



Case Study:

Rural Taobao Service Station, Mudun Island

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The first section of this case looks at Alibaba's Rural Strategy, focusing on its significance, vision and implementation. The second shows the changes rural e-commerce has brought to a beautiful, but relatively closed-off, water town and how it helped one young villager return to his roots.

Alibaba's rural strategy

After Alibaba listed on the US stock exchange in September 2014, Group President Jianhang Jin indicated that agricultural e-commerce, big data and cross-border e-commerce would be the three areas of focus in Alibaba Group's future strategic development. As far as agricultural e-commerce was concerned, there were about 800 million rural residents in China, a huge potential market. However, the rural market had its unique traits, which meant Alibaba had to face a lot of challenges while engaged in e-commerce with farmers. Hongbing Gao, Director of AliResearch, pointed out that when it came to consumption,

the rural market had a weak business foundation, and it was hard to meet farmers' demands. There was a fair amount of progress in the production process, but there was still room for improvement as farmers had to bear the costs incurred because of low efficiency and delayed market information. Similarly, on the supply side, the distribution channels for high added-value agricultural products were still not open. "To solve these problems, we needed both the involvement of big e-commerce platforms – which could provide resources such as technology, expertise and a commercial ecosystem – and the governments' efforts in infrastructural and environmental development," explained Hongbing Gao.

Seeing the great value of e-commerce for rural development, in October 2014 Alibaba Group unveiled its Rural Strategy, and clearly articulated its goal of 'serving farmers, innovating agriculture, making the countryside better'. On October 13, Alibaba Group announced the initiation of its 1,000

County & 100,000 Village Plan, which involves an investment of RMB10 billion within 3-5 years to build 1,000 county-level operational centres and 100,000 village-level service stations. That means Alibaba will work towards having its e-commerce network cover more than 1/3 of the counties and 1/6 of the rural areas in China in the next few years.

Rural Taobao has two visions. The first is to leverage the internet to promote urban-rural-integration. This means putting in place the infrastructure needed to open up logistics and information channels to villages so that rural residents can enjoy the same convenience as urban dwellers at no extra cost. For example, they can buy daily necessities and farming supplies at low prices without travelling outside their villages. One point of special importance is that, through the internet, farmers can purchase the means of production directly from manufacturers and they can find purchasers for their agricultural products all over the country – all this

A photograph of a person's hands holding a white smartphone. The person is wearing a yellow watch. The background is a blurred rural landscape with green fields and hills under a warm, golden light, suggesting sunrise or sunset. A large, stylized yellow and white graphic element is overlaid on the bottom right of the image.

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from within their rural communities. The second vision is to create more rural entrepreneurship and employment opportunities. The aim is to achieve this by making full use of the local media and various publicity channels to create a strong atmosphere of entrepreneurship in these communities. This would be coupled with efforts to encourage more and more young people to return to their hometowns and become a part of these local communities. Of profound social significance, this second vision would solve issues that result from left-behind children and empty-nest elderly.

Alibaba's Rural Taobao project is clearly one that benefits many.

It is based on a four-pronged strategy. The first is linked to purchasing, and focuses on internet + infrastructure. It allows Rural Taobao Service Stations to make purchases on villagers' behalf through the two channels of logistics and information flow, as well as the closed loop formed by secure trade. The second has to do with talent, and focuses on internet + farmers. This is where local partners are recruited for Rural Taobao Service Stations, creating a group of leaders who promote the establishment of Taobao Villages or other forms of a flexible economy. The third is related to sales, and focuses on internet + agricultural products. This includes the promotion of agricultural products, setting up websites where they can sell their products and completing the O2O experience in the countryside. The

last strategy is related to ecologies, and is linked to internet + farmers. It involves the establishment of ecological service centres. This would see the extension of Rural Taobao Service Stations, completing the one-stop experience (where customers can access everything they need: clothes, food, accommodation, traffic, travel, entertainment and shopping) thus transforming rural residents' lifestyles, sources of entertainment and shopping habits.

