

Summer 5-27-2016

The Development and Current of Cross-border E-commerce

Wanxin Xue

Management School, Beijing Union University, Beijing, 100101, China, xuewanxin@126.com

Dandan Li

Management School, Beijing Union University, Beijing, 100101, China ;Business School, University of International Business and Economics, Beijing, 100029, China, lidandanhdj@163.com

Yilei Pei

Management School, Beijing Union University, Beijing, 100101, China, peiyilei@126.com

Follow this and additional works at: <http://aisel.aisnet.org/whiceb2016>

Recommended Citation

Xue, Wanxin; Li, Dandan; and Pei, Yilei, "The Development and Current of Cross-border E-commerce" (2016). *WHICEB 2016 Proceedings*. 53.

<http://aisel.aisnet.org/whiceb2016/53>

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

The Development and Current of Cross-border E-commerce

Wanxin Xue¹, Dandan Li^{1,2*}, Yilei Pei¹

¹Management School, Beijing Union University, Beijing, 100101, China

²Business School, University of International Business and Economics, Beijing, 100029, China

Abstract: It is the new period of rapid development of cross-border e-commerce, which could make distance shorten between product and market in time and space. It will be the main mean of promoting trade a facilitation, upgrade trade development and promote the effective implementation of national policy. There is a new development of cross-border e-commerce and it also spawned a new ecological model. It will help cross-border ecommerce develop better through building a new ecosystem based on cross-border e-commerce business model. In this paper, we analyze the opportunities and challenges facing cross-border e-commerce first. Then, based on the above analysis and the development of cross-border e-commerce, the business model and ecosystem of cross-border e-commerce is built in this paper. So, there are some bottleneck and development of cross-border e-commerce. We must first carry out a rational market position, the goal is to occupy the terminal markets, then to the global market and integration of the value chain. We also should build the value chain, carding and supplement. Furthermore, synthesized service platform of cross-border e-commerce should be built to train young backbone of the business, and they should master the skills of cross-border e-commerce to service all of the people very well.

Keywords: cross-border e-commerce, trade, import, trade deficit

1. OPPORTUNITIES AND CHALLENGES OF CROSS-BORDER E-COMMERCE

Cross-border e-commerce generally refers to transactions between different countries or regions who communication via the Internet, email or other forms. It is a new international trade patterns which is smaller, more often and faster than before. Currently, China's e-commerce is in a period of great development. cross-border e-commerce in China whose main body is center enterprise is developing well, and with its strong vitality growing. Cross-border e-commerce is a new pattern of cross-border trade which takes electronic as means. It is very young and has incomparable advantages. But it is the same with other new things, there are some problems and bottlenecks. How to solve these problems is a better electronic the basic requirements for business. The financial crisis is becoming a catalyst for the development of e-commerce. The development of cross-border e-commerce in China plays a role as a forerunner. A lot of experience and models are cross-border e-commerce can directly reference.

In recent years, development of cross-border e-commerce has attracted the close attention of the community. The government is also took highly concerned about the future development of China's cross-border e-commerce, and actively guides enterprises to participate in cross-border e-commerce. The rapid development of cross-border trade is inseparable from promoting e-commerce platform. Currently, there are some platform which could provide service of cross-border e-commerce in China, including ebay, Alibaba's AliExpress. There are many hands to build the core national policy promoting reform, such as the Belt and Road, Free Trade Area(FTA), the internationalization of RMB, Chinese manufacturing 2025, Internet + and the coordinated development of regional economy. Cross-border e-commerce could make distance shorten between product and market in time and space. It will be the main mean of promoting trade a facilitation, upgrade trade development and promote the effective implementation of national policy. Expansion of national policy will gradually solve the problems of cross-border e-commerce which are clearance, settlement, billing, logistics, financing, taxation

* Corresponding author. Email: lidandanhjdj@163.com (Dandan Li). xuewanxin@126.com (Wanxin Xue), peiyilei@126.com (Yilei Pei).

and open up new markets and avoid trade barriers and a series of bottlenecks.

