Analysis on the Development of Community Group Buying Platform Xingsheng Youxuan under COVID-19 Epidemic

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Abstract
The COVID-19 epidemic has brought development opportunities to Xingsheng Youxuan of community group buying platforms. In the fresh food industry, China’s fresh food market share is large, and fresh food consumption is high; during the epidemic, online fresh food users increased, and online market share increased; the epidemic prompted the expansion of the fresh food community group buying market and increased user stickiness; During this period, the state issued favorable policies to accelerate the integration of online and offline. During the epidemic, compared with competitors, Xingsheng Youxuan Relied on the advantages of low-price and stable delivery points and a more efficient community e-commerce UE model to achieve substantial growth in GMV, wider business coverage, and multiple financings to strengthen cooperation Cooperation of Internet giants.

Keywords
Xingsheng Youxuan; Community Group Buying; COVID-19; SCP Analysis Model.

1. Introduction
Xingsheng Youxuan was born in Furong Xingsheng, the largest convenience store chain in Hunan Province. Due to the impact of the e-commerce platform, it transformed into a new retail fresh food e-commerce community group buying platform after a substantial decline in performance. It is based on a community store and adopts the "pre-sale + next-day delivery + self-pickup" model, and is positioned to address the daily needs of consumers in the family. The outbreak of COVID-19 in early 2020 has swept across the country, and home isolation has become the most effective way to prevent the spread of the epidemic. Community group buying is an important part of the lives of urban residents. While the epidemic is a crisis, it also brings development opportunities for fresh food e-commerce community group buying, and the explosive power of community group buying is released.

![Figure 1. SCP analysis framework for the impact of COVID-19 on Xingsheng Youxuan](image)

Xingsheng Youxuan is selected as the first unicorn company in the field of fresh food e-commerce community group buying. This article will use industrial economics authority Bain, Scherer and others to establish an SCP (structure-conduct-performance) analysis model, as shown in Figure 1. External shocks will have an impact on Xingsheng Youxuan mainly through the following path: external impact of COVID-19 → fresh food e-commerce industry structural changes → Xingsheng Youxuan corporate behavior changes → Xingsheng Youxuan corporate...
operating performance changes. Studying the impact of COVID-19 on its development will be of reference significance for new retail fresh food e-commerce companies.

2. The impact of COVID-19 on the structure of the fresh food industry

2.1. China’s fresh food market share is large, fresh food consumption is high

According to data from the National Bureau of Statistics, the per capita consumption expenditure of Chinese residents in 2020 is 21,210 yuan, and the consumption expenditure on food, tobacco and alcohol accounts for 30.2% of the per capita consumption expenditure, which shows that Chinese residents have huge demand for fresh food. Statistics show that fresh vegetables account for the largest proportion of the consumption of fresh food, with a consumption of more than 13,300 tons; followed by fresh melons and fruits, meat, aquatic products, milk, poultry and eggs. Due to the small price elasticity of demand for fresh food, residents have rigidity in the consumption of fresh food. Although the outbreak of the epidemic has reduced the total expenditure of residents, the consumption expenditure on fresh food will not fluctuate much compared with before.

Figure 2 shows according to iResearch’s statistical data, the fresh food retail market in 2020 will reach 5,059.5 billion yuan, a growth rate of 4.9%; the scale of fresh food retail is expected to reach 5,469.7 billion yuan in 2021, a growth rate of 8.5% compared to 2020. After that, as the epidemic stabilizes, the scale of China’s fresh food retail market will continue to increase, but the growth rate will decrease year by year.

![Figure 2. The scale of China’s fresh food retail in 2016-2025](image)

