E-Commerce Strategy of Small & Medium Enterprises

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Abstract With the in-depth development of information technology and the wide diffusion of Internet, E-commerce is not only a strategic choice for large enterprises, but also the same choice for Small & Medium Enterprises (SMEs). Using the specifications of corporate strategy study, this paper carries on the environmental analysis from the aspects of economy environment and technology development tendency etc, and concludes that the internet facility supply and the popularization as well as cost reduction of its above increment service are fundamental factors for SMEs to adopt e-commerce strategies. Besides, it analyzes the feasibility of SMEs’ using e-commerce from the resources and the strategic ability. It analyzes the needs of stakeholders from the paperless office and the super-border transactions etc. With information search engine and multimedia information technology, enterprises can get a lower-cost access to relevant information of trading partners in a shorter period. Via e-commerce logistics distribution system, the exchange of goods and services become more efficient and safe. The bank settlement system network enables the property transferring more secure and quickly as well.

Key words Small Medium Enterprises, E-Commerce, Enterprise Strategy, Logistics Distribution

1 Introduction

As the e-commerce has penetrated trade and enterprises at a very rapid rate, its enormous value has been widely recognized. However, as a system which needs a certain amounts of investment of financial, human and material resources, whether it is feasible for all enterprises, including Small & Medium Enterprises (SMEs)? Which are the key technologies of its implementation? These, to which SMEs’ operators pay much attention, are worth studying in our view. From the corporation life cycle, SMEs are at the start-up stage and the developing stage, having capital, technology and human resources weakness, their process of development is the process of nurturing and enhancing the core competitiveness. SMEs should adapt to environmental requirements of e-commerce, make full use of modern information technology and network advantages as well as pioneer a new way of development.

Since SMEs are emerging as significant internet users and like their larger counterparts increasingly adopting e-commerce (Stephen Drew, 2003), as Andy Grove expressed it: “the world now runs on internet time”, there is more and more research into the use of e-commerce to date. Some study integrates SMEs internationalization and international marketing with developments in the area of e-commerce (James H. Tiessen, Richard W. Wright, Ian Turner, 2001). And some professors prefer to conduct practical solutions in strategic and entrepreneurial applications of e-commerce, like G.T. Lumpkin.

This paper uses the specifications of corporate strategy study, carrying on the strategic analysis from the aspects of economy environment and technology development tendency, the resources and strategic ability as well as the needs of stakeholders, and discuss the use of information search engine and multimedia information technology, e-commerce logistics distribution system and the bank settlement system network from a technical perspective.

2 Strategic analysis of SMEs’ implementing e-commerce
2.1 Environmental analysis
From the above PEST model we can see that the current political environment, economic environment, social and cultural environment as well as the technological development tendency are conducive to the implementation of e-commerce for SMEs in China, which shows that the internet facility supply and the popularization as well as cost reduction of its above increment service are fundamental factors for SMEs to adopt e-commerce strategies.

As public products, internet infrastructure construction needs strong support from the government. This paper thinks that the government investment in internet infrastructure is inversely related to the cost of SMEs’ implementing e-commerce. The more the investment, the lower the cost, the more SMEs attracted to join the e-commerce network. According to Metcalf's Law, the e-commerce network will be value-added, which means the cost of SMEs’ implementing e-commerce will be further reduced.

### 2.2 Resources and Strategic Analysis

#### Table 1 SWOT analysis of resources and strategy about SMEs' implementing e-commerce

<table>
<thead>
<tr>
<th>Inside</th>
<th>Outside</th>
<th>S: Flexible operating mechanism</th>
<th>Easy decision-making and management</th>
<th>Quick Reaction to market</th>
<th>Enhanced specialized degree</th>
<th>Cluster trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>S: Large number of Internet users and online enterprises</td>
<td>W: Small scale</td>
<td></td>
<td>Low-tech</td>
<td>Short life span</td>
<td>Products low value-added</td>
<td>Weak competition</td>
</tr>
<tr>
<td>T: No regulating market competition Difficulties in financing Modern management Intense competition in domestic and foreign markets</td>
<td>S-T: From “small” to “strong”, Use its flexibility, expertise and low-cost advantages to provide supporting services for large enterprises, Promote enterprises information Construction, enhance their competitiveness</td>
<td>W-T: Take a strategic alliance, compensate resource limitation of individual enterprise; Several enterprises to jointly construct e-commerce network based on SMEs cluster;</td>
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From the above analysis it can be seen that the implementation of e-commerce for SMEs is profitable and feasible. Since the e-commerce can provide a Virtual Market paralleling to the realistic
market, SMEs are able to narrow the gap between them and their larger counterparts. So that using e-commerce to construct core competence is an inevitable choice for SMEs in China. Via the e-commerce value chain in network economy, SMEs are able to obtain a competitive advantage.

