

Association for Information Systems

AIS Electronic Library (AISeL)

ICEB 2016 Proceedings

International Conference on Electronic Business
(ICEB)

Winter 12-4-2016

The Development and Tendency of Cross-Border E-Commerce in China

Xiaoke Zhang

Xidian University, China, xiaokezhang@stu.xidian.edu.cn

Tingting Xiao

Xidian University, China, tingtingxiao@stu.xidian.edu.cn

Rong Du

School of Economics and Management, Xidian University, Xi'an, Shaanxi, China, durong@mail.xidian.edu.cn

Follow this and additional works at: <https://aisel.aisnet.org/iceb2016>

Recommended Citation

Zhang, Xiaoke; Xiao, Tingting; and Du, Rong, "The Development and Tendency of Cross-Border E-Commerce in China" (2016). *ICEB 2016 Proceedings*. 57.

<https://aisel.aisnet.org/iceb2016/57>

This material is brought to you by the International Conference on Electronic Business (ICEB) at AIS Electronic Library (AISeL). It has been accepted for inclusion in ICEB 2016 Proceedings by an authorized administrator of AIS Electronic Library (AISeL). For more information, please contact elibrary@aisnet.org.

The Development and Tendency of Cross-Border E-Commerce in China

Xiaoke Zhang, Xidian University, China, xiaokezhang@stu.xidian.edu.cn

Tingting Xiao, Xidian University, China, tingtingxiao@stu.xidian.edu.cn

Rong Du, Xidian University, China, durong@mail.xidian.edu.cn

ABSTRACT

Recent years witness the rapidly development of cross-border e-commerce in China, which presents as the springing up of the cross-border e-commerce platforms and enterprises. Beginning from analyzing the development of cross-border e-commerce in China, this article introduces the business modes and transaction process of cross-border e-commerce, finds out several problems which are against further development, and predicts the tendency of cross-border E-commerce.

Keywords: Cross-border E-commerce; Business mode; Transaction process

INTRODUCTION

E-commerce is a dynamic and an important sector of the economy, and it means a set of transaction made by computer networks, especially by Internet. These transactions always concern on the purchase or sale of goods and services ordered online, but the payment and the delivery may be performed in any form (online or offline) [1]. Cross-border E-commerce is a special kind of E-commerce, of which trading partners are in different countries. It has the characteristics both of e-commerce and of international trade.

On the last March 15, the Chinese Premier Li presented the “Internet Plus” as the strategic planning of the Chinese economy in the Report on the Work of the Government, and he pointed in particular to the development of the cross-border e-commerce. We regard “Internet Plus” as a kind of power, which comes from the information enabled by the Internet. When pulling this kind of power into international trading, we get cross-border e-commerce [2]. In the context of the grim international trading, the trade volume of cross-border e-commerce can be continued growth at the rate of more than 30%, which shows that the superiority of it. Thanks to the benefit of the national policy, China’s cross-border e-commerce achieved the explosive growth in 2015. According to the statistical report released by the Chinese Ministry of Commerce, there are more than 5,000 cross-border e-commerce business platforms and more than 200,000 cross-border enterprises doing business on these platforms in China [3].

There are three kinds of cross-border platforms contributing to the development of China’s cross-border e-commerce. The first one is the original and well-known cross-border e-commerce platforms, like e-Bay and Amazon. As the data from eBay, Chinese sellers sell their goods to more than 220 countries. The next one is some new platforms, include both the platforms developed by huge e-commerce enterprises, like Tmall Global and the platforms no user base like Darling. The last kind of platform is developed by traditional industry. These enterprises take the advantage of financial resources to build the cross-border e-commerce platforms for holding tight the opportunity of it. For example, Heysroad Technology is a cross-border e-commerce company founded by ZET group, who is famous as the producing of mobile phone. ZETmart is the export platform of Heysroad Technology, on which the main goods exported are shoes. There are also some other enterprise starting to set up online sales channels, through which sell their products to other countries.

