

# Study on the Transformation of Foreign Trade Enterprises in Guangdong Province Under the Background of Cross-Border E-Commerce

Hui-juan JIANG<sup>1</sup>, Hui-lin YAO<sup>2</sup>\*

<sup>1</sup>Xiamen University of Technology, Xiamen, Fujian, China

<sup>2</sup>Xiamen University of Technology, Xiamen, Fujian, China

\*Corresponding author. Email: hlyao@xmut.edu.cn

## ABSTRACT

The development of information technology and E-commerce has gradually changed the traditional way of foreign trade. Cross-border E-commerce, a new way of international trade, has gradually grown into a new engine for China's economic growth and foreign trade development. In recent years, Guangdong's foreign trade development has encountered many difficulties. The transformation and development of traditional foreign trade enterprises need the guidance of new models. As a booming new form of foreign trade, Cross-border E-commerce is of great significance to the transformation and upgrading of Guangdong's foreign trade enterprises. Cross-border E-commerce become the key to helping traditional foreign trade enterprises transform and upgrade.

**Keywords:** *Cross-border E-commerce, Foreign trade enterprises, Transformation*

## 1. INTRODUCTION

Since the reform and opening up, Guangdong Province has been in a leading position in foreign trade because of its unique location and policy advantages. Guangdong's total foreign trade import and export volume has ranked first in China for many years. However, affected by the financial crisis and the complex trade environment, the traditional foreign trade enterprises in Guangdong Province have been frustrated in the fierce international competition. Therefore, the foreign trade enterprises in Guangdong Province need to speed up the pace of enterprise transformation. In order to promote the transformation and development of Guangdong's foreign trade enterprises, the government and enterprises should start from many aspects to promote the "Internet plus foreign trade" to achieve the "1+1 greater than 2" expansion effect [1]. Cross-border E-commerce makes the transformation and upgrading of foreign trade enterprises in Guangdong Province more possible, provides a strong development mode for the transformation and upgrading of enterprises, and is one of the best choices for traditional foreign trade enterprises to break through the development dilemma.

With the extensive development of the Internet, Cross-border E-commerce shows its advantages as a new

form of foreign trade. Traditional foreign trade enterprises can also find customers in new ways. Their customer groups will not only be limited to big customers and wholesalers, but retailers can also be considered as potential users, which will help more foreign trade enterprises to transform.

Guangdong enterprises have great advantages in developing Cross-border E-commerce. At present, the Cross-border E-commerce industry chain in Guangdong Province has gradually formed, and its Cross-border E-commerce platform, logistics warehousing service and payment system have certain strength. Guangdong is speeding up its promotion speed. As a new form of foreign trade, Cross-border E-commerce is booming in Guangdong, with as many as one million employees. Guangdong has a good industrial foundation, which is more supported by the state and Guangdong provincial government. A series of favorable policies to promote the development of Cross-border E-commerce show that the government attaches importance to the development of Cross-border E-commerce.

## **2. STATUS OF CROSS-BORDER E-COMMERCE IN GUANGDONG**

### ***2.1. The total import and export volume of Cross-border E-commerce increased year by year.***

Under the situation that the development of traditional foreign trade has stagnated, Guangdong Cross-border E-commerce has maintained a vigorous growth, keeping an average annual growth rate of more than 30% over the past few years [2].

In 2015, Cross-border E-commerce total import and export volume was 16.73 billion yuan, increased to 22.8 billion yuan in 2016, soared to 44.19 billion yuan in 2017, and about 76 billion yuan in 2018, with a year-on-year growth of 72%, ranking first in China. Statistics calculated through the Customs Cross-border E-commerce platform show that the total import and export value of Cross-border E-commerce in Guangdong Province (excluding the import and export channels of overseas warehouses and postal express) is 110.79 billion yuan in 2019, with a year-on-year growth of 45.8%, accounting for 59.5% of the total value of Cross-border E-commerce in mainland China (186.21 billion yuan).

### ***2.2. Cross-border E-commerce business model is becoming more mature.***

The Cross-border E-commerce business model of Guangdong Province has gradually matured over the years, and the optimization of business process is becoming more and more handy. It not only covers all aspects of platform, logistics, warehousing and payment, but also reflects the gradual formation of three core business in Guangdong Province: Online-shopping Bonded-Import, Direct Import and Retail Export. At present, Direct Import of B2B, General Export of B2B, Bonded Import of B2B2C and Retail Export of B2C are the main business models of Guangdong Cross-border E-commerce [3].

### ***2.3. Cross-border E-commerce products are suitable for promotion and sales.***

The Cross-border E-commerce products of Guangdong Province's foreign trade have the quality of being suitable for promotion and sale, and generally gather in the categories with cost advantage and high degree of standardization.

