

Current Situation and Trend Analysis of Cross-Border E-Commerce Overseas Warehouse under the Background of Epidemic

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Abstract: *The spread of the global epidemic has caused the online retail industry in major countries and regions to enter a period of rapid growth, and the penetration rate of e-commerce in overseas consumer markets has further increased, so the overseas warehouse industry has ushered in a window period of development opportunities, and in the post-epidemic era, the competitive situation of overseas warehouses has come to the fore and has begun to enter an era of scale, compliance, informationization and intelligence. With the support of national and local policies, new industries and new modes such as overseas warehouses are becoming the key areas supported by policies. At the same time, capital increases investment to raise the entry threshold of such heavy asset industries as overseas warehouses, thus further enhancing the concentration of the entire cross-border logistics industry, and the development of the overseas warehouse industry has also jumped to a new level, and the market demand for overseas warehouses has become more prosperous.*

Keywords: Epidemic, Cross-border-commerce, Overseaswarehouse, Currentsituation, Development trend

1. Introduction

When the global epidemic spread in 2020, the online retail industry in major countries and regions entered a period of rapid growth, and the penetration rate of e-commerce in overseas consumer markets has further increased. Driven by national policies, cross-border e-commerce platforms, cross-border e-commerce head enterprises and logistics giants, the overseas warehouse industry has ushered in a window period of development opportunities. According to the data released by Ministry of Commerce of the People's Republic, in 2020, the number of overseas warehouses in China has exceeded 1900, with a total area of more than 13.5 million square meters. The business scope radiates around the world, among which the number of overseas warehouses in North America, Europe, Asia and other regions accounts for nearly 90%. In the current epidemic environment, overseas warehouses have become the key cornerstone and important carrier for the development of China's industrial chain and supply chain. At the same time, the development of the Silk Road Economic Belt has given new opportunities for cooperation between China, Europe, Central Africa and China-ASEAN. The rapid development of cross-border e-commerce and cross-border logistics has directly promoted the efficient cooperation of regional economy and trade of "Silk Road e-commerce".

In 2021, the uncertainty of cross-border e-commerce market is increased by the superposition of international trade friction, Amazon's "store closure trend", new regulations of EU VAT, sea freight prices soaring and other factors. Due to the impact of the outbreak of the epidemic, problems such as port congestion, container shortage, and uncertainty in the time of final delivery have once again refreshed. In the post-epidemic era, the competition situation of overseas warehouses is prominent, and it has begun to enter the era of scale, compliance, informatization and intelligence.

In 2020, the epidemic economy directly promoted the rapid development of cross-border e-commerce overseas warehouses, and presented a new development trend.

1.1 "Overseas warehouse" under policy support

Under the support of national and local policies, new business models such as overseas warehouses are becoming the key field of policy support. "The 14th Five-Year Plan" of China clearly stated that it is necessary to encourage the construction of overseas warehouses and ensure the smooth operation of the foreign trade industry chain and supply chain. The Ministry of Commerce is also steadily promoting the special operations of high-quality development of overseas warehouses. The key contents include strengthening the cultivation of subjects, improving the service network of overseas warehouses, promoting digital development and construction of overseas warehouse standards, and deepening international cooperation. In June 2020, the General Administration of Customs issued the "Announcement on Carrying out the Pilot Export Supervision of Cross-border E-commerce Enterprises" and added the customs supervision code "9810" (full name "Cross-border E-commerce Export Overseas Warehouse"), which provides a compliant reporting channel for domestic enterprises to deliver goods to overseas warehouses through cross-border logistics; On December 29, 2020, the Ministry of Commerce issued the "Letter on Printing and Distributing the First Batch of Excellent Overseas Warehouse Practice Cases, Good Experiences and Good Practices", emphasizing the need to support the promotion of high-quality development of cross-border e-commerce overseas warehouses; In July 2021, the State Council issued the "Opinions on Accelerating the Development of New Forms and Models of Foreign Trade", clearly proposing to accelerate the construction of new

Volume 12 Issue 3, March 2023

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foreign trade infrastructure and improve the overseas warehouse network covering the world. By 2025, we will strive to cultivate about 100 outstanding overseas warehouse enterprises with outstanding performance in information construction, intelligent development, diversified services, localized operations and so on.

