

Analysis of the Marketing Strategy of Freshippo Based on the 4Ps Theory

Meixuan Li*

Department of Marketing, Cangzhou Normal University, Cangzhou, Hebei, 061016, China

*Corresponding author: shenrao@ldy.edu.rs

Abstract. With the emergence of the epidemic and the rapid changes and development of the fresh new retail industry, Freshippo, as a leading enterprise, has also attached great importance to its marketing strategy research. More and more competitive enterprises are emerging, analyzing Freshippo's marketing strategy to identify strengths and weaknesses and propose improvement suggestions is crucial for Freshippo to maintain competitiveness. Therefore, this article uses a research method that combines literature analysis and case analysis, using 4ps marketing theory, to deeply analyze the current marketing strategy status of Freshippo in four aspects of product, price, place, and promotion. Research has found that Freshippo has problems such as high prices, poor offline store experience, single payment methods, incomplete app functions, and insufficient promotion methods. Based on those problems mentioned above, this article also provides some reference improvement suggestions, such as strictly control product quality, increase product variety, conduct differentiated pricing, optimize the experience of offline stores, enrich on line payment methods, enrich member rights, and increase online marketing. From the research, it can be found that although Freshippo is in a leading position, there is still a lot of room for improvement in marketing strategies. As an emerging industry, the fresh new retail industry still has great development space.

Keywords: Marketing; The 4Ps of marketing; Freshippo; Marketing strategy.

1. Introduction

The sudden outbreak of the epidemic situation of Covid-19 in 2020 has changed the development pattern of consumer market in China. At the same times, it has also brought a huge impact on industries with high density and strong aggregation, such as retail trade and catering industry. As a large part of the physical stores were facing the situation that those stores has to put up the shutters or even go out of business, the new retailing made transition and upgraded rapidly [1]. As a new retailing enterprise integrating online and offline, Freshippo has solved the problem of insufficient supply of fresh food in a timely manner when individuals were in quarantine.

The concept of "new retail" was first being proposed by Jack Ma, the chairman of Alibaba, in October 2017. The new retail is an integration of online, offline, logistics and data in single value chain [2]. Under the breeding ground of the epidemic, the new retail industry developed rapidly as a necessity. The number of online users and the demand for products increased sharply, leading to not only the emergence of new retail enterprises expanded their territory, but also the traditional retail enterprises transformed closely follow after. So, though enterprises like Freshippo have had a place in new retail at that time, they were still facing strong competition, contention and threat. They needed to continuous innovation, transformation and upgrading. In such a tense competitive environment, many companies that threaten the position of Freshippo were competing to enter the field. For example, JD7FRESH, featured the fresh products as well; Meituan Xiaoxiang fresh food, with professional delivery; Dingdong buys vegetables, with no delivery fee; Daily Excellence Fresh, with perfect logistics system. In addition, some large shopping mall has also started provide delivery services in ordering online and delivering offline [1].

With the end of the epidemic and the recovery of the real economy, the traditional retail industry will once again seize the market and compete with the new retail industry. Without restrictions on epidemic control, individuals generally prefer to make purchases offline not only because shopping offline is convenient but also is genuine and believable. This situation is another new challenge for

new retail industry, how to restore offline marketing while maintaining sustained competitiveness in the online field is a great difficulty they need to face to. The Online Economic and Social E-commerce Research Center released the “2022 China Fresh E-commerce Market Data Report” on March 28, 2023. According to the online economic and social e-commerce database (DATA.100EC.CN), the transaction scale of fresh e-commerce in 2022 was 560.14 billion yuan, a year-on-year increase of 20.25%. Since 2020, the transaction scale of fresh e-commerce industry has been increasing year by year, but the growth rate has been decreasing year by year. From 2020 to 2021, the transaction scale (growth rate) was 364.13 billion yuan (42.54%) and 465.81 billion yuan (27.92%), respectively. It can be predicted that the fresh e-commerce industry is not only gradually experiencing market saturation, but also needs to confront the rise of traditional industries. Freshippo maintains a leading position in o2o mode even face of intensified competition, and even plays a leading role in the entire fresh e-commerce industry.

Freshippo, as the original model of new retail by Alibaba, has always been in a leading position. It is the first to explore a new retail model, combining various forms such as supermarkets, restaurants, and food markets to restructuring offline supermarkets completely. Freshippo attract consumers’ attention and quickly occupy the market in a convenient, high-quality, affordable, and innovative way, bring traditional market a huge impact [3].

