

## **Study on E-commerce Development Strategies of Cross-border International Trade in China**

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**Key words:** Cross-border international trade, E-commerce development strategies, Influencing factor, Promote, Hinder.

**Abstract.** E-commerce development of cross-border international trade in China has experienced three stages of cross-border e-commerce industry transformation – information service, online platform transaction and whole industrial chain services. They fully manifest direct, multilateral, small-batch, high-frequency and digital features and promote the healthy development of overall cross-border e-commerce in China. Therefore, China has established a complete e-commerce market supervision system of cross-border trade, strengthened e-commerce development of cross-border international trade and enriched relevant trade contents based on wide international cooperation in the recent few years. This paper first analyzes upstream, midstream and downstream industrial chain structure of e-commerce development of cross-border international trade in China, puts forward main influencing factors promoting and hindering its development and finally gives future development strategies of healthy and effective industry.

### **Introduction**

Chinese cross-border international trade has entered the period of fast development after the introduction of e-commerce development platform. According to IResearch statistical data analysis, e-commerce transaction scale of Chinese cross-border international trade exceeded 5200 billion Yuan in 2015. Its increase rate reached 32.7%. It accounted for 12.1% of the total volume of import and export trade. With the rapid advancement of information networking era, e-commerce development status of Chinese cross-border international trade has presented a trend of continuous rise. The total volume of e-commerce import and export trade of cross-border international trade can reach about 20% of the total volume of national import and export trade in 2017.

### **Analysis on e-commerce development industrial chain of Chinese cross-border international trade**

E-commerce industrial development of Chinese cross-border international trade has a complete industrial chain, respectively involving upstream supplier, midstream cross-border e-commerce platform and downstream purchaser and consumers. This paper conducts specific analysis based on this industrial chain.

#### **Upstream supplier**

Chinese coastal regions have natural advantages in e-commerce development of cross-border international trade. For example, e-commerce of cross-border international trade in Guangdong has complete product categories and industrial chain structure. It has made great contributions to e-commerce of Chinese cross-border international trade. With gradual increase of costs of human, land and material resources in recent years, some sensitive manufacturing industries have gradually

transferred their base to inland areas so as to save costs and meanwhile bring new opportunities to the development of e-commerce industry of cross-border international trade in inland areas. For example, a factory in Yuzhong District, Chongqing cooperated with a network company and established and launched "Camel Bell Plan". A complete industrial chain of cross-border e-commerce was established towards the New Silk Road. It is expected to bring a cross-border e-commerce settlement scale exceeding 2000 billion Yuan to the region in the next five years.

In terms of the distribution of export categories, e-commerce development of Chinese cross-border international trade has presented rich diversification features, including electronic products, home and garden, auto spare parts, fashion accessories and collection. Let's take automobile accessories with the fastest growth speed for example. Its export destinations cover the mature market in European and American countries. Annual average increase rate of export products exceeds 60%. Fast growth of Chinese cross-border automobile accessories mainly benefits from rapid rise of overseas storage industry. This not only guarantees great improvement of quality and efficiency of logistics, but also improves the suitability of cross-border logistics and provides safety basis for the purchasing of relieved products by overseas consumers. Corresponding after-sales maintenance and changing or refunding service quality is also improved.

As described above, e-commerce development of Chinese cross-border international trade tends to reach perfection in upstream industrial chain. It provides favorable approaches for the entry of more domestic products into cross-border e-commerce platform and international market.

### **Midstream cross-border e-commerce platform**

Chinese B2B midstream cross-border e-commerce platform has developed maturely in the field of international trade and can perform complete business for overseas enterprises, realize rich platform operation mode and actually establish midstream cross-border open e-commerce platform. Let's take open platform mode for example. It directly involves each link of export e-commerce and discloses not only data of buyer and seller, but also all business process for commodities, shops and logistics transaction, storage and marketing promotion. This provides easy and rapid export trade service channel for Chinese foreign cross-border international trade and business partners. Objectively speaking, the establishment of B2B midstream cross-border e-commerce platform reduces many intermediate links in international trade of China and foreign countries, greatly simplifies the content of cross-border e-commerce supply chain and effectively reduces basic manufacturing and transportation costs of selling customized products.

