The Study of Business Model for Cross-Border E-Commerce

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The purpose of this study is to explore the business model for a cross-border watch company in the virtual market. The virtual market in this research focuses on mobile app devices and social communities. In the e-commerce market, the company uses community marketing and cross-border e-commerce to enhance its merchandise sales. In-depth interviews are applied to e-commerce platform experts. The findings suggest that the successful business model includes a clear brand positioning, exposure to social media channels, enhance of the webpage experience, and optimization of global cross-border e-commerce purchasing platform.

Keywords: business model, cross-border, e-commerce, community marketing

Introduction

In recent years, with the Internet prevalence, e-commerce market in Taiwan is prosperous. All kinds of e-commerce platforms are emerging and developing vigorously, and with the gradual rise of cross-border e-commerce, app is a kind of new platform to join the e-commerce war, so that Taiwan consumers have more choices, and the e-commerce market is also more active and competitive.

Network word-of-mouth provides the information of the people's pre-consumption test, helps to reduce the risk and uncertainty of shopping, and helps to make more informed purchasing decisions; compared with the traditional way of face-to-face communication, the effect of network communication is faster, more convenient, and broader. Trading communities such as Facebook, Instagram, LINE are springing up in the wake of this wave of online communities. This is relatively important for how companies communicate directly with consumers and brand marketing, because where customers appear, where the market is.

When it comes to community management, most people think about Facebook, Messenger, Whatsapp, Instagram, and so on. These are somewhat slightly competitive relationships. However, apps have been incorporated in recent years; Facebook has become its relationship enterprise. Surprisingly, Facebook, which has expanded rapidly and appears to be promising, has underperformed in recent years; according to selfstartr.com, Facebook's native reach rate has fallen 63% since 2012. However, during the same period Instagram but the touch rate is to 115% amazing speed of growth. On top of that, only 32% of Facebook users actually interact with the brand page, but on Instagram it is more than twice as high as Facebook with 68%. Before March 2016, when a brand posted on his Facebook fan page, only 6% of trackers saw the post in the dynamic wall, and Instagram trackers are 100% able to read posts and interact with brands, which is why

Instagram has become the new darling of brand marketing communication in recent years and one of the most important factors in its favorite community platform.

In Taiwan's such fierce e-commerce market, in the platform and commodity diversification, the market under the growth of the dividends is no longer seen; the seller can profit space which is increasingly compressed. This study takes the watch as an example, in order to understand the durable goods market, in the increasingly fierce competition environment of e-commerce, and how to use community marketing to enhance its merchandise sales; from the Ministry of Economy, industrial production statistics annual report data show that Taiwan's watch market is negative growth trend in the decline. However, in recent years, Danial Wellington (DW), a new fashion brand, has been mining a new look through the Instagram community 2014. The results were first announced in the year, and they have been sold more than one million watches. The annual turnover exceeds 1.8US$ billion, annual growth 1.5 double in 2015; it has been successfully promoted and sold in Taiwan market as the world's top. Therefore, this study will use DW as a case study to explore its business model and the virtual community access strategy used on the web, using the purpose of this study to explore the success story and understand its business model.

Literature Review

The so-called business model refers to a business organization designed according to its strategic resources, combined with market conditions and the interests of partners, which generally designs a comprehensive interest of suppliers, manufacturers, distributors, end-sellers, and consumers. Business model is a kind of multi-win value system. Business model is different from a single path strategy; business model is more a profit structure-oriented organizational structure design than a simple path paving strategy.

The "Business Model Chart" is made up of Business Model Generation, which is proposed by Osterwalder and Pigneur (2010) (see Figure 1).
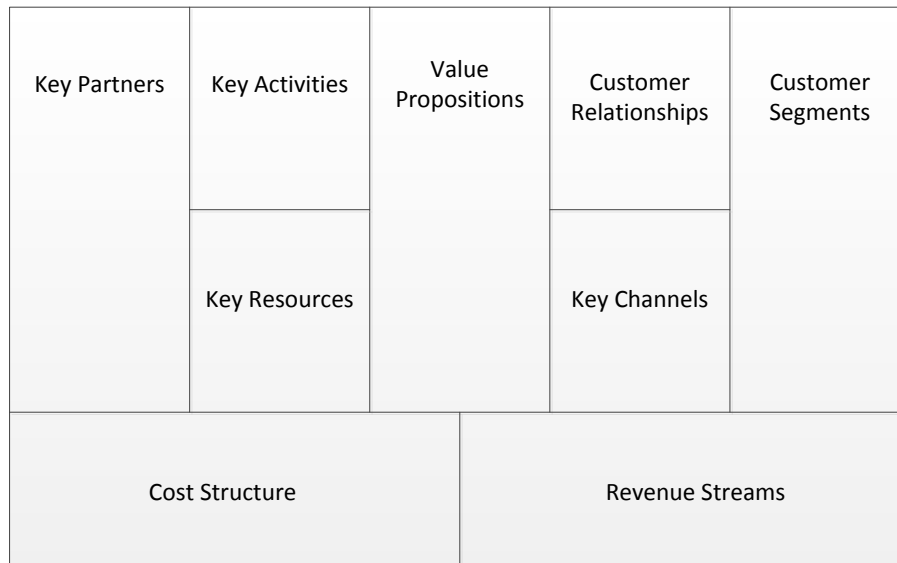
Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Key Resources		Key Channels	
Cost Structure			Revenue Streams	

