

Analysis on Business Model of Cross-border E-commerce——Taking Amazon as an Example

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Abstract: Cross-border e-commerce breaks the barriers between countries, gradually blurring the boundaries of commerce and trade among countries, and greatly promotes the globalization and integration of commerce and trade. Now cross-border e-commerce has become a new growth point of China's foreign trade and an important way for enterprises to expand overseas markets. However, our country electronic commerce has a relatively short growth period, still has many difficult problems. Taking Amazon as an example, this paper first analyzes the current situation and characteristics of cross-border e-commerce, then summarizes the cross-border e-commerce business model, and then analyzes Amazon's business model for other similar enterprises' reference, clarifies its own advantages and disadvantages, and develops through adjustment and improvement.

1. Introduction

With the rapid growth of financial globalization and Internet, cross-border e-commerce, as an emerging industry, is gaining momentum in China. In 2017, China's cross-border e-commerce collective trading scope reached 8 trillion yuan, and the scale of cross-border e-commerce business is estimated to increase to 9 trillion yuan in 2018. The globalization of e-commerce has accelerated the transformation from "built in China" to "sold in China", and cross-border e-commerce will become the mainstream mode of contemporary international trade in China in the 21st century.

2. Overview and Status Analysis of Cross-Border E-Commerce

2.1 Definition and Characteristics of Cross-Border E-Commerce.

Cross-border e-commerce can be divided into a broad sense and a narrow sense. In a narrow sense, cross-border e-commerce is similar to cross-border retail e-commerce. In a broad sense, cross-border e-commerce mainly refers to foreign trade e-commerce, which refers to a kind of global business activity in which the traditional import and export business is presented, discussed and concluded electronically through e-commerce, and goods are delivered and business is completed through cross-border logistics.

Cross-border e-commerce is developed on the basis of the Internet, and has the following characteristics: global, intangible, secret, real-time and paperless.

2.2 The Development Status of Cross-Border E-Commerce in China.

a) The overall growth environment of cross-border e-commerce is good

(1) National policies support the development of cross-border e-commerce

In the past two years, China's policy support for cross-border e-commerce has been significantly enhanced, continuously promoting the rapid development of all industries. The government implements the strategy of "One Belt And One Road" and "Internet + foreign trade", combines the development of cross-border e-commerce with "One Belt And One Road", and connects with other

countries through the layout of foreign warehouse construction, which is conducive to promoting the trade with other countries and accelerating the pace of cross-border e-commerce.

(2) Modern information technology facilitates the development of cross-border e-commerce

The practice of Internet technology makes the types and transaction volume of digital products grow rapidly, and the trend of completing sales or consumption through cross-border e-commerce is also increasing.

(3) Upgrading of consumer demand drives the growth of cross-border imports

As market players get younger, they pursue more personalized, trendy and high-quality consumption habits, and their consumption requirements keep improving, so the need for overseas commodities becomes the internal driving force to promote the improvement of cross-border imports.

b) The overall business scope of cross-border e-commerce continues to expand

(1) Analysis of the overall development status

China's cross-border e-commerce business continues to expand and maintain a high growth rate. The overall volume of cross-border e-commerce transactions in China reached 6.3 trillion yuan in 2016, the average growth rate nearly reached 30% in 2017 and the transaction volume reached 8 trillion yuan. Since 2008, the proportion of cross-border e-commerce in the whole transaction scale in China has been growing rapidly year by year. By 2020, it is estimated that China's cross-border import and export e-commerce will continue to maintain a relatively fast growth rate.

(2) Analysis of development structure

From the perspective of cross-border e-commerce transaction mode, it is dominated by B2B transaction, B2C transaction develops rapidly.

From the perspective of trading products, trading products are extending to multiple categories and trading objects are expanding to multiple regions.

From the perspective of trading subjects, in addition to traditional foreign trade enterprises, the number of trading subjects has further increased, and the cross-border e-commerce transactions of small and medium-sized enterprises have increased significantly, gradually occupying the dominant position in cross-border e-commerce.

