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The Generation Logic and Governance Challenges of Township Running Platform—Case Study of "Small Town Takeout"

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Abstract

Something interesting is happening at the intersection of digital economy expansion and rural revitalization. Township instant services find themselves caught between two realities: formal services are scarce, while informal ones are everywhere. Drawing on transaction cost theory and rural social theory, this study examines how informal service economies in townships are transforming into platform-like models, using "Small Town Takeout" as a case. What emerges is a more complex picture than existing literature suggests. The structural gap between insufficient formal supply and growing demand has given rise to informal delivery services that cleverly tap into social networks. These platforms have developed a hybrid approach—part digital, part relational—that reduces search costs, supervision expenses, and trust barriers in ways urban platforms don't quite replicate. Their three-tier structure—county hubs, township agents, and community riders—reflects an accommodation between technological systems and rural social organization. But scaling up brings its own set of problems: low order density makes profitability elusive, the reliance on local riders creates standardization headaches, and regulatory frameworks lag behind what these platforms actually do. The governance framework proposed here attempts to address these tensions through innovation sandboxes, localized compliance support, and flexible protection mechanisms—not as a one-size-fits-all solution, but as a starting point for thinking about rural digital service governance differently.

Keywords

Township instant delivery, Digital platforms, Local adaptation, Transaction costs

The digital economy has been pushing into rural China for years now, alongside national efforts to revitalize rural areas. But if you look closely at how services actually get delivered in townships, something doesn't quite match the picture we have of cities. Urban centers have built mature, efficient instant delivery systems—the kind we now take for granted. Rural areas? They operate differently.

Formal platforms haven't penetrated deeply, and what fills the gap is a patchwork of informal services: door-to-door errands, phone calls, WeChat messages. This isn't just a rural version of an urban phenomenon. It's something else entirely.

What makes this worth looking at is that a new kind of platform has emerged—localized, designed specifically for county-level towns, trying to bridge digital technologies with rural needs. The existing research, however, hasn't quite kept up. Most platform economy studies focus on urban high-density contexts: employment relationships, algorithmic governance, market competition (Boudreau, 2017). These frameworks, for all their sophistication, don't translate easily to settings where orders are few and trust is personal. Meanwhile, rural digital economy research has concentrated heavily on agricultural e-commerce and digital finance (Zhang et al., 2021; Li & Wang, 2020). Important as these are, they leave a gap when it comes to the digital transformation of everyday services. And there's a tendency in the literature to treat townships as extensions or scaled-down versions of cities, without much attention to what makes them distinct. Even classic studies of rural social networks (Fei, 1947) haven't fully grappled with how digitalization reshapes "acquaintance trust" into something that can be commercialized.

This study tries to fill that gap by bringing together transaction cost theory (Williamson, 1985) and insights from platform governance research. I also draw on Katz and Krueger's (2020) work on gig economy labor to make sense of the employment ambiguities that inevitably come up when riders are also neighbors. Using "Small Town Takeout" as a case, I want to answer a few questions: How do rural delivery platforms actually start and grow? What is it about their organizational design that helps them manage costs? What tensions emerge as they move from pilot projects to large-scale operations? And what might governance frameworks look like if they were designed with rural realities in mind, rather than imported from urban contexts?

1. Theoretical Framework: Starting with Transaction Costs

Transaction cost theory (Williamson, 1985) provides a useful starting point. The basic idea is simple enough: organizations exist partly to deal with uncertainty and asset specificity in transactions. But what does this mean in rural townships? The transaction costs here are surprisingly concrete:

(1) Search costs. Finding a reliable service provider in a rural area isn't like pulling up an app and scrolling through ratings. Information channels are limited. People ask around. That takes time, and it's not always efficient.

(2) Performance costs. Rural roads can be tricky. Addresses are often vague. Supervision, communication, dispute resolution—all of these become more expensive when the physical infrastructure isn't standardized.

(3) Trust costs. Without a strong third-party regulatory system, people are naturally cautious about unfamiliar service providers. "Will they actually show up? Will they do what they promised?" These questions matter.

Given this, I'd suggest that the real logic behind township delivery platforms isn't about technology for its own sake. It's about using digital tools to reduce these specific costs while embedding the service in local communities. Call it "local adaptation"—making technology work within existing social networks rather than trying to replace them.

2. Case Background: How "Small Town Takeout" Grew

"Small Town Takeout" started in 2019, launched by Zhengzhou Duomiao Network Technology Co., Ltd. The stated mission was to "bridge the urban-rural service gap." Five years later, it has become a major digital lifestyle service covering millions of users across the country. Looking back, its growth can be understood in phases.