The implement and carry out of cross-border e-commerce will help drive policy. On the external hand, cross-border e-commerce strategy is from trade to investment to gradual currency. On the internal hand, cross-border e-commerce strategy is simplifying administration and decentralization, optimize investment environment, upgrading of industrial structure fully and optimize production capacity. Linkage between inside and outside is for cross-border trade facilitation and deepening economic ties. We could output the excess products and access to obtain resource and market. Through these two processes to promote the RMB as an international settlement currency, and ultimately enhance the international influence of Chinese economy.

2. DEVELOPMENT OF CROSS-BORDER E-COMMERCE

Currently, the global trade is undergoing profound changes. Cross-border e-commerce has become the main way trade growth. Trade accounts for 14 percent of China's total import and export trade, and 23% of exports, 3.9% of imports. Cross-border e-commerce growth rate is 16 times the general trade, export 7.3 times, 98 times that of imports. Business to Business (B2B) accounts 88 percent of cross-border e-commerce. Cross-border B2B refers to the small customize and wholesale business through e-commerce between different borders businesses. The rapid growth of cross-border B2B business described in the global information flow, logistics, capital flow increasingly demand convenience and differentiation, the background of rising costs, fragmentation of trade, trend apparent terminal. The enterprises who follow the trend would have the opportunity to integrate the value chain and market terminal, and form a new competitive advantage. Conversely, the enterprises who could not restructuring timely would be replaced.

Cross-border e-commerce retail exports account for 37% of global market share in China. There are obvious manufacturing capacity advantages on “made in China”, but the development space is still big to the industry.

Cross-border e-commerce is export-oriented whose outlet is 6.8 times to the amount of imports. It is dual results of market supply and demand relationship and the policy-oriented. From the actual market situation, the current cross-border e-commerce is limited categories of imports, which is focusing on maternal, Beauty and light extravagance and luxury. Because China is a manufacturing power country, most of the production and living necessities domestic supply to meet the market demand. From a regulatory perspective, China's regulatory authorities, the same as the other importing countries, have to meet the impact of natural sources of revenue (import duty, excise duty and VAT(value added tax)) and import industry from cross-border e-commerce. At the same time, it is responsible for product safety regulatory responsibilities. Regulatory authorities, while promoting imports to meet consumption, must also be keeping guard at the door, so take a relatively cautious reforms are necessary.

In 2014, there is a rapid growth on cross-border e-commerce business scale of the cross-border e-commerce. There is total 3.75 trillion, and increasing 39%, of which exports is 3.27 trillion, and increasing 37%, of which imports is 0.48 trillion, and increasing 59%. Cross-border retail is 0.45 trillion, an increase of 44 percent, in of which exports 0.32 trillion, an increase of 30% and imports 0.13 trillion, an increase of 60%. China's major trading partners are the United States, Britain, Australia and Brazil.

3. CROSS-BORDER E-COMMERCE BUSINESS MODEL AND ECOSYSTEM CONSTRUCTION

Cross-border e-commerce is the Internet + International Trade & multinational mode of operation of fusion, which can be seen as the integration of Chinese-made terminals to the global market and value chain, and could achieve corner beyond the entry point. The nature of cross-border e-commerce is to benefit people's livelihood, promote consumption, forcing the transition, and then to eliminate price discrimination, boost consumption. At last, Cross-border e-commerce can Forced Chinese consumer goods manufacturing and distribution companies to upgrade.

Business ecosystem theory was first proposed by James Moore, who was an American scholar, which is

published in 1996 of "The Decline and Fall of competition: the era of leadership and business ecosystem strategy". In his book, Moore observed and described the business activities of the market economy by ecological point of system biology, and introduced the concept as well as the law of evolution to the company's business ecosystem systematically.

