



Analysis of Small and Medium-Sized Enterprises' E-Commerce Development Status in China in the New Economy Era

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Abstract

E-commerce has become a new operation model in the new economy era and the growth point of national economy. Since 1990s, e-commerce has risen and developed rapidly in the entire world, and been changing the original economic pattern as well as the original operation model and economic level. E-commerce has facilitated the development of new economy and become the prerequisite for economic globalization, made e-commerce an important symbol of economic globalization and promoted sustainable development of social economy. Small and medium-sized enterprises (SMEs) play a proactive role in China's economic development. E-commerce can not only reduce operation cost and enhance economic benefits of small and medium-sized enterprises but also provide them with opportunities for competing with large enterprise and wider market space. However, they inevitably encounter varied barriers in the process. This paper proposed some solutions for problems existing in the development of small and medium-sized enterprises in the hope of making small and medium-sized enterprises further conduct e-commerce in a scientific and reasonable way in the new economy era.

Key words: New economy era; Small and medium-sized enterprises; E-commerce; Status analysis

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1. INFLUENCES AND FUNCTIONS OF E-COMMERCE IN OPERATION MANAGEMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES

1.1 E-Commerce Is an Important Means of Helping Small and Medium-sized Enterprises Get Rid of Dilemma

The key to small and medium-sized enterprises' survival in e-commerce lies in whether they can break away from the embarrassing status in the logistics link or not. The solution is to turn small and medium-sized enterprises into distributors and grasp the eventual client channels. According to the traditional model, they need to set up companies or stores overseas, which is difficult for them to some extent and the cost is high. It's because the appearance of e-commerce makes it possible for them to reduce cost and conduct overseas expansion. It's acceptable for them to jointly establish a sales website with foreign investment partners and provide less investment. Concerning the features of small and medium-sized enterprises, they can have foreign investment partners who are conversant with professional fields and relatively familiar with domestic manufacturers. Therefore, they can provide first-rate and attractive products at a reasonable price. Small and medium-sized enterprises have long been engaged in foreign trade businesses and know quite well about such businesses as customs clearance, transportation and international payment so they can effectively make it up for shortcomings in e-commerce technologies. The most important thing is that the application of e-commerce can help them gain higher profit from foreign customers.

1.2 It Can Serve Customers More Effectively

The fundamental measurement for enterprises' successful sales is customer satisfaction degree and the foundation for their survival as well. At present, most of small and

medium-sized enterprises are developing and using e-commerce to exchange and cooperate with customers. Enterprises' network information can provide different supply channels and make their cooperation with major suppliers more convenient.

1.3 E-commerce Reduces the Cost of Small and Medium-Sized Enterprises

In procurement, the traditional way of purchase entails the consumption of plenty of manpower, material resources and financial resources and it's likely to bring about man-made operation mistakes. The best thing about the application of e-commerce is that it enables enterprises' employees to focus on product research and development, customers and market, consolidation of cooperation with suppliers as well as long-term development strategy implementation of enterprises while reducing purchase cost. When procurement activities are conducted online, they have more supplier choices, cut down on purchasing cost and guarantee quality of goods. Small and medium-sized enterprises can look for related information on demands on the internet anytime. The marketing department and procurement department can make quick responses to market changes and prediction to a great extent. Besides, it can apparently shorten the order cycle time of both parties and thus further reduce inventory days, cut inventory and even achieve zero inventory. Accordingly, the storage fees for goods will decrease as well. E-commerce can also shorten the trivial time during the transaction process, speed up capital turnover rate, save related information fees and expenditure, etc..

2. SIGNIFICANCE OF E-COMMERCE TO THE DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES

2.1 E-Commerce Can Improve Operation Management Level and Management Quality of Small and Medium-Sized Enterprises

E-commerce development can promote modernization of an enterprise's operation management. The development process of e-commerce is actually the process in which enterprises' operation management turns modernized. It can arm enterprises with modern science and technology and change their traditional concepts and operation models. The implementation of e-commerce in SMEs can enhance their management level and quality, which is mainly demonstrated in the following aspects: First, it's reflected in greater transparency of business management and reduction of management loopholes in e-commerce businesses of purchase and sales. Second, it's manifested in the business procedure trend. The application of e-commerce and informationization forces SMEs to change traditional and obsolete management models, restructure business procedures and enhance work

efficiency. Third, it's reflected in information summary and accelerated feedbacks. In this way, they can obtain the latest commercial development trends in time and have a scientific basis for decision-making.

