

Impact of COVID-19 on Small and Medium Sized Cross-border E-commerce Enterprises and Suggestions

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ABSTRACT. To analyze the COVID-19's impact on small and medium sized micro cross-border e-commerce enterprises, this paper conducts a questionnaire survey on 70 small and medium-sized micro businesses and their actual leaders. The research content includes 11 issues such as loss, return time, business pressure, working capital, employment and market impact, self countermeasures and policy demands. It is found that small and medium-sized micro cross-border e-commerce enterprises are affected by the epidemic in many aspects and to a large extent; enterprises have different impact on the epidemic due to different scales and industries, and thus have different demands on business plans and policies. In order to cope with and reduce the impact of the epidemic, we should speed up the implementation of policy assistance, enterprise transformation, resumption of production and other measures.

KEYWORDS: COVID-19, Small and medium sized cross-border e-commerce enterprises, Policy

1. Introduction

In recent years, cross-border e-commerce has swept the world and developed rapidly, which has become an indispensable part of the world economy. According to the "2018-2019 Research Report on China's cross border e-commerce market" released by aimedia consulting, the scale of China's cross-border e-commerce market will exceed RMB 10 billion in 2019 and become another new market of RMB 10 billion level. The scale of cross-border e-commerce transactions in China is growing at a double-digit rate year by year. The development of cross-border e-commerce has been attached great importance by the state. The Chinese government actively promotes the development of cross-border e-commerce, and the report on the work of the government in 2019 mentions twice the development of cross-border e-commerce

COVID-19 outbreak occurred in early 2020 and spread rapidly worldwide. COVID-19 has been diagnosed in Beijing by more than 2 million 70 thousand cases

at 6:32 on April 16th, reaching 2074101 in Worldometers time, and 134073 cases have been accumulated. COVID-19 is the most common diagnosed case in the world, reaching more than 640 thousand cases, reaching 641762 cases. COVID-19 has spread to more than 100 countries or regions of the world, becoming a global epidemic. COVID-19 has brought more impact and influence on global economy, society and life. According to the organization for economic cooperation and development (OECD), the global economic development will decline by 0.5% in 2020 due to the epidemic, and the growth rate will drop from 2.9% in 2019 to 2.4%[1]. This epidemic will not only bring challenges to the global economic development, but also have many impacts on cross-border e-commerce. Under the global epidemic situation, it has obvious practical significance to carry out international trade through cross-border e-commerce. Cross border e-commerce has played an important role in the rapid coordination of international prevention and control materials and cross-border consumption. For example, in February 2020, the import commodities purchased by consumers in tmall global increased by more than 52% year on year[2]. At 10:00 a.m. on April 17, 2020, the Information Office of the State Council held a press conference to introduce the operation of the national economy in the first quarter. After preliminary accounting, the GDP in the first quarter was 20650.4 billion yuan, a year-on-year decrease of 6.8% at comparable prices.

Affected by the COVID-19, 29.58% of the enterprises in 2020 decreased by more than 50%, while 58.05% of the enterprises dropped by more than 20%. 85.01% of the enterprises could not survive 3 months[3]. According to the data of the Ministry of industry and information technology of China, by the end of 2018, the number of small and medium-sized enterprises in China has exceeded 30 million, the number of individual businesses has exceeded 70 million, over 50% of national tax revenue, over 60% of GDP, over 70% of technological innovation achievements and over 80% of labor force employment are contributed by small and medium-sized enterprises in China. In the field of foreign trade, China's small and medium-sized micro enterprises have achieved 60% of the country's total import and export volume. China's small and medium-sized micro enterprises are the main force of the contemporary economy, representing a mainstream form of industrial organization in the direction of social and economic development[4]. It has great advantages and irreplaceable role in increasing employment, increasing competition intensity, strengthening the whole economic vitality, and forming a more effective production system through the complementary relationship with large enterprises[5]. If the COVID-19 continues to spread, China's small and micro micro cross-border enterprises can not resume production, and do not receive financial support from the banks. The financial subsidy relief will lead to large-scale layoffs and bankruptcies, which will not be ignored. COVID-19 will inevitably have some impact on cross-border e-commerce, whether it is the characterization of new crown pneumonia or the impact of the real economy or the impact of government regulation and policy. Therefore, analyzing the COVID-19's impact on China's small and medium sized micro cross-border enterprises, and exploring countermeasures is a very valuable topic.