The so-called business ecosystem is the economic union of organizations and individuals, including members of the core business, consumers, market intermediaries, suppliers, competitors and other stakeholders as well. They constitute a business ecosystem value chain or value network together. In addition, in 1988, Moore believes that "business ecosystem is an extension system which is organized by a mutual support organization constituted. And this system includes a customer base, supplier base, industrial tie those groups, investors, financiers, business partners, standard setters , trade unions, government, and the unit has a government functions, as well as other communities of interest. All of these units organized together through shared interests and even some occasional ways. In 2004, Marco Lansiti and Roy Levien who is belonged to Harvard Business School published a book named "The key advantage: a new business ecosystem of strategy, innovation and sustainability mean anything". They summarized their successful experience of business ecosystem through following-up study of IBM and other large companies. Members of the business ecosystem are divides into three kinds which are the backbone of enterprises, enterprises dominate and slit enterprise in this book. They also proposed how to choose compete strategy according to business ecosystem, which are productivity, vitality and creativity of the market segments evaluation.

According to Moore's theory, there are several important features. First, the composition of the business ecosystem should be kept separate position in the ecosystem. That is, in the business ecosystem, companies and other enterprises should be different from needs of survival skills, core competencies should to be different, too. Secondly, members of the ecosystem should maintain diversity. In addition, the internal evolution of the business ecosystem is functioning. The constantly changing of business, so does the business ecosystem change and timely adjust. The members evolution themselves would positive effect on the ecological system. In Eve Mitleton-Kelly's opinion, there are some following characteristics: self- organization, emergence, relevance, interdependence, feedback, far from equilibrium, the possibility of space, co-evolution, time-dependent, path dependence.

The export model of cross-border e-commerce is shown in Figure1. It involves multiple departments to participate in the completion of outlet mutual of cross-border e-commerce.

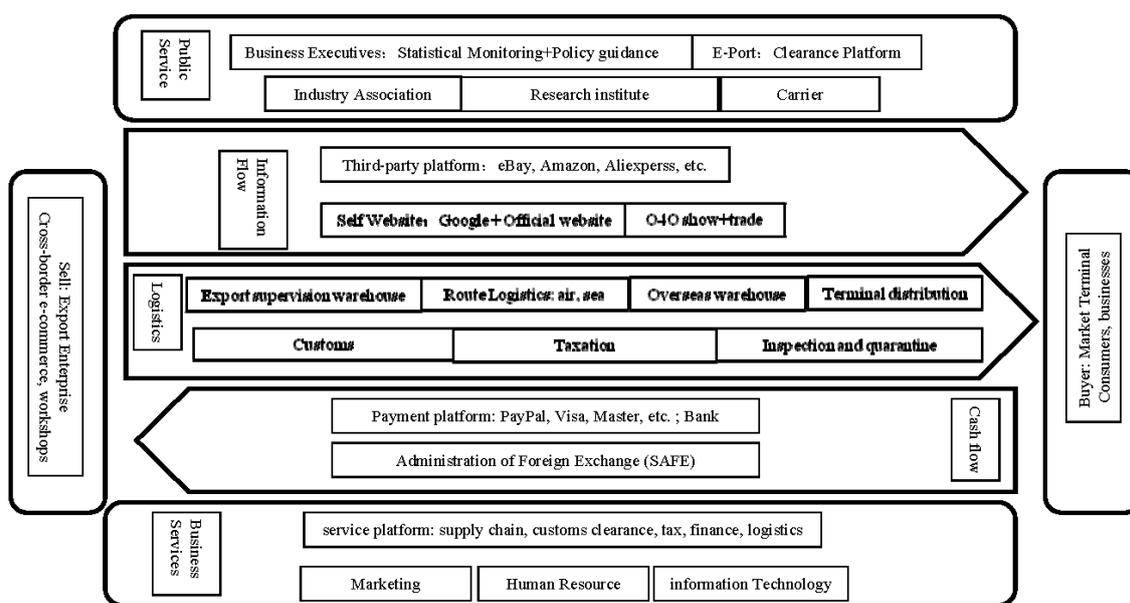


Figure 1. The export model of cross-border e-commerce

Cross-border e-commerce service platform is shown in Figure 2.

