

Capacity of Global Cross-border E-commerce: New Opportunities and Threats in 2021

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ABSTRACT

Despite heightened interest, the business models, operations and geographical distribution of e-retailers remains changing. This essay presents the current positions of cross-border e-commerce involving the enterprises participated and the global e-retail markets. It illustrates the detailed operations by analyzing the business model, revenue stream and supply chain of cross-border e-commerce platforms. This essay also makes critical discussion about the present international opportunities and threat of cross-border e-commerce, and the strength and weakness of the industry have been evaluated using SWOT model. The findings of the essay are about exploring the possibility of further development of e-commerce in the future.

Keywords: *Cross-border e-commerce, Warehouse, e-retailers, global trade*

1. INTRODUCTION

Cross-border electronic sales, especially the business-to-customer (B2C) mode, are expected to account for over twenty-two percent of the total global electronic transactions [1]. Although an increasing number of cross-border sellers have established their own brands on Amazon, eBay and other official websites driven by the pursuit of higher profits, the main form of export cross-border e-commerce would still be B2B for a long time in the future. Because the volume of B2B orders is relatively stable. Of course, the business volume will gradually shift from B2B to B2C. As a result, the number of multinational e-retailers consistently increase. For example, there are more than thirteen percent of European retailers selling products via the internet internationally. Those retailers consist of both developed and emerging e-commerce markets. The purpose of the research is to evaluate variety operation modes exist in the cross-border e-commerce. The essay focus on the business model, revenue stream and supply chain of e-retailers to make an overview of e-commerce platform and operation. It uses SWOT model to predict the development progresses through analyzing global economic environment.

2. OVERVIEW OF E-COMMERCE PLATFORM AND OPERATION

2.1. Business model

Current e-commerce enterprises could be described into four categories, including Business to Business (B2B), Business to Customer (B2C), Customer to Customer (C2C) and Customer to Business (C2B). These are the potential and flourishing models for a variety range of cross-border e-commerce enterprises, such as Amazon, eBay and Alibaba. Compared with traditional retailers, e-commerce enterprises have considerable advantages in categories and supply-chain of products, especially in large-scale platforms with security in terms of quantity and quality of products and services. It also has cost advantages due to scale purchase and efficient circulation and turnover of inventories [3]. Another benefit is the wider layout of the network and mature supply chain management. Effective warehousing and distribution systems provide efficient logistics and distribution services for online companies [4]. Besides, there are many reasons for the rapid development of some e-commerce companies, especially regional or national retail brands. For example, the company's promotion and penetration, the strong influence of offline brands and the relevant service experience accumulated over the years.. For example, the core advantages of Alibaba can be

described as vast customers, increased market demand and high appendix economic value.

2.2. Revenue Stream

Cross-border e-commerce platforms generally adopt the B2C mode. It has three main revenue streams from its operations relating to their platform revenue, proprietary products and express business.

Platform revenue: Normally it consists of software service fees and platform usage fees. Annual fees and real-time deduction fees are two major parts of platform revenue, and the payment method of those should be subject to the corresponding payment standard publicized by the specific platform. In 2020, the platform revenue of Alibaba is five hundred and nine billion yuan [5].

Proprietary products: On the one hand, propriety models is accepted by customers due to the high loyalty of consumer groups of Alibaba; on the other hand, it reduces the operation and management costs through integrated management and cooperation of various department. Alibaba also has retail stores and warehouses in lots of cities, improving the delivery efficiency with lower costs of logistics. Data shows that as of December 2020, there are more than thirty thousand warehouses managed by Alibaba, with a total storage area of three thousand million square meters. In 2020, the revenue from proprietary products was six hundred and fifty-one billion, which generated ninety-four percent of total sales revenue [6].

Express business: Logistics provides services to a variety of enterprises, involving fast-selling brands, clothing, home appliances, home furnishings, automobile and fresh food industries. In 2020, the integrated supply chain customers of JD reached over fifty thousand. From 2018 to 2020, the revenue of JD logistics was thirty-seven billion yuan, forty-nine billion yuan and seventy-three billion yuan respectively, of which the revenue in 2020 increased by forty-seven percent [7].

There are also other sources for revenue of e-commerce enterprises, such as advertising and precipitation funds from third-party payment services.

2.3. Supply chain management

With the development of online platform, e-commerce uses supply chain management, which integrate the logistics and capital flow modules, in order to create the electronic business collaboration mode of supply chain. It includes the process of production, sales and inventory, online procurement and payment. Compared with traditional transactions, e-commerce puts forward higher requirements for the integration of upstream and downstream resources and data sharing. It could be achieved through the integration of offline distribution resources and centralized or decentralized

logistics. The unified financial settlement management and various value-added services after integration could reduce the internal management cost and improve the overall efficiency of enterprises. For example, Alibaba creates technology super-scouting throughout the supply chain. It also has an advanced technique called Relational Database Service (RDS), which makes convenient management, operation and expansion of relational database through cloud services [8].

