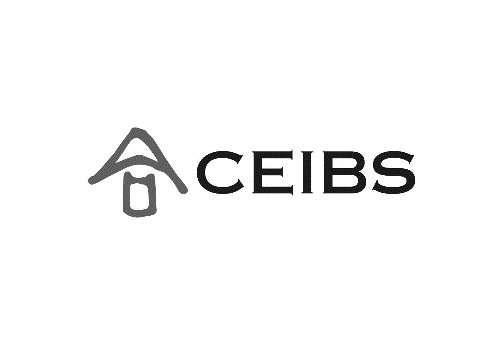
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Freshippo: Business Model Evolution in Alibaba’s New Retail Platform[[1]](#endnote-1)

Vincent Chang and Qiong Zhu wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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The first Freshippo store opened in Shanghai, China in January 2016. It was not until nine months later that the second store was opened. However, from that point on, Freshippo stepped up its nationwide expansion by opening a new store every six days, on average. By June 2018, Freshippo owned 46 stores in 13 cities and had set a target of operating over 100 stores by the end of 2018,[[2]](#endnote-2) with the ultimate goal of establishing a superior smart phone application (app) that would tower above most e-commerce platforms.[[3]](#endnote-3)

When entering a Freshippo store, customers saw an array of fresh produce that reminded them they were in a supermarket, but they also saw food being prepared, people dining, and meals being packaged and sorted in bags for customers to pick up and take home to eat. Was Freshippo a supermarket or a catering outlet? Hou Yi, Freshippo’s founder and chief executive officer, pointed out that it was neither a supermarket nor a catering outlet, but a technology-driven “new retail” platform. Customers could shop and dine in a Freshippo store, or they could use the Freshippo app to place an order, which was guaranteed to arrive within 30 minutes.[[4]](#endnote-4)

However, flaws had started to surface in the evolution of Freshippo’s business model, such as store management issues, poor service, and long wait times for food preparation.[[5]](#endnote-5) Freshippo had to make some decisions regarding expanding and exploring new business models, or instead resolving problems and making improvements. Which option was a higher priority?

China’s Fresh-Produce Retail Market

According to a consumer insight report, fresh produce was very important to customers, and it was often a path toward more purchases. Approximately 75 per cent of customers claimed that they would buy other products after selecting fresh produce.[[6]](#endnote-6)

In 2017, China’s fresh-produce market reached ¥1,789.7 billion[[7]](#endnote-7) in traditional retail, but only ¥139.13 billion (or 7.8 per cent) in online sales, even though the market had maintained an annual growth rate of over 50 per cent since 2014 (see Exhibit 1).[[8]](#endnote-8) The Chinese fresh produce retail market, which was already home to various e-commerce platforms such as Fresh JD and Tmall Fresh (see Exhibit 2), was getting crowded with new retail platforms such as Yiguo, Yonghui Super Species, and 7FRESH (see Exhibit 3).

Customer demand for fresh produce was a key driver of robust growth in this market. A survey found that customers aged 26 to 35 were the main purchasers of online fresh produce, consisting of 57.6 per cent of the market. It also found that many of them were from middle-class families and 76 per cent of them held a bachelor degree or higher.[[9]](#endnote-9) These customers pursued a higher quality of life. Regarding fresh produce, they placed high priority on quality, freshness, and convenience in purchases, far above prices (see Exhibit 4). Supermarkets or other retailers were in no position to meet the needs of this customer group, so new retail platforms like Freshippo emerged to fill the market gap.

Alibaba

Freshippo was an affiliate of Alibaba Group (Alibaba), China’s largest e-commerce company, which was founded in 1999. Alibaba entered the physical retailing industry in 2014. In addition to Freshippo, Alibaba tried setting up other smart stores and pouring capital into traditional retailers such as department stores, supermarkets, and convenience stores. By the end of 2017, Alibaba had channelled over ¥75 billion into traditional “brick-and-mortar” retailing.[[10]](#endnote-10)

