The Cross-border E-commerce Logistics for Chinese Small and Micro Businesses: Analysis and Suggestion

Yue LI
Applied Technology College of Soochow University, Suzhou, 215325, China
liyue@suda.edu.cn

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Abstract. Delivery in cross-border e-commerce is usually smaller, faster, and more frequent than the logistics in traditional international trade. So it is particularly important for sellers to choose the ideal logistics system in cross-border e-commerce. Cost efficiency of different logistics available in China are studied according to the customer experience in international e-commerce. Several suggestions to improve the cross-border e-commerce logistics for the Small and Micro Businesses in China are also put forward.

Introduction

The proper noun of Small and Micro Businesses (SMBs) in China includes not only small and micro sized businesses, but also family workshops and individual business. They are the majority of Chinese enterprises, and have been a strong pillar for employment. However, the disadvantages of small scale, limited funds and weak risk tolerance bring SMBs lots of difficulties in traditional international trade. To twist their inferior position with the help of platform comprehensive services, SMBs are pouring into the cross-border e-commerce as sellers for industrial transformation and upgrading.

Cross-border logistics directly affect the key factors such as product cost, customer satisfaction and competitiveness in the international e-commerce. Different from the traditional way of international trade, delivery in cross-border E-commerce is usually small, fast, and frequent, which means higher requirements for sellers. As a result, it is particularly important for SMBs to choose the ideal logistics system in international e-commerce.

In this paper, different logistics services for SMBs in cross-border e-commerce are studied around to the key factors including price, speed, and safety guarantee. Several measures and suggestions for improving the cross-border e-commerce logistics are also put forward to meet the demand from SMBs.

The Current Situation of Cross-border E-commerce Logistics in SMBs

The international e-commerce has increased rapidly in China as a new growing economy point under the situation of traditional trade downturn. According to statistics from China e-Business Research Center, the nationwide cross-border e-commerce market scale was ¥6.7 trillion in 2016, which means 24% rise over the same period last year. It is estimated that the scale of cross-border e-commerce transactions in China will reach ¥12 trillion by 2020, in that SMBs will occupy an important share. However, there are several problems under the surface of prosperity as follow,

a) The price of cross-border logistics. International logistics accounts for 15%-20% of product cost according to industry statistics. So decreasing the price of cross-border logistics is very important for the sellers to improve competitiveness. However, it’s difficult for SMBs to reduce the logistics price because of their weak status.
b) Goods delivery timely. There are a series of links involved in cross border logistics, such as warehousing, distribution, customs declaration and so on. Any accidents will cause delays in postal delivery time, then lead to customer complaints and disputes.

c) Information tracking and safety guarantee are difficult in some developing countries or areas, especially in non-English speaking countries.

Analysis of Logistics for Cross-Border E-Commerce

There are five typical kinds of logistics available in China for sellers in cross-border e-commerce, including China Postal Express & Logistics, world famous express, special-lines, overseas warehouse, and Chinese private express. The comparison of their characteristics can be found in Table 1.

China Postal Express & Logistics

As the largest Chinese integrated express and logistics service provider, China Postal Express & Logistics has the longest history of business operation and widest coverage in the country. It provides express and logistics services with different price, timeliness and limitation (shown in Table 1). According to the Universal Postal Convention, the express and logistics sent by China Post can use the special customs clearance procedure for postal parcels in the members of Universal Postal Union. However, the low-price services are slower and not very safe.

World Famous Express

The typical world-famous express companies include UPS, FedEx, TNT, DHL, and so on. UPS is the world's largest express company, with the best performance in America and Japan. Its timeliness for sending goods to the United States can be 48 hours. FedEx is more competitive in South and Central America, and TNT has absolute advantage in the Middle East, especially the military political instability countries. Their services are fast, individualized customization, and safe, with high prices and more restrictions.

Special-Lines

The special-lines refers to the the independent transportation route which developed for a specific country or region. After sent abroad to the destination by chartering a cabin, the packages are delivered using the target country’s domestic network. This kind of logistics has obvious advantages in price, ability of customs clearance, and delivery speed.

Overseas Warehouse

The overseas warehouses in target countries, which has become a highly respected mode at present, can effectively solve the problems about timeliness and cost. The seller delivers the goods through the traditional way of shipping to the warehouse in target market ahead of time. Then warehouse can sorting, packing, and delivering the goods quickly according to the buyer's order. It’s the best cross-border logistics method for the bestsellers with high turnover rate, non customized selling a single product is more suitable for the selection of logistics mode, otherwise unsalable will generate additional storage costs, in addition, overseas positions put forward higher requirements for the supply chain management, inventory control, information processing. For small and micro enterprise sellers, the ability to independently control the construction of overseas warehouses is obviously inadequate.

