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The Development Prospects of Retail Enterprises' Global Expansion in the Context of Globalization: A Case Study of Freshippo

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ABSTRACT
This paper focuses on Freshippo's worldwide strategy, a new retail firm under Alibaba. Freshippo has gained a competitive advantage in the local market by implementing a digital-driven supply chain and an integrated online and offline approach. The article applies VRIO to assess its valuable, rare, inimitable, and organized. The article then examines Freshippo's product strategy, channel choices, and performance in other areas, revealing its flexibility and ability to penetrate swiftly. Meanwhile, the article contrasts Freshippo to Sam's Club under Walmart and Costco. For the UK market, this paper reveals the opportunities and challenges in the political, economic, social, and technological environments through PEST analysis. Based on the entry mode strategy, makes recommendations on organizational readiness, product suitability, country screening, industry market potential and final decision. Finally, research reveals that relying too heavily on discounts in sales and marketing may reduce Freshppo's profitability. Overall, the article believes that Freshippo's "new retail" model may serve as inspiration for the worldwide retail market. However, whether it can actually establish itself worldwide is still dependent on whether it can make breakthroughs in localization, brand awareness, and long-term profitability.

KEYWORDS
Chinese retail globalization; New retail; Global expansion strategy; Supply chain innovation; Freshippo

1 Introduction

The fast change of grocery shopping highlights the need for innovation in a sector dominated by brick-and-mortar forms. By fusing digital technology, supply chain agility, and experiential shopping, Freshippo, a Chinese retailer and affiliate of Alibaba Group, has emerged as a disruptive force in recent years.

By situating its methodology within theoretical frameworks of international business, this study examines Freshippo's journey from domestic pioneer to global aspirant. This paper identifies Freshippo's unique value proposition and the challenges it faces abroad by evaluating its core competencies through VRIO, investigating case studies of expansion into the United States, Southeast Asia, and Australia, and comparing its model to Western warehouse retailers Sam's Club and Costco. The UK market, where political, economic, social, and technical issues create both opportunities and constraints, is given special attention. This study provides advice using PEST analysis and entry mode strategy. Finally, the article examines Freshippo's sales and marketing success to make conclusions about Chinese retail globalization.

2 Current situation of freshippo

2.1 Company basic information

Alibaba Group introduced Freshippo in 2015. It is a platform built on the "New Retail" idea, which combines e-commerce, physical storefronts, and a data-driven logistics system. Each Freshippo location combines the activities of a supermarket, a distribution facility, and a restaurant, primarily supplying fresh food and daily essentials, as well as different services including on-site processing and meal delivery [1]. According to Alibaba's annual report, Freshippo contributed significantly to the "Other Business" sector, offsetting the fall in traditional retail sales with year-on-year increase. With sales of RMB 192.331 billion (roughly US $26.637 billion) in fiscal year 2024, this division saw a significant EBITA loss, down 2% from the year before [2]. It was mostly impacted by the reduction in performance of the huge grocery chain Gao Xin Retail, which was slightly mitigated by the expansion of Freshippo.

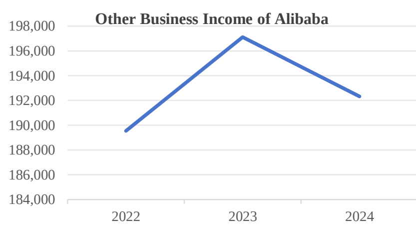

Figure 1 Other business income of Alibaba

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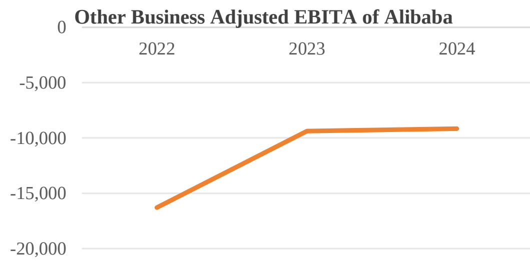

Figure 2 Other business adjusted EBITA of Alibaba

This means that, from 2022 to 2024, although the revenue of Alibaba's "Other Business" division fell overall, Freshippo outperformed the trend. It is a prime example of how resilient its business strategy is.

