

Research on the Cross-Border E-Commerce Website Operation Strategy of Chinese Start-ups

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Abstract: With the rapid development of cross-border e-commerce in China, countless outstanding companies are emerging in this sector. However, due to the ongoing deterioration of the competitive landscape, the traditional model of participating in third-party platforms has increasingly become unsuitable for startups. Compared to relying on third-party platforms, operating an independent website allows businesses to avoid excessive competition, accumulate user data, build a strong brand identity, and avoid platform regulations. For startup cross-border e-commerce businesses, particular attention should be given to accurately targeting niche markets, emulating successful competitors, establishing a DTC (direct-to-consumer) independent website and social media channel matrix, and strategically allocating team members to successfully expand internationally.

Keywords: Cross-border E-commerce, Independent Website, Start-ups.

1. Introduction

Against the backdrop of globalization and digitalization, China's cross-border e-commerce has experienced rapid growth. As a new form of trade, it is playing an increasingly important role in foreign trade. According to the "2024 China New E-commerce Development Report," after years of development, cross-border e-commerce, along with general trade and processing trade, has become one of the three major trade models in China, driving new momentum for foreign trade growth. From 2018 to 2023, the total import and export value of China's cross-border e-commerce surged from 1.06 trillion yuan to 2.38 trillion yuan, with its share of total goods trade rising from less than 1% to around 5%. Specifically, the export value increased from 611.6 billion yuan to 1.83 trillion yuan, with growth rates significantly outpacing traditional foreign trade in the same period.

The robust growth of China's cross-border e-commerce can be attributed to external factors such as shifts in consumer behavior abroad, as well as the development of logistics and electronic payment systems. Internally, it benefits from a series of government policies and advantages in China's supply chain, coupled with the relatively mature experience in the domestic e-commerce sector. However, due to rising traffic costs on cross-border e-commerce platforms and the increasing use of fully managed models, startups without an advantage in capital or supply chains are finding their space on traditional platforms increasingly squeezed. As a result, more and more startups are exploring new models by building and operating their own independent websites.

2. Current Status of Cross-Border E-Commerce Independent Site Development

2.1. Continuous Growth in Market Size

A cross-border e-commerce independent website refers to an online platform that is either independently developed by the operator or constructed with the assistance of SaaS (Software as a Service) solutions. It operates under a distinct domain name, server infrastructure, and website architecture, enabling businesses to directly offer products and services to international consumers. In contrast to third-party platforms, independent websites provide businesses with greater autonomy, allowing them to operate without the constraints imposed by external platforms. Operators gain full access to transactional data and user profiles, enabling them to design the website's front-end presentation tailored to the specific characteristics of their products and target demographics. Furthermore, they can implement highly targeted marketing strategies.

In recent years, independent websites have emerged as a growing subfield within cross-border e-commerce, with both their scale and market share within the broader B2C foreign trade sector steadily increasing. According to estimates from Zheshang Securities Co., Ltd., the market size for independent websites in China was valued at 0.8 trillion yuan in 2020, with projections indicating this figure will rise to 5.5 trillion yuan by 2025. Consequently, the market share of independent websites in the cross-border B2C e-commerce sector is expected to grow from 25% to 41%.