2 Data source and sample composition

2.1 Data source

Using the Internet questionnaire survey method, taking the questionnaire star as the data collection platform, using the way of questionnaire directional distribution and directional recovery. Based on the channels of Shandong Provincial Department of Commerce, Jinan Municipal Bureau of Commerce, Shandong cross border E-Commerce Association, Weihai business and personal network, a questionnaire survey was conducted on the bosses and actual principals of 70 small, medium and micro cross border e-commerce enterprises in Shandong Province. The COVID-19 is a small and medium sized e-commerce provider. It is a small and micro cross-border business enterprise. It is a small and small cross-border business enterprise. The research time is from February 6 to 10, 2020. The research content mainly includes 11 problems, such as loss assessment, maintainable time, industry impact, types of difficulties faced by enterprises, self countermeasures and government demands.

2.2 Sample composition

The sample consists of 70 small, medium and micro cross-border e-commerce enterprises. There are 20 enterprises engaged in the primary industry, accounting for 28.57%; 16 enterprises engaged in the secondary industry, accounting for 22.86%; 34 enterprises engaged in the tertiary industry, accounting for 48.57%. There are 8 medium-sized enterprises, accounting for 11.43%; 33 small enterprises, accounting for 47.14%; 29 micro enterprises, accounting for 41.43%. 46 enterprises belong to B2B type, accounting for 65.71%; 24 enterprises belong to B2C type, accounting for 34.29%.

3 Impact of COVID-19 on small and medium sized cross-border e-commerce enterprises

In terms of enterprise loss prediction, 48.57% of enterprises believe COVID-19 causes serious losses, and business operations are difficult or even loss. 20% of enterprises think that the impact of the epidemic is small or not obvious.

In terms of operating pressure, the biggest pressure enterprises face is "traffic and logistics block", accounting for 67.14%. The second place is "order reduction, customer churn", accounting for 64.29%. In addition to these two pressures, "supply chain affected" and "high operating cost pressure" also account for a higher proportion, 58.57% and 51.43% respectively. In addition, some enterprises mentioned the difficulties of "no mask, alcohol, thermometer", "bank can't settle foreign exchange", "workers' return is limited" and so on.

In terms of the impact of the COVID-19 on the industry, 81.43% of the enterprises think that the epidemic situation has a serious impact on the industry, leading to huge pressure on the survival of enterprises and difficulties in business operation. Only 5.71% of the enterprises think that the epidemic has little impact on the industry and the enterprises can operate normally.

In terms of operating capital, The impact of COVID-19 on business capital is mainly reflected in three aspects: reduced operating income, increased cost and tight liquidity, accounting for 87.14%, 71.43% and 58.57% respectively.

In terms of Book Capital, 12.86% of the enterprises have no book working capital, 44.29% of the enterprises can maintain the book capital within one month, 83% of the enterprises can maintain the book capital within three months. Only 11.43% of the enterprises that can last for more than 6 months

In terms of employment and market demand in the first half of the year, The COVID-19 has a slight impact on the employment of the enterprises in the first half of the year. 64.29% of the enterprises are expected to be flat with 2019, while 27.14% of the enterprises will reduce the demand for employment, while only 8.57% of the enterprises will increase the demand for employment. COVID-19 also has a great impact on the market demand of the first half of the year. 90% of the enterprises believe that the epidemic will reduce the market demand of the first half of the year, and 31.43% of the enterprises believe that the market demand will be substantially reduced.

In terms of business forecast in 2020, 40% of the enterprises are uncertain about the operation in 2020, and think it depends on the macroeconomic and policy situation; 37.14% of the enterprises are pessimistic about the operation in 2020. Only 4.29% of enterprises are optimistic.

4 COVID-19 impact measures for small and medium sized enterprises across the border

4.1 Looking at the enterprise's plan as a whole

As shown in Table 1, 72.86% of the enterprises tend to actively explore the market; 60% of the enterprises hope to start part of the construction as soon as possible, so that the enterprises can move forward as soon as possible. This is the first two measures that the enterprise will take next. The COVID-19 is expected to win 47.14% of the enterprises' efforts to win the government's policy and financial support.

