

# The Development Status and Strategy of Cross-Border E-Commerce Based on SWOT

Huiwen Ran\*<sup>1</sup>, Mingrui Li<sup>2</sup>, Shihan Liu<sup>3</sup>, Ping Zhu<sup>4</sup>

{<sup>1</sup>hayenran25@gmail.com, <sup>2</sup>18523696400@163.com, <sup>3</sup>119136317703@163.com,  
<sup>4</sup>zhuping@cuit.edu.cn}

Chengdu University of Information Technology, Chengdu City, Sichuan Province, China

**Abstract.** Constructing the domestic and international double cycle coordinated development and promoting the upgrading of Chinese residents' consumption is an important foundation for realizing the high-quality development of China's economic transformation and upgrading under the new development pattern, and it also provides new opportunities for the development of domestic cross-border e-commerce; Fierce industry competition, huge transaction risks and economic and cultural differences at home and abroad also bring challenges to China's cross-border e-commerce platforms. This paper studies China's cross-border e-commerce platforms based on SWOT model. Benefiting from the good domestic market foundation, the increasingly perfect support of platforms and the development of Internet technology, China's cross-border e-commerce has achieved "reverse growth" during the epidemic; At the same time, problems such as complex and backward service system, lack of professional talents and weak self-owned brand awareness emerge in endlessly. Therefore, this paper puts forward countermeasures from three aspects: government, enterprises and third-party platforms.

**Keywords:** cross-border; e-commerce; analysis by SWOT; International trade; problem analysis.

## 1 Introduction

In recent years, with the development of the fast-paced Internet era, different from small and medium-sized enterprises in other industries that have chosen to withdraw from the market or have been eliminated by the market, cross-border e-commerce related enterprises have shown explosive growth. In the post-epidemic era, cross-border e-commerce has become a new growth point for global foreign trade<sup>[2]</sup> (Liang and Guo and Li and Zhang and Fei, 2021). Cross-border e-commerce has evolved from traditional foreign trade to foreign trade online commerce, and finally derived to cross-border e-commerce. Cross-border e-commerce has a long history of development, and the consumption mode of purchasing is the prototype of the cross-border e-commerce industry. It was not until 2014 that the government recognized the mode of cross-border e-commerce for the first time. Amazon, eBay, AliExpress and Wish are the four major cross-border e-commerce platforms in the world. The platforms are mature, with large traffic, but fierce internal competition. Compared with more mature cross-border e-commerce platforms abroad, domestic platforms still have shortcomings in logistics system, credit management and business innovation. Through SWOT analysis method, this scholarship essays

analyzes the advantages and disadvantages of domestic cross-border online commerce platforms, and puts forward countermeasures.

## 2 Cross-border e-commerce concept types

### 2.1 Concept of cross-border e-commerce

Cross Border Electronic Commerce involves an international commercial activity where entities from different customs backgrounds transact through e-business platforms, conduct electronic payment settlement, and facilitate the delivery of goods through Cross Border Electronic Commerce logistics and off-site warehousing to complete the transaction. Therefore, cross-border e-commerce not only shortens trade links and reduces costs, but also promotes international trade<sup>[1]</sup>(Han and Lee, 2022). It is different from the traditional way of transaction, showing the characteristics of global, invisible, anonymous and immediate.

### 2.2 Types of cross-border e-commerce

Cross border electronic commerce can be classified into many types, as shown in Figure 1.

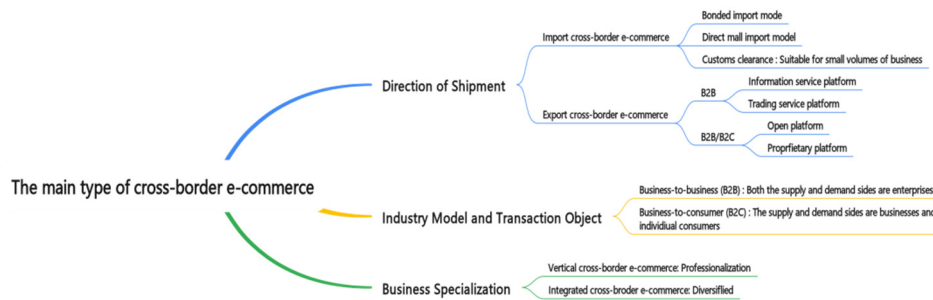


Figure 1. Classification of main types of cross-border e-commerce

## 3 Analysis of the development status of cross-border e-commerce in China

### 3.1 Regional development differences of cross-border e-commerce

The regional distribution of cross-border e-commerce in China is strong in the east and weak in the west, and there is an uncoordination. Such a situation is based on the geographical advantages of the eastern region near the sea, so the development history of cross-border e-commerce industry is also longer, and its scale has been in a leading position. On Nov 24, 2022, The State Council agreed to set up comprehensive pilot zones for cross-border e-business in 33 cities and regions, including Baotou, Anshan and Yanji.

