

Research on Business Model and Marketing Strategy of China's Cross-border E-commerce Platform -- A Case Study of Kaola Overseas Shopping

Haibo Feng^{1,*,†} Xuanchen Liu^{2,†} Shilun Zhu^{3,†}

¹ School of Art and Communication, Technology and Business University, 102400, Beijing, China

² Xi'an Gaoxin No.1 High School International Course Center, 710000, Xi'an, China

³ High School Attached To Northeast Normal University, 130000, Changchun, China

*Corresponding author. Email: guanghua.ren@gecademy.cn

†These authors contributed equally.

ABSTRACT

At present, with the improvement of people's living standards in our country, people have higher requirements for quality of life. The emergence of cross-border e-commerce has further met people's living needs and better promoted the exchange of domestic and foreign trade. The rise of Kaola overseas shopping is also a representative platform for cross-border e-commerce. This paper will also use SWOT business model analysis and other methods to understand the development characteristics, advantages, and disadvantages of Kaola Overseas Shopping. The state has increased its support for the e-commerce industry and adopted a variety of measures to guide the cross-border e-commerce industry to continuously innovate and seek the ultimate suitable operation and business model. In the trend of globalization, China's cross-border e-commerce industry is full of challenges and opportunities. The problems that need to be solved are how to adapt to the trend of The Times, rational use of technology, clear market positioning and consumer groups, and use of reasonable marketing and promotion means.

Keywords: Cross-border e-commerce platform, Kaola Overseas Shopping, business model, SWOT, Marketing strategies

1. INTRODUCTION

In recent years, with the improvement of Chinese residents' living standards and income, the transaction volume of overseas shopping in China has increased year by year, the popularity of users' retrieval of overseas shopping e-commerce, overseas shopping brands and products has increased, and there are much-talked-about online topics related to overseas shopping, all indicating that the overseas shopping market is

booming in China in recent years. Facing such a huge blue ocean market, capital giants have also entered the market to invest in overseas purchase platforms. It can be said that at present, the overseas shopping industry is quite hot, has a good profit-making effect, and the competition is quite fierce (as shown in figure 1) [1]. How to make your brand deeply rooted in the hearts of the people and occupy more market share has become a challenge that all participants in the overseas shopping industry must face.

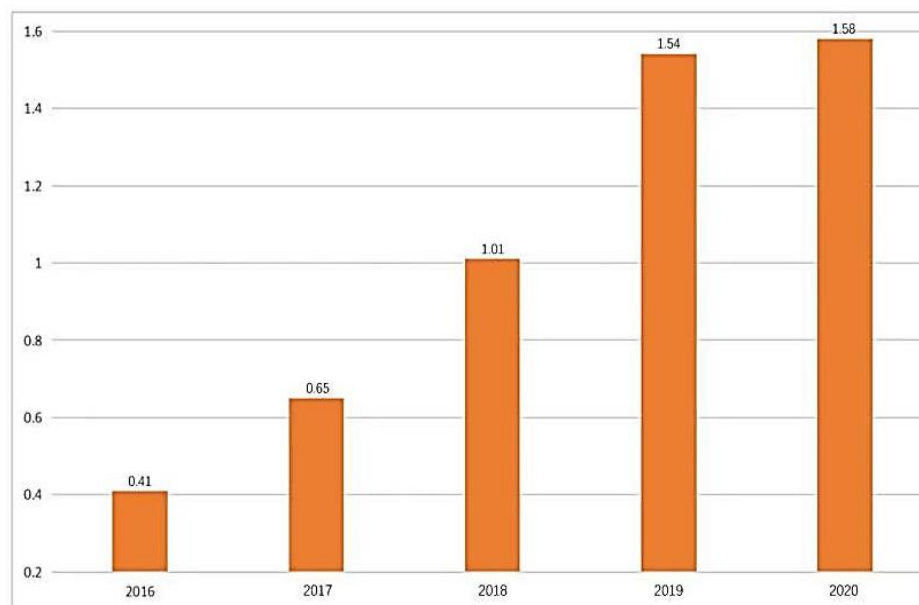


Figure 1. The scale of overseas shopping users in China from 2016 to 2020 (one hundred million).