Freshippo had received US$150 million in funding from Alibaba and other investors; Freshippo’s management team was mostly composed of Alibaba executives. The online-to-offline (O2O) system that had underpinned Freshippo’s operations in the beginning was developed by Alibaba’s research and development team, based on an idea by Yi. This project involved 500 engineers and was completed within a year and a half. In addition, Freshippo was allowed to share suppliers with Tmall. Therefore, Freshippo could establish direct relationships with suppliers and partners at the top of the producers’ supply chain at the preliminary stage.[[11]](#endnote-11)

Freshippo

Freshippo’s founding team was created by Alibaba in March 2015. Said Yi, “Any great business shouldn’t be based on trial and error at all. Instead, it should be based on what we call top-level design, which was confirmed on the first day of the startup.”[[12]](#endnote-12)

The company’s top-level design consisted of four main business objectives: first, online transactions should exceed traditional retail offline orders; second, a single Freshippo store should fulfill 5,000 online orders per day; third, the Freshippo app should operate independently, with no need for traffic from other sources; fourth, Freshippo should offer 30-minute order delivery, while reining in costs for cold-chain logistics. In addition, the founding team set consistent standards for both online and offline retailing in terms of the membership system, inventory, product prices, marketing channels, and accounting procedures.[[13]](#endnote-13)

Freshippo’s first store operated within these objectives. It had a floor space of 4,500 square metres and was located in Pudong. The name displayed at the store’s main entrance was “Alipay Membership Store.” Shopping at a Freshippo store began with downloading the Freshippo app, which was linked to Alipay, Alibaba’s mobile payment system. To keep logistics costs low, without undermining the quality of fresh produce, Freshippo offered grocery delivery within a three-kilometre radius of each Freshippo store, allowing Freshippo to deliver groceries at room temperature, without the need for a cold-chain system.[[14]](#endnote-14)

Positioning

Approximately 70 per cent of Freshippo members were female business workers aged 20 to 45, who were interested in quality of life for their family. Freshippo’s retail solution catered to their fast-paced lifestyle by making fresh produce available for purchase through O2O services. Freshippo encouraged healthy eating habits with fresh food made available for consumption while still fresh, rather than relying on refrigeration.[[15]](#endnote-15)

Freshippo provided the options of in-store cooked foods for dining on site and partially or fully prepared foods for heating to eat at home. For individual servings, fresh produce was available in small packages and seafood was sold by the piece. For example, a bag of vegetables (300–500 grams) and a bag of pork (350–450 grams) could serve as an individual meal. If a customer was not satisfied with a purchase, Freshippo accepted returns unconditionally. Customers only needed to click “Return” on the Freshippo app and a courier would be sent to their doorstep to pick up the items.[[16]](#endnote-16)

To attract customers and entertain diners, each Freshippo store organized at least two events each week and provided a WeChat online group, where customers could discuss food related topics. Freshippo also used the WeChat account to inform the customers about foods and health, as a part of its value proposition for reaching customers through personalized marketing.[[17]](#endnote-17)

Seafood: A Boost to Freshippo’s Brand Visibility

In stark contrast to the unappealing and unsightly display of seafood in many supermarkets and public markets, Freshippo stores featured bright, odour-free, and clean seafood aquarium displays featuring king crab, Boston lobster, and brown crab, which were rarely available in other stores. Freshippo seafood prices were comparable to those of wholesale markets, and approximately 50 per cent lower than seafood prices in supermarkets or online stores.[[18]](#endnote-18)

According to a Freshippo executive, live seafood had been expected to give Freshippo great brand visibility from the start. “Giant seafood is our best-selling item. What we offer is cost-effective live seafood that can quickly lure flocks of customers into our stores.”[[19]](#endnote-19) According to a deep-sea fishing professional, shopping malls and supermarkets were reluctant to sell large quantities of live seafood because of its low survival rate, low quality assurance, and huge operating costs.[[20]](#endnote-20) Freshippo had planned carefully before deciding to enter the seafood segment. The company purchased seafood directly from the top of the supply chain, such as deep-sea fishing boats, which offered a cost advantage. Freshippo also alleviated spoilage with a limited level of seafood farming and lowered the spoilage rate by ensuring high sales turnover.[[21]](#endnote-21)

Freshippo attracted consumers through sales promotions for so-called “giant seafood.” For example, in 2017, Freshippo used an image of Alibaba founder Jack Ma holding a king crab at the seafood pond at the Jinqiao Freshippo Store to generate a viral online response that generated 89 pages of search results in a Sogou search box and thousands of returns through a WeChat search.[[22]](#endnote-22)