The main distribution categories of Guangdong Cross-border E-commerce export sellers are as follows: 3C electronic products, clothing, outdoor products, health and beauty, among which 3C electronic products account for the largest share. In terms of export categories, 3C electronic products, clothing and apparel have always

been in the forefront of Cross-border E-commerce sales, which is related to their low cost and large-scale standardized production. The export categories of Cross-border E-commerce in Guangdong Province are in line with the general trend, which is more conducive to the marketing and promotion of products on the Internet.

In terms of import, the import categories mainly include maternal and infant products, beauty personal care products, health care products, etc. Chinese customers always have requirements for high-quality maternal and infant products, beauty personal care and other products. Meeting this demand is more conducive to the development of Cross-border E-commerce import business.

### ***2.4. The areas of Cross-border E-commerce development present a trend of diversification.***

The main cooperation areas of Guangdong Cross-border E-commerce are distributed in the European Union, the United States and other regions. The target consumers are mainly on low and medium-income group in mature markets. Meanwhile, the emerging economies represented by India, Russia and South Africa began to release their development potential, showing a high-speed rising posture. Therefore, the cooperation between Guangdong Province and emerging economies gradually increased. The strong implementation of the "Belt and Road" initiative also highlights the diversity of Cross-border E-commerce partners [4].

## **3. PROBLEMS OF CROSS-BORDER E-COMMERCE IN GUANGDONG**

### ***3.1. The traditional foreign trade enterprises have their own shortage of capital and technology.***

In terms of capital, foreign trade enterprises are lack of funds to develop Cross-border E-commerce. If traditional enterprises want to transform to Cross-border E-commerce enterprises, they are required to reintegrate their own goods and information. Whether it is to create new departments for trial implementation or transform as the whole enterprise, it is a severe challenge for most small and medium-sized foreign trade enterprises. Firstly, some foreign trade practitioners do not have a rich understanding of Cross-border E-commerce, and stay in the idea that Cross-border E-commerce is just to open an online shop to sell goods, which leads to insufficient attention and capital investment; secondly, some enterprises have realized the development potential of Cross-border E-commerce and intend to transform, but the enterprise's own liquidity is insufficient, financing difficulties are still hanging over small and medium-sized enterprises.

At the technical level, lack of relevant experience with high-end talent and online platform maintenance are the main issues. Many traditional foreign trade enterprises in urgent need of transformation are in the dilemma of no high-end talents. Whether it is the operation and management of the third-party platform, advertising marketing or the management, maintenance and promotion of the self-built website, employees are required to have comprehensive knowledge, not only the knowledge of foreign trade, but also the computer operating skills, the physical distribution and the platform operation ability. Cross-border E-commerce companies sell their products directly to the final consumers only through the "Internet", which has higher requirements for the maintenance and management of the online platform.

### ***3.2. The logistics and customs clearance system needs to be improved.***

The current logistics and customs clearance system in Guangdong Province is not sound enough to meet the growing demand of Cross-border E-commerce transactions. Guangdong's local Cross-border logistics companies and logistics system are still in the early stage of development, and the main Cross-border E-commerce exports are through international parcels, international express companies and freight companies. Although these three ways are different, they all have disadvantages such as high logistics cost, slow logistics timeliness and return and exchange procedures issues, which cause poor experience for domestic and foreign users. The failure to effectively integrate logistics and supply chain is a major problem that restricts the transformation of foreign trade enterprises into Cross-border E-commerce.

The delivery timeliness of Cross-border E-commerce is also restricted by the current customs clearance system. The huge volume of Cross-border E-commerce has increased several times the workload of the Customs and Inspection and Quarantine Bureau. Cross-border products often need to go through a lot of procedures. The current customs clearance mode can hardly meet the needs of rapid customs clearance of Cross-border E-commerce products, and the export tax rebate is relatively slow. Although Guangdong has successively implemented some policies to simplify the customs clearance procedures of Cross-border commodities, most of them are only implemented in Cross-border E-commerce Zone, and have not been promoted on a large scale. The foreign trade enterprises that can be served are not comprehensive enough, so it is necessary to have a Cross-border E-commerce customs clearance system that can be promoted more quickly and in a large area.

### ***3.3. The credit management system is inefficient.***

The existing credit management system of Cross-border E-commerce cannot effectively guarantee the security of Cross-border E-commerce transactions, and it is easy to lead to the disorder of Cross-border E-commerce market. In the process of foreign trade import and export operation, due to the differences of laws in different countries and regions, there is no unified credit standard and supervision mechanism for the time being. Not only is the procedure of rights protection cumbersome and expensive, but also there is a lack of clear measures to deal with complaints. The transformation of foreign trade enterprises in the context of Cross-border E-commerce not only needs an effective credit guarantee system to ensure their rights and interests, but also should be able to regulate their own trading behavior and create a good developing environment for the whole industry.

### ***3.4. The export commodities are lack of brand effect, and the homogeneity of imported products is serious.***

The lack of brand effect in export commodities of many foreign trade enterprises is a major difficulty in the transformation and upgrading of enterprises. Most of the foreign trade enterprises in Guangdong Province are small and medium-sized enterprises, whose operation mode is mainly OEM production and lack of representative brands. They gain a place in the international market mainly by lowering their prices, but their advantages are not obvious. In terms of import, the homogeneity of products is serious. The small and medium-sized enterprises which mainly use the self-procurement mode occupy a large proportion. They purchase food, personal care cosmetics, etc. instead of high-quality and high-price products. It gradually leads to the homogeneous competition, which is easy to cause price war and affect the industry order.

