

# Research on “Internet + Fishery” Drop-shipping Model

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**Abstract:** The development of internet technology makes the aquatic products retailers change their traditional intermediary function in succession, and improve the information flow in the market relying on internet technology. This text aims to discuss the feasibility of adoption of drop-shipping model by the aquatic products e-retailers under “Internet +” and its influence factors, and provide the aquatic products e-retailers with relevant advices and suggestions on adoption of drop-shipping model.

**Key words:** Aquatic products marketing drop-shipping e-business marketing model

## 1. INTRODUCTION

“Internet +” is a new economy modality developed through a close combination of the development of computer network technology and each field of social economy, it plays the role of internet technology in optimizing the social resources allocation fully and serves the social economy by making full use of the development achievement of internet technology, so that the real economy and network market economy can make progress together, and promote the social development better.

The fishery economy shall comply with the time development as well, to make the internet and aquatic products linked together, break through the sales bottleneck and develop the aquatic products e-business economy. According to the operating management condition of domestic aquatic products e-business, the aquatic products e-business model at domestic can be divided into six kinds including periodic purchase model, order model, on-line multi-platform radiation model, O2O model, group purchase model and “Government + Enterprise (Farmer) + Platform”. However, such six aquatic products e-business models can’t solve a contradiction during its operation, namely, although the stock of products manufactured by the aquatic products production enterprises (or farmers) is sufficient, there is inadequate experience and information on expanding the e-business market; however, due to consideration of risk, the aquatic

products retailers are unwilling to hold mass stock or occupy too much capital. With the addition of particularity of aquatic products as well as the transport cost and limited transport condition, the implementation of e-business activities by aquatic products production enterprises and aquatic products retailers is beset with difficulties, and the electronic commercialized degree of domestic aquatic products is not high.

## 2. “Internet + Fishery” drop-shipping model and feasibility analysis

In view of the above analysis, in order to solve the contradiction existing between the aquatic products production enterprises (or farmers) and the retailers under the traditional operation model better, author proposes “Internet + Fishery” drop-shipping model.

2.1 Connotation of “Internet + Fishery” drop-shipping model

“Internet + Fishery” drop-shipping model means that, under the internet condition, the traditional aquatic products retailers contact with the consumers widely relying on the e-business platform, as e-retailers, responsible for providing the aquatic products information to the consumers and promoting the products sale, however, there is no aquatic products stock held. The aquatic products production enterprises (or farmers) mainly focus on the production and processing of aquatic products, responsible for owning sufficient stock and performing the order demands.

2.2 Optimization of supply chain by “Internet + Fishery” drop-shipping model

Under “Internet + Fishery” drop-shipping model, the e-retailers don’t hold the aquatic products stock any longer, and the suppliers are responsible for assuming the risk on aquatic products stock, namely, out-of-stock risk and overstock risk. The consumers understand relevant products information through the media publicity and advertisement, etc. made by the aquatic products e-retailers, when meeting their purchase intentions, they will place orders to the aquatic products e-retailers, and then transfer the orders information to the suppliers from the aquatic products

e-retailers; according to the aquatic products stock condition, the suppliers distribute the aquatic products to the consumers directly through the logistics channel. After the flow of products information, orders information and logistics information is completed, the consumers make the cash flow transfer to the suppliers from the e-retailers through the operation on

confirming receipt (up to the date agreed in system). During this process, the information flow, logistics and capital flow of products flow effectively and rapidly through e-business platform. The operation model of supply chain in the “Internet + Fishery” drop-shipping model is shown in the following figure.

