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CHINA'S CROSS-BORDER E-COMMERCE EXPORT TRADE STATUS AND SUGGESTION

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Abstract:

As of November 2023, China's Cross-Border E-Commerce Comprehensive Pilot Zone has expanded to 165, and in the past five years from 2018 to 2022, the China's cross-border e-commerce scale has grown at an average annual rate of more than 10%. In the first half of 2023, China's cross-border e-commerce imports and exports amounted to 1.1 trillion RMB (\$154.57 billion U.S.Dollar), an increase of 16% year-on-year. Cross-border e-commerce has become a new driving force for China's foreign trade, a new channel for transformation and upgrading, and a new starting point for high-quality development. Based on the analysis of relevant data of China's cross-border e-commerce export trade in the past five years, this paper analyzes the characteristics and bottlenecks of China's cross-border e-commerce export trade. On the whole, China's cross-border e-commerce export trade is on the rise, but the growth rate fluctuates, indicating that cross-border e-commerce exports lack momentum, and major exporting countries / regions are gradually shifting to these countries / regions along the "Belt and Road" Initiative which shows that China's choice of trading partners is more tendentious; Then the corresponding promotion strategies are given to help China's cross-border e-commerce export trade develop more healthily.

Keywords:

Cross Border E-Commerce; Export Trade; "Belt And Road" Initiative; DTC Mode; Interconnection

Introduction

The Cross-Border E-Commerce Comprehensive Pilot Zone approved by The State Council of the People's Republic of China is to designate some urban areas and adopt specific management

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modes and give special policy preferences to e-commerce trade activities across the mainland of China in the designated area, so as to achieve more convenient cross-border e-commerce trade. According to Ministry of Commerce in China (2023), until Nov. 2023, China's Cross-Border E-Commerce Comprehensive Pilot Zone has expanded to 165 in 31 provinces and cities to promote a better future for global e-commerce trade. However, with the rapid development of China's cross-border e-commerce, the growth rate of its import and export has slowed down. In order to better promote the development of China's cross-border e-commerce import and export trade and help related enterprises get rid of the development bottleneck, this study has certain theoretical and practical significance.

Literature Review

Cross-border e-commerce refers to a kind of international commercial activity in which transaction entities belonging to different environments reach transactions, conduct payment and settlement through e-commerce platforms, and deliver goods and complete transactions through cross-border logistics (Gizem & Emre, 2022).

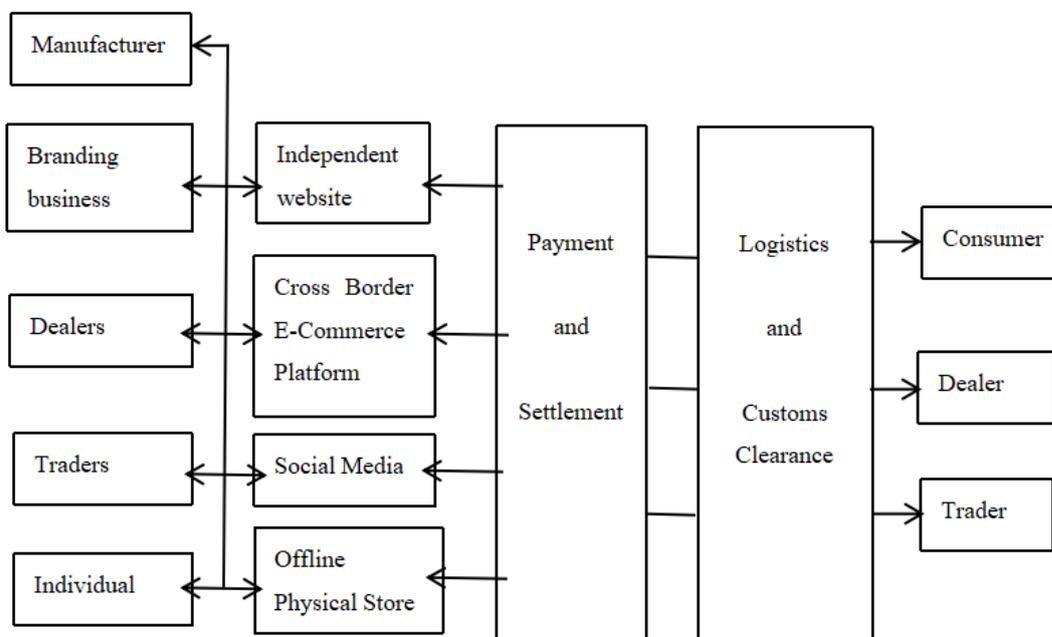


Figure 1: The Procedure of Cross Border E-Commerce

Source: Dai, B., Min, S. Can Cross-border E-commerce Reform Reduce Supply Chain Risks?. *J Knowl Econ* (2023). <https://doi.org/10.1007/s13132-023-01689-9>

Cross border e-commerce has six characteristics: global, intangible, anonymous, instantaneous, paperless, and rapid evolution. At the same time, cross border e-commerce has not only broken through the barriers between countries, but it is also causing a huge change in the world economy and trade.

