

The Analysis on Impacts of Electronic Commerce for Marketing Models of Agricultural Products in China

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ABSTRACT

With the development of communication and the Internet technology, more and more enterprises begin to utilize electronic commerce (e-commerce) for their management and sales, forming the e-commerce business and market environment. In this paper, the analysis on influences of e-commerce for marketing models of agricultural products in China was conducted to solve the problems such as poor information communication, long distribution channels, and interest interception in the marketing of traditional agricultural products. Four different marketing models were proposed. Also the corresponding strategies and suggestions were given in the development of these models.

Keywords: E-Commerce, Agricultural Product, Marketing Model

INTRODUCTION

With the development of economy and the Internet communications, e-commerce came into existence and has been rapidly developed because of the changes in production, marketing and management of enterprises driven by society demands. E-commerce refers to the business and trading activities conducted through electronic and digital means on the Internet. For an enterprise, e-commerce is a new business approach. More and more companies gradually use e-commerce in their management and marketing, generating an e-commerce trading and market environment. The e-commerce transactions exceeded 8 trillion yuan in China in 2012 (E-Commerce, 2013). The iResearch statistics showed that the e-commerce transactions reached 9.9 trillion yuan in China in 2013, increasing by 21.3%. The transactions will achieve 21.6 trillion yuan in 2017 (iResearch, 2014). China is a large agricultural country. It has a vast amount of lands and is rich in agricultural resources and products. It is important to review the models of e-commerce of agricultural products in China and summarize the strategies for the future development in this regard.

OVERVIEW FOR THE DEVELOPMENT OF E-COMMERCE OF AGRICULTURAL PRODUCTS IN CHINA

Agriculture is fundamental to people's livelihood. China always emphasizes the importance of agricultural policies and increases the investment in agricultural science and technology. Although agricultural products enrich people's food baskets, there are some problems in the circulation of agricultural products such as long distribution channels, high transaction costs, disconnection between production and sale, benefits intercepted by middlemen, etc. There exists the significant conflict between small-scale production of agricultural household and large-scale global market in the development of agriculture in China. In addition, food safety directly affects the economic development and social stability. It is necessary to establish a modern agricultural service system that can meet the needs not only for small-scale

production of agricultural household, but for global market information communication and exchange as well. Therefore, developing the information technology and e-commerce will become an essential way to improve the efficiency of business operation, to increase the competitive ability in the circulation of agricultural products and to escalate the agricultural internationalization in China.

General Office of the State Council and Ministry of Commerce issued the opinions of strengthening the establishment of the circulation system for fresh live agricultural products in 2011 and 2012, respectively. They proposed that it is urgent to implement the Internet and modern information technology, develop e-commerce, expand the scale of online transactions and make the most of online trading advantages such as less-link, low-cost, high-efficiency (General Office of the State Council, 2011 & P. R. China Ministry of Commerce, 2013). The sales for many types of agricultural products were popular on the Internet in 2013. The white paper on e-commerce of agricultural products released by Alibaba Research Center (Ali Research Institute, 2013) showed that the sales related to multiple categories of agricultural products on Taobao website reached 3.735 billion yuan in 2010, rose to 11.366 billion yuan in 2011 and arrived at 19.861 billion yuan by adding two categories of tea and fresh aquatic products in 2012. The sales of agricultural products on Ali platform continued to grow rapidly, with an increase of 112.15% equivalent to approximately 42.13 billion yuan last year. The number of sellers for agricultural products was 394,000 on Taobao website by the end of year 2013. The e-commerce achievements on Taobao website have become the epitome of the e-commerce development for agricultural products. In addition to Taobao, other giants in different fields such as China National Cereals, Oils and Foodstuffs Corporation (COFCO), Jingdong and Shunfeng are actively taking action in this area. For example, the fresh channel was initiated on WoMai website under COFCO in 2011. Shunfeng Youxuan owned by Shunfeng Express created a channel mainly for raw fresh agricultural products on its e-commerce platform in 2012.

When Chinese vice Premier, Wang Yang, visited Jingdong Century Research Trading Inc. in Beijing on December 27, 2013, he emphasized that the e-commerce is a comprehensive, strategic and basic industry. It plays a vital role in expanding consumption, stabilizing growth, adjusting structure, promoting transformation, increasing employment and providing benefits for the people. It becomes an important driven force in economic and social development. We should conscientiously implement the spirit of Third Plenary Session of the Central Economic Work Conference, consider the development of e-commerce as an important task and seize the strategic high ground of future competition (Wang Yang Research at Jingdong, 2013). The No. 1 document of Chinese Central Government titled several opinions of deepening rural reform and accelerating agricultural modernization was issued in January 2014. It proposed that the information enhancement for rural distribution facilities and wholesale market of agricultural products need to start immediately. The e-commerce platform for agricultural products needs to be strengthened (The State Council of Central Committee of Chinese Communist Party, 2014). In addition to the concerns about policies from Chinese Central Government, many provinces have also made a number of local policies to promote the development of local e-commerce for agricultural products. Hopefully there will appear a thrillingly developing trend in e-commerce of agricultural products since 2014.

