

# **Analysis on the Role of Cross-border E-commerce in the Development of Small and Medium-sized Foreign Trade Enterprises**

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**Keywords:** Cross-Border E-Commerce; Small and Medium-Sized Foreign Trade Enterprises; Development Status

**Abstract:** International e-commerce has become the pillar of China's international trade development at this stage. For SMEs, the importance of cross-border e-commerce is self-evident. The role of cross-border e-commerce in the development of SMEs was analyzed. Combine the basic status of China's cross-border e-commerce, solve the current e-commerce problem on the national border, and build an optimization strategy. Improve cross-border e-commerce development strategies and promote the economic development of SMEs.

With the advent of the network economy era, cross-border e-commerce has developed rapidly. This new international trade model has just started in China, so it has received a lot of attention from the government and enterprises. The development trend of China's foreign trade across national borders is of great significance to the development of China's foreign trade to small and medium-sized enterprises. It can make up for the disadvantages in terms of capital, brand, channel and cost, and help small and medium-sized foreign trade companies to convert, upgrade and develop. While accelerating the development of modern economy, as a new form of international trade development and e-commerce across borders, most SMEs attach great importance to it. Although this new model is in the early childhood of China, the support and attention of the government and enterprises really make it develop toward China's future foreign trade development. Therefore, the role of cross-border e-commerce in the development of SMEs is analyzed. The understanding of the characteristics and development of E-commerce across borders plays an important role in the development of SMEs in China.

## **1. Introduction**

Under the background of the era of network economy and the sustainable development of social economy, cross-border e-commerce has become a new international trade development model. In the process of SMEs in China, the establishment of a cross-border e-commerce platform can effectively arrange for the lack of space for the development of enterprises, the lack of logistics systems and the lack of space for cumbersome transactions. Therefore, the development of SMEs should recognize the importance of e-commerce and improve the social competitiveness of SMEs through development plans.

Since the financial crisis in 2008, competition in international industries has become increasingly fierce, and the international trade environment has become more and more complex. The rise in labor costs in China has slowed China's foreign trade development trend. Cross-border e-commerce is a new means of accelerating the development of international trade when traditional trade development is difficult to break through the new situation. Multinational e-commerce has become more and more important in the development of foreign trade enterprises, and its role is also growing. The role of cross-border e-commerce in the development of SMEs was analyzed[8].

## **2. Overview of Cross-Border E-Commerce**

Cross-border e-commerce transactions are international business operations transactions, so different transactions in different countries through the electronic information circulation platform

trading activities or transactions to pay through the logistics services of the border to achieve goods transportation and distribution. activity. Cross-border E-commerce to carry out overseas business of overseas companies, providing convenient access for SMEs. Cross-border e-commerce businesses are mainly divided into three categories. I am doing e-commerce transactions in foreign countries and have established my own platform for multinational e-commerce sales platforms. Another thing is that the establishment of an e-commerce service platform has crossed the existing export sector. According to the nature of business, the classification of e-commerce is a small trading e-commerce trading platform that transcends national borders. Foreign trade information service trade processes, services, and foreign trade order docking can promote the division of transactions. Cross-border e-commerce can solve the shortcomings of Chinese SMEs in terms of capital, brand, channel and cost, and promote the rapid development of foreign trade enterprises in the process of economic restructuring.

Table 1 Current cross-border import e-commerce business model

Current cross-border import e-commerce business model
1. Import supply chain distribution platform: Dolphin B2BC
2. Vertical E-commerce: Jumei, Peach, Ocean Pier
3. Domestic e-commerce platform: Tmall, Jingdong (including self-operated)
4. Distributors enter third-party platform to open stores: B2C or C2C
5. Personal entrepreneurial platform: such as micro shop