Global

Hazarika & Mousavi (2022) argued that the Internet is a medium without a boundary, with global and decentralized characteristics. Due to the development trend of economic globalization, businesses rely on the Internet to carry out cross-border sales, which makes cross-border sales also have the characteristics of global and decentralized.

Intangible

The development of the network has made the transmission of digital products and services popular, and digital transmission is through different types of media, such as: data, images and sound centralized transmission in the global network environment, these media are mainly in the form of data code in the network, so it is invisible (Elia, S. et al.,2021).

Anonymous

The global and decentralized nature of cross border e-commerce makes it difficult to identify buyer identities and specific geographic locations. Cassia & Magno (2021) argued that most buyers of online transactions do not reveal their specific location and identity, but it does not affect the transaction, and online anonymity allows buyers to do so.

Instantaneous

In terms of information transmission on the network, the speed of transmission has nothing to do with the geographical location and distance of information. The traditional transaction mode, mainly by letter, fax, telegram, etc., there is a long period of uncertain time difference between sending and receiving information. In e-commerce, the information exchange is more convenient, sending information and receiving information is almost synchronous, just like face-to-face communication.

Paperless

Mou, J, et al.(2020) argued that E-commerce is mainly operated in a paperless way, which is the main feature of trade in the form of e-commerce. In the process of electronic transaction, the electronic computer will record a series of paper transaction data, because the electronic information exists and is sent in the form of bits, so the whole process of sending and receiving information can achieve paperless transaction.

Rapid evolution

Cross border e-commerce is a new model, which is still in its development stage at this stage, and the development of its network facilities and corresponding protocol software has great uncertainties (Yang, Y.P. et al., 2020). But policymakers need to consider that e-commerce is transacted online and, like a newborn, is bound to evolve at unprecedented speed and in unpredictable ways.

Current situation of China's cross-border e-commerce export trade

In recent years, China's cross border e-commerce has developed rapidly, and its specific development indicators are introduced below.

The volume of Import and Export of China's Cross Border E-Commerce

Table 1 shows the total import and export volume and growth rate of China's cross-border e-commerce in the past five years.

As can be seen from the table 1, the import and export volume of China's cross-border e-commerce has been increasing year by year, but the growth rate has continued to decline in the past five years.

Table 1: China's Cross-Border E-commerce Import And Export Value And Growth Rate
(Unit: 100 million RMB ; %)

	2018	2019	2020	2021	2022
Volume	1347	1862	16900	19800	21100
Growth Rate	49	38	31	18	7

Source: China's Customs, 2023

The volume of Export of China's Cross Border E-Commerce

Table 2 only shows the export volume and growth rate of China's cross-border e-commerce in the past five years.

Table 2: China's Cross-Border E-Commerce Export Value And Growth Rate
(Unit: 100 million RMB ; %)

	2018	2019	2020	2021	2022
Volume	561	944	11200	14400	15300
Growth Rate	67	68.2	40.1	28.3	10.1

Source: China's Customs, 2023

As can be seen from Table 2, the export volume and growth rate of China's cross-border e-commerce export are similar to the overall trend in Table 1, with the export volume increasing year by year but the export growth rate of cross-border e-commerce decreasing year by year in the past five years.

Cross Border E-Commerce Commodity Structure

Table 3 shows the China's cross-border e-commerce commodity structure in 2020 and 2022 individually.

Table 3: Comparison Of China's Cross-Border E-Commerce Commodity Structure in 2020 and 2022
(Unit: %)

	Electronic product	Clothes	Home Gardening	Beauty makeup	Others
2022	17.1	33.1	7.8	-	42
2020	21.5	13.4	11.5	8.2	45.4

Data Source: The Ministry of Commerce of PRC, 2023

As can be seen from Table 3, compared with 2020, the main export products of China's cross-border e-commerce in 2022 are clothing, followed by electronic products. These two categories of goods together account for about 50%.

