Case Analysis of “Pin Hao Huo”—A New Business O2O Model of Fruit and Perishable Supply

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Abstract. With the rapid development of “internet +” and consumers’ increasing need for good bargains, more challenges are brought forward for the daily consumptions. Thus emerges the new online business model for perishables and fruits. Pin Hao Huo is one of the typical successful online fruit suppliers. From the Pin Hao Huo’s operation model, this paper analyses the perishable providers’ possibility of expanding their business through O2O business model and gives advice for their further development.

Introduction

The conventional distribution of fruit and perishable is through wholesalers’ purchase nationwide from fruit growers and local delivery to retailers due to the fruit’s characters of highly perishable and high percent defective during transport. While with consumers’ increasingly trend of purchasing online of daily food and consumptions, the fruit and perishable section has become a new field of O2O business model—people have the demand of click and make their order through mobiles, laptops, and computers, then wait for their fruits and other products offline. For the fruit industry, it has the natural advantage of “large amount requirement, compelling potential need, and high order frequency” [1]. Therefore, the O2O business model has become a new model for the fruit section.

1. Background of Fruit and Perishable O2O Business Model

1.1 Opportunity of fruit and perishable O2O industry

Through the “Internet +”, the traditional agriculture model has changed into the internet. Therefore more good quality fruit and perishable can be dug out and closely connected to the end consumers. Also it is very obvious that by using internet channel and cutting down a few middle channels, the cost and price of fruit will for sure be lower than the cost of fruit in traditional model for the cost saving efficiency from the middle transport and redistribution. Hence it is a new emerging field and is welcomed by the end consumers as well as fruit growers. And this trend is confirmed by the Big Data. From the Annual Review of China’s fresh and perishable online retail market—Yi Guan Analysys (Vol. 89), the volume of our domestic fresh and perish online retail has been over ¥54.4 billion, and it is expected to increase to over ¥150 billions in two years’ time [2]. Compared with its huge demand, the current market penetration rate is less than 3% [3]. Therefore, it is a huge market and has great potential to expand.

1.2 Challenges of fruit and perishable O2O industry

However, there are also fierce competitions among O2O fruit suppliers. Lots of O2O suppliers such as MEI WEI QI, YI Zhuo and Guo Shi Bang are queuing to bankruptcy. Many problems arise when O2O fruit suppliers are doing their business: the amount control of inventory, the quality control of their products, the high defect percentage during transport, and the freshness retain in
delivery as well as the after-sales quality guarantee and refund, etc. Due to the high-perishable and fast consuming character, fruit and perishable product is a more time and energy consuming industry compare with other products and it is very detail-focused. And comparing with other consumer O2O model, it is meant to be a tough section. How to improve the supply of fruit from all these difficulties and make our move from such a tough environment is a question that the fruit growers and suppliers must think about.

1.3 The current model of fruit and perishable O2O industry

The charts underneath shows the different structures of traditional supply chain and the O2O business retail supply chain. As can see from the chart, there are shortcuts of supply from its distributers, and the business retailer plays more roles in distribution, store and dispatch. Instead of vertical structure of step by step distribution, it serves in the middle of fruit growers and consumers, therefore it is required to evolve in more fields to suit the ever changing market structure.

![Figure 1. The comparison of traditional and O2O industry value train of fruit industry [4].](image)

2. Case Analysis of Pin Hao Huo

Pin Hao Huo is a quick O2O purchase platform. Different from other consumers’ click and pay online model, its consumers will organize or join a purchase pool for their specified fruits, and if the pool is big enough, a bargain reached. As a new business, it shows its prosperity and huge success from its very beginning. The new business of Pin Hao Huo starts at the end of July 2015, then ranked the first place in Sep 7, 2015 on the app store free app list. Till now, the call of group purchases is around every corner of WeChat (one widely spread social software in China). Currently, the subscription of Pin Hao Huo is over 8 million, and the app users of Pin Hao Huo are over 5 million with average order of 300,000 to 400,000 through WeChat and app [5]. With no doubt, it is in a highly developing stage and becomes one of the most frequently used choices of fruit purchase.