### 3. The Significance of e-Commerce Across China's Borders in the Development of SMEs

As the scale of cross-border e-commerce development continues to expand, the state legislature and provincial departments have successively formulated a series of policies. The purpose of the kernel is to stabilize the development of e-commerce enterprises across borders through systemic restrictions, and promote the cross-border development of e-commerce enterprises in China. The development of e-commerce enterprises is relatively backward, but the rapid development of the Chinese economy, but the export of commercial retail The opinions of relevant policies, as well as "the steady growth of foreign trade, the measures to promote the support of enterprises in order to improve." Development provides assurance. The "Guiding Opinions of the National Association Office for Promoting the Healthy and Rapid Development of Cross-Border E-Commerce" published in 2015.6.16 unifies the development of cross-border e-commerce. According to statistical analysis, the cross-border E-commerce transaction volume in 2010 was 1.3 trillion yuan, and the transaction scale increased by 41%. By 2016, power generation beyond China's borders. The transaction volume was 6.5 trillion yuan, and the transaction scale growth rate was 25.9%, accounting for 20.5% of imports and exports. Therefore, in the context of the phased development of cross-border e-commerce scale, SMEs need to optimize their independent development path to achieve economic development model, and promote enterprise economic development through continuous innovation[7].

### 4. Status of Cross-Border E-Commerce in the Development of SMEs

#### 4.1. Single International Market Channel

In the process of the development of SMEs in the international market, the ability to communicate with foreign customers is relatively weak, so the form of restricting enterprises to expand the international market is adopted. In addition, although SMEs access the Internet, they have certain defects in the process of network information resource management and customer information resource management, and limit the development of enterprises by long-term development of inherent market resources.

## 4.2. The development of logical resources is relatively backward

In the process of small and medium-sized enterprises, the concept of logistics resource management is relatively backward. Due to the shortage of talents and the decline of information levels, logistics development is constrained. Many business operators are reluctant to spend too much money to grow professional talents, thus affecting or even losing their information platform, thus affecting the introduction of advanced logic technology. In addition, with the professional development of logistics management, many enterprises have weakened logistics management and severely restricted business operations.

## 4.3. Lack of comprehensive service management platform

At present, the import and export volume of SMEs accounts for 60% of China's trade volume. In the context of traditional corporate activities, customs declarations, cargo transportation companies, banks, foreign exchange administration and tax authorities are completed through trade fairs. The links to these transactions are the financial and labor costs of SMEs that affect trade business is difficult to implement.

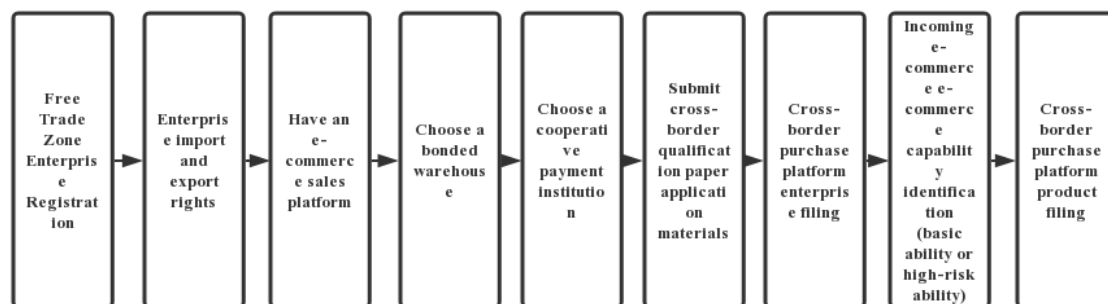


Fig.1. The qualifications and conditions required for cross-border e-commerce become a cross-border e-commerce process

## 5. SMEs' Growth Dilemma

### 5.1. The world economy is at a standstill and external market conditions are poor.

The aftermath of the international financial crisis will continue. The world economy is in a period of long-term stagnation. The major countries of the world have adopted strict fiscal policies [9]. The decline in consumer confidence index and negative growth have limited the market direction of Chinese companies. China's small-scale and medium-scale export-oriented trade enterprises mainly include labor-intensive industries with low productivity, the prosperity of emerging markets, the transfer of world industries, the increase of domestic labor costs, the rise of raw material prices, and the appreciation of the renminbi. Due to these factors, the development of Chinese SMEs faces serious threats and difficulties.