Cross Border Logistics Cost

In China's cross-border e-commerce logistics system in 2022, the prices of air and sea freight have fallen compared with 2022, but the overall price is still high. According to the changes in

air freight prices from 2018 to December 2022 disclosed by the Financial Times, air freight prices on routes from Shanghai to North America reached an all-time high of \$14 per kilogram in December 2022. Ocean freight prices show a clear upward trend in 2021. China Shanghai Shipping Exchange data show that in December 2021, China's export container freight index reached 3265.41, while in December 2020, the index was only 1446.08; However, the average of the index in 2022 is 2792.14, which is lower than that in 2021, but the transportation cost is still high (The Ministry of Commerce of PRC, 2023).

Cross Border E-Commerce DTC Mode Emerged

As the competition in the field of cross border e-commerce becomes more and more intense, Royne & Myers (2008) said that the DTC mode (Direct-To-Consumer), which puts more emphasis on operation and clients, begins to emerge. The so-called DTC mode refers to the business model that provides basic support through the SaaS of third-party cloud computing services, and merchants interact directly with consumers through their own websites to sell their own products online. It does not rely on any third-party platforms or distribution channels, shortening the distribution link of goods, greatly reducing business costs, and selling products at a lower cost than traditional consumer brands (Jesse, E. et al., 2022; Hudnall, M.T. et al., 2023).

The main reasons for the rise of DTC mode are: (i) In May 2023, Amazon broke out a large-scale "store closure tide" to Chinese cross border e-commerce enterprises caused huge losses, which is the trigger for many Chinese merchants to shift their business mode. (ii) Another reason that cannot be ignored is that the fierce foreign trade competition has driven many cross border e-commerce enterprises to transition from normal manufacturers to brand enterprises, objectively creating soil for Stand Alone Website (a kind of DTC mode) that are more suitable for brand development. Compared with the large third-party platform, the Stand Alone Website has higher autonomy and is more conducive to shaping the enterprise brand, which undoubtedly adapts to the practical needs of small manufacturers to transition to brand enterprises under the new pattern of foreign trade competition. (iii) Furthermore, the rapid development of social media represented by TikTok, facebook, etc., has brought a large amount potential clients to Stand Alone Website, greatly reducing the acquisition costs of customers, which makes Stand Alone Website depended on social media firstly enjoyed the niche, thus enabling them to develop quickly. (iv) Moreover, the rapid development of e-commerce SaaS platforms represented by Shopify has promoted the development of cross border e-commerce DTC mode. Different from cross border e-commerce platforms such as Amazon and Lazanda, Shopify allows small and medium-sized sellers to easily set up their own Stand Alone Website at a greatly reduced cost by building personalized business templates, section tracking, automated inventory and online payment kits for merchants. Table 4 shows the main differences between the DTC mode and the traditional cross border e-commerce mode (Kim, Y., 2017; Basch, C.H., 2023).

Table 4: Differences Between DTC Mode & Traditional Cross Border E-Commerce Mode

	Traditional Cross Border E-Commerce Mode	DTC Mode
Freedom of operation	If sellers want to do promotional activities, they need to wait for the third-party platforms to launch	Merchants can set their own rules and launch more flexible marketing campaigns at any time

	corresponding activities	
Marketing channel	Amazon, Lazada and other third parties provide e-commerce platforms	Through SaaS technology, with the help of Facebook, Instagram, Twitter, Pinterest and other social media, get private customers
User stickiness	Under the third-party platforms, potential users need to be obtained by meeting the rules of the platforms. There are competing brands, and user stickiness is not high	Communicate directly with customers, Create personalized product and service experiences, Brand user stickiness is high
Shop design	Third-party platforms provide e-store templates that lack individuality and innovation	Establish an e-store independently, design an interactive interface based on user usability and practicability, and greatly improve user satisfaction

Summary

In 2022, the import and export volume of China's cross-border e-commerce will reach 2.1 trillion yuan (\$294.39 billion dollar), an increase of 7.1% over 2021, accounting for 4.9% of the total value of China's trade in goods, which is basically the same as that in 2021. It mainly presents the following four characteristics:

First, the scale of import and export hit a new high, but the growth was weak. In 2022, the import and export scale of China's cross-border e-commerce exceeded 2 trillion yuan for the first time. Among them, the export was 1.53 trillion yuan, an increase of 10.1%, accounting for 6.4% of the total export value of China; Imports were 527.8 billion yuan, down 0.8%, accounting for 2.9% of the total value of China's imports. Cross-border e-commerce has injected new momentum into the development of China's foreign trade. However, its growth rate is declining.