Freshippo’s popularity became a selling point for related businesses. The phrase “Freshippo district house” was used by realtors to promote the sale of homes located within three kilometres of a Freshippo store. Shopping malls that included a Freshippo store benefitted from an increase in customers shopping at the other stores in the mall, as a shopping mall director in Hangzhou confirmed: “After Freshippo opened a store at my shopping mall, the foot traffic in this mall significantly increased. The popularity of Freshippo and the temptation of seafood attract both local residents and tourists.”[[23]](#endnote-23)

Freshippo’s ability to attract high numbers of customers caught the attention of other shopping malls and local governments looking for co-operation opportunities. For example, the Wuhan municipal government invited Freshippo to open a store in the city. However, the company used a complex system of data and technology to determine where it would open a new store.[[24]](#endnote-24)

Although live seafood raised brand awareness among customers, Freshippo was well aware that fruit, vegetables, meat, poultry, eggs, milk, bread, and partially prepared dishes were more essential daily necessities for its customers. Therefore, Freshippo established a freshness program called Ri Ri Xian (or “Daily Fresh”) for vegetables, meats, and milk in August 2017, which more than quadrupled the number of monthly active Freshippo app users by the end of 2017. The freshness program aimed to use all vegetables, meats, and milk within 24 hours. As these products approached the end of their shelf life, they would be discounted or used as ingredients for prepared dishes.[[25]](#endnote-25)

Business Model Development

Freshippo Market

In December 2016, the 10,000-square-metre Freshippo Market opened in Shanghai, at twice the size of its first store.[[26]](#endnote-26) Customers were welcomed into the store for shopping and in-store dining. As well, the dining area promoted online orders for partially prepared and fully prepared dishes, which resulted in more than 50 per cent online sales of total orders in May 2018.[[27]](#endnote-27)

Each Freshippo store carried no more than 5,000 stock-keeping units, of which 80 per cent were foods and 20 per cent of food items consisted of fresh produce to promote a healthy lifestyle. Most food items consisted of mid- to high-end products sold in small packages, ideal for individual consumption, with a barcode for convenient self-checkout in the store or online ordering using the Freshippo app.[[28]](#endnote-28) The online order process was extremely efficient. After the order was placed, it took only 10 minutes to pack and 20 minutes to deliver it to the customer.[[29]](#endnote-29)

F2 Convenience Store

Freshippo’s F2 (which stood for “Fast and Fresh”) convenience store opened on December 4, 2017. The 500-square-metre convenience outlets offered breakfast, lunch, and afternoon tea to nearby office workers.[[30]](#endnote-30) F2 stores offered customers appealing seafood items at regular Freshippo store prices. Customers could use the Freshippo app to place their order for seafood and F2 store chefs would start cooking the meal for pick up a short time later. The customer could choose to consume the food in the F2 store or take it back to the workplace for consumption.[[31]](#endnote-31)

Freshippo Nanxiang Store

Freshippo was criticized for its long wait times for meals.[[32]](#endnote-32) To address the problem, Freshippo opened its Nanxiang store in February 2018, combining an automated restaurant with a traditional supermarket. Upon entering the store, customers would use a digital directory to choose their table and would follow the instructions to their seat. They would then scan the barcode on the table using the Freshippo app to place their order, which would arrive a short time later via a robot-based system on tracks.

The complete process, including placing the order, cooking the meal, and delivery to the table, was monitored and displayed next to the table for the customer’s convenience.[[33]](#endnote-33) Delivery of the meal to the table, after cooking was complete, took only 40 seconds.[[34]](#endnote-34) Nevertheless, the store continued to receive complaints about long wait times, in addition to comments about stale food and lacklustre cooking.[[35]](#endnote-35)

