Solutions to the Small and Medium-sized Enterprises Using E-commerce to Deal with Financial Crisis

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Abstract: It is very obvious that the global financial crisis has made a negative impact on Chinese economy. A large number of small and medium-sized enterprises’ production and operations have gotten into a difficult situation. Although many policies and measures have been introduced by our government to help the small and medium-sized enterprises to spend the winter, and there was a decent effect, the problems and difficulties confronted to the small and medium-sized enterprises have not been fundamentally resolved. Production and management situation remains quite severe. Faced with this situation, one of the most effective ways is to reduce the production and marketing pressure through the development of e-commerce. In this paper, by analyzing the impact of the financial crisis on the SMEs and the advantages of the e-commerce demonstrated under the financial crisis, and in the view of the development status quo of the SMEs e-commerce, I will introduce a series of solutions to deal with the financial crises by using e-commerce.

Keywords: Small and medium-sized enterprises (SMEs), E-commerce, Financial crisis

1 Introduction

SMEs is the foundation to promote the development of Chinese national economy, construct the main structure of the market economy, and accelerate the social stability. By the influence of the international financial crisis, profound and obvious changes have happened on Chinese macroeconomic environment, and are still growing. Facing to the financial crisis, all the developments of the SMEs are confronted with severe challenges of the rising prices of raw materials, the increasing of labor costs and the declining of market demands. Countries are trying to use a variety of economic policies to alleviate the pressure encountered by the financial crisis on the enterprises. In the view of Chinese national conditions, it is an urgency to find a new breakthrough to solve the pressures of the costs increasing and the benefits reducing faced by the SMEs. In addition to enhancing the capability of independent innovation, accelerating technological upgrading and enhancing value-added products, the most important breakthrough is developing e-commerce vigorously.

2 The Development Plight of the SMEs under Financial Crisis in Our Country

2.1 The international markets were shrinking
The outbreak of the global economic crisis caused global deflation and led to a sharp contraction of international production markets directly. Before 2008, the exportation rate of Chinese products had been growing more than 20%, but the increase rate was only 8% in 2008. Beginning in November 2008, Chinese foreign trade, imports and exports, declined and negative growth appeared. In this way, the enterprises that operate exportation are going to be impacted in consequence. Both Wenzhou City (Zhejiang Province) and Dongguan City (Guangdong Province) are SMEs concentration places. Nearly 30,000 enterprises were shut down in last one year.

2.2 The domestic market varied quickly
The conduction effect as a result of the international market shrinking impacted the domestic market and increased the domestic market variables. This is because, on one hand, the blocked exports resulted in the enterprises that operate exportation turning to domestic market, thus accelerating the competition in the domestic market. On the other hand, the production of export products reduces, thus the production of raw and auxiliary materials for the export production has a corresponding reduction; at the same time,
all the relevant enterprises will reduce the number of employees due to the corresponding of the production reduction. The wage reduction must influence the consumer goods markets inevitably. In this way, it will impact the domestic market like a domino-type. According to the investigation of National Development and Reform Commission, there were 67,000 SMEs shut down by the end of the first half of 2008.

2.3 Production costs increased
Relative to product prices, the production costs of the SMEs have been increasing larger recently. From the start of 2007, our country determined the macro-control policies which make gradual shrinkage of the product market and the prices decline step by step. But the prices of raw materials including energy kept going up. In addition, the increase of the RMB's exchange rate, as well as the promulgating and implementing of the “Labor Contract Law” all accelerated the increasing extent in costs. The latter two of which belong to the hardware costs, the enterprises are unable to digest them. This greatly increases the difficulty of the enterprises to control costs.

3 The Advantages of E-commerce under the Financial Crisis

3.1 E-commerce can increase sales opportunities
E-commerce is a vital tool for the enterprises to increase sales opportunities. By using the e-commerce, enterprises can not only search and browse suppliers, find new suppliers and trading partners, take the initiative, but also be able to issue online purchasing information, and increase sales opportunities for the seller, increase the buying opportunity for the buyer. At the same time, from the enterprises’ own demands, it is an indispensable thing for the enterprises to broaden the market in time. And channels choosing is crucial for expanding the sales Volume. E-commerce channel is high cost-effective. It can deliver the product information to more and more consumers by network, then use electronic methods to market, to pay and to deliver. This will not only save costs, but also extend the share in the traditional market. The research data from Assessment Report of the living conditions of SMEs, which was released by iResearch (A machinery for consultation) in 2009, showed that comparing the changes between before and after using e-commerce, 67% of enterprises believe that the number of cooperators is increased and the business channels are wider than before.