THE MARKETING MODEL FOR E-COMMERCE OF AGRICULTURAL PRODUCTS

The marketing model is a unique marketing manner established by an enterprise to operate in accordance with its own characteristics. It forms based on the integration of its own

resources, marketing strategies and marketing concepts, and on the use of various techniques, methods and processes. It also reflects the marketing value chain. The marketing of agricultural products refers to all the marketing activities including the acquisition of agricultural products, processing, transportation, retail, wholesale and services. The activities are conducted by agricultural producers and operators in the agricultural processes. The marketing model of traditional agricultural products is producer → wholesaler → retailer → consumer. This model is a manner in which the trading of agricultural products initially occurs at original production sites and ultimately reaches individual consumers through the supermarkets and community farmer markets. The problems with the model are poor information exchange between farmers and individual consumers, lack of ability for farmers to capture market information, disadvantages in optimizing agricultural production structure, sale constraint in quantity and time, long circulation cycle, quality reduction of agricultural products and interests intercepted by middlemen. It also leads to the phenomenon that the high prices of agricultural products hurt consumers; the low prices, on the other hand, hurt farmers.

With the development of online information, the individual, one-way marketing model has gradually evolved into an interactive, two-way and multi-directional model. In other words, the supply party is actively demonstrating its own agricultural product information via the Internet. At the same time the demand party is also sending the responses it needs to the counterpart. This change is advantageous to remove the constraints of time and space, expand the scope and channel for the circulation of agricultural products, facilitate agricultural product trading in a simple fast way, establish the information system of agricultural market using online communication technology, break down poor information communication, integrate production, supply and sale into one, reduce the links of the circulation of agricultural products, shorten the distribution chain, enhance the efficiency in the production chain.

The marketing model for e-commerce of agricultural products is based on the Internet. The transaction objects include a wide variety of agricultural products and their accessories. The transaction body can be an enterprise or an individual. Therefore, there are several different marketing models given below.

The Model of Information Service Led by Government

An agricultural trading platform containing agricultural science and technology information can be set up through the agro-government website. For example, China Agricultural Information Network (China Agricultural Information Network, 2014) is a service sector under the Ministry of Agriculture website. It provides multiple kinds of consulting and business services mainly to farmers, agro-enterprises and many community users in regard to sub-sector (sub-species) and sub-regional production and daily activities. The services given by the platform are the information on wholesale prices of agricultural products, agricultural online exhibition including local featured exhibition and other pollution-free agricultural products, marketing platform of agricultural products and promotional activities. The local agricultural sectors offer agricultural online services sponsored by provincial, municipal and county governments. The model led by the government is to help small and medium agricultural enterprises to participate in the wholesale and retail markets and to provide consumers agricultural products. Its purpose is to protect the flow of local agricultural products and guide corporate or individual producers to properly produce the products that meet the demands from terminal markets by distributing information and offering online counseling.

The Model Self-Built by Enterprise

The enterprises can promote the agricultural products, reduce the asymmetric information, help customers understand their business and provide online ordering and services for the products after completing the construction of their own websites. The enterprises create their online catalogs of agricultural products. The consumers can browse them unrestrictedly. For example, joint-venture Beijing Sanyuan Foods Inc. has its own pillar business in dairy industry; meantime it also sells McDonald's fast food (Sanyuan Food Inc., 2014). The product sales network covers all districts, suburban counties in Beijing and more than 50 provinces, municipalities and regions. This model shortens the supply chain and reduces pre-trade and post-trade costs because agricultural products can be delivered from a manufacturer or wholesaler directly to a consumer.

