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# Marketing Strategy of Rural Supermarket Chain in Ningxia Based on the Long Tail

ZHANG Shu-ping<sup>1\*</sup>, ZHAO Zhi-hong<sup>2</sup>

1. School of Economics and Management, Ningxia University, Yinchuan 750021, China; 2. Graduate School, Ningxia University, Yinchuan 750021, China

**Abstract** Based on the introduction of the Long Tail, the political, economical, social and technological environment for the development of rural supermarket chain in Ningxia is analyzed. The problems in the marketing strategy of Ningxia rural supermarket chain are pointed out, including single products and uneven level of quality, the products, which can not satisfy farmers' needs; low quality of the personnel and imperfect information system, thus the traditional way of marketing is challenged. In the end, from the perspective of products, position, price, and personnel, the marketing strategies for the development of Ningxia rural supermarket chain based on the Long Tail Theory are put forward.

**Key words** The long Tail, Rural area, Supermarket chain, Marketing strategy, China

Farmers' consumption is always inconvenient, unsafe and uneconomical. With the increase of farmers' income and the gradual enhancement of farmers' purchase power, the rural consumption conflicts gradually change into the problem of safety, unsatisfied rural consumption demand and the appearance of domestic over-capacity of production. On the basis of introducing the Long Tail Theory, the problems in the development of rural supermarket chain in Ningxia are analyzed by combining the local environment of Ningxia. From the perspective of Long Tail, the countermeasures are put forward to push forward the new village construction through opening rural supermarket chain and promoting "market project of thousands of villages".

## 1 The Long Tail

The Long Tail is a new theory emerged in cyber times and it is raised by Chris Anderson, an American. In fact, The Long Tail is the spoken expression of Power Laws and Pareto in statistics. In the past, people only paid attention to the important people and crucial events. If we describe these people and events by using the normal distribution curve, people only paid attention to the "head" of the curve, rather than the "tail" of the curve. More energy and costs are needed to pay attention to most people and most affairs.

The Long Tail thinks that due to the costs and efficiency, when the exhibition space and channels are wide enough; the production costs of the product drops rapidly so that individual can produce it and the costs of sales of the product go down greatly, the product, which seemed to be with extreme low demand, will sell well. The market shared by the demand and products with low sales volume can be compared with the mar-

ket shared by the main-stream market, or even bigger than it.

The long tail market is also called "Niche". Niche is paraphrased by its pronunciation. It means picking up the neglected and supplying the deficient<sup>[1]</sup>. The definition of Niche given by Philip Kotler in his Marketing Management is that Niche is to determine certain group from a narrower scale, and it is a small market with unsatisfied services, or "it still has the basis for obtaining information". Through subdividing the market, the enterprises focuses on a certain target market, or strictly aims at a subdivided market, or gives priority to a product and service, to create the advantages of products and services. As a result of the uniqueness of rural supermarket chain, using The Long Tail to develop it will get favorable results.

## 2 Analysis on the environment in the developmental process of rural supermarket chain in Ningxia

**2.1 Political environment** The 17th Congress of CPC (Communist Party of China) put forward the strategical tasks of "taking the development of modern agriculture and the prosperity of rural economy as the prior task; intensifying the construction of rural infrastructure and perfecting rural market and rural service system". In April, 2008, the commerce department and China post signed jointly a Memorandum of Understanding. China Post promised to provide 10 billion yuan line of credit and preferential interest rate for the "project of thousands of villages" in three years. In addition, the commerce department will positively recommend excellent items for Post Savings and promote the deep development of "the project of thousands of villages". The Ningxia government launched the project of "new village, new cooperation, and new network". The series of policies indicates that the central government is increasing its policy support on rural supermarket chain.

**2.2 Economic environment** Rural areas have large population and big capacity of market. Ningxia has a population of

3.80 million, 2.33 million of which are rural population. In 2009, the per capital living expenses of rural residents in Ningxia was 3 347.9 yuan, 253.1 yuan more than that in the previous year with the growth rate of 8.2%; the per capital households operation expenses was 2 214.2 yuan, 19.8 yuan more than that in the last year with the growth rate of 0.9%. In addition, farmers' income was increasing gradually and their purchase power was enhancing as well. In 2009, the per capital net income of farmers in Ningxia was 4 048.3 yuan, which had broken through the threshold of 4 000 yuan, 10.0% higher than that in 2008. Except the influence of prices, the actual growth rate was 8.3%.

**2.3 Social environment** With the growth of income and the increase of economic activities, the consumption ideas of rural residents are diversified and urbanized gradually. Rural residents no longer purely pursue enough food and clothes, but tend to enjoyment-oriented consumption. In terms of food, rural residents highlight the rational combination of nutrition and the improvement of residential culture and living conditions. In 2009, Engel coefficient of the whole rural residents in Ningxia was 41.7%, 2.3 percentage points lower than that in 2005. In the living expenses of rural residents, the per capital food consumption was 1 259.1 yuan, 85.7 yuan more than that in the last year, 7.3% higher than that in the last year.

