



Optimization of Cross-border E-commerce Marketing Strategy During the Pandemic

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Abstract. Cross-border e-commerce, as a new business model, has gradually replaced the traditional trade model. However, during the COVID-19 pandemic, many companies encountered bottlenecks, mainly because products could not adapt to the rapid changes in consumption and products were out of stock due to weak logistics system. Through our observation of the current marketing situation and problems, we analyze that sellers need to enhance their adaptability and risk resistance in the pandemic environment, especially in the face of the new trends in cross-border e-commerce. Based on this, we propose a strategic optimization plan, including product optimization, sales channel optimization, brand optimization and logistics optimization. To ensure the implementation of the strategy, we designed a guaranteed roadmap, including user-demand oriented product development management, improvement of human resource management structure, optimization of operation structure and logistics supply chain enhancement. Finally, we hope this solution to be effective in a pandemic situation.

Keywords: Cross-border e-commerce · Marketing strategy · Optimization · Logistics supply chain · COVID-19 pandemic

1 Introduction

E-commerce is a representation of the digital transformation that continues to shape the behavior and practices of individuals and societies due to its advantages over traditional trade models, [1]. Over the past two decades, cross-border e-commerce in China has experienced continuous innovation and development from the nascent stage to the mature stage, from business-to-business (B2B) model to business-to-consumer (B2C) model, and has become the new engine of China's foreign trade exports. Driven by the cost and information advantages of cross-border e-commerce, the global market is accelerating [3].

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China’s cross-border e-commerce exports started in 2003 and developed after 2013. As shown in Fig. 1, China’s cross-border e-commerce exports increased from RMB 2.7 trillion in 2015 to RMB 6.7 trillion in 2020, with an average annual growth rate of 20%, making it another new market.

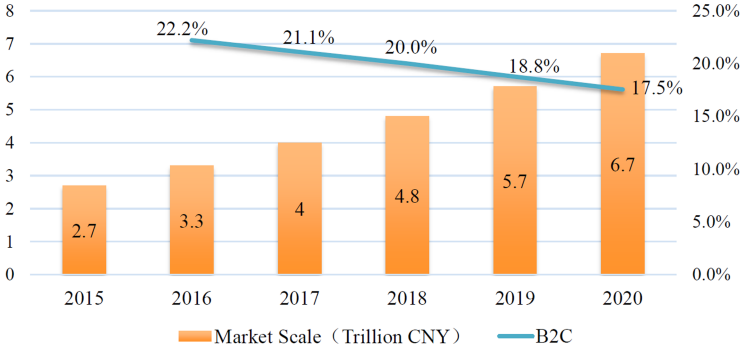


Fig. 1. China’s cross-border E-commerce export market transaction scale

As shown in the Fig. 2, the share of cross-border e-commerce retail in the overall has increased from 5.2% in 2013 to 19.5% in 2019. It is estimated that by 2020, the global cross-border e-commerce retail market will reach nearly RMB 7 trillion, accounting for more than 30% of total transactions¹. However, COVID-19 has brought serious impact and influence to the global economy, society and life, and the escalation of the pandemic has hindered economic growth. However, e-commerce, especially cross-border e-commerce, still has great potential for development. Therefore, it is valuable to analyze the impact of COVID-19 on Chinese cross-border e-commerce enterprises and explore countermeasures.

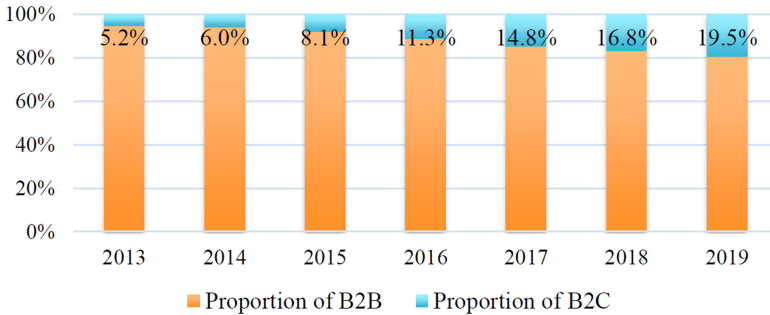


Fig. 2. B2B and B2C structure change of cross-border E-commerce

¹ http://www.jjckb.cn/2021-01/14/c_139666998.htm.