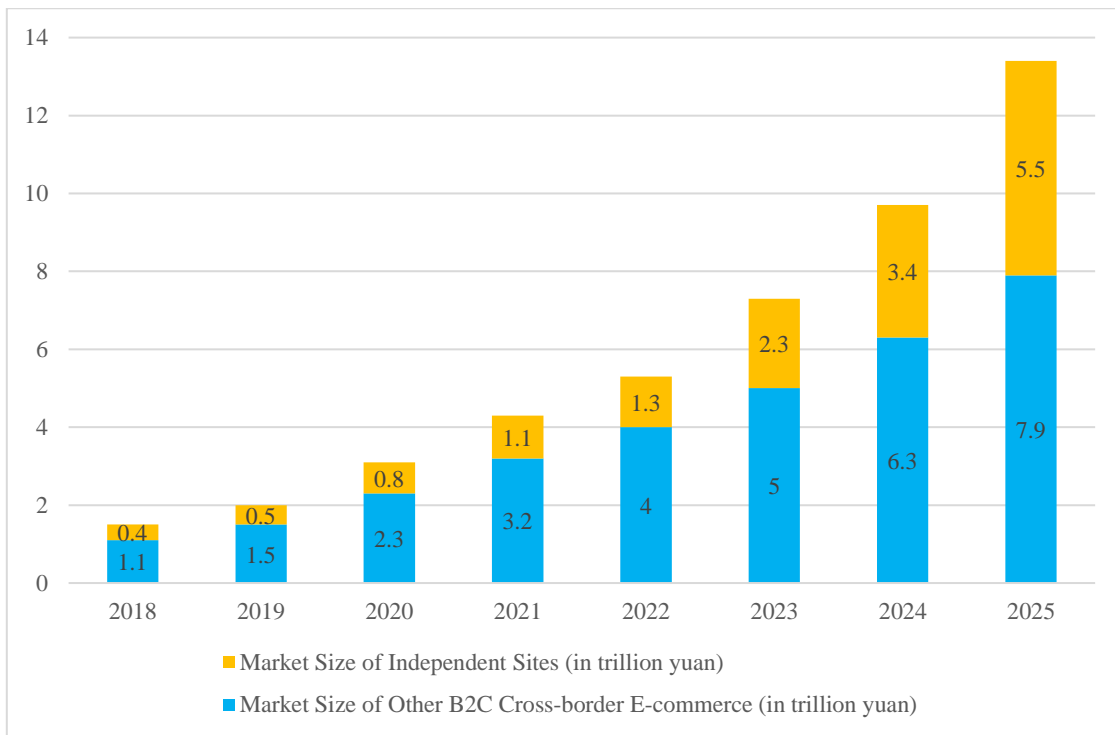


Figure 1. Estimation of Cross-border E-commerce Market Size from 2018 to 2025

2.2. Relatively Lower Operational Thresholds

Unlike joining third-party platforms, operating an independent website requires businesses to independently manage various aspects such as driving external traffic, website development, and product fulfillment. For startups with limited experience and capital, this has traditionally posed significant challenges. However, with the ongoing expansion of the cross-border e-commerce market, an increasing number of service providers are offering more comprehensive support to independent website operators.

Cross-border e-commerce service providers can be categorized into three types based on the services they offer. The first category is transaction-based services, which include third-party payment processing and independent website development. The second category encompasses supportive services, such as cross-border logistics, overseas warehousing, and tax handling. The third category includes derivative services, such as market traffic generation and advertising campaigns. The emergence of high-quality service providers has significantly lowered the operational barriers for businesses.

For example, when it comes to website development, startup cross-border e-commerce companies can either use established SaaS platforms (e.g., Shopify, SHOPLINE) to build their websites or outsource the development and operation to specialized companies. This approach eliminates the need for hiring dedicated technical staff, saving both financial and managerial resources. Additionally, with the ongoing advancement of China's cross-border e-commerce industry, regions such as Shenzhen and Jinhua have developed into prominent cross-border e-commerce hubs, making talent acquisition and access to expertise more accessible for businesses.

2.3. Gradual Improvement in Branding and Compliance

The rapid development of China's cross-border e-commerce independent websites began around 2020. At that

time, the COVID-19 pandemic had a profound impact on global consumer behavior, shifting many purchasing habits online. Simultaneously, the costs of search engine and social media advertisements were relatively low. In this context, a large number of independent website sellers focused on quick profits by adopting a "bulk listing" business model. They leveraged cost advantages to transfer low-priced products from domestic suppliers to independent websites, then used simple, reworked video or image content to advertise on platforms like Facebook, attracting consumers to place orders.

