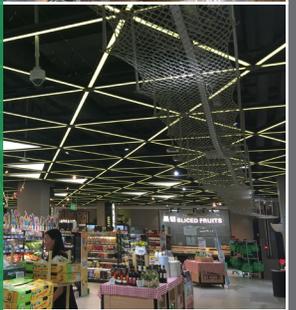




“New Retail” in Action – Issue 6

Going “fresh” and “experiential”

Part 1: Overview



Asia Distribution and Retail
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Introduction



Driven by rising incomes and ongoing issues with food safety and quality, Chinese consumers are increasingly health conscious and they are willing to pay a premium for products that deemed healthier – fresh food is one such category. According to Alibaba Cloud Computing, total sales of fresh produce in China are expected to reach 500 billion yuan in 2020, up from 95 billion yuan in 2016.

Meanwhile, many Chinese consumers prefer to shop in modern grocery retail channels such as hypermarkets and supermarkets rather than traditional wet markets, as the formal provides better shopping environment and offers an array of products from grocery to fresh food to apparel in one stop.

To meet the constantly changing consumer preferences, many grocery retailers are putting more emphasis on fresh food business. Major initiatives include enlarging the proportion of fresh food in their supermarkets/hypermarkets, sourcing directly from farms to offer better price for customers, and importing more unique fresh products overseas. Some players are incorporating various experiential elements to better engage with customers along their entire shopping journey, be it online or offline.

Going “fresh” and “experiential” is a focal point in the grocery market. This article provides an overall picture of the fast evolving “fresh supermarket” phenomenon in China and looks at the “fresh” and “experiential” initiatives of some grocery players.

The new “fresh supermarket” concept evolves; fresh food is the new battleground for supermarket chains

Just as consumers are turning to fresh food, so are businesses. The concept of “fresh supermarket” has swept through the supermarket/hypermarket segment, prompting grocery retailers to transform their business. Fresh food produce, including fruits, vegetables, meat, seafood and ready-to-cook food have become their new focus in terms of product offerings. Some also offer in-store catering service – customers can purchase fresh ingredients in the supermarket and have them cooked in the in-store restaurants, or they can buy ready-to-eat food and eat in the catering area.

To offer customers a more efficient and more flexible “New Retail” shopping experience, many supermarket chains have launched mobile app that enables shoppers to make purchase with the app, whether in the store or at home.

Many grocery retailers also provide speedy delivery service – if customers live close to a store, typically within a 3-km radius, their online orders can reach their home as little as 30 minutes. To achieve this, the supermarkets serve also as warehousing and order fulfillment centers. Hema Xiansheng and RT Mart (Yangpu branch) are cases in point. A common scene in these stores is that staff busy scanning and putting products in the bags, placing the bags on the conveyor belt that links to the delivery center adjacent to the store.

Meanwhile, some players offer various experiential and entertainment elements such as free food tasting, background music, book section, resting area, etc. to attract customers and prolong the time they spend in the stores.



Exhibit 1 shows some of the examples of “fresh supermarkets”.

Exhibit 1. Selected examples of “fresh supermarkets” in China, as of August 2017

Retailer	Brand	Launch date of first store	Number of stores as of August 2017	Fresh food	Seafood	Bakery	Books and stationery	Flower shop	Catering area	Food booths/ Kitchen	In-store fulfillment center	Self-check out counters	Quick Delivery Service	Independent App
Hema Xiangsheng	Hema Xiangsheng	2016-01-15	13 (Shanghai 10, Beijing 2, Ningbo 1)	✓	✓	✓	✗	✗	✓	✓	✓	✓	30 mins within 3 km	✓
Yonghui Superstores Co., Ltd.	YH Super Species	2017-01-01	7 (Fuzhou 4, Nanjing 1, Xiamen 1, Shenzhen 1)	✓	✓	✓	✗	✓	✓	✓	✗	✓	30 mins within 1 km	✓
Rainbow Department Store Co., Ltd.	Sp@ce	2017-01-21	1 (Shenzhen)	✓	✓	✓	✗	✓	✓	✓	✗	✓	2 hours within 5 km	✗
New Huadu Industrial Group Co., Ltd.	Hai Wu Hui	2017-05-10	1 (Fuzhou)	✓	✓	✗	✗	✗	✓	✓	✗	✗	1 hour within 3 km	✓
Better Life Commercial Chain Share Co., Ltd.	Fresh Ideas	2017-06-25	5 (Changsha)	✓	✓	✓	✗	✗	✓	✓	✗	✗	90 mins within 3 km	✓
Bailian (Group) Co., Ltd.	RISO	2017-06-26	1 (Shanghai)	✓	✓	✓	✓	✓	✓	✓	✗	✗	1 hour within 3 km	✓
Benlai Life	Benlai Experiential Store	2017-07-07	1 (Chengdu)	✓	✓	✓	✓	✗	✓	✓	✗	✓	2 hours within 3 km	✓
Century Mart Co., Ltd.	Jingxuan Future Store	2017-08-15	1 (Hangzhou)	✓	✓	✗	✗	✗	✓	✓	✗	✓	1 hour within 3 km	✓