**2.4 Technical environment** After more than 20 years' development, the computer technology and IT technology have entered the retail trade and have created great economic profits for it. Technologies have changed the commercial model of supermarket and changed the purchase model of consumers to a certain degree. Growing out of nothing, each progress of technology has promoted the great leap of supermarket. Technologies have boosted the prosperous development of supermarket and they are conducive to expanding the scale of supermarket chain.

### 3 Problems in the marketing of rural supermarket chain in Ningxia

#### 3.1 Single products and uneven quality can not satisfy the demand of farmers

At present, the rural supermarket chain in Ningxia mainly runs the household things and living materials. As a result of the remote location and inconvenient transportation, the products in rural supermarket are single and the quality of the products is uneven. The rural supermarkets are flooded with fake, counterfeit and inferior products. But farmers can not tell the difference between real one and fake one. The disorder competition of market is formed. For example, according to the multi-channel rural capital management system, the main channel of managing rural materials is supply and marketing cooperative and the auxiliary channels are three agricultural stations and commercial network of the manufacturers of rural materials. However, due to the absence of the major and auxiliary channels and the loose supervision of market, the market prices of rural materials are variable and the quality is uneven. The prices are bided up and the vicious competition is universal. The behaviors, done by lawbreaking busi-

nessmen, cheating and hurting farmers happen frequently in rural areas<sup>[2]</sup>. The products, such as pesticides and fertilizers, which are practical and imperative in rural areas, are sold seldom. Most supermarkets are still managed by the model of supermarkets in urban area. The actual demands of farmers are neglected, so rural supermarkets can not really satisfy the demand of farmers. The narrow operation scale of rural supermarket chain has restricted the development of the industry<sup>[3]</sup>.

**3.2 The low quality of personnel and imperfect information system** Most rural supermarket chains are formed by the formal groceries, so the personnel in the supermarkets have not accepted the professional training. Seeing from the fitment and name, they are chain shop, but in the process of operation, they still follow the traditional operation, for example, the prices are marketed clearly only in the price tag rather than in the actual trade.

Affected by rural geographic location and technology, the information system is not popular. Most rural supermarkets adopt manual operation. The technologies, for example, systematic technology standard, data standard, strong network connecting function, reliable background and foreground processing system, the automatic control system and operator surface and the intellectualized level of system, *etc.* are imperfect. Thus, the information exchange of supermarket chain and distribution center will be affected, and the supermarket chain can not purchase and replenish goods timely. It will result in the separation of supply and demand.

#### 3.3 Dispersed consumers and consumption power and low-efficient united distribution<sup>[4]</sup>

The dispersed rural residences, low density of population and wide distribution area of rural residents result in the dispersed location of rural supermarket chain, low distribution efficiency and high-cost distribution. This is the most serious bottleneck faced by rural supermarket chain. At present, the distribution rate of supermarket chain in Ningxia is around 30%, which is not only lower than the average distribution rate of 60% of Chinese chain enterprises, but also has long way to go to compare with the 80% of distribution rate in foreign countries. The abnormally low distribution rate has greatly restricted the development of distribution center and increased the costs of inventory and distribution. A notable advantage of supermarket chain is collective purchase, which can achieve the aim of reducing costs, improving efficiency and increasing the target of sales. However, the wide space of rural areas elongate the time of distribution, and then the circulation speed of products and capital will be lowed, which have bad effect on the expansion and profits of supermarket chain.

#### 3.4 Traditional marketing faces challenges

Rural supermarket chain plays the important role in "transporting industrial products to villages and transporting agro-products to cities". The developmental model of supermarket chain in rural areas can adopt the way of agriculture-supermarket, which directly purchases the agro-products in the local areas and processes the products. It stabilizes the agro-products in retail terminal, as well as helps farmers to solve the problem of selling agro-products. From the perspective of consumption idea, the con-

sumption of farmers is different from that in urban areas, so the marketing model universally applied in urban areas is unsuitable for rural areas. The residence in Chinese rural areas determines that the communication among neighbors and relatives are frequent, so the oral communication becomes the major way for disseminating information. That is to say, the purchasing experiences of farmers have greater influence on other farmers rather than the promotion and commercials. Therefore, the marketing personnel in rural supermarket chain should analyze the buying habit of farmers to innovate the marketing strategy.

