

## **Present Logistics Situation and Operational modes of Cross-border E-commerce in China**

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**Abstract:** Currently, cross-border E-Commerce industry is in rapid development, and its trading volume increases very fast by an annual rate which positively drives economic growth. However, during the process, the problems arising from it are exposed that adversely affect this industry. We should give high priority to those issues and take the corresponding measures to improve the current situation, promote the growth of logistics industry and in the end, to accelerate its development in a healthy and orderly approach.

### **1. Introduction**

In recent years, under the context of unprecedented economic prosperity and the constant development of E-Commerce in China, the rapid growth of cross-border E-Commerce and its development standard have gradually taken its prominent presence in the current industry. It is similar to the domestic platform, taobao. On-line deals are usually achieved with the help of Internet and all kinds of other trading platforms. People participating in goods circulation are from different countries and regions. In the E-Commerce field, logistics plays a crucial role which is linked to the interests of sellers and shopping pleasure of buyers. This also applies to cross-border E-Commerce which should also put emphasis on the logistics. Even though the cross-border E-Commerce in our country has been on constant growth, the logistics in this field does not keep up with its pace, which reveals some problems and contradictions.

### **2. Current Situation of Cross-border E-Commerce logistics in our country**

The economic growth rate in our country has caught the attention from the world scope. Based on the current economic context and people's real needs as well as the scientific innovation, the development of E-Commerce is a manifestation of our diversified economy. During the initial period of E-Commerce, the targets involved in the transaction only include citizens within one country. Against the backdrop of economic globalization, changes must be made. E-Commerce industry cannot exist without logistics and meanwhile the cross-border E-Commerce raises a much higher claim for logistics. This paper is aimed at analyzing the current development situations of cross-border E-Commerce logistics.

#### **2.1 In terms of the overall logistics standard, there is still a large gap between our country and the developed countries.**

Due to our country's former focus on accelerating the domestic E-Commerce development, many logistics companies sprouted in this background, such as Shunfeng, Shentong, Zhongtong, Yunda and etc. Basically, they have all built their initial logistics network in the nationwide. Except for some remote areas, the domestic logistics system architecture is established in most areas of our country, and can render home delivery service. However, cross-border E-Commerce logistics started later than western countries. Even if the present cross-border E-Commerce logistics industry in China grows in a rapid rate, and the standard has been improved, the overall standard of logistics, compared with developed countries is still lagged behind.

## **2.2 The Building of Cross-border e-commerce logistics system is not comprehensive**

Currently, the construction of cross-border E-Commerce logistics system in China is still not comprehensive. First of all, in terms of national policies, Chinese government introduced in 2013 a Notice on the implementation of policies and opinions to support cross-border E-Commerce retail export, and rendered certain preferential policy support to cross-border E-Commerce in our country. But there are also limitations. For example, this policy has positive effects on the retail companies. However, when it comes to relevant enterprises, this privilege does not benefit them. Secondly, with regard to the establishment of logistics system, the number of enterprises that are dedicated to exploiting the specialized cross-border E-Commerce logistics are very few. In most of the circumstances, international logistics company will be chosen for transportation. Unlike the domestic logistics company, the international ones do not build up branches and routes. Finally, regarding of the construction of logistics infrastructure, the cross-border E-Commerce logistics infrastructure is weak, which is not building up a specialized and supporting system and service.

## **2.3 The cost of cross-border E-Commerce logistics is high**

Due to the fact that our country's E-Commerce logistics corporations and companies almost cater to the needs of domestic E-Commerce activities and they are incapable of building up dedicated cross-border systems, the development of cross-border E-Commerce encounters difficulties. In 2015, transaction scale of cross-border E-Commerce amounted to 5.4 trillion, up 28.6% than the same period of last year. Besides, the annual trading rate of cross-border E-Commerce is still growing. Such a large market share is impeded by the lack of specialized cross-border logistics companies. As a result, for companies, especially the small and medium-sized (SME) ones, choosing the international express companies for transportation is a heavy burden which they cannot afford.

## **3. Study on the operational pattern of cross-border E-Commerce logistics development in our country**

### **3.1 Postal parcel**

Postal parcel is to transport personal materials by postal service, including China postal parcel, HK postal parcel, Singapore postal parcel and etc. The features of this type of service are obvious as following: Long time spending, packages loss, and instability and etc. In recent years, when Shunfeng Express is building up and strengthening the China-European cross-border logistics business, it has put forward the international parcel service which is featured by cost-effective, less time-spending, and 100% coverage rate. This is the manifestation of current domestic logistics companies for business expansion and improvement.

### **3.2 Overseas warehousing**

Overseas warehousing is to build up one or more overseas warehousing centers and to put goods into those centers by shipping or other methods. Once one order is placed, the goods from warehousing centers will be delivered to the clients. The cross-border model can make full use of existing local logistics network. And local logistics has good adaptability, and faster speed, but also the shortcomings, such as high operational cost. Most domestic SME and sellers can't afford the high construction cost, and also do not have enough economic backup for overseas warehouse construction.

