

Transformation and Upgrading of Fresh Brand Retail Mode under the Background of Consumption Upgrading

-Taking Freshippo as an Example

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Abstract: In recent years, China's retail market has developed vigorously, and technological progress superimposes demand changes, driving the innovation of new retail(NR) business models. Starting from the problems in the traditional retail industry, this paper analyzes the success of Freshippo in the context of consumption upgrading and uses the case analysis method to study, indicating that the three elements of "people, field and things", the change and upgrading of marketing channels and service processes are the key factors to promote the successful breakthrough of Freshippo. At the same time, the successful breakthrough of Freshippo provides experience for the transformation and upgrading of traditional retail enterprises. It offers new ideas to solve the dilemma of the traditional retail industry, enhance consumers' consumption expectations, and improve the supply reality of enterprises. This, in turn, promotes the development of the NR industry.

Keywords: Freshippo, New retail, Transformation and upgrading of business model

1. Introduction

The rapid development of science and technology has effectively solved the dilemma of the retail industry, and the new generation of digital technologies represented by cloud computing, big data, the Internet of Things, and blockchain has become an important part of the transformation and upgrading of the retail industry.

The present study this paper considers the competition between a new retail(NR) firm and an online firm, as the NR mode mainly influences the consumer purchasing experience online. However, the NR also has an impact on the offline market because the offline stores occupy a part of the offline market [1]. This study shows that, for the sample companies, compared with the traditional retail model, the operating efficiency of enterprises engaging with the NR model significantly improved, which brought about significant improvements in technical efficiency and scale efficiency [2]. The increasing richness of scene elements and the increasing power of its functions drive the dominant logical evolution of NR from "goods" to "people" and then to "field" and stimulate the innovation of business models [3]. The continuous identification of consumers needs to be achieved through sticky maintenance, which requires enterprises to enhance the links of community relations and enhance the value of content, to further enhance the cognitive and emotional identification of consumers [4]. Both

NR channel integration and logistics service quality have significant positive effects on consumers' purchase intentions. Timeliness, distribution quality and information quality of logistics services all play an intermediary role between the integration of NR channels and consumers' purchase intention [5]. The opening of the omnichannel strategy is conducive to supply chain participants tapping new consumer markets and improving system profits through differentiated pricing [6].

As a NR species and new ecological retail under the new round of consumer revolution, Freshippo transforms and reconstructs the production, circulation, retail and other links of commodities, and further changes the development paradigm of commercial bodies, consumer bodies and economies [7]. According to the above literature, the innovative mode of NR plays an indispensable role in the transformation of the traditional retail industry. Different from previous studies that simply analyzed the new logic theory of NR in the retail industry, this paper made a comparative analysis with the traditional retail industry, highlighting the absolute advantages of NR in consumption upgrading. Starting from the successful case of Freshippo, this paper made a specific analysis of the problems existing in the traditional retail industry. Given the shortcomings of the previous studies on the Freshippo case analysis, specific suggestions are put forward. Based on this, this paper puts forward the development dilemma of the traditional retail industry with a single sales channel, complex supply chain and difficult management. The present study refers to a large number of literature and Internet hot spots, takes Freshippo as a case, summarizes the innovative mode of NR, and extracts the key factors that can solve the problems for the traditional retail industry. This study provides relevant theoretical support for the transformation and upgrading of the traditional retail industry and puts forward a solution to the dilemma it meets.

2. Case Studies

2.1. Enterprise Profile

Freshippo is China's first new data - and technology-driven retail platform, created by Alibaba Group. By reconstructing the three elements of "people, goods and field" in the retail industry, the company has created a variety of business models, including Freshippo, Freshippo X members' club, Freshippo Outlet, etc., committed to satisfying consumers' yearning for a better life. Freshippo leads the "Fresh, beautiful and life" of thousands of families. Through intelligent technology applications, integrated online and offline operations and a diversified business layout, Freshippo provides consumers with high-quality raw ingredients and a convenient shopping experience.

2.2. Macro-Environment Analysis

In the process of analyzing the market environment of the enterprise, PEST analysis is introduced in this paper. PEST analysis is an analytical method used to assess the impact of macro-environmental factors on an organization or project. PEST analysis refers to the systematic investigation and analysis of Political, Economic, Social and Technological factors.

2.2.1. Political Environment

In recent years, economic globalization has encountered a countercurrent, and the impact of counter-globalization on global economic and trade activities has become increasingly strong. The prevalence of protectionism in international trade affects the global supply chain, and there will be passive breakage and active decoupling. At the same time, the intensification of the game in the international geopolitical field may lead to the increase of Freshippo supply chain costs. To promote fair competition and curb monopoly, China has implemented anti-monopoly policies, which have a certain impact on Internet giant Alibaba.

