

Cross-Border E-commerce Research of Chinese SMEs

by

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Abstract

In recent years, the international economic development has entered a low tide, and the development of traditional international trade in China's small and medium-sized enterprises has been greatly affected. With the rapid development of e-commerce, cross-border e-commerce has begun to rise. Cross-border e-commerce is a huge development opportunity for SMEs, bringing many favorable conditions, but at the same time there are new problems and challenges. This paper analyzes the opportunities and challenges of SMEs' cross-border e-commerce and proposes relatively relevant measures.

Keywords: SMEs, Cross-Border, E-commerce

1. Introduction

In 2012, Cross-border eCommerce sales reached \$300 billion-, while global online trade is expected to soar to \$1.4 trillion by 2015, presenting multi-channel retailers with limitless business opportunities for international expansion. In China and the US alone, half a billion online shoppers surf the web each day for the best deals. Global acquirers can help retailers with innovative solutions to overcome challenges posed by serving a diverse audience with varying consumer expectations, in multiple languages, solutions which can make cross-border ecommerce domestic and truly profitable.

International ecommerce is called cross-border ecommerce, when consumers buy online from merchants, located in other countries and jurisdictions. Online trade between consumers and merchants which share one common language and border or which make use of the same currency are not always perceived as cross-border by consumers. EU neighbors which speak a common language, united by SEPA, are just one example. The process of cross-border e-commerce generally includes communication based on e-commerce platform, online payment by means of agreement, and cross-border logistics for goods transportation and completion of transactions. Cross-border e-commerce is essentially an organic combination of e-commerce and international trade and international logistics. Since 2012 like Figure 1 China's cross-border e-commerce has developed rapidly.

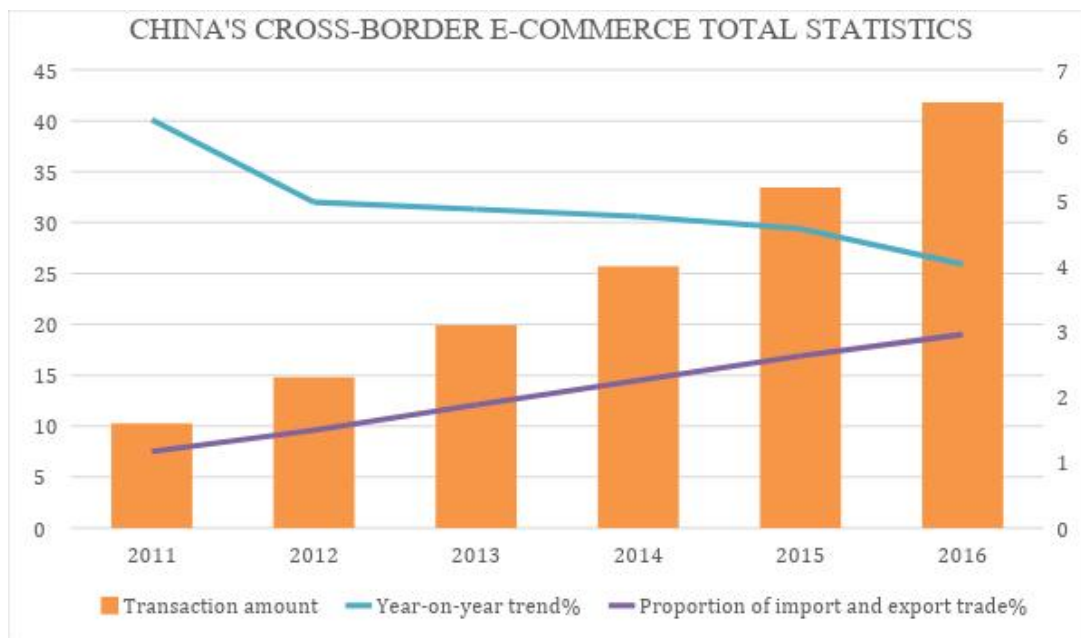


Figure 1 China's cross-border e-commerce total statistics

2. Cross-border e-commerce Situation

The internet enables consumers to shop globally, by purchasing products and services across their border, driven by a common language, a common border, special offers, or simply because the product or service isn't available in the consumer's own region. The increasing popularity of tablets and smartphones, allows consumers worldwide to compare prices, connect with other consumers via social media, to discuss products and services, to select a web shop independent of its location and to transfer payments via their PC, laptop, mobile phone or tablet at any place, anytime, anywhere.