The rest of this paper is organized as follows. In the next section, we summarize and analyze the business modes of cross-border e-commerce. We then describe respectively the transaction processes of import and export cross-border e-commerce, after which we explore the bottleneck and the tendency of the cross-border e-commerce in China. In the final section, we present our conclusion.

BUSINESS MODES OF CROSS-BORDER E-COMMERCE

Same as traditional e-commerce, the business modes of cross-border e-commerce can be divided into C2C (customer to customer), B2C (business to customer), B2B (business to business) and O2O (online to offline) etc., according to the type of two parties of a deal. The differences between traditional e-commerce and cross-border e-commerce in business mode are that the mode M2C (manufacturer to customer) is used a lot in cross-border e-commerce, and that the mode B2B matched and the mode community e-commerce turn up under the background of cross-border e-commerce.

Business Modes of Cross- border Export E-commerce

Currently, the main business modes of Cross-border export e-commerce are C2C and B2B. In the mode C2C, the market is based on numerous small business people who focus on foreign markets in order to avoid the fierce competition in the domestic e-commerce environment. The main platforms for these small business people are eBay and Ali Express. Ali Express is a cross-border export platform under Alibaba group. It is an active platform. The trade data shows that there were 21,240,000 orders on the day November 11, 2015, the buyers covered 214 countries and regions [4]. Same as the cross-border import e-commerce, the mode C2C export also has some weakness such as the lack of the sincerity and inefficient. Considering these, Ali Express announced that the platform will be all for industries not for business people so that transform

the mode from C2C to B2C [5].

As the whole cross-border e-commerce industry, the main force of the trading volume is enterprise in the mode B2B. The cross-border export e-commerce platform Alibaba is the first business of Alibaba group and it runs in the mode B2B. There are more than one million small and medium-sized enterprises sell their products to the world through the platform Alibaba. By the end of 2015, the domestic suppliers on the Alibaba had amounted to millions and there were 10 million domestic buyers and 100 million overseas buyers, which show the development potential of the B2B cross-border e-commerce [6].

A New Business Mode in Cross-border E-commerce

M2C means the mode manufacturers to customer. This is a mode appeared early but not well known until it is widely used in cross-border e-commerce. The fragmentation of the demand drives the manufactures turn their business mode from B2B to M2C. M2C have four advantages over other modes. First, it can offer lower price to the customers, because the reducing of the circulation leads to the decrease of the selling cost. Second, it can offer customization to the customers. In this mode, customers order goods directly towards the manufacturers. It can not only meet the customized needs of the customers, but also reduce the production risk of the manufacturers. Third, through M2C, the customers can get better after-sales service. Manufacturers provide all kind of after-sales services directly in which to shorten the time for solving the problems, and the customers don't need to worry anything about the after-sales service. Last, it's a mode conducive to innovation. The manufacturers can feed back by the customers more easily so that they develop new products according to the demand of the market. Ningbo is one of the pilot cities for cross-border trade who runs in the mode M2C. Ningbo has fulfilled orders more than 15 million and sales of 380 million CNY.

TRANSACTION PROCESS OF CROSS-BORDER E-COMMERCE

Import Transaction Process

Currently, in the case of import cross-border e-commerce enterprises in B2B mode, the online websites just be used for advertising and posting products information, the transaction and the customs clearance process are substantially completed offline. However, in the B2C mode, the transaction and the customs clearance process are completed online. There are three main types of transaction processes, namely bonded stocking mode, bonded goods collection mode and direct mail mode.

Bonded stocking mode allows the e-commercial enterprises importing certain commodities, the declaration forms to customs are the same as importing goods. Commodities are bonded storage in bonded zone, waiting for the online orders generation. Then the e-commercial enterprises will declare the customs clearance procedures and pay parcel tax. In this mode, the e-commercial enterprises purchasing, customs clearance and logistics costs will decrease significantly. As a result, the profits will increase. The transaction process of bonded stocking mode is shown in Figure 1.

