

CN Logistics International Holdings Limited

CN LOGISTICS INTELLIGENCE

Cross-border E-commerce Logistics Trends



An aerial photograph of a large industrial or logistics facility. On the left, there are several large, light-colored buildings with flat roofs. In the center and right, a paved area contains several white semi-trailers parked in a row. A road with white lane markings and arrows runs through the facility. The overall scene is brightly lit, suggesting a clear day.

INTRODUCTION

With increasing levels of globalisation and rise of inter-connected supply chains across continents, cross-border e-commerce has undeniably become the fastest growing market amidst this digital century. Even long before the COVID-19 outbreak that forced economic activities to be undertaken in the online realm; cross-border e-commerce has been anticipated to grow and enlarge its share in the international trade market. It has previously been forecasted that the total value of all global cross-border e-commerce will reach over \$4 trillion by 2027 (at a compound annual growth rate of 27.4%). Combining the huge growth opportunities and the coronavirus pandemic, as of the first quarter of 2020, online orders were up 70% in APAC, while in North America the recorded increase was 120% as of May 2020. While in Europe it was up 50% on average.

This report will illustrate key market insights on cross-border e-commerce in the global, Hong Kong, China, Taiwan, Singapore, Japan and Korea markets, while examining the potential international e-commerce business opportunities in these markets looking forward after 2020. We also provide key perspectives on how cross-border e-commerce may impact logistic service providers.

GLOBAL MARKET

Market Insights

It is not difficult to see how cross-border e-commerce will soon be the norm for global citizens located around the globe; the COVID-19 pandemic and distancing measures have surely made buying online internationally as common (or even more prevalent) than shopping in local retailers physically. Among all the countries, the United States, China and the United Kingdom were found to be the most popular countries for cross-border purchases, with shoes, fashion accessories and consumer electronics being the top product categories to buy internationally and online.

From the global logistics perspective, these products ordered online are shipped across borders in individual consignments which is known as parcel trade. This varies significantly from the 'traditional' container trade since it involves a much more complex network of interlinked actors and policies. Around the globe, governments and international trade bodies have been working hard on scaling up physical and regulatory infrastructures that underpin digital networks and the parcel logistics ecosystem. Needless to say, cross-border trade helped to support economic activities in times of crisis.





LOOKING AHEAD

Retrospectively speaking, it would be a huge opportunity missed for e-retailers to not capitalise on the rise of cross-border e-commerce, looking ahead, it is important to identify key trends in the market and adapt with agility.

E-retailers are trying to expand their businesses by appealing to buyers around the globe, their agenda lists would include allowing multiple payment methods, omni-channel shopping experience by utilising the Internet of Things. API-based and headless commerce also allows easier management of front-end websites.

In terms of logistics, efforts will need to continue to scale up the physical and regulatory infrastructures that foster digital networks and the parcel ecosystem. Global trade bodies are continuing to reduce barriers that affect the movement of parcels by continuing to reduce restrictions on courier services across borders.

Major markets for the future cross-border e-commerce will likely continue to be apparel, luxury accessories and electronics. To better equip for the incoming demand, logistics service providers should consider increasing their capabilities in delivering these types of goods. This may entail increasing security protocols for goods to protect luxury goods and efficient systems to ensure timely cross-border deliveries.



HONG KONG MARKET

Market Insights

Hong Kong's strategic location and undeniable advantages in being the Asian Logistics Hub for cross-border e-commerce definitely shine a limelight on the region's role in the ongoing growth of the international e-retail market.

The city's strengths stem from its close ties with Mainland China, since 2017, when the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Co-operation in the Development of the Bay Area was enacted; Hong Kong was destined to play a vital role in developing China's Cross Border E-commerce industry. Hong Kong's ports continue to be duty-free while its multinational retail brand presence made it a go-to choice for cross-border e-retailers. The PRC government also gives out subsidies for overseas warehouses, which allows them to benefit from the superb services from the Hong Kong logistics sector (which accounts for 22% of the city's GDP) and the Hong Kong International Airport. Combined with the fact that China is expected to be the fastest growing and largest cross-border e-commerce market in the coming years, Hong Kong is an irreplaceable strategic location for companies looking to tap into the Mainland China e-commerce environment.

