

An analysis of business model evolution of cross-border e-commerce from
the perspective of interaction between resource and institution
---- a case study based on AliExpress in Russia

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**基于资源与制度交互视角下的跨境电商商业模式的演进
研究——以速卖通在俄罗斯为例**

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Abstract: In China, E-commerce has been applied for more than a decade in foreign trade, and presently, this area is in high-speed development. With Jingdong, Taobao Mall and other domestic online trading platforms becoming increasingly prosperous, Milan network, Dunhuang network and a number of cross-border e-business platforms are also keeping strong growth momentum, and gradually open a new avenue in foreign trade e-commerce. After 2009, Alibaba launched AliExpress to help domestic small and medium enterprises to quickly reach the terminal wholesale retailers, so that they can realize multi but small batch and fast sales. AliExpress creates more profits and development space for domestic small and medium enterprises in the new situation of global trade.

Based on the strategic background of China's "One Belt, One Road", this paper chooses the representative enterprise of the domestic electrician industry - AliExpress as the research object, summarizes its business model evolution in the Russia's market. analyzes its dynamic evolution and the reasons of its success, and extracts a business model that evolves dynamically under the influence of resources and institution interaction. In the new situation of " One Belt, One Road ", this analysis is of great significance to China's cross-border e-business companies and other enterprises related to the industrial chain to integrate their own resources, thus to further realize the concept of "going out" and achieve the goal of internationalization strategy.

Key Words: cross-border e-business; AliExpress; business model; dynamic evolution

基于资源与制度交互视角下的跨境电商商业模式的演进 研究——以速卖通在俄罗斯为例

摘要: 电子商务在中国外贸领域已经应用了十几年，目前，这一领域正处于高速发展之中。随着京东、淘宝商城等国内在线交易平台日益红火，米兰网、敦煌网等一批跨境电商交易平台也名声鹤起，逐渐打开了外贸电子商务的新局面。2009年以后，阿里巴巴推出了阿里全球速卖通，帮助国内中小企业快速接触终端批发零售商，多批次、小批量、快速销售，在全球贸易的新形势下为国内中小企业创造了更多收益和发展空间。

基于当前中国“一带一路”的战略背景，本文选择了国内电商行业的代表性企业——阿里巴巴旗下的速卖通平台为研究对象，总结其在俄罗斯市场的商业模式演进过程，对其动态演变及取得成功的原因进行分析，最终提炼出资源与制度交互影响下的商业模式动态演进模型。在“一带一路”的新形势下，该分析对中国跨境电商及产业链相关企业整合自身资源，进一步实现“走出去”的构想，实现国际化战略的目标具有重要意义。

关键词: 跨境电商；速卖通；商业模式；动态演进；

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1. Introduction

1.1 Research Background and Significance

1.1.1 Research Background ---the Meaning and Content of "One Belt, One Road" Initiative

In 2013, Chinese President Xi Jinping proposed the strategic vision of the "New Silk Road Economic Zone" and "21st Century Maritime Silk Road", which refers to as "One Belt, One Road" Initiative. This "One Belt, One Road" Initiative is designed to promote the free flow of economic elements, efficient allocation of resources and the deeper integration of market. Also, promoting a wider, higher and deeper regional cooperation is the goal of this initiative, and creating an open, inclusive, balanced, generalized preferential region Economic cooperation structure is the target as well.

Currently, "One Belt, One Road" Initiative is China's highest national top-level strategy. It is Preliminarily estimated that the population of the countries and regions included in the "One Belt, One Road" Initiative is about 4.4 billion (accounting for 63% of the world), and the total economic output is about 21 trillion US dollars (accounting for 29% of the world). At the same time, China has invested to build more than 50 foreign trade and economic cooperation zones, and has made direct investment in 49 countries which are along the region of "One Belt, One Road" Initiative.

The currently economic ties between countries in the world are getting closer and closer, and in the new period of opening to the outside world, China will have a significant impact on other countries. Therefore, it is necessary for China to participate in the global economic affairs in a more positive attitude. When realizing our own sustainable development, it is also important to actively promote the world harmony and bring opportunities of development for the whole world, especially the developing countries.

1.1.2 Significance

This paper focuses on the evolution of the business model of AliExpress in Russia, and the reasons for its success in the Russian market. This series of analysis has high

significance for China's other cross-border e-business, industrial chain upstream and downstream enterprises and enterprises in other industries to upgrade their own business model and further achieve their "going out" strategic vision and its strategic objectives in the international market, especially under this new situation of "One Belt, One Road" Initiative.

a. Theoretical Significance

On the one hand, this paper uses the relatively novel Dynamic Capability Theory and the Organizational System Theory to analyze the related contents and study the evolution of business model of AliExpress, which will provide some theoretical references for the related research.

On the other hand, this paper has combined the "One Belt, One Road" Initiative with China's cross-border e-business. Previously literature and related case analysis on this aspect is relatively small, and the research results are not perfect. The research of this paper will provide theoretical analysis and support for the healthy development of China's cross-border e-business, especially Alibaba.

b. Practical Significance

In this paper, we try to summarize the business model and its evolution of Alibaba's cross-border e-business platform - AliExpress. Alibaba occupies an important position in China's e-business, performing as the leading enterprise in this industry. Taking into account the current "One Belt, One Road" Initiative, the increasingly fierce competition in domestic e-business, as well as the opportunities and prospects of foreign business, it has great practical significance to study our leading cross-border e-business platform's unique business model and its evolving process for China's e-business enterprises, industrial chain upstream and downstream enterprises and enterprises in other industries to develop and achieve their goal of "going out".

1.2 Research Methods and Frameworks

1.2.1 Research Methods

a. Literature Review

This paper summarizes the relevant literature at home and abroad. Using the

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method of literature research to study the definition and evolution of business model and the definition and influencing factors of institutional theory and dynamic capability theory. Furthermore, we want to make a conclusion about the relationship and mechanism between these three factors.

b. Theoretical Research

Deductive reasoning, also deductive logic, logical deduction is the process of reasoning from one or more statements to reach a logically certain conclusion. In this paper, we try to generalize the existing literature, and deduce the theoretical framework of the business model, institutional theory and dynamic ability from the theoretical point of view, using it to guide the follow case study.

c. Case Study

Case study can be produced by following a formal research method. Getting knowledge by collecting the objective information of things and inducting or interpreting, case study is also a way to construct the theory. In this case, on the basis of the research framework proposed in the theoretical research section, the original research framework is tested and updated through the analysis of the commercial activities of entering and taking root in the Russian market of AliExpress. Also, we analyze the deep relationship among business model, institutional theory and dynamic ability, and provide policy recommendations to Chinese enterprises to go out under the situation of the "One Belt, One Road" Initiative on the basis of these analysis.

