Cross-border exports: Introduction to e-commerce

Chapter 1

Amazon Global Selling is present worldwide in 17 overseas stores including North America, Europe, Japan, Australia, and the Middle East, with 300 million active accounts and millions of business buyers. To help sellers deploy their global business, this chapter will introduce you to cross-border export e-commerce related content and a detailed case study is attached for your interpretation.

1. What is cross-border export e-commerce?

Cross-border export e-commerce is a new outlet. This chapter will introduce you to the concept and market overview of cross-border export e-commerce and compare the differences between domestic e-commerce and traditional foreign trade.

There are four chapters in this course. If you wish to learn about other chapters, please look for them under Related Topics.

1.1 Introduction to cross-border export e-commerce

Introduction:

Cross-border e-commerce refers to a business model for sellers and buyers in different countries to buy and sell things through e-commerce websites. It is divided into two types: cross-border import e-commerce and cross-border export e-commerce. Cross-border import e-commerce, as its name suggests, refers to importing foreign goods into Singapore for sale. Cross-border export e-commerce refers specifically to sellers selling goods to overseas markets through e-commerce sites such as Amazon.

Three elements of cross-border e-commerce:

Transaction entities belonging to different customs territories

Transaction settlement through an e-commerce platform

Transportation of goods through cross-border fulfillment

Although it appears to be similar to the domestic e-commerce platform transactions, the operation mode is slightly different because of the geographical differences between the buyers and sellers.

E.g. - Receiving payments: Cross-border transactions will receive various foreign currencies due to geographical differences and converting them into SGD and legally deposit them in the seller's bank account also requires a professional cross-border collection solution.

As a leader in the cross-border export industry, Amazon relies on a strong global logistics and fulfillment network and constantly develops new innovative products and tools to allow companies to sell their products globally through the Amazon e-commerce website in a simple and convenient manner.
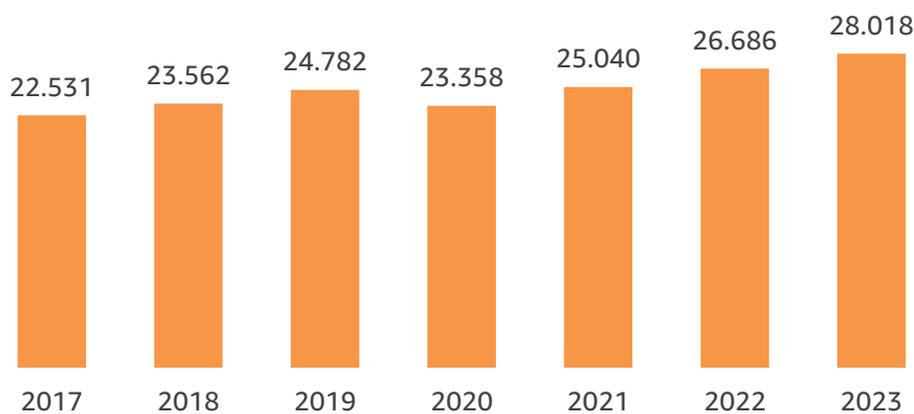
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1.2 Overview of the cross-border export e-commerce market

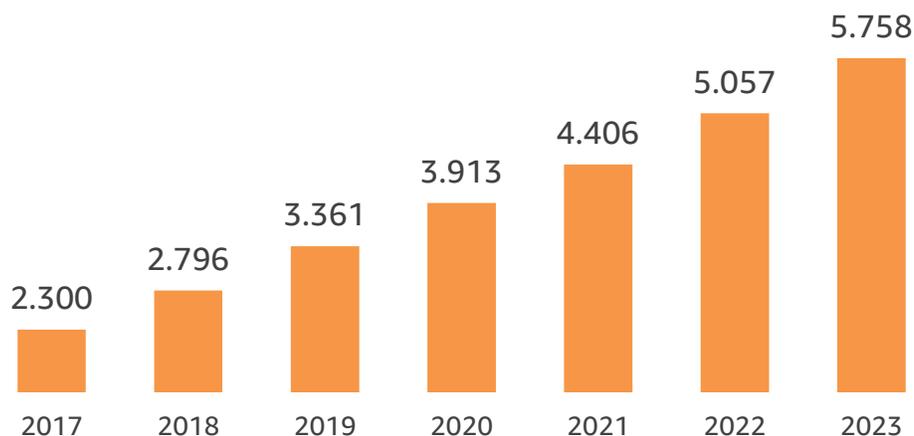**1. Global e-commerce is still undergoing rapid development**
It is estimated that global online retail will reach US$4.878 trillion by 2021. It will account for 17.5% of the total global retail sales, which will be dominated by the development of the Asia-Pacific region: In 2021, the proportion of global online retail sales will be close to 70%.

