



Analysis of Fresh Food Industry Companies under the New Retail Model: Taking Hema Xiansheng as An Example

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Abstract. With the advancement of Internet technology, the application of mobile payment and the development of logistics technology, as well as the changes in people's consumption preferences, the regular and fixed-point sales model of the traditional retail industry has been unable to meet the needs of consumers. In addition, for consumers, the invisible and intangible purchase method of e-commerce, which relies only on experience and luck, and the method of choosing products based on the integrity of the seller and the reviews of buyers, can no longer meet the needs of people in the modern era for shopping. Therefore, a new retail model that combines online and offline forms emerge as the times require. The fresh food sector is used as an example in this study to assess the growth of the new retail model and to present recommendations for how the fresh food industry should expand in conjunction with the new retail model. This paper takes 'Hema Xiansheng' as an example to analyze its existing strength, weakness, opportunities and threats through SWOT analysis, and then makes relevant suggestions. It can be concluded that the change in the retail business model has led to numerous changes in the business model of the fresh food industry. The fresh food industry keeps up with the pace of the retail model changes, and gradually forms a new retail model for the fresh food industry, striving to provide consumers with the most cost-effective, convenient and high-quality services, such as JD Daojia from JD.com and Super Species from Yonghui.

Keywords: New retail, Hema Xiansheng, Fresh food industry, SWOT analysis, Marketing Mix

1 Introduction

With the development of Internet technology, changes in consumer shopping needs, and increasing expectations for a shopping experience, both the traditional retail industry and e-commerce have entered a period of stagnation, and new retail models have emerged. The new retail model is now applied in many industries, such as the electronics industry, Xiaomi's Xiaomi Home, Suning Tesco in the furniture and electrical industry, and even snack giants Three Squirrels, as well as JD Daojia in the

retail industry, etc [1]. In addition, the new retail model has also been quickly adopted by the fresh food industry. Hema Xiansheng is the leader in the transformation of the fresh food industry from the traditional retail industry to the new retail model. Other industries still take a wait-and-see attitude towards the transition to the new retail model and dare not follow it. The new retail model, however, will take over as the primary retail model in the future, depending on customer wants and the prospects for the future of the shopping model. Although the fresh food industry's new retail model has progressed to some level, there are still numerous operational issues that need to be addressed, such as the challenge of establishing quality standards, the high demand for distribution, and the high added expenses. Case studies are a popular research technique in the social sciences. It is based on an in-depth analysis of a particular person, organization, or event to investigate the causes of the fundamental principles [2]. This paper takes Hema Xiansheng, a company under Alibaba as an example, to analyze the fresh food market under the new retail model and provide some suggestions. The literature search is a systematic and well-organized search of published data to identify a large number of quality references on a particular topic [3]. This paper mainly refers to the method of collecting and arranging documents and materials related to the new retail model, Hema Xiansheng and SWOT analysis method, and forming a scientific understanding of the facts through the research of these documents. This paper uses a SWOT analysis(a person or organization can determine the strengths, weaknesses, opportunities, and threats in relation to project planning or competitive business environments [4]) to analyze Hema Xiansheng's existing strengths, weaknesses, opportunities and threats through SWOT analysis, and then makes relevant suggestions. Few studies have been done on new sectors under the new retail paradigm, and the majority of them still focus on e-commerce. This paper can give theoretical advice for the ongoing development of new retail models in the fresh sector and potentially in other industries.

2 Theoretical explanation

2.1 Concepts Related to the New Retail Model

New retail is mainly manifested in the comprehensive use of technologies such as the Internet, big data and artificial intelligence to reconstruct the entire process of enterprises producing products, selling products, logistics and transporting products, and consumers purchasing products, so as to achieve value enhancement [5].

To be more specific, new retail is a deep integration of online shopping service, offline consumption experience and modern Internet logistics, taking consumer experience service as a core new model, providing offline consumers with fast, Convenient and considerate online shopping services and personalized consumer service experience. Furthermore, the new retail model applies big data analysis technology to new retail sales: retail companies can provide targeted publicity and services to consumers according to their shopping frequency, and companies can also adjust the supply of products according to changes in consumer demand to avoid inventory backlogs and reduce losses in operations.

