The Marketing Strategy of O2O-modelled Shenzhen Baiguoyuan Co. Ltd.

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Abstract—This thesis proposes a better understanding of the O2O model of offline fruit shops by analyzing the advantages and disadvantages of the O2O marketing strategy of Baiguoyuan Co. Ltd. and its development. Based on the case-study of the successful case, the online marketing model, its development and the method of offline fruit shops are put forward. At the same time, strategy is proposed of how to increase marketing efficiency and to increase profit for offline fruit shops and thus promote the development of the whole “Internet + fruit” industry.

Keywords—E-commerce, O2O E-commerce, Fruit E-commerce, Baiguoyuan

I. INTRODUCTION

A. Research Background

The No.1 central document in 2018 still revolves around issues relating to agriculture, rural areas and rural people and puts forward the strategy of rural vitalization. With the support of the government for agricultural e-commerce, there is a huge potential of combining agriculture and Internet, and fruit e-commerce is prosperous.

There are many villages and vast rural areas in China. Problems such as farmers’ limited productivity relying on traditional farming methods, fresh fruit influenced in the course of logistic distribution and farmers acquiring information inaccurately and slowly lead to the accumulation and damage of fresh fruits. In order to reduce the damages of fresh fruits caused by logistic distribution, many farmers choose to transport fruits to nearby fruit markets and sell them at a low price with low profit. With the increasing productivity in China, residents have higher living standards and increasing consumption demands for healthy and fresh fruits, but most residents still choose to purchase fruits in nearby fruit shops and vendors, so that the low-income problems of farmers cannot be solved. To avoid accumulation and waste of fresh fruits during harvest time and to make farmers accept, participate and use the Internet to boost rural economy and increase farmers’ income are goals of the fruit e-commerce.

B. Research Significance

Fruit retailing chain shops are everywhere nowadays. There are constantly new shop opening and shops struggling to survive with many eventually closing down. As the pioneer of fruit retailing chain shops, Shenzhen Baiguoyuan Co. Ltd. has found a suitable survival strategy for enterprises of this kind. In order to understand the fresh fruit e-commerce based on the O2O model in China better, I have chosen to investigate on Shenzhen Baiguoyuan Co. Ltd. Among all the new fresh fruit retailing e-commerce companies based on the O2O model, Baiguoyuan is a relatively successful one. Through the analysis of the advantages, disadvantages, opportunities and challenges of Baiguoyuan, a model for China's continuous development of fresh fruit e-commerce enterprises is provided with the result of promoting the development of China's fresh fruit e-commerce, and at the same time improving issues relating to agriculture, rural areas and rural people and effectively promoting the integration of resources in rural areas of China.

C. Research Methods

The research methods of this paper include literature review analysis, SWOT analysis and inductive data analysis. Firstly, I consulted and collected relevant literature by using the electronic reading room of Wuhan Donghu College and used the online library to collect relevant information about China’s O2O fresh fruit e-commerce and Shenzhen Baiguoyuan Co. Ltd. I then summarized the collected data to gather material for the writing the thesis. Secondly, through analyzing the marketing model of Shenzhen Baiguoyuan and comparing the advantages and disadvantages of various fruit marketing models, I found the suitable marketing model for "Internet + fresh fruit" and conducted SWOT analysis. Finally, I summarized the collected information on China's O2O fresh fruit e-commerce and Shenzhen Baiguoyuan Co. Ltd. and then extracted the essential issues. I concluded by organizing and analyzing the summary using inductive data analysis. Eventually, I put forward my own opinion and suggestions on the development of China's fresh fruit e-commerce of the O2O model.

