RESEARCH ON STRATEGIC CHOICE OF CROSS-BORDER E-COMMERCE ENTERPRISES

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This study takes Zhuhai Easy-maker Times E-commerce Co., Ltd. as the research object, summarizes the theories and tools related to enterprise development strategy, and clarifies the current research status and shortcomings of this topic. Investigate and analyze the industry environment and internal and external environment of Zhuhai Easy-maker Times. Select strategies that meet the development needs and characteristics of cross-border E-commerce enterprises and put forward corresponding security measures. Firstly, the article analyzes the background and significance of this study, summarizes relevant domestic and foreign research literature, clarifies the main content and methods of the study, and summarizes and analyzes related concepts and theories of application, laying a theoretical foundation for the development of the study. Secondly, Zhuhai Easy-maker Times is taken as an example to analyze cross-border E-commerce enterprise development environment, mainly through Porter’s Five Forces, to analyze the industry competition environment, through PEST analysis method to study the external macro environment, and SWOT analysis method is used to research the company's internal environment, the enterprise external environment and internal resources, etc., to clarify the realistic situation faced by cross-border e-commerce enterprises. Then, the strategy selection of cross-border e-commerce enterprises is carried out. Thirdly, the strategic objectives and principles are selected based on the actual situation of enterprises, including cost leadership strategy, horizontal integration strategy and relevant functional strategy, and the strategy implementation guarantee measures are proposed.

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The research on the development strategies of cross-border e-commerce enterprises in this paper can not only enrich the current theoretical research content, but also provide theoretical reference for the future research on the strategic development of cross-border e-commerce.

**Keywords:** cross-border E-commerce; enterprise strategy; strategic analysis; safeguard measures

**Introduction**

In recent years, China's cross-border e-commerce has developed very well, making a leap from B2B mode to B2C mode. According to customs statistics, China's total cross-border retail import and export of e-commerce reached 134.7 billion yuan in 2018, up 50% from last year. The competition between enterprises is no longer simply defined as a single competition of resources such as "talent", "capital" and "products", but has entered a new stage of "strategic victory" competition. The integration of resources has become the goal and direction of the company (Chen & He, 2020).

The key is no longer how much profit the company could have, but the direction of the company’s business development. If there is no scientific system with clear and perfect strategic goals, the development of the business has no reference value. Therefore, a scientific and systematic development strategy is an important condition for the survival and sustainable development of the enterprise.

As a cross-border e-commerce enterprise, Zhuhai Easy-maker Times operates a third-party platform for the cross-border e-commerce business with the Internet technology as its core, breaking the barriers of China's foreign trade circulation by using the rapidly developing Internet technology. For the long-term stable development of a company, it is extremely important to study its development strategy and propose security measures in accordance with its characteristics.

In a practical sense, China currently attaches great importance to the development of cross-border e-commerce. How to actively promote the development of cross-border e-commerce and expand cross-border e-commerce strategies has become a difficult problem for researchers. This study takes the development of cross-border e-commerce of Zhuhai Easy-maker Times as the starting point, diagnoses and analyzes its current internal and external environment and industry characteristics, and proposes a new design for its development strategy, which also provides a strong link to the relevant domestic small and medium-sized cross-border e-commerce enterprises to find competitive advantages, enhance their overall competitiveness and improve their profitability.

**Literature review**

Foreign studies on cross-border e-commerce appeared earlier than domestic ones, and the opinions presented were more in-depth. The study of Huang (2019) pointed out that, at present, foreign cross-border e-commerce enterprises are still dominated by developed countries such as the United States with relatively advanced technologies, especially the U.S. cross-border e-commerce enterprises with brand-based products and small price fluctuations
and obvious advantages, prompting the United States to become the main country for global consumers to purchase online.

Benischke (2017) studied the relationship between the growth of transactions in Iran's cross-border supply chain B2B model and the rapid development of cross-border transactions, suggesting that effective e-commerce management is increasingly important in the development of cross-border trade.

