

# ***Analysis of the Impact of Hema Supermarket's Innovation Strategy on Marketing Effectiveness***

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**Abstract:** Hema Fresh is an innovative online and offline integrated new retail fresh supermarket. In recent years, Hema Xiansheng has been popular with consumers in major cities in China. Adhering to the concept of "freshness, convenience, quality and Internet", it is committed to providing consumers with fresh, high-quality food and convenient shopping experience. This paper aims to analyse the impact of Hema supermarket's innovative approach on its marketing effectiveness through theoretical analysis and comparative research. Through research and analysis, the innovation strategy of Hema Supermarket has a positive impact on its marketing effectiveness and is a key factor for its success. In addition, this article explores how Hema Supermarket can succeed and summarizes its marketing advantages, highlighting strengths and avoiding weaknesses, providing references for similar enterprises.

**Keywords:** Hema Fresh, Innovation strategy, Online and offline integration, Supply chain management, Consumer experience

## **1. Introduction**

By restructuring the retail industry of "people, goods, and market", Hema supermarket has created various business models such as "Hema Fresh", "Hema X Membership Store", and "Hema Ole", committed to meeting consumers' aspirations for a better life and leading thousands of households in "fresh, beautiful, and life" with technology and innovation. This article aims to deeply analyze the innovation strategy of Hema Fresh Supermarket, explore how it achieves online and offline integration through unique business models, technological applications, and supply chain management, and provide consumers with a fresh, convenient, and efficient shopping experience. Initially, the opening section of the article introduces the development background and industry environment of Hema Fresh, then focuses on analyzing the connotation and implementation path of its innovation strategy, and finally evaluates its strategic effectiveness and proposes future development directions. What's more, the research method used in this article is the commercial canvas model, comparative study and literature reviews, and theoretical analysis. At the same time, the study value of this paper resides in investigating the strategies for Hema Supermarket to achieve success, outlining its marketing strengths, capitalising on its advantages, mitigating its flaws, and offering guidance for similar businesses.

## 2. An overview of Hema

Hema Fresh is the first new retail supermarket in China, founded in 2015. Its first store opened in January 2016, which is considered a sample of Alibaba's new retail. At the end of 2021, Hema Fresh has landed in 27 cities and has 300 stores nationwide. [1] Hema is China's first new retail platform driven by data and technology. By restructuring the retail industry of "people, goods, and market", it has created various business models such as "Hema Fresh", "Hema X Membership Store", and "Hema Ole", committed to meeting consumers' aspirations for a better life and leading thousands of households in "fresh, beautiful, and life" with technology and innovation. [2] The innovative nature of business is one of the most important factors determining the success of an enterprise in a market environment, as well as its market stability and competitiveness. Implementing any innovation change strategy requires some transformation at the enterprise, which requires new methodological approaches and variations. It is these arguments that form the relevance of this study.[3]

## 3. Analysis of Hema Fresh's Innovation Strategy

### 3.1. Online and offline integration mode

As a new retail industry leader, Hema Fresh has led a new retail revolution with its integrated online and offline model. Hema Fresh provides consumers with a one-stop shopping experience by establishing offline stores. Simultaneously, with the convenience of online platforms, consumers can access and evaluate the stock and purchasing options of neighbouring stores at any time and from any location, establishing a seamless integration between the online and offline realms.

Furthermore, it is a data-driven operational model, Hema Fresh's online and offline integration cannot be achieved without a data-driven operational model. Through the membership system and consumption data collection, Hema Fresh has gained in-depth insights into consumer shopping habits and preferences. Based on this data, make adjustments to product procurement and operational strategies. This model improves operational efficiency and provides consumers with more personalized and accurate product choices. Additionally, the Seamless connection is in O2O mode. Hema Fresh's seamless integration of online and offline is also reflected in the O2O mode. Consumers can book products through online platforms and choose to pick them up or deliver them to their homes. This seamless connection between online and offline dramatically improves consumers' convenience in shopping.

### 3.2. Supply Chain Management and Optimization

With the increasing demand of consumers for the quality of fresh products, the competition in the fresh e-commerce market is becoming increasingly fierce. As a representative enterprise in the new retail field, Hema Fresh has gained a foothold due to its unique "fresh food+catering" model and efficient supply chain management.

Hema Fresh's supply chain management has two main characteristics. It ensures stable and low-priced supply sources through a "buyer made" zero supply relationship. In addition, Hema Fresh has established a membership network through big data technology, collecting consumer consumption data to optimize product structure and inventory management. Figure 1 shows the flowchart of Hema Fresh Supply Chain Management. Based on the research of Hema Fresh's business model, their supply chain network is a recently developed decentralized and distributed network. It is separated into four layers: procurement end (supplier), DC (processing center), shop, and consumer.

