

# Research on Community E-Commerce Operation Model - Take Xingsheng Youxuan as an Example

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**Abstract:** Corona Virus Disease 2019 has promoted the development of the local living services and community-consumption market with community e-commerce emerging at this time. Xingsheng Youxuan is a leading community e-commerce platform, headquartered in Changsha, Hunan Province. The platform is mainly positioned to address the daily needs of household consumers. It relies on the community's physical convenience stores, providing users with a "pre-sale +pick-up" model. As of September 2020, there has been 300,000 stores of Xingsheng Youxuan in the country, with its GMV reaching 40 billion yuan in 2020. As one of the first community e-commerce enterprises, Xingsheng Youxuan had already established a firm foothold in the market. However, with the recognition of the market, many first-tier Internet companies entered the market one after another in the second half of 2020. Internet giants such as Ali, Tencent, Meituan, Jingdong, Byte Jump and Drip competed to join the community e-commerce track. The entry of technology giants posed a huge threat to Xingsheng Youxuan. Therefore, this paper analyzes the current operation situation of Xingsheng Youxuan, points out the problems in its operation, gives improvement suggestions to enhance its operation effectiveness, and helps the company enhance its competitiveness.

**Keywords:** Community e-commerce; Xingsheng Youxuan; Case study

## 1. Introduction

In recent years, the sharing economy has been active in China, creating many new business models in the field of life services, such as *community e-commerce*. In this paper, it analyzes and discusses the community e-commerce model based on WeChat applets by analyzing current application status. At the same time, it analyzes the model of community e-commerce by discussing the operation and the development of Xingsheng Youxuan. It digs into the advantages and key factors for the success of Xingsheng Youxuan. Finally it analyzes the disadvantages and proposes corresponding measures to improve community e-commerce model.

## 2. Overview of community e-commerce

### 2.1. Concept of community e-commerce

From 2016 onwards, some fresh B2B platforms in Changsha began to experiment with a new retail operation model in the community where users placed orders first and merchants then distributed the goods. From then on, the community e-commerce business approach began to sprout and grew into the online collocation model. Although there are a large number of community e-commerce platforms competing for interest in the market today, their methods are roughly the same: the head of the group plays the role of middleman in community e-commerce while acting as the head of the community. The head of the group uses his own social relations to bring the source of customers, creating their own community e-commerce customer group online and pushing product information regularly in the group to suit customers. After grouping, the platform will deliver the products to the middleman leader, and then customers will pick up at the pick-up point or the leader completes last-mile delivery, which is more cost-effective than the express delivery.<sup>[1]</sup>

Community e-commerce cannot be said to be a new product, but there have actually been scholars in China who have studied the community-based grouping model for a long time. Xue Xiaoli proposed that community e-commerce refers to the use of people such as moms, store operators, and property owners in the community, they provide an overall supply chain of goods to achieve a reduction in the

cost required to purchase goods<sup>[2]</sup>. Later, due to the rapid development of the Internet, community e-commerce is more relevant to the actual new plan of the moment. Huang Xi proposed that community e-commerce is based on real offline communities, with the community head as a transit node to integrate orders with the same needs in the same small area. The process of forming a community group is "determine the community - the creation of customer groups and planning self-pick-up points by the head - the introduction of commodity information --Customes'group buying -- integration of orders and issued goods by the head - community customers to pick up goods"<sup>[3]</sup>.

In summary, community e-commerce is an innovative derivative of the e-commerce, an innovative e-commerce channel based on WeChat and real community social relations. With the real community as the center, the community leader as the transit hub, and mobile tools in advance of a day for group purchase pre-sale, the leader of community crowd of the same demand,.After the customer pays in advance for the scheduled goods, the supply chain will be shipped to the head of the district self-pickup point, and the user will pick up the goods at home the next day with the pickup voucher.

## **2.2. The types of Community e-commerce business**

From the development of community e-commerce enterprises in China, it is more active in East China and South China. There are national platforms that entered early, regional platforms that are up-and-coming, and a large number of smaller players that are eager to try. In Liu Tianyu's research, these platforms are divided into the following five types according to the differences in team background, corporate genetics and business direction of the companies.

### **2.2.1. Platform incubation**

It mainly refers to the industry incubation within the enterprise with strong resource advantages, including capital, channels and other resources, according to the market wind direction, such as Daily Yutao under Daily Fresh and Youjia Shop under Jingdong.

### **2.2.2. Retailer**

It mainly refers to the community group-buying platform incubated by retail enterprises that have their own perfect warehouse, distribution capabilities and commodity organization capabilities, typically such as the small program incubated by Qian Da Ma and Su Guo You Xuan under Su Guo Convenience.

### **2.2.3. FMCG B2B**

Refers to the community group buying platform incubated by B2B platform, the head is generally the traditional retail small store owners, such as the new high bridge's koala selection, Furong Xing Sheng's Xing Sheng Youxuan.

