business license or the relevant information established by the natural person, which can effectively reduce the supervision pressure of the industry and commerce department, and also enable consumers to obtain a better consumption experience. In addition, the regulatory authorities should strengthen the interaction with small and medium retailers, requiring them to regularly report information on relevant commodity transactions, and establish corresponding online transaction files to deal with emergencies. Thus, step by step, the loopholes of low-quality commodities of small and medium enterprises are

blocked.

On the other hand, as the most solid backing of enterprises, the government must strictly supervise digital platforms and the cooperation between large enterprises and small and medium enterprises, severely crack down on illegal or contractual violations to ensure the safety, rights and interests of enterprises, purify the cooperation environment between enterprises, and enhance the confidence of small and medium enterprises in cooperation with the platforms. Through the guidance and inclination of policies and laws, the impetus for the transformation of small and medium enterprises will be elevated.

## **Conclusions, limitations and exceptions**

This study analysed the development of small and medium retail enterprises in China and Russia during the pandemic, and conducted a questionnaire on consumers in both countries, thereby identifying a series of policy recommendations for the digital transformation of small and medium retail enterprises. Preliminary descriptive analysis shows that small and medium retail enterprises have been hit very hard during the pandemic, and a new model is urgently needed to achieve transformation, which is, the digital transformation. According to the questionnaire, consumers are very interested in the new digital services and are willing to try them, which also confirms the feasibility of digital transformation of small and medium retail enterprises. Based on this result, this study provides some policy recommendations for the government to help the in small and medium retail enterprises in China and Russia.

This study also has some implications for policymakers. First of all, it provides a new idea for the government, that is, digital transformation, to solve the dilemma faced by small and medium retail enterprises and provide more choices for policymakers. Second, the survey on consumers' attitudes provides effective data support for policy formulation and regulatory authorities, more detailed countermeasures can be formulated based on the results obtained. Finally, this study puts forward a series of recommendations for government departments to refer to and contribute their own views to policy formulation.

However, in this study also have certain limitations. First, in terms of data collection, due to the lack of channels, only a few numbers of result were collected in Russia. Moreover, most of the respondents in Russia were young people and students, which did not fully cover all age groups

and occupations. Second, this study lacks a feasibility analysis of the proposed recommendations, and this study fails to provide different types of suggestions for China and Russia based on their different economic, social and cultural situation. So, future research still needs to: 1. Try to get more respondents in Russia, covering all age groups and occupations. 2. Develop more diverse and nationally tailored proposals for Chinese and Russian policymakers. 3. Carry out a feasibility analysis of the proposed proposal.



## References

1. Hu, B., H. Guo, P. Zhou, Z-L. Shi, 2021. Characteristics of SARS-CoV-2 and COVID-19. *Nature Reviews Microbiology*. 19(3): 141-154.
2. Bagchi, B., S.Chatterjee, R. Ghosh, D. Dandapat, 2020. Impact of COVID-19 on Global Economy. *SpringerBriefs in Economics*. 15–26.
3. Cheng, S., J. Yu, Y. Shen, B. Huang, 2020. Coproducing responses to COVID-19 with community-Based organization: Lessons from Zhejiang province, China. *Public Administration Review*. 17(16): 1-14.
4. Brodeur, M., S. Audette-Chapdelaine, A. Savard, S. Kairouz, 2021. Gambling and the COVID-19 pandemic: A scoping review. *Progress in Neuropsychopharmacology & Biological Psychiatry*. 111. Available online: <https://www.sciencedirect.com/science/article/pii/S0278584621001482?via%3Dihub>.
5. China Association of Small and Medium Enterprises. The SMEs Development Index continues to rise steadily in the fourth quarter of 2020. (In Chinese) Available online: <http://www.casme.org/content/Content/index/id/31324>.
6. Shen. H., M. Fu, H. Pan, Z. Yu, Y. Chen. 2020. The Impact of the COVID-19 Pandemic on Firm Performance. *Emerging Markets Finance and Trade*. 56(10): 2213-2230.
7. Kraus. S., T. Clauss, M. Breier, J. Gast, A. Zardini, V. Tiberius. 2020. The economics of COVID-19: initial empirical evidence on how family firms in five European countries cope with the corona crisis. *International Journal of Entrepreneurial Behaviour and Research*. 25(6):1067-1092.
8. Aslund, A. 2020. Responses to the COVID-19 crisis in Russia, Ukraine, and Belarus. *Eurasian Geography and Economic*. 61(4-5): 532-545.
9. Sheng, L. 2021. Writing extraordinary answers in an extraordinary year — a review of the «Statistic Bulletin of National Economic and Social Development 2020». (In Chinese) *China Statistics* 3(2021): 4-7.
10. Dai, R., F. Hao, J. Hu, Q. Jin, H. Li, R. R. Wang, R. X. Wang, L. Xu, X. Zhang. 2021. The impact of COVID-19 pandemic on small and medium-sized enterprises (SMEs): Evidence from two-wave phone surveys in China. *China Economic Review*. 67. Available online: <https://www.sciencedirect.com/science/article/pii/S1043951X21000250?via%3Dihub>.
11. Liu, T., B. Pan, Z. Yin. 2020. Pandemic, Mobile payment, and Household Consumption:

