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Rural E-commerce and New Model of Rural Development in China: A Comparative Study of "Taobao Village" in Jiangsu Province

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Abstract With the development of electronic commerce, there is a special phenomenon in rural areas of China that a lot of farmers in these areas depend on opening shops on Taobao online for a living. The products are made from the village workshop, and farmers become fully-fledged network businessmen. Electronic business platform mode of "Taobao Village" is the result of integrated development of primary, secondary and tertiary industries. In this study, we take two kinds of typical Taobao villages (Dongfeng Village and Yanxia Village) as sample areas, and conduct comparative analysis of this new rural business model based on field survey data, case studies and theoretical research. We also probe into the problems in the development of Taobao villages, and set forth the recommendations for the new rural business model.

Key words Farmers, E-commerce, Taobao Village, Rural development

1 Introduction

With the popularity and application of Internet, the third-party e-commerce platform with "Taobao" as the representative, has provided a convenient way for grassroots farmers to start a business online owing to its advantages of technology and low capital threshold. As of November 30, 2013, there were 2.039 million online shops registered in "Taobao" in rural areas (including county), an increase of 24.9% compared with the end of 2012, and there were 1.05 million online shops registered in villages and towns, an increase of 76.3% compared with the end of 2012, a net increase of 0.46 million rural online shops^[1]. The increasingly growing number of large-scale rural network businessmen is the basis of "Taobao Village" as rural electronic business with Chinese characteristics. Cross-regional characteristics of e-commerce have effectively helped rural residents to break the limitations of previous visible market and expand the scope of the market. According to the data provided by Shaji Town government, Shaji Town in Suining County now has 17 administrative villages, 13000 villagers and more than 2000 online shops in the villages mainly engaged in sheet metal furniture business. There are 280 shops with annual sales of over 5 million yuan, 30 shops with annual sales of over 10 million yuan, and 3 shops with annual sales of over 20 million yuan. As of December 2014, there were 211 various types of "Taobao Village" in China, across Guangdong, Jiangsu, Shandong, Zhejiang and other provinces, involving many categories of products such as furniture, clothing and agricultural products, and the "Taobao Village" ballooned compared to 20 in 2013^[1]. "Taobao Village" is the result of Internet technology to

penetrate the rural areas, the manifestation of agricultural producers to learn and adapt to the network business model, and the typical representative of the public innovative entrepreneurship^[2]. "Taobao Village" creates new ideas for addressing some social problems such as the transitional rural development and demographic dislocation. As for the current situation of China's rural e-commerce development, the majority of scholars elaborate from different angles. From the economic benefits, government support, social needs and technological advances, Li Yanju expounds the dynamic mechanism and strategy for China's agricultural e-commerce development^[3]. Based on the industry characteristics of China's agriculture, Zhao Junjie believes that the development of agricultural e-commerce is the main way to achieve China's agricultural industrialization^[4]. Based on the social networks, Liu Jie and Zheng Fengtian think social networks between individuals can affect the entrepreneurial behavior, which leads to the emergence of entrepreneurial agglomeration^[5]. Based on actor network theory, Luo Jianfa and Yi Ke study the electronic business-furniture industry cluster in "Taobao Village"^[6]. From the influence of globalization and the Internet on rural social culture, Wu Xinhui *et al.* maintain that the emergence of "Taobao Village" highlights the role of the global information network in enhancing the competitiveness of the traditional village^[7]. From the perspective of social innovation, Cui Lili *et al.* use hierarchical regression analysis method for the empirical analysis of the factors that affect e-commerce development of "Taobao Village"^[8]. "Taobao village" is a unique economic and social development phenomenon in China's rural areas, and the studies specifically for this new business model are mostly at the macro level, and there are few studies on comprehensive analysis of reasons for formation of "Taobao Village" as well as micro-analysis. Through the visiting and investigational study in two major Taobao villages with different industrial bases in Jiangsu Province-Dongfeng Village (Shaji Town) and Yanxia Village (Yanji Town), based on field research data, case studies and theoretical research, we try to analyze the operating mode of e-com-

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merce industry of "Taobao Village", probe into the problems in the development of "Taobao Village", and make recommendations for the development of new business model in rural areas.

2 Development status of "Taobao Village"

As rural economy and information technology make great strides in rural areas, it gives birth to a new model of economic development in rural areas under the information age—"Taobao Village". In these Taobao villages, farmers' identity is a far cry from what people traditionally think, and they no longer toil all day on the farm but start a craze for opening online shops in "Taobao" on the basis of the village production advantage. Some earn per capita annual income of more than 100000 yuan, and some even up to a few million yuan. Through the strong demonstration in countryside featured by "acquaintance", it creates an agglomeration effect.

