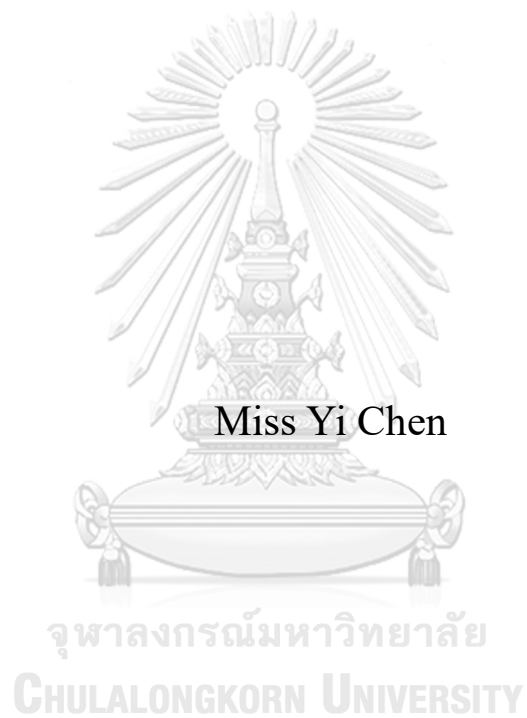Research on the development strategy of cross-border

e-commerce of Netease Kaola Overseas Shopping in China
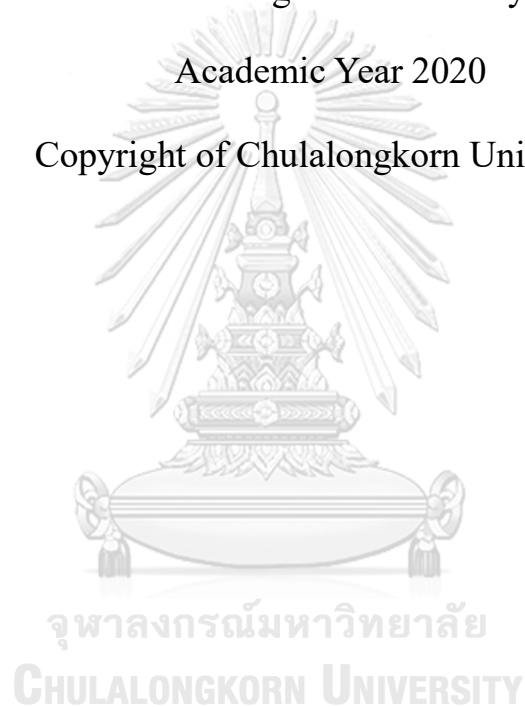
Miss Yi Chen

An Independent Study Submitted in Partial Fulfillment of the

Requirements

for the Degree of Master of Arts in Business and Managerial Economics

Field of Study of Business and Managerial Economics

FACULTY OF ECONOMICS

Chulalongkorn University

Academic Year 2020

การวิจัยเกี่ยวกับกลยุทธ์การพัฒนาอีคอมเมิร์ซข้ามพรมแดนของ

Netease Kaola Overseas Shopping ในประเทศจีน

น.ส.ยี เฉิน

Independent Study Title   Research on the development strategy of cross-border e-commerce of Netease Kaola Overseas Shopping in China
By   Miss Yi Chen
Field of Study   Business and Managerial Economics
Thesis Advisor   PANUTAT SATCHACHAI

        Accepted by the FACULTY OF ECONOMICS, Chulalongkorn University in Partial Fulfillment of the Requirement for the Master of Arts

INDEPENDENT STUDY COMMITTEE

                        Chairman
        (SAN SAMPATTAVANIJA)
                        Advisor
        (PANUTAT SATCHACHAI)
                        Examiner
        (Chalaiporn Amonvatana)

จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY

ยี่ เฉิน : การวิจัยเกี่ยวกับกลยุทธ์การพัฒนาอีคอมเมิร์ซข้ามพรมแดนของ Netease

Kaola Overseas Shopping ในประเทศจีน. (Research on the development

strategy of cross-border e-commerce of Netease Kaola Overseas Shopping

in China) อ.ที่ปรึกษาหลัก : ภาณุทัต สัชฌะไชย

-

| สาขาวิชา | เศรษฐศาสตร์ธุรกิจและการจัดการ | ลายมือชื่อนิสิต .... |
| ปีการศึกษา | 2563 | ลายมือชื่อ อ.ที่ปรึกษาหลัก |

6384052129 : MAJOR BUSINESS AND MANAGERIAL ECONOMICS
KEYWOR
D:

Yi Chen : Research on the development strategy of cross-border e-commerce of Netease Kaola Overseas Shopping in China. Advisor: PANUTAT SATCHACHAI

In the rapid growth of cross-border e-commerce, China Kaola Overseas Shopping Platform adopts the developed model of "foreign warehouse + domestic bonded warehouse", which has become an important part of the current cross-border e-commerce field in China. However, it still suffers from poor after-sales service, uninsured processes and poor consumer perception during delivery. This paper takes China's Kaola Overseas Shopping Platform as the research object, comparing to other similar platforms in the industry, and analyzes its cross-border e-commerce business by using "SWOT", "PEST" and "Five Forces Model". This results show how the company adjust its strategies to solve the current problems.

I find that in the process of cross-border e-commerce transactions, payment methods, logistics transportation and service personnel directly affect the quality of cross-border e-commerce operation, and have a great impact on its services. Although Kaola has certain advantages in technology, there are still problems in after-sales service, logistics and consumer perception. The solutions proposed in this paper are to establish the professional after-sales team, to cultivate consumer awareness, and to optimize cross-border logistics.

จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY

Field of Study:	Business and Managerial Economics	Student's Signature ....
Academic Year:	2020	Advisor's Signature ....

ACKNOWLEDGEMENTS

TABLE OF CONTENTS

Page

1.Introduction

Recently, with the continuous advancement of economic globalization, science and technology, traditional foreign trade industries have begun to embark on the road of transformation, and electronic platforms have grown significantly. Different from the traditional foreign trade, cross-border e-commerce omits many links in the traditional trade process, such as offline communication between purchasers, choice of transportation and confirmation of payment settlement. This lowers a lot of transaction costs. At the same time, cross-border e-commerce platforms also have many advantages, such as convenient payment, short payment cycle, transparent commodity information, and less search cost. Meanwhile, the reduction of cost lowers the threshold for small and medium-sized enterprises to go into the international market, and also promotes the worldwide circulation of different products, which further promotes the development of the globalization of trade.

