The Necessity of Small and Medium-sized Foreign Trade Enterprises to Develop Cross-border E-commerce

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Abstract: In recent years, the Internet economy and trade in China and other countries in the world have been developing rapidly, and the resulting cross-border e-commerce trade has become more and more popular with foreign trade companies, especially small and medium-sized foreign trade companies. A series of new trade methods represented by cross-border e-commerce are developing rapidly, showing a trend of increasing year by year in China’s import and export trade. Cross-border e-commerce has reduced trade links, helping companies to reduce expenditures and increase net profits, so many small and medium-sized foreign trade companies in China have gradually begun to join the ranks of cross-border e-commerce.

Keywords: Small and medium-sized foreign trade enterprises; Cross-border e-commerce; Necessity

1. Introduction

The advent of the era of the Internet economy has made cross-border e-commerce, a new form of international economic and trade, a rapid rise in China, and the strong support of the government and the country will also become the development trend of China’s foreign trade. Cross-border e-commerce plays an extremely important role in China’s small and medium-sized enterprises with foreign trade as the main core. Small and medium-sized foreign trade enterprises have many problems in terms of insufficient visibility, insufficient management of operating costs, relatively weak capital pools, and narrow operating channels. This has led to small and medium sized foreign trade enterprises having a hard time returning, difficulties in transformation, and inability to cater to the development of international economic and trade trends. At this time, the introduction and development of cross-border e-commerce can help small and medium-sized foreign trade enterprises to solve these problems well.

2. Essentials for the Development of Cross-border E-commerce in China

At present, the proportion of China’s cross-border e-commerce transaction volume is becoming more and more important in foreign trade enterprises, especially small and medium-sized foreign trade enterprises. In addition to the advantages of cross-bordere-commerce in payment methods, there are also convenience in transaction methods. Cross-border e-commerce mainly relies on the website as a trading platform, and its transaction method, transaction cycle, transaction payment, and transaction conclusion are extremely convenient. The current foreign trade website platforms at home and abroad, such as Alibaba’s Ali Express website, Amazon and other websites, are all growing vigorously. According to the relevant data of Ali Express, the cross-border export platform of Alibaba Group in 2019, the cumulative number of overseas buyers exceeded 150 million. Over 6 million downloads worldwide. Ali Express has 144,000 new buyer users every day and more than 20 million visitors per day, and there are currently about 1.6 billion online consumers worldwide, which means that 1 in every 16 people in the world buys Chinese goods through the Ali
Express platform. The cumulative orders generated on Nov 11 Ali Express platform set a new record in the history of cross-border e-commerce. Many merchants are showing several-fold or even ten-fold growth. The big data shows that the trading on Nov 11 was over 200 countries and regions, and the online order turnover rate exceeded 50%. On the same day, Alibaba’s Ali Express APP mobile software ranked first in the App Store in 81 countries for downloading shopping apps in the world. Immediately after the first shot of the deal on Ali Express on Nov 11, there were orders from online shoppers from more than 180 countries around the world, and Brazil’s sales on Ali Express increased by 300%. The hidden power behind these big data is enough to affect any traditional industry. The surge in cross-border e-commerce trade quotas has quietly changed the fate of nearly 90% of China’s small and medium-sized foreign trade enterprises. Data is the best answer, and the profit behind the data is the most loyal orientation of enterprises [2].


3.1 The lack of professional talents within the enterprise leads to the slow development of cross-border e-commerce

Since the cross-border e-commerce in China’s foreign economic and trade has increased dramatically in recent years, this has caused a certain degree of difficulty in the selection of relevant employees of foreign trade enterprises. For example, those who can meet the foreign language communication skills and foreign trade economic knowledge required by traditional foreign trade companies do not meet the standards in cross-border e-commerce business on the Internet; In terms of e-commerce, the right talents are relatively lack of systematic economic and trade management and related communication knowledge system. This should be traced back to the imperfections of the education majors of colleges and universities. The general foreign trade and economics students are better at business knowledge and operation management and lack of e-commerce knowledge, let alone practice and operation ability. Large-scale foreign trade enterprises can also recruit talents in different fields through their posts, but this is quite unfavorable for small and medium-sized foreign trade enterprises. The financial resources of small and medium-sized foreign trade enterprises are not strong enough, and they have to spend double the cost of personnel allocation. However, the insufficient treatment of enterprises and brands to attract relevant professionals will cause a shortage of talents in small and medium-sized foreign trade enterprises.

