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Differences Analysis Between China and the United States in the Development of E-commerce

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Abstract: Nowadays, online shopping has become a very common form of shopping in China. The sales of shopping carnivals such as "618" and "single day" also allow people to intuitively see the continuous development of e-commerce platforms. But in fact, the Internet only entered China in early 2000, and e-commerce has developed so rapidly in just a dozen years. However, looking back at the United States, a country where the Internet was first used and developed, why do U.S. e-commerce platforms not gain such a large market share as China's e-commerce platforms? This paper takes this as a premise, compares the e-commerce brands of Amazon, the most important e-commerce industry in the United States, and Alibaba, the famous e-commerce company in China, to explore the differences between Chinese and American e-commerce, and analyzes the possible reasons for these differences.

Keywords: electronic commerce, Amazon, Alibaba, development, difference, contrast, e-commerce operation

1. Introduction

1.1. China's Cross-border E-commerce Environment

Data from the National Bureau of Statistics show that China's overall import and export volume has kept fluctuating and rising in the past two decades. By 2009 and 2016 as nodes, it can be basically divided into three growth ranges. The total exports' average growth rate in the past four years was 6.7%, and the export trade was relatively stable, which was less affected by COVID-19. According to the 2013-2014 Research Report on China's cross-border e-commerce industry, in 2013, it has emerged as a significant year of transition for cross-border e-commerce, and business models have changed along the entire industry chain[1] .

Exports from cross-border e-commerce have increased at a rate of over 30% since 2015. It is very significant to China's opening up because it is a key area of economic growth of international trade. In 2015, the State Council established Hangzhou as the first comprehensive cross-border e-commerce pilot zone. As of October 2021, a total of 105 cities and regions in five batches has been approved as pilot areas.

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1.2. Global Cross-border E-commerce Market

Nearly two years after the outbreak of COVID-19 in 2019, the global economy is still recovering, and the development of all parts of the world is uneven. There is uncertainty in the foreign trade market, and the global supply chain has not left the negative impact of the epidemic.

2. The Development of E-commerce Platform

2.1. Example in America--Amazon

With its headquarters in Seattle, Washington, Amazon is the biggest e-commerce business in the country. One of the first businesses to introduce e-commerce on the Internet was Amazon. On July 16, 1995, Jeff Bezos established Amazon. Initially going by the name Cadabra, it only engaged in online book sales. Later, Bezos gave Cadabra a new name inspired by the Amazon River, which is the world's most fertile river. The business reopened in July 1995, and on May 15, 1997, it successfully went public with a valuation of $438 million. In just two years, Amazon used its innovative spirit and "customer first" ethic to dominate the book market with its one-of-a-kind online sales approach and competitive pricing. As Bezos chose "Amazon, the Greatest Bookstore on Earth", named after the world's largest river, is remembered by consumers. Amazon started out as an online bookstore. Over the past 20 years, Amazon has continued to seize opportunities and discover new areas of profit growth. As the online book market grew, Bezos saw that online retail could offer customers a more convenient and diverse experience than brick-and-mortar stores. As a result, after a successful Initial Public Offerings, Amazon quickly repositioned itself with major expansions and acquisitions, and sought to turn Amazon into an integrated e-commerce brand to achieve economies of scale.

In 1998, Amazon became the largest online music retailer with the launch of its music store, and the tremendous economies of scale led astute investors to realize the business value of Amazon, and its stock price rose fivefold in a year. The U.S. Dot-com bubble burst in 2000, and Amazon's stock price crashed. This forced Amazon to slow its growth, concentrate on immediate profits, and seize the chance to make significant changes. In 2001, Amazon achieved profitability by making a huge number of changes to lower operational expenses and boost margins. Amazon did not focus on short-term profitability after reaching long-term profitability in order to fulfill its strategic aim of being the most integrated online retailer, but rather on long-term control of capital earnings and long-term capital risk management. The core strategic competency of Amazon's long-term business model is its scale. In 2005, Amazon members launched the prime express service, which allows member users to directly obtain the arrival express service within two days of arrival express free of charge by directly paying their membership dues. This move was controversial within their express companies because of the high cost of express service. However, in the following years, it achieved great success, and brought a large number of active customers and ultra-high consumption to Amazon. Amazon is not only greedy for huge profits, but also constantly invests it in market scale expansion. Today, customers can quickly find any kind of products they may need in Amazon's various portals almost every day, including books, homes, digital social media, daily necessities, beauty, and fashion. In July 2015, Amazon's market value broke through 260 billion US dollars again, surpassing Wal Mart, the mainstream physical retailer in the United States, and successfully won the title of the king of the global physical retail market value in that year. Amazon has not stopped at the traditional retail service platform, but has been committed to creating a "most customer-oriented enterprise". That is, to build its own business orientation into a new comprehensive retail service industry focusing on improving customer experience [2].