## 4 Countermeasures on the marketing of rural supermarket chain in Ningxia based on the Long Tail

**4.1 The long tail of products** Rural supermarket chain in Ningxia should realize the long tail of products and cultivate its special characteristics in the process of operation. The products sold in the supermarket should focus on the small-size agricultural tools, small-packed fertilizer and pesticides, agricultural materials and video and music materials of agricultural technology, *etc.*<sup>[5]</sup>. Besides, the enterprises can create their own brands. The products can expand from the traditional foods, living goods to color film processing, cosmetology goods, washing and dyeing, buy or exchange houses, household service, auto repair and some other industries, to try to diversify the operation contents and prosper the development. The supermarket can combine the local customs and culture to sell their products, for example, selling clothes and accessories with Hui Nationality features in the Hui nationality gathering area. The supermarket chain can include the local special agro-products into its market according to its operation status and local situation. Besides, it can process the agro-products before including them into the supermarket. For example, Ningxia is rich in Chinese lycium, thus the supermarket can purchase the Chinese lycium from farmers can process it into lycium tea and lycium cake to sell. The development of rural supermarket chain can not only open selling channels for agro-products, but also promote the development of local enterprises. And the industrial chain of "base + process + sale" can be established to facilitate agricultural industrialization and the development of rural economy.

**4.2 The long tail of market positioning** Market positioning refers to the enterprises try to make marketing and create the position of products, brands and enterprises in the minds of target consumers to keep the special impression and position in view of the potential consumers, so as to get the competitive advantages. In summary, it wants to set up its special image in the mind of consumers. In the development of rural supermarket chain, the supermarket should give prominence to its special market position. There are differences in the rural and urban consumption features. China has a large rural population, so rural market is a great apple. Thus, the long tail of marketing positioning of rural supermarket chain must in accordance with farmers' consumption habit and serve the "three agriculture"<sup>[6]</sup>.

As for the rural supermarket chain in Ningxia, its consum-

ers are the rural residences. These rural residences belong to the middle and low income groups, so the rural supermarkets should wholesale the inexpensive, practical, convenient and genuine goods. At the same time, the rural supermarkets should provide high quality production means and inexpensive living goods; develop rural chain enterprises; improve rural consumption environment; promote the rural economic structure and the adjustment of rural product structure and increase the income of farmers.

**4.3 The long tail of prices** As for rural supermarket chain, the prices is still the biggest obstacle. The long tail of price of rural supermarket chain is to protect the quality of the products, as well as protect the specialty of prices. Farmers' income is limited, so they are sensitive to prices, so the supermarket should adopt the low-price strategy. For example, the supermarkets can simplify the package of products to reduce the costs, for farmers do not like the products with delicate package and high prices. The supermarket should repack the products according the actual situation of farmers, to let farmers spend less money to buy the same products. So in the process of making prices, the enterprises should display the strategy of making prices under the premise of ensuring the quality of the products; set up the image of famous brand in farmers' heart; combine various promotion approaches, such as loss leader pricing, after-season discount, heart pricing, *etc.* to stimulate and encourage the rural consumers. At the same time, the enterprises should intensify the inner management and reduce the management costs to ensure the lowest selling profits of chain enterprises.

**4.4 The long tail of logistic distribution channels** The advantage of chain management is the realization of "five unifications", that are "united management, united distribution, united purchase, united marks"<sup>[6]</sup>. The chain management is a new type commercial circulation model, and the rural supermarket chain should adopt the idea of chain management to rural market to create distinctive operation style. It can use the unified management to realize the specialization of operation; the unified distribution and purchase to reduce the operation costs and the unified products and marks to realize the standardization of operation mode.

The long tail of logistic distribution means that the distribution of goods is completed partly by the distribution center of the enterprises and partly by the third party logistic. Although the distribution businesses completed by the distribution center may easy to form the scale economy and simplify management, the rural market is complex. Rural consumption can be divided into production consumption and living consumption. Farmers not only buy living products from supermarket, the production materials are more important, for example, they need to buy fertilizer, pesticides, seeds and tractors. So rural supermarket should have both agricultural materials and living goods, but the two kinds of goods have differences in place, scale and form. If it adopts the single way of distribution, the scale interest can not be achieved. But the combined distribution can properly arrange the third party logistics to distribute to reduce the costs of

distribution<sup>[7]</sup>. In addition, the location of storehouse, the location of supermarket and the decisions on transportation should be considered carefully.

**4.5 The long tail of personnel** The development of supermarket, the construction of distribution center and the information-based management of rural supermarkets all need the talents who master management, computer and promotion techniques. But in rural areas, there are no such talents. The long tail of personnel in rural supermarket chain refers to the cultivation of talents should combine the assignment of enterprise with local recruitment. Some large scale distribution firms, with brand advantage, are easy to recruit talents. Some firms can recruit talents and distribute them in the firms, and then assign some talented and hard-working people to the stores in the counties and rich villages as shopkeepers. The shopkeepers instruct the chain shops around the areas regularly. Besides, the primary-level workers, for example, tally check, cashiers, etc. who do not need the technical contents, can go to work directly after simple training. The firms should make full use of the labor resources in rural areas to recruit and cultivate the workers at local place. In the future, the firms can improve the workers' working skills through training at irregular intervals<sup>[8]</sup>.

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