3.2 The logistics and transportation level of cross-border e-commerce in China is uneven

First of all, China’s small and medium-sized foreign trade enterprises lack cross-border e-commerce overseas selective enterprises. Because small and medium-sized enterprises generally choose overseas logistics companies to deliver goods to overseas customers inthe logistics of cross-border transactions. This is mainly due to the low capital cost of small and medium-sized enterprises and the lack of logistics channels. However, there are great differences between overseas logistics companies’ quotations and service effectiveness of China’s foreign trade companies. For example, the situation of giving priority to customers of large transactions and customers of large brands also occurs from time to time. In addition, there are problems in the communication of information between customers and logistics companies, resulting in the loss of customers’ goods or double payment. The loss of customers leads to doubts about the reputation and service quality of small and medium-sized foreign trade enterprises, and enterprises will also suffer huge losses. Secondly, China’s cross-border e-commerce lacks the initiative in the choice of logistics channels. For example, in the quarantine process of customs or aviation, the refusal of entry has occurred from time to time. The freight, labor and other extra costs incurred at this time must be borne by the enterprise itself. The transportation risks borne by small and medium-sized enterprises are also the difficult status quo of their own load-bearing operations. In the logistics field of cross-border e-commerce, small and medium-sized enterprises need high-speed logistics and security escorts due to their weaknesses such as weak funds, small order amounts, and high risk of capital chain breakage. Small and medium-sized enterprises do not have their own independent supply logistics system, and can only choose logistics channels such as China Post’s slow-speed business. They do not have the strength to build warehouses overseas to achieve efficient and free logistics, so small and medium-sized foreign trade companies tend to be passive in choosing logistics channels.

3.3 SMEs lack market strategy experience in operating cross-border e-commerce

Traditional foreign trade is generally to let customers know the company through print ads, TV ads, exhibition communication, etc. and establish trade relations with the company. Cross-border e-commerce is the use of online marketing models such as social channels on the Internet platform, website through trains, video streaming, etc. to open
visibility and complete operations. It is difficult for small and medium-sized enterprises to control this new marketing model for a while. They often just put a lot of marketing resources on an emerging network platform, and another network platform has risen again. They have just prepared to follow the trend of a hot commodity, and immediately a new hot product has emerged, causing an inventory backlog and consuming resources; there are also small and medium-sized enterprises that, due to their own resource constraints, manufacture counterfeit products and sub-good products. Although the sales volume has increased for a while, but from the perspective of long-term development and brand effect, there are many hidden dangers.

4. The Necessity and Importance of Small and Medium-sized Foreign Trade Enterprises to Develop Cross-border E-commerce

4.1 Only by developing cross-border e-commerce can small and medium-sized enterprises reverse the disadvantages of the supply chain

