

A Brief Analysis of the Operation of Hema Fresh

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Abstract

Since Jack Ma put forward the concept of "new retail" in 2016, stressing that retail enterprises are about to usher in the era of integration of online and offline logistics, e-commerce and physical retail are turning from conflict to interdependence. Major capital are actively exploring and layout of new retail. This paper mainly introduces the development of hema fresh under the new retail format. The operation status quo and operation mode of Hema Fresh food are discussed. The improvement strategies and implementation countermeasures of Hema Fresh produce operation mode are put forward.

Keywords

New retail; Hema; strategies.

1. INTRODUCTION

Hema was founded by Hou Yi, a former logistics director at JD.com, after he left the company. The first store opened in Shanghai jinqiao fresh supermarket. With an investment from Alibaba, Hou developed a supermarket distribution system. He played a combination of "traditional supermarket + catering + delivery". Maximum delivery within 3 km within half an hour. Clearly, Hema is exploring a whole new set of operating models. It is a supermarket, a vegetable market and a restaurant. Consumers can choose to buy in stores or place orders by downloading the Hema APP. Fast delivery, one of Hema's biggest features, takes 30 minutes to get home (within 3km of the store). This speed of distribution requires high speed of packaging and sorting of goods in stores. As a member store of Alipay, users can use the Hema APP (they can register with alipay account or Taobao account) to search the information of stores and corresponding products within three kilometers on the Hema APP. Relying on the big data analysis of Alipay, By collecting consumers' purchasing behaviors, Hema can make more accurate marketing with the help of big data. Hema's expansion is accelerating as some stores become profitable. A year and a half after its opening, Hema announced that its first store, Shanghai Jinqiao, had turned a single-store profit, and then embarked on a rapid expansion. The single-store profitability of the first Shanghai store has given Hema greater confidence in its model. As the pioneer of Ali system to explore new retail, Hema Is bound to explore a way to play its own advantages. Realize the breakthrough and transformation under the new retail background. As of December 31, 2019, Hema has opened 197 stores in 13 cities, including Beijing, Shanghai, Guangzhou and Nanjing.

2. HEMA HAS THE FOLLOWING PROBLEMS:

(1) High operating costs

The integration of online and offline logistics distribution, high proportion of fresh products, cold chain distribution system and delivery time are the biggest characteristics of the new retail fresh supermarket. This characteristic determines that its online and offline operations are

completely "overweight mode". Mainly reflected in the following aspects:①High cost of store-warehouse integration: because of the proportion of online sales in the new retail fresh supermarket of the proportion of the total sales, so warehousing and distribution capacity is crucial. In this way, self-operation mode is needed in each link of procurement, storage, sales and distribution to ensure the efficiency of each link, and there must be a large enough warehouse, coupled with a strong cold chain logistics system, in order to meet the high frequency and timely demand for fresh shopping. In this mode, when there is no scale effect in the early stage, the cost is hard to be diluted. The early investment in the process of rapid market entry is huge, so heavy investment makes the rapid replication and expansion of Hema also face great challenges.②high distribution costs. What Hema has created is a 30-minute fast delivery within a 3km range, and no threshold and no delivery fee for day delivery, which brings great convenience and benefits to consumers. But there is a big cost behind this, according to information on open recruitment websites. Hema Fresh distribution staff structure is 20 yuan per hour during the protection period, 2 yuan for each delivery of a commission, 8 yuan for each order at the end of the protection period. The performance cost of each order is about 12 yuan plus the rent, equipment, personnel and packaging costs of the sorting area. Compared with the cost of third-party distribution, it is usually only 5 or 6 yuan, and the cost of self-distribution is much higher than that of self-distribution. At present, Hema Xiansheng has launched the night delivery service in some areas. Except for a few categories such as fresh aquatic products, cooked food and dairy products baking, consumers can still purchase and place orders on the Hema App from 10:00 PM to 7:00 am the next day when the stores are closed, and the delivery can take up to 30 minutes. Although consumers will be charged for delivery at night, hema is still in the stage of losing money due to the small number of orders at night and the guaranteed salary scheme for night deliverers. With an average monthly salary of 5,000 yuan per deliveryman, five deliverymen are on duty at each store. The monthly night delivery cost for each store is 20,000 yuan. Based on the current average of six per person per night and an average of 900 per month, the cost of each order is as high as 28 yuan. That doesn't include other jobs such as sorting clerks in stores. At present, Hema charges consumers 8 to 16 yuan for delivery at night. So it seems that the current night distribution is still in the loss of operation.③ Retail stores do food and beverage cost high: Hema Fresh sea as the entry point of differentiation. Provide on-site cooking services in the seafood section of physical stores. Consumption upgrade has set off a wave of fresh sea consumption in first - and second-tier cities. More and more people are never tired of the sea. Hema's line of thinking is fine. However, haihai fresh has always been a category rarely touched by the traditional fresh supermarket due to the huge loss cost. Consumers mostly need to eat in high-end restaurants. Hema needs to transport this low-margin, high-cost seafood straight from the field to the store, and at the same time make a good taste. And sell at a popular price. This undoubtedly brings a big challenge to The Box horse.