2.2 E-Commerce Can Enhance Economic Benefits of SMEs

China's large, small and medium-sized processing enterprises develop into trading manufacturers because of e-commerce. Most of China's small and medium-sized manufacturers belong to the simple material processing category. The internet and e-commerce help them go beyond the information gap built by intermediaries and directly gain the orders of purchasers; at the same time, they can shop around, negotiate with more raw material suppliers more freely and eventually select the most suitable suppliers for cooperation. Its application in foreign enterprises shows that the adoption of e-commerce can reduce the cost by 5% to 10%. E-commerce allows enterprises to learn about market and customer demands anytime, shorten business operation time, reduce trade management cost, improve customer service quality, reduce inventory cost, speed up capital flow and improve their economic benefits.

2.3 E-Commerce Promotes SMEs to Better Adapt to Market Changes

SMEs can gain information on demands of the world's customers and potential customers first time via convenient network resources. With their characteristics of simple organization, few management hierarchy and quick information delivery, SMEs can quickly adjust their operation guidelines, produce products which can cater to customer demands with the rapidest speed, and seize the market.

2.4 E-Commerce Is Helpful to International Market Expansion of SMEs

All this time, SMEs have been constrained by numerous objective conditions in foreign export trade. In the past, they look for business opportunities through traditional channels such as exhibitions and advertising. The communication channels are narrow and information cost is extremely high. These SMEs don't have fixed marketing channels, are not familiar with the transaction procedure on the international market and even find it hard to get a stall in large-scale exhibitions such as Canton Fair. Besides, they have less capital. The e-commerce cost is low and the profit rate is one or two percentage points higher than Canton Fair. Besides, it faces the global market. Hence, more and more SMEs join in the team of e-commerce trade.

2.5 E-Commerce Can Obtain Opportunities for Equal Competition With Large Enterprises

Under traditional trade circumstances, SMEs are situated in the unfavorable conditions of incomplete information and asymmetric information. E-commerce has built

favorable conditions for giving full scope to SMEs' flexible operations and the competition advantage of strong market adaptability. In e-commerce, the information sharing realized on the internet enables SMEs to acquire market information which is of great importance but cannot be collected in conventional ways. Further, SMEs can learn about the competition trends of the industry in a timelier way and make correct strategy adjustment and tactics decisions. It provides opportunities for equal competition with large corporate groups. According to the statistics of the third-party agency iResearch, the survival status of SMEs which use e-commerce platform is far superior to enterprises with traditional models. The ratio of offline enterprises in dilemma is up to 84.2% while it's 16.8% for online enterprises, leaving a five times difference.

3. MAJOR PROBLEMS EXISTING IN E-COMMERCE DEVELOPMENT OF CHINA'S SMES

3.1 Informationization Construction

The information construction was started late in China and mature and effective construction methods fall short. In recent years, although the government and enterprises have increased investment in basic network resources, its scale and technology is still at a lower level and e-commerce cannot be quickly developed due to the environmental restraint. Enterprises' operation models and philosophies are backward, which has severely affected their informationization construction. Related survey data shows that the proportion of informationized enterprises is only 15% of the total number of enterprises at present while SMEs only account for 2.9%. In the process, enterprises and governments emphasize hard aspects and network and underestimate soft aspects and data. They blindly conduct informationization construction without any scientific basis, and regard these as enterprises' policy businesses and face-saving projects.

3.2 E-Commerce Integrity and Security

E-commerce security is a key issue that influences e-commerce development. Due to open and sharing features of the internet, the security problem rises as the internet develops rapidly. According to related online surveys, at present, what people are most worried about are hacker, virus and online cheat. It's because of such security problems that some netizens are unwilling to use e-commerce. Commercial credit is an important condition for e-commerce implementation but China's credit system is not improved so far. Enterprises' legal concept is weak and social members' credit in the transaction is low. The phenomena of fraud, cheat and denial often occur, which dramatically weakens people's enthusiasm and activeness about the use of e-commerce.