With the gradual development and growth of cross-border e-commerce platforms benefiting from Internet and communication technology, overseas shopping begins to transform into a cross-border e-commerce platform model. The legislation of the Electronic Commerce Law and the gradual clarification of the relevant provisions and rules provide legal protection

and support for the development of the cross-border e-commerce platform, and the cross-border e-commerce platform tends to be improved in terms of functionality, service, and security. The advantages and disadvantages of the cross-border e-commerce model are compared with traditional shopping and purchasing agents, as shown in table 1.

Table 1. The advantages and disadvantages of the cross-border e-commerce model.

Serial number	Model	Advantage	Disadvantage
1	Overseas shopping	High fidelity and transparent price	The operation process is cumbersome, requiring shoppers to have a certain language communication ability.
2	Purchasing agent	Simple shopping process, low freight, and short transportation time	The return and exchange process are cumbersome, the freight is high and the transportation time is long.
3	Cross-Border E-Commerce	The shopping and return process is simple. Overseas goods have price advantages. The transportation time is short and the commodity quality of the large platform is guaranteed	The source of goods cannot be guaranteed, the price is opaque, and the return and replacement process are cumbersome There is a backlog of goods in the bonded area. There are not many commodity categories. Will receive policy impact

Under the background of the formal implementation of the e-commerce law, the cross-border e-commerce model has become an important import and export trade channel. To meet the more diversified needs of consumers, cross-border e-commerce is constantly innovating in its business model. Value net theory is a brand-new balanced business value theory that considers multiple interests. The value net model is shown in Figure 2 [2].

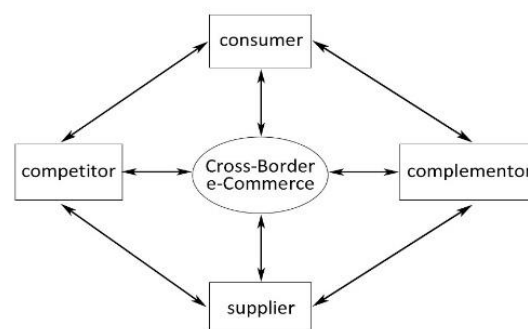


Figure 2. Value network theory.

Through literature search and synthesis, this paper summarizes the current business model of cross-border e-commerce. At present, the cross-border e-commerce business model is mainly a platform model. The platform mode is to build a platform by collecting the information of the buyer and the seller in the transaction. Suppliers or customers can conduct transactions directly on the platform. The transaction parties themselves solve the capital flow and logistics generated by the transaction. The platform only acts as the role of "information flow". The platform mode obtains profits by charging the agreed proportion of information fees from members [3].

Cross-border e-commerce platforms can also be divided into different categories according to different classification methods. The sales business model can be divided into the pure platform, self-support + platform, and self-support. The pure platform only provides the platform, not involved in procurement and distribution. On the one hand, self-operated + platform enterprises earn price differences for some products, on the other hand, they charge Commission as platform providers. Self-operated enterprises often get involved in the field of price difference and distribution.

It can be divided into comprehensive cross-border e-commerce platforms and vertical cross-border e-commerce platforms according to business types. The business of comprehensive cross-border e-commerce presents the characteristics of diversification. Its user flow and the number of merchant commodities are huge. The business of vertical cross-border e-commerce is more professional and focuses on the deep cultivation of core categories.

According to the operation mode, it can be divided into B2C, C2C, M2C. B2C is an e-commerce model. Enterprises directly build a platform through the Internet to provide consumers with a good shopping environment and save time for enterprises and users. kaola Haigou is a typical semi proprietary platform of B2C mode. Using the business model canvas, its business model can be divided into nine parts: target customers, value proposition, channel, customer relationship, revenue source, core resources, key activities, important partners, and cost composition.

Most scholars have studied the business model, policy and legal influencing factors, industry status of cross-border e-commerce platforms, and explored the overall development trend and bottleneck of cross-border e-commerce by taking kaola overseas shopping as an example. As cross-border e-commerce has only sprung up in recent years, although the marketing strategies of the whole industry are diversified, the marketing strategies for specific groups need to be further improved. At present, the largest consumer group in the Haitao industry is young people, and marketing activities should be closer to them. After

1995, consumer groups gradually occupy a more important market position. New consumer groups pursue a fashionable life. Cross-border e-commerce began to adopt more aesthetic elements in publicity and marketing, and use methods loved by young people, such as Haitao live broadcast, social e-commerce, and wanghongmen store, which will become an important direction of cross-border e-commerce marketing in the future.

