

# Research on the Mode of China's SMEs' International Marketing Entry Mode

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**Abstract:** China's opening up process is deepening, international influence is increasing day by day, and trade with countries around the world is closer. SMEs, as the main part of China's corporate structure, play an important role in China's international trade. However, as far as the entry of the international market for Chinese SMEs is concerned, there are still some problems that restrict its development in the entry mode of international marketing. Based on an in-depth analysis of the issues related to the international marketing entry mode of Chinese SMEs, Several strategic suggestions are proposed to promote the optimization of its entry mode, in order to benefit the construction of the international market competition of Chinese SMEs.

## 1. Introduction

At the private enterprise symposium held in Beijing on November 1st, 2018, President Xi Jinping pointed out in his speech that China's private economy contributed more than 50% of the country's tax revenue, more than 60% of GDP, and more than 90% of enterprises. . In 2010, the number of private enterprises in the world's 500 enterprises was only one. By 2018, this number has reached 28, and private enterprises have also helped China's economy to take off while achieving its rapid development. SMEs are the main part of private enterprises and an important vital force in the national economy. They play an irreplaceable role in promoting economic growth, increasing employment opportunities in society, or realizing technological innovation. However, as China gradually enters the new normal stage of the socialist economy, and the international political and economic situation is increasingly complicated, SMEs are facing increasingly severe market competition.

The ultimate goal of SMEs' survival and management is to realize their long-term development. Among them, marketing strategy plays a vital role in the development of enterprises, especially in the entry mode of international marketing. It has far-reaching advantages for enterprises to establish themselves in the domestic market and expand the international market. The significance, therefore, the analysis of its international marketing entry model is particularly necessary.

## 2. Analysis of the Connotation of SMEs and Their International Marketing

### 2.1 SMEs

At present, there are two main methods for delineating enterprise type standards in each country. One is a qualitative standard, which is divided according to the economic characteristics and control methods of the enterprise. The core indicators usually cover “whether it is independent”, “whether it operates independently” or “occupied”. The market share is equal to the second; the second is the quantitative standard, which measures the size of the enterprise through a certain number of indicators, including operating income, number of employees and total assets. Of course, the division of enterprise scale is also affected by factors such as economic development level, industry category, industry type and historical stage, and thus presents different characteristics. Therefore, the actual division should be based on actual conditions. At present, more than 80% of the countries in the world use quantitative standards to define the scale of enterprises. China also adopts such divisions. Table 1 is the quantitative criteria for the classification of small and medium-sized enterprises in some traditional industries in China.

Table1 Standards for the Classification of Chinese SMEs (some industries)

Industry type	Indicator	Measurement Unit	Micro-enterprise	Small enterprise	Medium-sized enterprise
Agriculture, forestry, animal husbandry and fisheries	Operating revenue	Ten thousand yuan	<50	50-500	500-20000
Industry	Operating revenue	Ten thousand yuan	<300	300-2000	2000-40000
	Employees' quantity	People	<20	20-300	300-1000
Construction industry	Operating revenue	Ten thousand yuan	<300	300-6000	6000-80000
	Total assets	Ten thousand yuan	300	300-5000	5000-80000
Wholesale industry	Operating revenue	Ten thousand yuan	<1000	1000-5000	5000-40000
	Employees' quantity	People	<5	5-20	20-200
Retail industry	Operating revenue	Ten thousand yuan	<100	100-500	500-20000
	Employees' quantity	People	<10	10-50	50-300
Catering	Operating revenue	Ten thousand yuan	<100	100-2000	2000-10000
	Employees' quantity	People	<10	10-100	100-300
Transportation industry	Operating revenue	Ten thousand yuan	<200	100-1000	3000-30000
	Employees' quantity	People	<20	20-300	300-1000
Real estate industry	Operating revenue	Ten thousand yuan	<100	100-1000	1000-200000
	Total assets	Ten thousand yuan	<2000	2000-5000	5000-10000

Source: National Bureau of Statistics of China

## 2.2 SME International Marketing

As far as the current situation is concerned, the main task of Chinese SMEs in international marketing is to find overseas markets for their own products. They are still in the initial stage of international marketing, and the entry mode adopted is mainly export trade. In 2018, the total import and export volume of Chinese private enterprises reached 12.1 trillion yuan, an increase of 12.9% compared with 2017. Among them, the export value was 7.87 trillion yuan, an increase of 10.4%, and the growth of small and medium-sized enterprises contributed more than 50%. From the perspective of trade mode, processing trade is still one of the most important ways for Chinese SMEs. At the same time, labor-intensive is also a typical feature of SME export trade.

## 3. Analysis on the Main Entry Modes of Chinese SMEs' International Marketing

### 3.1 Export Entry Mode

The export entry mode means that the enterprise puts the production link of the product in the domestic market, and the sales link is placed in the foreign mode, specifically including the indirect export and the direct export. Indirect exports are exported through domestic intermediaries (distributors, agents), and the companies themselves are not directly involved in export-related matters. Therefore, international marketing is mainly carried out by intermediaries, and the model requires less investment. And easy to manage accordingly, the inadequacy is that enterprises can not obtain the multinational marketing experience necessary for their own development, and there is a large delay in the feedback of international market information. Direct export mode, as the name suggests, directly sells products abroad. In this model, enterprises directly connect with foreign consumers or enterprises, shortening the intermediate sales link, reducing the cost of sales, and the enterprise itself can grasp the first hand. The shortcoming of the international market dynamic

market information is that the model requires enterprises to have a high level of international marketing access and build their own sales channels.

