

SWOT Analysis and Recommendations about the Cross-border E-commerce AliExpress Russia



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ABSTRACT: with the development of information technology and cross-border logistics, and the bilateral trade policy support, cross-border e-commerce between China and Russia experienced a rapid growth in the past decade. To date, AliExpress Russia, the e-commerce platform under Alibaba Group, becomes the largest cross-border e-commerce platform in Russia. Although the transaction scale of AliExpress Russia, as reflected by Gross Merchandise Volume, achieved a steady growth in recent years, the market share of AliExpress Russia was gradually overtaken by Wildberries and Ozon (two Russian e-commerce enterprises) since 2018.

This paper is aiming to determine the underlying reasons on the declination of the market share encountered by AliExpress Russia. A systematic analytical method, the SWOT analysis, is employed to reveal the internal and external environment of the cross-border platform simultaneously. It is possible to determine the problem of infringement and counterfeiting, costly and inefficient logistics, and underdeveloped credit system are three internal factors impinging the development of AliExpress Russia platform. Moreover, increased level of market competition combined with tightened cross-border e-commerce policy are two external threats. It is believed that the Alibaba Group should adopt the SO (Strengths – Opportunities) and ST (Strengths – Threats) strategy to combine its internal advantages and external opportunities while minimizing its potential risk exposure. By optimizing supply chain system, deepening localization process, constructing a diversified payment system with high reliability, and improving the companies' core competitiveness, AliExpress Russia can seize the opportunity of promising future Russian e-commerce market and develop its brand influence.

KEYWORDS: Cross-border e-commerce; SWOT analysis, AliExpress Russia

1. INTRODUCTION

Cross-border e-commerce can be treated as the derivative product of a combination of information technology and international trade. With the rapid development of Internet services and cross-border logistics, cross-border e-commerce between China and Russia expand apace. According to the official report released by Chinese Ministry of Commerce, the bilateral trading volume between China and Russia in 2021 reached approximately US\$ 146.87 billion. The benefits of expanding cross-border e-commerce is mutual, it enabled destocking of Chinese manufacturing firms and suppliers, leading to the industrial transformation and upgrading. Meanwhile, it benefits the Russian consumers by enriching their selection.

Alibaba Group is a splendid e-commerce enterprise initiated in China. At first place, it participated in the e-commerce market of Russia by adopting the market strategy of offering commodities in pressing demand at competitive price. The tactic demonstrated its effectiveness as the AliExpress Russia had successfully occupied 11% of the e-commerce market share on 2021, next to Wildberries, the largest state-owned e-commerce platform in Russia. However, with the tightening cross-border trading policies and the increasing level of market competition, the initial market strategy adopted by Alibaba Group seems to be unsustainable in the long-run.

In order to designing and promoting new business strategies, which enables Alibaba Group stay competitive in e-commerce market of Russia, the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis is employed to analyze its internal and external environment simultaneously. By adopting such systematic approach, it is able to determine the crucial factors relating to its future market planning and management. Moreover, AliExpress is the largest cross-border e-commerce platform in Russia, and hence, the result of SWOT analysis and the proposed recommendations as advocated in this paper can be utilized as a reference by other Chinese cross-border e-commerce enterprises which aim to expand their e-commerce business in Russia and other foreign countries.

This paper is organized as follows: several studies made by Chinese scholars and researchers, which are closely associated with the Sino-Russian cross-border e-commerce, are summarized in part 2. The contemporary operational condition of AliExpress Russia, involving the relevant government supporting policies, classification of exports made by Chinese merchants, mode of

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logistics, as well as existing payment method are briefly elaborated in part 3. The SWOT analysis is conducted in part 4 to discover the internal resource of Alibaba group's cross-border e-commerce platform, AliExpress Russia, as well as its external environment. The recommendation and conclusion are illustrated in part 5.

2. LITERATURE REVIEW

Alibaba Group's cross-border e-commerce in Russia experienced a rapid growth in recent years, and Russia became the largest targeting market of AliExpress^[1]. This was mainly caused by the improved commercial relationship between China and Russia, and the issued Chinese governmental supporting policies on cross-border e-commerce^[2]. Due to its attractive features, AliExpress Russia is the most visited shopping platform by Russian consumers on daily basis^[3]. According to the research made by Chinese scholar Mei-Chun Chen^[4], the largest portion of Chinese commodities exported via AliExpress Russia was lying on the functional products including apparels and household electronics. It was believed that the light industrial products manufactured in China and offered in AliExpress Russia online shops fulfilled the demands of Russian customers^[5]. Moreover, under the "the Belt and Road" initiative as advocated and implemented by Chinese government, Alibaba Group upgraded the cross-border logistics pattern associated with AliExpress Russia with the increased connectivity, reflected by the improved infrastructure, between China and Russia^[6]. Meanwhile, the available payment method of AliExpress Russia was localized to support the conventional method of payment and transaction practices adopted by the Russian consumers^[7].