Mudun Island project

Situated in the northwest of Jiangsu Province, Sihong County is located at the nexus of the Yangtze River Delta Economic Zone and the Coastal Economic Belt of Jiangsu. The county has an area of 2,731 square kilometres and a population of 1.07 million. It is well known in China as the birthplace of one of the country's most well-known alcoholic brands, Shuanggou Liquor. It also has a reputation for ecotourism, and for being a fast-rising modern commercial hub and tourism-focused city. However, compared to other fast developing cities and counties, there is still a lot of room for development in Sihong County. As with other rural regions in China, social problems such as empty-nest elderly and left-behind children can be found in the county's towns and villages. Over the years, the local government's primary concern has always been how to help farmers increase their production and income levels, part of the wider goal of

sustained, stable development of the local economy.

To promote further development of the local economy, the county-level government has made many efforts to improve its own governance. Many of these are linked to leveraging the internet age to improve transparency. For example, leaders at all levels of county government are required to publish their daily schedules on the government's official website. Also, during working hours, wherever they go they are required to wear identification badges that bear their photos, names and areas of responsibility. This also applies to time spent inside the office.

In October 2014, soon after Alibaba Group announced the launch of its 1,000 County & 100,000 Village Plan, the Sihong County government decided to form a strategic partnership with the company. It set up a special leadership group to ensure immediate responses to Alibaba's requests, as well as oversee the implementation of related measures. As the executive team leader, Changtu Zhu, Deputy Secretary of the county's Party committee, personally called implementing meetings, in which the Party committee secretaries of towns and villages were also involved.

In choosing the Rural Taobao Sites, Sihong County government had strict standards and insisted on the 'three as-far-as-possible' approach. That meant there were three criteria to be met during the evaluation process: as many sites as possible should be continuously

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placed along roadways; they should serve as many customers as possible to ensure sufficient purchasing potential; and should have an abundant supply of agricultural and everyday products so that it is easy to sell agricultural products to cities. Changtu Zhu went deep into each village site himself, working hard on the ground and facilitating the overall mobilisation of 1.07 million people in 317 villages and inhabitants of 23 townships. In leading his team he stressed the need for attention to detail and the importance of working towards the best outcome.

Because of the slow pace and complex steps that used to exist in government departments’ approval processes, Sihong County Government put an emphasis on speed in order to guarantee quick results for the Rural Taobao Project. This included ensuring that government departments at all levels fully allocated resources and provided full support in terms of locations, financing and talent. Since farmers were still unfamiliar with online shopping then, the government organised the six-six-training initiative, which began at 6:00 each Saturday

evening. Later, the society gradually took on the responsibility of these training sessions. A large number of Taobao lecturers and successful online entrepreneurs took to the podium and gave lessons, which broadened the knowledge of officials at various levels, farmers and small businessmen.

The local population’s acceptance of and participation in the Rural Taobao Project promoted its rapid development in Sihong County. In addition, the Sihong-Method of e-commerce development, which is based on market dominance, own-built platform and government support, was replicated in other areas. With the rapid progress of the Rural Taobao Project, network entrepreneurship became very popular. Many young people moved back to their hometowns and online entrepreneurship was in full swing for a while. By the end of July 2015, there were nearly 50 Rural Taobao Sites. The next batch of 30 sites was in the process of being launched, while 150 locations would be available by the end of the year

Qianchun Tian, a young man born in

Sihong but who later moved to Beijing where he struggled to make a living, was one of those who returned home to start their own business during this wave of rural e-commerce. In October 2014, when he heard that Sihong County began collaborating with Alibaba and was recruiting Rural Taobao Partners, Qianchun Tian did not hesitate to submit his application online. Because of his experience working as information technology assistant at a logistics company, as well as his genetic ties to the county’s indigenous inhabitants, the Alibaba Group’s Rural Taobao Business Department sent him an offer. At the beginning of 2015, Qianchun Tian resigned from his job in Beijing and returned home to join the Alibaba-organised Rural Taobao Partner Training, and put into motion preparations for the Taobao Service Station in Mudun Island.

Mudun Island is in Bancheng Town in Sihong County, covering an area of 1.96 square kilometres. As the largest – and also the only – residential island in the Hongze, China’s fourth largest freshwater lake, the island is home

to more than 150 families. They are mainly engaged in aquaculture. It is an ideal vacation spot for urban dwellers fond of its numerous historical and cultural landscapes, beautiful scenery, and pleasant climate. The island is mild in winter and rather cool in summer.