### 3.2 Overseas development of cross-border e-commerce

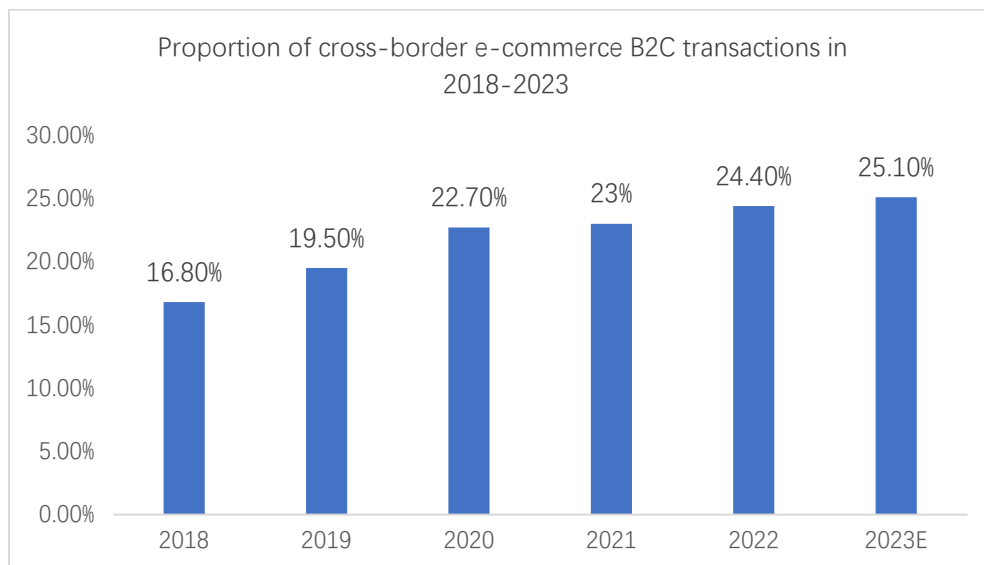
According to the statistics of the Ministry of Commerce, the number of overseas warehouses in China will exceed 2,000 by 2021, an increase of about 1,000 compared with 2019, with a total

area of more than 16 million square meters, and the business scope has expanded to the world, 90% of which are distributed in North America, Europe and Asia. Some leading enterprises have also built efficient information management systems to connect with important logistics information such as customers, commodities, warehousing and distribution in real time, and have innovatively launched high-quality value-added services that are targeted at customers.

Due to the popularity of Amazon, a large platform of global cross-border online commerce, as well as the differences in consumption habits and culture between foreign and domestic consumers, China's independent cross-border e-commerce platform has developed rapidly in recent years. It is reported that in 2021, the number of independent platforms established by China's cross border electronic commerce enterprises overseas has reached 200,000, and the share has increased to 20.3% in 2020 in only four years. Soon after, independent cross-border e-commerce platforms will become the main channel for China's cross-border e-commerce brand exports.

### 3.3 Cross-border e-commerce transactions

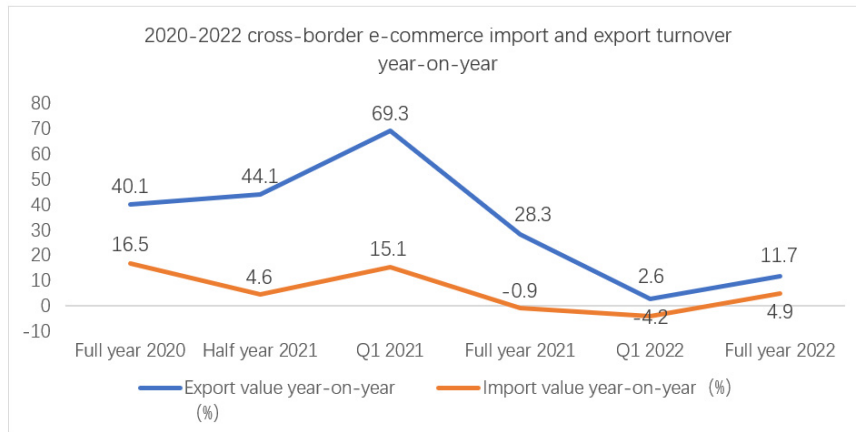
In recent years, the cross-border e-commerce retail model has developed rapidly, and national policies have increased its proportion in the overall cross-border e-business model. The proportion of B2C cross border electronic commerce transactions in 2018-2023 is shown in Figure 2. It can be seen that by 2022, B2C transactions in China's cross-border e-commerce accounted for 24.4% in 2022, and it is expected to further grow to 25.1% by 2023.



