Digital Empowerment and Direct Sales Transformation: The Breakthrough Path for the Traditional Baijiu Industry - A Case Study of Moutai Group's Digital Transformation

Canyu Jin*

Veritas Classical Academy, Beijing, China

Abstract. Against the backdrop of China's baijiu industry entering a phase of fierce competition for existing market share, changing consumption patterns, and diversified consumer demands, the traditional baijiu sector is facing an unprecedented development crisis. This paper takes Moutai Group as a case study to explore its breakthrough path through digital transformation and direct sales reform. By analyzing Moutai Group's financial statements and official operating data from 2020 to 2024, it demonstrates how the iMoutai digital direct sales platform, centered on Moutai, can achieve a shift from wholesale to a digital direct sales model by reducing intermediary links. The research results show that digital transformation brings about an increase in direct sales revenue and at the same time, improves profit margins through the flattening of sales channels, providing a new and referable profit model for the entire baijiu industry. The baijiu industry should actively promote this type of digital direct sales model, directly reaching users by shortening intermediary links, and rebalancing channel interests through digital empowerment to achieve sustainable development in the face of fierce market competition.

1 Introduction

In recent years, during the economic cycle of supply-side reform, the baijiu industry has bid farewell to the golden age of extensive growth and entered a long period of structural adjustment. According to data from the National Bureau of Statistics of China, the total output of the baijiu industry has been declining for many years, and the whole industry is facing the new trend of consumption downgrading and consumers pursuing "quality + emotional value" [1]. Against this background, traditional baijiu enterprises are looking for new growth engines. As the leading enterprise in China's high-end baijiu market, Kweichow Moutai Group Co., Ltd. (hereinafter Moutai) has significant industry-trend-setting implications in every move it makes. When the baijiu industry was experiencing the pain of destocking and capacity clearing, Moutai launched a digital strategy promptly and broke the long-term operational dilemma of over-reliance on wholesale agents by building

* Corresponding author: canyu1130@gmail.com

a digital direct sales platform. The significance of studying the case of Moutai lies in exploring how the traditional baijiu industry can realize the reconstruction of its business model in the digital wave, and providing other baijiu brands with a feasible breakthrough solution, namely, how to achieve the flattening of sales channels through the digital direct sales model, thereby achieving a significant expansion of profit margin [12].

The combination of traditional retail and digital technology has given rise to the digital transformation of the direct-to-consumer (DTC) model. Taking the traditional baijiu industry as an example, it has always relied on a multi-level distribution model marketing system. Although such a system can occupy the market in a short period of time, a considerable portion of its profits is diluted by the intermediate circulation links. Beyond being the online transformation of marketing channels, digital direct sales serves as a way for enterprises to firmly grasp terminal pricing power by obtaining consumer data in real time. Digital direct sales platforms represented by iMoutai can make rapid adjustments to marketing strategies based on the accurate big data provided by the platform through the flattening of sales channels, thereby maximizing corporate profits. When studying an enterprise's profitability from the perspective of financial analysis, marketing channels are regarded as the key variable that determines corporate profits. Generally speaking, the direct sales model has a higher channel premium than the wholesale agency model. Through the diagnosis of the financial data of relevant leading baijiu enterprises, it was found that the increase in the proportion of direct sales brought about by digital transformation can significantly recover the profits that were originally lost in the intermediate circulation links [2]. This channel flattening is the core driving force for the increase of corporate profits in the era of saturated market competition with overcapacity and slowing demand, and it is also an important indicator for measuring the economic benefits brought about by digital transformation.

This paper primarily employs a case study approach, extracting relevant core financial data from Moutai's annual reports and official announcements in recent years, as well as core data on the operational performance of the "iMoutai" platform, and conducting AMPS data model analysis. By comparing key operating indicators such as the proportion of direct sales before and after the transformation, data from the "iMoutai" trading platform, and net profit, the paper effectively demonstrates the actual contribution of digital transformation to improving corporate profitability.