Locally speaking, the exponential growth of e-commerce has generated an ongoing demand for cross-border logistics and delivery services. According to Hong Kong's Chief Executive, Carrie Lam, the Hongkong Post Office has continuing discussion in collaboration with the Airport Authority and other postal authorities to enhance the capacity and operational efficiency of the Hong Kong International Airport Air Mail Centre. On the other hand, Hong Kong also has significant development in terms of maritime transport, with 9.6% of the global merchant fleet and a dynamic maritime cluster providing comprehensive shipping services.

HONG KONG MARKET

LOOKING AHEAD

The COVID-19 pandemic has boosted the growth of cross-border e-commerce in the world and in East-Asia in particular. The currently expanding market would definitely bring opportunities to Hong Kong as the region's Logistic Hub, while the city would continue to be a key incubator for cross-border e-retailers looking to enter Asia or the China market, notably.

Even after the pandemic ends, it is predicted that this growing trend will not cease to continue. This is evidenced by multiple western brands and online marketplaces planning ahead to establish footholds in the city. Hong Kong's merchant-friendly tax environments made it a cost-effective regional distribution centre for shipment consolidation for regional fulfillment.

Logistics companies in the city should continue to capitalise on the geographical and infrastructural strengths of Hong Kong and expand their businesses with China or Asian retailers. While for e-commerce merchants, Hong Kong is definitely the to-go logistic hub for starting your business expansion journey to Asia and beyond.





CHINA MARKET

Market Insights

China's recent rapid developments in both its digital coverage and economy has made it one of the largest markets for cross-border e-commerce in recent years. Based on a research done by flow.io, about 65% of Chinese shoppers expressed that they had purchased cross-border. Chinese buyers were more likely to engage in international e-commerce while shopping for clothing, beauty/personal care, sporting goods and food items. In terms of supply, China was consistently ranked among the top 3 countries shoppers purchased from, in markets surveyed.

According to the 2019 report on Chinese e-commerce policies and environment research done by the people.cn, the PRC government has mentioned e-commerce in many of its economic policies. In recent years, being known for its speedy international delivery, close operations with countries all around the world, China's e-commerce ecosystem has grown exponentially to become one of the largest in the world. Her impact on the industry and economy is enormous.

Taking Shenzhen Qianhai (part of China's Pilot Free Trade Zone) as an example, the import orders in 2019 for cross-border e-commerce in the area amounted to 29.65 million (according to Shenzhen Customs). The number recorded a YoY increase of 37% and 45% over the past 2 years. A new general export model was launched last year, and shipping channels have been expanded to improve barge capacity and terminal operation efficiency.

CHINA MARKET

LOOKING AHEAD

China will continue to be the biggest cross-border e-commerce ecosystem in Asia in the future years, and is expected to further grow together with Hong Kong to become Asia's regional e-commerce hub. The Multi-country Consolidation Qianhai model has allowed retailers to directly transport cross-border e-commerce parcels from China to the Hong Kong International Airport for exporting. The freight cost is also much lower, making it an ideal location for overseas enterprises to enter the robust Asia e-commerce landscape.

One recommendation to global merchants looking to optimise their supply chain operations in China is to adopt the bonded warehousing model, where goods would be shipped in bulk to warehouses in free trade zones in China (e.g Ningbo or Guangzhou). The parcels will then be shipped to customers after a purchase was made on the respective e-commerce platforms. Having such warehouses allows e-retailers to provide consumers with much faster delivery options.

Hong Kong's free trade status and its being positioned as a regional hub to sell to the entire APAC region made it an ideal location for inventory. It is a superb alternative for companies not wanting to move their goods to Chinese free trade zones.



SINGAPORE MARKET

MARKET INSIGHTS

Singapore is similar to most international cities in the region. According to research done by Visa, almost 3 in 4 e-commerce businesses are already engaged in cross-border sales, which account for 35% of total revenue on average. The number shows how companies in the region are actively looking into the huge market that is international e-retailing. Surprisingly, despite being a great melting pot of cultures, 50% of the city's companies find cultural barriers to be an issue in their global expansion journey.