This model essentially relied on arbitrage by exploiting China's supply chain advantages, without building brand value. As a result, it failed to create brand equity or generate repeat purchases. Worse still, some sellers took advantage of overseas consumers' unfamiliarity with online shopping, as well as the relatively lenient policies of platforms like Facebook, Shopify, and PayPal, by misleading consumers with advertisements that were often inconsistent with the actual appearance or functionality of the products. In more extreme cases, after receiving payment, some sellers sent empty packages to customers. These practices severely damaged the reputation of Chinese cross-border e-commerce websites among overseas consumers.

Fortunately, with increasingly stringent regulatory policies on platforms like PayPal, the number of violations by Chinese sellers has been decreasing. Meanwhile, some companies with strong brand identities, such as Anker and SHEIN, have gained recognition from foreign buyers, enhancing the overall image of Chinese cross-border e-commerce websites. This shift has fostered greater trust among international consumers, creating a more favorable environment for independent website operations.

3. Advantages of Operating an Independent Site Compared to Joining Third-Party Platforms

3.1. Avoiding Excessive Competition

Third-party platforms inherently possess a comparative advantage over independent websites. When searching for a specific keyword on a third-party platform, a series of sellers' products will be displayed, with those investing more in advertising, offering lower prices, or having more reviews appearing higher in the search results. For startups, without sufficient funds to sustain advertising investments or the ability to integrate supply chains for cost advantages, they are naturally at a disadvantage in such competitive environments. In fact, with the diminishing traffic benefits on platforms in recent years, most of the traffic has been captured by a few large, well-established sellers, leaving limited opportunities for newcomers. Even if startups manage to identify emerging niches in the market, the overwhelming number of sellers on cross-border e-commerce platforms leads to rapid discovery and elimination of any informational advantages, quickly worsening the competitive landscape.

Moreover, cross-border e-commerce platforms, such as TEMU, have recently championed a managed model, where merchants are only responsible for supplying products to the platform, while other operations such as logistics, customer service, and after-sales are handled by the platform itself. Under this model, platform buyers set pricing standards by comparing prices across various channels, and only those merchants who meet these pricing standards are allowed to supply products. Moving forward, cross-border e-commerce platforms are likely to increasingly favor partnerships with businesses that have strong supply chain advantages, which poses a particular challenge for startups seeking to enter these platforms.

3.2. Accumulating User Data

On cross-border e-commerce platforms, buyer data is tightly controlled by the platform, and sellers have no access to it. In contrast, independent websites offer more opportunities for data utilization. Sellers can leverage contact information provided by buyers during the checkout process to further develop customer relationships. Additionally, by analyzing buyer behavior on the website, businesses can optimize the shopping experience and front-end design, while also creating more detailed customer profiles from personal data to guide future marketing strategies.

Furthermore, on traditional cross-border e-commerce platforms, buyers can only indirectly contact sellers through the platform's customer service. In contrast, independent websites allow for direct communication between the business and the customer, enabling a quicker and clearer understanding of the users' true needs. This facilitates the optimization of both products and services.

3.3. Building Brand Identity

Consumers typically choose to shop on cross-border e-commerce platforms due to their trust in the platform itself, rather than in individual sellers. In mature markets such as Europe and the United States, consumers generally view e-commerce platforms as marketplaces, while independent websites are perceived as brands. In terms of front-end presentation, optimization of product listings and store design

on third-party platforms is constrained by the platform's framework, often failing to convey sufficient information to consumers. In contrast, independent websites offer full control over everything from the domain name to website design, allowing businesses to tailor the site's appearance and functionality to their brand positioning and target market. This enables a more personalized and distinctive brand presentation, which is more likely to attract consumers.

When it comes to traffic generation, platform sellers primarily rely on internal platform advertising, which is a more limited and uniform method of attracting traffic. On the other hand, a significant portion of traffic to independent websites comes from social media. Companies can drive traffic by posting images, videos, or engaging with potential consumers directly, which tends to leave a stronger impression and helps build brand identity. A well-established brand image is crucial for increasing customer repeat purchase rates and enhancing product pricing power.