Figure 1. The business model canvas. Source: Osterwalder and Pigneur (2010).

Figure 1 is composed of nine elements, which are customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnership, and cost structure.

1. Customer Segments: One or more groups of guests that an enterprise or organization serves.

2. Value Propositions: To claim all kinds of value, solve the customer's problem, meet the customer needs.

3. Channels: Value propositions are passed on to customers through communication, distribution, and sales channels.

4. Customer Relationships: Different to every target customer tier customer relations.

5. Revenue Streams: When you successfully deliver a value proposition to your customers, you'll gain revenue flow.

6. Key Resources: Assets required to provide and deliver the foregoing elements are the key resources.

7. Key Activities: Some of the activities performed with critical resources are key activities.

8. Key Partnership: Some activities are leveraged by external resources, while others are obtained outside the organization.

9. Cost Structure: Elements of each business model shape your cost structure.

Methodology

Research Structure

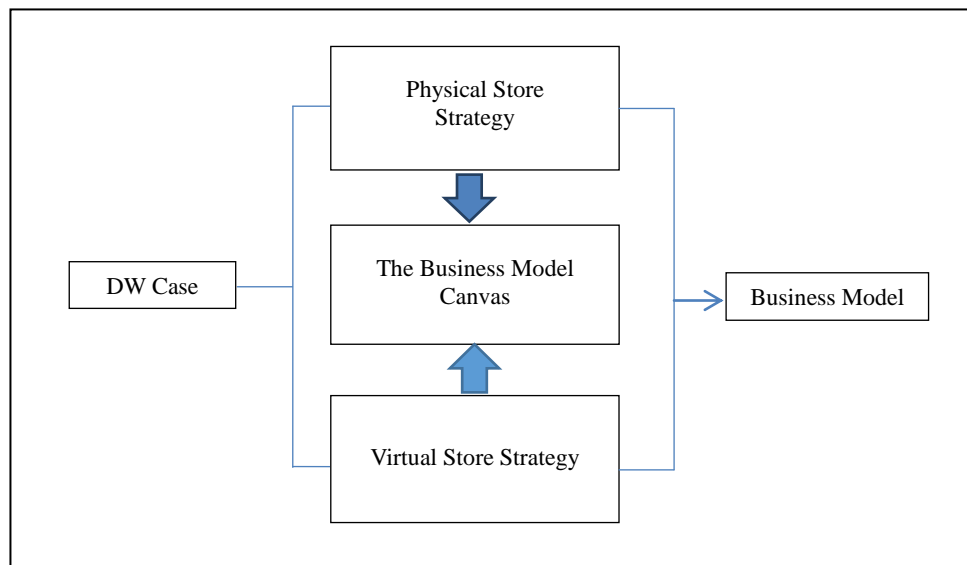The following Figure 2 is the structure of this research.

Figure 2. Research structure.

Data Collection

Interviews vary in different ways depending on the purpose, nature, or object of the study. It can be divided into direct visits; the former is a face-to-face conversation between the two parties and the latter is a conversation over the phone. At present, the classification is widely used in social studies according to the degree of control over access. This topic research uses in-depth interview syllables to raise questions, and through question-and-answer questions, the interviewees can present their views according to the focus of the topic and carry out data collection. The following Table 1 is the source of primary interview data for this study.