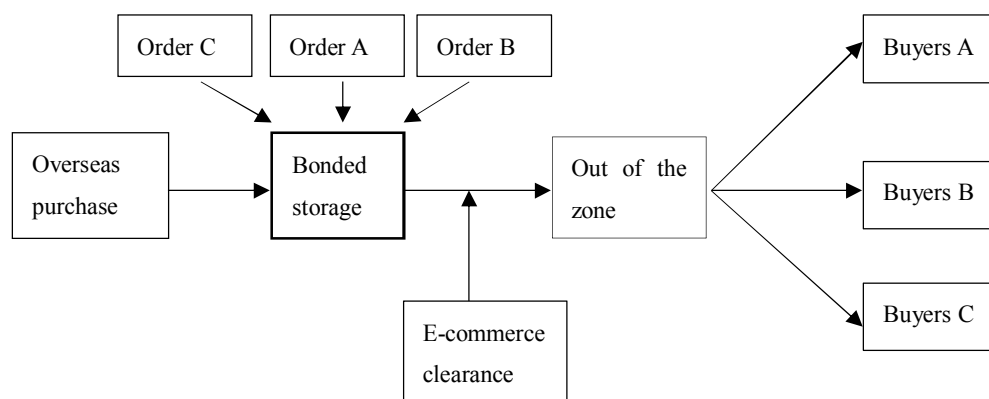


Figure1: Bonded stocking mode flow

The transaction process of bonded goods collection mode is shown in Figure 2. After consumers place their orders on the e-commercial business platform, the e-commercial enterprises will ship the goods to special customs supervision area and commission logistics enterprises to submit "cross-border e-commerce trade entry and exit of goods declaration list" to customs. Then based on the orders information, logistics enterprises package the goods into parcels in the regulatory region. After customs clearance inspection, the parcels will be out of the district as personal belongings and will be delivered to the consumer by domestic courier company.

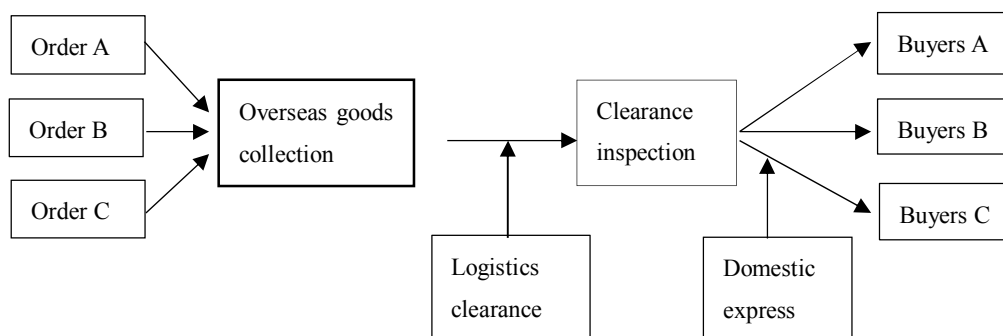


Figure 1 :Bonded goods collection mode flow

Figure 3 shows the transaction process of direct mail mode. Consumers order on the e-commercial business platform. The e-commercial enterprises will be responsible for the goods which are packed into parcels to the customs express supervision area, and commission logistics enterprises to submit “cross-border e-commerce trade entry and exit of goods declaration list” to customs. After customs clearance inspection, the parcels will be out of the district as personal belongings and will be delivered to the consumer by domestic courier company.