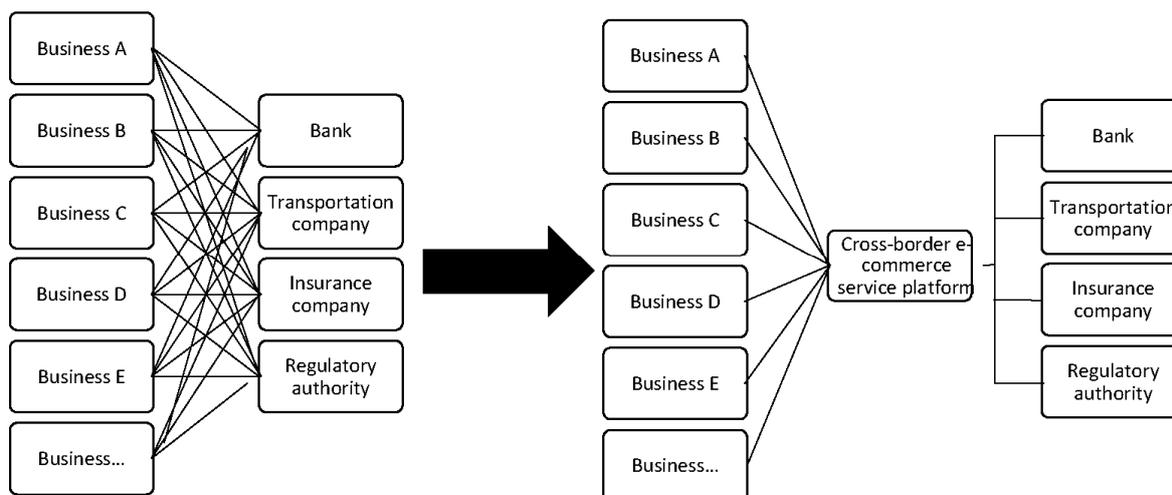


Figure 2. Cross-border e-commerce service platform

The exit of cross-border e-commerce is clearance, tax, logistics, service features and financing.

Clearance refers to complete the declaration of each national port customs, commodity inspection through the platform. Tax rebates is that, the general taxpayers bill to customers directly. Tax rebates can be obtained after the export. Small-scale enterprises could also enjoy the tax rebates when their upstream factories can provide domestic value-added tax invoices. Logistics refers to the domestic and international shipping and port handling which could coordinate the cooperation between transport and services such as inspection, warehousing, apply to customs etc. Financing of cross-border e-commerce refers to the export through credit, collection and letters of credit. The model of financing of cross-border e-commerce is shown in Figure 3.

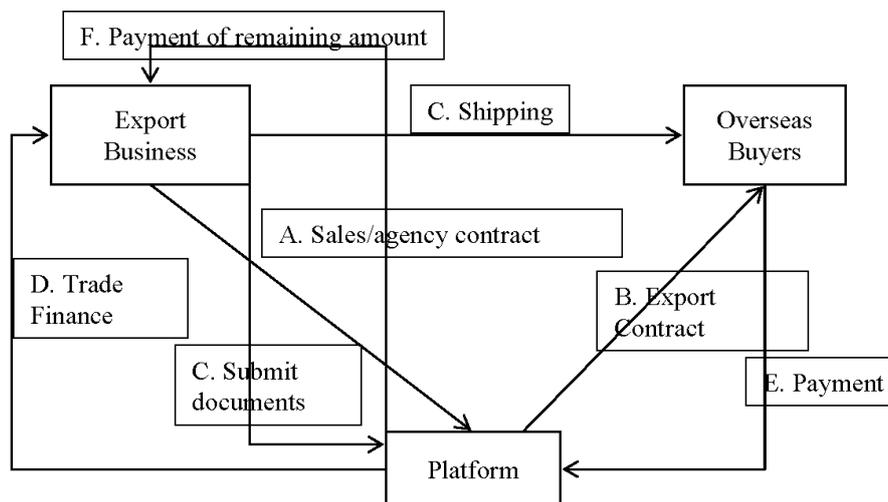


Figure 3. The model of financing of cross-border e-commerce

The purpose of cross-border e-commerce is the trade balance imports and realize the “The five Regulations” of imports of consumer goods, then Sea Change ADS should be changed to domestic consumption. Cross-border e-commerce can reduce import tariffs; adjust consumption tax, import unreasonable charges to clean up; additional restore duty-free shops; consumer entry facilitation, optimized inspection and quarantine policies; promote Chinese

manufacturing quality and brand.

