

# *Problems and Countermeasures of Chinese enterprises in building overseas warehouses*

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**Abstract:** With the continuous expansion of trade, investment and cooperation, cross-border e-commerce has begun to rise. "Overseas warehouse" arises at the historic moment, and it is the innovation to solve the high cost and slow delivery of cross-border logistics. It plays a vital role in the development of cross border e-commerce in China. This paper firstly introduces the development of cross-border e-commerce and overseas warehouse, analyzes the problems of capital, operation mode and employee recruitment in the current construction of overseas warehouse, and puts forward concrete suggestions from the aspects of national macroeconomic policy, build Virtual Overseas Warehouse, and promoting the transformation of enterprises to intelligent direction. This will promote the construction and development of our overseas warehouses.

## 1. Introduction

2018 is the fifth year of the 40th anniversary of reform and opening up and the "Belt and Road Initiative" initiative. At present, China's cross-border e-commerce transaction volume is growing at a double-digit rate, which is an important factor in promoting the growth of China's import and export trade. The "Electronic Commerce Law of the People's Republic of China", which was adopted by the Standing Committee of the 13th National People's Congress in August 2018, mentioned that the state encourages the development of e-commerce innovation, innovates business models, and promotes e-commerce technology research and development and promotion. Application, promote the construction of e-commerce credit system. This has undoubtedly brought new business opportunities and vitality to Chinese e-commerce.

Since 2009, cross-border e-commerce has begun to rise. Its main purpose is to promote the flattening of cross-border trade chains and the return of trade value. In 2017, the scale of cross-border e-commerce transactions in China was 6.3 trillion yuan, a year-on-year increase of 14.5%. The number of Haitao users has reached 74 million. In various cross-border business models, overseas warehouses as a new thing are a new way to transform logistics and transportation methods in traditional cross-border e-commerce.

The emergence of overseas warehouses is a new attempt to promote traditional cross-border e-commerce to improve operational efficiency. For the study of e-commerce, the fields discussed by scholars at home and abroad have gradually matured. Business models and transactions in mobile electronic commerce: requirements and properties analyzed the advantages and characteristics of

e-commerce (Aphrodite Tsalgatidou, Evaggelia Pitoura, 2001). Multi-agent framework for third party logistics in E-commerce conducted an analysis of cross-border logistics and considered that third-party logistics (3PL) contributed to the development of e-commerce (Wang Ying, Sang Dayong, 2005). As Warehouse of Cross-border Logistics believes that the construction of overseas warehouses will still be affected by the culture and politics of the host country (Ge Yan, 2016). Analysis and Suggestions on Cross-border E-commerce in China and other researches on the status quo of cross-border e-commerce in China Wang et al. studied the status quo of cross-border e-commerce in China (Wang Wailian, Wang Mingyu, Liu Shuzhen, 2013). Logistics Dilemma of China's Cross-border E-commerce and Suggestions for Countermeasure and others have shown that the construction of overseas warehouses has an important impact on improving traditional international logistics (Zhang Xiaheng, Ma Tianshan, 2015). Analysis of the advantages and disadvantages of overseas warehouse and its future development countermeasures studied the advantages and disadvantages of current cross-border logistics transportation methods and overseas warehouse models (Sun Kang, 2016). The Way to Promote the Development of Cross-border E-commerce Logistics [J], China Circulation Economy suggested that different physical chain management should be adopted in different countries to strengthen the construction of cross-border logistics (Li Xiangyang, 2014). A new mode of cross border Logistics: Research on location of overseas warehouses used the PESTEL model to introduce the comprehensive macro factors that need to be considered in the overseas warehouse location.

The SWOT model to investigate the location of overseas warehouses (Li Yang Cunzi, 2017). It can be seen that overseas warehouses have promoted the vigorous development of cross-border e-commerce and put forward higher requirements for the integration of international logistics services. It in the year of 2018. The research survey release data on

## **2. Development status and research significance of cross-border overseas warehouses**

The development process and current status of cross-border e-commerce and overseas warehouses goods to exporting countries. However, traditional international logistics not only takes a long time, but also has high prices and faced exchange rate change. Cross-border e-commerce is a new model of international trade under the "Internet +" era. Cross-border e-commerce is basically divided into three modes: B2B, B2C, and C2C. Most of its business methods are retail and small-volume order goods. In the early days of cross-border e-commerce development, companies generally use international logistics to transport goods. It has great defects in convenience and greatly reduces the operating profit of the company. In order to deal with these problems, overseas warehouses began to appear. Its business model is generally established in other countries or in advance to cooperate with third parties to lease warehouses, pre-use international logistics to transport goods to the warehouse, and then use the country's local logistics to deliver goods to customers. This way, you can better carry out fragmented, high-frequency orders. In addition, overseas warehouses can also solve the problem of returning and replacing goods in traditional cross-border e-commerce. Users can directly exchange goods through local overseas warehouses, greatly improving the user's shopping experience. In the context of rapid development of international trade, Amazon has taken the lead in establishing overseas warehouses. In China, since 2014, companies have also actively participated in the transition of cross-border e-commerce, participating in the investment and growth of overseas warehouses. Alibaba's cooperation with China Shipping Group to build overseas warehouses has rapidly enhanced its competitiveness in overseas markets. According to statistics, by the first quarter, the international commercial retail business reached 4.316 billion yuan, a year-on-year increase of 64%, and behind the high growth, not only can not be separated from Lazada and the global retail AliExpress, more It also depends on