2.2 Freshippo's core competitiveness

Valuable: With real-time inventory tracking, Freshippo's digital supply chain management minimizes stockouts while guaranteeing freshness. Its personalized recommendation algorithms increase customer retention.

Rare: Powered by Alibaba's ecosystem, Freshippo's app-to-store concept distinguishes it from other retailers' digital integration.

Inimitable: There are major barriers to entry because of the difficulties in integrating Alibaba's cloud, shipping, and payment services. Although rivals can replicate specific parts, they are unable to match the coherence of the entire system.

Organized: Freshippo's "three horizontals, three verticals" organizational structure promotes cross-functional cooperation across IT, operations, and merchandising teams, aligning incentives for digital innovation.

Resources / Capabilities	V	R	I	O	Sustained Competitive Advantage
Digital Supply Chain Management	High, with greatly improve efficiency	Yes, based on Alibaba's technology	Can be imitated but it is difficult	One of the industry leaders	Provide a strong competitive advantage
Personalized Recommendation	High	No	Can be imitated	Yes, the company has successfully used it over the years	Temporary competitive advantage
Self-owned Brand	Moderately high	Yes, it can enhance product differentiati on	Can be imitated	Yes, the company has been very successful	Provide a strong competitive advantage
Flexible Pricing Strategy & No Membership System	Moderately high	Yes	Can be imitated	Yes, with a pricing analysis engine	Temporary competitive advantage
Global Partner Network	Moderately high, it can provide high-quality imported goods	No	Difficult to imitate in short term	Yes	Medium and long-term competitive advantage
"Three horizontal & Three vertical" Organizational Structure	Moderately high	No, competitors have similar structures	Can be imitated but it is difficult	To a large extent yes	Sustainable competitive advantage

Figure 3 VRIO profile of Freshippo

As a result, Freshippo's digital supply chain and platform integration provide sustainable competitive advantages. Since algorithms can be replicated, personalized recommendations offer a temporary advantage; however, Alibaba's volume of data strengthens Freshippo's precision advantage. Freshippo's private label activities and variable pricing provide further distinctiveness, although it is imitable. In addition, long-term supply stability is provided by the company's global network of partners, direct sourcing from 33 international retailers, and plans for eight procurement centers, all of which contribute to its sustainable advantage [3]. Overall, Freshippo’s VRIO profile demonstrates a strong domestic base for international growth.

2.3 Industry analysis in the home country

Political: The Chinese government has aggressively promoted digital economy development and retail modernization, including smart logistics, e-commerce laws, and cold-chain infrastructure investment. However, since 2021, regulatory tightening in areas like platform monopolies and data stewardship has compelled companies like Alibaba and Freshippo to put compliance-driven innovation ahead of unbridled development [4].

Economic: With an estimated value of over RMB 40 trillion in 2024, China’s retail sector is still among the biggest in the world. Nonetheless, patterns of declining consumption and slow GDP growth (roughly 5%) suggest that consumers are growing more price-sensitive. In an effort to balance price and quality, Freshippo has experimented with private labels and membership pricing.

Social: Urban middle-class consumers have a high demand for food safety, freshness, and convenience, and digital adoption is firmly rooted in their daily consuming patterns [5]. However, Freshippo’s shop development has been hampered by the pressures of the cost of living in tier 2 and tier 3 cities, necessitating a switch to specialized models.

Technological: With widespread mobile payments, AI-powered recommendation engines, and automated logistics, China boasts one of the most sophisticated digital ecosystems in the world. Freshippo is able to pioneer real-time demand forecasting, traceability, and 30-minute delivery claims because it has direct access to Alibaba’s cloud, big data, and payment infrastructure [6].

The reasons behind the success of Freshippo’s business model in China are demonstrated by this domestic PEST profile: a sizable consumer base that is ready for convenience, robust state support for digital retail, and unmatched technological infrastructure. These home-market conditions provide both the capabilities and the constraints that inform its globalization strategy.

3 Freshippo’s international strategy

3.1 Global expansion strategies

3.1.1 United states

In terms of entering the US market, Freshippo launched its own brand products and made its debut on 99 Ranch Market, the largest Chinese supermarket chain in the United States, and Yamibuy, a major e-commerce platform for Asian goods in North America, marking the first large-scale export of its own products from a Chinese retail brand [7]. Freshippo’s goods swiftly reached to the top of the new product rankings on both the east and west coasts, exhibiting high market appeal.