### 5.2. China has no advantage in establishing regional international economic organizations.

In 2001, China joined the World Trade Organization. In addition to the WTO, there are currently more than 100 regional economic unions in the world. The combined Member States can join Member States with low or zero fees. According to the MFN of the WTO, exceptions to the processing conditions: the treatment of internal members of the regional economic integration may not be granted to other members of the WTO. At present, China has more than 20 regional economic cooperation organizations and faces difficulties in negotiating with the new regional economic cooperation organizations. They are bothered by the US "ABC China Exclusion" strategy and have brought the regional markets closer to China's foreign exchange companies. Caused high

trade barriers[5].

### **5.3. Trade frictions occur frequently, and the development pressure of SMEs is very high.**

Because of the financial crisis, the economy has recovered slowly. The developed countries led by the United States proposed a "formalization" strategy to promote the development of domestic real economy for export expansion, and applied "knowledge, technology, environmental protection and other means of trade" in "Made in China". The trade investigation of pressure and Chinese products has shifted from pure anti-dumping to a "double anti-dumping" investigation. In July 2012, the EU New Toy Safety Directive and the US "Toy Safety Certification Program" were officially launched, and the inspection standards of the toy industry changed frequently. The requirements are thousands of items that are complex and demanding. Not only that, but trade frictions between China and developing countries are also increasing. Faced with more and more trade friction events and targets, expanding trade frictions, unlimited trade protectionism, and Chinese SMEs being restricted by funds and talents, they feel unprecedented development pressure.

### **5.4. The difficulty in raising funds, foreign-funded enterprises of SMEs exert tremendous pressure on capital, so development is limited.**

Capital is a powerful guarantee for business development. The difficulty in financing small and medium-sized foreign trade enterprises is still the main problem limiting their development. Although financial policies have been implemented to support the development of small and medium-sized enterprises in order to alleviate financial difficulties, they are actually difficult to implement due to the lack of strict rules and regulations. In addition, small and medium-sized foreign trade companies are less reliable because of their small size and less resistance to risks. This is different from the financing of financial markets and does not receive actual financial support. Affected by the financial crisis, the United States has formulated capital transfer measures that are affected by the tightening of funds. The buyer is under pressure, so the payment time is extended and the payment node moves backwards. Moreover, at the forefront of the industrial chain increases the capital pressure on Chinese foreign exchange companies. To implement a moderately tight financial policy, the restrictions on finance and development of small and medium-sized foreign trade enterprises will be more difficult[2].

### **5.5. "Inside and outside the pinch" SMEs' profit margins are strictly compressed**

The profit margin of small and medium-sized foreign trade enterprises is mainly due to the significant decline in profits of foreign trade enterprises due to the appreciation of the renminbi. From 2008 to the present, the exchange rate of RMB against the US dollar has increased by roughly 20%. In January 2014, China's imports and exports increased by 7.3% year-on-year. According to industry sources, the profit margins of cotton fiber, wool fiber and garment industry decreased by 3.19 %, 2.27% and 6.18%, respectively, and RMB accounted for 1%. On the other hand, domestic production materials and labor costs are increasing due to domestic inflation. In addition, the rising cost of production materials and the continuous rise of the international commodity market have brought enormous cost pressures to foreign trade enterprises. For example, labor-intensive foreign trade enterprises, mainly washing machines, refrigerators, cold rooms, and display cabinets, from 2009 to 2013, raw material prices rose by 50%, employee wages rose by 30%, and labor costs accounted for 1/3 of total costs. . However, export prices have not risen. In short, the constant cost of foreign trade and the cost of international market prices will only severely reduce the margin of interest of foreign trading companies[1].

