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Applications of the Management Strategies of Supply Chain Risks in Cross Border Business

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Abstract: The supply chain is a very important link for cross-border e-commerce sellers, but there are also many risks involved. Effective risk management in the supply chain can bring greater advantages to cross-border e-commerce enterprises. Common supply chain risks in cross-border business include political risk, legal risk, payment risk, logistics risk, and information risk. We can adopt risk prevention strategies, risk control strategies, and risk transfer strategies to manage supply chain risks in cross-border business and build a relatively stable supplier management system.

Keywords: Supply chain risks, Cross border business, Management strategies.

1. Introduction

With the rapid growth of China's economy, more and more domestic consumers buy overseas high-quality products, and cross-border online shopping is gradually developing in the direction of normal consumption. The demand potential of users is increasing, the awareness of overseas brands is constantly improving, and the demand for overseas goods is growing. Behind the rapid development of cross-border e-commerce industry, various problems have also been exposed. There are still many problems that have not yet been perfected in the industry. There are still many problems in all aspects of the supply chain, such as weak information management, inadequate management capacity, high cost, lagging scientific planning of warehouse distribution management and so on. Cross-border e-commerce shows the characteristics of many batches and small quantities, which leads to the difference between domestic traditional e-commerce in the process of cross-border e-commerce is that there are more uncertainties [1]. Buyers buy goods through cross-border e-commerce platform, then pay and settle through third-party payment platform, and the products reach the transshipment company through direct mail or express delivery. The links and complexity of the supply chain are obviously higher than traditional e-commerce supply chain, including logistics risk, payment risk, marketing risk and a series of supply chain risk problems. The development of cross-border e-commerce in China is an inevitable trend, the only way for the country to achieve modern economic development, and the choice of the times to meet the shopping needs of the people and improve the living standards of residents. This paper will focus on the analysis of supply chain risk and its management strategy in cross-border business, and provide theoretical support for the development of cross-border business.

2. Supply Chain Risks in Cross Border Business

2.1. Political Risk

In e-commerce activities, different countries have different laws, which lead to different regulatory systems, thus making it easy to induce political risks when solving some regulatory incidents. Generally speaking, cross-border e-commerce is an exchange and cooperation between different regions, following the national standard trade system. However, under the trend of interests, some countries still interfere too much in some normal business activities according to their own interests, and even use dumping, anti-dumping and trade protectionism to destroy transactions, which makes the cross-border e-commerce service supply chain face great political risks. Tariff is one of the most direct and significant challenges facing cross-border e-commerce. Trump made it clear during his campaign that he would impose tariffs of 10% to 20% on all imports to the United States, and possibly up to 60% on Chinese imports. This means that the cost of goods exported to the United States by Chinese cross-border e-commerce sellers will rise sharply, and the selling price will naturally rise, which will put them at a disadvantage in the market competition.

2.2. Legal Risk

Different countries have different development trends and different legal and regulatory systems [2]. In this environment, cross-border e-commerce service supply chain cannot meet the basic laws of all countries, nor will it be permitted and guaranteed by the laws of some countries, which makes the supply process prone to legal risks. Intellectual property infringement risk is one of the most common legal risks. After choosing a good category, if the registered brand is very familiar with the existing brand, then the brand side will think that you are borrowing the brand heat, then it will report you. If the platform also recognizes this statement, then you will be closed shop. Foreign laws and China are very different. Foreign laws are very strict with brand protection. Never appear infringement products. Otherwise, they will face very severe penalties, the most common of which is the forced closure of stores. The risk of consumer rights protection is also a common legal risk. Due to the differences in consumer rights and interests' protection laws between countries, cross-border e-commerce also faces risks in consumer rights and interests' protection. When purchasing cross-border e-commerce goods, consumers may face problems of commodity quality and after-sales service. Businessmen need to provide clear commodity descriptions and after-sales service commitments on cross-border e-commerce platforms, and at the same time understand and abide by the consumer rights protection laws of relevant countries to protect the legitimate rights and interests of consumers.