3.1.2 Southeast asia

Freshippo is actively growing its market position in Southeast Asia, using Alibaba’s investment and integration with Lazada. Alibaba has gradually grown its ownership of Lazada since 2016, eventually taking the lead in the local e-commerce platform. This has enabled Freshippo to access key Southeast Asian nations like Indonesia, Malaysia, Singapore, Thailand, the Philippines, and Vietnam by providing channel resources, logistics, and payment capabilities. The size and growth potential of the regional e-commerce industry are demonstrated by the fact that by 2023, the total GMV in Southeast Asia was approximately 114.6 billion US dollars [8].

3.1.3 Australia

After innovations in the US and Singapore, Freshippo has formally announced that it will enter the Australian market in 2024. This is its third international market, following the United States and Singapore. The company has established a partnership with eBest, Australia’s leading online Asian supermarket, to introduce its own brand products to consumers in the Southern Hemisphere for the first time, including popular Chinese products such as snacks, tea beverages, and condiments, thus expanding its product portfolio into the diverse and urbanized Australian market [9].

Across these regions, Freshippo’s adaptable product mix and collaborations with local retail and logistics giants allowed for quick market entrance, but its premium price and reliance on diaspora channels limit mainstream acceptance.

3.2 Global supply chain strategy

Freshippo’s supply chain has a “dual-source strategy” that blends global direct buying with local sourcing. At the “source” layer, the company has formed strategic alliances with 13 world-class brands, including Australian supermarket chain Coles and Canadian meat supplier Canada Pork, and has committed to opening 8 global purchasing centers to improve the import and local customization capabilities of high-quality goods [10].

At the “processing” level, Freshippo has created a completely automated supply chain operation center in Shanghai.

This facility combines agricultural product processing, research and development, a central kitchen, and cold chain logistics. It employs AGV, robotics, 5G, the Internet of Things, and blockchain technologies for end-to-end digital administration, with a daily processing capacity of more than 2.8 million items, which is significantly improve efficiency and quality control [11].

Furthermore, by integrating global direct procurement with local sourcing, Freshippo not only satisfies the high-quality needs of imported items, but also reduces delivery times and improves community interaction. It can be seen that Freshippo's hybrid supply chain structure balances cost and agility while also providing a replicable, adaptable, and efficient worldwide system for its "new retail" model.

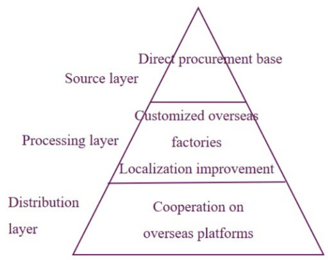

Figure 4 Three levels of Freshippo's supply chain

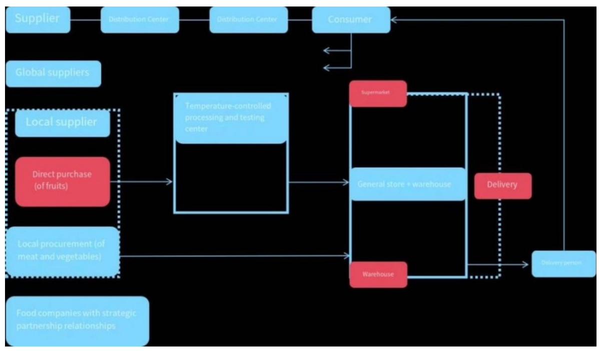

Figure 5 Freshippo's supply chain structure

3.3 Comparative analysis: Freshippo vs. global giants

The business strategies of well-known behemoths like Sam's Club and Costco are very different from those of Freshippo. Freshippo prioritizes procurement flexibility by combining global direct sourcing for diversity and quality with hyper-local sourcing to ensure freshness, in contrast to Sam's, which relies on centralized, high-volume purchasing to secure deep supplier discounts. For Costco, it uses its Kirkland Signature private label across a smaller assortment of roughly 3,700 SKUs [12].

