

Study on Overseas Market Strategy of Chinese E-Commerce Enterprises

—Taking JD as a Case

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ABSTRACT

Based on the current international situation, the transfer of manufacturing industry and economic sanctions from the United States have had a certain impact on the normal development of China's economy. In order to change this situation, it has become an inevitable trend for Chinese enterprises to go global. This paper takes the perspective of e-commerce and uses JD.com as a case study to research suitable outbound strategies for Chinese e-commerce. The paper conducts a literature review to understand the trends in European e-commerce market development and consumer preferences in Europe, and analyzes Alibaba's overseas e-commerce platform AliExpress through case studies. It comprehensively compares the differences between JD and Alibaba, two different e-commerce companies, and combines SWOT analysis to summarize JD advantages. Compared with other traditional e-commerce platforms, JD has a complete supply chain and excellent logistics system which should be fully utilized as its unique brand feature by emphasizing swift logistics delivery. Additionally, considering European market trends and consumer preferences, creating a green supply chain could also be beneficial.

KEYWORDS

JD; Cross-border e-commerce; European market; Supply chain

1. INTRODUCTION

1.1. Research Background

In the current international political and economic pattern, the economic sanctions imposed by the United States on China have brought certain external pressure, which has a certain impact on the international trade of Chinese enterprises. Meanwhile, under the influence of labor costs, market demand and other factors, foreign manufacturing enterprises with production bases in China have begun to transfer to Southeast Asia and other regions. In this case, Chinese enterprises must seek new development and opportunities, open up new markets, and the European market with great potential is undoubtedly an effective strategy for Chinese enterprises to achieve long-term development.

JD, as China's e-commerce giant, enjoys a high reputation both at home and abroad for its supply chain management business and logistics distribution system. Transferring this advantage to the European market can not only help JD achieve diversified market layout, but also reduce the uncertain impact of US economic sanctions and improve its overall anti-risk ability.

1.2. Research Purpose

My research goal is to combine Jingdong's business model and the reality of European e-commerce market, and formulate strategies that will help Jingdong expand the European e-commerce market.

1.3. Literature Review

The focus of domestic research on Chinese enterprises' "going global" strategy covers many dimensions, such as market demand exploration, business model optimization, deep participation in industrial chain and supply chain, international cooperation and investment, talent training and social responsibility.

Foreign research on Chinese enterprises going overseas mainly focuses on the growth stage of enterprises internationalization, the impact of external environment, the evolution of business mode, the international business management mode, the participation of global industrial chain and supply chain, as well as two-way investment and global resource utilization.

2. RESEARCH METHODS

Through literature review, case analysis and SWOT analysis, this paper comprehensively analyzes the consumer behavior, market trend and competitors in the European market, analyzes the existing business model of Jingdong, and evaluates its feasibility and necessary adjustments in the European market.

2.1. Literature Review Method

According to the European E-commerce Report 2023 published by the European E-commerce Commission and the European Consumer Insights Report 2024 published by AliExpress, I summarized the European e-commerce market trends and some consumer preferences [1, 2].

2.1.1. The e-commerce market continues to develop

In recent years, the European e-commerce market has maintained a growth trend, and although the growth rate of e-commerce revenue declined between 2021 and 2022, it will also pick up in 2023.

2.1.2. Focus on sustainable development

With the global attention to climate issues, sustainability and environmental protection issues have gradually become the focus of the e-commerce industry, and several countries in Europe are actively promoting the sustainable development of e-commerce.

2.1.3. Policies and regulations

In recent years, the new tax and regulatory policies introduced by the EU have continuously increased the supervision of cross-border e-commerce, which has brought additional operation and compliance costs to cross-border e-commerce [3].

2.1.4. The rise of social media shopping

Nearly a quarter of consumers aged 18-54 prioritize searching for brands through social media, rising to 36% among millennials, making social media shopping a new trend for younger consumers.

2.2. Case study of AliExpress [4]

Aliexpress, China's largest cross-border retail e-commerce platform, was founded in 2010. So far, AliExpress has opened sites in 18 languages, covering more than 200 countries and regions around the world. According to a report by Smartme Analytics, an authoritative data analysis company,

AliExpress has surpassed Amazon in Spain with 62.5 percent of downloads, making it the most popular shopping APP in the country. Analyzing the development history of AliExpress in the European market, I think its success factors mainly include the following:

2.2.1. Optimization of logistics experience

By increasing the frequency of charter flights, upgrading the overseas warehouse + local distribution network, and laying out self-pickup cabinets and self-pickup points, the logistics experience will be greatly improved. The fulfillment rate and coverage of 3-7 days for overseas warehouses and 10 days for cross-border warehouses have been expanding, and the re-purchase rate has steadily increased after the improvement of consumer experience.

