

## **The Study of operation mode of overseas warehouse under the participation of the fourth party logistics**

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### **Abstract**

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*Warehouse, is an important node connecting the two sides of the transaction in modern logistics, the location of which will directly affect the interests of both sides of the trade. This paper mainly explores and analyzes pros and cons of the three modes about their objectives and characteristics, including the self-built of seller, joint construction for overseas warehouses between cross-border e-commerce platforms and the local third-party logistics providers, and the service integration of exclusive overseas warehouse. Combined with the features of the fourth-party logistics, its development is speculated.*

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**Keywords:** overseas warehouse, fourth party logistics, Cross-border e-commerce.

### **一、 Definition of overseas warehouse**

Overseas warehouse is a commercial building for storage of goods, as the name suggests, which is established in foreign countries, essentially converting cross-border transactions into local trade.<sup>[1]</sup> The mode of operation is that the good which is delivered to the overseas warehouse in advance by seller will directly be shipped from overseas warehouses if there is any order from customer . Therefore, it can reduce the time and cost taken to transport goods across-borders, improve the efficiency of delivery and customer satisfaction, and effectively improve sales revenue as well.

### **二、 The significance of developing overseas warehouse**

(一) The support from government policy

On the initiative of the Internet plus circulation action plan which is issued by The Ministry of Commerce in May 2015, a large number of e-commerce platforms and export enterprises arrange the system of overseas logistic through the construction of overseas warehouse. Premier Li Keqiang proposed to encourage the innovation of business mode, support enterprises to build overseas warehouses for export products, and expand pilot project of cross-border e-commerce in the report of government work at 4th session of 12th NPC in 2016.

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[1] Song Haiying, Xu Lin. Overseas warehouse - The inevitable trend of the development of logistics industry in the era of e-commerce.

There is a specific planning about the Internet plus which is the meaning of efficient logistics development path in the regular meeting of the State Council on 20th July 2016, which will improve the capacity of warehousing and delivering, and the matching of vehicle cargo to realize accurate match of vehicle, branch and user and to improve operation efficiency.

### (二) The needs of cross-border e-commerce development

In recent years, the revenue of e-commerce transactions in China is sustained growth, which leads to unprecedented historical development opportunities of China's logistics. According to the report on China's export cross-border e-commerce development in 2017 which is issued by IOEB, the scale of China's cross-border e-commerce transactions in 2017 is 6.3 trillion (CNY), with year-on-year growth of 14.5%.[2] which shows that cross-border e-commerce has become the driving force of China's foreign trade development. However, there are some serious problems prevent the development of cross-border e-commerce, for example, the typical problem occurred to the traditional postal packets is long transportation time, high cost and product consumption, complex customs policy and etc. Therefore, overseas warehouse as a new concept is put forward.

### 三、 The main existing modes of overseas warehouses and their pros and cons

(一) The warehouse mode for self-built or lease of seller . It is mainly aimed at the Sellers who have particular economic actual strength and high computerization, rapid turnover of inventory. This kind of warehouse can get real-time information about specific order and storage, which is more convenient for people management and adjust of cost and expenses. [3] The swimsuit industry which is in Huludao, Liaoning, has successfully established 10 overseas warehouses in foreign countries, and is able to bring out the right style based on rush season or the off-season, in order to get a head start in the market. However, the cost of this kind of warehouse is still higher and the dispersed service area, another reason is that the sellers have to take the risk by themselves. Therefore, if the low delivery rate happens, it will lead to high cost risk. In short, the successful companies like Huludao swimsuit industry in Liaoning are still minority.

(二) Joint construction for overseas warehouses between cross-border e-commerce platforms and the local third-party logistics providers. It is suitable for the e-commerce platform with a certain scale and strength, and tries to build its own overseas warehouse, but does not want to take the risk alone. [4] This mode has some similarities with the first mode-the seller's self-built mode, including Enterprises have a fairly strong economic capability, higher information level and management level. But the difference is that if the overseas warehouse cannot be used for trade successfully, the risk and loss will be shared with the other party. Dalong network, one of the ten major platforms for cross-border e-commerce in China, adopts this mode. Dalong built its first overseas warehouse in Russia in 2011, providing a more mature example for enterprises which use the same model. However, there are some drawbacks in joint warehousing, such as inconvenient people management, and some unavoidable differences for the cooperation between the two parties like management style and relevant benefit. There is also the weakness of dispersed service areas.

(三) The service integration of exclusive overseas warehouse. The cross-border e-commerce platform will cooperate with the logistics enterprises specializing in the integrated service of overseas warehouses. [5] This is the embodiment of the development of the third party logistics in the cross-border e-commerce, which means the third parties contract for warehousing, delivering, inventory management and etc., and because it can cooperate with the multi-party contractors of third-party logistics , so it can avoid the dispersed service area.