In this paper, cross-border e-commerce refers to the e-commerce and online trading platform that transacts goods belonging to different customs boundaries, makes payment and settlement through e-commerce platform, and completes the transaction through cross-border logistics distribution of goods. Through reading relevant literature, I find that e-business has become a new business model, which has improved the globalization, concealment, anonymity, timeliness, vulnerability and relevance of traditional cross-border trade. These characteristics can be explained as follows:

1) Globalization：

Cross-border e-commerce realizes the exchange and transaction of goods between different countries and make transaction, which is borderless. This breaks the limitation of the geographical boundary under the traditional transaction. Customers can purchase the products and services through the Internet, which further facilitates the development of today's trade globalization.

2) Invisibility：

Cross-border e-commerce transactions are carried out through the network, and most transactions are presented in the form of data, pictures, audio and video, basically paperless.

3) Anonymity:

In the process of cross-border payment, both the buyer and the seller can conceal their identity and position for the sake of privacy and security. However, such a transaction method will not hinder the smooth progress of the transaction, as both parties will focus on the product itself. At the same time, such transactions face greater obstacles on regulatory and tax, and transactions can only be conducted under certain ethical constraints.

4) Timeliness:

Cross-border e-commerce transactions can be conducted online, which avoids the traditional foreign trade restrictions of banks' business hours and trading locations, and can realize 24-hour instantaneous and anywhere trading.

5) Vulnerability:

Cross-border e-commerce transactions is highly volatile and unstable because it is subject to less constraints. Deals rely mostly on e-receipt, and if one party breaks a contract, the penalties are almost nonexistent and almost unfettered. Therefore, cross-border trading requires strict moral awareness of both parties' transaction subjects, and moral constraints are greater than the ability to restrict terms. This kind of trading mode is fragile.

6) Associative:

Cross-border e-commerce transactions can track the movement and status of goods through the Internet in a timely manner. It is a kind of transaction method that integrates buyers, sellers, logistics and banks, which greatly strengthens the connection and communication between various subjects and departments, making it more convenient and fast.

Cross-border e-commerce can be roughly divided into business to business (B2B) and business to customer (B2C). B2B（Business-To-Business）refers to the cross-border transaction in which both parties are enterprises. This transaction mode is similar to the traditional foreign trade industry. The only change is that transaction happens through the internet to realize the transaction of products and services. B2C（Business-To-Customer）refers to the cross-border transaction mode in which one part is enterprise and the other is customer . Enterprises rely on the Internet platform to connect to the terminal consumers through internet, such as platform and APP, and directly sell the output to customers, without any retailer to conduct activities.

At the beginning of cross-border e-commerce, B2B was the dominant model. However, with the development of logistics and the increase of social demand, B2C model has developed rapidly and its proportion in cross-border e-commerce has also begun to rise. According to the "2019 China Cross-border E-commerce Market Data Monitoring Report" released by China E-Commerce Research Center in June 2020, B2B and B2C transactions accounted for 80.5% and 19.5% of cross-border e-commerce transactions respectively in 2019.However, according to the "Analysis Report of China's Retail Industry Market Outlook and Investment Strategy Planning", it can be seen that B2C online retail sales reached 1.7 trillion yuan, accounting for 76.8% of online retail sales. The main business of Kaola is B2C, so the rapid growth of the industry also provides a good background and environment for Kaola. To understand more about B2B and B2C, we can decompose them as follow:

1) B2B can be further divided into the information service platform and the online trading platform. The information service platform refers to the integration of the information of sellers and buyers. It does not substantially own goods or products, but only provides service, for example,

Made-in-China. The online trading platform refers to the trading platform set up by the buyers or sellers themselves. Other trading partners can directly buy or sell substantive products on this platform, for example, the websites of major retail companies.

2) B2C can also be further divided into the third party platform and the self-supporting platform. The third-party platform refers to the platform established by the third party for e-commerce sellers and consumers to conduct transactions, from which the third party can earn sales management costs, sales value-added costs and sellers' registered shop costs, etc. Sellers who use the platform can enjoy comprehensive services such as logistics company and transaction mode provided by the platform. This kind of platform completes the integration of resources, realizing the comprehensive utilization of resources, avoiding the waste, and realizes the economies of scale. Alibaba, JD, Lazada Shopee are the examples. The self-supporting platform refers to a platform which a seller sells products to consumers. The platform owns a series of hardware facilities such as supply of goods, warehouse, logistics and payment platform, and directly sells product to customer. There is no third party involved in the transaction process. China's Kaola Overseas Shopping Platform and Little Red Book are examples of this platform.
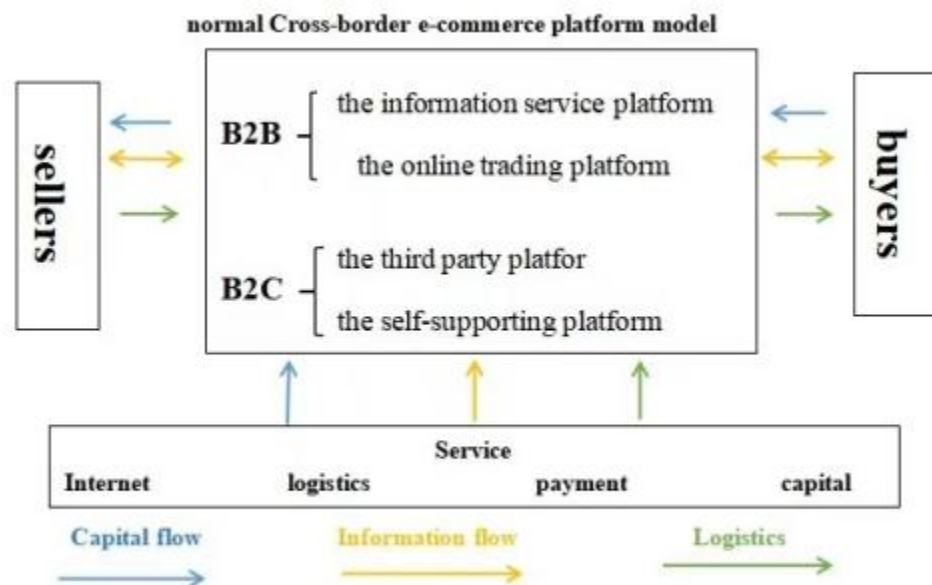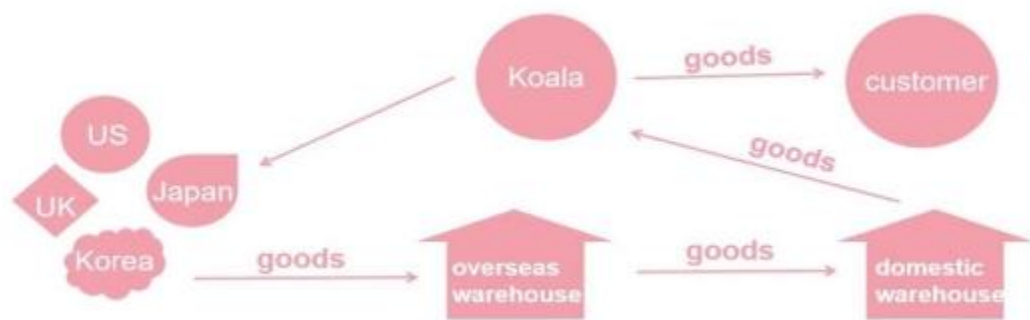

Source: Summarized by author from reports of cross-border e-commerce

Figure 1

According to "The White Paper On China's Cross-border E-commerce", cross-border e-commerce is an intermediate platform that connects buyers and sellers.