## **SUGGESTIONS ON CROSS-BORDER E-COMMERCE IN GUANGDONG**

### ***4.1. Provide financing support and cultivate Cross-border E-commerce talents.***

On the one hand, the government issues relevant policies and regulations to guide and support the transformation of enterprises, increases financial support, strengthens financial support and improves supporting basic measures. The industry association should create a good industry atmosphere, play its positive role in promoting experience, sharing information, industry self-discipline, promote the implementation of relevant policies and measures, and help the traditional foreign trade enterprises carry out transformation and upgrading.

On the other hand, foreign trade enterprises need to stick to the bottom line, operate in good faith, establish a good image, and show their own advantages of transformation and development, so as to attract the attention of investors and win more investment.

Strengthen the quality of employees and cultivate Cross-border E-commerce talents. On the one hand, it makes the traditional foreign trade practitioners more familiar with the operation mode and skills of Cross-border E-commerce, so as to achieve the understanding and application of Cross-border E-commerce process. On the other hand, we should cultivate Cross-border E-commerce talents through multiple channels. School-enterprise partner-ship is a good way. Enterprises cooperate with universities to establish a perfect personnel training mechanism and enhance the training of high-quality personnel.

#### ***4.2. Adjust logistics mode and improve customs clearance efficiency.***

On the one hand, in order to enhance the convenience of trade, all government departments should use the Internet plus mode of thinking to jointly establish information exchange mechanism, and launch a public service platform for specific or comprehensive services such as transaction, logistics, warehousing, customs clearance, payment, settlement, tax rebate and other special services. Through the application of advanced Internet technology, the platform can materialize the data interconnection of each department, simplify customs declaration and clearance, product quarantine inspection, tax refund and other procedures, create an efficient and convenient customs clearance environment. At the same time, Guangdong can also learn the excellent experience from other Cross-border E-commerce pilot cities.

On the other hand, enterprises can adjust the logistics mode according to their own characteristics. The establishment of overseas warehouse can help enterprises save logistics costs, shorten order transaction cycle and enhance consumer experience [5]. For enterprises with weak strength and small transaction volume, they can choose a logistics company with perfect service, establish long-term cooperation with them, so as to achieve the purpose of reducing logistics costs. Enterprises choose diversified Cross-border logistics services, which is conducive to reduce transaction costs, make rational use of resources, and enhance the competitiveness of enterprises.

#### ***4.3. Strengthen the construction of Cross-border E-commerce credit system.***

First of all, the government should strengthen the construction of public credit platform, and set up special laws and regulations for Cross-border E-commerce platform and enterprise credit [5]. By rectifying the

industry norms and improving the credit certification system, the government should control the chaos of selling fake and shoddy products, infringing intellectual property rights and issuing fraudulent information, and severely crack down on these bad behaviors.

Secondly, linking enterprise credit with various resources to develop a "Credit Reference" platform for Cross-border E-commerce. We can encourage or compel the Cross-border E-commerce platform to take some responsibilities. On the platform, the credit system is established through the evaluation of the goods quality, the logistics timeliness and the after-sales service, and rewards or punishments are given accordingly.

At the same time, enterprises should establish a good sense of integrity, pay attention to business image and reputation, and treat the evaluation of credit system in a positive way. Enterprises should strengthen a positive attitude towards laws and regulations, ensure that they do not violate the law in Cross-border E-commerce activities, and learn how to apply the laws to protect their own rights and interests.

#### ***4.4. Strengthen brand building and implement product differentiation strategy.***

Enterprises should be rooted in brand building, pay attention to the improvement of product quality and service, and transform "Made in Guangdong" into "Created in Guangdong". Enterprises should make their own brand positioning, combine their own product characteristics, corporate culture with the cultural characteristics of the target market to determine the appropriate brand positioning. By analyzing the living habits and cultural customs of the final consumers, we can choose the best way to promote the products to the minds of consumers, and finally stabilize the brand image with innovative high-quality products.

In the face of product homogeneity competition, the implementation of product differentiation strategy is the best solution [6]. Innovation is one of the core competitiveness of enterprises, both export and import must fully understand the personalized demand of end consumers.

## **5. CONCLUSION**

Cross-border E-commerce makes the transformation and upgrading of foreign trade enterprises in Guangdong Province more possible, provides a powerful development model for the transformation and upgrading of enterprises, and is one of the best choices for traditional foreign trade enterprises to break through the development dilemma. Under the promotion of various favorable policies, foreign trade enterprises in Guangdong Province will be able to change their thinking concepts, make scientific and comprehensive planning of

their development strategies, and accelerate the pace of upgrading and transformation.

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