

Lecture 13

Cross- Border E- Commerce

跨境电商

Qili Gao



Learning object

- ① Understand the **concept of cross-border e-commerce and its differences from traditional e-commerce and foreign trade.**
- ② Be familiar with the **operational process of cross-border e-commerce, as well as cross-border e-commerce logistics and payment.**
- ③ Grasp the **business models of DHgate (敦煌网), AliExpress (速卖通)**

Definition of Cross-Border E-Commerce

Cross-border e-commerce refers to an international business activity where entities from different customs jurisdictions engage in transactions through electronic commerce platforms, showcasing and negotiating products, conducting payment settlements, and using cross-border logistics to deliver goods and complete transactions.

跨境电商是指分属于不同国家/地区（关境）的各个交易主体通过国际性电子商务平台达成相关业务的交易和电子支付结算，通过跨境电商的物流模式以及异地仓储实现商品的送达，进而完成跨国交易的一种国际性商业活动。



Overview of Cross-border E-commerce



Cross-border e-commerce platforms

Cross-border e-commerce platforms are used for showcasing product information and providing online shopping functionality. Typical representatives include AliExpress, Amazon, and eBay.



Cross-border logistics

Cross-border logistics companies are responsible for transporting and delivering cross-border parcels. Typical representatives include China Post Express Logistics Co., Ltd. and FedEx.



Cross-border payment platforms

Cross-border payment platforms are utilized for completing payment activities between the parties involved in the transaction.

Difference between domestic e-commerce and cross-Border e-commerce

- **Different operational environments:** language, culture, etc
- **Differences in business processes:** customs clearance, quarantine inspection, foreign exchange settlement, export tax rebate, import taxation, warehousing, and logistics, etc.
- **Differences in transaction subjects:** consumer habits, cultural psychology, lifestyle , etc.
- **Differences in transaction risks:** intellectual property disputes, etc.

Difference between cross-border e-commerce and traditional foreign trade



Traditional foreign trade

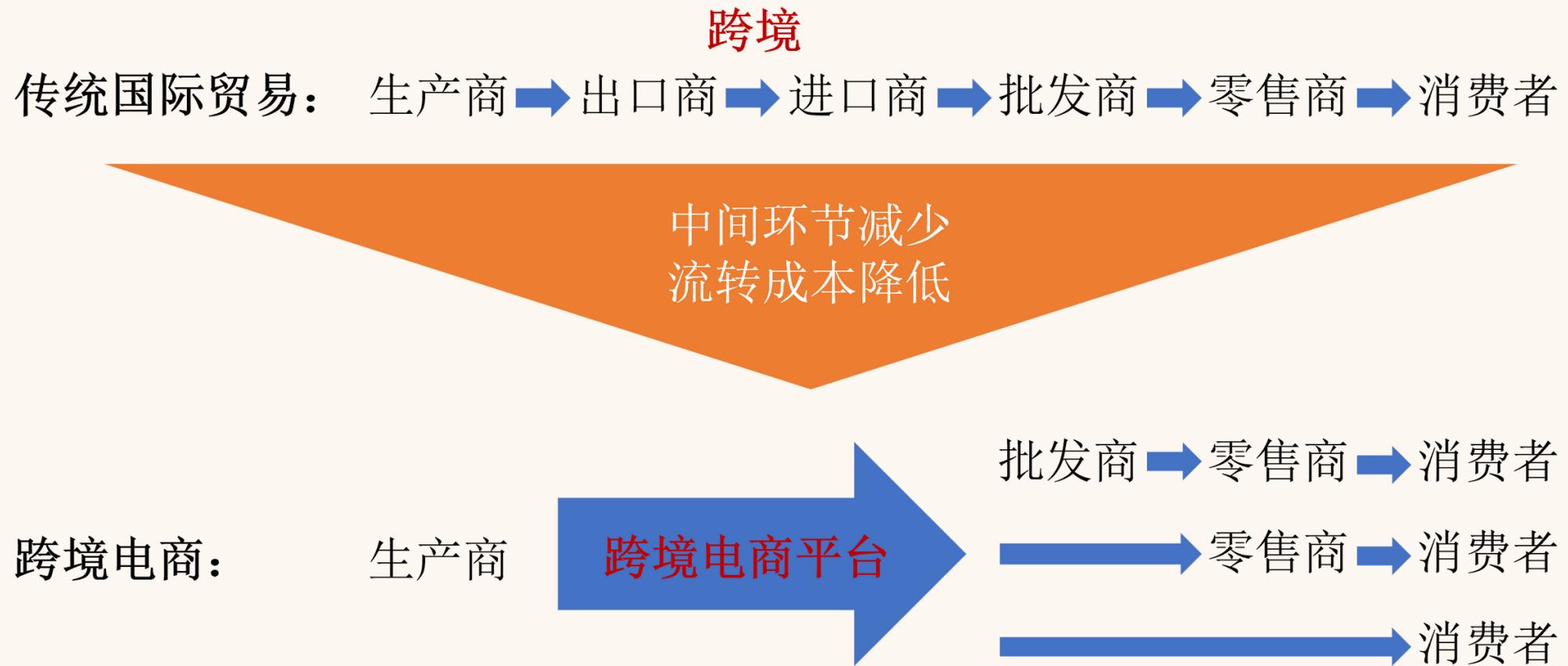
Traditional foreign trade e-commerce primarily involves domestic import and export businesses collaborating with overseas import and export partners to handle large volumes of goods. These goods are then distributed through multi-level distribution networks, spanning both domestic and international circulation enterprises. The process involves traversing various distribution channels to deliver the goods to enterprises or consumers with demand.