3.3 E-Commerce Transaction and Settlement

Online payment and settlement methods on China's e-commerce platform include online banking, electronic cash and electronic check, etc. electronic payment and settlement need to be well combined with such industries as finance, communications and internet. However, at present, China's financial services are still at a lower level. Much as different commercial banks have opened online banking service, communications, payment and settlement between banks are affected due to different causes. Besides, corresponding national standards are not announced yet in terms of technical parameters such as identity authentication, data encryption, commercial code and communications security control measures, thus easily leading to legal disputes and increasing the risks of e-commerce operations.

3.4 Logistics Distribution Management

China's modern logistics is developed at a later stage. The logistics informationization degree is low; professional management and operation experience falls short and distribution sites are limited. At the moment, China Post has the widest distribution scope among all logistics, and can reach any town and village of the country but its shortcomings of high cost and slow speed make it impossible to provide quality logistics services for e-commerce. E-commerce has driven the emergence and development of a great batch of logistics companies such as SF Express and ST Express. However, they are not strong enough and their distribution scope is greatly limited. They mainly concentrate on cities and China Post will be adopted for regions under the county level. It hinders the development of e-commerce to a great extent.

3.5 Related Laws and Regulations

E-commerce is still a brand new business model in China. Much as advanced foreign experience is drawn upon and e-commerce regulations are preliminarily formulated based on China's basic national conditions, laws and regulations are still not sound and many shortcomings exist. Related laws and regulations are missing in many aspects such as the disclosure of information on network transaction parties, online transaction security, privacy protection, online counterfeit products cracking and intellectual property protection. As a result, lawbreakers can take the advantage and infringe upon consumers' rights and interests in the end.

3.6 Talent Team Construction

E-commerce refers to business activities conducted with the application of computer and internet information technologies. The e-commerce realization entails plenty of comprehensive talents who possess computer, internet information technology, modern commerce and trade knowledge, logistics, laws and practical operation abilities. However, at present, China's e-commerce talents are in

great shortage. In the ten years to come, China will invest RMB 1 trillion in the construction of e-commerce and e-government affairs programs. According to the statistical data of Alibaba, 34,963 enterprises join in the internet every day. Now, 1/4 of SMEs in Shanghai are trying to or applying e-commerce for domestic and foreign trade. It can be noted that e-commerce will face severe professional talent shortage.

3.7 E-Commerce Cognition

Many SMEs have weak weakness of informationization and their management foundation is not solid. They cannot fully recognize the importance of market in the economy information era and don't know how to conduct e-commerce. Some of them maintain that e-commerce is internet surfing while some of them think e-commerce is just a website. Such understanding is one-sided. They fail to upgrade their e-commerce management foundation and their development only lingers at a website construction. As a result, many enterprises not only need to pay attention to e-commerce in ideology but also understand the essence of e-commerce. Meanwhile, e-commerce is not the matter of an enterprise or several enterprises; instead, it's a global trend. If an enterprise's supply chain management is not improved, it will be a problem for them to cooperate with core supply chain enterprises.

3.8 Realistic Demands and Long-Term Planning

Short-sighted enterprises usually don't have a promising prospect for development. Many of China's SMEs are in short of foresight and long-term planning and focus on immediate short-term benefits only. E-commerce involves many aspects including business transformation and ways of e-commerce development. The implementation and development of SMEs' e-commerce, ranging from online browsing, collection and message release, the establishment of their own websites and information platform, online purchase and industrial combination to the improvement of their supply chain management, must be strictly conducted and can be made step by step. Enterprises will never be able to grow if they are only concerned with their immediate interests.

3.9 Global Integration

Global e-commerce integration is an irresistible trend at present. Led by U.S., international organizations and developed countries have published e-commerce documents. In terms of liberalized multilateral trade development, international agreements and regulations will be announced in near future. So far, e-commerce international negotiations are mainly made between developed countries. China, as a new emerging economy, will gradually participate in the process. SMEs should not only be committed to improving technological content and added value of products but also strengthen their globalization consciousness. To truly implement the globalization strategy, the key is to

reinforce the international informationization degree of enterprises.