Recent collaborations between Singapore local logistics companies and Chinese companies have allowed the last mile delivery time in Singapore for cross-border e-commerce parcels to be significantly shortened to improve customer experience. The city's rapid growing US\$2.4 billion e-commerce trade with China handles 200,000 parcels daily, and is projected to grow at 12% - 20% annually over the next five years.



SINGAPORE MARKET

A photograph of the Singapore skyline at sunset. The Marina Bay Sands hotel is the central focus, with its three towers and the SkyPark on top. The sky is a mix of orange, pink, and blue, with some clouds. In the foreground, there's a body of water reflecting the sky and the buildings. Other skyscrapers are visible in the background.

LOOKING AHEAD

Digital transformation definitely would be a key objective for companies looking to capitalise from the city's booming cross-border e-commerce market. Fashion and electronics will continue to be categories gaining the highest traction similar to everywhere around the world. Based on a report by Google and Temasek Holdings, the South East Asian digital market could exceed US\$200 billion by 2025.

Singapore's infrastructure also contributes greatly for the city to be developed into a regional logistics hub. For example, the Changi Airfreight Centre and Airport Logistics Park of Singapore is a 24 hour Free Trade Zone where transshipment cargoes can be broken down and consolidated with simplified customs formalities. Its strong connectivity to the major international cargo market gave it strength as well.

TAIWAN MARKET

MARKET INSIGHTS

The e-commerce market in Taiwan has experienced rapid growth in recent years, the market size was \$38.92 billion with a 5-year average growth rate of 7% in 2018, and had the highest proportion of Asian e-commerce shoppers in Asia. This may be due to the high internet penetration rate, with 93% of the population covered. According to the Market Intelligence and Consulting Institute, the most popular overseas online purchases include clothing, daily necessities, 3C products, designer goods and home appliances. Shoppers mostly shop for goods originating in China, Japan and the United States. The major factors affecting the market would be language barriers and shipping costs, as well as customs, warehousing and tax regulations.

Taiwan e-commerce platforms are also targeting Southeast Asian countries when expanding the cross-border e-commerce business in the region. With the effects brought by the COVID-19 pandemic, cross-border e-retailers have recorded 2-fold growth in numbers. Millions of Taiwanese goods were sold to Singapore, Malaysia and Indonesia.



TAIWAN MARKET

LOOKING AHEAD

Taiwan could be an ideal location to start an online retailing business targeting South East Asian Countries. Due to the close proximity and strong partner companies there, that would support many processes when selling to the region.

Yet the city still seems to be less favorable to be used as a regional logistic hub compared to Hong Kong or Singapore due to its relatively more complex customs-clearance measures. The potential of the city's buyers is also relatively low with only 86% of internet penetration as of January 2020.



SOUTH KOREA MARKET

MARKET ROUND-UP

South Korea, being the top technological hub in Asia, undoubtedly has a strong potential for cross-border e-commerce in the region. Online purchases from foreign retail sites reached \$3.1 billion in 2019, up from \$2.7 billion in 2018, with 48.6% purchased originating from online retailers in the United States.

In terms of customer insights, older citizens (45 - 54 year olds) had a higher penetration of cross-border online shoppers than millennials in the country. This is a unique feature when compared to other major markets around the world. Koreans also prefer to shop for products from the United States (48.6% of purchases originated from the United States).



SOUTH KOREA MARKET

LOOKING AHEAD

Due to the high internet connectivity in the country, South Korean consumers are more eager to compare prices, products and brands around the world. With well-developed digital networks, foreign e-commerce players already have their eyes on the prize in the region. Overseas internet retailing players are entering the “delivery” war in the region by starting direct delivery service to South Korea aiming to reduce delivery time by cutting away third party freight companies.





JAPAN MARKET

MARKET INSIGHTS

International online trade in Japan seemed to be growing more slowly compared to its Asian counterparts, with only 36% of shoppers likely to shop outside of their home country, despite the country being one of the top ranked GDP in the region. Its cross-border e-commerce market was valued at USD 2.59 billion in 2019 and is expected to grow at a compound annual growth rate of 7.5% in the coming 10 years. According to the Japan Internet Stats and Telecommunications report, the internet penetration rate of the country was 93.8% in 2019, which showed a strong potential for developing cross-border e-commerce there. By application, Japanese online shoppers preferred buying furniture and appliances overseas while food & beverage, electronics and fashion being the other major categories.