1.2.2 Paper Framework

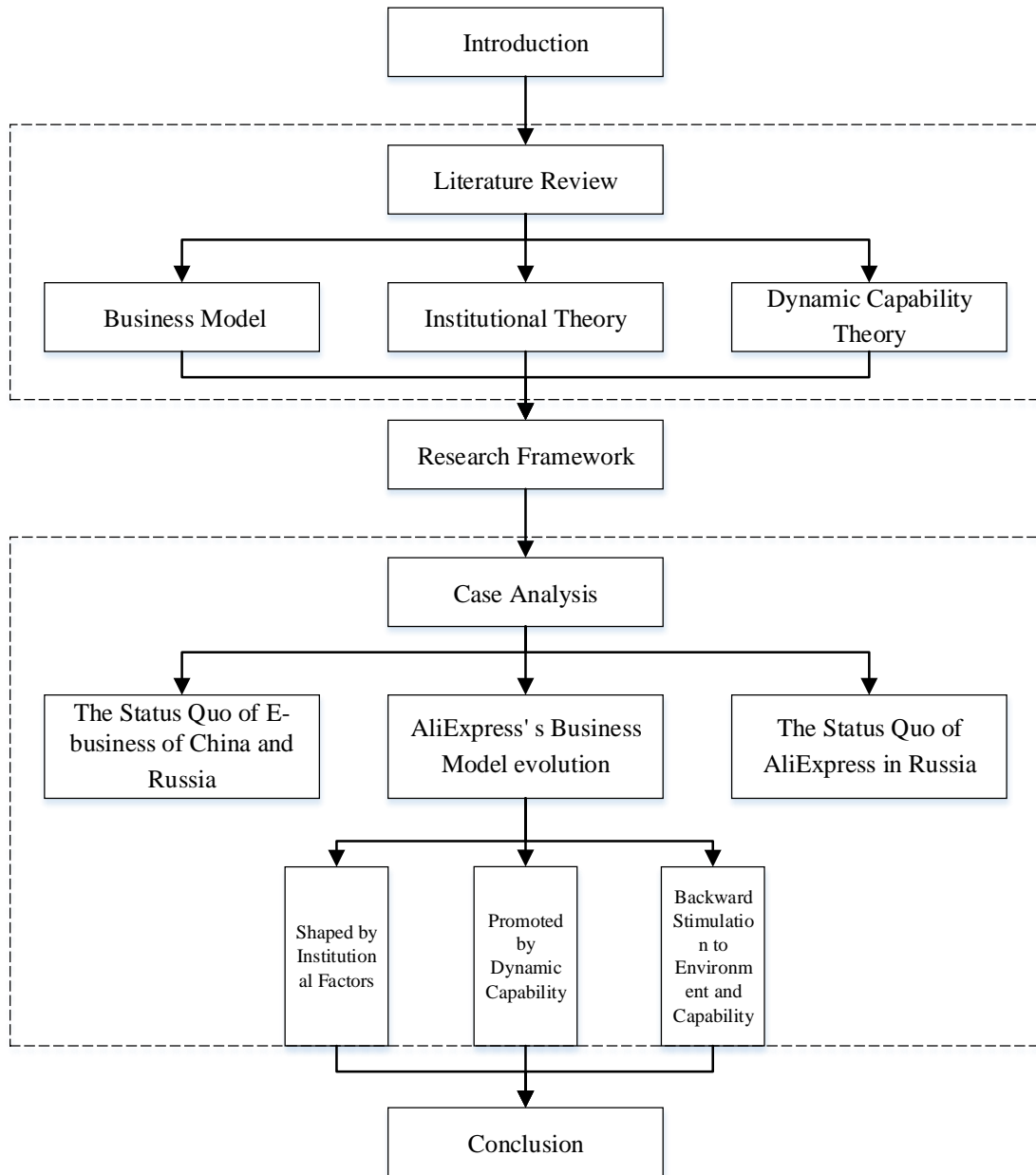


Figure 1. Paper Framework

2. Theoretical Research

2.1 Business Model

2.1.1 Definition of Business Model

For the concept of business model, scholars have different understandings. several person have defined the concept of business model, of which the following concepts are the most representative:

Table 1 Theoretical study of business model definition

Perspective	Representative person	Year	main content
E - commerce	Timmer	1998	A framework for a product, service and information flow.
Technology and Innovation Management	Chesbrough and Rosenbloom	2008	Technology development and value creation between the coordination and transformation mechanism.
strategy	Casadesus-Masanell and Ricart	2010	The company has achieved a reflection of the strategy.
value	Gengshen Zhong and Xiaojing Sun	2006	The business model emphasizes that the integration of the enterprise with its own resources and external resources is a way of doing business that is designed to create value for the business.

The theoretical research on the definition of business model from the above table shows that although domestic and foreign scholars have done a lot of research on the definition of business model, and discussed them from various perspectives, like constitution, logical relations, resource integration and strategy, but there is not a unified conclusion about the definition of business model.

This paper argues that the business model is a kind of business ability - by integrating internal and external resources to efficiently allocate every element in the face of changing market environment and eventually feed back to the market when improving their market adaptability. Also, business model is a way that enterprises can used to realize their business objectives.

2.1.2 Analysis on the Influencing Factors of Business Model Innovation

As with other innovation activities, business model innovation is driven by a certain driving factors. Based on the domestic and foreign summary of the driving factors of business model innovation, we found that the driving factors of business model innovation can be discussed from the technical aspect, environmental aspect and market aspect.

a. Marketization of new technology. Christensen (1997) argues that if companies want to marketize a new technology, the original business models are not appropriate, and it is imperative for companies to adopt a new business model to achieve their goals.

b. Environmental stress. Malhotm (2000) pointed out that due to the non-static nature of the business environment, enterprises must innovate new business model to adapt to the changes in the environment.

c. Market opportunities. Lindgardt et al. (2009) argue that business model innovation can help companies to grasp specific business opportunities during the economy recession.

It can be seen from the above that driving factors of business model innovation can be analyzed in the follow two aspects: the changes of companies' internal capacity and the changes of external environment.

2.2 Institutional Theory

2.2.1 Definition of Institutional Theory

In the modern institutional research, there are a lot of different assumptions and claims. There are three most popular views on the relationship between organization and the institution. The first view was first proposed by North (1990), which argues that the institution provides rules of the game, and that the organization is like the player of the game. In the course of the game, the organization may promote the establishment of rules, trying to design favorable rules for themselves. The second view is proposed by the new institutional economists, represented by Williamson, who argues that the organization and its structure and procedure are just the institutions, and the organization, viewed as the institution, is a system designed to manage production activities and minimize transaction costs. The third view is made by Meyer and other sociologists who emphasize the association between events happened at the social level and the individual organizational structure and its operation, opposing the divestiture of the organization from its institutional environment.

2.2.2 The Elements of Institutional Theory

Although there are many views on institutional theory at present, Regulative, Normative, and Cultural-cognitive are identified as key elements of the institution in all these different theories.

Regulative: the institution will restrict, monitor, and regulate behavior. It is necessary to have a "third party" that is considered to act in a neutral manner to supervise and enforce the imply of the regulatory orders. In reality, regulative elements often refers to the government-centered political factors.

Normative: previous researchers believe that the institution is mainly dependent on a normative basic elements, and the normative system mainly includes values and norms.

Culture - cognitive: focusing on culture - cognitive dimensions is the most significant features of sociology and new institutionalism of organizational research. Individuals and organizations are restricted by various beliefs and cultural framework to a large extent, and will accept a variety of beliefs and cultural framework.

2.2.3 The Relationship between Institutional Theory and Business Model

Through the above analysis, we can see that, at present, the institutional theory highly emphasize the impact of the external environment on the organization, that is, the external environment has playing a shaping role on the business model. In the Institutional theory, the external environment may shape the company's business model from three dimensions: regulatory, normative and cultural - cognitive dimension. Moreover, when the enterprise faces both domestic and foreign markets, it will be affected by these three dimensions from both markets.

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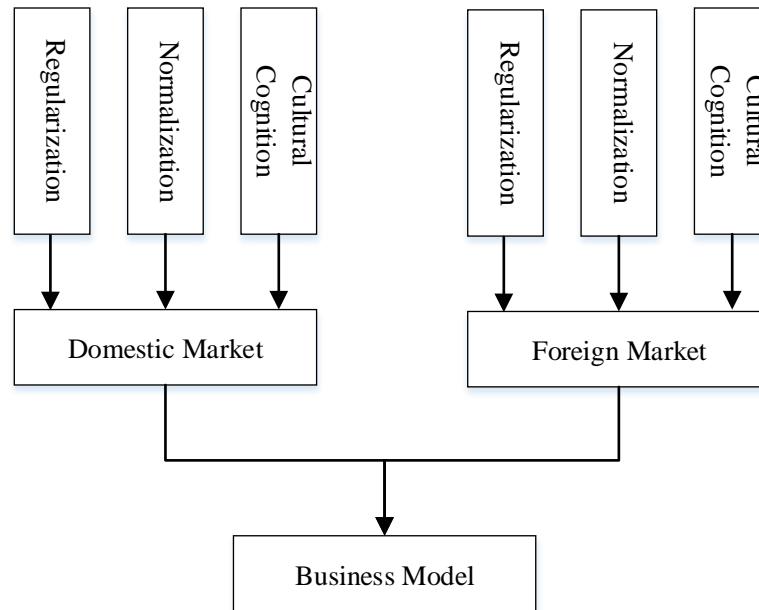


Figure 2. Relationship between institution and business model

2.3 Dynamic Capability Theory

2.3.1 Definition of Dynamic Capability

The dynamic capability theory emphasizes the ability of enterprises to explore their internal and external competitive advantages in dynamic environment. It analyzes how an enterprise could do to play their own advantages to cope with environmental changes and challenges in the ever-changing environment. Dynamic capabilities are made up of possessing ability, using ability, allocating ability and learning to update and acquire new capabilities.