Several investigations have been conducted by various Chinese researchers and scholars in accordance with Alibaba Group's cross-border e-commerce business strategies in various aspects. One unique advantage of AliExpress Russia is lying on its capability of merging mass number of manufacturers and mercantile agents, which enables the coverage of a wide spectrum of products in its online platform, that is, AliExpress Russia^[8]. On the other hand, the quality control and intellectual property protection can be a challenging task from the perspective of Alibaba Group. Under the worst-case scenario, the acquiescence of intellectual property infringement and counterfeiting of commodities may be deemed as the dereliction of duty and ultimately damage the reputation of AliExpress Russia^[9]. Although the cross-border logistics pattern associated with AliExpress Russia was upgraded in recent years, the ineffectiveness of regional logistics and commodity distribution is still a major problem encountered by the Alibaba Group^[10]. Despite these limitations, the future of AliExpress is, however, considerably promising. As revealed by the recent data, the growth rate of e-commerce business in Russia reached approximately 5 times of offline commerce due to the increasing popularity of online shopping^[11]. However, AliExpress Russia was inevitably exposed to the challenge of local as well as foreign competitors which aim to seize such opportunity as well. Meanwhile, the prevailing trade protectionism conducted by Russian communities and government agents seems to level up the future uncertainties of AliExpress Russia^[12].

In order to tackle the similar problems as specified above, Chinese scholars and researchers proposed several preliminary countermeasures. As specified by Xin-Yao Meng^[13], optimizing the contemporary supply chain by highly coordinating the upper, middle, and lower stream of the logistics may able to promote the sustainable development of the platform. Moreover, it is believed that increasing the share of local talents as the human resource of Alibaba Group is likely to accelerate its localization process^[14]. In addition, diversification and reliability should be considered as the most crucial factors when refining the contemporary payment and settlement system of AliExpress Russia^[15]. Last but not least, strengthening the internal and external core competitiveness of the AliExpress Russia plays a vital role in the overall business strategic deployment^[16].

3. CURRENT STATUS OF ALIEXPRESS RUSSIA

This section briefly summarizes the current status of Alibaba Group's cross-border e-commerce, AliExpress Russia, from three aspects: transaction scale (section 1), merchandise categories (section 2), and logistics and various payment methods (section 3).

3.1 Transaction Scale

The AliExpress Russia platform had developed rapidly since it officially entered the Russian e-commerce market. According to the data released by Mediascope, the average visiting users of AliExpress Russia had reached 44.67 million times on monthly basis by 2021, which was still the most visited e-commerce platform in Russia. As indicated in Figure 1 (the columns in orange color), the overall transaction scale of Alibaba's cross-border e-commerce in Russia (reflected by Total Gross Merchandise Volume, TGMV) increased steadily from 2018 to 2021, achieving an average rate of increment of 17.67% on yearly basis. It is worth to note that Alibaba Group and three large Russian enterprises jointly established a joint venture, which enables the local retailers to open online store and sell their commodities on the AliExpress Russia platform. The transaction scale of local retailers is quantified by Domestic Gross Merchandise Volume, DGMV, which is displayed by the columns in blue color as shown in Figure 1. In three-year duration (from 2019 to 2021), AliExpress Russia achieved an average rate of increment of 103.03% on yearly basis, and it contributed roughly one-third of the TGMV in 2021.

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Figure 1: Domestic and Total Gross Merchandise Value of AliExpress (2018 - 2021)
Data source: financial report of Russia, 2019 – 2021 and Heihe municipal government

Although the overall transaction scale of Alibaba Group’s cross-border e-commerce in Russia, as reflected by the TGMV in Figure 1, achieved a steady increment from 2018 to 2021, the corresponding Russian e-commerce market share subjected to a sharp declination. As indicated in Figure 2, AliExpress occupied almost half of the Russian e-commerce market share in 2018, however, such amount declined to one-fifth of the entire market share in 2021. Within the same duration, the market share of Wildberries, a well-known Russian e-commerce enterprise, was more than doubled in contrast to its level in 2018. The total market share of the other two e-commerce entities, Citilink and Ozon, always maintained one-fourth of the market share in Russian e-commerce market.

Attributing the underlying reason on the declination of Russian e-commerce market share of AliExpress Russia to the intensive competition among e-commerce companies alone may not be appropriate. The most reasonable explanation is that the Russia government lowered the personal tax-exemption quota on cross-border commodities at the end of 2019. As a result, from the perspective of the Russian consumers, the final price of imported products offered by AliExpress Russia are no longer attractive, and hence, they are more inclined to purchase the substitutes on Russian e-commerce platforms, for instance, Wildberries, which dedicated in the Russian online retailer industry since 2006. In addition to that, Wildberries changed its initial operational tactics. It adopted various preferential measures to attract foreign (including Chinese) retailers to open up the online stores under its e-commerce platform in 2018. Such strategy works perfectly as it significantly increased the e-commerce market share of Wildberries in Russia by more than twofold and reducing the over dependency of AliExpress Russia.

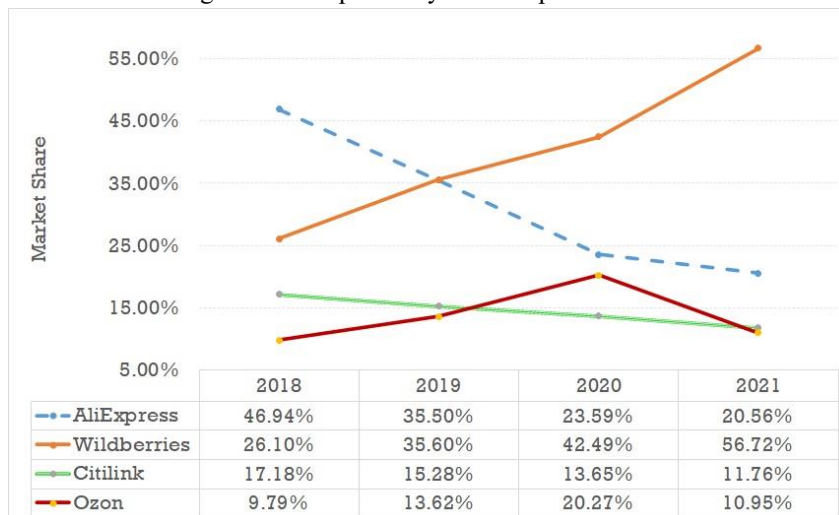


Figure 2: Market Shares of Top Four E-commerce Platforms in Russia (2018 – 2021)
Data source: Statista, financial report of AliExpress Russia and Heihe municipal government