3.4. Avoiding Platform Regulations

From Amazon suspending the accounts of over 1,000 businesses and more than 50,000 accounts in 2021, to TEMU's penalties for merchants in 2024, incidents of cross-border e-commerce platforms sanctioning non-compliant sellers have become increasingly frequent. Current cross-border e-commerce platform rules are generally consumer-oriented, and as more sellers join third-party platforms, the trend toward stricter platform regulations is inevitable. Taking the TEMU platform as an example, the fines for sellers can be as high as five times the total order amount, and after determining the compensation for goods, there will also be a frozen amount, which has a significant impact on many businesses' cash flows.

Aside from the opportunistic actions of a few sellers, most violations of cross-border e-commerce platform rules by operators stem from information asymmetry and the rapid pace of rule changes. Platforms hold the final authority in interpreting their rules, and the reasons for fines are often vague. Furthermore, platforms frequently require operators to agree to the latest cooperation agreements via pop-up windows, without which they cannot access their business back-end. For startups, lacking sufficient manpower and information resources to constantly ensure compliance with these increasingly stringent rules, the risk of fines and frozen funds is significant. On the other hand, operating an independent website allows businesses to completely avoid the limitations of platform rules, with only the policies of payment platforms to adhere to.

4. Strategic Recommendations for Chinese Start-ups Operating Cross-Border E-Commerce Websites

4.1. Precise Targeting of Niche Markets

In today's highly competitive global market, startup cross-border e-commerce companies should not rely on the "bulk listing" mentality for long when operating an independent website. After running through the bulk listing model and accumulating some experience, it is crucial for these companies to quickly adjust their strategies and shift towards a more refined operational model. At this point, the focus should be on identifying and deeply engaging in a niche market. A niche market refers to a specific segment within a larger market that has distinct needs or interests, often

overlooked by medium or large enterprises due to its smaller size and specialized demand. In addition to facing less competition, startups targeting niche markets can achieve higher customer loyalty compared to those targeting mass markets. By solving specific consumer needs, companies can become irreplaceable, establishing a unique brand identity and market positioning.

To accurately identify a suitable niche market globally, companies need to conduct a series of market research and analysis strategies to understand the needs and preferences of specific consumer groups. First, businesses must stay updated on market trends, including monitoring sales and review data on various e-commerce platforms through Spy software, actively listening to social media, and participating in industry trade shows. Second, companies should segment the market sufficiently to address the specific needs of certain groups or scenarios. For example, the light-up dog leash category is designed for night-time dog walking, featuring built-in LED lights or reflective materials to enhance visibility in low-light conditions, ensuring the safety of both the pet and its owner. Lastly, businesses should enhance their ability to expand related product lines based on core products, meeting the varied needs of specific customer groups in different contexts, thereby boosting profits and fostering customer loyalty.

In addition to analyzing demand, companies must also consider their own financial and supply chain conditions when deciding on which product categories to operate. This helps to maximize strengths while mitigating potential weaknesses. Only by accurately positioning the market in the early stages can companies ensure sustainable profitability, making subsequent optimization of marketing and supply chain processes more meaningful.

4.2. Emulating Successful Competitors

For newly established cross-border e-commerce companies that lack experience, it is not advisable to innovate recklessly from the outset. Instead, businesses should build upon successful existing models, gradually exploring and eventually surpassing them. After deciding on which product categories to focus on, companies can collect and study a large number of similar websites, examining their site design, traffic sources, and content structures, and consistently monitor competitors' websites, tracking the launch of new products and marketing campaigns. For startups, learning from others' valuable experiences is crucial. Directly applying proven, market-tested solutions can significantly reduce trial-and-error costs and help avoid many missteps. In modern business, true innovation from scratch (zero to one) is rare; most innovation is conditional and incremental, based on existing foundations. It is only by summarizing existing experiences that companies can make practical, effective optimizations with lower risk.