2.3.2 Sources of Dynamic Capabilities

Enterprises began to form and have a series of resources and capabilities in their growth, and these resources and capacities are formed in the development of specific market opportunities. With the changes of the market and the enterprises' internal innovation, the dynamic ability of enterprises will also be in a new stage. The original ability of the firm, the internal learning ability, the external learning ability and the market changes become the main source of the enterprises' dynamic ability.

2.3.3 The Relationship between Dynamic Capability and Business Model

Through the above analysis we can see that, the dynamic capability of enterprises enable them to keep up with the changes in the external environment, while the business model is the direct focus of the dynamic ability of enterprises. The dynamic ability of enterprises can promote the connection of enterprise and the external environment through the transformation of the business model, and form a competitive advantage eventually.

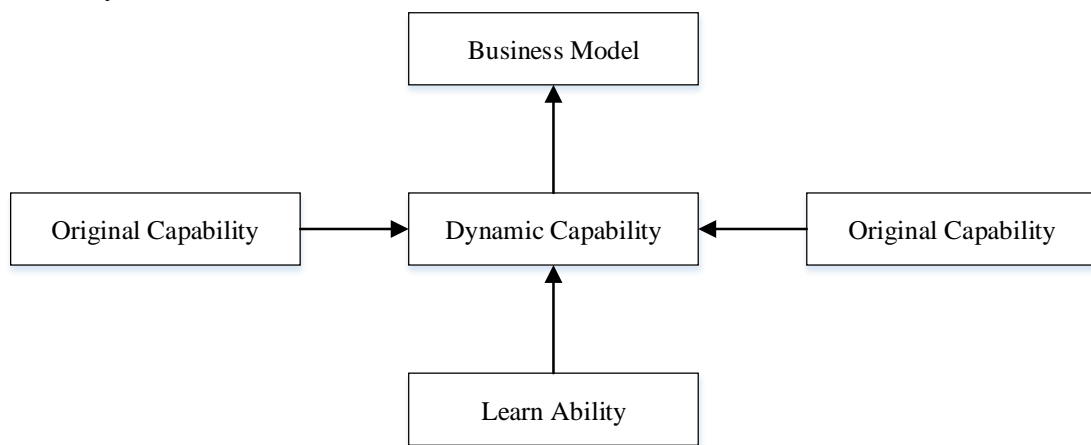


Figure 3 .Dynamic capability model

2.4 Theoretical Framework

we have concluded the theoretical framework of this case by combining the above theoretical analysis .

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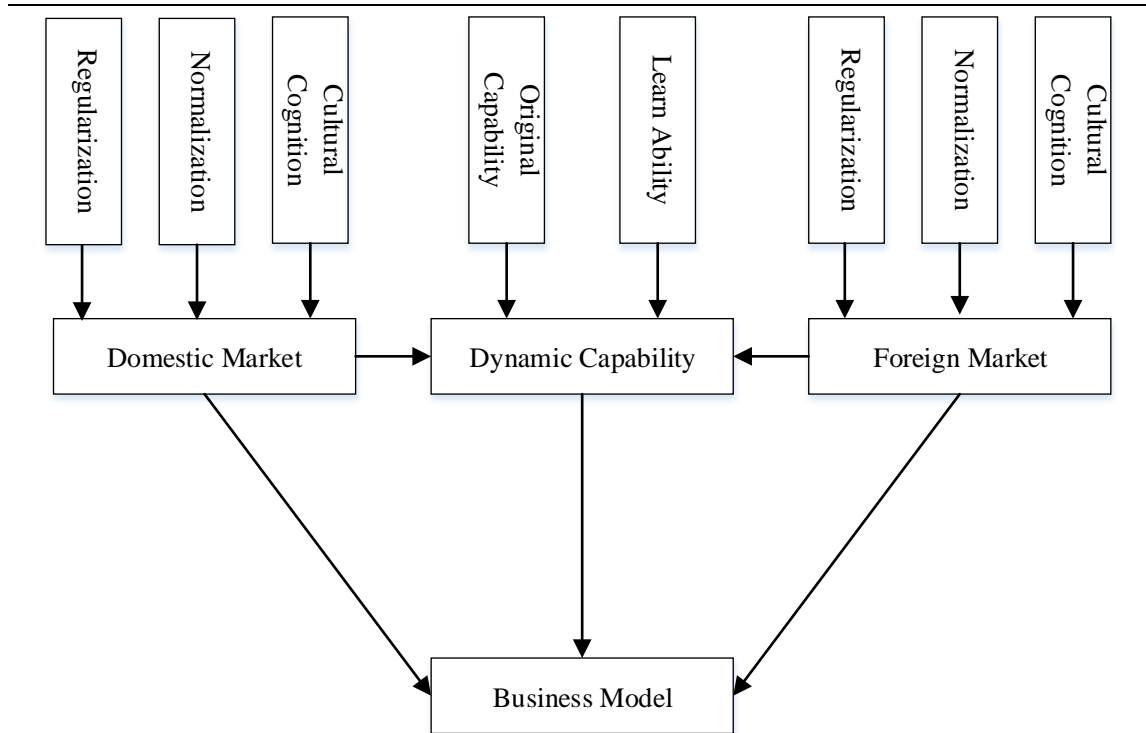


Figure 4.Theoretical Framework

3. The Status Qua of the Development of China's and Russia's E-commerce

3.1 The Analysis on the Development of China 's Cross - border E-commerce

3.1.1 The Status Qua of China's Cross-border E-commerce

In recent years, cross-border e-commerce has become a new bright spot in China's foreign trade, and gradually reshape the pattern of China's foreign trade. Cross-border e-business provides a historic opportunity for enterprises, especially small and medium enterprises to expand the international market, especially in emerging markets,.

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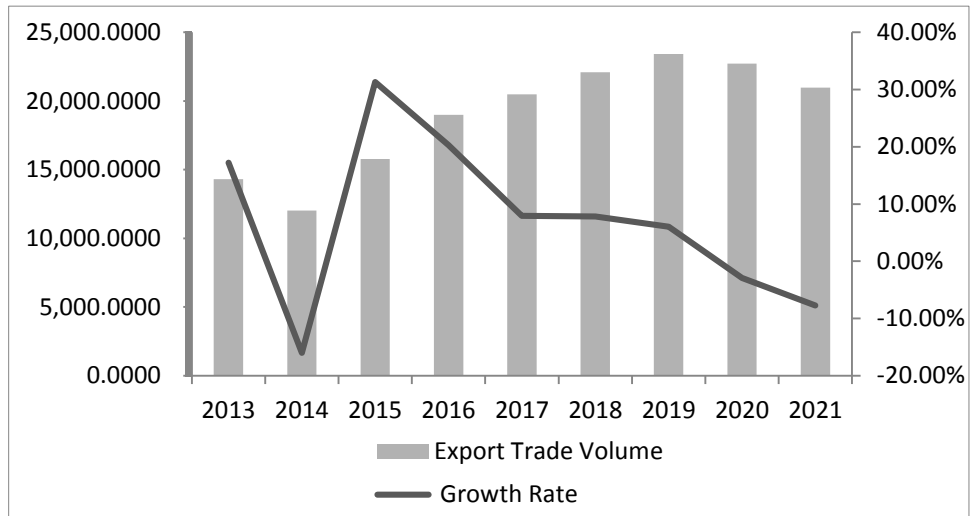


Figure 5 .China's Trade Volume and Growth Rate from 2008 to 2016 unit: Yuan; %

Source: General Administration of Customs of the People 's Republic of China

As it shown in the chart (Chart 3.1), since the global financial crisis in 2008, China's exports and growth rate has dropped significantly, coupled with the appreciation of the RMB, the rise in domestic labor costs, the slow global economic recovery and other factors. China's traditional foreign trade development is slow , and export growth was declining year by year. At the same time, cross-border e-commerce has maintained a rapid growth and a good momentum of development (Figure 3.2). Cross-border e-commerce accounted for the proportion of total imports and exports is also entering a stead channel, the proportion reaching 12% in 2016. cross-border e-commerce in the proportion of e-commerce also increased year by year, up 23.6%.

