

2019 China's Fresh Food E-commerce Report





Status Quo

China's fresh food e-commerce market is developing rapidly. Innovative models and new players keep emerging.

- China's Fresh food e-commerce market is developing rapidly. Its GMV exceeded 200 billion yuan in 2018. According to iResearch, China's fresh food e-commerce industry will maintain an average annual growth rate of 35% in the next three years.
- Currently, as China's fresh food e-commerce is in a period of fast development, various business models co-exist. The front warehouse model has been popular and new models such as new retail and new retail and community group-buy and community group-buy are emerging.



Competition landscape

The head effect of the overall fresh food e-commerce market is obvious. The speed that the vertical market concentrates on the head players is accelerating.

- In 2018, CR5 accounted for 63.1% of China's fresh food e-commerce market, with high concentration and obvious head effect.
- In 2018, CR5 accounted for 37.6% of China's vertical fresh food e-commerce market, an increase of 12.5% over the previous year. Market concentration has increased rapidly. The vertical fresh food e-commerce market has shown a tendency to gather towards the head companies.



Trends

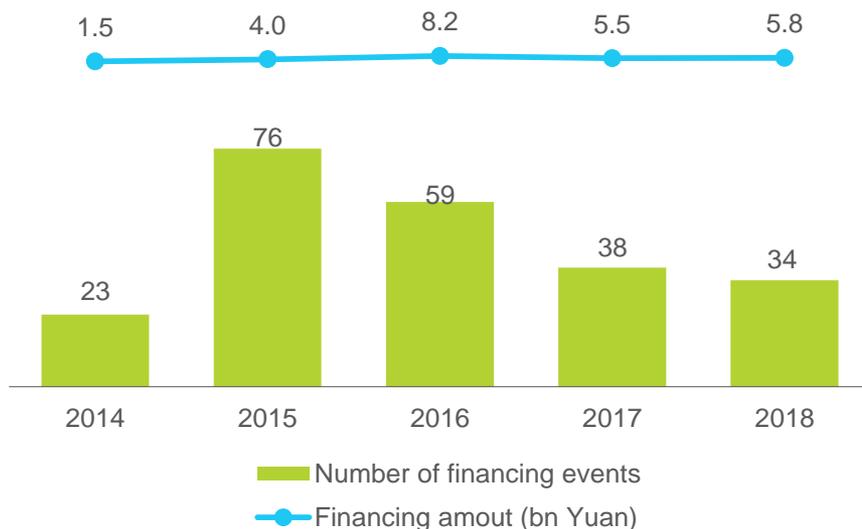
There will be a shake-up in the market in the next 1-2 years. Supply chain management capability is the key to success.

- With the increase of players in the track and the expansion of the giants' layouts, the competition in the fresh food e-commerce industry will be increasingly fierce, and it will also accelerate the shakeup of the original industry landscape. As the most important part of fresh food e-commerce, "supply chain management" is the key to success. In the fresh food supply chain, using advanced technologies such as big data, artificial intelligence, and the Internet of Things to track user behavior, accurately predict market demand, control the quality of fresh food, and extend to the production end to shorten the supply chain and reduce operation cost is an important way to improve supply chain management capability.

Financing in China's Fresh Food E-commerce Market 艾瑞咨询

As a rising star in the e-commerce sector, fresh food e-commerce has attracted a lot of attention from the capital market. As fresh food e-commerce becoming increasingly important in the e-commerce sector, many fresh food e-commerce companies have received investment, and new fresh vertical e-commerce platforms are constantly emerging. However, many fresh food e-commerce start-ups are facing bankruptcy and mergers and acquisitions due to supply chain problems and money consuming issues, etc. Meanwhile, a certain number of "star fresh food e-commerce companies" have emerged. In recent years, the development of the fresh food e-commerce industry is increasingly rational. Although the number of financing events is small, the amount of financing is large. It is increasingly obvious that the capital is gathering round the head companies.

