Freshippo's New Retail and New Logistics Business Model Development Strategy Analysis

Linye Zheng *

Santa Margarita Catholic High School, Rancho Santa Margarita, USA

* Corresponding author: linye.zheng@smhsstudents.org

Abstract. Combines the traits of the new retail sector with the new retail business model as its subject of study. Because Freshippo is the current benchmark company for new retail in China, this paper examines business model innovation for retail businesses in the context of new technology and a new consumer environment by focusing on the challenges Freshippo faced during its development and potential solutions. Freshippo must completely comprehend the issue as it is and emphasize its own unique qualities. They need to conduct refined management, make full use of the logistics equipment, and enhance delivery management.

Keywords: Innovation, Economy, Freshippo.

1. Introduction

The development of China's e-commerce has reached a bottleneck period [1]. The previous promotional activities have been weak, with little effect. The development of online retail has been hindered. The emergence of new retail has delayed the bottleneck period of e-commerce platforms. The combination of online and offline is now widely used, which not only improves efficiency but also pays more attention to the user experience of consumers. We are also constantly contacting and gradually accepting fresh online shopping because its online and offline integration model is being accepted by consumers.

People can not only choose fresh ingredients in the experience store but also reprocess them in the store. Taste freshly baked ingredients, of which Freshippo is the quintessential representative. At present, under the influence of the economy, people's demand for fresh agricultural products is increasing. The consumer demand and growth rate of fresh produce has led to more capital entering the market. The increase of capital accelerates market consumption and circulation. Therefore, in this situation, fresh e-commerce has developed rapidly.

2. Background Analysis of the emergence of Freshippo

2.1. The Rise of the New Retail Concept

Before the emergence of new retail, production led to the transformation of consumption, the physical sales model was the initial form of sales. The first retail revolution took place in department stores, and then factories started mass producing and lowering prices, and the consumer side met consumers' diverse product needs to improve the shopping experience [2]. The second retail revolution began in 1884, this time in the form of shop organization. Small retail stores that were originally decentralized were gradually upgraded to chain stores, which improved operational efficiency and reduced costs through unified management and large-scale operations. This shift has enabled some groups to better grasp market demand and offer goods and services to consumers at more competitive prices. At the same time, due to the advantages of centralized procurement and logistics distribution, chain stores are also able to obtain more resources and support, further enhancing their competitiveness. In short, this retail revolution has brought huge changes to the entire industry and pushed the retail industry to become more efficient, convenient, and innovative.

The third retail revolution is rapidly spreading across all sectors, especially retail locations such as supermarkets, hypermarkets, and convenience stores. At this time, the supplier adopted an advanced

inventory management system, which effectively improved the product turnover efficiency through accurate data analysis and real-time monitoring. This means that consumers can enjoy a more convenient and efficient shopping experience.

With the help of advanced inventory management systems, suppliers can accurately grasp the demand for goods, and timely replenish the supply to meet the growing shopping needs of consumers. At the same time, in the process of inventory management can also avoid excessive storage or stock phenomenon, so as to minimize operating costs and increase sales.

In addition, advanced inventory management systems can help suppliers optimize storage layout and transportation methods. By classifying, labeling, and positioning different items, storage space is used wisely and items that need to be put on or taken out can be found quickly. At the same time, in the transportation link, vehicle resources can also be intelligently deployed according to the actual situation, improving transportation efficiency, and reducing logistics costs.

In short, the advanced inventory management system brought about by the third retail revolution provides suppliers with more refined and efficient means of operation, so that consumers can enjoy a more convenient and diversified shopping experience. With the continuous development and innovation of science and technology, it is believed that there will be more advanced technologies combined with the retail industry in the future, bringing more surprises and convenience to consumers.

The fourth retail revolution is in full swing, and its main feature is digital and puts "people" at its core. The revolution started from the production side and reversed the consumption pattern. These include the use of advanced technologies such as AI, big data analysis as support to build the basic framework of the fourth retail revolution. The highly developed retail industry of the future will be focused on re-establishing the interaction between "people, goods, and places" as a result of the ongoing advancement of technology and the rise of new forms. It is against this background that Freshippo started its exploration of new retail and logistics operation models.