Cross-border E-commerce

Cross-border e-commerce has two main trading models: cross-border retail (including B2C and C2C) and cross-border B2B. In cross-border B2C, businesses sell directly to consumers using e-commerce platforms, while in cross-border C2C, individuals trade via third-party platforms. Cross-border B2B involves online transactions between companies.

Difference between cross-border e-commerce and traditional foreign trade e-commerce

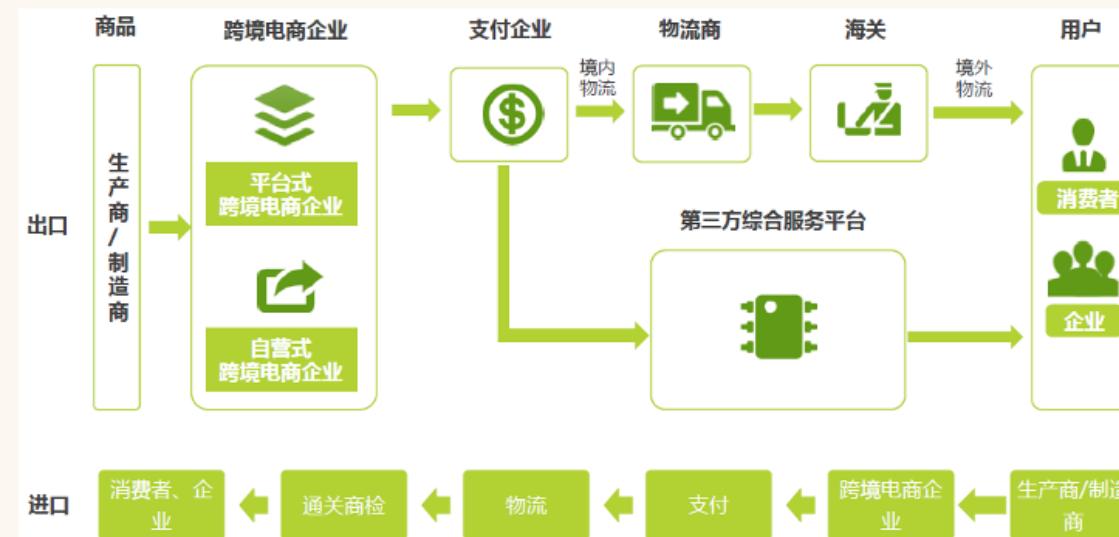


The operational process of cross-border e-commerce

From the perspective of cross-border e-commerce export, the process involves the following steps:

1. Product Listing: Manufacturers or producers showcase their products on the platform of a cross-border e-commerce company.
2. Order Placement: Customers select and order products, completing the payment.
3. Handover to Logistics: The cross-border e-commerce company hands over the products to a logistics company for delivery.
4. Customs Clearance: The products undergo customs clearance and inspections both at the export and import stages.
5. Delivery: After passing through customs, the products are delivered to consumers or businesses.

Some cross-border e-commerce companies partner with third-party integrated service platforms to handle logistics, customs clearance, and other processes, completing the entire cross-border transaction. The process for cross-border e-commerce import is similar but in the opposite direction, with customs clearance and delivery happening in the importing country.