### **2.2.4. Native entrepreneur**

It mainly refers to the entrepreneurial type of companies, some of which also once had experience working in Tencent, Jingdong, Ali and other Internet companies. For example, Food Enjoyment, Squirrel Cake, etc.

### **2.2.5. Industry chain service**

It provides SaaS software, warehouse and distribution services for community e-commerce enterprises, such as direct warehousing with front-end service, Vegetable East Slope with SaaS system software and software services, etc.

## **3. Overview of Xingsheng Youxuan**

### **3.1. Introduction to Xingsheng Youxuan**

Xingsheng Youxuan Ltd. was established in Hunan in 2017, which is the founder of the basic operation model of community e-commerce "pre-sale + pick-up" in China, and the first "unicorn" enterprise in Hunan Province with a market valuation of over \$1 billion. Relying on community convenience stores as nodes and online WeChat groups as channels, it provides community residents with a full range of household goods with fresh fruits as the core. Since its operation in 2017, Xingsheng Youxuan has radiated to 13 provinces, including Hunan, Guangdong, Sichuan, Shandong and Jiangsu, with more than 6,000 prefectural cities and 30,000 towns, and the average daily order

exceeds 8 million units nationwide, with huge volume.

From the beginning of the platform, Xingsheng Youxuan has tried out various supply chain models, such as store self-delivery, online warehouse, delivery stations, etc.<sup>[4]</sup>. Until June 2017, it finally formed the "pre-sale + pick-up" model, which has been used to today. All goods ordered today will arrive in store the next day, and consumers enjoy a worry-free after-sales service.

**3.2. Operating Model of Xingsheng Youxuan**

Xingsheng You can place orders through the WeChat small program, forming a "pre-sale + pick-up" model, so that consumers do not have to worry about after-sales problems, achieving a deep integration of online and offline. With the advantages of the community and its own logistics system, the circulation steps are reduced. According to the actual business process, the parts of the operation platform are divided into three types: user side, store side, and management side.

**3.2.1. User side**

The user side of Xingsheng uses the small program of WeChat to enter and register and get users' information. In the "Home" page, there are products for promotion and second sale, and the product information is clearly displayed with big pictures; Consumers use "Shopping Cart" to select the products that need to checkout, submit the order first, and then enter WeChat payment to finish payment; After the order is completed, users cannot cancel it by themselves, but only through the head of the store to cancel or return the goods. If the goods are damaged after receipt, you can contact the store manager of the store who will assist customers in making claims.

**3.2.2. Store side**

The store side, that is, group leader side, it delivers the customer orders and main customer relationship. The head is usually the neighborhood who is full-time mother or small store owner. They will establish their own WeChat group, regularly or irregularly share daily shelves of products, warm-up activities, etc. (See Figure 1).

**3.2.3. Management side**

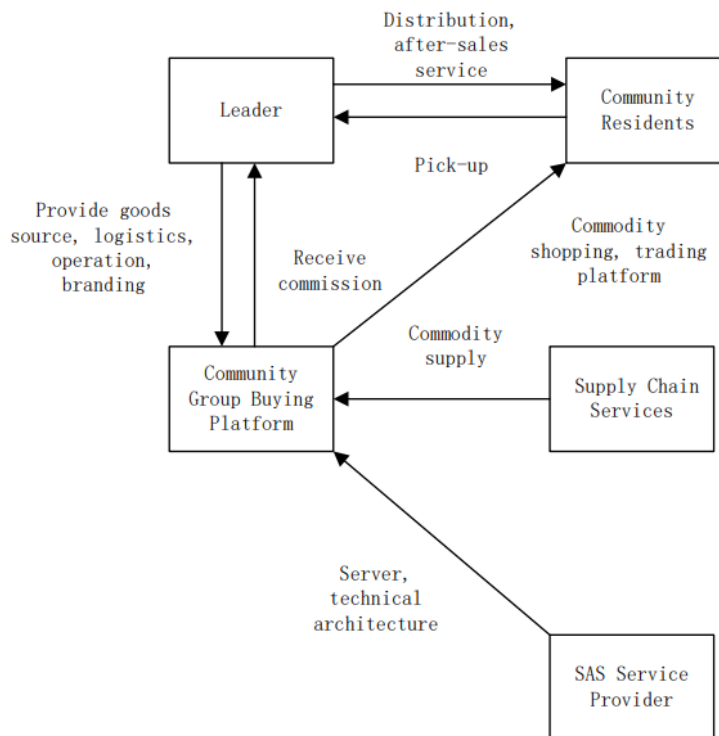


Figure 1: Operating Model of Xingsheng Youxuan

The management side is used by Xingsheng Youxuan Ltd. After the platform receives the customer's order (before 11pm), the goods are sorted and packed and delivered to the head of the store. The backend manager maintains and updates the products on line, including seconds, promotions, etc.

