

# Poverty alleviation through rural e-commerce mode of “One Village, One Product and One Shop”: a case from Suqian, Jiangsu Province

F Y Long<sup>1,2,4</sup> and C Wang<sup>3</sup>

<sup>1</sup> School of Economics, Shanghai University, 99 Shangda Road, 200444, China

<sup>2</sup> School of Business, Suqian College, 399 Huanghe Road, 223800, China

<sup>3</sup> School of Economics and Management, Nanjing Agricultural University, Weigang Road, 210095, China

Email: lfyfly916@163.com

**Abstract:** The rural E-commerce has become a hot spot in the current poverty alleviation in China. Suqian of Jiangsu Province took the lead in exploring the new path and has achieved good effects. Practice shows that the rural E-commerce mode "one village, one product and one shop" in Suqian has a favourable impact on increasing farmers' income. This paper firstly elaborates the theoretical mechanism of poverty alleviation through "one village, one product and one shop", then introduces a typical case: the "Party branch + E-commerce" poverty alleviation mode of Jidong community in Suqian, finally puts forward several enlightenments: Focus on "one product" to develop featured product brands; Strengthen "one shop" relying on multiple E-commerce platforms; Motivate "one region" by cultivating paradigms; Form "one chain" by integrating the policy resources. This paper not only can enrich the theoretical and case research of rural E-commerce poverty alleviation in China and abroad, it also can provide decision supports for government departments in targeted poverty reduction and make some suggestions for E-commerce enterprises to enhance operating efficiency.

## 1. Introduction

Poverty is a global problem, the elimination and alleviation of poverty is the common challenge to all countries including China. In order to achieve the ambitious goal of building a moderately prosperous society in all respects by 2020, the task of poverty alleviation remains severe during the “13th five-year plan”<sup>1</sup> period in China. In 2014, the state council's leading group of poverty alleviation and development formally incorporated E-commerce poverty alleviation" into poverty alleviation policy system, and regard it as one of the “top ten projects in targeted poverty alleviation”<sup>2</sup>. Since then, E-commerce poverty alleviation has become an important part of China's "targeted poverty alleviation" strategy.

<sup>1</sup> China has made its “first five-year plan “since 1953. The year of 2016 is the first year of its “13th five-year plan” (2016-2020).

<sup>2</sup> The state council's leading group of poverty alleviation and development :<http://www.cpad.gov.cn/>



Some Chinese scholars have studied this issue. The earlier research scholar Wang [1] made a definition of the role about E-commerce in poverty alleviation: integrating E-commerce into the system of poverty alleviation, acting on the targeted objects, innovating the ways of poverty alleviation, and improving the performance of poverty alleviation. Li *et al.* [2] proposed that the government should take the lead to set up the E-business poverty alleviation experiment areas; summarize and promote the successful experience; encourage experiment areas and enterprises to invest heavily to develop E-commerce and give preferential policies to the pilot areas. Meng and Zhao [3] introduced four main modes of poverty alleviation through rural E-commerce: farmers' professional cooperative dominating mode; leading enterprises dominating mode; government agencies dominating mode; and Professional operator dominating mode. They also introduced the characteristics of these modes respectively. Wang *et al.* [4] believed that rural E-commerce could not only change the local economy pattern and the social relation network, but also stimulate the enthusiasm of the floating population to return home to start a business, which can expand the employment channels and promote the precision poverty alleviation.

Several scholars abroad have studied the issue as well. Nadarajan and Ismail [5] put forward a comprehensive and applicable E-commerce framework that serves as an enabler to the development of rural agriculture sector in Cambodia, and he believed the E-commerce plays an important role in the economic and social growth by promoting rural livelihoods, food security and poverty reduction. Kwak and Jain [6] deemed E-commerce has a great potential to reduce poverty by improving the availability to education, health, government, financial and other services due to easy access to mobile devices.

## **2. The Origin and development of the e-commerce model “one village, one product and one shop”**

“One village, one product and one shop” is a practical mode of rural E-commerce. Suyu District of Suqian is the earliest pilot area of “one village, one product and one shop”. The so-called “one village, one product and one shop” means each village makes efforts to develop a special industry on the basis of local resources endowment, to build leading products, then to open a standard online shop to expand the product market<sup>3</sup>. Through the development of rural E-commerce, it will finally form the “Agriculture + Internet” new format, which broadens new channels for low-income farmers and economically weak villages to increase income, and explores a new path of E-commerce poverty alleviation.