2.2. Features of New Retail Economy

At the heart of new retail is a shift in thinking. The traditional thinking of commodity sales is gradually transformed into a new kind of thinking, which is based on digital technology and channel operating systems. In short, the new offline sales model has the following four main characteristics. First of all, the new retail model is an omnichannel sales. Merchants operate through the Internet system, connecting online stores, micro stores, offline physical stores, cooperative stores, etc. At the same time, merchants will also open various retail channel terminals to achieve deep integration of data, including big data integration of products, members, marketing, orders, inventory, warehousing, finance, and services. Second, the new retail model has the characteristics of digital operation. It uses technology to assemble data about products, members, marketing, transactions, services, and more, and provides a data foundation for operational decisions.

Third, the new retail model presents the characteristics of intelligent management. Merchants can improve the in-store experience and shopping convenience by installing electronic devices such as smart in-store touch screens, face recognition, smart shelves, VR, passenger flow statistics, etc.

Fourth, the new retail model provides online ordering services. Online orders exceed offline orders, which belong to the stock market [3]. Due to factors such as store location, area, and category restrictions, sales growth is weak. Merchants build online platforms and integrate them offline, such as 30-minute intra-city delivery, next-day delivery, regular delivery, express delivery, etc., to facilitate customers who want to buy things and stimulate customers who are about to consume.

3. Problem Faced by Freshippo in its Development

3.1. The Problem of High Operating Costs

Operating costs for Freshippo mostly consist of two things: First, a free 3-kilometer door-to-door delivery service is included in the cost of operation. Rent for the second business amounts to thousands of square meters. Free door-to-door delivery necessitates substantial human and material

resources, which raises the business' operational expenses. The single delivery design, which is frequently built on the premise that there must be a sizable consumer population within 3 kilometers, can be optimized to generate minimal profits but rapid turnover if the quantity of orders placed by consumers within 3 kilometers is sufficient. The delivery order price is relatively expensive if there aren't enough orders within three kilometers, and standard fixes like reducing the delivery beginning price will immediately result in a drop in order volume [4]. Additionally, Freshippo has a space of several thousand square meters and is often found in the city's central business center. Initial renovations, equipment purchases, and expensive rent are all costs.

Investment of roughly 30 million for 3000 square meters of retail decorating. The investment consists of a variety of fresh cold chain systems, rear area processing room equipment for various categories, equipment to assure product quality and customer satisfaction, etc. The rent for the store should be between 4 and 5 yuan, which is a bit more than the 2 to 3 yuan rent in conventional hypermarkets. This necessitates a greater gross profit for sales, but the total gross profit, based on the previously mentioned current sales price, is only 20%. Freshippo has an average efficiency of roughly 50,000 yuan per square meter, which is far greater than that of conventional businesses. Approximately 15,000 yuan per square meter is the price of conventional firms, according to the different channels of the annual reports of listed corporations. The major challenge that Freshippo is presently experiencing is how to sustain this model over a long period of time while simultaneously insisting on a sales price that is affordable to the general public despite the significant distribution costs and hefty rent.

3.2. The Problem of Repeated Logistics Costs and Uneven Order Volume

Due to there is a lot of room for reshaping the business flow and cost optimization of the entire logistics system. In online and offline logistics, there are cost duplications over multiple nodes:

Pure online logistics process: Supplier – Logistic Center – Receiving – Picking – Shipping – Customer.

Pure offline logistics process: Supplier – Logistics Center – Receiving – Picking – Shipping – Store – Receiving – Shelves – Customer.

Online and offline logistics process: Supplier – Logistics Center – Receiving – Picking – Shipping – Store – Receiving – Putting on the Shelf – (Customer) Shelf Picking – Backpacking – Shipping – Customer

It can be seen from this that the repetition of the commodity logistics process is not only repeated in some nodes of the commodity movement process but also leads to the repetition of venues, equipment, manpower, etc. The rough calculation will cause the comprehensive cost of repetition to be around 3 yuan per order.

It takes half an hour to get home within 3 kilometers, which can drive the dependence of consumers to a large extent, stick consumers to the enjoyment of this service, and at the same time maximize the penetration rate of the 3 kilometers consumer group, However, it also faces the problem of limited store storage space and difficult to guarantee orders smoothly.