**Figure 2.** Proportion of cross-border e-commerce B2C transactions in 2018-2023

Figure 3 below shows the changes in the year-on-year turnover of China's cross-border online commerce imports and exports from 2020 to 2022. In 2022, the import and export value of cross-border online commerce in China reached 2.11 trillion yuan, an increase of 9.8% year-on-year, with the total export value of 1.55 trillion yuan and the total import value of 0.56 trillion

yuan; In 2022, China's total cross-border e-commerce import transactions increased by 4.9%, and total export transactions increased by 11.7%. In the first nine months of 2023, cross-border e-commerce imports and exports reached 1.7 trillion yuan, raised 14.4 percent year on year.



**Figure. 3.** 2020-2022 cross-border e-commerce import and export turnover year-on-year

Figure 4 below shows the year-on-year turnover of China's cross-border e-business import and export from 2020 to 2022. Compared with 14.2 trillion yuan in 2021, the size of China's cross-border online commerce market reached 15.7 trillion yuan in 2022, up 10.56 percent year on year, and the transaction volume is expected to reach 16.8 trillion yuan in 2023.



**Figure. 4.** 2020-2022 cross-border e-commerce import and export turnover year-on-year

## **4 Analysis by SWOT**

### **4.1 Strength Analysis (S)**

#### **4.1.1 Strong domestic market foundation**

Since ancient times, China has a vast territory, rich resources, coupled with a large labor force and low cost, the formation of a unique variety of commodities, and the advantages of high quality and economical price, favored by consumers at home and abroad. In addition, the cross-border e-commerce transaction has the characteristics of small batch and high frequency, which is suitable for the transformation and development requirements of the vast majority of foreign trade smes in China.

#### **4.1.2 The support of cross-border e-commerce platforms is becoming more sophisticated**

The growth of the Internet is a necessary prerequisite for the development of cross-border online commerce, so it is essential to build a corresponding e-commerce trading platform to assist the rise of cross-border e-commerce. In recent years, China's third-party cross border electronic commerce platforms have mushroomed, which undoubtedly brings great convenience to Chinese sellers. Chinese sellers can not only continue to use international platforms such as traditional cross-border e-business giants Amzon and E-Bay, but also choose emerging local shopping websites such as AliExpress, Alibaba International Site, Dunhuang, Lazada, Shopee and so on. Based on the page design and management model of the platform, as well as the transformation and innovation of related technologies, the registration and operation experience of domestic rookies is more friendly to Chinese sellers, which helps to lift the overall transaction efficiency and effectively reduces the learning and time costs of Chinese sellers.

#### **4.1.3 The promotion of Internet technology**

With the development of The Times, science and technology have advanced by leaps and bounds on a global scale. Emerging technologies such as the Internet of Things, 5G communication, AI, artificial intelligence, big data and cloud computing are widely applied in the whole process of cross-border e-commerce, bringing strong technical support to cross-border online commerce. Not only do sellers and platforms benefit from efficient and convenient technical operations, but buyers also enjoy product push services that are accurately analyzed according to consumers' capabilities and preferences.

In recent years, China's independent innovation capability in the field of digital trade has been continuously improved. According to the Global Innovation Index released by the World Intellectual Property Organization (WIPO), China's overall innovation capacity ranked 11th in the world in 2022. China ranks first in the world in the number of invention patents granted in artificial intelligence, Internet of Things and quantum information<sup>[3]</sup>(Wang, 2023).

### **4.2 Weaknesses Analysis (W)**

#### **4.2.1 The service system is complex and backward**

First of all, the payment function of cross-border e-commerce is backward. Although there are various payment methods for cross-border online commerce, they mainly use third-party payment platforms, which are relatively less secure and convenient. The lack of popular and

authoritative payment methods is an urgent problem for China's cross-border e-business, which hinders the development of China's cross border electronic commerce to a greater extent.

Secondly, the logistics system of cross-border e-commerce is miscellaneous. Due to the personalized service characteristics of cross-border e-commerce, most of the orders are small batches and multiple batches, which undoubtedly makes the logistics cost high. In addition, the time and space span of cross-border e-commerce is large, the intermediate links are complicated, there are many problems in logistics supervision and process control, and there are greater transaction risks for both buyers and sellers.

