

# Comparative Analysis of Fresh Food E-Commerce Business Models under "New Retail" —— Taking Pupu Supermarket and Hema Fresh as Examples

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**Abstract:** With the continuous development of network marketing, the combination of online and offline mode emerges as the times require. On this basis, compare and analyze the business models of Pupu Supermarket and Hema Xiansheng, using the theoretical framework of 3W2H, analyze and compare around five basic elements, describe the status quo of business models under different e-commerce models, and analyze their core essence. Extract and summarize its successful model, and make suggestions for fresh food e-commerce, and continuously improve the business model of fresh food e-commerce.

**Keywords:** Fresh Food E-Commerce; Pupu Supermarket; Hema Xiansheng; Business Model

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## Introduction

As a "new retail" project launched by Ali after more than two years of preparation, "Hema Fresh" innovatively proposes a new retail model of "O2O + contactless distribution" in combination with the factors of the epidemic, which is the first to achieve scale within the fresh food e-commerce scope. Profitable, as of May 2022, according to the Hema stores in the Hema Xiansheng App, there are currently 328 stores nationwide. Pupu Supermarket is a typical front warehouse model. It was established in 2016. After basically occupying the Fuzhou market, it is currently distributed in Chengdu, Foshan, Fuzhou, Guangzhou, Shenzhen, Wuhan and Xiamen. The number reached 316, and it is a 30-minute instant delivery mobile Internet shopping platform. In the face of the impact of the epidemic and the fierce competition in the market, why did Hema Xiansheng stand out from the siege, and why Pupu Supermarket can expand steadily? Their business model will provide certain lessons and references for other fresh food e-commerce companies.

## 1. An overview of the business model

The core of the business model lies in the logic that needs to be followed in order to convert input into output and obtain more benefits during the operation of the enterprise. The concept was first proposed around 1960. With the continuous development of the economy, the business model has also continued to develop with the times. It is understood that the current business model is mainly analyzed from the industry, product, business and enterprise levels, and there are four types: value creation type, transaction structure type, operation management type and strategic positioning type.

After studying the business model of fresh e-commerce, Yuan Lei (2007) believes that there are four links, value proposition, value maintenance, value network and value realization, so as to create value for shareholders, channels, suppliers and customers. However, it is relatively broad to analyze the fresh food industry from four aspects, and it is not possible to conduct a complete analysis and comparison of the two cases. Alexander Ostwald (2011) is more detailed, and believes that business model analysis can be realized from nine elements such as target customers, value structure, and revenue sources, so as to achieve the purpose of building a business model analysis canvas. But it is too complicated in practice. And Chen Youcheng et al. (2015) analyzed from five aspects, target market, product service, customer group, how to ensure logistics and supply chain and how to obtain money, which is the 3W2H model. The 3W2H model was first used to analyze the telecommunications industry, but its internal logic starting from the enterprise, and considering the influence of external factors such as the external social environment and systems, is very suitable for analyzing and studying business models.

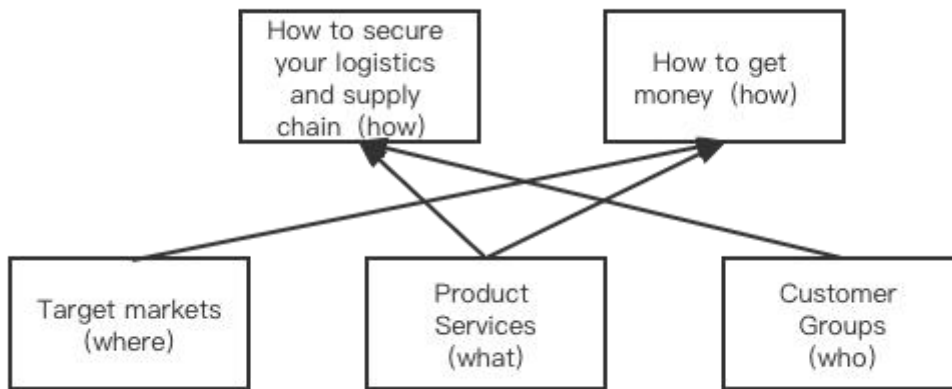


Figure1 3W2H Business model analysis model

How to ensure logistics and supply chain: For the fresh food industry, in order to help customers enjoy services, it is to help customers obtain products, that is to say, a complete supply chain from the place of origin, through circulation, and finally distribution to consumers through sales. It is also the realization of the value of fresh food, so the ability analysis of its supply chain is related to the efficiency of front-end warehousing to logistics transportation, the mode of supply chain and related cold chain logistics are all relevant indicators. How to get money: It involves the profit model and the way to make profit. However, due to the epidemic and excessive competition, many fresh food e-commerce companies have closed down without profiting from it, so the analysis of profit is particularly important.

