Winter 12-8-2019

Developmental Problems of Current Cross Border e-Commerce Companies and Countermeasures

Tzu Shan Tseng

Tseng, T.S. (2019). Developmental problems of current cross border e-commerce companies and countermeasures. In *Proceedings of The 19th International Conference on Electronic Business* (pp. 567-569). ICEB, Newcastle upon Tyne, UK, December 8-12.

Developmental Problems of Current Cross Border e-Commerce Companies and Countermeasures

(Abstract)

TzuShan Tseng, Ming Chuan University, Taiwan, shan23tw@yahoo.com.tw

ABSTRACT

The development of cross border e-commerce industry is one of important global trends. From eMarketer (2019), the global sales of e-commerce in 2018 was 2.5 trillion US dollars and will reach 7.5 trillion US dollars in 2020. In this number - 7.5 trillion US dollars, the cross border e-commerce consumers will occupy 44.6% of e-commerce. Due to the quick development, companies will encounter problems by the way. The research purposes of this paper was to discuss some problems and provide suggestions. During the time of industry-academic cooperation, observational survey was used as the research methodology. The research subjects were 5 Taiwanese cross border e-commerce companies which located in the vehicles components industry and fashion handbag industry. The companies might have over a 30-years-old history or might be a new company. The common factor of these 5 companies are they all use cross border e-commerce multiple platforms to sell their products around the world. The research results and suggestions of these 5 cross border e-commerce companies are the following. Firstly, the problem is business opportunities are difficult to catch recently and the amount of each order earned is becoming smaller. The suggestion for this problem is to suggest adapting multiple cross border e-commerce portals operations on budgets and "Software Key activities" for decision making. The second problem is the cost of cross border e-commerce logistic is high. The suggestion for this problem is to use Big Data Analysis and artificial intelligence (AI) technology to calculate exact oversea inventories. The third problem is lack of trust. The suggestion for this problem is localization strategy, to systematically recruit and train the talents who are familiar with the culture, products and markets. And it should use the third-party money transfer security services.

Keywords: Cross Border e-Commerce; Smart Business; Localization; Oversea warehouse

*Corresponding author

Research Background, Motivation and Purpose

The Internet has become an important accelerator for global business. Cross border e-Commerce is the new Silk Road in the era. Base on the report of eMarketer (2019), the global e-commerce sales scale was US$2.5 trillion in 2018 and will reach US$7.5 trillion in 2020. In 2020, the amount of consumers in cross border e-commerce will occupy 44.6% in the whole e-commerce market. The number of third-party cross-border business-to-business (B2B) and business-to-customer (B2C) portals and transaction intermediaries both are increasing. Enormous enterprises start their international venturing on such platforms. For example, Alibaba.com offers hundreds of millions of wholesale products to buyers located in more than 200 countries every year (Alibaba.com, 2019). All of these evidences represent the motivation on researching the fields of cross border e-commerce. And due to these quick and big development, companies will encounter problems by the way. The research purposes of this paper was to discuss some problems and provide suggestions. During the time of one-year industry-academic cooperation program with 3 companies, observational survey was used as the research methodology. The research subjects were these 3 Taiwanese cross border e-commerce companies which located in Taiwan's vehicles components industry and fashion handbag industry. One company have over a 30-years-old tenure and the other company is a new company. The common factor of these 3 companies are they all use one or more multiple third-party cross-border e-commerce portals to sell their products around the world.

