

A Case Study of New Oriental Digital Transformation Path

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Abstract: Recently, while Oriental Selection catapulted to fame, driving up the share price. New Oriental has walked out a new road of digital transformation, and also provides a learning sample for other enterprises in digital transformation. Based on the literature research, this paper discussed and sorted out the paths, strategies and methods used to guide the digital transformation of enterprises. Then the sparrow anatomy method was used to analyze the typical cases of New Oriental transformation practice while the path selection and strategy combination of New Oriental digital transformation are studied and analyzed. In this essay, theory is combined with practice to explore its rules and it provides valuable suggestions and guidance for the successful implementation of enterprise digital transformation.

Keywords: New Oriental; Digital Transformation; Paths and Strategies; Digital Capability

1. New Oriental's successful digital transformation

Recently, Oriental Selection, a livestreaming platform owned by New Oriental Education, has become surprisingly popular. In just a few days, fans of the Oriental Selection live platform account have risen 6 times. A third party platform has done data statistics: on June 10, the Oriental selection account increased more than 470,000 followers; On the 15th, the number of fans of the live channel account exceeded 6 million. The number of followers has broken 10 million on the 16th. Hong Kong shares of New Oriental Online (01797.HK) surged again on June 16, rising nearly 80% in intraday trading to close at HK \$28.60, up 72.71%. It soared more than five times in just five trading days, and the stock price has risen more than 600% since June.

Actually, in these years, New Oriental Group seek transformation actively. One of the directions of transformation is to carry out live streaming. The live streaming platform of Oriental Selection mainly sells agricultural products, books, audio and video, cultural and creative products, etc. The anchors are former teachers recruited, screened, trained and contracted by New Oriental. At the same time, Minhong Yu appeared in the broadcast room many times for publicity and encouragement. It can be said that the successful transformation of Oriental Selection is following the trend of the times. While It fully investigated the current situation and environment, effectively used the core competence accumulated by the parent company over the years, and then walked out a successful road of digital transformation through specialized management, which has attracted wide attention.

Digital transformation of enterprises is a trend, and many enterprises are not ready for how to promote digital transformation. Learning and studying New Oriental's digital transformation practice can provide enterprises with beneficial guidance on transformation thinking, path and method strategy.

2. Discussion on the path and strategy of enterprise digital transformation

Jin Chen (the first author) et al. (2019) pointed out in an article that Digital transformation is to deeply touch, transform or even reshape the core business on the basis of Digital transformation and upgrading, aiming to upgrade and construct a new business model. It is the advanced stage of enterprise digitization construction, and its connotation is to realize the digitization of business system, which is a high-level state following the digitization of information (digitization conversion) and process (digitization upgrade).

Digital transformation involves planning, designing, developing and using digital technologies to improve the organization, systematically redefining and integrating the business, transforming the business model, reshaping the organizational structure and, if necessary, changing the corporate culture.

The key to digital transformation is to ask organizations to find out how to use new digital technologies (such as social networking, big data, blockchain, cloud computing, artificial intelligence, etc.) to provide differentiated value services for customers, so as to build new business ecological networks and achieve new value creation.

The purpose of enterprise digital transformation is to reduce cost, increase efficiency and improve quality. Cost reduction means to use new technology to upgrade business processing mode, optimize the value chain and improve efficiency; Efficiency is to create new products and services to increase revenue; Build a new business model; Upgrading the commercial ecological network inevitably requires the deep integration of technology and commerce, and promotes its iterative upgrading.

Digital transformation must be successful in building two aspects: digital thinking and strategy, and digital operational capabilities.

Digital operation capability is to make good use of new digital technology to design the whole technology system and realize the deep integration of technology and business.

Together, and then well support the whole enterprise system of the main business module processing and collaboration, the establishment of multi-dimensional multi-channel work network.