Target market: Before starting a company, you should conduct market research and understand the needs of fresh food e-commerce in cities with different economic development conditions, then operate different e-commerce platforms under different market demands. Marketing analysis of merchants. Products and services: Different platforms have different services, some are next-day delivery, some are timely, and e-commerce platforms must also guarantee delivery and after-sales, so analyze and compare according to the culture and service content of different platforms.

Customer groups: that is, the main consumer groups. For the price and service of different platforms, each platform has its own target group.

## 2. Analysis of the business model of Pupu and Hema Xiansheng

### 2.1 Customer groups

According to iiMedia Research, the target customers of Hema Xiansheng are positioned in the post- 80s and 90s , mainly female customers. The application of the Internet is also mainly concentrated in families, who have a certain income, and have high quality requirements and are insensitive to prices.

Users over the age of 30 account for 70%, while middle- and high-income white-collar workers have a high consumption demand and ability for fresh products, and have a fast pace of life and lack of free time. They hope to buy the best products in the shortest time. Pupu Supermarket is a young user group, most of which are college students, accounting for 30% , and they are mainly concentrated in Shenzhen and Florida. The main reasons for using Park Supermarket are that users don't want to go out or want to get products without leaving home at short notice, and some want to get a discount on the platform.

### 2.2 Target market

Hema Xiansheng is mainly positioned to open stores and sell in first-tier and new first-tier cities, because Hema Xiansheng is more of high-quality products, while in second- and third-tier cities, some aspects are mainly concerned with price, so according to Hema Xiansheng's customers The main target market of the group is the first-tier and new first-tier cities. Pupu supermarket started from Fuzhou, started from second-tier cities, and then continued to enter first-tier and new first-tier cities.

Because the steady and steady operation at the beginning provided Pupu Supermarket with a solid foundation, and then the financing was successful, which gave Pupu Supermarket the confidence to enter first-tier cities and compete with e-commerce platforms such as Hema Xiansheng.

## **2.3 Products and services**

Hema Xiansheng has four main consumption concepts, fresh every moment, one-stop shopping, what you want is what you get, and making eating an entertainment. Whether it is a small package of products, or using a variety of models to ensure the diversity and quality of food, but also to meet the differences and needs of consumers, or to ensure delivery within 3km within 30 minutes, the same quality and price online and offline, To meet the needs of fast-paced people, or to have finished products or semi-finished products to meet various needs in the end, it is all for consumers from the quality of the product to the service of the product. Pupu Supermarket is positioned to deliver to the supermarket within 30 minutes , and many products are relatively low-priced and fresh. In addition to being able to arrive within 30 minutes after placing an order to save time, the delivery staff even help with garbage to improve service quality. The front-end warehouse mode is a home service of placing orders at any time and delivering instant delivery. Therefore, service is the key to screening different platforms. The delivery time and delivery fee of Pupu are relatively low, and there are often coupons, which improves Pupu. Park's recognizability compared to other pre-positions.

## **2.4 How to ensure logistics and supply chain**

Hema Xiansheng adopts direct source procurement, the entire supply chain is " manufacturer - hema fresh - consumer " , and warehousing is the model of front store and back warehouse, which is delivered to the store by large trucks, and the store receives the products, A series of actions to put, pick, pack and deliver. And continue to strengthen its own brand building and the stability of its internal supply chain. On the one hand, it has invested in New Shilan Xinyun to expand its dairy business, and has reached a strategic partnership with 1919 Liquor Direct Supply to expand its wine business. On the other hand, it has established its own The fresh milk brand " Riri Xian " has gradually expanded the proportion of its own operation. The cold chain is a two-stage type, which uses refrigerated or frozen trucks for transportation between cities, while the terminal transportation only adopts the mode of incubator transportation.

Pupu Supermarket is made by hand. There are nearly 2,000 suppliers in Fuzhou alone, and each product uses 1-2 suppliers, and directly feedbacks the sales and complaints to the suppliers, forcing the supply of goods. Self-optimization. Warehousing is opened in the place closest to the consumer, minus the intermediate warehousing link, and directly distributes from the front warehouse, which can reduce the distribution cost. In addition, Qiancang Qianmian can configure the front warehouse according to the needs of the warehouse, and build its own distribution center and distribution team, which is convenient for flexible operation. Pupu Supermarket can also guarantee the whole process of cold chain distribution from the main warehouse to each front warehouse, and the complete cold chain distribution also guarantees the quality of Pupu's products.

