

Present Situation Reflection and Tactics Probe on Numerous Medium-sized and Small Enterprises on E-Commerce in the West China in Internet Era

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Key Words: E-Commerce; traditional business mode; west China numerous medium-sized and small enterprises

Abstract: In the 21th century, E-Commerce has substituted traditional business mode and provides great opportunities for enterprises in China. However, In the west China, the hysteresis of numerous medium-sized and small enterprises on E-Commerce causes a regional economic problem. It's an important topic for the analysis upon the concerning problems and probe some beneficial tactics for the development of west China.

Introduction

E-Commerce is derived from the enterprises. It is a kind of brand-new electronic business activity which takes the network as the means and links production and consumption. Its connotation refers to the electronic markets, electronic trades and electronic services. The three factors are indispensable. E-Commerce in early days, such as EDI category, needs special equipment and special VAN network, and needs special persons to maintain, and needs high cost. Only large enterprises can afford to use. Since 1991, the United States has announced that Internet has been open to society and has allowed to develop business applications on the Internet. With the low cost, worldwide coverage and more perfect function, Internet has realized the convenient and flexible, efficient and safe transactions so as to make numerous medium-sized and small enterprises enter this kingdom.

At present, there are 40 million small and medium-sized enterprise in our country. The number accounts for 99% of the total number of enterprises, and contributes 60% of GDP, 50% of taxes and 80% of the town employment opportunities in China. Numerous medium-sized and small enterprises have great enthusiasm to use the Internet to conduct E-Commerce activities. According to the latest data in AliResearch Report, it shows that only in the second quarter of 2016 the business revenue scale of China's small and medium-sized enterprise B2B E-Commerce platform service has achieved 5.79 billion, and it has raised 14.8% on year-on-year basis, and has raised 6.8% for comparative growth on moving base. However, numerous medium-sized and small enterprises in our country have unbalanced development on E-Commerce, and the regional differences are apparent. After analysis, senior expert Sheng Zhenzhong in AliResearch has the following opinions, in the past two years we had taken county cross-border E-Commerce for example, for one thing, the cross-border E-Commerce in most of the counties and cities had been at the early stage of development, and for another thing, its spatial distribution had been obvious imbalance, and it had been highly concentrated in the coastal area.^[1]

In recent years, many experts and scholars have analyzed the situation that numerous

medium-sized and small enterprises have developed the E-Commerce. For example, Huang Hai and Zhang Weiyang have described numerous medium-sized and small enterprises' application of E-Commerce.^[2] Gao Houli and Wu Zongjie have studied the countermeasures for supporting numerous medium-sized and small enterprises' innovative development.^[3] Chen Zhihao have explored the enterprises' business strategy in our country.^[4] However, E-Commerce belongs to the emerging industry. It is constantly changing. New concept and new pattern emerge in endlessly. In addition, western small and medium-sized enterprises have given the rational analysis and probe on the present situation that western small and medium-sized enterprise have developed the E-Commerce. That is relatively few.

According to *2015 E-Commerce Report in Chinese Counties* released by AliResearch, we can see that only on the Ali retail platform consumers' mobile consumers shopping proportion is more than 60%, which is more than the shopping on PC for the first time. In 2015, among 100 counties with the highest proportion of mobile shopping, there were 95 counties in the west. Among them, there were 38 counties in Tibet, and there were 14 in Shanxi and Sichuan for each province. China E-Commerce Center had entrusted AliResearch to investigate so as to obtain the following results.

In 2013, through the Internet, the consumers in the western regions had obtained the richer and more varied consumption choices. The consumption potential in central and western regions had been huge. The largest deficit was Nima county in Tibet. Its buying amount was 2070 times than the selling amount.