Due to the fact that fresh e-commerce is currently in its early stages of development, the practical layout models of relevant enterprises are diverse and changing rapidly. As a benchmark enterprise in the related industries, the exploration of Freshippo has great reference significance for this new field. This article will use the 4Ps of marketing to learn from Freshippo’s excellent marketing cases with a critical perspective and provide reasonable improvement recommendations for the shortcomings. At the same time, hoping that Freshippo can have better development in the fresh e-commerce industry and new retail industry, and also provide more reference cases for the Chinese market. This article adopts a combination of literature analysis and case analysis methods for analysis and research.

2. Brand Introduction

2.1. Background

Freshippo, a fresh retail e-commerce O2O service brand belonging to Alibaba Group, was founded by Hou Yi in 2015, the former director of JD Logistics [4]. As a pioneer of new retail, it is an exploration of offline retail and a completely restructured retail former for offline supermarkets by Alibaba Group. In March 2016, Freshippo completed A financial assets and selected as one of the “Forbes China’s Most Innovative Enterprises” in June 2019 [5]. Since the first offline store opened in 2016, Freshippo has had over 400 offline stores in over 60 cities as of March 8, 2023. Freshippo’s offline stores are mainly concentrated in first and second tier cities, abandoning the traditional supermarket model and integrating supermarkets, fresh food markets, and catering stores in combination of online and offline. Freshippo adopts an intelligent scene positioning approach to experience and provide services. Based on offline stores, customers can enjoy one-stop services on the official app while shopping in physical stores. The suppliers of Freshippo adopt standardized supply, and the entire supply chain, sales, and cold chain distribution process is digital intelligence. In order to ensure the freshness of fresh products, the core community within 3 kilometers of the store guarantees 30 minutes of door-to-door delivery [5].

2.2. Development

Freshippo has had two main stages of growth since its inception. The first stage is the exploration period from 2016 to 2018. The main feature of this stage is the expansion of the territory of the fresh fresh supermarket. At the end of 2017, Freshippo had a total of 25 offline stores, which increased to 109 by the end of 2018. Those stores mainly concentrated in first and second tier cities. Freshippo has a much higher online user stickiness and conversion rate than traditional Chinese e-commerce industries, with online orders accounting for over 50%. At the same times, online orders from stores

over six months accounting for up to 70%. The conversion rate of online products also exceeds 35%. The diversified development stage from 2019 to 2020 is the second stage. In the past three years, Freshippo has tried and launched multiple formats around the restructuring of "people, goods, and market", including Hema Neighborhood, Hema Small Station, Hema Vegetable Market, Hema Mini, and Maole, to meet the needs of different consumers and build a super platform.

So far, the operating system of Freshippo has successfully covered fresh supermarkets, retail supermarkets, catering, e-commerce, and logistics, achieving an integrated model. It has also established its own networking system, utilizing technologies and devices such as big data analysis and distribution system. Undoubtedly, Freshippo has become a benchmark company for "new retail" and an important leader in fresh food industry [6].

3. Analysis of Marketing Strategies

3.1. Marketing Current Conditions

3.1.1 Product

The mainly types of products of Freshippo is Fresh product. Freshippo has created its own brand series of Daily Fresh, Seasonal Fresh, Hema Blue Label, and Hema Workshop. In addition, Freshippo has launched joint branded products such as milk tea, youth league, and credit cards, as well as soda from China Merchants Bank and Xicha, catering to young customers. When consumers walk into Freshippo's stores, they will always discover "Hema Brand" products and this proportion is increasing. As for now, the proportion of Freshippo's own brands doubled compared to 2019, reaching a level of over one. In the next five years, goal of Freshippo is to achieve a 50% share of its own brands. The Daily Fresh series specializes in over 50 types of products, including meat, poultry, eggs, milk, fruits, and vegetables. Because of the main feature of this series is 'freshness', and its packaging is one color per day to ensure that it is not sold overnight. The establishment of Freshippo's own brand follows the simplified method of "manufacturer to retailer to customer", in order to reduce prices and costs. In this way, the supply and demand relationship can directly improve, and consumers can be provided with high-quality and affordable products [5].