Micro-Evidence from China. *EMERGING Markets Finance and Trade*. 56(10): 2378-2389.

12. China Chain Store & Franchise Association. Research report on the impact of the COVID-19 pandemic on the financial and operation of China's retail industry and industry trend outlook. (In Chinese). Available online: <http://www.ccfa.org.cn/portal/cn/xiangxi.jsp?id=441850&type=33>.

13. Zhang, Y., X. Diao, K. Chen, S. Robinson, S. Fan. 2020. Impact of COVID-19 on China's macroeconomy and argi-food system- an economy-wide multiplier model analysis. *China Agriculture Economic Review*. 12(3): 387-407.

14. Wei, T. 2021. How China managed the COVID-19 Pandemic. *Asian Economic Papers* 20(1): 75-101.

15. Hu, Z. 2006. A New View on the Position of the Retail Industry in the National Economy. *Social Science Front*. 3(2006): 63-69.

16. Zhang, K., Q. Qian. 2020. The impact of COVID-19 on China's economy and discussion of policies -evidence from listed companies (In Chinese). *Tropical Geography* 40(3): 396-407.

17. Guangming Daily. China's industrial economy is stable and resilient. (In Chinese) 2021. Available online: [https://news.gmw.cn/2021-07/17/content\\_35000876.htm](https://news.gmw.cn/2021-07/17/content_35000876.htm).

18. Song, H., Y. Yang, Z. Tao. 2020. How different types of financial service providers support small- and medium- enterprises under the impact of COVID-19 pandemic: from the perspective of expectancy theory. 14(1): 27.

19. Beijing municipal government. Measures taken by the General Office of the Beijing Government in respond to the COVID-19 pandemic and promote the sustainable and healthy development of small and medium enterprises. Available online: [http://www.beijing.gov.cn/zhengce/zhengcefagui/202002/t20200206\\_1625493.html](http://www.beijing.gov.cn/zhengce/zhengcefagui/202002/t20200206_1625493.html).

20. Jiangsu provincial government. Notice of policies and measures on supporting small and medium enterprises to alleviate the impact of the COVID-19 pandemic and maintain stable and healthy development. Available online: [http://www.jiangsu.gov.cn/art/2020/2/12/art\\_46144\\_8970100.html](http://www.jiangsu.gov.cn/art/2020/2/12/art_46144_8970100.html).

21. Hubei provincial government. Notice of the General Office of Hubei provincial government on relevant policies and measures in response to the COVID-19 pandemic to support small and medium enterprises to overcome the difficulties. Available online: <http://www>

[w.hubei.gov.cn/zfwj/ezbf/202002/t20200209\\_2022273.shtml](http://w.hubei.gov.cn/zfwj/ezbf/202002/t20200209_2022273.shtml).

