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Analysis of E-trade Strategy of Zhengzhou Airport Economy Zone

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Abstract: In the future , cross-border e-commerce will be the dominant form of international trade. Zhengzhou Airport Economy Zone (ZAEZ) has a huge advantage on the development of e-trade as the only comprehensive pilot city of e-trade. By utilizing SWOT method , this paper analyzed the advantages and weakness of e-trade of ZAEZ and discussed the opportunities and threats. Finally , the countermeasures which promote the rapid development of e-trade of ZAEZ were proposed.

Key words: E-trade; E-commerce; Zhengzhou Airport Economy Zone(ZAEZ) ; SWOT Analysis

1 Introduction

In order to build and develop Central Plains Economic Zone (CPEZ) , opening to the outside world is the basic solution. Therefore , Henan provincial government proposed the strategic conception of building ZAEZ so as to bring out the potentials of location and transportation advantages and industry leading effect of air transportation around the development strategy of CPEZ. In Nov. 17 , 2012 , the State Council of China replied Central Plains Economic Zone Planning (2012-2020) officially and

approved the planning and building of ZAEZ. In Mar. 8 , 2013 , the Development Program of Zhengzhou Airport Economy Zone (2013-2025) was published officially by the State Council. It means that ZAEZ is coming into a rapid developing period as a national strategy. In fact , the pilot project of Zhengzhou cross-border trade e-commerce services , i. e. e-trade , was launched by Henan provincial government in September 2012 so as to promote the rapid development of ZAEZ and drive the upgrade and adjustment of industrial structure by utilizing the concentrating effect of the goods of cross-border trade.

Thus , it is very important to analyze the strengths and weaknesses of e-trade of ZAEZ through SWOT analysis , reach the full potential of its advantages and capitalize on the opportunities provided by external environment , prevent and avoid the potential risks and threats , and provide a clear way for the rapid development of e-trade of ZAEZ.

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2 Analysis of e-trade strategy of ZAEZ based on SWOT

2.1 Strengths of e-trade strategy of ZAEZ

2.1.1 Advantages of location and transportation

Zhengzhou locates in the center of China and is the intersection area of land bridge channel and Jingguang railway channel. Moreover, ZAEZ has good conditions of the airspace which connects the routes of the four corners of the world and is easy access to the main routes to carry out the through transport. According to the report of National Development and Reform Commission of China (NDRCC), ZAEZ has the unique advantage for developing aviation transportation (NDRCC, 2012). It provides the logistics foundation for the implement of e-trade. In 2012, it was reported that the civil aviation passenger throughput of China grows with 9.2% averagely, the passenger throughput of Zhengzhou Airport reaches 15%; the cargo throughput of China grows with 3% averagely, the cargo throughput of Zhengzhou Airport reaches 47.07% and ranks first in the large airports of China (Li, 2013; Wang et al., 2013). Zhengzhou Airport has opened many new all cargo airlines, including Moscow, Amsterdam, Luxembourg, Prague, Chicago, etc., and belly-hold cargo businesses with some cities, such as Singapore, Jakarta, Bangkok, Seoul, Taipei, etc. The scope of goods delivery involves Asia, Europe, and America. Up to now, the all cargo and belly-hold cargo airlines which take off from Zhengzhou Airport reach 25 and 32 flights per week respectively. The international power projection capability of Zhengzhou Airport increases greatly.

2.1.2 Fairly sound industrial base

Henan Province is one of the important major grain

producing areas of China. The food production is more than 100 million ton and accounts for 18 per cent of the whole country. The output of wheat is 5.4 million ton and account for near 50 percent of the whole country. The yield of cotton, oil crops and livestock account for 18.4%, 20.5% and 14.8% of the whole country respectively. Henan Province is also an important energy and raw materials base with abundant reserves of coal, aluminum, molybdenum, gold and trona. It owns complete industrial categories with great advantage on equipment, colored spectacles and food industry. The scale of electronic information, auto and light industry and other industries have been fast-growing and formed more complete industry system (NDRCC, 2013). At the same time, there is more than 300 enterprises in ZAEZ, such as Foxconn, Uni-Prent, Fedex, Express, etc. The leading industry clusters of electronic information, aviation logistics and modern services have been initially formed. It is beneficial for the development of e-trade and provides solid industry foundation for e-trade.