2.1 Overview of survey The survey was conducted from July to August in 2014, and the form of household questionnaire survey was adopted. The questionnaire was filled out according to respondents' answers in the survey and research process. The researchers also conducted in-depth interviews with the village cadres during the questionnaire survey. The research group sent out a total of 200 questionnaires, and 188 of them were valid (110 in Dongfeng Village and 78 in Yanxia Village), with validity rate of 94%. Dongfeng Village in Shaji Town is No. 1 "Taobao Village" in China in terms of annual sales and overall strength. It is also the earliest and most typical rural electronic business gathering place. Dongfeng Village has 1180 households, 478 network businessmen, and more than 3000 people engaged in network marketing. The original industry of Dongfeng Village is waste plastics processing as environmental pollution industry, which needs to be urgently upgraded. As the earliest founder of Shaji network business, Sun Han began to sell furniture after the model of IKEA on the network business platform in 2007, and the furniture was quickly sold out with the cost advantage. Due to kinship and geopolitical relations, Sun Han's success is rapidly emulated. The social networks within the village have the structural functions of information transfer and mutual obligations^[5], and provide the carrier for spreading entrepreneurial opportunities, so that more villagers register their online shops in Taobao to sell furniture. Oriented by the online consumer demand, Dongfeng's furniture industry is gradually developed into a complete industrial chain including furniture manufacturing, online marketing, express delivery services and timber supply. Wang Peng from the village committee, as the vice president of Shaji Network Business Association, said that despite the spontaneous formation of "Taobao Village" by farmers, after the village committee found this new way to get rich, the government took various support measures in terms of land adjustment and financial support in addition to inviting lecturers and "Taobao University" for training. For the future development of "Taobao Village", there is a need to focus on optimizing major-businessman-led model, and integrate small scale network businessmen into several major leading enterprises in the form of working, in order to facilitate manage-

ment and ease problems of limited small workshop technical level and environmental pollution. Yanxia Village in Yanji Town has a total of more than 700 households, and more than 200 online flower shops. Compared with Dongfeng Village, Yanxia Village relies on the traditional model of agricultural product marketing, to expand product sales through electronic business platform. Yanxia Village boasts favorable natural conditions and enjoys the reputation of "Home of Trees and Flowers". Since the 1980s, farmers have started to plant landscaping seedlings and other cash crops instead of agricultural crops. It is learned from the survey that Mr Shi in Yanxia Village opened a lucrative online shop at home, and then many villagers followed suit, and young people learned shop management skills from each other. In interview with the village head Jiao Xiaocheng, the research group members were amazed by the development results of Yanxia Village. Its evolution into "Taobao Village" is partly due to the production advantages, and the online shops products receive small profits but quick returns and low risk. The government presents brand and price strategy for the competition issues, and adopts the approach of signing a good faith contract with every household for the fake product issue. Meanwhile, the transportation is convenient in the village and it triggers a price cutting spiral in the express deliver industry. With the increase in the shop of the villagers, the village's security environment becomes good.

2.2 Operation model The results show that "Taobao Village" takes a road of "businessmen + electronic business platform + family workshops + modern logistics and transport system". Among them, businessmen are the main body of operation, and they can more flexibly change the business model based on market demand. Electronic business platform is a tie directly linking businessmen and consumers, and can reduce the previous information asymmetry in marketing of agricultural products. Field survey data (Table 1) show that after selling products via the e-commerce platform, nearly 90% of farmers in the two sample area increase their income. Family workshop is the basis of production. Family workshop closely links mobilizing family members' production enthusiasm with members' specialized rational division of labor. After choosing the types of operating products based on the comparative advantage, the businessmen carry out the specialized division of labor by combining production and business activities within the family with members' characteristics and production factors. In the two sample areas surveyed, "Dongfeng Village" mainly operates the furniture plate production, and the courtyard is often used for production activities. "Yanxia Village" mainly engages in planting of potted flowers, and green plants require a large planting area. Limited by the local per capita land area, villagers rent land in the nearby villages for planting. Modern logistics and transport system is a key point. In the survey, it is found that all businessmen in "Taobao Village" outsource the deliver and transport of products to logistics companies and express delivery companies. Now the model of "businessmen + electronic business platform + family workshops + modern logistics and transport system" has strong

replicability in rural areas. As of December 2014, there were 211 Taobao villages of various types in China, across Fujian, Guangdong, Hebei, Henan, Hubei, Jiangsu, Shandong, Sichuan, Tianjin and Zhejiang, covering home furnishing, clothing, bags, agricultural products, petty commodities and outdoor supplies, showing a booming trend compared to 2013^[1].