22. Jiang, M., Y. Hu, X. Li. 2020. Financial support for small and medium-sized enterprises in China amid COVID-19. *Finance: Theory and Practice*. 24(5): 6-14.

23. S, Karpukhin. 2021. Sputnik V vaccine. History of creation and mechanism of action (In Russia). TASS, august 11. Available online: <https://tass-ru.turbopages.org/turbo/tass.ru/s/info/12101211>.

24. Biyatov, E. 2021. Servey: 15% of Russians support the unlimited mask mode (In Russia). RIA Novosti, April 18. Available online: <https://ria-ru.turbopages.org/ria.ru/s/20210418/maski-1728789086.html>.

25. Buchholz, K. 2020. Asians Still Most Likely to Wear Face Masks Due to COVID-19. *Statista*. Available online: <https://www.statista.com/chart/amp/21452/share-of-people-wearing-face-masks-per-country-covid-19/>.

26. Li, Y. 2020. Analysis of Russia's macroeconomic status and long-term and short-term relief policies during the pandemic (In Chinese). *Global Scanning*. 12(2020): 84-91.

27. Seleznev, M. 2020. Why Russians will not notice that Russia is in the top 5 world economies. Profile. Available online: <https://profile.ru/economy/pochemu-rossiyane-ne-zametyat-popadaniya-rf-v-top-5-mirovyx-ekonomik-403403/>.

28. Koroleva, A. 2020. First results: how the economy survived half a year of covid. *Expert*. Available online: <https://expert.ru/2020/09/12/polgoda-kovida/>

29. Connolly, R., P. Hanson, M. Bradshaw. 2020. It's déjà vu all over again: COVID-19, the global energy market, and the Russian economy. *Eurasian Geography and Economics*. 61(4-5): 511-531.

30. Ikmal, A., D. Djeneba, G. Neil. R. Alexandros; R. Aarti; T. Jonathan. 2020. Small and Medium Enterprises in the Pandemic: Impact, Responses and the Role of Development Finance. *Policy Research Working Paper*. 9414. Available online: <https://openknowledge.worldbank.org/handle/10986/34552>.

31. Official site of the analytical center "NAFI". 2020. The impact of the coronavirus epidemic on business and the need for government support (In Russian). Available online: <https://nafi.ru/projects/predprinimatelstvo/rossiyskiy-biznes-i-koronavirus-chast-1-predprinimateli-o-vliyanii-epidemii-na-ikh-biznes-i-o-potreb/>.

32. China Ministry of Finance. 2020. Urgent notice on winning the battle against the pan

demic, strengthening the prevention and control of the pandemic, ensuring financial support for enterprises (In Chinese). Available online: [http://www.gov.cn/zhengce/zhengceku/2020-02/07/content\\_5475962.htm?ivk\\_sa=1023197a](http://www.gov.cn/zhengce/zhengceku/2020-02/07/content_5475962.htm?ivk_sa=1023197a).

33. Liu. Y., Y. Zhang, X. Chen. SME's line of credit under the COVID-19: evidence from China. 2021. *Small Business Economics*

34. China National Development and Reform Commission. 2021. SMEs Development Index in 2020 (In Chinese). Available online: [https://www.ndrc.gov.cn/fggz/cygz/fwyz/202101/t20210105\\_1264454\\_ext.html?ivk\\_sa=1024320u](https://www.ndrc.gov.cn/fggz/cygz/fwyz/202101/t20210105_1264454_ext.html?ivk_sa=1024320u).

35. Polbin, A., S. Sinelnikov-Murylev, P. Trunin. 2020. The economic crisis of 2020: Reason, policies to deal with and further development of the Russian economy. *Voprosy Ekonomiki*. 2020(6): 18-47.