Financing in China's Fresh Food E-commerce Market 2014-2018



Some Financing Events in China's Fresh Food E-commerce Market in 2018

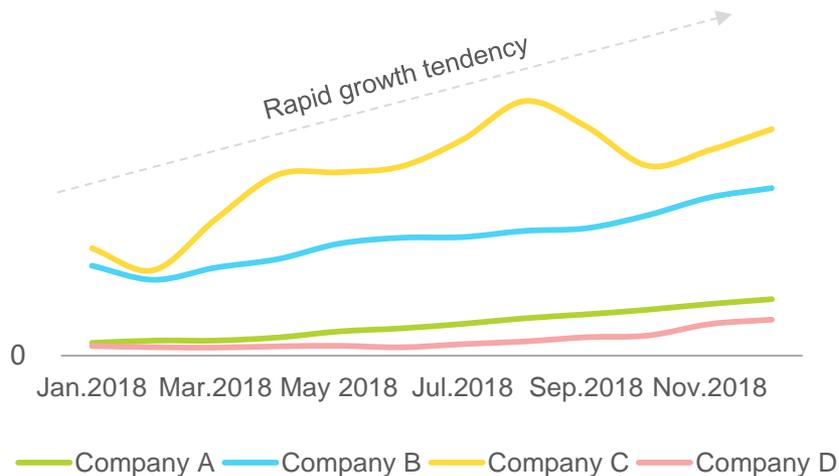
Fresh food e-commerce platform	Time	Round	Amount
Missfresh	Sep. 2018	Strategic investment	\$ 450 mn
Shengxianchuanqi	Oct. 2018	B round	\$ 300 mn
Meiriyitao	Nov. 2018	B round	\$ 1 mn
	Jul. 2018	A round	\$ 30 mn
Shixianghui	Dec. 2018	B round	\$30mn
	Aug. 2018	A round	¥ 1 mn
Nice Tuan	Aug.2018	Angel	¥ 1 mn

Source: IT Juzi, publicly available information, iResearch Consulting Group.

The Demand Side: The Changes of Consumer Groups And Consumption Habits

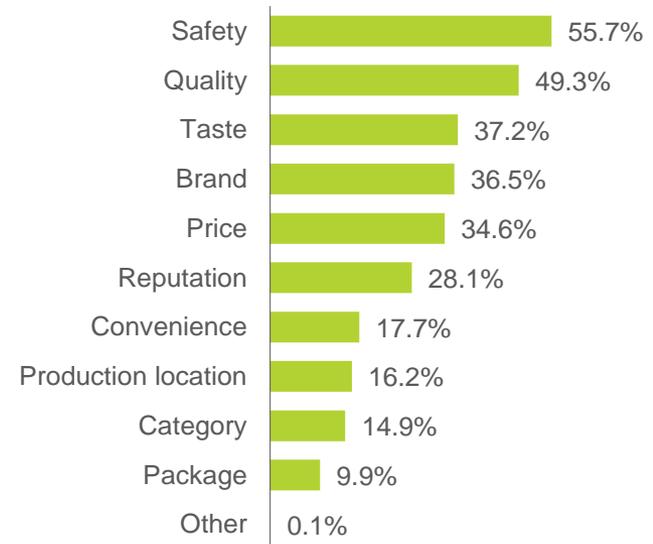
According to iResearch Usertracker, in the past year, the number of users using the fresh food e-commerce platform has increased significantly. Online purchase of fresh food has become more and more popular among consumers. With the development of the economy and the changes of the times, the consumer groups in China have gradually changed. Now the post-80s and post-90s are the major consumer groups. Their consumption habits have also changed. They are more willing to improve their personal consumption levels, and their standards for quality and experience are getting higher and higher. In the future, with an increasing number of mobile internet users, continuously increasing penetration of mobile shopping, and the growing popularity of online purchase of fresh food, the online fresh food purchase demand will keep growing.

Users' Monthly Usage of Typical Fresh Food E-commerce Companies in China in 2018



Note: In the above chart, four domestic typical fresh food e-commerce companies are selected as examples. The selected data is from January to December 2018
Source: Usertracker multi-platform Internet user behavior monitoring database (desktop and smart devices).