From the marketing, Pin Hao Huo develops a new merchandise style: the consumers will affect the Pin Hao Huo’s product style and price. The fresh and perishable character of fruit has decided that the bargain power only exists when there are massive purchase, and the consumers of Pin Hao Huo through their call on their social connections of neighbors, friends, colleagues, and relative in WeChat and the Pin Hao Huo app. China is a country in which social bonus and social connection is highly accepted and rewarded. In recognition of this society feature of its customers, the Pin Hao Huo’s pool purchase model is easy accepted by consumers.

Secondly, the excellent supply chain control makes uncounted contribution to Pin Hao Huo and its consumers. The diversity of fruit producers and the pool quality control of their production standard, and the high defective rates in transport are all huge disadvantages in the fruit and
perishable industries, these are all very serious questions emerging in the supply chains, therefore how to improve the efficiency of supply chain and stand out from the O2O fruit providers is one of the most important issues.

Therefore, Pin Hao Huo, unlike TaoBao, T-mall or JD online shopping mall, defines itself as a direct provider of fruit instead of just a platform connected fruit business and end consumers. It purchases directly from the fruit peasant, therefore it gains the structural advantage: their fruits are naturally mature and have better quality comparing with the cooling-deposit fruits which are picked up before they are mature; also, their fruits are more cost-saving, there are no middle cost from the Pin Hao Huo to the customers.

Another problem that Pin Hao Huo has come across is the inequilibrium in the agricultural modernization. Pin Hao Huo purchases its inventories from areas all over China, and the local peasants’ product and service conscience are different. Some peasants have the primitive awareness of its products and the attached services, whereas in other areas the peasants and the agricultural cooperatives have the modern consciousness - to serve their buyers and provide the first-class clean and distribution service. It is time-consuming to foster the overall peasants the modern service and merchandise consciousness and Pin Hao Huo spent enormous time to be with their partner to build the infrastructure of their business—to arm the peasants with the advanced business concepts and make sure the supply chain is well qualified from the very beginning.

Another thing to mention is “the last one kilometer dispatch” [6]. One core request for the online purchaser is enjoy the door-to-door service, or they can just walk out and buy the fruit from the market. The essence of online purchase for them is “no hassles after click and pay”, and this requires excellent logistics allocation - in balancing the cost and profit, besides make sure quality pick and pack, the timely delivery to customers individual to individual is the last but most important step. Till now, Pin Hao Huo still uses the 3rd party logistics company to fulfill this function.

**Conclusion**

From the above analyse, Pin Hao Huo takes a new and arising business style. It encourages the pool purchase through the customers’ social circle. So it does not need very special marketing - as long as one customer purchases in Pin Hao Huo, this customers’ friend circle will know. Also, by providing cheap quality fruit, the customer circle becomes bigger and bigger. This saves the fruit providers’ marketing. But most important, Pin Hao Huo decides what to order and how to distribute through customers’ order - this keeps the redundant fruits away from the start of a transaction - it is another improvement comparing with the traditional business. So from the defined and developing customers to defined orders to defined addresses, the Pin Hao Huo finalized the whole orders with no waste time or costs. If the traditional channel is through layers to layers, Pin Hao Huo and its representative business model is more like a purchase agent - it springs up for the scientific matching of its end customers to their chosen product - through the consideration of fruits’ high perishable and defective character.

With the further development of the fruit industry combined with e-model, the market will see more and more fruit online retailers. Fruit online retailers can use Pin Hao Huo as a reference in considering how to improve their service and customers’ experience—not only to change customers’ way of payment and their way of receiving cash, more to improve their functions in the fruit provide process to change their way of service in working process in all fields.

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