It provides information flow for buyers and sellers. After receiving the order, the seller sends the products to the customer through the platform using domestic and foreign logistics. In the whole transaction process, cross-border e-commerce provides the functions of logistics， cross-border payment， linking channels and capital circulation.

Kaola Cross-border e-commerce platform model

Source: Summarized by author from reports of cross-border e-commerce

Figure 2

Kaola Overseas Shopping Platform is a member of Alibaba's cross-border e-commerce. Alibaba Group announced the acquisition of Kaola overseas shopping platform for $2 billion on September 6, 2019.There have offices in many countries instituted offices. The company's goals are to directly eliminate fake goods from the source. When the products past the internal quality test, they will be put into the foreign storage warehouse such as United States, Germany, Japan, South Korea and Australia. And then according to consumers' demand, the products will be sent using domestic logistics in China.

As can be seen from figure 2, different from traditional cross-border e-commerce, Kaola has set up warehouses in different countries. This approach can avoid the timeliness of cross-border logistics and the impact of international environmental instability. Due to different time zones, logistic movement between different countries are difficult, so the storage warehouse solves this problem. Take the example of buying Coach bags on different platforms. Little Red Book is a traditional cross-border e-commerce platform in China. When consumers in China place an order to buy Coach from Little Red Book platform, the platform will send the order to the sellers in the United States, and then send the product back to China through international and domestic logistics. During the epidemic, there are few flights travel between countries, so cross-border direct purchases were almost impossible. But Kaola can sell the bags stored in its warehouse and that help Kaola receive some revenue.

During the discount season in the US, Kaola can make a purchase with low price and store it at Kaola's warehouse in foreign countries. When Kaola platform received the order from the Chinese buyers, it can ship the goods directly from the foreign warehouse. This way, customers can get the discount on products during the off-discount season, which gives the Kaola platform a price advantage. And Kaolas will be able to sell products stored in their warehouses during the epidemic when they cannot buy them directly. It can be seen that the Kaola model is better than the traditional cross-border e-commerce model. This is why the Kaola has become a leading company in the industry.

Kaola has been ranked first among China's cross-border e-commerce platforms with a market share of 25.8% in 2017. It shares increase to 27.1% in 2018. Kaola sales 16,002,600 yuan in 2019, an increase of 130.93% year on year, accounting for half of the cross-border e-commerce market. Until now, Kaola has become a leader in China's cross-border e-commerce market.

As the platform developed, the problems of poor after-sales service, uninsured process and poor consumer perception arised. These problems will be eventually cause a lost in consumers trust. So it is very important to solve the problems. By using the current situation of China's Kaola overseas shopping platform, this paper offers a solution to the current problems from the aspects of cross-border logistics, cross-border payment means and consumer services.

2.Literature Review

During the process of cross-border e-commerce development, many scholars on it have emerged.

Regarding industry specific issues, **Mengmeng Xu (2016)** pointed out that in the current cross-border trade, China's traditional export advantage has been weakened due to the appreciation of RMB, but the transaction volume of China's e-business has experienced an amazing growth, and the new development mode of "Internet + foreign trade" has a huge development potential in China. **Yongjun He (2017)** found that the Chinese government has issued a large number of policies to promote the development of e-business, such as tax exemption policy, import and export subsidy policy, etc. These policies have reduced the cost of China's e-business, making the rapid development of cross-border e-commerce. **Chunfen Wu (2015)** found that with the growth of population, China's purchasing demand is increasing. At the same time, with the establishment of cross-border logistics, cross-border warehouses and the continuous improvement of the banking system, import and export enterprises are more willing to conduct online transactions. At the same time, due to the fluctuation of the foreign exchange market, the Chinese government has issued policies to

continuously promote the transformation of traditional foreign trade enterprises. **Xue et al (2016)** believed that today's cross-border e-business can cut the way between both products and markets. This means of rising business convenience and business upgrading to formulate and up the meaning achievement of national policies. The article proposes to carry out reasonable market positioning, occupy the local terminal market, and then integrate the value chain to the global market. At the same time, an efficient value chain should be established to cultivate young business backbone who master all the skills of cross-border e-business services. **Wang and Lee (2017)** found that reduction of spending through policy intervention can generate comparative advantage and promote the growth of international trade. Through policy support, the Chinese government has enabled the rapid development of cross-border e-business, which has a meaningful influence on China's foreign business raise. Relevant tax exemption policies issued by the government is a great example. **Wang et al (2020)** showed that depend on science, environment changed from goods level, liking spending and quality, to supply-chain-based e-commerce service capabilities. Only by better integrating the relationship among information flow, capital flow and logistics, can cross-border e-commerce have a more reasonable and high-quality supply chain and win a larger market.

In terms of cross-border logistics, **Meng Li (2018)** pointed out that in the development of cross-border e-business, logistics is a key and is an important part of the development of cross-border e-business. In the current development of cross-border e-business, the efficiency and mode of logistics still need to be reformed, the cost of logistics needed to be reduced, and the service quality needs to be improved. **Cuiping Liu (2018)** introduced the development status of overseas warehouse as a new logistics mode and why it has been favored by all kinds of cross-border e-commerce enterprises. At present, it is an ideal logistics mode, but in the long run, it still faces the problems of high cost, low technical level and incomplete logistics policies. **Zhao (2018)** found the application of big data in cross-border e-commerce can promote marketing development, improve customer relationship management, and optimize logistics and operational efficiency. This paper emphasizes the key role of cross-border logistics in the development of e-business. **Shuyan and Lisi (2013)** pointed out traditional e-business has brought about the lag problem of cross-border logistics distribution system, including long order cycles, low efficiency, high costs, uncontrollable risks and complex procedures. The emergence of overseas warehouse realizes low cost, solves the contradiction of fast delivery. It is conducive to the optimization of cross-border e-business logistics, and can promote the development of cross-border e-business.