Global transition to retail e-commerce is inevitable.

Annual growth rate of global retail is 3.7%[1]

Year	Value
2017	22.531
2018	23.562
2019	24.782
2020	23.358
2021	25.040
2022	26.686
2023	28.018

Annual growth rate of global retail e-commerce is 16.5%[2]

Year	Value
2017	2.300
2018	2.796
2019	3.361
2020	3.913
2021	4.406
2022	5.057
2023	5.758

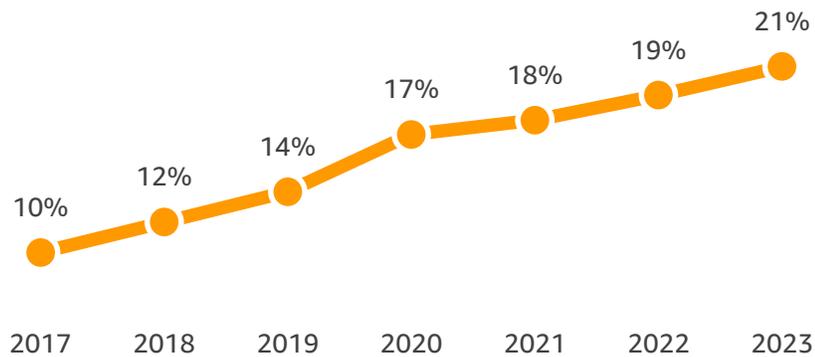Source:
1. eMarketer, Global E-commerce 2020, May 2020
2. Accenture, The digital marketplace for cross-border trade, April 2020

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Proportion of retail e-commerce in global retail [1]

21%

19%

18%

17%

14%
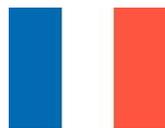
12%

10%

2017   2018   2019   2020   2021   2022   2023

It is estimated that cross-border e-commerce will account for up to **20%** [2]
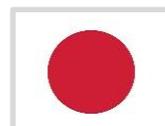
USA:
E-commerce growth rate is **3.6 times** that of retail[3]

France:
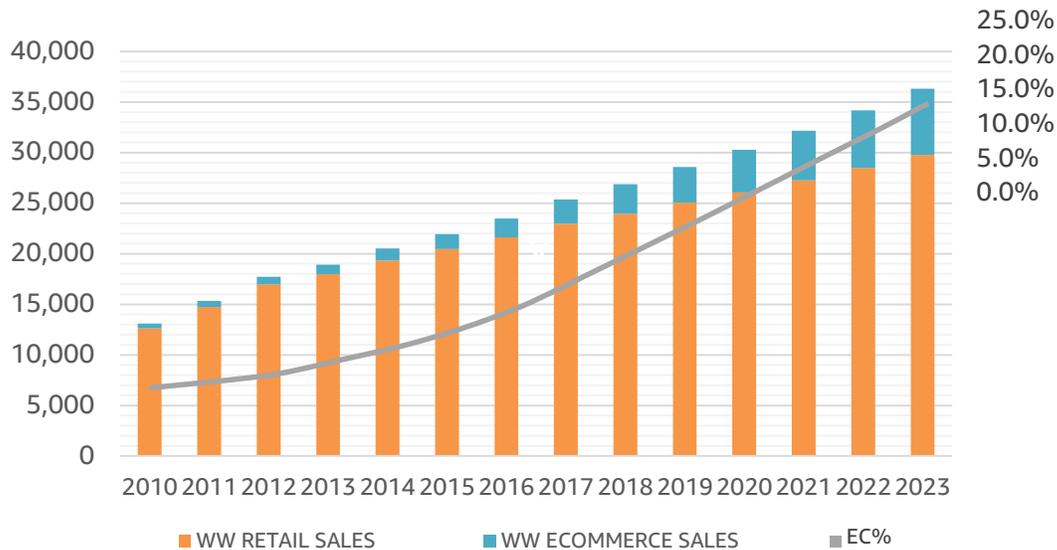E-commerce growth rate is **7.85 times** that of retail[3]

Japan:
E-commerce growth rate is **4 times** that of retail[3]

Source:
1. eMarketer, Global E-commerce 2020, May 2020
2. Accenture, The digital marketplace for cross-border trade, April 2020
3. global-ecommerce-2019, eMarketer

2. The growth rate of global e-commerce far exceeds the growth rate of traditional offline retail

The global retail industry has maintained a momentum of year-on-year growth and is expected to increase by 19% to reach US$29.7 trillion in 2023.

