Study on Seller Performance Management of Cross-border E-commerce Third-party Platform

Yin-fen ZHANG¹*, Ping WANG² and Kui-tong XIAN¹

¹China National Institute of Standardization, No. 4, Zhichun Road, Beijing 100191 China
²Trust and Safety Department, DHgate.com, No. 28, Chengfu Road, Beijing 100191 China

*Corresponding author

Keywords: Cross-border E-commerce, Performance management, Merchant evaluation.

Abstract. This paper summarizes the problems existing in the merchant management in cross-border export e-commerce third-party platform, and on the basis of DHgate performance management practice, selects the indicators affecting the performance of sellers, classifies the sellers according to the indicators, and establishes the platform performance management system.

Introduction

With the development of cross-border export e-commerce, more and more SMEs participation in global markets through cross-border e-commerce export platforms. The SMEs are selling their goods to end-consumers directly in this way. In the process, cross-border e-commerce has changed the traditional trade model, reduced many intermediate steps, making export trade more convenient and efficient, and at the same time, brought more business opportunities for SMEs.

Obviously, the development and influence of cross-border export e-commerce is not achieved overnight. Since 1999, it has experienced three processes of development[1].

The first development stage is from 1999 to 2003. The main business form of cross-border export e-commerce is online display and offline transaction. For SMEs, the platform only can provides the function of product information display. Buyer and seller cannot fulfill the payment online. In this process, cross-border e-commerce has completed trade information sharing, and helped SMEs to open up new areas. At that time, although online transactions could not be carried out, the integration of information chains had been completed.

The second development stage is from 2004 to 2012. Cross-border e-commerce export platform has not only been limited to the display of products, but also integrated the payment, logistics and other links to gradually build online trading platform.

The third development stage is from 2013 to now. The platform has enough capacity to provide more online services, such as financing, warehousing, insurance and so on. At the same time, sellers themselves have undergone transformation. They have begun to transform into trading companies and factories, and gradually have the design, production, after-sales and management capabilities. With the intensification of competition in the e-commerce industry, various platforms have introduced platform service upgrade, seller upgrade and other measures. In order to attract more buyers and continuously enhance the shopping experience, the major e-commerce platforms began to manage sellers actively and the demand for standardized management of sellers is gradually strengthened.

Different Patterns of Export Cross Border E-Commerce

From the point of view of the source of products and services, there are mainly two patterns of cross-border eCommerce platform[2]. The first one is self-management platform. The platform unified production or procurement, product display and online transaction. Most of products are delivered to the consumers through self-owned logistics service. The advantage of self-management platform is that strong control of the supply chain can generate profits at all stages. It can also improve buyer
experience and stickiness. The disadvantage is that the platform needs to use almost all of its resources to match changes in the market. The response to market demand may be slow due to limited resources and processing capacity.

The second one is third-party Platform. Merchants sell their goods via third-party platform. The advantage is that the platform makes credit endorsements for SMEs enterprises with its own reputation, making it easier to gain the trust of buyers, access to the global markets quickly, and gain user scale rapidly for the platform. By creating a level playing field, the platform enables third-party merchants to become partners of the platform, and competition among merchants forms. Merchants will do their best to obtain transactions, thus bringing more business opportunities to the platform. The disadvantage is as the commodities and services of the platform are provided by many kinds of merchants, it is more difficult to control the quality of products and services of merchants. Once the platform introduces inferior resources or lacks control, the buyer experience will be reduced and the reputation of the platform will be affected.

At present, the mainstream cross-border export e-commerce third-party platforms are dominated by the sales volume of merchants. There are also many third-party platforms which all products sales made by other merchants, such as DHgate, Aliexpress and Wish. Actually, the resources of the platform are limited, and merchants can provide more trading opportunities for the platform.

But at the same time, the seller's product and service performance will affect the buyer's purchase experience, as well as the impact on platform trust and repeat purchasing rate.