2.2. During the epidemic, online users of fresh food rose, and online market share increased

According to CNNIC, by the end of 2020, the number of Chinese Internet users reached 989 million, and the number of online shopping users reached 782 million. The scale of e-commerce transactions has become the world’s largest. According to a report released by QuestMobile, the overall daily active users of China’s fresh food e-commerce companies went from less than 8 million on weekdays to 10 million during the Spring Festival, and again exceeded 12 million after the holiday. In terms of daily active users after the holiday, the increase was as high as 60% compared to normal days. According to the statistics of iResearch Consulting, there will be more than 300 million users using fruit and vegetable applets in 2020, and the annual growth rate of the applets of retail channels such as supermarkets, convenience stores and fresh food will reach 254%.
According to Figure 3, iResearch's use of multi-platform netizen behavior detection data shows that after the outbreak of COVID-19, the number of Chinese residents using fresh food e-commerce apps from February 2020 to June 2020 increased significantly, much higher than before the outbreak. Moreover, since June 2020, the number of times consumers use fresh food e-commerce apps has slightly lagging behind to maintain small fluctuations, but it is still higher than before the outbreak, indicating that the epidemic has cultivated user stickiness and is very important for fresh food e-commerce companies. The shopping model creates a sense of dependence and loyalty. According to the scale structure of China's fresh food retail market conducted by iResearch, the proportion of online fresh food is increasing year by year from 2016 to 2020, especially in 2020, the proportion of online fresh food will reach 14.6%, an increase of 5.8% from 2019, Compared with previous years, the year with the largest increase.

Figure 4 The frequency of Chinese fresh food e-commerce users buying fresh food before, during and after the epidemic in 2020

Figure 4 The frequency of consumers buying fresh food using fresh food e-commerce platforms has also been further verified. Before the outbreak, the percentage of fresh food e-commerce users buying fresh food every week was 57.3%. During the epidemic, it rose to 69.1%, an increase of 11.8% compared to before the epidemic. After the epidemic slowed down, it dropped slightly to 67.2%, which is still higher than before the epidemic. Compared with before the outbreak, the frequency of users buying fresh food per week after the outbreak has also increased, with 1 time a week and 2-3 times a week increasing the proportion the most, an increase of 7.9%; once a week An increase of 3.4%; 4 times a week or more, an increase of 0.5%.
2.3. The epidemic has led to the expansion of the community group buying market for fresh food and increased user stickiness

According to the "2020 China Community Group Buying Market Data Report" released by the Think Tank.com Economic and Social E-commerce Research Center, the community group buying market in 2020 will be 75 billion yuan, a year-on-year increase of 120.58%. It is expected to reach 104.03 billion yuan in 2021, a growth rate. It was 38.7%. The community group buying market is expected to reach 2.4 trillion yuan in 2023. At the same time, the number of users of community group buying is also growing rapidly. In 2020, the number of users will reach 470 million, a growth rate of 11.9%, and it is expected to reach 505 million in 2021, a growth rate of 7.44%.

After the outbreak of the epidemic, various travel restrictions and the closure of offline consumption places have brought short-term explosive user growth to the fresh food e-commerce community group buying model. After the new users have made an online fresh food consumption, they will not only have a certain understanding of the entire community group buying model, but after they have a satisfactory shopping experience, they will be greatly encouraged to gradually increase online fresh food consumption frequency. The fresh online community group buying model has met consumers’ demand for fresh food during the epidemic. Under the premise that the price is cheap enough, products of sufficient quality and qualified can be purchased and delivered quickly.

2.4. During the epidemic, the country introduced favorable policies to accelerate online and offline integration

My country has always vigorously promoted the sustainable development of the new retail industry. Especially during the epidemic, consumption has been greatly impacted by the epidemic and has become a weak link in economic recovery. On September 9, 2020, Premier Li Keqiang of the State Council presided over an executive meeting of the State Council to determine measures to support the accelerated development of new business formats and new models to drive new consumption and promote economic recovery. The meeting mentioned that it is necessary to promote new consumption expansion and quality improvement, innovate non-contact consumption models, and strengthen the construction of agri-business interconnected agricultural product supply chain.

After the outbreak, in the case of weak consumption, the community group buying model of fresh food e-commerce can achieve the integration of online and offline models, using digital technology to update the experience mode, delivery mode, and operation mode of traditional services. The shopping requirements of contactless service and home service are realized to the limit, which can not only meet the daily needs of consumers and make life consumption more convenient, but also stimulate the enthusiasm of consumption, fully tap and induce consumer impulsive consumption, which is very important for stimulating It plays an important role in sinking the market’s consumption potential and promoting economic development. In the medium and long term, as the connection between online and offline is gradually established, the importance of the consumption scenario of community group buying will further increase.

