“New Retail” in Action – Issue 8

Going “fresh” and “experiential”
Part 3: RISO of Bailian Group –
pioneering the future store concept

Asia Distribution and Retail
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September 2017
Background

RISO is a new “fresh supermarket” format launched by Bailian Group in Shanghai in June 2017. RISO sells mainly grocery and fresh products and features a large catering area, restaurants and café, book section, as well as art exhibition. RISO exemplifies the concept of “future store”, one of Bailian’s recent focuses, by integrating catering into the selling of fresh products, together with books, arts and music. It aims to offer a one-stop relaxing shopping experience to consumers, and promote a unique and natural lifestyle – even the background music is composed by RISO.

Moreover, RISO advocates consumption upgrade by introducing a great variety of imported premium products, as well as exclusive items.

As part of its O2O initiatives, RISO has also launched a mobile app and provide 1-hour delivery service for consumers who live within a 3-km distance from the store.

Photo source: Fung Business Intelligence
Store visit and observations

Fung Business Intelligence visited RISO at 9 am on a weekday morning in early September 2017. Foot traffic was not high at the time we visited, only a few customers walking around and working in the catering area.

As observed, RISO devotes around 50% of the store area to fresh products, including fruits, meat, vegetables, seafood, dairy products, frozen food, ready-to-cook food, etc. Other products sold in RISO include imported products of various kinds (e.g. canned and packaged grocery products, food products, wine, toys and digital products, etc.), fresh baked goods, flowers and plants, as well as books and stationery.

RISO positions itself as an upscale fresh produce supermarket; in general, products in RISO are sold at a higher price than in other traditional supermarkets.

Photo source: Fung Business Intelligence
In terms of shopping environment, the store is divided into various sections selling different types of products, and spaciously spread across two floors. All the products are neatly placed on shelves. A juice bar and a salad bar are located on the 1st floor, while several restaurants and café, together with a large self-service catering area are located on the 2nd floor. Customers can purchase fresh ingredients in the supermarket and have them cooked up right away in the food booth and finished their meals there. Alternatively, they can buy ready-to-eat food and eat in the catering area. As noted, around 50% of the total floor area is assigned for catering and resting purpose.

To enhance the in-store shopping experience and differentiate itself from other supermarkets, RISO plays some light background music in-store; the music is reportedly self-composed.
RISO app

To support the notion of shopping anywhere, anytime under the “New Retail” era, RISO launched its mobile app simultaneously with the opening of the physical store. Consumers can order fresh food and other products directly on the app. One hour delivery service is available for customers who live within a 3-km distance from the store.

The membership of RISO app is compatible with that of Bailian Group’s other retail formats. Members of the Bailian Group can use their existing account to log in RISO app.
Comments from Fung Business Intelligence

RISO targets mid to high-end consumers, especially the white collars and offers a large variety of premium products and imported goods. The retailer hopes that the higher average transaction value would be able to better cover the high rental costs of the store. Introducing more catering services also provides additional source of income for RISO and enables it to yield higher profit margin.

All of RISO’s in-store restaurants and café are self-owned; we believe it is a good way to differentiate from other players as it offers more uniqueness. That said, it can also explore the possibility of partnering with restaurant chains in the future.

Backed by the Bailian Group, RISO is more competitive in terms of product procurement and pricing – it can leverage the supply chain capabilities and extensive networks of Bailian to source unique products overseas as well as fresh food and agricultural products locally. This is seen as a clear advantage for RISO.

Bailian has integrated its membership system across its different retail formats, allowing the company to aggregate data from various businesses and carry out massive data analysis. This not only enables the company to provide better products and services to customers, but also facilitates cross-selling across Bailian’s other retail businesses.

RISO provides a good avenue to test Bailian’s operations and systems that are crucial for O2O integration, including merchandise selection, automatic replenishing system and sales forecasting system.
Earlier in February 2017, Alibaba Group and Bailian announced the formation of a strategic partnership to explore new forms of retail opportunities across each other's ecosystem. However, Alibaba did not take part in the initial trial of this new supermarket format. Bailian revealed that in the future, Alibaba might involve in the operation of RISO in areas such as data analysis, merchandise selection and automatic stock replenishment. We believe Alibaba’s involvement in RISO’s operation will greatly benefit the supermarket brand in the long run.

“RISO can best illustrate Bailian's New Retail business model – one that aims to bring a lifestyle experience for customers, in addition to merely online and offline integration.”

Xu Ziying
President of Bailian Group

Previous issues:

Part 1 - Overview of the Going "fresh" and "experiential"

Part 2 - Hema Xiansheng - leading the O2O revolution in fresh produce
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