The Operation Status of Cross-border E-commerce in Ningbo

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Abstract. Due to the further update of modern network system, the cross-border e-commerce in China is in a rapid development. This kind of new trade pattern is destroying the traditional mode of trade. Ningbo, as the top five export city in China, enjoys the advantages of excellent geographic position, sound commercial infrastructure, advanced port logistics, favorable development prospect and environment for e-commerce. Therefore, this paper, with Ningbo as the object of study, analyzes the current difficulties and the unparalleled advantages item by item, so as to make a little contribution to the development of the cross-border e-commerce for Ningbo and even the whole China.

The Background and Significance of Development for Cross-border E-commerce

The background of cross-border e-commerce

Compared with traditional mode of trade, the cross-border e-commerce is in an explosive rising period. There are three development factors: First, global market further shrinks after the sub-prime crisis. For China with relatively high degree of dependence on export, its traditional mode of trade is seriously stricken, along with the increase of human cost and the price of raw materials, as well as the appreciation pressure for RMB, which promotes the burgeon of cross-border e-commerce. Second, there is huge difference between cross-border e-commerce and the traditional world trade. Because traditional trade can’t accommodate the need for the current market, the convenience and high efficiency of e-commerce constantly substitute traditional international trade of mode in 21st century. Third, since the current economy has experienced great progress and the problems of efficiency and quality have attracted people’s attention, cross-border e-commerce accords with the development of a new era, providing a more convenient mode for people’s life.

The necessity to develop cross-border e-commerce in China

Generally speaking, on the one hand, the reason to develop cross-border e-commerce in China is the advantage of price. Since cross-border e-commerce doesn’t need high cost like traditional mode, the price is a absolute advantage. E-commerce can integrate the products in all international market, providing customers with more choices. Under the traditional mode of trade, due to the factors of regional barriers, geographical limitation, and less information circulation among enterprises, international trade is greatly limited, with few choices for customers. However, through cross-border e-commerce platform, customers can obtain more brands and choose products with different specifications without going out.

Over the long run, due to the rise of cross-border e-commerce, many Chinese enterprises can develop more extensive international market, promoting their products to overseas market, with the purpose of solving the problem of excess capacity, increasing domestic job opportunity and enhancing enterprise competitiveness. Only China, as a strong country of manufacturing industry, reforms its traditional mode of trade through e-commerce, can it occupy a favorable place in 21st century. During these years, the government departments also come to realize the importance of cross-border e-commerce on China’s economy that the cross-border e-commerce is an important method to increase international competitiveness and to explore foreign market for small and
medium-sized enterprises (SME), and also the catalyst for China’s economic development and the upgrade of SME.

**Traditional Operational Mode of National Cross-border E-commence**

At present, there are three development modes of website for e-commence, that is, Business To Business, Business To Customer and Customer To Customer.

**Business to Business**

Enterprise can trade in international market by the platform of Business To Business, but ordinary customers can’t be engaged in it, because it mainly focuses on the trade in staple commodity, with the characteristics of large quantity of order, huge trade volume and small batches. Due to the relatively huge amount in many orders, only after the negotiation for several times can an agreement be reached. At present, the Business To Business platforms mainly include Alibaba, World Trade Center, Cross-border Shopping and etc.

**Business to Customer**

Through Business to Customer mode, famous merchants can sell products directly on the Internet by showing the products to customers on the platform for them to choose. Under this mode, there are complete product classifications, a wide variety of types, and excellent after-sales service. It features decentralized orders, small trade volume, and relatively comprehensive trading object. At present, the main platforms for Business to Customer include Dangdang, Jingdong Mall and etc.

**Customer to Customer**

For Customer to Customer, customers can also become the seller by opening an online store at anytime. It features few investment, quick return and the trade with small amount and quantity. However, under this mode, because the type of stores is various and abundant, customers would buy the fake products and there is no guarantee in quality, leading to relatively low integrity degree.

**The Advantages and Current Situations of Cross-border E-commence in Ningbo**

**The Geographical advantage in Ningbo**

Ningbo, as the coastal city of China, is well developed in logistics industry of harbor and also has strong industrial strength. Ningbo enjoys high urban informatization, with great advantages in talents and science and technology. In recent years, with the development of cross-border e-commence, Ningbo attracts a large number of merchants and customers by its geographical advantage. Besides, Chinese government provides support for the development of cross-border e-commence through formulating preferential policy and decreasing trade barriers, which makes the construction of trade platform obtain more active external factors.

**Commercial advantages in Ningbo**

Ningbo enjoys excellent infrastructure of e-commence. Compared with other cities, it has high network penetration among residents, providing a excellent foundation for Ningbo to develop e-commence. In 2014, Ningbo cross-border e-commence achieved four “national first”: most product classifications, most packages, most customers and most product values.

