

Lecture 10

# New Retail

新零售

Qili Gao

# Learning object

- 1 | Understand the concept, characteristics, and implementation dimensions of new retail.**
- 2 | Understand the new retail model of Xiaomi Home (小米之家).**
- 3 | Understand the new retail model of Freshippo (盒马鲜生).**



**Do you prefer  
online shopping  
or shopping in  
physical stores?**

# New Retail

First proposed by Jack Ma in Oct. 2016

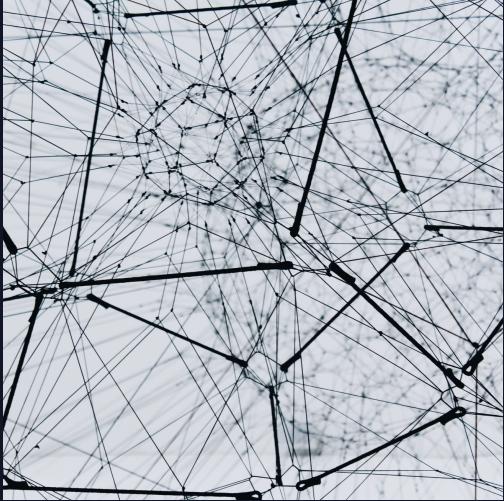


New Retail is the result of the integration of traditional retail and "Internet Plus" (the integration of the internet with various traditional industries). However, New Retail is not simply the sum of these two elements. It involves the use of information and communication technologies, as well as internet platforms, to enable a deep integration of the internet with traditional industries, creating a new ecosystem for development.



所谷新零售，是指企业以互联网为依托，通过运用大数据、人工智能等技术手段，对商品的出产、流通与销售历程实行升级改造，并对线上服务、线下体验以及现代物流实行深度融合。简单来说，新零售就是以大数据为驱动，通过新科技进展和用户体验的升级，改造零售业形态。

# The Reasons Behind the Emergence of New Retail



## Online traffic dividend has reached its limit.

E-commerce customer acquisition costs show the online traffic dividend is reaching its peak. Companies now blend online and offline, seeking new avenues for growth.



## Maturity of Relevant Technologies

Mobile internet and smart devices have enabled m-commerce. Big data and AI have created numerous consumption options and enabled new retail tech.



## Consumption Upgrade

People focus more on product quality, personalized services and are willing to pay more for a higher quality product or service - giving new retail businesses a great opportunity.

# Concept and Characteristics of New Retail

1 Online + Offline +  
Logistics

2 The upgrade and innovation of  
traditional retail models

3 With a focus on user experience, a reconstruction of  
the three elements in the retail format - people,  
products, and scene - has been carried out.



# Online + Offline + Logistics

## Online

Online is the forefront for companies to implement retail digitization. It not only serves the purpose of payment transactions but also collects, organizes, and provides user feedback information. It enables the sharing of information between online and offline channels, helping businesses conduct store operations and user management more effectively.

## Offline

Offline serves as a platform to enhance the user shopping experience. In the new retail system, offline physical stores are required to provide users with diverse products, personalized services, and a variety of shopping scenarios to meet their individual needs.

## Logistics

In the new retail system, online and offline channels are seamlessly integrated. Users can experience products in physical stores offline and place orders on online platforms. The purchased items are then delivered quickly and accurately through an intelligent logistics system, ensuring a seamless connection between all stages of the shopping process.

# Characteristics of New Retail

## Channel Integration (渠道一体化)

Enterprises can effectively connect online stores and offline physical stores, integrating various retail channel terminals to achieve deep integration of online and offline data. Online platforms can be used for promotion and sales, while offline stores can showcase the company's or merchant's image and provide service experiences to customers.

## Digital Operations (经营数字化)

New retail is the process of digitizing retail. Through digital management, businesses can create various retail scenarios, accumulating data related to products, customers, marketing, transactions, and services. This data serves as a valuable basis for operational decision-making.

## Store Digitization (门店智能化)

In new retail, stores undergo intelligent transformations by introducing Internet of Things (IoT) devices such as smart touchscreens, intelligent shelves, and smart checkout systems. This broadens the scope of consumer scenarios. Store digitization enhances the shopping experience, improves convenience, optimizes user interaction, and allows for the collection of multi-dimensional user data. The analysis of this data can then be applied to enhance the consumer experience.

## Logistics Automation (物流智能化)

New retail logistics integrates with third-party delivery and logistics systems to give users various delivery options. It also guides users to experience products offline and purchase online, sharing inventory across channels. Lastly, it helps adjust product production based on demand, improving inventory management.