Not only consumers, Merchants and Payment Service Providers profit the opportunities, presented by global ecommerce; banks have come to realize, that offering acquiring services to successful stakeholders engaged in online trade, can be more profitable than selling banking products. Online Retailers, Card Processors and Payment Service Providers have hardly been affected by the economic crisis; on the contrary, these stakeholders have risen like a phoenix from the ashes, in an age when international expansion through global online trade has become big business.

3. Cross-border e-commerce is an opportunity for Chinese SMEs

3.1. Cross-border e-commerce effectively reduces costs and streamlines sales

In a cross-border e-commerce environment, companies can conduct global market searches through the Internet. First of all, it is possible to purchase low-cost raw material supplies in a wider market and effectively reduce the production cost of goods. Secondly, enterprises can directly conduct advertising and sales of goods through cross-border e-commerce platforms, and immediately conduct sales communication and negotiation, and streamline the sales of goods. Thirdly, traditional

trade needs to go through multiple sales links from manufacturers, exporters, importers, distributors, retailers, etc. In the cross-border e-commerce environment, trade eliminates intermediate links and enhances the profit margin of commodities. Once again, cross-border e-commerce digitizes documents and documents, and material costs are greatly reduced. For example, in Figure 2, with one yuan as the investment cost, the benefits of cross-border e-commerce are much higher than the benefits of traditional trade, and are growing year by year.

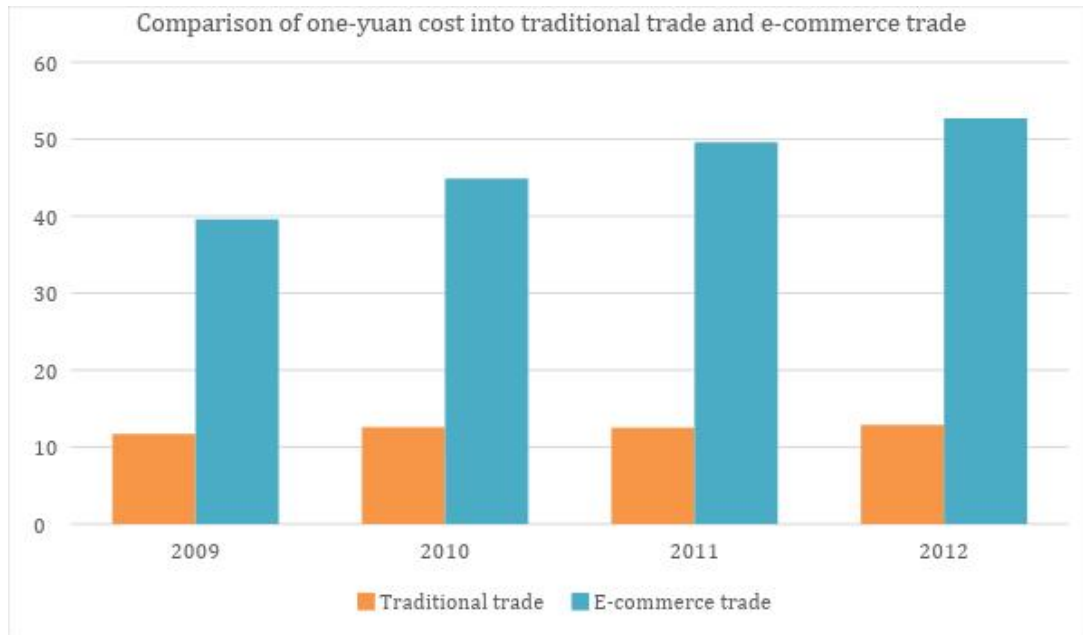


Figure 2 Comparison of one-yuan cost into traditional trade and e-commerce trade

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3.2 Cross-border e-commerce barriers are low, marketing advantages are obvious

Cross-border e-commerce has a relatively low threshold, and Chinese SMEs can participate in it. Even if they do not have import and export qualifications, they can obtain agency clearance services on cross-border e-commerce platforms, which provides Chinese SMEs with Opportunities for development can participate in foreign trade activities at a lower cost. The enterprise marketing market has expanded, and the open Internet space and the information dissemination characteristics of the Internet itself have made marketing more effective. China's SMEs are no longer tied to the traditional market, and the funding and manpower constraints are compensated for in the marketing process.