1.2 Capital promotes the rapid development of overseas warehouse industry

The new coronavirus epidemic in 2020 has brought profound changes to the cross-border e-commerce industry: Anker innovates to achieve independent IPO listing; SheIn presents capital and industry a blueprint of hundreds of billions of cross-border enterprises; factors such as the spread of the epidemic, FBA restrictions on warehousing, and the suspension of a large number of routes have promoted the concentrated outbreak of overseas warehouse dividends. Therefore, a large number of cross-border e-commerce enterprises and logistics providers have accelerated the process of building or expanding warehouses, and capital has also sniffed out the opportunities. In 2020, Zongteng Group announced that it would obtain a round C financing of 500 million yuan; Fanding International obtained a round A financing of billion yuan or more; Xingyun Group completed US \$200 million round C financing, etc. The increase of capital investment has raised the entry threshold of heavy asset industries such as overseas warehouses, which has further increased the concentration of the entire cross-border logistics industry, and the development of the overseas warehouse industry has also jumped to a new level.

1.3 Strong demand in overseas warehouse market

In 2020, driven by the epidemic economy, the growth rate of online retail sales in mature markets represented by the United States and European Union countries, as well as emerging markets such as Southeast Asia, the Middle East and South America, is generally higher than 15 %. The soaring market demand has opened a huge incremental space for cross-border e-commerce export enterprises, and the market demand for third-party overseas warehouses has shown a geometric growth. As a result, the rapid growth of overseas warehouses has been quickly pushed into the spotlight and become a battleground. Domestic logistics providers, international freight forwarding companies, express delivery companies, cross-border e-commerce giants and other players have accelerated the process of building or expanding overseas warehouses; In April 2020, Alibaba's AliExpress and Cainiao launched the "Overseas Warehouse Chunlei Operation", adding French, Polish and Belgian warehouses; in the second half of 2020, Desifang has added warehouses in the United States and other places, with an additional expansion area of more than 100,000 square meters. In 2021, it will achieve a layout of more than 500,000 square meters; in 2021, the new overseas warehouse area of the barn will be 300,000 square meters, with a total area exceeding 1 million square meters, becoming China's first

million-level overseas warehouse enterprise; in 2021, China Post intends to expand its warehouses in the United States, France and other countries, while building new overseas warehouses around the countries along the "Belt and Road". Domestic logistics giants Jingdong, Shunfeng, Yunda have also run into the ranks of cross-border logistics.

1.4 The multiple effects of "store closure trend"

Since April 2021, Amazon has frozen the accounts of many Chinese merchants on its platform by using format clauses such as false comments of the "seller's code of conduct". According to Marketplace Pulse's survey data, since the end of April, the number of Chinese merchants has been expanded to about 300. The biggest problem brought by the "store closure trend" is that after the account funds are frozen, the seller's supply chain and capital flow break, and a series of impacts will spread to every link of the cross-border e-commerce supply chain, among which cross-border logistics providers bear the brunt. The seller's inventory is overstocked, and the stockpiling of unsold products increases the risk of abandonment. Some sellers cut prices to clean up inventory, and cash flow is greatly affected. This shortage of funds makes it difficult for sellers to pay for management costs of overseas warehouse, which is likely to cause bad debt risk for overseas warehouse service enterprises. On the other hand, the incident also suggests that Chinese cross-border e-commerce enterprises must pay attention to compliance management when expanding overseas markets, comply with platform rules, carry out business activities under the premise of legal permission of the target market host country, carefully study external factors such as laws, culture and business manners of various countries, and strengthen the compliance management of cross-border e-commerce enterprises. Amazon's "store closure trend" incident has made more and more enterprises attach importance to multi-channel, diversified and multi-platform operation, relying on independent stations and cross-border e-commerce platforms in emerging markets such as Lazada and Shopee to open up overseas markets, with the help of third-party overseas warehouse resources to build their own international logistics network system, and enhance the ability of intermodal, transshipment and distribution of overseas logistics nodes.

1.5 The overseas warehouse becomes the overseas operation center of "brand going abroad"

At present, with the rise of DTC (Direct To Customer) model, cross-border e-commerce has entered the era of "brand going to sea" from "product going to sea". By integrating the resources of domestic supply chain and overseas terminal channels, relying on the warehouse distribution integration function of overseas warehouses, realize the digitalization of the whole process from the factory end to the overseas warehouse receiving and shipping information, inventory dynamic information, warehouse allocation integration information, final distribution information and so on.