4. SUGGESTIONS ON E-COMMERCE DEVELOPMENT OF CHINA'S SMES

4.1 Strengthening Informationization Infrastructure Construction

The government should proactively support e-commerce infrastructure construction, increase expenditure in informationization infrastructure, reasonably instruct capital input, speed up the construction of high-speed information transmission backbone network and broadband construction, enhance internet speed and reduce internet surfing cost. Besides, it should further strengthen the introduction and development of electronic informationization hardware and software and narrow the gap with developed countries. Regards to e-commerce programs which are important but face the investment difficulty, the government should provide direct investment or regard government as the major supporter for enterprises' e-commerce construction.

4.2 Establishing and Perfecting Network Security and Social Credit System

Related national departments should organize professional teams to study and develop network security technologies such as firewall technology, cryptology and verification technology, need to ensure confidentiality, completion, authenticity and undeniability of online transaction information, thus building a safe network running environment for netizens. At the corporate level, enterprises should make greater efforts in their website security management and configuration, enhance the overall precaution ability, and in particular, take encryption measures for important documents. For instance, they can establish e-commerce credit authentication focus and credit rating database, conduct credit rating on e-commerce users and hand out digital rating certificates, thus solving the commercial credit problem in e-commerce transactions and adapting to e-commerce development.

4.3 Promoting and Improving E-Commerce Payment and Settlement System

As to the e-payment difficulty caused by inconsistent network communications platforms of different banks of China, China should set up unified standards as soon as possible, promote favorable cooperation among banks, enterprises and third-party payment platforms, and encourage them to use such payment and settlement tools as bank cards, electronic checks and electronic cash. Banks should go all out to boost online banking businesses, improve e-payment and settlement systems, enhance China's e-payment level and try to advance and perfect the e-payment and settlement system.

4.4 Accelerating the Construction of Logistics Distribution System Which Supports E-Commerce

Varied logistics enterprises should proactively increase informationization level, optimize logistics procedure and improve logistics distribution system, enhance delivery efficiency, reduce logistics cost, provide good support for e-commerce, give great impetus to the construction of the third-party logistics system and make logistics enterprises more professionalized. At the same time, logistics enterprises should actively introduce and use foreign advanced logistics technologies and equipment, integrate corporate resources, reinforce cooperation with foreign logistics enterprises, gradually set up modern logistics distribution system in China and expedite the development of e-commerce.

4.5 Reinforcing Studies and Formulation of Laws and Regulations

In order to guarantee e-commerce development, Chinese government should work out and issue more feasible e-commerce laws and regulations such as e-commerce trade and tax systems as soon as possible. It should accelerate the construction of laws and regulations in such aspects as information security, network management and intellectual property protection. The newly established e-commerce legal system should be in line with China's practical conditions and meet with international standards as well, thus providing a safe external environment for healthy and orderly development of China's e-commerce.

4.6 Strengthening E-Commerce Publicity and Talent Training

It's considerably important to strengthen e-commerce publicity and improve e-commerce awareness of all people. The publicity can make people more realize the convenience brought about by e-commerce to their life, motivate their enthusiasm about online transactions and build favorable consumption environment for e-commerce. The government should strengthen the training and introduction of professional e-commerce talents while creating favorable external environment for e-commerce.

4.7 Selecting Feasible Implementation Methods and Development Path Based on Their Own Characteristics

SMEs differ greatly from large enterprises in many aspects such as corporate structure, market scale, management

mode, resource status and development goals, etc. While carrying out e-commerce strategies, SMEs should choose feasible implementation methods and development paths based on their own characteristics.

At present, it's more suitable for China's SMEs to conduct e-commerce activities via third-party e-commerce platforms for the following reasons: first, SMEs cannot compare with large enterprises in terms of capital and technology, which is a stark fact to face. Therefore, SMEs cannot set up their own websites for e-commerce; rather, they should resort to third-platforms. In this way, they don't have to put a lot of capital; neither do they need to designate special technicians for management. Second, third-party platforms such as Alibaba, Bsteel and Made-in-China.com are well-known with great hits and restructured selling and buying information. SMEs just need few efforts and capital to gain useful commercial information via these professional platforms.

CONCLUSION

E-commerce has become an irresistible world trend and is greatly favored by enterprises because of its strong vitality and unique commercial charms. The prospect for e-commerce implementation in China's SMEs is promising but the application is not mature after all. It must be rationally realized that traditional business models should be changed with internet to provide progressive, rapid and low-cost means for SMEs. Only when SMEs set out from domestic and international dimensions can they truly seize the opportunities brought by e-commerce and rise from the intense market competition.

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