

# Digital Strategy and Business Performance of Enterprises on Clothing Companies in Sichuan China

Jiangning Wu

Doctor In Business Administration, Emilio Aguinaldo College Manila, Philippines

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## ABSTRACT

This study examines the impact of digital strategy and business performance of enterprises on clothing companies in sichuan china. The study examines how the use of e-commerce platforms, smart manufacturing, and AI-driven design affects business performance measures like sales growth, market adaptability, and operational efficiency using a mixed-methods approach that includes survey data and case studies. Results reveal that SMEs with integrated digital strategies significantly enhance their profitability and competitive standing. Nonetheless, issues like insufficient funding, technological preparedness, and organizational resistance continue to be common. The study comes to the conclusion that in order to improve the sustainable development of SMEs in China's quickly changing textile and apparel industry, customized digital transformation plans backed by technology infrastructure and regulatory incentives are essential.

**Keywords:** digital strategy and business performance of enterprises

## INTRODUCTION

In recent years, there has been a critical focus on the digital strategy and business performance of clothing companies in Sichuan, China. Chinese apparel manufacturers are forced to change in order to stay competitive and satisfy changing customer demands as international markets move toward digital platforms. The integration of digital technologies into every aspect of business is known as "digital transformation," which radically alters how businesses function and provide value to their clients. Adopting e-commerce platforms, employing digital marketing techniques, and putting advanced production technology into practice are all part of this shift for apparel SMEs. Government programs aiming at boosting the economy through technology innovation further increase the urgency of digital adoption. Even while digital transformation is acknowledged to be important, many Chinese textile S MEs encounter considerable implementation hurdles. According to a survey by Ouyang (2023), although SMEs recognize the advantages of digitalization, obstacles such a lack of funding, a shortage of qualified workers, and poor IT infrastructure impede advancement. Furthermore, these difficulties are made worse by the gap between urban and rural locations, since urban SMEs have greater access to digital resources and support networks. To promote equal digital advancement across areas, certain policies and support mechanisms are required due to the digital divide. For China's apparel sector to thrive sustainably, these issues must be resolved. The Chinese government has launched a number of programs to assist SMEs' digital transformation after realizing the critical role they play in economic growth. To give S MEs access to digital platforms and training materials, for example, the Ministry of Industry and Information Technology (MI IT) has started initiatives (China Daily, 2022).

These programs seek to improve S MEs' digital capacities and lower the financial obstacles to digital adoption. In order to make it easier for SME operations to incorporate cutting-edge technologies, collaborations with tech firms have also been promoted. The apparel industry's digital transformation process is being accelerated by such cooperative initiatives. For apparel S MEs in China, digital marketing has become an essential part of their digital transformation strategy. A change in marketing strategies is required due to the revolution in consumer interaction brought about by the growth of social media platforms and e-commerce. According to Xu (2023), SMEs are using aged digital marketing techniques more frequently in order to reach larger audiences and customize customer experiences. This change not only increases brand awareness but also uses data analytics to

offer insightful customer information. Clothing SMEs can successfully compete in the fast-paced internet market by adopting digital marketing. The apparel industry's supply chain management is another area where digital technologies are being adopted. The use of technology like artificial intelligence (AI) and the Internet of Things (IoT) has improved inventory management, increased manufacturing efficiency, and streamlined operations. According to Euro Monitor (2023), Chinese apparel SMEs are using these technologies to react quickly to shifts in the market and customer preferences. In the fast-paced fashion sector, where trends change quickly, this flexibility is essential. SMEs may increase customer satisfaction and operational resilience by digitizing their supply chains. For many clothes SMEs, financial limitations continue to be a major obstacle to digital transformation. The initial cost of acquiring and implementing technology may be exorbitant. However, by increasing operational effectiveness and transparency, digital transformation can help lessen financial difficulties. According to a 2023 study published in the Asia-Pacific Journal of Accounting & Economics, digitalized SMEs have less funding restrictions because of improved information transparency and reliability. This enhanced financial position can draw investors and make funding more accessible, thereby bolstering digital efforts. There are clear regional differences in China's digital transformation initiatives, with eastern regions adopting digital technology at a higher level than western regions. According to Le I et al. (2022), this is due to variations in economic development, infrastructure as well as technological access. Targeted efforts are required to support SMEs in less developed areas in order to close this gap. This entails developing local innovation ecosystems, enhancing digital infrastructure, and offering specialized training programs. For the apparel business to thrive fairly across the country, inclusive digital growth is crucial. For apparel SMEs to successfully undergo a digital transformation, organizational competence is essential. It is essential to create a culture that values creativity, ongoing education, and flexibility. Gonzalez-Varo and associates. (2024) emphasize the importance of building digital capabilities and fostering organizational learning to navigate the complexities of digital transformation. Leadership commitment and employee engagement are also pivotal in driving change and sustaining digital initiatives. By cultivating these competencies, clothing SMEs can effectively manage the transition to digital operations.

