

# Analysis of China's Cross-Border E-Commerce Business Model Innovation Path

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**Abstract:** With the development of e-commerce, cross-border e-commerce is rapidly emerging, which not only brings great benefits to China, but also changes people's traditional purchasing methods. The development of cross-border e-commerce in China started late, and in the context of economic globalization, China's foreign trade has been expanding. At the same time, the rapid progress of Internet technology and the rapid rise of the e-commerce industry have led to the instability of the cross-border trade e-commerce market, the lagging logistics and distribution, and the lack of a sound payment and settlement system and credit system. In order to better promote the healthy, orderly and sustainable growth of China's foreign trade exports, it is necessary to study the innovation path of China's cross-border e-commerce business model and find corresponding solutions so that it can play a greater role in international trade.

**Keywords:** Cross-Border E-Commerce; E-Commerce; Innovation Path

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## 1. Introduction

With the rapid development of economic globalization and information technology, cross-border e-commerce has also gradually emerged, which refers to the trade of goods and capital through the Internet by means of international logistics and other means by transaction subjects belonging to different customs borders. At present, China has become the world's largest foreign trade country and the world's largest e-commerce market. The emergence of cross-border e-commerce in China is a result of the rapid release of social and economic changes and Internet technology, as well as the innovation of business models, the transformation and upgrading of industrial structures and the transformation of trade patterns. In recent years, with the continuous expansion of the domestic e-commerce market scale, national policies support and encourage enterprises to participate in overseas construction projects, the development of cross-border e-commerce is also steadily advancing. In 2016, the transaction scale of cross-border e-commerce in China reached 6 trillion yuan, and this paper intends to analyze the current business model innovation path in China.

## 2. The main Problems of Cross-border E-commerce in China

### 2.1 Cross-border E-commerce Profitability is Difficult, the Profitability Model and Ability Still Needs to be Improved

Cross-border e-commerce is a new industry, and its profitability model and ability still need to be improved. (1) Single source of profit, low gross margin. Enterprises make transactions through e-commerce platform to earn the price difference to maintain the company's operating expenses, expand market share, etc.. The main income comes from the product sales process, the costs and expenses incurred are not equal. The traditional foreign trade export business is generally based on processing trade as the main form, and the import and export commodity trading activities generate high added value but little profit margin. The main source of income from foreign trade exports is still domestic consumers to buy foreign goods, and transactions on the e-commerce platform, it requires cross-border logistics, payment and settlement, and other links to generate more costs. At the same time, due to the small scale of China's import and export enterprises and the trade volume is not high, these will also affect its profitability. (2) Profit margin

compression. Currently many enterprises in the development process did not form their own unique and effective competitive advantage and core competitiveness is due to the lack of capital, scale and other factors caused. At the same time, many enterprises also have the phenomenon of blind expansion resulting in a huge waste of resources and a large inventory backlog, which are difficult to solve [1].

## **2.2 Behind the Booming Development of Cross-border E-commerce, Cross-border Logistics has been Criticized by the Industry**

The development of cross-border e-commerce is inseparable from the logistics industry, which is a commodity transportation activity based on international express and financial networks, customs and other aspects under the Internet technology and modern information technology. It is becoming more and more perfect and prosperous with the increasing economic strength of China and the increasing market demand. Although the development of cross-border logistics to the traditional foreign trade has brought a new round of change, but there are still some problems, so it still has not been a comprehensive promotion. First of all, international express restrictions. As China's domestic e-commerce platforms and third-party payment enterprises are lack of effective regulatory system and policy and regulatory support and encouragement mechanism, resulting in its operation in the face of many risks: such as the slow speed of China Post EMS shipping. Secondly, it is difficult for the recipient to return the goods and the problem of wrong delivery range or unfair pricing; finally, the after-sales service is not in place, which makes the customer satisfaction lower [2].

## **2.3 Cross-border E-commerce Talent Training Mechanism is Backward, and Talent Training cannot Keep up with the Development Speed of Cross-border E-commerce Industry**

Cross-border e-commerce is an emerging industry, and its development needs more composite talents who are familiar with new business models and Internet technologies, and can skillfully operate computer network information technology, logistics and distribution management software and other related skills, as well as have rich practical experience and ability. At present, China's colleges and universities have opened professional courses in e-commerce, but they have not formed a perfect and targeted teaching system in cultivating cross-border e-commerce talents, which leads to the knowledge given to students by schools cannot meet the requirements of society for students, resulting in the slow development of cross-border e-commerce in China.

