



**Ways to promote exports of SMEs through
cross-border e-commerce**

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Abstract ;

The study aim is to shed light on the importance of e-commerce especially cross-border e-commerce to promote SMEs exportations, and the study found that to adopt e-commerce on the exporting SMEs we need some fundamental keys to success, such us establishing an online business and using the international e-payment, also SMEs need to care about the logistics and the cross-border delivery and focus on customers comfort by improving the aftersales service.

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1.Introduction:

Many enterprises, especially small and medium size enterprise (SMEs), aspire to export and penetrate the foreign market to reach a new customers and searching for opportunities to expand their activities, and also increasing the volume of their business, but exportation and the activity beyond the border is considered at the same time as threat to enterprises, because of the high cost of export and the high level of competition in the international market.

However, the huge development of information and communication technology and the high increase of the volume of e-commerce, especially cross-border e-commerce became an export opportunity for SMEs due to the low cost and lower marketing cost of foreign market entry comparing with traditional trade, and also SMEs search to reach a large number of consumer which is an opportunity given by cross-border e-commerce, this is why in the world of e-commerce, each person connected to the internet considered like a potential customer to SMEs who's active on e-commerce.

1.1.Research Problematic:

From that, we can ask the following question: **What are the ways to promote exports of SMEs through cross-border e-commerce?**

1.2.Research goal:

Through our research, we aim at the following points:

- ✓ Introducing cross-border e-commerce and show their benefits for exporting SMEs;
- ✓ Show the most important Stages of adopting e-commerce in exporting SMEs.

1.3. Previous studies:

There are many studies that have dealt with this topic, such as:

The study of **Xiaoguang Qi, Jin Hooi Chan, Junyan Hu and Yifan Li** titled **Motivations for selecting cross-border e-commerce as a foreign market entry mode** in the journal of **Industrial Marketing Management**, Elsevier publishing house, the study aim to examining a foreign firm deploying Cross-border E-commerce as an entry mode to the Chinese market, integrating services provided by a major technology provider and a leading marketplace platform, and the study found that cross-border e-commerce could reduce uncertainties and opportunistic behaviours, while increasing trust, and firms could lower their asset investment in physical shops, staff requirements and training, logistics and warehousing (Xiaoguang , Chan, Junyan, & Yifan, 2020).

The study of **Asadullah Khaskheli, Yun Jun and Hameed Akhtar Sanjrani** titled **Role of E-commerce in Export Development for SMEs in Developing Countries**, in the **European Journal of Business and Management**, the study found that e-commerce can

help reach new customers globally, at a lower cost, faster pace and without intermediaries hence will lead to export growth (Khaskheli, Yun , & Sanjrani, 2016).

1.4. Structure of the research:

In order to answer the problematic questions the study was divided into two parts:

- ✓ Literature review of Cross-Border e-commerce ;
- ✓ Stages of adopting e-commerce in exporting SMEs.

2. Literature review of Cross-Border e-commerce:

In this axis we will review the theoretical background of e-commerce and cross-border e-commerce, and we will also show the benefits of e-commerce for small and medium size enterprises.

2.1. Definition of e-commerce:

the term “e-commerce” itself is often recognized only vaguely, for some people, e-commerce is equal to “buying stuff online”, whereas for others, it encompasses a much wider range of activities, containing online buying of physical products (e.g. T-shirts and books), digital products (e.g. music, video, apps and games) and services (e.g. travel and entertainment tickets, insurance, consultancies), It can also contain activities in which there is no visible transaction in traditional terms, such as reading marketing copy and advertisements that roll out on-screen before a YouTube video can be played. (Nielsen, 2016, p. 06)

Based on the previous definition, we can say that electronic commerce is all sales and purchases of goods and services and information’s using information and communication technology, whether over the internet or over various electronic media.