In addition to the category shelves of traditional commercial supermarkets, Freshippo also has a rich layout of consumption scenarios in offline stores, including cooked food stalls, milk tea stalls, bread and pastry stalls, as well as dining areas. In this case, customers can be provided one-stop service [7].

3.1.2 Price

At the beginning of its entry into the market, Freshippo was positioned as a mid to high-end boutique supermarket. Since its first offline store opened in Shanghai, Freshippo's offline stores have mainly been concentrated in first and second tier cities, and its target consumers are also mid to high income groups who are not sensitive to price and pursue quality. So the overall pricing of Freshippo's fresh products is on the high side. In addition, except tangible additional costs such as processing costs, there are also many intangible additional costs that are increasing the customer unit price to ensure the quality of fresh products [5].

Freshippo completely adopts a high-price strategy. However, they adopts the 9-ending price in order to look less expensive. It is believed that consumers will prefer a price lower than a certain round number and consumers will feel that it is cheaper than the overall price, so as to increase the overall sales.

3.1.3 Place

Freshippo has adopted omni-channel integration. Freshippo utilizes online retail to break through time and space limitations and provide consumers with a procurement platform. In offline physical stores, consumers can actually touch and feel products and buy them immediately, providing consumers with experiential consumption, achieving a seamless shopping experience online and

offline, and improving their convenience of life. The complementary advantages of online and offline not only preserve the convenience and richness of online ordering, but also enable consumers to buy their desired products without leaving their homes. On the other hand, an efficient logistics system can make consumers obtain goods and experience them quickly, improve the efficiency of product circulation, meet the diverse needs of consumers, and make the shopping process more enjoyable [8].

3.1.4 Promotion

As one of Freshippo's important private brands, Daily Fresh ensures that every product is not sold overnight. In order to ensure its own reputation and not waste products, while also expanding the target consumer base, products that have not yet been sold at the end of each day will be discounted.

Freshippo has developed a membership system. 'Hema X Member' was officially launched in April 2019, and the total number of members increased by 180% within two months after its launched. Hema X membership is a paid membership marketing system. The membership fee for one year is 258 yuan, and customer can receive benefits worth about 4928 yuan after becoming a member. Members have different cost-effective benefits every day and every week. Freshippo will also lower the threshold for membership. The membership fee supports the mode of first enjoying and then paying. If there is no reduction of 258 yuan throughout the year, the membership fee will be refunded proportionally [7].

In addition, there are numerous online communities such as "Hema Town" and "Hema Life", with sub sectors such as limited time group buying, purchasing power ranking, and popular online product recommendations, constantly attracting consumer participation and promoting customer purchases [9].

3.2. Problem

3.2.1 Product problem

According to a survey, snacks from supermarkets in the same industry are usually displayed centrally according to different brands and flavors, with a wider range of choices for consumers. Yonghui, a competitor in the same industry, has over 30000 types of products, including fresh food, processed food, daily necessities, clothing, home furnishings, household appliances, electronic products, and imported goods. The variety and quantity of products can meet the diverse needs of consumers. However, the variety of snack products in Freshippo's online and offline stores is too limited, including dried food, French fries, and spicy snacks [9].

Fresh food, as the flagship product of Freshippo, are of crucial quality. Any carelessness in every process from storage, transportation, to shelf sales can lead to spoilage, which can cause great harm to consumers' health and also affect the image of the enterprise in the minds of consumers. The Fresh Food Safety Complaints rank of Freshippo at the forefront of online complaint platforms, with issues such as shoddy products, inconsistent graphics and text, and false advertising being common. For example, Qingdao Freshippo was reported by the Market Supervision Bureau as substandard in its sales, while Shanghai Freshippo store was investigated and dealt with by relevant departments for multiple failed fresh product inspections. Subsequently, incidents such as selling pork with excessive coliform bacteria, leeks with excessive pesticide context, and selling moldy fruits and spoiled vegetables in stores frequently occurred. Although Freshippo quickly responded to negative news and actively addressed the issue, it did not fundamentally address the quality issues of fresh products [5].

3.2.2 Price problems

In the analysis of the price level of Freshippo products by scholars, it can be concluded that their price level is relatively high for consumers' expectations with "too expensive" or "too high" appearing, and the correlation degree of "too expensive" reaching the highest of 0.52 [10]. Although Freshippo's positioning is in the high end, its product quality and price can easily leave consumers with the impression of being out of price. In addition, the taste of Freshippo's fresh processing does not match the price, with too few processing methods and less prominent taste, price is on the high

side as well. In general, Freshippo's overall high pricing is one aspects, but its product quality also greatly affects consumers' acceptance of prices.