On the contrary, western small and medium-sized enterprises' E-Commerce development lagged relatively. For example, the national B2C deficit was the biggest. It referred to that the counties whose regional consumers' spending was larger than network retail revenue were all from Sichuan, Gansu, Qinghai, Tibet and other areas in the west. In addition, *2014 Western E-Commerce Development Observation Report*^[5] released in November, 2014 in Chengdu showed that in the national Internet online shopping pattern surplus regions appeared in Guangdong, Zhejiang, Shanghai, Beijing, Fujian and other areas. Guangdong had the biggest surplus. If people consumed 1 yuan outside the province, people would sell 3.4 yuan to the people outside the province. However, western regions were almost entirely deficit areas. Gusu had the biggest deficit. If people earned 1 yuan from the people outside the province, people would spend 17 yuan outside the province. The report drew conclusions from the comprehensive analysis that the gap in E-Commerce development among provinces was much larger than the gap of them in GDP. For example, as the largest province of western E-Commerce turnover, Sichuan's economic gross was 42% of Guangdong in last year, however, Sichuan's E-Commerce turnover in 2014 was only 5% or so of Guangdong.

China's E-Commerce has developed for more than twenty years. It has become the new engine of national economy growth. In 2015, China's E-Commerce transaction total amount had achieved 21.8 trillion yuan, and it had raised 35% on year-on-year basis. Online retail transaction total amount had achieved 3.88 trillion yuan, and it had raised 33.33% on year-on-year basis. For three consecutive years it has become the E-Commerce market with the largest global network retail scale and the fastest development speed. Our country has become a big veritable E-Commerce country. At the same time, the government has published a series of policies which support E-Commerce development. For example, in 2007, National Development and Reform Commission and State Council Informatization Office had issued "*the Eleventh Five-Year Plan of E-Commerce Development*". In 2012, Ministry of Industry and Information Technology of the People's Republic of China had issued "*the Twelfth Five-Year Plan of E-Commerce Development*". In 2014, State Administration of Industry and Commerce had issued *Network Transaction Management Method*. In "the Third E-Commerce Innovation Conference", the director Ning Jiajun in State Information

Center Expert Committee had delivered a keynote report with the title of *New Situation, New Trend, New Opportunity, and New Power--“the Thirteenth Five Year Plan” will promote the E-Commerce innovative development in my opinion*, looking forward to China’s E-Commerce development in the future. The state would vigorously promote the legislation for E-Commerce and set up more than 1000 various types of E-Commerce parks across the country.

Under the good external macro environment, the development of western small and medium-sized enterprises still lags. This kind of situation is worth reflecting on.

For its reason, experts and scholars in various fields have discussed a lot. Except for the existing problem in western quite a part of small and medium-sized enterprises about backward management idea and enterprises’ internal and external resources development, we don’t need to give unnecessary details about the deficiencies in financing difficulties, talent scarcity, E-Commerce series services and other aspects. In this paper, we mainly aim at the current situation to explore western small and medium-sized enterprises’ E-Commerce development tactics.

First, if we need to make western small and medium-sized enterprises to implement E-Commerce, we need to start from realizing a high degree of understanding and planning on enterprises’ management strategy. Developing E-Commerce involves the enterprises’ management idea, production, sales, personnel, financial affairs and other aspects. Enterprises must realize E-Commerce’s huge effect on cost savings, markets exploration, efficiency improvement, image building, competitiveness improvement, profits realization and other aspects. Only in this way they can voluntarily invest funds to make simple system with information level(That is to say, we only release products information online, sign contracts and make negotiations online, do online marketing, collect customers’ information online, realize network marketing, and even pay and transfer online.) escalate according to self-condition till business application system with enterprise level which adapts to Internet era. That is to say, we should integrate BMIS, IOA, CRM, SCM, DRP, ERP and other modules, and we can make the enterprises operate according to JIT mode so as to comprehensively realize the enterprises’ informationization, electronization and automation. Otherwise, the gap will be further widen between western small and medium-sized enterprises and eastern and coastal small and medium-sized enterprises.