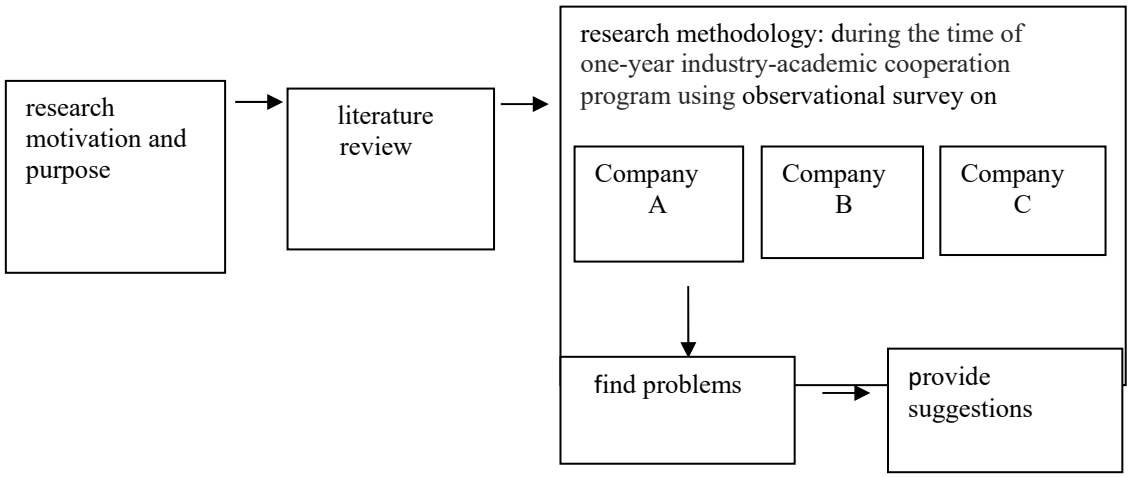

Figure 1: Research Process

Literature Review

The Internet has become an important accelerator for global business trading. The number of third-party cross-border business-to-business (B2B) and business-to-customer (B2C) portals and transaction intermediaries are increasing. Enormous enterprises start their international venturing on such platforms. For example, Alibaba.com offers hundreds of millions of wholesale products to buyers located in more than 200 countries every year (Alibaba.com, 2019). The most important and special innovation of these third-party cross-border portals, for example, Alibaba, Amazon and eBay are all building their own "Ecosystem". An "ecosystem" is a community of organisms (businesses and consumers of many types) interacting with one another and the environment (the online platform and the larger off-line physical elements) (Zeng, 2018). The ecosystem was built to link buyers and sellers of goods. As technology advanced, more business functions moved online—including established ones, such as advertising, marketing, logistics, training, finance, and emerging ones, such as affiliate marketing, product recommenders, and social media influencers (Zeng, 2018). Cross border e-commerce companies should adapt to grow in ecosystem and develop strategies to require resources from ecosystem. Moreover, these third-party cross-border portals today are not just an online commerce company. They are data-driven companies. The data network coordinate sellers, marketers, service providers, logistics companies, and manufacturers. Because of new capabilities in network coordination and data intelligence that all these companies put to use. The companies adapting and growing in these ecosystem can be called "Smart business". Smart business is coordinated in an online network and use machine-learning technology to efficiently leverage data in real time. In which most operational decisions are made by machines, allows companies to adapt dynamically and rapidly to change market conditions and customer preferences, gaining competitive advantage over traditional businesses (Zeng, 2018). Conclusively, cross border e-commerce companies should set goal to be Smart businesses which represent the dominant business logic of the future.

Research Methodology

During the time of one-year industry-academic cooperation program with 3 companies, observational survey was used as the research methodology. The research subjects were these 3 Taiwanese cross border e-commerce companies which located in Taiwan's vehicles components industry and fashion handbag industry. One company have over a 30-years-old tenure and the other company is a new company. The common factor of these 3 companies are they all use one or more multiple third-party cross-border e-commerce portals to sell their products around the world.

