

Introduction to Rural Taobao Program

(As of January 2016)

ALIBABA GROUP AND RURAL E-COMMERCE

With a scalable delivery network, ubiquitous payment options and an extensive product base, Alibaba Group is well positioned to serve China's 600 million rural residents.

China's rural regions present enormous yet largely untapped opportunities for the development of e-commerce.

- An estimated 600 million Chinese reside in rural areas. They are not only a source of a vast number of products and resources in demand by the entire country, but they also possess enormous purchasing power.
 - The number of online shoppers in rural areas increased to 77.14 million in 2014, expanding 40.6% year-over-year, according to CNNIC.
 - At the end of 2014, there were just 178 million Internet users in rural China, fewer than one out of every three rural residents, according to CNNIC.
 - In the first quarter of 2015, less than 10% of online purchases made on Alibaba Group's China retail marketplaces were shipped to rural areas.
- The living standard of rural residents is at present limited by various consumption, sales and production challenges. Overcoming these challenges with the use of the Internet is key to improving their overall living standard. The challenges include:
 - **Consumption** – Limited retail options, high prices and prevalence of counterfeit products
 - **Sales** – Limited channels and resources for sales and marketing, slow delivery and lack of talent
 - **Production** – High cost, limited categories and lack of information

Alibaba Group is committed to rural e-commerce development to better serve consumers in China's hinterland, add efficiencies to the country's agriculture, and help raise the standard of living in rural China.

- Alibaba Group's rural strategy centers on the Rural Taobao (农村淘宝) program and the development of Taobao Villages, and is supported by its various initiatives involved in rural e-commerce such as the Specialties of China (特色中国) and agricultural resources (淘宝农资) channels on Taobao Marketplace, Taobao University, Tmall.com's fresh produce channel (喵鲜生) and the Blue Stars program (满天星计划), to name a few.
- One aspect of our rural efforts is about giving the rural community convenient access to affordable products and life services through the Internet.
 - In late 2014, Alibaba Group embarked on the "Rural Taobao" (农村淘宝) initiative, under which the company establishes thousands of e-commerce outposts across China in collaboration with regional governments and recruits local talent to serve the demand of the local communities.
- The second aspect is about cultivating rural e-commerce talent to enable the sustainable growth of rural economy and rural society.
 - As part of this effort, Taobao University started offering e-commerce training courses to regional government officials in late 2014. As of December 2015, more than 1,500 government officials from 598 counties/municipalities in 26 provinces had received e-commerce training.
- The third aspect is about building e-commerce infrastructure at the rural level. For examples:

- Our Rural Taobao division offers subsidies to third-party logistics service providers to support the development of the last-mile delivery network.
- Cainiao Logistics, Alibaba Group’s logistics affiliate, has built an extensive large appliances delivery network, which currently covers 95% of China’s rural regions and reaches some 500,000 villages.
- During 2015, Alibaba Group rolled out the Blue Stars program (满天星计划) in rural China in a bid to modernize agriculture and boost consumer confidence in rural produce.

ABOUT THE “RURAL TAobao” INITIATIVE

What is the “Rural Taobao” initiative?

“Rural Taobao” is Alibaba Group’s core business in respect to rural e-commerce development. It aims to promote two-way trade between China’s rural and urban regions by removing bottlenecks in logistics and information flow. Alibaba Group does so by building rural e-commerce infrastructure at the county and village levels, and cultivating rural e-commerce talent and ecosystem players.

The “Rural Taobao” initiative serves various purposes:

- Give rural villagers access to a broader range of consumer products and services at a lower cost
- Offer them a convenient channel for procuring much needed agricultural tools and resources
- Enable them to sell their specialty products to places beyond their home villages
- Provide brands and retailers with a channel to unleash the purchasing power of rural villagers

As part of the “Rural Taobao” initiative, in October 2014, Alibaba Group announced it would invest RMB10 billion (\$1.6 billion) over the next three to five years to build **1,000 county-level “Taobao rural operations centers”** and **100,000 village-level “Taobao rural service centers”** throughout China. These outposts of e-commerce give rural villagers access to buy and receive goods they need from Alibaba Group’s online marketplaces—and even start their own online businesses.