3.2 Classification of Commodity in AliExpress Russia

The cross-border e-commerce involves a variety of commodity categories, and the distribution of proportion of each commodity category indirectly reveals the regional consumption preferences. In contrast to its heavy industry, the light industry sector of Russia is underdeveloped, which unable to provide variety commodities of high quality. On the other hand, as certified by the United

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Nations, China has most mature light industry supply chain, which successfully assembles different sectors of the light industry in one country. The manufactured apparels, household appliances, electronic products are cost-effective and widely accepted by the Russian households. According to the market survey conducted by Russian AITC (Association of Internet Trade Companies), the annual per capita order of apparels and footwears on cross-border e-commerce platforms reached 11,800 Russian rubles, while the domestic e-commerce platforms only contribute roughly 2,000 Russian rubles. As specified in Figure 3, the popular commodities purchased by Russian consumers on AliExpress Russia are mainly lying on the light industry products, including the electronics (33.2%), apparels (15.9%), and furniture (9.2%).

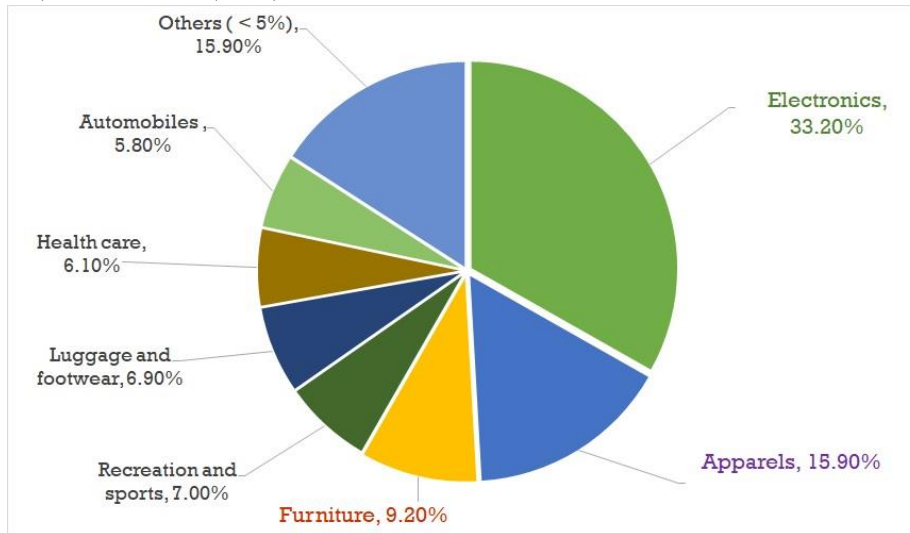


Figure 3: Classification of Commodities in AliExpress Russia (2021)

Data source: financial report of AliExpress Russia, 2021

According to the annual financial report released by AliExpress Russia, the catalogue of AliExpress Russia platform now accounts for 177.1 million products, which can be treated as the e-commerce platform covers the largest varieties of commodities. Moreover, in recent 3 years, due to the outbreak of COVID-19 pandemic, the concept of “stay-at-home economy” prompted the Russian consumers increased the consumption in products falling into the category of furniture, health care, as well as sports and recreation.

3.3 Logistics and Payment Methods of AliExpress Russia

Initially, there are four major logistics modes utilized in cross-border trade between China and Russia, including international post, dedicated cross-border logistics, international express, direct mail from overseas warehouse. By adopting the managing principle of “less is more”, Alibaba Group had upgraded its logistics mode associated with AliExpress Russia. To date, the platform provides two options of logistics for merchants. One is online delivery, which is relying on Alibaba Group’s self-operated logistics network accompanied by a series of reliable third-party logistics service providers. Another is termed as offline delivery, whereas the online store chooses their own logistics service provider. In 2021, the monthly chartered cargo airplanes of Alibaba Group easily reached a number of more than 300 times, as Russia is becoming a vital market.

Before Alibaba Group initiating its business in Russia, the payment method provided by regional e-commerce platforms were mainly lying on two basic forms, namely, cash on delivery and payment in advance. Alibaba Group redesigned the payment system associated with the AliExpress Russia. At present state, the embedded payment methods in AliExpress Russia are significantly diversified, involving the payment in cash, payment in credit card, digital wallet (like Yandex.money and QIWI account) payment, mobile payment and bank transfer. Although the payment in cash is still the most popular payment method utilized by Russian consumers, some recent research results suggested that the transaction from cash payment to non-cash payment for Russian consumers in online shopping is demonstrating a growing trend.