2.1.3 Huge market potential

Nowadays, CPEZ is in the stage of accelerating industrialization and urbanization. The urbanization rate reaches 40.6 percent. Investment and consumption demand is huge. Opening economy is growing rapidly. The total population of CPEZ is about 150 million and rank 1st on both square and population in China. Economy is second only to Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei Region and rank the 4th in China (NDRCC, 2013). The quality of labor force has been improving continuously. CPEZ has become one of the most abundant areas of human resources in China.

That is one of the important reasons for Foxconn settling in Zhengzhou. At the same time, e-commerce has developed rapidly. In 2012, Henan Province ranked 9th on both e-commerce market size and quantity of e-commerce service enterprises in China (E-commerce Research Center of China, 2012). In Nov. 11, 2012, the volume of trade of Alipay in Henan Province reached near 100 million US dollar and ranked 11th in China (Ma, 2013). In Nov. 11, 2013, the volume entered into top 10 of China. Therefore, the advantage of market of CPEZ has emerged. Many consumers has accepted online shopping which is a fire-new consumption way. The development of e-trade is in possession of market base and development potential.

2.2 Weakness of e-trade strategy of ZAEZ

2.2.1 Immature credit system

In a sense, the nature of e-trade is credit economy. The reason is that the trading partners usually do not meet from the beginning to the end of the transaction in e-trade activities. The risk of credit and transaction is great more than traditional trade. Therefore, it is very important to establish a credit system which can provide independent certification for trade partners and constrain and standardize the behavior of partners. In fact, a mature credit system is an important assurance for the development of e-trade. However, since China's economy is in transition, credit system is still immature. The phenomenon lack of credit, delayed payment, even bilk is common. Although People's Bank of China established personal credit record, the real value of the record is limited because its application scope and ageing is limited. It results the lack of confidence for the smooth progress of transaction by the market players in e-trade. Then,

it will affect the rapid development of e-trade consequentially.

2.2.2 Low informatization level

According to the 33rd China Internet Network Development State Statistic Report published by China Internet Network Information Center (CNNIC, 2014), there is 32.83 million cyber citizen in Henan province which account for 5.3 percent of the whole country in 2013. The Internet penetration is only 34.9% which is much less than Beijing (75.2%) and Shanghai (70.7%). The quantity of websites and domain name is 111.15 thousands and 367.51 thousands, and account for 3.5% and 2% of the whole country respectively. It means that the level of informatization of Henan province is still low. It results the breakage of informatization chain and the fault of informatization popularization. The former reflects the irregularity among the informatization level of different enterprises. It is very difficult for the core enterprise of supply chain to push e-procurement because the numerous small and medium-sized suppliers cannot afford the high cost of informatization (Chang, 2012). The latter reflects the difficulty for information sharing among different departments within the same enterprise because of the different degree and ideas of informatization. Both of the two phenomenons will definitely hinder the progress of e-trade.

2.3 Opportunities for e-trade development of ZAEZ

2.3.1 The only comprehensive e-trade pilot city of China

In May 2012, NDRCC picked out five pilot cities of cross-border trade e-commerce services from 23 e-commerce pilot cities of China according to the

geographical layout , including Zhengzhou , Hangzhou , Ningbo , Shanghai and Chongqing. In the five cities , Zhengzhou is the only comprehensive e-trade pilot city which has a specific characteristic different from the other four cities. Namely , as for cross-border e-commerce transactions , ZAEZ can implement tax refund of export products as soon as they enter the park and levy the importation products when they leave the park , by utilizing the functions of importation bond , tax refund and international distribution of tax-protected zone. At the same time , ZAEZ can establish a global supply chain logistics service system for e-trade by utilizing the international logistics distribution systems of enterprises in the park. It means that our country empower ZAEZ the right of early and pilot implementation for e-trade in order to provide sufficient favorable terms and build ZAEZ into a global distribution center of e-trade.