There are many studies on cross-border payment issues, **Hongyan Chang (2015)** found that cross-border payment is faced with problems such as lack of credibility and security, imperfect legal system and so on. Therefore, it is necessary to establish a three-dimensional risk prevention system and an international credit system as soon as possible to maintain the smooth progress and future development of cross-border

third-party payment. **Hongkun Li (2017)** found that from a legal point of view, the current development of cross-border e-business lacks the protection of consumers' rights to know, privacy, claim and fair trade, which needs to be concerned and corrected. **Bech et al (2020)** pointed out that cross-border payments are often expensive and opaque. They often use correspondent banks to transfer funds from payers to payees. Cross-border payments could continue to be reformed in such areas as rationalization of agency business processes, use of dedicated cross-border multi-currency payment systems, compliance with various anti-money laundering provisions and establishment of anti-terrorist financing mechanisms. **Gomez-Herrera et al (2014)** found that by comparing the transaction costs of online and offline in EU market, it cannot be concluded that people's preference for cross-border e-business is better than that of offline traditional trade. However, they concluded that convenient and efficient cross-border payment methods can promote the development of cross-border e-business.
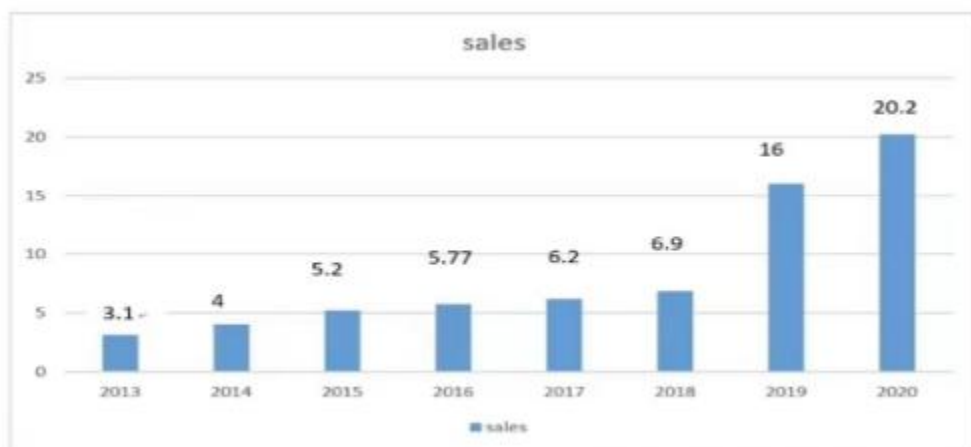
3.Data and Methodology

The data in this paper is from the 2013 -- 2020 Cross-border E-commerce Industry Report of iiMedia Consulting Data Center (authorized database in China). The report mainly selects the import and export sales as the reference data to analyze the overall market share. This paper adopts the analysis methods of "SWOT" 、 "PEST" and "The five-force model" to analyze this platform. For "SWOT", we use strength and opportunities to solve the weakness and threats. For "PEST", through the overall analysis of policy, technology, economy and society. We explore the development of Kaola in the macro context. For "The five-force model", through the comparative analysis with its competitor "Little Red Book", to understand the micro-competitive environment that Kaola is currently in.

This paper use Kaola as a research subject because of its unique business model. From 2013 to 2020, the size of China's cross-border e-commerce transactions increased from 290 million yuan to 1.03 billion yuan It has achieved rapid growth in eight years.

In terms of its supply chain, in 2018, Kaola completed commodity purchase agreements with more than 110 enterprises with a total value of nearly 20 billion yuan, and announced that the future global direct purchase plan will reach more than 20 billion dollars.
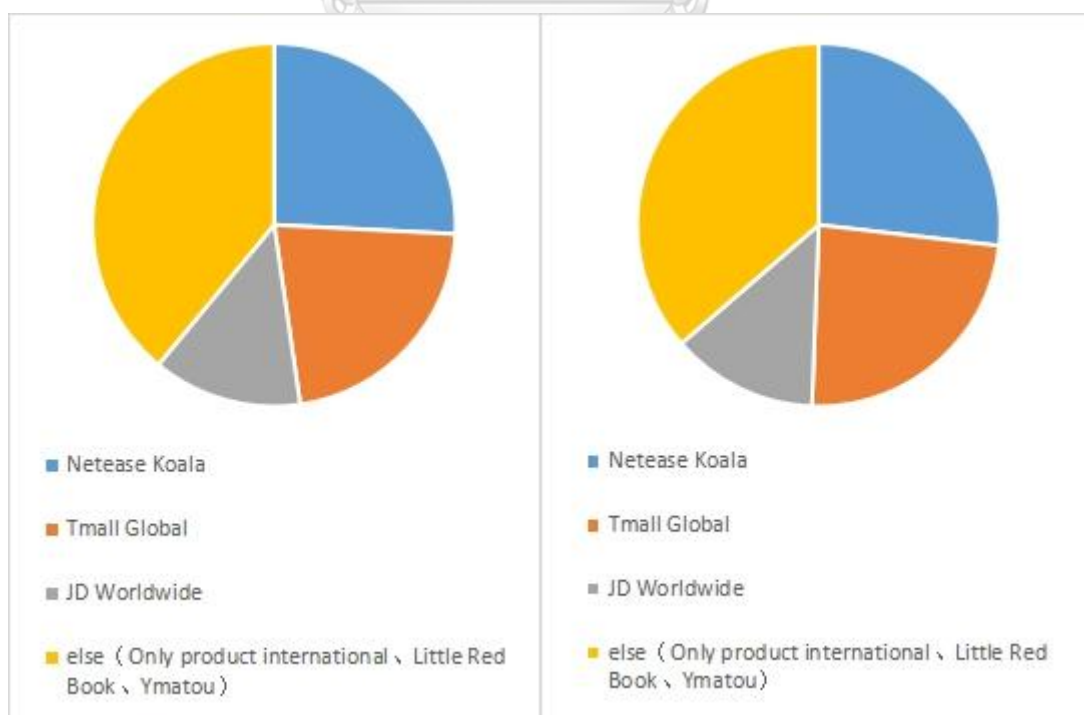
Kaola's sales between 2013-2020

Figure 3

The data is from "Kaola Development Report between 2013-2020". As can be seen from the figure 3, Kaola sales have been on the rise from 2013 to 2020. Kaola sales have been growing at a slower pace between 2013 and 2018. But from 2018 to 2019, under the condition of long-term economic growth and national policy support, Kaola help increase its expose doubled its sales in 2019, securing its top position in China's market.

market share distribution of China's cross-border e-commerce platforms in 2017 and 2018

Figure 4

The data is from "Kaola Development Report between 2013-2020". For figure 4, it can be seen that Kaola ranks first in 2017 and 2018, accounting about 1 / 4 of the overall relevant market of China in 2017 and increase to 30% in 2018.

