INTERNATIONAL MARKETING STRATEGIES OF SMES IN THE DIGITAL AGE: ENTRY APPROACHES AND CHALLENGES

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ABSTRACT

The objectives of this study included: understanding cross-border e-commerce business models and operations of SMES, and analyzing entry strategies suitable for small- and medium-sized suppliers targeting ASEAN cross-border e-commerce. Through analysis of multiple case studies and secondary data, this study provides reference to SMES looking to penetrate the ASEAN e-commerce market, thereby enhancing the innovative energy and scale of SMES and the cross-border e-commerce service industry. The findings indicate that three strategies adopted by the case SMEs for cross-border e-commerce in the ASEAN market were: seeking third-party operators to perform marketing work, collaborating with overseas platforms, and building their own online platforms. Research results also found that when SMES engage in cross-border e-commerce, their products, brands, and channels form the golden triangle of cross-border e-commerce and influence one another.

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1. INTRODUCTION

E-commerce has had a profound impact on industry operations and consumption channels in Taiwan, bringing to life new business models. It is the cradle of innovation and entrepreneurship as well as a major digital economy. Creating job opportunities and promoting economic transition and added value are of strategic importance on the national level. E-commerce platforms aid in linking aspects of the value chain linkages and exchanging information. They can aid Taiwan firms in expanding their marketing and sales scopes, which can speed up product circulation. In addition, the platforms themselves are closer to international market channels, grasping consumption trends and reflecting market preferences. E-
commerce platforms and the online retail industry enable small-and-medium enterprises (SMEs) to break into the international market, help the overall manufacturing industry and service industry become closer to the market, and provide a venue for market warrior cultivation Chen et al. (2023). These functions make them vital to transitioning domestic industries.

The Sustainable Intelligent Electronic Commerce Research Center at National Sun Yat-sen University investigated over a hundred sample firms regarding the use of cross-border e-commerce by SMEs in Taiwan. Via sampling, questionnaires, and in-depth interviews, they found that implementation of cross-border e-commerce significantly impacted firm performance by increasing both revenue and customer satisfaction Liang (2017). As governments of ASEAN countries have worked to strengthen their infrastructure, the penetration rates of mobile phones and the internet have soared. International e-commerce companies have actively developed this market, turning ASEAN countries into one of the fastest growing e-commerce markets in the world. Among ASEAN countries, the e-commerce markets in Indonesia, Vietnam, and the Philippines are the least developed; this also means that they have greater potential, which is why e-commerce companies around the world are jockeying for position in these countries Hongfei (2017). The competition in ASEAN cross-border e-commerce market is unique due to the diversity of languages and cultures as well as the scattered nature of their territories. It is therefore necessary to formulate policy to aid domestic SMEs participating in the development of the ASEAN e-commerce market.

To increase the international order-taking capabilities of SMEs, government agencies in Taiwan have been utilizing cyber-physical marketing models and building the international marketing energy of SMEs through various programs such as the Navigation and Expansion of International Sales Program for SMEs Lin et al. (2020). This program is run by the Small-and-Medium Enterprise and Startup Administration of the Ministry of Economic Affairs.

The objectives of this study included: (1) understanding cross-border e-commerce business models and operations of SMEs and (2) analyzing entry strategies suitable for small- and medium-sized suppliers (i.e., brand owners) targeting ASEAN cross-border e-commerce. Through analysis of case studies and secondary data, this study provides reference to SMEs looking to penetrate the ASEAN e-commerce market, thereby enhancing the innovative energy and scale of SMEs and the cross-border e-commerce service industry.

2. MATERIALS AND METHODS
2.1. MODELS OF CROSS-BORDER E-COMMERCE DEVELOPMENT

Cross-border e-commerce can refer to international transactions or to the use of online channels as the mode of transaction Battaglia and Neirotti (2020). Thus, cross-border e-commerce is international commercial behavior that uses ubiquitous online platforms to engage in cross-border transactions. Buyers and sellers engage in transactions and payment through online platforms from different countries and deliver goods using cross-border logistics models. It thus includes import and export trade. Its streamlined trade model offers advantages in terms of item flow and transaction prices. Conventional trade involves exporters, importers, wholesalers, jobbers, and retailers; cross-border e-commerce can skip over these intermediaries and sell directly to the consumers, benefiting both the sellers and the buyers.
Each cross-border e-commerce platform currently in the market has its own characteristics. Import and export e-commerce businesses respectively specialize in importing goods and then selling them and exporting domestic products (Qurtubi et al. 2022). Self-operated channels sell select brands while platform-based e-commerce businesses allow other firms businesses to sell from within their platform. Depending on their trading partners, firms can be classified as B2B, B2C, C2C, and M2C, as shown in Table 1. Firms can be divided into comprehensive or vertical e-commerce businesses (selling all types of products or a particular category of products). As the industry evolves, new models continue to emerge.