Phase 1: Before 2019. National food delivery platforms were city-focused. Rural distribution networks were undeveloped. Merchants had low digital literacy. Services ran through fragmented channels—WeChat groups, phone calls—with no unified order-taking system. The result was low efficiency and inconsistent quality.

Phase 2: 2019-2020. The platform started with pilots in Henan's county-level areas and concentrated on rural markets. It began establishing a basic distribution network and cultivating relationships with local merchants through offline promotion. Although the model was successful, growth was sluggish. There weren't many resources. There was little awareness.

Phase 3: 2021-2022. Things picked up speed at this point. The introduction of the "County-Level Agency Partner" system made it possible for provinces to standardize and duplicate effective models. The number of township service stations increased. The platform attracted both supply and demand by adjusting delivery algorithms, lowering merchant commissions, and providing riders with entrepreneurial support. Order volumes and user numbers increased dramatically.

Phase 4: from 2023 onward. The platform is currently undergoing a thorough expansion phase. It serves over 14 million users annually, works with over 4,000 townships, covers 31 provincial-level regions, and transacts hundreds of millions of yuan, according to public data and interviews. It now offers fresh produce, supermarket convenience, and errands in addition to food delivery, creating a local lifestyle ecosystem in rural areas. It has been covered by publications like People's Daily and acknowledged as an important provincial development project in Henan.

What stands out—and this might sound a bit counterintuitive—is that unlike city platforms, which tend to throw money at the problem, flooding the market with subsidies just to grab a slice of the pie, "Small Town Takeout" took a different route. Light on assets, heavy on local ties. It never tried to out-tech anyone. Instead, it tapped into something older, something quieter: the social capital already humming beneath the surface of these towns. Personal connections. Neighborhood trust. The kind of glue that doesn't show up on a balance sheet.

3. Platform Logic: Reducing Transaction Costs Through Organizational Design

Look closely at how "Small Town Takeout" actually runs, and a pattern starts to reveal itself. Its success—if you ask me—doesn't hinge on some flashy technological breakthrough. It comes from something more grounded: a real grasp of what makes rural markets so expensive to operate in, and then a deliberate effort to build around those very costs. I'd call it a hybrid approach—lightweight digital tools on one side, but on the other, a deep, almost painstaking integration of social resources. It's not about replacing the human element with code. It's about letting the two reinforce each other.

3.1 Reducing Search Costs

The platform set up a "Township Station Manager Responsibility System." Station managers are usually local shop owners or community leaders—people with established credibility. They use their networks to bring in small shops, street vendors, even family-run workshops. Through mini-programs, these informal suppliers are connected and given basic digital tools. The effect is that users don't have to search through unfamiliar apps. They follow recommendations from people they know. Search and filtering costs drop.

3.2 Reducing Performance Costs

The platform developed what it calls the "acquaintance rider" model. The reasoning is straightforward: rural addresses can be hard to find, and communication across dialects can be difficult. Riders who are local already know the area, the people, the language. They function as "living maps" as much as delivery personnel. The platform supplements this with GPS tracking and user confirmation systems, creating digital records of operations. The combination of local knowledge and technology reduces supervision costs and keeps dispute rates low.

3.3 Reducing Trust Costs

This is where the logic gets interesting. The urban playbook is pretty straightforward: burn cash on subsidies, buy your users, worry about the rest later. But this platform? It did something different. Instead of throwing money at the problem, it leaned on local credit nodes. County-level agents. Township station managers. People who already had skin in the game, whose names meant something in the community. They became the trusted intermediaries—the ones who could vouch for the service without a corporate seal of approval.

3.4 Organizational Structure

The platform runs on three levels—headquarters, county-level agents, and township station managers who double as riders. Think of it as a stack. At the top, headquarters keeps the lights on: technical backend, brand endorsement, the digital toolkit that makes everything possible. Nothing flashy, just the essentials.Down one level, county-level agents are the ones out on the ground, doing the messy work of market expansion, bringing merchants on board, building out the local teams. Their paychecks are tied to how their region performs, so their incentives line up with the platform's goals—no need for constant hand-holding from above.Then at the bottom, the township station managers and riders handle what really matters: last-mile delivery, getting customers in the door, making sure the service actually

happens. They're the face of the operation, the ones people see when the food shows up at the doorstep. What's striking about this setup is how little capital it eats up. It scales fast because you're not building everything from the center; you're letting local actors carry the weight. And the risk? Spread across levels, so if one township stumbles, the whole thing doesn't collapse. Honestly, it's a pretty elegant adaptation to the reality of rural markets—low density, high variability. You can't impose a rigid, top-down model on places like that. You have to let the structure breathe a little.