The import mode of cross-border e-commerce is shown in Figure 4.

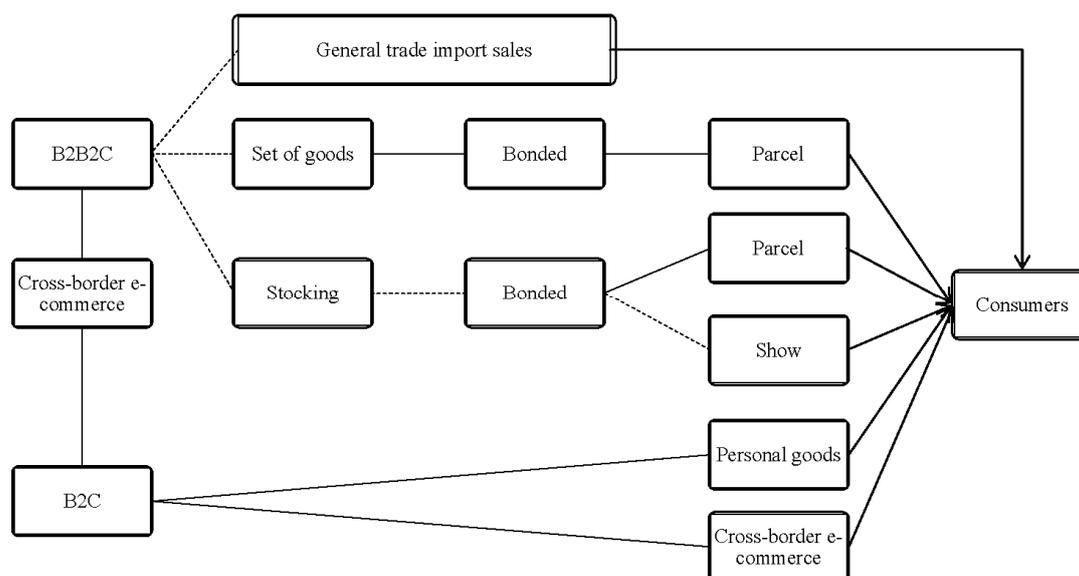


Figure 4. The import mode of cross-border e-commerce

4. DEVELOPMENT BOTTLENECK OF CROSS-BORDER E-COMMERCE

The problems facing both exports and imports is a single window, and it is still hard to realize information exchange, mutual recognition of regulatory, law enforcement mutual aid. Talent of cross-border e-commerce is shortage, and the tax contribution is small. Problems faced by cross-border e-commerce exports are mainly about price competition and shrinking profit. Otherwise, it is hard to parcel tax rebates, overseas warehouse construction costs are high and stocking financial pressure. Financing is very difficult to cross-border e-commerce enterprises. Marketing cost is high for independent website overseas. The markets are disturbed by speculative mentality, fake, sub-standard, not the integrity of transactions. Problems faced by cross-border e-commerce imports are mainly about the impact of existing sources of tax revenue and circulation systems, it is more controversial. Regulatory pressure is big for sea Amoy direct mail. The contradiction among bonded stocking, aging and security. Electronic fence needs highly information technology for businesses and regulatory departments. These are no doubt problems which stop the development of cross-border e-commerce.

5. FREE TRADE AREA(FTA) DEVELOPMENT PATTERN OF CROSS-BORDER ELECTRICITY SUPPLIER

Cross-border e-commerce can shorten the distance between the product and the market in time and space, through the information flow, capital flow and logistics efficient integration. It will become the main means of promoting trade facilitation, upgrade trade development mode. Under the conditions of Free Trade Agreement (FAT), there are three characteristics of cross-border e-commerce as following.

(1) Financial innovation could facilitate settlement regularization of cross-border e-commerce export operations, which could enhance corporate finance capabilities, and could drive business to establish a fully functional global headquarters in the FTA.

(2) Supervision innovation could promote the localization consumption of cross-border e-commerce, can improve convenience, strengthen rights protection. At last, it could force business to upgrade domestic brands,

stable and expanding domestic consumer market.