3. SWOT ANALYSIS OF CROSS-BORDER E-COMMERCE INDUSTRY

3.1. The Opportunities of cross-border e-commerce

3.1.1. International global trade recovery

It should be noted that the rebound rate of global trade in 2021 was significantly rapid compared with the financial crisis in 2008. It not only boosted many areas of the global economy, but also made the cross-border e-commerce with more growth vitality a development field attracting the attention of all countries. Despite the outbreak of COVID-19, international merchandise trade has suffered the biggest year-on-year decline since the great depression. But global trade has rebounded strongly. According to the data of the Kiel Institute of world economics, the aggregate global economy remained on an upward trajectory. The historic loss of global trade had recovered about half in 2021 [9]. Among the thirty-eight economies tracked by IHS Markit, fourteen of them achieved growth in new export orders in August, compared with only four in June. Global freight volume data show that shipping activities in some other ports in the United States, Asia and Europe have also returned to the pre-epidemic level [10]. Also, with the recovery of cargo demand, the freight level of some key routes has been much more sizeable than that before the epidemic. Because the global trade recovery is currently threatened by uncertain factors, such as the rebound of the epidemic, cross-border e-commerce has become the primary way of international trade with the advantages of online trading and convenient delivery. Besides, the cross-border e-commerce industry has played an important role in enhancing economic development and national strategic development. As a result, various countries have issued abundant policies to optimize the capabilities of e-commerce. Those policies contains supervision, taxation, payment, customs clearance and other processes, providing more appropriate development conditions for cross-border e-commerce.

3.1.2. Favorable political conditions for cross-border e-commerce

The Regional Comprehensive Economic Partnership (RCEP), which is between the Asia-Pacific countries, was

held in 2020. It could be seen as a formal conclusion of the world's largest free trade agreement. According to RCEP, the level of openness in trade has reached more than ninety percent, and each country has opened markets in over 100 fields [11]. Thirty percent of the goods in Cambodia, Laos and Myanmar enjoy zero tariff treatment, while sixty-five percent of those in other member countries enjoy zero tariff treatment. It undoubtedly creates a beneficial opportunity for cross-border e-commerce sellers. RCEP optimizes the regional supply chain, providing valuable and integrate resources for the flow of commodity, technical cooperation, service capital cooperation and human-resources cooperation among members. It should be noted that there will be the establishment and additional development of overseas warehouses, with an efficient and stable supply chain. It is also advantageous to the recruitment of international human resources that are essential for further building and maintenance of e-commerce systems. Another positive influence of RCEP on e-commerce is that it is conducive to overseas investment and brand building of foreign trade enterprises. As the current position of cross-border e-commerce, it will pay more attention to brand effect and localization, which require a large amount of overseas capital investment. After the unification of rules in RCEP region, entering one country is equal to entering all countries in the region, providing a stable and integrated environment for foreign investments.

3.2. The threat of cross-border e-commerce

3.2.1. Four major impacts caused by COVID-19 on cross-border e-commerce

The first impact is the rising costs of logistics. The suspension of international logistics, especially commercial flights, has a great impact on the timeliness and cost of the supply chain. The second impact is that the overall consumption power and purchasing power have decreased. Specifically, it is important to distinguish between necessities and non-necessities. Although hoarding necessities became the mainstream trend during the epidemic, due to safety considerations, consumers are more willing to buy domestic products in order to avoid infection with COVID-19. The modes of cross-border e-commerce have changed. Before the epidemic, there is a diversified way of trade, such as purchasing on behalf of others, overseas cross-border live broadcasting, postal parcels between B2C individuals and large B2C self-supporting platforms. After the epidemic, some cross-border modes are restricted by limited international packages and the closure of tourist ports. According to research, governments revised the rules and regulations of customs, which increased the uncertainty of overseas delivery and supply chain [12]. The last impact is about diminishing the consumption level of society. In order to control the epidemic, governance suggested a reduced flow of residents. Consequently, various industries have

been forced to stop, including the tourism, entertainment, catering, hotel and shopping. It seriously affected the supply chain of upstream and downstream industries. The risk of customer default has increased because some small and medium-sized enterprises are facing bankruptcy.

3.2.2. Tensions between China and the United States leading to increased uncertainty

The global cross-border e-commerce market could be roughly divided into North America, Europe, Japan, Southeast Asia, the Middle East and other places. The most influential market in the U.S. with the biggest number, which is two hundred and sixty million, of digital buyers that are well-acquainted with online shopping [13]. The China-US trade war has enormous influence on e-commerce in the American and Asia markets, with consequently global affect. For example, in the first round of China-US trade war in 2020, in order to avoid tariff rise, international buyers asked domestic factories to arrange the shipment of goods in advance, resulting in the conversion of sea cargo to air cargo and globally centralized shipment. The expectation of the trade war affected the balance of the international supply chain, resulting in a surge in short-term demand in 2020. But there was overdrawn on the international trade in the first quarter of 2021, resulting in a decline in overall demand.