Table 1 Change in businessman's income Unit: %

Income change before and after operating online shops	Growth rate	Dongfeng Village	Yanxia Village
50% and below	41.8	61.5	
50% and above	45.5	26.9	
Decrease	0.0	0.0	
Unchanged	12.7	11.5	

3 Problems and corresponding recommendations

3.1 Lack of talent The education level of businessmen in "Taobao Village" is mainly junior high school level, and only 30% of them have received senior high school education and above. Table 2 shows that the majority of respondents said that the operating skills of online shop were learned by themselves or from the relatives and neighbors, and the basic operation is convenient. However, it is found that the operation of online shops is closely related to operators' information mastering, computer skills and network operating skills. Therefore, Taobao operators would consciously employ well-educated smart young people to be responsible for the operation and routine maintenance of online shops. Meanwhile, many businessmen in "Dongfeng Village" said that the village was facing "labor shortage", and the furniture production urgently needed skilled carpenters. So, it is necessary to strengthen the network skill training for businessmen in "Taobao Village", pay attention to the lack of production talent, and help operators to stride in the direction of standardization and large scale.

3.2 Space constraints The production sites of "Taobao Village" are mostly in businessman's homestead, but in the survey, it is found that villagers in Dongfeng Village said that furniture production occupied large space, and due to space constraints, the scale of production can not be further expanded. The villagers of Yanxia Village also said that the area of current rented land for green plants needed further expansion, but the land of surrounding villages had been basically rent. The local township government and village committee should help businessmen to solve the problem of land shortage and coordinate land by government forces.

3.3 Homogenization competition In the survey, it is found that more than half of the online shop operators believe that the biggest problem is the homogenization competition, and all operators sell nearly identical products. It is noteworthy that the majority of self-employed persons have realized the problems in product quality, after-sale service and promotion after being reminded by government and drawing lessons from others. Table 2 lists the measures to solve homogeneous competition issues faced by busi-

nessmen of "Taobao Village". It is not difficult to see from table that operators realize the importance of product update, differentiation and quality to competitiveness enhancement, but the brand and reputation awareness should be strengthened. With the help of the local government, the businessman should establish the brand awareness, pursue business integrity, and cultivate customer loyalty to the village's specialty products.

3.4 Lack of organization Compared with Yanxia Village with no mature Electronic Business Association, Dongfeng Village, as the earliest and most typical rural electronic business gathering place, now has Electronic Business Association consisting of local network operators. Electronic Business Association plays a substantive role in coordinating and organizing, and "Taobao Village" has a relatively clear development plan. However, many respondents said that Electronic Business Association was still unable to give a powerful means of settlement in the face of hostile competition between businessmen. Therefore, the businessmen in "Taobao Village" establish their own Electronic Business Association to exchange experience with each other. In solving the business problems, there is still a need to strengthen the functions of Electronic Business Association and establish credibility of Electronic Business Association.

3.5 Inadequate development of services and other supporting industries The related e-commerce services in "Taobao Village" are basically limited to logistics and express companies, and there are few other service providers in agency operation, shop decoration and design, picture photography, catering and accommodation. Taking product display picture for example, many businessmen still directly copy pictures from the Internet or steal pictures from others. In the case of missing services, the operating level of local network operators' online shops is restricted. In the market economy environment, it should be led by the government to attract more investors to bring fresh vitality to the development of supporting industries for "Taobao Village".

Table 2 Education level of businessmen Unit: %

Education level	Education level	Dongfeng Village	Yanxia Village
Primary school and below		9.1	3.8
Junior high school		46.4	46.2
Senior high school		22.7	26.9
Technical secondary school		8.2	10.3
Junior college and above		13.6	12.8

Table 3 The solutions adopted by businessmen Unit: %

	Solutions	Dongfeng Village	Yanxia Village
How to address the competition caused by homogeneity of product	Lowering the price	23.6	42.3
	Updating products	38.2	19.2
	Establishing brand	1.8	0.0
	Differentiation	27.3	34.6
	Improving quality	54.6	46.2
	Changing products	10.9	11.5
	Enhancing reputation	14.6	11.5

can be different, policy, for instance. Further studies are needed in the future.

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4 Conclusions and discussions

In this study, we take two kinds of typical Taobao villages (Dongfeng Village and Yanxia Village) as sample areas, and conduct comparative analysis of this new rural business model based on field survey data, case studies and theoretical research. We also probe into the problems in the development of Taobao villages. It is concluded that the model of "businessmen + electronic business platform + family workshops + modern logistics and transport system" has strong replicability in rural areas, and developing e-commerce through network operator platform has promising prospect. "Taobao Village" model blends the modern e-commerce with rural production, bringing a strong impetus to rural economic development. As a new model of modern rural development, it plays a great role in increasing farmers' income, promoting rural development and enhancing public entrepreneurship. At the same time, rural network operators need to realize the necessity of differentiation operation, focus on the enhancement of operations capacity of online shops, and pay attention to

the enterprise-oriented and brand-based development. In addition, the government should effectively play policy functions and economic functions, and improve the development environment of "Taobao Village" from financial support, personnel training, infrastructure improvement and legal regulation, so that the rural network operators are competitive and keep a leading position under the Internet mode.

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