

E-commerce is changing the Chinese supply chain

Last week, during the Fresh Produce Forum China, some of China's top e-commerce operators, such as Yiguo, Tmall Fresh, and Floruit talked about their investments and the future of the market. The event was co-hosted by Asiafruit Magazine and Asia Fruit Logistica, China's most important international trade conference.

According to China International Electronic Commerce Center (CIECC), between 2012 and 2016, the value of e-commerce in China grew from RMB4bn (US \$ 580m) to almost RMB91bn (US \$ 13.2bn), and had an increase of 80 Percent only in 2016. And the value of this market is projected to rise to RMB150bn (US \$ 21.86bn) in 2017.

In a note from Fruitnet, Ocean Liu from Tmall Fresh, Zhang Yi from Floruit, and Chen Ren from Yiguo stated that fresh products were the new frontier for Chinese e-commerce. The experts stated that Chinese consumers had adopted online purchases of fresh food as a routine and that their demands and expectations were increasing, especially regarding a higher quality and freshness of the products they receive. As a result, e-commerce companies started to increase their supply chain investments last year to meet these ever-evolving consumer demands.

In this regard, Chen Ren from Yiguo said that his company had made large investments in Exfresh, a cold logistics chain. "The first goal is providing high-quality, safe food," Chen said, adding that "the younger generation wants convenience and they are very picky about quality, freshness and timely delivery, so we have to make a huge investment in supply and in the supply chain to meet that demand."

E-commerce and Retail Integration: E-tailers or O2O

E-commerce is also driving retailers into the business. A few years ago people thought that online channels could decimate their off-line counterparts, such as retail. Today, however, they see an integration of their operations to better serve the consumer, said Chris White, Director General of Asiafruit Magazine.

This trend, according to the professional, has generated new retail concepts, i.e. e-tailers or O2O (online to offline) such as Alibaba's fresh food chain, Hema Food Market, online and offline investment, in which consumers can order products online and receive them from the nearest store.

"There is growing awareness that neither channel can adequately serve the consumer," said Ocean Liu of T-Mall Fresh.

Liu added that it was very difficult for conventional retailers to perform an online integration. "That's why we do not see great examples of this model in Europe," he continued.

E-commerce "With Hema Fresh, we started with e-commerce in the core, it was born from an Internet mindset. We have been able to build stores and tailor their design to match the demands of a particular consumer. The store is the experiential entity - the place to taste and experiment. After that, we expect consumers to buy more products in the online version, that's the ideal."

E-commerce is also driving change in other parts of the supply chain, as is the case in China's wholesale markets. Floruit has brought the Beijing-based wholesale fruit market in Xinfad online through its business-to-business trading platform, said Zhang Yi.

"We are connecting producers and retailers, and providing a third-party logistics service to them. We also offer sales data and brand promotions to producers," Zhang said, adding that "the system's transparency is one of the most important things that it brings to the table. International suppliers want to know the prices in the Chinese market in real time, who is buying their product and through what channel. We can monitor and coordinate all this information and share it with producers," he added.

Sharing consumer data?

One of the most important questions is: How do e-tailers collect information about their buyers demographics, the frequency of purchases of fresh produce, and if they share this information with their suppliers?

The representative of Yiguo said that the company had two key methods for sharing information with suppliers. "First of all, we can form an association with suppliers from foreign countries, which are new to the Chinese market, to help them find out who their target consumers are... Once we have identified that data demographically, we can market their brand to these consumers and look for more information, which in turn can be shared with suppliers," he said.

"Our second model is the business partners program; some major suppliers have signed contracts with us. Once they become joint business partners, we can open our consumer database for them," Chen concluded.

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