Table 1

<table>
<thead>
<tr>
<th>Model</th>
<th>Transaction Parties</th>
<th>Characteristics</th>
<th>Representative Website(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2B</td>
<td>Business-to-business</td>
<td>➢ Transactions between businesses&lt;br&gt;➢ Large quantities and concentrated orders</td>
<td>Alibaba (international site)</td>
</tr>
<tr>
<td>B2C</td>
<td>Business-to-consumer</td>
<td>➢ Businesses selling to general consumers&lt;br&gt;➢ Small quantities, numerous customers, and scattered orders</td>
<td>PChome</td>
</tr>
<tr>
<td>C2C</td>
<td>Consumer-to-consumer</td>
<td>➢ Transactions between consumers (There are fewer specifications on the buyers and sellers, so businesses can usually take part in transactions as well)&lt;br&gt;➢ Small quantities and numerous customers</td>
<td>PChome eBay Yahoo! Auctions</td>
</tr>
<tr>
<td>M2C</td>
<td>Manufacturer-to-consumer</td>
<td>➢ Transactions between manufacturers and retailers (consumers)&lt;br&gt;➢ Small quantities</td>
<td>TRLIE.COM Dalong</td>
</tr>
<tr>
<td>O2O</td>
<td>Online-to-offline</td>
<td>➢ Formed by connections between physical stores and e-commerce platforms</td>
<td>GOMAJI Foodpanda LINE Man</td>
</tr>
</tbody>
</table>

Data Source SME study conducted by Taiwan Institute of Economic Research (2016)

2.2. ENTRY STRATEGIES FOR INTERNATIONAL MARKETS

Anderson and Gatignon. (1986) and Li et al. (2000) defined entry modes or strategies as institutional arrangements that businesses make to promote their operational activities and business functions overseas. Root (1987) and Kumar and Subramanian (1997) stated that appropriate entry strategies enable a business to transfer their products, technology, human resources, management capabilities, and other resources to foreign markets. Different entry strategies entail varying degrees of control, commitment, and risk-bearing, which are crucial factors for international companies entering an emerging or unstable market Dunning (1980); Panova et al. (2019). The six types are exporting, franchising, licensing, turnkey contracts, joint ventures, and wholly-owned subsidiaries. Anderson and Gatignon. (1986) classified these types as high-, medium-, and low-control based on ownership structures. High-control strategies include wholly-owned subsidiaries, dominant shareholders with many partners, dominant shareholders with few partners, and dominant shareholders with one partner.

Medium-control strategies include plurality shareholders with many partners, plurality shareholders with few partners, equal partners, contractual joint ventures, contract management, restrictive exclusive contracts, franchises, nonexclusive
restrictive contracts, and exclusive nonrestrictive contracts. Low-control strategies include nonrestrictive nonexclusive contracts, small shareholders with many partners, small shareholders with few partners, and small shareholders with one partner. Root (1987) outlined how businesses could either manufacture products at the production base and then export the products to the target country or transfer technology, capital, and human resources to the target country and then combine these with local resources for joint manufacturing and sales. Management strategies include exporting, contracts, and investments, each with its own costs and benefits. Those reported by Hill (1990) are listed in Table 2. Quelch and Harding (1996) indicated that online marketing can provide products or services that meet customer needs, save collection costs to achieve the purpose of direct marketing, present information using multimedia to achieve the purpose of advertising and maintaining public relations, and penetrate international markets without barriers. Andrade et al. (2015) detailed the opportunities for penetrating foreign markets through e-commerce. Businesses select from among these many models depending on their own circumstances and the external environment.

When SMEs engage in cross-border e-commerce, they often choose to outsource operations due to a lack of relevant resources. Chu and Yang (2015) proposed three outsourcing models. (1) In the reseller model, SMEs sell their products outright to an overseas agent at issue prices and are not involved in e-commerce. This is the simplest model and a version of conventional wholesaling. The SMEs do not retain sales data or directly manage consumers. (2) In the third-party website model, SMEs have their own specialty stores but a third-party operator handles all matters related to online sales. The SMEs retain brand autonomy and product pricing rights, and they control the aesthetics and quality of the sales platform. The SME usually pays a listing service fee and also a sales commission. (3) In the consignment model, the agent sells the products on their own platform or account, but the products are not sold to the agent outright. Usually, a listing service fee is paid as well as sales commission. The SMEs discuss the sales price with the agent.