3.3 Improve brand image and transaction rate

In the process of the development of small and medium-sized enterprises in China, due to various factors such as capital and manpower, the brand image is difficult to establish, and the problems such as small business volume are more prominent. Cross-border e-commerce has broken the original restrictions, and the information and service information of products can be widely spread. SMEs can publish their own information quickly and accurately, and deal with transaction information in real time, bringing more convenience to enterprises and customers. Order volume and transaction rate continue to rise. Moreover, in the platform of cross-border e-commerce, SMEs can

quickly receive feedback from customers, and after-sales and other services lay the foundation for the increase in transaction rate. The brand image of SMEs themselves has also been continuously established in information dissemination and transaction opportunities.

3.4 China's national policy support

The rapid development of e-commerce has attracted the attention of the state. In 2012, the total transaction volume of cross-border e-commerce in China reached 2 trillion yuan, an increase of about 32.0%. In the following years, cross-border electricity The business has always maintained a rapid development trend, and its scale has been continuously expanded and its influence has been continuously deepened. China has set up a number of policies to support this, and has taken the lead in establishing cross-border e-commerce pilots in cities such as Shanghai and Hangzhou. At the same time, it has explored and guided the development of cross-border e-commerce, and promoted the steady development of cross-border e-commerce. Especially for the retail support of cross-border e-commerce, the new policy of collecting export tax rebates for cross-border e-commerce platforms has provided strong support for SMEs to develop cross-border e-commerce.

4. The main problems in the development of cross-border e-commerce for Chinese SMEs

4.1 Logistics transportation and customs clearance problems

The biggest cost for SMEs to conduct cross-border e-commerce lies in logistics and transportation. Among cross-border e-commerce, small-scale logistics and transportation mainly include international logistics, domestic logistics parcels, and warehouse-type transportation. Among them, the international logistics speed block is extremely high, which is not suitable for the use of small and medium-sized enterprises; the logistics packet is slow. The extension of the trading cycle is not conducive to rapid order formation; warehouse transportation costs are too high, and SMEs are difficult to support. Therefore, the problem of logistics and transportation is still a difficult point in the development of cross-border e-commerce for small and medium-sized enterprises.

Cross-border e-commerce involves entry and exit issues in multiple countries. Different countries have different standards for entry and exit management, but they have a high degree of emphasis on customs safety. In the process of customs inspection of goods, it often takes a lot of time, which is not conducive to the rapid completion of transactions. In addition, the customs of all countries have not fully opened up the import and export of small-sized goods. When the number of retail goods is large, it is necessary to declare the goods, which makes it difficult for SMEs to cross-border e-commerce.

4.2 Vicious competition caused by competitive pressure

The low threshold and high income of cross-border e-commerce have attracted a large number of enterprises, and the competitive pressure of SMEs in cross-border e-commerce has been increasing. In the process of product sales, vicious competition has emerged. In addition, SMEs do not have a deep understanding of cross-border e-commerce. They often follow the trend to join the ranks of cross-border e-commerce. They have a shallow understanding of cross-border e-commerce and lack professional marketing methods. Insufficient analysis of market demand, insufficient development of customer sources, blindly began vicious competition such as price wars.

In addition, SMEs often lack their own brand awareness and legal awareness, and have caused problems such as intellectual property infringement and counterfeiting in the process of competition. Due to problems in knowledge products and the phenomenon of customs detainment caused by counterfeiting, the laws and regulations vary from country to country. The unified credit norms and credit management system have not been applied in cross-border e-commerce, and cross-border electricity has been applied. The overall credit of the business is in jeopardy.

4.3 Lack of talent for SMEs

Cross-border e-commerce has a global market space. Customers from all over the world, different languages, habits, backgrounds and other factors cause communication difficulties. Therefore, it is necessary to communicate with talents with certain foreign language level to cross-border customers. Understand communication. On the other hand, cross-border e-commerce often requires the maintenance, update, website design and daily technical support of the information platform, including security issues, etc., which require professional personnel to perform proficient operations. In addition, cross-border e-commerce operations, market development, customer source mining, and market dynamics require professional talents to conduct operational analysis, while SMEs often lack sufficient capital and treatment attractiveness, resulting in a shortage of talent.

4.4 The challenge of currency payments to cross-border e-commerce

International expansion through cross-border ecommerce can only be realized after online Merchants have overcome a number of challenges.

