Analysis of the New Retail Model of FreshHema

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Abstract: This paper introduces the concept, purpose and trend of new retail model, and its characteristics compared with traditional business model. Taking FreshHema as an example, it analyses the development of new retail model in the direction of Shangchao. From the position, significance and advantages of Boxed Horse Fresh Life in the new retailer's super-field, it is found that there are problems of payment experience, cost input, commodity loss and customer experience in Boxed Horse Fresh Life, and some feasible suggestions are put forward for the problems found.

In recent years, with the rapid development of the Internet information age and the change of working and living rhythm, more and more people choose to live in a more convenient and fast way. Online shopping and ordering meals have become a major part of people's life. Traditional catering and supermarket industries have suffered serious shocks. Traditional business enterprises understand that only by seeking new directions and adapting to the development of the times, can they not be eliminated by the times. Therefore, the "new retail" model has become the focus of the transformation of traditional businesses.

1. Overview of new retail model

1.1 Concept of new retail model

New retail is a new business model in which an enterprise carries out all-round transformation and upgrading of the process of production and manufacturing, channel circulation and distribution of commodities, thus reshaping the business structure and ecosystem of commodities, and optimizing and improving the online service, offline experience and modern intelligent logistics, relying on the Internet-based advanced technical support such as big data, and artificial intelligence, etc.

1.2 New retail development trend

If 2017 is the first year for the transformation of the commercial and supermarket retail industry to new retail, 2018 is the year when the new retail industry officially begins to fully lay out and compete for the market, then 2019 will be the climax period of the major battle for the new retail transformation of enterprises. After more than a year of exploration and development, China's major enterprises have basically formed a suitable way of operation of their new retail system.

2. Development status quo of Freshippo

2.1 Introduction to Freshippo

Founded in March 2015, Freshippo is the product of Alibaba's exploration of new retail formats. It is a shopping experience center integrating standard products, daily distribution, fruits and vegetables, meat, baking and catering. It mainly focuses on online shopping, supplemented by offline experiential shopping, to provide customers with integrated online and offline consumption experience. Its online consumption model is the same as takeout, which can be delivered to your door within 30 minutes within three kilometers of the store. Freshippo opened its first store in Jinqiao, Shanghai, on January 15, 2016. By April 2019, Freshippo had opened 138 stores nationwide, including nine in Xi'an. In 2017, Freshippo was basically profitable. In July 2017, the

daily turnover of Jinqiao store in Shanghai can reach more than RMB 1 million. The monthly purchase frequency of Freshippo reaches about 5 times, and the area effectiveness (the turnover per square meter can be produced) is about three times higher than that of traditional supermarkets. In addition, the online consumption proportion of Freshippo users is also very high. In Freshippo stores that have been in operation for more than half a year, users can almost make up to 65% of the total purchase orders online by using Freshippo APP. In mature stores like Jinqiao store in Shanghai, the ratio of online orders to offline orders is more than 7:3.

3. Development characteristics of Freshippo

3.1 Delivering the freshest ingredients -- a fresh lifestyle

Freshippo emphasizes providing users with the freshest ingredients and is committed to meeting their needs for every meal. Therefore, what we provide now are pre-packaged and small-packaged food materials. We hope that consumers can only buy the food they need for each purchase. The habit of what-to-eat deciding what-to-buy leads to the fresh lifestyle every moment. Perhaps the biggest challenge in this freshest way of life, highlighted by Freshippo, is consumers' refrigerators at home. Whether you want fresh seafood, cold drinks or hot cooked food, just place an order through the Freshippo APP and it will be delivered to your home within 30 minutes.

3.2 What you want is what you get -- user needs

Freshippo offers more than 6,000 products from all over the world. For example, at the store in Xi'an Glorious Plaza, there are thousands of fresh meat and poultry products. The total number of products in the store is 7,000, including special dishes in line with the local eating habits of central Shaanxi. At the same time, Freshippo also adopts the business model of integrating store and warehouse, keeping the same price, inventory and marketing of online and offline products, and providing the service delivered within 30 minutes within three kilometers, which is enough to meet the needs of customers in any scenario.

3.3 Complete logistics system -- intelligent Internet of Things

The experience of delivery within 30 minutes lies in the core capability of data drive. The hanging devices and transmission chains in the store are the embodiment of link digitization. From producing areas to regional warehouses to stores, and then from stores to storage, shelf, sorting, packaging, distribution, this series of tasks are accomplished by smart equipment, simple, efficient, and extremely low error rate. The whole process from placing orders to sorting and packaging goods is kept within 10 minutes, and then 20 minutes for delivery, so that customers can get the goods they need within 30 minutes. It's all about technology-brought convenience.

3.4 Bestow more value on eating-- eating for pleasure

Freshippo's dining area is more than just dining. It gives more meaning to eating and can make you feel that dining in Freshippo is a kind of enjoyment. Take Xi'an Glorious Plaza store as an example, the catering area is next to the aquatic area, while you eat, there are many aquatic creatures to accompany, letting you eat while enjoying. In addition, the decoration of the catering area is also very artistic, and the technology of the logistics belt beside the area makes your dining experience more enjoyable. And Freshippo will make some of the store's fruit products within but soon out-of the fresh-keeping period into fruit dishes to serve every table. There are also some activities in the dining area at irregular times, so that parents take their children to make dumplings and traditional Chinese rice-pudding. Each region will also add some personalized activities for local characteristics.