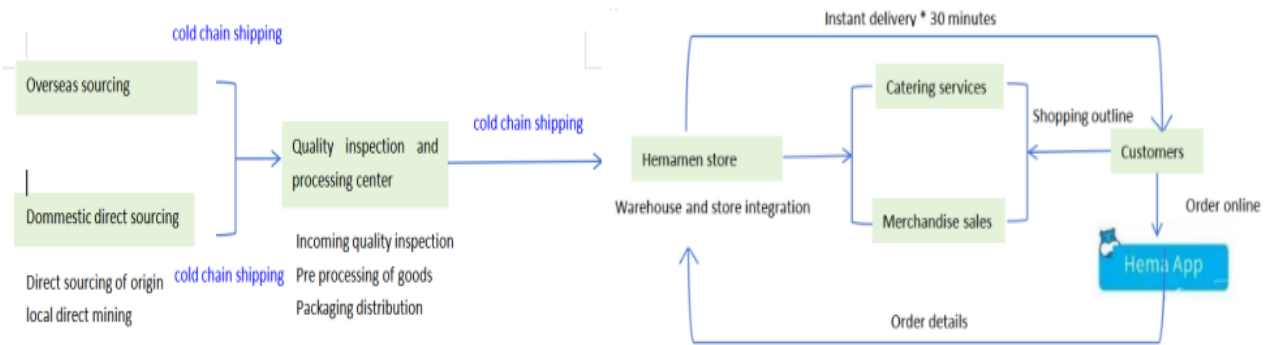


Figure 1: Analysis of Hema Fresh Business Model [4]

Hema Fresh's supply chain management also has many highlights, including intelligent warehouse operation systems, intelligent fulfilment urgent order algorithms, intelligent inventory allocation systems, and intelligent distribution scheduling systems. This has enabled both online and offline services to generate rapid profits and indeed achieved the integration of physical stores and warehouses. Consumers can consume in stores or place orders on the Hema app, providing a high-quality one-stop shopping experience.

#### 4. Implementation Path of Hema Fresh Strategy

##### 4.1. Business model canvas

The next step is to analyze Hema's business model canvas. The business model focuses on value acquisition, while the business strategy emphasizes maintaining a broader competitive advantage. In enterprises, the business model is a framework that transforms innovation into economic value. In contrast, business strategy stays at the company's and shareholders' economic value. In addition, although business models are also influenced by the dynamics of the organization's external and internal environment, organizations use business strategies to respond to the dynamics of the industrial and macro environment and determine competitive positions to maintain or take proactive actions to attack market leaders. The purpose of the business model concept is defined by emphasizing value creation as part of management technology development.[5]

Figure2 shows the business model canvas of Hema Fresh. Hema Fresh's business model canvas showcases its unique positioning and value proposition with its new retail model. Its main customer group is young and middle-aged Internet users with specific economic strengths who pay attention to quality of life. This group is not sensitive to price but has high for commodity quality and service experience. The value proposition of Hema Fresh lies in ensuring the freshness of its products. Through the new retail model of supermarkets, it provides online and offline integrated delivery services to meet consumers' needs for convenience and timeliness.

Regarding customer relations, Hema provides exclusive discounts and services to consumers through the X membership program, enhancing customer loyalty and stickiness. Hema adopts a dual-channel online and offline model, with both physical and online shopping malls, achieving multi-channel sales. Regarding core resources, Hema has a complete raw material big data supply chain and cold chain transportation database logistics system, as well as store warehousing and distribution and financial resources, all of which constitute Hema's core competitiveness. In terms of critical activities, Hema focuses on supply chain cost control management, selects and layout offline stores reasonably, achieves high integration of O2O omnichannel, and utilizes extensive data management

and applications, as well as efficient sales and logistics distribution systems, to provide consumers with a high-quality shopping experience. Regarding cost structure, Hema needs to consider fixed initial investment costs, procurement and production costs, operating and management costs, etc. The primary sources of income come from online and offline sales revenue, catering processing revenue, and rental income from external investment.