2.3.2 Continuous improvement infrastructure

Now , all kinds of infrastructure and supporting facilities of ZAEZ have been improved continuously. For example , water plant , heat source factory , gas company , and sewage disposal plant have been put into use. In the aspect of road traffic , a radial road network with ZAEZ as the center will be built in the future , including the expressway network of Dengfeng-Shangqiu Expressway , Airport-Zhoukou Expressway , and Beijing-Hong Kong-Macau Expressway , the arterial highway network of G107 , S102 , S223 , and S221 , and the inter-city railway network of Zhengzhou East Railway Station-Airport-Xuchang , Zhengzhou-Jiaozuo , and Zhengzhou-Kaifeng railway. Many large logistics enterprises settled in ZAEZ , such as SF Express , STO Express , Yunda Express , even UPS and DHL. It means that an

international express airmail distribution center with perfect infrastructure has been formed. It will provide solid foundation for building and improving the informatization system of ZAEZ simultaneously.

2.4 Threats fronted by e-trade development of ZAEZ

2.4.1 Guarantee of consumers' rights and interests

In cross-border e-commerce transaction activities , both sides of the deal come from different countries or regions. There maybe have different ideas and legal explanation for the controversies in the deal. Therefore , how to ensure the legitimate rights and interests of consumer is a big challenge. For example , if the consumer thinks that the commodity which he receives is different with the retailer's advertisement , will the retailer be punished as fraud or fake? How to deal with the damaged goods? How to understand the unconditionally return purchase? Who should afford the logistics cost of returns? Who should bear the burden of proof? How to prosecute after the responsibility is clear? Some transnational corporations , such as Benz , BMW , Apple , and Nokia , perform different standards of production or after-sales service between our country and foreign markets precisely , because the law of our country is far from perfect and there are many loopholes in it.

2.4.2 Lack of talent

The issue of talent has been an important bottleneck problem for e-trade development of ZAEZ. Although there is the e-commerce major in many Chinese universities and colleges , there is still a strange phenomenon in practical work: on one hand , many e-commerce major students cannot find professional counterparts work; on the other hand , many e-commerce enterprises are in urgent need of high

quality talents. The reason for the embarrassing situation is as following:

1) From the view of university: there are still many deficiency and misunderstanding on the talent training of e-commerce, such as the heavy theory and light practice educational pattern, lack of practical training. Even many teachers do not know the real operation process of e-commerce enterprise. Therefore, the professional ability of e-commerce major students is facing a serious shortage and far from the requirements of enterprises.

2) From the view of enterprise: the e-commerce models of some enterprises are imperfect. The function positioning of each post in e-commerce transaction process is not clear yet, let alone adequate talent requirements standard. Therefore, they usually feel that they cannot find qualified talent while the job flow rates are also high.

3 Countermeasures for e-trade development of ZAEZ

From the above analysis of SWOT, there are some relatively good external opportunities and internal advantages of the e-trade development of ZAEZ. However, it must be admitted that there are some prominent weaknesses. For example, the infrastructure is still backward and the institution is still imperfect, which will affect the e-trade development inevitably. Therefore, ZAEZ should implement WO (Weakness-Opportunity) strategy, namely take full advantage of the rare chance to compensate for the internal weakness and resolve the problems in development. The specific countermeasures are as following.

3.1 Accelerating the speed of legal construction for e-trade

We should further study the legal rules of the countries and regions involved in e-trade and publish all kinds of legal rules for the requirements of e-trade development according to our country's existing various laws and regulations about e-commerce. The series of policy issues of clearance, drawback, financing and credit insurance should be coordinated and resolved. The diversified and multi-channel investment and financing mechanisms should be established and improved so as to attract more foreign capital for e-trade of ZAEZ.

