

China Taobao Village Research Report (2020)



September 2020

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Key Findings

1. Taobao Villages and Taobao Towns achieved robust growth despite the adverse conditions brought by the Covid-19 pandemic, showcasing the important role that the digital economy plays during times of uncertainty.

The number of Taobao Villages and Taobao Towns in China rose to 5,425 and 1,756, respectively, up by 1,115 villages and 638 towns compared with the previous year. Taobao Villages and Taobao Towns are located across 28 and 27 provinces, autonomous regions and municipalities, respectively, accounting for about 1% and 5.8% of all administrative villages and towns/townships, respectively, in China.

2. With the annual transaction volume of Taobao Village and Taobao Town online stores exceeding RMB 1 trillion, more migrant workers are returning to their hometown to start their own business.

The number of active online stores reached 2.96 million, creating over 8.28 million jobs.

3. Taobao Villages and Taobao Towns are expanding more rapidly in the underdeveloped regions in China. The wide coverage of digital infrastructure has made available new jobs and entrepreneurship opportunities for marginalized people in remote mountainous areas during the pandemic.

The number of Taobao Villages in the central, western and northeastern regions of China nearly doubled from 172 in 2019 to 341, while the number of Taobao Towns soared to 393, up 76% from 223 in 2019.

In 2020, 119 Taobao Villages were dispersed across 41 national-level impoverished counties in 10 provinces, an increase of 56, or 89%, compared with the previous year. The annual transaction volume of Taobao Villages in national-level impoverished counties was over RMB 4.8 billion. Meanwhile, 106 Taobao Towns were located across 75 national-level impoverished counties in 12 provinces, with an annual transaction volume of over RMB 17 billion, that is an average of RMB 160 million for each town.

4. As Taobao Villages and Taobao Towns spread across national-level impoverished counties, e-commerce is playing a more significant role in poverty alleviation. Some 49% of Taobao Villages in national-level poverty-stricken counties are located in the central and western regions of China, mostly selling agricultural products.

5. E-commerce continues to catalyze industry clusters in rural areas, and a new pattern has formed that involves multiple complementary industry clusters working together for mutual benefits, and traditional labor-intensive industries transforming into a hybrid model by integrating with technology-intensive industries. E-commerce not only helps the traditional industries shift their business online but also generates new industry clusters.

6. The consolidation of multiple sectors has become one of the latest trends in Taobao

Villages, as some of them are merging their business with the second and third sectors and integrating e-commerce with their local tourism and culture industries, thus improving the brand image of the villages and establishing themselves as exemplars of rural invigoration.

7. The Top 100 Taobao Village Counties are dispersed across 11 provinces/municipalities, with Zhejiang leading the provincial list with 29 counties, and Heze, Shandong topping the city-level list with nine counties. The Top 100 operate in 52 categories, including clothing, local specialties and furniture. The industry cluster is one of the most important elements in the Top 100 Taobao Village Counties. The Top 10 Taobao Village Counties account for 30% of all Taobao Villages the Top 100 counties have, indicating a concentrated distribution pattern.

8. New trends in Taobao Villages: Firstly, more rural e-commerce hubs are relocating to towns. Secondly, live-streaming e-commerce will help create Taobao Villages and Taobao Towns in new ways. Thirdly, digital service applications will thrive in Taobao Villages. Last but not the least, the most beautiful Taobao Villages will lead rural invigoration.

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I. Taobao Villages: New Progress Made

1. Taobao Villages and Taobao Towns achieve robust growth despite adverse conditions

(1) The number of Taobao Villages crossed the milestone of 5,000

The number of Taobao Villages in China has risen to 5,425, up by 1,115 villages year-on-year, to account for about 1% of all administrative villages in China. As China launches the rural e-commerce integrated demonstration projects and Alibaba implements its rural strategy, the number of Taobao Villages continues to grow.

In terms of distribution across cities, the three cities with the largest number of Taobao Villages are Heze of Shandong, and Jinhua and Wenzhou of Zhejiang. On the county level, the clustered development and growth of Taobao Villages are gaining momentum.