In this section, I consider three methods to analyze the Kaola's business model. By using the "SWOT" analysis, for China's Kaola overseas shopping platform can quickly analyze the internal advantages and disadvantages as well as external opportunities and challenges. Quickly prioritize the threats and challenges it face , and give priority to solve the problems.

1. S：(strength)

① From the industry report of Kaola Overseas Shopping between 2013-2020, we can see that the Chinese Kaola Overseas Shopping Platform is supported by a large Chinese Internet company netease, and netease is very mature in management and technology. The company has a lot of high-quality procurement and technical personnel, with a team specializing in cross-border e-commerce research. They can timely adjust the platform structure according to market needs. Internet companies are driven by technology, and innovation in technology leads to innovation in services. Kaola Overseas Shopping Platform has launched various innovative services, such as "skin care and makeup combination" and "skin quality inspection", in order to continuously attract consumers and innovate consumption services. Excellent innovation capability provides Chinese consumers with the confidence to consume on the platform.

② The popularity of netease in China guarantees the quality of the platform to a certain extent, and it has a certain effect, increasing customer demand and customer stickiness, and makes the platform products more competitive and occupies a large proportion of the market. Bonded warehouse storage helps consumers save the cost of shopping.

③ The logistics model of "foreign warehouse and domestic bonded warehouse" and the establishment of big data help ensure that the products are authentic, consumers can get the products in a timely manner. It alleviates the disadvantages of the offline purchasing industry in the past, which is impossible for many platforms in the same industry to achieve.

2. W:(weakness)

① We can know the cost of maintenance and development of the platform is high in the industry report between 2013-2020, and the simultaneous operation of domestic and foreign warehouses requires a large amount of working capital. Take the example of fresh products, such as frozen high-quality fruits, seafood, milk powder, health products, etc. In order to ensure the quality of the products, when the products exceed a certain storage date, will destroy them, they will cause serious loss.

② Transnational logistics transportation is easily affected by the international environment , and is instability. For example, this year as a result of COVID-19, logistics channels between a lot of countries fuse off, and unable to import and export.

At the same time, the flow of products is sometimes hindered by the influence of national political policies.

③ The incomplete management leads to the entry of fake goods into the platform. Offline direct purchase, to a certain extent, will have the risk of counterfeiting, if the platform does not check for the source of goods. This will damage the image of the platform, and seller reputation. Therefore, special quality inspection departments and institutions have to be set up, which increases the cost.

3. O(opportunity):

① According to "the 44th Statistical Report on China's Internet Development" released by the China Internet Network Information Center (CNNIC), by June 2019, the number of Internet users in China had reached 854 million, with the overall Internet penetration rate as high as 61.2 percent, and nearly 640 million of them used online shopping. Broad market potential and continuous market demand are the fundamental driving force for the sustainable development of Kaola Overseas Shopping Platform. In the future, Chinese people's demand for world products will continue to increase, and will provide new development opportunities for the platform.

② National policy support also provides a guarantee for the development of the platform. For example, every year Chinese government will issue policies conducive to the development of cross-border e-commerce platforms by establishing e-commerce pilot programs subsidized by policies and money, and studying new ideas and breakthroughs in the growth of cross-border e-commerce. At the same time, China has made it clear that cross-border e-commerce platforms enjoy preferential. Meanwhile, policies such as tax refund and exemption for import and export goods. This will help reduce the operating costs of cross-border e-commerce platforms and simplify the relevant business procedures.

4. T(threat）：

① Cross-border payment is characterized by high risk. Due to the huge differences in the development of regulatory systems, credit standards, legal environments, religious beliefs and level of economic development, problems such as information asymmetry and difficulties in safeguarding rights will occur during the process of transactions. In addition, due to the time difference between different regions, it may cause problems such as delayed payment.

② The unstable international environment has made it more difficult for platforms to develop. For instance, in the trade war between China and the US, the United States raised tariffs, increasing the price for Chinese consumers to buy American products and resulting in a decline in the sales of American products on the platform. In the current social development, most countries prefer to respond to international conflicts by means of economic sanctions, and the adjustment of import and export tariffs is an effective method. Major companies have begun to pay attention to the e-business trade, making Kaola overseas shopping platform is facing more intense competition in the same industry. For example, China's JD International,

Alibaba International and other large online companies are also constantly innovating and developing to further occupy the proportion of whole market and win the favor of consumers.

The SWOT analysis can be summarized in the following Figure 5.

Figure 5

PEST is an analysis that considers the macro environment of an enterprise. Through the analysis of the political, economic, cultural and technological environment. China's Kaola overseas shopping platform can keep up to the trend of the era and seize the opportunity to achieve higher development.

1. P (political environment)：

With the increasing number and scale of cross-border e-business development, China currently supports the development of e-business in its policy.

In 2016, the Chinese government issued "The Notice on Tax Policies for Cross-border E-Commerce Retail Exports", which further rectified and improved the tax policies for cross-border transactions. Later, a meeting of the Chinese government where national policy is made, proposed to increase cross-border e-commerce, which further contributed to higher import and export retail sales. In the same year, China's customs also announced regulations on cross-border e-commerce, encouraging the import and export of scarce products between different countries through cross-border e-commerce with lower tax.

In 2018, the concept of "Internet +" was put forward by the government, and the original foreign trade industry was taken as the main force to combine with the Internet to vigorously develop cross-border e-commerce platform. This policy helped and supported cross-border e-commerce companies to establish overseas marketing sites, settlement methods, logistics and transportation through relevant fiscal policies. In April of the same year, the first comprehensive pilot zone for cross-border e-commerce was established in Hangzhou, Zhejiang. With the support of strong tax exemption policy and free storage, it created new demand for foreign trade and improved quality and quantity. At the same time, we also consider the Belt and Road

Initiative, which promote "Commodity Globalization" in a new way, and realize new development of the "Online Silk Road".

In 2020, China issued "the Policy on Supporting the Development of Cross-border E-commerce" to encourage the development of excellent cross-border e-commerce platforms. With the technical support, we realized the sharing of cross-border e-commerce infrastructure. This help to promote the exchange of talents within the cross-border e-commerce parks, and encouraged the holding and participation of online export fairs.