Digital thinking and strategy are complex and require a lot of enterprises. They greatly test the conceptual thinking, insight and judgment of senior leaders, as well as their deep understanding of enterprise capabilities, identification and mining of business opportunities, and grasp the depth of integration of the two. They are important components of the core competence of an organization. It not only includes the capabilities of supplier screening, supply chain management and maintenance on the supply side, market positioning, customer development, identification and maintenance, customer portrait and personalized marketing, big data analysis and sales strategy design on the sales side, which can be assisted by technology, but also includes many other aspects. For example, senior leadership's intuitive judgment and keen sense of smell on the intersection of digital technology and market demand.

Digital transformation from the technical level, we should pay attention to the construction of platform. The front desk, middle desk and back office of digital technology system should be set up well to achieve efficient collaboration and ensure smooth connection of core business. A front desk is a user entrance (such as enterprise website, wechat official number, mobile APP, etc.), which is a software for user interaction; The front desk is user-centered to provide sensitive services. The Internet company will first have part of the front desk services, and through technical means, the general business system will be sunk into the business platform connecting the front desk and the back office; Background system is mainly composed of core business systems (such as financial system, warehouse logistics, etc.) and generally belongs to steady-state business. In order to ensure the stable and safe operation of the core business, the background management is difficult to match with the agility of the front management, which is required to respond quickly to various user needs. Therefore, a middle stage system must be built to coordinate. The construction of the middle platform of the enterprise can realize the servitization of the back-end business, support the real omni-channel of the front-end business, realize the customer-centric to improve the comprehensive service experience, and unify the agility of responding to customers and the stability and security of the internal operation. This is the key technology of enterprise digital transformation.

The digital transformation of enterprises requires the simultaneous improvement of business agility and robustness.

In the book *OpenShift Practice in Enterprises: PaaS DevOps MicroService*, Xinyu Wei and Yuejun Guo (2019) pointed out that business agility can be built in four steps: (1) constructing PaaS platform; (2) Implementing DevOps based on PaaS; (3) Implementing microservice governance; (4) implementing microservice senior management. PaaS platform can rapidly develop business modules to achieve platform as a service and improve business agility. DevOps implements continuous integration and delivery of applications and supports rapid iteration. The transformation of business microservitization divides complex businesses into loosely coupled different small units, supports independent deployment and update, and

improves business agility. Then, it builds a multi-channel ecology through API management, in which microservices and apis constitute the management center. This management center is the middle platform .

At the same time, the robustness of the system should be improved synchronously, from a single data center to a multi-data center, and then built into a hybrid cloud. Business systems initially run on private clouds in a single enterprise data center; Then for security reasons to build multiple data centers; Finally, the hybrid cloud is constructed to put front-end services on the public cloud. To realize the collaboration of PaaS, DevOps and micro-services based on hybrid cloud, and finally realize the construction of enterprise middle platform based on hybrid cloud. The development and construction of middle platform is the technical key of digital transformation.

This requires enterprises according to their own needs and strength conditions, appropriate choice of digital transformation solution providers and cloud service providers.

In addition, to ensure the successful implementation of digital transformation, management should grasp several links.

Firstly, Define the goal of digital transformation and make strategic planning. High-level management should comprehensively analyze factors such as technology, industry evolution and market changes to scientifically and reasonably determine the goals of digital transformation.

Secondly, Design digital transformation plan and implement the specific work of digital transformation. It is necessary to establish a kind of digital thinking and do a good job in organizational structure, business process, personnel training and cultural construction to carry out all-round digital transformation from operation and management concept to various capabilities.

Thirdly, Optimize and deposit the results of digital transformation. Shaping and refining new business models and promoting the continuous optimization of the commercial ecological network.