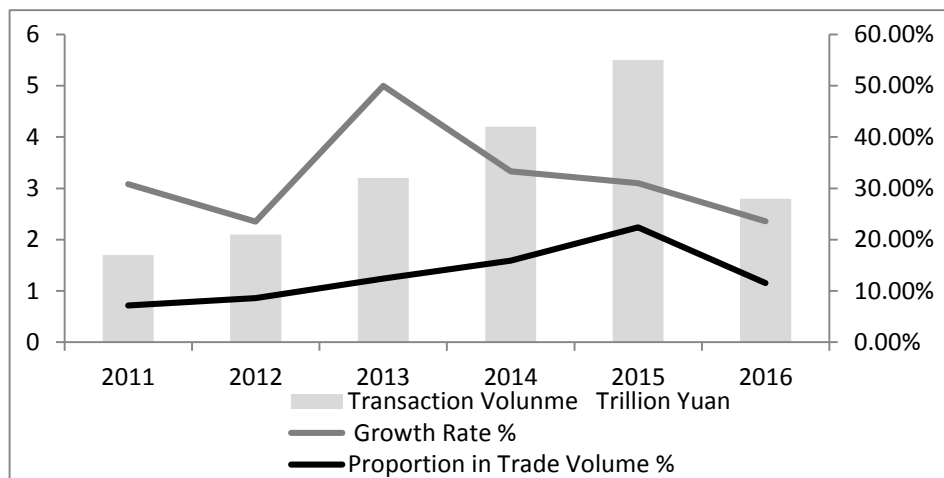


Figure 6 .China's Cross-border E-business Development from 2011 to 2016

Source: China's Electronic Commerce Research Center

3.1.2 China's Cross-border E-commerce Policy Support

In recent years, the development of cross-border trade in e-commerce has attracted the attention of all sectors of society, and government departments are also highly concerned about the future development of cross-border trade e-commerce. Here are a series of related measures introduced by various departments.

In 2014, the Customs and Excise Department issued the Notice on the Regulation on "the Supervision of Goods and Items in the Cross-border Trade E-Commerce"; In 2016, ministry of Industry and Information Technology issued and implemented the "State Council' s action guidance on actively promoting the" Internet + "" action plan (2015-2018) and a number of cross-border e-business-related policies, which not only regulated cross-border e-business market, but also guaranteed cross-border el-business enterprises' operation. December 12, the Standing Committee of the 12th National People's Congress for the first time considered the "People's Republic of China e-commerce law (draft)", which is China's first comprehensive business law in the field of e-business. The fifth chapter dedicated to cross-border e-commerce promoted cross-border electricity business continuously healthy development. This law is of great significance to regulate the market order.

3.2 Analysis on the Development of E - commerce in Russia

a. Russia 's e - commerce development background and market overview

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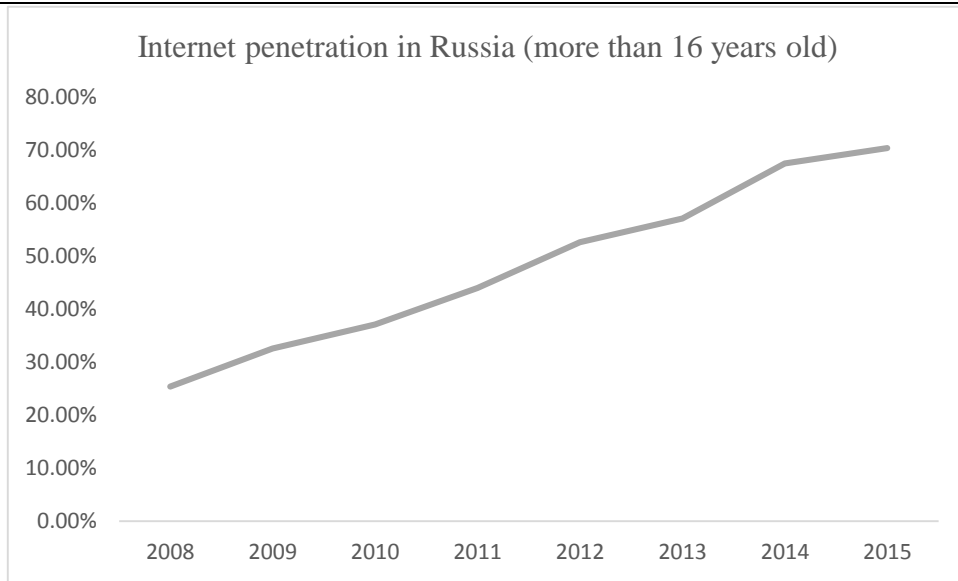


Figure 7. Internet penetration in Russia

Source: Russia's Electric Consultants: Data Insight

Since 2010, Russia has invested a lot of infrastructure in the Internet, and the number of Internet users increased year by year. The penetration rate of Internet in Russia over 16 years of age boosted from 37.1% in 2010 to 70.4% in 2015. Mobile phones, Tablet PC has become favorite Internet tools of young generation of Russia. The popularity of the Internet guarantees the development of e-commerce in Russia.



Figure 8 Russia's E-business Market Development

Source: Russia's e-commerce business association; Russian national statistical office website

With the recovery of the global economy, the Russia's economy has gradually

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stabilized and the development potential will be further released. As shown in Figure 3.3, by the impact of the Russian economy, the Russian e-commerce market, having experienced the first few years' rapid development with double-digit growth rate, has gradually stabilized too. It is expected in the next 5 to 10 years that Russia's e-business market capacity will continue to maintain a rapid development trend.

b. Russia's main business platforms

With the rise of the Russian e-commerce market, more and more foreign e-commerce enterprises enter into the Russian market. Amazon, eBay and other world-renowned e-business actively carry out cross-border online shopping business in Russia. In addition, the Russian local e-business websites is rapidly developing. Russia's largest commercial platform is Ulmart whose business scope extends to more than 240 cities across Russia. Another Russian veteran business - Ozon, mainly selling books, electronic products, has been occupied the first Russian B2C field since 1998. Founded in 2004, Wildberries is Russia's local shoes and accessories online sales platform selling about 100,000 footwear, clothing and brand accessories. These Russia's local e-business enterprises have become strong competitors to China's cross-border electric business enterprises.

Table 2 Russia's main business platform

WEBSITE	NATION	LINE OF BUSINESS
OZON.RU	RUSSIA	COMPREHENSIVENESS
ALIEXPRESS.COM	CHINA	CROSS-BOARDER
EBAY.COM	US	CROSS-BOARDER
ULMART.RU	RUSSIA	ELECTRONICS; HOUSEHOLD APPLIANCES
SVYAZNOY.RU	RUSSIA	ELECTRONICS; HOUSEHOLD APPLIANCES
WILDBERRIES.RU	RUSSIA	CLOTHING; SHOES
MVIDEO.RU	RUSSIA	ELECTRONICS; HOUSEHOLD APPLIANCES
ENTER.RU	RUSSIA	COMPREHENSIVENESS
ALIBABA.COM	CHINA	CROSS-BOARDER

c. Russia's e-commerce market payment means

Although in recent years Yandex. Money and other online payment in Russia

has been rapid development, but the Russian people still do not trust online payment, so that cash on delivery is still the main way to pay. As shown in Figure 3.5, according to more than 3,000 online shopping users of the sample survey shows that about 40% of users still choose to pay in cash. But with the diversification of various payment methods, the proportion of using bank cards to pay online will gradually increase.

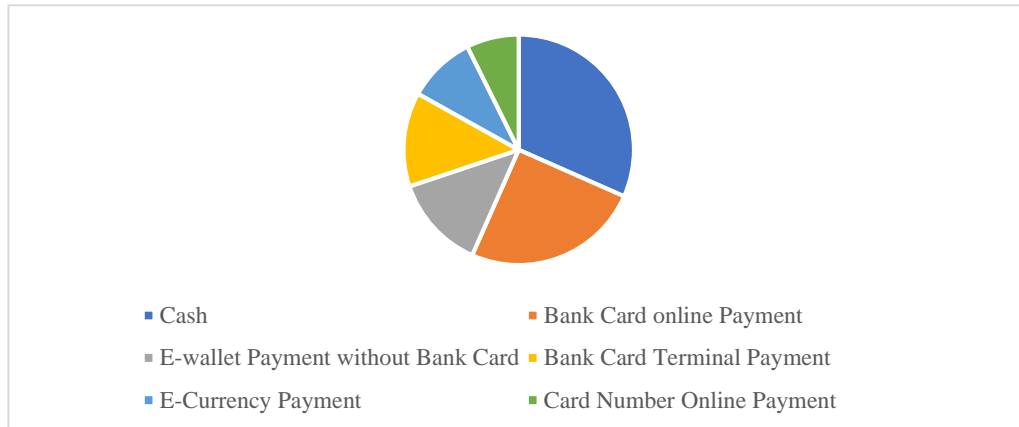


Figure 9 The Proportion of Payment Means of Russia's Online Shopping Users

Source: Russia's analyst firm "Malke Weber Rankings and Reports" in 2015

d. Russia's e-commerce logistics distribution network

Russia owns the largest land area in the world. Its infrastructure, logistics network and postal seizure, delivery and others are underdeveloped. Due to the surge in e-commerce packages, its handling capacity and experience is seriously inadequate, resulting in a large backlog of goods. In addition to the slow logistics, there are still problems with the instability of logistics delivery time. The receipt time fluctuates a lot - the packages are sometimes served for 7 days, even for 20 days. Russia's logistics services still have large room for improvement.