**The need of SME in Ningbo for cross-border e-commence**

A. **The participation of cross-border e-commence can help to learn about customers’ need and preference in a complete way**

There are many advantages for SME to enter into this area, such as, strengthening the competitiveness of SME in international market, having a knowledge about customers demand and preference, shortening trade time, leaving out more intermediate links and saving transaction costs. In the investigation, 66 enterprises participated in the research (as shown in fig.5). These enterprises
hold the opinion that cross-border e-commence can make them know customers’ need, which provides a production direction for them.

B. Participating in cross-border e-commence is an inevitable tendency

Since 2008, the development of cross-border e-commence in Ningbo is more and more rapid. SME can effectively expand domestic and foreign market and leave out more middle man through e-commence platform, providing a shortcut for enterprises to conduct overseas trade. As the increase of users of e-commence, it also predicts that cross-border e-commence has become an indispensable tendency.

C. Some enterprises don’t want to participate in it due to their weak capacity

As shown in fig 1, in the enterprises investigated, 11 enterprises still don’t want to enter the platform of cross-border e-commence due to their defects in capacity.

![Figure 1. Enterprises’ attitude towards cross-border e-commence.](image1)

Data sources: acquired by questionnaire inquiry and spot visit

The Operation Mode of the Cross-border E-commence in Ningbo

The features of operation mode of the cross-border e-commence in Ningbo

A. Give priority to SME. In accordance with the data, the number of SME registered in Ningbo cross-border e-commence has reached over 90%, with intensive competition among them. As investigated, seeing from fig 2, the number of large-scale enterprises is few, while SME is dominated. The SME has formed a special regional economy depending on congenital advantage of Ningbo. The competition among SME is conductive to the development of cross-border e-commence.

B. Focus on export. Indicated from fig 3, 11 enterprises are mainly engaged in import, 14 enterprises export and other 5 focus on both import and export. The main products exported by these companies are clothes and electronic products. The enterprises engaging in import are committed to chemical, crude oil and electromechanical products. Through data analysis, the import and export volume in foreign trade of Ningbo all improve dramatically. However, in general, export is still dominated.

![Figure 3. Business type of cross-border e-commence enterprises.](image2)

Data sources: acquired by questionnaire inquiry and spot visit

![Figure 4. The platforms mainly adopted by SME in Ningbo.](image3)
C. Cross-border Shopping is the major platform for enterprises in Ningbo. As is shown from the fig 4, Cross-border Shopping and World Trade Center occupy relatively a little proportion. Cross-border Shopping platform is just a pilot. With the optimized development of the platform and the constantly entering of more enterprises, the platform will account for more and more shares step by step.

Operational mode of national cross-border e-commerce in Ningbo--taking enterprise A for example

A. The background of the enterprise A

Enterprise A went online in October 2011. This platform mainly provides four services, including information, clearance, logistics and finance, and a series of foreign trade operations, that is, supply and demand, transportation, storage, port, insurance, customs clearance, document, foreign exchange, cancel after verification, tax rebate and etc. It can be called “one-stop foreign trade comprehensive service platform”. It integrates goods, funds, receipts and other specific operations through well advanced Internet conception. Besides, it also achieves a “supply chain management system” by information transfer in foreground and background.

<table>
<thead>
<tr>
<th>Year</th>
<th>Export volume (USD billion)</th>
<th>Export volume (USD billion)</th>
<th>Total (USD billion)</th>
<th>Growth rate on year-on-year basis (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>51.97</td>
<td>30.94</td>
<td>82.91</td>
<td>36.3</td>
</tr>
<tr>
<td>2011</td>
<td>60.83</td>
<td>37.36</td>
<td>98.19</td>
<td>18.4</td>
</tr>
<tr>
<td>2012</td>
<td>61.44</td>
<td>35.13</td>
<td>96.57</td>
<td>-1.64</td>
</tr>
<tr>
<td>2013</td>
<td>65.71</td>
<td>34.62</td>
<td>100.33</td>
<td>3.89</td>
</tr>
<tr>
<td>2014</td>
<td>73.11</td>
<td>31.59</td>
<td>104.7</td>
<td>4.36</td>
</tr>
</tbody>
</table>

Data sources: data integration from Ningbo customs and all kinds of websites

B. The import and export situation in Ningbo.

As is shown from sheet 1, its foreign trade volume has broken through USD 80 billion, entering the list of top ten cities in China, which indicates the further improvement of Ningbo’s status of foreign trade in national open economy. Based on the analysis on customs, there are two reasons for the rapid growth of import trade: on the one hand, Ningbo has established a trade market for import product and bulk commodity; on the other hand, it is related to the great increase of the price of resource commodity as well as global raw materials. In 2013, total export-import volume in Ningbo has reached over USD one hundred billion, which was achieved by Ningbo for 26 years since it obtained self-support rights for import and export. Air and railway transportation brought a new growth point for the import and export in Ningbo. In 2014, the total amount of its foreign trade reached over USD one hundred billion once again, with total export-import volume USD 104.7 billion, growth rate on year-on-year basis 4.36%. EU, U.S and ASEAN are the major trade partner in Ningbo. The expert analyzes that, although Ningbo breaks through USD one hundred billion in 2014, it still can’t hide its severe condition of foreign trade in Ningbo.