Classification of Cross-Border E-commerce

- **B2B**
- **B2C**
- **C2C**

Classification of Cross-Border E-commerce

- **Export**

主要市场：美国、欧洲（英国、德国、法国、西班牙等）、东盟地区、日本、韩国等。

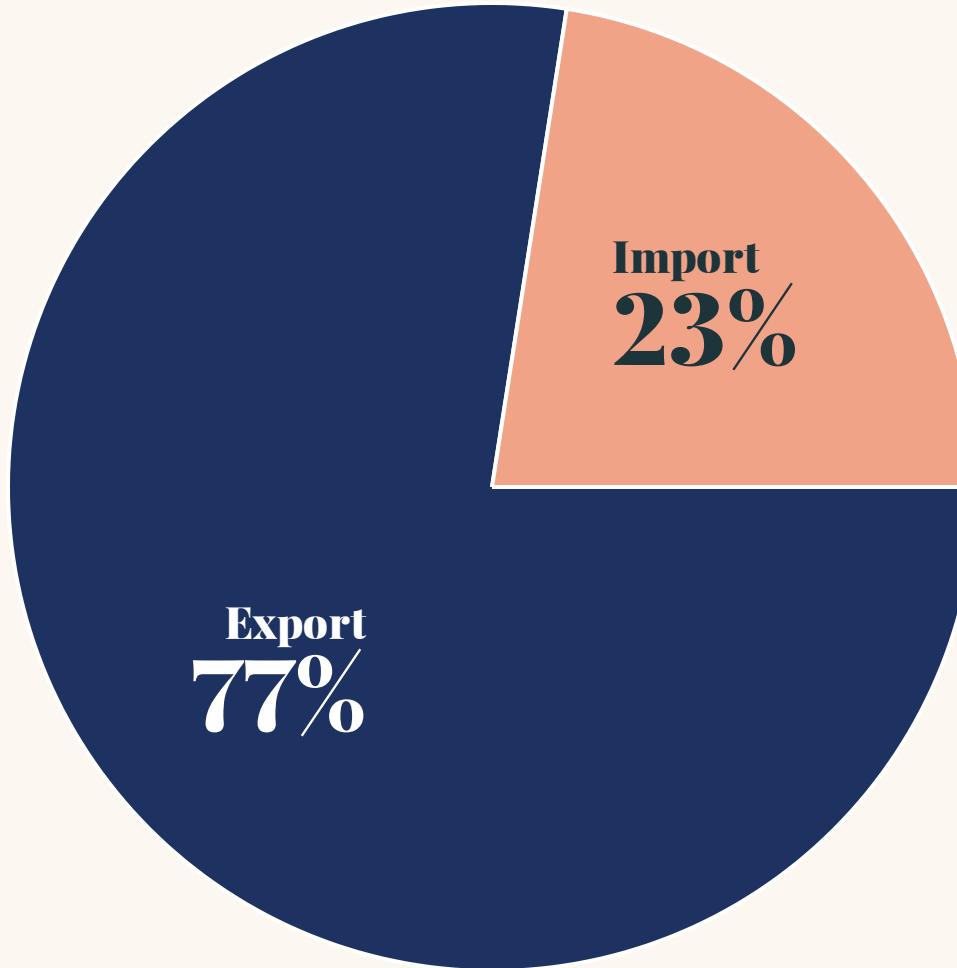
增速最快：阿根廷、以色列、挪威、俄罗斯、巴西等。

- **Import**

Bonded warehouse mode (保税模式)

Cross-border direct shipping model (境外直邮模式)

Classification of Cross-Border E-commerce



中国跨境电商发展报告 2022



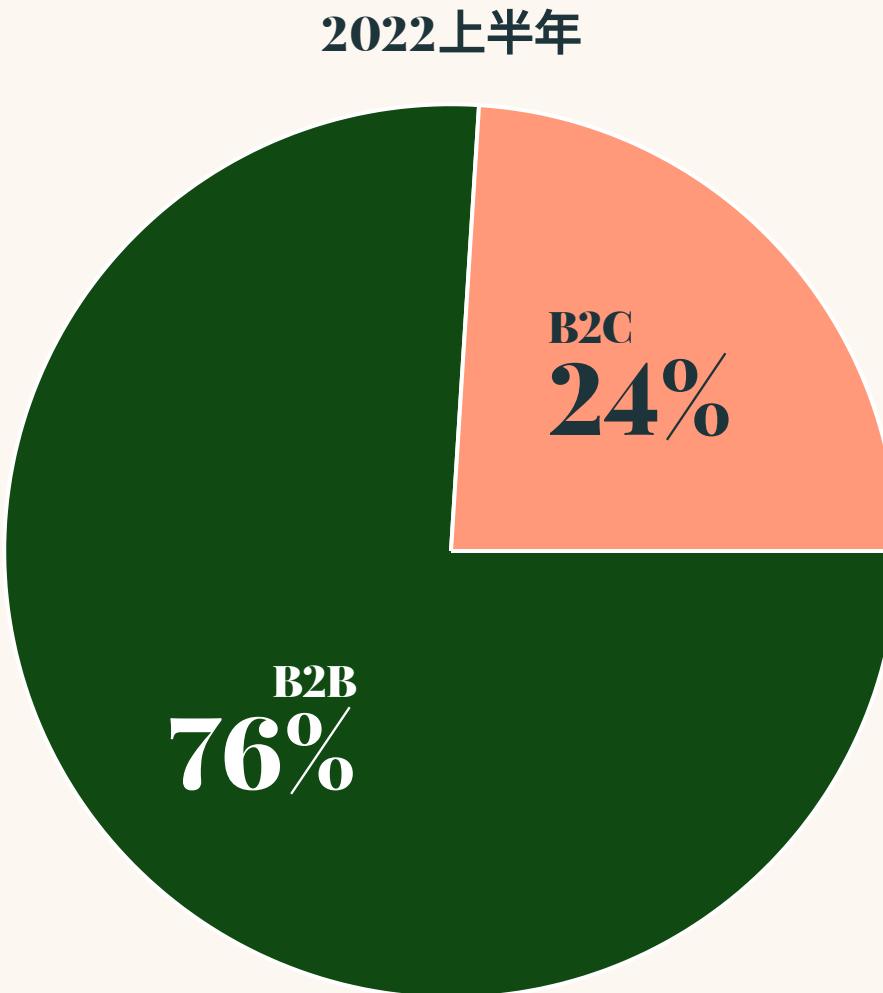
1.98万亿

EXPORT + IMPORT



15%

Classification of Cross-Border E-commerce



Head e-commerce platform in the import field

- 天猫国际
- 京东国际
- 考拉海购
-



Classification of Cross-Border E-commerce

- 垂直型
- 综合型

Classification of Cross-Border E-commerce

- 第三方平台型
- 自营型
- 混合型

Cross-border logistics

Postal logistics (邮政物流)