In 2016, the per capita disposable income of rural residents in Suqian was 13,929 RMB, a 9.1% increase from last year, in which 70% comes from E-commerce. In this year, 146,000 out of 662,900 low-income populations are out of poverty smoothly. From January to July of 2017, the total amount of E-commerce transactions is 50 billion RMB, and various online platforms directly absorb more than 5,000 low-income populations. Till the November of 2017, the city's low-income farmers have set up 5,600 online shops, which directly and indirectly generate 52,000 labor forces. At present, the coverage rate of “one village, one product and one shop” in economically weak villages is up to 46%, directly and indirectly drive 65,000 people out of poverty. The experience is popularized by Jiangsu provincial government to the whole province<sup>4</sup>.

## **3. The poverty alleviation mechanism of “one village, one product and one shop”**

### *3.1. Innovating agricultural products trading modes and reducing transaction costs*

Different from the traditional trade modes, E-commerce platforms link farmers, consumers and markets together, make the buyers and sellers complete the whole transactions online, which reduce the transaction procedures and costs. In addition, through the E-commerce platform, producers can

<sup>3</sup> The government network of Suyu District of Suqian: <http://www.suyu.gov.cn/col/col3101/index.html>

<sup>4</sup> The data comes from the statistics of Suqian municipal government.

rapidly and accurately acquire the market demand information. They can produce appropriate amount of agricultural products, which could avoid the storage and processing costs caused by excess products. This can greatly change the unmarketable situation of agricultural products.

### *3.2. Improving the agricultural practitioners' structure and releasing the invisible demographic dividend*

The E-commerce mode "one village, one product and one shop" can realize the situation that every family can open an online shop, each of the young and the old has something to do. The leading enterprises, competent people and professional cooperatives engaged in E-commerce fields could set up special jobs for elderly people, the disabled and housewives to involve in the E-commerce work, which makes them become industrial workers with stable income. This makes jobless people find right positions, and further releases the rural invisible demographic dividend.

The E-commerce mode "one village, one product and one shop" also attracts a large number of young people and the floating populations return home to start their own business, college graduates, returning farmers and village officials have become the main force. In order to encourage these people to the countryside to start their own business, Suqian has introduced a system of starting business vouchers<sup>5</sup> for them, which has greatly improved the structure of agricultural workers.

### *3.3. Embedding in E-commerce industry chain and creating more job opportunities*

Rural E-commerce benefits a large number of farmers through agricultural products processing industry chain, farmers could directly participate in agricultural planting, processing, packaging, sales and after-sales works. In addition, the development of rural E-commerce forms an integrated industry chain including product supply, platform sales, logistics, financial payment and service support. The whole chain can create more job opportunities and provides a large number of local jobs for poor groups.

### *3.4. Building featured agricultural products brand and enhancing the added value*

Based on the local resource endowment, the featured agricultural product brand can be built to enhance the added value of agricultural products. In the practice of "one village, one product and one shop", each town majorly supports one featured industry with better endowment and builds the featured product brands. Making full use of the green agriculture resources, Suqian has constructed a batch of standardized farming and processing bases, organized professional talents for brand designing, package planning and promotion, finally created a batch of agricultural product brands.

## **4. A typical case: the "Party branch + E-commerce" poverty alleviation mode of Jidong community<sup>6</sup> in Daxing town, Suyu District**

The "Party branch + E-commerce" is a typical mode dominated by primary-level village Party organization in poverty alleviation. Jidong community has developed this new mode based on the festival industry. At present, the festival industry represented by wedding candy boxes, glow sticks

<sup>5</sup> There are two kinds of business vouchers: the first type is a special funding to encourage the initial behavior of young talents to start a business. The second type is the targeted funding in five stages of starting a business, including training vouchers, internship vouchers, loan discount coupons, agricultural insurance subsidy vouchers and publicity subsidy vouchers. Each kind of the vouchers is issued a maximum number of 1,000 copies per year.

<sup>6</sup> Jidong community is identified as "Taobao village" of China (2017) by Ali Research. According to the definition of Ali Research, "Taobao village" mainly includes three principles: the operation place is in the rural area, and the operation unit is administrative village; The annual turnover of E-commerce is over 10 million RMB; The number of active online shops in the village reaches more than 100, or accounts for more than 10% of the local households. When the number of villages meeting the standard is more than or equal to 3 in one town, the town is identified as "Taobao town".

and silk flowers begins to take shape, forming an integrated production-supply-marketing industry chain.