Table 1

List of Interviewees

Respondent code	Gender	Respondent's seniority	Respondent's background	Respondents' pathways
A1	Woman	20 years	Yahoo Purchase Center-Senior Commodity Manager	E-retailer
A2	Man	10 years	Momo Shopping Centre-Senior Commodity Manager	E-retailer
A3	Man	15 years	Shrimp Shopping-Senior Commodity Manager	E-retailer
B1	Man	25 years	Daxin Zhuang Bao Island Watch-Manager	Physical retailer
B2	Man	30 years	Perpetane Watch-Manager	Physical retailer
B3	Woman	20 years	Pyramid-Manager	Physical retailer

Triangle Verification

"Triangular Verification" (Denzin, 1978) was first cited in the study of social science, to explain the same phenomenon by more than one theory, method, source of information or analyst. It means a variety of methods, data, observers, and theories used in the research process to examine and identify data sources, data collection strategies. The validity of time and theoretical architecture is to improve the accuracy of the study and revise the experimental design structure to obtain objective data and results. The researchers can use the preliminary analysis results or report outline to discuss with other researchers in order to obtain correction and inspiration, or the data can be used to make preliminary communication with the subjects in order to correct the researcher's analysis and interpretation. To reduce the bias of the subject, it can help to reduce the error rate of the experimental process. The need to use multiple data sources in case studies far exceeds that of other methods such as experiments, surveys, or historical studies. Therefore, it is necessary for researchers to collect information through multiple data sources, at different angles, levels, or points in time, to verify the facts or ontological phenomena. The use of multiple data sources is also the development of convergence of the exploration clues, close to the triangular verification method.

Discussion and Analysis

The following Table 2 is the summary of the analysis.

Table 2

Summary of Analysis

Dimension	Factor	Statement
Customer Segments	Main objects	Who is from 20 to 35 and good at using virtual community to talk.
Value Proposition	E-commerce	Consumers can spend online anytime, anywhere.
	Facilitating consumption	Sell watches globally using the cross-border e-commerce model.
	Product value	High-quality, easy-to-price.
Revenue Stream	Control of the price	DW controls the price of goods and other offers.
	Cooperation with banks	Cooperate with the major banks to choose a variety of payment mechanisms.
Key Partners	Online and offline	At present, more and more virtual access channels lead guests into the physical access.
	Logistics cooperation	E-commerce and logistics companies cooperate with each other.

Table 2 to be continued

Cost Structure	Basic costs	1. Rent and salary. 2. Continuously improve equipment technology.
	Additional costs	1. Deduction of VAT payments. 2. Risk of theft.
	Cost management	1. Virtual access merchandise can be quickly copied a large number of shelves. 2. Virtual access provides pre-ordered items and controls inventory costs.
Channels	Physical access	The display of the power of the collection of guests.
	Virtual access	Can serve groups that are inconvenient or do not want to come into contact with people.
Customer Relations	Education and training	Decide that consumers will no longer return to spending or recommending publicity.
	Consumer experience	1. Set up a full DW brand flagship store. 2. Win with service innovation.
Key Resources	Opinion leaders	Stars on the net become DW's opinion leaders.
Key Activities	Promotional discounts	Using exclusive offer code to get a discount.

Conclusion and Recommendations

With the rapid development of Network Technology, the threshold of technology of the Internet has been greatly reduced, changing the pattern of interpersonal communication, forming many new community sites, and making community sites more and more attention. So far, the application of community sites is the most useful tool to help enterprises to interact with customers. According to the analysis, the findings suggest DW using the following business model and channel strategies.

Business Model

- Do not follow the traditional advertising route of magazines.
- Extensive use of social media campaigns.
- Earn a lot of exposure by giving away a free watch.
- Key Success: The strategy of community access is mainly through Instagram.
- Designer brands with only a single product line.
- At the beginning, it only sold on the official website, and it dominated global marketing.
- Localized operation of international brands.
- Comprehensiveness changed to retailer distribution and sales system.

Channel Strategies

(1) Physical Channel

- The economy is declining, consuming power is low, and the training of service personnel is poor.
- Physical channel can be a supplier of e-commerce platform, and draw high profits and high marketing bonuses.
- The threshold for opening an online store is low, but it is not easy to maintain a web platform.

(2) Virtual Channel

- Intense competition, personnel costs, advertising resources, website equipment technology costs.
- The e-commerce platform is mature, and the learning ability is fast and flexible enough.
- Taiwan's laws and regulations are difficult to get out of cross-border e-commerce.

For modern enterprises, they can use the social networking platform to promote corporate image brands and merchandise sales, and conduct global cross-border e-commerce business execution. Based on the DW

brand case discussed in this study, after data collection and in-depth interviews, we can understand that the DW brand promotes advertisements with relevant social media websites, creates brand awareness, and conducts online to offline operations through opinion leaders such as Internet celebrity. As a result, enhance consumers' recognition of products and share of consumer experiences, and then combine the business model of cross-border e-commerce, successfully become a well-known brand of fashion within five years, and create amazing achievements in the fashion watch industry, creating their own Blue Ocean Market.

References

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Osterwalder, A., & Pigneur, Y. (2010). *Business model generation: A handbook for visionaries, game changers and challengers*. Hoboken, NJ: John Wiley & Sons.