3.5 Technology

When it comes to tech, the platform has kept things pragmatic—no shiny bells and whistles for the sake of it. Take their "Rural Smart Delivery" system. It's built around a pretty simple idea: help riders get from point A to point B without wasting time or fuel, even when orders are sparse. In a place where you might only get a handful of deliveries in a morning, that kind of route optimization actually matters

Behind the scenes, an integrated backend quietly does the work of stitching things together—users, merchants, riders, operations—so the whole service process stays visible. Rural delivery is still far from standardized; you're dealing with winding roads, vague addresses, and riders who know which gate to knock on and which to skip. But this system gives consistency where it counts. The architecture sits on Alibaba Cloud's PolarDB with load balancing underneath—solid enough to handle growth, careful enough to keep data risks in check. Nothing extravagant. Just the right tools for the job.

4. Governance Challenges: What Happens When You Scale

The market has spoken—the model works. But here's the thing about success: it doesn't stay small for long. Moving from a pilot that worked in one place to a full-scale operation across hundreds of townships? That's when the real tests begin. A few challenges stand out, each one knotty in its own way.

4.1 Economic Constraints

Township markets come with a built-in ceiling on order density. You're looking at dozens of orders a day, maybe a hundred on a good day. That volume—let's be honest—doesn't exactly cover the fixed costs of running a tech platform, managing operations, maintaining an agency network. So what do platforms do? They expand their service scope. Queue management, document processing, whatever brings in more volume. Makes sense on paper. But then you run into a different problem: service standardization starts to fray at the edges. Operational complexity climbs. Management costs creep up alongside. It's like adding rooms to a house without reinforcing the foundation—eventually, something's got to give. It's a difficult balance: without expansion, survival is hard; with too much expansion, you risk diseconomies of scale and scope. Platforms have to navigate this carefully.

4.2 Managerial Tension

The reliance on local riders and community-based station managers is a double-edged sword. On one hand, it reduces entry barriers and enables rapid community integration. On the other, it makes standardization difficult. Riders and platforms have loose relationships, which means uniform service

protocols are hard to enforce. For services like "buying assistance," quality depends on a rider's personal judgment and accountability. Inevitably, service quality varies. As the platform expands, headquarters' ability to control frontline quality weakens. The gap between a standardized brand image and the reality of localized, non-standardized services widens. Brand reputation becomes a concern.

4.3 Regulatory Ambiguity

The platform operates in a regulatory space that hasn't quite caught up. Labor relations are unclear: what exactly is the employment relationship between platforms and riders? Basic protections like work injury insurance are often missing. Riders bear occupational risks alone. Data governance is another gray area: platforms collect extensive consumer behavior and mobility data from rural communities, but legal frameworks for data ownership, usage rights, and protection responsibilities are still evolving. And the multi-tiered structure complicates accountability: when something goes wrong—a food safety issue, a service dispute—who is responsible? Consumers face ineffective protection mechanisms. The regulatory challenge is a familiar one: too little oversight creates chaos, but too much stifles innovation. Platforms have to find a path between these extremes.

4.4 Social Concerns

Beyond the operational and regulatory challenges, there are deeper social questions. Small-town shops operate on thin margins. Does the platform's commission model erode their profitability? When neighborhood mutual aid is replaced by priced delivery services, does something get lost—the warmth of traditional rural networks, the fabric of community support? Could algorithmic scheduling and incentive systems create unnecessary competition among local riders? At its core, this is about how platforms integrate into rural communities. Mishandle this, and the consequences could affect not just merchant-rider relationships but the platform's long-term viability.

5. Governance Pathways: A More Nuanced Approach

Given these challenges, what might governance look like if it were designed with rural realities in mind? I'd suggest moving away from one-size-fits-all urban regulatory models toward something more differentiated.

5.1 For Platforms: Innovation Sandboxes with Baseline Rules

Local governments—especially at the county level—could work with platforms like "Small Town Takeout" to establish "rural digital service innovation incubators." Within defined geographic areas and timeframes, platforms could experiment with different approaches to employment models and merchant eligibility criteria. Room for trial and error matters. But flexibility shouldn't mean no rules. Clear boundaries are important: platforms should provide group accident insurance for riders, establish upfront compensation for user complaints, and ensure core data—customer information, order records—is stored locally with adequate security. Rural food delivery platforms operate in a world that looks nothing like their urban cousins. The terrain is different. The rhythms are different. The trust runs through different channels. So why would we treat them the same way under the law? Apply urban

regulatory standards without thinking, and you don't just risk stifling innovation—you risk killing off the very experiments we should be rooting for. And that would be a shame, because in these townships, something genuinely new is trying to grow.