2.2 Reasons for the Emergence of the New Retail Model

The first is the change in consumer shopping experience needs and consumption tendencies. More people, especially young people, have increased expectations for the quality of goods, the shopping experience, and the convenience of shopping in recent years as a result of the ongoing development in people's living conditions. Pure online shopping or traditional offline shopping is gradually unable to meet the new shopping needs of young adults.

Second, the development of the traditional retail industry has been impacted by e-commerce. E-commerce has grown quickly against the backdrop of the Internet's fast expansion and popularization. The conventional retail industry's time and space restrictions are broken by e-commerce, which also lowers operating expenses like personnel and decorating costs, decreasing the normal price of goods. As a result, consumers are very fond of this consumption model, which has also caused a huge impact on the traditional retail industry and a sharp decline in market competitiveness.

The new retail model, therefore, takes into account the aforementioned issues and combines the ease of online shopping, the variety of shopping characteristics, and the authentic offline shopping experience with high quality, high satisfaction, and shopping characteristics that can be purchased without leaving home.

3 Analysis

3.1 PEST Analysis on the Development of New Retail Business of Hema Xiansheng

An evaluation of the political, economic, social, and technical (PEST) elements that potentially have an impact on a corporation both now and in the future is known as a PEST analysis. A PEST study is meant to assist a company's management team in better comprehending the market they are currently working in and how they can get ready for prospective alterations (for example, regulatory changes) [6].

3.1.1 Political. From the start of e-commerce of agricultural products in 1998, the central government and local governments at all levels have continuously issued relevant policies. Take the No. 1 Central Document, which has received the most attention, as an clue[7]. Since 2007, the No. 1 Central Document has provided the highest-level policy support for the development of agricultural e-commerce. In addition to central policies, local governments have issued tens of thousands of local policies that are more specific and targeted.

3.1.2 Economics. In the next few years, more younger generation will enter the workforce. Since people have already formed a strong dependence on the Internet, they will make the user group of fresh food e-commerce even larger; And with the increase in disposable income, the consumption upgrade of young users will give fresh food e-commerce more revenue space. Although they may not necessarily in-

crease the number of purchases, they will basically pursue quality and drive the upgrade of market consumption.

3.1.3 Social. Due to the pandemic, several areas have enforced travel restrictions, and "stay-at-home" shoppers have chosen online shopping as a convenient way to obtain fresh produce and other requirements. This has partially boosted the popularity and development of new APPs. More customers will become accustomed to and have faith in this retail model thanks to the livelihood assurance and support provided by fresh food e-commerce throughout the pandemic.

3.1.4 Technology. In the age of big data, fresh food e-commerce businesses may leverage consumer consumption information and community user profiles to enhance product selection and precisely predict user demand in order to lower losses and boost inventory turnover.

3.2 Analysis of Marketing Strategy of Hema Xiansheng

The marketing mix is the collection of activities, or methods, that a business does to market its brand or product. A typical marketing mix is comprised of the four Ps: price, product, promotion, and place [8].

3.2.1 Price. At present, the per capita level of Hema Xiansheng consumed is about 70 yuan online and about 120 yuan offline, which is lower than that of similar companies such as JDDAOJIA and Su Xiansheng[9]. Hema Xiansheng uses a high premium approach and a cost-effective method for different categories of goods when setting prices. Prices for fish at Hema Xiansheng are less expensive than those at other inland supermarkets and seafood stores because it has a self-built base. In a similar vein, regular fruits and vegetables are roughly 10% less expensive than those available in traditional marketplaces because its basis for fruits and vegetables grows fruits and vegetables directly. Hema Xiansheng uses a method of directly obtaining raw materials from supermarkets, which reduces the cost of goods. As a result, the restaurant's dine-in price is somewhat cheaper than that of regular restaurants, which is commended by many dine-in customers.

