# The Changes in the Business Strategies and Models of the Cross Border E-Commerce Company under the Black Swan

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**Abstract.** Due to the sudden hit of the Black Swan (COVID-19 pandemic), the rise in production cost had impacted the profits earned by the industry, and so the cross-border e-commerce industry had undergone significant changes during these years. In order to overcome the problems, the Cross Border E-Commerce companies tend to implement new business strategies and models to help with its recovery and development. This paper follows the research method of case study, which means it will adopt a specific example of a Cross Border E-Commerce company and analyze its changes in business strategies and models under the pandemic. The result has shown that the adjustment of the business pattern (especially focusing on online office) tend to help the industry overcome the negative impacts caused by the outbreak and develop in a relatively fast and steady rate. The companies are able to learn from company Z's approach to invest in R&D, optimize the supply chain, adopt the software management system and pay more attention to the cultivation of brand.

**Keywords:** Black Swan; COVID-19; Cross Border E-Commerce; business strategy; business model.

## 1. Introduction

The COVID-19 is a pandemic which bursted into people's life during 2020 and had a huge impact on everyone's way of living, and the development of various companies had been hard hit by it. Due to this, the COVID-19 has often been regarded as a Black Swan.

According to Feduzi et al., Black Swans refer to incidents which are formerly unimagined by the organization, or those formerly imagined but deemed impossible. Also, they might be sufficiently unlikely to dismiss as impossible, or completely lost by the organization [1].

In order to stay alive, many companies have changed their business strategies and tried their best to adapt to the new situation. Business strategy is a clear set of targets, plans and actions that summarize the method used by a businesses to compete in a particular market with their products and services [2]. For example, After being hit by the Black Swan, the LS software Inc. (software enterprise) dealt with it by adhering to the concept of "innovation", "coordination", "opening up" and sharing". They also used the model of partnership to ensure their motivation and the sense of ownership, and lower the cost of management and the operational risk at the same time, which is able to protect the company even if they are encountering the Black Swan and Gray Rhino (An event of high probability and potentially great crisis) [3]; Another case in point is about the Ctrip (tourist company). By using SWOT method, it has been found that it's better for Ctrip to adjust their business strategy and exert SO strategy (Relying on internal strengths and take advantage of external opportunities) to ensure the long-term development of the company after being hit by the pandemic [4]; As for the catering industry, it is suggested that the hot pot restaurant named Red Dingfang should exert SO strategy and ST strategy (Use internal advantages and avoid external threats) to enhance its competitiveness and ensure the effectiveness of the management under the pandemic [5]. Existing researches have already searched on catering industry, tourist industry, educational industry and so on. However, very few of the researches concentrates on the Cross-Border E-Commerce industry, so the author plans to analyze the change in business strategy of it and figure out the business model in detail.

This paper will focus on the effect of COVID-19 on the Cross-Border E-Commerce industry and the change of its business strategy, which helps outline the new plan and the new method for the enterprise to achieve the revenue. At the same time, the author will assess the shortcomings of the business strategy, and new suggestions and improvements will also be given.

In order to analyze the industry in detail, the paper adopted the writing method of CAS and use case study to gain an overall understanding by studying one representative example in depth. In this paper, the example of a Cross-Border E-Commerce company named Z will be used. In the following parts, the paper will first explain the original business strategy of the industry and then demonstrate the impact of COVID-19 on it. Next, the new business strategy and model will be analyzed, and the changes will be pointed out. After that, the effects of the new changes and the results after exerting the new strategies will be pointed out. Eventually, the shortcomings and suggestions will be indicated.

