

# Analysis on the Factors of Choosing Southeast Asia Cross-border E-commerce Platform for Guangdong Small and Medium-sized Enterprises

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**Abstract:** With the in-depth development of the Belt and Road, trade for China and Southeast Asian countries have become more frequent. However, the small and medium-sized enterprises in Guangdong, which are dominated by traditional electricity providers, still have some uncertainties in exploring the cross-border electricity supplier in Southeast Asia. This paper analyzes the favorable factors of the small and medium-sized enterprises in Guangdong, takes four famous cross-border e-commerce platforms of Lazada, Shopee, DHgate and Tokopedia in Southeast Asia as examples, and compares and analyzes their features, conditions for entry into platforms and modes of the logistics. Finally, it is suggested that the selection of Southeast Asia cross-border e-commerce platform by the small and medium-sized enterprises in Guangdong should consider such factors as product matching, the cost and the value-added services.

## 1. Introduction

With the development of favorable factors such as the Internet and the economic globalization, domestic e-commerce trade in various countries is becoming more frequent, and the cross-border e-commerce industry is booming. Cross-border e-commerce refers to an international business transaction. Both sides with a transaction in different countries reach deals and make payments through e-commerce platforms, and goods are delivered through cross-border logistics. Cross border e-commerce has brought about changes in the traditional trade of aspects of information and globalization, which can effectively reduce production costs and lay a solid foundation for the development of small and medium-sized enterprises. At present, with the saturation of European and American e-commerce markets, more and more cross-border e-commerce companies in China have turned their attention to Southeast Asian countries. With the increasing demand of Southeast Asian countries for Chinese manufactured goods and the transformation and upgrading trend of small and medium-sized enterprises in Guangdong, the scale of cross-border trades for Guangdong and Southeast Asian countries is bound to continue to expand.

## 2. Advantages of the Small and Medium-sized Enterprises in Guangdong

Lured by the cross-border e-commerce, traditional small and medium-sized enterprises in Guangdong take cross-border e-commerce as an opportunity for enterprise transformation and upgrading in the foreign trade. Relying on their advantages, they constantly try new overseas e-commerce platforms to gain competitive advantages, so as to achieve the transformation and upgrading of the company.

### 2.1 Solid Foundations for Foreign Trade Industry

Guangdong is subordinate to Guangdong-Hong Kong-Macao Greater Bay Area, with first-class aviation hubs like Guangzhou, Shenzhen, and Hong Kong, complete logistics infrastructure, and natural geographical advantages. With the in-depth development of Greater Bay Area, in the transport,

packaging, handling, handling and other logistics links, the Greater Bay Area gradually formed complementary advantages and cooperation with good relation. For example, the Guangdong-Hong Kong cross-border cargo terminal built the “air-land transport” between Hong Kong Airport and Nansha Bonded Port Area, which eliminates some complex links in the transportation process of goods, minimizes the cost of enterprise warehousing and logistics, and improves the transport efficiency.

## **2.2 The Strong Support from Government Policy**

Based on the starting point of the transformation and upgrading of enterprise industry in Guangdong Province, various levels of provincial government agencies have issued a series of policies in recent years, which has promoted the development of cross-border e-commerce of enterprises in Guangdong Province and has further expanded domestic and foreign markets to enhance competitiveness. “Several Measures to Promote the Steady Growth and Transformation and Upgrading of Foreign Trade in Guangdong Province” was proposed: we should not only encourage various types of cross-border e-commerce enterprises, goods and services to “go out” and improve the cross-border e-commerce service system, but also increase financial support for foreign trade and finance, expand exports, and support enterprises to open up international markets.

## **2.3 The Promotion of Alibaba Group**

In recent years, many Chinese cross-border e-commerce giants have targeted and successively entered the unsaturated "blue ocean market" in Southeast Asia, the most representative of which is Alibaba group. They have invested in Lazada group for many years in a row and now hold 83% of shares. In addition, Alibaba's Cainiao Network Technology Co., Ltd. launched the automatic vehicle guidance, which improved the sorting efficiency of Guangdong cross-border e-commerce logistics centre. All in all, Alibaba Group's continued investment in the cross-border e-commerce market in Southeast Asia is a significant guide and a huge encouragement for Guangdong companies.

