

Research Article

Research on Channel Strategies of Modern Agricultural Engineering Demonstration Sites in Guangzhou

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Abstract: The research discusses the channel structure of modern agricultural engineering demonstration sites in Guangzhou. It analyzes the strategies of channel competition, personnel combination, transportation combination and terminal network construction. Enterprises adapt different marketing channel strategies on the basis of the type of the market. The research has made certain achievement and has certain guiding significance.

Keywords: Channel strategy, marketing channels, modern agriculture

INTRODUCTION

The agricultural production enterprises in Guangzhou mostly adapted distributing channel model. There exist two main problems of the traditional distribution model. The first problem is the high retail prices of agricultural products. One reason is because the product from the manufacturer to the consumer needs go through many circulation links. The price will be raised at each links. The other reason is product cost will be raised on account of the poor conditions of transportation and storage. The second problem is, due to the many circulation links, it always takes a long time for manufacturers to execute new sales policies or promote new products through multi-stage dealers and also it is uncertain whether the policy can be carried out well. In the face of an increasingly competitive market of agricultural products, if agricultural production enterprises want to develop continuously, they must solve the disadvantages that exist in the traditional distribution model, optimize sales channels and improve distribution strategies. The enterprises should be focused on two aspects: First is to consider time factor, shorten the product circulation time as far as possible, improve the channel response speed; Second is to give full consideration to the interests of consumers and distributors, improve customer' value and the interests of the distributors. Mabuza *et al.* (2014) study the effects of transaction costs on mushroom producers' choice of marketing channels: implications for agricultural market access in Swaziland. Tan (2012) have a research of the developing agricultural products logistics in china from

the perspective of green supply chain. Hingley and Lindgreen (2002) study the marketing of agricultural products: case findings.

In this study, we discuss the channel structure of modern agricultural engineering demonstration sites in Guangzhou. It analyzes the strategies of channel competition, personnel combination, transportation combination and terminal network construction. Enterprises adapt different marketing channel strategies on the basis of the type of the market. The research has made certain achievement and has certain guiding significance.

CHANNEL COMPETITION

Due to the developed economy and heavy demands of agricultural products in central city, many agricultural production enterprises see these areas as key target markets; invest lots of manpower and funding in constructing terminals and fighting for channels. However, with the accelerating pace of urbanization, the economies of outside centre city and county-level city are in rapid development, people's income level and purchasing power are all in the increasing enhancement, the demands for agricultural products are becoming more and more diversified, the market also presents a huge development potential in the future. According to current situation of market demand, the target markets can be divided into two categories, so do the marketing channels.

The first kind of market are positioning in Guangzhou center city. The enterprises target in big retailers in the center city like professional selling spots

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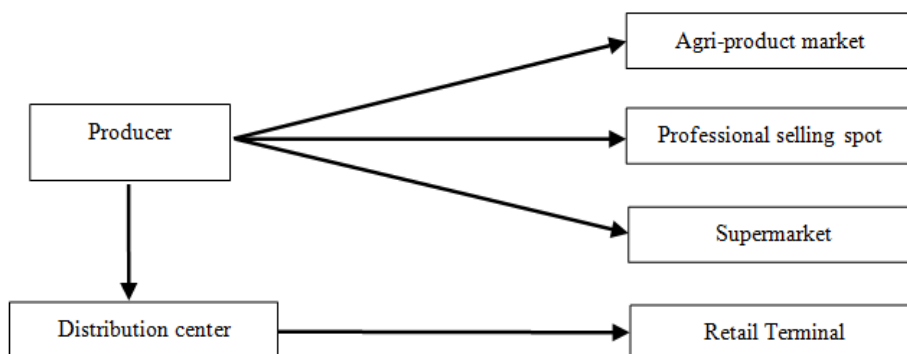


Fig. 1: Channel model of modern agri-product enterprises (this study)

and Agri-product markets. In these markets, the target customer is relatively centralized, demands are high and customers care about the quality of the products rather than the prices (Zhenrui, 2007). In accordance with this present situation, the products may be defined as high price and high quality and the enterprises need establish a set of fairly practical evaluation standards, strictly control the product quality (MinYao, 2001).