## 2. Main Body

### 2.1 Background

Cross Border E-Commerce is a type of international e-commerce similar to Cross-Border E-Tailing [6]. In the past year, the Cross Border E-Commerce industry had undergone significant changes. Under the situation of global pandemic and the changes of policies, researches has shown that compared with 2020, 90% of the Cross Border E-Commerce sellers' operating costs increased, and 21% sellers' operating costs increased by more than 50%. The cost advantage that Chinese sellers used to rely on to compete in the global e-commerce market has begun to erode. The sharp rise in the production cost also led to a significant decline in profits for many sellers in 2021 [7]. Simultaneously, with the rapid development of Internet, Online office has already turned into a common phenomenon during the pandemic. The online office market has become extremely active, the service has been constantly improving, and more enterprises turn to online sales. In order to promote online trading, the ability of online sale has improved significantly for a large number of enterprises -- and with the innovation of technology, online trading has gradually become the main trend currently, and so it is a process that most of the companies must go through. The pandemic has also accelerated their growth even better, forcing companies to switch their business strategy and achieve digital transformation successfully, and thus lowers the cost of production to the greatest extend.

The Cross-Border E-Commerce company Z had originally been hard hit by the coronavirus, the total revenue of the company had been affected in a negative way. The COVID-19 had kept everyone busy fighting against it, so a large number of companies closed down during that period, and the purchasing power of the general public had also decreased. Due to this, the economic situation and the development of the small and medium-sized companies had been ignored for a short while, and there was a downturn throughout the entire market. Although Z still had market in other countries since it is a Cross-Border E-Commerce company, there was a lack of transporting method to deliver the products because of the severe pandemic. This had seriously confined the development of the company. In order to analyze the situation in detail, the author contacted the Cross-Border E-Commerce company named Z and interviewed the chairman of the company about the specific information of the company before and after the pandemic, and the new strategies which had been exerted, and this helps the author gain the first hand information. This paper takes the operating status of Cross Border E-Commerce company Z as the research object to study the impact of the change in business strategies and business model on earnings.

### 2.2 Analysis on Problems

Before the COVID-19, the company still focused on offline exhibition and client introduction. Managers and employees went to different countries and participated in various exhibitions to promote the products and attract clients. However, the epidemic and the trend of times forced them to change. During the pandemic, the total revenue of the company dropped from 112.7 million yuan in 2019 to 61.4 million yuan in 2020. Even though the situation of the pandemic had improved in 2021, the revenue of Z was still fluctuating. Therefore, in order to help Z recover, develop faster and remain the total revenue stable, the company had exerted new business strategies and models to find ways to display the products and increase the exposure. According to the chairman of Z, they claimed that they wanted to completely realize digital transformation, and so had already implemented the brand new strategy at the start of 2022. The change in the business strategy and model had helped the company improve and make progress in many aspects such as the research and development of products, the supply chain, the organization and management, and the cultivation of brand.

### 2.2.1 The R&D of the Products

The Research & Development (R&D) is a risky activity that companies undertake in order to develop new products, processes or services, or improve those that already exist [8]. Z created a new department which specialized in research and development. The department aimed to search for high-quality products and develop products with new functions and selling points. At the same time, the price superiority of the final products needs to be ensured and so the cost of production needed to be minimized in order to enhance the competitiveness of the company in the market.

### 2.2.2 Supply Chain

A supply chain is a network of individuals and companies who are involved in creating a product and delivering it to the consumers. Links on the chain begin with the producers of the raw materials and end when the van delivers the finished product to the end user [9]. The supply chain can work both online and offline, he quality of it tend to affect the effectiveness of the operation of the whole process.

Before the COVID-19, Z was still following the traditional pattern of the supply chain: workers should handover their work offline, in order to achieve the whole process, so the operation of the supply chain was troublesome and the efficiency was relatively low.

Nonetheless, after being affected by the pandemic, the company Z implemented several actions to optimize its online supply chain: First of all, it created a procurement mechanism and a reward system to encourage the purchasing staff to search for and purchase raw materials and goods with high cost performance, and this action is able to increase the incentive of the staff to search for better commodities in order to increase the competitiveness of the company.

### 2.2.3 Management System

Software management system is an umbrella term that covers different computer software including financial management software, network management software, customer relationship management, and asset management software. It aims to simplify the intricacy of large projects by facilitating team collaboration and project reporting. These solutions can organize resources, employees, schedules, tasks, budgets, and risks [10]. While using the software management system, it will divide the whole supply chain into several sectors for different departments in the company, which allows the managers to keep track of the progress of transactions and supervise the management of orders. Due to this, online office could be achieved easily.