The study of Wolfolds & Siegel (2019), drawing on the EU cross-border e-commerce model, pointed out that the great differences between different countries in terms of language, geographical location and distance increase the cost of trade. However, the rise of e-commerce has reduced the cost of such differences, allowing different countries to consume online in different regions, while the payment methods for online consumption have facilitated the development of online transactions between countries. This shows that foreign researchers attach great importance to the business model of cross-border e-commerce.

Emerling (2020) studied that from the perspective of technology, the Internet technology plays an important role in international trade, and the development of cross-border e-commerce enterprises cannot be separated from the support of network technology, and at the same time, the technology’s advanced degree directly determines the development of cross-border e-commerce. The scholar also pointed out in his study that the vigorous development of cross-border e-commerce plays an important role in reducing risks in the market and will certainly replace traditional international trade.

The study of Plangger (2019) analyzed the interaction between e-commerce and global economic integration. It is pointed out that global economic integration will promote the development of e-commerce, and e-commerce transactions will also promote the process of global economic integration to a certain extent. Meanwhile, in exploring the impact of global economy on the development of cross-border e-commerce, scholars established a mathematical model and investigated 22 cross-border e-commerce enterprises, and proposed methods for enterprises to enter the international market.

Lukic et al. (2017), based on the study of cross-border e-commerce models in the European Union, concluded that differences in language, distance and geographical location in different countries would increase the trade costs. However, the rise of e-commerce will reduce costs due to the aforementioned differences. Also, the development of online transactions between countries can be further facilitated through online systems.

**Transaction cost theory**

Transaction costs are the costs that people pay for the voluntary exchange of products, services and other material needs and intangible needs within the scope of human life, forming a long-developed theory of transaction costs (Yuan, 2020).

According to this theory, all kinds of transactions between people are accompanied by transaction costs, whether it is material exchange between people, material exchange between consumers and enterprises, or trade flows between countries, all of which involve costs and profits. Transaction costs are also incurred during the transaction process, depending on the value, success rate and profit of the transaction itself (Zhang, 2018; Li et al., 2019).

E-commerce operations save the costs of transaction and mailing of materials and break through geographical restrictions, avoiding many unnecessary costs.
This study takes Zhuhai Easy-maker Times as the research subject. The study is divided into five parts. The first part is the introduction of the study, which analyzes the background and significance of this study, summarizes the domestic and international research literature related to the topic, and specifies the main contents of the study and the methods used.

The second part is the relevant concepts and theories applied in the study, pointing out the concept and characteristics of cross-border e-commerce, and analyzing the strategy theory, the transaction cost theory and the strategic analysis tools.

The third part analyzes the development environment of cross-border e-commerce enterprises by taking Zhuhai Easy-maker Times as an example, mainly analyzing the competitive environment of the industry through Porter's five forces model, studying the external macro environment through PEST analysis method (Yu, 2018), and studying the internal environment of the company using SWOT analysis method to summarize the external environment and internal resources of the enterprise (Shao & Yan, 2017).

The fourth part is the strategy selection of cross-border e-commerce enterprises, firstly strategic objectives and principles, mainly including cost leadership strategy, horizontal integration strategy and related functional strategy, and proposing strategy implementation guarantee measures. The last part is the research conclusion and outlook, summarizing the conclusions drawn from this study and analyzing the research shortcomings and the subsequent development outlook of the topic.

Research Methods

This study takes Zhuhai Easy-maker Times as the research subject. The study is divided into five parts. The first part is the introduction of the study, which analyzes the background and significance of this study, summarizes the domestic and international research literature related to the topic, and specifies the main contents of the study and the methods used.

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The fourth part is the strategy selection of cross-border e-commerce enterprises, firstly strategic objectives and principles, mainly including cost leadership strategy, horizontal integration strategy and related functional strategy, and proposing strategy implementation guarantee measures.