#### **4.2.2 Lack of professional talents**

Cross border electronic commerce is a brand new model of international trade in the era of "Internet +", combined with the relevant knowledge of e-commerce. The talents needed in the field of cross-border online commerce must have a strong reserve of e-business professional knowledge, proficient in international trade related processes and operations, and be familiar with multiple languages to facilitate communication in all aspects. The training of such compound talents is still in the initial stage in most universities in China, and the established domestic foreign trade enterprises are in short supply of professional team support, which restricts the transformation of traditional foreign trade enterprises to a certain extent.

#### **4.2.3 The awareness of independent brand is weak**

Independent brand is the face of an enterprise, which can bring greater social benefits to the enterprise, so as to leave more profit space. At present, China's export products are mainly focused on the manufacturing field with low threshold, low technical content, and it is difficult to improve the added value of products and innovation, which can not meet the differentiated needs of consumers around the world. Most of the companies strive to make a large profit in a short time, the quality is not guaranteed, and only the price is low to seize the market. In order to have long- term development, the establishment of independent brands is essential.

### **4.3 Opportunity Analysis (O)**

#### **4.3.1 Strong support from government policies**

China's national policy is gradually opening up, standardizing and encouraging traditional foreign trade enterprises to develop in the direction of cross-border e-business. In 2018, China's first "E-commerce Law" was born, which provides a strong guarantee for cross-border e-commerce and is conducive to the sustainable and healthy development of this emerging industry<sup>[4]</sup>(Liu and Mao and Zhou, 2020). In recent years, China has vigorously developed the growth point of external trade, and various regions have also included the development of cross-border e-business into the "14th Five-Year Plan".

#### **4.3.2 Changes in consumer perceptions**

With the widespread application of "Internet +", electronic consumption models such as Alipay and Haitao.com are favored by consumers. The consumption concept of consumers has gradually changed from offline cash transactions to more convenient online electronic payment transactions, which is enough to represent the vast market development prospects of cross-border online commerce. Of course, this advantage also requires service providers to continue

to maintain and continuously improve the accurate analysis of consumers, in order to bring the best quality services and the protection of consumers' rights and interests.

#### 4.4 Challenge Analysis (T)

##### 4.4.1 The industry is highly competitive

Once China's cross-border e-business is in line with the global market, it will undoubtedly face fierce competition. On the one hand, it is the threat of market share brought by experienced foreign e-commerce giants such as Amazon and eBay. On the other hand, it also has to withstand the technology of foreign logistics companies such as UPS and DHL<sup>[5]</sup>(Chen, 2018). In addition, the quality of China's current export products is still not guaranteed, with the continuous progress of the global economy, consumer income levels continue to improve, consumers' pursuit of high-quality products is also a major test for China's cross-border e-business.

##### 4.4.2 Huge transaction risk

Space-time span and virtualization are prominent features of cross-border e-commerce, and problems like information feedback, product quality, service attitude and logistics time are very easy to bring confidence crisis to both sides of the transaction. In addition, political changes such as exchange rate fluctuations and Sino-US trade frictions also bring great risks to the development of cross-border online commerce.

##### 4.4.3 Economic and cultural differences between home and abroad

Although globalization is the general trend of the current era, the world is still divided into developed countries and developing countries, with big differences in economic level and different cultural backgrounds. The economic and cultural differences, coupled with special religious beliefs and other issues, the consumption habits, preferences and cognition of consumers in various countries are also unpredictable. Therefore, for China's foreign trade enterprises, if they cannot accurately analyze the different consumption patterns in different regions, the road of enterprise transformation will fall into an intractable development bottleneck. To sum up, it is condensed in Figure 5 below.

External Environment Internal Environment	<b>Opportunities</b> 1.Strong support from government policies 2.Changes in consumer perceptions	<b>Threats</b> 1.The industry is highly competitive 2.Huge transaction risk 3.Economic and cultural differences between home and abroad
	<b>Strengths</b> 1.Strong domestic market foundation 2.The support of cross-border e-commerce platforms is becoming more sophisticated 3.The promotion of Internet technology	<b>SO</b> Promoting the transformation and upgrading of cross-border e-commerce enterprises
<b>Weaknesses</b> 1.The service system is complex and backward 2.Lack of professional talents 3.The awareness of independent brand is weak	<b>WO</b> Increasing support from the country for cross-border e-commerce	<b>WT</b> Identifying oneself and calibrating the target market