Before the COVID-19 pandemic, Z hadn't adopted any software management systems to help with its work and was still insisting on using traditional patterns to achieve the operation. The workers had to handover their work offline and keep track of the transportation and logistics. So it will be a great idea for the company to start to make full use of the Software management system to reduce the approval process and analyze the market demand through various data in a quicker speed to improve working efficiency.

After encountering and hitting by the Black Swan (COVID-19), Z decided to adopt a suitable software management system to improve its ability to operate the entire supply chain of concluding the contract, receiving the deposit, starting production, finishing delivery, transporting and tracking clearance online. After considering about the aspects of convenience, cost performance and functions , the company finally decided to adopt ENTER software management system to help with their work.

### 2.2.4 Brand Cultivation

The success of brand cultivation is a very significant process if a firm wanted to develop with its own culture. Z has always wanted to cultivate its own brand, so it implemented a few actions after the pandemic.

First of all, Z set up the brand operation department. The department had already registered its official account in social media platforms such as Tik Tok, livestreaming, Facebook and Youtube in order to disseminate and increase the exposure of the brand to establish brand recognition among the general public. Therefore, more potential consumers and clients tended to be attracted by the brand. After creating the accounts, the company also managed some training courses for the staff and taught them about the operation of these websites and software, which helped them have a better understanding about the pattern and increase their working efficiency.

Second, the company started to focus more on selling products to consumers online rather than offline under the COVID-19 pandemic. Therefore, the company settled their independent store online in Amazon, AliExpress and eBay. Displaying and selling products online tended to improve the number of clients and increase the competitiveness.

Moreover, Z set up the Online Consumer Feedback in order to keep abreast of consumer needs. Consumers and clients are able to send feedback about the user experience and suggestions on this platform. The company managed two people who are responsible for collecting feedback, and the common problems and feedback will be sent to Research and Development department, and they are responsible for improving and optimizing the products. Keeping track of consumer needs is an effective way to improve the online engagement, increase the product added value and determine the development of the market trends.

### 2.3 Results & Effect

The development of the company had made big progresses after the new business strategies and models had been implemented. For example, the total revenue of the company had increased from 82.6 million yuan in 2021 from January to December to 93 million yuan in 2022 from January to August. There is still more than three months left in 2022, which means Z still has a broader space for further development. The number of clients had also increased significantly within the 8 months by 832. These clients come from different countries in different parts of the world including America, Britain, New Zealand, Australia, India, Canada, Italy, Chile, Israel, Germany and so on. They purchased different kinds of products produced by Z such as mountaineering suit, compression stockings, kneecaps, arm guards and others. The click rate of the company increased from 0.99% in July 2021 to 2.12% in July 2022; the rate of inquiry increased from 5.28% in July 2021 to 8.75% in July 2022.

All the results above have clearly shown that the change in business strategies and models has brought benefits to the company and helped the company overcome the negative impacts caused by the outbreak and develop in a relatively fast and steady rate.

## 3. Conclusion

Based on the successful experience of company Z, there are a few suggestions for Cross Border E-Commerce companies in terms of the business strategies and models. Companies should consolidate the foundation of the development of the enterprise, straighten out the management process in order to improve ability of management, reduce cost of production, promote sales (achieving increase income and reduce expenditure) and improve the productive efficiency. It is important to develop new marketing models by strengthening the use of existing platforms such as Tik Tok, Youtube and Facebook to disseminate the products and increase exposure. Moreover, the companies can to try out new marketing strategies and follow the current trend of market such as livestreaming and social media marketing. It is also essential to optimize the supply chain by using software management system and cultivate personal brand(s); they could also participate in online exhibition to ensure the exposure of their products, which helps attract more clients even under the situation of the COVID-19.

All these actions are able to help improve the total revenue, enhancing the competitiveness and ensure the long-term development of the companies. Moreover, they all have something in common, that is the use of online platforms. Online selling has already become one of the most famous trends especially under the COVID-19 pandemic. Online selling mode can minimize the negative impacts brought by the Black Swan, and so the companies should follow up the trend and find the strategies which are suitable for them.

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