4. A Case Study Based on AliExpress in Russia

This thesis introduces the basic information of AliExpress which is a cross-boarder E-business platform affiliated to Alibaba. Specifically, this thesis chooses Russia as its target market and tries to analyze the evolution of AliExpress's business model by combining with the theory of enterprises' dynamic capability and other related theories

on the basis of clarifying the evolution process of AliExpress's business model in Russia.

4.1 Introduction to AliExpress

AliExpress, officially launched in April 2010, is Alibaba's only online platform facing the global market so that it is called the international version of Taobao by its customers. As the third largest online shopping platform in the world, AliExpress conducts secured transaction by Alipay's international account and delivers goods by international express.

AliExpress, a typical B2C platform by now, offers a small wholesale and retail e-business platform which combines enterprises in China and customers in the world.

Sellers can edit information about goods online and concludes transactions with buyers overseas by AliExpress, and then delivers goods to buyers by international express, which is how sellers earn foreign currency.

As an online platform integrating order, payment and logistics into a whole, AliExpress gives full play to the advantages of linking domestic and foreign markets. In this way, it helps the middle and small-sized enterprises involve themselves into "One Belt, One Road" initiative and build the connections with global market, so that these enterprises can shorten and optimize the industry supply chain in foreign trade and increase profits.

4.2 The Dynamic Evolution of AliExpress's Business Model in

Russia

This thesis massively collects information about the evolution of AliExpress's business model in Russia, and connects it chronologically into a whole story to systematically show the detail of the case.

4.2.1 The Initial Stage in Russia- Entry

AliExpress, affiliated to Alibaba, launched and entered into Russia in April 2010.

A new strategy was made in AliExpress in 2012- to expand customer flow as the

first thing in order to enter into the Russian market. On the basis of setting aside enough budget for ad, AliExpress focused on Vk, the largest social media in Russia, and accumulated its initial users by its official account. At the same time it transferred the original purchasing agents in Taobao into AliExpress, and those purchasing agents became the opinion leaders who affects deeply to the potential consumers.

AliExpress tried very hard to meet purchasing agents' demand to improve their initiative. Firstly, they would be informed the promotion news at the first time, which greatly reduced their purchasing price. Secondly, they would know which goods were the most popular as soon as possible so that they could increase sales volume. What's more, they could accumulate purchasing volume by using the specific purchasing ID and the more they accumulated, the more goods they could get for free.

By the stimulation of social media and purchasing agents, AliExpress' orders volume grows at the geometric level. At the end of 2012, the volume in Russia was more than 10 times than the beginning of the same year, and more surprisingly, the average volume of daily order reached 30000 from 7000.

4.2.2 The Middle Stage in Russia - Deep Exploration

In March of 2013, a daily order volume boosted to 17000, equal to 5 times of its original volume, because of an efficient promotion in Russia, which exerted great influence on the transportation between China and Russia. The inefficient delivery capability of Russia's express industry caused many packages postponing more than 90 days. Consequently, 10 thousand or so consumers complained to government by Email, which attracted the attention of Russia's Express' company to AliExpress. Later, Russia's Express company directly connected with AliExpress by EDI system and thus could transmit information about packages to Russia's Express company and customs, which greatly improve the efficiency of custom clearance and sorting goods. In "double 11" of 2014, AliExpress participated Alibaba's promotion for the first time and its 3 millions packages in Russia could be delivered successfully by Russia's express company.

AliExpress was beginning to study how to copy its innovative model and E-commerce experience to relatively underdeveloped Russia market while was expanding market and solving the problem of cross-boarder logistics. In May 2014,

AliExpress launched its substation in Russia - ru.aliexpress.com which consist with Russia's local style in the way of shopping, promotion activities and so on.

To meet the diversified demands of consumers in Russia, AliExpress launched its group purchasing program with the highest user viscosity accounting for more than 17% users in the whole platform. What's more, ru.itao.com, another shopping guide program, offers channel to buyers to share the feeling about goods, such as size and material of clothes. Itao grows rapidly since its birth and the purchasing rate has reached 10%, which means that it is highly recognized. By September 2014, AliExpress is the first place among all the E-business website in Russia.

As the update of the demand of Russia's consumers, AliExpress began to improve the quality of settled sellers. At the beginning of November 2015, AliExpress pushed out function of renew company ID to encourage sellers on the platform to transfer from C to B. 7 September, AliExpress officially published new rule of entry standard and established the route of cross-boarder B2C. 15 August 2016, it completed its transformation from C2C to B2C. Since then, all the seller at the platform belongs to enterprises.

4.2.3 Maturity and localization

From October 2014, AliExpress began to develop local sellers, and introduced local companies to enter into its platform and it promoted their selling and help them trade with other countries at the same time. That is "purchasing globally, selling globally".

Compared with the express industry in China, Russia still stays at the initial stage. The main delivery way is surface mail. Nearly 95% goods are delivered by Russia's post service. Surface mail means that buyers can't catch the immediate information lasting for 15-30 days. To solve this problem, AliExpress expects to cooperate with Russia's post service to build a more efficient model.

After the transformation from C2C to B2C, AliExpress' s next step is branding and localization, and continually enhances the shopping experience of consumers overseas.

5. Causal Analysis of the Business Model Evolution of AliExpress in Russia

Through the business model evolution of AliExpress in Russia, we can see that its marketing strategy and business model process have obvious stage characteristics, so we divide the process into three stages. In this chapter, based on theories of enterprises dynamic capability, three pillars of the organizational system, as well as the localization of technology and other related theories, we will analyze why AliExpress evolves at various stages and explore how its core competence and resources integration ability change throughout the whole process.

5.1 2010-2013: Flow Expansion Based on Cultural-Cognitive

Elements

At the very beginning of entering into the Russian market, AliExpress applied the traditional cross-border electricity business model, that is, China's domestic sellers, through the intermediary AliExpress to attract Russian consumers. Then the goods were transported through international logistics to Russia, and delivered to buyers in the end. Alibaba has a large number of consumers in China, while the first problem faced AliExpress after its entry into the Russian market was the consumer flow. When a corporate first enters into a foreign market, the local institutional environment and other external factors tend to influence what a business strategy a corporate choose. At that time, whether the chosen business model and marketing strategy was consistent with the corporate organization legitimacy weighed a lot. As a result, we explain its strategy and mode in the first stage with three pillars of the organizational system theory. The theory of Regulative, Normative, and Cultural-cognitive are identified as key elements of the system, and all of these institutional elements construct a strong but flexible social framework in an independent and reinforcing way.

5.1.1 Regulatory basis elements

The system can restrict, regulate, and manage behavior. The system includes formal or written rules, and informal rules, such as non-written acts of law, which play a fundamental and complementary role for the written rules. It is necessary to supervise and enforce regulatory orders by "third parties" that are considered to act in a neutral manner. Due to just as a platform rather than a physical company in Russia, AliExpress was not restricted by regulatory elements at the very beginning entry. On the contrary, it still benefited from the Russian tax relief policy for cross-border electricity consumer spending limits.

5.1.2 Normative basis elements

The system of social life has a descriptive, evaluative and obligatory dimension, which is a normative rule. The normative system includes values and norms. From the perspective of normative factors, As Russia's domestic e-commerce market is still not developed, which has not yet formed a unified and strong norms, the entry of AliExpress in a certain sense, promoted its improved industry norms. As the consumption demands of residents in China and Russia have their resemblance, the Russian consumers have common values with the majority of Chinese customers, that is, preference for cheap and cost-effective goods. Therefore, AliExpress continued its same strategy of China at the beginning of entry into Russia, namely a very simple business model with a low-cost target to attract low-end customers in Russia, and achieved good results.