its integrated logistics and payment construction, which is optimized for logistics, namely the rookie network and Ant Jinfu. In addition, China Post, SF Express and Yuantong are also involved in overseas warehouses and logistics related fields. Of course, as overseas warehouses that have developed rapidly in recent years, there are still some problems and shortcomings, such as the location and localization management of overseas warehouses, the correct assessment of the sales market, and the local political issues and economic problems in the exporting countries. Risk prediction and problem solving.

Research significance of overseas warehouses In recent years, the rapid development of cross-border e-commerce, domestic and foreign academic circles have gradually increased their attention to overseas warehouses, but the emerging research point on overseas warehouses is only at the initial stage. In view of the advantages of overseas warehouses to optimize China's export trade structure, improve the trade environment, and promote the development of China's cross-border logistics, this paper will directly combine the current economic background and environment with reference to specific examples. Analyze and summarize the problems existing in overseas warehouses.

### **3. Problems with overseas warehouses**

Sohu.com market survey shows that unfamiliar national policies and regulations and overseas employee management accounted for 58.8%; it is difficult to recruit overseas employees accounted for 35.2%; capital pressure accounted for 23.5%; I do not know how to conduct overseas warehouse location accounted for 17.6% faster Development of overseas warehouses. The following is a detailed analysis of the main issues of overseas warehouses.

#### **3.1 Overseas warehouses can not provide supporting integrated logistics model**

Regarded as a new model for solving traditional cross-border e-commerce issues. At present, China's cross-border logistics is not perfect, logistics services are mainly concentrated in the traditional logistics, transportation and distribution, and professional services such as the introduction of optimal logistics solutions, the display of comprehensive information platform, cross-border financial services consulting It is still difficult to provide. Even if goods are shipped from overseas warehouses, timely and effective distribution of goods cannot be guaranteed, and even if the management is not perfect, the loss of goods and damage will occur. Some domestic enterprises are based on the global development at the beginning, ignoring their actual strategic development, and failing to provide a reasonable and effective logistics solution environment and supporting integrated logistics cooperation mode. When dealing with unexpected problems, they cannot make satisfactory solutions for customers.

#### **3.2 Insufficient funds for overseas warehouse enterprises**

At this stage, overseas warehouses are a capital-intensive and technology-intensive enterprise, and their overseas establishments are concentrated in developed regions such as Europe and the United States. After the completion of the overseas warehouse, it will face the pressure of high fees such as storage fees, operation fees and delivery fees. Moreover, the cost of labor for hiring employees overseas is high, which is three to four times the domestic wage. The price of the leased plant is approximately \$60 to \$125m/2. Not only that, most overseas export warehouses charge RMB, but the operating expenses of overseas warehouses are US dollars. The intermediate operation is troublesome and there are various exchange rate conversions. The various problems caused by this will inevitably affect the development of overseas warehouses.

### **3.3 Inventory pressure problems caused by slow sales of enterprise products**

The premise of the rapid development of overseas warehouses is the certainty of their sales. At this stage, the business model of most overseas warehouses is “first make inventory, then do sales”. However, after the completion of the overseas warehouse, due to the lack of market research, the company did not know enough about the various sales information. In stocking, large quantities of goods are often purchased because of low prices. After the goods are put into storage, they face difficulties in finding buyers, occupying a large amount of space in overseas warehouses, and bringing about an increase in storage costs. Even some time-sensitive products will face problems such as expiration and deterioration. For example, after a domestic company selling a table built an overseas warehouse, a large number of tables were stored in overseas warehouses, but the sellers were not found in time, resulting in a large backlog of goods and a very weak profit.

### **3.4 Ignore tax and legal issues in the country where the overseas warehouse is located**

Due to the short time of overseas warehouses, there are few legal issues related to overseas warehouses, and the laws and regulations are not perfect. Many overseas warehouse enterprises pursue fast customs clearance and cooperate with third-party logistics companies to obtain high profits. Companies that lack legal knowledge often use “gray customs clearance”. It refers to the “clearance company” and the sea associated with the hand, and spends less on customs clearance. But behind this is the hidden dangers of various businesses for the company. For example, in recent years, the Russian government has vigorously cracked down on “gray customs clearance”, and many companies’ goods have become illegal goods. Unlawful goods will face the risk of slow sales. Even overseas warehouses will be seized by the local government. In addition, they will face high compensation and other issues. In the long run, it will definitely damage the interests and reputation of overseas warehouse companies. For example, since 2016, more and more cross-border e-commerce companies have begun to pay attention to cross-border trade and investment in countries such as Russia and Vietnam. However, due to insufficient understanding of various local tax and legal provisions, domestic enterprises have established overseas warehouses in Russia. The pace is slow.