36. Xu, P. 2020. The impact of the COVID-19 epidemic on the Russian economy: Anti-epidemic and anti-crisis measures, economic performance and growth prospects) in Chinese). *Finance & Economics of Xinjiang*. 2020(4): 57-68.

37. Zoidov, K., I. Rodina, A. Urunov. 2021. Economic Policy of Russia in the Condition of Global Risks of the Covid-19 Pandemic (In Russia). *Regional problems of economic transformation*. 1(123): 7-16.

38. Government of Russia. 2020. On measures to support small and medium-sized businesses and on the organization of lending to SMEs in the context of the spread of coronavirus infection. Available online: <http://government.ru/news/39291/>.

39. Smirnova, A. 2021. Measures of state support for small businesses during the COVID-19 pandemic in Russia. *Journal of Economics, Entrepreneurship and Law*. 11(2): 285-298.

40. President of Russia. 2020. Meeting on the implementation of measures to support the economy and social sphere. Available online: <http://www.kremlin.ru/events/president/news/63303>.

41. Ministry of Finance of Russia. 2020. State Secretary - Deputy Finance Minister Alexei Sazanov spoke in an interview with Reuter's about measures to support the affected sectors of the economy, the tax maneuver in the oil industry and the results of the introduction of personal income tax. Available online: [https://www.minfin.ru/ru/press-center/?id\\_4=37085-stats-sekretar\\_zamministra\\_finansov\\_aleksei\\_sazanov\\_rasska-zal\\_v\\_intervyu\\_reuters\\_o](https://www.minfin.ru/ru/press-center/?id_4=37085-stats-sekretar_zamministra_finansov_aleksei_sazanov_rasska-zal_v_intervyu_reuters_o)

[\\_merakh\\_podderzhki\\_postradavshikh\\_otraslei\\_ekonomiki\\_nalogovom\\_manevre\\_v\\_neftyanoi\\_ot\\_ras.](#)

42. Economic Daily. 2020. Help each other, jointly bail out small, medium and micro enterprises (In Chinese).
43. OPORA Russia. 2020. Assessment of the effectiveness of measures to support the small and medium enterprises (In Russia).
44. Obraztsova, O., A. Chepurenko. 2020. SME policy in the Russian Federation: renewal after the pandemic (In Russia). *State and municipal management issues*. 2020(3): 71-95.
45. Bank of Russia. 2021. Assessment of the effectiveness of measures to support the SMEs (In Russia).
46. Economic Daily. 2020. The survey shows that small, medium and micro enterprises are highly satisfied with tax reduction policies. Available online: <https://baijiahao.baidu.com/s?id=1672604380073968993&wfr=spider&for=pc&searchword=>.
47. Dmitrieva, E., P. Arkhipov. 2021. Study of the efficiency of state support measures for the SME sector in the Russian Federation during the Covid-19 pandemic. *StudNet*. 1(4):
48. Guangming Daily. 2020. State Council Information Office of China: More than 90 policies and measures to support small and medium enterprises have achieved positive results. Available online: <https://baijiahao.baidu.com/s?id=1681250804772981626&wfr=spider&for=pc&searchword=>.
49. National Bureau of Statistics. 2021. In 2020, the national economy recovered steadily (In Chinese). Available online: [http://www.stats.gov.cn/xxgk/sjfb/zxfb2020/202101/t20210118\\_1812458.html](http://www.stats.gov.cn/xxgk/sjfb/zxfb2020/202101/t20210118_1812458.html).
50. Simen, E., M. Sheresheva. 2020. State policy of the PRC towards Chinese small and medium enterprises in the context of the COVID-19 pandemic. *Public administration. Electronic newsletter*. 79: 25-50.
51. Mugge, P., H. Abbu, T. Michaelis, A. Kwiatkowski, G Gudergan. Patterns of Digitization: A Practical Guide to Digital Transformation. 2020. *Research-Technology Management*. 63(2): 27-35.
52. Schwertner, K. Digital transformation of business. 2017. *Trakia Journal of Sciences*. 15(1): 388-393.