4. SWOT ANALYSIS OF ALIEXPRESS RUSSIA

The internal and external factors most considerable for the company’s future are referring to as strategic factors. In SWOT analysis, these factors are grouped in terms of four parts, namely, strengths (S), weaknesses (W), opportunities (O), and threats (T). In this section, such systematic approach will be employed to investigate the strengths (S) and weaknesses (W) on the internal resources of AliExpress Russia. Meanwhile, the same methodology will be utilized to determine the opportunities (O) and threats (T) on the external e-commerce environment encountered by Alibaba Group’s business in Russia.

4.1 Strengths (S)

(1) Complete Catalogue of Commodities Integrated in One Platform

The Internet penetration rate was steadily increasing in Russia for the past 20 years. As a consequence, it gradually migrated the

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consumption behavior of the Russian consumers from offline store to online e-commerce platform. As a result, the demand for commodities become more diversified. Therefore, the ability of integrating complete catalogue of commodities in one platform not only increase the overall transaction volume but also reduce the churn rate of customers.

AliExpress entered the Russian e-commerce market in 2012, the initial catalogue of the commodities was mainly contributed by Chinese enterprises and retailers. Fortunately, at that period, the Russian consumers had strong inclination towards cost-effective light industry products, including apparels, luggage and footwear, food and beverage, as illustrated in Figure 4.

With the proceed of the development of AliExpress Russia, many international enterprises as well as regional companies opened up their corresponding online store in AliExpress Russia platform. Therefore, AliExpress Russia is capable of providing platform users with multi-price, multi-category and multi-level commodities, which significantly enriches their selection. To date, AliExpress Russia is still the most visited e-commerce platform by Russian consumers, and the visiting frequency can ultimately be converted into the business revenue for Alibaba Group.

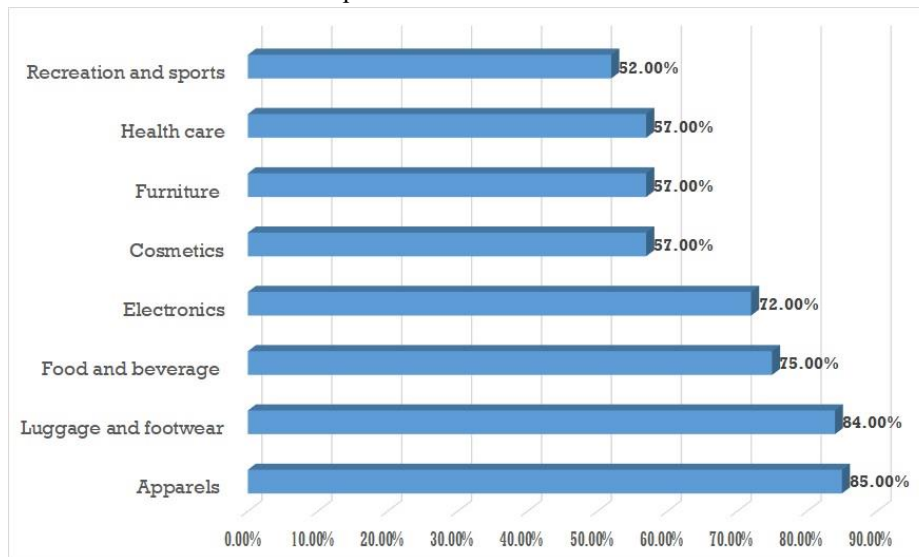


Figure 4: Commodity Classification-based Online Shopping Level of Acceptance for Russian Consumers (2010 – 2020)

Data source: Russian e-commerce database and report 2021

(2) Successful Commercial Strategic Planning

In contrast to famous international e-commerce enterprises, eBay and Amazon, Alibaba Group entered Russian e-commerce market relatively late. Even though AliExpress Russia was following the trend of “Internet+” expansion, combined with support of domestic light industry supply chain and successful experience of running e-commerce platform in China, two years after its foundation, it was still in the condition of deficit and had to survive on the financial support from Alibaba Group.

Fortunately, Alibaba Group altered its commercial strategic planning on AliExpress Russia. At first stage, Alibaba Group was dedicated on improving the associated logistics and payment methods, and combining the wholesale and retail business mode. In second stage, Alibaba Group employed the big data analysis in profiling the potential consumers of AliExpress Russia, and developed a variety of online shopping channels to cater demands of consumers in different categories. In most recent stage, the Alibaba Group entered into the partnership with many local Russian enterprises and continuously optimizing their commercial strategic planning for subsequent development. The commercial strategic planning of AliExpress Russia can be regarded as a successful business practice as it had surpassed the sound international e-commerce enterprises and achieved a steady growth of Total Gross Merchandise Value in Russia.

(3) Strong Brand Influence

Alibaba Group is a famous international Internet enterprise, which also build up strong brand influence in Russia. On the one hand, AliExpress Russia opened up the first online commodity physical experience store in Russia. It allowed the local consumers to have a vivid offline user experience about the characteristics of products sold in AliExpress Russia e-commerce platform, and hence, leveling up their confidence in online shopping. On the other hand, AliExpress Russia initiated their business with the collaboration of regional popular entities including QIWI account (payment platform) and Russian Post (national postage company). It serves as an excellent starting point by eliminating the potential security concerns of the regional customers for cross-border commodities and promote its brand in Russia.