- Postal services, with their global coverage, are a mainstream method for cross-border logistics transportation. Common postal transportation methods include China Post Small Packet, Singapore Post Small Packet, and some special cases where postal small packets are used.
- During postal parcel shipping, products containing powder or liquid substances are often restricted from customs clearance. Additionally, tracking logistics information may require registration, and the shipping time is typically longer, ranging from 15 to 30 days.
- Express Mail Service (全球邮政特快专递, EMS): EMS enjoys priority processing rights in postal, customs, aviation and other departments of various countries. It delivers international emergency letters, documents, financial bills, commodity samples and other documents and items to customers at high speed and high quality, and has strong customs clearance capabilities. EMS can directly reach more than 60 countries or regions. The cost is lower than that of international commodity giants, and it has strong customs clearance capabilities. It takes two or three days for a parcel to reach Asian countries or regions, and 5-7 days to reach European and American countries or regions.

Cross-border logistics

International express delivery (国际快递)

- International express delivery is primarily facilitated by the world's renowned four major courier companies: FedEx (美国联邦快递), United Parcel Service (联合包裹速递服务公司, UPS), TNT Express, and DHL Express (敦豪航空货运公司), for conducting international courier services.
- 顺丰, "四通一达", etc.
- International express delivery is known for its fast speed, excellent service, and low loss rate. However, it comes with the drawback of being relatively expensive in terms of pricing.

Cross-border logistics

Dedicated line logistics (专线物流)

- Specialized logistics, often referred to as dedicated or direct line logistics, typically involves transporting goods to foreign countries through airfreight compartments and then partnering with local companies for delivery within the destination country. This method offers advantages such as relatively fixed delivery times, faster transportation speeds, and lower shipping costs.
- Overall, dedicated logistics allows for the centralized shipment of bulk goods to a specific country or region, leveraging economies of scale to reduce costs. However, it does have certain geographical limitations.
- 美国专线、中欧班列、澳大利亚专线、俄罗斯专线等。
- 中东专线、南美专线、南非专线等。



2021.5

40,000 列

22个国家和地区

160多个城市

Cross-border logistics

Oversea warehousing (境外仓储)

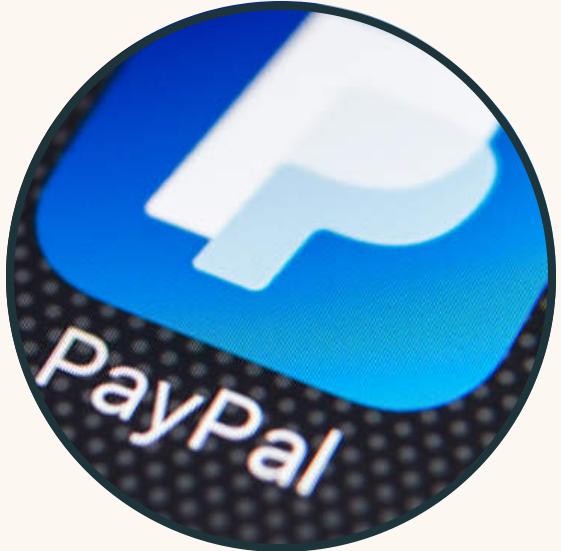
- Overseas warehousing refers to establishing warehouses in other countries or regions, where goods are exported from the home country and stored in warehouses abroad through methods such as sea, land, and air transportation. The costs of overseas warehousing include initial shipping expenses, warehouse management fees, and local delivery fees.
- In this approach, transportation costs are relatively lower, and the transportation time is shorter. This is considered a mainstream transportation method for the future.

Cross-border Payment

Cross-border payment refers to the transfer of funds across international or regional borders involving debt and credit relationships, using specific settlement tools and payment systems.

Payment channels

Currently, the main payment channels for cross-border e-commerce include third-party payment platforms, commercial banks, and specialized remittance companies (专业汇款公司).



Third-party payment platforms have gained a dominant position in cross-border payments due to their low operational costs, convenient procedures, and support for multiple platforms. Compared to the higher fees of commercial banks and the limited coverage of specialized remittance companies, third-party payment platforms can simultaneously meet the requirements of low-cost and high convenience for cross-border remittances. As a result, they have attracted an increasing number of consumers. There are already a number of well-established third-party payment platforms internationally, such as PayPal.



Case study 1

Cross-border export B2B platform— DHgate

DHgate (敦煌网)

DHgate, founded in 2004, is the first B2B e-commerce website in China that integrates online trading and supply chain services. It serves as a new-generation online wholesale trading platform, facilitating direct supply from a multitude of Chinese small and medium-sized suppliers to overseas small and medium-sized buyers.