Among them, e-commerce sales are expected to increase by 86% by 2023 to reach 6.5 trillion US dollars, with a growth rate far exceeding the overall growth rate of the retail industry, and far exceeding the 7.9% growth rate of offline retail in the same period.

Retail Sales (billions of US dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Worldwide	$12,619.56	$14,741.02	$16,969.74	$17,967.52	$19,318.04	$20,463.18	$21,626.67	$22,974.26	$23,955.74	$25,038.30	$26,073.94	$27,243.11	$28,471.70	$29,762.52

Retail Ecommerce Sales (billions of US dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Worldwide	$467.48	$587.14	$750.52	$952.03	$1,202.91	$1,473.05	$1,861.06	$2,381.83	$2,927.81	$3,534.92	$4,205.78	$4,927.06	$5,695.16	$6,542.25

Retail Ecommerce Growth (% change)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Worldwide		25.6%	27.8%	26.8%	26.4%	22.5%	26.3%	28.0%	22.9%	20.7%	19.0%	17.1%	15.6%	14.9%

The proportion of e-commerce sales to the total global retail sales only accounted for 3.7% in 2010, has risen to 14% in 2019, and it is expected to be as high as 21.9% in 2023. Many sellers say that they have missed the rapid development stage of e-commerce from 2010 to 2019. Therefore, you cannot afford to miss the continuous growth period of e-commerce in the next few years.[1]

Source:
1. global-ecommerce-2019, eMarketer

3. Current status and scale of cross-border export e-commerce market in Singapore

Singapore is the main e-commerce market in Southeast Asia. The market size is expected to reach US$2.793 billion in 2021 and US$4.079 billion by 2025. It is estimated that the revenue will show an annual growth rate of 9.9% (CAGR 2021-2025). [1]

According to the data in 2019, 60% of the total sales in the e-commerce market came from cross-border orders, which was quite large compared with countries such as Malaysia (40%), Japan (18%) and South Korea (25%). [2]
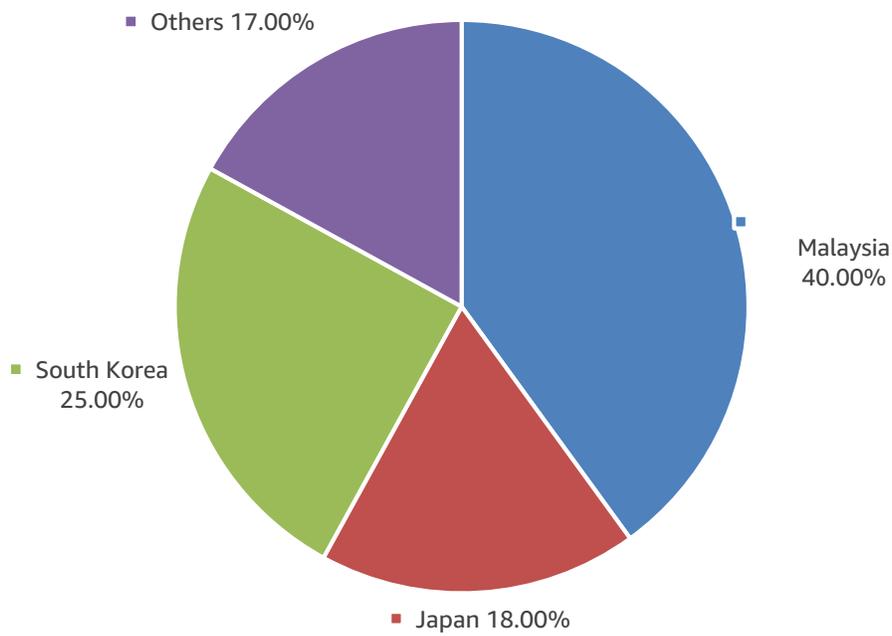
The high share of cross-border trade provides business with unique insights into online shopping behavior in the Asia-Pacific region. Therefore, the Financial Research Association of Amsterdam specifically emphasizes the applicability of Singapore as an e-commerce test bench.