53. Ulas, D. Digital transformation process and SMEs. 2019. *Procedia Computer Science*. 158: 662-671.
54. Xu, N., Y. Huang, M. Weng, M. Do. 2021. New Retailing Problem for an Integrated Food Supply Chain in the Baking Industry. 2021. *Applied Sciences*. 11(3): 946-967.
55. CGAP. 2019. The New Retail Revolution. Available online: <https://www.cgap.org/research/publication/new-retail-revolution>.
56. Li, X., H. Lu, M. Lin. 2020. Research on the mechanism of digital transformation of retail industry (In Chinese). *China Business And Market*. 34(4): 32-40.
57. Zhang, S. 2019. The causes and development strategies of new retailing (In Chinese). *China New Telecommunications*. 2019(1): 102-103.
58. Leao, P., M. Silva. Impacts of digital transformation on firms' competitive advantages: A systematic literature review. *Strategic Change*. 30(5): 421-441.
59. Guo, L. Opportunities, challenges and countermeasures for digitalization of small and medium enterprises after the pandemic. *Information and communications Technology and Policy*. 10: 63-66.
60. Klein, V., J. Todesco. 2021. COVID-19 crisis and SMEs responses: The role of digital transformation. *Knowledge and Process Management*. 28(2): 117-133.
61. Kim, C., H. Song. 2017. Structural relationships among Public's risk characteristics, trust, risk perception and preventive behavioral intention: the case of MERS in Korea. *Crisisonomy*. 13(6):85–95.
62. Ning, L., J. Niu, X. Bi, C. Yang, Z. Liu, Q. Wu, N. Ning, L. Liang, A. Liu, Y. Hao, L. Gao, C. Liu. 2020. The impacts of knowledge, risk perception, emotion and information on citizens' protective behaviors during the outbreak of COVID-19: a cross-sectional study in China. *BMC Public Health*. 20(1): 1-12.
63. APEC Human Resources Development Working Group. APEC Closing the Digital Skills Gap Report: Trends and Insights.
64. Hanninen. M., A. Smedlund, L. Mitronen. Digitalization in retailing: multi-sided platforms as drivers of industry transformation. 2018. *Baltic Journal of Management*. 13(2): 152-168.
65. Chen, C., Y. Lin, W. Chen, C Chao, H. Pandia. 2021. Role of Government to Enhance Digital Transformation in Small Service Business. *Sustainability (Switzerland)*. 13(3): 1-26

66. Liang, D. 2020. Analysis of fiscal and taxation policies to support small and medium enterprises in the context of the COVID-19 pandemic. *Chinese and foreign corporate culture*. 2020(12): 22-23.
67. Howell, S. 2015. Financing Innovation: Evidence from R&D Grants. *American Economic Review*. 107(4): 1136-1164.
68. Czarnitzki, D., P. Hanel, J. Rosa. 2011. Evaluating the Impact of R&D Tax Credits on Innovation: A Microeconometric Study on Canadian Firms. *Research Policy*. 40(2): 217-229.
69. Lee, C. 2011. The Differential Effects of Public R&D Support on Firm R&D: Theory and Evidence from Multi-Country Data. *Technovation*. 31(5-6): 256-269.
70. Brown, J., B. Petersen. 2011. Cash Holding and R&D Smoothing. *Journal of Corporate Finance*. 17(4): 694-709.
71. Lin, X. 2019. China's fiscal expenditures on science and technological innovation: A study from the perspective of financial development adjustment effect. *Journal of Guangxi University of Finance and Economics*. 2019(4): 68-80. (In Chinese)
72. Liu, D., S. Chen, T. Chou. 2011. *Resource Fit in Digital Transformation*. *Management Decision*. 49(10): 1728-1742.