### **Downstream purchaser and consumers**

According to the current status of development, e-commerce of Chinese cross-border international trade is mainly specific to America, various countries in Europe, Brazil and Argentina in South America. According to data statistics of Global Cross-border E-commerce Report issued by PayPal in 2015, about 41 million American consumers purchased Chinese commodities online in 2015 and the amount of consumption reached RMB 64.7 billion Yuan. This figure will exceed RMB 100 billion Yuan in 2020. When facing different target markets, export products of national cross-border e-commerce have different degree of preference. Let's take America for example. Chinese cross-border export products such as shoes, hats and clothes, handicrafts and accessories are most popular among American consumer groups. However, consumers in Europe prefer Chinese jewelries and watches etc. Australia has greater demands for automobile accessories exported by China.

All in all, according to analysis on upstream, midstream and downstream of e-commerce development industrial chain of Chinese cross-border international trade, Chinese e-commerce field has the fastest development in the recent 10 years. Currently, it has a relatively complete platform system. Promoting and hindering factors existing in its system cannot be neglected in the future development process. High-quality strategies can be put forward for its future benign development only with such understanding <sup>[1]</sup>.

## **Promoting and hindering factors of e-commerce development of Chinese cross-border international trade**

E-commerce platform construction under the environment of Chinese cross-border international trade has entered the period of rapid development. However, its construction process is faced with many influencing factors. It has both advantages and disadvantages.

### **Analysis on promoting influencing factors**

First, "made by China". It has become a pronoun of China in recent years, which symbolizes the name of China as "world factory". Low price is a favorable factor promoting the prosperity and development of e-commerce of Chinese cross-border international trade. It makes more overseas buyers willing to purchase products "made by China". Though factor cost of "made by China" has increased in recent years, it has strong competitiveness in the international market. According to the analysis and prediction of labor productivity cost of Chinese manufacturing industry by the EIU, labor cost of China is expected to be less than 13% of that of America in 2020. Compared to the new market in South America and Central and North America, labor wage cost per hour of workers in Chinese manufacturing industry can only reach 35.3%~54.2% of that of the regions above. Therefore, "made by China" will form strong attraction to overseas buyers in a long time in the future.

Moreover, "made by China" manifests its diversified manufacturing capacity. For example, famous Yiwu small commodity market in China is not only an import and export market with most abundant types of small commodities in the world, but also a huge warehouse of cross-border e-commerce. According to statistics at the end of 2015, e-commerce platform of Yiwu small commodity market in China has realized 55 billion Yuan trading volume of cross-border international trade and average daily cross-border shipments reached 480,000. This has promoted the benign development of e-commerce transaction platform of Yiwu small commodity market rapidly.

Currently, "made by China" is under transformation and upgrading. The proportion of Chinese manufacturing industry in global manufacturing industry is increasing constantly. This indicates that e-commerce platform of Chinese cross-border international trade has an opportunity to occupy a larger overseas market and create more opportunities for the development of this field.

Second, the establishment of cross-border e-commerce platform. According to data statistics of the Ministry of Commerce of China at the end of 2015, there are over 5500 cross-border e-commerce platform enterprises in China. Over 220,000 enterprises carry out relevant e-commerce business through various cross-border e-commerce platforms each year, including self-built platform of enterprises and third-party platforms providing various services for enterprises. For example, as a B2C e-commerce platform enterprise with cross-border international trade service ability, Lanting Jishi Group has cooperated with Yiwu small commodity market and established "Yiwu global net goods center". It allows merchants in Yiwu market to register their product information on the platform through network, which will be subject to management and language transformation by professionals. Overseas marketing, logistics supply chain system and one-stop sincerity service system are established for Yiwu small commodity market.