Source:
1. Data source: Statista
2. Data source: Forrester Research

In recent years, the flourishing development of emerging markets such as India and the Middle East has also attracted a large number of sellers. At the same time, the continuous acceleration of consumption increase in online shoppers in developed countries and continuous growth in the number of online shoppers in emerging markets will maintain a strong momentum of development in the cross-border export e-commerce market.
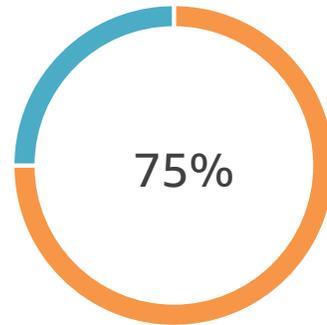
The U.S. e-commerce market still has strong growth potential[1]

U.S. consumers spend **858** USD online per person per month, much higher than the global average (**511** U.S. dollars). In US Internet users **51%** are women and the age group is concentrated in **25-44** year-old young people.

86%
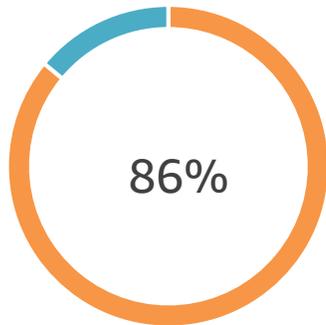
Daily Internet usage rate
246 million users

Global **85%**
3.4 billion users

75%

Mobile Internet penetration rate
244 million users

Global **50%**
3.7 billion users

84%
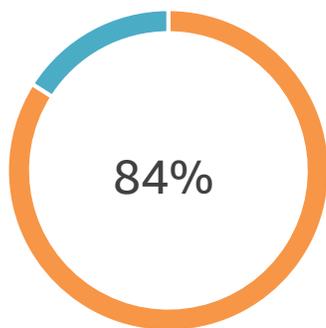
Mobile Internet penetration rate
287 million users

Global **53%**
4 billion users

4.2H
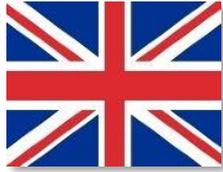
Internet usage duration

Global **6H 33M**
Asia-Pacific **7H 34M**
South America **8H 14M**

Source:
1. Nielsen Total Consumer Report

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The European e-commerce market has a unique Internet environment[1]

The percentage of online shoppers in the UK is 94%

The percentage of online shoppers in Germany is 84%

The percentage of online shoppers in Sweden is 84%

The percentage of online shoppers in the Netherlands is 84%
95% of consumers also prefer to shop in domestic websites
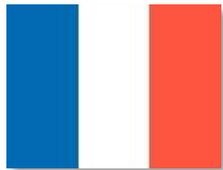
27% of Europeans in France will continue to choose to shop online

The Spanish e-commerce market grew by an average of 29% last year

Italy's e-commerce turnover in 2019 accounted for 32% of total expenditure in that region

The percentage of online shoppers in Poland is 84%
94% of consumers also prefer to shop in domestic websites

Source:
1. Europe 2020: E-commerce Region Report

The super-high network penetration in the Japanese e-commerce market provides a solid foundation for future growth [1]

94% network penetration rate, 91% daily utilization rate of Internet. However, due to work pressure and other factors, the usage time of Internet per capita in Japan is only 4 hours and 12 minutes.