(2) Poor catering experience

Hema Xiansheng is scenario-based. "Eat" is the first scene that Box Horse builds. Hema builds product categories around this scenario. Therefore, in the "eat" part, Box Club as much as possible to provide convenient and considerate service to customers. However, from the perspective of current operation, there are the following problems in the catering experience of Hema:

The queue is serious. At present, the most popular part of hema fresh food shop is the seafood area and dining area. Especially on weekends, the phenomenon of queuing is especially serious. Causing long waits for diners to eat. Complaining too much can have a negative impact.

Taste and dining environment in general. On the one hand, the long waiting in line has raised users' expectation of taste. On the other hand, there is no guarantee of uniform standards in

terms of product taste. So many people find Hema's taste mediocre. Previously, some customers admitted that "once I went there, I don't want to go again". In addition, Hema has integrated retail and catering businesses. But for now it is simply a matter of embedding food and drink into retail stores. No matter the taste or the users, the dining environment can't be compared with the professional restaurants.

3. RECOMMENDATIONS AND MEASURES

(1) Improve cooking techniques and dining patterns

Strengthen culinary training for catering staff. And introduce more advanced cooking tools and methods to further shorten the Xuan Xuan processing time. To improve the flavor of the dishes, for example, it takes 30 minutes to steam a crab. Is there a way to complete the cooking process in five minutes at Hema Fresh Food store? Through the introduction of the latest and most intelligent equipment to do, completely change the original unreasonable food cost structure. At the heart of all this is the sophistication of the cooking tools and techniques. In addition, the function of ordering food on the mobile phone can be set up in the online app, so that customers can place orders in advance through the mobile phone before or during the shopping. After the dishes are cooked, you can go to eat. Save yourself the pain of a long wait. If there is really no way to queue, then how to effectively divert the customer's attention in the queue? Let the user pass idle time in line. If Hema can provide an effective solution to this problem. More opportunities may emerge.

(2) Improve the dining environment

Compared with professional restaurants, the dining area is not in the same level. Appropriately expand the dining area, improve the dining environment, so that customers can enjoy a better dining experience. While enjoying the delicacy, you can also feel the thick aesthetic space. Although Hema Fresh thinking of the operation is to stray operation. That is to divert the offline passenger flow to the online as much as possible. But if the offline experience is not good, it is difficult for customers to be lured online. Hema needs to recognize the difference between rigid and experiential catering business models.

(3) Reduce the performance cost of delivery

When it comes to the logistics core of Hema is the integration of stores and self-distribution. It is true that Hema has achieved the ultimate in user experience directly, and the barriers to competition have been raised accordingly. But there is a high price to pay. Therefore, it is necessary to further optimize the intelligent scheduling system. Through technical optimization, the deliverer can distribute as many orders as possible during the back and forth process of unified distribution routes. Not only can improve the distribution efficiency, but also can reduce the cost of each order of distribution. At the same time, when the expense subsidy reaches a certain stage and customers form the habit of placing orders online, it is considered that customers bear part or all of the delivery costs.

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