3.2 E-commerce can reduce costs and improve transaction efficiency significantly
Many enterprises are urged by economic crisis to actively try the better cost-effective Internet e-commerce to reduce business cost of sales. The positive role of e-commerce in the anti-economic crisis is to be obvious. The applications of e-commerce enhanced the speed of transactions, and reduced the goods circulation time. It linked the producers and consumers around the world through the network, then shorten the space distance between the parties to the transaction. Traders can realize the entire transaction process of collecting information, signing a contract and paying all through the Internet. And the physical goods may be directly sent to the customers’ hands by the latest logistics enterprises with the fastest speed. In addition to logistics and distribution costs, the transaction location and the distance of the parties have almost no effect. In other words, e-commerce makes the transactions more convenient and efficient, greatly improve the trading efficiency.

3.3 E-commerce can enhance the capacity of the enterprises to exploit domestic and foreign markets
Corporate orders reduced in the financial crisis. So, the enterprises use e-commerce to open up new markets, to find new customers. They have achieved significant feedback. E-commerce has a great ability to open up market. Mainly reflected in: It can open up the domestic retail market; It an open up the United Nations procurement market; It can open up international and domestic e-commerce online trading market; It can open up cross-border product processing market; It can open up cross-border and domestic raw material procurement market, etc.
4 Under the Financial Crisis, the Current Situation of E-commerce for Chinese SMEs

With the increasing popularity of the Internet, Chinese SME e-commerce developed rapidly. However, most SMEs are still in the trial stage of applications and integration phases of e-commerce. The current financial crisis provides an opportunity for SMEs to develop e-commerce. The cold winter of the global economy stimulates the development of e-commerce. In recent years, Chinese e-commerce has a great deal of progress in good faith, payment, logistics and other links. Therefore, it will be undoubtedly the first choice of SMEs in the financial crisis to use the low-cost and efficient e-commerce to trade on the Internet. Large number of SMEs have adopted e-commerce platform to meet businessmen, widening the channel for on-line trading business. Developing e-commerce has become the best choice for SMEs in 2009. However, at present, a large number of SMEs are still using traditional channels to purchase and distribute. E-commerce’s needs of SMEs have not yet been fully released. Embodied in the following aspects:

4.1 Application level is low, lack of knowledge

Now, there are three main forms of e-commerce for domestic SMEs. They are company home page, internal e-mail system and participation of third-party trading systems. The three forms account for 86%, 35% and 39% respectively in the survey. Corporate web site can only provide business presentations, product introduction, supply and demand information, contacting us and other basic elements. The promotion effect is limited and lack regular visitors. It is difficult for the enterprise to reflect its personality and taste. In addition, only 11% of companies have set up their own e-commerce platforms. This is mainly associated with the SME’s own limited funds, and it also shows that the development of SMEs’ e-commerce is still in the initial stage.

4.2 There are many constraints

95% of companies have recognized the existence of constraints when they talk about the constraints of e-commerce development in companies. The main reasons are showed in Figure 1.

![Figure 1 Constraints in developing e-commerce](image)

From Figure 1, we can see that there are many reasons to explain why enterprises do not develop or further develop e-business. But the main problem is due to the lack of professional personnel and
network security issues. In addition, the security of online payment can not be guaranteed. Many businesses still use the traditional method of payment.

4.3 The performance of e-commerce is less evident
In the survey, many managers believe that although they have been spending a great deal of manpower and material resources on developing e-commerce, it is still worth the time and money. In general, e-commerce has brought a positive effect on the enterprises. From Figure 2, we can see that the improvement of the business links brought by e-commerce is most notably marketing, corporate image promotion and financial management. This coincides with the motivation of the enterprises to develop e-commerce. It also proved that the implementation of e-commerce has great pertinence. However, in the practical survey, we found that e-commerce did not bring the expected results. After the implementation of e-commerce, the competitiveness of the enterprises has not been a visible rise, and the percentage of administrative costs and sales is not much changed. Many businesses are also trading through the traditional way. The proportion of the network sales is not very high, generally 20% to 30% or so. Thus, the development of SMEs’ e-commerce activities is not very deep.