Moreover, AliExpress Russia provided three premium service guarantees, namely, “100% authentic product guarantee”, “return of goods without reasons in 7 days”, and “delivery within 15 days”. These services fulfilled the consumers’ requirements of online shopping by ensuring the quality of commodities and after-sales service of the product, and the on-time delivery. These services earned a good reputation for AliExpress Russia. When concerning the online shopping experience, AliExpress Russia

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normally leave customers the impression of “reliable”, “on-time”, and “premium after-sales service”. AliExpress Russia retained its popularity as it was frequently mentioned in the largest social media in Russia – the VKontakte.

4.2 Weaknesses (W)

(1) Problem of Infringement and Counterfeiting

As the commodities listed in AliExpress Russia was mainly contributed by Chinese enterprises and retailers, which covers a wide variety of products, it was inevitably to blend in some counterfeiting commodities, which may result in trademark infringement.

In the past years, under the category of electronics (mainly the mobile phone accessories), apparels, and furniture, AliExpress Russia reported the problem of infringement and counterfeiting. It is worth to note that three categories contribute more than half of the commodities sold in AliExpress Russia. Therefore, the occurrence of infringement and counterfeiting not only cause severe damage to the integrity and the reputation of the platform, but also invade the right of consumers.

(2) Costly and inefficient logistics

As specified in financial report of AliExpress Russia, the dominant factor which significantly restricts the Russian consumers in online shopping, is lying on the inefficient logistics. Russia has a very large territory. The logistics network and commodity distribution centre in certain places are severely underdeveloped. And hence, it is challenge to deliver the ordered commodities within promised duration to consumers of these regions. Moreover, for cross-border products, the sophisticated customs clearance procedures may also affect the timeliness of logistics.

In addition to the inefficient logistics, the high cost of freight is likely to increase the overall cost of the commodity, and make the selling price no longer competitive in contrast to local substitutions, and ultimately reduce the profit margin of the merchants in AliExpress Russia. As specified in the pie chart of Figure 5, the proportion of cost of freight in total cost can be broadly classified into four categories – less than 20%, 20 – 30%, 30 – 40%, and more than 40%. Roughly half (49.3%) of the merchants in AliExpress Russia are belonging to the category of 20 – 30%. In other words, for almost half of the cross-border merchants, the cost of freight covers 20% - 30% of the total cost. This cost will be bear by the consumers or split between consumers and merchants in the platform.

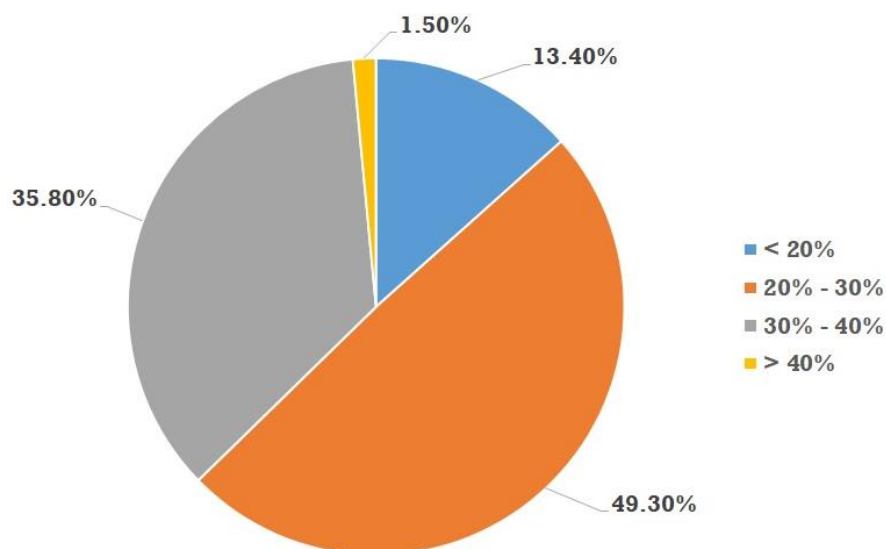


Figure 5: Proportion of Average Freight Cost in Total Cost for Chinese Merchants in AliExpress Russia (2010 – 2020)

Data source: Russian e-commerce database and report 2021

As a summary, although Alibaba Group had upgraded its logistics mode associated with the AliExpress platform, the delivery service provided by AliExpress Russia is still highly dependent on the third-party delivery enterprises. As a result, the inefficient delivery service and high cost of delivery charge are still two major problems encountered by AliExpress Russia.

(3) Underdeveloped Credit System

The success of Taobao and Tmall (the Alibaba Group’s online platform in China) is lying on its well-developed credit system of buyers and sellers in its online platform. The credit system of AliExpress Russia, however, has very limited control over the buyers.

Suppose the buyer utilized a credit card to pay for the commodities under the AliExpress Russia platform. He can request the corresponding credit card company to cancel the settled transaction even after receiving the product from the merchant. As a result, the merchant may suffer from the financial losses if they failed to collect the reimbursement from the credit card company.

The same situation is not likely to occur with the presence of credit system in Taobao and Tmall. It is because the behaviour of the buyers will be governed by the Zhima credit (a credit system utilized in China). The creditworthiness of the buyer will be evaluated by Zhima score. If the same situation as described above occurs, the corresponding Zhima score of the buyer will be

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deducted by the Alibaba Group, and the information is not only visible to the e-commerce company but also visible to the merchants under the platform.