Table 1 Overall analysis of the business plan of the enterprise

Type	Rate
Actively explore the market	72.86%
Start part of the construction as soon as possible	60%
Win the government's policy and financial support.	47.14%
Accelerate enterprise transformation	28.57%
Downsizing and salary reduction	15.71%
Wait and see	11.43%

4.2 Looking at the plan of enterprises by industry

The COVID-19 in different industries has different effects on the new crown pneumonia epidemic situation, and further influences its next business plan. It can be seen from table 2 that enterprises in different industries have different business strategies in the next step. Enterprises in the tertiary industry tend to " Start part of the construction as soon as possible ". Enterprises in the primary industry prefer to "actively explore the market". Enterprises in the primary and secondary industries also have higher choice of " Win the government's policy and financial support " than those in the tertiary industry. In the aspect of " Accelerate enterprise transformation ", the enterprises in the primary industry are significantly higher than those in the tertiary industry.

Table 2 Analyze business plans of enterprises by industry

Type	Primary industry	Secondary industry	Tertiary industry
Start part of the construction as soon as possible	55%	50%	67.65%
Actively explore the market	80%	75%	67.65%
Win the government's policy and financial support	55%	50%	41.18%
Accelerate enterprise transformation	35%	31.25%	23.53%
Downsizing and salary reduction	10%	18.75%	17.65%
Wait and see	15%	12.50%	8.82%

5 Policy demands for COVID-19 among small and medium enterprises

5.1 Overall policy appeal

As shown in Table 3, small and medium-sized cross-border e-commerce enterprises prefer to get government policy support in "tax reduction", "rent, water and electricity subsidies and relief". Support policies on "reducing social insurance costs of enterprises" and "increasing credit support" are also concerned by enterprises. In addition, some enterprises mentioned that they hope to get assistance in masks and disinfection materials after returning to work.

Table 3 Policy demands of small and medium cross-border e-commerce enterprises

Type	Rate
Tax reduction	67.14%
Rent, water and electricity subsidies and relief	57.14%
Reducing social insurance costs of enterprises	47.14%
Increasing credit support	40%
Allow enterprises to delay paying taxes	38.57%
Increase the support of credit loan	37.14%
Help enterprises to publicize	32.86%
Increase the strength of supporting and stabilizing posts	31.43%
Encourage flexible employment and office policies	31.43%
Optimize government services	27.14%
Reduce the cost of credit financing	25.71%
Implement financial discount of enterprise loan	25.71%
Extension of contract performance period	12.86%
Increase legal aid	11.43%

5.2 Policy demands by industry

Affected by the COVID-19, the extent of the disease is different. The small and micro cross-border e-commerce enterprises in different industries have different policy appeals, as shown in Table 4. In terms of policy types with a proportion of more than 40% and 50%, 7 policies account for more than 50% and 9 policies account for more than 40% of the primary industry's demands for policies. In terms of quantity, it is far more than the enterprises of the second industry and the third industry. Among them, the types of the second industry and the third industry that demand more than 50% and 40% of the policies are 1 and 1, 2 and 3 respectively. This difference is not only reflected in the type of policy, but also in the proportion of policy demand. The degree of policy appeal of the first industry enterprises is

significantly higher than that of the second industry and the third industry enterprises. It can be seen that enterprises in the primary industry have more demands for government policies, more types and stronger demands. Of course, there are many differences among the top three industries in their preference for policy demands.

Table 4 Policy demands by industry

Type	Primary industry	Secondary industry	Tertiary industry
Tax reduction	85%	56.25%	61.76%
Increase the support of credit loan	75%	25%	20.59%
Reduce the cost of credit financing	45%	25%	14.71%
Reducing social insurance costs of enterprises	65%	18.75%	50%
Increase the strength of supporting and stabilizing posts	30%	12.50%	41.18%
Increasing credit support	55%	37.50%	32.35%
Allow enterprises to delay paying taxes	50%	31.25%	25.29%
Implement financial discount of enterprise loan	55%	18.75%	11.76%
Increase legal aid	15%	12.50%	8.82%
Extension of contract performance period	20%	6.25%	11.76%
Encourage flexible employment and office policies	35%	25%	32.25%
Rent, water and electricity subsidies and relief	75%	37.50%	55.88%
Optimize government services	35%	25%	23.53%
Help enterprises to publicize	40%	25%	32.35%