Mudun Island is rich in aquatic resources. The fishermen who live there are very hospitable, and the culinary delights they prepare are hugely popular. In 2009, in order to better protect and utilise the island's resources, Jiangsu Mudun Island Tourism Development Co Ltd (JMIT Company) was set up with the government's support. The company took on the task of the planning and development of Mudun Island Ecological Scenic Spot. The facility was divided into eight sections: entrance, fishing-related catering, fishing-related accommodations, the fishing experience, MICE (meetings, incentives, conventions and exhibitions) & vacation services; wetland plant exhibition, wetland wild bird habitat, and wetland bird breeding exhibition.

To prevent ecological damage caused by over-development, the Sihong County Government adopted a gradual approach to the planning and development of the island. This ensured that its original ecological environment was preserved for many years. However, because of its unique geographical environment, there was no supermarket on the island and it

was quite inconvenient for residents to buy household items, agricultural tools, etc. To address this issue, the Sihong County Government decided to promote the establishment of village-level Rural Taobao Service Stations across the entire county. Mudun Island was a natural location choice.

Due to extensive island-wide publicity before the opening of Mudun Island Rural Taobao, farmers were eagerly anticipating its official opening. After Rural Taobao built up a Service Station on the island, it received strong support from Bancheng Town and Mudun Island Village. When all the Taobao goods arrived at the landing wharf, JMIT Company and the Rural Taobao partner delivered them to villagers. Alibaba provided subsidies to solve the most difficult link in logistics: water transportation.

On opening day, June 5, 2015, the Mudun Island Rural Taobao Service Station, where Qianchun Tian was based, did well: it racked up Sihong County's third largest number of online purchases. That same month, during the 6.18 Mid-Year Promotion, the station had the most orders in the entire county.

But before long, Qianchun Tian had a new challenge to overcome: villagers had often proposed selling their agricultural products outside the island, but they lacked trade channels and also easy transportation. They asked Qianchun Tian for solutions. His challenge was to find one that would

meet the needs of both buyers and sellers.

In early August 2015, in order to optimise the operations of the rural Taobao Service Station and respond to the new demands of the farmers on the island, the government of Bancheng Town, Sihong County, invested RMB150,000 in upgrading the Service Station. The government subsidised the cost of redesigning the Service Station, a facelift that combined the functions of the tourist centre – based on the overall style of the Mudun Island Scenic Spot – and the characteristics of Rural Taobao. In addition, the area was expanded from 15 to 75 square metres and then divided into six functional areas. These were: tourist specialties, online shopping, children's entertainment, entrepreneurship training, self-serve ordering areas (after visitors paid for products by scanning the QR codes provided, products could be delivered to their home by express courier) and tourists' leisure. In September 2015 Mudun Island Rural Taobao Service Station completed its upgrading and was put into use. Services provided included topping up credit on mobile phones, online purchases and the sale of agricultural products on villagers' behalf, sending and receiving express mail deliveries, a tourist centre, display of local specialty items available for sale, convenience services, and tourism e-commerce. After several months of operation, the service station had an average monthly turnover of more than RMB80,000. The plan was to duplicate Mudun Island Service Station's success



with online shopping by expanding into other areas. For example, in an effort to achieve their goal of increasing residents' incomes, they could also sell local aquatic products and intangible cultural heritage products online.

For Lijun Sun, Vice President of Alibaba Group and General Manager of the Group's Rural Taobao Division, a Rural Taobao Service Station is a larger ecological public welfare service centre. A place where left-behind

villagers can have video calls with family members who left home to work in urban areas, where villagers can register and receive – remotely – medical treatment, and even gain access to basic financial services. It does not only facilitate trade – buying and selling – but also makes it easier to carry out various daily activities such as paying for utilities, accessing pension funds, obtaining marriage certificates, etc. It is a platform where problems are solved.

In September 2015, Qianchun Tian's 81-year-old grandmother visited the Mudun Island Rural Taobao Service Station operated by her grandson. Watching the villagers passing by, she laughed with her mouth wide open and murmured, "Ali, Alibaba, Open Sesame..."

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