

# The Impact of Novel Coronavirus Pneumonia Normalization on Cross Border E-commerce Development

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**Abstract.** Novel coronavirus pneumonia has been a major impact on the global economy in January 2020. The cross-border electricity supplier has been greatly affected by the domestic and foreign markets. By analyzing the relevant data of cross-border e-commerce during the epidemic period, this paper finds that under the impact of the epidemic, China's cross-border e-commerce enterprises are facing huge challenges, such as low operation of capital chain, poor international logistics and high logistic cost. The healthy development of china's cross-border e-commerce in the future is greatly affected by factors such as the change of consumption mode of domestic and overseas buyers.

**Keywords:** Novel coronavirus pneumonia; Cross-border e-commerce; Challenges

## 1 INTRODUCTION

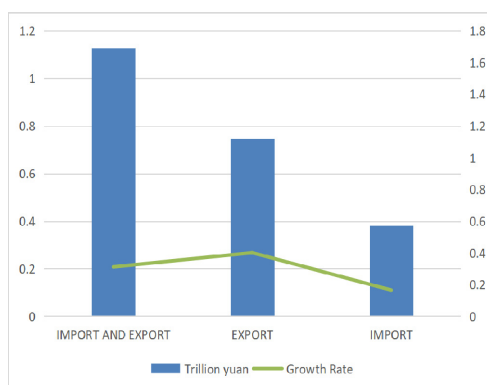
The outbreak of COVID-19 in 2020 had a huge impact on the global economy, and many domestic manufacturers stopped production. The cross-border electricity supplier enterprises in China were inevitably affected. Until the end of March 2020, the epidemic situation in China has been effectively controlled, and the domestic economic production is gradually returning to normal. The outbreak of novel coronavirus pneumonia has spread rapidly overseas, and the spread of the virus has spread throughout the world. Many countries in the world have declared a state of emergency. As of June 2020, the number of virus infections in overseas countries has reached 4.2 million, showing a rapid upward trend, and the overseas market is in a state of shutdown. Due to strict control and home isolation, foreign users reduce offline shopping and activities. Due to global shutdown, foreign users purchase China's exports through cross-border e-commerce. As a result, China's cross-border e-commerce exports began to rise sharply, making China's cross-border e-commerce imports and exports grow by 26.2% in the first half of 2020. In order to improve the ability of China's cross-border e-commerce enterprises to cope with risks, the General Administration of Customs of the people's Republic of China will issue the notice on carrying out the pilot export supervision of cross-border e-commerce enterprises to enterprises in 2020, add the codes of "direct export of

cross-border e-commerce enterprises-9710" and "export overseas warehouse of cross-border e-commerce enterprises-9810", and create an efficient and convenient foreign trade environment. This paper analyzes the current situation of the impact of the epidemic development in 2020 on the import and export volume of cross-border e-commerce in various periods, summarizes the main factors and indicators of the impact on cross-border e-commerce, and provides countermeasures and suggestions for enterprises to deal with the epidemic in the post epidemic period.

## 2 CHARACTERISTICS OF CROSS BORDER E-COMMERCE DEVELOPMENT IN CHINA

### 2.1 Cross border e-commerce export trade volume continues to grow

Under the new situation of international economic depression, the export of China's cross-border e-commerce is growing rapidly (The results are shown in Figure 1). The form of China's export trade has changed from traditional trade to cross-border e-commerce. The scale of cross-border e-commerce transactions will reach 1.69 trillion yuan in 2020, an increase of 31.1%, of which 1.12 trillion yuan will be exported, an increase of 40%; [1] imports reached 0.57 trillion yuan, an increase of 16.5%, achieving a compound annual growth rate of 19.8%, far higher than the growth rate of traditional trade. In recent years, the average export transaction scale has reached 5.83 trillion yuan; the transaction scale of cross-border e-commerce online retail market is also increasing year by year, reaching 1.6 trillion in 2019. Under the influence of global COVID-19 in 2020, the downward trend of line stores increased, resulting in the acceleration of overseas consumption demand to online consumption. Cross-border electricity exports to Europe and the United States showed a blowout growth trend on the whole. The 2020 year, cross-border electricity providers totaled 1 trillion and 690 billion yuan and exports 1 trillion and 120 billion. Exports grew by 31.1% and imports by 25.2% throughout the year, becoming an important force in stabilizing foreign trade.



Source: Customs Statistics

**Fig 1** China's cross border e-commerce import and export and growth in 2020

## **2.2 The scale of B2C transaction is increasing**

There are two main modes of cross-border e-commerce: B2B and B2C. In terms of export scale, B2B occupies the dominant position in cross-border e-commerce export transactions. However, since 2016, the proportion of export scale has decreased year by year, while B2C scale has been increasing. In 2019, the export scale of B2C reached 186.21 billion yuan, an increase of 23.57% year on year.[2]

## **2.3 New media helps the development of cross border E-commerce**

The integration of video live social platform and cross-border e-commerce forms short video e-commerce, which is very successful in China. In January 2021, the tiktok video software and its overseas version were ranked the top three in 62 million downloads. With the development of short video software overseas, cross-border e-commerce has entered short video social platforms. The big data analysis and live broadcast mode of short video software can help cross-border e-commerce accurately grasp the preferences of users, effectively transfer the information of pushed products and shape the brand image of enterprises.[3] On the other hand, the entry of cross-border e-commerce into short video social platform can strengthen the contact with foreign customers and increase customer stickiness. Short video live platform has become an important way for cross-border e-commerce enterprises to explore the international market.