# Summary of New Retail

“Overall, achieving new retail challenges a company's level of digitization, data mining capabilities, coordination of online platforms, and the collaborative responsiveness of offline stores and logistics systems. It enables companies to provide users with higher efficiency and more effective ways to overcome constraints of time and space. Users can obtain consistent prices, services, and benefits across different purchasing channels and payment methods, satisfying their needs for purchasing, socializing, leisure, and entertainment throughout the entire consumption process. The maturity of technologies such as big data and artificial intelligence is an essential foundation for achieving retail upgrade and innovation.

# Representative Cases of New Retail



**Xiaomi Direct Retail Experience Center - Xiaomi Home**

小米直营零售体验中心-小米之家



**Chain Fresh Supermarket Brand - Freshippo**

连锁生鲜超市品牌-盒马鲜生



Case 1

# Xiaomi Direct Retail Experience Center - Xiaomi Home

小米直营零售体验中心-小米之家

# The components of Xiaomi



## 小米商城 (Mi Mall/Store)

The Xiaomi Mall is Xiaomi's official store, exclusively selling products from three brands: Xiaomi, Redmi, and MiJia (Mi Home).

## 小米有品 (Mi Youpin)

Mi Youpin is Xiaomi's premium lifestyle shopping platform and a crucial element of Xiaomi's "new retail" strategy. In addition to retailing Xiaomi's own products, Mi Store has also introduced a large number of third-party brand products to meet a wider range of consumer needs. Currently, it covers major categories of lifestyle consumer products including home essentials, daily items, kitchenware, home appliances, smart devices, audio-visual equipment, fashion, travel, cultural and creative products, health, food, personal care, bags and luggage, as well as products for infants and children.

# Xiaomi Mall

# Xiaomi Youpin

<https://www.xiaomiyoupin.com/>

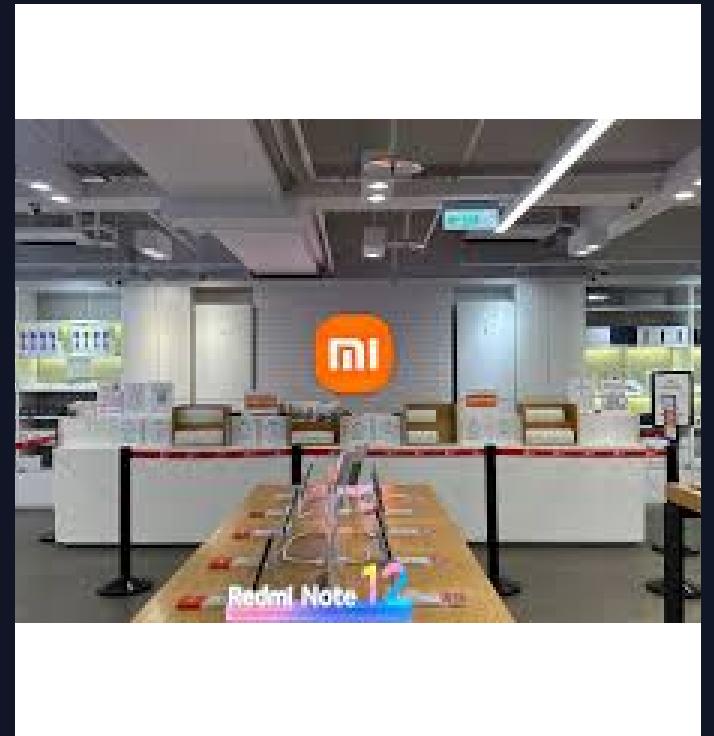
# Xiaomi Direct Retail Experience Center - Xiaomi (Mi) Home

## Overview of Xiaomi Home's Development

Xiaomi Home started its construction in the second half of 2011 and was fully open in 30 cities across China by the end of March 2012. In its early development, Xiaomi Home primarily served as a repair center for Xiaomi phones, focusing on after-sales service.

To revitalize its smartphone business, Xiaomi began building offline retail channels in 2016. Xiaomi Home took the lead in this transformation, evolving into the official direct retail experience stores of Xiaomi, adopting a business model that integrates sales, after-sales service, and experience. By the end of 2016, the number of Xiaomi Home stores reached 50. In 2017, the number increased to 300, and the shipments of Xiaomi phones in the domestic market grew by nearly 40%, marking a significant turnaround from the declining market share prior to 2016. Xiaomi's new retail strategy helped it overcome significant development challenges and regain a dominant position in the market.