3. Analysis of New Oriental's digital transformation path

Under the leadership of Minhong Yu, New Oriental has actively sought to transform . At the beginning of the transformation, the direction was ambiguous and team didn't know the result of choosing live with goods, selling agricultural products and fresh products,. Livestreaming has been developing for several years, and it is generally felt that the limelight has passed, and recently, the government has increased the management of livestreaming. New Oriental management team is not optimistic about this backbone, but Yu insists on his own judgment. Facts have proved that Minhong Yu has a unique vision, a very keen market sense of smell and profound insight. This is the concrete embodiment of digital thinking strategy. This is the Oriental selection can come out of the spot gold rod.

Why to choose the live broadcast business to implement the transformation, Mr Yu's consideration has at least the following aspects: first, most of the original live broadcast goods are the same, that is, the shopping mall guide type of product introduction and Shouting, and there are even false layout of the broadcast room and exaggerated publicity; Second, the COVID-19 epidemic has been going on for two years, and the real economy is under great pressure. The demand for fresh vegetables, fruits, cereals and oils and other agricultural products at home is greatly enhanced, and the market is greatly expanded. Thirdly, the consumption concept of residents has raised the demand for quality. However, at the same time, the dishes purchased from many platforms, community group buying and other e-commerce providers should be unstable from time to time, and residents have opinions; Otherwise the price is high. Residents have a strong desire to seek high-quality, reasonably priced and stable sources of agricultural and sideline products. At the same time, the supply of agricultural products shows a variety of varieties and a certain degree of regionalism, and there is an inertial consumption tendency of asymmetric information at the consumption end, which makes it difficult for many good agricultural products to enter the sight of residents and the vegetable basket. Orientated at high-quality agricultural products, the Eastern selection broadcast has expanded the market of high-quality agricultural products, brought good news to farmers and helped rural revitalization. It also enriches the vegetable basket of residents, improves the quality of dishes and life, creates new customer value, and satisfies the desire of residents to enjoy the world food without leaving home. Oriental Selection has effectively connected the supply end and demand end of high-quality agricultural products and created a new ecological network.

In order to build strong executive and operational capabilities, New Oriental has carefully planned in several aspects, such as organizational structure, personnel selection and incentive, system design, and cultural construction. It can be said that it is a profound and unusual move.

To this end, New Oriental established Oriental Selection (Beijing) Technology Co., LTD., which is responsible for live streaming and APP operation. The company is jointly owned by Beijing New Oriental Xuncheng Network Technology Co., LTD. (55%) and Beijing Yangde E-commerce Partnership (Limited partnership) (45%). Yangde E-commerce was established 6 days earlier than Dongfang Selection. Its business scope includes selling fresh fruits, fresh vegetables, clothing, shoes and hats, cosmetics, daily necessities, etc. It should mainly be responsible for professional services such as purchasing, warehousing and distribution. In order to ensure the quality of agricultural products and fresh products, the service ability of warehousing and distribution is an important test. It is a key point of enterprise digital operation ability cultivation.

In order to make up for its shortcomings in more specialized business areas such as agricultural product analysis and quality inspection, Oriental Selection has introduced external professionals. Broadcasters are mainly recruited, screened and trained from the original teachers. The communication skills of teachers can be well transformed and used. Oriental Selection has changed the original selling style of commodity show on live broadcast. By integrating knowledge and the interest of stories through content marketing, Oriental Selection has truly achieved differentiation and distinctive characteristics, which has become a sharp tool to increase fans. The four styles, called 'quality, useful, interesting and sentient' shape the unique value of Oriental selection live broadcast and enrich customers' consumption experience. Products are positioned high quality agricultural products; Interesting is the introduction of goods into knowledge to improve the customer's sense of gain and consumption experience; Sentience is to bring the true feelings to the heart. The special bilingual live video tape has attracted many English lovers to the class through free knowledge explanation, attracting and expanding the customer base.

New Oriental has designed the equity incentive system and adopted the way of paying high fees and bonuses, which greatly stimulated the work enthusiasm of the anchors, and made them try their best to contribute various creative ideas and new methods of bringing goods. They made every effort to find unique features and selling points, and paid attention to the application content marketing to improve customer satisfaction. At the same time pay attention to the construction and guidance of corporate culture, stimulate employees' sense of identity, loyalty, enhance tacit cooperation.