(3) Export and import business is mixed in cross-border e-commerce industry. In order to improve the utilization rate of funds, storage facilities and human resources and the fluctuation risk of hedge currency, some of the cross-border e-commerce companies will carry out both import and export business.

From trade to investment to gradual currency, in order to deepen cross-border trade economic ties, facilitation is used to expand domestic demand and benefit people's livelihood. Capacity and capital will be output through investing to get resource and markets. The process of RMB as an international settlement currency will be promoted through these two processes, and ultimately enhance the international influence of Chinese economy.

6. THE DEVELOPMENT TREND OF CROSS-BORDER E-COMMERCE

To start cross-border e-commerce business well, we must first carry out a rational market position, the goal is to occupy the terminal markets, then to the global market and integration of the value chain. We also should build the value chain, carding and supplement. Furthermore, synthesized service platform of cross-border e-commerce should be built to train young backbone of the business, and they should master the skills of cross-border e-commerce.

Cross-border e-commerce is facing opportunities and challenges. And there is a huge space for development and potential. In the future, there will be mainly five trends of cross-border e-commerce to develop as following.

(1) Role in promoting of national strategies for cross-border e-commerce

With the commencement of national policy, China will strive to the right of leading of international rules and speak of cross-border e-commerce. China will also support the promotion of the Belt and Road (B & R) and some related regions to do the infrastructure construction of cross-border e-commerce. This will gradually solve the problems of which cross-border e-commerce is facing, including clearance, settlement, billing, logistics, financing, taxation, explore new markets and avoid trade barriers and a series of bottlenecks.

(2) Cross-border e-commerce localization is forced by the strengthen supervision

With the influx of a large number of countries through cross-border e-commerce commodities manner, the problems of source of revenue, product quality and consumer protection are shown. Some governments have attracted the attention. In 2014, Russia increase imported goods tax policy of cross-border e-commerce greatly, which makes China meet very large impact. Countries strengthen the supervision of cross-border e-commerce. And the -border e-commerce business will be forced to develop localization, and the "sea Amoy" to combine online and offline "local" e-commerce businesses.

(3) Value chain of cross-border e-commerce business is extension by market demand-driven

With the growing of global consumer cross-border shopping, the demand of timeliness, type and offline services is increasing, too. Currently, packet-based direct mail business model could only sale the products of both volume and weight small, and without the need of a large number of offline services. If we want to meet the demand of consumers, the cross-border e-commerce companies need to move logistics chain to domestic, then increase big-ticket goods, improve distribution efficiency and reverse logistics processing capabilities. Offline experience and service centers should be established to improve service and customer experience by the way of O2O.

(4) Trade enterprises will become the new force of cross-border e-commerce business

Foreign trade enterprises in their respective areas have the advantage ability to control supply chain. They are familiar with foreign regulatory approach, and have a certain financial strength, have the advantage in terms of cross-border B2C business. Meanwhile, cross-border B2B will become a major marketing channel of

traditional foreign trade enterprises. Advantage in marketing of internet will be used by foreign companies to cross the intermediate links to end distributors, retailers or service providers directly. This could improve income and reinforce the ability to respond to changes in market demand.

(5) Comprehensive services of cross-border e-commerce will rise up

Foreign trade enterprises will be converged with integrated services cross-border e-commerce platform, forming a comprehensive cross-border e-commerce services. It is a realistic way of sustained, healthy and rapid development for cross-border e-commerce. Integrated services of cross-border e-commerce is developing to payment, logistics, credit, product quality insurance and finance other direction based on the existing information and transaction services through the integration of industrial chain, trade chain, chain of custody and data link. It provides a full range of integrated services for whole process of cross-border online trade, and it could push comprehensive services to promote integration and development of traditional processing trade and cross-border e-commerce.

In logistics, cloud computing, networking and other new generation of information technology is used in cross-border e-commerce, which will enhance the information level of logistics and efficiency, reduce logistics costs.

In terms of credit, relying on resources and modern information technology, large-scale e-commerce platform opens up new avenues for the credit system.

