

A Study on the Spatial Location Selection of Freshippo Stores from the Perspective of Agglomeration Economy Theory

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Abstract: Driven by the continuous iteration of new retail formats and the upgrading of consumer demand, spatial location selection has become a key link for fresh retail enterprises to build core competitiveness. As a representative brand in high-end fresh retail, the adaptability of Freshippo's location strategy to the agglomeration economy theory directly affects its operational efficiency and market penetration effect. This paper takes the agglomeration economy theory as the core analytical framework, combines with the supporting theories related to retail location selection, and systematically analyzes the practical problems existing in the spatial location selection of Freshippo stores. The study finds that there is room for optimization in aspects such as business format matching in agglomeration areas, consumer circle radiation, supply chain coordination, and dynamic adjustment mechanisms. Based on this, targeted optimization strategies are proposed from the dimensions of business format complementary anchoring, radiation evaluation system construction, supply chain collaborative layout, and dynamic adjustment mechanism establishment, providing theoretical reference and practical paths for the location selection practice of Freshippo and similar fresh retail enterprises.

Keywords: Agglomeration Economy Theory; Freshippo Stores; Spatial Location Selection; Fresh Retail; Optimization Strategies

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Introduction

The in-depth integration of digital technology and the real economy has driven the retail industry into a period of explosive format innovation. As a core track close to people's livelihood, fresh retail is undergoing a transformation from the traditional supermarket model to the "online + offline" integrated model. Relying on its "fresh + catering" scenario-based experience and instant delivery service, Freshippo occupies an important position in the high-end fresh retail market^[1]. As a pre-decision for the operation of retail enterprises, spatial location selection not only determines the reach efficiency of target customer groups, but also forms a deep binding with the resource endowment and business format structure of agglomeration areas.

The scale effect, synergy effect and knowledge spillover effect emphasized by the agglomeration economy theory provide important theoretical support for retail location selection^[2]. Against the background of the continuous optimization of urban spatial structure and the increasingly refined consumer circles, Freshippo's location strategy needs to fully conform to the development characteristics of agglomeration areas to realize the positive interaction between enterprise operation and regional development. Currently, some Freshippo stores face problems such as large fluctuations in customer flow, high operating costs, and insufficient market competitiveness. The root cause of these problems is closely related to the application deviation of the agglomeration economy theory in spatial location selection. Based on this, this paper starts from the perspective of the agglomeration economy theory, deeply analyzes the existing problems in the spatial location selection of Freshippo stores, and constructs a scientific and reasonable optimization system, which is of great practical significance for promoting the high-quality operation of fresh retail enterprises.

1 Theoretical Basis: Agglomeration Economy Theory and Retail Location Selection

1.1 Core Connotation of Agglomeration Economy Theory

The agglomeration economy theory originates from the study of the spatial distribution law of industries, and its core lies in explaining the positive effects generated by the concentration of economic activities in specific geographical spaces. From the perspective of effect types, agglomeration economy can be divided into internal agglomeration economy and external agglomeration economy. Internal agglomeration economy comes from the cost dilution and efficiency improvement brought by the expansion of the enterprise's own scale, while external agglomeration economy comes from the collaborative interaction and resource sharing between different enterprises and business formats in the region^[3].

In the retail field, the manifestation of agglomeration economy presents distinct industry characteristics. The concentrated distribution of different retail formats in the same region can form a customer flow agglomeration effect by meeting the diversified needs of consumers, while reducing the logistics and distribution costs, marketing and promotion costs, and infrastructure sharing costs of enterprises in the region. In addition, the accelerated information flow in the agglomeration area helps retail enterprises quickly capture changes in consumer demand, adjust product structure and service models in a timely manner, and form the ability to dynamically adapt to the market. This multi-dimensional agglomeration effect provides core theoretical guidance for the spatial location selection of retail enterprises.

1.2 Supporting Theories Related to Retail Location Selection

The scientific nature of retail location selection requires the cross-support of multi-disciplinary theories. In addition to the core agglomeration economy theory, the central place theory, business circle theory and consumer behavior theory constitute important theoretical foundations. The central place theory reveals the hierarchical distribution law of retail nodes in urban space. Central places of different scales correspond to different service scopes and business format combinations. High-end fresh retail stores need to accurately match the central place level of the region where they are located to ensure the effective coverage of the service scope and target customer groups.

