

Research on the Operation Mode and Optimization Strategy of Chinese Enterprises' Cross-border E-commerce

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Abstract

With China's enterprises facing pressures such as increasing labor costs, disappearing demographic dividends, sluggish foreign demand, high-frequency orders, and small unilateralization, It's impossible for China's export-oriented enterprises who continue to rely on low prices to taking over foreign markets. Cross-border e-commerce provides a new mode of trade for Chinese enterprises, which can help companies to reduce transaction costs and help enterprises transform and upgrade to a large extent. In the process of participating in the cross-border e-commerce, the enterprise's operating model is crucial, and it has a great influence on the profitability and long-term development of a company. The business operation model mainly includes six aspects: product management, cross-border marketing, supply chain management, cross-border logistics, personnel management, and payment methods. The cross-border e-commerce operation model of enterprises will be defined differently according to different standards. This article focuses on analyzing the third-party platform model and the self-built platform model from the perspective of website establishment and operation. Next This article analyzes the constraints of the company's operating model and its optimization strategies from the perspective of Chinese companies.

Keywords

Cross-border E-commerce; Operating mode; Third-party platform model; Self-built platform model.

1. INTRODUCTION

China is now facing pressures such as the increase in labor costs and the disappearance of the demographic dividend. The development of my country's traditional foreign trade is hindered to a certain extent. Secondly, the transformation from "Made in China" to "Intelligent Manufacturing in China" and the structural upgrading of enterprises have become a fixed trend. Traditional enterprises in my country can no longer rely solely on the advantages of cheap labor to develop foreign trade, but should pay more attention to the cultivation of core competitiveness and the use of Internet to achieve a transformation and upgrading of the enterprise itself. Although the development of traditional foreign trade has become relatively slow in recent years, with the encouragement and support of the government and the development of E-commerce [1] [2], Chinese enterprises have indeed achieved very rapid development. An enterprise's cross-border e-commerce operation model plays a very important role in its own development and profitability [3]. However, the current research on this area is still lacking. This article analyzes the types of business models in our country and summarizes some common constraints existing in various business models of cross-border e-commerce, and gives corresponding optimization strategies, which can help more companies participate in cross-border e-commerce.

2. CROSS-BORDER E-COMMERCE OPERATION MODEL OF CHINESE ENTERPRISES

There are many types of cross-border e-commerce business models in our country. From different perspectives, there will be different classification standards. There are the following models.

2.1. Vertical and Comprehensive Model

According to the category of the products operated by the enterprise, the enterprise operation mode can be divided into vertical mode and comprehensive mode. The vertical model of cross-border e-commerce enterprises means that the products they operated only involve in a specific industry, such as only maternal and infant products or only footwear, etc. The products are sold by such enterprises are all the same type, it can only meet specific needs of consumers. It has a very precise product positioning, mainly relying on its brand advantages to attract customers. A typical company is Redbaby. The comprehensive e-commerce enterprise refers to the products operated by the enterprise include several industries, and its product categories are very wide, which can meet the various needs of consumers. At present, many companies may initially start by developing a certain type of product, and then after their brand advantage or popularity has begun, they will begin to set foot in other fields to expand their product flow. In this way, the company will gradually form into the ultimate comprehensive operating model.

2.2. Self-built Platform and Third-Party Platform Operation Modes

If it is divided according to the enterprise's cross-border e-commerce operator and website establishment, there are two main models, one is self-built platform type, and the other is third-party platform model[4]. Self-built platform-style enterprises need huge capital. They build their own platforms and attract traffic. They are responsible for product procurement, marketing, logistics and after-sales service. The enterprises have very strong control capabilities and also have to bear a lot of risk. A typical enterprise is LightInTheBox. Companies that use the latter model include third-party platform companies and companies that use third-party cross-border e-commerce platforms to carry out activities. If it is a third-party platform company, its main purpose is to provide a cross-border transaction platform for some Chinese companies, mainly responsible for the daily operation of the platform, attract third-party sellers and buyers to settle on the platform, and provide corresponding sales platforms data services, customer service, etc., help Chinese companies to easily achieve the purpose of directly transacting with foreign merchants or consumers, thereby reducing their transaction costs, and helping companies from the initial simple production and processing to their own marketing and completing personalized production according to the needs of consumers. Gradually extending from the bottom of the smile curve to sides, helping enterprises complete the transformation and upgrading. If it is a company that uses a third-party platform to develop cross-border e-commerce, it may only need to register on the third-party platform and be responsible for the display and sales of products, but the platform will help the company to complete some of the processes, such as attracting foreign buyers and store maintenance. They can greatly reduce operating costs. From the original need to participate in exhibitions around the world to promote their products and develop buyers, they can now use the power of the platform to sell their products to the world. The advantage of the platform lies in the economies of scale. The average cost of the platform to help companies promote a product is much lower than the cost of the company itself. Moreover, the platform is easier to gain the trust of foreign consumers through its long-term established reputation and brand advantages.