Second, the proportion of consumer goods has further increased. Among exports, consumer goods accounted for 92.8%, an increase of 1 percentage point. Among them, clothing shoes and bags accounted for 33.1%, mobile phones and other electronic products accounted for 17.1%, and home textiles accounted for 7.8%. Consumer goods accounted for 98.3% of the imported goods, an increase of 1.7 percentage points. Among them, cosmetics and toiletries accounted for 28.4%, fresh food accounted for 14.7%, medicine and medical equipment accounted for 13.9%, and milk powder accounted for 12.9%. More and more consumers around the world are enjoying more choices and convenience brought by cross-border e-commerce.

Third, logistics costs are increasing year by year. Compared with the pre-COVID-19 period, the freight of air and sea transportation has risen rapidly in the three years from 2020 to 2022, which has affected the competitiveness of China's cross-border e-commerce trade, and also forced China's cross-border e-commerce enterprises to improve logistics models, improve cross-border logistics efficiency, and reduce transportation costs.

Fourth, the rise of cross border e-commerce DTC mode has brought new development directions, and also provided new ideas for the future development of China's cross border e-commerce enterprises. China's cross border e-commerce DTC mode more successful cases

such as: SHEIN (<https://my.shein.com>) is a B2C fast fashion cross border e-commerce company located in Guangzhou which mainly engaged in women's wear, men's wear, children's wear, accessories, shoes, bags and other fashion supplies. According to App Annie & Sensor Tower (2021), SHEIN overtook AMAZON as the most downloaded shopping app on iOS and Android in the United States in 2021. Hu Run Research Institute (2023) pointed out that SHEIN entered the fourth place in the "2023 Global Unicorn List" with 450 billion RMB. (\$63.36 billion US dollar) (The first is ByteDance, a Chinese social media company). The successful case of SHEIN encourages many Chinese cross border e-commerce enterprises, especially under the increasingly fierce competition of AMAZON and Lazada and other third-party platforms, more Chinese cross border e-commerce enterprises to start the DTC mode to seek a breakthrough.

Findings And Suggestion

As can be seen from the above, there are pain points in the development of cross-border e-commerce export in China.

First, growth is weak. In response to this situation, it is suggested that: with the help of the Belt and Road Initiative, accelerate the development of the industry.

As a new model of international trade, cross-border e-commerce has a low threshold and a fast economic driving effect, which is in line with the goals and requirements of the "Belt and Road" to create a new type of regional cooperation. Therefore, we should vigorously seize the favorable opportunity of the "Belt and Road" initiative to accelerate the development of the industry. Specific feasible measures include:

Eliminate trade barriers to achieve unimpeded trade. Through bilateral and multilateral trade negotiations, accelerate the research and formulation of international rules for cross-border e-commerce, gradually reduce commodity tariffs, strengthen international certification, and establish friendly cooperation with countries along the Belt and Road.

Strengthen government consultation to achieve policy communication. In the field of cross-border e-commerce, we will strengthen communication with customs, quarantine, finance and other government departments of countries along the "Belt and Road" and formulate corresponding cooperation policies, so as to improve the speed of commodity clearance, ensure product quality and safety, accelerate the flow of enterprise funds, and facilitate the cross-border e-commerce of countries.

Strengthen information construction and realize infrastructure connectivity. Help backward countries along the "Belt and Road" to strengthen IT network information technology construction, improve the network penetration rate, carry out cross-border e-commerce platform network operation training, and provide the basic infrastructure for cross-border e-commerce trade between countries.

Deepen financial cooperation and achieve financial integration. Promote financial cooperation in the field of cross-border e-commerce by promoting the internationalization of RMB, increasing outbound investment in cross-border e-commerce, and strengthening banks' loan support for cross-border e-commerce enterprises.

Deepen cultural understanding and realize people-to-people bond. Through the "Belt and Road" cross-border e-commerce International Forum, the establishment of cross-border e-commerce technology research and cooperation center and other ways to strengthen cross-border e-commerce personnel exchanges, enhance cultural mutual trust.