According to the preliminary statistics, festival industry has driven more than 600 people of Jidong community to get a job in the hometown and the average monthly salary is 2000 RMB. It has solved the employment problems of a large number of elderly people who stay at home, and helped 43 low-income families out of poverty, accounting for 57% of the low-income families in the village. In 2016, Jidong community has 38 online stores engaged in festival products sales, and the E-commerce turnover are 158 million RMB, of which 64.8 million RMB is from the wedding candy boxes, 53.2 million RMB is the glow sticks, and 40 million RMB is the silk flowers. The wedding candy boxes and glow sticks account for more than 90% of the market share among Taobao's similar products. Jidong community takes advantage of the great demand in online market and makes a lot of efforts to develop the festival industry<sup>7</sup>.

First, it has a policy support. The branch has issued the policy of "four exemptions": the entrepreneur who is engaged in the festival industry could enjoy two years of rent free, free installation of broadband, free provision of storage and free E-commerce skills training. Until the end of July, 2017, Jidong community has invested a total of 2.1 million RMB supporting funds, and amount to 117 entrepreneurs have enjoyed the preferential policy of "four exemptions". At the same time, the Party branch keeps contact with the local banks, and takes the initiative to guarantee loans for the residents who has urgent fund needs. In 2016, Jidong community coordinated more than 2 million RMB bank loans for 14 entrepreneurs, and guaranteed 320,000 RMB poverty alleviation loans for 32 low-income rural households.

Second, it has standardized management. Facing the unordered competition, the Party branch takes the lead to establish the industry in accordance with the "uniform standard, unified production, unified price, unified logistics" four unified model. The industry association sets up the R&D center specialized in R&D and promotion for new products, which makes the festival industry always remain full of vitality.

Third, it provides the availability of talent training. The residents' committee successively organizes village cadres, head of the manufacturing enterprises and the shop owners totaling 110 people to investigate and learn from the E-commerce developed area Yiwu<sup>8</sup>, Zhejiang Province. The committee also sets up E-business training center in order to provide E-commerce training regularly and impart online shops operating skills. Since 2016, it has trained a total of 140 people, helped 68 young people successfully open online shops and selected eight excellent online shop owners to receive senior E-commerce training in Zhejiang.

## **5. The enlightenments of E-commerce mode "one village, one product and one shop" in poverty alleviation of Suqian**

### *5.1. Focus on "one product" to develop featured agricultural product brands*

Rural areas should regard "one product" as the core of developing rural E-commerce. Firstly, we should select the advantageous local products as the main cultivation industry based on the natural resources and vigorously develop the rural specialty products. Suqian set up a special support fund 20 million RMB to promote the "1 + X" characteristic agriculture industry system construction (i.e., a leading industry + several characteristic industries), form a pattern of "one town has one industry, one village has one product". In 2016, the number of the online specialty products reached more than 320 kinds.

Secondly, we should accelerate the development of standardized process, and guide farmers to carry out standardized production. We should acquire the certification of agricultural products to

<sup>7</sup> The data comes from the statistics of Suqian municipal government.

<sup>8</sup> Yiwu is the largest "Taobao village cluster" in China (2017). "Taobao village cluster" is defined as consisting of 10 or more "Taobao village", and the E-commerce transactions reach or exceed 100 million RMB.

improve the ability and level of agricultural processing. In 2015, Suqian took the lead to build and run the quality traceability platform. Suyu District Government also signed the product quality assurance agreement with nationally known E-business platforms (Tesco, Jingdong, and Dangdang) to ensure the local product quality.

Thirdly, we should encourage the professional talents to take part in brand designing, package planning and publicity for local products, to create a batch of agricultural products brands and raise the added value of agricultural products. At present, Suqian has created 12 agricultural products brands at and above the provincial level, including three national well-known trademarks.

### *5.2. Strengthening "one shop" relying on multiple E-commerce platforms*

E-commerce platform is a key element for E-commerce activities. With the rapid development of E-commerce, platform competition has become the battleground. Firstly, we should settle the superior and special products into large-scale E-commerce platforms, like Jingdong Mall, Tmall and Suning relying on their competition advantage. Currently, most of the products sold by online stores can't enter the high threshold E-commerce platforms due to lack of brand and standard, which can only go to platforms with lower thresholds, such as Taobao. Jingdong Information Technology Park is located in Suyu, and Suqian utilized this resource advantages to accelerate the strategic cooperation with Jingdong Mall. The government constructs the rural E-commerce service sites in every towns and villages and promotes in-depth integration between the Internet and farmers.