At present stage, AliExpress Russia provides the merchants with the risk detection device to minimize their potential risk exposure. The merchants can easily detect the postal address which presents historical frauds. This device is still difficult to avoid the buyers' refusal of payment in real practice. Moreover, such device is not available to overseas merchants due to the security concerns of the Russian government.

In addition, AliExpress Russia lacks third-party credit institutions to collect and evaluate the creditworthiness of the merchants under the platform. The current evaluation system is merely based upon the feedback from the buyers, which is subjective if the sample size is relatively small. All above mentioned problems indicate the contemporary credit system associated with AliExpress Russia is the weakness of the platform.

4.3 Opportunities (O)

(1) Promising Future Russian E-Commerce Market

In recent years, the growth rate of e-commerce business in Russia is about five times than that of the offline business. As indicated in Figure 6, the overall size of the Russian e-commerce market increased from 260 million rubles (2011) to 3.2 trillion rubles (2020), making Russia one of five fastest growing e-commerce markets in the world.

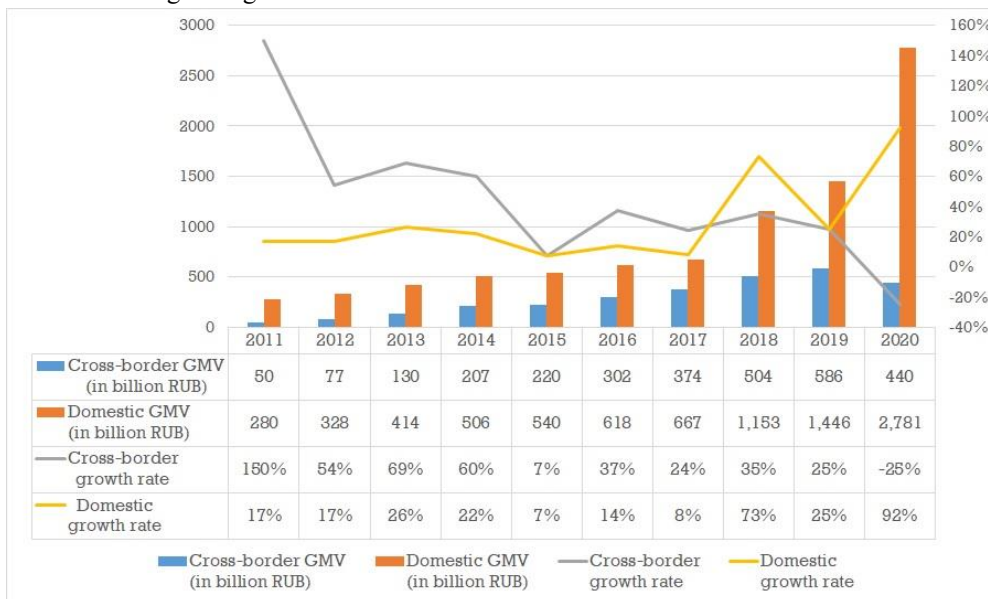


Figure 6: Russian E-commerce Market GMV and Corresponding Growth Rate

Data source: Russian e-commerce market report 2020

The cross-border e-commerce also plays a vital role in the development of online platform in Russia. As indicated in Figure 6, in 2019, the overall market size of cross-border e-commerce reached 586 billion rubles, contributing 28.8% of the entire market share of the e-commerce business in Russia. The relevant growth of the Russian e-commerce market is mainly attributed to the large increment of the number of active online users in Russia and the continuous accumulation of e-commerce experience, which is conducive to the expansion of its cross-border e-commerce market.

As predicted by Statista (an e-commerce analysis database), the projected compound annual growth rate will reach 32.2% from 2021 to 2025. It simply states that the tremendous expansion of the e-commerce market in Russia will continue for another five years. Moreover, even the cross-border e-commerce growth rate declined in 2020, it is believed to be a temporary phenomenon, as the main cause for the declination is lying on the effect of epidemic of COVID-19.

(2) Consumers' Increasing Level of Acceptance of Online Payment

In the past, Russian consumers generally believed that the online payment was inconvenient and usually associated with the security concerns. However, when the smart phone becomes popular and accompanied with tremendous improvement of the online payment technology, the impression of online payment has changed in recent decades. As shown in Figure 7, the proportion of Russian consumers using online payments accounted for 84% of the total population shopping online, meanwhile, the proportion using cash on delivery decreased to 5% only.

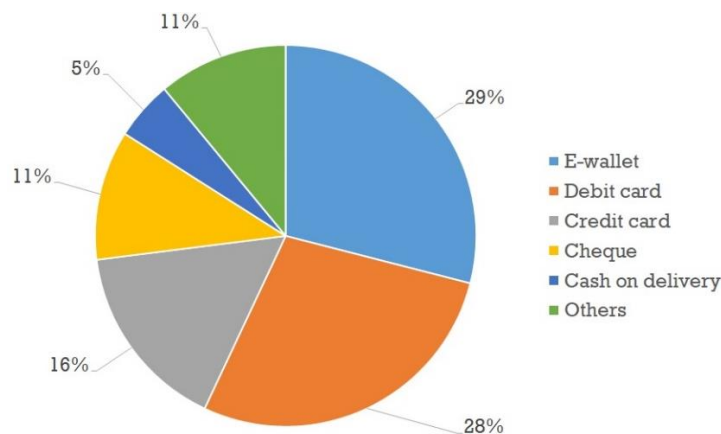


Figure 7: Payment Method of Russian E-commerce in 2020

Data source: the global payment report 2021

The Russian government plays an important role in promoting the development of online payment and e-commerce industry. It actively carries out the digitalization of public services and encourages citizens to use online payment methods in replacement for the conventional ones. The increment of level of acceptance of online payment will also stimulate the demand for the online shopping. Alibaba Group seized such opportunity by cooperating with Russian internet company “Mail” in the formation of a digital payment service joint venture, namely, “JV payment”. It is believed that Alibaba Group will accelerate its expansion of e-commerce business in Russia via creating new digital payment system.