2.2.2. Seller service optimization

We introduce two management modes: full and semi-managed. We provide full managed mode for sellers who focus on product development and supply chain management. The platform provides overall store operation management services, saving their time and cost in daily operation, and improving operational efficiency for these sellers. For sellers who want to maintain certain operating rights and want to reduce the management burden, we provide semi-managed mode, which makes the seller's store operation flexible and saves costs.

2.2.3. Localized operation strategy

Further integrate into the lives of local consumers through offline stores, social communication, cooperation with entertainment programs and sports events, etc. In Spain, for example, AliExpress has partnered with La Liga powerhouse club Sevilla and co-created content with the Masked Singer, a popular local TV show. This is used to promote the market, build the brand, and increase brand awareness and user closeness.

To sum up, AliExpress's success in the European market can be attributed to its efficient logistics system, localized operation strategy and continuously improved user experience.

2.3. Case Study of JD

Globally, JD Logistics already has nearly 90 bonded warehouses, direct mail warehouses and overseas warehouses, with a total management area of nearly 900,000 square meters. In Europe, it signed a strategic cooperation agreement with Geopost, an international express delivery company owned by France Post, to carry out in-depth cooperation in the field of international supply chain. Its e-commerce platform ochama has covered 24 European countries, established more than 500 pick-up points in Europe, and operated a 20,000 square meter warehouse in the Netherlands. In January this year, JD Logistics entered into a strategic cooperation with Evri, one of the UK's largest parcel delivery providers, to integrate their respective service advantages in the field of logistics supply chain and jointly build two-way logistics services covering China and the UK. In late February, JD made an offer to buy British electronics retailer Currys, but said in a media interview in April that it would not make an offer for Currys. In summary, JD has been expanding its e-commerce business in Europe, but with little success.

Compared with traditional e-commerce platforms such as AliExpress, JD has the following characteristics:

2.3.1. Integrated supply chain

Compared with other logistics enterprises, Jingdong Logistics' advantages are mainly reflected in the integrated supply chain, covering both To C (consumer side) and To B (enterprise side). Once it encounters customers with more complex demand scenarios, Jingdong's advantages will be reflected.

2.3.2. Local parcel can arrive in 1 day at the earliest

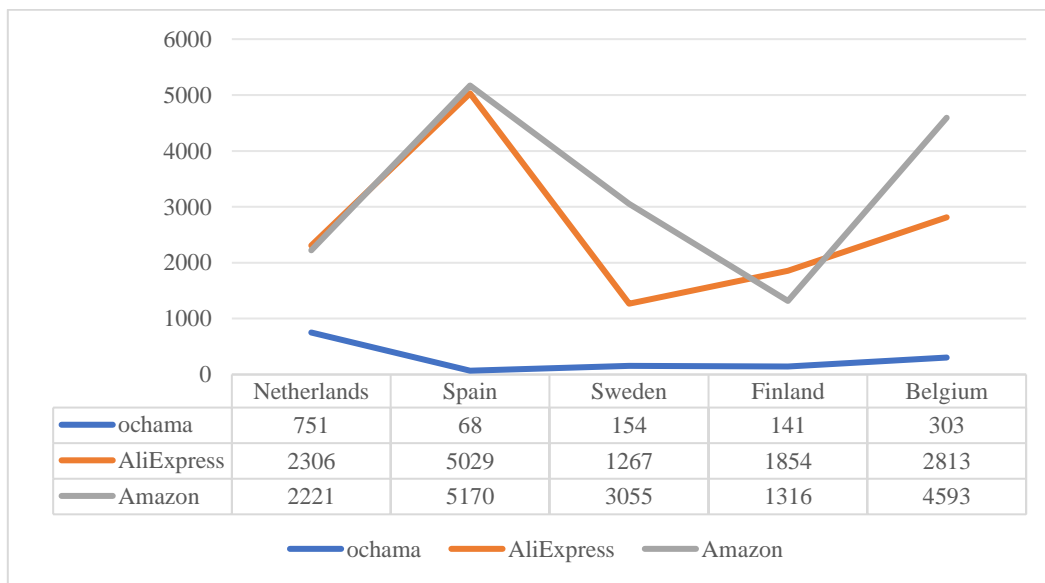
After the strategic cooperation with Geopost, an international express company, Jingdong has further enhanced the coverage and service capability of European express service, and the goods produced in Jingdong Logistics' self-owned overseas warehouses can achieve local parcel delivery in Germany, the Netherlands, France, the United Kingdom, Spain, Poland and other European countries as soon as 1 day.