JAPAN MARKET

LOOKING AHEAD

Language optimisation on e-commerce platforms catered towards Japanese shoppers would be the biggest to-do for companies looking to enter the market through international e-retailing. With 41% of Japanese shoppers citing websites being in a different language than their home language being one of their greatest concerns. And 74% expressed that they were not likely to purchase if a website was of a foreign language.

Despite the current relatively undeveloped e-commerce ecosystem, Japan's strong economic power poses itself as one of the Asian countries with the largest potential to develop a cross-border e-commerce business, given the demand was certainly untapped like other counterparts in the region with well-developed market leaders in the sector.



WHAT'S NEXT?

Cross-border e-commerce will be this century's greatest business opportunity for companies around the world. With robust development in the sector and continuous efforts to eliminate global trade and transport barriers, the business environment for international e-retailers will only be getting easier day by day.

Companies should seize the opportunity to engage in this vibrant marketplace and start planning ahead for logistics arrangements and front-end functions. Whereas current companies should consider setting up regional logistic hubs in Asian cities in order to facilitate their entrance into Asian markets like China.



ABOUT US

CN Logistics Limited is the no. 1 distributor in the logistics market for high-end fashion products in both China and Hong Kong, as well as the no.1 in the integrated freight forwarding market for wine in Hong Kong. Our business scope includes air freight, ocean freight and distribution and logistics. Our service networks cover over 100 countries, showing our capability in consolidating global freight forwarding resources. We can also be the stepping stones for our customers' expansion with our far-reaching global network. We are also one of the earliest companies to establish our own semi-automated distribution centers to provide tailor-made logistics solution for high-end fashion products.

We established long-standing relationships with major customers who have relatively low propensities to switch freight forwarding service providers, brands we serve include Kering, Lane Crawford, Gucci, Balenciaga, Alexander Wang, Alexander McQueen, Saint Laurent and many more.

We are also the leader in the wine logistics industry in Hong Kong. We manage a storage and distribution space of approximately 58,000 sq.ft dedicated to wine storage, of which the temperature and humidity are kept at an optimal level, we also own a Wine Storage Management Systems qualification certified by the Hong Kong Quality Assurance Agency.

Looking ahead, we are planning to upgrade the semi-automated distribution centre of over 90,000 sq. ft in China and establish a new centre and refurbish the existing distribution centres in Hong Kong.

