SWOT Analysis and Development Strategies on Government-oriented Regional E-business Platform—Based on the Comparison with the Commercial Third-party B2B Platform

Lin-na HU
Department of Information Technology Wenzhou Vocational & Technical College, Zhejiang, China
107612072@qq.com

Keywords: Third-party B2B Platform; Regional E-business Platform; Government-oriented

Abstract. The commercial third-party B2B platform is so far the main E-Business mode for most small and medium enterprises. Commercial third-party B2B platform has massive information about the buyers and vendors, it is the network platform of communication for travelling traders and small-medium enterprises; but it can’t fulfill the requirements of small and medium enterprises E-Business, which is now becoming more and more personalized, due to the non-difference in service mode. Regional E-Business platform is a new platform, which is led by the government and has regional features. By applying SWOT analysis to commercial third-party B2B platform and government-oriented regional E-Business platform, this paper provides references for the government participation in E-Business development and also for the small-medium enterprises in selecting best E-Business mode.

Introduction

According to Data Monitoring Report on Chinese E-Business Market 2015, published by Chinese E-business Research Centre, by the end of Dec. 2015, the turnover of Chinese E-Business market (including B2B, B2C, C2C) has reached 18.3 trillion Yuan; Among which, the turnover of B2B is 13.9 trillion Yuan, accounts for 76%. B2B has apparently to be the “kingpin” and the best choice to save the cost and increase the efficiency the same time. There are so far two main B2B E-Business modes applied in enterprises: Constructing E-Business website by firm itself or purchasing the service from commercial third-party B2B E-Business platform. Constructing website has fairly high standards to funds, manpower, and maintenances afterword, which are not affordable for small and medium enterprises. Therefore most firms prefer to join the commercial B2B platform. The great function of commercial third-party B2B platform allows publishing and searching supply-demand information, and also allows the online communications and business negotiations between potential customers and suppliers, in addition commercial third-party B2B platform is relatively easier to maintain and manage, so it has been the main mode for enterprises E-Business. However, some problems have also revealed. Improving the services provided by E-Business to small and medium enterprises, not only depends on the market, but also the supports from the government. In the development of our national economics, the advent of regional manufacturing industry groups dominated by middle & small enterprises is a big feature; therefore a new E-Business mode—regional E-Business—emerges. By applying SWOT analysis on commercial third-party B2B platform and regional E-Business platform, this paper provides references for the government participation in E-Business development and also for the small-medium enterprises in selecting best E-Business mode.

SWOT Analysis on Commercial B2B Platform

B2B (Business To Business) describes the transactions of product, services and information between businesses by using internet. The most famous national commercial third-party B2B platforms are ALIBABA, HC360, HEROSTART, and Made-in-china and so on.
The Advantages of Commercial Third-party B2B E-business Platform

The existing third-party B2B platforms are fairly developed and also well-known. Most enterprises regard the nice-looking website as success, which is totally a mistake. The enterprise need to spend lots of money to advertise the website if unfortunately it is only visited by few people. It has always been the best choice to join the developed and well-known third-party B2B platform, since it can save the cost in website design and promotion. Experiencing more than 15 years’ development, several national B2B platforms have achieved their own advantages and roles. According to the latest 3-month ranking in ALEX B2B website, the top 2 national B2B websites are ALIBABA and HC360. ALIBABA, which is owned by Yun Ma, has been awarded to be the largest B2B website in the world for five years successively; HC360—so far the national largest industry information portal platform—is famous for its professionalism and industrial chain in integrating industry; it is regarded as a successful and leading Chinese B2B E-Business platform. At present ALIBABA is the top one in terms of market share, we say that ALIBABA is famous in the southern china whereas HC360 is famous in the northern china. If people want to get some information about consumer goods or industrial products, they will immediately search on ALIBABA or HC360. Besides, commercial third-party B2B platform offer massive information, it is able to gain information about the key word by fuzzy search, which will provide more references for decision making.