Alibaba Group works closely with local governments to establish and operate these centers, providing the necessary hardware, e-commerce training, technical support, and information about promotional offers on its online marketplaces. As of the end of 2015, **more than 12,000 village-level service centers were open in more than 20 provinces.**

The Taobao rural service centers are not intended to facilitate buying and selling of physical products only, but also to be conduits for rural villagers to conduct a range of everyday activities, such as paying utility bills, topping up mobile phones, making travel bookings, and more.



How do the county-level and village-level centers work?

In each identified county, Alibaba Group sets up a county-level center to oversee all the village-level centers in the region. The county-level center, which is operated by Alibaba employees, provides regular training to the managers of the village-level centers and also serves as a sorting facility for inbound packages generated from the local villagers' e-commerce orders.

Each village-level service center is operated by a manager recruited from the local community, who are referred to as “Rural Taobao partners (农村淘宝合伙人),” or simply “partners.” They are not Alibaba Group employees but work closely with the Alibaba staff responsible for their respective counties. They generate income primarily by charging service fees for facilitating e-commerce orders, helping villagers sell online, and providing related services.

Division of work:

- The Alibaba employee supervises the daily operations of the center, logistics between county and village, marketing activities and communications.
- The Rural Taobao partner focuses on helping villagers order and collect what they need (physical products, train tickets, mobile phone top-up, etc.) and handle product refund; as well as sell local products online and handle delivery and payment collection on their behalf.

Who are the “Rural Taobao partners”?

At the initial stage, Alibaba Group mainly leveraged on existing local small convenience stores to set up the Taobao rural service centers. Its targets were stores with good locations and shop owners who were fast learners. This has enabled the company to set up a large number of centers within a short time.

In May 2015, Alibaba rolled out a new model to cultivate **200,000 professional “Rural Taobao partners.”** It targets mainly young people familiar with the Internet and online shopping who are returning to their home villages from the city. Whereas the previous model focused on developing purchasing agents, the new model focuses on cultivating good sellers who can help promote regional products to other places as well. As of December 2015, 5,870 people had become Rural Taobao partners, making RMB2,000-3,000 per month on average. The most successful Rural Taobao partner earned up to RMB16,000 per month.

ANECDOTES OF THE “RURAL TAobao” INITIATIVE

- **A remote village in Guizhou Province:** In April 2015, Zeng Jinchai spotted a poster at the local Taobao rural service center about a Tmall.com campaign to introduce Italian products to China. Thinking about giving her father-in-law a nice surprise for his upcoming 92nd birthday, Zeng placed an order for a 5000-yuan meal through the center. Several days later, three foreign chefs arrived at the village to prepare a surprise Italian meal for the old man, and he was very pleased.
- **Xiaochuan Village in Youxi County, Fujian Province:** In May 2015, the villagers planned to build three pavilions in a park and wanted to check out a factory located more than 100 kilometers away. To their surprise, they found what they needed online for RMB40,000 only—delivery inclusive—after paying a visit to the newly set up Taobao rural service center in the village. In less than 10 days, the three pavilions ordered were already delivered to the village and they came with installation service.

- **Luotang Village in Guizhou Province:** In celebration of the Dragon Boat Festival, the villagers ordered an 18-meter-long fiberglass dragon boat from Guangdong Province. It took only two days for the dragon boat to “travel” 1,000 kilometers to reach Luotang Village.

Related video: <http://www.alizila.com/journey-1000-kilometers-begins-dragon-boat-video>

- During a mid-year promotional activity of Alibaba Group’s China retail marketplaces on June 18, 2015, the Taobao rural service centers across China facilitated hundreds of thousands of e-commerce orders. Items ordered included tens of thousands of domestic appliances, among them four 65-inch televisions which belonged to one of the latest models.