5.1.3 Culture-Cognitive Fundamental Elements

Culture is not only a subjective belief, but also a symbolic system that is perceived as objective and separate from individual actors. Individuals and organizations are largely constrained by and accept various belief systems and cultural frameworks. The concept of culture-cognitive system emphasizes the common meaning of the community with society as a medium, and plays a very important role for the construction of organization and actors.

From this point of view, we can easily find the cultural-cognitive factors served as decisive factors for its early stage model and strategy. From the previous case we

learned that Russian people love the social network. The penetration rate of smart phones is 40%, while the monthly access to social networks is up to 9.8 hours, ranking first in the world. Therefore, its social network culture dominates in the social mainstream culture. The social platform is undoubtedly a key channel for message exchanges. VK, Odnoklassniki.ru and Facebook are there very popular social networks among Russia, but these sites are just a simple browsing portal, and don't establish their own products and services platform.

For the consideration of cultural awareness, AliExpress decided to take Russia's largest social network site VK as the entry point to expand their consumer flow. It is worth noting that the Russian Taobao enjoyed more popularity than AliExpress at that time, and has formed Taobao purchasing industry. This format was also reflected in the VK. There were tens of thousands of groups themed with Taobao purchasing in the VK, who took a full-time, relying on the Chinese friends circles or their proficient Chinese to help Russian consumers in Taobao purchasing. These people leded the online views, cultural and cognitive tendencies for cross-border consumption, so AliExpress targeted these groups to shift them from Taobao purchaser to AliExpress purchaser through social media operations and purchasing business incentives. By doing so, AliExpress achieved surging orders.

AliExpress's marketing strategy based on cultural-cognitive elements has achieved remarkable results. At present, there are more than 2 million fans for AliExpress official account on the VK, and there are a large number of Russian users who use photos and activities to express their love for AliExpress. It is worth mentioning that the image of Santa Claus drawn by the Russian children in the New Year turns out to be the image of the Chinese grandfather.

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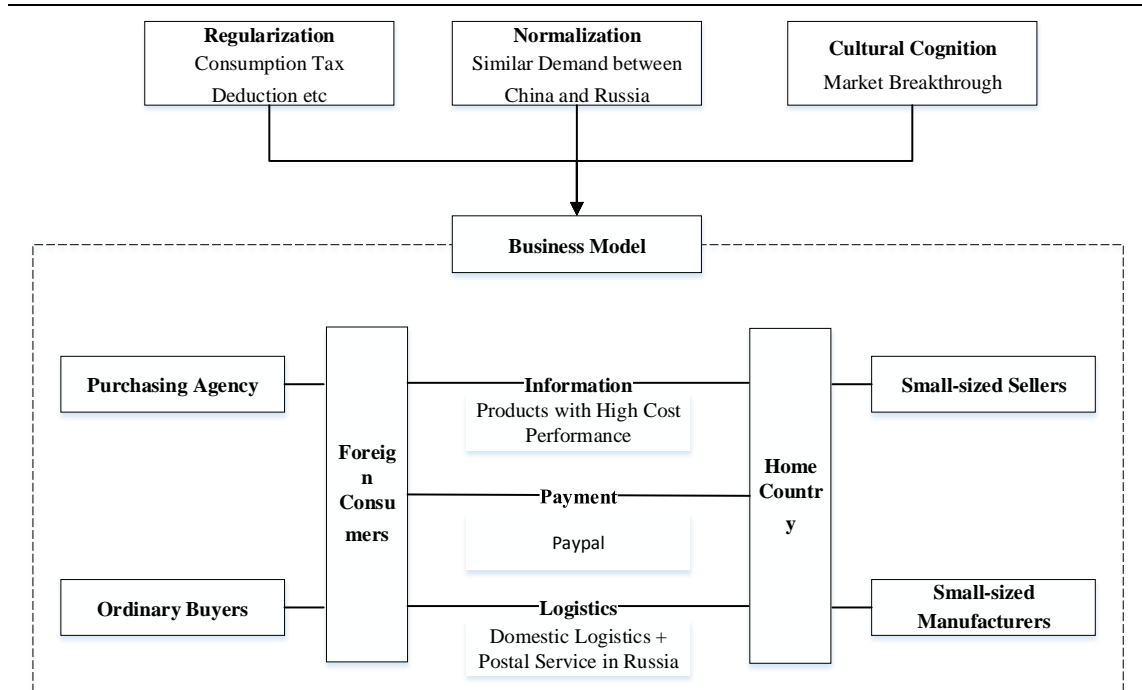


Figure 10 Business model of stage 1

5.2 2013-2015: Resource Integration Based on the Evolution of Dynamic Capability

After a series of marketing and strategy plannings, AliExpress gained a firm foothold in Russia, and its business model changed with the market condition. AliExpress copied its successful experience in home country into Russia and during that process, it reintegrated local resource and readjusted its business model according to the market situation. Naturally, AliExpress’s core competence changed fundamentally.

5.2.1 AliExpress’s Original Capability

a. E-business Operation Experience in Underdeveloped counties

Different from other competitors in Russia, Alibaba comes from China where the infrastructure, internet penetration and consuming habits lag behind the developed countries. Alibaba grows up under such an imperfect environment, which in turn helps it accumulate rich e-business operation experience in underdeveloped country.

b. Good Partners Network in Home Country

After several years development in China, Alibaba has built great cooperative

partnership with many related companies. As to logistics, the convenient and extensive express companies contribute a lot to Taobao's development; As to payment, Alipay, the core of Alibaba's payment system, smoothly work with most of banks in China to provide excellent service for online consumers.

c. Gathering Abundant Sellers And Manufacturers

Start from B2B, Alibaba gathered abundant manufacturers initially, and later, with the development of C2C and B2C, it attracts a large number of sellers. These resources promote the development of AliExpress.

5.2.2 The Change of Market Environment

a. Market in Russia- Lagging Infrastructure and Improving Demand Level

The infrastructure in Russia is relatively underdeveloped. For instance, its logistics in 2013, with only 30 thousands packages daily delivery capability, its post service also performs badly in international delivery - more than 30 days on average. Its inefficient delivery system can't meet AliExpress's need. At the same time, after the period of opening Russia's market by high quality products with low price, it is increasingly important for AliExpress to accumulate consumers by improving online shopping experience. diversification and quality of products, safety of payment and the speed of delivery are all important factors to AliExpress.

b. The Changes of Market in Home Country - Rise of Cost and Improvement of Production Capability

As the economy development in China, the labor cost is gradually higher which makes impossible for sellers keeping high profits by low price strategy, and thus discourages sellers. However, companies in China has accumulated rich production experience years by years by OEM and ODM for global brands. Their production ability is no lower than global brands. Unfortunately, the improvement of quality fails to increase the rise of price efficiently, and this mainly because of the loss of brand.

c. The Change of Platform - the Improvement of service and the lower price

AliExpress has accumulated abundant loyal customers after nearly 4 years development. Seller on the platform also grows very fast, and some of them even has more than 100 million Yuan selling volume. To create a better shopping experience, more and more sellers begin to built overseas warehouses to shorten the distance

between consumers and goods, which gives consumers a better shopping experience both in delivery and in after-sale service. But due to the introduction of small-sized sellers at the initial stage, AliExpress 's per customer transaction values only 25 US dollar, equivalent to half of eBay. The reason is that these sellers has to lower their price to get more orders because of their limited capability.

5.2.3 learning ability

There is uniformity in the change of sellers, buyers and platform to some extent, in other words, the level of buyers' demand, the quality of sellers service and the production capability of manufacturers all demonstrate an upward trend. These three dimensions are crucial to e-business and they are connected with each other. The key points including the lagging infrastructure in Russia, the manufacturers without brands in China and the limitation of service quality bring both obstruction and opportunity to AliExpress. As an experienced company, it appreciates these problem, so that it reintegrates domestic and overseas resources to eliminate the weakness and improve its core competence.

In terms of interior of AliExpress, it completes the update from C2C to B2C. This not only improves the admittance level and sellers capability, but also enhances ALiExpress's service function to strengthen the cultivation to original sellers. More importantly, AliExpress provides brand support for domestic companies and promotes brand building of products made in China by advancing its own image.

In terms of exterior of AliExpress, it copies its domestic successful experience and launches Russian website, group purchasing project and shopping guide program Itao etc., which gives consumers more choices. What's more, it also enhances cooperation with post service in Russia to improve the delivery quality.