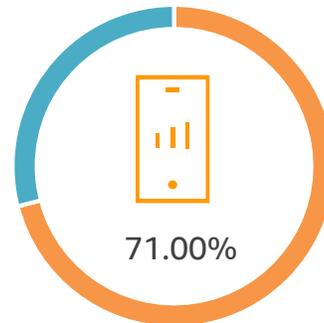**94.00%**

Internet
penetration rate
118 million users

Global **53%**
4 billion users

71.00%

Penetration rate of
cell phone network
90 million users

Global **50%**
3.7 billion users

91.00%

Daily utilization rate
of Internet
107 million users

Global **85%**
3.4 billion users

4.2H
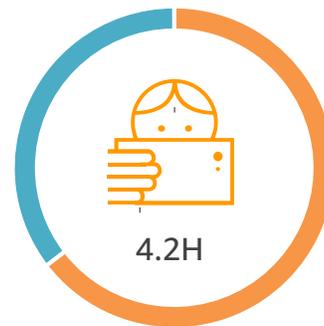
Duration
of Internet
use

Global **6H 33M**
Asia-Pacific region **7H 34M**
South America **8H 14M**

- The most popular cyber category: High-tech products (such as consumable electronics and IT products) and household goods
- Cyber spending amount per capita is slightly lower than Cyber spending amount per capita in Singapore [2] Amount. The e-commerce market in Japan is the fourth largest e-commerce market in the world

Source:
1. Global Consumer Insights of Nielsen
2. Data source: Singapore Department of Statistics

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1.3 Differences between cross-border export e-commerce and domestic e-commerce

As the seller and the buyer are not in the same country, there are several differences between cross-border export e-commerce and general domestic e-commerce:

1. **Need to cooperate with global e-commerce websites**

Consumers in different countries have huge differences in languages, cultures, consumption preferences, consumption habits, etc. For example, some countries prefer cost-effective products, some prefer durable and exquisite products, and some prefer trendy products. The types of products that different countries like are also different. Household goods will sell well in some countries while apparel and accessories are the most popular in other countries.

Hint: Understanding the local market is the first step to a successful business. Therefore, people usually choose to cooperate with e-commerce sites such as Amazon for cross-border export e-commerce. Usually these
e-commerce websites have been operating locally for many years, have accumulated high brand awareness, and have a large population of consumers (users).

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2. Need to carry out logistics and fulfillment through cross-border fulfillment to complete transactions

E.g: An American consumer buys a product sold by a Singaporean seller from Amazon. The seller has to balance the delivery cost and the consumer's experience, and use a suitable method to deliver the product to the consumer. For products with high unit price and small volume, the seller can send inventory directly to customers through international express. But for low price and large-volume products, international express is definitely not cost-effective for shipping products.

In this situation, the seller can send a batch of goods (for example-5,000 cups) to a warehouse in the United States in advance and the seller can directly send inventory to the consumer from the warehouse in the United States after waiting for the consumer to place an order. By using this method, the shipping rate that is equally distributed to each cup will be relatively lower and the speed of receiving the goods is also fast from the consumer's point of view, resulting in a win-win situation for both buyers and sellers.

Hint: In order to do this, professional cross-border fulfillment services are needed to help sellers transport goods from Singapore to foreign countries and complete professional work such as customs declaration. In addition, sellers need to plan reasonably due to assumptions: The U.S. market can only sell 500 cups in half
a year, but the seller sent 5,000 cups to the U.S. for sale. However, the seller may not only need to pay for high storage charges: If these cups cannot be sold, the cost of shipping them back to Singapore will also be high.

3. Need to collect payments in different currencies

At present, the payment method that is used in domestic e-commerce websites is to directly collect payments through the website, such as using Paylah, Paynow, etc. to collect online payments. Since consumers are mainly Singaporean citizens and the payment currency is in SGD, sellers do not need to deal with exchange rate conversion and other related issues that are involved in cross-border payments.

However, foreign consumers in cross-border export e-commerce websites usually pay in local currencies (such as U.S. dollars, Yen, Euros, etc.) and the following should be considered when sellers make payment settlements: The relevant exchange rates for converting foreign currencies into SGD and the issues involved in cross-border financial compliance.

Hint: A more convenient solution is to recommend professional cross-border payment collection services. This service can help sellers directly use bank accounts in Singapore and make global payments in SGD. If sellers also have overseas sites and have a valid local bank account, they can use the account to directly collect payments.

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4. Taxation is more complicated

It is well-known that corresponding taxes need to be paid for business transactions. Hence. for cross-border export e-commerce: What taxes need to be paid? To whom and how much taxes should be paid?

First of all, tariffs must be paid for cross-border export e-commerce. Tariffs refer to taxes collected by the importing country on the good when Singaporean goods are exported overseas (accurately speaking, it is export to other "customs territory", see the Appendix in this chapter on the definition of customs territory) and the tariff rate is affected by the exporting country, nature of the goods, and trade policies.