3.2.2 Promotion. Hema Xiansheng has adopted a series of activities to achieve new and lively promotion. For new users, Hema Xiansheng quickly attracted a large number of customers to Hema Xiansheng by relying on the preferential red packets of Hema Xiansheng presented on its products such as Alipay and Taobao, and the eye-catching Hema advertising entrance. In addition, Hema Xiansheng will send special personnel to infiltrate and promote the surrounding of each store.

For old users, Hema Xiansheng has promoted the 'pet' gameplay of raising 'Hema and receiving benefits' (because Hema is pronounced the same as hippo in Chinese). Consumers who shop at Hema Xiansheng can adopt a small Hema, and users will

gain one kilogram of weight for every 10 yuan they spend on Hema. Hema users can get discounts such as corresponding coupons when they complete the corresponding task content within the specified time.

3.2.3 Product. Hema Xiansheng offers online e-commerce and takeout in addition to its physical grocery and restaurant. Fresh food is particularly vulnerable to deterioration and damage during storage and shipping, therefore Hema Xiansheng primarily offers consumers fresh seafood, vegetables, fruits, dairy products, and other items. The high rate of product attrition has always been a problem in the "production, sales and delivery" sales model. Hema Xiansheng maintains long-term purchasing agreements with numerous high-quality agricultural product bases and makes daily direct purchases and supply from these bases in order to guarantee the quality and freshness of its products. It enters the Hema Xiansheng supermarket's freezer sales after going through the entire cold chain transportation and refined processing procedure. To maintain the freshness of the things they sell, if the merchandise is not sold out on the same day, it will be destroyed.

3.2.4 Place. Hema Xiansheng uses a hybrid online and offline business model and offers cooked cuisine in addition to fresh goods. Based on the more than 140 outlets that have been opened in more than 20 cities nationwide, consumers can buy fresh products offline. They can also dine there and have the kitchen prepare the ingredients they bought there. With the use of Hema Xiansheng's mobile APP, consumers may purchase fruits, vegetables, and seafood online, and Hema Xiansheng can transport such items within a three-kilometer radius within a half-hour. Offline stores can serve as warehouses for online purchases, which not only maximizes their use of available space but also reduces the need for additional storage fees.

3.3 SWOT Analysis

3.3.1 Strengths

3.1.1.1 Strong Financial Strength. The biggest core value of Hema is a one-stop service for consumers to "eat". This means that Hema's stores must have enough area to build a rich variety of goods, and at the same time, it is necessary to reserve a certain area for dining, kitchen, and storage. In addition, the premise of the omni-channel constructed by Hema is the reconstruction of the supply chain, and the support is the upgrade of the logistics plan, and there is a huge consumption of funds in the operation process. Hema has benefited from the funding and support provided by Alibaba, the second-biggest Internet corporation in the world and the largest in China, as a part of the Alibaba Group. Hema's solid financial standing has made it possible for the store to grow quickly.

3.1.1.2 Leading Technical Resources. Hema makes comprehensive use of big data, mobile Internet, intelligent Internet of things, automation and other technologies to

achieve optimal matching among "people, goods and field". Hema's own comprehensive logistics system, which includes the supply chain, storage, and distribution, considerably enhances the effectiveness of logistics.

3.3.2 Weaknesses

3.3.2.1 Technical Limitations of Fresh Cold Chain Logistics. Hema has only been founded a few years, and the cold chain transportation system required for the development of fresh food e-commerce is not mature enough to meet the requirements for equipment and technology, especially the high cost of cross-border fresh product transportation. Although Hema's self-built warehouse has alleviated the inconvenience caused by cold chain logistics technology to a certain extent, the low level of cold chain logistics technology is still an important factor restricting the development of fresh food e-commerce.

3.3.2.2 A large Degree of Dependence on External Supply Chains. Since the entire supply chain cannot be operated within the system, Hema has paid special attention to the management of strategic partnerships since its establishment and is highly dependent on external social supply chains. However, this will cause some risks. The technical level of partners in the supply chain and the different corporate cultures will affect the overall profitability of the supply chain. And the fluency of communication between departments will also be reduced.