We hope to take kaola Haigou as an example to analyze the advantages and disadvantages of its marketing strategy, put forward future directions and improvement methods, and redefine youth marketing. Make the marketing strategy of cross-border e-commerce more targeted at specific groups, more innovative, and in line with the trend of the times [4-6].

Firstly, the current development status of China's cross-border e-commerce platforms will be comprehensively summarized in this paper. Secondly, the advantages and disadvantages of China's cross-border e-commerce models will be analyzed, and the micro-business model analysis will carry out with the example of Kaola Overseas Shopping. Finally, the marketing strategy optimization analysis will carry out for China's cross-border e-commerce platforms.

2. METHOD

The so-called SWOT analysis, that is, the situation analysis based on the internal and external competitive environment and competitive conditions, is to enumerate the main internal strengths, weaknesses and external opportunities and threats that are closely related to the object of study through investigation and arrange them in the form of the matrix, and then use the idea of systematic analysis to match various factors with each other and draw a series of corresponding conclusions. The conclusion usually has a certain degree of decision-making. By using this method, the situation of the research object can be studied comprehensively, systematically, and accurately, and the corresponding development strategies, plans, and countermeasures can be made according to the research results.

3. RESULT

3.1. SWOT analysis

The target customers of cross-border e-commerce are very diversified, including consumers of various occupations and ages. These consumers all have common characteristics, and they pay attention to the quality of life. At the same time, these consumers are becoming younger and younger, and the development of e-commerce also meets the needs of young people for a high-quality life. The relationship between cross-border e-commerce and customers mainly includes two types,

self-service type, and customer participation type. The first type is prevalent and requires only customer service when there is a problem. In a second way, merchants invite consumers to purchase and establish customer participation relationships through practical experience [5].

Cross-border electricity channel pathway is mainly referred to the cross-border power to push the goods value tickets to market and customer form of cooperation, including the online and offline brand shop, the electricity now interactive experience can let consumer experience directly the numerous well-known brands, to make up for not on the Internet experience, increase the customer's trust. The main income sources of self-operated cross-border e-commerce include commodity sales revenue and financial income. The first is the profit earned from customers by selling goods, and the financial income is its fragmented income. At present, many cross-border e-commerce companies have their payment methods, which significantly improve the flow of funds. The cost of cross-border e-commerce is mainly composed of three parts, namely purchase cost, operation cost, and promotion cost. The purchase cost is the purchase cost of goods, including tariffs. In contrast, the operation cost is the additional cost of selling goods, such as

labor, platform service fee, logistics, warehouse storage. The promotion cost is the publicity expense, such as advertising, invested in increasing the popularity [1].

In the development of China's cross-border e-commerce industry, in 2017, Shenzhen's cross-border e-commerce transaction volume reached 49.166 billion US dollars, 21% more than in 2016. In 2018, the e-commerce transaction volume reached 276.27 billion US dollars, among which the e-commerce transaction volume of express delivery reached 60.33 billion US dollars, up 22.7% year on year. More than 500 cross-border e-commerce enterprises have been registered with Shenzhen Customs. The import and export of cross-border commodities reached nearly 100,000 kinds. In 2017, Hangzhou's total import and export volume reached 9.936 billion US dollars, with a year-on-year growth of 25.5%. Based on the reform of import mode such as online shopping bonded, cross-border e-commerce in Guangzhou achieved a trading volume of 22.07 billion yuan in 2017, with an increase of 55.12018%. The import and export transaction volume of cross-border e-commerce has seen rapid growth. More than 40 billion yuan. Tianjin's total import and export volume reached 256 billion yuan in 2018 [7], as shown in table 2.

Table 2. SWOT analysis.