3. Analysis of corporate behaviors of Xingsheng Youxuan under the epidemic

3.1. Xingsheng Youxuan has a price advantage

The suspension of work and production caused by the epidemic has made 2020 the most difficult year. According to the National Bureau of Statistics, the national per capita income in 2020 is 2682 yuan/month. In a sample survey conducted by iResearch Consulting, 51% of residents chose to buy products in community groups because of the affordable prices, and this
is more obvious in third- and fourth-tier cities. Xingsheng Youxuan's target group positioning is the lower-tier market where shopping pursues low prices, attracting users through price and cost-effective advantages.

Table 1. Price comparison of community group buying, fresh food e-commerce, and supermarket chains in Wuhan (unit: yuan)

<table>
<thead>
<tr>
<th>Type division</th>
<th>Platform name</th>
<th>Community group buying</th>
<th>Fresh food e-commerce</th>
<th>Chain Supermarket</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Xingsheng Youxuan</td>
<td>Meituan Youxuan</td>
<td>Missfresh</td>
</tr>
<tr>
<td>Fresh Vegetables</td>
<td>Lettuce (500g)</td>
<td>3.58</td>
<td>3.98</td>
<td>8.17</td>
</tr>
<tr>
<td></td>
<td>Parsley (250g)</td>
<td>1.79</td>
<td>1.79</td>
<td>4.92</td>
</tr>
<tr>
<td></td>
<td>Green salad (250g)</td>
<td>1.79</td>
<td>5.99</td>
<td>2.49</td>
</tr>
<tr>
<td></td>
<td>Cabbage (500g)</td>
<td>1.42</td>
<td>5.99</td>
<td>1.99</td>
</tr>
<tr>
<td></td>
<td>Yellow Heart Potato (500g)</td>
<td>1.5</td>
<td>1.39</td>
<td>3.5</td>
</tr>
<tr>
<td></td>
<td>Purple Sweet Potato (500g)</td>
<td>2.34</td>
<td>4.99</td>
<td>4.45</td>
</tr>
<tr>
<td>Fresh-Meat, Poultry and Egg</td>
<td>Fresh milk (300g)</td>
<td>1.18</td>
<td>1.54</td>
<td>18.8</td>
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<tr>
<td></td>
<td>Pork Leg with Skin (300g)</td>
<td>11.85</td>
<td>9.99</td>
<td>16.04</td>
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<tr>
<td>Fresh Fruits</td>
<td>Tomato (500g)</td>
<td>1.99</td>
<td>2.49</td>
<td>6.5</td>
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<tr>
<td></td>
<td>Fresh Shitake</td>
<td>3.68</td>
<td>2.49</td>
<td>4.92</td>
</tr>
<tr>
<td></td>
<td>Mushroom (250g)</td>
<td>2.49</td>
<td>1.59</td>
<td>3.99</td>
</tr>
<tr>
<td></td>
<td>Cucumber (500g)</td>
<td>1.99</td>
<td>1.58</td>
<td>3.74</td>
</tr>
<tr>
<td></td>
<td>Carrot (500g)</td>
<td>4.75</td>
<td>2.99</td>
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<td></td>
<td>Apple (60g)</td>
<td>16.5</td>
<td>6.99</td>
<td>16.5</td>
</tr>
<tr>
<td></td>
<td>Banana (1000g)</td>
<td>9.99</td>
<td>3.88</td>
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<td>Standard product-food and drink</td>
<td>Cooking oil (5L)</td>
<td>50.9</td>
<td>51.3</td>
<td>69.9</td>
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<tr>
<td></td>
<td>Peppercorn (350g)</td>
<td>9.99</td>
<td>8.99</td>
<td>10.9</td>
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<td></td>
<td>Mengnui Real Fruit</td>
<td>29.8</td>
<td>27.99</td>
<td>44.5</td>
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<td>Standard product-daily necessities</td>
<td>Paper draw (600)</td>
<td>12.9</td>
<td>12.5</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td>Toothpaste (210g)</td>
<td>24.9</td>
<td>22.9</td>
<td>34.5</td>
</tr>
<tr>
<td></td>
<td>Dish soap (1kg)</td>
<td>8.99</td>
<td>6.89</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Note: Community group buying and fresh food e-commerce are positioned near Xinhua Community, Hanyang District, Wuhan City, Zhongbai Warehouse is a Wulong Road store, and Wal-Mart is a Longyang Avenue store. The price is taken from April 14-21, 2021, and the price of each single product is taken from the same day.