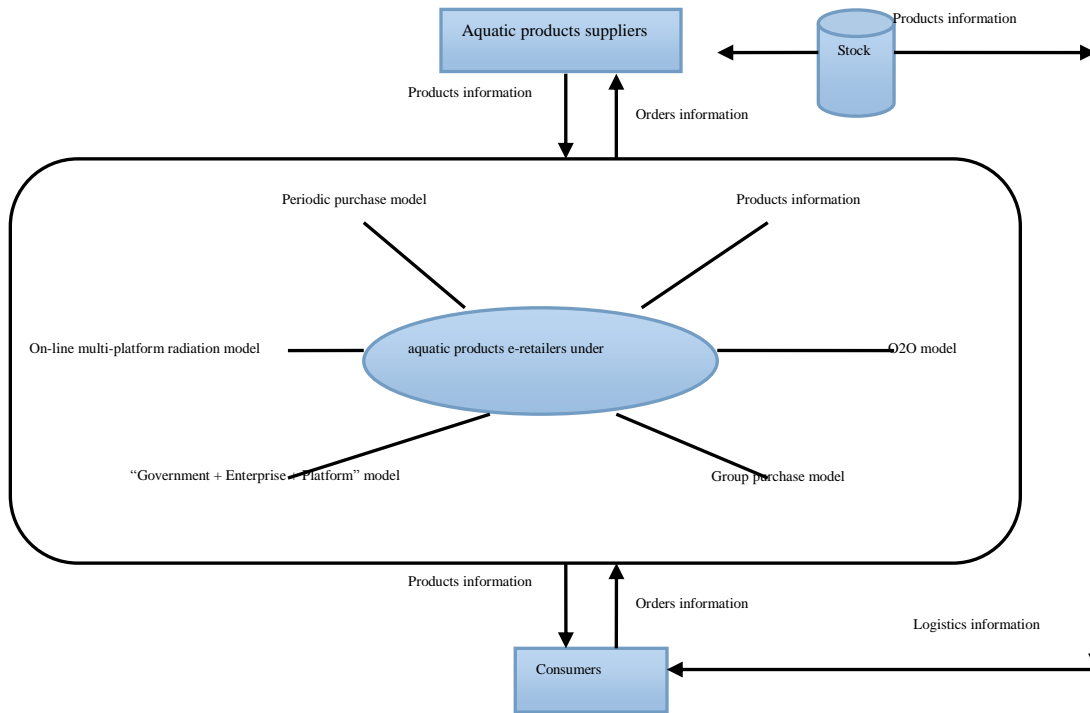


Figure 1: The operation model of supply chain in the “Internet + Fishery” drop-shipping model

“Internet + Fishery” drop-shipping model is a new channel model generated under the background of the progress of internet economy and electronic technology. Such operation model can solve the issues including high stock risk, long sales channel and lagged information updating, etc. existing during the operation effectively, and release the contradiction existing between the aquatic products e-retailers and the suppliers. In the actual operation, firstly, the aquatic products suppliers shall ensure the stock of supply and demand contracts which have been signed under the periodic purchase and order model, etc., and then forecast the supply quantity of aquatic products required by on-line multi-platform radiation model and O2O model and prepare it according to the market data and consumer information obtained by the aquatic products e-retailers. Finally, for group purchase model, it shall adjust the group purchase policy and activities flexibly according to the changes of market and aquatic products stock. “Government + Enterprise + Platform”

model can be viewed as a security measure or policy support in general case, particularly when the market is in a failure state, it can help the aquatic products enterprises or farmers to reduce the loss by use of such model. The use of drop-shipping model can coordinate and distribute the income of each link of products supply chain reasonably, including the enhancement of profit obtained by the products suppliers and e-retailers. Meanwhile, the drop-shipping model can improve the sales channel effectively, which deserves to be promoted among e-retailers. For this purpose, it is necessary to discuss the feasibility of drop-shipping model promoted by the aquatic products e-retailers and its influence factors.

### 2.3 Analysis on feasibility of “Internet + Fishery” drop-shipping model

The feasibility of “Internet + Fishery” drop-shipping model is relatively strong, mainly reflecting in:

Firstly, from the aquatic products production enterprises’ (or farmers’) point of view, the drop-

shipping model makes it be absorbed in the production and process of aquatic products, by virtue of rapid and effective information communication technology of internet, it can avoid the market risk occurred due to asymmetric market information to the maximum extent, forecast the supply quantity according to the market demands. Through cooperating with e-retailers who have relatively strong strength, the aquatic products production enterprises can also expand the products sale, obtain wider consumer group, and increase the profit. In addition, the sharing of products information and logistics information under internet can make the aquatic products fishing enterprises find out sales line within the shortest possible time, provide home delivery service, and track and ensure the effective performance of orders.