OTHER RECENT ALIBABA GROUP RURAL E-COMMERCE EFFORTS

- In April 2015, Alibaba Group expanded its Blue Stars program (满天星计划) to cover agriculture in a pilot program with the government of the Dawa County in Liaoning Province. Under the program, unique QR codes were attached to each and every piece of Dawa agricultural produce—from crabs to rice to tomatoes to persimmons—sold on Taobao Marketplace’s Specialties of China (china.taobao.com; 特色中国) channel. By scanning, consumers can immediately obtain information such as the grower, product characteristics, origin, growth cycle or breeding process, and the seller’s contact details—information that is designed to boost consumers’ confidence in the safety and quality of the food they consume. The program has since expanded to cover about 50 counties in China (as of December 2015).
- In April 2015, Alibaba Group and China Telecom announced that they would sell inexpensive mobile phones under the brand “Tianyi Taobao Shopping Handsets (天翼淘宝购物手机)” to help spread e-commerce to China’s less affluent rural population. The phones come installed with either the Mobile Taobao shopping app or the YunOS mobile operating system developed by Alibaba Group.
- In July 2015, Taobao Marketplace launched a shopping channel (ny.taobao.com; 淘宝农资) dedicated to the sale of products such as pesticides, fertilizers, seedlings, farm tools and even tractors, to give China’s small farmers greater access to the products they need to run their businesses.
- In September 2015, the Rural Taobao business division signed a MOU with AGCO Corporation, a leading American agricultural equipment manufacturer, to bring world-class agricultural machinery to rural villagers in China and jointly explore the development of services that would be of value to this market segment.
- In September 2015, the Rural Taobao business division also signed an agreement with global science-based company Royal DSM to distribute the latter’s animal feed to rural villages in China through cun.taobao.com. The collaboration aims to help rural farmers produce healthier animals for better meat, and benefit Chinese consumers as a result.
- In November 2015, Alibaba Group announced that it would organize its inaugural Ali Chinese New Year Shopping Festival (阿里年货节) in January 2016, during which agricultural products from rural China will be showcased and made available to urban consumers, and an extensive range of Chinese New Year goods from home and abroad will be offered to Chinese in rural areas.

ADDITIONAL STATISTICS FOR REFERENCE

According to AliResearch, the research arm of Alibaba Group:

- Mobile e-commerce spending by rural Chinese consumers on Alibaba Group shopping sites Tmall.com, Taobao Marketplace and Juhuasuan last year grew in excess of 250% to more than RMB200 billion (\$32 billion).
- Of the top 100 counties with the highest mobile growth in GMV, 75 were located in China's less-developed central or western regions.
- Mobile GMV of online stores operated by rural sellers exceeded RMB120 billion (\$19.3 billion) in 2014, growing more than 300% year-over-year.
- GMV of Taobao/Tmall.com shops owned by e-tailers in impoverished counties in China last year grew 58% to more than RMB12 billion (\$1.93 billion).

Other discloseable data:

- As of the end of 2014, there were about 750,000 sellers of agricultural products on Alibaba Group's China retail marketplaces, representing a year-on-year increase of 98%. [Data released in March 2015]
- During the 12 months ended March 31, 2015, 219 million active buyers, or approximately 63% of all active buyers on Alibaba Group's China retail marketplaces, were located outside of tier 1 and tier 2 cities.
- During the 2015 11.11 Global Shopping Festival, GMV generated at Alibaba Group's village-level Taobao rural service centers across China exceeded RMB10 million within the first eight minutes, and reached RMB293 million by the end of the 24-hour sale .GMV generated in each village surpassed RMB30,000 on average.
- As of December 2015, about 30% of the packages handled by Cainiao Logistics' rural network are delivered from county to village on the same day they arrive at the county.

###