3.3.3 Opportunities

3.3.3.1 National Macro Policy Support. The political environment in China today is stable, which is suitable for the rapid development of the new retail model. The new retail model is one of the significant components of the internet business, which has recently received support and encouragement from the state and the government. The state supports and encourages the development of the new retail model.

The State Council published the "Opinions on Promoting the Innovation and Development of Physical Retail" in November 2016, which offered a guiding philosophy for the modernization and transformation of the retail sector in my nation [10]; Encouragement and support from the new retail industry.

3.3.3.2 Consumer Demand Upgrade. The variety of shop forms can also, to some extent, create new customer demand and influence locals' purchasing patterns. Economic growth has led to an increase in inhabitants' consumption needs as a result of the strengthening of regional exchanges, the quick increase in personal income, and the ongoing development of urbanization.

3.3.4 Threats

3.3.4.1 Intense Competition in the Industry. New retail representatives include not only Hema but also Super Species such as JD.com's 7FRESH and Yonghui. The three have different characteristics and different core competitiveness, but each is expanding its business and expanding its business nationwide, so the competition is no less fierce. In addition to new companies emerging in the industry, the competitors of fresh food e-commerce platforms also include supermarkets and vegetable stores.

3.3.4.2 Increased Market Uncertainty. Companies won't entirely rely on one format and category to live because of the multi-layered consumers, the diversity of preferences, and the complexity of consumer demand. Brand innovation, function innovation, and channel innovation are all powerful opportunities in the Internet age. Customers also have more options at the same time. The loyalty of consumers has significantly decreased, whether it is for established businesses or new brands. Products and services are now increasingly individualized as a result of changes in consumer terminal demands. Companies need to adapt to market demands in order to integrate additional industries and industries across borders and improve their capacity to respond swiftly to the market. This goes beyond integrating upstream and downstream resources.

3.4 Improvement Strategies for Hema Xiansheng

3.4.1 Establish a Suitable Organizational Structure and Control System. Hema Xiansheng has frequently exposed negative news about product quality, and the "frequent customers" of major online complaint platforms have repeatedly appeared on the blacklist of quality inspection. The root cause is the lack of supervision of Hema's quality inspection department in terms of management and mechanism. For example, on November 15, 2018, when a customer was shopping at Hema Fresh, he found that the staff were changing the date label on the outer packaging of carrots. The staff replaced the carrots with the original label date of November 9, 10 and 11 with the label of November 15. The customer immediately reported to the person in charge of the store that it was the staff who had violated the work process, printed the label by themselves, and then reported it to the market supervision bureau in the area. This kind of thing will have a great impact on Hema Xiansheng's reputation. Because Hema itself is promoted under the banner of selling fresh food, but if there is a behavior that goes against its promotion, consumers will no longer trust Hema Xiansheng. Consumers will even advertise on the Internet to boycott Hema Xiansheng. Nevertheless, for fresh supermarkets such as Hema, due to the characteristics of fresh agricultural products that are easy to wear and tear, not resistant to storage, and difficult to keep fresh, it is understandable that there are occasional reports about product quality problems. Hema has received numerous criticisms from the Quality Inspection Administration, indicating that their internal system for monitoring food quality has certain issues. First and foremost, all Hema stores should properly apply food safety rules and have uniform management of the products they sell in order to rectify the

current situation. The department responsible for Hema's quality control should rigorously monitor the supply chain and cold chain logistics as well as the channels used for purchases. From upstream to downstream, strictly follow the national requirements for food health, control product quality from the source, and strictly control the amount of product purchases to achieve precise operation to reduce unnecessary consumption and damage. Secondly, it should actively participate in the production management of the base, and take customer demand as the ultimate orientation to provide customers with more choices. At the same time, there should be special personnel responsible for the quality inspection of store products and the freshness of fresh products. Once the products with quality problems are found, they will be immediately removed from the shelves and stopped, and employees will be rewarded accordingly, so that employees will have enthusiasm for work. On the other hand, each area should have a special person responsible for product quality control. Once a random inspection finds that substandard products are sold in the area, the employees responsible for the area should be punished accordingly. Only in this way will all employees realize the quality of fresh products. The importance of quality control can be strictly performed. At the same time, Hema can also set up a customer opinion column, which can timely obtain customer feedback on product quality. The opinions mentioned will become the basis for Hema to improve and improve the quality, so that the quality of the products purchased by customers can be fully guaranteed.