Factors That Chinese Users Value When Purchasing Fresh Food Online in 2019

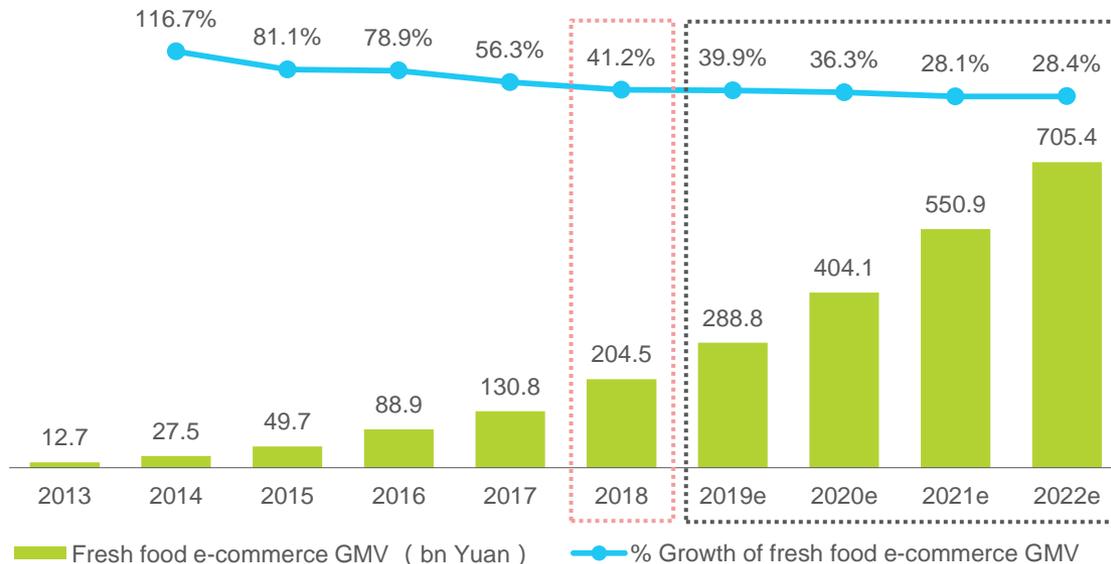


Sample: N=1,001, The data is based on iClick community's survey in April 2019.
Source: iResearch Consulting Group.

GMV of Fresh Food E-commerce Market in China

The market was shaken up during 2016 and 2017. Many small and medium sized fresh food e-commerce companies were acquired or closed down. However, at the same time, with e-commerce giants such as Alibaba and JD entered the market. They kept increasing the investment in infrastructure such as supply chain and logistics, and brought a new retail model of online and offline integration, which attracted a lot of attention to the fresh food e-commerce market. Since the beginning of 2019, the new retail model of fresh food has gradually become “calm”. The market has entered the stage of contraction and adjustment from the stage of crazy expansion. Meanwhile, the models such as front warehouse and community group-buy are developing quickly. In the future, with the maturing fresh food e-commerce models, the increasing fresh food online shoppers, the developing technology and the upgrading of the fresh food e-commerce supply chain, the fresh food e-commerce industry will keep growing rapidly.

GMV And Growth Rate of China's Fresh Food E-commerce Market 2013-2022



Calculation :
 Fresh food e-commerce GMV = Number of paying users × expenditure per order × purchase frequency