2.3. Payment Risk

As long as e-commerce is involved, there may be problems in the payment process, and the payment risk of cross-border e-commerce is even more prominent. On the electronic payment platform, because the platform itself relies on the system to operate, its system may be maliciously invaded, which will bring hidden dangers to the capital security of the capital account and payment risks to both sides of the transaction [3]. Cross-border e-commerce transactions involve a variety of borrowing currencies, and fluctuations in the exchange rates of borrowing currencies in different countries will affect the amount of payment. Currency exchange risk mainly includes cost increase or profit decrease caused by exchange rate fluctuation. For example, when there is an adverse change in interest rates, the store may suffer from a low collection rate. Payment fraud is one of the common risks in cross-border e-commerce payment. There are various methods of fraud, including credit card theft, false orders, fraudulent websites and so on. Payment fraud will not only directly lead to economic losses, but also affect the reputation of merchants and enhance the difficulty of sales. Different countries and regions have different laws, regulations and compliance requirements for cross-border payment. Companies need to comply with tax policies, anti-money laundering regulations, data protection laws and so on in cross-border transactions, otherwise they will face legal penalties and economic losses. Compliance risk management and control is complex and costly, and stores must spend a lot of resources to monitor and improve. In the process of cross-border payment, because of technical failures, network problems, unstable payment methods and other factors, it may damage the failure of payment. Payment failure not only affects the user experience, but also destroys the cancellation of orders, customer loss and other issues, which adversely affects the marketing and corporate image of merchants.

2.4. Logistics Risk

Cross-border e-commerce service supply chain also faces the risk of logistics, in the process of commodity distribution, due to its own reasons and transportation problems, it is very easy to cause logistics risks, which hinders the cross-border e-commerce activities. Common logistics risks of cross-border e-commerce include transportation delays, loss or damage of goods, customs clearance problems or opaque information. Transportation delay refers to the possible delay of goods transportation due to unpredictable factors such as weather and traffic congestion, which will affect user experience and corporate reputation; loss or damage of goods refers to the possible damage or loss of goods in the process of loading, unloading and transportation, which will also bring a series of cost losses; Customs clearance refers to the fact that due to cross-border transportation, the differences in laws, regulations and customs requirements of different countries may lead to the detention or delay of goods. In addition to the increase in transportation costs, it often leads to more serious consequences during the promotion or marketing season. Logistics information opacity means that cross-border logistics involves multiple links, and information flow and tracking may be limited, which may lead to difficulties in timely access to cargo transportation status, synchronous updating of inventory information and other issues, and bring some difficulties to supply chain management.

2.5. Information Risk

In the circulation and service links of commodities, every link may lead to information risk. In this link, cross-border e-commerce service supply chain will unconsciously carry some information, which is unstable and uncertain, and is likely to lead to information risk. As a key component of e-commerce service supply chain, information contains business information and personal information, and there are many risks and hidden dangers. Driven by interests, some false information begins to appear, and enterprise information sharing will be easily stolen, which will reduce the reputation of enterprises and affect the judgment of consumers, thus leading to the decline of the credibility of trading platforms and trading processes. By eavesdropping and attacking the database, attackers can obtain the user information of business activities, and this important personal information may be illegally stolen. Attackers use the identity information of legitimate users to trade with others and obtain illegal benefits, thus undermining the reliability of trade and affecting the reputation of traders.