S (strengths)	W (weaknesses)
<p>1. China has the advantages of a large-scale e-commerce platform. The main operators of cross-border e-commerce mainly include export enterprises that establish their e-commerce platform, export enterprises that develop e-commerce through third-party cross-border e-commerce, and e-commerce platforms that provide services for enterprises' exports.</p> <p>2. Basic advantages of the domestic market. Due to the lack of offline physical trade, appropriate disasters or diseases can also greatly promote the development of cross-border e-commerce. Data show that the scale of China's cross-border e-commerce has increased nearly 10-fold in the past five years, which has promoted the transformation and upgrading of foreign trade, especially played an important role in stabilizing foreign trade under the impact of the epidemic.</p>	<p>1. The deficiency of cross-border logistics development. To a certain extent, cross-border logistics in China has been improved. However, there are still some problems in cross-border logistics, such as high cost, long transportation time, low level of information, and weak customer service.</p> <p>2. Lack of payment guarantee. The security of these payment platforms is very poor. On the one hand, the collection of enterprises or enterprises cannot be guaranteed, on the other hand, there are loopholes in government supervision, resulting in the loss of tax revenue.</p> <p>3. Weak brand awareness. Some unscrupulous merchants, to make more profits, will produce products of the same style and different quality and sell them to consumers at the same price. In this way, the products that occupy the market rely on low prices rather than brand image and quality.</p>
O (opportunities)	T (threats)
<p>1. Economic Globalization and informatization. Nowadays, the degree of globalization of the world economy is getting higher and higher, with the continuous development of the Internet of things and Internet technology, the degree of economic informatization is getting higher and higher, which will accelerate the development of cross-border e-commerce.</p> <p>2. The strong support of our government. In December 2012, the National Development and Reform Commission and the General Administration of Customs officially launched pilot cross-border e-commerce services, including Hangzhou, Ningbo, Zhengzhou, Shanghai, and Chongqing. Subsequently, a series of documents were issued to promote the development of cross-border e-commerce.</p>	<p>The convenience of domestic parcels will weaken the desire for commodities from the international market due to the slow logistics. For example, for domestic parcels, cross-border logistics takes 6-15 days and the transportation cycle is long.</p>

3.2. Business model analysis of kaola

kaola is a member of e-commerce of Alibaba, which focuses on cross-border business. Its main commodities include mother and baby products, beauty personal care, food health care, home digital, clothing, shoe bags, and so on. kaola's business model can be divided into the following nine parts:

1. Target consumers: kaola is positioned as a fashion e-commerce platform, mainly engaged in medium and high-end cross-border commodities (mother and baby products, beauty personal care, food health care, home digital, and so on), and the customer segment is consumers pursuing quality needs. Especially female consumers, male online consumers also account for a certain proportion. The age is mainly 20-35 years old.

2. Value proposition: committed to providing high-quality and low-cost goods. kaola provides customers with a wide variety of goods and provides a highly automated self-service shopping process. At the same time, it provides customers with services such as pre-sales consultation, in-sales communication, and after-sales return and replacement.

3. Channel access: it mainly includes online and offline channels. Online channels mainly include kaola overseas shopping websites and mobile clients. These online methods can directly contact customers. Customers can search for commodity information through a website or client, shop by themselves, and complete payment. There are brand flagship stores offline, so consumers can directly experience the products of many well-known brands worldwide, realize a comprehensive shopping experience, and improve consumers' awareness and trust in online goods.

4. Customer relationship: kaola's customer relationship includes self-service and customer participation. On the one hand, systematic analysis of user behavior recommends good products to meet users' shopping needs and realize self-service. On the other hand, improve customer satisfaction through customer participation. The main forms include inviting customers to participate in the direct purchase of genuine products, going deep into the brand headquarters, factories, and offline stores to participate in the purchase and selection, implementing one yuan trial project for customers, encouraging customers to actively participate in the trial, and encouraging customers to give feedback in the participation [8, 9].

5. Source of income: the vast majority of income comes from the sales of cross-border goods.

6. Core resources: kaola adopts direct marketing and self-mining, which compresses the intermediate links and ensures the product quality. With the advantages of large-scale bonded warehousing in China and overseas warehouses distributed in many countries, it has realized

supply chain management and rapid response and effectively supported business's sustained and rapid development.