2 Analysis on the Current Situation and Problems of Marketing

Since 2015, Chinese companies have joined the market competition for B2C exports. Nevertheless, there are still some problems, such as international trade barriers [5]. Many enterprises have encountered bottlenecks in their development, mainly in the form of increasingly fierce price competition and decreasing profits. The homogenization and low quality of goods lead to fierce price competition and rising marketing costs, resulting in a rapid decline in profitability. In addition, cross-border logistics management and the difficulty of managing the logistics operations of overseas suppliers have led to high logistic costs and poor inventory planning [6, 7], which seriously hinders the development of the business. In addition, due to the differences in culture and user habits, enterprises do not conduct in-depth research on the needs of the target market, resulting in products not being recognized by the market. In addition, some enterprises lack brand awareness and innovation spirit.

In North America and Western Europe, where e-commerce is highly developed, consumers are not only concerned about the price and quality of goods, but also about the brand connotation attached to these products. Although most enterprises engaged in cross-border e-commerce have registered their trademarks overseas, the proportion of investment in R&D is relatively low. In addition, some companies do not carefully analyze their target consumers and design products with brand connotations, but simply imitate foreign brands and competitive products.

In addition, the impact of COVID-19 is unprecedented. As the problems encountered in global economic and trade activities, the multinational operations of enterprises are mainly influenced by the following factors.

1. Overloaded Supply Chain Leads to Out of Stock

The global supply chain has been paralyzed by the epidemic. Due to the success of China's epidemic prevention efforts, China has become the only source of supply chain in the world. As a result, delivery times were repeatedly extended, a large number of orders could not be delivered on time, and sales shortages were a serious problem.

2. The Blocked Logistics Supply Causes Cost Rises Sharply

During the worst outbreak of the epidemic, there were significant delays and lost packages in the delivery of international postal parcels, resulting in many users' orders being cancelled. Sellers not only lost their orders, but also had to bear the cost of their products and high mailing costs. For example, shipping containers from Ningbo to Los Angeles increased nearly five-fold from \$2,000 at the beginning of the year to nearly \$10,000 in the fourth quarter of 2020.

3. The Capital Chain is Almost Broken

On the one hand, the supply chain has no goods to deliver and some goods are difficult to transport, leading to hoarding of goods in China. In addition, logistics costs and the devaluation of the U.S. dollar have led to a general decline in sales

profits. On the other hand, many sellers could not hold on because of the break in capital.

3 New Trend of Cross-border E-commerce

1. Rapid Growth of the Global E-commerce Market

The epidemic has caused a number of problems, such as large numbers of people living in isolation and the closure of brick-and-mortar stores. This has led to a significant increase in the scale of online consumption and an acceleration in global e-commerce penetration. The formation of online consumption habits has become an irreversible trend, and cross-border e-commerce has ushered in new growth drivers.

Due to the influx of sellers into cross-border e-commerce, brand building and service upgrading to create quality products with higher added value has become a major trend.

2. Diversified Choice of Sale Channels

COVID-19 has further accelerated the pace of sales channel diversification. Cross-border e-commerce companies are no longer limited to a single channel. More and more companies are paying attention to vertical category platforms and independent online stores, such as shopify stores. In particular, independent online stores have outstanding advantages in terms of autonomy and growth, becoming an important channel for enterprises to expand into new markets.

3. Cross-border E-commerce Sellers are Polarized

While dominant companies accelerated their growth, weak sellers faced elimination. Some quality sellers saw a surge in sales and exhibited a number of characteristics. For example, they have high-quality supply and logistics chains. In addition, they have strong financial strength or stable cash flow to provide sufficient financial support for the implementation of the strategy.

