“New Retail”: Innovating the Development Model of China's Fresh E-commerce

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Abstract. With the e-commerce entering the new retail era, the retail industry has broken the boundaries and achieved online and offline integration. The advantages and implementation modes of the new retail have brought new opportunities and methods for the solution of the fresh e-commerce problem. Based on a theoretical study of new retail and traditional fresh e-commerce, and a case study on new fresh e-commerce companies under the new retail background, the article explored the development path of fresh e-commerce under the new retail environment and put forward relevant suggestions.

Introduction

Due to the rigid demand of its products and the low penetration rate of e-commerce, the fresh produce industry has always been favored by e-commerce and even once considered to be the last blue ocean of e-commerce. In the ten years since the development of fresh food e-commerce in 2005, although a large number of e-commerce companies have been produced, only 1% of enterprises have achieved profitability[1]. In 2016, a large number of enterprises in the industry closed down, and the industry faced reshuffle. When the confidence of capital and fresh e-commerce companies is insufficient, the new retail model, which replaces e-commerce, is a new retail model. The essence of online and offline integration has given more possibilities to fresh food e-commerce. This paper is to study the connotation and basic mode of new retail in the context of the new retailing and to explore the bottlenecks in the development of traditional fresh food e-commerce. The article believes that fresher e-commerce needs to adopt more new retail models if it wants to further develop and grow. At the same time, the article uses case study methods to study the two mature new retail enterprises. Furthermore, it summarizes the composition system of fresh and new retail and puts forward some suggestions on the future new retail model of fresh food e-commerce transformation.

The Bottleneck of Traditional Fresh E-commerce Development

Comprehensive analysis, the bottleneck encountered in the development of China's fresh food e-commerce industry can be summarized as follows:

(1) Regarding products, the degree of standardization is low, as well as the added value. On the one hand, unlike most commercial products, fresh products are difficult to quantify by a standard; on the other hand, due to the characteristics of China's small farmers' economy, the scale of production of fresh produce is low, the products are geographically dispersed, and the industrial chain is unstable. The relationship is fragile, and the standardization of products needs to invest a lot of human and financial resources. The fresh product itself has low added value, and standardization increases the difficulty of product profitability.

(2) Regarding circulation, the cold chain logistics is short, and the product is difficult to keep fresh. In the circulation process, many fresh foods, such as seafood, dairy products, meat, and fruit, are susceptible to deterioration due to temperature, humidity, and handling operations. In China, cold chain logistics still have problems such as low professional service level, low industry concentration, lack of pre-cooling, low transportation efficiency, and lack of integrated cold chain logistics.
logistics operation. The short-board of cold chain logistics has narrowed the geographical circulation of fresh products, reduced circulation efficiency, increased circulation loss, and hindered the further development of fresh food e-commerce.

Regarding operation, the user experience is poor and online development is difficult. The timeliness of fresh products and the normality of demand make the distribution efficiency and product quality requirements of fresh products higher than other products. The habits of “seeing,” “touching,” “smelling” and “taste” formed by fresh-keeping users in traditional transactions, as well as the shortcomings that cannot be experienced by online purchases, make the number of users of fresh food e-commerce online less and expand difficultly. Wu Weiqun and other researchers found that as the main consumer of e-commerce: age 26-35 years old, college degree or above, white-collar workers with an income of 3500-10000, whose frequency of using fresh food e-commerce is also very low, only 1-3 times a month.

New Retail Content and Development Model
The new retail concept originated in 2016 and was proposed by Ma Yun at the Computing Conference. "New retail" is different from traditional retail. It refers to the integration of logistics and supply chain integration by continuous development and application of technology to achieve online and offline integration and to provide consumers with more convenience. Therefore, "new retail" is smart, and it is beyond everything and borderless.