Therefore, we need to know the problems of export cross-border third-party e-commerce to establish seller performance management.

**Problems with Cross Border E-Commerce**

This article mainly discusses the problems of export cross-border e-commerce platform from two aspects: The first problems is customer experience. This year, we conducted a questionnaire survey among 2,000 buyers who once had a shopping experience on Dhgate.com. One of the questions is "what factors affect you placing an order?" The questionnaire we collected showed that 33% of buyers chose "product price", 30% chose "product description" and 37% chose "product reputation". That means product reviews greatly influences the buyer's choice of products. The negative experience of buyers on the e-commerce platform shopping comes from many aspects, such as the gap between products displayed on the Internet and real objects. The huge volume of products on e-commerce platforms makes it difficult for buyers to quickly search for good products and sellers. Because some of the features of e-commerce itself, the buyer experience requires additional attention and maintenance.

Another problem is "standardization." Global e-commerce trade is more complicated than domestic e-commerce trade, such as the product demand of buyers in various countries, different shopping habits, longer time for cross-border logistics and so on. Currently, there is no unified management standard for merchants providing products and services, so it is difficult to ensure a good purchasing experience.

On the premise of the continuous expansion of cross-border export e-commerce business scale, to constantly improve the platform's core competitiveness and buyer experience, it is necessary to develop the standardization of cross-border export e-commerce. For example, the platform conducts a more standardized and unified management of the business performance of merchants. Through the management of the business data of merchants, the platform establishes the seller performance management system and improves the buyer purchase experience and transaction scale.
Seller Performance Management

Seller Performance Indicators
We can effectively manage the seller via collecting and monitoring the seller's performance indicators.

These performance indicators are derived from the seller data collected in different process of the platform, and we classify the data according to different dimensions. We now classify seller data in four dimensions: identity, operation, compliance, and behavior. These data derived from the seller's registration certification, product reviews, service level, related account operation and others.

- Identity data includes data of merchants scale, business qualification, related company and others.
- Operating data includes the GMV (Gross Merchandise Volume) of the platform. Service level, such as seller's order status, shipping speed. Product reviews, after-sale service, etc.
- Compliance data includes product prohibition policies of different countries. Intellectual property and brand registration data, anti-money laundering data.
- Behavior data includes the reply data of the buyer's inquiry. Demand of capital withdrawal. Online product’s data and other behaviors data on the platform.

We select seller performance indicators based on the management effect to be achieved. For example, we need to achieve the goal of improving the repurchase rate, and we find that the most important impact on the repurchase rate is order cancelation rate. The data show that 1% reduction in the cancelation rate will increase the repurchase rate by 6%. Then this indicator will be selected as one of the important monitoring indicator to improve the repurchase rate.

The collection, classification and storage of seller data is an important step of seller performance management. The more abundant the indexes collected, the easier we establish seller performance management.

Seller Performance Management
Based on the selected and classified seller performance indicators, we have established the seller performance management system.

We can classify the sellers through the seller performance indicators data.

According to the identity indicator, sellers can be classified into factories, distributors and independent brands. At the same time, the scale, service level and product diversity of sellers with different identities will also have certain characteristics. Through the classification of service indexes, sellers can be divided into premium sellers, standard sellers and below standard sellers, which is conducive to the platform to push different service guidance to sellers. According to the rule of withdrawal of sellers, sellers with different capital needs can be classified to provide precise financing services. Of course, we can adjust the classification of different sellers at any time according to the business requirements and changes of the platform.

Currently, DHgate has established the seller rating model, risk management model, shopping experience improvement model and marketing model base on various performance management indicators.

We can make precise and diversified management of sellers which screened out through different models. Such as we can reward or punish different types of sellers through the seller rating model and risk management model, and supervise and guide sellers through shopping experience improvement model.