2 Case introduction

2.1 Background description

For a long time, Moutai has built a traditional distribution system with large distributors, including e-commerce platforms, and exclusive offline stores as the core. Although this model once helped Moutai quickly seize the market, in the market environment of recent years, the pain points and drawbacks of its deep reliance on the traditional sales model have gradually become apparent, specifically manifested in the chaotic terminal price system and profit loss [3]. The traditional multi-level distribution model makes it difficult for Moutai to directly control the terminal price. When supply and demand are unbalanced, intermediaries hoard inventory and arbitrarily raise prices, leading to a chaotic market price system. A considerable portion of the profits in the layered sales structure is also absorbed by intermediaries [4].

These factors led Moutai Group to decide to optimize its marketing channel through digital empowerment, while adhering to the wholesale agency model and offline direct sales model, paving the way for the enterprise's sustainable development.

2.2 Breakthrough driven by digital empowerment and direct sales reform

Based on operating official flagship stores on e-commerce platforms such as JD.com and Tmall, Moutai launched the iMoutai self-operated digital platform in 2022, realizing the DTC model. For Moutai, digital transformation means saying goodbye to past inventory backlog and dependence on intermediaries. Moreover, it enables precise production scheduling and market launch with the support of big data on consumer purchases. In addition to these invisible cost reductions and efficiency improvements, the most important thing is that it enables Moutai to realize the redistribution of profits [5].

The direct sales reform essentially returns the profits earned by intermediaries to the enterprise, which significantly shortens the delivery time for goods to reach consumers. Meanwhile, it increases the direct sales profit margin for Moutai.

3 Application of AMPS data analysis in case studies

3.1 Descriptive analysis

As shown in Figure 1, the proportion of direct sales revenue in total revenue has been steadily increasing year by year. As shown in Figure 2, the iMoutai digital direct sales platform, as an important part of direct sales, has driven the rapid growth of the entire direct sales revenue since its launch in 2022.

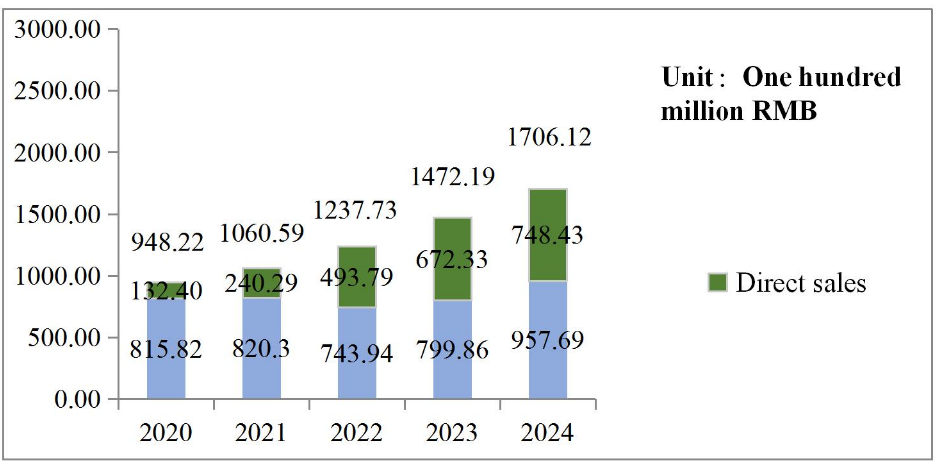

Fig. 1. Trend of direct sales revenue in total alcohol sales revenue (Picture credit: Original).

The data comes from the official annual reports of Moutai from 2020 to 2024 and CNINFO. Direct sales revenue is steadily increasing, and its share of total overall liquor revenue is also expanding.