5.2.4 New Dynamic Capability

AliExpress's dynamic capability is renewed at the process of deep exploration of Russian market. On the basis of its original ability, AliExpress learns how to copy its domestic experience to foreign countries and how to integrate both domestic and overseas resources together. While adapting itself to the changing market environment, AliExpress also gradually changes outside market condition. At abroad, the

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development of AliExpress promotes the upgrade of Russian consumers' online shopping needs, and it becomes a backward force to stimulate a better infrastructure in Russia; At home, AliExpress improve the service level of domestic sellers and their brand images.

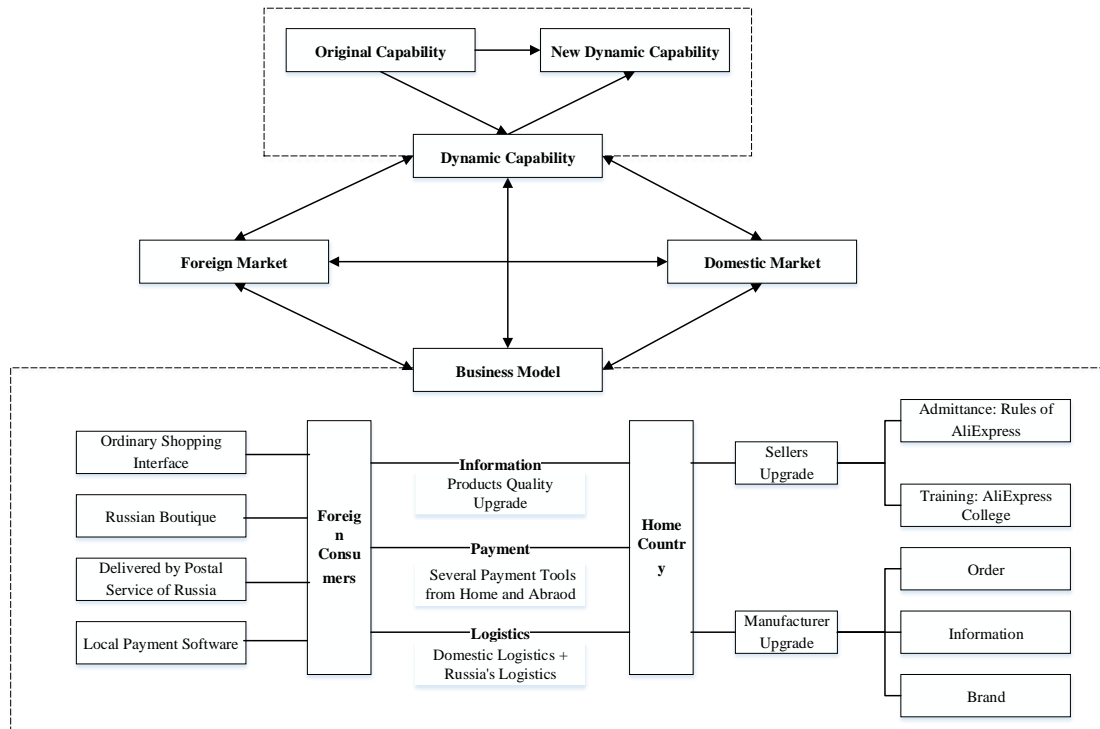


Figure 11 Business model of stage 2

5.3 2015-Now: the New Development of AliExpress's Dynamic

Capability

In June 2015, the branch company of AliExpress in Russia was officially found. AliExpress in Russia has made great success in the second stage of deep exploration. As its business model becoming gradually mature, its dynamic capability has to be improved because of the change of its inner and outer environment.

AliExpress's popularity was spread after its transformation from C2C to B2C. What AliExpress has to do now is to dig potential customer on the basis of keep the original market, and at the same time to expand the operation scale of its platform, better its brand image and users' experience. At the new stage, AliExpress begins to focus on localization, branding, and the update of its service.

5.3.1 The Upgrade of Related Service

At the new stage, AliExpress realizes its innovative objectives in term of logistics and payment which is combined with its operation in home country.

As to logistics, AliExpress provides several types of logistics featured economy, simplicity, standard, and speediness and so on. And each types of logistics contains a number of logistics services that cooperates with logistics company both home and abroad. Therefore, sellers can choose the most suitable logistics service according to their personalized needs.

As to payment, AliExpress devotes itself to the connection between Alipay and payment tools abroad to update the relatively underdeveloped payment system in Russia. AliExpress charges only 5% per order of its total value after the transaction finished as its service fees, which is the lowest level compared with other similar platforms in the world. Besides of international Alipay, AliExpress also supports the payment of MoneyBookers which provides more than 50 payment patterns ,including credit card, debit card and other popular patterns in Europe. And it is necessary to point out that AliExpress open quick pay channel for Maestro、Solo、Carte Bleue、PostePay、 CartaSi、 4B、 Euro6000.

Table3 the expanse of different electronic payment

Payment Tools	Account Opening Fee	Login Fee	Transaction Fee	Payment Fee	Withdrawal Fee	Profits (Worth 300USD as example)	Fees Saving
T/T	No	/	/	15-50USD	No	285-250USD	/
Alipay	No	/	5% (3% for some transactions)	/	No	285USD	41USD at most
Other Cross-boarder Online Payment Tools	No	0.1-1.5USD	1.5% -5.25%	2.9% -3.9%	10USD or so	276-261USD	25USD at most

5.3.2 Localization

AliExpress realized the ambition of “purchasing globally, selling globally” by introducing local companies and helping them sell their products to both local and foreign markets, which in essence demonstrates its ultimate positioning-a global platform which sells and buys goods around the world freely. Therefore, AliExpress’ s localization strategy shows its deliberation to market competitiveness and opportunity,

and it is also the best way to improve consumers online shopping experience.

According to the logic structure of dynamic capability theory, enterprises should find and define new opportunities and make strategies based on external environment analysis, and complete specific strategy by working with temporary and discontinuous partners. What's more, to strengthen its advantages in the fierce market, they should also compete by cooperation, develop new advantages and update their partners all the time. In the present market of Russia, the traditional giants such as Amazon and eBay still play crucial roles in the middle and high-end market, and the growth of the emerging local e-business contributes to the increasing intense market competitiveness. However, Russia's E-business system is still immature so that most of the local companies are still unfamiliar to the new-type operation model. Under such a situation, AliExpress captures the opportunity and expands its operation scale and improves its competitiveness by cooperation with local companies. In this way, AliExpress updates its business model and achieve the objective of win-win.

5.3.3 Branding

AliExpress has began its branding strategy since 2014, and the transformation from C2C to B2C belongs to one part of its long-term strategy. At its initial stage, AliExpress's market strategy is low price. On the one hand, it expands its market share, but on the other hand, the strategy causes doubt about products quality. Consequently, consumers in Russia may biasedly regard products made in China as low price and low quality. Therefore, it is vital for AliExpress to perfect sellers admittance rules' of the platform and build a positive brand image. In addition, in order to expand market in remote area and gain interests as the first mover, branding is a must strategy that is significant to the success of AliExpress in Russia.

In the perspective of theory, the essence of company's strategy is cultivation of dynamic capability and creation of new core competences. Brand belongs to one of them, and pushed by changes of inner and outer environment to keep its competitiveness and the ability of resource integration after the company goes into a specific stage.