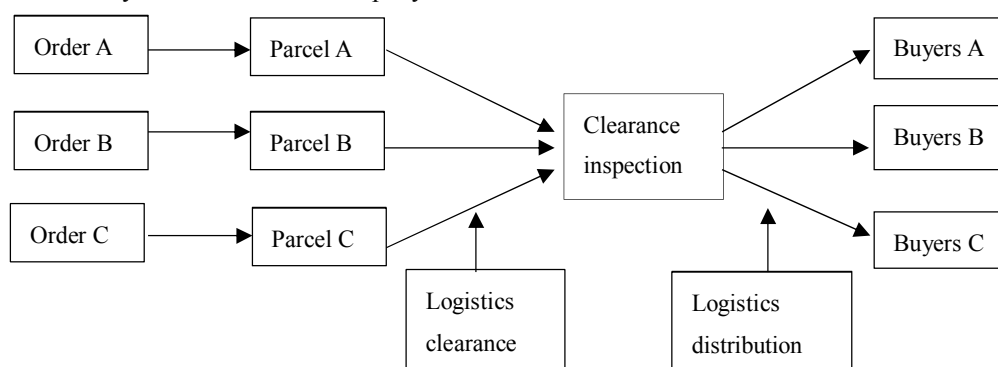


Figure 2 :Direct mail mode flow

Export Transaction Process

The e-commercial enterprises which completed transaction process online are basically B2C or C2C mode. In these two kinds of modes, the transaction processes are mainly of two types. one is direct mail mode and the other is overseas warehousing mode. Wherein the e-commercial enterprises of C2C mode use direct mail mode, which is similar to import direct mail mode transaction process. This mode is mainly relying on the international logistics company which is also the main body of the declaration, therefore, logistics costs will be relatively high and the size of transaction will be smaller.

Most cross-border e-commercial enterprises of B2C mode have their own overseas warehouses. According to the eBay's data shows that the percentage is 85%, that means overseas warehouses have become the basic standard configuration of cross-border export e-commercial enterprises. Similar to bonded stocking mode of cross-border import e-commercial enterprises, overseas warehousing mode refers to sellers established their own overseas warehouse in the other countries, commodities are shipped from one's own country to the overseas warehouses and customers ordered to buy items they need through the internet. Then the sellers only need to give the operation order to overseas warehouses online for order fulfilment. Finally, the commodities are delivered from the buyer's home country, the delivery time is greatly reduced compared with the commodities are delivered from the seller's home country.

DEVELOPMENT BOTTLENECK OF CROSS-BORDER E-COMMERCE

The first development bottleneck is uneven integrity level of consumer. In the import e-commerce, consumers often doubt whether their buying is genuine, the fermentation effect of this kind of fake events is often stronger than most people would think. For example, Vip.com had been plunged into a crisis of confidence because of its selling event. One of cross-border e-commerce advantages lies in the lower price, but people would not be willing to spend more money in this area if there is no genuine guarantee. Another aspect, the cross-border export e-commercial enterprises are also facing the risk of international buyer fraud. Foreign media reports that the government dealt with a \$1.7 trillion return fraud. The buyers replaced the genuine product using a fake and returned to the seller, then received a full refund through the cross-border e-commerce trading platform. As can be seen from the above example, the cross-border e-commercial enterprises provide service to a wider customer market, have more profit opportunities, besides, they also face more risks and challenges. Thus, the consumer's integrity crisis becomes a big problem especially in a market with weak regulation.

The second development bottleneck is cross-border logistics. As we know that the delay of logistics delivery will not only bring bad experience consumption to consumers, but also bring huge economic losses to the sellers. In order to minimize the

impact of cross-border logistics to export e-commerce Alibaba Group Ali Express and Rookie network jointly launched “AliExpress Easy Logistics” services including taking express, distribution, logistics details tracking, logistics disputes handling, after sale payment and other one-stop logistics solutions for sellers. “Worry Logistics” effect remains to be tested.

The third development bottleneck is inefficient information exchange. The construction of information sharing platform needs to invest lots of financial and human resources. Cross-border e-commercial enterprises are hard to succeed facing with the unpredictable global economic environment without a strong, effective information exchange platform to support.