2. E (economic environment):

With the economic globalization and the continuous development of public's living standards around the world, e-business has spread rapidly worldwide. Meanwhile, the development of the Internet has also facilitated the life of people in all countries. Changes in people's world outlook, their pursuit of quality of life and the shortage of local resources all accelerate the growth of e-business industry worldwide. For China, further growth in per capita disposable income has led Chinese consumers to focus more on high-quality goods from different countries.

The traditional foreign trade industry is faced with problems such as poor consumer perception. Through the all stages of e-business, it has realized the concept that consumers can consume goods from around the world without leaving home, which is greatly convenient and meets the needs of Chinese consumers. In order to meet a wide range of consumer needs , and ensure the quality of products. China's Kaola Overseas Shopping Platform established direct purchasing agencies in different countries.

3. S (social environment):

Nowadays, a large number of products are constantly updated and upgraded to better satisfy consumers and gain a larger market share. Recently, with the crazy growth of cities, not only the needs and cognitive of consumers are rapidly developing, but also the facilities of various trade are constantly improving. The development of overseas purchasing activities, domestic product storage warehouses, transnational logistics, etc., all provide considerable support for the platform's development. Meanwhile, the continuous progress in financial technology also provides convenience for the platform's development, such as the loan service for Chinese small enterprises

The shift in consumer behavior provides a major opportunity for the growth of this industry, as Chinese costumers begin to pay attention the best quality products that different countries can offer. China's Kaola Overseas Shopping Platform makes use of its own overseas storage warehouse to purchase and store goods in discount season and sell them throughout the year, so as to meet consumers' desire of overseas shopping at any time without the need to face high purchase costs and can enjoy discounts all the time.

4. T (technological environment):

With the boom of communication science, the understanding and communication between consumers require more and more attention. The digitization of logistics information shortens the time of previous logistics links, and make communication more convenient and faster than previous manual procurement. Meanwhile, the digital processing of logistics information error rate is lower, which help reduce the dispute during the transaction. Through big data, overseas warehouse can timely match the clicks and orders of the platform. And this will grasp the purchasing demands of consumers for products from different countries. Meanwhile, inventory costs required by traditional foreign trade can be avoided, and improve its competitiveness.

In foreign countries, though the banks, platforms through many different countries can directly use RMB to pay for the products. With the support of the bank's payment system, the rapid conversion of foreign currency exchange rate is realized, and can be solved the problem that traditional foreign trade cannot convert and pay the exchange rate in time.

The last tool is the Five-force analysis which considers the effective of the customer's competitive environment, and it has a global far-reaching impact on enterprise strategy formulation. This paper uses "Little Red Book" its competitor as a comparison to find out the industry competition environment of this industry. By comparing with the competitor, it found the following advantages and disadvantages in the pricing, logistics, marketing mode and other aspects.

Bargaining power of suppliers:

Most of the Kaola's goods are supplied by international brands. These products have high brand effect, high market share and good customer stickiness. However, the sales scale of these foreign brands in China is not very stable due to geographical, transnational logistics and emergency restrictions. The establishment of the Kaola builds a very stable platform, which can ensure the sales of the brand, and minimize the loss of the brand in the special period. Because Kaola provides a stable sales channel for international brands, so they cannot raise prices at will. If they raise the price, the Kaola may not sell these brands anymore. So their bargaining power is relatively weak.

Bargaining power of buyers:

According to the 2016 Research Report on China's Cross-border Online Shopping Users, most people who are keen on overseas online shopping are older with higher education and higher personal income. Kaola mainly sells international brands for high quality customers. These customers tend to want high quality rather than low prices. What they like more is that the Kaola has created a platform that can satisfy their needs to buy international brands without going abroad. Kaola provides a platform for them not to go abroad to buy products from different parts of the world. Therefore, these overseas online shopping users have weak bargaining power.

Threat of new entrants:

The growth of cross-border platform requires a stable and high-quality supply of goods, efficient cross-border payment and convenient transnational logistics system.

Therefore, if a company wants to build a new platform, it needs to have a solid economic foundation, a reliable bank credit background and a great relationship with domestic and foreign express delivery companies. Therefore, the barriers of this market are still very high. At the present stage, multiple monopolies, economies of scale, stable market share and other factors hinder the entry of new enterprises. So the Kaola does not face much of a threat from new entrants.

Threat of substitutes：

The biggest alternative to the Kaola today is the official websites of international brands. Due to geographical limitations，the official websites of international brands have launched sale to sell their products to consumers. Buying goods on the website can eliminate fakes at the root of the problems. However, direct sale from the official website is faced with the problem of time difference, and language barrier. Customers also cannot buy multiple brands in one order. But the Kaola is a good solution to these problems. By integrating a large number of global brands into one platform, users can search their favorite brands at any time. The platform also has professional personnel for customs, so users only need to provide their own identification. Thus, the Kaola is unlikely to be replaced.

Rivalry:

This paper makes a comparison with Little Red Book to analyze the competitive environment in the same industry. Little Red Book perfectly connected shopping sharing community with itself platform, opening an interactive C2B consumption model for users. Firstly, you can watch others share like the pictures they try on the clothes they bought on the APP, such as lipstick color, dress collocation, and skin care products use feelings. If you are interested in it, you can directly order it and have the same products as the sharer. The followings are comparison between Little Red Book and the Kaola:

	Kaola	Little Red Book
product positioning	self - oriented direct postal	community - oriented direct postal
model	B2C	B2C+UGC
unique point	bonded warehouse	community share

The advantage of Little Red Book is that you can see how other users understand about the product before deciding whether to buy it. This operation mode allows users to feel the product more intuitively, and can also collect experience from other users. This can make users feel comfortable and can make a quick decision in a short time. But with the development of the community, problems like some stores sell fake products appear. A large amount of sharing with the product makes it impossible for new users to accurately understand the functions and features of the product. Therefore, advertisements cannot be accurately placed and it is difficult to reach a deal in the end. And with the number of users continues to increase, many bloggers

with a large number of fans began to sell fake goods jointly with product merchants to make a lot of profits. It also can cause anxiety, which is not in line with the concept of rational consumption that China tries to promote.

Kaola buys their products directly from abroad and store them in overseas warehouses. This can eliminate fake products from the source. At the same time, Kaola can learn from the community operation model of Little Red Book to increase functions and improve user stickiness. According to the product recommendation algorithm to improve the user conversion. Such as add plate list and other functions to find hidden customer needs. It can provide more intuitive reference for customers to purchase products, and develop a set of concise product recommendation module rate. Kaola can achieve the functions like accurately search keywords, fast search and constantly reduce user input to improve the user experience. But at the same time, Kaola should also strengthen the administration of the community, focus on the protection of users' personal privacy, and creating a relaxed atmosphere. The Kaola can solve the disadvantages of the Little Red Book, but they cannot achieve the advantages of the Kaola, like warehouse.