The disadvantages of commercial third-party B2B E-business platform

Commercial third-party B2B platform is open and profit-oriented, thus the cost is high. According to the research operated by studying team, the membership cost of ALIBABA CHENGXINTONG (restricted to domestic trade) is 6688 Yuan per year, and the membership cost of China Suppliers (restricted to foreign trade) is 40,000-80,000 Yuan per year (based on the amount of service). The total amount of ALIBABA CHENGXINTONG member is 300,000, there are numerous CHENGXINTONG members in the search results for a single product and their ranking actually depends on the money they pay. China Suppliers, which needs high membership fees, is actually not frequently visited by oversea buyers and there is no guaranty for the customer quality, most of them are oversea Chinese or Southeast Asian, moreover website is not well-known in Europe and North America, these will all lead to worse results than our expectation. Meantime, supply-demand information is updated so fast on the commercial third-party B2B platform that can’t be included by the search engine.

The opportunities for the commercial third-party B2B E-business platform

With the continued rapid economic development, China has become one of the largest economic bodies, which is beneficial to the B2B development. Jiangxiang Wang, the chief engineer of China’s ministry of industry and information technology, said there are more than 70 million small-middle enterprises in China, and based on the data from Chinese B2B research center, there are 20.5 million small-middle enterprises joining third-party B2B E-business platform by the end of June 2014, but it is only a fraction of total number of small-middle enterprises in China. Small-middle enterprises are eager to use E-business; therefore the market for Commercial third-party B2B platform is very potential.

The challenge for commercial third-party B2B E-business platform

National commercial third-party B2B websites, many of which have the very similar business model. There are more than one thousand main third-party foreign trade B2B platforms, for instance, ALIBABA, TRADEKEY, MADE-IN-CHINA, THOMASNET.COM and so on; there are also more than one thousand main website for domestic trade, for example, ALIBABA, CH360 and SHENGYIBAO, this leads to a competitive environment. Moreover, some websites in other modes is a big threat to pure-commercial B2B websites; powerful search engine is a most important part for pure-commercial B2B websites to get buyer flow, and the optimization ability of search engine plays
as a main role in several platforms such as ALIBABA and CH360. However, no search engine is willingly to make strong commercial platform due to self-interests, generally Baidu and Google will decrease the optimization ability of commercial platforms through artificial adjustment. In addition, searching engine now also offer Internet Marketing service which is non-difference to commercial platform, for instance, Baidu is capable of providing the exactly the same services as ALIBABA does.

Based on the SWOT analysis above, B2B E-business is the effective way for small-medium enterprises to alter development method and enhance efficiency, but there also exist some problems. Improving the services provided by E-Business to small and medium enterprises, not only depends on the market, but also the supports from the government. Regional E-business platform, a new mode of E-business platform, is led by the government. It integrates their resources and constructs an E-Business platform with regional characteristics. In the development of our national economics, the advent of regional manufacturing industry groups dominated by middle & small enterprises is a big feature.

The SWOT analysis on government-oriented regional E-business platform

Regional E-business, which assembles all the industries and products with regional characteristics, is the best promotion platform in terms of regional economy, culture and local brand. Zhoupeng Zhang, the Chinese E-business expert, expressed in the interview that China is now necessary to support the construction of E-business platform; on the one hand, it is for the consideration based on the political level, on another hand, it is possible to accelerate E-business development by means of national power. In the development of Chinese E-business, regional E-business platform will lead Chinese E-business to trade facilitation.

The advantage of government-oriented regional E-business platform

During the financial crisis, Chinese government unveiled a scheme of “4 trillion” in order to simulate economic, of which supporting the small-medium enterprises to join E-business is a bright spot. This scheme asks the government to focus on the local E-business development and make a detail proposal about the regional E-business development. Recent years local governments have started to construct the regional E-business platform in succession. The government-orientated regional E-business platform has several advantages such as government-orientated, multiparty participation, resource sharing, enterprise benefits, regional characteristics and also targeted. The standard construction of regional E-business platform depends on the input from government, fully integration of governmental recourses, management and control from government and also the standardizing business behaviors. China, with vast territory, has huge difference in industry-level for different places, it is suggested to design regional E-business platform based on the fully consideration on local industry characteristics. For example, “FUJIAN international E-business application platform”, combined the industry characteristics of FUJIAN province, gives priorities to some industries such as electronic, machinery and Petro-chemistry to boosting Fujian’s economic zone development. Generally most information published in commercial platform is about business consulting, including products descriptions and prices, etc. However, regional E-business platform can provide information about commercial resources and governmental resources at the same time. It is able to connect with national internet node, ministries network and international platform. It is also able to offer a series services such as online transaction, electronic payment, commerce finance, cross-border cargo tracking, commerce management, supply chain management, document transmission, cross-border information tracking and government operations, etc.