**3.3. Logistics and distribution model of Xingsheng Youxuan**

Since the proportion of fresh products in Xingsheng Youxuan is very large, in order to protect customer experience, save transportation costs and ensure the delivery of goods, Xingsheng Youxuan adopts the mode of self-operated logistics and distribution. The self-operated distribution mode not only realizes direct control of logistics operation and ensures efficient and timely delivery of goods to stores, but also boosts consumption while enhancing customer shopping satisfaction. The basic process of Xingsheng Youxuan distribution is: the goods sent by suppliers are timely shelved to the assembly line, and then sent to the service stations of each line after distribution, the service stations distribute the goods to each store, and the head of the store arrives to remind customers to pick up the goods through the community group. Next, customers go to the stores to pick up. The service station is an important intermediate node in the logistics distribution of Xingsheng Youxuan, serving not only the upstream central warehouse, but also the surrounding radiation stores, which reduces the distribution cost from the central warehouse to the stores.

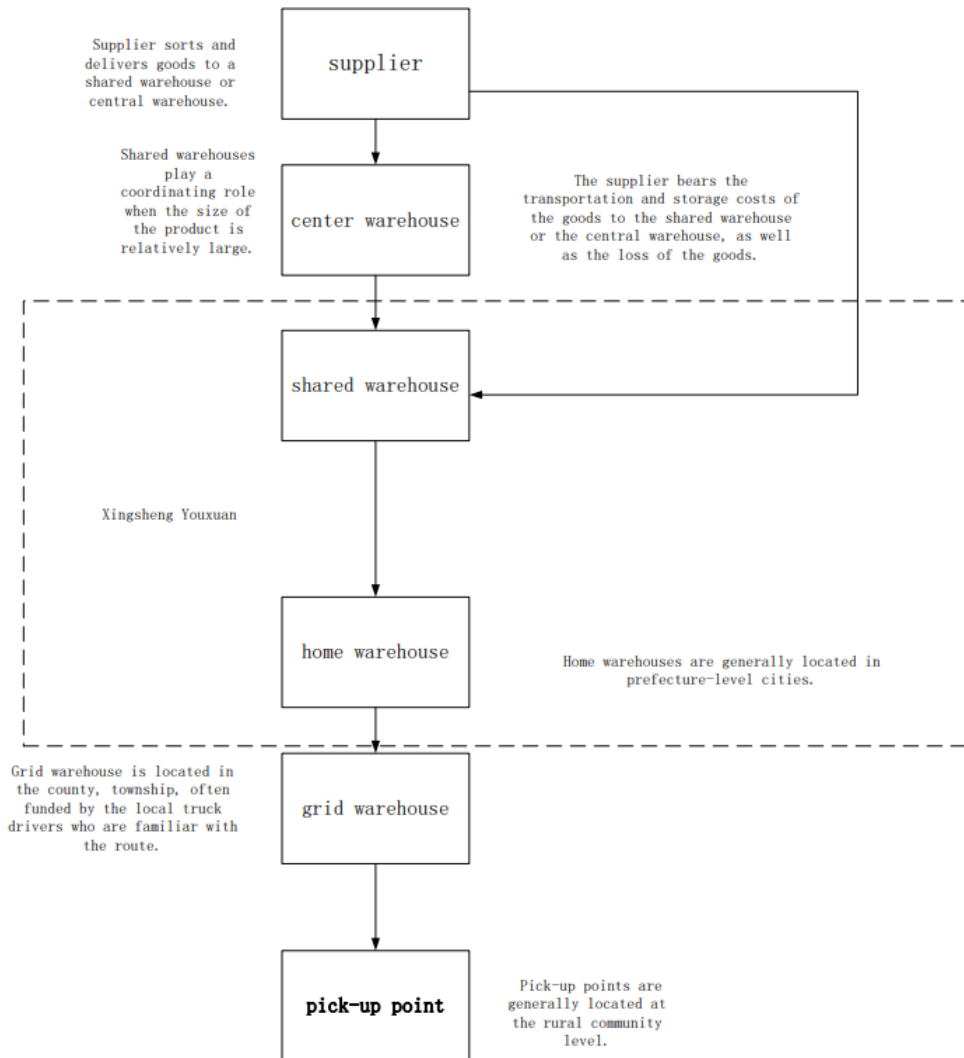


Figure 2: Supply Chain Flow Chart of Xingsheng Youxuan

Compared with competitors in the same industry, the advantage of Xingsheng Youxuan is mainly the supply chain. This is based on the supply network that Furong Xingsheng has slowly accumulated over the past decades, and has built up a "supplier-shared warehouse-center warehouse-home warehouse-grid warehouse-pick-up point" supply network. In other words, the goods from suppliers

will arrive at the shared warehouse first, and after sorting in the shared warehouse, they will be sent to the central warehouse by large trucks with a load of 16-18 tons; the central warehouse will then send the goods to the home warehouse in each city by trucks with a load of 1.8-6 tons, and the home warehouse will then distribute the goods to the grid warehouse. After sorting by the grid warehouse, the goods are sent to the self-pickup points in towns or communities. The model was previously considered the biggest barrier for Xingsheng Youxuan <sup>[5]</sup>. See Figure 2