On April 1, 2021, the 5000th Xiaomi Home store opened in Shenyang. On October 30, 2021, the 10,000th Xiaomi Home store opened in Shenzhen Happy Coast (深圳欢乐海岸). In the future, Xiaomi plans to continue building Xiaomi Home stores in other cities to cover a broader user base, aiming to achieve the goal of having a Xiaomi service center in every county and a Xiaomi Home near every Xiaomi fan.



# Xiaomi Home's New Retail Model

Xiaomi Home's new retail model combines online and offline channels, such as the Mi Store (小米商城) and Mi Youpin (小米有品), as well as physical stores located across the country. This "online traffic guiding, offline multi-category management (线上导流, 线下多品类经营)" strategy works to attract more customers and generate greater sales.

By establishing Xiaomi Home offline, Xiaomi showcases its ecosystem products, offering a comprehensive range of products that cater to various scenarios such as entertainment, office, home, and travel. Through online channels like the Mi Store and Mi Youpin, Xiaomi drives traffic to its physical Xiaomi Home stores.

If users are satisfied with the products, they can place orders online or directly purchase them within Xiaomi Home stores.

Once users enter Xiaomi Home stores, they can experience the products they are interested in purchasing, allowing them to truly feel and assess the appearance, performance, design, materials, and other aspects of the products.



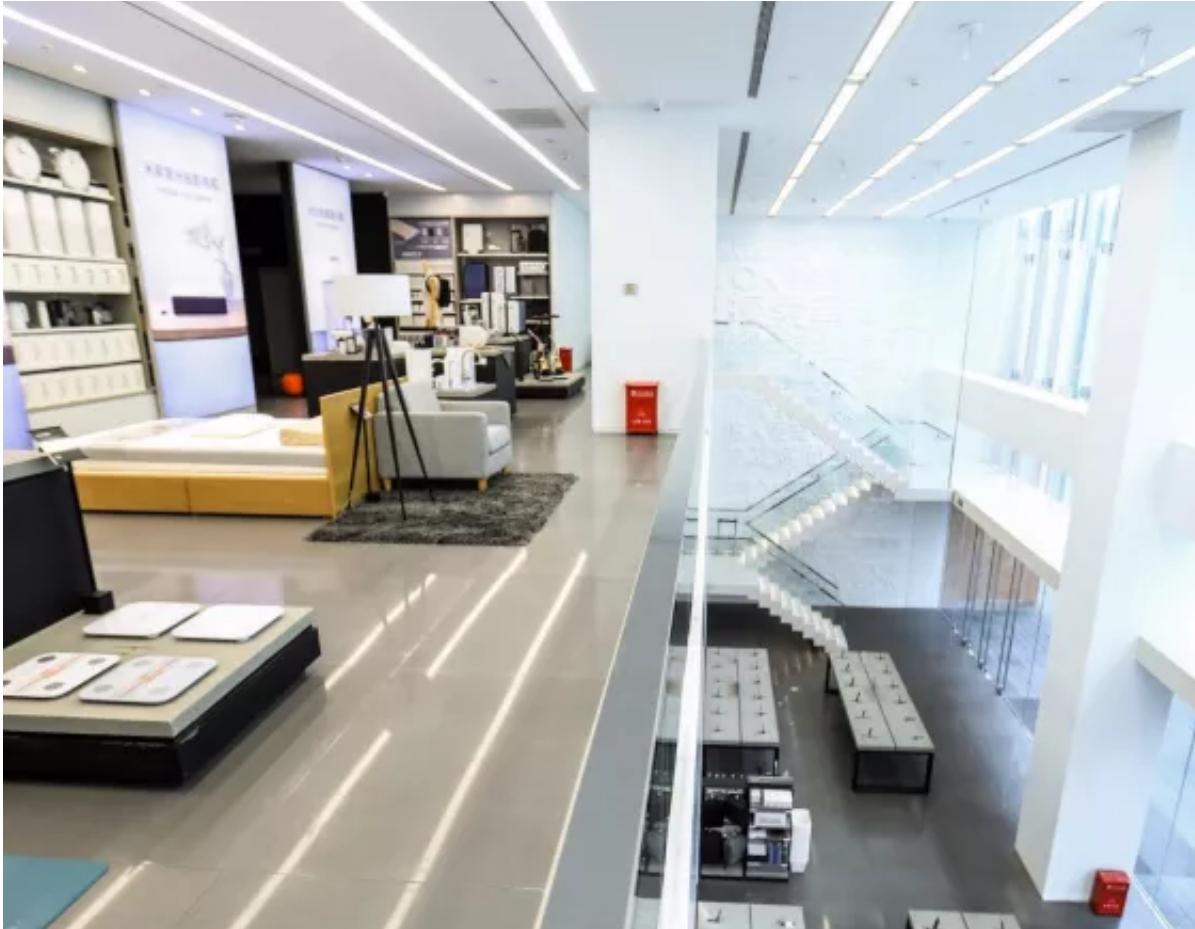
# Mi Home



## Decoration and design

- Simple
- Comfortable
- Youthful vitality
- Elegant taste in life
- Sense of technology
- .....