The last part is the research conclusion and outlook, summarizing the conclusions drawn from this study and analyzing the research shortcomings and the subsequent development outlook of the topic.

1. Literature review method: The information of this paper was selected by collecting relevant literature on cross-border e-commerce and corporate strategy in databases such as
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CNKI, Wanfang Data and CQVIP, and by consulting relevant books, subject materials, consulting relevant experts and translating articles of foreign scholars.

2. Survey and visits method: We go deep into the company and survey relevant managers and employees.

3. Case analysis method: This study takes Zhuhai Easy-maker Times as a specific research object, investigating its industry environment and internal and external environment, and clarifying the current situation and shortcomings of the development of cross-border e-commerce enterprises by means of actual case analysis.

Findings and analysis

At present, enterprises in China’s cross-border e-commerce industry are mainly divided into two categories, export cross-border e-commerce and import cross-border e-commerce. Export cross-border e-commerce is divided into the B2B category and the B2C category, and the representative enterprises of B2B category include Alibaba, Global Resources, Made in China network, Dunhuang network, etc.; the representative enterprises of B2C category include Amazon, AliExpress, Anker Innovation, etc. Imported cross-border e-commerce is also divided into the B2B category and the B2C category, and the representative companies of the B2B category include Xing Yun Group, Naive Potato, Kjy, etc. The competitive factions are shown in the Figure below.

In terms of imported cross-border e-commerce, China's imported cross-border e-commerce B2C market shows a pattern of one super and many strong, with Tmall Global+Kaola, Jingdong International and Vipshop International ranking in the top, and the market as a whole is in an upward channel, with Ali in the imported 2C end firmly established and the market pattern basically stable.

In terms of exports, Amazon, Taobao, eBay market share is 22%, 5%, 5%, respectively. The head platform market concentration is low, small and medium-sized e-commerce platform and self-built station occupy the mainstream.

Potential entrants

Most industry-leading cross-border e-commerce companies need to overcome several thresholds: establishing or leasing overseas warehouses, setting up local branches in different target markets, integrating and establishing supply chain systems, registering bank information and frequent exchange between foreign exchange and RMB, recruiting and training various foreign language talents, and cultivating quality Amazon accounts. The main new entrants faced by Zhuhai Easy-maker Times are as follows.

First, the entry of domestic third-party sellers. Second, potential local competitors in the target market. Third, the rise of other cross-border platforms.

For Zhuhai Easy-maker Times, its operational and supply chain advantages cannot be ignored, while the rise of other cross-border platforms only weakened its traffic advantages to a certain extent.

Supplier

The resources required by firms to engage in production operations are obtained from suppliers, who generally consider price, quality, and service in order to seek more profit, thus imposing relatively higher costs (pressure) on the buyer (buyer's market).
Supplier’s bargaining power refers to the ability of existing firms to obtain better prices when purchasing products from suppliers. To be a cross-border e-commerce company is the strategic goal for the long-term business development of Zhuhai Easy-maker Times. Therefore, in terms of supplier’s bargaining power, it is important to achieve the advantage of optimal purchasing, but also to ensure the quality of products and services to achieve the comprehensive goal of purchasing.

**Buyers**

Compared with the traditional foreign trade model, cross-border e-commerce, especially the B2C retail model, determines that buyers on the platform have a strong bargaining power due to the transparency of the goods on each platform, etc. With the increase of merchants, the number of homogeneous goods on the platform is also increasing. In this trading environment, buyers profit from the antagonistic state of sellers and competitors by lowering prices or demanding higher product quality or demanding more services.

On the one hand, Zhuhai Easy-maker Times should strengthen its purchasing bargaining power to cope with market changes, and on the other hand, it should adopt the marketing strategy of "selling more with less profit" and go beyond the traditional form of customer bargaining.