2.2.2. Economic Environment

Engels coefficient refers to the proportion of food expenditure in total consumption expenditure, which is an important indicator reflecting residents' living standards. The lower the Engels coefficient is, the higher the residents' living standards are. According to the Statistical Bulletin of the People's Republic of China on National Economic and Social Development in 2023 released by the National Bureau of Statistics of China, the Engel coefficient of national residents in 2023 was 29.8%, down 0.7 percentage points from the previous year, reflecting the improvement of the consumption structure of residents. The improvement of residents' quality of life and the increase in disposable funds provide support for the new retail market. On April 16, 2024, the National Bureau of Statistics of China announced that the GDP in the first quarter was 29.6 trillion yuan, a year-on-year growth of 5.3%. It can be seen that the NR market is very large and has a broad development horizon.

2.2.3. Social Environment

China has a large population base, so the advantages of super-large-scale complex and multi-business supermarkets in the domestic market will exist for a long time. With the improvement of living standards, the change in consumer consumption habits and the renewal of concepts, consumers begin to pursue health, quality, experience and convenience of consumption experience. In terms of products and services, Freshippo products carry out vacuum packaging treatment for time-sensitive products, shelves organic vegetables, free shipping for Freshippo VIP members, and fresh food can be delivered to customers' home in 30 minutes to meet the needs of consumers for a high-quality life.

2.2.4. Technological Environment

Advances in digital form technology, represented by big data, cloud technology, Internet of Things and artificial intelligence, have promoted the innovation of NR models. Freshippo is backed by Alibaba's technical resources, such as big data and cloud computing applications. For example, behind Freshippo's "30 minutes of fresh food delivery to your home", through algorithms and intelligent scheduling, every link from ordering to delivery to the hands of consumers has achieved timely performance and real-time data tracking, ensuring timely delivery to consumers in 30 minutes. In the upgrading of the cold chain, Freshippo makes intelligent forecasting and sales forecasting through algorithms and data, so that the supply chain can fully automatic replenishment. At the same time, Freshippo focuses on data-driven and is committed to promoting the full automation of Freshippo warehouse operation management, and uses Freshippo's characteristic central kitchen to greatly improve the efficiency of the Freshippo supply chain and reduce operating costs.

3. Model Innovation

3.1. Reshaping of the Three Elements of "People", "Field" and "Goods"

"People, goods, and farms" is a classic concept of business operations, often used to guide the operation of retail, catering, service and other industries.

3.1.1. The Change of "People"

The service utility of the brand is a value proposition dominated by "people". Freshippo uses big data to identify user consumption habits and generate user portraits of different consumer groups' consumption habits in different scenes. The user portraits in different scenes represent the cultural and commercial values of different circles. Then, the service utility of different products is added to

meet the potential consumption habits of consumers to the maximum extent possible. With the integration of the field, to meet the personalized needs of users, to create a business scenario-consumption habits-business situation "personalized configuration. This can enhance user goodwill and brand stickiness, as well as enable the innovation of Freshippo's NR business model.

3.1.2. The "Goods" Change

The value of "goods" is reflected in the function of the product. Freshippo use big data mining user consumption demand, with the help of situational awareness to identify user consumption demand scenarios, reflecting the function of the product proposition that different products have different functions and corresponding different application scenarios. This scenario is the formation of the use value. At this stage, consumers' focus on "goods" is hygiene and quality. Freshippo uses cold chain technology to ensure the freshness of food ingredients, meet consumers' demand for "goods", and give Freshippo new retail business model innovation.

3.1.3. The "Field" Changes

The creation of consumption scenarios is an important part of the psychological decision-making process of users, and Freshippo under NR understands users' consumption preferences through big data analysis, triggers consumers' shopping identification through the creation of different scenarios, and enhances consumers' sense of experience. Through the creation of different scene Settings to trigger consumers' shopping identity, promote consumers to enhance the sense of experience. At the same time, it can promotes the rise of consumer purchasing power and the improvement of enterprise efficiency, as well as the rise of brand loyalty, which also creates a dual path of "business scenario - consumption preference - business situation" for Freshippo, and giving Freshippo NR business model innovation.

3.2. Broadening Sales Channels

Freshippo integrates with online-to-offline Retail pipelines to create a "Boundaryless Retail" model, where consumers can place orders via online apps and pick up or deliver goods to offline stores. This convergence model aims to provide a more convenient and efficient shopping experience. In addition, Freshippo not only opened an online e-commerce platform but also laid out physical stores in major cities to build a full-channel online and offline retail ecosystem, providing consumers with diversified shopping choices. With the combination of cloud computing, enterprises can track and accumulate data of consumers in the whole process of shopping, interact with consumers promptly in this process, grasp the changes in consumers' decision-making during the purchase process, give consumers personalized suggestions, and improve the shopping experience. Retail enterprises is changeable and communicates with users through diversified channels. It can meet the individual needs of consumers more comprehensively.