In terms of Internet financial, relying on the big data resources, for example transaction, logistics and payment, e-commerce platform understands credit conditions and operating conditions of foreign trade enterprises deeply. It could provide supply chain finance, reduce the cost of financing for small and micro enterprises, and promote foreign trade enterprises to enhance overall competitiveness.

7. CONCLUSIONS

To start cross-border e-commerce business well, we must first carry out a rational market position, the goal is to occupy the terminal markets, then to the global market and integration of the value chain. We also should build the value chain, carding and supplement. Furthermore, synthesized service platform of cross-border e-commerce should be built to train young backbone of the business, and they should master the skills of cross-border e-commerce.

8. ACKNOWLEDGEMENT

This research was supported by the Cross-cutting project under Grant 11103JA1416 and H2015sk033, Beijing Union University New Start project under Grant zk10201502 and Beijing Union University Project 12205561105-073, Project PXM_2016 000001_00202756_FCG.

REFERENCES

- [1] Sun Lei, Wang Fang(2015). The Current Situation of Cross-border E-commerce in China and the Countermeasures. China Business and Market, No.03,38-41(in Chinese)
- [2] Jin Hong, Lin Xiaowei (2015). Development Mode and Its Strategy for Cross-border E-commerce in China, No.9, 40-49. (in Chinese)
- [3] Hu Kai(2015). Reflections on Cross-Border Electricity Suppliers to Compete with the Courier, China Development Observation, No.10, 40-44. (in Chinese)
- [4] Li Chuanfa, Feng Lipan, Han Fangxu, Cheng Yunlong(2015). Dynamic Evolutionary Game Analysis of the E-business Ecosystem, Journal of Systems Science, 23(04) :75-78. (in Chinese)
- [5] Tao Tao, Li Guangqian(2014). Platform Evolution, Pattern Discrimination and Development Orientation of

- Cross-border E-commerce, Reform, China and Globalization, No.9, 63-73. (in Chinese)
- [6] Liu Juan (2012). Discussion on the Rise and Development of Cross-border Trade Volume of e-commerce, Practice in Foreign Economic Relations and Trade, 02(025): 89-92. (in Chinese)
- [7] Wang Wailian, Wang Mingyu, Liu Shuzhen(2013). Analysis of the status of cross-border e-commerce in China and Suggestions E-Business Journal, 23-24. (in Chinese)
- [8] Chen Yunbo(2013).Discussion of Cross-border e-commerce Trends in the International Development Trend of Chinese e-commerce, Business,No.13, 295-296. (in Chinese)
- [9] Yang Jianzheng, Liu Han(2014). Investigation and Analysis of Cross-border E-Commerce Applicationin China's Enterprises of Different Sizes, Contemporary Economic Management, 36(1):25-29. (in Chinese)
- [10] Kazuma Edamura, Sho Haneda(2014). Impact of Chinese cross-border outbound M&Ason firm performance: Econometric analysis using firm-level data. China Economic Review. Volume 30, 169-179.
- [11] Nuray Terzia. The Impact of E-commerce on International Trade and Employment (2011). Procedia Social and Behavior al Sciences, No.24, 745-753.
- [12] Feng Ji(2008). The competitiveness of Enterprises under the Network Economy Construction, Jiangsu Commercial Forum, 09(024): 50-52. (in Chinese)
- [13] Wang Siya(2013). On the Policy Research Development of Cross-border Express Delivery Services online Shopping Background, China, Beijing: Minzu University of China.(in Chinese)
- [14] Ren Zhixin, Li Wanxiang(2014). China to boost cross-border e-commerce strategies of transformation and upgrading of foreign trade, Practice in Foreign Economic Relations and Trade, 04, 25-28.(in Chinese)
- [15] Abbas Asosheh, Hadi Shahidi-Nejad, Hourieh Khod kari (2012) Model of a Localized Cross- Border E- Commerce. iBusiness, No. 4, 136-145.
- [16] Huang L H, Hu G L,L X H(2010). E-business Ecosystem and it's Evolutionary Path: The Case of the Alibaba Group in China. Pacific Asia Journal of the Association for Information Systems, 25-36.