3. RESTRICTIVE FACTORS OF CROSS-BORDER E-COMMERCE OPERATION MODE

3.1. Serious Product Homogeneity, the Lack of Independent Brands

Among the various operating modes of cross-border e-commerce, the products that are suitable for business are mainly small and micro products, such as some 3C electronic products, beauty makeup, clothing, auto parts, Maternal and child products, shoes, hats, bags and etc. The substitution of these products is relatively strong, and it is easy for companies that produce similar products to compete with each other. This is also the problem that LightInTheBox and AliExpress face now. With the continuous development and expansion of the industry, the homogeneity of related products is an inevitable phenomenon. There is no substantial difference in what many companies produce. The homogeneity is extremely serious. In the end, companies without brand advantages can only rely on price competition to attract customer. In 2017, there are nearly 40 million companies participating in cross-border e-commerce in China, but only less than 20% of companies have their own brands. According to the data of 40 million companies surveyed by China International Electronic Commerce Network in 2017, 51% of the companies established their own brands and spent a lot of time and energy on brand promotion. 26% of companies have brands but do not promote its brand, and 15% of companies have no brand at all and are still in the OEM stage. It can be seen that although the brand awareness of some current e-commerce companies has improved, they are still insufficient in terms of brand establishment and promotion because the establishment of a brand requires a lot of cost, and the brand effect requires a long time to take effect. However, many companies give up halfway. In the stage of long-term investment when there is no pain, many enterprises give up the task on brand building and promotion. Property rights are the soul of an enterprise. If an enterprise loses its soul, it will definitely be disadvantage in the long-term competition. If a company does not have a brand advantage, it must compete with foreign companies in the same industry while competing with a large number of domestic companies. In the end, vicious price competition will certainly occur, making it increasingly difficult for the company to survive.

3.2. The Shortage of Cross-Border E-commerce Talents

At present, the development of cross-border e-commerce in China is very rapid, but the development of cross-border e-commerce talents has not kept pace. The current e-commerce talents are no longer the same as the previous foreign trade talents. What it requires is a comprehensive talent that not only masters international trade, but also needs to master e-commerce knowledge, foreign languages, trade laws and policies of various countries, and consumers. According to statistics from iResearch, 70.1% of companies who choose cross-border e-commerce talents are more willing to choose international trade majors, 59.9% of them choose e-commerce majors, and then choose foreign languages and international business companies respectively accounted for 44.1% and 33.6%, it can be seen that there are no cross-border e-commerce majors in the country, and the knowledge that may be learned in the majors opened by general schools is not very comprehensive, and only involves the certain needs of cross-border e-commerce companies. According to the survey, whether it is a small enterprise or a medium-sized and large enterprise, the demand for comprehensive talents is very large. It is necessary that attention should be paid to the cultivation of compound talents by the state, enterprises, and universities.

3.3. Inflexible Supply Chain

There are two main problems in supply chain management in the operation of cross-border e-commerce enterprises in our country. One is that the production chains of many production enterprises are not flexible enough to meet the current increasingly personalized demand[5].

Since my country's accession to the WTO in 2001, many companies have begun to take advantage of my country's labor cost advantage and the status of a developing country. Most of them have adopted OEM processing and production without their own brand. The purpose is to earn the maximum profit with minimized cost. It has not done too much research on product development and product improvement, and completely relies on the requirements of internationally renowned brands to produce. However, with the development of cross-border e-commerce and the Internet, companies are facing more diversified and personalized consumer needs. When the needs of the international market change, the company's production lines cannot be adjusted promptly, and cannot be adjusted to the rapidly changing needs. The demand for changing their own production mode at any time will result in companies facing a large backlog of goods and unable to meet customized production. However, the production stage is the first stage of the supply chain. If production cannot achieve flexibility, it will greatly restrict the cross-border logistics and sales of the latter part of the company's supply chain. For example, a foreign merchant suddenly requires a certain amount of production within 15 days, for a customized garment, if the company may not be able to adjust its production in time because its production chain is not flexible enough, the production time will be much longer than before. In this way, the only way to meet customer requirements is to reduce the transportation time.

Another problem that exists is that Chinese companies may still pay too much attention to simple production services. They may still not invest enough in product design, promotion of their own brands, and product marketing. However, the back-end of the supply chain is the part that can create wealth for enterprises, so enterprises should adopt more flexible supply chain management methods.