4.Results

By using the analysis methods of "SWOT", "PEST" and "The Five-Force Model" , there are the three main problems currently facing are: poor after-sales service, uninsured process and poor consumer perception. The following is an analysis of three problems:

1) **Poor after-sales service:**
Through SWOT analysis, it is concluded that Kaola is facing the risk of fake goods and unstable logistics. These risks indicate that consumers will return their products on the platform in the future. In addition, we can see from the threats that there is a gap in time and distance between the cross-border payment systems. Therefore, Kaola needs to pay attention to after-sales service like express return and logistics complaints.

2) **Uninsured process:**
Due to the long distance and long-time of transportation, Kaola always receive complaints about logistics, like package damaged. On the other hand, consumers are more likely to buy some products that are difficult to be worn out during transportation. So few consumers are willing to buy food and other products.

Through SWOT and Five-Force analysis, we know that although the current digital logistics has been established and is constantly improving, there are still many difficulties to be solved. In the whole process of logistics system, goods in transit can be perceived through big data, solving part of the standardization problem. By letting

consumers understand the whole process of commodity transportation is a good way to improve consumer satisfaction.

3) Poor consumer perception:

As sales are carried out through the Internet, consumers can't learn the products with eyes and touch. This leads to the deviation of consumers' understanding of the products, which is also an important reason for consumers to return goods. Therefore, improving perception of products can avoid the problem of a large number of consumers returning goods to a certain extent. This will also lower the cost of logistics and transportation. Through SWOT and PEST analysis, we can see that with the development of population and economy, consumers begin to focus more on the quality of goods rather than the price. So in this process, consumers will focus more on the satisfaction of the whole shopping process. However, cross-border e-commerce often has poor consumer perception due to off-site purchase and long-distance transportation.

Based on the above analysis results, this paper proposes targeted solutions from the aspects of payment methods, logistics and transportation, and employees. The platform wants to improve the customer satisfaction of the platform and establish a better brand image:

Poor after-sales service:

To solve this problem, Kaola needs to build a special after-sales service team. It needs to recruit qualified personnel with professional knowledge and ability to deal with after-sales issues such as improving the importance of after-sales service, improving the salary of after-sales staff, improving the promotion system of after-sales staff. It also can conduct regular professional knowledge training for employees, carry out real-life teaching and operation of specific cases, and improve the ability of after-sales staff to solve specific problems.

Payment methods are different in different regions and countries according to the habits of buyers and sellers in different countries. The platform need to strengthen the connection with banks and third-party payment platforms. For example, credit cards are more widely used in European, American and Australian countries, while mobile payments are more frequently used in Southeast Asian countries. Therefore, PayPal, credit card and Alipay, which are widely used in the world, should be used as the main means of payment. At the same time, the payment and refund can be made in the same currency at the same time, so consumers can avoid the problem of receiving Dollars when paying in RMB. It is convenient for consumers to make multiple consumption.

At present, most cross-border logistics around the world adopt international special line and sea freight logistics. With the rapid development of just-in-time logistics, international logistics are still faced with many problems, such as long transportation time, lost and damaged goods, high transportation prices, and unsmooth cross-border logistics connection. China's Kaola Overseas Shopping Platform can form strategic cooperation with major domestic express companies to achieve batch

express delivery and delivery. In China, for example, different regions and different courier companies need to cooperate to achieve regional optimization. At the same time, large-scale collection and delivery can save express costs, and achieve more efficient with lower cost international logistics.

Uninsured process:

As express companies are faced with the sending and receiving of a large number of products, it is sometimes easy to ignore the quality of logistics. Therefore, platform needs to pay attention to the logistics quality. And set up a logistics inspection team to monitor in-transit products through photos and videos in real time. The inspection team shall confirm the quality of all products when the products are sent through the foreign warehouse, and take protective measures when packing the products, such as placing a large number of sponges and foam to prevent the products from bumping. When the product enters the customs of another country, the local logistics inspection team should take the way of sampling out of the box to check the quality of the product transportation. If the damage rate of the product is large, it is necessary to communicate with the express company to jointly negotiate the measures to ensure the quality of the logistics. At the same time, different kinds of logistics should be divided. Fragile products are not delivered the same as ordinary products, but are delivered separately with protective measures.

And Kaola needs to buy insurance for international express delivery. General Express buys general loss insurance. Protection insurance for fragile products and luxury goods can compensate the consumer. In this way, the compensation risk of the platform can be transferred to the insurance company. And at the same time, consumers' satisfaction can be improved. So consumers' consumption has a certain economic security, and it is conducive to promoting consumers to buy again. Although the purchase of insurance increases the cost, it can fundamentally guarantee the reputation of the platform and avoid the high compensation cost of the platform for the products.

During the express transportation, timely feedback of the position of the product can help consumers with a very clear location of the products they buy, such as when the product is shipped, passed through the customs, entered the transit country, arrived at the domestic duty-free warehouse, delivered from the domestic duty-free warehouse, and arrived at the residential area of the consumer. At the same time, the platform should also timely update the expected arrival time of express delivery and the delayed information of logistics. It can make consumers timely adjust the plan of using the purchased products, and avoid delays due to express delivery problems. This will help the consumer can perceive the movement of the purchased product and improve the sense of security of the consumer.

Poor consumer perception:

Unlike offline shopping in the past, it is difficult for consumers to determine whether a product is suitable for them through pictures and videos. Through VR technology, consumers can observe their favorite clothes, lipstick color and

foundation color on themselves. So they can accurately determine whether they will buy this product. VR technology gives consumers a more realistic sense of experience, increases the pleasure of consumers' shopping. The use of VR technology in cross-border e-commerce platforms facilitates consumers' shopping better. It can save consumers' shopping time and reduce the discomfort when they go shopping Kaola has to.

Manage consumer expectations: Customer satisfaction comes from comparing the customer's own experience with their own expectations. In order to further enhance the perception and satisfaction of customers, the platform should operate in an open and sincere manner. For example, it should not compete with other platforms maliciously through price wars, which leads to the phenomenon of selling low-quality or fake goods to consumers. At the same time, the platform can be enhanced to attract more customers, and sell alternative products in bundle to provide more convenience for consumers to purchase.