DHgate aims to establish a comprehensive online supply chain system that bridges Chinese upstream small and medium-sized manufacturers and traders with numerous overseas small and medium-sized buyers, enabling fully digital international trade and delivering commercial value to global Small and Medium-sized Enterprise.

The name "DHgate" is chosen to symbolize its mission of helping more SMEs leverage e-commerce to unlock the "Silk Road" of global trade online.

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我的DHgate | 服务市场 | 帮助 | 敦煌客户端 | 论坛 | Buyer Home

DHgate 买全球，卖全球 简体中文

请输入要搜索的关键词... 全部频道

首页 入驻通道 商家成长 选品推荐 运营工具 流量获取 政策规则 增值服务 敦煌网集团 我要开店 →

王树彤邀您走出外贸电商第一步
鼠标一点，轻松赚美金！

免费开店

15年外贸电商品牌，2100万全球买家信赖， 200万国内供应商在线！来敦煌网，轻松把货卖到海外！

低成本 免费开店 免费上架产品 免费产品展示

0库存 买家下单后再进货 无需积压

0风险 专业风控团队、纠纷小组帮您把控 交易风险

多扶持 在线翻译、物流支持、专业培训、资深行业经理一对一全程指导

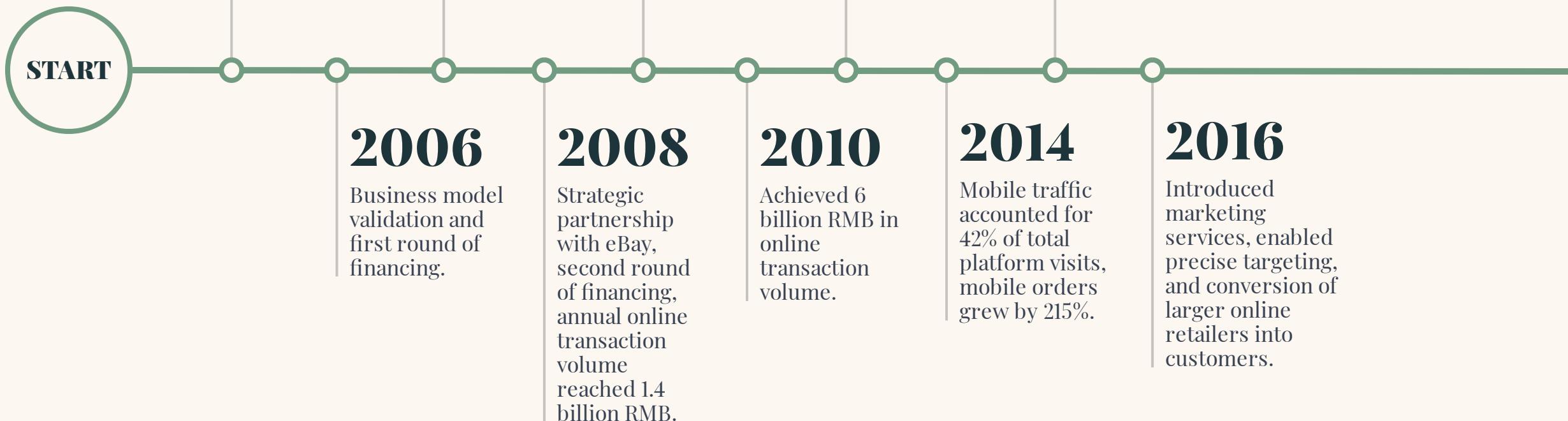
赚美金，其实不难！

我要开店

微信咨询

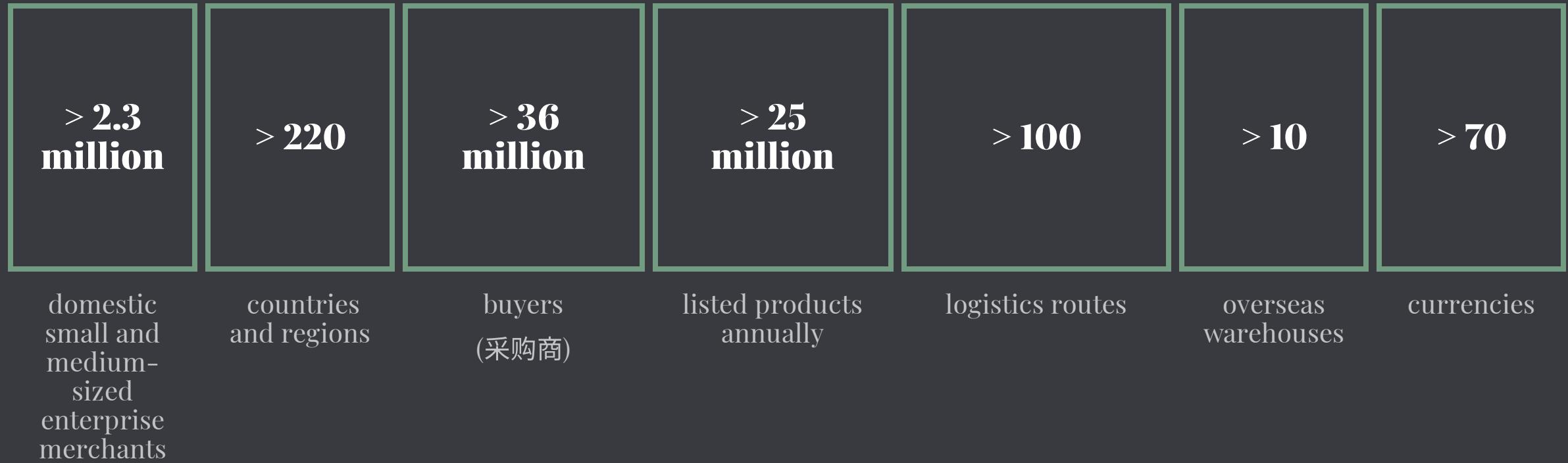
入驻通道

电话咨询



A pioneer in cross-border B2B e-commerce

By the end of 2021



The operating model of DHgate

Dunhuang Network is a third-party online trading platform that facilitates sales of goods from domestic small and medium-sized enterprises (SMEs) to international SMEs. Numerous overseas small and medium-sized purchasers can directly select and purchase domestic goods through this platform, utilizing Dunhuang Network's logistics and payment systems to complete transactions.

In addition to providing free information publishing services for both buyers and sellers, Dunhuang Network offers a range of services including overseas promotion, logistics, online payment, after-sales support, credit rating systems, and dispute resolution. By integrating the supply chain, the platform lays the foundation for smooth online transactions between buyers and sellers.

Dunhuang Network has separate English and Chinese platforms for buyers and sellers. After registration, both parties can publish buying or selling information, and once their information matches, they can proceed with online transactions.

The operating model of DHgate



Dunhuang Network's target customers

The users who engage in transactions on Dunhuang Network are mostly small wholesalers and small buyers. They are often overlooked by traditional e-commerce platforms but are the target customers of Dunhuang Network. They place orders on Dunhuang Network, and the order amounts are usually not large. Their purchases often include small items such as accessories, jewelry, and similar products. Despite the relatively small transaction amounts, they have a high transaction frequency and are quite active on the platform.