(2) Taobao Towns growing rapidly, especially in the central, western and northeastern regions of China

The number of Taobao Towns in China increased from 1,118 in 2019 to 1,756, up 57%, or 638, compared with the previous year.

Taobao Towns are widely spread across 27 provinces, autonomous regions and municipalities with new breakthroughs in the central and western regions. For example, the number of Taobao Towns grew rapidly in Sichuan, Guangxi, Guizhou, Shaanxi and Tibet, while Shanghai, Inner Mongolia, Chongqing, Tibet, Hainan had their first Taobao Towns emerge.

2. Taobao Villages and Taobao Town transaction volume distribution characteristics

(1) Transaction scale of Taobao Villages

Transactions in Taobao Villages are mostly concentrated in villages with a volume below RMB 50 million, which account for 72% of all Taobao Villages.

745 Taobao Villages, spread across 14 provinces and cities, achieved transaction volume of over RMB 100 million. As the top 13% of all Taobao Villages, they prove that high-quality growth in rural areas enabled by e-commerce is possible and demonstrate that Taobao Villages can further develop through industrialization and clusterization.

(2) Transaction scale of Taobao Towns

Transactions in Taobao Towns are mostly concentrated in those with a volume above

RMB 100 million, with a high level of industrial clusterization as well. 535 Taobao Towns spread across 18 provinces and cities achieved a transaction volume of over RMB 300 million. Zhejiang, Guangdong and Jiangsu ranked top three in terms of the Taobao Towns they are home to, in line with the rankings of Taobao Villages with a transaction volume over RMB 100 million.

II. Taobao Villages: New Space

1. Taobao Villages sustained solid growth with a strengthened gradient pattern

The number of Taobao Villages grew to 5,425 in 2020, up from 4,310 in 2019. Taobao Villages are now located across 28 provinces, autonomous regions and municipalities. As Hainan, Gansu and Shanghai welcomed their first Taobao Villages, the coverage of the villages spread further on the provincial level this year.

The eastern coastal provinces still lead in terms of the number of Taobao Villages, while the central and western regions of China achieved significant growth compared with the previous year. However, the decreasing spatial gradient pattern of "East-Central-West and Northeast" remained largely unchanged.

2. The number of Taobao Towns soared in Chengdu, Chongqing and the central region

The number of Taobao Towns surged to 1,756 in 2020, up nearly 60% from 1,118 in 2019. The clusterization of Taobao Towns in Chengdu, Chongqing and the central region, especially Henan, intensified compared with the previous year.

3. Taobao Villages and Towns in the central, western and northeastern regions of China are on the rise, and the northern region is seeing good momentum

The number of Taobao Villages in the central, western and northeastern regions of China increased to 341 in 2020 from 172 in the previous year, accounting for 6.29% of all Taobao Villages nationwide, up from 3.99% in 2019. The number of Taobao Towns in those areas increased to 393 in 2020 from 223 in the previous year, accounting for 22.38% of all Taobao Towns nationwide, up from 19.95% in 2019, and clearly demonstrating the potential for further growth. The gap between the northern and southern regions in terms of rural e-commerce has narrowed, as the northern region of China is maintaining a solid momentum.

4. The spatial distribution of Top 100 Taobao Village counties shows some concentration while covering both the eastern and central regions

Ninety-seven of the Top 100 Taobao Village counties are located in the eastern region while only three are located in the central region. However, the Top 100 Taobao Village counties in the central region feature a faster development cycle and distinctive products. And this is where the region's growth potential lies.

III. Taobao Villages: New Highlights

1. The nascent live-streaming trend

(1) Taobao Live becoming the new trend

E-commerce through live-streaming has become a new trend in Taobao Villages this year, with more and more online stores jumping on the bandwagon. Live-streaming e-commerce that features professional product introductions, scenario-based experiences and diversified forms of interaction is increasingly popular, attracting vast numbers of consumers. As many people spent long hours at home during the Covid-19 pandemic, watching live-streaming shows became a major form of entertainment. Live-streaming propelled sales of RMB 42.5 billion for Taobao Villages and Towns in 2020, up 82.4% compared with the previous year.