3.4. Universalization of Overseas Marketing Methods

At present, the main methods adopted by Chinese enterprises are search engines, social marketing, and email marketing. When many companies choose search engines or social marketing methods, they usually choose larger platforms, such as Google and Facebook, which are more popular. They will ignore some small search sites. However, because the online information is highly transparent, it is easy to cause plagiarism or imitation of product learning, there will be a large number of similar contents with different quality, and finally the cost is high but the marketing effect is not good. Secondly, many companies adopt the method of email marketing will cause many consumers to receive a large number of promotional messages, and most of them are spam to consumers. As a result, consumers will become more and more disgusted, resulting in not only not attracting users, but also being disgusted by users. Therefore, with everyone's marketing methods more consistent, if a company adopts personalized and precise marketing methods, it may be more attractive to consumers.

3.5. Backward Logistics Channels

Cross-border logistics has always been a very critical link in the entire transaction process, and this link will directly affect the customer experience. Compared with other developed countries, the overall level of my country's cross-border logistics is still relatively backward, the degree of informatization is not high, most of them still need to be completed manually, and the ability to track products is poor. There are many current cross-border logistics methods. Chinese companies mainly use postal parcels, dedicated line logistics, international express delivery, and overseas warehouses [6].

In fact, it is the delivery time that has a greater impact on overseas buyers purchasing goods through cross-border e-commerce, especially those customers who have high requirements for timeliness. If the goods are not delivered according to their expectations, they may choose returns. According to data from iResearch, the satisfaction rate of cross-border online shopping

users in my country is 40.2%, which is lower than 59.5% of domestic purchases, and the dissatisfaction rate is 5.6%, which is much higher than 1.2% of domestic purchases. Among them, the main reasons for dissatisfaction are: 37.5% of the trouble of return and exchange, 37.1% of long logistics time, and 35.5% of high freight. Therefore, the logistics problem remains to be resolved.

4. OPTIMIZATION STRATEGY OF CROSS-BORDER E-COMMERCE OPERATION MODE OF CHINESE ENTERPRISES

Each business model of cross-border e-commerce has its own advantages and disadvantages, it is impossible to say which business model is better. In addition, each company's own situation is different and the operating model of the company will also be different. Therefore, for the optimization strategy of the cross-border e-commerce operating model of Chinese enterprises, I just analyze from a more popular perspective. Optimize this kind of own mode, instead of discussing which kind of operation mode is more suitable for the enterprise. In other words, I am based on how the company can better serve the company after it has set an operating model. The optimization strategy is put forward in response to the common problems of all operating modes, rather than analyzing a certain mode.

4.1. Create A Brand and Improve the Quality of Products and Services

In the era of cross-border e-commerce, the competitors faced by every company are no longer only domestic companies, but also a large number of foreign companies. Moreover, the information in the cross-border e-commerce market is basically completely open, and most of the products exported by Chinese companies have low technical gold content, which determines that the entire cross-border e-commerce market is flooded with a large number of alternatives. In this case, price competition in order to compete for market share has become the first choice of many companies, and finally the result is a loss for both sides. In fact, consumers of different countries, regions, or income levels may have very different sensitivity to product price changes. As mentioned above, the main target countries for my country's cross-border e-commerce exports are some developed countries. Consumers in these countries may not have very high price requirements, and their consumption habits may largely depend on the performance, quality, service, etc., so consumers may choose products from companies with high brand recognition before they have never experienced the product. A brand is not just a symbol or logo, it represents the overall image of an enterprise. Enterprises should establish their own brands, develop distinctive products through continuous innovation, improve product quality and service, and make products a symbol of their own brand so as to enhance their competitive advantage.

Many current cross-border e-commerce platforms have evaluation systems, whether it's AliExpress or LightInTheBox, when a transaction is completed, consumers can evaluate the transaction, and these are all open, it can be seen by everyone else, so the consumption behavior of general consumers will be accompanied by a herd effect, that is, once a consumer approves your products and services and gives feedback, then this information will become the main information which the next consumers refer to, so it is easy to follow the former. Therefore, after an enterprise establishes its own brand, it must continuously improve product quality and service quality to increase customer stickiness, and constantly establish a good image for its own brand.

4.2. Scientifically Cultivate E-commerce Talents

Today, the training of cross-border e-commerce talents is still not perfect. The talents who enterprises need are more comprehensive. They must not only be proficient in international trade, language, business negotiation and other related skills, but also need to master e-