## **2.4 International cooperation of cross border e-commerce continues to deepen**

With the increasingly prominent role of cross-border e-commerce in international economic and trade cooperation, there are often international cooperation and exchanges. Especially in the context one belt, one road crossover electric business has become the new highlight of economic and trade cooperation, making cross-border electric business in the international cooperation deepening, and promoted the "Silk Road business". [4] At present, China has signed "Silk Road" cooperation memoranda with 22 countries to establish bilateral cooperation mechanism. Under the framework of "Silk Road e-commerce", China promotes enterprise cooperation between countries through work and government dialogue, such as supporting overseas countries to open national pavilions on domestic e-commerce platforms, and helping foreign enterprises and products enter the domestic market. During the epidemic period in 2020, China will also strengthen cooperation with other countries, continuously update the epidemic prevention and control measures of 192 countries and regions, and better guarantee the development of cross-border e-commerce import and export in China.

## **3 IMPACT OF NOVEL CORONAVIRUS PNEUMONIA ON CROSS-BORDER ELECTRICITY SUPPLIER DEVELOPMENT IN CHINA**

Affected by COVID-19, the import and export of foreign trade in 2020 was in a doldrums, and it reached a negative turn in the three quarter. The import and export of cross-border electricity suppliers increased against the trend. In the first three quarters, the import and export of Customs cross-border electricity supplier regulatory platform reached 187 billion

390 million yuan, which has exceeded 2019 for the whole year, a sharp increase of 52.8%, making outstanding contributions to the stabilization of foreign trade import and export.[5]

### **3.1. Novel coronavirus pneumonia impact on supply chain of cross border electricity supplier industry**

The 1 to March of 2020 was the great outbreak stage of COVID-19 in China. In order to effectively control the spread of COVID-19, strict control measures were implemented everywhere, resulting in a large number of returning workers unable to return to work. China's main production bases in Zhejiang, Jiangsu and Guangdong shut down and lost the continuous supply of goods, resulting in the interruption of the supply chain. Many cross-border e-commerce enterprises can only rely on the existing inventory to sell, and there is a short-term shortage phenomenon. Cross border e-commerce enterprises can not fulfill the contract, and the default rate increases, which seriously affects the seller's reputation.

### **3.2 Impact of novel coronavirus pneumonia on Logistics in cross border e-commerce industry**

Before the outbreak of the epidemic, cross-border e-commerce had very rich trading methods, such as purchasing on behalf of others, overseas cross-border live broadcasting, wechat business, postal parcels between B2C individuals, and large-scale B2C self-supporting platforms. After the outbreak of the epidemic, in addition to large-scale B2C self-supporting platforms, the original active and scattered cross-border modes of small-scale purchasing on behalf of others, wechat business, and live broadcasting were limited by international parcels, As well as the closure of tourist ports and other restrictions. [6] The cross-border e-commerce with self built overseas warehouse and bonded goods preparation mode is less affected and the sales volume is stable, while the direct mail mode is more affected by the epidemic situation in the emergency of overseas countries closing the country and cities.

At the same time, the overseas home isolation measures under the epidemic situation gave birth to the "home economy", stimulated online consumption, and Chinese cross-border e-commerce enterprises received a large number of orders. However, the supply of containers exceeds the demand, which makes the transportation time of goods longer. As shown in the figure below, in 2020, the year-on-year growth rate of the total number of inbound and outbound ships is negative, with an average growth rate of - 30.2%. The recurrence of the epidemic at the end of the year led to a significant drop in sea transport capacity. By November, compared with September, it had dropped by 6.5%.

With the outbreak of the epidemic at home and abroad, the freight rate of China's export containers rose sharply. The CCFI rose from 840.88 points in June 2020 to 1446.08 points in December, with an increase of 71.97% in half a year and an average increase of 28.5% in December compared with the previous month. As a result, the transportation capacity decreased and the logistics was not smooth, the trade cost increased by about 25%. At the same time, the decline of distribution ability also leads to the difficulty of ensuring the timeliness of goods, which reduces the shopping experience of consumers.

### **3.3 Capital pressure, cash flow risk**

Under the influence of COVID-19, the capital chain of cross-border electricity supplier has suffered tremendous pressure, especially for small and micro businesses with weaker financial strength. On the one hand, the outbreak of the epidemic led to shutdown, production stagnation, and no goods to be delivered, which made cross-border e-commerce enterprises unable to normally receive orders, resulting in difficulties in capital turnover. On the other hand, affected by the epidemic, the low efficiency of logistics and the increase of customs clearance time lead to the delay of customers' receiving time, the increase of average payment collection time, and the increase of enterprise capital pressure. During the epidemic period the shortage of raw materials, the increase of logistics costs and the shortage of labor lead to the rise of wages, which further aggravates the capital chain pressure and cash flow burden of cross-border e-commerce enterprises.

