

# Research on the Innovative Model of "Community + Group Purchase" under the Background of New Retail

## -- A Case Study of Wuwei City, Anhui Province

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### Abstract

Based on the development status of rural e-commerce under the "new business format", the "community + group purchase" model meets the needs of users in the sinking market. In rural areas where there are not enough retail formats, it enriches shopping types and facilitates shopping channels. Therefore, based on the community e-commerce theory, this paper innovates the new e-commerce model of "community + group purchase" according to the local situation, and solves the "bottleneck" problem affecting the development of local convenience service business circle in rural areas from the perspective of community education and training and the construction of logistics distribution public service system through field research and literature survey, so as to promote the revitalization and development of rural areas.

### Keywords

The Community Group; Rural Revitalization; Rural Electricity.

## 1. Research Background

As we all know, agricultural products are not suitable for e-commerce products because of their special properties, such as short preservation period, easy damage and high transportation cost. However, with the development of modern information, packaging technology and logistics distribution, e-commerce has gradually penetrated into the rural field. In addition, the surrounding cities have changed the business model of fresh vegetable retail industry, serving residents more efficiently and attentively, and the long-distance e-commerce model has gradually transformed to the short-distance shopping model. Endogenous and external requirements have formed the research on "rural community e-commerce".

The formation of community e-commerce has truly realized the combination of real and virtual online and offline, and opened up the last kilometer of grass-roots e-commerce. The so-called "community e-commerce" includes two meanings, namely community e-commerce and community-based e-commerce. Community e-commerce is to carry out e-commerce on the basis of community, and community-based e-commerce is to study how to make this e-commerce community around the platform of e-commerce.

Since the network poverty alleviation in 2016, the expansion of the village collective economy has been a fundamental problem. All localities have used the express train of rural e-commerce to sell agricultural products "raised in the mountains and unknown" to all localities, leading to poverty alleviation. During the epidemic period, the new business models of online consumption such as live delivery, online group purchase and cloud tourism on major platforms also showed strong vitality in the rural market.

## 2. Overview of Community Group Purchase

The main operation mode of community group purchase is to integrate multiple community resources with wechat applet as the carrier to form a community business of Pre-sale + group purchase under the centralized management and operation of merchants. The main sales scenario is the community wechat group initiated by various express collection points, community convenience stores, community properties and owners. Each group is equivalent to a community store.

Rural community e-commerce is a community e-commerce model with the community (Village) as the core, within a distance of 3 kilometers around, taking businesses as the carrier, integrating community resources of multiple communities (villages), providing daily goods and life services needed by local community (Village) residents, and centralized management and operation, including store entry service and door-to-door service. It can cover all aspects of community life, including catering services, community retail services, housekeeping services, beauty salon services, etc.

## 3. Development Status of Community Group Purchase

Although community group buying started late, it has a rapid development momentum. In 2018, community group buying enterprises attracted much attention from the capital market. The financing amount of the whole industry was up to 4 billion yuan, realizing the scale of the industry market of 7.36 billion yuan. Driven by the capital market, they soon entered the "hundred regiments war". Although in 2019, the tide of capital ebbed and industry mergers occurred frequently, the leading enterprises gradually became prominent, and the industry market scale still reached 34 billion yuan. Since 2020, COVID-19 has changed people's consumption habits, and community group purchase has been booming. Many well-known e-commerce platforms in China have been involved in the community group purchase.

## 4. Advantages of Group Purchase in Rural Communities

For a long time, subject to the pressure of supply chain and cost, traditional fresh e-commerce is mainly concentrated in the first and second tier cities, with low market penetration. Relevant data show that the penetration rate of fresh e-commerce in China in 2019 was only 4.67%. Community group buying breaks the restriction that it is difficult for fresh e-commerce to sink, and has great potential in the rural market.

### 4.1. The Pre-sale Mode of "Purchase by Sale" Reduces Commodity Loss and Obtains Price Advantage

The number of high-quality goods in the sinking market is small and the shopping channels are limited, so the shopping convenience is less than that in cities and towns. At the same time, rural consumers have low time cost and are generally more sensitive to commodity prices. Therefore, for township consumers, enabling them to buy the required goods at a lower price and in a relatively convenient way can meet the needs of most consumers. Instant delivery home or next day delivery is not the focus of rural users.