2.2. Example in China--Alibaba

2.2.1. Alibaba Group's B2B Model (1999 - 2002)

Alibaba was promoted as "China's small and medium-sized enterprise trade service provider" after its founding in 1999. The company offered "website design + promotion" services to small and medium-sized businesses. In 2000, Alibaba started to expand internationally, which helped it gain popularity quickly. The good days, nevertheless, didn't last long. Alibaba has been hit by the harsh winter of the internet economy and has seen a sharp decline in its international market since the global Internet bubble burst. Following that, Alibaba launched a series of traffic-opening initiatives, including "China Supplier" and "Integrity Pass" to provide suppliers more online and offline services, collect membership fees, and test out revenue models. In 2002, Alibaba relaunched its "keyword" service and achieved profitability for the first time in that year. Since then, Alibaba's B2B "membership Plus, value-added services" strategy has taken a clearer direction.

2.2.2. The Alibaba Group Lays Out C2C and Online Payment (2003 - 2004)

Ma Yun began looking for fresh growth points in early 2003. He introduced Taobao in May and Tradelink, a real-time communication tool, in November. Since then, Alibaba has continued to invest more than 1 billion yuan in Taobao, which rapidly gained popularity and market share due to its free model. With the rapid development of Taobao, online shopping payment has become a search engine for shopping.

2.2.3. Alibaba Group's Strategy from Taobao to Alibaba (2010 to present)

Alibaba unveiled its "large Taobao" plan in September 2008 with the goal of "becoming the core e-commerce service provider, enabling customers to easily address technical challenges such as payment, marketing, and logistics on the Big Taobao platform." Soon after, Alibaba launched a line of high-quality undiscovered items, opened the B2B and Taobao platforms, and established a B2B2C e-commerce ecological chain [3].

The "big Taobao" strategy was replaced by the "big Ali" strategy in June 2011. According to the "Big Ali" strategy, "all resources of Alibaba group will be fully shared with all e-commerce participants, including the production industry chain around consumer groups, merchants, and their services, integrate information flow, logistics, payment, wireless communication, and provide cloud computing services with data exchange as the core, so as to provide better and more comprehensive basic services for the development of China's e-commerce".

3. Current Differences in E-commerce Between China and America

In the United States, Amazon accounted for 39% of all e-commerce sales, while Alibaba generated 58.2% of all retail e-commerce sales in China. Following a 44.1% gain in sales in 2020, Amazon's e-commerce sales in the United States will expand by 15.3% this year to $367.19 billion. The sales objective and growth rate is high in many of Amazon's competitors, such as Wal Mart and e-commerce, but the company's sales are still expanding quicker than the industry as a whole. Its share in U.S. e-commerce sales will grow from 39.8% in 2020 to 40.4% in 2021, and with an increase of 0.6 percentage points, it will be larger than any other company this year.

However, the price of shopping on Amazon e-commerce is not much different from that physical stores, and Chinese consumers still prefer online stores. Secondly, in the United States, buying goods on Amazon may not be the best choice. Many brands have their own official websites and buying from the official websites of various brands or department stores may have a better service

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experience. But on Taobao, many brands have opened flagship stores. Amazon and Taobao are different, not all brands will open flagship stores on Amazon, so Amazon's products are not complete. The websites of department stores such as Harrods and Selfridge will have greater discounts when they arrive at the black five. Moreover, online shopping and offline shopping have point plans, and there will be many discounts. Generally speaking, online shoppers in foreign countries do not have such a big discount as online shoppers in China [4].

Before the morning bell on May 13, Alibaba announced its third quarterly results for the fiscal year ended March 31, 2021, as well as its annual results for fiscal 2021, reporting full-year revenue of 717.289 billion yuan, compared to market expectations of 709.233 billion yuan and 509.711 billion yuan in the same period last year. The company's net profit for the first half of fiscal 2021 was 150.308 billion yuan, compared to the market's general expectation of 165.175 billion yuan and 149.263 billion yuan for the same period last year.

Affected by the antitrust penalty of 18.228 billion yuan (4% of Alibaba's sales in 2019), Alibaba's net loss in the current quarter was 7.654 billion yuan, breaking the annual profit record; If these fine and other influencing factors are not taken into account, the net profit in the current quarter would have been 26.216 billion yuan, an increase of 18% year-over-year. This is Alibaba's first financial report after the antitrust penalty. In addition to the losses caused by the one-time penalty, the market has a clearer understanding of the regulatory environment Alibaba will face in the future. Alibaba itself is also emphasized that its business is regaining stability [5].