A solid partner in the targeted region can help the Merchant analyze and understand local business customs, consumer preferences and cultural differences, which affect decisions around inventory management and product marketing. Marketing strategies will have to be customized, to reach a different audience in a foreign market and a different infrastructure might require local logistic and delivery services. A “One size fits all” approach might prove to be a pitfall. Consumers often have high expectations around logistics and timely delivery and shipping costs are important drivers determining consumer preferences. Merchants which offer free or cheap delivery attract more consumers.

After geography (common borders), language is another important driver. Common language and culture reduces the barriers and saves the retailer high transaction costs involved in adapting websites and promotional copy. However, in order to reach an international audience, the retailer will have to invest in translations and in local proofreaders, who understands local terminology and culture. Multilingual customer support is crucial for customer loyalty.

Consumers prefer to pay in their local currency. Global expansion requires multi-currency conversion and settlement in currencies defined by major card schemes, including interchange rates. Banks in other jurisdictions have to be compliant with local legal requirements. Global payment solution providers with regional partners in the card payment sector, partners which have acquired expertise in the technical, innovative and legal aspects of online sales, can help merchants to manage transactions over one secure payment gateway.

Even though credit card payment remain preferred payment method worldwide, accounting for 58% of all non-cash payment transactions in 2012, new payment methods have become popular in different regions. Boleto bancario in Brazil, COD in Germany, IDEAL in the Netherlands, etc. and

in some countries payments are only collected after the products have been delivered. In some countries, disappointed consumers have the legal right to send merchandise back within a specified period of time. The merchant has to manage logistics, including chargebacks.

Notwithstanding the above challenges, global online trade is expected to grow to \$1.4 trillion by 2015 and cross-border e-commerce has already surpassed \$300 billion; testimony to the fact that the digital highway provides retailers with unprecedented business opportunities for international expansion.

5. Main measures for the development of cross-border e-commerce existing problems in Chinese SMEs

SMEs should support the development of cross-border e-commerce and leave the country without policies and regulations. In addition, SMEs should proceed from themselves and take measures to solve various problems in development. First of all, cultivate a talent team, use school-enterprise cooperation and other methods to train professionals, including e-commerce, international trade, IT design and other talents to form a team to conduct research and exploration of cross-border e-commerce, research and investigation of the market environment, adapt to cross The development of environmental e-commerce. At the same time, strengthen its own brand building, and establish a legislative concept to attract customers with service and quality. Secondly, to ensure the speed of logistics, choose a reliable logistics and transportation mode, follow up and feedback on logistics, improve customer satisfaction with enterprise services in the case of ensuring logistics, and improve the negative impact of logistics problems through reasonable communication and service.

6. Conclusion

Under China's "One Belt, One Road" policy, cross-border e-commerce has more and more opportunities for SMEs. Although faced with difficulties, it is the current development goal to achieve faster and more convenient. SMEs also have more measures to improve their own businesses, not blindly investing, rational analysis of current market conditions and then invest. For the future development of enterprises, cross-border e-commerce has become the main goal of enterprise development. With the increasingly fierce competition for product homogenization in the past few years, more and more Chinese companies are beginning to realize the importance of brands in the cross-border e-commerce field, and major mainstream cross-border e-commerce platforms have also been launched. Your own brand new deal. But brand building is not an easy task. He needs all kinds of factors, especially for start-ups. Even the first thing to realize is the risk in the brand creation process. In fact, from a global perspective, brand excess may be the true face of this era, such as food, clothing and other traditional industries, Europe and the United States and other developed countries' brands are very strong. But this does not mean that there is no chance for the brand to be created, because "Made in China" has always been deeply rooted in the hearts of people with low prices and good quality.

Therefore, for developing countries along the "One Belt, One Road", if they can use the advantages of cross-border e-commerce to carry out accurate brand marketing in the form of big data, the opportunities of Chinese brands may be much larger than traditional European and American brands. At the same time, although in the traditional industry, Chinese brands are temporarily inferior to European and American brands, but in related emerging technology industries

such as drones, the market share of Chinese brands far exceeds that of overseas similar brands. Therefore, for the start-up enterprises, on the one hand, the test is the courage and wisdom of the enterprise itself, on the other hand, it also tests whether the enterprise can seize the rare opportunity of the national policy in time to meet the difficulties.