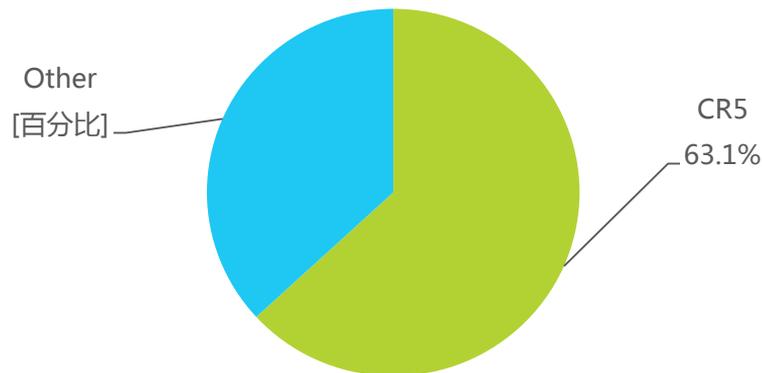
- **Demand side:** the users are developing the habit of purchasing fresh food online. The number of fresh food e-commerce users and the industry penetration rate are increasing year by year, contributing to the growth of fresh food e-commerce market GMV
- **Supply side:** With the improvement of cold chain logistics technology and the upgrading of the fresh food supply chain, the fresh food e-commerce industry will continue to develop at a high speed in the future.

Note: Assume that each user place only 1 order each time in the formula “Fresh food e-commerce GMV = Number of paying users × expenditure per time × purchase frequency”
 Source: The data are calculated based on publicly available information, interviews with companies and experts in iResearch statistical model.

Competition Landscape of China's Fresh Food E-commerce Market (by Business Models 2)

China's fresh food e-commerce market has a high concentration degree and the head effect is significant. As to vertical fresh food e-commerce market, CR5 accounted for 37.6% of China's vertical fresh food e-commerce market in 2018, an increase of 12.5% over the previous year. Market concentration is rising rapidly and the rate that vertical fresh food e-commerce gathering around head platform is accelerating.

Concentration of China's Fresh Food E-commerce Market 2018



Concentration of China's Vertical Fresh Food E-commerce Market 2017-2018



Source: The data are calculated based on publicly available information, interviews with companies and experts in iResearch statistical model.

Source: The data are calculated based on publicly available information, interviews with companies and experts in iResearch statistical model.

Pioneering Model of Front Warehouse + Home Delivery: Missfresh

Data show that with a growing number of users, Missfresh is the leader in the industry in terms of user coverage. Missfresh has three core advantages. First, for logistics, Missfresh is the first to set up a front warehouse model, intensively delivering the products from the city distribution centers to the “cold storage” in the front warehouses, from where the products are to be delivered in an hour to the end users within 1-3km. Second, by selecting a full range of quality products for the users, Missfresh can meet the demand of the mainstream consumers and have a higher repurchase rate. Third, Missfresh adopts a membership system with high member privileges to keep customer stability, and by social sharing, Missfresh promotes user stickiness. At the same time, the membership system also helps collect data regarding the preference of consumers, and provides accurate user portraits for efficient marketing.

Core Advantage of Missfresh

01

Logistics: Front warehouse model promotes distribution efficiency and ensures product quality

Missfresh is the first to set up a front warehouse system and sets up a cold chain logistics system of “city distribution centers + community front warehouses” in major cities, to reduce costs, ensure timely delivery and product quality

02

Products: Full range of quality products meet the demand of mainstream consumers

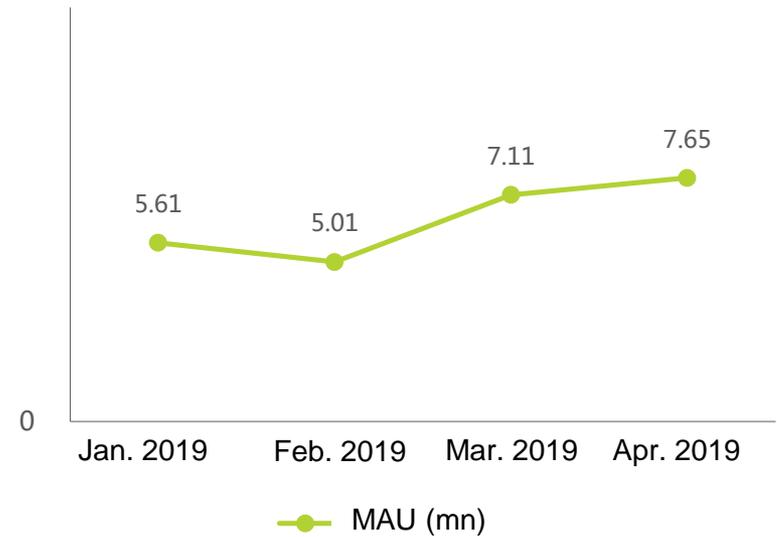
Missfresh adopts a model of “full range of selected products”, covering fruits, vegetables, meat and eggs and aquatic products, to provide quality products for young users who want buy quality products quickly, reducing costs and improving efficiency