Freshippo Cloud Supermarket

Despite the opening of additional stores, Freshippo’s stores experienced bottleneck issues in processing online orders. Given its limited warehouse space and delivery model, a single Freshippo store could process no more than 7,000 online orders per day.[[36]](#endnote-36) With its planned 30 stores in Beijing in 2018, Freshippo’s total processing capacity would be a maximum of 210,000 online orders per day. In comparison, DaojiaJD filled over four million local orders on June 19, 2017 alone.[[37]](#endnote-37) In an attempt to break through the online order bottleneck, Freshippo launched its cloud-based supermarket on April 1, 2018. From that point on, the Freshippo app would operate as an e-commerce platform, in addition to providing digital services for individual stores.[[38]](#endnote-38)

Because most e-commerce platforms normally sold a variety of products, Freshippo offered 20,000 items on its cloud supermarket including daily necessities such as cosmetics, kitchen utensils, a variety of foods, maternity products, children’s supplies, and adult products normally unavailable in Freshippo stores. The cloud-based store was also able to provide overnight delivery. Ordered products were transported to the appropriate Freshippo stores at midnight and delivered the next day for free during the store’s downtime. During a trial run of the cloud supermarket, Freshippo processed approximately 20,000 orders per day in Shanghai.[[39]](#endnote-39)

Hexiaoma Stores

In June 2018, Freshippo opened the Hexiaoma store in a joint partnership with RT-Mart, a traditional supermarket store chain acquired by Alibaba. The Hexiaoma store had a floor space of about 800 square metres and integrated the traditional supermarket and warehouse model with the online retail model. The store had a fresh produce section spread over 50 per cent of the entire floor space. However, the store did not provide fresh seafood, dining facilities, or on-site food preparation.[[40]](#endnote-40) The store offered delivery within a radius of three kilometres, but could take a full hour for delivery and only the customer’s first order each day was delivered for free. Freshippo made use of data-driven site selection, product selection, and traffic operation for its Hexiaoma stores.[[41]](#endnote-41)

Supply Chain Management

A core competency of Freshippo’s business model was its supply chain management, which covered procurement, warehousing, and delivery (see Exhibit 5).

Procurement

Freshippo’s program for the selection, procurement, and allocation of all inventory in each store was based on Alibaba’s database of massive amounts of statistical information (known as “big data”) and on its own customer research.[[42]](#endnote-42) Freshippo sold its own branded products, as well as third-party brands. By early 2018, Freshippo branded products included Freshippo Flavor and Daily Fresh among its 300 brands. For its Daily Fresh brand, Freshippo purchased fresh produce through a supply chain established with partner farms. Freshippo also helped partner farms improve their farming standards for enhanced soil conditions, water quality, and environmental sustainability.[[43]](#endnote-43)

Warehousing

Freshippo’s warehouse operated on two levels. The first level was a regional central warehouse that was used for checking product quality, farming live seafood, and storing products. The second level was used for storage. All the products sold by Freshippo were loaded and unloaded through pallets. They were trucked in bulk from their place of origin to a central warehouse and then transported to a storage warehouse, where the products were separated into several parcels for delivery to customers.[[44]](#endnote-44)

Freshippo adopted an electronic shelf labelling system that displayed product prices in real time, ensuring consistency across online and offline prices and parallel store sales and replenishment. In each Freshippo store, slotting and inventory information about products could be transmitted at all times to a central warehouse, to ensure smart allocation of inventory.[[45]](#endnote-45)

Under the order processing system, every employee used a handheld device for product recognition, stacking, sorting, packaging, and delivery. For each online order, the system sorted relevant tasks based on the location of products in stock and assigned them to nearby employees according to their workload. Within three minutes, the employee sorted the products and put them into provided bags for transmission to a distribution centre, where the ordered products were then packaged within 10 minutes.[[46]](#endnote-46)

Delivery

Freshippo’s delivery system determined the optimal delivery batch number based on the order’s sequence and address. The system would then assign optimal tasks to the couriers based on the order’s batch number, the category of products ordered, the delivery area, and the current location of the courier. Orders placed through the cloud supermarket were consolidated into a package for a specific delivery route, based on the feasible workload for the courier, before the products were selected and packaged. Couriers would then travel to each customer’s location and distribute each relevant order to the customer.[[47]](#endnote-47)