C. The development prospect of enterprise A in Ningbo.

Enterprise A has made innovation on products and service according to the changes of the market and various demands from SME, also with further breakthrough on software business, offshore registration and exhibition. In addition, enterprise A also develops a platform for cash flow lending cooperated with the headquarters of Bank of China. It is identified and recognized by different parties through its hard work, wining many honors, for example, “2014 Zhejiang pilot enterprise of comprehensive foreign trade service” as so forth on. These honors lay a solid foundation for enterprise A to accelerate development and open a chapter for cross-border e-commerce in Ningbo.
The disadvantages and barriers of cross-border e-commerce in Ningbo

Since the cross-border e-commerce in Ningbo is still in the initial period, there are many problems left to be solved.

A. Unbalanced transaction types.

As for Ningbo, one important issue is the rather simple product types. Taking the platform of cross-border for example, it mainly imports mother and baby washing products, with a few daily small electric appliance, food and wash products, such as, Japan’s cosmetic products and Germany’s chocolates and etc. Because of the few product types and little choice for customers, their demand can’t be met. Besides, since the major export products in Ningbo are electronic products and clothes without many high-technique products, the available profits are limited.

B. Lagging logistics distribution.

Logistics as an indispensable part in trade, it will inevitably exert huge influence on cross-border e-commerce. At present, there are many defects on the supervision system of the logistics of small packets, with more complex customs testing process and huge cost of time. The cost of logistics transportation is increased because the problems of tax rebate happened frequently. Any accident of goods taking place during transportation is disadvantageous for both parties.

C. Low safety of payment and incomplete laws and regulations.

Since the cross-border e-commerce is in a initial stage, it is faced with a problem of improving payment safety. China doesn’t have complete practical and theoretical basis. Since traditional mode of trade has low security and complex trade approach, it can’t meet the demand of cross-border electric merchants, which requires a better mode of payment. However, under the current payment environment, every mode of payment has certain risk in settlement. For instance, many problems still impede the development of e-commerce, such as data theft of hacker, unstable network signal, leaked data and etc.

D. Shortage of professional talents.

A large number of specialized talents are needed to contribute their own energy in this field. Although more and more people choose the specialty of cross-border e-commerce, the number of professional talents are still not enough. Besides excellent professional quality, outstanding language communication capacity is needed. The key problem is that the talents cultivation is different from enterprise development, with little practical experience. Therefore, only the enterprise conducts certain training on the recruited talents, can they adapt to the development of a enterprise. For talents in cross-border e-commerce, they should not only master some professional knowledge, but also learn about the management of supple chain, international marketing, program planning, and system designing.

Solution and Suggestion on Promoting the Development of Cross-border E-commerce in Ningbo

Improve product types in the platform, and pay attention to personnel training

While an enterprise optimizes its products, it should also develop a new product field. The mode for personnel training should also be reformed, with the purpose of increasing the quantity of talents with practical ability. The enterprise should constantly strengthen the selection and cultivation of professional talents in cross-border e-commerce field, build an introduction mechanism and cultivation system for new specialized talents, and improve the current talents policy mechanism to keep the talents.

Improve logistics efficiency

At present, the major cross-border logistics modes include overseas warehouse, international
small packets and express, as well as centralized transportation, among which international small packet and express are the best choice for those companies with small trading scale. In order to save personnel and financial resources, much cross-border logistics is monopolized by foreign enterprises, for example, Federal Express. How to improve the efficiency of cross-border e-commerce is an important issue we should consider it seriously. We also should establish new cross-border logistics enterprise, promote resource integration effects, improve service efficiency, create a label of high-quality domestic cross-border logistics, increase warehouse stock distribution speed and service efficiency.

**Improve foreign trade management system and electronic payment supervision system**

As for the problem of payment risk in e-commerce, the most effective measures are to modify relevant laws as soon as possible so as to complete the flaws existing in e-commerce payment. Some reform measures should be carried out in electronic payment to complete the flaws. For government, it should formulate more and more comprehensive legal regulations to regulate the rights and obligations of different parties in electronic payment. Furthermore, since the examine voucher mechanism is still not confirmed in law, the business documents checked by the bank are still used as transaction certificate in cross-border trade. In order to reduce this tedious procedure, on the basis of reducing risks, types of documents should be further reduced, making the procedure of cross-border trade more convenient.

**Reference**