In addition to learning from competitors' business models, the management experience of predecessors is equally valuable. This aspect heavily depends on the personal capabilities of the startup's management team. Managers should actively integrate into various circles, expand their networks, and learn from others' approaches to business management. While specific business strategies often involve intense competition and are usually kept confidential, management frameworks are relatively open and can be used as references by others. Moreover, unlike the highly specialized nature of business strategies, management

thinking often shares commonalities across different industries. This means that exemplary management practices, whether from the same industry or different sectors, can serve as valuable learning opportunities. Managers should maintain an open mindset and a cross-industry perspective, absorbing and applying broader management wisdom.

4.3. Establishing a DTC Independent Site and Social Media Channel Matrix

DTC, or Direct-to-Consumer, refers to a business model centered around the consumer. When operating an independent website, businesses should actively build strong connections with customers, thereby leveraging the advantages of independent sites in accumulating user data and showcasing brand identity. First, companies should learn from successful independent websites in Europe and the U.S., telling their brand story and incorporating brand values into web design, content copy, and other aspects of the independent website. Second, businesses can set up activities on the site, such as user check-ins, reviews, and reward programs for photo submissions. They can also engage in personalized remarketing to customers who have previously browsed or shopped on the site during holidays or promotional events, thereby fostering customer loyalty. Lastly, companies should pay attention to user feedback and apply it to product development and supply chain optimization.

To quickly connect with consumers, the early stages of operating an independent website should prioritize building a social media matrix over search engine advertising and optimization. Startups often have limited resources and manpower, so in the beginning, they should avoid overly dispersing efforts across multiple social media platforms. Instead, they should focus on one or two platforms that align with the site's target audience. The key to successful social media operation lies in providing high-quality content to users. Businesses can upload a large volume of free content to gauge user preferences and use performance data to determine which content is worth paying to promote. In addition to self-shot and edited videos, UGC (User-Generated Content) is indispensable for social media operations. Companies should collaborate extensively with KOCs (Key Opinion Consumers) and implement effective strategies to encourage customers who have purchased products to create content that aids in promotion. Typically, content from KOCs and users tends to resonate better with the target market's aesthetic, resulting in significantly better promotion outcomes compared to self-generated content from the business.

When driving traffic from social media to an independent website, businesses should be cautious not to shorten the transaction path by linking ads directly to the product purchase page, allowing users to place orders without registering. While this may appear to reduce traffic loss, it actually undermines customer retention, as customers remember the product, not the site. Instead, businesses can link ads to the main website first, then redirect users to the product detail page, offering incentives such as coupons for registration to encourage user retention. Only when a site can successfully retain traffic will it benefit from increased organic traffic and higher repeat purchase rates, achieving the business model of "social media traffic acquisition, independent site retention."

4.4. Reasonable Allocation of Team Members

For startup companies facing challenges in securing

funding and recruiting talent, the reasonable allocation of team members is crucial, even key to their success. First, startup managers must be hands-on, having a deep understanding of both the business and management aspects, which will allow them to continuously guide the company in the right direction and minimize the risk of employee turnover. Secondly, in the early stages of the business, it is essential to focus on human efficiency ratio, recruiting versatile talents who can perform multiple roles. This ensures the company can achieve the "zero to one" phase with minimal financial and management costs, while also cultivating core employees. If manpower is insufficient, it is advisable to outsource non-core tasks such as video editing, website development, and KOC (Key Opinion Consumer) outreach to reduce fixed costs. Once the business reaches stable profitability, the company can then consider expanding the team, breaking down the operations of the independent site into areas like supply chain management, website development, video editing, and advertising, allowing team members to specialize in specific fields where they can maximize their expertise. Finally, due to recruitment difficulties, every employee in a startup carries a certain irreplaceable value. Managers should avoid treating team members as expendables and instead fully leverage their management acumen to foster employee growth and development.

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