Profitability

In July 2017, when the 13th Freshippo store was opened, Yi stated that all Freshippo stores operating for longer than six months had been profitable. However, technology and logistics expenses had not yet been accounted for, so these stores may have only managed to break even. An online merchandise conversion rate was calculated by dividing the number of orders placed by the number of visitors. The profitable stores had achieved a conversion rate of 35 per cent, which was 10 to 15 times higher than a typical e-commerce website, and the gross margin of online orders was 20 per cent.[[48]](#endnote-48)

According to Yi, in April 2018, the revenue from online orders accounted for 60–70 per cent of the operating revenue of a Freshippo store running for more than one year. A 4,000-square-metre store in Shanghai achieved annual operating revenues of approximately ¥300 million.[[49]](#endnote-49) The average price for an online order was over ¥80; for an offline order, it was over ¥120. The consolidated gross margin of Freshippo products was 18–23 per cent; for seafood, it was 25–30 per cent.[[50]](#endnote-50)

Freshippo stores earned ¥50,000 per year per square metre, compared to only ¥15,000 per year per square metre for traditional retailers. According to Freshippo, there were three key reasons for this difference.

First, the proportion of seafood products sold in Freshippo stores was more than 10 times higher than that in supermarkets. Seafood produce could also achieve 25–30 per cent gross margins, and seafood processing on site could generate handsome cash flows from processing fees. In addition, Freshippo directly sourced fresh produce, including seafood, with strong bargaining power. In particular, sharing purchasing resources with Alibaba brought Freshippo a considerable advantage in product pricing, so that the prices for vegetables were more than 10 per cent lower at a Freshippo store than in a grocery market.

Second, Freshippo stores in different regions offered a variety of partially prepared and fully prepared dishes. These categories led to an increase in online orders, generating enormous gross margins.

Third, compared with restaurants, the dining area in a Freshippo store operated for a longer time each day, which boosted online sales of catering products. The gross margin for catering services hovered at 50–70 per cent.[[51]](#endnote-51)

The cost of opening one Freshippo store could be in the tens of millions of yuan,[[52]](#endnote-52) and the order fulfillment cost[[53]](#endnote-53) per order was twice the industry average, at ¥12.[[54]](#endnote-54) Order fulfillment costs included logistics, packaging materials, coupons, sales promotion, and rent. Each Freshippo store doubled as a warehouse, which incurred high human resources costs. For example, a Freshippo store in Shanghai had 30 sorters, three salespeople, two employees in the service centre, six to eight employees in the dining area (excluding the kitchen), three or four security guards, and 100 couriers.[[55]](#endnote-55) In Shanghai, Freshippo offered couriers a monthly salary of ¥8,000 to ¥10,000.[[56]](#endnote-56)

Challenges Ahead

In 2018, Freshippo opted for some aggressive changes. In January, Yi claimed that Freshippo was operating at full throttle to open 2,000 stores.[[57]](#endnote-57) To attain such an objective, Freshippo would establish joint stores based on its existing operating model or transform the traditional stores according to the Freshippo model. Freshippo’s existing stores, however, received complaints continuously. How would joint stores and transformed stores avoid complaints? If complaints flared up during the rapid expansion of Freshippo stores, how would Freshippo keep its brand competitive?

Yi did not seem concerned about achieving a perfect score in regard to complaints:

Freshippo will not choose to establish itself as a perfect platform by making up for its deficiencies. Instead, we need to leave our competitors further behind by creating a higher barrier to entry. In 2018, our top priority is to make our strength more powerful. As for the weakness, we shall address it step by step.[[58]](#endnote-58)

Based on Yi’s logic, what kind of platform and business model should Freshippo adopt?

Exhibit 1: Transactions in China’s Fresh-Produce E-Commerce Market (2013–2019)

Source: “2018 Consumer Insights Report on China’s E-Commerce Industry in Fresh Produce,” iResearch, January 5, 2018, accessed May 23, 2018, http://report.iresearch.cn/report/201801/3123.shtml.

Exhibit 2: Traditional E-Commerce Platforms’ Push into the Fresh-Produce Industry

|  |  |
| --- | --- |
| **FreshJD**  Launched in January 2016, FreshJD offered a complete category of fresh produce under its own brands and from third-party merchants.  With over 10,000 stock keeping units, FreshJD provided “overnight delivery” in the regions it covered. | **Tmall**  Except for its self-run fresh-produce store launched in January 2015, Tmall offered only fresh produce from third-party merchants.  Tmall started providing one-hour delivery in Beijing in the summer of 2017. |
|
|
|

Source: “2018 Consumer Insights Report on China’s E-Commerce Industry in Fresh Produce,” iResearch, January 5, 2018, accessed May 23, 2018, http://report.iresearch.cn/report/201801/3123.shtml.