In addition, there are other taxes defined by each country (corresponding customs territory).
E.g: The EU government will collect value added tax (VAT) from e-commerce sellers. Tax must be paid when sales exceed the tax exemption limit and the tax policy has also tended to be perfect and strict in the past two years.

Another example is: The United States also collects a series of taxes such as corporate tax and consumption tax. Some of these taxes are borne by sellers and some are borne by consumers themselves. Sellers   need   to   use a more correct way for tax filing based on their own situations.

Hint: Cross-border export e-commerce may seem more complicated than traditional e-commerce, but these trivial matters can in fact be resolved by cross-border export websites or supporting professional service partners. Amazon, the leading cross-border export e-commerce website, provides a large number of related services, including taxation, logistics, brand building, marketing, and payment collection, which can help sellers focus more on what they do best, thereby obtaining more benefits.

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1.4 Differences between cross-border export e-commerce and traditional foreign trade

Introduction:

With the intensification of competition in traditional foreign trade, more and more traditional foreign trade companies have started to seek new business growth models.

Some foreign trade companies choose to focus on domestic sales, so they have to re-improve and design their products. For example, change in the power adapter used in domestic electronic products. These improved designs means additional work for them.

Other companies have chosen to switch to cross-border export e-commerce, which has made transactions convenient and resulted in good performance. This is precisely because the demand of overseas consumers is actually the same and no major changes in the product are required. Secondly, as product qualification certification can still be used, products that are exported through traditional foreign trade can also be used for cross-border export e-commerce. Finally, due to the sales volume and consumer reputation obtained in traditional foreign trade through cross-border export e-commerce, it can also promote the original business.

Examples: Why did this second-generation foreign trade factory choose cross-border export e-commerce?

Since the 1990s, the family factory of the second-generation owner, Don, is involved in the production of household goods and has a mature business model and stable sales volume at present. However, he believes that "Life springs from sorrow and calamity; death comes from ease and pleasure. The migration of the global industrial chain is a major trend and factories should plan ahead."

So Don started to expand his business and asked himself: Is the ceiling for the new business high enough? Can the business continue to thrive for a long time? After pondering carefully, he finally chose Amazon and established his own team to transition his factory to be an e-commerce merchant, which is actually an expansion of the original business."

Don analysed: "Customers are unchangeable - overseas consumers, product selection - product knowledge and many years of overseas collaboration experience, the profit model is the thing that changes - business diversity, fixed price model - autonomous pricing power."

After years of development, the cross-border export e-commerce business of Don's Factory is now comparable to the original business. What surprised Don was that the new business brought more than increased revenue.

By using the cross-border export e-commerce business to directly contact users, Don rapidly accumulated a large volume of user data and better understand the user's product requirements. Together with the cost benefits of direct supply from the factory, this resulted in their products being praised for "good quality and high price-performance ratio" by their customers and their products are on Amazon's bestseller list every year.

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Next, we will further explain the differences between traditional foreign trade and cross-border export e-commerce. After reading, you will be able to better understand: Why are more and more traditional foreign trade companies starting to go into cross-border export e-commerce?

Traditional foreign trade model:

Let's first take a look at how traditional foreign trade is conducted. Following that, we shall look at the specific advantages of cross-border export e-commerce compared with traditional foreign trade.
Traditional foreign trade is simple but actually involves many steps when goods are shipped from Singapore to other countries, with one step following another. In every step, different companies play different roles and very few companies can carry out each step from start to finish. Therefore, "foreign trade" usually means the business in a step in foreign trade.

Common roles in foreign trade transactions are as follows:

1. Manufacturer
What we usually termed as a factory or "original equipment manufacturer (OEM) factory".
There are currently a large number of similar factories, which have manufacturing capabilities and even certain design capabilities, but do not have their own brands. The main business is OEM for other brands: In addition to OEM production for domestic brands, some of these factories mainly take orders from foreign companies. Hence, they have thus become one of the important links in foreign trade.

2. Brand owner
Brand owners are companies that have their own brands.
As the domestic market becomes increasingly saturated, more and more Singaporean brands are trying to sell their own-brand products overseas. Some of these companies have their own factories and some do not. Compared with OEM brand owners, these companies understand the needs of customers better. They will propose product requirements to OEM factories and require the factory to continuously improve the product based on consumer feedback.