## **3. Main Southeast Asian Cross-border Platforms**

At present, there are many large and small cross-border e-commerce platforms in Southeast Asia. Famous cross-border e-commerce platforms mainly include Lazada, Shopee, DHgate, and Tokopedia.

### **3.1 Background Information of Platforms**

#### **(1) Lazada**

Lazada, the characteristics of typical B2C mode, was established in Singapore in 2011. It is one of the largest e-commerce sites in Southeast Asia, which is known as “Amazon in Southeast Asia”. Lazada's product types include children's products, home appliances, books, fashion, and so on. The business is mainly in Singapore, Thailand, Indonesia, Vietnam, the Philippines, Malaysia and other countries. At present, Lazada provides services including more than 135,000 locals and international suppliers with more than 3,000 brands.

#### **(2) Shopee**

Shopee, as one of the fastest-growing e-commerce platforms in Southeast Asia, was established in 2015. Moreover its business is mainly in Thailand, Singapore, Indonesia, the Philippines and other places. Shopee's best-selling cross-border products are mother and baby products, women's clothing and home furnishings. Shopee takes the Taobao's route, so the price advantage is more prominent. Sellers can release products through a new APP, SHOPEE LIVE, and can answer users' questions directly in videos. And then, users can also purchase products they are interested in during the live broadcast.

#### **(3) DHgate**

DHgate was established in 2004 in Dallas, Texas, USA, and set up its headquarters there. It is the world's main online foreign trade platform and goes with to a typical B2B. The total number of products sold online and registered buyers on the platform have exceeded 25 million and 5.5 million,

respectively. The platform covers more than 200 countries and has more than 200 self-established logistics lines.

#### (4) Tokopedia

Tokopedia was established in Jakarta, Indonesia, in 2009 and its corporate headquarters there, and is the comprehensive C2C platform with the most visits in Indonesia, known as the “Indonesian unicorn”. Tokopedia won the title in the monthly visits to the Indonesian platform, with an average of about 940 million monthly user visits.

### **3.2 Comparisons among the Platforms**

#### (1) Features of Platforms

Each cross-border e-commerce platform has its unique characteristics, and enterprises should make full understanding and preparation before choosing these platforms. Lazada has taken the brand route, so customers have higher requirements for the quality of products, which made Lazada pay more attention to commodities and is suitable for the small and medium-sized enterprises taking the brand route. Shopee is favoured by many novices because of its affordable products, smooth and beautiful interface, free in the early stage and simple shop management and operation. As a result, inexperienced start-ups can take it into account Shopee. Diversified platform profit model and clear targeting customers are two characteristics of DHgate. It makes a profit mainly by collecting transaction commissions and value-added services. At the same time, DHgate supports individuals and enterprises to register and release products through official channels. Therefore, it is suitable for small and medium-sized enterprises with high-quality customer service. Tokopedia has the diversity of goods and the ease of making single items. Tokopedia is only active in the Indonesian market, and the market is more saturated, so it is suitable for the small and medium-sized enterprises with their production facilities or supply and marketing channels

#### (2) Conditions for Entry into Platforms

The platform entry conditions, in general, are the threshold for enterprises to enter the platform. The ease of entry conditions will affect enterprises’ choice of cross-border e-commerce platform. Lazada’s store opening threshold is the highest of the four platforms, because it not only requires sellers to have some experience in e-commerce sales, but also defines the categories of products sold by the company. The condition of entry of Shopee’s platform to be admitted is more relaxed because it requires companies to provide supporting materials such as formal business licenses or identity cards, SKU quantities and screenshots of orders/sales. DHgate is the first one to be established in four platforms and has a long operation time, but its entry conditions are not complex, because it just requires small and medium-sized sellers must be the company with ample supply, independent brands or high-quality agents home. As one of Indonesia’s most popular platforms, Tokopedia requires not only novice sellers have a certain qualification, but also sellers to register in the shop must submit different legal documents.