On the contrary, some companies lack core competencies, such as reduced orders, declining sales, or even broken capital chains. These companies generally have poor organizational structure and sloppy management. In addition, they only have disorganized or single product lines and lack deep cooperative supply chain support, resulting in weak marketing ability and fierce price competition.

4. Changed Consumer Demand Preferences

Many companies in Europe and the United States shut down production and began to cut salaries and lay off employees. This led to a sharp rise in unemployment and a decline in the income of the general public, resulting in a lack of spending power at a later stage. Under the more serious situation of the epidemic, in addition to the rapid rise in demand for epidemic prevention materials, the demand for home office supplies, indoor fitness equipment and other goods around the “home economy” also rose sharply.

5. Insufficient Subsequent Consumption Power

The epidemic has reduced the trade activities and stagnated the economic development. Many countries have suspended work and production, and companies have begun to reduce wages and layoffs to protect themselves. Which have led to a sharp rise in the unemployment rate, and the decline in ordinary people's income will definite led to insufficient consumption capacity in the later period.

4 Optimization of Cross-border E-commerce Marketing Strategy During the Pandemic

4.1 Product Strategy Optimization

1. Product Diversification

We need to segment the differences in the needs of the population and collect the pain points of demand, so as to carry out the deep development and extension of the category. For example, through data analysis, we found that the proportion of women buying hardware tools in the U.S. is as high as 30%, so we need to deeply understand the characteristics and preferences of female tool users and conduct accurate mining. In addition, in order to fill the gaps in the product area, we need to cooperate deeply with high-quality suppliers for product complementation.

2. Product Differentiation

Taking saber saw blades as an example, they are favored by users in developed countries and are in great demand due to their safe, convenient and efficient cutting performance. However, there are still significant differences from region to region. For example, professionals in Japan and South Korea manipulate saber saw blades for indoor and outdoor cutting and equipment maintenance. In contrast, the United States has a high percentage of home DIY users, in addition to professionals. As you can see, products must be directionally targeted, and one cannot expect to develop one type for all users.

3. Brand Differentiation

A multi-brand strategy can enhance risk resistance. For example, the company's existing brand X is the core brand of the company, and all core products are aimed at high-end users in Europe and the US, which leads to relatively high prices. In this case, a new brand could fill a certain gap with the existing brand in terms of price category and target the DIY-oriented mid-range users. It can differentiate itself from the existing brand X, allowing different product types to operate under different brands, thus increasing consumer recognition and trust in the brand's professionalism.

4. Product Development and improvement

We need to strengthen the specificity of product development and the training of compound talents, thus improving the quality of the R&D team. Only in this way can we provide enough sales growth points for the future development of the company and form a systematic product competitiveness.

4.2 Marketing Channel Strategy Optimization

The traditional channel such as Walmart and HomeDepot have set up their online platform. To counter the effects of the COVID-19, these supermarkets have increase their investment for the online platform and lowered their entry requirements. With access to large supermarkets such as HomeDepot, the huge number of user visits will inevitably expand the company's business rapidly.

Although developed countries in Europe and the US have huge market size and huge consumer demand, the market competition is relatively fierce. Emerging markets such as Russia, Brazil and Southeast Asia have become the fastest growing B2C export markets. In this case, we can use B2B platform and Internet technology to integrate traditional B2B trade and develop the market with B2B2C (business-to-business, business-to-customer) business model.

In addition, China is the world's largest e-commerce consumer market, and the incremental space for e-commerce platforms is huge. In this case, we should study user groups in depth, grasp consumption trends, and design products that meet the needs of the domestic market.

4.3 Brand Strategy Optimization

When the product meets or even exceeds consumers' expectations, the good word of mouth formed can better promote the spread of value. At the same time, we need to provide professional pre-sales, sales and after-sales services to give consumers the best shopping experience and increase the product repurchase rate. In addition, we can visually show the advantages by shooting videos and comparing competing products to win consumers' trust.