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[2] China E-Commerce Research Center.2015-2016 China's export cross-border e-commerce development report [EB/OL].,2017-09-12.

[3] Pan C. Construction of overseas warehouses and exploration of a new model of cross-border e-commerce logistics. Logistics Technology and Applications. No. 9, 2015.

[4] Kong Hui. The current situation and countermeasures of the overseas warehouse model of cross-border e-commerce logistics in China. Modern Business. 2017.

[5] Liu Yunchang, Wang Shaoren, Wan Xiaoji. New thinking on the development of overseas warehouse under the environment of cross-border e-commerce - Fourth Party Logistics Participation. Journal of Harbin University of Commerce (Social Science Edition), 2016(6).

This kind of method is adopted by Wan Yi Tong in China, takes successful cooperation with multi parties in a short period of time, which basically provides a complete solution and services of supply chain. However, most of the existing third party logistics companies have low capacity. Although there is more policy support now, but lagging of construction, the supply chain integration is deficient and it is difficult to provide appropriate services.

**四、 Combing the current situation: The needs of overseas warehouse development**

According to the China cross border electricity supplier development report in 2016, the volume of trade for China's cross-border e-commerce consumer goods transactions achieved 751.2 billion Yuan, with year-on-year growth about 69% among them, the retail exports volume of cross-border e-commerce reached 503.2 billion Yuan, an increase of about 60% over the previous year. But less than 20% of the trading orders are shipped from overseas warehouse, which shows that the overseas warehouse has not been fully utilized although cross-border e-commerce transactions are growing rapidly. Because there are some factors that hinder the overseas warehouse construction, the main performance is that the subject presents multiple modes but only concentrates on the government, e-commerce enterprises and the third party logistics enterprises, all of which are actively involved in the construction of overseas warehouse market.

Compared with the first two modes, the exclusive mode of overseas warehouse integration is well received by most cross-border-commercial. As a specific participant in the logistics activities, the third-party logistics should provide logistics facilities, such as transportation tools, storage equipment and other logistics services in some part or the whole process. As a relatively new concept, it is impossible to develop and complete in a short time. Therefore, the concept of the fourth-party logistics is introduced which is combined with the development of overseas warehouse.

**五、 The Advantages of overseas warehouse operation mode combined with the fourth-party logistics**

In recent years, the fourth-party logistics has attracted increasing attention as a supply chain integrator who can provide integrated management methods. This paper holds that, in the case of the lagging construction of the third parties, we can take the lead in the development of the cross border fourth-party logistics, that is, to provide an integrated service platform, inviting multiple e-commerce platforms to enter one end, and multiple platform companies with third party services to the other end, ensuring the symmetry of both ends of information and to provide appropriate services to both parties. It also provides applicable value-added services, such as specialized customs declaration, simple circulation processing, cross border transport and financial insurance services. The operating flow chart is as follows:

**Table 1: Overseas warehouse operation mode combined with the fourth-party logistics**



As shown above, the fourth party logistics can realize information sharing and optimize the operation process by establishing a more satisfactory benefit and responsibility allocation mechanism for the parties involved, which will help to improve the cross-border e-commerce logistics as the main form of overseas warehouses, and gradually realize process standardization, high-end service and route customization, operation computerized and management informationization.

## 六、 Suggestions for the development of overseas warehouse

(一) "The first kilometer" and "the last kilometer". "First kilometer" means transportation of goods in advance from their locality to overseas warehouses, including cross-border and domestic transportation, which requires the fourth-party logistics to carry out detailed transportation planning according to the specific location of the sellers, buyers and overseas warehouses to avoid the cost loss caused by the duplication of the transport lines. [6]"the last kilometer" refers to the transport links outside China, and is also the more popular transportation concept in China in recent years. After ordering, the goods will be sent out of the warehouse accurately and quickly. The fourth-party logistics needs to transmit information in time, feedback the return and exchange of goods to the e-commerce company and arrange the return logistics reasonably.

(二) Providing value-added services. When providing the platform for mutual understanding and choice between cross-border e-commerce and third-party logistics providers, providing the corresponding value-added services is the advantage of the fourth-party logistics. Specialized customs declaration, simple circulation processing, cross border transport and financial insurance services can benefit both sides of the platform. Of course, it has higher requirements for information control, organization and management, and integrated development level of the fourth-party logistics. [7]

In short, under the participation of the fourth-party logistics, overseas warehouses can not only improve the specialization of logistics infrastructure services, but also enrich the high-end value-added services and give full play to their advantages. It has a good logistics industry background and related experience, providing a complete set of logistics system consulting services for the seller, providing the third parties with logistics integration or Logistics Reengineering, to make the whole supply chain fully and efficiently operation. Therefore, this article believes that the participation of the fourth party is very important for the development of cross-border warehouses.

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