There are two development models of live-streaming e-commerce in Taobao Villages: the spontaneous model and professional model. The former requires the online stores to conduct live-streaming at the production site or where the proprietors live, which often results in natural, realistic and rustic content. The latter is a curated show that requires a special site for streaming, enabled by a range of related equipment, such as the camera, lighting setup and air blower. Streamers need to teach themselves live-streaming techniques, through training, for example.

Live-streaming e-commerce plays an important role in the rise of Taobao Villages by shaping the related industrial chain, helping the fight against the pandemic and the resumption of production, supporting employment and entrepreneurship in rural areas, boosting the production and income of farmers, and promoting the revamp of Taobao Villages.

(2) Top 50 Taobao Villages on Taobao Live

From a geographical perspective, all of the Top 50 Taobao Villages on Taobao Live are located in the eastern coastal region, with Zhejiang, Guangdong and Jiangsu topping the

provincial rankings, largely in line with the ranking list of top live-streaming e-commerce cities. This indicates that the urban and rural areas in the eastern coastal region of China, where the internet economy is thriving, are leading the development of live-streaming e-commerce.

The best-selling products in those Taobao Villages include apparel, accessories, home items, and electrical appliances. Women are the largest consumer group for Taobao Live. Their preferred products include jewelry, bracelets, stud earrings, dresses and oversized clothing.

We also found that the products sold on Taobao Live differ from the product ranges of the villages. As the nascent live-streaming business grows, Taobao Villages and Taobao Towns may develop in new ways.

2. Remarkable success in the fight against the pandemic and the resumption of production

Taobao Villages led the resumption of production in China during the pandemic, and have achieved robust growth despite adverse conditions. Taobao Villages and Taobao Towns made a strong comeback after a short-term plunge in sales due to the impact of the pandemic, showcasing the important role that the digital economy plays in the fight against the pandemic and the resumption of production.

Thanks to the various supportive measures rolled out by local governments and the e-commerce platform, online agricultural produce sales through Taobao and Tmall in the first quarter grew by more than 20%. With strong industrial clusterization, a sophisticated supply chain, access to the local workforce and contactless business operations, Taobao Villages demonstrate their significant advantages in the fight against the pandemic and the resumption of production.

3. Agricultural produce sales gain momentum

(1) Top 100 Taobao Villages in terms of agricultural produce

A two-year survey recently found that agricultural produce is the major sales category in the vast rural areas in central and western China. Compared with other products, agricultural produce generates immediate and meaningful returns for farmers on the e-commerce platform.

There are 80 Taobao villages in China with agricultural produce sales of more than RMB 20 million, 65 with sales between RMB 10 and 20 million, 142 between RMB 5 and 10 million, and 153 between RMB 2.5 and 5 million.

(2) The agricultural produce that Taobao Villages sell is widely distributed and clustered and boasts local characteristics

IV. Taobao Villages: New Value Creation

1. New breakthroughs in poverty alleviation and reduction

As e-commerce continues to grow in scope and depth, it is playing a more prominent role in raising incomes in poorer areas and narrowing the income gap through creating a vast number of jobs and entrepreneurial opportunities in national-level impoverished counties. In the central and western regions, e-commerce is helping online stores sell agricultural produce and handicrafts, resulting in a new breakthrough in poverty alleviation and reduction.

(1) Higher number of Taobao Villages and Towns in national-level impoverished counties

Firstly, more Taobao Villages are emerging in national-level impoverished counties. 119 Taobao Villages were dispersed across 41 national-level impoverished counties in 10 provinces, an increase of 56, or 89%, from 2019.

Secondly, more Taobao Towns are emerging in national-level impoverished counties. 106 Taobao Towns were found across 75 national-level impoverished counties in 12 provinces, up 35 compared with the previous year.

(2) E-commerce is playing a more prominent role in poverty alleviation and reduction in China's central and western regions

E-commerce is helping boost sales of agricultural products, a new frontier in poverty alleviation and reduction in the central and western regions. This development proves the effectiveness of e-commerce in driving the development of agriculture and rural areas.