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Appendices

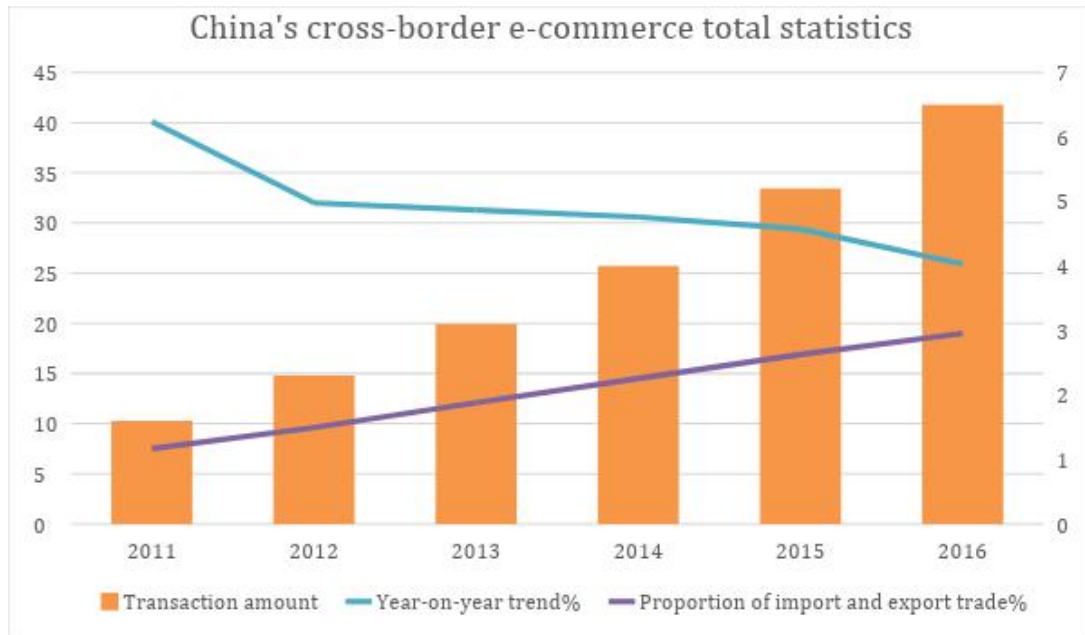


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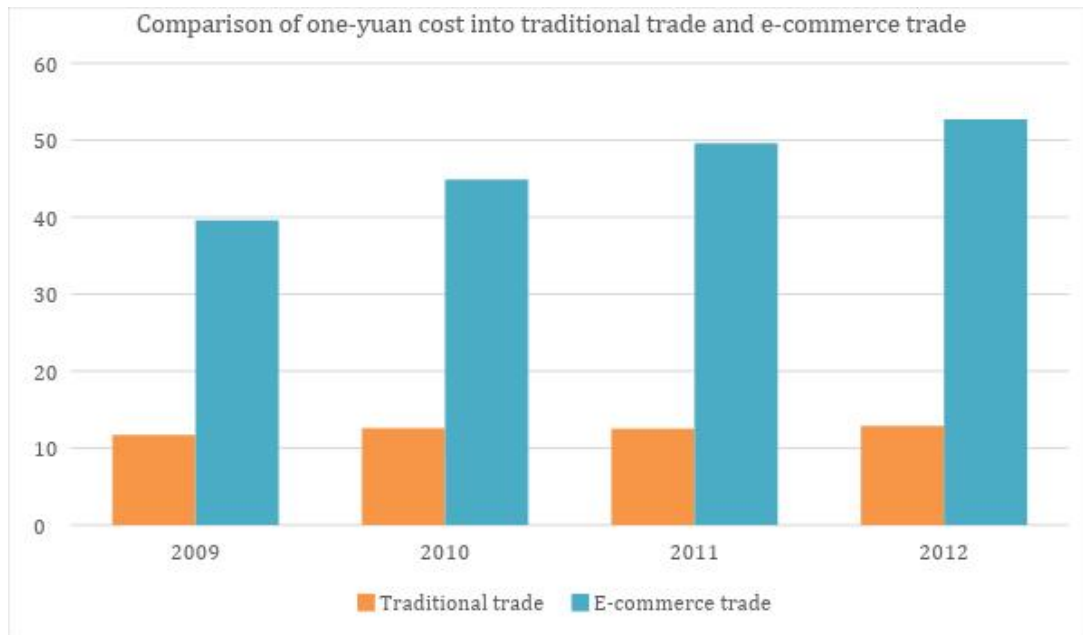


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