**Alternatives**

Substitutes are products that have the same or similar use or function as the target product. The threat of substitutes is relatively low for the products sold by Zhuhai Easy-maker Times.

The reason is that Zhuhai Easy-maker Times adopts a "zero inventory" management model, which constantly eliminates products at the end of their life cycle and accelerates the development of new products to avoid the risk of product substitution.

In general, cross-border e-commerce breaks through the traditional trade model, using the upgrading and development of the Internet to directly open the industrial chain between enterprises and end consumers, shortening the distance to end consumers, improving logistics efficiency, creating unlimited prospects for enterprises, and providing economic benefits to consumers. It is evident that the alternative to cross-border e-commerce is traditional international trade.

**Strategic findings of cross-border E-commerce enterprises**

After determining the future strategic principles of Zhuhai Easy-maker Times, the company's strategic goals, including periodical strategic goals and long-term strategic goals, shall be formulated to guide the development direction of herself. The periodical strategic goal of the company is to take the next five years as a stage.

At this stage, the company sets the target-controlled strategic target of sales performance, which stipulates that the company's sales performance will double at this stage. In terms of industry status, Zhuhai Easy-maker Times should first build a well-known brand with good sales volume in North America, South America, Europe and other regions, and become an influential cross-border E-commerce enterprise in the region. In terms of resource integration, she strives to develop more than 100 stable suppliers, integrate supply chain, break through the whole chain of production, sales and service, and realize independent
brand operation; in internal management, she improves the company's organizational structure and establishes advanced enterprise management system.

The long-term strategic goal of the company is to build brand goods globally, establish logistics warehouses in many regions of the world, significantly improve the company's strategic management, supply chain management and risk management, and make the company become a cross-border E-commerce enterprise with global influence.

Cost leadership strategy

In terms of business strategy, it is suggested that Zhuhai Easy-maker Times adopt the cost leadership strategy, which can be achieved in the following aspects:

First of all, standardize and optimize the commodity purchase process. There are two ways to reduce costs, namely large-scale purchase and extended construction period. Secondly, strengthen information construction. Zhuhai Easy-maker Times has increased the development and adoption of backstage management information module, which can realize efficient management and operation of the company to a certain extent, improve work efficiency and reduce management costs.

Finally, reasonable integration and allocation of logistics resources should also be looked at. A cross-border e-commerce enterprise can separate these three layers of information to three independent departments (operation department, R&D department and purchase department) to reduce the cost of information transmission at each demand level. With the increase of business volume, Zhuhai Easy-maker Times shall set up automatic packaging equipment, sorting and packaging, to reduce labor costs.

Horizontal integration strategy

Horizontal integration strategy, also known as integration strategy, refers to a strategy of joint operation with enterprises in the same industry in order to expand the production scale, reduce costs, consolidate the market position of the enterprise, to improve the competitive advantage of the enterprise and enhance the strength of the enterprise. The establishment of the integration strategy of Zhuhai Easy-maker Times combines her advantages in the horizontal extension of commodity categories in the cross-border E-commerce industry and the continuous strong development trend of the E-commerce market demand.

From the perspective of the current corporate structure, Zhuhai Easy-maker Times needs a new business development structure with branch company (business division) as the unit to fully adapt to the current market competition and characteristics of the E-commerce industry. The horizontal integration strategy implemented by Zhuhai Easy-maker Times includes two following aspects:

First, adjust and optimize the organizational structure of enterprise. Management of branch company, under the unified leadership of Zhuhai Easy-maker Times, according to two fundamental principles that resource integration combined with efficiency improvement, comprehensively using the group company’s logistics support service system (e.g., purchasing system, logistics system, financial system and HR system), function of branch company (business division) changes into: increase the overall development of commodity categories, independent management and independent accounting.
Second, reasonably formulate and implement horizontal merging measures. Through horizontal merger and acquisition, Zhuhai Easy-maker Times can effectively achieve scale economy and quickly obtain complementary resources and capabilities.