Secondly, in the structure of China's cross-border e-commerce exports in 2022, clothing accounted for 33.1%, indicating that China's cross-border e-commerce exports are mainly labor-intensive products, the author suggests that relevant industries should speed up reform and upgrading, and export higher value-added goods. Although cross-border e-commerce exports have increased year by year, the structure of export commodities needs to be further optimized. We propose to encourage the export of new and high-tech products and mechanical and electrical products, continue to limit the export of resource-based, energy-intensive, and highly polluting products, improve the quality of foreign investment, and promote the upgrading of domestic industries (Mou, J. et al., 2019).

Moreover, the increase in international logistics costs is bound to affect the export competitiveness of China's cross-border e-commerce. Therefore, it is recommended that Chinese cross-border e-commerce enterprises optimize the logistics model and flexibly adopt the "overseas warehouse" logistics model. Overseas warehouses are warehouses outside the country, that is, warehouses used by enterprises engaged in cross-border e-commerce trade in the destination country. Overseas warehouse service is a general term for a series of logistics services such as local delivery, storage, transit, one piece dispatch, return and exchange of goods in the destination country. As a bridge between sellers and buyers, overseas warehouses shorten the process of commodity logistics by more than double the distance. It can not only compete with local sellers, but also improve sellers' shopping satisfaction. It can also reduce costs and foreign trade risks to a certain extent.

Finally, the rapid development of cross border e-commerce DTC mode and the successful demonstration effect have made more Chinese cross border e-commerce enterprises choose to develop their own overseas Stand Alone Website. The author takes SHEIN as an example to focus on the impact of its innovative web design on user stickiness, which is different from the traditional cross border e-commerce mode. Chen et al. (2022) pointed out that in order to measure consumers' stickiness to a brand product, it is necessary to measure users' perceived interaction, credibility, ease of use, usefulness, satisfaction, usage habits, conversion cost and continuous use intention (Chen, X.X.et al., 2022). SHEIN's international Stand Alone Website design, especially considering the ease of use and usefulness, has shifted from the initial focus on background technology to high requirements for the presentation of web design. The continuous improvement of visual design and elements in the web interface has enhanced the user experience and increased user stickiness. Specific practices include:

Firstly, Strengthen the interconnection with social media, improve the platform system, recommend similar content or product information to users according to the existing user content browsing record, capture consumer dynamic information, and realize personalized product recommendation. Similar Web data shows that the average browsing time of consumers in SHEIN's Stand Alone Website is 8 minutes and 35 seconds, higher than ZARA's 7 minutes and 35 seconds, and the bounce rate (visit the website once and leave) is 38.92%, better than ZARA's 28.62%. SHEIN's Stand Alone Website is more engaged (Martins, M.F., 2022).

Secondly, The promotional entrance is prominently located. Judging from the main page of the official website of SHEIN, the font of discount information and points activities is large, bright colors, and there is an obvious discount countdown prompt; While ZARA, Uniqlo and other types of competitive brand homepage, the promotion entrance location is more hidden, the activity content is monotonous and lack of interest.

Third, Through the issuance of electronic questionnaires and other forms, the website interface is optimized from multiple perspectives such as ease of use and usefulness, and the user's browsing experience is constantly iterated to improve, so as to facilitate the final order to complete the terminal sales.

Indeed, SHEIN's success not only comes from the improvement of Stand Alone Website visual design, in fact, the success of an enterprise often depends on many factors, the author only takes this as an example to illustrate the importance of Stand Alone Website visual design under the cross border e-commerce DTC mode.

Limitations Of This Study

This article mainly adopted data analysis, and the data are all from secondary source, so the data source is relatively simple. In the future, questionnaire surveys of relevant cross-border e-commerce enterprises can be added to increase the source of first-hand data. At the same time, previous studies about this topic were insufficient, especially the literature review part, which focused on the general characteristics of cross-border e-commerce, and insufficient analysis of the characteristics of China's cross-border e-commerce. In the future, more studies will be conducted in this area.

Conclusion

This paper introduced the current situation of cross border e-commerce in China, especially analyzed the new characteristics presented in the development process, that is, the DTC mode of cross border e-commerce by taking SHEIN as an example. In terms of practical significant, starting with typical cases, it provides some practical inspiration for the development of China's cross border e-commerce enterprises and industries. There are still many shortcomings including: the case introduction of SHEIN can be more in-depth, and the analysis of influencing factors of China's cross-border e-commerce can be added. The relevant data is not enough, and empirical analysis will be more convincing. The future research direction of this paper will also start from the above aspects to further improve the research field.

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