

# **ID 1607 | INTERNET+ URBANIZATION IN LESS-DEVELOPED AREAS - CASE STUDY ON TAOBAO TOWNS AND VILLAGES IN CHINA**

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## **1 INTRODUCTION**

### **1.1 URBANIZATION & CHINESE STRATEGY**

Nowadays more than 50% of the world population has already been in urban areas and the rate of global urbanization are expected to be more than 70% in the next four decades, with about 90% of the urban expansion occurring in the developing countries. As a result, New Urban Agenda-Habitat III and other influential urban conferences have led to pay more attention to a better urban life. However, the development of rural areas should be emphasized as well. On one hand, although the proportion of rural areas is declining, they have their significance of existence, such as the supplies of food or other products, rural culture, etc. On the other hand, although there seems be a wide gap between urban and rural areas, they still have their characteristic advantages which provides more possibilities for their dignified development.

The Chinese strategy to deal with the relationship between urban and rural development is called Integrated Urban-Rural Development. Its specific performance covers all kinds of fields, such as accessibility of traffic system, same standards of infrastructure and public service facilities in urban and rural areas, etc., which could reduce the distance between urban and rural areas, what's more, realize coordinated development and mutual progress. Smart rural development will be a tendency in China even around the world and will be a new symbol to measure the levels of urban development. So, Integrated Urban-Rural Development is so meaningful to provide a strong basis for the smart rural development. Zhejiang Province and Jiangsu Province are two good examples to practice Integrated Urban-Rural Development, whose towns and villages are much wealthier relatively.

### **1.2 CHINA'S RURAL DEVELOPMENT IN THE PAST**

In 1990s, rural enterprises raised abruptly and played an important role in promoting the development of towns and villages. It's a bottom-up mechanisms that the grass-root government and farmers are spontaneous to push the process of urbanization. However, with the development of globalization, the process of urbanization took megacities as key points to have a breakthrough in the global competition. It was effective and efficient to promote the urbanization rate to be about 50% in China. The unbalanced development strategies between urban and rural areas, on one hand, waver the dominant role of rural enterprises and deepen the gap between urban and rural areas, while on the other hand, a large amount of rural population migrated to the cities which contributed to the empty and decline in many towns and villages.

Without any doubts, information revolution is a miraculous turning point in global development, which collapses the space-time distance and reorganize spatial network. Rural areas as well as other less-developed areas should seize this chance to build a new relationship with their close megacities or even any transnational strategic partners around the world.

### **1.3 TAOBAO TOWNS AND VILLAGES IN CHINA**

Taobao is Chinese Amazon, an electronic commerce and cloud computing platform. To keep up with development of the information age, many towns and villages in China have developed e-commerce, one of which is Taobao. Suddenly, "Taobao Villages" and the further "Taobao Towns" has been more and more popular in the past decade. According to the Chinese Taobao Village Study (Ali Research Institute, 2014; 2015; 2016), the development of Taobao Villages started from 2009 and had a slow growth until

2013(Figure 1). However, Taobao Towns and Villages have been booming rapidly from 2014 until now. As of the end of 2016, there have been 135 Taobao Towns and 1311 Taobao Villages, covering 18 provinces or province-level municipalities. As excellent practitioners in Integrated Urban-Rural Development, Zhejiang Province and Jiangsu Province have 506 and 201 Taobao Villages respectively, ranking 1st and 3rd in those provinces or province-level municipalities.

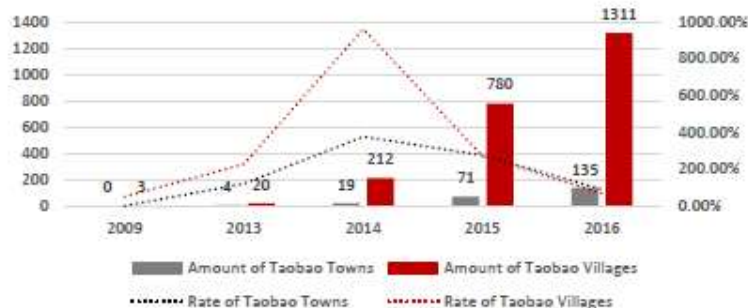


Figure 1 – Amount and rate of Taobao Towns and Villages(2009~2016).  
Data from Chinese Taobao Village Study, 2014, 2015, 2016.