The platform should establish accurate comment areas for different products to facilitate consumers to do review. It can improve consumers' perception of products. Generally speaking, for a product, purchase frequency and related comments of other consumers will directly and effectively affect the purchase of other consumers. The platform can manage the consumer comment area by selecting some reasonable comments on the top, and increasing the exposure of these good comments. Doing will promote new consumers to buy. For example, in the comment area of skin care products, options such as country, region, age and skin status can be added. In this way, when consumers view the comments. Then they can more clearly perceive the feeling of using the products of people with the same characteristics as themselves, so they can decide whether to buy the same products based on such comments. At the same time, for some bad or not objective comments, we will provide accurate after-sales service and one-to-one solve the problems that consumers are not satisfied with, so it can further improve the customer satisfaction.

5.Discussion

Based on the study of Kaola Overseas Shopping Platform, this paper summarizes the common problems, and puts forward a series of development measures for the future development of the cross-border e-commerce industry.

In case of Kaola, we find that Kaola has to optimize sellers' perception of complaints and improve the quantity and quality of complaints resolved. To do so, it has to expand the channels for complaints. The platform can establish a professional team to deal with complaints, and set up a special line for complaints. It also can realize the form of work assignment from responsibility to person, and solve the

complaints within a specific time. After the problem is solved, the customer who has complained should be revisited to improve the customer's experience and satisfaction.

Kaola needs to maintain the software facilities of the platform in real time, and carry out technical innovation continuously. The service capacity of platform broadband in special period will be enhanced during special occasions or holidays, such as "Double 11 Shopping Carnival" in China and "Black Friday Shopping Carnival" in European and American countries. During these periods, the page views of cross-border e-commerce platforms will surge, and the usual broadband service capacity may not be able to support it normally. The platforms should make corresponding preparations and remedial measures in advance to ensure that consumers can use the platform smoothly. At the same time, Kaola should vigorously use big data technology. By observing the characteristics of consumers' clicks, page views and stay time should be used to accurately recommend products to customers.

The platform can create some new functions to expand the user groups and potential customers of the platform, such as short video and other functions. Gradually, the cross-border e-business platform which could only buy and sell products in the past has developed into a platform integrating entertainment, shopping and social networking. By creating the function of short video, Kaola should set up a special area for customers to share, and increase the exposure of customers to the products they want to buy.

In short, the future platform should develop towards a more professional, comprehensive, flexible, rational and transparent business.

6.Conclusion

This paper uses Kaola Overseas Shopping Platform as subject to understand cross-border e-commerce. "SWOT", "PEST" and "Five Forces Model" are used as analysis methods to analyze the specific development situation of Kaola. According to the analysis, the Kaola's current problems are poor after-sales service, uninsured process, and poor consumer perception. Combined with the current development advantages of Kaola, this paper puts forward solutions to the problems. For poor after-sales service, Kaola can set up special groups to solve this problem. For uninsured process, Kaola can establish logistics information timely response system. For poor consumer perception, it can be improved by using VR and improving comment area.

REFERENCES

[1] 徐萌萌. 中国跨境电商发展的现状及问题研究[D].安徽大学,2016

[2] 吴春芬. 传统外贸企业向跨境电商转型研究[D].江西财经大学,2015.

[3] 赫永军. 我国跨境电商的发展现状及问题研究[D].东北师范大学,2017.

[4] 季雪珺. B2C 跨境电商平台对我国外贸的发展分析[D].首都经济贸易大学,2016.

[5] 李梦. 中小跨境电商企业物流效率及其影响因素研究[D].安徽财经大学,2018.

[6] 刘翠萍. 我国跨境电商海外仓建设研究[D].江西财经大学,2018.

[7] 李洪坤. 跨境电商发展相关法律问题研究[D].山东大学,2017.

[8] 常鸿雁. 我国第三方跨境支付现状及其发展对策研究[D].浙江工业大学,2015.

[9] 潘勇. 我国跨境电商的现状，问题与未来发展. 理论视野, 2017.

[10]Gomez-Herrera, E., Martens, B., & Turlea, G. (2014). The drivers and impediments for cross-border e-commerce in the EU. *Information Economics and Policy*, *28*, 83-96.

[11]Xue, W., Li, D., & Pei, Y. (2016). The Development and Current of Cross-border E-commerce. *WHICEB 2016 Proceedings*, *53*.

[12]Wang, Y., & Lee, S. H. (2017). The effect of cross-border e-commerce on China's international trade: An empirical study based on transaction cost analysis. *Sustainability*, *9*(11), 2028.

[13]Kawa, A. (2017, April). Supply chains of cross-border e-commerce. In *Asian Conference on Intelligent Information and Database Systems* (pp. 173-183). Springer, Cham.

[14]Wang, Y., Jia, F., Schoenherr, T., Gong, Y., & Chen, L. (2020). Cross-border e-commerce firms as supply chain integrators: The management of three flows. *Industrial Marketing Management*, *89*, 72-88.

[15]Zhao, X. (2018, October). A Study on the Applications of Big Data in Cross-border E-commerce. In *2018 IEEE 15th International Conference on e-Business Engineering (ICEBE)* (pp. 280-284). IEEE.

[16]Mou, J., Zhu, W., & Benyoucef, M. (2019). Impact of product description and involvement on purchase intention in cross-border e-commerce. *Industrial Management & Data Systems*.

[17]Liu, X., Chen, D., & Cai, J. (2015). The operation of the cross-border e-commerce logistics in China. *International Journal of Intelligent Information Systems*, *4*(2), 15-18.

[18]Wang, X., Xie, J., & Fan, Z. P. (2020). B2C cross-border E-commerce logistics mode selection

considering product returns. *International Journal of Production Research*, 1-20.

[19]Shuyan, C., & Lisi, X. (2013). Research on the overseas warehouse construction of cross-border e-commerce. *Association for Information Systems AIS Electronic Library (AISeL) WHICEB 2013 Proceedings*.

[20]Coad, A., & Duch-Brown, N. (2017). *Barriers to European cross-border E-commerce* (No. 2017-03). JRC Digital Economy Working Paper.

[21]Zhenhua, Y., & Qiang, S. (2015, September). Problems in cross-border e-commerce export trade in China & countermeasure analysis. In *2015 Conference on Informatization in Education, Management and Business (IEMB-15)* (pp. 848-854). Atlantis Press.

[22]Bech, M. L., Faruqui, U., & Shirakami, T. (2020). Payments without borders. *BIS Quarterly Review, March*.

VITA

NAME	Yi Chen
DATE OF BIRTH	14 June 1998
PLACE OF BIRTH	China
HOME ADDRESS	Datong City, Shanxi Province, PRC.