2.3 Challenges Faced by China's Cross-Border E-Commerce.

a) Imperfect regulatory system

China's cross-border e-commerce exports are mainly medium and small transactions, cross-border retail is fragmented, and it is difficult to supervise and the relevant system is not perfect. False promotion, shoddy goods and other problems often occur in online shopping, which seriously hinder the growth of cross-border e-commerce in China.

b) Imperfect e-payment system

At present, China's cross-border e-commerce generally carries out settlement of relevant businesses through the third-party payment industry, such as Alipay and WeChat. China's domestic financial institutions and third-party payment enterprises have small international influence, and have not been generally accepted by overseas e-commerce enterprises and buyers.

c) Incomplete laws and regulations

At present, cross-border e-commerce has good development advantages, but it is related to the supervision of product quality and the protection of rights and interests. Currently the rights and interests of consumers are often not well protected under the situation of imperfect law enforcement system and laws and regulations. To a large extent, some counterfeit and shoddy trading behaviors and online blackmail infringe on consumers' consumption authority and greatly affect the collective image of cross-border e-commerce in China.

d) Lagging cross-border logistics

At present, the cross-border logistics system in China is underdeveloped, and there is no complete supply chain system of information flow, capital flow, logistics, user flow. Cross-border e-commerce is mainly dominated by retail. In order to focus on the main business with limited energy, most of them use third-party logistics. Moreover, China's cross-border logistics bodies are scattered, and problems such as slow logistics distribution speed and poor tracking and supervision ability

throughout the process are prominent.

e) Weak brand competitiveness

China's cross-border e-commerce enterprises have low brand recognition of their products. However, most of the products sold by cross-border e-commerce enterprises are low-end and simple processed products, and there are not many high value-added products. Low-end products and simple processed products are highly fungible, and China's cross-border e-commerce lacks real core competitiveness.

3. Business Model Overview of Cross-Border E-Commerce

3.1 Definition and Elements of Business Model.

a) Definition of business model

Business model refers to the market positioning and profit target of an enterprise's continuous operation in a certain industry, as well as a series of complete strategy combinations adopted to meet the needs of the consumer.

b) Elements of business model

Business model includes customer value proposition, enterprise resource and capability, value network and profit model.

The customer value of the enterprise mainly solves the problems, for example, which value the enterprise should deliver to consumers and what kind of problems it should solve for customers.

Enterprise resources and capabilities are the core resources and capabilities of an enterprise for the effective delivery of products and services.

Value network is a network of partnerships between a company and other companies that provide value effectively and enable the successful development of enterprise business processes.

Profit model is simply a way for an enterprise to make profits.

3.2 Business Model of Cross-Border E-Commerce.

Currently, the mainstream cross-border e-commerce models mainly include B2B (business to business), B2C (business to customer) and C2C (customer to customer) .

a) B2B model

B2B model is the trend of cross-border e-commerce and also the main method for enterprises to improve their competitive conditions and highlight their competitive advantages.

b) B2C model

There are two types of B2C e-commerce service subjects: independent sales B2C e-commerce and third-party trading platform B2C websites.

c) C2C model

Cross-border C2C model represents Taobao and Ebay. As far as the platform is concerned, its main revenue sources are transaction commissions, advertising fees, search bidding, etc.

4. Analysis of Amazon Business Model

4.1 Amazon Business Model.

From the perspective of business model, Amazon is a self-selling B2C website.

Amazon is a company mainly engaged in online sales and adopts the online retail store model. It uses its own platform to sell goods directly.

Amazon also provides a platform for other retailers to sell their products. To provide support and infrastructure for retailers, Amazon has a large order execution and delivery infrastructure network, which can provide a variety of logistics services including order management and execution, inventory management, distribution, return and so on. Some of these small and medium-sized companies rely heavily on Amazon to manage their supply chains.

4.2 Elements analysis of Amazon Business Model.

a) Value proposition

Amazon's value proposition has four points: new, fast, affordable and comprehensive.

b) Amazon's resources and capabilities

Amazon's resources and capabilities mainly include: brand management, sales channels, and supply chain management.

(1) Brand management

From the perspective of brand management, Amazon constantly expands its brand influence and overall strength to enhance the company's overall competitiveness in terms of product category expansion and self-created brand.

Expansion of product categories: Amazon constantly expands product categories to show the uniqueness of Amazon products to more customers, relying on the existing market position of Amazon products and the popularity of the masses, new products are accepted by consumers more quickly.

Independent brand: Amazon always attaches great importance to brand construction, and its brand reputation has won consumers' trust in products, making Amazon's self-created brand occupy a corner in the market competition. In particular, Amazon's new product, e-reader, the launch not only increases the sales of Amazon, but also greatly facilitates our daily life and enhances the status of Amazon among the masses.

(2) Sales channels

Amazon has many retail and sales channels. Its subordinate has the official website of a few countries and cloud service, mom and baby things bazaar, fashionable shopping website and logistics and family website, their website is shown in the bottom of each big website of each subordinate of Amazon, consumers can click on the website to access any Amazon shopping website.

c) Value network

Amazon's value network participants primarily include customers, suppliers, partners, or strategic alliances.