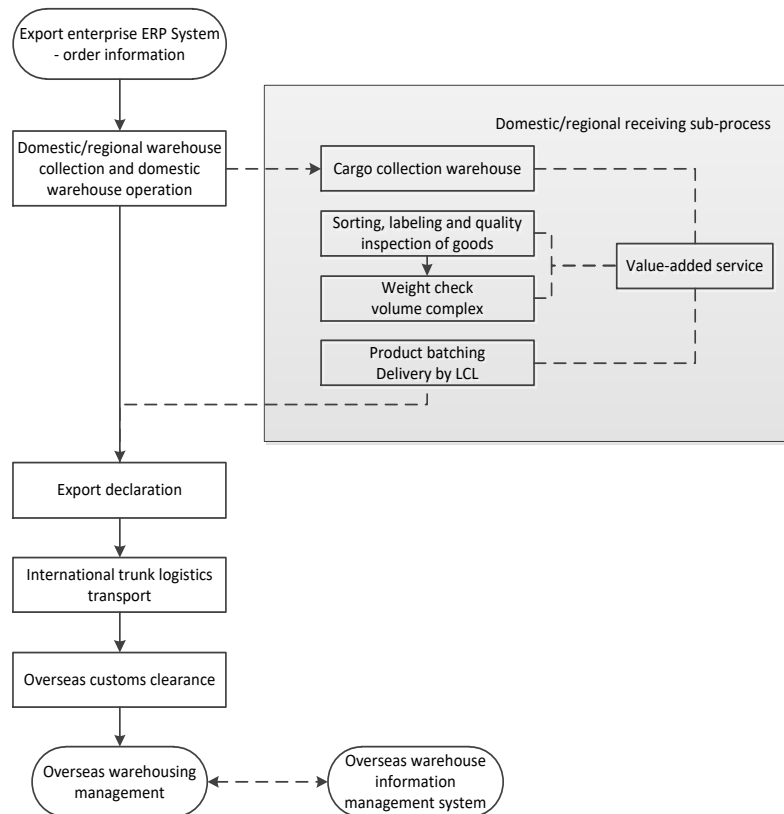


Figure 1: Operation flow of the first leg of the overseas warehouse

As an important overseas fulcrum of "Made in China", overseas warehouse is a key link in the overseas layout of Chinese enterprises, as well as a new infrastructure and

important cornerstone for building a cross-border supply chain of "brand going abroad".

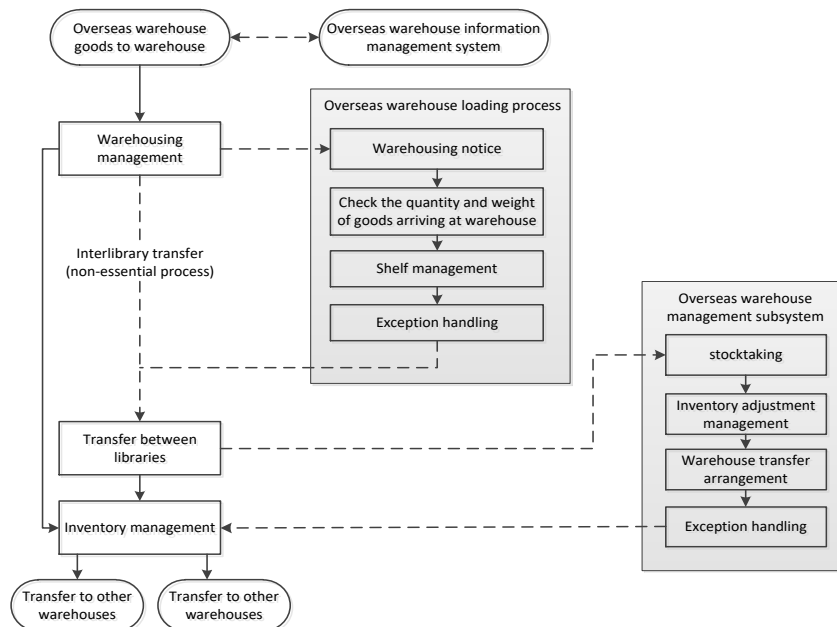


Figure 2: Operation flow of overseas warehouse management

Overseas warehouse is not only a physical place to provide overseas warehousing and distribution, but also a "bridgehead" to assist customers in overseas localization operation and compliance. With the constant change of

overseas market demand, higher requirements are put forward for overseas warehouse in information construction, intelligent development, diversified services, localized management and other aspects.