## **2.5 How to make profits**

The profit of Hema Xiansheng is mainly composed of two parts: revenue and cost. Part of the source of income is the sales of goods in offline stores, the manual fees collected for semi-processing or full processing of catering, or the rent collected from other catering companies. And another part of the revenue comes from online sales. The combination of online and offline dual modes guarantees online sales and offline experience, which can increase sales, and because Hema Xiansheng's product sources are mainly direct purchases Therefore, the middlemen are reduced to earn the price difference, which can have a price advantage and make more profits. There are also some semi-processed processing services on site to increase income; the sales concept of fresh every moment is to sell fruits and vegetables and other products in small batches, which can be Increase the desire to buy, and reduce losses, you can also charge a certain amount of labor costs to improve sales profits. Moreover, for the model of cost-effective head-end product drainage and mid-to-high-end product profit model, on the one hand, the traffic is guaranteed, and on the other hand, the profit is guaranteed. In terms of cost, offline venue rental and decoration, commodity procurement and

transportation, personnel allocation, technology research and development costs and publicity costs, and Hema Xiansheng maintains a fixed system for standardized operations, which will cost a lot of money.

The profitability of Pupu Supermarket will also be analyzed from revenue and cost. Pupu's income mainly relies on online order sales, unlike Hema Xiansheng's offline income, so the source of income is relatively monotonous. However, due to Pupu's advantages, whether it is low price, 30 -minute publicity first, or self-renewal, fast iteration, and guaranteed product inventory, all of which ensure that Pupu's order volume remains high, and it can be used in many front-end warehouse platforms. stand out. As for the cost part, the front warehouse is already a money-burning model. It is necessary to establish a new front warehouse, open up logistics channels, find new local suppliers, recruit new riders, and ensure the route planning of rider distribution with high technology. to invest.

### **3. Suggestions on the development of fresh food e-commerce industry under the background of " new retail "**

With the introduction of the new retail model and the impact of the epidemic, the demand for products without leaving home is increasing, which has also stimulated the development of the fresh food e-commerce industry to a certain extent, but the final results are different. It is also different, then according to the analysis and comparison of the leaders of the front-end warehouse model and O2O model, some suggestions on the business model for promoting the development of fresh food e-commerce are put forward.

The first is to precisely locate customers, precisely locate the market, refine operations and enhance product diversification. Nowadays, the needs of users are diverse. For different cities, different consumption levels, and different age groups, the needs of consumers are different. If fresh food e-commerce companies want to survive for a long time, they need to strengthen their understanding of consumers. Collect consumer demand information through various channels to achieve timely feedback and form a pattern similar to " Thousands of Stores and Thousands of Faces " . And it can push related products based on users' browsing records on various platforms, records added to shopping carts, and consumption records, and can push related coupons from time to time to increase customer stickiness and repurchase rate. Accurately locate the target market, conduct preliminary research and continuous summarization of the user's use process, refine the wishes of consumers at different levels, and make analogies when expanding to avoid losses caused by blind expansion.

The second is to improve product service quality and experience. When similar platforms compete at the same time, service quality is the key to making them stand out. First of all, it is necessary to ensure a complete supply chain and cold chain system to avoid product loss and deterioration during transportation. The second is the optimization of the app used . By reducing the content of advertisements, improving the introduction level of the screen, finely dividing the products for easy browsing, you can add some links to the production methods of specific products to improve the user's experience. And it is necessary to ensure the timeliness in the transportation process, and there should be no problem of frequent delays, which will easily damage the brand reputation.

The last is to improve the integrated supply chain and improve the development and construction of cold chain logistics. Due to the particularity of the products, fresh food e-commerce has extremely high requirements in the process of transportation, and because of the great loss, the cost issue here has to be considered. Therefore, we must first improve and integrate the supply chain, reduce intermediate links and reduce costs, which is also conducive to ensuring product quality control. The second is to continuously expand and improve the development of the cold chain, because a certain amount of transportation is required whether it is from the manufacturer to the warehousing of fresh e-commerce, or from the general warehouse to each front warehouse, so qualified cold chain transportation is particularly important. . Finally, a front warehouse can be added to increase its density, which is convenient for thousands of warehouses and thousands of noodles and reduces transportation costs. The same distance can store more products, and can improve transportation efficiency, improve the convenience of the platform, and increase revenue.

## 4. Conclusion

Using 3W2H to analyze the business models of Hema Xiansheng and Pupu Supermarket, summarize the reasons for the rapid development and successful profitability of fresh food e-commerce, and integrate the background of different e-commerce companies to locate the market, accurately analyze customer needs, and improve product services. Quality and experience, increase heterogeneity, improve the integration of the supply chain, and reduce costs, in order to improve the survival rate of e-commerce and promote the development of the fresh food e-commerce industry.

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