Services of Dunhuang network

- Dunhuang Network collaborates with established payment platforms like PayPal to ensure transaction security.
- To expedite shipping, it not only integrates services from large logistics companies like UPS and DHL but also integrates services from smaller American logistics companies specializing in European freight. Transaction cycles range from as fast as 3 days to a maximum of 2 weeks, significantly enhancing turnover for both buyers and sellers.
- Dunhuang Network leverages its overseas warehousing and distribution system to enable domestic businesses to directly sell items stored in overseas warehouses. This model shortens order cycles and helps businesses expand their sales scope, reduce costs, and improve service quality on a global scale.

Dunhuang Network's main sources of profit



Platform usage fees

In order to comprehensively optimize the platform structure, upgrade service quality, and incentivize seller growth, Dunhuang.com stipulated that starting from February 20, 2019, newly registered merchants are required to pay platform usage fees. Currently, the platform usage fees are categorized into semi-annual and annual plans, with specific charges set at 698 RMB (semi-annual) and 1099 RMB (annual).

Charging transaction commissions to purchasers

- For orders less than \$300 USD: Commission rate ranges from 12.5% to 21.5%.
- For orders equal to or greater than \$300 USD but less than \$1,000 USD: Commission rate is between 4.0% to 6.0%.
- For orders equal to or greater than \$1,000 USD: Commission rate ranges from 0.5% to 1.5%.

Dunhuang Network's main sources of profit



Membership value-added services

- "Help with promotion" (帮助推): Dunhuang.com offers an external Google Shopping promotion service that promotes qualified products from seller's stores on Google. This helps attract high-quality buyers to the sellers. Through multidimensional optimization, it makes popular products even more popular and gives more exposure to products with potential.
- "Visual Elf" (视觉精灵): Visual Elf is a product flow tool designed by Dunhuang.com for sellers. Products using Visual Elf will be prominently displayed in the "Category/Keyword" search list results page and the store list page.
- "Camel Gift Pack" (骆驼礼包): Camel Gift Pack is a promotional package provided by Dunhuang.com for sellers. After purchasing, sellers can enjoy the benefits of using various mainstream promotional marketing tools on Dunhuang.com.

