

# Analysis of the Development Status of New Retail in the Fresh Food Industry——Taking Hema Xiansheng as an Example

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**Abstract:** In order to explore the new retail development model of fresh food industry, this paper takes Hema Fresh as an example to analyze its development status, explore its development model and its own advantages, and many problems have emerged in payment methods and coverage while developing rapidly, and based on these problems, corresponding solutions to increase price advantages, expand customer groups and development speed are given.

**Keywords:** New Retail; Hema Fresh; Price

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## 1. Background of the development of the fresh food industry

The rapid development of the fresh food industry is mainly based on the rapid development of cold chain logistics and the upgrading of consumer demand. First of all, cold chain logistics is the most critical step for fresh products to reach consumers from suppliers through intermediate distributors, running through all aspects of fresh goods from storage to sales, and each link needs to be connected without division to ensure that fresh products in circulation will not have problems such as deterioration. With the continuous development of the fresh e-commerce industry, China's cold chain logistics technology is also rapidly developing and upgrading, and the corresponding China's fresh food industry will also be further developed; <sup>[1]</sup> Secondly, in recent years, food safety problems have become commonplace, and customers are paying more and more attention to food safety issues, and paying more and more attention to the quality of goods when buying fresh products.

Based on this background, this paper takes Hema Xiansheng as an example to analyze the problems faced by its development and propose solutions to the problems.

## 2. Development status of Hema Xiansheng

### 2.1 Development status of Hema Xiansheng

Hema is a new retail format that Alibaba has completely reconstructed offline supermarkets. Hema is a supermarket, a restaurant and a wet market. Most of Hema stores are located in populated areas, and consumers need to download the Hema app to purchase products when placing orders online.

### 2.2 Hema fresh development advantages

#### 2.2.1 "Online + offline" new retail development model

Hema is not the first and definitely will not be the last new retail development model to apply "online + offline + logistics"<sup>[2]</sup>. In offline supermarkets, we can not only buy a variety of fresh vegetables and seafood, but also buy a variety of snacks, and even let the chef cook on the spot. Instead of the traditional impression of the leisure area, Hema merged the leisure area with the dining area, allowing people to enjoy food while resting. In the Hema online app, we can select a nearby Hema physical store, select our favorite

food, and then click to place an order.

## **2.2.2 Fast delivery**

Compared with the traditional retail industry, Freshippo's new development model uses mobile Internet, big data, intelligent Internet of Things, automation advanced equipment and other technologies to achieve the best match between consumers, commodities and markets, and has its own complete logistics system from supply chain source, warehousing and distribution process. In Freshippo's physical stores, we can see that there are many grid chains with metal chains hanging from the roof, which is part of Freshippo's full-link digital system. After consumers place an order on the Hema app, the staff will complete the sorting and packing within 10 minutes, and the delivery staff of Hema can achieve delivery within 3 kilometers within 20 minutes, and the whole process will not exceed 30 minutes in total.

## **2.2.3 The regional division is clear**

Walking into Hema Xiansheng, we can clearly see that the supermarket part only accounts for about one-third of Hema Xiansheng, the area is small, the commodity block area is small, the goods are neatly placed, and the signs can be seen on each type of commodity cabinet, so we can easily find what we want to buy.

## **2.2.4 Product traceability**

In the lower left corner of the Hema brand, we can see that there is a traceability code, by scanning the traceability code, we can understand the product name, origin, bar code, supplier unit, unified social credit code and distribution unit name, as well as supplier qualification certificate, you can scan this information by allowing customers to buy and eat with peace of mind.

# **3. Problems faced by the development of Hema Xiansheng**

## **3.1 The price of the goods is higher**

The high price of goods is mainly due to the high cost, mainly from the following aspects:

### **3.1.1 Large investment in the early stage of store opening**

Because Hema adopts the development model of new retail, its store area is relatively large. It is necessary to build a rich variety of goods, but also to retain a certain amount of dining space, kitchen and storage space. At present, the size of the smallest store of Hema is also 4,000-6,000 square meters, and the cost of opening a single store ranges from tens of millions of yuan, and the initial investment is large.