3.3. Improving Service Delivery

Freshippo introduces intelligent technologies, such as artificial intelligence, the Internet of Things, etc., to achieve automated inventory management, intelligent customer service, etc., and improve overall operational efficiency and service quality. The overall online and offline customer ratio of the Freshippo store is 6:4, and goods are more mobile. After placing the order in the app, the system will place the order according to the store's goods, send the order to different pickers through the algorithm, and collect the goods in the store through the hanging chain on the ceiling of the store. The customer will only need 10-12 minutes from the order to the completion of packaging, and the fastest delivery

within 3 kilometres will be 30 minutes. At the same time, it launched the after-sales service of "unconditional return, Alipay refund in real time" [8]. At the same time, by arranging delivery personnel to pick up goods from the door, the quality risks that may exist in fresh products are transferred from consumers to merchants. Consumer-led, committed to alleviating users' concerns about "online" fresh quality. In offline stores, self-service cashier equipment is set up at the exit of the store, which helps customers scan the QR code of the product after purchasing, greatly shortening the time for customers to settle the settlement queue, especially greatly improving the payment experience of the working crowd. Moreover, self-service payment equipment is equipped in the catering area. It is convenient for customers who want to enter the dining area directly after the settlement of the restaurant to shorten the dining distance.

3.4. Apply Multiple Marketing Methods

In addition to the above innovations, Freshippo has other marketing methods that companies looking to transform can learn from.

3.4.1. Community Marketing

Freshippo pays attention to deep integration with the community. Freshippo has Alibaba Cloud as the guide, which can give up the construction of offline stores, but Freshippo knows that the construction of online and offline integration is indispensable, without the emergence of offline physical stores, consumers will lose trust in the brand. At the same time, the consumer's sense of participation in the scene experience is lost. Therefore, in the offline marketing of Freshippo, in the location of brick-and-mortar store, the scope of stores is defined for the activity circle of different consumer classes, and most of them are located in densely populated residential areas, medium and high-end boutique life squares, surrounded by office buildings, medium and high-level communities and other supporting functions.

Nearby housing prices are on the high side, and residents' consumption level is moderately above, which meets the needs of Freshippo's target users. Through the establishment of community stores, community activities and service commitments, such as providing "30 minutes of Fresh food delivery", discounts on some products after 7 PM, free food for Fresh Hippo members every day, 88% discount for members, etc. These ways funnel online apps, while enhancing consumers' sense of belonging and engagement, and enhancing the interaction and trust between brands and consumers.

3.4.2. Marketing + Catering Complex

Freshippo's "fresh + supermarket + catering" business model has reshaped the original catering and retail market. In the store, consumers can not only buy fresh food, but also choose to ask the chef to cook raw ingredients in real-time, such as crab, shrimp, fish and other seafood ingredients, or heat-cooked goods, such as roast chicken, fried rice, fried noodles, and so on. Consumers can sit in the store to enjoy. Freshippo has created new commercial superspecies in the NR era and established its differentiated competitive advantage, so it has won wide attention.

4. Transformation Strategy or Experience of Traditional Retail Industry

4.1. Consumer Demand-Oriented

In the past, the traditional retail industry took "field, goods and people" as the main model, first looking for stores, then purchasing goods, and then selling goods to consumers through traditional marketing means. In the traditional retail era, the "field" occupies the absolute core position, only to strive for the golden position, the core channel, the enterprise can survive, consumers passively accept

the goods, and retailers occupy the dominant position. The NR driven by big data is the "people, goods, field" model. NR is based on "people", and "people" is the core element. Traditional retail enterprises should also change the dominant order of the three elements, cater to the current consumer-led new retail era, change to the role of consumers and cooperative producers, change to the all-round consumption process and experience, and change to pan-retail and diversified scenarios. NR achieves fine operation by creating private traffic and fan culture, such as membership system. While continuously meeting the personalized needs of consumers, researchers use big data to mine the hidden needs of consumers and create diversified new consumption scenarios. So that consumers get a better consumption experience at the same time to buy the desired goods.

4.2. Build an Omni-Channel Sales Model

The reason why the NR platform can break through the development bottleneck of the traditional online or offline single-channel model of retail is to develop offline channels such as store integration and store sinking community through the intelligent upgrade of online channels, by which offline stores carry multidimensional functions such as shopping, experience, warehousing, and embed social, entertainment, emotional and other elements into various offline business practices. Based on channel integration, new retail has embedded a new generation of digital technologies such as big data and artificial intelligence into the retail scene, from the platform system to the brick-and-mortar store, from the intelligent terminal to the HyperTerminal, from the bottom optimization to the user scene design have occurred different degrees of digital reconstruction. Consumers can enjoy personalized, intelligent, all-scene NR services. Traditional retail enterprises can try to incubate new consumption scenarios through the incubation of channels and scenes, the integration of online and offline channels and supply chains as a breakthrough point and lead a new path and new paradigm of business model innovation. This path integrates new consumption elements such as community, link, social, information, experience and entertainment into a coherent online and offline consumption channel in a way of diversity and heterogeneity. This path realizes a multi-scene, omnichannel layout of online platform intelligence, offline store digitization, and retail channel sinking, further attracting the vitality of consumers' interactive consumption and experiential consumption. To transform consumer traffic and share inventory information, while meeting the shopping needs of consumers, the path will inject new hope into the transformation of traditional retail enterprises.