Channel design: The sales model used by most agricultural product enterprises in Guangzhou city center is: producers (farmers)→multilayer dealers →retailers (Agri-product markets or supermarkets). For the resulting phenomenon of long-term circulation and the high prices of agricultural products, agricultural producers need to shorten the circulation as much as possible, redesign sales channels, go direct to consumers, use the channel structure such as producers (farmers)→distribution center→terminal retailers. First, marketing specialists should conduct market researches, analyze market research data, determine the market demand and target customers. Then, the enterprises should form alliances with the enterprises which are powerful and have good reputation, in order to achieve long-term stable cooperation. Just as in Conghua and Zengcheng, some agricultural enterprises there abandon the past channel model (direct to dealers) and go directly to supermarkets and professional selling spots, which greatly improved the efficiency of the circulation and significantly increased the benefit of the enterprises. As shown in Fig. 1, it is the channel model of modern Agri-product enterprises:

From producers (farmers)→distribution center→terminal retailers, there are only two links in the circulation. In this way, agricultural enterprises can significantly shorten the circulation, reduce the logistics cost and guarantee the product freshness. For some markets that retail spots concentrated are far from the agricultural producing area, so it is need to set up a distribution center to ensure supply timely and store reasonably. For some markets that retail locations are close to the agricultural producing area, it is

unnecessary to set up a distribution center, only need some professionals who can take charge of market supply, monitor dealers, evaluate sales performance and give feedbacks. The business process of agricultural enterprises should be designed reasonably. Also, Enterprises should closely monitor the implement of business process and optimize business processes according to the feedbacks.

The second kind of market are positioning in outside central urban area (town, county). The demands of these markets are all large, the per capital income is low and the number of agricultural products supermarkets is less. Therefore, the main target customers are the large wholesalers of agricultural products. Product positioning is good quality and medium price.

Channel design: The purchasing power of the second kind of market is relatively weak, so do the transportation. Large-scale professional produce retail spots are less than the first either. For manufacturers, it is unfavorable to take the channel model as: producers (farmers)→distribution center→terminal retailers, but suitable to take the pattern like: producers (farmers)→warehouse→multilayer dealers →retailers (Agri-product markets or supermarkets), at the same time, pay attention to the decrease of the intermediate links as soon as possible. When selecting the location of the warehouse, many factors have to be taken into consideration, including cost, traffic and environmental, in order to get cheap rent, convenient transportation and the appropriate distance between agricultural engineering demonstration area and sales network. Management need to be focused on increasing efficiency to ensure dealing with order information in time, sorting and equipping goods efficiently, delivering goods quickly and storing goods reasonably. On the wholesale sales policy, quantity is with preferential treatment, the more sales, the lower price. Driven by the interests, the wholesalers would distribute goods actively. Channel design as shown in Fig. 2.

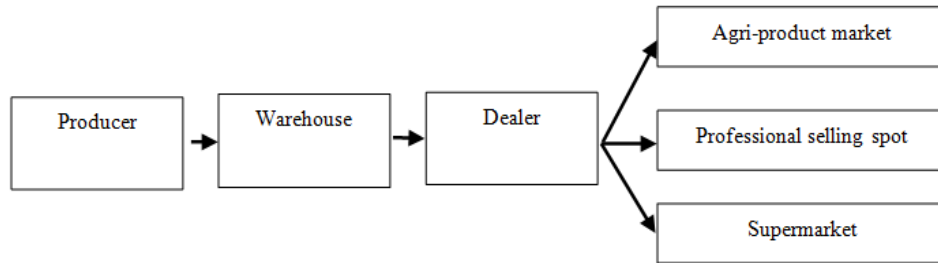


Fig. 2: Channel design of second markets (this study)

