

Study on the Development Strategy of Cross-border E-commerce Platforms-A Comparative Analysis of TikTok and Amazon

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Abstract. In 2019, the total value of China's cross-border e-commerce retail imports and exports reached 180 billion yuan, an increase of 38.3% year-on-year, and China's imports and exports closed through the customs cross-border e-commerce management platform increased by 26.2% in the first half of 2020. The surging cross-border e-commerce imports and exports mainly stem from the transformation of the consumption pattern in major markets such as Europe and America and the landing of a series of policies conducive to the development of cross-border e-commerce. Since the outbreak of the novel coronavirus epidemic, China's real economy has been impacted. Cross-border e-commerce and live commerce have given a boost to regional economic development and return to work and production. In the post-epidemic era, cross-border e-commerce has encountered many difficulties as well as many opportunities. This paper mainly aims to find out the strategic measures through the comparative analysis of TikTok cross-border e-commerce and Amazon's traditional e-commerce.

Keywords: TikTok; Amazon; Live streaming; Cross-border e-commerce.

1. Introduction

1.1 Research Background

TikTok was formerly known as Musical.ly, Mamma Mia in Chinese, through which users can upload and share a 15-second to 1-minute lip-sync video, including talent shows and funny short videos. It has been well received by American teenagers for the founder Zhu Jun's understanding of American culture and the prediction of Internet trends. Taking example Musical.ly, ByteDance launched TikTok in 2016, which rose rapidly in China. In 2017, ByteDance acquired Musical.ly and supplemented the recommendation algorithm, followed by the launch of the international version of TikTok. The recommendation algorithm improves user distribution efficiency, allowing users to watch videos that they are interested in all the time. However, the data of international TikTok and Chinese TikTok have always been isolated. Intelligence data from Sensor Tower shows that in July 2022, Chinese TikTok and its overseas version won the global mobile app (non-game) download list with more than 69 million downloads, an increase of 13.2% over July 2021. Among them, the download volume of Chinese TikTok accounted for 16.6%, and the download volume of TikTok in the Pakistan market accounted for 7.9%. Note: Downloads are only counted on the App Store and Google Play, excluding third-party Android markets in China and other regions. Instagram ranked second with nearly 63 million downloads, up 28.5 percent from July of the last year. India was the market with the largest downloads at 35.9%, followed by Brazil at 5.9%. The other top five apps are Facebook, WhatsApp, and Snapchat [1].

Founded in 1994, Amazon is a large American e-commerce company that started out as an online bookstore and only engaged in book-related sales. Amazon's Founder Bezos saw the enormous potential of the internet and changed the company name from Cadabra to Amazon, hoping the company's business can develop as fast as Amazon, the world's largest river, coursing with a wide variety of sales.

1.2 Literature Review

In September 2022, searching cross-border e-commerce strategy on China national knowledge internet, 40 literature articles were reviewed. Among them, 24 articles in 2022. 16 articles in 2019 to 2022. This result reflects that cross-border e-commerce has a booming trend in 2022. Tik Tok is undoubtedly the most successful social app in China's outbound category [2]. (2020) Yan Xuyang's article focuses on the analysis of strategic decisions in the development of internationalization. It analyzes when Tik Tok enters the target market and how to localize its operation. (2021) Li Li, Su Ziqi, and Lu Chen summarize the globalization development strategy of TikTok [3].

(2022) Xu Xuechao and Dai Mingfeng analyzed the difficulties faced by the cross-border e-commerce for development under the impact of the epidemic and how to layout overseas rationally [4]. (2022) Lu Jingyuan's SWOT analysis of Amazon's development of cross-border e-commerce platform in China [5]. In summary, more studies on cross-border e-commerce of TikTok and Amazon currently focus on exploring the development status, value, and characteristics of TikTok itself. And the strategic analysis on cross-border e-commerce has not had a lot of attention and investment in research. The author hopes to provide some supplement to the field of strategic analysis of cross-border e-commerce by comparing and analyzing the advantages and disadvantages between TikTok and Amazon platforms.

1.3 Research Significance

Cross-border e-commerce is of great significance to China's economic transformation, employment, and consumption. At the 2022 China E-commerce Conference - Cross-border E-commerce Forum, Li Mingtao, chief expert of e-commerce at China International E-Commerce Center, said that under the new development pattern of domestic circulation as the main body and domestic and international dual circulation promoting each other, Chinese enterprises do well in their core business through cross-border e-commerce, which is conducive to enhancing enterprises' competitiveness and global service capabilities. At the same time, in the development concept of internal circulation as the main body, cross-border e-commerce is in an important node position [6]. According to the Accenture survey, the world's growth rate of social e-commerce in 2025 will be three times that of traditional e-commerce, reaching \$1.2 trillion, accounting for 62% of global e-commerce expenditure [7].

This paper chooses Amazon and TikTok as the objects of case studies. TikTok is a short video platform owned by ByteDance, and Amazon is an established cross-border e-commerce platform. Faced with the continuous increase in demand in overseas markets, through the analysis of the operating model and strategy of Amazon and TikTok, this paper introduces how cross-border e-commerce platforms can further break down barriers in the global market and promote the circulation of business.