4.3. Establish a Whole-Process Intelligent Sales Service System

On the way to transformation, traditional retail enterprises can introduce digital tools such as cloud computing, smart POS and self-service checkout, crowd analysis and intelligent inspection, to form a smart retail model, strengthen the establishment of intelligent service system to accelerate the pace of digital transformation and save the impacted revenue.

4.3.1. Cloud Technology

Retail cloud technology can help retailers process orders quickly and accurately, manage inventory, conduct sales analysis, and more. Customer data can be updated and shared in real-time through the system to achieve seamless integration of customer data. Even if customers consume at different stores or channels, retailers can provide personalized services in online and offline channels in real-time by integrating and analyzing customers' shopping habits and preferences through the system, improving customer satisfaction and loyalty.

4.3.2. Self Checkout with Smart POS

Freshippo stores set up self-service checkout machines, so consumers can easily complete the checkout, this move will improve the efficiency of processing consumer checkout flow so that a small number of consumers do not have to wait for a long checkout line. At the same time, Freshippo also introduces a smart POS system, which not only provides consumers with multiple payment methods but also integrates revenue records, and manages invoices and remittance statements. In addition, smart POS connects CRM data to directly count consumption points for consumers at checkout, and prompts various member benefits; Combined with real-time display of inventory quantity, one-stop store sales status.

4.3.3. Flow Analysis and Intelligent Inspection

In order to assist traditional retail enterprises to grasp the hot area of pedestrian flow and the peak period of crowd flow in the store, the flow analysis can be set in the store, and then the manpower can be configured according to the situation of the store to maximize the efficiency of personnel use. With the increase of stores and sales channels, the burden of supervising and patrolling stores will also increase. Through intelligent inspection, the attendance status of personnel can be viewed in real time, grasp abnormal conditions, and also facilitate the check of the status of the store, and record it in the form of photos and videos. Intelligent inspection can also be combined with the monitoring system to grasp the on-site situation of the store through remote inspection, which helps enterprises optimize the management of the flow of people and unified store services.

4.4. Optimize the Combination of Existing Models and Innovative Times

The fact that traditional retail enterprises can operate so far, and occupy a place in the market indicates their irreplaceable position. Enterprises can form their innovative models through the combination of characteristics of the current era. For example: YiGuo E-Commerce Co through direct cooperation with farms and producing areas, to provide consumers with high-quality fresh ingredients, increase the construction of offline stores, and promote the integration of online and offline development; Yonghui Superstores Co launched the "Yonghui Yunchuang" brand, through online shopping, self-picking, distribution and other channels, to achieve online and offline integration; With social e-commerce as its core, PDD Holdings Inc uses WeChat and other social platforms to launch a group-shopping model and create a new shopping experience. By actively drawing on the above experience, traditional retail enterprises can effectively expand their market share and avoid being eliminated due to lagging behind the trend of The Times.

5. Conclusion

The NR model has gradually developed into the most potential new energy in the current and future digital economy and mainstream consumption field. This paper focuses on the core issue of how Freshippo achieves retail giants and model innovation in the context of consumption upgrading and makes a macro-analysis of the background of fresh brands and the problems in traditional retail. In addition, this study also proposes that the innovation of Freshippo demonstrates the value of the NR model. Finally, this paper creatively puts forward the following conclusions. First, led by consumer demand. Starting from the experience of consumers, through the construction of a diversified consumption scenario carrier, consumers are involved in the whole process of shopping service touchpoints, broadening consumer purchase channels, and improving the consumer shopping experience. Second, an omnichannel marketing system. Relying on the new technologies, new scenarios and new applications of the platform economy, the authors will create new consumption

channels and scenarios to provide consumers with intelligent, social and customized new consumption experiences. Third, innovate and innovate again. Based on learning from NR, traditional enterprises can explore more diversified, more intelligent and more comprehensive innovation models, such as social NR, live NR, community NR and other new formats, to drive high-quality and positive development of the social economy. Based on the above suggestions, the conclusion of this study has implications for the transformation and upgrading of traditional retail enterprises, the understanding of the propositions dominated by the three elements of "human goods field", the optimization of operation management and the construction practice of service system.

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