## **3. Policies and Suggestions for Promoting Innovation and Development of Cross-border E-Commerce Model**

### **3.1 Accelerating the Construction of Cross-border E-commerce Service System and Improving the Quality of Cross-border E-commerce Services**

First of all, improve the logistics service system, improve transport efficiency. The problem of shortage of goods can be solved by integrating the cross-border e-commerce platform with foreign third-party logistics companies and jointly building warehouses and bonded zones and other systems. Secondly, the establishment of overseas warehouse model and the construction of related supporting facilities. In the international express business on the development of "sea and rail transport" way, build a professional logistics base, so as to meet the cross-border e-commerce enterprises on quality, efficient, fast, safe and convenient service requirements, and thus improve transport efficiency and reduce costs. Specifically: first of all, establish a perfect cross-border e-commerce service system and improve the logistics and distribution system. Introduce advanced technology and management experience at home and abroad through cooperation, joint ventures or mergers and acquisitions with famous foreign enterprises. Secondly, accelerate the construction of international warehousing bases and overseas warehouses and bonded zones and other infrastructure projects, and strengthen the integration and upgrading of existing large multinational e-commerce platforms and gradually achieve full network coverage. Finally, we should vigorously develop the third-party payment business and support domestic freight forwarders to carry out cross-border e-commerce transaction settlement services and other value-added services, such as remittance, insurance, settlement, sale and return can be handled in the bank.

## **3.2 Pay Attention to the Training Mechanism of Cross-border E-commerce Talents to Provide Sufficient Human Resources for Cross-border E-commerce Model Innovation**

Cross-border e-commerce is an emerging industry, and its development cannot be achieved without talents, so enterprises should pay attention to the cultivation and introduction of composite and innovative talents with high comprehensive management. First of all, universities should pay attention to strengthening the cooperation and exchange with outstanding enterprises in the society and the combination of industry, academia and research between schools and enterprises when opening professional courses [3]. At the same time, schools can also participate in various training courses to teach students the latest knowledge to improve their hands-on ability, so as to enhance the purpose of hands-on practical level. Secondly, enterprises should pay attention to the training of employees, so that they can master professional skills and knowledge, and cultivate complex and innovative talents; finally, they should improve their own platform construction to meet the needs of consumers.

## **3.3 Improve the Daily Operation Quality of Cross-border E-commerce and Enhancing the Quality of Cross-border E-commerce Products**

The development of cross-border e-commerce in China is inseparable from the government's correct guidance of the market. At present, the government of China favors large enterprises in terms of policies and funds, which makes it difficult for domestic SMEs to compete with large international e-commerce platforms. To change this situation, the Ministry of Commerce should first issue relevant norms to regulate, guide and supervise its healthy development. Firstly, it can improve the product quality standard system and strengthen the standardization of cross-border e-commerce by establishing a sound industry association to improve consumer satisfaction with the innovation of cross-border e-commerce business model in China. Secondly, the government should actively encourage and support enterprises to participate in overseas markets, establish professional cross-border e-commerce platforms overseas, and improve logistics and payment facilities, so as to provide a good development environment for enterprises. Finally, the government should actively encourage and support SMEs to participate in the international market competition.

## **3.4 Cross-border E-commerce Model Innovation Process**

As a new business model, cross-border e-commerce has the following aspects in its innovation process: First, customers should be classified. The first step is to classify the customers, which is based on different types, sizes and strengths of the company. Secondly, to determine the target market and business scope and then develop a corresponding plan and organize the implementation of activities to achieve the desired results. The last is to analyze and study the positioning of existing products and services in the market and the changing trend of potential consumer demand to decide the business model innovation path selection strategy for cross-border e-commerce, so as to continuously improve the existing problems in the existing scheme and make it meet the needs of customers [4].

## **4. Conclusion**

Cross-border e-commerce is a new form of economic trade, which breaks the barriers of traditional international trade in terms of geography and time, and makes it develop in a wider and deeper way among countries. In this paper, we study the innovation path of business model and the factors influencing it from the aspect of e-commerce websites mainly engaged in or operating in China, and then put forward corresponding countermeasures and suggestions by combing and summarizing the existing literature and combining with the actual situation: Firstly, the cross-border e-commerce platform should improve its own service system construction to provide consumers with high-quality, convenient and efficient shopping experience. Secondly, strengthening cooperation with international famous enterprises to achieve win-win situation. Thirdly, optimize the construction of cross-border e-commerce platform, provide consumers with high-quality, convenient and efficient, reasonably priced and targeted services, and promote the development of China's e-commerce enterprises; fourth, strengthen supervision and improve relevant laws and regulations.

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