## **4. Countermeasures for overseas warehouses of cross-border e-commerce**

### **4.1 The government introduced financial policies and laws and regulations to promote the development of overseas warehouses**

The "One Belt, One Road" policy proposed by the central government aims to establish a new pattern of opening up to the outside world, both at home and abroad. In the development of China's economy towards "open, inclusive and sustainable", the "Belt and Road" will become the link between China and the world. This will certainly deepen the integration of China and the world. On the one hand, the government should speed up the construction of information platforms, establish trade data databases with other countries, and strengthen friendly cooperation with other countries. We will improve the foreign exchange management model with countries and countries, simplify the procedures required for the establishment of overseas warehouses, and relax the loan financing conditions for SMEs to provide a good platform for more enterprises. Or directly use the local government and enterprises to cooperate in investing in overseas warehouses to reduce investment risks. On the other hand, the government should increase the popularity of relevant laws and regulations on cross-border e-commerce, and establish a special portal to help companies understand the laws and tax rules of different countries and regions.

## **4.2 The company plans to develop a comprehensive plan for the company's macro strategy**

When establishing overseas warehouses, enterprises should not be eager for success. They should formulate detailed and feasible strategic deployments and fully consider issues such as site selection, transportation, and management. Enhance the legal awareness related to cross-border e-commerce, learn various laws and regulations in the exporting countries, avoid unnecessary losses caused by integrity or legal issues; establish a sound logistics transportation platform, improve operational efficiency, and integrate itself Product features, develop reasonable marketing methods, such as stocking and stock-related products in the warehouse before the holidays, to understand the off-season and peak season of selling goods, in the inventory squeeze, consider product promotion, combined sales and other methods. In the initial stage of entering the market, companies can use field investigations or cooperate with third-party third-party companies to operate overseas warehouses, or seek overseas warehouse partners to obtain their financial, technical and empirical support. After obtaining sufficient information, the construction of overseas warehouses will be carried out.

## **4.3 Establish virtual overseas warehouses to reduce the pressure on commodity backlog**

At this stage, many overseas warehouses are facing the risk of backlog of goods and slow sales. A better way to solve such problems is to establish virtual overseas warehouses. Virtual overseas warehouse refers to the establishment of offline portals for enterprises, counting the sales volume of various commodities, adjusting the quantity of supply according to the sales volume, and being able to place orders with domestic enterprises in time when the inventory is insufficient, and the enterprises adopt large-volume delivery methods. The goods are transported to the outlets of the major exporting countries. At this point, the offline store became a virtual overseas warehouse. Enterprises can rely on virtual overseas warehouses to avoid the costs and risks caused by the slow sales of goods. At the same time, the delivery location of goods is displayed as the exporting country, which can improve the overseas competition of products and deal with the losses caused by foreign policy changes.

## **4.4 Accelerate the transformation of enterprises into intelligence and automation**

At present, the overseas warehouse operations of domestic enterprise investment mostly adopt ERP software system. Information entry under this business model is not comprehensive enough and requires slow operation time. A lot of information is manually operated by employees, such as the entry of goods information, delivery speed, etc., which greatly reduces the operating efficiency of overseas warehouses. Enterprises should improve their management level and form information and resources of integrated supply chain, making overseas warehouses more efficient and faster. First, the use of information identification technology and supporting software to achieve information management within the warehouse, carry out refined management, continuous improvement and optimization of key business processes, to grasp the real estate storage and delivery dynamics in real time; second, the use of unmanned operations, Make full use of all kinds of handling equipment tools, only need to use one worker to complete the operation, thus reducing labor costs; third, using the wide design of lanes and cargo lanes, make full use of land resources and improve land use efficiency.

## **5. Conclusion**

To sum up, for the development and development of cross-border e-commerce overseas

warehouses in China, we can develop from multi-faceted policies such as national macro-policy, enterprise transformation management, and rational site selection. With the accelerated development of information technology and artificial intelligence, overseas warehouses will usher in more opportunities and challenges. In this regard, we should focus on optimizing international logistics methods and expand our business capabilities in all aspects to achieve efficient operation of overseas warehouse operations. Convenience and other characteristics. Overseas warehouses not only promote the rapid development of international cross-border logistics, but also believe that in the near future, overseas warehouses will become a bridge connecting China and the world in a more mature way.

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