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<th>Marketing</th>
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<th>Financial Management</th>
<th>Production Management</th>
<th>Building of Enterprise Culture</th>
<th>Personnel Recruitment and Training</th>
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Figure 2 The improvement of specific aspects of e-commerce

5 Strategies on the SMEs using e-commerce to deal with financial crisis

5.1 Innovate actively to enhance competitiveness
In the current situation of financial crisis, the SMEs must do a good job of innovation to strengthen the ability to resist risks and enhance competitiveness. In the current circumstances, first of all, the SMEs should achieve the concept innovation, then target the markets and understand the market trends, to adjust the business strategy flexibly. Second, the SMEs should insist on the conception of survival with quality assurance, the concept of development with quality assurance, and win the customers with quality assurance to occupy the markets. Third, it is necessary to establish a new market concept and the concept of space-time. The Internet full of high-capacity, high-speed, and interactive information provides reliable technology infrastructure and conditions for the enterprises marketing in accordance with the new market concepts and space-time concepts. Moreover, the SMEs should achieve production and process management innovation. Digital customization will be possible after the network technology had been applied to the research of business market and the field of product design, development and manufacture. Finally, the SMEs should enhance service awareness and improve service levels. In e-commerce environment, great qualitative change had happened on the market competition from the content to the way. Services beyond the products in the market competition have become the most important elements between enterprises competition. When different businesses
produce almost homogeneous products, to some extent, whether the customers will buy their products depends on the availability of quality services provided by the enterprises. No matter where the customers are, networks are the best medium between businesses and customers. Therefore, enterprises can not ignore using the e-commerce to carry out the invisible services, to enhance their competitiveness.

5.2 Emphasis on customer relationship management (CRM), provide full-service for the customers in time
Most of the traditional markets of the SMEs are impacted by the financial crisis. They experienced a sharp decline in market demands. In this economic environment, how to establish a stable customer relationship becomes an important issue for a large number of SMEs to consider. In the "customer-centric" days, CRM has occupied an important position in corporate marketing activities because the sale of products is based on good customer relations. Good CRM can help companies seize market opportunities. It will not only help sales of existing products, but also be tailor-made according to the specific needs of the customers. The SMEs will meet needs of the customers maximally in order to continue to earn a better reputation.

5.3 To make of targeted e-commerce development planning
Many SMEs don’t have a deep understanding of e-commerce which is based on Internet technology. The results are not often very satisfactory because of their blind carrying out during the process of e-commerce. In fact, the essence of e-commerce is business. the core of the work to be completed is not changed but just take a different model. Therefore, the SMEs should be aware that e-commerce business is part of their business work, and establish the development planning for it as carrying out their traditional business work.
The purpose of the implementation of e-commerce for SMEs is to complete the transaction. But the e-commerce in China has just started. Different enterprises have their different circumstances. So SMEs should consider their own management level, infrastructure conditions and environment in carrying out their own e-commerce. It is important for them to choose a suitable entry point and platforms for their own features, not to obedient blindly or be random. The SMEs should develop targeted development plans on this basis and obtain good yields step by step. In addition, in deciding how to carry out e-commerce, SMEs should integrate their targeted development plans into the overall planning of business.

5.4 Professional training and configuration
Chinese SMEs must make use of the complex talents who understand both information technology and business rules to develop their e-commerce, and can promote the operation effectiveness of the operator through taking part in the combat training provided by some B2B websites. Internet can also be a sales tool to provide a variety of real-time enterprise information to the sales staff that are in the first line at anytime and anywhere. The information will help the SMEs to reduce market failures and avoid market losses through supporting sales activities and maintaining communication links with sales staff at any time.

6 Conclusion
The global financial crisis has brought the tremendous impact on the SMEs. At the same time, the global financial crisis provides an opportunity for the SMEs to develop e-commerce. At present, the SMEs must analyze concretely the impact factors brought by the international financial crisis, to grasp the business opportunities in time, to make the correct innovation decision-making, and to use of modern management tools to speed up the pace of e-commerce. This will not only be effective in response to the current financial, but also help to promote the long-term market competitiveness directly.

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References