Exhibit 3: New Retail Platforms

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **New Retail Platforms** | **Introduction** | **Major Products** | **Payment Method** | **Warehousing and Delivery** |
| Miss Fresh | Launched in December 2014, the platform was operated and funded by Tencent. | The platform offered a selection of fruits and vegetables, seafood, pork, and poultry, and milk and snacks, with fewer than 1,000 SKUs. | WeChat, Alipay | The warehouse, which covered an area within a three-kilometre radius, provided delivery within one to two hours. The ¥10 delivery fee was not charged for an order of less than ¥39. |
| Yiguo | Launched in 2005, the platform was funded by Alibaba in 2017. | The platform offered fruits and vegetables, seafood, pork, and poultry, and milk, with around 4,000 SKUs. | Alipay, UnionPay, credit cards | With 11 cold-chain logistics centres in 10 large cities, including Beijing and Shanghai, the platform provided same-day delivery in Beijing, Shanghai, Guangzhou, and Chengdu, and overnight delivery in other cities. The ¥10 delivery fee was charged for each order of less than ¥100. |
| JDDJ | Launched in 2015, the platform was positioned as a bridge between supermarkets and customers. | Instead of operating as a retailer, the platform was committed to providing the delivery of products from supermarkets like Walmart, Yonghui, and AEON. | WeChat. bank cards | JDDJ’s Dada Logistics provided delivery within two hours. The ¥4 delivery fee was charged for each order. |
| RT-Mart Fresh | Launched on July 7, 2017, RT-Mart Fresh was an online-to-offline, fresh-produce project launched by RT-Mart and Feiniu, with an offline experience store available. | With around 5,000 SKUs, RT-Mart Fresh offered mainly fresh produce. It selected the product categories that could meet consumer needs in daily life, including fresh produce, imported foods, groceries, and fast-moving consumer goods. RT-Mart Fresh also introduced imported and middle-to-high-end goods for some categories. | WeChat, Alipay, Feiniu gift card | RT-Mart Fresh operated both a store at the front and a warehouse in the back. The store was equipped with conveyor belts. Employees used a handheld smart device to process orders. The store, which covered a customer base within a three-kilometre radius, provided delivery within one hour. Members who were located within a certain distance from the store were not charged the delivery fee; otherwise, a delivery fee was charged. |

EXHIBIT 3 (CONTINUED)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Zhangyu Fresh | As Meituan’s online-to-offline project, Zhangyu Fresh started operations in July 2017, targeting a younger demographic of consumers. | The platform offered a selection of fresh produce, including meats and poultry, aquatic products (frozen seafood), baking foods, and fruits and vegetables. | WeChat, bank cards | The delivery was provided for any order of no less than ¥20. The ¥3 delivery fee was charged for each order. |
| Super Species | Under Yonghui Superstores, Super Species, which opened on January 1, 2017, combined a supermarket and a dining area in its stores, targeting middle-to-high-end customers. In its first year, Super Species opened 17 stores. Super Species stores fulfilled a sales per unit area of ¥400, far higher than the industry average. Its online orders made up 20 per cent of the total. | Super Species had approximately 3,000 SKUs, among which fresh produce accounted for 50 per cent. | WeChat, bank cards | Each Super Species store, which covered a customer base within a three-kilometre radius, provided delivery within 30 minutes. The ¥6 delivery fee was charged for each order of less than ¥18. |
| 7FRESH | As JDDJ’s offline fresh-produce supermarket with a dining area, 7FRESH opened its first store in Beijing in January 2018. In 2018, 7FRESH would open 30 self-run stores, joint ventures, and franchises in Beijing. | 7FRESH offered a selection of top-class products. It had over 3,000 SKUs, 75 per cent of which were seafood products. | WeChat JD Pay, facial recognition payment; payment to cashier | 7FRESH provided free delivery in as little as half an hour within a three-kilometre radius of a store. |

Note: SKU = stock keeping unit; a mobile application was available for all platforms; US$1 = ¥6.42 on June 1, 2018.