D. Status of Research

● Foreign research Status

Each country has its own characteristics of agricultural e-commerce. In The Development of Electronic Commerce in Agribusiness (2016), Dariusz Strzębicki indicates that Poland is a country with a specific agricultural market structure [4]. Poland has the advantage of scattered agricultural markets and the active presence of large retail chains and supermarkets.
makes them active wholesalers and agricultural producers. But they always bypass the e-commerce platform which causes confusion in the e-commerce market. The Polish e-commerce agribusinesses are in the early stage of development and at the same time, it is also an evolutionary process. The article also puts forward feasible suggestions that the current e-commerce application areas of Polish agribusinesses should cooperate better with e-commerce platforms and the supervision of the e-commerce market should be enhanced in order to promote the development of the Polish agricultural e-commerce.

Foreign Internet technologies began to operate earlier than those of China. Thus, the development of the O2O e-commerce model is relatively smooth and the assessment of O2O e-commerce’s development is more comprehensive and detailed. In The Impact of Food Quality Information Services on Food Supply Chain Pricing Decisions and Coordination Mechanisms Based on the O2O E-Commerce Mode (2018), Sarah J. Wu proposes that the control of food quality and standardization of prices should be strengthened in O2O e-commerce. The paper analyzes the advantages and disadvantages of cooperation between enterprises and production sites and points out that enterprises can monitor the entire process from production to sales through controlling the origin so as to control the quality of e-commerce products from the source [5].

- **Domestic Research Status**

In her Study on O2O E-commerce Operation Mode of Fresh Product Community (2017), Xu Xiaoyu proposes that the development of China's fresh E-commerce O2O model needs the establishment of community-based logistics distribution and customer service systems [6]. She points out the necessity and benefits of establishing an O2O community of fresh product in China. For example, community-based service can speed up the distribution of products and make it easier for consumers to purchase goods offline.

In his Study on the development of fresh fruit e-commerce (2017), Ni Chengying points out that China's domestic fresh fruit e-commerce has been favored by all comprehensive e-commerce platforms and that the major development models are e-commerce based on platforms, vertical e-commerce and O2O [7]. The article indicates that the development of China’s fresh fruit e-commerce needs the strengthening of basic supporting facilities, the improvement of relevant legal system and the enhancement of the products’ quality control. In the consumption upgrade of Chinese consumers, fresh fruit e-commerce needs to meet the demand of consumers for high-quality products, and makes fresh fruit e-commerce better.

II. THE PRESENT STATUS OF FRUIT E-COMMERCE

A. The Concept of the O2O Model

O2O model, also known as Online to Offline, means to combine the offline business opportunity with the Internet. From another perspective, the O2O is a special kind of the B2C model. The development of group-buying websites and residents’ knowledge about them create a new mode in the development of e-commerce. Most merchants participating in the group-buying activities have their offline stores, but in the B2C model, most of the merchants do not have brick-and-mortar stores and their products are sold only through the platforms of e-commerce websites. This causes problems that consumers are easily cheated by merchants according to social field surveys. Consumers can only see the pictures of products when they purchase online and they may find the products do not match the pictures or have flaws, etc. However, the incomplete e-commerce laws and regulations and the supervision system make it hard for consumers to defend their own rights. So, compared to ordinary e-commerce websites, consumers favor larger ones in order to protect their own rights. Consumer’s low trust to the C2C model also makes it develop slowly in recent years and in contrast, the B2C model is developing fast. Different from the traditional C2C model, most B2C merchants have a certain scale and their products are of higher quality. But most merchants of B2C rely on e-commerce platforms and have no offline shops. Once the products have problems, it’s still hard for consumers to defend the rights. If these Internet-based merchants can have their own offline physical stores then the complete service system from Internet to physical stores can be realized, which enables them to provide online and offline services simultaneously. This can speed up the development of China's e-commerce and improve the level of it. Thus, for both merchants and consumers, it plays an important role. Therefore, to a certain extent, the emergence and rise of the O2O model is the result of the progress in the development of e-commerce in China.

B. The Present Status of Domestic Fruit E-Commerce

With the support of government for issues relating to agriculture, rural areas and rural people, fresh fruit e-commerce is growing fast. The huge market potential of fresh fruit e-commerce attracts the participation of all integrated e-commerce platforms.