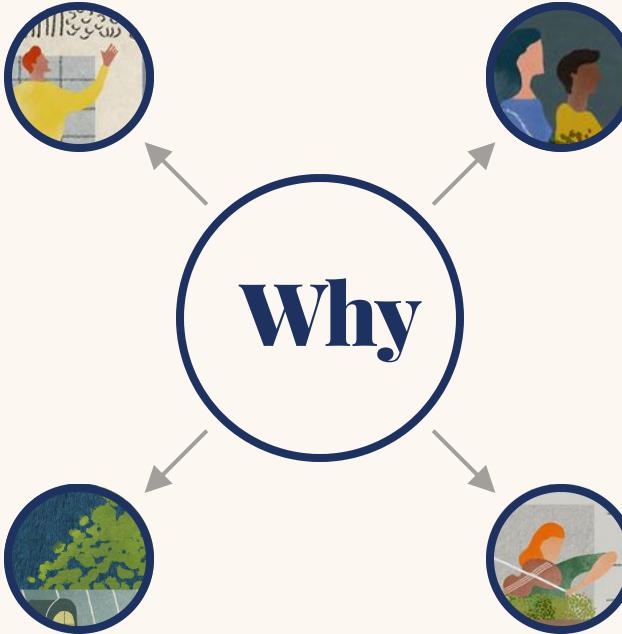
Core competitive strengths of DHgate

charges transaction commissions from buyers (按交易额向采购商收取交易佣金)

Unlike other platforms that charge commissions from sellers, Dunhuang.com charges transaction commissions from buyers based on the transaction amount.

Secure Payment Guarantee (支付安全保障)

In terms of payment, Dunhuang.com collaborates with mature international payment platforms like PayPal to ensure transaction security.



Strong Negotiation Power in Logistics (较高的物流议价能力)

Dunhuang.com leverages its aggregated demand to negotiate for the lowest discounts with logistics providers, benefiting from its substantial order volume and thereby gaining significant negotiation power.

Logistics Assurance (物流保障)

In terms of logistics and delivery, Dunhuang.com not only establishes overseas warehouses but also collaborates with various logistics companies such as UPS and DHL. This ensures fast logistics speed, enhances the purchasing experience for buyers, and improves turnover rates for both buyers and sellers.

Case Study Summary

Dunhuang.com's business model is to create a trading service platform with a "tiered commission" strategy and integrate various transaction processes to lower transaction costs.



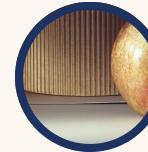
Point #1

Dunhuang.com integrates the transaction processes, freeing both buyers and sellers from the complexities of cross-border trade, making it relatively simple. The services provided by Dunhuang.com significantly reduce transaction costs for both parties through economies of scale, particularly evident in payment and logistics. "Buy one, get two."



Point #2

while Dunhuang.com's model of charging transaction commissions to purchasers adds to their burden, it is more favorable to them compared to high membership fees. This approach effectively attracts businesses to join.



Point #3

Dunhuang.com sets commission rates based on transaction size, with larger transactions having lower commission rates. This encourages purchasers to increase their order volumes to some extent.



Case study 2

Cross-Border Export B2C Platform - AliExpress

跨境电商B2C平台 - 速卖通

Development Overview of AliExpress

AliExpress, an online trading platform developed by Alibaba Group for the global market, has become a prominent cross-border B2C export platform in China. Through AliExpress, a wide range of domestic goods directly reach international consumers, gradually establishing their own brands. Additionally, AliExpress serves as a vanguard for Alibaba's global expansion strategy.

Initial Stage (2010-2012)

Alibaba's traditional B2B business incubated AliExpress. The global financial crisis of 2008 led to a sharp decrease in orders from many overseas corporate buyers, giving rise to individual buyer businesses, and AliExpress was born. The first two to three years were the initial stage of AliExpress' development, primarily transitioning from small-scale wholesale B2B to B2C. During this phase, AliExpress targeted the US market, implemented a free registration policy for merchants, charged around 5% commission per transaction, and had relatively low qualification requirements for merchants to join, aiming to quickly enrich the platform's offerings. In September 2012, AliExpress launched the Taobao dropshipping tool, connecting AliExpress and Taobao seller accounts to encourage more Taobao merchants to join and list new products. In the same year, AliExpress reduced its investment in the US market and began expanding into markets like Russia and Brazil.

Development Overview of AliExpress

Comprehensive Transformation Phase (2013-2016)

The period from 2013 to 2016 marked the comprehensive transformation phase of AliExpress into a B2C platform. During this stage, AliExpress gradually phased out the Taobao Dropshipping Tool, raised the entry barriers for merchants, established new rules, and allowed only corporate merchants to join. They introduced an annual fee system ranging from 30,000 to 100,000 RMB, while also strengthening the assessment of merchant service indicators. Additionally, AliExpress invested significantly to recruit Chinese brands and localized efforts in key countries like Russia, enhancing their e-commerce infrastructure in terms of logistics and payment capabilities. With AliExpress's efforts, the delivery time of Russian Post parcels was reduced from several weeks to 5-7 days. In 2014, AliExpress adjusted its strategy in the Russian market, expanding into second and third-tier cities as well as remote areas like Siberia and the Far East. During that year, AliExpress became the top e-commerce platform in terms of market share in Russia, with over 500,000 packages being shipped from China to Russia daily. By 2016, AliExpress had over 22 million users in Russia, and on the "Double Eleven" shopping festival of that year alone, Russian consumers placed more than 20 million orders, reflecting an 85% year-on-year growth.