Zhao Shumei et al. summarized three main modes of new retail. (1) Combine online and offline with logistics to realize the integration of goods and logistics channels. (2) Provide experiential consumer services to achieve consumption scenarios. (3) Create a “new retail” platform model and an all channels industrial ecological chain. From the current main mode of new retail, we can find that new retail offers more opportunities and prospects for the development of traditional fresh e-commerce. First of all, through the integration of online and offline logistics, and improved logistics efficiency, it can effectively solve the biggest problem of the current development of fresh products—distribution efficiency and product preservation. Secondly, by providing experiential services, users can access fresh products, feel the quality of products, and dispel consumer distrust of fresh food e-commerce. Third, by creating an all channels industrial chain, it is conducive to better ensure the quality of fresh e-commerce products, and in turn, to establish a unified standard and regulatory system. Therefore, the article believes that the new retail model is the development trend of traditional fresh e-commerce.

Research on Typical Fresh and New Retail Enterprises
The new retail projects in the fresh food industry are also emerging one after another. Among them, the fresh and new retail models with earlier operations and relatively mature operations include Alibaba Hema Fresh and Yonghui super species.

(1) Hema Fresh
Hema Fresh opened its first store in Jinqiao, Shanghai in January 2016. It was originally established as a fresh supermarket. In July 2017, Ali announced that it was a wholly-owned subsidiary of Hema, opening up a new retail model and gradually forming a “shopping mall + Take-out + Hema APP” service form. The main products and services provided include the offline fresh supermarket. At present, Hema Fresh Life has been stationed in Shanghai, Ningbo, Beijing, Hangzhou, Shenzhen and other cities. As of December 2017, Hema Fresh has 35 stores in 9 cities across the country. experience service. Hema fresh build this eating scene to meet consumer demand. While selling the products, the offline stores also provide processing and catering for fresh products to meet consumers’ demand for raw materials and spices. online trading platform. Different from traditional fresh supermarkets, Freshippofresh is mainly based on online sales. Hema obtains consumer cognition and recognition through physical stores, and then leads consumers to online consumption, which greatly enhances user stickiness. HemaFresh’s average online daily order volume is 5000. logistics services. Hema Fresh's offline store also
undertakes logistics functions such as warehousing, sorting and distribution. The intelligent logistics sorting system independently developed by Hema can realize the front and back warehouse, crawler transmission and automatic replenishment. The Hema can complete the delivery only 10 minutes after receiving the user order. Also, the store provides half-hour delivery service within three kilometers to meet the timely demand of consumers for fresh products.

The advantages of Hema Fresh can be summarized as: First, big data advantage. Second, supply chain advantage. Third, member management advantages.

(2) Super species

The new retail model of Yonghui Super species, which is the incubation of traditional retail giant Yonghui Superstores, has achieved a mixed format of “high-end supermarket + fresh food + O2O”. The products and services provided by the super species include: Firstly, offline fresh food stores. The first store of super species was opened in Fuzhou Hot Spring Park in January 2017. The general store area is about 1000 square meters. The average daily order is 1000 orders. Secondly, offline experience service. The super-species online store opened the main workshop area and set up eight major species. Through workshops, super-species can quickly aggregate traffic, enhance the consumer experience, and enhance brand awareness. Thirdly, the online trading platform. Through the establishment of Yonghui Yun-chuang Company, Yonghui focused on new technology development and built Yonghui online trading platform. However, due to the shallow operating experience of Yonghui, its online traffic and order volume are far from theHema. The average order volume is about 200. Fourthly, the logistics distribution services. Super species can provide both shop-to-shop and delivery services, through the self-built community partner team and access to the hungry platform, to achieve free distribution within three kilometers of the store.

The advantages of super species are mainly reflected in: First, the supply chain advantage. Second, the advantage of the offline store. Third, the advantage of offline experience.

Through the use of the new retail model, Hema Fresh and Super Species greatly expand the physical boundaries of physical stores, achieving two-line drainage, two-line experience, and two-line interaction. On the other hand, the blessings of big companies such as Alibaba and Tencent have brought more funds to the fresh industry but also brought more attention, more mature technology and credit endorsements, which will greatly promote students. The fresh food e-commerce industry has further grown.

Figure 1. Fresh and new retail model system.
Suggestions for New Retail Development of Fresh Food E-commerce

Based on the research on fresh food e-commerce and new retail related literature, the article summarizes the new retail composition system of fresh food e-commerce. The new fresh retail model mainly consists of the following aspects: First, Fresh and new retail enterprises. Second, consumer and customer relationship management mechanisms. Third, supplier and industry chain integration system. Fourth, capital flow, information flow and logistics throughout. Fifth, strong technical support.