**Functional strategy**
Functional strategy generally includes brand strategy, financial strategy, and HR strategy.

Brand strategy: brand is a symbol that makes customers know the product well, a symbol of transferring product experience between customers, and a customer's recognition of a certain product. The brand strategy used by Zhuhai Easy-maker Times is a part of cost leadership strategy.

Financial strategy: according to the cost leadership strategy, it is analyzed that Zhuhai Easy-maker Times needs to extend the purchase period of goods to reduce the pressure of capital turnover and realize the purchase period through the evaluation of suppliers.

Human resource strategy: cross-border e-commerce human resource development strategy fully tap one's own potential, win-win planning and strategy, external and independent training, promotion, and growth, to maximize the value of employees. New employees implement the "mentor system" and two-way guidance, to overcome the strangeness and fear of new employees in the new team atmosphere.

**Conclusion and Recommendations**

The study draws the following conclusions.

Firstly, from the perspective of the Five Force Model, there are many small and medium-sized enterprises in China's cross-border e-commerce market, which have no distinctive characteristics but many competitors. Meanwhile, they are facing competition from foreign e-commerce, and the overall competition pressure of the industry is great. Cross-border e-commerce imports and exports can be replaced by local e-commerce products, there is a certain threat of substitution. The upstream suppliers of cross-border e-commerce are generally all kinds of manufacturing enterprises. Due to the large number of suppliers, their bargaining power is weak.

The downstream consumer market is mainly the end customers. Since there are many cross-border e-commerce enterprises and consumers have many choices, they have strong bargaining power. In addition, the cross-border e-commerce industry is greatly threatened by new entrants as the entry threshold is relatively low and the market maintains a steady growth trend. The PEST analysis results show that the political, economic, social, and technical conditions for the development of cross-border e-commerce enterprises are relatively good.

The SWOT analysis shows that Zhuhai Easy-maker Times, which advantages and external opportunities are relatively outstanding, can choose appropriate growth-development strategy and take horizontal integration strategy, meanwhile strengthen the cost management, perfect relevant functions, use a good environment for industry development, to exploit strengths to the full.

Secondly, based on the internal and external environment and conditions, Zhuhai Easy-maker Times needs to select a strategy suitable for its own characteristics. At the level of business strategy, it is suggested that Zhuhai Easy-maker Times adopt the cost leadership
strategy. In the process of building the unique competitiveness of enterprises, the focus of cost leadership is still to improve operational efficiency and reduce the cost structure, to standardize and optimize the purchase process; strengthen information construction and pay attention to reasonable integration and allocation of logistics resources.

At the same time, adopt horizontal integration strategy, internal adjustment and optimization of enterprise organizational structure, to achieve the level of commodity expansion; external reasonable formulation and implementation of horizontal merger measures. In addition, it is necessary to formulate and implement the corresponding functional strategy, including brand strategy, financial strategy, and human resources strategy. In addition, the company should provide guarantee for the implementation of the strategy in terms of organization, talent, and operation management.

This article focuses on Zhuhai Easy-maker Times’ practice analysis of competition strategy, competition strategy analysis tools, trying to help her on the cross-border e-commerce market with fierce competition, to choose the correct future development strategy based on actual situation, and provide the corresponding strategy implementation and safeguard measures, through the study of this article, I have obtained certain achievements, but due to the limitation of my ability and vision, there are still some deficiencies in the research process.

There are shortcomings in data collection. Due to limited energy and vision, there is insufficient research and data on the future development trend of cross-border e-commerce, so it is impossible to conduct in-depth research on the development of cross-border e-commerce. Due to the confidentiality of internal information and other factors, the operation data and data collection of Zhuhai Easy-maker Times are not comprehensive enough, so it is impossible to conduct a thorough and comprehensive analysis of the company's current situation, which will have a certain impact on the research results.

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