6. Analysis of COVID-19's problems in small and medium sized cross-border electric business enterprises

6.1 Seriously affect the revenue, cost and cash flow, and aggravate the survival crisis of the enterprise

Business income, cost expenditure and cash flow are the core of business operation and the key to the survival of small and medium-sized cross-border e-commerce enterprises. The COVID-19 has seriously affected the revenue, cost and cash flow of small and micro cross-border e-commerce enterprises. As mentioned above, this epidemic has resulted in sharp decrease in operating revenue, increased

cost expenditure and significantly reduced cash flow of small and medium-sized cross-border e-commerce enterprises. If the epidemic cannot be effectively prevented and controlled, many small and medium-sized cross-border e-commerce enterprises will not be able to operate effectively, and their losses will continue to increase, even leading to the trend of enterprise bankruptcy.

6.2 Limited commodity circulation and upward supply chain pressure hinder the normal operation of enterprises

The COVID-19 has a great influence on transportation, transportation and logistics, which limits the circulation of commodities to a certain extent. In addition, some localities have implemented excessive and inappropriate epidemic prevention and control policies, which has increased the difficulty of commodity circulation. For small and medium-sized cross-border e-commerce enterprises, factories in Zhejiang, Guangdong, Jiangsu and other major domestic sources of goods have been shut down. When to resume work and how to restore production capacity after resumption are still unknown. Most small and medium-sized micro cross-border e-commerce enterprises will face the risk of goods shortage if they do not stock up. The epidemic affected supply chain, logistics and other industrial chain links to varying degrees.

6.3 In addition to self-help, enterprises need more policy support

Coping with the COVID-19, China's small and medium enterprises are actively helping themselves. For example, some enterprises adopt the methods of layoff, salary reduction and scale reduction. More enterprises tend to strive to start part of the construction first. Enterprises try to run first, actively explore the market and expand market demand. Some enterprises choose to speed up the transformation of enterprises, especially for the transformation and upgrading of high value-added industries. A small number of enterprises hold a wait-and-see attitude. However, COVID-19 is a major and medium sized and small cross-border business enterprise, and it hopes to win the support of government policies and funds. These policies not only include tax reduction, tax reduction and delayed payment of insurance tax, but also include some effective policies to reduce costs. In addition, there are policy needs in law, recruitment, publicity, government services and other aspects.

7 Suggestions for small and medium cross-border e-commerce enterprises

7.1 Accelerate the development of digital trade and cross-border e-commerce

Under the situation of epidemic prevention and control, the control of personnel flow is much higher than that of commodity flow. Under the background of Internet technology facilities and digital economy development, take this opportunity to accelerate the development of cross-border e-commerce as the main form of digital

trade. In the short term, it can help to meet consumers' demand for cross-border goods and help domestic and foreign trade enterprises to connect with overseas markets; in the long term, it can improve the operation efficiency of the whole chain of foreign trade and enhance the ability of foreign trade enterprises to cope with various risks such as epidemic situation.

7.2 Speed up the resumption of production step by step depending on the situation

According to the different influence degree of the epidemic, it is suggested that enterprises return to work in different regions, industries and periods. Under the premise of effective prevention and control of the epidemic situation, avoid the one size fits all and excessive implementation of the return to work policy. In areas where the epidemic situation has little impact, or even no confirmed cases, it is recommended to return to work in an all-round way under a good prevention and control system. In addition, we should also pay attention to the coordinated resumption of the industrial chain, especially the cross regional resumption coordination of the industrial chain, and speed up the resumption of the upstream and downstream supporting enterprises.

7.3 Speed up the opening of supply chain barriers and help the recovery of commodity circulation

Due to the differences between the return to work time stipulated by the local governments and the conditions for epidemic prevention and control, and due to the differences in the operation of various enterprises, small and medium-sized micro cross-border e-commerce enterprises need to speed up the connection between the commodity circulation chain and the upstream supply chain. If the circulation is not smooth and the supply is short, the enterprises can not return to work and production after the epidemic, which further aggravates the enterprise's operational difficulties. Supply chain has strong network effect, but some network nodes are vulnerable. The delayed resumption of work caused by the outbreak during the Spring Festival holiday has increased the vulnerability of these weak nodes. According to the impact of the global industrial chain, we should make use of the hospitality relationship to get through the upstream supply resources, actively make alternatives and multi-channel procurement, and consider cross-border procurement when necessary.

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