5.2 For Township Stations: Compliance Support and Digital Capacity

We need to help these stations move toward compliance—but not by piling on red tape. Think of it this way: commerce and market supervision authorities could sit down with platforms and cook up something like a "digital compliance guide" tailored for township agents and the merchants they work with. A clear, streamlined path through business registration, food operation filings, all that paperwork that can make a small shop owner's head spin. Make it simple, make it local, make it actually usable.

And while we're at it, why stop there? Those township service stations—the ones already out in the field, already trusted—could evolve into something bigger. Call them "part-time rural digital service hubs." Tuck in some government inquiry functions, maybe basic financial services. Let people pay a bill, check a subsidy, pick up an order, all in the same place. With a little help—venue subsidies, traffic support—these facilities could stop being just delivery outposts and start becoming real pieces of the rural digital infrastructure. That's the kind of integration that makes a difference on the ground.

5.3 For Riders: Skill Training and Flexible Support

If we want these services to feel professional, we need to invest in the people doing the work. A proper skills training and certification system—tailored specifically for rural instant delivery—could lift service standards across the board, from traffic safety to emergency response. Fold this into existing rural labor transfer programs, and riders start to see themselves differently: not just someone doing a side gig, but a trained professional with a real stake in the work. Then there's the protection side. Human resources and social security authorities could sit down with platforms and insurers to design coverage that actually fits the rural crowdsourcing model—pay-per-order plans, group insurance that doesn't require a full-time contract. It's not about reinventing the wheel. It's about fitting the protection to the reality of the work. We've been talking about inadequate rider protection for years. Maybe it's time to stop talking and start building

5.4 Multi-Stakeholder Governance

Imagine platforms sharing aggregated, privacy-protected data—things like peak hours, popular service categories—with township communities, not as a corporate handout but as a genuine resource for public service planning. And while we're at it, why not bring everyone around the same table? A "Local Service Ecosystem Consultation Council" could pull together township governments, platform reps, merchants, riders, and residents. A place to hash out commission rates, talk through service standards, figure out how to handle disputes when they come up. The goal isn't to pile on oversight. It's to weave platform operations into the fabric of local governance—so that commercial interests don't just coexist with community benefits but actually start to reinforce each other. That kind of conversation? It takes time. But it's the kind of time worth spending.

5.5 Social Responsibility

Social responsibilities—checking in on left-behind populations, helping a kid get to school, creating a job for someone who needs one—these shouldn't be afterthoughts, box-checking exercises tucked away in a corporate social responsibility report. When platforms weave them into daily operations, when the delivery rider knows which elderly villager might need an extra hand, when the station doubles as a place to share job opportunities, something shifts. The platform stops being just a service and starts becoming part of the community fabric. And when that happens, its value isn't measured solely in order volumes or profit margins. It's measured in something harder to quantify but just as real: the wellbeing of the places it calls home. Isn't that the kind of success worth aiming for?

6. Conclusion: Thinking Differently About Rural Digital Services

Stepping back, it becomes clear: rural delivery platforms aren't just watered-down versions of their urban cousins. They're something else entirely. A hybrid form, really—part digital infrastructure, part human network—that tackles the high transaction costs of rural markets in a way pure technology never could. You can't code your way around a vague address or a missing trust signal. But you can build a system that lets local knowledge and digital tools do what each does best. And that, I think, is the real lesson here. Their three-tier structure—county hubs, township agents, community rider networks—and their embedded social connections set them apart from urban platforms. This is a market-driven approach to solving the last-mile problem in rural service delivery.

Platforms like "Small Town Takeout" are evolving from food delivery providers into broader digital gateways for rural life. Through entrepreneurship support, they have helped thousands of township managers build livelihoods and created tens of thousands of jobs. They are becoming a kind of innovative digital infrastructure for county-level economies.

But let's not sugarcoat it—the challenges are real. Order density stays stubbornly low. Standardization feels like trying to fit a square peg into a round hole. And regulatory frameworks? They're running a few laps behind where practice has already gone. So where do we go from here? Governance needs to stop reaching for the urban template every time. A tiered, categorized approach makes more sense—one that holds onto safety and fairness as non-negotiables while leaving room for local adaptation to breathe. This isn't about letting standards slide. It's about designing institutions with more precision, more humility about what works where. The kind of guidance that helps rural digital service platforms grow in ways that are both standardized enough to scale and inclusive enough to stick. Both innovative enough to push forward and sustainable enough to last. That's the goal, isn't it? To let these platforms do what they do best—contribute to rural revitalization, help close digital divides, and maybe, just maybe, show us what a genuine integration of commercial value and community wellbeing can look like when we stop trying to force one model on everyone.

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