3. Exporter/distributor

Exporters are also known as distributors and play a key role in traditional foreign trade. They connect manufacturers and brand owners with overseas customers. Without them, a manufacturer will face many practical problems when it needs to export its products abroad, including: The choice of trade destination country, product compliance, language, and professional knowledge of the relevant trade destination country.

4. Importer

Similar to exporting, importing is also a very professional step. Professional importers usually have exporters with long-term cooperation and even factories that they are familiar with to help them quickly identify "goods" that are suitable for overseas customers.

5. Wholesaler

Wholesalers and retailers both face the problem of division of labour in "retail channel". Wholesalers will purchase goods in large quantities from brand owners and then divide them into small batches and supply them to various sales channels in the market. In the actual business process, there may be multiple sub-levels of wholesalers under a wholesaler. Generally, the larger the geographic area of a country, the more levels of wholesalers.

6. Retailer

Retailers are channels where consumers ultimately sell goods, such as the aforementioned supermarkets and convenience stores, and include some e-commerce websites. As retailers directly contact consumers, they know which products will sell well and which will not. They also know what kind of products may have better market performance in the future.

7. Consumer

This is the person who ultimately purchases the product. Consumers in different countries have different buying preferences due to differences in culture, geography, and economic development. Their "preferences" should be naturally considered when selling products to them. In addition, some company owners will buy goods from retail channels using the company's name and these company users are also special "consumers".

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Understand the main role of traditional foreign trade and then see how this chain works

First scenario

When there is consumer demand, there is a search for products. In this situation, traditional foreign trade chain is often driven by overseas wholesalers or retailers. As wholesalers and retailers know the consumption preferences of local consumers, they can propose demands to importers in their countries, and importers look for exporters who are familiar with the needs of the product according to their needs. These exporters will then look for brands or a manufacturing plant for manufacturing. The product can be purchased directly if it is in stock.

Second scenario

This is driven by exporters or brand owners who take the initiative to search for overseas importers before promoting their products.
The actual operation process is more complicated. For example: A foreign brand may directly find an OEM factory for production. Exporters will not idly wait for orders and will actively seek out foreign importers or even sales channels to discover whether there are trade opportunities, and the same applies for manufacturers.

Problems and challenges faced in the traditional foreign trade model:

Traditional foreign trade transaction chain

| Manufacturer | Exporter | Importer | Wholesaler | Retailer | Consumer |

Traditional foreign trade transactions are a chain-like transaction model. This means that entities in a certain step of the chain can usually only deal upstream or downstream of this step and this model has been operating globally for many years. However, under the backdrop of globalisation, problems have been identified in the traditional foreign trade chain transaction model. For example:

- There are many intermediate step in traditional foreign trade, and each step has its own interests. The global retail trend is that consumers increasingly want to buy cost-effective products, so the final product premium is very limited.

- Since most manufacturers usually only contact exporters and cannot directly contact overseas retailers and consumers, it is difficult for manufacturers, brand owners and even exporters to predict which products do overseas consumers prefer. What kind of products will be more acceptable to the market of the corresponding destination country? The lack of the right to speak in the consumer purchase process will eventually lead to the narrowing of profits in all steps in the export end.

- Although there are many participants in traditional foreign trade transactions, there is no real sharing platform for information communication and coordination of affairs in all steps of the transaction. It is inevitable that there will be inefficiency when subsequent management problems such as after-sales problems occur.

Unmatched strengths of cross-border export e-commerce:
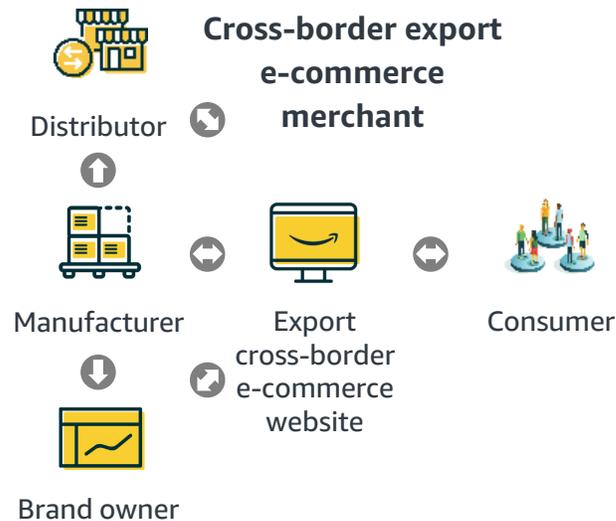
From the above diagram, you will see that cross-border export e-commerce has essentially upgraded in the following aspects: compared with traditional foreign trade transactions:

- Cross-border export e-commerce websites reduce the intermediate steps of transactions and increase the profit margins of sellers. Without the two roles of foreign importers and wholesalers in the traditional foreign trade model, the transaction chain is shortened and profit allocated to each role is increased.