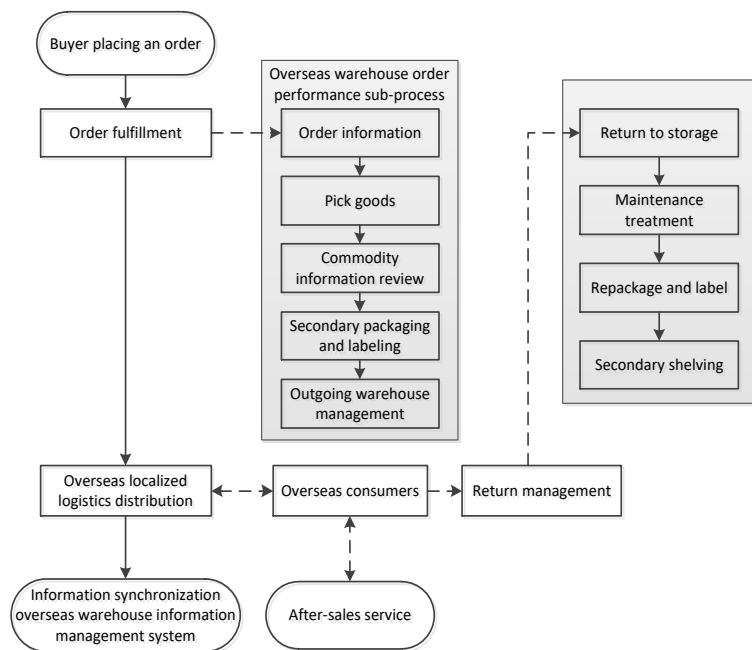


Figure 3: Operation flow of the end of the overseas warehouse

Overseas warehouse enterprises not only need to provide end-to-end services from the beginning, international logistics to the end of the distribution, but also need to help sellers do a good job in commodity management and inventory monitoring services, which mainly include: Data analysis services, such as refined inventory management, shelf aging, delivery aging, inventory early warning, return shelf aging, etc., and need to provide overseas distribution, commodity display, digital marketing, brand promotion and supply chain finance services. Therefore, from this perspective, overseas warehouse is also the overseas operation center for Chinese enterprises to expand the global market with the help of cross-border e-commerce.

1.6 The development trend of overseas warehouse

After more than 10 years of development, the overseas warehouse industry has moved from a price war to a stage of competition to provide quality service and fulfill the contract, and shows the development trend of scale, intelligence and compliance.

Overseas warehouse service providers rely on comprehensive pilot zone for cross-border e-commerce and bonded zone to build a mode of "pre-position warehouse + global center warehouse + overseas warehouse", forming a linkage pattern of "two-way overseas warehouse" for cross-border e-commerce imports and exports. Through the establishment of advanced overseas warehouse information management system, seamless docking with the business system of cross-border e-commerce enterprises, to realize the "four-flow integration" of overseas warehouse logistics, order flow, information flow and capital flow. At the same time, the data generated by the system is analyzed in a timely and effective manner to provide customers with data support services in inventory turnover, inventory aging, overseas market demand analysis and other aspects, improve the

efficiency of data resources, help cross-border e-commerce enterprises improve operational efficiency, and optimize cross-border supply chain management.

Intellectualization is an important measure for overseas warehouse enterprises to improve service energy efficiency. Driven by the epidemic, the explosive growth of global e-commerce business and the surging demand of overseas warehouse market force overseas warehouse enterprises to use new logistics technologies to improve the informatization level and operation and management efficiency of overseas warehouses. Intelligent equipment such as robots and automated transmission and sorting lines can improve the efficiency and quality of order delivery, improve warehouse allocation efficiency and reduce labor costs. The data information of overseas warehouse system can be analyzed from time to time to realize intelligent warehouse division, which can effectively reduce the back-end distribution cost.

In the current market, overseas warehouse enterprises mainly include domestic logistics giants, international logistics enterprises, cross-border e-commerce platforms and leading cross-border e-commerce enterprises. In 2021, with the help of capital, the overseas warehouse industry will still maintain rapid development, but the competitive situation has emerged. On the one hand, the stronger the stronger, the Matthew effect highlights, small and medium-sized overseas warehouses are facing marginalization; on the other hand, industry compliance will be greatly improved. With the increasingly fierce competition among overseas warehouse enterprises, more and more overseas warehouse service providers focus more on vertical fields, pay attention to the refined operation and management of warehouses, and combine their own advantages to provide more extended services, in order to gain more core advantages in the future competition.

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