3.2 Promoting the progress of informatization of e-trade enterprises

The extent of informatization of enterprises will affect the development of e-trade because they are the basic component units of economic activities and main part of e-trade of ZAEZ. Therefore, the government should take strong measures to promote the e-trade enterprises enhance the construction of informatization infrastructure and encourage the enterprises to take part in the e-trade applications, compete through the internet, exploit the market, and establish a set of consistent technology standards through coordination and standardization. Moreover, the government should encourage the development of industries which are suitable for e-trade, such as foreign trade, apparel, shoes and hats, and provide preferential policies on capital and tax, etc.

3.3 Improving the construction of e-trade information platform

Up to now, some enterprises in ZAEZ have been established e-commerce systems and information platforms respectively. They are beneficial for the

development of e-trade doubtlessly. However, the compatibility and versatility among the systems and platforms is poor since they use different protocols and standards in key areas, such as e-payment and logistics informatization. It restricts the rapid and intensive development of e-trade. Therefore, the government should promote the mutual compatibility and cooperation among the systems and platforms, and establish a consolidated public information service platform of e-trade except for providing all kinds of policy guarantee, so as to take full advantage of the aggregation effect of e-trade and create conditions for the perfection of informatization infrastructure of ZAEZ electronic port.

3.4 Promoting the perfection of e-trade credit system

Perfect social credit system is the basic element for the smooth progress of e-trade. Therefore, firstly, the government should strengthen the publicity of integrity, build integrity awareness and credit consumption habits, and cultivate integrity fashion of the whole society. Secondly, the government should accelerate the establishment of social credit system of the whole society, and improve the relative laws and regulations. Thirdly, the government should establish and improve the evaluation and supervision system of credit of enterprise and consumer in e-trade, set up the integrity file, support the third-party credit evaluation service industry, and promote the information share among e-commerce participants. Furthermore, the government should explore the reward and punishment system of credit, punish the loss of honest behavior in time, and increase the cost of loss honest behavior, so as to increase the risk of loss of honest behavior fundamentally.

3.5 Attracting multinational corporations and large domestic enterprises

The foreign multinational corporations and large domestic enterprises have comprehensive and high-efficiency supply chain operation systems which are like large global supply chain networks with intensive information flow, capital flow and logistics. The huge market demand and high level of informatization of them can drive the rapid development of e-trade of ZAEZ greatly, promote the numerous local SMEs gathering and serving for them and joining their advanced electronic supply chain system. Then, we can promote cluster development of the industries of ZAEZ and realize the lend-chicken-unripe-egg effect.

3.6 Enhancing the professionals training for e-trade

The government should take measures to encourage and support the relative universities and colleges to train a batch of interdisciplinary e-commerce talents who are well informed about international trade, marketing, and computer application technology. That is the basic solution to promote and keep the sustainable development of e-trade of ZAEZ. Therefore, on one hand, the universities and colleges of our country should accelerate the training of relative majors which are in dire need of developing e-trade, such as network customer service, website operation and maintaining, sales and marketing, marketing planning, data analysis, online advertisement, etc. Moreover, the universities and colleges should establish practical training base by collaborating with the business so as to improve the professional ability and skill of their students. On the other hand, the business should create a set of clear standards of post requirement and effective talents training system, select the compatible students

according to the detail requirement of each post , establish more comprehensive cooperation mechanism with the universities and colleges , and provide training opportunity for employees according to work needs.

4 Concluding remarks

Cross-border e-commerce transaction will be the dominant form of international trade in the future. Therefore , the development of e-trade of ZAEZ is facing a historic opportunity. We should take full advantage of its own advantages , grasp the opportunity provided by external environment , prevent and avoid the potential risks and weaknesses , set a clear roadmap and plan for the rapid development of e-trade , so as to promote the quick emerging and developing of ZAEZ.

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