At the same time, the commodity price of community group purchase platform is usually lower than that of other platforms. With the help of group purchase mode, community group purchase can effectively give play to the scale effect and reduce the operation cost in the procurement and performance links. In the end link where centralized distribution is impossible, community group purchase adopts the self delivery mode to reduce the performance cost. Therefore, community group buying can provide competitive commodity prices.

#### **4.2. "Door to Door Delivery" Breaks the Inconvenience of Shopping in Rural Areas and Breaks the Restrictions of Geographical Conditions**

Retail formats in most rural markets are relatively scarce, coupled with the lack of penetration of traditional e-commerce, so it is extremely inconvenient for consumers to shop. For offline shopping, consumers usually need to go to the town and even the county. The timeliness of online channels is poor. It usually takes three days or more from shopping to receiving. In most cases, you also need to go to the express point in the town to pick up the goods. Community group purchase enables users to place orders online and pick up goods in the village or even at home. At the same time, the performance time will be reduced to the next day. As the business model matures, the delivery time and delivery distance are further shortened. Under the joint action of closer distance and higher timeliness, rural consumers have higher acceptance of community group buying.

#### **4.3. The Mode of "Central Warehouse + Grid Warehouse + Pick-up Point" Gives Full Play to the Advantages of Community Group Purchase and Reaches the Township Market**

In terms of warehouse distribution system, community group purchase adopts the mode of "central warehouse + grid warehouse + self lifting point". In the first mock exam, the circulation of goods is fast and the performance cycle is usually less than 12 hours, so the warehouse mainly takes the function of sorting goods. The warehouse distribution system of community group purchase effectively reduces the storage cost, improves the timeliness of distribution, and enables community group purchase to reach the township market.

#### **4.4. The "Head" of Acquaintances is Easier to Implement in Rural Areas to Improve the Quality of Life of the Left behind Elderly**

At present, the coverage of online shopping in a large number of rural areas in China is not high. Most of the elderly stay in villages and it is difficult to accept new shopping methods. Compared with the general online consumption, the new rural community e-commerce also has an unparalleled advantage, that is, the social development has high user viscosity. This is mainly because the development of community e-commerce needs a "head", and the head can be the neighbors in the countryside. The face-to-face, warm and continuous communication with the neighbors can meet the spiritual needs of consumers, and it is easy for consumers to have a sense of trust.

### **5. Community Group Purchase Operation Mode**

Through field investigation, telephone interview and literature research, this paper deeply understands some community convenience service points in Wuwei City, Anhui Province, and makes field research and Research on the development status and existing pain points of rural community e-commerce. We found that there are mainly two modes of community group purchase, namely the mode dominated by partners and the mode dominated by Direct stores.

The partner based model means that the platform sets up a head in the community that meets the community group purchase standards, and the head is fully responsible for the group purchase initiation, customer feedback, inspection of goods and other responsibilities. The advantages are less capital investment and fast expansion; The disadvantage is that the head candidate is very important. The community performance depends on the head's efforts and is highly dependent on the head. Taking Wuwei City as an example, it takes the community as the entrance, locates in the daily consumption scene of the family, and provides group purchases of fruits and vegetables, fresh food and household products in the community. Its business model is mainly to recruit community Baoma to become community partners, let these part-

time workers share commodity information, and give Baoma 15% ~ 25% commission according to sales after group purchase. From its wechat applet, users need to contact the head to participate in group purchase, and the platform has never stopped recruiting heads. However, the recruitment head has a threshold and needs to apply for approval.

The so-called business model dominated by community Direct stores refers to the model of establishing branch offices first, and then sending the receiving information to buyers through information and other means, so that buyers can pick it up by themselves. Its advantage is that the group purchase products are selected by customers, the platform can realize direct connection with customers, and the user's trust and loyalty are relatively high. The disadvantage is that compared with the partner model, the operation cost is high and the implementation speed in the early stage is slow. In rural areas and towns, it is not easy to implement because the infrastructure transportation facilities are relatively backward.