### **Analysis on hindering influencing factors**

Logistics is the most important supporting service of e-commerce platform development of Chinese cross-border international trade. Its logistics cost and efficiency deeply influence the overall development track of platform. Considering great price elasticity of target customers, logistics cost has the greatest influence on product export with low price as the main advantage. For example, price aging is one of the factors that are difficult to balance. E-commerce of cross-border international trade has different price aging when using different logistics modes. Large logistics enterprises often have logistics aging that can be guaranteed but relatively higher freight charges. If sellers increase the price of commodities at this time, its price advantage compared to overseas products of the same type might be lost immediately. If a small logistics enterprise is selected, distribution aging cannot be guaranteed and it is likely to meet the problem of goods return and complaint by buyers. Therefore,

lagged logistics has indeed become a major constraint for the implementation of e-commerce development strategies of Chinese cross-border international trade.

In addition, credit threat caused by information asymmetry is also a hindering factor faced by e-commerce development of cross-border international trade. To improve sales volume, many cross-border e-commerce platforms establish many relevant trade regulations focusing on buyers' rights protection. However, favorable terms for buyers of Amazon provide many buyers with the opportunity of exploiting advantages and obtaining benefits regardless of reputation, thus causing wanton complaint about platform only for refund and goods exchange. When the balance of judge is mostly inclined to buyers, sellers' logistics fees, financing commission and product resources are subject to losses <sup>[2]</sup>.

### **Future development optimization strategies for e-commerce of Chinese cross-border international trade**

The development of e-commerce field of Chinese cross-border international trade is in the primary stage. However, relevant supporting business system is already relatively complete. It is also required to continue development optimization of cross-border logistics, payment system and credit environment and put forward corresponding strategies to promote further improvement of the whole system in the future.

#### **Improvement of cross-border logistics mode**

As the basic supporting core business of e-commerce platform development of Chinese cross-border international trade, cross-border logistics should first improve its enterprise system, legal norm and natural environment, improve its ability of operation and transportation, strengthen mutual cooperation with overseas logistics enterprises, constitute cross-border logistics alliance system, establish cross-border goods storage center of some core regions, give full play to logistics integration advantages, reduce overall cost of enterprises, accelerate logistics flow speed and promote common development of logistics enterprises and e-commerce platform. In addition, it is also required to give play to advantages of transaction, payment, logistics and service information integration of cross-border e-commerce platform and logistics enterprises after data integration and guarantee that cross-border logistics always keeps high-efficiency operation.

#### **Improvement of cross-border payment business**

E-commerce platform enterprises of cross-border international trade should effectively relieve risks of excess reserves. Therefore, enterprises should cooperate with financial management department and establish a third-party payment institution in order to handle relevant management business and provisions of excess reserves and allow the platform to open a special account of reserves with multiple foreign currencies so as to realize strict and effective distinguished management over excess reserves and meanwhile prevent fund embezzlement and mixing by the third-party payment institution and improve the service efficiency of funds. The third-party payment institution should also be required to establish risk funds for coping with the failure of payment of excess reserves that might be caused by the third-party payment institution in the case of emergency and system risks. In addition, it is also required to effectively deduct interest income of excess reserves, include parts of it in the scope of risk funds, return the part belonging to rights and interests of third-party payment users to users normally and prevent customer benefits from infringement.

#### **Improvement of cross-border trade credit environment**

It is required to make reasonable use of big data technology to establish a unified credit information system for e-commerce platform, regard third-party credit information service as main subject, cooperate with cross-border international trade e-commerce platform and finally realize information evaluation and intelligent information tracking recognition of e-commerce platform trade data and effective capture and cross-over analysis of relevant data and establish a relatively unified and

complete enterprise and individual credit information data evaluation system based on internet data processing, positioning and tracking technology. Simply speaking, it should mainly realize two major functions: first, guarantee that cross-border transaction subjects understand credit record information of the other party at any time and decide whether to carry out transaction; second, prohibit some transaction subjects from expanding transaction scale and even prohibiting their online transaction activities <sup>[3]</sup>.

## **Conclusion**

E-commerce platform of Chinese cross-border international trade has a wide prospect. This requires relevant enterprises and supporting service items to do their own work well, strive for effective accumulative effect in fund, resource and talent development, clearly understand each factor promoting and hindering the development of this field, draw on advantages and avoid disadvantages, put forward effective countermeasures for scientific development and promote overall development and progress of e-commerce platform enterprises of cross-border international trade.

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