But no industry can develop smoothly all the way and various problems are inevitable during the developing process. The key problem in the development of fresh fruit e-commerce is that it is difficult to make profit, in other words, it needs large investment but earn money slowly. Large-scale e-commerce platforms can fill the short-term losses in fresh fruit e-commerce using their economic strength, but small and medium companies are struggling. Without strong financial backing, companies will face the crisis of bankruptcy once the financing doesn’t work. For example, fruit e-commerce companies such as Delicious QiQi, Youcai Web and Caiguanjia were prosperous but eventually failed because it was hard to make a profit and the capital chain ruptured. All these failures indicate the tension and difficulty in fresh fruit e-commerce. But even with so many failed cases in front of them, there are still companies entering the fresh fruit e-commerce market. These failures cannot stop the entry of new companies and they certainly create new ideas for this industry.
C. Analysis of Problems in the Domestic Fruit E-Commerce

• Storage
Fresh fruit e-commerce has high requirements for storage because most fresh fruit products need to be refrigerated. However, only large-scale integrated e-commerce platforms have their own storage that can realize temperature control while it’s hard for small and medium fruit merchants to have storage of this kind due to the lack of funds.

Most fresh fruit e-commerce companies need temperature-controlled warehouses, but it’s hard for small and medium businesses to achieve. They only have small offline physical stores and fruits in the stores only have short shelf life. The surplus fruits are eventually sold at low prices or thrown away, resulting in cost losses.

• Cold-Chain Logistics
At present, the mainstream logistics refrigeration method of the fresh fruit market mainly includes ordinary logistics plus dry ice and third-party cold chain. Large-scale integrated e-commerce platforms have established their own cold chain, but most small and medium fresh fruit merchants still choose ordinary logistic plus dry ice because they cannot afford to establish their own distribution chain and the cost is too much if they rely on third-party cold chain. However, this will more or less affect the quality, taste and appearance of fresh fruits. The perfection of cold-chain logistics is one of the major problems that e-commerce should solve [9].

• Cost of Production
Fresh fruit products are greatly affected by supply and demand in the market. When consumers have higher demand, the prices of fresh fruits will increase accordingly and merchants will make more profits. But once the consumers’ demand is reduced, many fresh fruit merchants can only choose to sell them at lower prices. In addition, the demands of consumers are constantly changing according to quarters and hot topics, which are hard for merchants to anticipate.

For example, mung bean was in great demand despite its soaring price because the exaggeration of its medicinal value on TV. The mung bean merchants thus anticipated the demand next year and produced accordingly. In the coming year, the suddenly reduced demand for mung bean led to surplus and merchants had to sell them at a low price in order to cut their losses.

Therefore, the price of fresh fruit is greatly affected by the demands of consumers for the quarter, and it is hard to anticipate and prevent.

• Product Standardization
It is difficult to standardize fresh fruit products because human factors only have little influence on the production and the growing conditions are different. Taste, appearance, and price are the criteria for measuring fresh fruit products, but it’s hard to measure both the taste and the appearance by fixed standards. But lack of standards leads to customer’s dissatisfaction and complaints, resulting in customers refusing to re-purchase. Thus, product standardization is also a problem that needs to be solved.

III. THE NECESSITY OF DEVELOPING THE O2O FRUIT E-COMMERCE IN CHINA

A. The Promotion of Resource Integration
Fresh fruit e-commerce helps to realize the integration of rural resources in China, promote the development of China's rural economy and increase the income of farmers. The advantage of e-commerce lies in its breaking through of the seasonal and time limit of seasonal fruits and of the restrictions of district, thus it optimizes logistics channels, integrates fresh fruit resources and improves supply efficiency [10].

The development of the integrated e-commerce platforms can solve the problem that remote villages have accumulated and wasted fresh fruits because of the inconvenient transportation through the high refrigeration and storage technology and logistic distribution ability by distributing fresh fruits to consumers. At the same time, it can also liberate and use the excessive productivity of rural areas so that farmers can use the Internet and achieve the mutual development of rural and urban areas.