### Statement of the Problem

This study will determine the relationship of the digital strategy and business performance of enterprises on clothing companies in sichuan china with their business performance. The results of the study will be used as a basis for a digital transformation model for clothing SMEs. Specifically, the study will answer the following questions:

1. What is the demographic profile of the SMEs in terms of:
  - 1.1. company size;
  - 1.2. business age;
  - 1.3. ownership structure;
  - 1.4. market scope; and
  - 1.5. business model type?
2. What is the self-assessment of the respondent from SMEs of their digital strategy and business performance of enterprises on clothing companies in sichuan china in terms of:
  - 2.1. strategic alignment with business goals;
  - 2.2. technology infrastructure and integration;
  - 2.3. employee readiness and digital skills;
  - 2.4. customer experience and engagement;

2.5. innovation and agility;

2.6. data-driven decision-making;

### **Scope and Delimitation of the Study**

The 30 chosen digital strategies and commercial performance of Sichuan, China-based apparel companies will be the subject of the study. The study's scope will include evaluating the digital transformation strategy and business performance of SMEs in Sichuan, China. The study will focus on the chosen profile factors of the SME respondents, including ownership, business organization, and company size. structure, size of the market, and type of business. The strategic alignment with business goals, technology infrastructure and integration, employee preparedness and digital skills, customer experience and engagement, innovation and agility, data-driven decision-making, return on investment (ROI) and performance metrics, change management, and organizational culture will all be taken into consideration when the SME respondents self-evaluate their digital transformation strategy.

### **Definition of Terms**

**AI and Machine Learning Integration** - The application of artificial intelligence (AI) and machine learning technologies to analyze data, predict customer behavior, and automate decision-making, contributing to more efficient business operations.

**Big Data Analytics** - The process of analyzing large volumes of data to extract valuable insights related to customer behavior, market trends, and business performance, enabling informed decision-making.

**Business Process Automation (BPA)** - The use of digital technologies to automate repetitive tasks and workflows, improving operational efficiency and reducing the need for manual intervention in business processes.

**Change Management and Organizational Culture**- The strategies and practices employed to manage the transition to digital technologies within an organization, emphasizing the importance of fostering a culture that embraces change, innovation, and continuous improvement.

**Cloud Computing** - The use of remote servers and internet -based resources to store, manage, and process data, enabling SMEs to scale operations, reduce IT infrastructure costs, and enhance collaboration across departments.

**Customer Experience and Engagement** - The quality of interaction between the company and its customers, influenced by digital tools and strategies designed to enhance customer satisfaction, loyalty, and engagement throughout the customer journey.

**Customer Journey Mapping** - The process of analyzing and visualizing the entire customer experience from awareness to purchase and post-purchase, identifying touch points where digital interventions can enhance satisfaction and engagement. **Customer Relationship Management (CRM) Systems**-Digital tools used to manage interactions with current and potential customers, enabling businesses to personalize marketing efforts and improve customer loyalty.

### **Research Design**

This study employs a descriptive-comparative-correlational methodology, characterized by well-defined variables, thorough documentation, detailed analysis, and a sophisticated understanding of the interactions within specific contexts. As noted by Wibowo and Rahayu (2024), the purpose of descriptive research is to systematically identify and explore the essential traits, behaviors, and patterns of phenomena in their natural settings. The goal is to create comprehensive representations of particular subjects or to gain a deeper understanding of prevailing circumstances, there by establishing a strong basis for further research. Expanding on the work of Wibowo and Rahayu (2024), descriptive research plays a crucial role in the social sciences and psychology. It facilitates the identification of natural patterns and behaviors, allowing researchers to collect

objective and reliable data on the characteristics, attitudes, and behaviors of targeted populations. This leads to valuable insights into societal dynamics and helps elucidate the complexities of human behavior in specific contexts

## Research Locale

The study will be conducted from among the 30 SMEs in Sichuan City, China. 15 from small and 15 from medium enterprises were chosen.

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