Table 1 selects Wuhan City, which has a relatively mature community development. In Table 1, the most representative enterprises in Wuhan community group buying, fresh e-commerce and supermarket chain stores are selected in common fresh vegetables, fresh meat and poultry. The selling prices of eggs, fresh melons, standard food and beverages, and standard daily necessities are comparable because the specifications of each single product are the same, and the prices are taken from the same day during the epidemic period.

Comparing the data in Table 1, we can find that, in general, during the epidemic period, Xingsheng Youxuan has a price advantage in the prices of fresh food and standard products compared to fresh food e-commerce and supermarket chains, not only in the price of fresh products. Remarkably cheap, it also has certain advantages in the price of standard products. According to statistics from Soochow Securities Research Institute, compared with offline supermarket chains, community group buying is about 20-25% cheaper overall, and fresh food e-commerce is about 20-25% more expensive overall. Among them, community group-buying fresh food is 25-30% cheaper overall, and standard products are about 20% cheaper.

Xingsheng Youxuan is more advantageous in the prices of fresh vegetables, meat, poultry and eggs compared with the same type of community group buying competitor Meituan Youxuan. And this price advantage better satisfies consumers’ demand for saving money. During the
epidemic, fresh vegetables, meat, poultry and eggs are the fresh products that consumers most recently need and are not easy to buy. More than 50% of the products on the Xingsheng Youxuan Platform are fresh products, which is more price-sensitive for the platform to seize. Lower market share provides an advantage.

3.2. Xingsheng Youxuan has a stable pick-up point

Xingsheng Youxuan pays more attention to stability in the selection of group leaders. Most of the group leaders of Xingsheng Youxuan choose convenience store owners, which ensures the normal operation of the pick-up points during the epidemic. The group leader promotes group buying products by establishing a WeChat group buying group to share product links, and accurately grasps the consumer needs of community consumers through pre-sales.

As of September 2020, Xingsheng Youxuan has expanded more than 300,000 stores across the country, which shows that Xingsheng Youxuan has more than 300,000 group leaders, and there will be more than one group leader in a community. These store owners with self-pickup points and more stable operations are responsible for all front-end customer acquisition, recommended products, delivery and after-sales work. The platform only needs to do a good job in back-end performance and link building. Xingsheng Youxuan adopts a variety of methods to formulate a reward mechanism for the group leader. The flexibility of the reward mechanism further ensures the stability and enthusiasm of the group leader.

Sufficient sites ensure that Xingsheng Youxuan’s total revenue exceeds the back-end supply chain and operating expenses, thereby achieving profitability. The pre-sold products on Xingsheng Youxuan are not in conflict with the retail store products, but they form a supplement and will not compete. Self-promotion can help store traffic, and the store’s passenger flow can be transformed into Xingsheng Youxuan’s potential customers. In terms of killing two birds with one stone.

3.3. Xingsheng Youxuan’s community e-commerce UE model is more efficient

Xingsheng Youxuan's supply adopts the community e-commerce UE model (business-to-customer), that is, the supplier sells products and services directly to consumers, using the "pre-sale + next-day delivery + self-pickup" model. Mainly include: the leader shares the product link in the self-built WeChat group, the consumer clicks the product link to place an order through the WeChat applet or through the platform APP "Abida", select the pick-up point, the platform summarizes the order and places the order with the supplier. After the goods arrive the next day, consumers will pick up the goods at the self-pickup point.

In terms of warehousing, Xingsheng Optimal mainly adopts a five-level warehouse distribution model in Hunan Province, as shown in Figure 5: supplier → shared warehouse → central warehouse → home warehouse → grid warehouse → self-pickup point. Outside Hunan Province, a three-level warehouse allocation model is mainly adopted, namely, shared warehouse → central warehouse → grid warehouse.