3.5 One-stop and enough -- buy fresh

Freshippo experience store covers seafood, baking, fruits and vegetables and other kitchen food, daily life and other major categories. Seafood products, such as Boston lobster, French oysters, etc. Fruit and vegetable products are also selected to correspond to the best domestic production areas,

such as Xinjiang crystal grape, Korla pear, and Yantai apple. A wide variety of goods can meet the needs of customers to eat. From scallion, ginger, and garlic of RMB 1, to Australian lobster of RMB 1,000, the products also meet the consumer demand for different goods at different prices.

4. Problems of Freshippo

4.1 Poor user payment experience

At present, Freshippo offline stores only support the use of Freshippo APP (Alipay embedded payment) and cash checkout and payment, but cannot use WeChat wallet, JD wallet, Unionpay and other payment software, nor can they use bank cards for payment. Such a settlement and payment mode can provide customers with limited payment methods. When consumers make their maiden payment, they cannot use the common payment methods to pay, which will arouse consumers' antipathy. In addition, at the peak of sales, there are often long queues in the cash register.

4.2 High operation cost input

Compared with traditional offline supermarkets, Freshippo is mainly engaged in supermarket in the form of online new retail. Offline plays the role of auxiliary operation in the form of experience store, and its main audience is online users, but offline consumption experience should still be considered. This gives rise to the burden of both online and offline operations. In terms of labor cost, it should not only ensure the demand of offline consumers, but also ensure that online customers can have a good shopping experience. Therefore, in addition to ensuring the same offline labor input as the traditional supermarket, it is also necessary to ensure the logistics labor input including sorting, packaging and distribution, which results in higher labor cost than the traditional supermarket.

4.3 Frequent occurrence of commodity loss

Compared with traditional supermarkets, Freshippo cash register adopts the mode of self-service cash register. Customers have to scan the QR codes of items and pay for them. This makes some low quality consumers have an opportunity to take advantage of, and some have bought high-price products but scanned QR codes of low-price items or even intentionally skip the payment, resulting in the loss of goods.

4.4 Poor user service experience

Freshippo owns a wide variety of products, including vegetables and fruits stored at normal temperature, refrigerated and frozen meat products, as well as cooked food in the thermal storage. These goods need to be stored and transported in the environment of different temperatures. As consumers need different delivery locations, online users receive products which differ greatly in terms of temperature, taste and other aspects, resulting in poor experience. In addition, in the different stores of Freshippo, consumers have different experiences, and there are differences in goods and services.

5. Strategies for improving problems faced by Freshippo

5.1 Open to more payment methods

Before, Freshippo only supported Freshippo APP and cash payment, and did not accept payment by other payment platforms or bank cards, this situation caused great controversy in the market. Only with an open attitude and support for a variety of payment methods can Freshippo better grasp consumers and expand its consumer market. Although Freshippo mainly focuses on online shopping, it will inevitably lead to too many consumers in the store when the store is just opened and the online users are not mature. In this regard, we can appropriately reduce the shelf beside the cashier area and replace it with a mobile cashier device. When the online users of the store are mature, it can replace the cashier device and offer to the new store as support for continuing use.

5.2 Reduce labor costs

In order to ensure the reasonable reduction of cost, new self-service equipment should be introduced to reduce unnecessary manpower input in commodity management and logistics links. In terms of tallying and replenishment, the location of goods can be connected with the corresponding warehouse at the initial stage of store design to make it like a vending machine. After the customer takes away the goods, the warehouse will automatically reload the new goods into the shelf through the conveyor belt. In terms of sorting and packaging, the existing delivery chain of Freshippo can be connected with automatic recognition equipment and replenishment conveyor belt, which can be used to automatically replenish the goods in the warehouse at the same time of automatic sorting, and then deliver to the packaging platform for automatic packaging and delivery to the distribution personnel for distribution.

5.3 Re-build the in-store anti-theft system

In terms of anti-theft, Freshippo can control the product bar code by adding magnetic processing. It may conduct smart identification of unpaid product, use monitoring equipment to conduct 3D scanning and identification of customers who eat or use products without payment in the store, make corresponding records by connecting to Alipay's existing biometric identification system, and remind customers through APP if the behavior occurs repeatedly.

5.4 Integrate and improve user experience

Freshippo's new retail model is an O2O business model. In terms of in-store experience, we should attach importance to the role of cooperative and associated businesses, strive to improve the partnership with associated businesses, and strengthen constraint management. It shall try to improve online and offline integration ability to achieve online and offline service unity. In terms of distribution, different types of goods can be packaged in different packages, and goods of different temperatures can be packaged in isolation, so as to reduce the loss of taste caused in the process of distribution, and strive to offer the same experience of online and offline goods.

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