### **3.3 Dedicated logistics route**

Dedicated logistics route, as the name implies, is a mode catering to the needs of specific country or region. The characteristics are targeted, stable time for delivery and low-cost. But there are also some disadvantages, such as after-sales service, sales return, which can cause inconvenience to a certain degree. Therefore, it is appropriate for enterprises that have stable local market.

### **3.4 International express company**

At present, the cross-border logistics modes adopted by most of SME are postal parcel and international express companies. International express companies are highly-qualified ones, including EMS, UPS, PEDEX, DHL. The cross-border logistics by international express companies can, to a large extent ensure the delivery time and lower package loss rate but the cost is also very high. Apart from that, there exist the situations where the transaction amount is very small but large volumes, which exacerbate the cost burdens for international express companies.

## **4. Strategies to promote the development of cross-border E-Commerce logistics in our country**

Under the current economic context, the cross-border E-Commerce inevitably occupied a prominent position in the economic area. It is an urgent issue about how to improve the situations where the cross-border E-Commerce logistics encounter currently and to promote its advancement in a healthy and orderly way. Here are some suggestions.

### **4.1 To strengthen the policy support and system guarantee**

To promote cross-border E-Commerce logistics development in our country, our government should pay much more importance to cross-border E-Commerce industry, and strengthen the policy support and system guarantee, so as to promote the healthy development of cross-border E-Commerce logistics. For example, in 2013, our country had issued relevant policies to give support to retail companies which is oriented to cross-border E-Commerce and promoted its development. However, the policy support given by our government is far less than USA and other developed countries. Therefore, our government should continue and strengthen to give priority to cross-border E-Commerce logistics and give preferential policies support such as in the aspect of customs, export and import. In the end, the government should help decrease the difficulties of developing cross-border E-Commerce companies. Meanwhile, the government should strengthen institutional mechanism and logistics system. First of all, relevant legal systems should be built up in this field. Against the background of our country's current emphasis on law construction, it is necessary to put the emerging cross-border E-Commerce industry into the rule of law. And it is an effective measure to promote cross-border E-Commerce industry and logistics industry by legal system. Secondly, the establishment of complete cross-border logistics system.

### **4.2 To encourage establishment and development of dedicated cross-border E-Commerce logistics enterprises**

Because the cross-border E-Commerce industry belongs to emerging industry and started late, its facilities and network has deficiencies. In addition, there are less dedicated cross-border E-Commerce logistics companies. All of those factors lead to the fact that our cross-border logistics mainly rely on international express companies and postal parcel, which is not conducive to the long-term development of cross-border E-Commerce. Hence, the dedicated cross-border E-Commerce corporations should be encouraged to establish and develop. We can develop cross-border logistics network and branches and promote its development based on those companies. This can be accomplished by currently existing, fast-pacing and large logistics companies, such as Shunfeng, Yunda, Shentong and etc. By virtue of the existing branches and network of those companies, cross-border logistics network will be built up according to the features of it. We take Shunfeng express for an example. Shunfeng noticed the trend of European E-Commerce, and launched three modes to extend its business in European market, including international Special offer, international postal parcel and international E-Commerce express. Besides, our country's some airlines also expand the cross-border logistics business. For instance, Shandong Aviation Logistics Corporation negotiated recently with Jin Runtai, vice president of South Korea's E-Commerce Association about expanding Sino-Korea E-Commerce market. This move is contributed to the development of our country's cross-border E-Commerce and also to marching

into the cross-border logistics industry by Shandong Aviation Corporation.

#### **4.3 Sellers collaboration and joint transportation and delivery**

Currently, a common phenomenon is large transaction volumes and small transaction amount in most of the transaction process. This resulted in the high logistics cost for most of SME and hinders their development. Given this circumstance, seller collaboration is put forward to build up large-scale and intensified logistics model. SME can voluntarily constitute an E-Commerce alliance by agreements and cope with goods delivery in an intensified approach based on the location. Orders from different countries can be delivered through enterprise alliance. The centralized transportation of cargo and goods can save a large amount of costs and lessen the burden for SME who are committed to expanding the cross-border E-Commerce logistics. The construction cost for overseas warehousing is relatively high. SME cannot afford its high cost. The construction cost can be shared equally or by real transaction amount by enterprise alliance so as to establish cost-effective overseas warehousing. Only in this way can it promote the exchange of views and collaboration between companies and also resource circulation and share. It can also facilitate the cross-border E-Commerce industry and logistics industry.

#### **5. Conclusion**

It is safe to come to the following conclusion that as an indispensable part of E-Commerce industry, cross-border E-Commerce plays an increasingly important role in the development of whole E-Commerce industry and also for the economic growth of our country. Meanwhile, some bigger problems have been exposed during the process of developing cross-border E-Commerce. Therefore, the cross-border E-Commerce needs to make more efforts to achieve higher performance. In order to promote the cross-border E-commerce logistics in a healthy and orderly way in our country, both the government and E-Commerce enterprise, also the logistics enterprise itself shall be together to make changes in line with times trend, to expand overseas business, and to establish a complete overseas logistics system.

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