B. The Increase of Customer Trust
The O2O model combines the Internet with offline physical stores. Most O2O merchants have their own offline physical stores, which makes O2O e-commerce model have rich and timely information on the Internet just as what the ordinary e-commerce model has, and also allows consumers to experience and feel the products in offline shops. This undoubtedly increases the trust of online consumers to the merchants and also promotes the volume of offline stores.

C. Low Cost of Logistic Distribution
The high requirements for the quality and taste of fresh fruit and its characteristic that it is hard to preserve lead to a high possibility of product damage during logistics distribution. The cost of individual product distribution is high while multi-product distribution causes damage easily. The fresh fruit e-commerce O2O model realizes the goal of creating service circle based on nearby community or making the nearby residents experience and purchase in the offline physical shops. The community-based service can provide convenience for the community residents, and at the same time shortens the time in the logistics distribution greatly, which in turn reduces the time and material costs of the merchants in the distribution process.
D. Quick Feedback for Shops

The offline physical shops have higher efficiency of feedback because consumers can communicate with the merchants and provide suggestions effectively. Offline store merchants can solve the problems in time according to consumers’ feedback and provide better services thus increase consumers’ satisfaction and improve users’ stickiness.

E. Better Service for Consumers

Since most physical stores are served on a community basis, consumers can get information in time. For example, consumers can know the discount and promotion of offline stores through the WeChat of the merchants. In the long run, the O2O model of fresh fruit e-commerce can satisfy consumers’ requirements for high-quality fresh fruit products and bring benefit to consumers. At the same time, the logistics distribution costs of merchants can be reduced [11]. Through the combination of Internet and offline stores, high-quality products are delivered to consumers in the shortest period of time. Therefore, it is necessary for fresh fruit e-commerce to develop the O2O model.

IV. SWOT ANALYSIS OF BAIGUOYUAN E-COMMERCE O2O MODEL AND PROPOSAL FOR PROMOTION

A. SWOT Analysis of the Baiguoyuan e-commerce O2O Model

- **Advantages of the Baiguoyuan e-commerce O2O model**

  The biggest advantage of Baiguoyuan is the full coverage of the O2O model which means the combination of Internet and offline physical stores.

  Now Baiguoyuan has a large number of existing offline physical stores and most of them are in China’s inland cities. Although the economy there is not as good as that of the first-tier cities, the market has huge potential. The markets in mega cities such as Beijing, Guangzhou and Shenzhen are too tight and competitive so Baiguoyuan had to close down many stores there. However, it does not hinder its community-based service and convenient and fast delivery, which is one of the most important advantages of the Baiguoyuan. Secondly, the huge members of Baiguoyuan is also a major factor for its leading role. Consumers can become a member by WeChat registration if they purchase products in physical shops. This method diverts offline consumers to consumers of mobile phone clients and increases the number of online consumers.

- **Disadvantages of the Baiguoyuan e-commerce O2O Model**

  Compared with Tiantian Guoyuan, Baiguoyuan entered the O2O fresh fruit market late [12]. There is only single type of fruit products in the store and the business category is mainly fair-price fruits which can be kept in normal temperature such as apples and pears. Most white collars are inclined to buy high-quality fruits among fruits with moderate prices. Besides, most consumers are attracted by promotion or discount activities. These suggest the consumers of Baiguoyuan are not sticky, which makes it difficult to increase the fruit price of Baiguoyuan. In spite of the huge number of offline shops, some shops in Baiguoyuan have large service circle and the distribution problem of the “last mile” are not completely solved.

- **Opportunities of the Baiguoyuan e-commerce O2O Model**

  Baiguoyuan is now making its own store “deep” and “full”. “Deep” means the deep processing of fruits, such as the “fresh fruit bar” launched by Baiguoyuan, is to sale freshly squeezed fruits and the initial processing of fruits. “Full” means various types of products which include more than just fruit sailing. The alliance with Yimixian before is a strong proof that Baiguoyuan wants to have comprehensive development of all category.