Chinese Private Express

In view of the growing demand, several Chinese express delivery enterprises that mainly engaged in domestic logistics are also actively carrying out cross-border logistics services. SF Express in September 2017 announced a joint venture with UPS to provide the express service to U.S.A., Australia, South Korea, Japan, Singapore, Malaysia, Thailand, Vietnam and other countries, as well
as the China to Russia cross-border B2C service. AliExpress announced the charter flight agreement for international logistics with the United Arab Emirates Airlines. Other delivery enterprises such as STO, YTO, and ZTO also joined the overseas layout. Their services can be faster and lower-cost than the products from world famous express, though with limited coverage and experiences.

Table 1. Comparison of the Typical Cross-border Logistics Services.

<table>
<thead>
<tr>
<th>Name</th>
<th>Weight</th>
<th>Volume</th>
<th>Timeliness</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postal Logistic services</td>
<td>≤2kg</td>
<td>Length + Width + Height≤90cm, Unilateral Length ≤60cm</td>
<td>15-60 days</td>
<td>Low cost, widely coverage, delayed tracking information, slow, high rate of missing</td>
</tr>
<tr>
<td>EMS</td>
<td>No limitation</td>
<td></td>
<td>3-15 days</td>
<td>Cheaper than famous express, strong ability in customs clearance, low rate of missing</td>
</tr>
<tr>
<td>ePacket Delivery from China</td>
<td>≤2kg</td>
<td>Length + Width + Height≤90cm, Unilateral Length ≤60cm</td>
<td>3-15 days</td>
<td>For light and small packets, Economical</td>
</tr>
<tr>
<td>China Post Air Parcel</td>
<td>≥2kg, ≤30kg</td>
<td></td>
<td>7-20 days</td>
<td>Low cost, regardless of volumetric weight, no remote or fuel surcharge</td>
</tr>
<tr>
<td>UPS, FedEx, DHL, TNT</td>
<td>No limitation</td>
<td></td>
<td>3-7 days</td>
<td>High cost, needs remote surcharge, safe, fast, good service</td>
</tr>
<tr>
<td>Special Lines</td>
<td>No limitation</td>
<td></td>
<td>5-60 days</td>
<td>Economical, fast, strong ability in customs clearance</td>
</tr>
<tr>
<td>Overseas Warehouse</td>
<td>No limitation</td>
<td></td>
<td>Same as Domestic Timeliness</td>
<td>Fast, low delivery cost, extra storage cost, good user experience</td>
</tr>
<tr>
<td>Chinese Private Express</td>
<td>No limitation</td>
<td></td>
<td>3-7 days</td>
<td>Faste, lower cost than world-famous express, limited global network coverage</td>
</tr>
</tbody>
</table>

Measures and Suggestions

New Products of Cross-border Logistics

To meet the requirements of SMBs in cross-border e-commerce logistics, new products should be designed and provided. An example is the platform (such as Huodull) to aggregate information about the speed, price, tracking, and insurance from various cross-border logistics services. The cross-border e-commerce sellers can obtain and compare different logistics solutions after inputting their demand including starting point, destination, and the weight/volume of parcel. It’s practicle for such an aggregate platform to provide delivery services with higher performance-price ratio because it can obtain wholesale prices from cross-border logistics enterprises after there are enough users.

Another example is the China International Express, which was collaborated by China Postal Express & Logistics Co., Ltd. and non-postal express companies (such as DHL, FedEx, TNT, and so on) as complementary roles. It can provide various services including Standard Express, Economy Express, and Cargo Courier in terms of differences in weight limit, shipping time, and service model.
Integrated Logistics Provided by E-commerce Platform

Some cross-border e-commerce platforms build a filtered and standardized logistics service system for the sellers. For example, the Fulfillment by Amazon can store the products for sellers, then directly pick, pack and deliver the goods to customers. SMBs can use such kind of service to simplify the procedures of cross-border logistics. However, there are still a series of problems in the delivery price, speed, and tracking.

Introducing Training Employer for Cross-border Logistics

Different from the domestic e-commerce companies, the clerk in cross-border e-commerce should be familiar with knowledge in cross-border logistics, as well as foreign language, international trade, and customs clearance. As a result, it’s necessary for SMBs in cross-border e-commerce business to pay more attention in the training for cross-border logistics. Cooperation with colleges and universities is a feasible way for SMBs to train or introduce employer with professional skills in cross-border logistics.

Guidance and Support of National Policy

The guidance and support of national policy is also important for the development of cross-border e-commerce logistics. For example, China Postal Warehousing Service is built by China Post under the guidance and support of national policy since 2014. There are overseas warehouses in the main export countries including U.S.A., Australia, Germany, Britain, and Czech. Thanks to national policy, Chinese SMBs can realize overseas warehouse logistics using this service.

Summary

The cross-border e-commerce has increased fast in China, in that SMBs will occupy an important share. However, there are several problems in price, speed, and safety guarantee under the surface of rapid development. In this paper, characters of logistics services for sellers in cross-border e-commerce, including China Postal Express & Logistics, world famous express, special-lines, overseas warehouse, and Chinese private express, are analyzed according to users’ demand. Several measures and suggestions for improving the cost efficiency of cross-border e-commerce logistics for SMBs are also put forward.

Acknowledgement

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