Secondly, from the aquatic products e-retailers' point of view, first of all, the suppliers distribute the aquatic products to the consumers directly, which reduces the sales link and products transport time. The aquatic products e-retailers are not required to store or transport the products purchased by the consumers directly, which reduces the storage cost and stock risk effectively, and increases the income. Secondly, in order to increase the sales volume, the aquatic products e-retailers will make efforts to increase the products publicity, intensify the summary and finishing of consumers' intentions on purchasing products, and send relevant information to the products suppliers, so that they can adjust the products production timely, and grasp the market trends. Therefore, the drop-shipping model also plays an active role in reducing the cost and optimizing resources allocation.

Thirdly, from the consumers' point of view, under the drop-shipping model, there is no need to pass through the dealers and retailers at all levels, therefore, for the aquatic products, the time spent in logistics is reduced largely, and the timeliness of consumption can be met to a great extent. In addition, the expansion of market scope brought by the drop-shipping model makes the consumers buy the fresh aquatic products more easily, and provide them with better service. Secondly, the reduction of each cost brought by the drop-shipping model can benefit the consumers directly or indirectly, and save relevant consumption cost.

### **3. Factors having an influence on retailer's adoption of "Internet + Fishery" drop-shipping model**

#### **3.1 Products factor**

For the aquatic products, the production cycle, distance between the production area and sales area, consumption timeliness, products nature (fresh or dried

goods) and different package will have an influence on whether "Internet + Fishery" drop-shipping model is adopted by the e-retailers. In general case, for the products with longer production cycle, farther distance between the production area and sales area and higher requirements on consumption timeliness as well as fresh aquatic products and the products with higher requirements on packing freshness, the retailers are more willing to avoid the out-of-stock risk and market risk through adoption of "Internet + Fishery" drop-shipping model, and save the logistics cost.

#### **3.2 Platform factor**

The website content of e-business platform and its type, payment mode and charging model, audience size and platform conversion rate, its reputation and service level, etc. can have an influence on whether "Internet + Fishery" drop-shipping model is adopted by the e-retailers to a certain extent, and the technical level of platform, its compatibility, safety and content maintenance and renewal become important factors investigated by the retailers.

#### **3.3 Logistics distribution institution factor**

For the logistics enterprises cooperating with the fishery enterprises, its storage and preservation capacity, cold chain transport capacity and circulation efficiency will also have an influence on whether "Internet + Fishery" drop-shipping model can be adopted for execution successfully. If the local logistics enterprises' service level is low, and the rapid and safe transport of aquatic products can't be met, the retailers will be more inclined to the off-line model, without consideration of "Internet +" operation model.

#### **3.4 Other factors**

In the process of promoting e-business of aquatic products, within the moral considerations and legal norms, the government will also take into account the issues on whether promoting the financial income, etc., who plays a certain role in administration instruction. For different areas, the consumers with different income level can accept different aquatic products price, and their acceptance degree to "Internet + Fishery" drop-shipping model is different naturally due to different consumption custom, consumption concept and consumption level. For other cooperators, its profit, risk bearing capacity, business expertise and controlling level of operating cost also become important influence factors, and the cooperators shall be able to balance the relationship between the risk and profit, so that they can adopt the "Internet + Fishery" drop-shipping model steadily and successfully together with the retailers.