2.2. Definition of cross-border e-commerce:

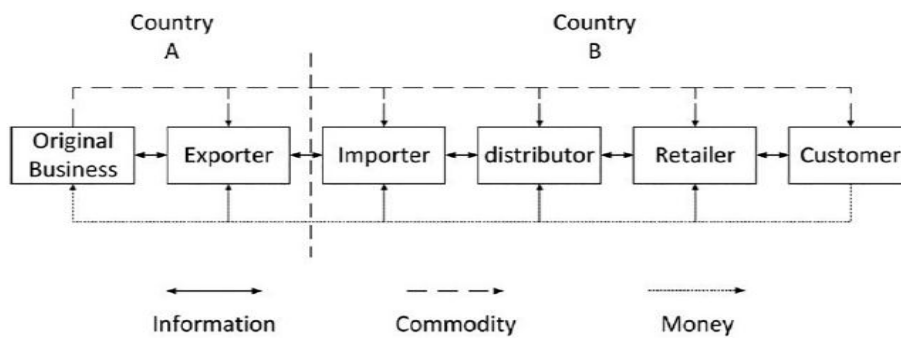
Cross-border e-commerce (CBEC) is a fresh mode of import and export trade via the e-commerce platform, it permits the firm to avoid high possibly fatal competition in their local markets and as well to simply expand by looking for more markets abroad (Guo , Yongchuan, Barnes, & Le-Nguyen, 2018, p. 370), The term “CBEC” comes from the combination of cross-border shopping and electronic commerce, cross-border shopping means to the activity wherein a consumer purchases goods overseas, which may imply the consumer physically crosses the international boundary to purchase his or her product (Yeung & Wallace , 2012, p. 107), CBEC refers to "an online transaction of buying and selling products and services using information communication technologies (ICTs)", where purchasers and venders are located in two different countries and therefore, different jurisdictions (Mou, Ren, Qin, & Kurcz, 2019, p. 753).

2.3.cross-border e-commerce for SMEs:

As the cost of international trade is reduced, customers look outside the national borders for the best online deals. Cross-border e-commerce includes goods and services delivered across borders from a provider in one country to a consumer in another country, and this signifies an export promotion opportunity for small and medium size enterprises to trade outside the borders of country, but what are the key, which inspired SMEs in deploying cross-border e-commerce to encourage exportations.

Transaction cost theory (TCT) is the most common theoretical basis for examining the choice of SMEs to pick a cross-border e-commerce to promote their exportations. According to transaction cost economies, small and medium size enterprise select the external market entry mode that incurs the minimum cost of transaction (Zhi , Puig, & Paul, 2017, p. 432).

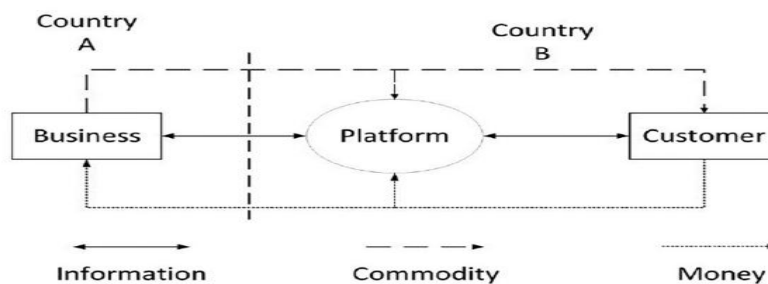
Fig (01): A Typical Supply Chain of Traditional Exporting Mode.



Source: Biggs et all. (<https://www.bcg.com/publications/2017/retail-globalization-china-reveals-future-shopping>).

We can observe from figure one the length of the exporting supply chain for SMEs because of more exporting intermediaries, and consequently the increasing in the export cost and also the increase in the price of the exported product, and therefore less competitiveness.

Fig (02): A Supply Chain of Cross-border e-commerce (CBEC).



Source: Biggs et all. (<https://www.bcg.com/publications/2017/retail-globalization-china-reveals-future-shopping>).