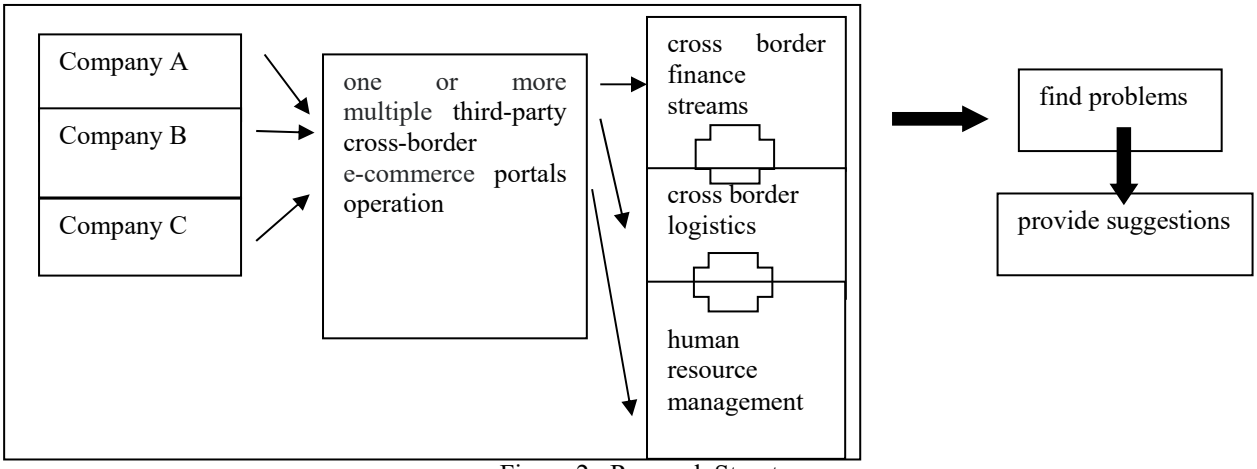

Figure 2 : Research Structure

Research Results and Suggestions

After observational survey was used as research methodology during the time of one-year industry-academic cooperation program with 3 companies.

1st problem: The business opportunities are difficult to catch recently because of global competitions and the amount of each order earned is becoming smaller.

The suggestion is to adapt multiple cross border e-commerce portals on budgets and "Software key activities" for decision making on global market researches and customer preferences, and so on.

2nd problem: It is the higher cost of logistics. Logistics cost is one item of competitive advantages and also one main concerns of cross border e-commerce buyers.

The suggestion is to adapt "group buying" strategy for moving products into oversea warehouse before getting orders. Moreover, use Big Data Analysis and artificial intelligence (AI) technology to calculate exact oversea inventories. And the material of packaging needs simple and light ones.

3rd problem is lack of "Online Trust". Inquiry, negotiation on price and after sale customer service all depend on sales representatives with English communication. The mutual trust is difficult to build upon e-mail, social media APP and long distant telephone. The problems could be cultural differences, different language, and so on.

The suggestion for this problem is localization strategy, to systematically recruit and train the talents who are familiar with the culture, products and markets. So before enter the specific market, local market research is necessary. And it should use the third-party money transfer security services. Moreover, face to face Trade Show periodically also help to .

REFERENCE

Alibaba.com. Official Home Page (2019).

Anthony, S.D. et.al.(2014). *Innovation on the Fly*, Harvard Business Review, Volume (Dec., 2014).

Andrei, H.,& Simon, R.(2016). *Network Effects Aren't Enough*. Harvard Business Review, Vol.94, page 64-71.

dos Reis, J.G.M. (2014). *Supply Chain Strategies in the Context of a Commerce Chain (E-CHAIN)*, Independent. Journal of Management & Production, Volume(5), n. 2, Page 105-112..

eMarketer Official Web Site (2019). www.eMarketer.com

Gavet, M. (2014). *The CEO of Ozon on Building an e-Commerce Giant in a Cash-Only Economy*, Harvard Business Review, Volume (July-August, 2014).

Eisingerich, A.B., & Kretschmer,T.(2008). *In E-Commerce, More Is More,* Harvard Business Review, Vol.86 ,20-21.

Hiroshi, M.(2013). *Rakuten's CEO on Humanizing E-Commerce,* Harvard Business Review, Vol.91 , page 47-50.

Huang Z. and Benyoucef, M. (2013). *From e-Commerce to Social Commerce: A Close Look at Design Features*, Electronic Commerce Research and Applications, 12(4) , page 246-259.

Marshall, W.V., Geoffrey, G.P.,& Sangeet P.C.(2016). *Pipelines Platforms and the New Rules of Strategy,* Harvard Business Review, Vol.94, page 54-62.

McGinn, D. (2014). *The Numbers in Jeff Bezos's Head*, Harvard Business Review, Volume (Nov., 2014).

Zeng, M. (2018). "*Alibaba and the future of business*", Harvard Business Review, Vol.(96) issue(5), page 88-96.

Zhu, F., & Furr, N .(2016). *Products to Platforms: Making the Leap,* Harvard Business Review, Vol.94, page 72-78.