The disadvantages of government-oriented regional E-business platform

After more than 15 years development on B2B E-business mode, many pure commercial B2B E-business platforms have emerged. There are types of pure commercial B2B E-business platforms and each type has its own features. For example, integrated platforms (ALIBABA etc) have the features of wide coverage of industries, broad range of contents and huge recourse of customers; industrial
platforms (CHEMNET.com etc) have the features of specialization and vertical, content depth, division meticulous. These platforms are fairly famous in their own region, so the foreign buyers always prefer to visit them. Compared to those well-know platforms, regional platforms need some time capture market.

The opportunities for government-oriented regional E-business platform

In “thirteenth-five” plan, E-business is regarded as an important member in national strategic new industries; it is also the key in next step of information constructions. The development tasks expressed in “thirteenth-five” plan are as follows:

“Actively developing the E-business, refining the E-business services to small-medium enterprises, promoting the construction of credit facility, online payment and logistics distributions etc, which all face to the whole society. Promoting the popularization and deepening of E-business application, enhancing the internet purchasing and marketing level.”

The national and governmental policies have driven the construction of regional E-business platform in different places, according to the research operated by studying team, there are 28 provinces or cities have opened the regional E-business platforms. Small-medium enterprises are willing to use e-commerce, for example in Wenzhou, according to the research operated by studying team, nearly 80% small-medium enterprises in Wenzhou have already set up enterprises websites or applied internet marketing as market means. The network with low cost and high coverage will bring the tremendous development space and equal opportunities for different sizes of enterprises, which will lead to the new opportunities for small-medium enterprises’ development.

The challenge for the government-oriented regional E-business platform

As most of the commercial third-party B2B platform, regional E-Business platform needs substantial human resources and funds to operate and maintain, and it is impossible for the government to provide 100% long-term free access to the regional small-medium enterprises. When both of regional platform and pure commercial platform charge, most of the small-medium enterprises will make a choice between two of them, which explains the competition between them. Whether regional platform will successfully assist small-medium enterprises in getting more customers has a large association with the guidance of government, the main manager. Therefore, whether the regional E-business model will work depends on the government's support such as outside promotion, and reasonable planning made for the development of the regional E-business such as those plans on the purpose of improving production efficiency and reducing production cost, regional platform should put supply chain of upstream and downstream firm in the area together.

The development strategies of government-oriented regional E-business platform

Borrow Situation Development and Establish E-Business Platform

Under the circumstance of the complex and volatile international situation, the survival and development of small-medium enterprises are faced with an enormous challenge. In 2008, the international financial crisis brought enormous influence and pressure on Chinese economy by means of export to drive the domestic economic growth. Governments at all levels change the pattern of economic growth, and adjust the export structure. And the deepness combination of E-Business and traditional industry not only change the organization form of the production and operation of enterprises, but also become One of the important means of support, promoting resource integration and speeding up the development of national economy. The e-business in China has already developed for 10 years and due to the limitations, the commercial third-party B2B platform the commercial third party B2B e-commerce platform exerts smaller and smaller influence on the small-medium enterprises. So governments should take full advantage of its information, the talent, the technology and capital and design regional characteristic of E-business platform based on the local industry characteristics and relied on the upgrade of the construction of the original commercial
third party web sites, promoting the development of government’s resources and helping small-medium enterprises to enjoy e-business. For example, Tianjin business ministry based on the web sites of “online carton fair” and “China commodity trading market” upgrade for “Tianjin international e-business application platform”, making enterprises in Tianjin have access to the “bonus” of regional electronic business.