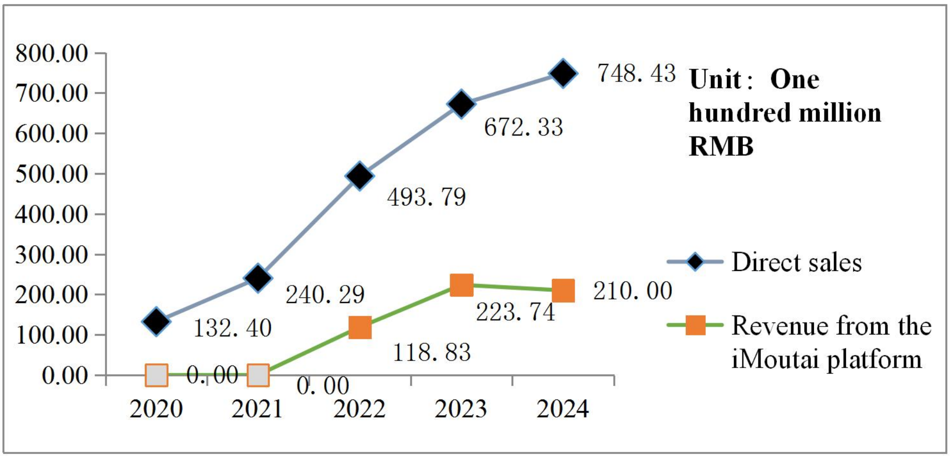

Fig. 2. Since its launch, iMoutai has seen a steady increase in direct sales revenue (Picture credit: Original).

The data comes from the official annual reports of Moutai from 2020 to 2024 and CNINFO. After its launch in 2022, iMoutai showed a steady increase in platform revenue and drove the rapid growth of the entire direct sales revenue.

As observed in Figure 1 and Figure 2, direct sales expanded rapidly between 2022and 2024. This directly demonstrates that Moutai successfully opened up a new track through digital marketing methods after the launch of iMoutai in 2022. This directly boosted the operating income of direct sales and the proportion of direct sales in total revenue [6].

3.2 Diagnostic analysis

3.2.1 Analysis of the reasons for the revenue decline of the imoutai platform in 2024

As shown in Figure 2, in 2024, Moutai proactively adjusted its allocation quota on the iMoutai platform to balance its offline ecosystem and reassure distributors, focusing on a shift from quantity to quality in its digital transformation. Moutai reduced the supply within the iMoutai system to stabilize the market price of Moutai, leading to a strategic contraction of data on the iMoutai platform in 2024.

3.2.2 Reasons for the increase in direct sales proportion

As shown in Figure 3, the reason behind the increase in the proportion of direct sales from 13.96% in 2020 to more than 40% is that the decision-makers of Moutai saw that direct sales, including "iMoutai", could significantly improve the enterprise's net profit (as shown in Figure 4). This shows that digital empowerment has expanded Moutai's profit margin by eliminating intermediaries enhanced Moutai's profitability. This strategy formed a virtuous cycle of increased direct sales driven by profits, which in turn led to increased net profit. This is the fundamental reason for the increase in Moutai's direct sales proportion [7].

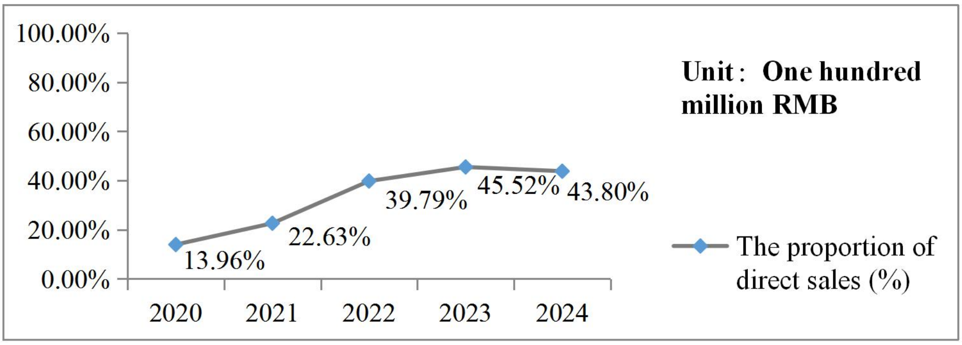

Fig. 3. Trend of direct sales revenue as a percentage of total alcohol sales revenue (%) (Picture credit: Original).

The data, which comes from the official annual reports of Moutai from 2020 to 2024 and CNINFO, shows that the proportion of direct sales revenue is on an upward trend.