The business circle theory focuses on the consumption environment and customer flow characteristics around retail stores. By analyzing factors such as population density, income level and consumption habits in the business circle, it clarifies the market potential of the store. With the development of digital technology, the boundary of the business circle presents a fuzzy feature^[4]. The overlap of the online consumer circle and the offline physical business circle requires retail location selection to break through the limitations of traditional geographical space. The consumer behavior theory emphasizes starting from the demand side, and realizing the accurate connection between location selection and consumer demand by interpreting the shopping path, decision-making factors and scenario preferences of the target customer group, which is highly consistent with Freshippo's positioning of focusing on high-end and scenario-based consumption.

2 Problems in the Spatial Location Selection of Freshippo Stores from the Perspective of Agglomeration Economy Theory

2.1 Insufficient Matching Degree of Business Formats in Agglomeration Areas

In the process of location selection, Freshippo stores lack systematic research and judgment on the business format structure in the agglomeration area, resulting in the failure to fully release the synergy effect with the surrounding business formats. Some stores are located in areas where high-end residential buildings are concentrated, but there is a lack of complementary business formats such as catering, parent-child services and leisure around them. It is difficult to form the linkage of consumption scenarios, and it is impossible to meet the "one-stop" shopping needs of consumers, which weakens the customer flow attraction capacity of the agglomeration area.

In addition, some stores are laid out in core business circles, forming homogeneous competition with surrounding large supermarkets and fresh convenience stores, and failing to rely on their own differentiated advantages of "fresh + catering" to build a unique competitive barrier. This deviation in business format matching makes it impossible for Freshippo to effectively use the synergy effect of agglomeration economy, which not only wastes the resource endowment of the

agglomeration area, but also increases the pressure of market competition on itself.

2.2 Lack of Radiation Accuracy in Consumer Circles

Freshippo has obvious shortcomings in the evaluation of the radiation scope and demand characteristics of the target consumer circles, leading to insufficient adaptability between location selection and customer group needs^[5]. When selecting locations, some stores only focus on the population size and income level in the region, ignoring the subdivided characteristics of the population structure. For example, areas with a high degree of aging are difficult to support the consumption demand for its high-end fresh products, while areas with a concentration of young white-collar workers fail to fully cover the service scope of instant delivery.

At the same time, there is a lack of sensitivity to the dynamic changes of consumer circles, and it is impossible to timely capture the changes in customer group structure caused by factors such as urban population migration and regional function adjustment, resulting in the phenomenon of customer flow shrinkage in some stores after a period of operation. The lack of radiation accuracy in consumer circles makes it impossible for Freshippo stores to accurately reach the target customer groups, affecting the profitability and market penetration rate of the stores.

2.3 Weak Coordination and Adaptability of Supply Chain Nodes

Freshippo's core competitiveness relies on an efficient supply chain system, but there is an obvious disconnection between its location strategy and the collaborative layout of supply chain nodes. Some stores are located far from the regional distribution centers, resulting in too long transportation distances for fresh products, which not only increases logistics costs, but also reduces the freshness of products, affecting the shopping experience of consumers.

In terms of the supporting of cold chain logistics facilities, the cold chain infrastructure in some agglomeration areas is not perfect, and the cold chain storage capacity of the stores themselves is limited, which further increases the operational pressure of the supply chain. This lack of coordination between supply chain nodes and location selection makes it impossible to realize the cost dilution effect emphasized by the agglomeration economy theory. On the contrary, the inefficient operation of the supply chain weakens the market competitiveness of the stores.

2.4 Lack of Dynamic Adjustment Mechanism for Location Selection

Freshippo has not yet established a sound dynamic evaluation and adjustment mechanism for location selection effects, resulting in the lack of response capacity of stores when facing changes in the external environment. Currently, its location selection decisions mostly rely on the previous market research data, and there is a lack of real-time monitoring and analysis of various indicators during the store operation process, making it impossible to timely find the deviation between the location selection strategy and the actual market situation.

When changes occur in the business format structure, customer group characteristics or traffic conditions of the agglomeration area, it is difficult for the stores to make timely optimization adjustments to the location selection. For example, the adjustment of urban rail transit lines in some areas leads to the transfer of customer flow, but the stores fail to take timely response measures such as relocation or adjustment of service scope, and eventually fall into operational difficulties. This static location selection model is contrary to the dynamically evolving characteristics of the agglomeration economy, restricting the sustainable development of the stores.

3 Optimization Strategies for the Spatial Location Selection of Freshippo Stores from the Perspective of Agglomeration Economy Theory

3.1 Accurately Anchoring the Complementary Points of Business Formats in Agglomeration Circles

Freshippo should construct an analysis system for business formats in agglomeration areas, conduct a comprehensive research and judgment on the business format structure, competitive pattern and consumer demand of the target area through big data technology, and accurately identify the complementary points of business formats. When selecting locations in high-end residential areas, priority should be given to plots where business formats such as catering, parent-child entertainment and boutique retail have been laid out around, forming a consumption closed loop through scenario linkage,

and increasing the popularity of the store with the help of customer flow introduction from complementary business formats.