It is also an enterprise engaged in foreign trade. Large enterprises have a complete system supply chain and a huge capital pool. On the battlefield with traditional trade, they have already won a lot. Traditional foreign trade involves a huge supply chain system, but cross-border e-commerce does not need it. It is even different from the traditional economic and trade transactions in each link of the supply chain. For example, the various supply chain nodes of traditional trade are intertwined, and they are mutually beneficial points of operation. Many link points are both the supply side and the profit side, but the large system of the traditional supply chain also has disadvantages such as slow capital recovery, low logistics efficiency, and large inventory. However, cross-border e-commerce does not have the above drawbacks. SMEs only need to register their business information and sell core products on cross-border e-commerce platforms, and place traffic advertisements through the Internet and other channels to receive benefits without being bothered by the middle links. And large enterprises still have many concerns when setting up e-commerce business branches, such as whether they will impact the traditional business they operate, and it is inconvenient to advertise advertisements so as not to impact physical brands. This does not exist for small and medium-sized enterprises, as long as through a series of operations such as online integration of their own resources, integrity management, online service answers, payment transactions, delivery and after-sales, etc. Additionally, a positive operating cycle is generated, and the production operation is placed at the sales and generated order amount, with zero inventory and zero pressure risk. This is extremely necessary for the healthy development of China’s small and medium-sized foreign trade enterprises at this stage.

4.2 The consumption pattern of cross-border e-commerce is the inevitable guide of consumption trends

With the increasing improvement and intelligence of big data on the Internet platform, in many cases, customers only need to enter gender, occupation, age, etc., they will receive exclusive personal information push on the shopping account, they can only browse what they are interested in and their needs, and even push more accurate, personalized and differentiated, which is a significant feature of modern shopping intelligence. This is very different from the traditional consumption model. Companies can ignore the costs of traditional store rental, staffing, and store maintenance, so that they can serve the targeted target group more quickly and at high speed.

The steps and processes related to traditional trade are generally cumbersome and the cycle is relatively long. From consultation and quotation to final consumption, it is a tedious process and a complex operation of industrial chain nodes. It requires the cooperation of a team of highly qualified foreign trade talents to complete. However, cross-border e-commerce only needs one-stop service to provide customers with simple information services. Among them, omitting tariffs, exchange rates, logistics and other links, the timeliness and service results are amazing, which liberates social resources, human resources, and management resources to a great extent, and is in line with international trends. In addition, the convenience of cross-border e-commerce operations is bound to greatly improve the cost savings and profit margins. This is also an issue that needs to be considered urgently in the development of small and medium-sized foreign trade enterprises.

4.3 Cross-border e-commerce is the commercial development road for small and medium-sized foreign trade enterprises to overtake

The rapid development of cross-border e-commerce has brought huge business opportunities to China’s foreign trade enterprises, especially small and medium-sized foreign trade enterprises. It is entirely possible for SMEs to inject
new vitality into the development of enterprises by integrating their own resources and identifying the market positioning, and to achieve overtaking in a corner under the new background of promoting enterprises to adapt to the rapidly changing international trade. For example, Alibaba’s Global Ali Express has a huge market share in overseas sales. The data of Ali Express’s overseas warehouses in 2019 shows that in household appliances, consumer electronics, auto parts, mobile phones, computer offices, sports, tools, security, home improvement, furniture and other categories have seen a sharp increase in transaction volume in Russia, Spain, Poland, France and other countries. This is because Ali Express is completely oriented to overseas consumers. On such a new cross-border retail platform, small and medium-sized foreign trade enterprises can win the trust of global buyers through quality and marketing strategies.

4.4 Cross-border e-commerce can help small and medium-sized foreign trade enterprises to build a more advanced WTO management service platform

While small and medium-sized foreign trade enterprises develop cross-border e-commerce, they will design and build a comprehensive foreign trade service platform in conjunction with their own mechanisms to realize the operation and construction of third parties, thereby providing a healthy guarantee for the development of small and medium-sized foreign trade enterprises, and providing bargaining chips for enterprises to achieve financing [5]. In the establishment of the foreign trade service platform, SMEs can closely manage their own pulses and strengthen management. On the premise of saving labor and material resources, more manpower is needed to innovate in the original industries and projects, so as to better develop the profession of the enterprise and expand the scale of the enterprise.

5. Conclusion

In summary, the development of this new type of foreign trade in cross-border e-commerce has largely saved the human and material investment of small and medium-sized foreign trade enterprises, expanded the market share of small and medium-sized enterprises, and increased profit margins, which is crucial for the development of small and medium-sized foreign trade enterprises.

References