# Mi Home



## Scenario-based design

The Xiaomi product ecosystem covers various aspects of users' lives. When creating certain Xiaomi stores, the company simulated spaces within the store, such as kitchens, living rooms, bedrooms, and other environments to showcase products. This approach enhances the experiential enjoyment of consumption.

# Mi Home



## Product categories

Xiaomi Home (Mi Home) sensibly combines low-frequency consumer goods such as mobile phones, home appliances, and furniture, with high-frequency consumer goods like headphones, batteries, electric toothbrushes, etc. Around the concept of a "smart home," it has constructed a product line aimed at offering users the experience of an "intelligent life" within Xiaomi stores.

# Mi Home

智能生活，一屏掌控

集智能开关、中控屏、小爱同学、  
蓝牙Mesh 网关于一身。



## Smart home and lives

Xiaomi Home showcases various smart devices from the Xiaomi ecosystem, such as robotic vacuum cleaners, smart rice cookers, smart TVs, smart speakers, and more. These devices are interconnected, allowing control and management through the Mi Home app, making various aspects of users' daily lives more intelligent.

# Xiaomi + Meituan



小米之家



美团外卖

Starting from October 2021, Xiaomi and Meituan initiated a collaborative trial to sell Xiaomi products through Meituan's food delivery service. Presently, over 3000 Xiaomi Home offline physical stores offer the "delivery service," covering multiple cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, and more. They provide instant delivery services for various product categories including mobile phones, smart wearables, smart home devices, personal care, and more, promising delivery to the customer's doorstep within 30 minutes.

# Case Study Summary of Xiaomi Home

With a clear understanding of the concept of "new retail," Xiaomi Home boldly explored innovative retail models that suited its brand culture and product structure. This effort helped Xiaomi smartphones overcome developmental bottlenecks and regain a leading position in the market.

For many users, smartphones are considered low-frequency consumer products. If Xiaomi Home were solely positioned as a "mobile phone specialty store," the frequency of user visits would be limited. However, Xiaomi Home expanded its scope beyond smartphones by including products from the Xiaomi ecosystem and introducing third-party brands. This diverse range of categories covers home, daily necessities, kitchenware, home appliances, audio and video, clothing, travel, cultural and creative items, health, personal care, bags, and more. This broader product offering enhances its appeal to users. Additionally, the comfortable and minimalist interior design and lifestyle-oriented scene arrangements in Xiaomi Home provide users with a richer and more intuitive consumer experience.

Clearly, Xiaomi Home's new retail approach is user-centric. It goes beyond simply providing products to users. Instead, it showcases various lifestyles, giving users more choices and inspiring their preferences and needs. By allowing users to have a firsthand experience with the products, Xiaomi Home encourages more informed and rational consumer decisions based on the user's actual experience and preferences. This approach emphasizes the importance of aligning products with users' lifestyles and needs, creating a more engaging and personalized shopping experience.