## **4 SUGGESTIONS**

### **4.1 Improve the construction of industrial chain**

Create a blockchain big data platform to form a disintermediated, tamper proof and traceable big data platform. The platform strictly stores commodity information and does a good job in docking with the supply chain system, so that global customers can query commodity quality, brand certification, commodity quality inspection, after-sales service and other information through the data interface; multi dimensional cross-border import and export market analysis enables enterprises to accurately select the target customer gathering area, and promote enterprise brands and commodities through multiple channels. Through the collection and analysis of big data information of global customers searching and clicking on products, the data of customers' preferences and shopping habits in various regions are collected, so that cross-border e-commerce enterprises can more accurately launch commodity advertisements, promote and guide customers to place orders, and optimize products according to customers' consumption preference data to enhance user experience and meet customers' needs more accurately Customer needs and improve customer satisfaction.

Establish a comprehensive pilot zone for cross-border e-commerce, gather manufacturing and production, e-commerce platform, warehousing and logistics, financial risk control, legal aid and other enterprises, develop logistics, payment, express delivery and other service industries, give play to industrial agglomeration effect for cross-border e-commerce industry chain, and create a good environment for the development of cross-border e-commerce enterprises.

### **4.2 Construction of overseas warehouse**

- There are many ways to prepare goods to overseas warehouse, such as air, sea, express; the volume of goods is scattered and the risk is relatively reduced; in case of epidemic situation, even if the seller is unable to produce, the overseas warehouse still has goods to sell. In case of out of stock period, the seller can also control the sales volume by regulating the price, so as to protect the enterprise shop from the influence of stock. At the same time, the biggest advantage of overseas warehouse is to reduce the cost of return and exchange and enhance the customer's shopping experience.

- Overseas warehouses require enterprises to have certain financial strength to prepare goods in advance and have relatively high requirements for supply chain management. Small, medium and micro enterprises can use the official warehousing of some platforms to deliver goods. The sudden COVID-19 will have an impact on the normal operation of the sellers, but the overseas warehouse has played the advantage of localization operation at a critical moment, and its advantages and importance are becoming increasingly prominent in this special period. After the epidemic, more attention should be paid to the layout of overseas warehouses and the selection and analysis of overseas warehouses in cross-border business.

#### **4.3 Diversified market and product structure**

COVID-19 will have new influence and change from consumption habits to the import and export product category of the future cross-border electric business. It will change the original cross-border electric business enterprises to win the price by exporting low-grade goods, and the quality requirements of the developed countries are stricter for the products, the management of the category should be more refined, and the brand line should be changed to attract customers by quality and brand. To open up new national markets, in addition to developing the markets of developed countries, we should use the e-commerce facilitation development agreement to open up the markets of RCEP member countries and improve the ability to deal with market risks.

#### **4.4 The government set up special funds to support the development of cross-border e-commerce industry**

According to the impact of the epidemic on foreign trade enterprises, especially in the capital chain, the government should provide support in improving the financing ability of enterprises. On the one hand, for B2B cross-border e-commerce enterprises, we should reduce the comprehensive costs of warehousing, logistics, customs declaration and inspection, deepen the reform of "deregulation, management and service", increase the intensity of tax reduction and fee reduction, cancel the regulations that hinder the development of free trade, and reasonably reduce the tax cost of enterprises. On the other hand, special support funds are implemented for cross-border e-commerce enterprises to help them obtain bank credit, improve their financing ability and relieve capital pressure. To provide legal aid for small and medium-sized cross-border e-commerce enterprises and improve their ability to deal with legal risks.

### **5 CONCLUSION**

The outbreak of novel coronavirus pneumonia has a huge impact on the global economy. It also makes China's cross-border e-commerce industry in a short period of time in trouble, cross-border e-commerce encountered challenges during the epidemic, but also ushered in opportunities. Under the influence of the epidemic, the factors affecting cross-border e-commerce include the level of domestic activity, supply chain problems, capital operation problems, poor international logistics, rising international logistics costs and the change of consumption mode of overseas buyers. In the future, COVID-19 will be normalized for a long period of time. How to deal with the sudden risks and eliminate the adverse effects brought about by the future epidemic situation effectively? On the one hand, the government needs to carry out macroeconomic regulation and control, implement industrial policy support, and

help enterprises cope with risks. On the other hand, it also needs enterprises to change their development mode, improve the quality of export commodities, shape their international image and brand, and cope with the changes in market demand. At the same time, the government promotes the development of cross-border e-commerce industry chain, and provide a good development environment for cross-border e-commerce enterprises.

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- 3) Guangdong provincial department of education 2017 youth innovative talents program. (Humanities and social science) No. 2017WQNCX158

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