2. Overview of the development of TikTok and Amazon cross-border e-commerce

TikTok's traffic monetizing is mainly through ads or internet celebrities selling goods via live streaming or sales commissions. Traffic is the essence of all business. From the Weibo 2.0 era to the WeChat Official Account, and then to the current short video APP, the short video platforms only divide the traffic once again on a previous basis. TikTok and Facebook are both carriers of information, and live-streaming e-commerce is the same as previous hypermarkets. Live-streaming e-commerce is more realistic than traditional beautified pictures, attracting people to buy goods.

In the second quarter of 2022, Amazon's sales increased by 7% year-on-year to \$121.2 billion. It expects to achieve 13-17% year-on-year growth in the third quarter. From the overall business structure, Amazon's net sales of products in the second quarter were \$56.57 billion, and net sales of services were \$64.65 billion, reflecting an effective transformation to the service side. In terms of

segmentation, Amazon has online stores, physical stores, third-party seller services, subscription services, advertising services, AWS cloud services, and other businesses [8].

3. Comparative Analysis of Amazon E-commerce and TikTok E-commerce

One of the biggest differences between Amazon and TikTok relies on that one is the traditional search e-commerce, and the other is the interesting e-commerce + social e-commerce. Amazon is definitely more diverse than TikTok in terms of category, while TikTok meets the content needs of potential users mainly through algorithmic recommendations. American writer David M. Professor L. Mathersberg and Del M. Professor I. Hawkins tell us in the book *Consumer Behavior*: “The process of customer decision-making begins with problem identification” [9]. TikTok's recommendations may be a way for merchants to step up their customers' desire to consume. In addition, different from traditional sales of goods in graphics and text, short videos can better drive consumer emotions, usually resulting in impulsive consumption under the dual infection of sight and hearing.

3.1 Amazon Is Superior to TikTok in Kinds of Selling And Services

Amazon has been in the e-commerce industry for 25 years, with 17 major sites in the world, consumers in more than 200 countries, 300 million active customers around the world, and 21 large categories available for sale. In terms of category, TikTok is far inferior to Amazon. Amazon has the following advantages.

In Amazon's logistics, sellers mail goods to the Amazon Center, and Amazon stores the goods for them. When an item is sold, Amazon sorts the item according to the order for repackaging and delivery. The warehouse also provides consulting and return services. Professional services can improve buyers' satisfaction with sellers. Amazon has customer service in the local language and is available 24 hours a day. This reduces the seller's time cost and allows them to concentrate on operations. Sellers can register their brand when selling products on Amazon. After registration, Amazon can provide a full range of brand protection, which can expand the advantages of the brand. Amazon has relatively good protection of intellectual property rights and can detect and remove counterfeit and infringing products from the shelves and track the responsibilities of sellers by combining AWS cloud services and big data analysis. E-commerce platforms generally have fixed holiday promotions, including spikes, Black Friday, Amazon Membership Day, and so on, which maximizes the traffic acquisition and exposure of the products. Amazon has exclusive discounts for quality members that build their consumption habits, moreover, it gives out coupons to consumers to accurately reach consumers. When the points reach a certain number, consumers can also redeem gifts.

After purchasing a product on Amazon, customers can leave a comment, share the purchase experience, etc. The shopping experience is an integral part of both customers and merchants. Potential customers can decide whether the product can meet their own needs according to the product's reviews, and they can also learn about the product information more comprehensively. At the same time, customer reviews help merchants continuously improve their products and provide a better shopping experience for customers.

3.2 TikTok Is Superior to Amazon in Spread And Traffic

ByteDance now has about 2 billion monthly active users, among which Chinese TikTok owns 600 million, and international TikTok owns more than 1 billion. The monthly active users of ByteDance's full line of products have surpassed Facebook with a striking rate of growth. TikTok's user pool has huge advantages. At present, A major way of TikTok e-commerce is creator goods selling, which mainly displays products through a show window. This is only one e-commerce function provided by the platform, and the TikTok store is similar to a Taobao shop. TikTok has the following advantages.

3.2.1 Influenced by social interaction, the pursuit of instant consumption

TikTok is a combination of interest e-commerce and social e-commerce. Watching live streaming has become a current trend, and consumers have been greatly affected by short videos. Live broadcasting through short videos not only incurs low cost and provides real-time interaction with users, but also makes consumers be personally on the scene. In addition, middlemen in live broadcasting brings huge profits to merchants. Although the international TikTok is not as perfect as the Chinese version, we envision bright prospects for its future development.

3.2.2 Strong supply chain integration capabilities

China is currently the epicenter of global commodity manufacturing and a world-class "manufacturing plant". Goods from all over the world can be produced and sourced in China. Chinese goods also have an advantage in international price competition because a large number of labor-intensive commodities are exported from China.