Previous claims about information's communication technology (ICT) reducing transaction costs only assess the impact of information's communication technology on a single transactional problem rather than overlapping impacts of the aforementioned attributes on transaction costs. Therefore, he addressed that lower cost can only be achieved when the costs associated with ICT adoption do not exceed the cost of the externalities that are affected by this adoption.

2.4. Benefits of e-commerce for exporting SMEs:

E-commerce has the potential to support exporting SMEs scale up and increase their outreach in a number of ways: (International Trade Centre, 2016, pp. 18-19)

✓ ***Building an international reputation :***

Online transactions make a verifiable track record of a firm's performance and Trustworthiness, customers rely on such records to find the companies that are most likely to offer satisfactory service, businesses rely on them to find reliable partners, and financial organisations rely on them to recognise solid companies whose growth, they can confidently support a sound record of online transactions is one of the most appreciated assets a company can accumulate.

✓ ***Expanding outreach :***

Cross border e-commerce aid SMEs enlarge their outreach, as it reduces the investment required for a company to become observable in the world-wide market, online platforms like **Amazon** and **Ali baba** all function to bring consumers to a single virtual marketplace, these platforms have a network effect: when the number of users has exceeded a certain threshold, the marginal cost of attracting newcomers to a website is minimal, This is the advantage that SMEs working on the platforms can share.

✓ ***Reducing market research costs :***

The big data generated from transaction records can support SMEs reach out to a targeted group of possible buyers, one widely used technology by many e-commerce websites includes analyses users browsing history to assess what type of product consumers are searching for and then automatically proposes similar products.

✓ ***Disintermediation in international trade :***

A significantly larger amount of international worth can be captured by disintermediation of those responsible for import and export activities, as SMEs can send goods directly to the end user via ecommerce.

✓ **Leveraging e-commerce ecosystems :**

Online platforms are building ecosystems which support SMEs to access, often at a discounted price, the essential services needed for company development, Among them are financing options, shipping, distribution and logistics solutions, promotion packages, legal and financial advisory services, market information and analysis, and B2B matchmaking services.

3.Stages of adopting e-commerce in exporting SMEs:

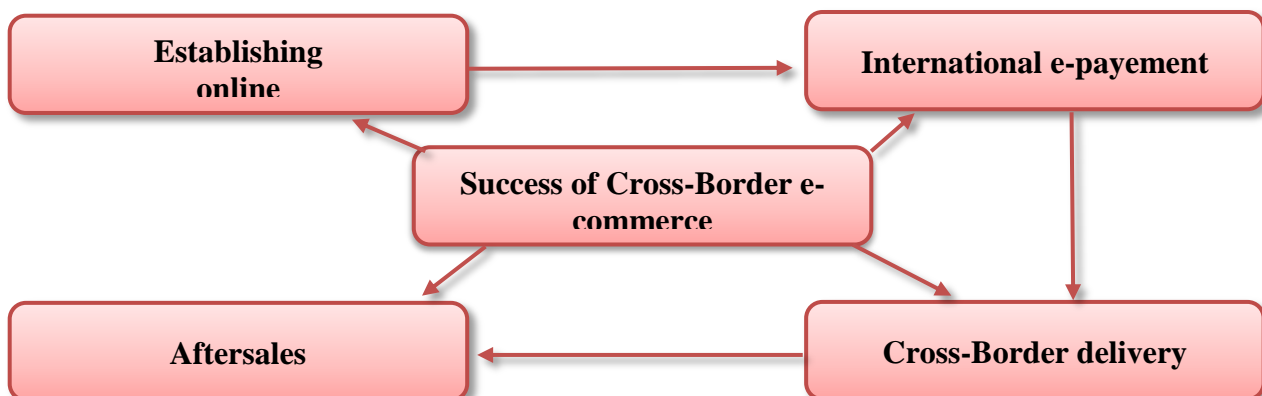
To compete in the foreign market using e-commerce SMEs need some essentials keys to success: (Almeida de Almeida, Avila, & Boncanoska, 2007, pp. 10-18)