4.4 Threats (T)

(1) Increased Level of Market Competition

As specified in 4.3, the growth rate of e-commerce business in Russia is about five times than that of the offline business and such trend of development seems to be promising and sustainable. Therefore, many local and global e-commerce enterprises are aiming to expand their market share in Russia. The threat brought by these enterprises cannot be underestimated.

According to the information as indicated in Figure 2, the market share of Wildberries (a regional e-commerce firm) was 26.1% in 2018, however, such figure was almost doubled to 56.72% by the end of 2021. At the same duration, the market share of AliExpress Russia was more than halved from 46.94% to 20.56%. The impact of the COVID-19 pandemic is one reason which attributed to the spur of Wildberries. It is because the operating performance of AliExpress Russia is heavily relying on the cross-border e-commerce, the pandemic as well as related quarantine measures caused impeded cross-border logistics, and hence, affects its market share in Russia.

On the other hand, it reveals the nature of cross-border e-commerce, that is, the product information is more transparent than the physical store, and the products sold by different e-commerce platforms are of strong homogeneity. It is difficult to cultivate the customer loyalty to the platform. Moreover, the Wildberries and Ozon e-commerce platforms have launched the cross-border business plans which successfully attracts many foreign (involving Chinese) investments. If Alibaba Group fails to strengthen its core competitiveness, it will have to encounter the threat of being replaced by other e-commerce platform.

(2) Tightened Cross-Border E-Commerce Policy

In recent years, China exported far more commodities to Russia causing significant trade deficit. Simultaneously, it generated large impact on Russian e-commerce market and regional e-commerce enterprises. In order to protect its local e-commerce enterprises and ensuing its regional employment rate, Russian government has issued many trade policies to impose the restriction on the cross-border e-commerce (*i.e.*, the imports) by levying the import taxes and lower the duty-free quota for individuals on purchasing the imported commodities. Moreover, the government agents of Russia set up various technical barriers on trade like the technical standards and inspection systems.

Although these trade protection policies will not impose direct effect on the Alibaba Group and its platform in Russia, it does reduce the price advantage of Chinese merchants listed on AliExpress Russia. As a consequence, some of these merchants chose to cooperate with Russian e-commerce enterprise which offered more attractive terms and conditions, and others decided to close their online store in AliExpress Russia. Ultimately, it will affect the Alibaba Group’s e-commerce business in Russia.

5. RECOMMENDATION AND CONCLUSION

After the extensive analysis of various factors, it is simple to spot that the Alibaba Group should adopt the SO (Strengths – Opportunities) strategy to combine its internal advantages and external opportunities. Moreover, the ST (Strengths – Threats) strategy should be employed as the auxiliary countermeasure to minimize its potential risk exposure. The finalized recommendation involves four aspects, namely, optimizing supply chain system, deepening localization process, constructing a diversified payment

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system with high reliability, and improving the core competitiveness of the e-commerce platform.

Optimizing contemporary supply chain management system is believed to be the foundation for Alibaba Group to achieve a long-run sustainable development of cross-border e-commerce in Russia. Generally speaking, the cross-border e-commerce supply chain management system can be divided into upstream, midstream and downstream entities, as shown in Figure 8.