3.2.3 Experienced in operation

Amazon is more considered to be a traditional e-commerce model, where consumers buy goods through brand ranking and search. TikTok, on the other hand, is primarily content marketing. Chinese sellers have already understood the recommendation mechanism of the short video platform in Chinese TikTok and know how to quickly become popular, get more followers, attract traffic and monetize through short video platforms. They are clear about the various audit rules of the platform and know how to avoid account suspension and flow restriction. With relatively rich experience in short video operations, Chinese sellers make full use of creators for promotion. With an accurately positioned account and goods for sale, it's easier to realize traffic monetizing when the followers' position is clearer.

3.2.4 Platform traffic

Amazon mainly attracts traffic through the exposure of the store, the customer's applause rate, and the repurchase rate. So, there is not much room for the seller to operate. A new store without traffic and good sales volume is difficult to develop and grow. And it may be necessary to divert traffic to other platforms. Many brands formerly grew up on Facebook, and in the future, more brands may grow up on TikTok. It mainly applies platform recommendations. Every short video or live streaming is an opportunity.

3.2.5 TikTok's competition is relatively weak

Amazon's platform has many restrictions and high entry barriers for sellers. Sellers in TikTok are now in their early stages, although the platform traffic is large, the competition is relatively weak. Different from Amazon sellers, TikTok sellers should not only have product thinking, but also user thinking. It is necessary to carefully study the trends of the consumer group and understand the user's behavior data, through which they can continue to produce good content and launch hot products.

4. Suggestions on Optimization of Cross-border E-commerce Operation Mode

Although TikTok flourishes all over the world, Youtube, Instagram, and Snapchat are stepping up their layout of short video tracks. The traffic of the compatible platforms has been greatly divided, and the dividend period of the platform may be greatly shortened after the previous round of baptism. With the continuous upgrading of the industry, the era of simply competing for quantity and operation has gradually drifted away, and the 3.0 era of building a cross-border e-commerce ecosystem has arrived.

4.1 Comply with the policies of the platform and local laws and regulations

TikTok has rules for sellers and creators. If a seller or creator posts a false product or false promise on the listing page, such as the sellers promising the cashback for good reviews during the live

broadcast, but the promise remains unmet, or the sellers promise to give away the giveaway, but it remains unmet either. TikTok will punish such kinds of sellers, accordingly, including removing goods from the window and the shelves.

Amazon's 2021 ban involved tens of thousands of accounts and thousands of companies, costing more than \$100 billion. Many sellers' e-commerce accounts have been frozen. Up to now, Amazon still has zero tolerance for manipulating reviews or clicking farming and will take measures such as freezing account funds and revoking seller qualifications.

4.2 Ability to integrate cultural values

The most important thing for a brand to go abroad is to understand the local culture. Local operation has many pain points and difficulties in information acquisition, including the slow speed of collecting local users' living habits, values, and cultural views, as well as the local market information, and the difficulty of local market promotion, etc. Whereas the above aspects can be overcome by the power of ecological partners to break through the operational difficulties one by one, such as the development of one-stop partners to promote cost decrease and benefits increase.

4.3 Supply chain optimization

With the increase in labor cost, domestic supply chain cost competition is increasing. The lack of a complete supply chain is a big pain point for social e-commerce [8]. There is a mature supply chain for Chinese sellers: one end is connected to the MCN agency of internet celebrities, and the other end is connected to merchants with production and manufacturing capabilities. To achieve better digitally abroad, it's a wise way to continuously optimize the supply chain, combine the upstream and downstream industrial chains, and improve the resilience of the supply chain [10].

4.4 Need to strengthen logistics and basic services

Cross-border logistics is an important link in the whole industry chain of cross-border e-commerce, and it is the foundation to support the development of cross-border e-commerce industry. Cross-border logistics is an important link in the whole industry chain of cross-border e-commerce, and it is the foundation to support the development of cross-border e-commerce industry [11].

5. Conclusion

Tik Tok has been operating at overseas for 5 years, and its revenue has caught up with the mainstream social platforms in Europe and America without rich experience in international operation. It is no doubt a benchmark for domestic companies going abroad. As the pace of life becomes faster, information becomes more and more fragmented. The form of media changes from text to pictures to videos. 10 minutes can browse a video in Facebook, but you can browse dozens of videos in TikTok, and the density of information is great. And Tik Tok keeps the red-hot momentum in local e-commerce and live streaming all over the world. Advertising revenue enhancement is just the beginning for a part of it. Domestically Tik Tok, today's headline and watermelon video formed an ecological closed loop. Overseas Tik Tok is a single product, ecological capabilities will be a little weaker. Domestic Internet companies are blocked from each other. For example, WeChat can not directly share Taobao links. But foreign users can leave a variety of social accounts inside TikTok. It's a lot more friendly for users. From a technical point of view. Tik Tok has many data analysis providers in China to analyze the data, and these data analysis providers can subsequently bring the mode at home to play abroad. However, based on the fact that opportunities often go hand in hand with risks. In different regulatory strategies, cultural backgrounds, and consumption levels are all varying factors. Especially on the new developments in the U.S. towards China, the U.S. government has continued the high pressure on Chinese enterprises. Chinese companies can only strengthen the pace of independent innovation and comprehensive upgrade of user experience, improve the

frequency of interaction to optimize the level of logistics, which is the advantage of reflecting the differentiation strategy.

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