3. Management Strategies of Supply Chain Risks in Cross Border Business

3.1. Risk Prevention Strategy

Establishing a reasonable supplier network is an important means to reduce risk. By diversifying our supplier sources, we can reduce our dependence on a single supplier, thereby reducing production disruptions due to single supplier risk. At the same time, knowing more about our suppliers will help us better evaluate and select partners. When selecting suppliers, we should carefully assess their reputation, experience and quality of service, ensuring that they can effectively handle the transport and delivery of goods. Establishing good cooperative relations with suppliers and logistics companies and sharing market information, transportation situation and quality problems in time can help us deal with possible risks in advance [4]. Using big data and analysis tools to predict and analyze the supply chain scientifically and accurately will also help us find potential risks and formulate corresponding strategies. By accurately grasping market trends and changes in demand, we can better cope with various risks and challenges. Using modern information technology, we can monitor supply chain conditions in real time, predict hidden risks, and take timely action. For example, through the application of Internet of Things technology, we can improve the transparency of logistics and ensure that every link is under control. Using big data analysis technology, we can deeply mine and analyze the data in the supply chain, so as to find potential problems and opportunities.

3.2. Risk Control Strategy

Risk reduction is all about reducing the impact of risk. This is also the management direction that many enterprises often adopt, that is, to take all feasible management means and management tools when the risk comes, so as to minimize the loss of enterprises. Establishing efficient and flexible logistics planning is also an important measure to deal with supply chain risks. By rationally arranging the storage and transportation links, we can reduce the delay and congestion in the logistics links and improve the transportation efficiency. At the same time, making a reasonable backup plan, such as stock strategy, backup suppliers, etc., can also help us deal with emergencies. In emergencies such as natural disasters or political conflicts, these backup plans can quickly fill the gap and ensure the continuity and stability of the supply chain. In the supply chain management of cross-border business, we can screen partners to reduce supply chain risk. When choosing partners, we should not only make full use of their complementarity to give full play to the competitive advantage of cooperation, but also consider the cost of cooperation [5]. Only when considering the cost of cooperation can we really control the risk. It is an effective means to reduce the risk to strengthen the communication with the upstream and downstream partners of the supply chain, so that the partners in the chain can adhere to and ultimately implement the strategic decisions of the whole supply chain. Through the perfect management mechanism of data collection, data analysis and data sharing, the accuracy of data can be ensured and the reliability of supply chain management can be improved.

3.3. Risk Transfer Strategy

Risk transfer is the transfer of risk to other places. Transfer the risk to the outside of the enterprise in a reasonable way to preserve the strength. If the enterprise is suffering from some non-human risk crisis, it can appropriately put forward the request of risk sharing with downstream customers to reduce the loss of the enterprise. In the supply chain management of cross-border business, risk transfer can be achieved through cooperation with professional risk management companies, timely and full understanding of supply chain information, reducing information distortion and delay, thereby reducing risk. The purchase of appropriate insurance and risk management tools is also an important means to deal with supply chain risks. Cargo insurance, outdoor cargo insurance, open policy cargo insurance and so on can provide us with different levels of protection. These insurances can help us reduce potential financial losses in the event of loss of goods, delays in transportation, etc. In addition, the professional support of international trade lawyers can also help us avoid legal risks. They can help us draft and review contracts, establish a global compliance management system, and deal with intellectual property and data security issues, thus reducing our legal risks in international trade. Through the outsourcing of some non-core business, enterprises can transfer the risk to other enterprises, so as to focus on their own core business, improve the efficiency of the overall supply chain and reduce costs. It is impossible for any cross-border e-commerce to cover all the upstream and downstream businesses of the supply chain, and proper outsourcing of non-core businesses is an important way of risk management in the supply chain of cross-border e-commerce.

4. Conclusion

With the development of the times and the progress of science and technology, China's business model and business form have changed to a certain extent, among which the business model based on e-commerce has developed rapidly and become one of the current economic entities in China. Based on this situation, the development of e-commerce has entered a rapid stage. In cross-border e-commerce, with the development of the industry, the competition between different e-commerce enterprises is becoming increasingly fierce, and there are many risks. In the international trade supply chain, we should not only see the challenges and difficulties brought by risks, but also the opportunities and potentials contained therein. Only through scientific analysis and decision-making can we find opportunities in risks and achieve breakthroughs and growth in challenges.

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