Figure. 5. Strategic analysis chart of SWOT

## **5 Analysis of Development Strategies for Cross-border E-commerce in China**

### **5.1 Promoting the transformation and upgrading of cross-border e-commerce enterprises (SO)**

Enterprises should possess the awareness of transformation and modernization, as well as the concept of high-end development. Transformation and modernization involve significant changes in the company's value chain, organizational structure, technology, and marketing capabilities, rather than just minor adjustments<sup>[6]</sup>(Zhang and Zhao, 2022). Actively utilizing digital technology, enterprises should guide traditional industries to enhance their innovation capabilities and traditional brand value through digital means. Establishing self-operated platforms, enterprises should adopt mixed sales models to expand network traffic, enhancing competitiveness with third-party platforms<sup>[7]</sup>(Zhou and Yu and Li, 2021). In this regard, extensive research has been conducted by scholars both domestically and internationally. For instance, Mantin et al. examined the strategic implementation of third-party retail channels by e-commerce platforms and explored the game relationship as well as equilibrium model between these platforms and third-party retailers<sup>[8]</sup>( Mantin and Krishnan and Dhar, 2014 ).Additionally, enterprises should build a new traditional industry supply chain system driven by cross-border e-commerce formats, supported by digital technology, networked sharing, and intelligent collaboration. By leveraging the new markets and cooperative relationships provided by cross-border e-commerce, enterprises can reduce operational costs and lift the efficiency of transformation and upgrading.

### **5.2 Improving third-party platform services (ST)**

The construction of payment platforms should prioritize the safety and convenience of use, emphasizing the enhancement of security and timeliness in international currency receipts and payments, currency exchanges, and refunds. Through their research on PayPal, a globally renowned payment tool, foreign scholars have found that a 1% increase in the market share of efficient, flexible, and secure cross-border payment tools will lead to a 7% increase in cross-border e-commerce transaction volume<sup>[9]</sup>(Pan, 2018). Firstly, third-party payment platforms can collaborate more closely with national regulatory authorities and major banks to intensify their efforts in payment fraud prevention, while also enhancing user awareness and education. Secondly, to prevent the infiltration of viruses and ensure payment environment security, third-party payment platforms must focus on technological improvement. Furthermore, to mitigate security risks in electronic payments, third-party payment platforms should meticulously review user identity information during registration and enhance the user real-name system.

### **5.3 Increasing support from the country for cross-border e-commerce (WO)**

The country shall expeditiously establish and perfect a monitoring and management system, formulate uniform industry standards for cross-border online commerce, and enhance supervision and management. We will intensify our crackdown on illegal activities in cross-border online commerce and reward honest merchants who provide consumers with excellent services and satisfactory products. We will introduce relevant incentive policies and demonstrate greater operational effectiveness and departmental collaboration when formulating policies.



Additionally, we will pay attention to the construction of information infrastructure and improve the coordination and integration between information infrastructure and integrated infrastructure in China<sup>[10]</sup>(Zhang and Sun, 2022). Furthermore, the country may encourage universities to adjust their professional settings, increase the training of cross border electronic commerce professionals, and provide subsidies for cross-border e-commerce special talent training.

#### **5.4 Identifying oneself and calibrating the target market (WT)**

Firstly, companies must identify the target consumer group, gain a deep understanding of their consumption habits, and develop a clear user profile to guide their product development and marketing strategy. Secondly, enterprises should prioritize building a well-known brand image along the chosen brand path, highlighting their core competitiveness and differentiation advantages to differentiate themselves from their competitors. By capitalizing on the convenience of cross border electronic commerce, they can generate profits, accumulate positive word-of-mouth, and ultimately achieve product branding and heterogeneity. Additionally, enterprises must also take into account the differences in domestic and international consumption patterns. Differences in ethnic cultures and emotions among different consumer groups can lead to differences in product preferences and needs in different markets. Therefore, if the same product is to be marketed in different countries or regions with different usage conditions or purposes, a differentiated product strategy should be adopted to meet the unique demands of each market.

### **6 Conclusion**

This scholarship thesis analyzes the development status of cross-border e-business in China in detail, and takes SWOT as the research model, and forms a matrix diagram. Through SWOT analysis of China's cross-border e-business, it can be seen that the current cross-border online commerce is formed in multiple favorable and unfavorable conditions, and it is concluded that there are pain points in the industry such as complex and backward service system and lack of professional talents, but on the whole, favorable promotion conditions are the mainstream, and the sustainable development strategy is proposed for the transformation of China's cross border electronic commerce from four aspects. To promote the benign development of the industry in the future.

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