Freshippo takes an asset-light international approach, leveraging partners' infrastructure such as Lazada FBL and eBest, though its domestic hubs remain highly integrated [13]. Sam's Club manages a network of smaller distribution facilities, frequently using third-party providers, while Costco stands out for cross-docking and floor-loaded shipments, which move approximately 70% of goods directly from manufacturer to sales floor in order to reduce costs [14].

In terms of digitalization, Freshippo's digital-first DNA pervades its entire value chain, from demand forecasting and dynamic pricing to logistics optimization and traceability systems abroad. On the other hand, Costco continues to place less emphasis on customer-facing digital innovation and more on operational efficiency, while Sam's makes significant investments in robotics, predictive analytics, and warehouse management technologies [11].

All things considered, Freshippo's advantages include its sophisticated data-driven operations, flexible business model, and sourcing agility. Nonetheless, it continues to face obstacles such as diminished worldwide brand awareness, restricted authority over foreign infrastructure, and the challenge of proving scalable profitability while replicating its intricate standards globally.

4 Market entry analysis

4.1 Possible target market opportunity assessment

Political: Corporate tax cuts are set to expire in 2026, and employer national insurance rates will rise from 13.8% to 15% in 2025, raising labor expenses [15]. However, post-Brexit trade restrictions reduce cross-channel barriers for non-EU goods.

Economic: Retail in the UK was valued at £111.8 billion in 2024, or 4.5% of GDP, but growth is predicted to slow to 1.4%

because of a cost-of-living issue that reduces disposable income [16]. In April 2025, the minimum wage increased from £11.44 to £12.21, which had an impact on salary bills.

Social: With mobile sales on the rise, consumers are adopting online shopping increasingly more. However, price sensitivity is high due to real wage stagnation. Furthermore, younger generations value value and personalization [17].

Technological: AI usage for inventory management, customer service chatbots, and marketing automation is growing, with 44% of businesses viewing generative AI as revolutionary [18]. Same-day grocery delivery services offer a chance for rapid retail innovation, despite their limitations and high cost.

Political	• United Kingdom is experiencing significant policy austerity. The business tax rate reduction during the pandemic will be canceled, and the contribution rate for employers' national insurance will increase, causing an increase in the tax burden on enterprises. • China has been damaged by international trade tensions, but domestic policies actively support innovation and provide guidance for enterprises.
Economic	• Retail growth in the UK has been weak. Retail sales in 2024 increased by only 1.4%, and cost pressure has severely affected profits. • China demonstrates a strong domestic demand. In 2024, the total retail sales of consumer goods reached 48.8 trillion yuan, while the retail industry prosperity index remained in the expansion range.
Social	• British customers are relatively cautious. The cost-of-living problem has reduced non-essential spending, and growing savings rates have prompted retailers to prioritize cost performance. • Consumption in China continues to improve. From functional demands to quality and service, customers are willing to pay for high value-added products, promoting he retail industry's transformation to demand-driven.
Technological	• United Kingdom prioritizes technical infrastructure. 51% of retail executives view AI as the core growth engine, but the maturity of rapid delivery lags. • China focuses on the popularization of digital technology. Big data and AI deeply optimize the supply chain, while immediate retail improves the consumer experience, forming a worldwide leading new retail ecosystem.
Legal	• UK achieves a balance between data flow and security. The Data Use and Access Act encourages cross-border data exchange, but data breaches in 2025 expose risks. • China strengthens the protection of personal information. The Consumer Rights and Interests Protection Law and the Personal Information Protection Law both expressly ban service refusals when users remove their information authorization.
Environmental	• British system promotes sustainable reforms. Mandatory ESG disclosure and EPR packaging responsibility systems enable enterprises to establish full-cycle environmental protection management. • There is a gap between Chinese policies and actions. Despite the promotion of green consumption, emission reduction is primarily limited to basic measures such as water and power saving, with no systematic carbon emission reduction technology being used.

Figure 6 PEST comparison between China and the UK

Overall, Freshippo's capabilities align with the UK's robust internet infrastructure and demand for sustainable, fresh foods. However, there are significant obstacles in the form of established competitors and high operating costs.

4.2 Market entry strategy recommendations

Organizational Readiness: Create a special International Division and give localizing IT systems, customer support, and reverse logistics top priority. To ensure smooth operations, the supply chain should be modified to comply with UK laws and geographic specifications, and the coordination systems between the UK team and the Shanghai headquarters should be reinforced.

