

# Exploration of Network Marketing Channel for SMEs under E-commerce Background

Juanjuan Liang

Guangdong Polytechnic, Foshan, 528041, China

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**Abstract.** as the proportion of internet in China's marketing market shares continuously extends and develops, e-commerce gradually covers various industries and becomes the supporting point of rapid development of enterprises. As e-commerce increasingly expands, small and medium enterprises (SMEs) also start to enter the list of e-commerce marketing. Currently, to comprehensively and intensively understand development status of network marketing channel of SMEs under e-commerce background and to actively solve network marketing problems of SMEs are the main means for vast SMEs to grasp internet development opportunities and realize enterprise sustainable development.

## Concept and basic features of e-commerce

### 1. Concept of e-commerce

In a broad sense, e-commerce is a new business operation mode in which buyers and sellers carry out various business and trading activities without meeting through application of the browser and server under open network environment so as to achieve online shopping, online transaction, online payment, commercial activities, trading activities, financial activities and relevant comprehensive service activities. In a narrow sense, e-commerce means to apply internet to work on commerce or activities. About the concept of e-commerce, Yang Zhengjian (an e-commerce expert) considers e-commerce refers to all kinds of commercial activities conducted by transaction parties or participants with modern information technology and computer network, including the trade in goods, service and intellectual property.

In a word, e-commerce is a platform for participants to carry out trading activities. The final goal is to gain profits. At present, e-commerce modes are mainly classified into ABC, B2B, B2C, B2M and B2A etc.

### 2. Basic features of e-commerce

According to the operation of e-commerce, e-commerce mainly owns the following features:

(1) Wide coverage area and low marketing cost. The marketing platform of e-commerce has the advantages of wide coverage area and easy operation. All enterprises can publish commodity information on the internet so that vast consumers can inquire information online. This also saves advertising costs for extensive dealers while bringing convenience for customers' enquiry and selection. Compared with traditional marketing mode, network marketing cost under e-commerce background is low. This is a good marketing platform for SMEs without sufficient capital.

(2) Convenience for information collection and customer management. When a commodity is sold, real demands of vast customers can be timely known due to the advantages of network so as to find out breakthrough points of product research and development or marketing, continuously accumulate customers, better manage customer data, effectively analyze customer data and increase marketing performance.

(3) Unlimited business scale and convenient for product expansion. E-commerce platform is a virtual platform with huge space. It has no limitations to the products and scale. Thus, it greatly stimulates enterprises' enthusiasm for expanding the scale, researching and developing new products. Besides, the wide network platform space is convenient for enterprises to push new products to the market faster.

## **Network marketing theory under e-commerce background**

Network marketing is an important constituent part of e-commerce. Only after vast SMEs intensively know the theory and mode of network marketing can they smoothly expand new marketing channels. Currently, network marketing theory mainly concentrates on integrated network marketing, soft network marketing and direct network marketing.

Integrated marketing refers to bilateral interaction characteristic of network marketing information. This makes customers' participation in the whole marketing process possible. Besides, initiative and selectivity of customer participation enhance. The status of customers in the whole marketing process further boosts compared with traditional marketing. Traditional marketing has many shortcomings in the aspect of customer participation in enterprise marketing process. Integrated marketing makes customers change passivity to initiative and attracts customers to pay attention to the enterprise and have a good impression on the enterprise and its products through arousing customers' interest.

Soft marketing means under network marketing environment, information delivery and promotion means adopted by enterprises are more rational. Customers can easier accept these. Thus, information sharing and marketing integration can be realized. Traditional marketing mainly directly advertises product information or product activities, which owns dense commercial information. Soft marketing is more rational and humanized. It starts from buying demands of vast customers to reach the final goal of indirect marketing of products.

Direct marketing means manufacturers directly sell products through direct distribution channels. Currently, there are two common direct marketing ways. 1) Enterprises establish enterprise website, homepage and sales webpage on e-commerce platform. Enterprise network administrators handle product sales. 2) Enterprises entrust relevant service providers to release relevant information on the website. Enterprises utilize the network to spread information and contact with vast customers so as to sell the products.

## **Marketing channel development of SMEs under e-commerce background**

As internet rapidly develops, e-commerce gradually occupies an advantageous position in the market and becomes an inevitable choice of numerous enterprises to expand marketing channels and enhance market competitiveness. In the past, only string large companies can participate in e-commerce marketing. In recent years, SMEs have started to realize the importance of e-commerce and gradually joined the team. According to relevant data statistics, direct network marketing scale via e-commerce was 1.8 billion in 2003. This number has increased rapidly in recent years. It is predicted that number can exceed 7.5 billion this year. It can be predicted that immeasurable marketing potential of e-commerce has a very great role for development of SMEs.

SMEs are just involved in network marketing. For traditional SMEs, e-commerce is still an emerging industry. Due to various factors, after SMEs join in e-commerce, they can neither excavate the functions of e-commerce to the largest extent nor realize effective utilization of e-commerce. Currently, SMEs do not cognize e-commerce thoroughly. As an emerging product, vast young people approach e-commerce. Some traditional enterprises and SMEs contact it slowly. Since e-commerce is completely different from traditional marketing channels, this makes many SMEs hesitate. Some enterprises consider e-commerce is a purely technical marketing channel and have insufficient confidence to accept e-commerce platform. Their cognition of e-commerce is only limited to information release. For product packaging and marketing operation, they rarely know or completely do not understand then. Thus, Chinese vast SMEs cannot well use e-commerce platform for enterprise marketing.