2.3.3. Warehouse store integrated retail business ochama

ochama is an independent retail brand of Jingdong. It adopts the store-store integration model, placing the automated warehouse in front of the store. From the robot arm and AGV automatic handling robot to the material bin delivery system, all online shopping orders are stored, sorted and transmitted by robots in the store. Customers place their orders online through the ochama app, and the robot completes the sorting automatically. Finally, customers can pick up their order at an ochama store or pick-up point, or choose to have it delivered to their home the next day. This is a new shopping model that JD has built in Europe, relying on its strength in supply chain logistics.

But at the same time, due to the short development time, JD's business is still in its infancy and has not yet achieved economies of scale. Ochama, its retail brand, also needs time to expand its user base. (See Table 1 for details.)

Table 1. Comparison chart of daily app downloads



2.4. SWOT Analysis

Based on the above situation of Jingdong and the case analysis of Aliexpress, a successful e-commerce platform in Europe, we begin to conduct swot analysis of Jingdong.

2.4.1. Advantages

Logistics and supply chain layout: Jingdong has built a self-operated warehouse network and collaborative warehouses in Europe, covering major countries, with high response speed and execution.

Integrated supply chain: covering both consumer and enterprise side.

Innovative retail model: Ochama adopts the world's first retail model that integrates omnichannel shopping, smart supply chain, automated warehouse picking, offline stores and door-to-door delivery services.

2.4.2. Disadvantages

Emerging brand: As an emerging brand, Ochama needs time to build brand awareness and trust.

Operating costs: JD has high operating costs because of its own supply chain model.

2.4.3. Opportunities

Growth of the European e-commerce market: The size of the European e-commerce market is expected to continue to grow, with the European e-commerce market expected to exceed \$1.1 trillion by 2026.

Consumer demand: European consumers' demand for online shopping is increasing year by year, which presents a huge market opportunity for Ochama.

2.4.4. Challenges

Competitors: The European e-commerce market is highly competitive, and Ochama needs to steal users from e-commerce platforms like Amazon and AliExpress, which occupy the European market.

Policies & Regulations: New taxes and regulations in the EU have created additional operational and compliance costs for cross-border e-commerce companies.

3. CONCLUSION

Based on literature review, case analysis and SWOT analysis, this paper comprehensively analyzes the consumer behavior, market trend and competitors in the European market, and analyzes the existing business model of Jingdong, and puts forward the following development suggestions for Jingdong.

3.1. Social Media Cooperation

Social media is the most popular way for young consumers in Europe to shop. Meanwhile, nearly a quarter of consumers aged 18-54 already search for brands through social media as a priority, rising to 36% among millennials, who are becoming more aware of brands through social media. JD can partner with social media to promote the development of its e-commerce platform.

3.2. Build a Green Supply Chain

More and more European consumers are willing to buy green goods [6], and the launch of green supply chain by JD can win the recognition of European people. To this end, JD can: promote environmentally friendly packaging and reduce the impact of packaging waste on the environment; Optimize the logistics network to reduce carbon emissions in the transportation process; Give priority to environmentally certified suppliers and implement green procurement policies; And promote second-hand goods trading to encourage consumers to participate in the circular economy.

3.3. Give Play to the Advantages of its Own Supply Chain

The E-commerce Delivery Benchmarking Report 2024, launched by Auctane, a company providing shipping and logistics technology services, in collaboration with consultancy Retail Economics, surveyed consumers in countries such as the UK, Germany and France, and found that 55 percent of consumers in the surveyed markets expect deliveries to arrive within 48 hours, An increase of 5 percent from 2023. As more and more consumers have higher requirements for logistics, JD should give full play to its advantages of same-day and next-day delivery. The fast logistics as their own brand characteristics, enhance brand awareness.

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