In its 2023 annual report (the second year after iMoutai was launched), Moutai disclosed that its wholesale agency channel gross profit margin was 89.29%, the overall direct sales channel gross profit margin was 95.46%, and iMoutai, as a new model of direct sales channel, had a gross profit margin of 96.09%. The profit margin of digital direct sales is significantly higher than that of traditional distributor channels. Driven by high profits, Moutai has gradually expanded its product matrix on the iMoutai platform. In 2022, it mainly focused on reservations and subscriptions. In 2023, it formed a dual-channel system of subscription and no reservation required (cloud purchase). Starting in 2024, it gradually built a full matrix of six major series, including classic, premium, zodiac, aged, cultural, and low-alcohol baijiu, with Feitian Moutai as the core. These efforts and investments on the digital direct sales platform have enabled iMoutai to gain higher consumer recognition and have also directly increased the proportion of Moutai's direct sales revenue in the total marketing revenue [8].

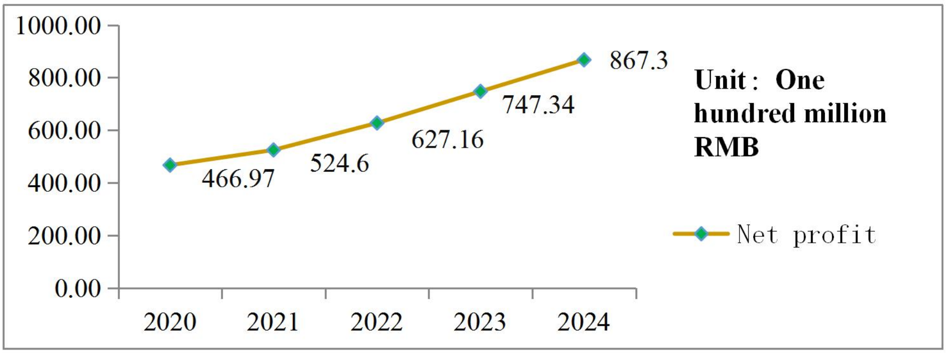

Fig. 4. Growth trend of net profit in each year (Picture credit: Original).

The data comes from the official annual reports of Moutai from 2020 to 2024 and CNINFO. The growth rate of net profit has shown a clear acceleration trend since 2022 when iMoutai was listed.

3.2.3 The main reasons for the cecline in the proportion of direct sales revenue in 2024

Besides a slight decrease in accounts receivable from the iMoutai platform, Moutai raised the ex-factory price of its 53%vol Moutai (Feitian and Wuxing) in November 2023. As its main quota channel, the revenue share from wholesale channels increased accordingly. Additionally, series baijiu (such as Moutai 1935) are an important growth category for the enterprise, with significant revenue growth in 2024, primarily sold through wholesale channels. These factors also directly led to a slight decrease in the revenue share from direct sales.

3.3 Predictive analysis

This paper uses Excel's linear regression model to predict the channel structure for 2025 to 2027 based on existing data, indicating the time when the traditional B2B model will be surpassed by the DTC system.

As shown in Figure 5, based on the linear regression forecast from 2020 to 2024, the proportion of direct sales of Moutai is expected to cross the "critical point" of 50% around 2025, provided that the enterprise does not intervene in the proportion of channels. This crossing indicates that the digital self-operated channel will officially replace the traditional wholesale model and become the mainstream marketing model of Moutai [9].