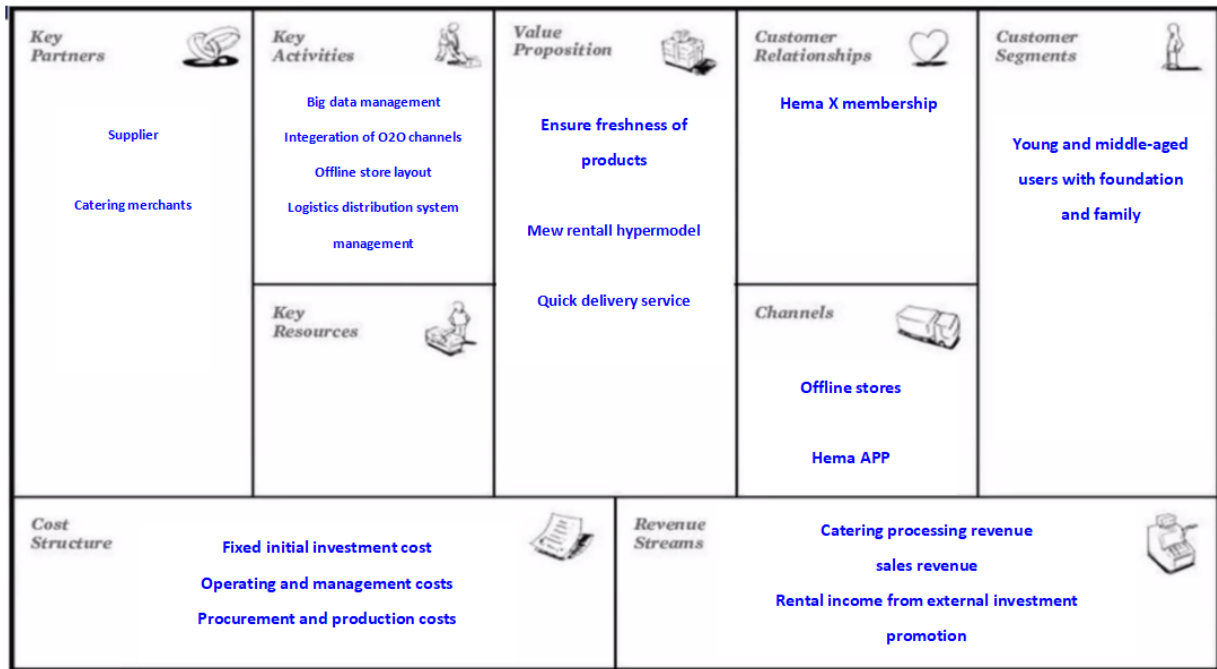


Figure 2: Business Model Canvas Of Hema Fresh

#### 4.2. Organizational restructuring

In order to better achieve strategic development goals, Hema Fresh has undergone a new round of organizational adjustments. Firstly, three major business units were established, namely Hema Fresh Business Unit, Hema MAX Business Unit, and Hema NB Business Unit, which are responsible for operating different business formats. This division of business units makes Hema's exploration of retail formats more mature, and future development will also focus more on the development directions of the five major formats. Secondly, Hema has established three major platforms, including product research and development: Procurement center, logistics supply chain center, and technology center. This is the procurement, logistics, supply chain, and technology center. These middle platforms support the development and operation of different business formats of Hema through structured, digital, and AI-based capacity building, improving the overall operational efficiency and market response speed of the enterprise.[6]

#### 4.3. Talent cultivation

Hema Fresh has established a comprehensive training system in talent cultivation, including online learning platforms, talent echelon training, and Xiake Xing leadership training. These training programs aim to enhance employees' job and management abilities of employees to adapt to the rapid development of the business. At the same time, Hema advocates the cultural values of "customer first, teamwork, embracing change, integrity, passion, and professionalism" internally, providing employees with a good working environment and development space.

#### 4.4. Marketing strategy and promotion methods

Regarding marketing strategy, Hema Fresh focuses on product selection and high-quality products and services. They finely customize products according to the needs of different regions and consumer groups, ensuring that each store's products can meet the tastes and preferences of local consumers. At the same time, Hema adopts a "direct procurement+self operation" model to control product quality from the source and continuously update product varieties according to seasonal and regional changes.

In terms of promotion methods, Hema Fresh adopts a multi-channel marketing strategy, including both online and offline methods. On the online side, they interact with consumers through social media platforms, mobile apps, and other means, and launch various promotional activities and coupons to attract consumers. In terms of offline, Hema attracts consumers through store layout, product display, event planning, and other methods. In addition, Hema also emphasizes interaction and communication with consumers, enhancing their shopping experience through online and offline interactive activities.

The implementation methods of Hema Fresh's innovation strategy include optimizing business models, adjusting organizational structure, strengthening talent cultivation, and innovating marketing strategies and promotion methods. These measures collectively constitute Hema Fresh's unique competitive advantage and development momentum in the new retail field.

#### 5. The Impact and Evaluation of Hema's Innovation Strategy on Marketing Effectiveness

The rise of Hema's new retail has been influenced by logistics technology, information technology, and network data statistics technology. In this context, Hema Fresh Supermarket, as one of the representatives of new retail, has reconstructed the traditional retail model through innovative strategies such as the new retail boundary effect, which Maeshal's demand theory can describe.