4. Factors Analysis

To sum up, in the United States, even Amazon, the largest e-commerce brand, is only a supplement compared with the retail industry, whereas in China, the retail industry has almost become a supplement to the e-commerce platform. This paper makes a simple analysis for the following reasons:

4.1. Cost

After 2000, to set up a physical store in China, the cost is very high. First of all, it needs industrial and commercial registration and a legal place of business. Slightly special industries also need pre - or post approval procedures such as fire protection, sanitation, and environmental protection. Moreover, the costs of handling them are not cheap, and the establishment of enterprises also needs bank capital verification. However, to register an online store, you only need an ID card and pay a certain amount of deposit. Therefore, the emergence of online stores has made many people switch from physical stores to online stores; Secondly, in terms of tax payment, before 2008, individual industrial and commercial households had to pay management fees. An ordinary small shop might have to pay industrial and commercial management fees of 1800 yuan a year, while the fees of large-scale individual households were even higher. Before 2014, enterprises had to pay annual inspection fees every year, ranging from 1000 to tens of thousands. In addition to industrial and commercial administration fees, there are also taxes to pay, VAT, business tax, city construction tax, education surtax and income tax. It was not until 2014 that China began to exempt small and micro taxpayers. For Taobao e-commerce, not every store has a business license, so the tax payment is not as strict as that of individual businesses. More small stores are more willing to open online stores [6].

4.2. Logistics

The density of its geographical population structure determines the distribution and transportation cost of goods at the end of the industry in China's logistics and transportation industry. The lower the distribution and transportation costs, the greater the population density. When compared with the

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United States, which is vast in territory, sparsely populated and relatively scattered in urban areas, in 2010, there were only 9 large and medium-sized cities with more than 1 million permanent residents in the United States. China has a small land, rich land and many people, and the urban population is dense and relatively concentrated. In 2010, there were already 88 key cities with more than 5 million permanent residents in China. In terms of the employed population in key cities, the number of employed people in China's key cities is by far the largest in the world. At the same time, the denser the urban population, the larger the daily parcel logistics distribution volume in a large city area, the lower the logistics transportation cost, and the more developed the logistics industry [7].

In addition, since China's labor cost is far lower than that of the United States, China's labor cost is relatively low, and its logistics and distribution cost is also low. Because the land price in the central business area of the city is very high, and the land price in the residential area tens of kilometers away will drop sharply, the storage and distribution cost can still be effectively reduced. This is feasible for traditional e-commerce, but not for traditional physical commercial retail. Logistics is convenient and the cost is low, which results in that the operating cost of the online shopping mode is lower than that of traditional retail areas with a high density of urban agglomeration in China; In areas with low density of urban agglomeration, online shopping mode can provide more rich shopping options.

4.3. Policy

The anti-unfair competition law in the United States is relatively perfect. If the gap between e-commerce prices and physical stores is too large, it is easy to attract anti unfair competition investigations, and the legal cost is relatively high. For example, when Amazon competes with Wal Mart, Amazon may prefer this competition, because the more competition Wal Mart obtains, the more favorable Amazon will win in trying to avoid the antitrust supervision of the Federal Trade Commission, Therefore, for the e-commerce industry that is suitable for price war, the U.S. Policy is inferior. Compared with this, China's e-commerce can develop better [8].

4.4. Culture

Finally, it is necessary to understand in detail the consumption mode and traditional consumption concept of this customer. The different thinking modes of Chinese and American people lead to different consumption concepts. Some Americans are addicted to the fun and freshness of shopping in physical stores. Research has always shown that 40% of Americans like to see and feel the color, style and texture of goods in person when shopping. China, on the other hand, is more concerned about convenience and benefits, especially at the level of middle-end and popular small commodities. In addition, the return of offline physical stores in the United States is very user-friendly, usually within 30 days, and even within one year. And the development of China's Internet vertical service industry is basically to seize the "lazy" attribute, how to make people more enjoyable lazy, which has become the core, but also to seize the hearts of consumers.

5. Conclusion

The cooperation across economies has gotten closer ever since the Internet economy began to take off. The main suppliers in the upstream enterprises, the main competitors in the same product industry competition, the downstream real consumers, the macro national economic policy environment and the economic policies of local governments will all have a vital impact on the financial economy. While enterprises are constantly developing, they will inevitably make mergers and acquisitions to expand product lines, strengthen technical cooperation, tap new customers, and expand market share [9]. Long-term planning for e-commerce development should be carried out by enterprises from the perspective of industry development, strengthening technological innovation, improving service

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efficiency, and user experience. Furthermore, despite the differences in e-commerce between China and the United States, China's e-commerce enterprises should not be limited to the domestic market; the importance of "globalization" is also reflected [10]. During the 2017 Davos forum, Alibaba established long-term cooperation with the International Olympic Committee in cloud computing, e-commerce, and digital media to help its small and medium-sized e-commerce cross-border export platforms. Chinese e-commerce businesses are becoming more and more aware of how important globalization is. Enterprises working together to produce win-win outcomes is a trend in the growth of e-commerce.

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