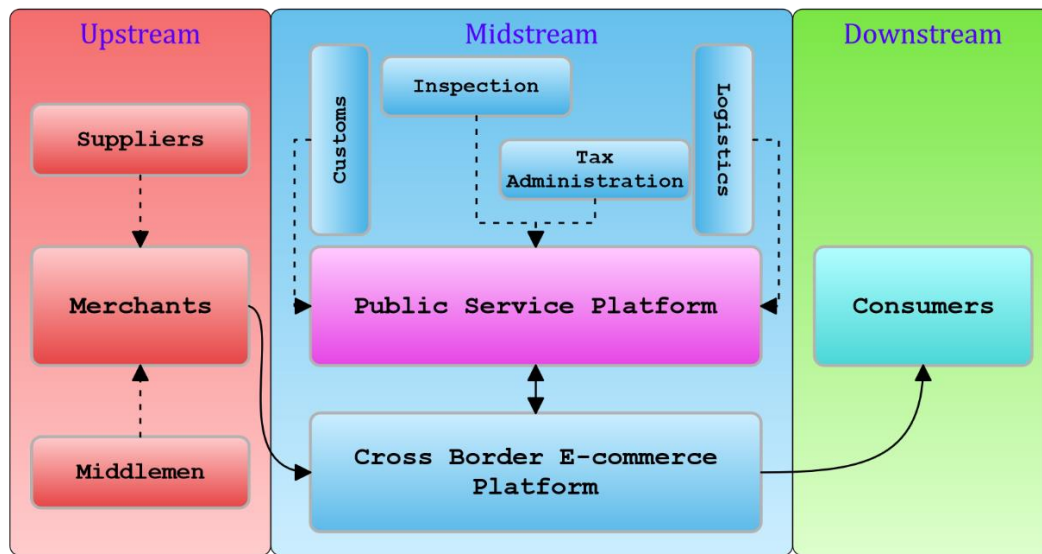


Figure 8: Cross-Border E-commerce Supply Chain Management System

The advantage of Alibaba Group in cross-border e-commerce supply chain management system is lying on the midstream. Therefore, it should focus on refining the upstream merchants by strengthening the corresponding brand building and maintenance. In reality, the Chinese manufacturers and suppliers are gradually replacing the labor-intensive products with competitive price by high quality products. Therefore, it should match the subsequent business strategy implemented by the platform. Moreover, AliExpress Russia can make the management of listed merchants as a standardized procedure, and improving the sieving standards of listed merchants to eliminate the infringement and counterfeiting at the first place. In addition to that, a more flexible C2M (Customer-to-Manufacturer) business mode can be introduced to the platform of AliExpress Russia. It has significant advantage of matching the commodity manufacturers and suppliers to the demands of the Russian consumers and easing the contemporary supply chain management system.

At current state, Alibaba Group has already achieved certain level of localization process by collaborating with three large Russian enterprises and leading to the formation of joint venture, which enables the local retailers to open up online store and sell their commodities on the AliExpress Russia platform. It is believed that the localization process should proceed to next level by reasonably distinguishing the preferences of various Russian consumers. Under the upstream of the supply chain, the Chinese merchants, including the suppliers and middlemen, should be guided by the platform to improve its familiarity to the culture and consumption behavior of the Russian consumers, and therefore, modify the design and features of the commodities to better suit the demand of the regional customers.

Under the downstream of the supply chain, the big data analysis should be utilized to investigate the purchasing habit of Russian consumers, and the related product information should be deliberately pushed forward to the potential customers at first place. Under the middle stream of the supply chain, the best solution to promote the localization process is to attract more local talents who have experience in various aspects of public service platform, including the regulations of Russian customs, inspection procedures and standards, the regional logistics, and the tax administration services.

According to the survey conducted by Mediascope, the proportion of Russian consumers, who enrolled in the online shopping, have strong inclination towards bank-oriented commercial settlement methods (accounts for 84%). Therefore, constructing a diversified payment system with high reliability should effectively increase the market share of AliExpress Russia. It is suggested that the Alibaba Group should actively cooperate with local commercial banks and financial institutions to ensure the platform can provide consumers with familiar and reliable commercial settlement methods. Meanwhile, it is essential to strengthen the supervision of the platform payment methods by introducing third-party (typically hosted by the Russian government) credit institutions. By doing that, it will reduce the potential risk exposure of the merchants and strictly prevent the information leakage, which eliminate the doubts of local consumers as well as the Russian government.

Moreover, the active online shopping group in Russia is mainly consisting of people aged from 24 to 39. And these consumers willing to make online payment by electronic currencies. Therefore, an in-depth understanding of the electronic currency and its providers most commonly utilized by this group of Russian customers can be employed to refine and optimize the payment methods available in AliExpress Russia.

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Lastly, improving the core competitiveness of AliExpress Russia is believed to be the driving force for the sustainable development of e-commerce platform. Generally speaking, the core competitiveness can be strengthened in three approaches, namely, “internal development and strengthening”, “external cooperation and innovation”, and “acquisition and merger”. It is believed that the first two methods can be utilized to enhance the core competitiveness of AliExpress Russia.

The first method “internal development and strengthening” is closely associated with the utilization of the internal resources of Alibaba Group. It is because the commodities listed in the e-commerce platform have severe trend of homogenization, and hence, it is hard to cultivate the loyalty of the consumers. Alibaba Group may consider introducing differentiated products like encouraging Chinese merchants to combine the commodity with exotic feature of Chinese culture.

Another method “external cooperation and innovation” is related with restructuring of external resources. Under this scenario, Alibaba Group can reduce additional expenses via cooperating with other well-known international enterprises, so as to enhance external core competitiveness. By doing so, Alibaba Group can optimize the associated logistics services, payment methods, reduce the cost on freight charges as well as service commissions based upon each transaction happening in the platform. In addition to that, the establishment of joint ventures with local Russian enterprises may also promote Alibaba Group's cross-border e-commerce in Russia by avoiding unfavorable policies adopted by the government agents.

In summary, Alibaba Group has made many remarkable achievements in the development of cross-border e-commerce, the AliExpress Russia platform, however, there are still many barriers impinge its sustainable growth. Through extensive study on Alibaba Group's relevant support policies, market transaction scale, commodity classification, logistics mode and payment method, combined with the SWOT analysis, it is possible to conclude that AliExpress Russia has the advantages of complete catalogue of commodities, successful initial business plan and strong brand influence as internal conditions. On the other hand, AliExpress Russia still possess problem of infringement and counterfeiting, costly and inefficient logistics, and underdeveloped credit system. Moreover, the external environment encountered by AliExpress Russia is increased level of market competition and tightened cross-border e-commerce policy. However, Russia is a huge potential market for e-commerce business as the growth rate is much faster than offline business and the level of acceptance of online payment for Russian customers is continuously increasing. Based on the analysis of influencing factors, it is believed that AliExpress Russia should optimize supply chain system, deepen the localization process, construct a diversified payment system with high security, and improve the core competitiveness of the e-commerce platform.

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