![Figure 5. Xingsheng Youxuan’s community e-commerce model](image-url)
The supplier sorts the goods to the shared warehouse or central warehouse, and the supplier bears the transportation and storage costs of the goods to the shared warehouse or central warehouse, as well as the loss of goods. When the commodity scale is large, the shared warehouse assumes the coordination role. Home warehouses are generally located in prefecture-level cities, grid warehouses are located in counties and towns, and self-pickup points are generally located in convenience stores at the level of villages and communities, avoiding fiercely competitive first-tier cities.

Xingsheng Youxuan is only responsible for renting warehouses from shared warehouses to central warehouses and home warehouses. Grid warehouses are often funded by local truck drivers who are familiar with the route. Suppliers need to bear part of the cost in the circulation of goods. The team leader is responsible for the marketing of the client. The transaction amount is commissioned. The outsourcing of grid warehouse and self-pickup point construction has greatly reduced the fixed cost of Prosperity during the epidemic, thereby reducing the customer unit price. According to the calculations of the Debon Research Institute, the average fulfillment cost of Xingsheng Youxuan Order in 2020 is only 0.91 yuan/order-1.03 yuan/order.

In addition, Xingsheng Youxuan pre-sells products through WeChat applets and platform APPs through next-day delivery. There is no inventory and no inventory slow-sale risk. Each warehouse is basically only used for sorting and transit, and the warehouse efficiency is high. Consumers also save the last mile delivery cost for Xingsheng Youxuan, which happens to be one of the most costly links in the logistics chain.

4. Analysis of business performance of Xingsheng Youxuan under the epidemic

4.1. Xingsheng Youxuan’s GMV has a large growth rate, and its business coverage is wider

According to Xingsheng Youxuan’s official website, Xingsheng Youxuan’s GMV will exceed 30 billion yuan in 2020, an increase of 200% compared to 10 billion in 2019. In 2021, GMV is expected to reach 60-80 billion yuan. Since both the commodity supply and the group leader are regionally developable, among the many community e-commerce companies, Prosperity Optimal is relatively leading in terms of urban coverage and sinking levels. The community group buying model has gradually penetrated into all regions of the country. The platform has Respectively achieve coverage in 147 urban areas.

Xingsheng Youxuan has realized that Hunan and Hubei are the main provinces covered, and the regional model of Hunan and Hubei has gradually radiated to Guangdong, Jiangxi, Sichuan, Chongqing, Shaanxi, Guizhou, Henan, Guangxi, Fujian, Hebei, Shandong, Jiangsu, Anhui and Zhejiang. Etc., a total of 16 provinces, municipalities directly under the Central Government, more than 1,000 prefecture (county) cities and more than 60,000 townships and rural areas.

4.2. Xingsheng Youxuan received multiple financings to strengthen cooperation with Internet giants

The "home economy" under the epidemic has driven the rapid development of community group buying, which can compete for users and traffic for Internet companies, thus attracting many Internet companies, including Tencent and JD.com, to deploy in the community group buying field.

According to wind data, during the epidemic period, from March 2020 to 2021, Xingsheng Youxuan received a total of US$4.5 billion in financing. The details are as follows: In July 2020, Xingsheng Youxuan received a total of US$800 million in C+ round investment from KKR, Tencent Investment, Sequoia Capital China, and Tianyi Capital. In December 2020, Xingsheng Youxuan received approximately US$700 million in strategic investment from JD.com. The two
will form a synergistic effect and form a greater advantage in developing community group buying business. In January 2021, it received a US$100 million strategic investment from Tencent. In February 2021, Xingsheng Youxuan completed a US$3 billion investment. Sequoia Capital China led the investment, followed by QQ Music, Fangyuan Capital, Temasek, KKR, DCP, Chunhua Capital, and Evergrande Capital. As of March 2021, Xingsheng Youxuan's valuation has reached at least US$8 billion.

5. Conclusion

While COVID-19 epidemic brings opportunities to the development of Xingsheng Youxuan, it also brings challenges to the platform. In the fresh food market where competition is becoming increasingly fierce, Xingsheng Youxuan still needs to innovate retail consumption models, actively explore the market, deepen the layout, and continue to grow bigger and stronger in the community group buying market.

References

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