(1) Customers

Amazon takes the customer as the focus. With powerful technology and a huge database, it can customize personalized services according to customer needs, provide more products that meet the customer's identity and needs, and improve the customer's goodwill and loyalty to the company.

(2) Suppliers

Amazon wants to reduce its cost to a large extent, constantly explores the upstream suppliers, compresses its profit range, and realizes a tactical alliance with suppliers to form a mutually beneficial and win-win situation.

(3) Partners or strategic alliances

Thanks to the launch of the FBA service, Amazon invites sellers to its website to sell goods. That makes most of the items on Amazon come from third parties. The third party uses the Amazon platform and logistics system to sell goods, and Amazon collects commissions and other ways to make profits, realizing the cooperative partnership between the two sides.

d) Profit model

(1) Sources of revenue

Amazon's sales mainly include product sales revenue and service sales revenue. Revenue from product sales includes revenue from selling products and related aspects on Amazon's self-established online platform; Revenue from service sales includes items such as service fees and logistics fees charged by Amazon from the sellers or businesses that check in.

(2) Structure of costs

Amazon's costs mainly include logistics costs and technology research and development costs.

5. Comparison of Amazon with Ebay and Aliexpress

5.1 Amazon.

Amazon platform is currently the highest selling platform and relatively profitable. It has established sites in various countries, occupies the middle and high-end market of cross-border e-commerce, and has a huge customer base and traffic advantage. Amazon is leading the way in cloud computing and big data. Amazon has a wide variety of commodities and good supplier cooperation resources. Amazon spends a lot of money on research and development every year and has strong research and development ability. It has a powerful warehousing and logistics system and services, and the data-oriented operation mode is implemented in every link of the supply chain to provide consumers with a very good user experience.

However, Amazon has great demands for capital and high requirements for operation. High infrastructure costs; the quality of the seller's goods required is relatively high, the brand of the goods have relatively high conditions; Compared with other platforms, Amazon's application process is more complicated. Localization problem is more serious; payment bank account needs to be registered in Europe and the United States.

5.2 Ebay.

Ebay is mainly aimed at individual consumers, the United States is the main market, it is relatively popular in developed countries. Like Amazon, it has set up sites in various countries; it has many sub-sites, covering North America, South America and Europe. The ranking on Ebay platform is relatively fair, it has professional customer service support; new sellers can be exposed by auction, the threshold of opening a shop is relatively low; Uploading products do not need to be reviewed, order issuing is fast; the regulatory system is relatively strict.

However, Ebay uses an English interface, which is not easy to use, the seller protection policy on the platform is strong; It has high cost, products listing needs cost; The audit cycle is long, the number of products has a starting limit, the period of order issuing is also long.

5.3 AliExpress.

Among the three platforms, AliExpress has a relatively low entry threshold and relatively low platform commission, with more sellers entering. The system background of AliExpress adopts the all-Chinese operation interface, which is simple and convenient to operate. There is no language or cultural barrier in the communication with customer service, so questions can be asked to help solve some simple problems. At the same time, AliExpress is a platform under Alibaba, and the whole seller guidance system is relatively complete.

However, AliExpress has fierce price competition and high cost of publicity and promotion: Big sellers and brand owners are its main operating policies; Basically it does not provide customer service; Buyers' loyalty to the platform is not high. Homogeneous competition is more intense in the same industry.

6. Conclusion

The rapid development of cross-border e-commerce cannot be separated from the innovation of e-commerce model. Through the analysis of Amazon business model, China's e-commerce can be adjusted and improved from the following aspects:

a) Build a Strong Logistics System.

To do a good job in e-commerce, it is a must to develop a good logistics system, making the logistics really become a strong power of e-commerce. China's e-commerce logistics cost is too high, corresponding measures must be taken to reduce China's logistics cost rate.

b) Really Achieve Customer First.

Consumer is a priority to maintain the development of enterprises. While most businesses stress

that customers are king, many fail to put this into practice.

c) Keep Innovating.

In the contemporary era of e-commerce, innovation is the theme of the vigorous development of enterprises. In order to achieve rapid development of e-commerce in China, it is necessary to learn from and draw on experience and constantly improve its own shortcomings, so as to promote the development of e-commerce in China.

d) Strengthen Independent Brand Construction, Ensure Product Quality.

Only by taking customer demand as the guide, improving customer experience down-to-earth, and strengthening brand construction according to consumer groups' requirements on brands, can it truly show its unique advantages in fierce market competition.

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