5 Guarantee for the Implementation of Cross-border E-commerce Marketing Strategy

Marketing has an important impact on the enterprise whether can achieve the expect [8]. To ensure the success of various marketing strategies, managers need to establish a correct marketing perception and keep up with the times.

5.1 Establish the Management System of Product Development Oriented by User's Demand

1. Establish demand analysis and product selection

All cross-border e-commerce data plays an important role [9], and can be collected through technical means. Through a large amount of feedback, companies can easily understand the concerns of consumers and accurately locate their needs. Based on this, we can make full use of big data for user profiling and competitive analysis to achieve a shift from experience-based product development to product selection based on big data analysis. We believe that this is effective in improving the success of a company's product strategy.

2. Standardized project implementation process

The project implementation process should be standardized to ensure an optimal balance between product quality, project speed and total product development cost. By following these guidelines, we can smoothly implement the company's new product initiatives.

3. Establish consumption feedback mechanism

E-commerce makes it possible to provide timely feedback on consumer information. For consumer feedback on products, we need to track, analyze and evaluate them regularly. In addition, we need to use the product search volume, click rate and product conversion rate provided by big data to analyze consumers' product preferences and summarize effective product upgrade plans from consumers' feedback. Then product iteration and optimization will be continuously carried out.

5.2 Improve Human Resource Management Structure

With the development and depth of artificial intelligence, digitalization is gradually extending to the direction of intelligence. According to the needs of the company's overall development strategy, we need to increase recruitment efforts, optimize the talent structure and improve talent selection. At the same time, we need to improve the execution of employees and enhance their sense of belonging so that they will voluntarily devote themselves to work in line with the vision.

5.3 Optimize Operation Structure

The company's refined operations can effectively reduce product costs, logistics costs and marketing and promotion costs. We suggest using big data to improve the company's user demand analysis and market research capability, and complete user portraits of target customers from a series of data such as consumers' age, income, gender, and purchasing behavior. In addition, we can delve into the company's business rules through data statistics, and then adjust the product strategy and marketing strategy at any time.

5.4 Strengthen the Management of Logistics Supply Chain

The supply chain includes production and transportation, and finally the product is delivered to the consumer through the logistics system. Giuffrida et al. [10] collated 32 papers published in international journals or conferences from 2002 to 2016, and summarized the scientific research results in the field of logistics in China. Golan et al. [11] conducted a comprehensive literature review on supply chain resilience in the context of the COVID-19 pandemic.

While COVID-19 is impacting the global supply chain, we should pay close attention to and take seriously the diversification of the supply chain, including supplier diversification and logistics diversification. In addition, the use of third-party mature overseas warehouse centers as a transit point for export sales can

effectively prevent economic losses caused by out-of-stock. For the long-term development of cross-border e-commerce, overseas warehouses are inevitable [12] although overseas warehouses require a certain amount of investment under the premise of relevant requirements for sellers, and sellers must be able to predict sales trends more accurately and arrange production and inventory in advance.

In order to ensure the smooth implementation of the company’s marketing strategy, increasing overseas warehouses and forming a global logistics and warehousing layout will be an important guarantee for the efficient implementation of the company’s marketing strategy. As shown in the Fig. 3, the addition of overseas warehouses will greatly improve the flexibility of the Company’s logistics and warehousing and reduce the risk of product out-of-stock due to delays in logistics and distribution. According to the company’s existing business distribution, it can give priority to choosing suitable third-party overseas warehouse service providers and prioritize the layout of the U.S. overseas warehouse.