Development Overview of AliExpress

Diversified Development Phase (2017-Present)

After 2017, AliExpress began leveraging Alibaba's technological capabilities to cater to diverse consumer demands in different countries, leading to a more diversified business approach. In September 2017, during the 2017 China Cross-Border E-commerce Conference hosted by PayPal, AliExpress announced a strategic partnership with PayPal.

In 2018, AliExpress continued to maintain its position as the top e-commerce platform in the Russian market and also showed strong growth in emerging markets along the "Belt and Road" regions, including Africa, Eastern Europe, and the Middle East. In March 2019, AliExpress officially launched a 15-day no-reason return policy and introduced an "online car sales service" in Russia, providing consumers with a new online and offline car purchasing experience. In October 2019, Alibaba established a joint venture called "AliExpress Russia" with several major local enterprises in Russia. Additionally, to address challenges related to shipping fees disputes and alleviate operational pressures for sellers, efforts were made to find solutions.

As of the end of 2021, AliExpress has launched websites in 18 different languages, covering over 200 countries and regions globally. The platform has attracted more than 150 million overseas buyers.

Operational model of AliExpress

AliExpress operates as a third-party e-commerce trading platform with a similar operational model to Taobao:

- Once consumers place an order and make payment, AliExpress temporarily holds the payment in an intermediary account.
- Simultaneously, it notifies the seller of receiving the payment and prompts the seller to ship the goods.
- When the consumer confirms receipt of the goods, AliExpress transfers the payment to the seller's account.

Target customers of AliExpress

- The target users of AliExpress include both business enterprises and individual consumers.
- Business enterprises primarily consist of domestic small and medium-sized enterprises as well as tens of thousands of local businesses from countries like Spain, Italy, Turkey, and Russia.
- Individual consumers mainly come from countries such as Russia, the United States, Spain, Brazil, and France.

Product and Service of AliExpress

- Through AliExpress, international consumers can directly purchase a wide range of products made in China at affordable prices and enjoy secure and convenient services.
- The goods offered on AliExpress mostly belong to budget-friendly brands and cover categories such as clothing, accessories, bags, shoes, fine jewelry, accessories, watches, and more.

Profit Model of AliExpress

- Value-added service income: The main sources of value-added service income for AliExpress are AliExpress Direct and AliExpress Affiliate Marketing.
- Transaction commission income: AliExpress collects transaction fees (transaction commission) based on the total amount of the merchant's completed orders (including product price and shipping fee) after a transaction is completed. The transaction commission for products is charged according to the commission rate of the product's category, while the transaction commission for shipping fees is currently charged at 5%.
- Withdrawal fee income: When merchants withdraw funds through their international Alipay accounts, AliExpress charges a certain amount of withdrawal fee for each withdrawal. If a withdrawal is canceled and then initiated again, the withdrawal fee will be charged once more.

Core Competitiveness of AliExpress

Product Technology Capability

Compared to other overseas e-commerce platforms, where businesses mainly focus on selling products and obtaining orders and transactions from the platform without retaining customers, AliExpress stands out. On AliExpress, businesses are empowered by the platform's technology to retain customers and cultivate a fan base. For instance, AliExpress helps merchants provide targeted services to both new and existing customers, engage with fans continuously, and use user feedback to enhance their products and services.

Global-oriented Basic Logistics

AliExpress has established a global logistics network that can deliver goods to over 200 countries and regions worldwide.

Payment Capability

As of early 2022, AliExpress supports local payment methods in 51 countries and regions globally, including credit cards, PayPal, and offline payment options. This high level of support for local payment methods contributes to a high success rate for payments made by overseas consumers.

Case study Summary

Indeed, AliExpress' initial market entry strategy closely resembles the early development strategy of Taobao. It involves lowering the entry barriers and rapidly attracting a large number of merchants by offering a free approach, thereby enriching the variety of products and attracting consumers. The increase in consumers generates more business opportunities, attracting more merchants to join, and continually expanding the platform's user base.

As the user base reaches a certain scale, AliExpress shifts from a "mass" approach to a "brand" approach. This transition involves raising the entry threshold, enhancing product quality management, and retaining numerous high-quality merchants and products to improve the quality of services provided to consumers, ultimately leading to better shopping experiences.

Furthermore, AliExpress was able to quickly accumulate users in countries like Russia and Brazil due to its diverse range of products compared to the local offerings in these countries.

AliExpress' growth has been supported by Alibaba's financial resources and technology. AliExpress' role is to assist small and medium-sized enterprises in accessing overseas markets, allowing them to quickly reach international consumers at a low cost and leveraging technology to retain merchants, establishing strong connections between businesses and consumers.

Thinking and Practice (multiple options)

1. Cross-border e-commerce is primarily composed of the following components:

- A. Cross-border e-commerce platforms
- B. Cross-border logistics companies
- C. Cross-border payment platforms
- D. Cross-border financial institutions

2. The common cross-border logistics methods currently include :

- A. postal parcels
- B. international express
- C. dedicated logistics lines
- D. overseas warehousing

3. The main payment channels for cross-border e-commerce include:

- A. third-party payment platforms
- B. specialized remittance companies
- C. commercial banks
- D. cash on delivery