commerce related knowledge and skills. At present, my country's teachers in this area are still relatively weak. Many teachers may have an understanding of relevant theoretical knowledge, but the practice itself is also very scarce, so it does not meet the requirements of the enterprise. Secondly, some majors opened in universities are relatively single, and may only cover certain aspects of knowledge. Moreover, school education generally only pays attention to the study of theory, and does not pay enough attention to aspects such as practical operation. As a result, students still cannot apply their knowledge quickly when they work in companies. Regarding the training of talents: First, the enterprise should be integrated with the school, and the school should open a comprehensive professional. While studying international trade, they should also learn some e-commerce knowledge, and try to set up in accordance with the needs of the market, that is, the requirements of the enterprise. Second, the company directly connects with the school, and provides students who are interested in cross-border e-commerce companies with the opportunity to do internships in the company during the winter and summer vacations, combining theory with practice, and allowing students to be clear about their goals. Third, cross-border e-commerce companies can also tap interdisciplinary talents directly from the company, conduct regular training and testing, and continuously strengthen their personal qualities. Fourth, companies can sponsor colleges and universities to a certain extent, for example, by encouraging competitions to improve the knowledge, skills, and operations of cross-border e-commerce talents. This not only attracted the attention of people from all walks of life to the cross-border e-commerce industry, but also exercised the cross-border e-commerce capabilities of the participants.

4.3. Pay Attention to the Application of Big Data and Optimize the Supply Chain

As the terminal of the supply chain, the sales must be paid attention to in the process of optimizing the supply chain. Therefore, the real shopping needs of consumers must be grasped in the sales process, so as to achieve precision marketing. At present, consumers' demands are becoming more and more varied. Under this circumstance, if companies cannot adjust their production in time, companies will face slow sales of products and the consequent pressure on inventory. Therefore, companies must optimize their production chain, integrate production and sales, and accurately judge consumers' true desires to buy based on consumer consumption habits at the sales, and then proceed with production. Therefore, companies cannot ignore the role of big data. The various advantages of the big data have brought new opportunities for the development of cross-border e-commerce. It records every transaction of the enterprise, and then calculates through big data, can get the demand of the buyer. When the supplier knows the market demand, he can supply the goods in full according to the individual needs of the buyer. While improving transaction efficiency, it can also reduce inventory pressure. Due to the low labor cost advantage that my country had before, many companies have begun to vigorously develop the manufacturing industry, and fully adjusted its focus to the production field, and paid little attention to corporate marketing and the promotion of product brand. The company is still at the bottom end of the smile curve, and its profitability is far less than other companies that focus on marketing. This model has begun to be at a disadvantage in the operation of cross-border e-commerce, and now it is more suitable for a light asset model. Companies should adjust their supply chains and focus on places where they can create more value for the company. Therefore, companies should pay attention to product development and creation, product cross-border marketing, and product brand promotion.

4.4. Optimize Marketing Methods

When most companies in my country choose their marketing methods, they blindly choose a more popular method. This is easy to converge, and the marketing methods have not changed much over the years. The marketing effect may not be good. In fact, residents may be more dependent and trusting in some of their local search engines. Therefore, when choosing some

effective methods, companies should pay more attention to localization promotion, and choose some places that are more accessible to local consumers. For example, cooperation with local e-commerce companies and local governments like AliExpress may be more effective, and it can also generate trust among consumers.

Secondly, we are currently in an era of big data. We should make full use of this advantage. For refined marketing, we should pay more attention to what information consumers want to obtain, instead of just throwing all the information to them. It is easy for consumers to have a certain degree of resistance. If companies can use big data to analyze the situation of consumers and clearly know what consumers are interested in and have their own certain requirements, the news that the consumer gets is all she wants, and the consumer will easily accept your promotion, so the marketing effect will be greatly increased.

4.5. Optimize Logistics Mode and Improve Distribution Efficiency

The development of cross-border e-commerce has promoted the development of cross-border logistics. At present, some shortcomings of cross-border logistics also restrict the development of cross-border e-commerce. At this stage, logistics development can be optimized from several aspects. First, strengthen the construction of cross-border logistics informatization. To enable cross-border e-commerce to deliver information in the aspects of receiving, warehousing, transportation, information transmission, settlement, etc., which is faster, standard, and can also avoid loss of goods and realize real-time tracking of package status. Second, promote the implementation of overseas warehouse business. The time of cross-border logistics will greatly affect the consumer's experience and product quality, and if the transportation cost is too high, it will also affect the consumer's return. It may appear that the return postage is equivalent to the price of the product or even beyond the price of the purchased product, this will affect consumers' desire to buy to a certain extent. Establishing overseas warehouses can greatly shorten the time and the cost of cross-border transportation. This can provide consumers with a good shopping experience, and it is more convenient for consumers to return goods. At present, my country's orders are small and multi-frequency, and many companies are not large enough to establish overseas warehouses, but this does not mean that they have to accept the reality and give up overseas warehouses. Companies can think from a different perspective. Many companies will encounter this situation, so they can choose alliances and work together to build overseas alliance warehouses; or companies can cooperate with each other to collect international market data. Then they conduct an integrated analysis to create a dedicated line of logistics, which will greatly improve the efficiency of distribution.

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