

Chapter 2

Technologies for Cross– Border E–Commerce

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ABSTRACT

Given deregulation and advances in technology worldwide, cross-border e-commerce is the next move for any business venture regardless of its size. From corner shops to giant multinational organizations, every business venture is now addressing the online demand of customers at home and abroad. Many developed and emerging countries have already been rallying for a transparent and sustainable online business environment to achieve the full potential of cross-border e-commerce. This chapter describes the technologies that enable cross-border e-commerce.

INTRODUCTION

Cross-border e-commerce (CBEC) refers to all parties that use information technology for their digital transactions, such as marketing, services, payment, trading, and other business activities. First, this mode of trade integrates the features of international e-commerce which involves high complexity in the logistics and the capital and information flows. Second, this process involves customs, inspections, quarantines, and foreign exchange which are difficult to maintain in terms of payment, legal clearance,

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and taxes. Third, unseen risks are associated with the international economic collaboration, geo-political environment, and national policies. The above aspects are observed in all sizes of business.

Till today, small businesses are preoccupied with whether they would lose their local customers to international chains as the economy globalized. A branch of research has revealed the drawbacks to small businesses of globalization. However, those days are over now. Small businesses can no longer remain local. With the advent of e-commerce, international payment methods, and advanced supply chains, the fate of local business has flipped. With a potential worldwide customer base of more than seven billion, businesses of all sizes can operate in the global market and offer their products through CBEC.

CBEC is the latest version of globalization. As with all versions, the purpose is integration, exchange, and communication across national borders and cultures. CBEC shortens the distance between global buyers and sellers using state-of-the-art information and communication technology (ICT). Elani Chang, the president of Amazon China, says CBEC is allowing Chinese people to connect to producers from other countries and sell their own products worldwide. The United Nations reports that the average annual growth of Chinese CBEC is 33.1 percent.¹ Many countries in developed and emerging economies have reported similar growth in CBEC.² Studies examining countries' performances before and after the global financial crisis of 2008 and examining e-commerce during the recovery have even found that e-commerce has been more stable than before the financial recession period (Martin & Isozaki, 2013; Savrul & Kılıç, 2011).

Customers are attracted to CBEC by the wide product assortments and competitive pricing. Though the potential of CBEC has been skyrocketing, both online business-to-customer (B2C) and offline business-to-business (B2B) activities share the concern of distance factors- as such supply chain management. The advent of the internet may have threatened the "death of distance" (Cairncross, 1997). Yet cross-border distance presents challenges to online trading no less than to offline trading (Lendle, Olarreaga, Schropp, & Vézina, 2016).

For conducting CBEC, it is necessary to ensure the presence of internet as well as online service providers (Giuffrida, Mangiaracina, Perego, & Tumino, 2019; Qi, Chan, Hu, & Li, 2020). Every CBEC transaction is made over the internet (through a company's own website or a third-party online platform), so firms do not need physical presence in the host market. For example, HM.com can provide its items directly from the warehouse in London to H&M customers in Malaysia. In China, CBEC is growing exponentially (Qi et al., 2020). A 2016 report showed that China's CBEC had reached RMB 6.7 trillion, an increase of 31.6 percent compared with the previous year. At the development stage, the main purpose is to cultivate businesses along with online platforms, which is why various cross-border platforms (for example, Wish.com, Vip.com, Mia.com) build robust ecosystems with the assistance of several service providers (Xu, 2017a).

CBEC is playing a significant role in supporting online platforms and technology-oriented services that are transforming traditional trade into international trade and enhancing economies (Xu, 2017a). At the initial stage of CBEC, customers purchase overseas products via lengthy supply chains. CBEC shortens lengthy supply chains thereby reducing customer waiting times (Xu, 2017b).

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