Next, financing difficulty is the bottleneck which affects enterprises development, while Internet financial new pattern provides the solutions. On March 25, 2016, China’s Internet Finance Association was formally established in Shanghai, and Li Dongrong, the former vice governor of the People’s Bank of China, acted as the association president and Lu Shuchun, the vice director of Science and Technology Division, the People’s Bank of China, acted as secretary general. The leaders from People’s Bank of China, China Banking Regulatory Commission, Payment and Settlement Association, China Securities Regulatory Commission, Shanghai Municipal Government and the representatives from Commercial Bank, security, insurance, fund, trust, payment, Internet debit and credit and other multiple kinds of financial institutions jointly attended this meeting. When we mention the first executive director governing units, Jingdong Finance, Ant Financial Services Group, Tencent, Baidu and other enterprises were selected. 142 enterprises are on the list of candidates for the first council director of China’s Internet Finance Association, including more than 400 first unit members. At the same time, Ant Financial Services Group under Ali subordinate has announced that B round finance has been completed with 4.5 billion dollars finance amount. This has been the largest single private finance in global Internet industry by far. It has created new opportunities for western small and medium-sized enterprises to rely on the Internet finance. P2P credit, big data finance (supply chain finance), crowd funding finance, balance

treasure mode, Internet financial mall, third party payment and other six big Internet financial modes become western small and medium-sized enterprises' beneficial choice.

Third, the development of cross-border E-Commerce and national strategy of "One Belt and One Road" strategy are not only opportunities but also challenges. Monitoring data from Chinese E-Commerce Research Center showed that in 2015 China's cross-border E-Commerce deal size achieved 5.4 trillion and it raised 28.6% on year-on-year basis. Among them, exports proportion accounted for 83.2% and imports proportion accounted for 16.8%. In 2015, on Alibaba international station platform the top ten of countries in overseas markets who had the maximum number of inquiries to Chinese enterprises were the United States, Britain, India, Canada, Russia, Australia, Germany, Austria, Malaysia and Brazil respectively. Among the top ten of countries, there were six developed countries. The top ten of countries who had the maximum number of new buyers were Russia, the United States, Brazil, Spain, France, Canada, Ukraine, India, Britain and Italy respectively. Among them, Russia and Brazil had the sizable new buyers. The sum of population from the two countries was 350 million, which exceeded the United States population number. This reflected that the emerging countries which took Russia, Brazil and other countries as the representatives were pregnant with incremental markets and brought the new opportunities. As an important part of "One Belt and One Road", ASEAN region's potential market was enormous. For example, with 104.9% annual growth speed, Malaysia was listed the first among ASEAN countries, and Malaysia caught up with many European and American developed countries. In the ranking list of "Top 25 counties(cities) in 2016 China cross-border E-Commerce entrepreneurship" formed through AliResearch's analysis, when we mention "cross-border network businessman density" in various regions(Namely, cross-border network businessman number for every ten thousand people on average), Yiwu, Yongkang and Yuyao were listed as the Top 3. Seen from the geographical distribution, there were 15 in Zhejiang, 4 in Jiangsu, 3 in Hebei, 2 Fujian, and 1 in Shandong. They were mainly distributed in the eastern coastal areas. None existed in the western areas. Western small and medium-sized enterprises need to urgently explore the advantages of regional inside and outside resources, developed characteristic products, and vigorously develop cross-border E-Commerce markets.

At present, the market is entering a development stage of consumption upgrading dominated by the pursuit of quality. Low price isn't the main means to promote the E-Commerce platform promotion any longer. It is important for us to note: In E-Commerce market supply side, commodity structure tends to the high-end gradually. Since 2015, the market share of B2C in E-Commerce market has exceeded C2C for the first time. However, the main feature of B2C is to regard brand businessman and agent as the major operators. In this way, quality is more secure, and reputation and service are more secure. Fake and inferior commodities, and those behaviors, such as scalping, speculation on credit become very important bottleneck of restricting E-Commerce development.

Fourth, enterprises need to consider adopting the appropriate E-Commerce mode based on the costs. Regardless of the B2B, B2C, as well as the current O2O, B2B2C, etc, some large enterprises can build self-management type E-Commerce platform. According to the survey of China's E-Commerce Center, the mode that China's enterprises develop E-Commerce is shown as follows.

