Development Strategy of Agricultural Retail E-commerce Based on Marketing Channels

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Abstract. Agricultural retail e-commerce is an important opportunity to upgrade the traditional agriculture. In this paper, PEST model is used to explain the macro-environment of agricultural e-commerce development, comparative analysis of the three kinds of operating mode on agricultural retail e-commerce. The focus of this paper is to explore the agricultural retail e-commerce marketing channels, propose practical measures to the supplier.

Introduction

For a long time, China’s agricultural product transacted mainly through wholesale market, in which exists asymmetric information, complicated circulation links, large logistics costs and other issues, has been far behind in the form of socio-economic development and requirements. Internet has entered China more than 20 years. E-commerce changed the business model, people’s lifestyles. E-commerce is not only a powerful starting point of economic development, but also an important means of transformation and upgrading of industries. Generalized agricultural e-commerce refers to the application of information technology to agricultural production, processing, marketing and distribution and other sectors, to increase agricultural productivity, marketing effectiveness. Narrow agricultural e-commerce refers to use of the Internet to reduce transaction costs, reduce inventory, and increase business opportunities. The essence of e-commerce agriculture is applying modern information technology to traditional agriculture, to promote production and farmers’ income and construct rural.

1. Agricultural E-commerce Environment Analysis (PEST)

1.1 Political environment

Driven by “The Belt and Road” and “Internet +” strategy, e-commerce agricultural is being ushered in rapid development opportunities and vigorously policy support. In 2015, the State Council and relevant ministries have issued 3 important files to support the development of e-commerce agricultural. On October 14, 2015, Premier Li Keqiang chaired a State Council executive meeting, the Prime Minister pointed out that through the mass entrepreneurship and innovation policy, guided the “Internet + Rural” to promote the development of rural electricity providers to promote transformation and upgrading of traditional agriculture. Intensive policies about agricultural e-commerce were coming out, there was going to be a golden period of agricultural e-commerce in the near future.

1.2 Economics environment

According to the research, China’s traditional industries have reached a high network penetration, books, clothing, 3C industries have experienced about 10 years of development, market size and pattern are stabilized, but the agricultural e-commerce has just begun, with a huge market potential for development. Ali Research Institute released a report “White paper of Agriculture E-commerce”, the report shows that there was 19.861 billion Yuan sales amount of agricultural products on Ali platform in 2012, 28.441 billion Yuan in 2013, 48.302 billion Yuan in 2014, with 56.5% average...
annual growth rate. The Ministry of China Agriculture announced that in 2014 the amount of e-commerce transactions produced more than 87 billion Yuan. Taobao, Tmall, Jingdong, Amazon, YHD, SF and other platforms have to produce on-line electronic business channels, many agricultural e-commerce websites got PE/VC financing, the market attention of agricultural e-commerce continues to heat up.

1.3 Social environment

CNNIC published the 36th “Statistical Report on Internet Development in China”, the report shows up to June 2015, the scale of China Internet users reached 668 million, a penetration rate of 48.8%, 594 million mobile phone netizens, 88.9% of all Internet users, 27.8% netizens come from rural areas, reached 186 million people. China online shopping has a huge user base and high growth in 2014, the online shopping market transactions reached 2.8 trillion, an increase of 47.4% in 2014, accounting for 10.7% of China’s total retail sales of social consumer goods, the annual penetration rate topped to 10%. Agricultural e-commerce has become to be the new blue ocean after books, clothing, 3C industries. The scale of agricultural e-commerce will be increasing, become the common goals and important growth point of e-commerce industry.

1.4 Technical environment

E-commerce technology environment includes network access and costs, electronic payment and logistics, etc. The relevant departments promulgated a series of policies to establish agricultural e-commerce technology environment. By 2015, the Ministry of Finance announced that the central government would set aside 2 billion yuan of special funds for agricultural e-commerce infrastructures. Then the cold chain, transportation and other related facilities will be improved, greatly improve the environment for the development of agricultural e-commerce.

2. The Main Mode of Agricultural Retail E-commerce

China is a big country of agricultural production, consumption, and distribution, traditional agriculture combines with e-commerce, promoting of production and marketing, accelerating the efficiency of circulation of agricultural products, expanding of market scale. According to statistics, there were 31,000 enterprises related to agricultural e-commerce, including 4000 e-commerce trading enterprises, the national agricultural e-commerce products turnover over 100 billion Yuan in 2014. Agricultural retail e-commerce model mainly includes F2C, F2B2C, F2B2B2C, as well as other innovative models.

2.1 F2C (farmer to consumer)

With the construction of rural network infrastructure and upgrading of farmers’ education, many farmers operate online stores, sell their own products. According to “2014 White Paper on agricultural e-commerce” released by Ali Research Institute, the paper displayed there were about 769,800 rural sellers in Taobao, Tmall, and Ali platform, increase of 60.57% compared with 2013. F2C model provides a new channels, omits the intermediate links, reduces the circulation costs and quality loss, also to some extent, solves the dilemma of physical market, overcomes the happen of regional oversupply situation.

2.2 F2B2C (Farmer to business to consumer)

Although the societies are aware of the significant of e-commerce on the development of rural economy, there are still some farmer can’t participate due to their low levels of education. The farmers even with certain level of education and high e-commerce motivation can’t get a rapid development with their own capabilities and resources to participate in e-commerce, because of their small size, low credibility. These problems seriously undermine the sustainable development. For above situation, government-led, rural cooperatives (business) as the main body of the new e-business models have emerged in rural areas. F2B2C mode means rural cooperatives (business) unified procurement of agricultural products from farmers, by cold storage, packaging and sale in
Taobao, Tmall and other internet platforms. Rural cooperatives solve the brand image, information sharing, resource integration and other issues, most farmers can benefit from e-commerce.