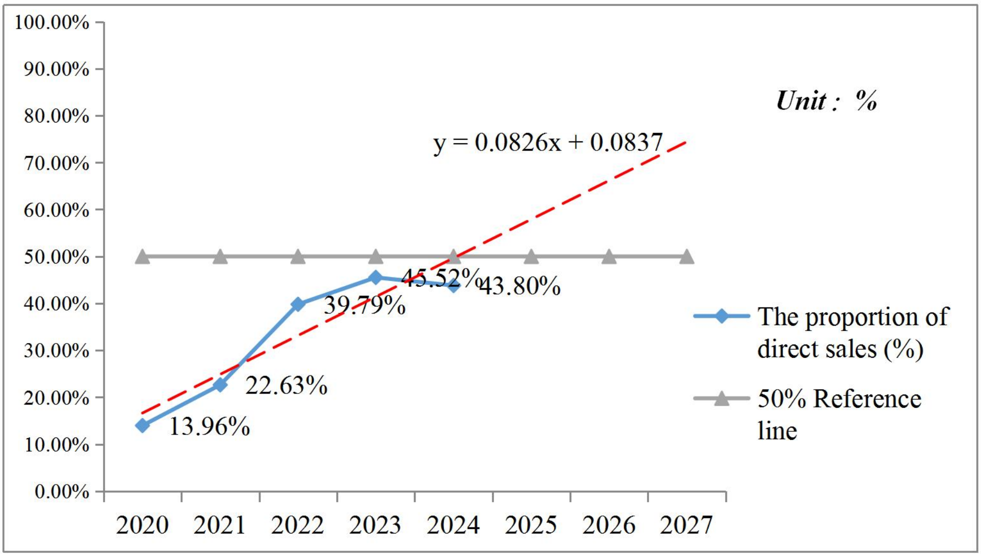

Fig. 5. Direct sales percentage trend forecast line (50% critical point) (Picture credit: Original).

The data comes from the official annual reports of Moutai from 2020 to 2024 and CNINFO, it signals the arrival of a moment in time that heralds a disruptive transformation in marketing models.

3.4 Normative analysis

The traditional model is a long chain path from manufacturers to first-level agents (including e-commerce), second-level agents, offline exclusive stores/retailers, to consumers. Digital direct sales is a short chain path from manufacturers to digital platforms, to consumers. Only by shortening the distance between enterprises and consumers can enterprises maintain profits in a sluggish market environment. Enterprises save on logistics costs and the human resources of managing intermediaries, while also accurately grasping consumption dynamics and changes in consumer preferences through big data. Such short-chain marketing can indeed make consumers feel the immersive shopping experience brought about by the emotional value enhancement of "what you see is what you get." [10].

After analyzing the four dimensions of the above, the following points are summarized as action guidelines. First, in the current wave of digitalization, the digital direct sales model is not an option for traditional retail enterprises, but a compulsory course. Enterprises must actively embrace digital transformation and regard it as a strategic necessity in order to stand firm in the fierce market competition. Second, the perception of "better late than never". If you think you have missed the key time point of digital transformation, or previous digital transformation was not successful, it is not too late to press the start button now. You can find a breakthrough by combining accurate product selection and accounting data analysis, and find the growth of profitability through transformation in a timely manner [11, 13].

4 Conclusion

The success of Moutai's direct sales model fully demonstrates that the essence of digital empowerment is not merely the superficial application of big data technology, but a profound restructuring of the value chain and a redistribution of profit margins. Against the backdrop of an overall industry downturn and a systemic shift in consumption patterns, Moutai successfully broke through the information bottlenecks and profit dilution inherent in traditional multi-level distribution systems by constructing a "enterprise - digital platform - consumer" DTC model. Research shows that this digital direct sales model can significantly recover channel premiums that would otherwise flow to intermediaries, transforming them into profit growth points for the enterprise. In an era of fierce competition for existing market share, digital direct sales is a marketing tool to improve gross profit margins – and more crucially, a core strategy for brands to strengthen terminal pricing power and accurately understand user needs. The successful implementation of this model provides a highly valuable example for the traditional baijiu industry to maintain profits and achieve growth against the trend in market competition.

Digital transformation is not a replacement for traditional business models, but a transformation that coexists harmoniously with them. This case study offers insights for the entire baijiu industry: digital direct sales and traditional distribution channels are not mutually exclusive, but rather an organic whole that empowers and coordinates development. Digital tools enhance the transparency and efficiency of direct sales channels, while traditional distributors continue to play a vital role in regional penetration and offline services. For the baijiu industry, in the face of current industry upheaval, the core challenge has shifted to finding a dynamic balance between the efficiency of digital direct sales and the breadth of traditional channels. In addition to testing an enterprise's resource allocation capabilities, this balance concerns the readjustment of profit distribution between manufacturers and distributors amidst market changes. In the future, only enterprises that deeply understand digital logic and maintain a balanced channel ecosystem will be able to enhance their core competitiveness in the process of restructuring their profit models.

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