Hema's sales in 2022 are also evident to all. The China Association of Chain Stores released the 2022 China's Top 100 Chain Stores list. Suning Easy Buy, Wal Mart, and Fantasy Home (3.060, 0.01, 0.33%) ranked the top three new retail groups, with sales of 111.3 billion yuan, 109.3 billion yuan, and 105.4 billion yuan in 2022, respectively. Among them, Hema Xiansheng, the eighth largest retailer, had sales of 61 billion yuan and 300 stores in 2022. Based on this, the average sales of a single store exceeded 200 million yuan.[7]. According to market analysis of the unmanned supermarket industry, Hema Unmanned Supermarket is one of the largest unmanned supermarket brands in the domestic market. It has opened unmanned stores in multiple cities, including Shanghai, Beijing, Hangzhou, Nanjing, etc. Fresh unmanned convenience stores have also opened in multiple cities, such as Beijing, Shanghai, Shenzhen, etc. According to the market analysis of the unmanned supermarket industry in 2023, Hema unmanned stores occupy the largest market share of unmanned supermarkets[8]. According to market data, Hema Fresh Supermarket has achieved significant sales and market share after launching an innovative strategy. Through the implementation of online and offline integration and intelligent logistics strategy, Hema Fresh Supermarket has effectively improved the convenience and satisfaction of consumer purchases, attracted many new customers, and increased the repurchase rate of old customers. At the same time, implementing an experiential consumption strategy has effectively improved consumers' shopping experience and loyalty of consumers. Specifically, in a new store opened by Hema Fresh Supermarket in a first-tier city, through the implementation of online and offline integration strategy and intelligent logistics strategy, the first month's sales exceeded the monthly sales of traditional supermarkets in the same region. In addition, driven by the experiential consumption strategy, in-store customer flow and consumer satisfaction have also significantly improved.

The innovative strategy of Hema Fresh Supermarket has significantly impacted its marketing effectiveness, effectively enhancing the shopping experience and loyalty of consumers. Market data also proves the effectiveness of its innovation strategy.

## 6. The Limitations and Challenges of Hema Supermarket's Innovation Strategy

Although Hema Fresh's online and offline integration model has succeeded, it faces many challenges in the fiercely competitive market environment.

For example, Hema Fresh is positioned as a mid to high-end consumer group, which results in relatively high operating costs. Although high-quality goods and services are provided, this may deter some mid to low-end consumers. In contrast, Suguo Supermarket has attracted more consumers by offering cost-effective products. In order to reduce operating costs and expand market share, Hema Fresh can consider adjusting its pricing strategy.

Also, the Category limitations and consumer demand diversity. Hema Fresh specializes in seafood products, and although it meets the needs of some consumers for high-quality seafood, for a wider consumer group, this category limitation may not be able to meet their needs. Huarun Suguo, another large chain supermarket in China, is the largest chain supermarket enterprise in Jiangsu. It has been ranked among the top ten chain enterprises in the country for 12 consecutive years and is also one of the top four fast-moving consumer goods retail enterprises. Suguo always adheres to the business philosophy and basic positioning of "Chinese Suguo, people's lives", with the business purpose of "serving the people, facilitating the people, and benefiting the people", the quality commitment of "Suguo is free of counterfeit goods, please rest assured of each item", and the price policy of "saving money for customers". Consumers and society have praised us for our unwavering pursuit of customer satisfaction.[9] In contrast, Suguo Supermarket offers a broader variety of products to meet the needs of different consumers. In order to attract more consumers, Hema Fresh can consider increasing the variety of products, especially those that meet the needs of the public.

## 7. Conclusion

Hema Fresh adopts a marketing model that integrates online and offline, applies technological innovation in the store, and optimizes supply chain management. Its innovative strategy and implementation have a positive impact on its marketing. The implementation methods of Hema Fresh's innovation strategy include optimizing business models, adjusting organizational structure, strengthening talent cultivation, and innovating marketing strategies and promotion methods. These measures collectively constitute Hema Fresh's unique competitive advantage and development momentum in the new retail field. The innovative strategy of Hema Fresh Supermarket has significantly impacted its marketing effectiveness, effectively enhancing the shopping experience and loyalty of consumers. However, with the intensification of market competition and the continuous changes in consumer demand, Hema Fresh Supermarket needs to continuously innovate and optimize its strategy to adapt to market changes. It is recommended that Hema Fresh Supermarket further increase its efforts in technological innovation, improve its supply chain and logistics distribution system, enhance service quality and efficiency, and meet the growing needs and expectations of consumers.

This article explores how Hema Fresh Supermarket can succeed, summarize its marketing advantages, leverage strengths and avoid weaknesses, and provide reference for similar enterprises through research on Hema Fresh Supermarket, using commercial canvas models, theoretical research, and other methods. The downside is that this article cannot obtain much data and nor predict whether Hema will continue to succeed. This paper speculated that future research direction may focus on



whether Hema's innovation model applies to all supermarkets and the new impact of Hema's innovation strategy in the future.

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