Then the article further proposes relevant recommendations for the development of new retail models for traditional fresh e-commerce:

First of all, build a comprehensive industrial chain system. Its unique market advantage is conducive to the establishment of an industrial chain system centered on new retail enterprises. A comprehensive industry chain system should include the following: Firstly, a comprehensive supply chain system. The new retail fresh e-commerce platform can leverage its information advantages to integrate all aspects of the supply chain, centralize all kinds of resources in the supply chain, establish mutual trust and operational capabilities throughout the supply chain, and establish a demand-oriented modern supply chain system. Secondly, cover a comprehensive information platform. Fresh and new retail enterprises can take advantage of their information technology and build an information communication platform covering the production area to consumers. Through this information platform, on the one hand, fresh production enterprises can effectively grasp the market demand, establish a demand-oriented production and processing model, and improve the matching of products and markets. On the other hand, through the information platform, the specific information of the fresh products in each circulation link can be recorded and saved, to facilitate the consumers to trace the purchased products and increase the trust of the products. Thirdly, build a unified standard and regulatory system. Fresh new retail enterprises should rely on domestic and international relevant institutions and systems to establish a comprehensive standard and regulatory system. By constructing a standard system for fresh products, it helps companies to produce according to standards from the source; by establishing production operation standards, it helps companies standardize operations in the process of product circulation. And improve the regulatory system, and urge enterprises to produce and operate according to standards.

Secondly, improve the user-centric customer relationship management mechanism. Fresh and new retail companies can establish a payment-based membership system through the essential payment links in the shopping process. In this way, the comprehensive information of the member shopping process is digitized. On the basis of user data informatization, further realize customer segmentation, precise positioning, precise marketing, and precise service. Fresh new retail companies can use this product to meet the needs of consumers, innovative fresh products services, such as providing a nutritional package, main package, offline farm tourism, and other services. Through the ever-expanding consumer scenes, customized products and services, the customer's fresh consumption experience is fully enhanced.

Thirdly, develop innovative technologies that increase efficiency. First, the big data technology. Big data technologies include data collection, preprocessing, storage and mining, presentation and application. Fresh and new retail enterprises collect user information through big data technology and can realize customer segmentation, business environment simulation, product service innovation, and other functions after processing. Second, the cloud computing. Cloud computing includes four key links: hardware, cloud platform, cloud application software, and the cloud operating system. Through the high-speed network transmission capability, the data processing function of the personal computer is transferred to the cloud. Cloud computing technology’s on-demand, flexible, and accessible access anytime, anywhere, helps fresh and new retail companies achieve rapid expansion, cost savings, technological advancement, and access to services for employees and users anytime, anywhere. Third, the artificial intelligence technology. Artificial intelligence technology mainly studies the related theories and technologies of simulation, extension, and expansion of human intelligence, including image recognition technology, speech recognition technology, robots, natural speech processing, expert systems and other technologies.
Through artificial intelligence technology, fresh and new retail companies can provide automatic replenishment, dynamic pricing of the smart supply chain and unmanned supermarkets that can implement face and voice recognition, automatic payment and other functions. Fourth, the Internet of Things technology. The core of the Internet of Things technology is the RFID and NFC sensor technology. By digitizing commodity information at low cost, it helps fresh retailers to informatize offline business behavior and realizes a unified online and offline information base. Fresh and new retail companies can improve inventory accuracy, reduce inventory costs, and visualize supply chains by using IOT technology.

Summary
At a time when fresh food e-commerce encounters bottlenecks in development, the emergence of a new model of new retail has brought more opportunities to fresh food e-commerce. In the future, there will be more fresh and new retail models. However, the sustainable development of the new retail model requires not only the courage of the transformation of traditional fresh food e-commerce, but also the control of the entire fresh industry chain, which requires its refined management of users, and more Research and development of innovative technologies that support new retail. Only in this way, the transformation of the new retail model of traditional fresh food e-commerce will not be in the form of further development.

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