  The major fresh fruit e-commerce businesses have not formed obvious advantage because of the low penetration rate of this market and profits coming slowly. Consumers are increasingly concerned about food safety issues and tend to natural and healthy fruits. The development of the Internet and mobile communication technologies has also made more and more consumers use the mobile client APP to purchase fruit products. In addition, the development of society has made fruits almost a must-have for each family.

- **Challenges to the Baiguoyuan e-commerce O2O Model**

  Although China's O2O fresh fruit e-commerce does not have a leading e-commerce platform, the large-scale integrated e-commerce platforms are faster to develop because of their fame, funds, and membership.

  The number of physical stores of Baiguoyuan is huge, but the growth rate of the number is slowing down, which is not conducive to the realization of the community-based service target that covers all the communities.

B. Proposal for Potential Improvements of the Marketing of Shenzhen Baiguoyuan Co. Ltd.

- **Improvement of the Logistic System**

  The fresh fruit products are easy to rot. This disadvantage demands high requirements of logistic distribution and leads to higher logistic costs than other e-commerce industry. During logistic distribution, temperature is also required for the preservation of fruits and cold chain logistics is often needed, which makes it impossible for fresh fruits to have as many logistic distribution companies as other e-commerce products do. Thus, Baiguoyuan can use its own offline shops to deliver products based on community, but once it’s beyond the range, it becomes a problem. That’s why Baiguoyuan chose to cooperate with Jingdong first and then with platforms such as Meituan and Elema.

  The number of offline physical stores of Baiguoyuan is large and they can be used to provide service and distribution within nearby communities thus reducing the logistic time. Community-based logistics network can also be built to cover all the
• **Package Strategy for Fruits**

According to the characteristics of the fruit products in the shop of Baiguoyuan, which are easy to be damaged and short-lived, Baiguoyuan should make corresponding packaging according to the characteristics of the fruits sold, and at the same time conforming to the fashion trend in season. Baiguoyuan can also make different packaging boxes according to the length or the route of the logistics distribution in order to reduce the damages of fresh fruit products and maintain the appearance and taste of them.

• **Online Brand Promotion**

Although Baiguoyuan's O2O marketing method is to divert consumers from offline stores to the Internet, it takes a long time to cultivate their consumption habit. What Baiguoyuan needs now is to increase the trust of consumers who have got used to purchasing online and at the same time, to make brand image more familiar to the public [14]. However, large-scale integrated e-commerce platform can only show fruit products via photos because experiencing in person is unrealistic, which is a strong limitation. At the same time, Baiguoyuan doesn’t use cashback to obtain the favor of the initial consumers. Thus, more effective measures need to be taken such as free fruit sample, discount activity both online and offline, online interaction and so on.

Baiguoyuan is outstanding in many ways in the supply and demand of overseas fruits, but since tropical fruit is one of the most popular types in online consumption, specialty should be formed that can distinguish it from other companies when advertising. For example, it can use methods such as sending gifts to consumers to attract them and improve their understanding that Baiguoyuan possesses control over foreign high-quality products and thus increase their trust.

• **Enrichment of Online Category and the Creation of Hot Product**

The fruit industry chain has been the focus of Baiguoyuan and fruits play a leading role in the mobile phone client. At present, Baiguoyuan is not busy with enriching the variety of its fresh fruit products in daily markets [15], but its business competitor such as Tiantian Guoyuan has developed integrated stores with the advantage of abundant varieties of goods which can help the fresh fruit e-commerce platform head to one-stop development. Therefore, Baiguoyuan needs to make full preparations and enrich the category of products, instead of simply selling fruits.