The outstanding economic and social value of Taobao Towns and Villages is the main reason why the amount has been rising so rapidly and spontaneously. It provides an open platform for the grassroots to obtain employment or even start their own business. While adding 1 online store, it will create 2.8 employment opportunities. As of the end of 2016, there have been over 300,000 active online stores and it could be estimated about 840,000 employment opportunities (Ali Research Institute, 2016). As a result, it has been a fast and feasible path for rural areas to cast off poverty and achieve the goal of prosperity. As of the end of 2016, there has been 18 Taobao Villages in state-level poverty-stricken counties, rising 80% over 2015.

Because of the valuable and sustainable development pattern of Taobao Towns and Villages, the government also has a series of policies to encourage and guide their or other e-commercial ones' development, such as "About positive guidance and promotion of Internet+ Actions", "Opinions on speeding up the development of rural e-commerce", "Action plan for promoting the development of agricultural e-commerce", etc.

## 2 ANALYSIS OF TAobao TOWNS AND VILLAGES

### 2.1 INHERENT ADVANTAGES AND DISADVANTAGES OF RURAL AREAS

#### 2.1.1 CHARACTERISTIC NATIVE PRODUCTS

Different from the common products in urban e-commerce, there are many other local ones with characteristic culture and native natural resources. For examples, some villages abounds with Xuan Paper (Figure 2(a)) which is specially used for traditional painting and calligraphy (Figure 2(b)). As a characteristic Chinese product and national intangible cultural heritage, it has a long history about 1,500 years and a precious technological process, which will become a cultural name cards even brands of those villages. Some other villages has a craze of traditional ink paintings. They may buy Xuan Paper and other painting tools or produce some by their own, then train farmers to be skilled painters, which also could improve the historical and cultural value of those villages.



(a) Xuan Paper (b) traditional ink paintings  
 Figure 2 – Characteristic native products in Taobao Towns and Villages. From Baidu, 2017.

However, the way of sale in the past is not advantageous for those characteristic native products to some extent. The process of traditional agricultural sale could be concluded as a chain - “production – transportation and distribution – wholesale market – distribution – retail”(Figure 3). It is so long that it leads to many problems. For example, the villages could not learn about the feedback information from markets freely, causing the mismatching between supplies and demands; the mediation agents would like to earn lots of share which cut down the profit space of farmers; the expansion of market is limited by distance, etc. They are the reasons why so many farmers chose to give up this way and prefer a job in the cities.

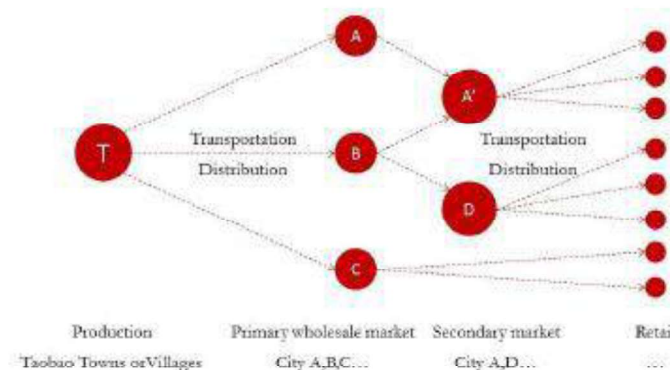


Figure 3 – Analysis of traditional agricultural sale chain. From author.

### 2.1.2 LOW COST

The cost of products is much lower than those produced in urban areas. The products obtain cheap local material and save transportation cost. They are made in factories or by handicraftsmen whose rents or salaries are low. It not only could create large profit space but also encourage farmers to have a try without any worry about failure.