To make the wholesalers, retailers and manufacturers achieve win-win situation, enterprises respectively take different channel models according to different markets. For one thing, wholesaler and retailer can obtain lower purchase price and increase their profits by reducing the intermediate links. For another thing, wholesalers are inclined to form alliances with manufacturing enterprises of agricultural products because of rich profits. At the same time, they would actively promote enterprise products and give some feedback to the enterprise, which is beneficial for the enterprise to strengthen the grasp of the market demands and the tighten the screws of terminal markets.

Personnel combination: The personnel requirements can be reduced to four aspects that are salesmen need have strong professional ability, communication ability, comprehension ability and innovation ability. Professional ability is the premise, in the modern society; it is no longer the era that only "lip" can win business. Marketers need to get to know the knowledge about product information, sales skills, channel management, business negotiations and so on. Communication is the basis, success start from the cooperation, cooperation from trust, trust from understanding, understanding from communication, good communication is a prerequisite for a deal. Comprehension ability is the most important; the insight is one of the essential qualities for marketers to find market opportunities, only insight into the market opportunities, will we continue to open up the new market. Innovation ability is the key, innovation is the fundament for enterprise' prosperity, only if marketers have strong innovation ability, can they make constant innovation in product, price, channel, promotion and other aspects and ensure the competitiveness of enterprises.

Transportation combination: Whether the channels unblocked or not depends on the election of transportation mode to a great extent. Transportation plays an important role in the system engineering. What kind of transportation mode can they choose? Each

company has its own special mode. Some companies build their own transport team. There are some advantages, but they being faced with burdensome transport tasks, the possibility to take accessory risks and the facts that agricultural products are easy to spoil and decay, building their own transport team not only increases the difficulty of the management, but also makes the company may suffer great economic losses. Therefore, for agricultural enterprises, the use of flexible mode of transport has important significance. There are about three kinds of transport modes:

- Between 0 to 90 km, the company provides direct transportation
- Between 100 to 200 km, the company entrusts the third party logistics carrier
- If a dealer has its own means of transport, the dealer can transport by himself in short distance, or the agricultural enterprises are responsible for the transport task

As the agricultural market is unique, we should combine these three modes. On one hand, this can reduce the pressure of agricultural enterprises; on the other hand, this can reduce the dealers' transportation costs, give them more transportation modes selections.

TERMINAL NETWORK CONSTRUCTION

With competition intensifying in Agri-product markets, issues such as structure unbalance between supply and demand, instability of terminal market are becoming increasingly acute. Also, agricultural producers are facing huge challenges on marketing channels and it has been difficult to find lots of big wholesalers. Once some retailers find it more profitable for them to collaborate with other brands, they are likely to switch to others. Facing the fierce competition environment, agricultural production enterprise must strengthen the control of terminal markets and keep expanding, they must invest more resources such as finding and manpower to construct terminal network. To be specific, first of all, to strengthen control of the terminal market, agricultural enterprises should get

retailers or wholesalers together and make unified management and unified regulation for them. Furthermore, it is necessary to set up a team to broadcast enterprise' image, to promote the sales service. Finally, agricultural enterprises should implement the Local Talent Strategy. These measures can effectively expand enterprise reputation; establish the image of well-known agricultural demonstration sites.

CONCLUSION

This study investigated channel competition strategy, personnel combination strategies, transportation combination strategies, terminal network construction in a comprehensive and systematic way and put forward modern new channel strategies in the agricultural demonstration sites. While this study has some breakthrough in theory and the method is feasible. There is already no shortage of limitations. There are some problems need to be studied further:

- Developing ecological agriculture sightseeing. Driving the tour and sightseeing by utilizing brands
- Establishing ecological agriculture cooperation and ecological agricultural club
- Following the green channel policy, setting up green information system in channel of distribution

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