REFERENCES

1. Accessing China's Cross Border E-commerce via Hong Kong, Fung, Yu & Co. CPA Limited. (2019, October 22). Retrieved October 30, 2020, from Fung, Yu & Co. CPA Limited website: <http://www.fungyucpa.com/cbec-in-hong-kong/>
2. Connecting Businesses and Consumers During COVID-19: Trade in Parcels. (2020). Retrieved October 30, 2020, from OECD website: <https://www.oecd.org/coronavirus/policy-responses/connecting-businesses-and-consumers-during-covid-19-trade-in-parcels-d18de131/>
3. Cross Border E-Commerce Global Consumer Report | www.flow.io Cross-border E-Commerce Trends Global Research Report. (n.d.). Retrieved from https://www.flow.io/wp-content/uploads/2019/04/white-paper-cross-border-shopping-9x9_web.pdf
4. Cross-border e-commerce significantly increases in Qianhai-Recent News-深圳市前海深港现代服务业合作区管理局英文网站. (2019). Retrieved October 30, 2020, from Szqh.com.cn website: http://www.szqh.com.cn/What_is_News_Promotion_Event/content/post_6843726.html
5. Customs measures boost e-commerce exports-Recent News-深圳市前海深港现代服务业合作区管理局英文网站. (2020). Retrieved October 30, 2020, from Szqh.com.cn website: http://www.szqh.com.cn/What_is_News_Promotion_Event/content/post_8171983.html
6. DigiconAsia Editors. (2020, September 25). Faster e-commerce in Singapore through last mile network | DigiconAsia. Retrieved October 30, 2020, from DigiconAsia website: <https://www.digiconasia.net/news/singapore-can-look-forward-to-faster-e-commerce-with-china-logistics-giant>
7. Digital 2020: Taiwan — DataReportal – Global Digital Insights. (2020, February 18). DataReportal – Global Digital Insights. Retrieved October 30, 2020, from DataReportal – Global Digital Insights website: <https://datareportal.com/reports/digital-2020-taiwan#:~:text=There%20were%2020.51%20million%20internet,at%2086%25%20in%20January%202020>
8. E-commerce, trade and the covid 19 pandemic Information Note. (2020). Retrieved October 30,2020 from https://www.wto.org/english/tratop_e/covid19_e/ecommerce_report_e.pdf
9. Editorial Team. (2019, December 19). Singaporean cross-border e-commerce sales set for explosive growth. Retrieved October 30, 2020, from Finextra Research website: <https://www.finextra.com/pressarticle/81002/singaporean-cross-border-e-commerce-sales-set-for-explosive-growth>
10. Hong Kong a regional logistics hub. (2020). Retrieved October 30, 2020, from Hketosf.gov.hk website: <https://www.hketosf.gov.hk/sf/whatsnew/2017/hkregional.htm>
11. How is the Global Covid-19 Pandemic Affecting Cross-Border Shipping to China? (2020). Retrieved October 30, 2020, from Azoyagroup.com website: <https://www.azoyagroup.com/blog/view/how-is-the-global-covid-19-pandemic-affecting-cross-border-shipping-to-china/>
12. <https://www.facebook.com/bnextmedia/?fref=ts>. (2020, September 23). PChomeSEA攜手5國電商龍頭，把高CP值台貨銷進東南亞！還有哪些一站式服務？ | 數位時代. Retrieved October 30, 2020, from 數位時代 website: <https://www.bnext.com.tw/article/59349/pchomesea-shopee-cross-border-e-commerce>
13. Japan Cross-border E-commerce Market Report, 2020-2030. (2020). Retrieved October 30, 2020, from Grandviewresearch.com website: <https://www.grandviewresearch.com/industry-analysis/japan-cross-border-e-commerce-market>
14. Navigating Covid-19: An International Courier | Hong Kong Means Business. (2020). Retrieved October 30, 2020, from Hong Kong Means Business website: <https://hkmb.hktdc.com/en/NDY4NjA3MTk5/hktdc-research/Navigating-Covid-19-An-International-Courier>

15. Singapore: E-COMMERCE Gateway to aSEAN and SouthEast Pacific. (n.d.). Retrieved from <https://www.edb.gov.sg/content/dam/edb-site/downloads/articles/Spore-ECommerceGateway.pdf>
16. South Korea - eCommerce. (2019). Retrieved October 30, 2020, from International Trade Administration | Trade.gov website: <https://www.trade.gov/knowledge-product/korea-ecommerce>
17. Taiwan - Commercial Guide. (2019). Retrieved October 30, 2020, from International Trade Administration | Trade.gov website: <https://www.trade.gov/knowledge-product/taiwan-ecommerce>
18. What Makes South Korea Love Internet Retailing? | Market Research Blog. (2019, April). Retrieved October 30, 2020, from Market Research Blog website: <https://blog.euromonitor.com/what-makes-south-korea-love-internet-retailing/>
19. Why 2020 is the year of cross-border e-commerce in Japan. (2020, March 2). Retrieved October 30, 2020, from PPRO | Local payments. Worldwide. website: <https://www.ppro.com/blog/why-2020-is-the-year-of-cross-border-e-commerce-in-japan/>
20. Your guide on cross-border Ecommerce - Market Finder by Google. (2020). Retrieved October 30, 2020, from Thinkwithgoogle.com website: https://marketfinder.thinkwithgoogle.com/intl/en_gb/guide/cross-border-ecommerce/
21. 人民网发布《中国电商政策舆论环境研究报告（2019）》。 Retrieved October 30, 2020, from People.com.cn website: <http://finance.people.com.cn/n1/2019/1123/c1004-31470922.html>

CN Logistics International Holdings Limited

***Whatever we do,
We do better than others***
- A Passion for Service