## **6. The Role of Cross-Border E-Commerce in the Development of SMEs**

### **6.1. Rational use of cross-border e-commerce platform**

In the field of e-commerce business operations and development across borders, competition among enterprises is not limited to weak meat, but the company provides more convenient, better services and quality users in the context of manipulating the international market. To improve the

competitiveness of SMEs in the international market, China's current cross-border e-commerce platforms include Alibaba, the environmental resource network and the landing market. For these e-commerce platforms across borders[4], they each have their own characteristics. Therefore, in the business of small and medium-sized foreign traders, through the analysis of their own business situation, the scientific selection of e-commerce trading platforms that transcend national borders, the importance of the importance of the consumer group is additionally cultivated, and through the core to improve products The basic habits of consumers guide the competitiveness of enterprises to further declare that in the operation of small and medium-sized enterprises, enterprises that transcend national borders also have the positive ideas and actions necessary to support e-commerce. The engineering platform is reasonable through comprehensive optimization of technology, manpower and capital. It is planned to improve the core competitiveness of employees and support enterprises to stabilize foreign trade activities.

## **6.2. Reasonable improvement of enterprise logistics system**

For logistics, it is an important part of building a cross-border e-commerce platform for SMEs. Through the optimization of logistics resources management, it can promote the economic operation of enterprises. In the current stage of construction of China's interactive e-commerce service platform, its basic service forms mainly include postal and overseas warehouses. Fast delivery to foreign countries requires expensive commercial courier costs, so this phenomenon is not suitable for SMEs. Therefore, it is necessary to set up a special international exchange enterprise in the development process of SMEs. With the approval of the state, the qualification for direct mailing of international express delivery can be realized, and the basic interests of the enterprise can be guaranteed. At the same time, in the process of selecting the warehouse, the self-made characteristics of overseas enterprises are fully reflected, and the quality of the products is strictly managed through the management of the product quality. Therefore, it is necessary to ensure the safety of the products and improve the satisfaction - the actions of the users necessary. Improve and optimize the logistics system of SMEs[3].

## **6.3. comprehensive service management platform**

In the business development of small and medium-sized commercial enterprises, it is necessary to improve the operational efficiency through the design of an e-commerce platform and through the design of a comprehensive growth platform for small and medium-sized service enterprises. Therefore, through the comprehensive foreign trade service platform design, we can achieve stable construction of the third-party integration platform, as well as improve customs, logistics and exchange rates. The operation provides convenient and convenient services for small and medium-sized foreign trade enterprises. In the construction of a complete service platform in China, one of Shenzhen and Shenzhen is relatively complete with Ningbo. These platforms can be used to manage zone links. Only outsourcing and online mutual assurance can help companies raise funds quickly. Therefore, in the process of constructing a comprehensive foreign trade service platform, the policy of optimizing the business of SMEs provides a management mechanism, and the small and medium-sized foreign trade solves the financial difficulties faced by enterprises, so that labor can be saved, and SMEs in the industry Innovation, more human resources, and the development of professional, large-scale enterprises provide stable support[6].

## **7. Conclusion**

At the same time of the continuous development of e-commerce, its own operational optimization concept, the core competitiveness of foreign trade, in order to improve small and medium-sized commercial enterprises, is based on the pressure of the industry, and it is necessary to transcend the border to realize the coordination and cooperation of e-commerce transactions. The current state of the enterprise and the construction of an innovative business strategy will improve the economic interests of SMEs to a certain extent. At the same time, enterprises need to formulate a comprehensive change strategy and provide sufficient protection for business operations by

analyzing the development prospects of enterprises.

As cross-border e-commerce becomes a new type of international trade, the impact on the structural transformation of Chinese SMEs cannot be underestimated. Therefore, it is necessary to analyze the role of e-commerce in the development of SMEs. In the increasingly complex international trade environment, cross-border e-commerce is needed to rationalize the process of corporate foreign trade and strengthen corporate brand management objectives. Promote the economic growth of Chinese SMEs and maintain a strong momentum.

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