3.2.3 Place problems

Offline stores, as important offline experience venues, are also the first stop for many consumers to come into contact with the Freshippo Brand. In this case, the offline consumption experience has become an important part of leaving a good impression on consumers and increasing their stickiness. To some extent, the experience of offline stores also directly affects the number of users of online app. A portion of online app users have developed a sense of identification with Freshippo after experiencing it offline stores services, which has led them to participate in Freshippo's online user community. A scholar has analyzed the service quality of store employees and found that consumers have a relatively scattered evaluation of Freshippo employees' service attitude. Some believe that employees are polite, while others believe that they are relatively average. Some employees have poor service attitudes, such as the phenomenon of being "indifferent" and "impatient". The service quality of employees needs to be improved [10].

Now people are in the era of rapid development of science and technology, and diversified payment means have emerged, such as Wechat payment, Alipay payment, online banking payment, etc. When shopping in Hema APP, people can neither use WeChat payment, nor use online banking or mobile banking payment. People can only download Hema APP and bind Alipay to settle accounts. Sometimes, when the balance of Alipay is insufficient, it will use Huabei, which will lead to users feeling bundled consumption and a bad consumption experience. Some customers have never used Alipay and must download an Alipay account and bind it to a Alipay account to complete the payment. This is too time consuming and energy consuming for middle-aged and elderly people who are not skilled in using smart phones, which may cause them to dislike using Hema APP for shopping [5].

3.2.4 Promotion problems

A scholar has shown that the comprehensive score of the correlation between Freshippo and consumers is 2.81, which is at a moderate level and below the passing line. Among them, the two questions about membership have lowest scores, only 2.11 and 2.02. Consumers generally feel that Hema X membership discounts are not strong and their willingness to renew is low. In terms of product pricing, consumers generally believe that the price of Freshippo is relatively high. Most consumers only go once in a while and rarely go to Freshippo every month. Therefore, the correlation between Freshippo and users is at a moderate level, and Freshippo has penetrated into consumers' lives to a certain extent, but there is still more room for optimization [7].

4. Suggestions

4.1. Product Strategy

4.1.1 Increase product categories

It is important to increase the variety of retail products in order to enhance the brand's competitiveness. Freshippo's offline stores adopt a comprehensive and integrated service, with a store covering fresh food sales, processing, retail, baking, deli, and dining areas. This inevitably leads to the compression of display cabinet space in the retail area, which means Freshippo's offline stores should showcase as many types of products as possible in a limited area. The number of identical items placed on the display cabinets of the store can be reduced, while increasing the frequency of replenishment by store sales personnel. As the variety of offline sales increases, the choice of online shopping also increases. This can be better meet the needs of consumers and enhance the brand's weight.

4.1.2 Ensure product quality

Freshippo, as a boutique supermarket represented by fresh food, inevitably faces product quality issues with fresh products. However, the quality issues of Freshippo's products have been exposed

many times, which proves that there are indeed some problems with Freshippo's product line. Firstly, all Freshippo stores should strictly adhere to food safety standards and implement standardized management of the products they sell. The quality supervision department should strictly supervise the procurement channels and cold chain logistics, strictly comply with national food health standards from upstream to downstream, and strictly comply with product quality and procurement volume from source to downstream to achieve precise operation and reduce unnecessary consumption and damage. Secondly, Freshippo should establish a customer opinion column to collect customer suggestions on product quality, which will serve as a basis for Freshippo to improve and enhance quality, enabling consumers to purchase Freshippo's products with confidence. Finally, a reward and punishment mechanism is implemented for employees. Employees who discover product quality issues and provide timely feedback can receive corresponding rewards, while those in certain regions who have product problems but the relevant regional leaders fail to detect them in a timely manner will be punished [5].

4.2. Price Strategy

4.2.1 Adopt diversified pricing strategies

With the development of technology, online shopping is increasingly integrated into the lives of most individuals, which allows enterprises to better utilize technology to analyze big data and price based on customer segmentation. For price sensitive customers, recommend products with high cost-effectiveness or similar discounted products; For customers with high price acceptance and a greater emphasis on product quality, recommending high priced products not only meets customers' demand for price, but also brings economics benefits to the enterprise. Young customers prefer popular seasonal internet celebrity products, while older customers can choose products that are reasonably priced and practical [5].