Source: Prepared by the authors with information from “Missfresh Pre-warehouse Operation Mode [in Chinese],” Hishop, September 14, 2018, accessed October 15, 2018, www.hishop.com.cn/hixls/show\_58090.html; “Yiguo Received $300 Million in Investment Trom Tmall [in Chinese],” TMT Post, August 3, 2017, accessed October 15, 2018, www.tmtpost.com/2722620.html; “RT-Mart Fresh Provides Delivery within One Hour [in Chinese],” Sohu, November 15, 2017, accessed October 15, 2018, http://m.sohu.com/a/206607282\_804154/; “Exploring Zhangyu Fresh: Looking at How It Operates New Retail [in Chinese],” July 25, 2017, accessed October 15, 2018, www.ebrun.com/20170725/239345.shtml; “Yonghui Super Species Built its Own Delivery System [in Chinese],” Sohu, May 21, 2017,accessed October 15, 2018, www.sohu.com/a/142214688\_713550; “JD 7FRESH Open in Beijing [in Chinese],” 163.com, January 5, 2018,accessed October 15. 2018. http://news.163.com/18/0105/01/D7BO77RQ000187VI.html.

Exhibit 4: Primary Considerations of China’s Online Purchasers of Fresh Produce in Selecting E-Commerce Platforms

Source: “2018 Consumer Insights Report on China’s E-Commerce Industry in Fresh Produce,” iResearch, January 5, 2018, accessed May 23, 2018, http://report.iresearch.cn/report/201801/3123.shtml.

Exhibit 5: Diagram of Freshippo’s Supply Chain

**Sourcing**

**（Suppliers）**

**Central**

**Warehouse**

**Store**

**Warehouse**

Store at the

front;

sales and

catering

Warehouse behind; Logistics/

warehousing center

Domestic direct purchasing; purchasing from origin (fruits)

Purchasing

Locally (meals; vegetables)

Temperature-

controlled

processing & testing

center; quality test; packaging;

farming and

standardization

Overseas direct purchasing

Purchasing and

picking up in the store

Stocking

Local companies picked fresh produce in the afternoon and transported them to Freshippo stores in the evening.

Picking up

goods

Couriers

Freshippo app

Consumers

Delivering goods

Placing an order

Bulk Shipment

Loading

and unloading through pallets

Note: Solid line represents logistics; dotted line represents information flows.

Source: Adapted from “A Probe into Freshippo’s Logistics System [in Chinese],” House Focus, April 17, 2018, accessed May 29, 2018, www.yidianzixun.com/article/0Ip5R82a.

ENDNOTES

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Freshippo or any of its employees. [↑](#endnote-ref-1)
2. Dong Ye, “Freshippo Opened 46 Stores [in Chinese],” Pintu 360, April 26, 2018, accessed May 29, 2018, www.sohu.com/a/229549090\_363549. [↑](#endnote-ref-2)
3. Zhang Yuyun and Jin Zhigang, “Hou Yi Claims Freshippo Will Become a Super App Rather Than a Mere E-Commerce Platform [in Chinese],” *Xinmin Evening News*, January 10, 2018, accessed May 29, 2018, http://newsxmwb.xinmin.cn/wangshi/2018/01/10/31350227.html. [↑](#endnote-ref-3)
4. Wen Yingran and Zhu Yiyi, “New Retail Competition Intensifies as Freshippo Opens Ten Stores in Five Cities [in Chinese],” *21st Century Business Herald*, September 29, 2017, accessed May 24, 2018, http://mini.eastday.com/a/170929071340935.html. [↑](#endnote-ref-4)
5. “Hidden Risks in Freshippo’s Operating Model [in Chinese],” Sohu, April 24, 2017, accessed May 28, 2018, www.sohu.com/a/136085005\_479244. [↑](#endnote-ref-5)
6. “2018 ConsumerInsights Report on China’s E-Commerce Industry in Fresh Produce,” iResearch, January 5, 2018, accessed May 23, 2018, http://report.iresearch.cn/report/201801/3123.shtml. [↑](#endnote-ref-6)
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