#### (3) Modes of the Logistics

Among the “three flows” (logistics, capital flow and information flow) of cross-border e-commerce, the most crucial thing for small and medium-sized enterprises is logistics, as the cost and efficiency of logistics affect it’s the capital turnover. Lazada uses Lazada Global Shipping (LGS), a self-built global logistics system, to transport and distribute goods. LGS collects all the commodity ordered by buyers on the platform and uniformly transports to Southeast Asian countries, which reduces parcel loss. Shopee novices can use the official logistics Shopee Logistics Service (SLS), which is a collective-storage method. The seller will send the buyer’s orders to the Shopee transfer warehouse, and finally SLS Logistics will be responsible for dispatching the goods. Currently, DHgate is based on five logistics methods: EMS, UPS, DHL, Hongkong Post, and FedEx. DHgate provides more convenient online delivery services through online and offline delivery, which simplifies the process of delivery of the seller’s logistics. JNE is the main logistics method used by Tokopedia because it does not set the lowest quantity and weight, which can provide customers with excellent service, and then greatly improve customer’s satisfaction.

## **4. Factors Contributing to the Selection of Platforms**

With the increasingly fierce competition in Southeast Asia's cross-border e-commerce market, the development of the small and medium-sized enterprises in Guangdong is facing a number of challenges and opportunities. As a newly established small and medium-sized enterprise, they should carefully consider from three aspects before choosing a cross-border e-commerce platform suitable for its own development: the product matching, the cost and the value-added services.

### **4.1 The Matching Degree of Product**

The matching degree of product of main push and the enterprise product is the matching degree of the platform's propaganda strength to a certain kind of product and the matching degree of the product operated by the enterprise. Enterprises should choose according to the characteristics of different platforms. For example, Lazada is very strict on the product brand, and its best-selling products are women's jewellery and bags; Shopee is similar to Taobao, attracting customers with its high quality and low price, and its best-selling products are mainly mother and child products, women's clothing and home products three categories; DHgate's online products are very varied, and its best-selling products are mobile phones and consumer electronics; Tokopedia operates a comprehensive product that is popular with locals in Indonesia, and its best-selling products are electronics and home products.

### **4.2 Costs**

At present, cross-border e-commerce export platform operating costs generally include fees for entry into platforms, transaction commissions, fees of uploading product and so on. As a for-profit organization, enterprises will minimize the investment of capital as soon as possible, so the level of fees for entry into platforms costs is the first element whether they choose a platform. The transaction commission of commodity refers to the platform will charge a certain commission after the seller completes a transaction. Furthermore, fees of uploading product will make enterprises more cautious about issues of uploading product, such as how many products uploaded and which products, which also has a certain impact on the flow of platform goods. Therefore, these three respectively affect the input cost of small and medium-sized enterprises, product price strategy and platform commodity flow. And then, the small and medium-sized enterprises in Guangdong must choose the right platform and services after comparing the costs of those four platforms.

### **4.3 Value-added Services**

Export enterprises in Guangdong, choosing a cross-border e-commerce platform, should also consider the platform added value of services, including platform customer service, platform product push, and store management and so on. In contrast, Lazada provides professional customer service supports, so it is easy for new sellers to learn and operate. Shopee has the comprehensive training of community so that new novice can operate it more easily. DHgate is mostly aimed at Chinese enterprises, so the interface of its platform provides Chinese for easy to explain something. And then, DHgate provides sellers for high value-added customized services, such as better publicity and marketing channels, as well as demand information of foreign buyers and so on. Tokopedia offers new sellers a more comprehensive range of additional services, such as the ad push, the increasing number of product uploads and so on. In short, if an e-commerce platform can provide more value-added and benefits, those foreign trade enterprises can make full use of the platform's added value and preferential conditions to reduce costs and gain more benefits.

## **5. Conclusion**

With the upsurge of cross-border e-commerce trade in Southeast Asia, it is of great importance for small and medium-sized enterprises to choose a suitable platform for their further development, transformation and upgrading. It is hoped that enterprises can find a suitable e-commerce path for their development through the analysis of Southeast Asia related cross-border e-commerce platforms and comprehensive consideration of various factors.

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