Case 2

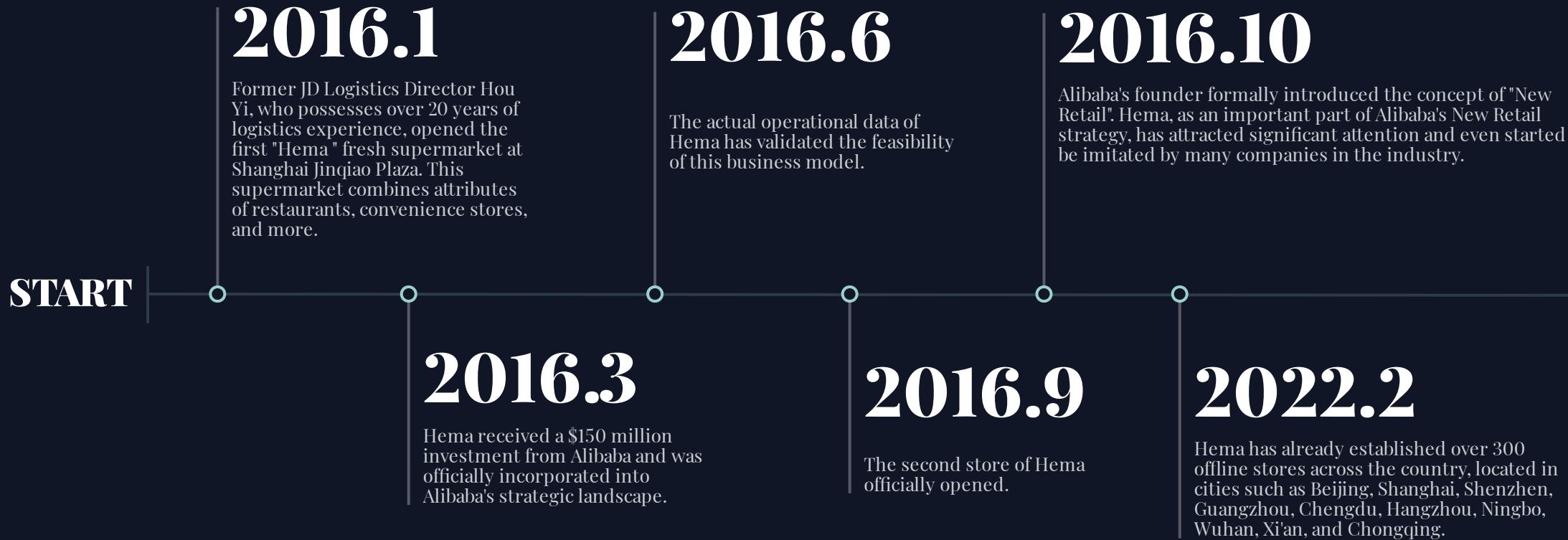
# 盒马鲜生 (Freshippo)

# Alibaba's Freshippo and Hema grocery stores



# Development Overview of Hema Fresh

Hema is an Alibaba Group-owned new retail platform driven by data and technology. It aims to create a community-based one-stop new retail experience center for users, bringing them a "fresh and delightful life" through a combination of technology and personalized services. Fresh is the first national new retail supermarket in China and is regarded as a benchmark for Alibaba's new retail strategy.



# The retail model of Hema

Hema is not only a physical supermarket and dining establishment but also an online shopping platform. In other words, users can make purchases at the physical stores or place orders through the Hema app. Hema has achieved seamless integration between online and offline channels, creating a unified omni-channel experience.



## 1. Integration of Supermarket and Dining

Hema focuses on fresh products, including fruits, vegetables, seafood, ready-to-eat meals, beverages, snacks, and other categories. Hema stores have dining areas where users can shop and dine at the same time. For example, customers can choose seafood ingredients and have them cooked on-site by chefs, allowing them to enjoy freshly prepared meals made from the selected ingredients.

## 2. Warehouse-store integration

In terms of storage and distribution, Hema employs a model called "warehouse-store integration." Warehouse-store integration refers to the integration of front-end warehouses and stores. In other words, the warehouse serves as a store, and the store also functions as a warehouse. This innovative approach combines the supermarket area of the store with the warehouse, aiming to reduce overall distribution costs. Under this model, the store acts as a warehouse, where pickers directly gather items from store shelves and hand them over to delivery personnel for immediate distribution.



### 3. Integrating Online and Offline



Hema encourages its users to install the dedicated "盒马 App" which guides them to place orders online and complete the seamless online-to-offline consumption cycle. Any product seen in a physical store can also be found on the app, allowing users to place orders for home delivery and avoid the hassle of carrying items back themselves. Users can personally select products, enhancing their in-store experience and building a stronger sense of trust.

# Case Study Summary

- 1 | Hema adopts a front-end warehousing strategy, unifying the store and warehouse. This approach not only expands the delivery coverage to a wider user base but also enhances the efficiency of product distribution. With products delivered within 30 minutes within a 3-kilometer radius, the model solves the problems of storage and distribution costs associated with next-day delivery and significantly improves the user experience.
- 2 | Hema restructures its product offerings, breaking away from the traditional retail approach of selling a single category of products. By reinforcing in-store experiences and catering to various consumer scenarios, it offers a new service combination of "retail + takeout + dine-in + processing." Clearly, Hema aims to provide users not just products but a diverse lifestyle, thereby forging a closer bond between the brand and users and enhancing user loyalty.
- 3 | Hema excels in data conversion. It not only collects user data from online orders but also accumulates significant data from its physical stores. This data is then transformed and stored, enabling analysis and the efficient utilization of user resources, thus reducing labor costs. Ultimately, Hema's new retail approach focuses on creating new business scenarios and elevating the consumer experience.

**O2O VS.  
OMO**

What other new retail platforms do you know and what are their operational characteristics?