In addition, new Oriental attaches great importance to formulating rules and protecting the construction of business ecosystem, effectively protecting the interests of all parties, and exerting the restraint power of the system. For example, it has formulated : maintaining the purity of the business environment and not collecting pit fees and prevent any active bribery and passive solicitation of money. This is the protection and commitment to suppliers, and can also increase the transparency and effectively improve the reputation and appeal of Oriental Selection brand; At the same time, this also reflects Manager Yu's superb marketing skills, which is equivalent to a free advertisement, so that customers can easily have the impression that 'the selection of agricultural products is only based on quality and reasonable price', and enhance customer stickiness. This is also a strong embodiment of digital strategic thinking, can well maintain their own brand image, promote the healthy development of the ecosystem and sustainable business.

In terms of digital operation capacity construction, in response to the national major strategy of numerical transformation, New Oriental attaches great importance to building a new sensitive and strong business digital system to ensure the strong support of digital operation capacity for business. Take the digital transformation of the financial department as an example. In order to support the smooth operation of the new business and reduce costs and increase efficiency, New Oriental and Baiwang Cloud jointly developed and built a financial sharing center to strengthen the financial business connection between the group and cities, promote the integration of business finance and taxation, deepen all links of the enterprise's entire value chain, and strengthen the strategic support for the group. Completed the invoice closed-loop management of the whole life cycle of invoice collection, delivery, inspection and certification.

4. Experience and inspiration

Oriental selection in a short period of time popular circle, live with goods sales soared. In June, the company achieved

sales of 681 million, with an increase of nearly 20 million fans, ranking the first place in the sales volume of live broadcasting.

New Oriental chooses network broadcast to sell agricultural, sideline, fresh and fruit products as a breakthrough, and finds a new way of digital transformation. There are many experiences worth learning from, which can provide useful inspiration and help for the digital transformation of other enterprises.

Enterprise digital transformation, the top management should be sober, calm thinking, must not be impatient to move blindly. To strengthen the strategic thinking of digital transformation, the enterprise senior management should examine the internal and external environment, conduct extensive and in-depth analysis of the market, explore the pain points of the market and the enterprise, clarify the direction and demand of digital transformation, and redefine the business field and scope.

The company should create a strong cultural atmosphere for digital transformation, gather people's hearts, strengthen communication and coordination between superiors and subordinates through multiple channels, mobilize employees' enthusiasm, overcome various obstacles to carry out the work, and carry out cultural innovation when necessary.

The company should change or reshape the business processing mode and build an efficient organization and management system. Managers should pay attention to the recruitment, staffing, training and motivation of staff, fully exploit the transfer and reuse of staff advantages and capabilities. For weaknesses in capacity, we can integrate external forces to establish strategic cooperation through joint ventures and coalitions, and strengthen external capacity building to provide effective support. In addition, we should pay attention to the design and construction of various systems and maintain continuous improvement.

At the same time, the information technology system supporting the digital transformation should be upgraded, and the continuous investment should be made according to the requirements of the technical route, and the balance and collaborative construction should be done from the two dimensions of system agility and robustness. Enterprises should do a good job of research, combine the demand for digital transformation with their own strength conditions, choose the right provider of digital transformation solutions, and purchase the corresponding software and platform. One of the key points is to do a good job in the planning, design, development and construction of the middle platform, and strive to do a good job in the efficient collaboration of micro services.

It is especially necessary to pay attention to the construction and utilization of the core competence of the enterprise, to create and cultivate the operational highlights and characteristics of the enterprise, and to establish differentiated competitive advantages.

Through digital transformation, enterprises should realize new value creation, optimize and improve business processing mode, upgrade value chain and business model, achieve the purpose of reducing cost and increasing efficiency, and build a healthy new business ecological network.

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