The cost of rural life is another advantage. It's one of reasons why many migrant workers earn money in urban areas but go back home and consume in rural areas. It's a typical choice of farmers in China, because of conditions in both urban and rural areas. On one hand, cities especially megacities provides much more employment opportunities with higher salaries and more beautiful environment than towns and villages, which absorbs a large amount of migrant workers. However, owing to high price of housing and consumption but low deposit, migrant workers nearly have no chance to have a good life in cities. On the other hand, the cost of rural life is much lower. With the salaries from cities, migrant workers and their families could improve their life standards. In addition, the property of rural house and farmland is also an important reason why they have to go back no matter where they work.

## 2.2 NEW ADVANTAGES OF INTERNET+ RURAL AREAS

### 2.2.1 INTERNET+ CHARACTERISTIC NATIVE PRODUCTS

The Internet opens up a new outlet for those characteristic native products and changes the traditional way of agricultural sale. The e-commerce is a good way to solve those problems and improve the advantages of traditional agricultural production and management. Now the farmers just need a computer on the Internet. They could learn about the dynamic situations of market and make an adjustment of prices or supplies at any time. Their incomes have an obvious increase, because it breaks the real economic chain and creates a new one – “production – retail – distribution”(Figure 4) which not only reduces the share of mediation agents but also enhances the efficiency of the whole transaction process. Also, the Internet will open up broader markets and absorb much more customers, no matter the location is far or close. As long as the profits is greater than the cost of production and transportation, the trade could be taken into consideration.

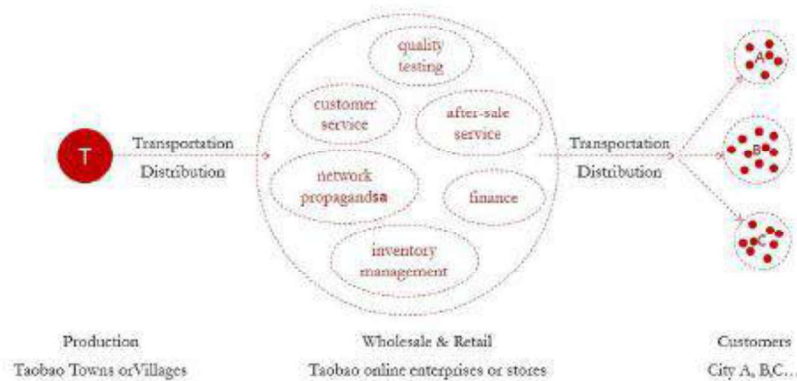


Figure 4 – Analysis of new sale chain of Taobao Towns and Villages. From author.

In fact, the new chain is not as simple as mentioned. There are many divisions in the part of online retail, such as the network propaganda, quality testing, customer service, after-sale service, inventory management, finance, etc., all or parts of which are simultaneously held by farmers. Although it seems difficult, the farmers have more initiative to run whatever they want. The flattening of sales management creates relaxing and friendly work atmosphere which is better to inspire some valuable ideas about the productions or organization form.

What's more, it promotes competition and cooperation which inspires more optimization and innovations. With the improvement of life standards and demands, the products would better improve their qualities and integrate with innovation to satisfy all kinds of requirements and follow the trends of market environment. The competition in market is always fierce and it must be a kind of driving force to develop the current products. Meanwhile, it also provides a cooperative platform for many industries and professionals in different fields.

### 2.2.2 INTERNET+ LOW COST

There is no doubts that the medium-sized and small online enterprises or stores provide an accessible entrepreneurial threshold for the towns and villages. Those enterprises and stores consists of family members so the scale is very small even tiny. The investment could be high or low, so it provides more possibilities for those who have smart minds but no much money. Meanwhile, the Internet could create much larger profit space and broader market. As a result, it has been a driving force to spread and reinforce the development pattern of Taobao Towns and Villages in rural areas.

Low cost of the products and life is the main physical basis especially for those low-income farmers to start an online store or a Taobao Village in the initial stage. Even if it suffers a great failure, it doesn't matter that the loss is not much and the influence on their life is just slight. Every entrepreneur has to challenge once

and once to adjust to the markets. So what's important is to analyze the reasons of failure and develop the next steps.