Currently, DHgate has a very mature seller performance management system. It has been upgraded many times since its establishment in 2012. We can see the improvement of DHgate through seller performance management, such as the refund rate was 25% much lower than that in 2012, and the buyer experience score has increased from 72 to 80.
The Significance of Seller Performance Management

The platform, sellers and buyers can benefit from seller performance management. For Buyers, we can comprehensively monitor the operation status of the seller's store, the execution status of the order, the buyer's satisfaction level with the seller's store and its products, as well as protecting the buyer's rights and continuing to enhance the buyer's shopping experience via the seller's performance data.

For Sellers, displaying the seller's performance data to the seller to make seller fully understand the business situation of the store and the service quality gap of the same industry so as to adjust the business direction in time and continuously improve the store data, and gain more buyers' trust.

For Platform, the platform needs the seller's performance management to understand the quality and service level from the platform sellers and give corresponding guidance to different types of sellers. The platform improves its reputation and brand influence by enhancing the competitiveness of the seller's store. At the same time, with the use of the seller's performance data, it is more reasonable to allocate platform resources, so that buyers can quickly find the products they prefer to.

Prospects for Seller Performance Management

Seller performance management is not only beneficial to buyers and sellers and the platform itself, but also have a profound impact on cross-border export e-commerce as promoting seller performance management.

The future development of cross-border export e-commerce needs to be driven by data. Global trade cooperation and digital technology will play an important role in the entire trade pattern. Seller performance management gives the chance to make the platform understand its strengths and weaknesses, and also let the seller understand the market position. Seller performance data allows corporate decision makers to see more objective business performance, buyer preferences, industry levels, etc., leading to more accurate strategic decisions that pushing the cross-border export transactions.

Seller performance management promotes the platform to build its own integrity system and credit evaluation system, and even establish buyer protection policies between countries to regulate competition and purify the market environment.

In recent years, cross-border export e-commerce has developed at a high speed. For the cross-border e-commerce industry, it is imperative to formulate unified industry standards. Cross-border export transactions are more complex and changeable than domestic trade, and standards can be set to facilitate the entry of small and medium-sized enterprises into cross-border export e-commerce. The implementation of seller performance management not only promotes the management of seller data by various platforms, but also maintains a series of store main body, products, logistics and other data on each platform, which is convenient to promote the establishment of industry standards.

The establishment of standards will help each platform to control the quality of products. Sellers can easily understand the regulatory standards of various countries and the preferences of buyers and sellers in various countries via standards, and provide more standardized services and products for global buyers. Of course, the establishment of industry standards also requires the establishment of performance management of various platforms, information exchange, the joint efforts of sellers and relevant government departments.

In the past, corporate globalization exports products with manufacturing companies as the mainstay and China as a world factory. Now, globalization is based on the Internet. Under the new globalization, China began to export new business models, new industry standards, and new values.

Cross-border e-commerce export platform has brought buyers and sellers together from all over the world. We continue to provide high quality sellers and products via seller performance management. At the same time, manufacturing companies can quickly get close to the market and close to customers by performance data, and create more value via cross-border export e-commerce.
The significance of seller performance management is to empower SMEs to access global markets under the environment of complex and increasingly competitive cross-border export sector.

Acknowledgement
This research was financially supported by the Fundamental Research Business Expenses of the Central Government under Grant 532016Y-4494, National Key R&D Program Projects under Grant 2016YFF0202500.

References
[1] Yang Jian-zheng, Yang Li-fan. Introduction to E-Commerce (the second edition)[M]. Publishing House of Electronic Industry. 2013.

[2] Yang Jian-zheng, Yang Na-chuan, Yang Li-fan. The Factors Affecting Cross-border E-commerce Development of SMEs—An Empirical Study. Association for Information Systems AIS Electronic Library (AISeL), WHICEB 2014 Proceedings, Summer 6-1 2014. pp. 749-757

[3] Martens Beck. The study on Cross-border E-commerce of SMEs. Vol. 1, No. 3, 2017, Information Economics and Policy.