### 3.2 Equity Entry Mode

The equity entry model is also known as the investment entry model. Its most prominent feature is equity participation. By increasing control over the target market and its production and operation, it reduces the resistance of enterprises to enter the international market. However, it should also be recognized that the equity entry model requires enterprises to have more resource reserves, and also needs to have strong management capabilities to cope with various risks arising from equity entry (such as market risk, currency risk, politic risk, etc.). The advantages and disadvantages of the SME international marketing adopting the equity entry mode are shown in Table 2 below.

Table 2 Advantages and Disadvantages of Equity Entry Mode

Advantages	Disadvantages
Greater control brings more international marketing experience	Cross-regional finance and management bring greater uncertainty to business operations
Forming a more thorough understanding of the target market and reduce various operating costs	Longer return on investment cycle leads to a sudden increase in initial cost
Collecting consumer demand information in real time, and the market environment adaptability is greatly enhanced	Larger cost investment will limit the flexibility of the company's strategic adjustment
The decision-making independence of production, marketing and other links is strong, and the business operation efficiency is effectively guaranteed.	Faced with various complex international market risks, companies suffer losses

Source: Authors sorted by reference

### 3.3 Contract Entry Mode

SMEs are limited by the funds, resources and strength, and the ability of SMEs to deal with international market risks is generally weak. Adopting the contract entry mode has become an ideal choice for SMEs to carry out international marketing. The contract entry mode refers to a mode in which an enterprise enters into the international market by granting a contract with a foreign enterprise to grant its use of intangible assets, including patents, technologies, trademarks, and management models, to foreign companies. Take the catering industry as an example. By means of franchising, companies can gain market access advantages in a more appropriate channel than direct investment. Table 3 below shows the advantages and disadvantages of the contract entry model.

Table3 Advantages and Disadvantages of the Contract Entry Model

Advantages	Disadvantages
Bypassing the barriers to entry in the target market and its investment environment	High requirements for core technology and brand of the enterprise
Reduce high transportation costs	Easy to lose control of technology
The small amount of capital investment reduces the potential risks faced by enterprises in the international market.	Creating new competitor risks
Save project operating time	Quality issues are easily complicated, which in turn affects the global reputation of the company

Source: Authors sorted by reference

## 4. Problems in the International Marketing Entry Mode of Chinese SMEs

### 4.1 Lack of Initiative to Carry Out International Marketing

A considerable number of SME operators have not formed a complete and accurate marketing concept, and are often influenced by misconceptions, over-exaggerating the risk of international marketing, and believe that SMEs do not have the ability to conduct international marketing. Moreover, this part of the operators are more afraid of the long development cycle of the international market, and can not afford the initial investment, which leads to their shrinking in

international marketing, or pinning the hope of international market development to other enterprises, losing this The economic benefits that can be achieved in the expansion of the international market.

#### **4.2 The Application of Cutting-edge Technology in International Marketing is Lagging Behind**

At present, we are in the era of rapid development of information technology. Information is the key to ensuring that enterprises are in an invincible position in the market and to prevent and resolve operational risks. However, when Chinese SMEs conduct international marketing, the international market supply and demand information is always the biggest problem facing them. The specific performance is as follows: First, the lack of information channels makes the company unable to establish close contact with foreign customers; Second, the enterprise's grasp of the international market demand cannot meet the international standards. Third, it lacks a deep understanding of the legal norms of different countries.

### **5. The Innovative Path of SMEs' International Marketing Entry Mode**

#### **5.1 Deepening the International Marketing Concept Based on Global Vision**

In today's era, the vision of globalization is a top priority for companies to enhance their core competitiveness. In the current increasingly complex international political and economic situation, SME managers should continue to realize their deep understanding of the international marketing concept based on a global perspective. First of all, SMEs should realize that the specific advantages of technology and technology can also be an important part of their participation in the international market competition. Secondly, SMEs need to be based on their own actual situation in the formulation of international marketing strategies. Promote strategic innovation.

#### **5.2 Using Cutting-edge Information Technology to Help SMEs Enter the International Market**

In order to achieve the optimization and innovation of the international marketing entry mode for Chinese SMEs, information construction is particularly necessary. At present, various types of cutting-edge information technologies are emerging, and technologies such as big data and cloud computing are used in the industry. They have played a huge role in improving business efficiency and enhancing the accuracy of corporate decision-making. SMEs should increase their own in this respect. Your investment constantly improves the level of informatization construction of its international marketing. At the same time, it is also necessary to strengthen the role of e-commerce in the international marketing of SMEs, and promote the development of SMEs' international market with a low-cost and high-efficiency path.

### **6. Conclusion**

SMEs in China should conform to the trend of the times and actively build their own advantages in the international market competition. They should deeply understand the typical problems existing in the international marketing entry mode, such as the lack of initiative in international marketing and the application of cutting-edge technology. Insufficient. By deepening the international marketing concept of the company and using cutting-edge information technology to help SMEs enter the international market, we will break through the problems in the entry mode, better adapt to the competitive environment of the international market, and enhance our own strength.

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