2. E-commerce helps catalyze industry clusters

(1) With the expansion of the product range sold through e-commerce, various kinds of labor-intensive and technology-intensive industry clusters are taking shape

(2) With the large-scale emergence of industry clusters in Taobao Villages, a new pattern has formed that involves multiple complementary industry clusters working together for mutual benefits. Most counties adopt a hybrid cluster model based on multiple industries. E-commerce on the one hand generates new industry clusters and on the other it guides the transformation and revamp of traditional industry clusters.

3. A new trend of industry consolidation

As e-commerce is driving high-quality development in rural areas, industry consolidation is beginning to take place in Taobao Villages that traditionally focused on production, processing and sales, creating different industry combinations, like tourism e-commerce and online service e-commerce, for example.

V. Taobao Villages: New Trends

1. Relocation of rural e-commerce hubs to towns

In 2020, rural e-commerce expanded in China's central and western regions, with Hainan and Gansu welcoming their first Taobao Villages and Towns, and Xinjiang, Guizhou, Yunnan, Shanxi, Chongqing, Guangxi, Hunan, Shaanxi, Sichuan and other central and western provinces seeing the number of Taobao Villages and Towns grow further. In the central region, Henan, Hubei and Jiangxi recorded significant growth.

As the Taobao Villages and Towns are growing in quantity and distribution range, more rural e-commerce hubs are relocating to towns, which is reflected in the surge of Taobao Towns, up nearly 60% compared with the previous year for a faster growth rate than Taobao Villages.

2. Live-streaming e-commerce to help create Taobao Villages and Taobao Towns in new ways

As the development of mobile internet accelerates due to the Covid-19 pandemic, live-streaming e-commerce has become a new highlight of Taobao Villages in 2020. With the soaring growth of live-streaming e-commerce, the marketing model of Taobao Villages is changing.

On the one hand, the product range promoted through live-streaming is expanding beyond items with higher unit prices and added value, such as jewelry and jade, to those with lower unit prices and added value, such as potted plants and agricultural produce.

On the other hand, a massive amount of standardized products, like clothing and toys, have started to be better presented through live-streaming, apart from non-standardized products, which are being effectively marketed through live-streaming.

The further development of live-streaming e-commerce may change the way Taobao Villages and Towns emerge and develop. One possible scenario is that live-streaming

hosts / internet celebrities will gather around the production end. The reverse, i.e. the products gather around the live-streaming end, may also occur. Either scenario would lead to the creation of new Taobao Villages and Towns, or even internet celebrity villages and towns. As the mobility of people increases, Taobao Villages and Towns may disappear as fast as they are created.

3. Data-based service applications to thrive in Taobao Villages

Another new trend in the development of Taobao Villages is that data products are empowering the growth of e-commerce. Unlike traditional offline sales channels, online sales channels have the advantage of being able to collect and analyze data about transactions, which can be aggregated into big data.

For example, Shengyi Canmou, a data-based business tool developed by Alibaba, enables online businesses to make operational decisions based on data. The number of online stores in Taobao Villages that use data products is growing fast. 78% of them are clients of Shengyi Canmou. Many of the top-performing online businesses in Taobao Villages leverage data to gain insights into the market, identify opportunities, and adjust their strategies.

With access to the most up-to-date, comprehensive and accurate information through data products, online businesses in rural areas can pinpoint and tackle their own weaknesses, maintain demand-driven and user-oriented operations, and gain forward-looking perspectives to create first-mover advantage, and thus continuously improve their sales performance.

4. Most Beautiful Taobao Villages to lead rural invigoration

Over the past decade, Taobao Villages have achieved prosperity, high-quality development and affluence. They are now implementing effective measures to improve their ecosystems, living environment, and governance, giving rise to the first batch of "Most Beautiful Taobao Villages", which demonstrate high levels across the aforementioned aspects. As online sales drive the development of local industries and the growth of the economy, many Taobao Villages are taking actions to improve the living environment, integrate agriculture with tourism and culture and beautify the countryside, a crucial component of the Beautiful China Initiative (BCI), a plan focused on improving the eco-environment for the sustainable development of the country.

As China continues to drive the development of ecological civilization, more villages and towns will follow the model of coordinated development of the economy and ecology.