The following Figure 2 shows various factors having an influence on retailers' adoption of "Internet

+ Fishery” drop-shipping model:

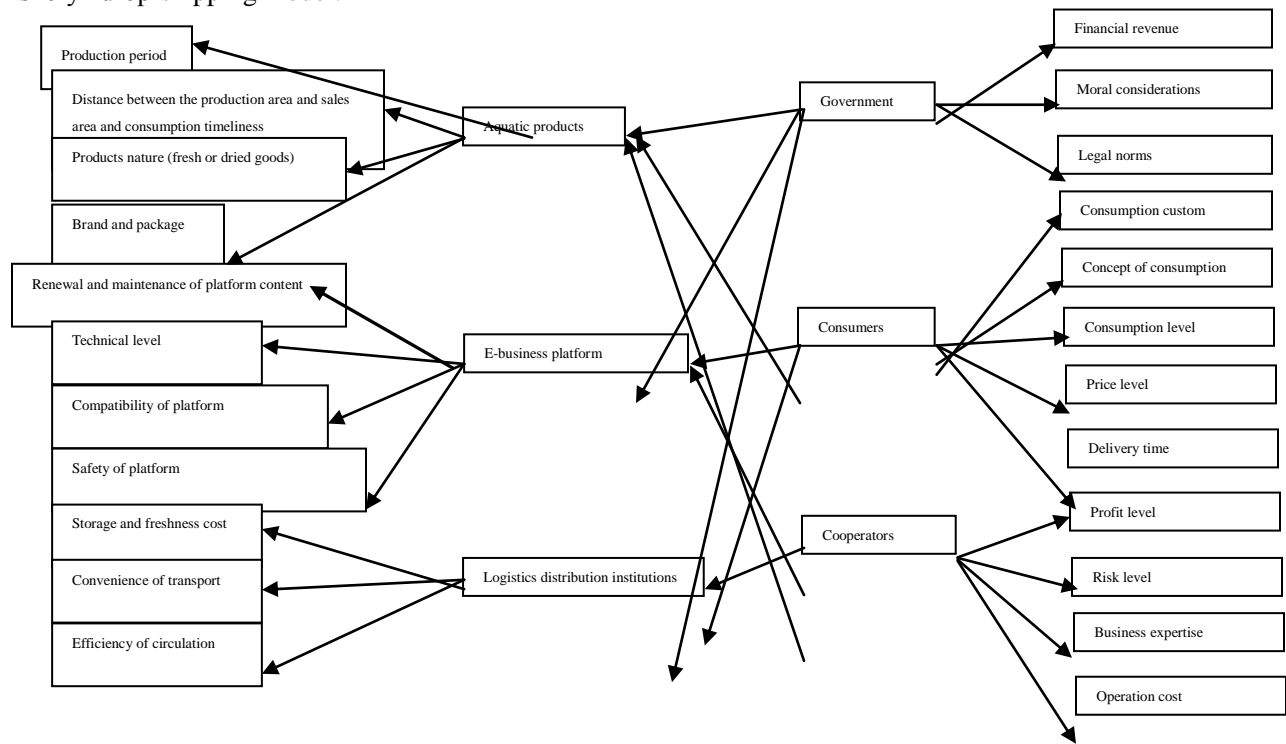


Figure 2 Factors having an influence on retailers’ adoption of “Internet + Fishery” drop-shipping model

#### 4. SWOT analysis on adoption of “Internet + Fishery” drop-shipping model in Hainan Province

##### 4.1 Advantage on adoption of “Internet + Fishery” drop-shipping model in Hainan Province

Firstly, the climate in Hainan is suitable for developing the fishery, and the aquatic products have an advantage in price. Hainan Province is located at tropical zone, belonging to tropical Marine monsoon climate, there is no frost period in a whole year, with a good reputation of “Natural Big Greenhouse”, the annual average air temperature is 23-26°C, and the offshore average water temperature is 17.2-31°C, the sunshine duration in a whole year is 1750-2650 hours, and the seedling and breeding of relevant aquatic products can be conducted throughout the year. For example, in winter in Hainan, the prawn breeding can be conducted without the winter tent for heat preservation, and there is no need to add the winter tent for heat preservation, which saves the breeding cost and owns the market advantage.