Secondly, we should actively set up E-commerce associations to promote joint operation, and integrate all the resources, technologies and information to maximize their utilities. Besides, the associations could unify the production and processing standard to ensure a sustainable competitiveness.

Thirdly, we should innovate the online marketing modes. For example, we could explore the personalized customization services and establish the O2O experience stores to enhance consumers' experiences. We can also utilize the "travel + shopping" idea to develop the agricultural by-products, and form rural featured tourism products.

### *5.3. Motivating "one region" by cultivating paradigms*

Firstly, the primary Party branch should popularize the "Party branch +E-commerce" mode and put more investment into infrastructure, equipment and human capital, initiate more agricultural projects and set up more online stores. Suqian has successively developed some advanced Party branches like Shunhe Street and Guangming village, forming fierce competition atmosphere between villages.

Secondly, college village official should play the demonstration role. Take them as the main body to form a powerful team who will undertake the duty of rural E-commerce promoters and remote education administrators. Support these village officials to take the lead to start their own business to set up online stores. Currently, 92% of college village officials in Suqian have their own online start-up shops.

Thirdly, the government department should set up incentive system for paradigms and introduce professional talents and special support funds for the outstanding townships and villages in order to form demonstration effects [7].

### *5.4. Forming "one chain" by integrating the policy resources*

Firstly, the government should develop the supporting industry systems, such as the logistics, information technology, financial and after-sale services, especially the logistics system. The government should optimize the layout of logistics and expand the service scopes to build a comprehensive rural logistics system.

Secondly, they should establish a perfect supporting system of E-businessman operation. Suqian has founded the online training platforms to provide information supporting, strategies references and practical trainings for Internet entrepreneurs. With the help of the "big data" information of Jingdong,



Suqian could predict the trend of the market changes of agricultural products, and provide scientific guidance about agricultural product planting.

Thirdly, the government should provide support funds through financial discount, start-up subsidies and sales incentives. They could establish a cooperation bridge between Banks and enterprises, guarantee loans for rural E-commerce operators to solve practical problems. Suyu District of Suqian has set up 15 million RMB start-up support funds, in which 5 million RMB is specialized for "one village, one product and one shop".

## 6. Conclusion

Rural E-commerce is growing vigorously, which opens up new channels for poor groups to increase income, and becomes an important new path for poverty alleviation. However, we should be aware that its development is in early stage, the policy system is not perfect, and the market environment is not strong enough. In addition, the lack of E-commerce talents and farmers' low participation in E-commerce activities will reduce the radiating and driving effects on increasing income. Next, we need to concentrate on constructing the poverty alleviation system and optimizing the hard and soft environment, in order to make rural E-commerce be the "booster" of poverty alleviation.

In general, the theoretical and empirical researches on rural E-commerce poverty alleviation are relatively deficient, which give scholars more opportunities to explore in this field. This paper is also shallow, which lacks the support of empirical data and only demonstrates case analysis and its enlightening. It will provide the direction for my future research.

## References

- [1] Wang X D 2015 Four problems of E-commerce to poverty alleviate *Gansu Agri.* **13**:18-20
- [2] Li Z M, Qi J L and Sun H Q 2015 Poverty alleviation exploration of rural e-commerce *Market Modernization* **02**:74-75
- [3] Meng B C and Zhao X 2017 The targeted poverty alleviation mode of rural e-commerce *Enterprise Tech. Develop.* **01**:58-60
- [4] Wang Y, Xie Y and Wang M. 2017 Rural e-commerce relational network and place making under the background of targeted poverty reduction *World Regional Studies* **26(06)**:119-130
- [5] Nadarajan SV and Ismail R 2011 E-Commerce framework to improve rural agriculture sector in Cambodia *International Conference on E-business, management and Economics* **25**:287-291
- [6] Kwak DH and Jain H 2016 The role of web and e-commerce in poverty reduction: A framework based on ecological systems theory *Lecture Notes Busi. Inform. Process.* **258**:143-154
- [7] Wang C and Long F Y 2017 A analysis of rural e-commerce mode "one village, one product and one shop" *Jiangsu Agri. Sci.* **45(04)**:293-295