2.3 F2B2B2C (Farmer to business to business to consumer)

To some extent, F2B2C mode overcome the negative factors that farmers themselves involved in e-commerce, however, poor rural infrastructure, and low brand awareness, low degree of standardization, difficult to maintain customer loyalty, and many other factors limit the growth of F2B2C pattern. F2B2B2C model means the farmers (F) sell their products to the rural cooperatives (B), and then the rural cooperatives sell products to the distribution companies (B), finally the distribution companies through Internet sales to consumers (C). Under F2B2B2C mode, rural cooperatives act as the companies, purchase agricultural products from farmers, and sold to distribution companies, which docking the agricultural products and distribution companies. Distribution companies create a B2C operation in the internet by product category, description, standardization, pricing, brand operations.

3. Agricultural Retail E-commerce Promotion Channels

3.1 Social media promotion channel

The subjects of Agricultural e-commerce are scattered farmers, rural cooperatives and third-party platform; they are small micro-network operators in the era of the Internet economy. Financial weak, single financing channel, technology lack, low-cost is their important strategy. Under web 2.0, e-commerce marketing model was passed value by a user, and strengthen the sense of participation and user experience, conducted marketing by social media. Social media refers to the Internet-based customer relationship content production and exchange platform. Social media tools include wechat, microblogging, blog, forums, SNS and other new media. Free social media tools are very important marketing channel for Small miniature network operators to promote agricultural products. Wechat, microblog and other social media marketing can produce fission, by sharing features, allowing users to become free business advocates, with a greater range of rewards for forwarding user focus and higher conversion rates. Social media spread influence, establish a brand image, and tap potential customers.

3.2 Group purchasing promotion channel

Group purchasing (such as the Meituan.com, Nuomituan.com, Dianping.com etc.) is a popular marketing channel currently, brings big network flux, more potential customers, it is possible to bring greater sales with a small investment, very suitable for small miniature agricultural e-commerce suppliers. The agricultural e-commerce suppliers come up with a tempting products to participate in group purchasing activities, maximize attract attention of potential customers, quickly and efficiently with minimal cost so that more consumer awareness and understanding of their own, to increase brand awareness and product sales. Group purchasing is a good channel to promote sales, brand awareness, to solve inventory and establish a good relationship with customers.

Group purchasing focused on retaining customers, form a repeating consumption. The agricultural e-commerce suppliers provide high-value products and improve customer service to attract repeat purchases, the initiative to buy. The customers who purchased one or two times in group purchasing, the agricultural e-commerce suppliers should adopt active marketing, through to the customer send text messages, e-mail, customer visits and other ways to stimulate user demand to produce more transactions. For repeat purchasing customers, the agricultural e-commerce suppliers should adopt differentiated services and shopping privileges to retain these customers, such as placed some small gifts in customer orders in the package, new products try to eat, send store coupons, points, etc. to promote customer repeat purchase. The more customer repeat purchase, the great value brings to the agricultural e-commerce suppliers.

3.3 Regional media cooperation channel

Distribution is the key to agricultural e-commerce, which directly contact with the customer
satisfaction. If the sales targets are widely distributed, it may be at risk of product losses during logistics and distribution, or even lose value, causing strong resentment among customers. Thus, the agricultural e-commerce retail to regional development better achieve fast, efficient, low-loss goals. In addition, based marketing area within the analysis region by population purchasing habits, hobbies, etc., can be more precise marketing push. At the regional level, the mainstream paper media have no doubtful credibility and influence. Therefore, with the influence of region traditional media and its customer resource advantages, the agricultural e-commerce supplier should promote in the region. For example, in the city’s newspapers, promoting the brand of agricultural products, promotions and merchandise content, with the two-dimensional code, attract newspaper readers directly into buyers.

Many local media voluntarily joined the ranks of e-commerce for the transformation, innovation. May 2014, the Wenzhou Metropolis’s B2C platform - (wendumao.com) running on the line, which marks the Wenzhou newspaper groups regional life online shopping platform was born. More than 50,000 people click on the first day, turnover of more than 400 transactions. Wenzhou city and suburban buyers get products daily, day delivery service formed a good reputation, highlighting the advantages of the regional e-commerce. The agricultural e-commerce cooperates with regional living online shopping platform, share the customer resources, achieve brand communication and promote sales objectives.

3.4 Offline channel

The agricultural e-commerce has regional consumer groups, seasonal perishable products, those factors restricting the development of the industry, and the cold chain logistics bottlenecks cannot be solved in a short time. Origin direct sales bring huge business opportunities to agricultural e-commerce. Agricultural e-commerce customers are mostly as a “70”, “80” urban women, they both pursue the quality of life, and keen to online shopping, invite them to visit plantations, experience picking activities, both to strengthen consumer confidence in product quality and pulled near distance with consumers, promotion of products to play an active role. The agricultural e-commerce can use the online display, order, offline picking by themselves O2O mode, will be able to realize a innovation model of getting products to consumers without logistics.

Conclusion

Influenced by the national environment and policy support, the diverse circulation model of agricultural products are simulated, agricultural retail e-commerce change the traditional pattern of agricultural production, diversifying the market, has a broad development space. C2C, F2B2C F2B2B2C and other models provide e-commerce distribution channels to agricultural products. Under the e-commerce-oriented circulation mode, the core of discussion is user needs and customer value-oriented, integration of a variety of marketing, improve customer satisfaction and value, promot the development of agricultural retail e-commerce.

References