#### **4. Problems of Xingsheng Youxuan**

##### ***4.1. Uneven quality of commodities and serious homogenization***

Most of the categories purchased by consumers on the platform are fresh fruits and vegetables, meat, poultry, eggs, and other high-frequency categories, which require high freshness. The difference between the actual goods purchased and the graphic display on the platform is large, so consumers are disappointed with the quality of the actual goods in hand, causing distrust and dissatisfaction with the platform. The lack of strict quality control of goods, coupled with the loss caused in the process of fulfillment, has an irreversible impact on the quality of the products. In addition, comparing with different platforms, we can see that the homogenization of products is serious, with fresh food as the main product and other categories such as daily use as a supplement. There is no platform features to improve the competitiveness of goods.

##### ***4.2. Logistics distribution is not timely, cold chain logistics system is not perfect***

Since a car needs to deliver many nodes, the volume of delivery varies from store to store, resulting in untimely logistics delivery and overtime delivery to the pick-up point. More than 50% of the goods of Xingsheng Youxuan are fresh products, which greatly increases the burden of delivery. Especially in summer, when the outdoor temperature is high, the food will be easily spoiled if it is not well preserved and frozen. In the actual transportation, because of the high cost of cold chain transportation, basically the transportation method of "room temperature + thermal box" is used, which cannot guarantee the freshness of fresh products.

##### ***4.3. Limited platform service functions***

At present, Xingsheng Youxuan mainly relies on WeChat small program for online sales, and its platform functions are limited to selecting goods, adding to the shopping cart and purchasing settlement functions, lacking online refund, online pre-sale and after-sale service <sup>[6]</sup>. The platform's existing protection is basically the head who is responsible for user-related after-sales service. Unit price of digital home appliances, beauty and personal care products is high, if there is no strict quality control of goods and after-sales protection, Users will have relatively high purchase concerns.

#### **5. Countermeasures**

##### ***5.1. Strengthen the quality control and enrich the variety of products***

First, strengthen the quality control of goods. Source information of goods on the shelves before must be submitted to the community e-commerce platform. Commissioned a third-party inspection agency to review and verify the supplier, but also to set up a consumer quality monitoring committee to collect community consumers' feedback on the quality, so as to continuously improve the quality of goods. In addition, if Xingsheng Youxuan wants to compete with its competitors in the future market, in addition to continuously optimizing its own fresh food products, other life service products can also be considered to improve the supplement.

##### ***5.2. Reduce intermediate links and avoid unnecessary transportation***

Choose reasonable central point and service station, because the central warehouse radiates each service station, and the service station radiates each store, so the central warehouse and service station should be reasonably located. At the same time, the stores should be divided into regional distribution, and the stores in the same region should be distributed together to avoid cross-regional distribution and stretch the distribution path <sup>[7]</sup>.

As the development of Xingsheng Youxuan, the products demanded by consumers are becoming more and more diversified. In order to keep up with the pace of consumer's demand, the products launched by its platform are becoming more and more diversified and involve a wider range of fields. For large items such as electrical appliances or furniture, suppliers can deliver them directly to stores, saving the unnecessary transportation link from central warehouse to service stations and then to stores, saving labor and material costs while providing more efficient delivery services for customers.

### **5.3. Improve the platform functions**

Platform's high unit price and high gross profit goods can be designated with after-sales service commitment system. Commodity source channels and after-sales service specific commitment of the introduction of goods must be clear, which can refer to the traditional e-commerce after-sales commitment, such as the commitment of high unit price goods unopened and unused can be returned within 7 days without reason. Open online customer service portal, for part of the problems encountered by customers to do robot response processing, but also has a manual online customer service function to solve some of the problems encountered by customers in the purchase process. In addition, it is necessary to collect some of the customer's comments and suggestions.

## **6. Conclusion**

With country vigorously advocating and attaching importance to the development of e-commerce environment, community e-commerce encountered unprecedented development opportunities, to some extent, to change the consumer habits, so that consumers form consumer dependence. But in the era of ever-changing information and fierce market competition, If the company wants not be eliminated by the market, it must continue to improve product quality, strengthen supervision, optimize the platform function, forming their own core competitiveness, so as to get a long development in the market invincibly.

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