THE DEVELOPMENT TREND OF CROSS-BORDER E-COMMERCE

Future development focus on B2B mode

The pillar of the entire cross-border e-commerce industry is B2B mode cross-border e-commerce. From the perspective of market scale, cross-border e-commerce accounted for about 17% of the proportion of foreign trade imports and exports, of which 90% are B2B mode, part of cross-border retail trade accounted for only about 3% of foreign trade. In the first half of 2015, the total cross-border e-commerce transactions in China has exceeded 2 trillion CNY. Ministry of Commerce predicts that by 2016 China’s imports and exports trade volume of cross-border e-commerce will reach 6.5 trillion CNY, the next few years, the proportion of cross-border e-commerce in China’s imports and exports trade will increase to 20%. Compared with B2C mode, B2B mode has a good ability to resist fake, and the transaction has the characteristics of high value in this mode. Therefore, the next focus should be placed on the development of B2B mode cross-border e-commerce. Further we could borrow overseas advanced experiences to improve our tax policy system, establish the information exchange platform, set up cross-border logistics support network, etc.

Standardization of the cross-border e-commerce process

The standardization of the process is an important issue for the sustainable development of the cross-border e-commerce. Normative declaration process and logistics process make the supervision easy for the custom, which guarantee the goods come from the regular channels.

The work of the standardization of the process is the mission of the government. The typical example is the first cross-border e-commerce comprehensive experimental zone in Hangzhou. Hangzhou through the building of Information sharing system, Financial service system, Intelligent logistics system, E-commerce credit system, statistical monitoring system, Risk prevention and control system, as well as the online “single window” platform and the offline “comprehensive park” platform, which called “six systems and two platforms”, realized the converging of the information flow, the capital flow and the cargo flow in the cross-border e-commerce market. Based on these, Hangzhou government established a set of new regulatory rules for cross-border e-commerce. With the exploration on the management of cross-border e-commerce, it developed well in Hangzhou, and the success of it can be copied. So, the central government set up another twelve cities as cross-border e-commerce comprehensive experimental zone, include Tianjin, Shanghai, Zhengzhou etc.

CONCLUSION

Cross-border e-commerce in China is in the stage of innovation and integration, which reflected in the diversification of business modes and the irregularity of the transaction process. We consider that B2B mode will be the main force in the cross-border e-commerce. Although the rapidly development of the cross-border e-commerce is widely recognized, we can’t affirm if it is in the state of overheated. With the further development and the implementation of the new policy, maybe many of the cross-border e-commerce enterprises would be driven out of the market and creating a “there are only one super and several big enterprises in the market” situation.

Our research has several implications for theory and practice. First, to the best of our knowledge, there is few researches focus on the Cross-border E-commerce at the context of Chinese national. Our studies are focus on the development and the tendency of the cross-border e-commerce in China and try to draw a whole picture of it, so it lay a foundation of the future research. Second, we provide some bottlenecks of the development of the cross-border e-commerce, which can encourage the enterprises innovation to find out the solutions of the problems. Moreover, it can also help the government making policy to stimulate the development of cross-border e-commerce. The further study will lay on the process optimization of the cross-border e-commerce based on the analysis of the process in this paper.

ACKNOWLEDGEMENT

This research was supported by the Xi'an Science and Technology Project under Grant SF1502(1).

REFERENCES

- [1] Pew Internet (2016) ‘The Report on the Work of the Government in 2015’. available at http://news.china.com.cn/2015lianghui/2015-03/17/content_35072020_5.htm.
- [2] Yongqing,L(2015) ‘The Reform of the Reverse Logistics Marketing Model: Under the Background of the “Internet plus” ’. China Business and Market, No, 06, pp 30-35.
- [3] Pew Internet (2016) ‘How the traditional enterprises meet the challenge brought by Cross-border E-commerce? ’ available at http://www.hngawj.net/chcecpa/401806523_...65d.html.

- [4] Ten events about Cross-border E-commerce in 2015'. CIF news, 2016,01,06.
- [5] Ali Express: a cross-border e-commerce platform. CIF news, 2016,01,07.
- [6] Pew Internet (2016) 'The report of B2B market on Alibaba.', available at <http://www.199it.com/archives/432274.html>.