4.2.2 Rich fresh processing pricing

Although Freshippo mainly buys fresh food and provides fresh processing services, the price of fresh food processing is relatively high and the taste is average, which cannot become a landmark product. A single recipe and simple cooking methods can reduce consumers' motivation, leading them to avoid second consumption after tasting. Therefore, Freshippo Fresh should charge processing fees for different recipes and cooking methods to provide more cooking options and stimulate consumers to consume again [7].

4.3. Place Strategy

4.3.1 Optimize offline store experience

Consumer scenarios are ubiquitous, breaking the boundaries of traditional shopping scenarios and providing consumers with more shopping choices. Building multiple shopping scenarios in physical stores to improve the quality of the shopping environment, using experiential marketing to resonate with consumers, connect products with their lives, facilitate transactions, increase consumers' stay time in physical stores, and enhance user stickiness. By sitting up children's entertainment areas and life experience areas, update the offline store environment to ensure the effectiveness of consumer shopping experience.

4.3.2 Enrich offline payment methods

Nowadays, the methods of online payment have become very diverse. However, Freshippo's payment is too single, which greatly affects customers' shopping experience and their first impression of the brand. Develop exclusive online shopping mini programs that leave customers with the impression of online purchasing channels without affecting the speed and convenience of offline payment is a good idea. The popular Wechat payment, Alipay, online banking payment, etc. can be used in the applet. Establishing a cash checkout window in an offline store can facilitate elderly people who are not proficient in using online payments and expand their consumer base.

4.4. Promotion Strategy

4.4.1 Enrich membership rights

Freshippo's target customer base is the middle to high income group, so they are more concerned about the benefits and discounts provided by members, however, due to the limited membership, it is difficult for Freshippo's target consumers to become paid members. Members can be graded and offered different discount and benefits based on different levels, enriching their membership benefits while also increasing consumers' stickiness. The key to layering members is to identify truly active member users, who are a high-end user group with high loyalty and strong stickiness. For Freshippo, providing more accurate and high-quality services is a better choice [7].

4.4.2 Increase marketing activities

In the current era of the internet, the development of diverse media is already mature enough. Whether it is traditional television advertising or emerging self-media marketing, reasonable utilization can bring considerable marketing results to enterprises. Freshippo can use online live streaming or short videos to promote and attract consumers.

5. Conclusion

This article uses a research method that combines literature analysis and case analysis, using 4ps marketing theory, to deeply analyze the current marketing strategy status of Freshippo, extract excellent and meaningful cases, and deeply analyze the current problems and provide reasonable suggestions after comprehensive consideration. The conclusions are as follows.

The fresh new retail is an emerging industry, and the entire industry has been rapidly changing and developing since the outbreak of the epidemic. As an industry that relies on services to attract customers, it is crucial for Freshippo's marketing strategies in all aspects to capture customers and stand out in the competitors who have flooded the market since the end of the epidemic. It can be concluded that Freshippo has a reference value for the entire fresh new retail industry in terms of product line richness, online and offline integration, as well as various promotions including low-priced promotions, membership systems, and community marketing. However, as a company that has only been established for five years, it is inevitable that there are defects and errors in the process of exploration without prior experience, resulting in frequent product quality issues. As a fresh food industry, product quality is crucial. In addition, problems such as high prices, poor offline store experience, single payment methods, incomplete app functions, and insufficient promotion methods also exist, resulting in low customer stickiness.

In recent years, the emergence of consumer behavior has become increasingly rational. In today's increasingly competitive market, emerging industry models are less attractive to consumers than before. To maintain a leading position in the industry, it is necessary to strictly control product quality, increase product variety, conduct differentiated pricing, optimize the experience of offline stores, enrich on line payment methods, enrich member rights, and increase online marketing. In this case can Freshippo gain an advantage in fierce competition and continue to develop.

This article uses the 4ps marketing theory to analyze Freshippo's marketing strategy. Due to the lack of detailed research such as field visits, most of the analysis is still based on literature and has certain limitations. However, the research can still fill a gap in the overall analysis of Freshippo's marketing strategy, which can be helpful for future research on the fresh new retail industry and Freshippo's marketing strategy. It is also helpful for future discussion on how new retail enterprises can improve their marketing competitiveness.

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