03

Operation: Social operation of membership system promotes user stickiness

Missfresh adopts a membership system with high member privileges to keep customer stability, and by social sharing, promotes user stickiness. And the membership system also helps collect consumer preference data for accurate user portraits for efficient marketing.

MAU of Missfresh During Jan.-Apr. 2019



Source: Publicly available materials, iResearch Consulting Group

Note: The MAU data are from Jan. – Apr. 2019
Source: Missfresh operation data, iResearch Consulting Group

The Market to be Reshuffled in The Next 1-2 Years

Fresh food e-commerce market is developing fast in China. As the giants are entering the industry and the capitals are active on the market, new players and innovative models keep emerging. Now, there are diversified business forms on the fresh food e-commerce. With more players on each track and the expansion of the giants, the competition will be more intensified in the fresh food e-commerce industry, accelerating the reshuffling of the market. "Supply chain management", crucial for development of fresh food e-commerce, is the core capacity for the enterprises to win the market competition. Big data, AI, Internet of Things and other technologies are applied in the fresh food supply chain to track the user behaviors, accurately predict the market demand and to control the quality of the fresh food products. By to shorten the supply chain and to reduce the operation costs by extending to the production side is an important way to improve the supply chain management.

Pain Points of Supply Chain Management And Ways to Improve

Pain Points of Supply Chain Management

The safety of non-standard products with a short shelf life is hard to control

The consumers have high requirements on the quality of fresh food products. However, the fresh food are non-standard products with a short shelf life, and are easily affected by the regions and seasons. Therefore, they have high requirements on supply chain management

Long product circulation chains and high loss

The traditional supply chain is long and consists of intermediary links like market of agriculture products at the place of origin, wholesalers, wholesale market at the place of selling, leading to great loss of fresh food products.

High logistics costs

The standard logistics system of fresh agricultural products is evolving slowly and there is no uniform logistics infrastructure and facilities. As the various links are not connected effectively, the logistics links require much more work and higher logistics costs

Ways to Improve Supply Chain Management

Big data, AI and other technologies are adopted to track users' consumption behaviors, to accurately predict the market demand

Big data, AI, Internet of Things and other technologies are applied in the fresh food supply chain to track the user behaviors, accurately predict the market demand, to control the purchase quantity and arrange for storage and logistics, minimizing the inventory and reducing warehouse costs, the stock-out rate and losses

Expansion of supply chain to production side to help enterprises reduce costs and improve efficiency

Expansion of supply chain to the production side in the upstream (such as direct sourcing from the place of origin) not only helps ensure product quality by reducing transportation time, but also helps boost revenue by reducing operation costs.

An intelligent monitoring system is adopted to improve the efficiency of cold chain logistics, for better control of product quality

An intelligent monitoring system consisting of temperature and humidity sensors, RFID, GPS and software management system are adopted is adopted to control temperature and humidity in real time, to prevent the products from going bad and losses, significantly improving the efficiency of cold chain logistics

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Company Introduction / Legal Notice

About iResearch

iResearch is a provider of insights into China's internet space and global fastest-growing sectors as well as value-added corporate services. It offers a wide range of services including big data insights and forecasts, industry research and corporate consulting, investment and post-investment services.

Founded in 2002, iResearch is the first third-party firm focusing on research in China's internet sector. Since its inception, it has published thousands of industry reports and provided custom research and consulting services to thousands of clients. It is now the preferred third-party research brand for the IPO of Chinese internet companies. iResearch set up its global research center in 2015, expanding the scope of research to fast-growing sectors world-wide.

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