“Fresh Fruit Bar” is an important way to realize the initial processing of fruits and produce fresh fruit juice and fruit meal. Baiguoyuan can launch the products on their mobile phone clients and make customers accustomed to operating on it and picking from a variety of products, which can be its own characteristics that cannot be copied by other enterprises. E-commerce label terms such as “explosive models”, “hot sales”, “good reputation”, etc. should also be used on fresh fruit products. Besides, Baiguoyuan should develop a best seller and thus drive the sales of other products through best seller package.

• **Addition of Social Elements**

In the marketing model of Shenzhen Baiguoyuan, consumers’ opinions tend to be inconsistent and each consumer's opinions are uncertain under the predominance of consumers. Therefore, Shenzhen Baiguoyuan should analyze and design marketing model from the perspective of consumers. They should carefully analyze and deeply understand the needs of consumers, establish a kind of consumer’s perspective and perfect the consuming experience in order to get more customer segmentation groups and increase its market share.

V. THE DEVELOPMENT STRATEGY OF THE FRUIT O2O MODEL

A. Complete the Cold Chain Logistics and Infrastructure

Problems such as damage to fruits and increase of costs caused by low-level temperature control technology of warehouse facility and slow logistics distribution are not conducive to the development of fresh fruit e-commerce. In order to avoid these problems and develop the whole industry, completing cold chain logistics and upgrading relevant infrastructure are needed. The methods also include applying cold chain technology into infrastructure, completing and realizing the application of cold chain logistics system and managing fresh fruit products scientifically and systematically. The popularized application of cold chain logistics can reduce damages and wastes during transportation and add extra value to fresh fruit products.

B. Establish and Improve a Quality and Safety Supervision System

Fresh fruit enterprises can achieve the control and transparency over the quality of the whole service process from the production to consumers’ receiving goods through the cooperation between the online marketing channels and the reliable origin of fresh fruits. Therefore, the quality and safety of products provided by supply channels can be ensured.

C. Construct an O2O Community

In the future, the development of fresh fruit e-commerce will definitely revolve around the O2O community model. The main way of developing O2O is to combine the multimedia of the Internet and offline physical stores. The way that consumers pay online while experience and get goods offline can help increase fresh fruit sales and reduce complaints. The online marketing shops divide the offline pickup location on community-basis and consumers can pick up the goods offline by pickup code. This model is a mutually beneficial way for both consumers and fresh fruit O2O merchants, which not only saves consumers’ time, improves shopping quality, but also reduces the logistics distribution costs for merchants. In a word, the construction of O2O community can increase the convenience for customers and trust for merchants greatly.
D. Improve Relevant Laws

The development of China's fresh fruit e-commerce is still at early stage. Although government supports rural development and the development trend of this industry is favorable, the relevant laws and regulations are still not perfect such as maintenance system of consumers' rights and laws on the safety of e-commerce, which leaves loopholes for malicious merchants to impair consumers' rights. Thus, Chinese government needs to improve relevant laws and regulations in the development of fresh fruit e-commerce.

VI. CONCLUSION

China’s fresh fruit e-commerce has a good development prospect but also constantly encounters problems and bottlenecks in the process. New fresh fruit e-commerce enterprises keep opening but the failed cases are also countless. The O2O model of fresh fruit e-commerce is more suitable to the social environment in China. It helps to increase incomes of small and medium fruit retailers and promote the issues relating to agriculture, rural areas and rural people. In a word, everyone cooperates and wins in the application of O2O fresh fruit e-commerce.

China has a vast land with an imbalance regional economy. At present, the biggest bottleneck in the development of fresh fruit e-commerce is still that the cold chain technology cannot meet the requirements, the logistics distribution system is not fast enough, the supporting infrastructure is backward and the standardization of fresh fruit products is difficult. Therefore, it is an important way for China to develop fresh fruit e-commerce to combine the Internet with offline physical stores based on O2O model. Furthermore, the analysis of Shenzhen Baiguoyuan’s success helps to study the development of the O2O model in e-commerce. Finally, this paper puts forward proposals on the development of fresh fruit e-commerce in China with the purpose of providing more convenience for Chinese residents.

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