Also, low cost of time provides the possibility of part-time jobs for farmers. With the great progress of agricultural infrastructure and technology, the efficiency of farming has been improved. The farmers would like to use such much leisure time to get additional income. According to the field survey, as storekeepers, the farmers change their schedule of work and rest. In general, the working hour gets longer and it has a close relationship with the activity of online customers.

## 2.3 DIGNIFIED PERFORMANCES OF TAOBAO TOWNS AND VILLAGES

### 2.3.1 LIFESTYLE: CLOSE URBAN-RURAL INTERACTION

The communication of information between urban and rural areas has been stronger and stronger, which provides more possibilities to have a deep interaction. "Double 11", "Double 12" and other shopping festivals organized by Taobao Enterprise also become the important days of farmers in a year. Their busy seasons keeps pace with the sales promotion in urban areas. So they have a closer communication with the urban areas and start a new life with the urban pace to some extent. Some farmers said that they loved their new life nowadays and they thought it even better than urban life, because they could take an enough rest in slack season and enjoy rurality in their beautiful farmland.

The accessible traffic system under the policy of Integrated Urban-Rural Development makes the actual connection more convenient. It's the basis of logistics transportation which supports the management of Taobao Towns and Villages. It's also the bridge between urban and rural areas. The farmers could go to enjoy the facilities of entertainments in cities, which will become a new part of rural life.

### 2.3.2 SPACE: BOTTOM-UP COUNTER URBANIZATION

Urbanization could be concluded into 2 main kinds. One is a top-down mechanisms planned and controlled by government, such as urban expansion, new towns, satellite town, etc. The other is a passive expansion because of excessive population and industrial aggregation, which presents mainly as urban sprawl. With the trends of urbanization, it leads to vast blind construction with a series of problems, such as land wastage, land leverage and so on, which make it meaningless and inefficiency. Taobao Towns and Villages find a new way to achieve the goal of development and prosperity.

In the last 3 years, the amount of Taobao Towns and Villages has been rising rapidly which has a strong agglomeration effect(Figure 5). From a few points to a network, it forms a spatial network of prosperous towns and villages which could not only divide into different groups with various divisions gradually and increase economic benefits, but also attract more towns and villages to join. It's a way to reinforce and develop the rural areas and control the excessive urbanization in China. However, as can be seen, the main agglomeration just appeared in the coastal areas instead of the whole nation land. It shows that the development of Taobao Towns and Villages depends on that of its surrounding cities to some extent.



Figure 5 – Agglomeration effects of Taobao Towns and Villages.  
From 2016 Chinese Taobao Village Study, 2016, p. 8-10.

What's more, their internal mechanisms are presented mainly as a few new patterns, such as bottom-up development of their own, linkage of towns and villages, etc., which keeps balance of government-market-farmers Partnership.

### **2.3.3 INDUSTRIES: SERVICE MODERNIZATION**

The traditional industrial development in rural areas is to follow the routine of industrialization of urban areas, then further promote the development of tertiary industry when secondary industry is full-developed relatively. The tertiary industry consists of some low-added value service industries, such as retails, hotels, etc. It could just meet the internal requirements of farmers and some tourists, but it couldn't have a close communication with urban areas, which contributes to its limitation of industrial expansion.

The internet could reconstruct either physical space or industrial structure. It provides a shortcut to leapfrog industrial development stage and develop tertiary industry innovatively. Because of the organization of Taobao Towns and Villages, it gathers a series of relative high-added value service industries, such as productive service, storage and logistics transportation.

## **3 REVELATION FOR EUROPE**

In summary, "Internet+ less-developed areas" has been a successful and dignified match. Towns and villages have abundant characteristic native products and the low-cost advantage, which are an important foundation for an accessible entrepreneurial threshold and characteristic construction. Their three dignified performances are close urban-rural interaction, bottom-up counter urbanization and service modernization.

In some countries or territories in Europe, there is a wide gap between urban and rural areas, as well as developed, relative less-developed and developing countries. It worth considering and bringing the Internet+ urbanization into those less-developed areas in Europe. The Internet may be a significant catalyst to promote the development there. Comparing with in China, the life standard and economic development in the European rural areas are better in general, which is an advantageous physical basis to develop with the Internet and e-commerce.

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