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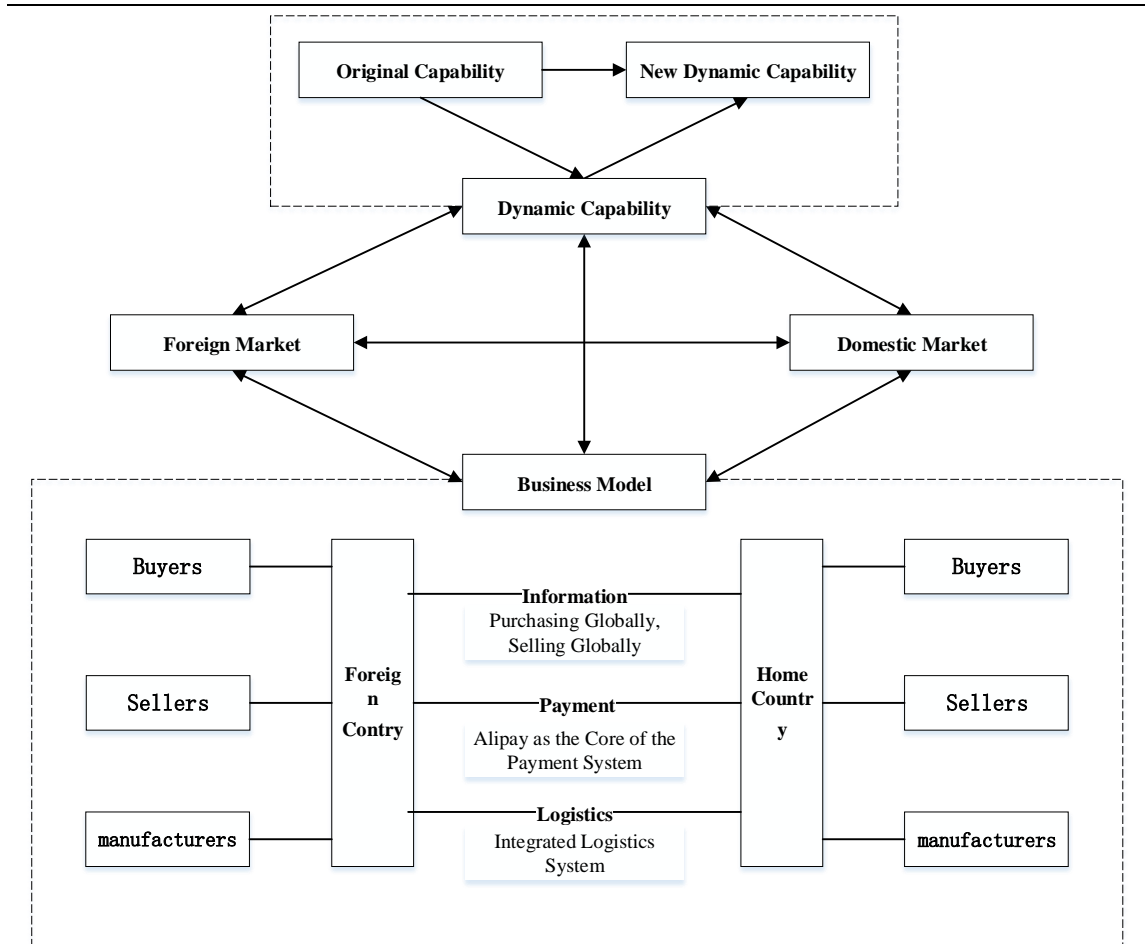


Figure 12 Business model of stage 3

6. Conclusion

6.1 Conclusion of the Research

Through the above analysis of the development stage of AliExpress in the Russian market, we can see that AliExpress has experienced a step by step development in the Russian market.

In the first stage, AliExpress designed its business model in the Russian market mainly based on the three dimensions of Russian market: normative, regulatory, cultural - cognitive. Choosing the cultural - cognitive elements as the starting point, AliExpress got its first batch of customers by publicizing through the purchasing agents in Russia

and VK, the most popular social networking sites in Russia.

In the second stage, in order to adapt to changes in the internal and external environment, AliExpress integrates domestic and international market resources by using its own core competencies. It also upgrades its business model, improving service quality to match the demand upgrade of Russian market. Within the business model adjustment process, not only the internal dynamic capacity of AliExpress has been updated, the external environment is also largely effected. On the one hand, this upgrade of business model forced the construction of Russian domestic infrastructure. On the other hand, it guides the domestic manufacturers in China to develop their own brand.

In the third stage, AliExpress even take the initiative to carry out business model innovation in order to adapt to changes in the future environment in advance. After the completion of the second phase's goal, AliExpress tries to achieve localization and branding while continued to improve the quality of their own services. On the one hand, they try to include the Russian local brands into the AliExpress "purchasing globally, selling globally" strategy; On the other hand, they manage to further achieve their own brand upgrade to adapt to the future market changes.

6.1.1 The Evolution of Business Models is Influenced by the Interaction of Institutions and Resources

In the course of the evolution of the business model of AliExpress in the Russian market, the changes of the external environment and the evolution of internal dynamic capabilities played a highly important role. At different stages, the main factors that affect the business model will be different, but overall, the changes of business model are the result of the interaction between these two factors. At the same time, these two factors also affect each other in a mutual way.

6.1.2 Business Model Has a Reaction on the Internal and External Environment of a Company

In the evolution process, the business model of AliExpress has had a profound impact on the external environment and the internal capacity. AliExpress forces the construction of Russian domestic logistics, electronic payment system and other

infrastructure included into its own evolution of business model; It also promotes the domestic production enterprises' brand development in China. Meanwhile, AliExpress's dynamic ability is also developed in the innovation of business model. It is generalizing its own road of internationalization by integrating the resources of domestic and foreign markets, instead of just integrating the resources of domestic market.

6.1.3 Innovation of Business Model Can Be Preceded by Changes in the Internal and External Environment

In the third stage of AliExpress's development in the Russian market, we can see that the development of AliExpress's business model is no longer in the pattern of being passive to adapt to the external environment and internal dynamic capacity changes, instead, on the basis of foreseeing the future development trend of the environment, they try to perform self-innovation, strengthening the localization and brand building to further enhance the quality level of their service, finally to achieve their "global buy global sales" strategic objectives and adapt to the new trends in global e-commerce in the future.

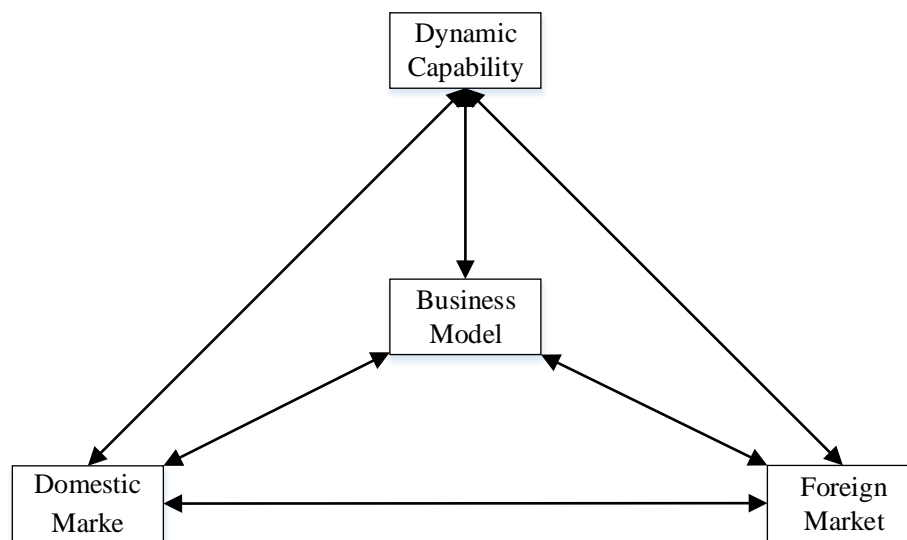


Figure 13 Conclusion

6.2 Suggestions

6.2.1 Select the appropriate entry method according to the environment of the target market

In the process of entering the foreign market, we especially need to pay attention to the target market environment. Different institutional environment in domestic and foreign market determines there must exist different business models in domestic and foreign markets for the same company. In order to successfully rooting in the target market, we can't simply copy the domestic business model, but should select the appropriate entry mode after considering the actual situation of the target market.

6.2.2 Using resources in both domestic and foreign markets during the operation of the project

Under the background of "One Belt, One Road" Initiative, if China's enterprises want to realize the "going out" strategy, they should not only just export their products and services, or focus on the limited foreign market, instead, they should pay more attention to the resources that foreign market can provide to us, attempting to co-ordinate the resources of the two markets at home and abroad to improve their own dynamic ability and enhance their competitiveness.

6.3.3 Holding an awareness of forward-looking, and taking the initiative to comply with environmental changes

Under the background of "One Belt, One Road" Initiative, we should make full use of the advantages of being the fastest growing developing economies when China's enterprises want to "go out". On the one hand, we should use the backward advantages, learning from the experience of multinational companies in developed countries to guide the future direction of the development of our enterprises; On the other hand, we should take advantage of the similar national conditions of the countries along the way of "One Belt, One Road", combining the experience of carrying out commercial activities in the domestic market with the actual environment of the target market to guide the business activities in the target country and adapt to the changes in the environment.

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