3.4.2 Clearly Distinguish the Difference from Other Platforms and Look for Unique Points. It is obvious that Hema Xiansheng is special since it combines the experiences of a supermarket, restaurant, and vegetable market to provide a one-stop shopping experience for customers. In order for Hema Xiansheng to have the uniqueness that is unbeatable and unbeatable by other platforms, it is crucial to increase the distinctions between it and other platforms and to develop these distinctions in-depth.

3.4.3 Multi-Party Propaganda and Multi-Party Cooperation to Guide Positive Public Opinion. The foundation of propaganda should be "truth and credibility," while increasing the variety of its channels and tactics. Prior to promoting Hema Xiansheng, reality must be the foundation. It cannot heedlessly raise the degree of service and product quality for publicity. In addition, it cannot be limited to the promotion of Weibo and press releases or always use Jack Ma as its means of publicity. Instead, you can choose new media for publicity, or take advantage of star effects, etc. The target customers of Hema Xiansheng are mainly the post-80s, post-90s and even post-00s[11]. For these target groups, Hema can use a lot of new media promotion channels, such as short video software, Weibo blogger evaluation and recommendation, TV series advertisements.

3.4.4 Improve Risk Management Awareness. In the Internet era, enterprises are increasingly reliant on the network, and many business systems within the enterprise will be open and shared with partners. In the case that much valuable and confidential information is likely to be leaked, it provides opportunities for criminals and compet-

itors, so it is very important to strengthen network information security management. At the same time, crisis public relations capabilities are also critical. Stakeholders not only have cooperative relationships but may also involve in-depth cooperation with mutual equity participation. When an enterprise has a problem, not only the external reputation will be damaged, but the reputation of the stakeholders will also be damaged. Therefore, the awareness of crisis public relations must always exist to minimize risks.

4 Conclusion

Through the example of Hema Xiansheng and the SWOT analysis method, this paper analyzes the practical problems encountered by Hema Xiansheng in the process of business development and proposes solutions. It also reflects the changes in the overall fresh food market under the new retail model through the example of Hema Fresh.

Hema Xiansheng has only recently been founded, but the new retail model has indeed adopted is consistent with the modern economy's development path and meets the needs of an increasing number of consumers. But there is no precedent for Hema Xiansheng to follow in the process of development and operation, and it can only move forward in exploration and enrich the theory of new retail models. The online and offline experience shopping paradigm, nevertheless, will be embraced by more people as the times and people's high standards for living change. This will be especially true during times of epidemics when internet ordering and online shopping will become more common. The centralized distribution approach is used in a variety of neighborhoods in the streets and alleyways, and it significantly increases the accessibility of services for those in need who are unable to leave their homes, thus this special situation makes people who have not experienced shopping in the new retail model have more understanding and trust in the new retail. Although this is merely a unique approach at a unique time and hasn't developed into a set company operation model, it has a very quick application speed and high adoption rate and offers everyone a ton of convenient and secure buying experiences during unique occasions. Overall, it can be clearly shown that the new retail model has a huge development potential in the future life.

The majority of the research included in this work is secondary research, which is based on earlier research. It is challenging to ensure timeliness and accuracy in this situation. For example, the document of the government was collected from another paper, so it is hard to ensure that the context didn't be modified by the author from that paper. Also, the data used to analyze the target customer are researched in 2021, so it is hard to ensure that the data is similar to that of 2022. Therefore, it is preferable to conduct primary research to increase the validity and veracity of research material and data, which will ultimately make the paper more compelling.

Authors' contribution

The paper is independently conducted and written by Haoyang Wang.

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