- ✓ Suitability of products and services: it's mean that SMEs providing goods of a reasonable size that can be easily distributed via postal or express courier.
- ✓ Access to technology: E-commerce competitiveness in the world-wide markets requires SMEs to access the state-of-the-art technology needed to create an online presence and to offer electronic payment.
- ✓ Knowledge and skills.
- ✓ Regulatory and business environment: rules and regulations become a key asset to a SMEs competitiveness in cross-border e-commerce when they favour the use of e-commerce.
- ✓ Infrastructure : SMEs that want to be competitive in cross-border e-commerce need access to cost-efficient infrastructure, This consists primarily of stable power supplies, good telecom services, wide penetration and/or low cost of Internet connections, good Internet security, adequate quality and speed of lines, as well as good physical infrastructure itself.

The figure below present the essential ingredients that should be available to ensure the competitiveness of SMEs engaged in cross-border e-commerce at the three major level:

- ✓ At the firm level ;
- ✓ within the immediate business environment;
- ✓ At the national level.

Fig (03): Cross-Border e-commerce process chain for exporting SMEs.



Source: Own composition based on SME competitiveness 2015 report.

3.1. Establishing online business:

An online presence lets businesses to be open around the clock without any increase in overheads, products or services are promoted for the duration of the listing or for as long as the company's website is working. Transactions and payments are executed online automatically without supervision, an online presence is easy to set up and the benefits are reaped almost instantly, this is useful for businesses, especially SMEs looking to go global, as it gives them access to potential consumers from many corners of The world that would not otherwise be so easy to reach.

The following table summarizes the most important points for establishing an online business for exporting SMEs:

Establishing an online business	
Firm-level capabilities	Device to connect to Internet ; Technical knowledge and skills ; Business knowledge and skills ; Language skills ; Ability to create a secure online presence.
Immediate business environment	Affordable access to Internet ; Access to registration as vendors on online e-commerce platforms ; Access to skilled labour market.
National environment	Simple business registration process with the local authorities ; Easy intellectual property (IP) registration and policies addressing IP infringement ; Solid ICT and electricity infrastructure ; Successful implementation of e-signatures and e-contracts laws ; National strategies for e-commerce growth.

Table (01): Establishing an online business for exporting SMEs

Source: International trade center, bringing SMEs onto the e-commerce highway p22.

For example, e-commerce platforms enable companies, including SMEs, to reach international masses through the ease of access and convenience offered by the platforms and also allow sellers to scope the market for a product or service offering, giving them the ability to compare prices with competitors globally, the major e-commerce platforms are e-bay, Amazon, Alibaba, Mercado libre, Jumia, Souq.com, Etsy..... (Manyika, et al., 2016, p. 08)

3.2. International e-payment:

E-payments are defined as payments that are initiated, processed and received electronically, economic and behavioural changes are leading to a continued growth in non-cash payments, including those made online (European Central Bank, 2004, p. 07).

Access to competitive payment solutions is vital for all forms of e-commerce; unlike bricks-and-mortar companies, online retailers often require payments to be made before a sale is completed, which underlines the importance of e-payment options (UNCTAD, 2015, p. 19).

By competing in global economies, SMEs can expand their customer base, launch new products, and rationalize their businesses by adopting e-payments. Adoption of e-payments is likely to increase SMEs' global access, reduce transaction costs, and provide significant benefits through improved efficiencies and increased revenues.

3.3. Cross-Border delivery:

The following table summarizes the most important points for Cross-Border delivery for exporting SMEs:

Table (02): Cross-Border delivery for exporting SMEs.