Source: Internet sources, Fung Business Intelligence analysis.

Snapshots of the “fresh supermarkets”

Hema Xiansheng (盒马鲜生)



Hema Xiansheng is an O2O fresh food retailer under Alibaba Group. The first offline experiential store was opened in Shanghai in January 2016. Hema is a new retail format that can showcase Alibaba’s vision of “New Retail” – the integration of online and offline, with modern logistics and big data.

Hema focuses on selling fresh products such as seafood, meat, fruits and vegetables, ready-to-cook packaged food, etc. Each of Hema stores provides in-store dining experience for customers – there is a spacious catering area; customers can select fresh food in the supermarket and have them cooked and consumed on spot, or they can order food from the food booths. Customers can use Hema app to buy products or order fresh food to be cooked in the food booths. Orders will be delivered to customers who live within 3-km of the store in just 30 minutes.

All products are attached with RFID tags, allowing Hema to easily change the price and ensure uniform pricing across offline and online stores.

Another unique feature of Hema store is that it also serves a warehousing and delivery center for online orders. Hema’s staff also act as “item collectors” – they find and pick up the products, scan them with their handheld device and put them in a bag. The bag will then be hooked onto an automatic conveyor belt and transferred to a delivery center adjacent to the store.

Hema has been expanding rapidly since early 2017. As of August 2017, it has 13 stores in China – 10 in Shanghai, two in Beijing and one in Ningbo.

YH Super Species (永辉超级物种)



YH Super Species is the latest smaller-sized supermarket format launched by Yonghui Superstores, one of the leading supermarket chain operators in China. The first store was launched in Fuzhou in January 2017. Since then, Yonghui has been adding more YH Super Species stores across the country. As of August 2017, there were seven YH Super Species stores in China – four in Fuzhou, one in Xiamen, one in Shenzhen and one in Nanjing.

YH Super Species is one of the pioneers in operating a new and innovative “catering + retailing” model. It sells mainly fresh products, including seafood, frozen food, fruits, meat and vegetables as well as other dry food products. Some of its second generation stores (the newly opened stores) also feature a large catering area which is surrounded by various “corners” selling different products, such as beef corner, lobster and seafood corner, fish and sushi corner, etc. Customers can purchase fresh ingredients in the supermarket and have them cooked in the affiliated cooking areas in-store and consume in the catering area.

Customers can make purchases via Youghui app; consumers who live within a 3-km distance from the store can receive the order in 30 minutes. Some second generation stores have their own distribution centers and delivery is handled by their own staff. YH Super Species also partner with other third-party delivery platforms such as Eleme.

SP@CE



SP@CE is a new supermarket format launched by Rainbow Department Store in its Rainbow Department Store, Shennan branch in January 2017. SP@CE positions itself as an urban lifestyle supermarket which sells mainly premium imported products, with on-site catering facilities.

SP@CE embraces a flexible product mix to suit different consumer groups. It sells more than 6,000 SKUs, including local and imported goods, fresh food and grocery products, home products, skincare products.

Hai Wu Hui (海物会)



New Huadu, a leading supermarket and hypermarket chain in Fujian, has launched a new experiential store, Hai Wu Hui in May 2017. Hai Wu Hui focuses on selling seafood, while offering catering service for customers. This is a significant move of New Huadu to stay relevant in the “New Retail” era, and to differentiate from other fresh food players with its unique emphasis in seafood.