# Appendix

## List of questions

Question	Option
Your gender	<ol style="list-style-type: none"><li>1. Male</li><li>2. Female</li></ol>
Your age	Open question
Your occupation	<ol style="list-style-type: none"><li>1. Student</li><li>2. Government employee</li><li>3. Employee in companies</li><li>4. Teaching-related professional</li><li>5. Farmer</li><li>6. Private Business owner</li><li>7. Unemployed</li><li>8. Retire</li><li>9. Others</li></ol>
Your household expenditure in a month	<ol style="list-style-type: none"><li>1. No more than 1000 yuan / 10000 rubles</li><li>2. 1000-2000 yuan / 10000-20000 rubles</li><li>3. 2000-3000 yuan / 20000-30000 rubles</li><li>4. 3000-5000 yuan / 30000-50000 rubles</li><li>5. 5000-8000 yuan / 50000-80000 rubles</li><li>6. 8000-10000 yuan / 80000-100000 rubles</li><li>7. More than 10000 yuan / 100000 rubles</li></ol>
How often did you go to small stores before the pandemic?	<ol style="list-style-type: none"><li>1. Several times a week</li><li>2. Once a week</li><li>3. Once a month</li><li>4. Never</li></ol>
How often did you go to small stores during the pandemic?	<ol style="list-style-type: none"><li>1. Several times a week</li><li>2. Once a week</li><li>3. Once a month</li><li>4. Never</li></ol>
How often did you go to small stores after the pandemic was under control? (For China)	<ol style="list-style-type: none"><li>1. Several times a week</li><li>2. Once a week</li><li>3. Once a month</li><li>4. Never</li></ol>



---

What do you enjoy while shopping in small stores during the pandemic?

1. I like the experience of shopping here
2. During the pandemic, the price of goods here not increased as much as other places
3. It closer to my home and allows me to spend less time outside
4. I am familiar with the store's owner/clerk
5. They have a new shopping model (contactless shopping, merchandise delivery, etc.)
6. Others

---

What do you dislike while shopping in small stores during the pandemic?

1. Worried about the spread of virus
2. Strict quarantine policy
3. Many shops were closed due to severe pandemic
4. Store was seriously out of stock
5. Insufficient variety of goods
6. Others

---

In your opinion, the advantages of small shops

1. Convenience
2. Safe (personal information and payment method)
3. Know the information and function of the products (can observe and touch the real product closely)
4. Prices
5. Quality
6. Attitude and service
7. Visitors flowrate
8. No advantages
9. Others

---

In your opinion, the disadvantages of small shops

1. Brand awareness
2. Convenience
3. Prices
4. Quality
5. Attitude and service
6. The type of products and services
7. Cannot meet the special needs of customers
8. No disadvantages
9. Others

---

How often did you make online shopping before the pandemic?

1. Several times a week
2. Once a week
3. Once a month
4. Never

---

How often did you make online shopping during the pandemic?

1. Several times a week
2. Once a week

---

	<ol style="list-style-type: none"> <li>3. Once a month</li> <li>4. Never</li> </ol>
<p>If grocery stores, convenience stores or other small stores near your home provide services related to online shopping and delivery, would you accept and use these services?</p>	<ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No</li> </ol>
<p>Why? (If yes)</p>	<ol style="list-style-type: none"> <li>1. After-sales service</li> <li>2. Connect with third-party platforms to facilitate the use</li> <li>3. Protection of personal information and data</li> <li>4. Automatically recommend products that customers may be interested in or buy frequently</li> <li>5. Online promotions</li> <li>6. It is possible to choose the product offline (in-store) and later to order it online</li> <li>7. I'm confident in their quality (I used to buy their products before)</li> <li>8. Delivery time</li> <li>9. Others</li> </ol>
<p>Why? (If no)</p>	<ol style="list-style-type: none"> <li>1. Worry about the quality of products</li> <li>2. Questioning the security of the network</li> <li>3. Not familiar with the operations online</li> <li>4. Goods are easily damaged in the logistics process</li> <li>5. Too many fake advertisements and comments</li> <li>6. Others</li> </ol>