7. Key activities: kaola will update the website of the user demand team in real-time. On some special days, the kaola will add special elements to the website to attract more users. Managers cooperate with many well-known brands to develop more suppliers.

8. Important partners: kaola's important partners include foreign brand suppliers, third-party logistics companies, customs, and other government departments.

9. Cost composition: the main costs include procurement cost, promotion cost, and operation cost. Procurement cost mainly refers to NetEase kaola overseas purchase expenses and customs duties for customers to purchase and select goods abroad. The promotion cost includes the promotion cost of offline stores, online websites, and web media. Operating costs refer to labor costs, logistics costs, and platform maintenance costs related to the operation of the NetEase kaola overseas shopping platform.

4. DISCUSSION

4.1. Product and price strategy optimization

When pricing goods, cross-border e-commerce needs to consider the actual cost of goods in production. In addition, it also needs to consider whether the goods can reach the price that users can bear after pricing. To ensure that the marketing amount of goods can bring more benefits to enterprises, the following strategies can be adopted when pricing:

Pricing is based on the cost price of the product. The impact of cost price mainly includes the raw materials of goods and various expenses in the procurement process. The raw materials of goods will change with the fluctuation of the market price. At the same time, the expenses (freight and tariff) in the procurement process will also be affected by policies and the environment.

Analyze the price changes of commodities in different periods. The market demand in different periods is different, and the commodity price should be mobilized according to the actual cost of commodities [10].

4.2. Platform channel strategy optimization

Continuously optimize the online platform functions, use big data to portrait users, and recommend products more accurately.

Search engine optimization tries to let users find the platform faster when using the search website.

Improve product innovation ability and create enterprise brand advantages.

Introduce more influential enterprises and settle in well-known brands on the platform.

Improve payment functions and solve cross-border payment and credit problems.

Strengthen the construction of logistics services and improve the speed of logistics distribution.

4.3. Combination of various marketing means

At present, the main group of overseas shopping is young people, so both online and offline marketing strategies need big data to portrait consumers through data analysis and determine the marketing mode. After 1995, consumer groups gradually occupy a more important market position. New consumer groups pursue a fashionable life. Cross-border e-commerce began to adopt more aesthetic elements in publicity and marketing, and use methods loved by young people, such as Haitao live broadcast, social e-commerce, and online celebrity store, which will become an important direction of cross-border e-commerce marketing in the future.

Combination of online and offline marketing. Online marketing can adopt star talent with goods, popular IP marketing, cross-border cooperation. Offline is in the form of online celebrity stores. In the process of marketing activities, pay attention to highlight brand characteristics, such as good product quality, fast logistics, good after-sales service, and so on.

5. CONCLUSION

5.1. Summary main findings

5.1.1. Establish differentiated brand image

Usually, a person with distinctive characteristics is easier to be remembered, and the brand is the same. We must pay attention to shaping our differentiated

brand image. Only a brand with its unique cultural connotation and style can be truly remembered by consumers.

5.1.2. Understand national policies

In recent years, the state has issued many supporting policies to promote the development of cross-border e-commerce. As a cross-border e-commerce enterprise, we must know how to use national policies, keep up with the pace of trade development, and constantly improve our marketing strategy.

5.1.3. Focus on innovation and development

Innovation is the soul of sustainable development. As a cross-border e-commerce enterprise, the marketing strategy must follow the development trend of the times. Make rational use of advanced technologies and means. While showing the advantages of their products, they constantly look for more effective marketing methods.

5.1.4. Improve personalized service quality

In today's era, consumers have more and more choices. Therefore, we must attach great importance to users' personalized experience, carry out in-depth consumer market research, understand the consumption habits of each consumer group, constantly improve their personalized service quality, and let users feel their intimate service.

5.1.5. Choose the right platform

In this era of network development, the applicable groups of different platforms are different. Using data analysis can better launch content, save budget, and high-quality marketing.

5.2. Limitations

Most of the data in the paper come from second-hand data. For some reason, we did not conduct a field investigation. The data on the Internet reflects an overall trend, but the situation in different places will be different.

The instability of the global epidemic may reduce some people's income, and the response policies of some countries will have an impact on the cross-border e-commerce industry. These may hurt the short-term development of the industry, but in the long run, the prospect of cross-border e-commerce is broad.

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