Maximizing the governmental function and promoting the regional E-business development

The development and application of E-business belongs to the enterprise behaviors, but the development and application of E-business play a very important in promoting the upgrading of traditional industry, accelerating the formation of modern commercial circulation system and driving the national economic development. In “twelfth-five” plan, E-business is regarded as an important member in national strategic new industries. E-business application, a complex engineering, needs the cooperation from the all aspects of society, and only government is capable of playing a role of uniform allocation. In 2008, Fujian province invested the initial regional E-business platform and after one year, it brought 729340 commercial opportunities for local enterprises and a volume of business of 0.1 billion dollar between 98644 buyers and platform, it formed a good E-business environment and brought huge profit for enterprises. From naissance to now, the regional E-business platforms have covered 42 provinces and cities in China, government promotion, funding, setting up this kind of stage so that makes most enterprises know the benefits of application of e-business. E-business helps companies reducing costs, improving efficiency and profitability, changes the trading pattern from traditional to modern pattern.

Most small-medium enterprises believe that it doesn’t worth to set up E-business due to the large input and small output. Commercial third-party B2B websites are profit-oriented, but the regional E-business provides the powerful supports and high quality services by lowering the entry requirement and giving the membership fee subsidy. By multiple services such as online marketing promotion, offline matching, specific training and fairs, regional E-business platform will guide oversea customers inquiry initiatively, helps enterprise expanding new markets.

Extending the corporation, doubling the effects of regional E-business

By interactive with government, bank, industry and enterprise in the regional e-business platform, the local business ministries should make effort to develop the political environment which is beneficial to E-business development, design the strategies for regional E-business development, get more fund for platform development. Regional E-business platform should also corporate with financial institutions and export credit insurance in order to provide complete procedure network banking services. It is beneficial for broadening the financing channel for small-medium enterprises, improving the enterprises credit risk control and refining the enterprises credit guarantee system, it will make more and more faith enterprise to be beneficiaries and also provide risk guarantee to enterprises on platforms. Regional platforms should also unite with local industries with preponderance; focus on development the industries platform. The advent of regional manufacturing industry groups dominated by middle & small enterprises is a big feature in Chinese economic. The union of regional platform and local characteristic industries will form the cluster-management of industry chain upstream and downstream industries, and standardize the market and competition mode between enterprises and also unify the industry development mode for promotion. By deepening and subdividing the industries, building up a vertical B2B platform, achieves a more targeted, salient features information services, makes benefits to the small-medium enterprises within the region.

Training the talents with broad horizons about E-business

The popularity and reputation of regional platform is proportional to the participation of small-medium enterprises, regional platform will becomes bigger and stronger by means of more and more buyers and suppliers joining the platforms and implementing real commerce. However, the shortage of E-business talents is the biggest problem for national E-business development. Deren Chen, the deputy director of education ministry university E-business teaching steering committee said: “in
next 5 years, the total amount of shortage about E-business talents is about 10 million”. Whether the enterprises have the corresponding E-business enterprises is the key point which leads to regional platform application and informatization. Local governments cannot completely reply on the enterprises’ recruitment to search for the E-business talents, they should also carry out several manners of technical training and services, in order to make the enterprises interior traditional talents to be the E-business talents and provide the supports to the enterprise informatization.

Through the SWOT analysis on the commercial third-party B2B platforms and the government-oriented regional E-business platforms, commercial third-party B2B E-business develops the broad market space and plays a very important role in the primary stage of enterprises E-business application. However, the commercial third-party B2B E-business platforms are making less and less effects on the small-medium enterprises due to the services manner without differences, unordered catalogues, searching engines without improvements, irrational competition manner and profit-oriented plan. The government-oriented, a grand new mode, government, bank, industry and enterprise sharing information together, can make full use of the information resources advantages; provides all aspects of E-business services to enterprises; help the enterprises to find business opportunities; expand the international market and cut the operation cost, it will encourage the stable development of foreign trade.

References