Judging from the data of the 3 kilometers, there are an average of about 200,000 households in the outer ring of Shanghai. The higher the penetration rate, the greater the instantaneous burst of orders generated, and sometimes the burst of orders per hour is very alarming [5]. Then timely replenishment of stores, timely shelving, timely picking, site turnover, timely delivery, and stable quality, etc., all require subversive challenges.

3.3. Market Expansion Requires Huge Funds

When Freshippo formulated its expansion strategy, in order to achieve a larger market share, it promised that the delivery range would only cover 3 kilometers, which required Freshippo to open more stores [6]. Thanks to the new marketing model used by Frehippo's stores, they go beyond the traditional fresh supermarket. In a sense, it is a combination of supermarket and warehouse. However, in order to ensure the freshness of the ingredients and meet the various needs of the market for the

goods, the restaurant will increase the operating costs. If the increase in costs is spread to customers, high-priced fresh products will discourage customers. The only option for Freshippo to grow its market is to start addressing the connection between high costs and a larger market share.

4. Countermeasure for Freshippo's Development

4.1. Improving the Delivery Management of Freshippo

With the rapid development of the Internet, e-commerce is widely used in fresh food. Due to the particularity of raw ingredients, it is required to implement instant delivery. But at peak times, sellers can't deliver in real time. Because third parties have come into being. In order to solve the problem of peak delivery, third-party transportation companies help stores operate efficiently with their fast and efficient transportation methods [7]. It can cooperate strategically with Lianhua Supermarket and Sanjiang Shopping to open Freshippo self-pickup cabinets in Lianhua Community Supermarket. It is also possible to cooperate strategically with Ele. me and have outsourcing channels. By using the services of such third-party organizations, stores can better cope with the huge distribution pressure to cope with the peak period. Additionally, retailers may cut back on operating expenses and resource waste. For instance, to alleviate the strain of order peaks, certain orders will be subcontracted to the internet instant delivery platform "Dianwoda" when Freshippo's parallel peak orders surpass the warning line, and its self-operated delivery is unable to match the order demand.

4.2. Full Use of Logistics Equipment and Technology

Logistics to the order and route combined with the actual demand of delivery, a variety of logistics home delivery methods are formulated, not limited to riders [8]. It may be a risk to completely rely on their own riders, the access balance of social transport capacity is insufficient, peak transport capacity is insufficient, new energy vehicles, and community cabinets. A half-kilometer relay in a large community, quickly and massively transfers orders out of the store's backyard to help the store's sustainable order picking and maximize the utilization rate of the backyard.

4.3. Carry out Refined Management

Freshippo can use big data to analyze consumers' purchase history and personal characteristics for more in-depth research. With the use of this information, Freshippo can offer services and operations that are nimbler and more sophisticated. To provide customers in various towns and areas specialized, individualized products and services, consider both local consumer demands and special circumstances [9]. For example, there are many commercial districts in every city. Different commercial districts will have different consumer groups. This difference results in different neighborhoods with different levels of restaurant consumption.

Freshippo can provide customers in various locations and commercial districts with more precise eating positioning and operation management as a result of the investigation [10]. In the meanwhile, retailers will continue to roll out new operational models and marketing campaigns to enhance the user experience and boost consumer buyback rates.

5. Conclusion

Despite having faced several unique ups and downs, Freshippo's development strategy not only goes beyond the conventional retail approach but also develops into a successful new retail and logistics management model. The success of it depends on two main things. The first is that the growth of the Internet has made it possible to extensively target retailers. Second, a database management system is used to run it. In Freshippo, a customer base will be created through the convergence of consumer purchasing behavior and the corporate marketing system.

Retailers can direct store operations, particularly the acquisition of items, based on the findings of the data analysis to better suit customer wants. They can minimize inventory losses and guarantee the

quality of fresh food. They also have a commitment to improving customer value. This attitude is embodied by Freshippo through constant product structure innovation, online ordering, and immediate delivery. These insights have significant repercussions for the future growth of China's developing retail and logistics sectors.

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