- Sellers can monitor product sales in real-time on the cross-border export e-commerce website. By providing real-time and transparent transaction information, cross-border export e-commerce websites empower sellers to quickly adjust their purchasing plans or production plans.
  For example, more best-selling products are manufactured and there is more demand than supply: There is less production of unsalable products and inventory is reduced.

- Cross-border export e-commerce can also empower sellers in product design and improvement.
  Local products may not do well overseas. In the traditional foreign trade model, domestic sellers can only improve product design based on the opinions of foreign partners. Due to poor information, the products are not selling well but sellers do not understand why.
  Now with the cross-border export e-commerce website, sellers can read consumer reviews at any time. Sellers employ targeted approaches and they quickly receive positive reviews from consumers and even spontaneous publicity.

- Cross-border export e-commerce websites can also empower sellers in other services. For example, Amazon provides sellers with corresponding foreign fulfillment and tax support, and even provides sellers with language-specific product translation services to simplify the transaction process.

Summary of comparison between cross-border export e-commerce and traditional foreign trade:

Isn't cross-border export e-commerce just foreign trade?

The two are similar in that they are essentially selling goods overseas. The difference is that although they both involve selling goods overseas, the efficiency of each step in the cross-border export e-commerce transaction has greatly improved due to empowerment of cross-border export e-commerce websites, and the final quantitative change results in a qualitative leap. Therefore, cross-border export e-commerce is considered to be a next-generation trading model!

Direct access to a large number of customers

No middleman charges

Complete understanding of consumer feedback

Quick and more stable payment

Traditional foreign trade	Cross-border export e-commerce
Many transaction steps, low profit	Goods are sold directly to consumers, high profits
Does not understand consumer needs and difficulty in matching product design and needs	Direct contact with consumers, design products in a targeted manner, and maintain long-term competitiveness
The process is not transparent and there are many uncontrollable factors	Business is conducted directly through the cross-border export e-commerce website, with real-time and transparent information, and controllable business

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Appendix: Explanation of terms in this chapter

Customs Territory:
Customs territory is a territory in which the Unified Customs Act is enforced. Under normal circumstances, the customs territory and borders are the same. However, the customs territories of some countries and regions are not completely consistent with their borders. For example, some countries have a free port or free zone that is not within the borders of the country and the customs territory is smaller than the border. On the other hand, some countries that have concluded customs union arrangements and their territories are unified Customs Territory:

Tariff:
Tariffs are taxes levied on importers and exporters by the customs established by the government when imported and exported commodities pass through a country's customs territory.

Customs clearance:
Customs clearance refers to the procedures for declaring imported and exported goods to the customs before shipment.

Value Added Tax (VAT):
VAT is the abbreviation of Value Added Tax. It is an after-sales value added tax that is commonly used in EU countries, i.e. the profit tax on the selling price of goods. For example, when goods enter the United Kingdom (according to EU laws), an import tax is paid for the good. When the goods are sold, the merchant can refund the import value added tax (IMPORT VAT) and then pay the corresponding sales tax (SALES VAT) based on the selling price.

ASIN (Amazon Product Number):
ASIN (Amazon Standard Identification Number) is a unique number compiled for Amazon's own products that is automatically generated by the Amazon system and does not need to be added by the seller. If it is a book, the ASIN code is equivalent to the universal ISBN number.
The ASIN is usually located in "Product Details" or below "Product Information".

Related topics

Introduction to cross-border export e-commerce during the outbreak
- What is cross-border export e-commerce?
- Why cross-border export e-commerce?
- Essentials and misconceptions of cross-border export e-commerce
- Successful cross-border export e-commerce cases

Please refer to "Amazon Seller University" to obtain more practical courses on cross-border export e-commerce seller operations.

Paths: Amazon Seller Central > Performance > Seller University > Search for the name of learning materials
Quick links: Amazon Seller University North America Stores, Europe Stores, Japan Store