We can see that the enterprises mainly use the third party platform to develop E-Commerce. This is also the most mainstream way at present. Self-built online marts are only limited to large enterprises, and small and medium-sized enterprises still give priority to the third party platform. If western small and medium-sized enterprises want to implement E-Commerce, we need to be based on cost-benefit analysis, and depend on the third party platform so as to borrow the chickens to lay

eggs.

New pattern and new technology of E-Commerce appear. Western small and medium-sized enterprises should timely follow up. “Online sensation+live” become standard configuration of E-Commerce. Online sensation is not only constrained by entertainment, and it also has imaginary space for business promotion extremely. Online sensation mode is likely to lead a kind of new young people’s consumption way. By deeply integrating with live and online sensation, E-Commerce not only can cultivate and improve customer loyalty, but also can extend enterprises’ reputation through the socialized live way so as to improve products awareness and reputation. Taobao headlines, micro Tao, Taobao community and Taobao live develop rapidly. “Find”, the most important menu in Jingdong App, has community, good thing, list and other channels. Suning E-commerce App has youth community of Level 1 menu, including live video, selected talents and other channels. This shows that E-commerce has entered a new era of “content” and “community”. In addition, IT technology update will greatly promote the development of E-commerce. At present, the birth and application of VR, AR new technology, the advanced intelligent mobile terminals will bring a bigger development space for E-commerce. Ali has launched Buy + primary version, Jingdong PCL laboratory, necessary online AR shopping experience technology, etc. Western small and medium-sized enterprises should assess the situation and follow new technology trend.

Finally, western government needs to play an active role in Internet era. First, Strengthen E-commerce talents’ training and introduction. The shortage of E-Commerce talents is just a miniature of lacking of E-Commerce talents actually, and it is also the common problem faced by western small and medium-sized enterprises. In the districts whether they have just started or they have already had local leading superiority, there are all talents gaps with different degrees in marketing, operation, design and other various positions, and in all levels of high, middle and low. For one thing, we need the local government to build E-Commerce talents training system. As the director of the State Information Center Experts Committee, Ning Jiajun, has pointed out, during the Thirteenth Five Year Plan, every place should take advantage of training institutions to conduct E-commerce skills training, support the enterprises to develop E-Commerce pre-service training, skills upgrading training, and skilled talents’ training, and quicken the cultivation of high-quality specialized talents and technical and skilled talents. The government needs to integrate college-based training, enterprises’ autonomous training, university-enterprise cooperation training, etc. For another thing, the west should issue the appropriate policies and improve the attraction for E-Commerce talents. We should change the situation that E-Commerce talents are concentrated in the eastern and coastal areas.

In addition, western local government should also pay attention to E-Commerce service system construction. Eastern and coastal areas and other areas, such as Zhejiang, Guangdong, Jiangsu, Fujian, and other local government have the unprecedented attention on E-Commerce. As early as 2008, during the financial crisis, they make use of a large number of enterprises affected by it to make transition to E-Commerce, and college students, workers, farmers, individual households and others also try to open online stores to make a living. Through policies, funds, talents, and other ways, we should greatly encourage the enterprises to apply E-Commerce so as to deal with financial crisis and promote the individual entrepreneurship, enterprises transformation and industry upgrading. However, in the present circumstance, if the western local government wants to make E-Commerce work efficiently and develop the western potential, it needs to invest funds or give preferential policies so as to support the express delivery, storage, training, operation, park and other E-Commerce services to have the coordinated development. Thus, we can create a good macro management environment for small and medium-sized enterprises.

The development of E-Commerce is growing rapidly. Human will enter a network era with a more imaginary space. E-commerce will evolve to a generalized form, that is to say, it will be called as E-Commerce in E era. Enterprises will enter a broader, freer virtual world and face a broader market. How the western small and medium-sized enterprises formulate the corresponding strategies to face the challenge and grasp the opportunity, according to the development of E-Commerce win the greater benefit return is a highly-valued topic.

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