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# Technology To Determine the Winner of Cross-Border e-Commerce



Technology is making the world go around faster and more efficiently. Indeed, there are numerous software solutions and platforms to assist exporters and importers manage the complicated world of cross-border trade. One such platform that has caught the attention of the logistics market is that of Alibaba's OneTouch when it announced that

Maersk, CMA CGM and a host of other transportation providers and forwarders signed on to the platform.

## OneTouch

According to the China Federation of Logistics & Purchasing, shipping expenses account for 30% to 40% of the overall product cost in China, compared with 15% to 25% in developing countries. As such, the high costs have been a barrier to cross-border trade for China's small and medium enterprises (SMEs).

Acquired by Alibaba in 2010, OneTouch provides Chinese exporters with online services such as customs clearance, trade financing, foreign exchange and logistics. Free for exporters, OneTouch makes its profit by marking up loans, 10%, to businesses that need to purchase materials they need to produce an order for export. In addition, the businesses also must find an affordable shipping company, monitor shipments and file the proper documents for customs clearance.

Through OneTouch, loans are made possible by it partnering with at least seven Chinese banks. Through the platform, SMEs can borrow from RMB 1 million (US\$161,000) up to RMB 10 million (US\$1.61 million) depending on company's prior six-

month export history and creditworthiness.

Determining the creditworthiness of a business is done through the data Alibaba gathers through the platform. For example, Alibaba pays subsidies to encourage Chinese suppliers to use OneTouch. As part of these subsidies, manufacturers and suppliers are paid up to 0.03 Yuan for every \$1 in value of export transactions handled through OneTouch. Furthermore, payments are settled electronically within the system with logistics companies having access to exporters' payment histories and other information provided by Alibaba to help determine creditworthiness.

According to Alibaba, in 2015 more than \$3 billion in credit was extended to suppliers registered. That, in turn, encouraged global buyers to place more than 1.2 million orders through the company. "Online trading value on OneTouch totaled \$15 billion in 2015, and we expect it will total \$50 billion this year," noted the President of the Alibaba business unit. Since 2014, when the program started, more than 100,000 suppliers have benefited from the program's credit facility.

#### Partnering with Transportation Providers & Forwarders

Currently there are more than 100 logistics companies and 1,700 freight forwarders offering their services through Alibaba Group's international B2B site including DHL, FedEx, UPS, Kuehne + Nagel and WCA Ltd. WCA which is a network of freight forwarders worldwide will vet and approve international logistics providers and freight forwarders for Alibaba.com customers. The collaboration currently offers shipments generated by Alibaba.com's members to the U.S., India and the U.K.

In addition, ocean carriers Maersk and CMA CGM have also signed onto the OneTouch platform. For CMA CGM, the carrier will provide export services within its Mediterranean and Adriatic port of calls including Barcelona, Valencia, Trieste and Rijeka. For Maersk, bookings will be made on select routes including AE1, AE5 and F3 between five Chinese ports and eight overseas destination ports.

While most of the focus for ocean freight shipments appears to be between Asia and Europe, there is also activity between Asia and the US. According to [Datamyne](#), 2016 US imports from Shenzhen OneTouch Business Service totaled over 490 TEUs with Green Source Brand Apparel, Kmart Corporation and The Marmaxx Group as the top three consignees. So far this year through March 4, 2017, Shenzhen OneTouch Business Service has moved 73 TEUs including 2.2 TEUs on behalf of Amazon.com. Reckon Amazon is checking out the competition before the eventual launch of their platform?

As we wait for Amazon to unveil their platform, it will likely include similar capabilities as OneTouch including the possibility of loans to SMEs. Amazon has a relationship with at least Citi and could probably convince a few more financial service companies to partner for such an opportunity. How much further will we have to wait for the unveiling of

Amazon's platform? The last we heard of the possibility was in May 2016 when the [WSJ](#) reported that the online retailer was in search to license or acquire freight-management technology that could "find the most efficient shipping routes and hire fleets of trucks, ships and planes to move sellers' goods". Stay tune. Meanwhile, shipments are growing for the world's two largest e-commerce providers and the winner may be determined by the technology that is used.