Cross-border delivery	
Firm-level capabilities	Effective warehouse organization ; Secure packaging for delivery of goods ; Capacity to handle surges in sales during peak periods.
Immediate business environment	Access to postal and express delivery services with tracking ability ; Access to warehouses and delivery services at destination.
National environment	Increased transparency on cross-border e-commerce-related customs procedures and rules on the application of duties and taxes ; Application of simplified customs procedures and expedited customs clearance for small parcels ; Increased de minimis threshold for import duty exemption to reduce the burden on the customs authorities ; Mechanisms to ensure freedom and security of cross-border data flows ; Increased efficiency for connectivity infrastructure (for delivery of goods: road, air transport; for delivery of services: encryption technology, Internet bandwidth) ; Modernized national postal services to increase efficiency of delivery.

Source: International trade center, bringing SMEs onto the e-commerce highway p45.

Cross-border delivery is the single most essential aspect of electronic commerce beyond domestic boundaries, as it can have a major impact on the final price of the product or service, customer satisfaction, the reputation of cross-border e-commerce transactions.

Cross-border delivery comprises a wide variety of distinctive but strongly interconnected phases that are usually associated with the transport of goods by sea, road, rail or air, the crossing of a border and the related payment of duties and the consignment of the product or service to the end user, However, the importance of each of these phases varies according to the object of the transaction, whether it involves a good or a service (Lawrence & Tar, 2010, pp. 31-32).

For example in the Cross-Border delivery, Amazon offer a service named by **Amazon FBA**, it means Fulfilment by Amazon: Fulfilment by Amazon offers package services including warehousing, delivery and in a number of cases customs clearance as well, It can help SMEs scale up their business and reach more customers globally, since these e-commerce platforms such as Fulfilment by Amazon and eBay allow sellers to store their products in warehouse centres around the world, with those sellers then responsible for picking, packing and shipping the products and providing customer services, However, merchants from developing countries are often unable to register on these types of e-commerce platforms (Amazon, 2021).

3.4. Aftersales:

The aftersales phase of the e-commerce process contains all the activities that take place after buyers have made their payment online and sellers have transported the product or service to their clients, its significance should not be underestimated, as it offers the basis for establishing a lasting relationship between suppliers and customers.

The following table summarizes the most important points for Aftersales service for exporting SMEs:

Table (03): Aftersales for exporting SMEs.

Aftersales	
Firm-level capabilities	Effective customer feedback mechanism and customer relations management ; Return or cancellation policies ; Provision of sufficient information to enable consumers to make informed choices, including information on available forms of redress.
Immediate business environment	Availability of dispute settlement procedures ; Mechanisms for recognizing the validity of transaction-related records, including delivery records, chat records with salespersons, etc.
National environment	Consumer rights and rights enforcement ; Adequate infrastructure for implementing and monitoring consumer protection policies ; Appropriate policies for ensuring firms adherence to national/international standards on consumer protection ; National initiatives for developing effective online dispute settlement schemes ; Elimination of duties on returned products.

Source: International trade center, bringing SMEs onto the e-commerce highway p62.

Customers play a key role in the aftersales phase, which consists of two main stages: customers evaluation of the product or service delivered and customers assessment of, When suppliers provide their customers with transparent, precise, exhaustive, complete and clear information, the kind of information that allows them to make informed choices in their online purchases consumers expectations about the quality, functionality and final cost of the products or services are likely to be met.

4. Conclusion:

As a result of this study we found that e-commerce and especially cross-border e-commerce can promote the exportations of small and medium size enterprises, exporting SMEs can benefit from the advantages provided by the cross-border e-commerce, such as selling beyond the border and reach a new customers, marketing of products and services with a lower cost, SMEs also can use cross-border e-commerce as a foreign market entry.

To adopt e-commerce on the exporting SMEs we need some fundamental keys to success, such as establishing an online business and using the international e-payment, also SMEs need to care about the logistics and the cross-border delivery and focus on customer comfort by improving the aftersales service.

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