The Model of Agricultural Product Marketing Based on Third Party Trading Platform

Some farmers and agricultural enterprises have sold their products, broadened traditional trading market and lowered costs of some products in the circulation using the platforms built by the third party. There are two types of these platforms. One is designed to offer services for multiple industries such as Taobao and Amazon websites. Another is specifically for agricultural product trading. The example for this type of the platform is a national leading enterprise in Jiangsu province, Lingjiatang Markets Inc. (Lingjiatang Markets Inc., 2014). It trades more than 1000 kinds of different products such as vegetables, fruits, grain, food oil, aquatic products and other agricultural products from more than 20 provinces and municipalities. Based on modern technical support in trading, accounting, information, testing, storage, and the flow of goods, it forms a comprehensive system of merchandise circulation featured by the main category of vegetables, supported by other categories including fruits, aquatic products, grain, food oil and frozen food. The company establishes the clean vegetable processing center, which provides processing, packaging, storage, distribution services. In the comprehensive system, processing vegetables and aquatic products becomes the business pillars which promote the integration of production, processing, distribution and marketing services. Its trading volume exceeded 25 billion yuan in 2013.

The Model of Agricultural Product Marketing Based on Combination of Online and Entity

Consumers can go online to make purchases using this model. The system of the flow of goods delivers the purchased agricultural products to each customer. Alternatively customers can go to shopping malls, supermarkets and various service sites, then directly buy the products. For instance, Shandong Xinghe Food Inc. (Shandong Xinghe Food Inc., 2014) builds a webpage on Taobao for costumers, and its products can be bought in the supermarkets as well. This model not only visually displays the products for consumers, but also facilitates the purchases. In addition, it can advance the integration of offline and online marketing. In respect of combination of the Internet companies and non-Internet companies, Wal-Mart has been trying to break the differences between online and offline transactions. Customers can pay online and pick up the merchandises at a Wal-Mart store. The 4000 Wal-Mart stores in the United States have been successfully transformed into the warehouses for online sales. COFCO has completed the same seamless transformation through WoMai website.

THE STRATEGIES AND SUGGESTIONS IN THE MODEL DEVELOPMENT OF E-COMMERCE MARKETING OF AGRICULTURAL PRODUCTS

Strengthening the Policy Support and Innovating the Management System to Adapt the Rapid Development of E-Commerce

At present, the application of e-commerce of agricultural products is still at initial stage either from an enterprise or from a consumer perspective. Some traditional centralized enterprises do not boldly reform e-commerce models after establishing them. They still focus on the traditional channels, profits and sales. The e-commerce marketing is considered as the extension for offline marketing. This situation is not conducive to innovate e-commerce models. The innovation of e-commerce models of agricultural products needs to be sustained by multiple parties. It is very essential to obtain the policy guidance and support from the government besides volunteer actions from agricultural enterprises and farmers in the regard especially during the initial stage of the model innovation. Therefore, in order to create an excellent policy and market environment in favor of the growth of e-commerce of agricultural products in China, it is critical to acquire policy support at various governmental levels, improve the management system and mechanism of e-commerce, grasp the developmental trend of e-commerce of agricultural products, absorb advanced experience internationally, strengthen top-level design, emphasize foundational work and innovate management system.

Fortifying the Legal System of Online Marketing and Constructing the Accredited System of Online Marketing

Lack of the legal protection against innovation will seriously affect the e-commerce innovation initiative from the enterprises. Marketing economy is actually the legal economy. Integrity is built on the basis of the legal system and it needs legal and institutional protection. The current online legal system in China straggles. It results in no laws to implement the investigations for dishonest behaviors and no punishment taken for such behaviors in online marketing. Therefore, it is necessary to accelerate and complete the establishment of legal system related to online marketing so that the dishonest behaviors can be effectively deterred.

Conducting the Research and Development of Technology for the Circulation of Agricultural Products and Reinforcing the Construction of Channels for the Circulation of Agricultural Products

It is essential to ensure that the profits of the research and development in the circulation of agricultural products in terms of preservation, transport and storage are generated as much as these in the production. It is also vital to actively use new preservation techniques, extend the storage time of agricultural products and expand sales radius. The following is helpful with regard to strengthening construction of information platform in the circulation of agricultural products, integrating the information of the circulation and utilizing information technology to stimulate the modernization of the circulation. We also need to fortify solid constructions of the circulation including the construction of rural roads, the improvement of transportation conditions and the development of low temperature preservation facilities and refrigerated transportation facilities. Only if the entire system of the circulation is completed, the support for e-commerce marketing can be guaranteed.

CONCLUSION

The development of e-commerce brings the opportunities and challenges in creating marketing models of agricultural products. First, we can process the information on market prices of agricultural products, the quality and the relationship between supply and demand using online information and computer technology. Second, we can broaden the diverse channels for online marketing in the course of the integration of distribution systems. Third, we can establish various humane marketing models to enhance the brand images, to tighten the tie between enterprises and customers and to enlarge the product sale volume under the guarantee of product quality and food safety. Ultimately the goals for e-commerce marketing will be achieved.

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