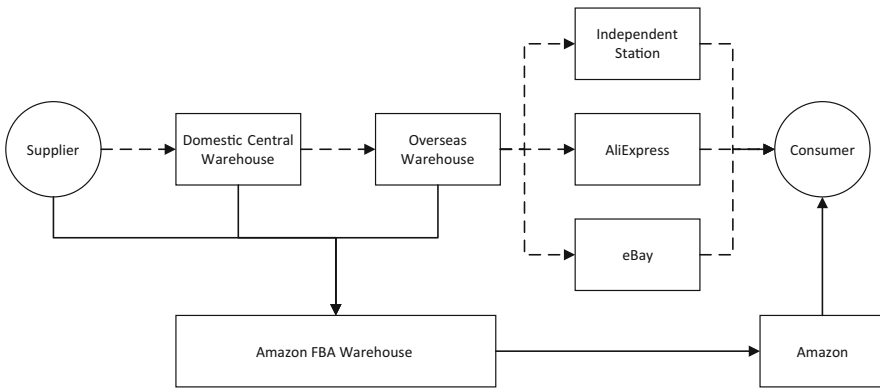


Fig. 3. Company logistics warehousing optimization

In addition, information technology can effectively help companies improve operational efficiency and better handle issues related to various aspects of supply chain operation, especially in the case of expanding category size. The use of information systems instead of manual forecasting to improve logistics efficiency has become more urgent. We need to integrate the resources and logistics information of each link in the whole supply chain, analyze the trend of product demand and warehouse warning based on historical sales data, so as to improve the efficiency of supply chain management. At the same time, we need to improve the depth of cooperation with high-quality foreign suppliers to complement our independent research and development capabilities. In addition, effective consumer demand feedback and market trends can help us determine the direction of our products.

5.5 Optimize Capital Management

In the development process, entrepreneurs should pay attention to the management of capital risk. The centralized management of capital can effectively reduce the capital risk of the enterprise [13]. The centralized management of capital in enterprises is conducive to improving the efficiency of capital use in enterprises and maximizing benefits in the true sense [14]. Andrew et al. [15] firstly combined supply chain management with overall capital management. Hofmann et al. [16] analyzed supply chain-based logistics and capital flows and compared them with the traditional single-item perspective of working capital management, thus shifting the optimization of working capital management to supply chain-based improvements.

We need to comprehensively analyze the inventory and capital flow of products from the market side to the supplier side so as to regularly sort out the total inventory of products and the capital tied up in each product. At the same time, we need to reduce or eliminate products that affect the capital turnover rate, such as controlling unreasonable capital occupation, in order to relieve capital pressure. At present, unsecured and unsecured fast financing method is the primary choice for working capital financing. Because the data of the e-commerce industry from logistics, commodity flow to transaction flow are convenient to assess the credit risk of an e-commerce enterprise. In addition, the scale of venture capital has grown rapidly in recent years. The cross-border e-commerce industry is characterized by fast liquidity and rapid growth, which makes the investment scale of the venture capital market remain large. In addition, banks are actively providing loans to enterprises engaged in cross-border e-commerce. They can provide good credit lines for small and medium-sized enterprises.

6 Conclusion

Cross-border e-commerce has gradually replaced traditional trade models and has shaped individual and societal behaviors and practices due to its advantages. Based on the analysis of the current situation and competitive environment of cross-border suppliers in the hardware tools industry under the influence of COVID-19, we believe that the cross-border supplier industry is in a period of accelerated growth, and the hardware tools category has great potential in the post-epidemic era.

We first study the current situation of the development of the cross-border e-commerce industry under the influence of the epidemic, including overloaded supply chain, obstructed logistics supply and tight capital chain, as well as the main issues and trends in the post-epidemic era. We analyze the need for cross-border e-commerce companies to enhance their adaptability and risk-resilience in the pandemic.

Based on this, we propose strategic optimization solutions, including product optimization, sales channel optimization and brand optimization. In this regard, to ensure the success of various marketing strategies, we need to establish the

right marketing concepts and keep up with the times. To ensure the implementation of the strategy, we design and implement a roadmap. Through the research in this paper, we hope to provide reference for other cross-border e-commerce enterprises to optimize their marketing strategies, and to provide reference for traditional foreign trade export enterprises planning to enter the cross-border e-commerce field.

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