![Diagram of E-commerce Value Chain in network economy](image)

### 2.3 Stakeholders analysis

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Stakeholders</th>
<th>E-commerce’s benefiting stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership relations</td>
<td>Shareholders</td>
<td>Lowering marketing costs</td>
</tr>
<tr>
<td></td>
<td>Operators</td>
<td>Expanding market space, increasing sales amount, realizing stable income and enterprise development</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increasing profits and enhance competitiveness</td>
</tr>
<tr>
<td>Economic interests relations</td>
<td>Staff</td>
<td>Making the organization be Flatten, leading to facilitate communication between the upper and lower</td>
</tr>
<tr>
<td></td>
<td>Customers</td>
<td>Accelerating the information flow and improving work efficiency</td>
</tr>
<tr>
<td></td>
<td>Suppliers</td>
<td>Strengthening the communication between customer and enterprise, facilitating better understanding of customer’s needs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Promoting SMEs’ CRM construction</td>
</tr>
<tr>
<td></td>
<td>Government</td>
<td>Enabling Seamless connection between enterprises and suppliers via internet, achieving timely orders, accurate inventory control and speeding up the capital flow between suppliers and enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Being Paperless commerce, conserving natural resources, and protecting environment</td>
</tr>
</tbody>
</table>

From table 2 we can see that different stakeholders have their own demands, and the implementation of e-commerce is benefit for each stakeholder.

### 3 Implementation mode and several key technologies of SMEs’ e-commerce strategy

#### 3.1 Implementation mode of SMEs’ e-commerce strategy

SMEs should accurate positioning on the basis of understanding themselves as well as their competitors and customers, and choose a suitable mode and method of e-commerce implementation. For example, SMEs which just involve in internet could choose e-commerce implementation mode based on the third party, not only can they avoid disadvantages of technologies, equipments and human resource, also they can reduce costs. And Several SMEs in a industry cluster could construct e-commerce system based on extranet, the resource share can accelerate the pace of e-commerce and lower costs.

#### 3.2 Several key technologies of SMEs’ e-commerce strategy

##### 3.2.1 Information search engine and related multimedia technology

With information search engines and related multimedia technology, SMEs can get a lower-cost access to relevant information of trading partners in a shorter period, so as to strengthen the enterprise market analyzing, decision supporting and the ability of developing new product.
3.2.2 E-commerce logistics distribution system

Based on the widely use of information technologies, modern logistics' smoothly operation requires a completing customer information, including geographical position, capital, order information, type and quantity as well as function of Products, place and time of Delivery etc, which can be provided by e-commerce based on its Powerful CRM system. The Seamless connection of e-commerce and modern logistics will greatly promote modern logistics, lower SMEs’ operating costs and raise profits, so as to realize the safe and efficient exchange of goods and service.

3.2.3 The bank settlement system network

The bank settlement online is a value-added service. Along with the development of network bank and the network security technology, the service is more Safe and reliable. In traditional settlement environment, the delivery of materials is before or after the settlement with the suppliers, as well, the transfer of property is not synchronize to the transfer of funds, which will result in a larger supply chain risk. While under the bank settlement system network, each time a property transfer has a piece of financial service followed. For example, once a certain number of raw materials are transferred to logistics center, Suppliers can use the POS terminal provided by bank to complete the corresponding financial assets disposal timely without any additional supply chain risks, so the bank settlement system network enables the property transfer more secure and quickly.

4 Conclusions

With the in-depth development of information technology and the wide diffusion of Internet, E-commerce is not only a strategic choice for large enterprises, but also the same choice for SMEs. Using the specifications of corporate strategy study, this paper carries on the environmental analysis from the aspects of economy environment and technology development tendency etc, and concludes that the internet facility supply and the popularization as well as cost reduction of its above increment service are fundamental factors for SMEs to adopt e-commerce strategies. Besides, it analyzes the feasibility of SMEs’ using e-commerce from the resources and the strategic ability as well as the needs of stakeholders from the paperless office and the super-border transactions etc, and concludes that SMEs’ e-commerce strategy is feasible and profitable. More over, being Paperless commerce, e-commerce is able to conserve natural resources and protect environment. Via the e-commerce value chain, SMEs are able to obtain a competitive advantage in network economy. And SMEs should accurately position on the basis of understanding themselves as well as their competitors and customers, and choose a suitable mode and method of e-commerce implementation. Further more, this paper discussed three key technologies in e-commerce system: With information search engine and
multimedia information technology, enterprises can get a lower-cost access to relevant information of trading partners in a shorter period; Via e-commerce logistics distribution system, the exchange of goods and services become more efficient and safe; The bank settlement system network enables the property transferring more secure and quickly and lowers supply chain risks.

However, the three technologies are still developing, and along with their development, e-commerce will be more worth implemented. In this paper, the discussion of the Seamless connection of e-commerce and modern logistics is not perfect, and its further discussion has a profound significance.

References