3.3. The strengths of cross-border e-commerce

3.3.1. Overseas warehouses and advanced technical support for the operation

First, with the increasing requirements of global buyers for online shopping experience, the role of overseas warehouses is becoming progressively prominent. It could solve some problems of the mainstream logistics methods of cross-border e-commerce enterprises, including protracted distribution, complex customs clearance, package loss and difficult return and exchange of products [14]. By building own overseas warehouses, enterprises could prepare goods for storage in advance. It helps to shorten the delivery time after customers placing orders, improving customer satisfaction in order to expand sales. It is also beneficial to create a localized operation, which is in line with local after-sale services, providing systematic return and exchange policies. Therefore, some enterprises with certain technology and scale advantages, such as Amazon and Alibaba, gradually strengthen the construction of overseas warehousing systems and improve the capacity of those warehouses. Due to their well-organized management of logistics, those e-commerce platforms have formed core competitive advantages and build high industry barriers.

Second, advanced technical support is one of the essential factors for cross-border e-commerce. For example, the blockchain accelerates the operation of the supply chain by ensuring transparency and visibility [15]. In terms of payment, the cross-border e-commerce system can directly connect with international general and diversified payment methods, effectively solving the problems of users' foreign payment difficulties. Some private technology companies support the secondary development and personalized customization of the online platform. There are five ports available for enterprises to choose: PC, WAP, Wechat, app (Android / Apple) and applet. They can automatically and intelligently record and analyze complex data, involving transaction data, customer data and inventory data, to support to make further decisions and strategies.

3.3.2. Consumer demand growth for cross-border products

The consistent development of the global economy causes the boost of consumption level. It presents that the increasing purchasing power of the younger generation has become the main driving force for the growth of cross-border online shopping. Also, coronavirus compelled consumers to use internet shopping as a habit in their daily routine [16]. A report shows that forty-one percent of China's cross-border online shoppers were born in the 1990s, of which more than eleven percent were born in the 21st century. The change of consumption concept has also brought new business opportunities for cross-border e-commerce. Compared with the traditional concept of saving, modern society emphasizes the satisfaction created by consumption. Because the gradual improvement of the social security system has improved the per capita quality of life. The development of pension system and commercial insurance market has also effectively alleviated the pressure of the social security system and promoted the consumption function.

3.4. The weakness of cross-border e-commerce

3.4.1. Complex legal and tax issues

Import and export trade will be affected by different legal systems and economic policies of various countries. Cross border e-commerce often faces complex overseas tax, legal and customs problems. For example, from January 2021, the British will introduce a series of new cross-border e-commerce VAT regulations [17]. As a result, the VAT treatment of overseas sales transactions in the British market will be greatly changed. The corresponding cross-border B2C trade will be split into two transactions in the sense of VAT. First part can be seen as the sales of third-party sellers to the online market. The other part is the sales of the online market to end consumers of British. Therefore, the online market will need to be in line with relevant VAT compliance

obligations in the British. Additionally, cross-border e-commerce enterprises need to clarify the registration process, exemption treatment, cross period sales and exchange rate changes. Relevant enterprises will have difficulties increasing transaction data and complicated process updating.

3.4.2. Difficulties to seek overseas partners

It is relatively achievable to create an overseas hardware system. However, the establishment of high-quality human resources is the weakness of cross-border enterprises, which cannot be obtained in a short run. The employees who are familiar with the local business environment and are able to communicate with various government departments and business associations are indispensable to the further development of cross-border enterprises. Besides, the local partners are essential to series of operation difficulties, such as the logistics problems, capital turnover problems, transportation timeliness and customer experience. Cross-border enterprises face the challenge that it takes great resources and timing cost to seek for corporation partners.

4. CONCLUSION

In this article, the cross-border e-commerce enterprises generally adopt B2C mode that has comparative advantage of vast customers, growing market demand and high value created by economic scale and efficient supply chain. The essay shows that the cross-border e-retailers faced many difficulties in 2020. The revision of customs policy caused by COVID-19 led to complex procedures and transparency in import and export of commodities. The tension between China and US exacerbated the uncertainty of cross-border e-commerce transactions. However, with the economic recovery in 2021 and the development of trade integration in some regions of the world, it is foreseeable that cross-border e-commerce will become the mainstream of trade in the future. E-commerce enterprises should establish the efficient supply chain and expand the advantages of economic scales to attract potential customers with high-quality and diversified products and efficient distribution. Whether e-retailers can innovate and apply new technologies in operations, including order forecasting, procurement forecasting and inventory management, is the key factor to measure the core competitiveness of enterprises in the future. There are various financial data from annual report are used in this research paper. Since many companies mentioned above only have quarterly or semi-annual reports in 2021 quarter, the annual report of 2020 is adopted for comparison. To some extent, it has affected the analysis of the impact of economic recovery in 2021 on cross-border e-commerce trade.

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