Another unique feature of Hai Wu Hui is that it has a large catering area which houses a number of restaurants offering different cuisines – Japanese, Hong Kong, U.K., French, etc. Customers can purchase seafood from the aquarium and select a restaurant to cook for them. To differentiate from other chain restaurants, Hai Wu Hui self-operates all the restaurants and hires famous chefs from Hong Kong as well as Michelin-starred chefs to run the restaurants.

New Huadu has developed an app and set up a WeChat public account for Hai Wu Hui. Customers can purchase products online via the app or WeChat, and also pre-order food to be cooked in the restaurant. The app is also linked with third-party food delivery platforms such as Baidu Waimai and Eleme. In the future, it will provide 1-hour delivery service to customers who live within 3-5 km distance from the store.

Fresh Ideas (鲜食演义)

Launched by Better Life Group in June 2017, Fresh Ideas is a new retail supermarket format orienting to fresh and imported products. The first store is located in Better Life Group’s Meixi Xintiandi in Changsha, Hunan province. There is a large catering area, offering various cuisines such as Chinese local food, Asian food, western cuisine, Japan and Korea food, etc. The store also features a seafood ready-to-eat area, where customers can purchase seafood on the spot, which can be cooked immediately.



As part of Better Life’s O2O push, it has built an in-app exclusively for Fresh Ideas on its Yunhou app. Customers can order products and cooked food via the app and delivery service is provided to customers within the 3-km spectrum in 90 minutes.

Better Life has opened several Fresh Ideas stores since the opening of the first store in June – the fifth store was opened in Changsha in early September.

RISO



RISO is a new supermarket brand launched by Bailian Group in Shanghai in June 2017. RISO sells mainly fresh food and imported products, and features a large catering area, restaurants and café, book section, as well as art exhibition. RISO exemplifies the concept of “future store”, one of Bailian’s recent focuses, by integrating the selling of fresh products with catering experience, together with books, arts and music.

A special feature of RISO is that it has designated around 50% of floor space to catering. Customers can purchase fresh ingredients in the supermarket and have them cooked in the in-store restaurants and finished their meals in the spacious catering area.

RISO has also launched its own app. Customers can purchase products via the app. It also provides 1-hour delivery service for customers who live within a 3-km distance from the store.

Benlai Life Experiential Store (本来生活)

Benlai Life Experiential store is a physical store launched by fresh food e-commerce platform Benlai.com. The first store was opened in Chengdu in July 2017. With an operating area of 2,500 sqm, it offers over 5,000 SKUs, including fresh products and other daily necessities. Products sold in the experiential store are same as those available online. Around 60% of the product offerings are fresh food.



The store also features a catering section.

Customers can also purchase fresh ingredients and have them cooked on spot in the food processing area.

Customers can order and purchase items online via Benlai Life Experiential store’s app. Benlai Life partners with JD Daojia to provide 2-hour delivery service for customers who live within a 3-km distance from the experiential store.

Jingxuan Future Store (世纪联华·鲸选)



Century Mart Jingxuan Future Store is a new retail “future store” launched by Hangzhou Lianhua Huashang Group Co. for pilot run in June 2017. With a floor area of 10,000 sqm, the store targets mainly the young generation and positions itself as a one-stop shopping complex, integrating shopping and catering experiences with technologies and entertainment elements. It sells both fresh products and dry food, as well as other grocery products, personal care products, maternity and children products, daily necessities, etc.

Fresh products account for around 20% of the total floor area, and there is a catering area of similar size for customers to consume their food. Customers can order ready-made food from the restaurants or buy seafood in the supermarket and have them cooked in the restaurants for an additional fee.

Customers can purchase products via Jingxuan app. Delivery service is provided to customers who live within a 3-km distance from the store; fulfillment is handled by both Jingxuan’s own delivery team as well as third-party companies.

The store has undergone upgrades with more experiential elements since its launch in June. For instance, it has added a stretch ceiling with 3D effect, gallery box, AR photo printing stations, automatic stir-fry machines, self-checkout machines, self-service karaoke box, etc.

Coming soon...

Fung Business Intelligence visited some of these fresh food-focused supermarkets recently. We will share our observations and comments in later parts of the report. Coming next in Part 2 of our report, we will look at the case of Hema Xiansheng, the Alibaba-backed grocery store and pioneer in the fresh food revolution which is set to transform the supermarket/hypermarket segment under the “New Retail” era.

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