### **3.1.2 High product cost**

Freshippo's fresh products come from all over the world, such as Russian red hair crab, Boston lobster, and the whole cold chain transportation cost is high; Secondly, every time Hema Fresh opens a new store, it will sign an order contract with the local vegetable supplier, let the vegetable merchant directly provide vegetables, and carry out the whole cold chain transportation and careful packaging of vegetables, and then directly enter the refrigerated cabinet of Hema Fresh for sale, which will be destroyed on the night of unsold out, which must ensure the fresh quality of the goods, Hema does not sell overnight dishes in order to keep the vegetables fresh. This results in high costs for fresh products.

As a result of all this, the price of Hema fresh food products in the actual purchase process is higher than that of other supermarkets.

## **3.2 Small coverage area**

Freshippo mainly targets the following types of consumers, who spend most of their time at home at night; Introduce light meals for office personnel who are busy working during the day; Users who have time to take their children to the supermarket on weekends. But first, these target customers need to have a high level of income to be able to afford Freshippo's high consumption. In addition, Hema is mostly opened in areas with concentrated populations, which has high requirements for population density. Finally, Freshippo's own 3-kilometer delivery radius determines that its radiation range is limited and difficult to expand, in short, Hema

Xiansheng has high requirements for its population density and consumption level within three kilometers, which greatly limits the promotion of Freshippo's new retail development model nationwide.

### **3.3 Single payment method**

Because Hema is part of the Ali family, you can only use the Hema app or Alipay to swipe your face to pay when spending in Hema stores, and do not support any other payment methods such as cash and bank cards. In the context of the increasing popularity of convenient QR code payment, Hema can indeed save a lot of money, but for some elderly people, this greatly reduces their enthusiasm for shopping in Hema fresh.

## **4. Suggestions for the development of Hema Xiansheng**

### **4.1 Increase price advantage**

At present, compared with general supermarkets, the price of Hema fresh is generally higher, which is mainly due to the high cost, which is not only due to the high cost of cold chain transportation, but also because of the way Hema handles temporary products. Hema can set up special shelves in which advent products can be placed for those who need them to choose. In addition, Hema can also use some foreign experience to recycle food that is close to its expiration date and give full play to its residual value, so as to create maximum benefits for the society.

### **4.2 Use the Hema APP for drainage**

At present, the geolocation role of the Hema fresh app is mainly reflected in the payment on the home page of the app after consumers arrive in the physical store, but this information is only limited to the payment function. Attracting potential users is essential if you want to increase foot traffic. Hema has basically completed its coverage in major cities, but the opening of these physical stores should not only be used as a front warehouse, but also to allow consumers to actually enter the store to consume to enhance consumer loyalty, and also promote users to change from online consumption to offline purchase. For example, the homepage of the Hema app should be a dynamically changing interface, according to the geolocation system, if it has entered the coverage area of a Hema store, the home page of the APP automatically pushes about the store's main products and discounted products, attracting more potential users to the store to consume.

### **4.3 Slow down development**

As a leading enterprise in the new retail development model, Hema Xiansheng once led a number of partners to develop rapidly, developing more than 150 stores across the country in just three years, and also incubating sub-brands such as Hema Pony, Hema F2 and Hema Small Station to carry out multi-industry layout. On June 1, 2019, Hema Xiansheng announced the official closure of the Hema fresh store located in Wuyue Plaza in Kunshan New Town, and the relevant person in charge responded that Hema had been running wildly with its life, and there must have been a situation of overstarting, and it would be adjusted if it was overdone<sup>[3]</sup>. There seem to be signs that Hema is facing rectification, whether it is the previous "label gate" incident or the notification of the Municipal Supervision Bureau, indicating that internal management problems were neglected in the process of Freshippo's rapid expansion. When Freshippo slows down its development, Hema can think about the future development of new retail, strengthen employee training and the development of big data technology, so as to accurately locate consumer needs, better serve customers, and improve user loyalty.

## **5. Summary**

As a typical representative of fresh new retail, in the process of exploring the blue ocean of new retail, Hema Fresh needs to slow down its own development speed and strengthen the internal management of the enterprise; At the same time, it is also necessary to consider the treatment of temporary commodities to achieve the integration of the industrial chain.

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