When laying out in core business circles, focus on differentiated competition, rely on its own advantages of "fresh food preparation on site" and "instant delivery" to form business format complementarity with surrounding traditional supermarkets, and avoid homogeneous competition. At the same time, actively participate in the business format planning of the agglomeration area, and through in-depth cooperation with developers, lay out in advance in areas with potential for business format synergy, so as to fully release the synergy effect of the agglomeration economy.

3.2 Constructing a Dynamic Evaluation System for Consumer Radiation

A dynamic evaluation model of consumer circles should be constructed based on digital technology to realize the accurate matching between location selection and customer group needs. In the early stage of location selection, by integrating multi-dimensional information such as census data, consumer behavior data and regional planning data, a refined portrait of the population structure, income level and consumption preferences of the target area is made, and the core radiation scope and potential customer group scale of the store are clarified.

A dynamic monitoring mechanism for consumer circles should be established, using the store's sales data, online order data and member feedback data to track the changing trend of the customer group structure in real time, and adjust the product structure and service model in a timely manner. In response to external changes such as population migration and regional function adjustment, the changing direction of consumer demand should be predicted in advance, providing data support for the location adjustment or service scope optimization of the store, and improving the radiation accuracy of the consumer circle.

3.3 Strengthening the Collaborative Layout of Supply Chain Nodes and Location Selection

With the goal of maximizing supply chain efficiency, a collaborative location selection model of "distribution center - store" should be constructed. In the process of location selection, the coverage scope of the regional distribution center should be taken as a core consideration factor, and priority should be given to plots within the radiation radius of the distribution center, so as to shorten the transportation distance of fresh products and reduce logistics costs and loss rates.

For areas with weak cold chain infrastructure, either select agglomeration plots with complete cold chain supporting facilities, or establish in-depth cooperation with third-party cold chain enterprises to make up for the shortage of regional cold chain resources. At the same time, optimize the inventory management strategy of the supply chain according to the location of the store, predict the sales demand of the store through big data, realize accurate replenishment between the distribution center and the store, improve the response speed of the supply chain, and strengthen the synergy effect between supply chain nodes and location selection.

3.4 Establishing a Dynamic Adjustment Mechanism for Location Selection Effects

A full-cycle evaluation and adjustment system for location selection effects should be constructed to realize the dynamic optimization of the location selection strategy. In the early stage of store operation, a key performance indicator monitoring system should be established, focusing on tracking core indicators such as customer flow, average transaction value and repurchase rate, so as to evaluate the rationality of the location selection strategy. For stores with poor indicator performance, in-depth analysis should be conducted on the root causes of problems related to location selection, such as insufficient customer group matching and poor traffic accessibility.

Diversified adjustment plans should be formulated. For stores with large location selection deviations, the relocation process should be started in a timely manner; for stores with room for partial optimization, the operation effect should be improved by adjusting the service scope and optimizing the online delivery route. At the same time, the location selection effect data should be incorporated into the enterprise's decision-making database to provide experience reference for the location selection of subsequent new stores, forming a closed-loop management model of "research - location selection - evaluation - adjustment" to adapt to the dynamically evolving characteristics of the agglomeration economy.

4 Conclusion

This paper takes the agglomeration economy theory as the core analytical framework, combines with the supporting theories related to retail location selection, and conducts a systematic study on the spatial location selection of Freshippo stores. The study shows that the synergy effect, scale effect and dynamic adaptation characteristics emphasized by the agglomeration economy theory have important guiding significance for Freshippo's location selection practice. Currently, Freshippo stores have problems in spatial location selection such as insufficient matching degree of business formats in agglomeration areas, lack of radiation accuracy in consumer circles, weak coordination and adaptability of supply chain nodes, and lack of dynamic adjustment mechanism for location selection. These problems directly affect the operational efficiency and market competitiveness of the stores.

The optimization strategies proposed to address the above problems form a solution with both theoretical and practical nature from the dimensions of business format complementary anchoring, consumer radiation evaluation system construction, supply chain collaborative layout, and dynamic adjustment mechanism establishment. Through the implementation of these strategies, Freshippo can better conform to the development law of the agglomeration economy and realize the in-depth adaptation of location selection to regional resources, consumer demand and supply chain system. In the future, with the further development of digital technology, the location selection strategy of fresh retail enterprises will evolve in a more precise and dynamic direction. In the follow-up, further exploration can be made on the in-depth integration of digital technology and the agglomeration economy theory to provide more innovative theoretical and practical support for retail location selection.

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