Secondly, Hainan Province issues a series of support policy related to fishery drop-shipping model and pays attention to the development of fishery e-business. Department of Ocean and Fisheries of Hainan Province sets up Hainan High-quality Aquatic Products Direct Selling Point in Shanghai and Zhengzhou respectively in 2014, helping Hainan fisheries

enterprises to build domestic direct-marketing platform effectively, and expanding the market influence. Meanwhile, Department of Ocean and Fisheries of Hainan Province is actively preparing to build Alibaba Hainan Aquatic Products Special Hall and Hainan Aquatic Products Electronic Transaction Network.

##### 4.2 Disadvantage on adoption of “Internet + Fishery” drop-shipping model in Hainan Province

Firstly, the application level of internet technology is relatively low. Most Hainan fishery enterprises are located at sea or remote cities and counties for a long term, its application of internet is not skilled, and operation level of network and information-based degree of enterprises is low, which have an influence on the application of “Internet + Fishery” drop-shipping model to a certain degree.

Secondly, Hainan Province lacks large-sized aquatic products trading market, and for “Internet + Fishery” drop-shipping model, a stable source support is lacked. Haikou Xingang Fishery Quay Comprehensive Wholesale Market is a main aquatic products wholesale market existing in Hainan currently, however, the scale of this wholesale market is small, and the corresponding facilities are outdated. Due to its geographic position, 70% of aquatic products produced in Hainan is sold through the market outside the province including Guangdong Zhanjiang Xiashan

Aquatic Products Wholesale Market, etc., and most aquatic products are transported out of the island directly without the processing, and the cost of freshness and logistics is relatively high.

#### 4.3 Opportunity on adoption of “Internet + Fishery” drop-shipping model in Hainan Province

Firstly, Prime Minister Li Keqiang proposes the action plan of “Internet +” in a government work report of the third session of the 12th National People’s Congress, so that the governments and the public focus on “Transformation of Traditional Industry by Internet”, and “Internet + Fishery” will also be deepened and developed further.

Secondly, the demand quantity of domestic aquatic products market is increased. Within a certain period in the future, our country’s population growth rate will exceed that of fishery production largely, and the contradiction between supply and demand of aquatic products will be existing in some inland cities for a long term. For example, the demand quantity of aquatic products market in Xi’an, Urumchi and Sinkiang is large, which provides a good opportunity for Hainan in developing direct sales of aquatic products on the Internet.

#### 4.4 Challenge on adoption of “Internet + Fishery” drop-shipping model in Hainan Province

Firstly, as the cold chain logistics transportation system has not been popularized yet, the logistics cost of fresh aquatic products is high, and the storage becomes a major element in restricting the application of “Internet + Fishery” drop-shipping model.

Secondly, the non-tariff barriers will have a direct influence on the application of “Internet + Fishery” drop-shipping model. Along with the increase of exports of our country’s aquatic products, there are more and more non-tariff barriers faced, which are more and more complex. The international trade and technical barriers restrict the exports of our country’s aquatic products severely. The aquatic products detection system in Hainan is still weak, and the detection period of aquatic products to be exported is long, and the corresponding cost is high, and there is no capacity to detect individual detection items. The detection technology and means of aquatic products still can’t meet the export requirement, in addition, it can’t face various complex international barriers. Within a certain period in future, Hainan will still face the non-tariff barriers from USA, Japan and European Union, etc.

## 5. CONCLUSIONS

“Internet + Fishery” drop-shipping model is a new channel operation model under the new time by making full use of internet technology, the separation of production distribution and sale link makes the relation between the aquatic products suppliers and retailers convert into cooperation and win-win mode from the former confrontation and contradiction, both parties adopt good points and avoid shortcomings with mutual benefit, which becomes an important development direction of channel operation model in future. Under the “Internet +”, Hainan fishery enterprises must keep pace with the times and follow its development, and Hainan fishery enterprises shall integrate the fisheries industry structure by virtue of internet, optimize the channel model and expand the aquatic products market, strive for becoming a strong province of marine fishery.

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