As IT becomes increasingly mature and internet system improves continuously, e-commerce scale starts to expand gradually. Meanwhile, SMEs also continuously deepen cognition of e-commerce. Since SMEs badly lack of technological resources and personnel turnover is large, personnel problem becomes another problem faced by SMEs. In addition, insufficient fund and

immature application of e-commerce become the main factor restricting SMEs to carry out exploration of new e-commerce marketing channels.

### **Problems of marketing channels of SMEs under e-commerce background**

Currently, SMEs have certain foundation to apply e-commerce, but there are still many problems. in the face of e-commerce, SMEs mainly have the following problems during network marketing:

(1) Low network platform utilization ratio and lack of in-depth cognition. SMEs have low ability to accept the emerging e-commerce platform and generate wrong cognition of network marketing. Most SMEs just cognize surface e-commerce and consider network marketing means to set up enterprise website which has no great functions for enterprise development. Thus, traditional marketing still occupies the leading role. Due to the lack of deep cognition of e-commerce, network marketing and traditional marketing cannot be integrated so that most modules of network platform are not utilized fully.

(2) Single marketing mode and lack of innovation and extension enthusiasm. At present, network marketing channel modes of most SMEs mainly include online marketing advertisements and product promotion and fail to deeply excavate innovation enthusiasm of network marketing mode and fully use unique enterprise culture, domain name and website. Thus, network marketing ways are single and cannot attract customers or display uniqueness.

(3) Low network reputation and lack of valuing customer maintenance. Xu Shenghua considers our traditional good reputation is super-utilitarian. Honor credibility is moral behavior which does not regard material gain as the return. It needs neither return nor equivalent exchange. Whether people are honest and trustworthy completely depends on moral self-discipline and social pressure. However, as society and economy develop continuously, people's moral ideas are distorted by material gains in the society. They pay increasingly low attention to honesty and faith. The main aim of e-commerce operation is to depend on honest operation. On the one hand, e-commerce mainly depends on network technology. Customers cannot see the actual scale of the target enterprises in person. They mainly pay attention to enterprise reputation. Thus, reputation occupies a very important role for virtual network. However, some SMEs do not pay much attention to network reputation so that they lose some customers unconsciously. On the other hand, SMEs have certain limitations in terms of focus on network customers and cannot deeply excavate more valuable customer information. Besides, they do not fully maintain existing old customers. SMEs mainly depend on information spreading, while information spreading often comes from customers of the enterprise. If an enterprise neglects excavation of new customers, regular care of old customers and data management, it will lose some customers.

(4) Slow logistics without guarantee and lack of superiority of goods logistics. Online transactions mainly reply on third-party service providers – logistics companies. But since there are too many enterprises on the e-commerce platform, logistics companies fail to serve several enterprises with pertinence. In particular, logistics is very slow in holidays and festivals so that commodity logistics of SMEs is not smooth. Safe delivery of a commodity includes packaging of SMEs and delivery of logistics companies. In the delivery process, force majeure factors may occur. SMEs cannot predict and change these force majeure factors. Since SMEs are short of funds, they do not own or rarely own their logistics. This leads to the rise in delivery problems and after-sales problems.

### **Effective approaches to boost marketing channels of SMEs under e-commerce background**

Aiming at the problems of SMEs in e-commerce marketing channels, this paper considers the following aspects contribute to improving the ability of SMEs to expand network marketing channels.

(1) To enhance cognition of e-commerce and improve e-commerce operation ability. SMEs should break through constraints of traditional marketing channels, enhance cognition of e-commerce, deeply know the concept, functions and technology of e-commerce and lay the

foundation for carrying out e-commerce marketing. Meanwhile, SMEs should also continuously improve e-commerce operation ability. SMEs should have clear thoughts and detailed planning schemes for website positioning and goals, pay more attention to online marketing, network information construction and network reputation construction, lay emphasis on excavating unique enterprise culture and business idea, continuously show good enterprise image to consumers and make consumers leave good impression.

(2) To enhance cultivation of technical personnel and intensify technical capacity of e-commerce. Capital is the first guarantee of an enterprise, while personnel are the second guarantee. SMEs should enhance cultivation of technical personnel to cultivate a batch of modern, technical and comprehensive personnel, overall apply and expand marketing function of e-commerce platform, continuously strengthen application of e-commerce and intensify technical capacity of e-commerce so as to provide powerful foundation for SMEs to implement network marketing and innovate for marketing channels.

(3) To reinforce network marketing innovation and explore new e-commerce marketing modes. Currently, vast SMEs still consider network marketing aims to advertise and release promotion information. Their innovation force for network marketing modes is insufficient. SMEs should vigorously explore new e-commerce marketing modes under the precondition of completing all marketing preparations well in order to further enhance innovation of network marketing and gradually strengthen competitiveness of SMEs on e-commerce platform. In order to realize innovation, SMEs must integrate resources, know their own features and keep competition advantage to realize transformation and boost e-commerce marketing ability.

## **Conclusions**

As e-commerce becomes increasingly strong, various enterprises gradually realize the importance of network marketing in enterprise development. As a main constituent part of Chinese enterprises, SMEs should timely seize e-commerce development opportunity, break through constraints of traditional marketing mode, actively explore new modes which integrate traditional marketing and network marketing, continuously improve technical ability of e-commerce and adapt new period and new requirements so as to occupy a place in the market with fierce competitions.

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