Product Suitability: Adapt to local expectations while focusing on the brand's core promise of a "Fresh, High-Quality, Digital Experience." This entails promoting packaging that is recyclable and compostable, putting policies in place to reduce food waste, and introducing carbon footprint labeling. To appeal to local customers, include pertinent UK products in addition to the core Asian and international SKUs. Emphasize organic, free-range, and specialty products within the private label line, highlighting ethical sourcing and quality as important selling points.

Country Screening: With its large and diverse population, robust retail growth, sophisticated digital infrastructure, and high purchasing power, London is a clear choice for the role of natural pilot city. Because of these factors, it's a perfect place to test Freshippo's O2O model, where a successful outcome can establish brand credibility and pave the way for regional expansion.

Industry Market Potential: Profit from the quick expansion of the online grocery market by setting itself apart with an improved digital experience and more effective supply chain. Utilize new AI-driven personalization trends to enhance consumer interaction even more and establish Freshippo as a high-end, technologically sophisticated substitute for established merchants.

Final Decision & Implementation: Start with a small-scale O2O pilot in London as the first step in a phased entry strategy. Keep a careful eye on performance indicators and schedule the launch for when the economy is relatively stable. Before committing to a wider rollout, keep a high degree of flexibility throughout the pilot, prepared to modify the product mix, pricing, or marketing in response to the results. Strict risk control should always be the first priority.

4.3 Critical analysis of sales & marketing effectiveness

A significant negative coefficient for discount depth was found in a dual linear regression on 30,000 transactions (β_1= -28.29, $p < 0.001$). This suggests that deeper discounts correspond with lower overall revenue, potentially owing to margin erosion or customer expectation of frequent promotions. Marketing expenditure had no significant influence (β_2= -0.11, $p = 0.63$), indicating that existing digital marketing channels may lack resonance or that attribution models are inaccurate. The model's R^2 of 0.43% demonstrates the poor explanatory ability of these two variables alone.

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \varepsilon$$

Table 1 Summary of regression results.

Regression statistics	
Multiple R	0.065848147
R Square	0.004335978
Adjusted R Square	0.004269594
Standard error	2563.149898
Observed value	30000

Analysis of Variance	df	SS	MS	F	Significance F
Regression analysis	2	858222974.3	429111487.2	65.31638344	0
Residual	29997	1.97072E+11	6569737.401		
Total	29999	1.97931E+11			

	Coefficients	Standard error	t Stat	P-value	Lower 95%	Upper 95%	Lower limit 95.0%	Upper limit 95.0%
Intercept	2839.111496	20.12493157	141.0743428	0	2799.665764	2878.557229	2799.665764	2878.557229
X Variable 1	-28.28582442	2.476948144	-11.41962721	3.85142E-30	-33.14074947	-23.43089938	-33.14074947	-23.43089938
X Variable 2	-0.109814439	0.229786025	-0.477898685	0.6327258	-0.560204944	0.340576066	-0.560204944	0.340576066

Therefore, Freshippo should switch from offering broad discounts to more focused, value-adding incentives like membership tiers or customized offers. Additionally, marketing language should prioritize quality and ease of use over low prices. Brand equity may be strengthened through immersive in-store events and social media community building, potentially yielding a higher ROI than traditional advertising.

5 Conclusion

Freshippo demonstrates how digital-native supply chain technologies can transform grocery retail by integrating e-commerce, logistics, and in-store experiences. Its VRIO research demonstrates long-term gains in technology integration and organizational design, while case studies show flexibility across several markets. Compared to Western warehouse giants, there are two distinct models: scale-led cheap cost, agility and premium positioning. For the potential market, the UK, it has both profitable potential and significant cost and competitive barriers. Accordingly, a gradual, localized entrance approach is a reasonable road ahead.

For Chinese merchants seeking worldwide development, Freshippo's story demonstrates that digital proficiency and supply chain innovation must be supplemented with localized brand building, consumer engagement, and sustainable business models. Finally, the challenge for China's retail leaders is not whether they can "go out", but whether they can "take root", adapting organizationally and culturally to achieve long-term global success.

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