## **6. Problems and Suggestions of Group Purchase in Rural Communities**

### **6.1. Improve the Distribution Capacity from the County to Subordinate Towns and Villages**

Due to the spatial dispersion of rural communities and backward infrastructure, the layout of community group purchase enterprises often needs to build a warehouse distribution system, with high initial investment. At the same time, in the case of competition among multiple enterprises or platforms, repeated construction will also cause a waste of resources. Therefore, it is suggested to rely on the infrastructure investment in Rural Revitalization and new urbanization, adopt PPP mode, and build a public warehousing and distribution infrastructure system based on the two levels of county and central town. Specifically, it includes the integration of existing storage nodes, cold chain facilities and other relevant resources, the modernization and upgrading in accordance with the development plan of industrial revitalization and new urbanization, and serving the upward trend of agricultural products and the downward trend of community group purchase. In addition to industrial products, the popular categories of community group purchase are mainly fresh products produced locally. Therefore, the focus should be on accelerating the ability of the county cold chain logistics system to connect with the source of goods, and minimizing the intermediate circulation links from the origin directly to the county, which is not only conducive to ensuring the quality, but also retaining more value for profit transfer. In addition, at present, the construction level of town level fresh storage facilities is relatively low, the operation is also very extensive, and the delivery quality of products is not ideal. Improving the modernization and standardized operation level of cold chain warehouse distribution in central town is an urgent problem to attract rural residents to try community group purchase and improve the consumption experience in the introduction period.

### **6.2. Cultivate Local Leaders with Two-way Community Group Purchase Operation Ability**

The sustainable prosperity of rural community group buying is inseparable from the continuous improvement of rural residents' income level and consumption upgrading. Therefore, rural community group buying should carry out the upward group buying business of agricultural products at the same time. Community group buying platform is not only a supply platform for rural community group buying, but also a sales platform for urban community group buying. Therefore, it can effectively match the supply and demand of urban customers with rural customers. First of all, rural leaders should give priority to local residents, especially focus on cultivating left behind or returning young people with entrepreneurial dreams. The ability of rural leaders should not only have strong local market development and

service ability, but also have the ability to drive the upward sales of local agricultural resources. Secondly, the community group purchase platform can "pair" urban heads with rural heads, fully tap the existing community customer resources of the platform, and build a stable upward channel of agricultural products based on the trust of heads. By cultivating local leaders with Two-way community group purchase operation ability, the community group purchase platform can become an important carrier to promote the revitalization of rural industries. Community group purchase platform can not only become an upward channel for agricultural products, but also an enabling platform for rural industrial and commercial modernization. By driving other rural residents to learn and grow together, the platform can provide a full set of modern and standardized solutions for the majority of rural residents, including the production, packaging, marketing and after-sales service of agricultural products.

### 6.3. Cultivate Deep Service Awareness

The characteristics of "acquaintance economy" in rural consumer market are obvious. It is difficult for strangers to establish trust relationship, but the trust relationship successfully established has strong stickiness. With the increasing competition of community group buying in the rural consumer market, it is difficult to support the maintenance of long-term customer relationship by relying solely on the competition of price and delivery quality. Therefore, we must establish emotional links through in-depth services. On the one hand, as for the group purchase service itself, the platform and head should fully consider the performance appraisal from the standpoint of rural consumers, and should not induce rural consumers to consume impulsively or excessively due to one-sided pursuit of economic profits. We should always adhere to the principles of economy, rationality and economy, fully understand the real needs of different families and individuals, and give appropriate consumption suggestions and marketing information; On the other hand, in addition to retail work, the platform and leaders should pay more attention to the family development of rural residents, especially give appropriate assistance to needy families, such as providing more preferential prices for the elderly living alone, single parent families, orphans and other groups, or launching public welfare activities through the platform, or directly providing certain employment opportunities. In a word, the community group purchase platform expects to operate continuously in the rural market. It must be a "platform" with "temperature" and strive to become a close "neighbor" of rural consumers, so as to firmly grasp the hearts of rural consumers.

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