<table>
<thead>
<tr>
<th>Entry Strategy</th>
<th>Details</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Exporting</strong> (direct and indirect)</td>
<td>No involvement in production or marketing activities in foreign markets; only domestic production or production in a third country; the manufacturers outsource export operations</td>
<td>Simple and inexpensive; easy to implement; makes it easy to understand and learn about new markets</td>
<td>High transportation costs; trade barriers, problems, and protective measures; local marketing problems; problems with local marketing agents</td>
</tr>
<tr>
<td><strong>2. Turnkey Projects</strong></td>
<td>Design, construction, and management of final events for customers controlled by one firm</td>
<td>Easy to obtain local technologies with many direct investment restrictions</td>
<td>High likelihood of cultivating and creating new competitors; lack of long-term goals to approach market</td>
</tr>
<tr>
<td><strong>3. Licensing</strong></td>
<td>Suitable for manufacturers</td>
<td>Low development costs for establishing foreign markets and low resource acquisition risks</td>
<td>Difficult to control quality and process; difficult for international integration and cooperation; lowest degree of control</td>
</tr>
<tr>
<td><strong>4. Franchising</strong></td>
<td>Suitable for service providers</td>
<td>Low development costs and low risk</td>
<td>Difficult to cooperate and integrate with internationalization strategies and difficult to internationally integrate with companies</td>
</tr>
<tr>
<td><strong>5. Joint ventures</strong></td>
<td>Collaborations between two companies</td>
<td>Knowledge and resources obtainable from partner; shared development costs and risks</td>
<td>Differences of opinion regarding goals and business types, poor control, inability to achieve international integration</td>
</tr>
</tbody>
</table>
### 6. Wholly-owned subsidiaries

<table>
<thead>
<tr>
<th>Description</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independently operated by a single business that bears all profits, losses, and risks</td>
<td>Complete control, protection of business’s technological patents, understanding of local markets, achievement of global strategic integration</td>
</tr>
<tr>
<td>High commitment, high costs, high risks, potential risk of local politics</td>
<td></td>
</tr>
</tbody>
</table>

#### 2.3. CASE STUDY

A case study is a means of conducting in-depth research on the state or behaviour of individuals, groups, or institutions or the relationships among them to uncover implicit traits or patterns through the collection and comparison of multi-source data. The logic-oriented approach of case study analysis is an effective form of problem-solving. Adopting a multiple-case study approach, we examined real-world cases with multiple data collection methods Yin (1994), Yin (2003). Zhang et al. (2005) indicated that the use of multiple cases increases the rigor of a study and enhances the precision, validity, and reliability of the research findings Miles and Huberman (1994). Careful description of a real-world case can provide feasible solutions to many real-world problems Yin (1994).

A case study is a special type of empirical inquiry examining the phenomena in a certain context, particularly when the boundaries between the context and the phenomena are not clear. A case study attempts to explain why a strategy was adopted, how it will be executed, and what outcomes there will be. Yin (1988) proposed the following technical definition: (1) an investigation of a phenomenon that exists within real life, (2) when the boundary between the existing phenomenon and the causal relationships are not so apparent, (3) and there exist multiple sources of evidence.

#### 2.4. CASE SELECTION

We analyzed three SME cases in Taiwan, one of which involved a cluster of SMEs. We targeted businesses that took part in the Navigation and Expansion of International Sales Program for SMEs implemented by the Small-and-Medium Enterprise and Startup Administration of the Ministry of Economic Affairs with a focus on livelihood services. The selected businesses were TenArt Biotech, Puro Biotechnology, and the Natural Taiwan industry cluster (containing eight SMEs). Thus, we examined the cross-border e-commerce business models of a total of ten SMEs.

#### 2.5. DATA COLLECTION

In addition to collecting and analyzing secondary data from foreign and domestic literature databases, CD databases, relevant journals, webpages, and books associated with the research topic, we interviewed the supervisors in charge of participation in the government program in each case company. Each interview lasted roughly 2.5 hours.

#### 2.6. BRIEFINGS OF CASE COMPANIES

##### 2.6.1. TENART BIOTECH LIMITED

Under the leadership of CEO Michelle Sung, TenArt Biotech has integrated a diverse body of biomedical knowledge and cosmetics industry experience. They have created three major brands which have received numerous foreign and
domestic awards: the medical beauty care product brand ERH, the boutique face-mask brand MasKingdom, and the organic maternal and infant care product brand Babysassi. MasKingdom launched in 2012 uses extracts from almost a hundred locally-grown plants to produce face masks. The firm invited Taiwanese designers to participate in cross-industry collaborations, marketed touching stories, and created more than 100 types of culturally-inspired facial masks. In terms of cross-border e-commerce, TenArt Biotech mainly collaborates with e-commerce platforms such as eBay. Founded in 1995, eBay was originally a trading platform for used goods. Now, it is one of the largest e-commerce platforms around the world. It serves over 100 countries and has 157 million active users.

2.6.2. PURO BIOTECHNOLOGY CO., LTD.

Founded in 1989, Puro Biotechnology has put in years of research and development for skin and hair care products, with biotechnology and natural active ingredients as their foundation. In terms of cross-border e-commerce, Puro Biotechnology mainly works with a third-party operator, Nineder Technology (Shopping99 e-commerce platform). Nineder Technology was founded in 2000 and established Shopping 99 in 2002. In 2003, Shopping 99 became the shopping website most visited by young women in Taiwan. The company is a young e-commerce enterprise that values teamwork and employee growth, with a relaxed, lively, and open company culture.

2.6.3. O HEALTH BIOTECHNOLOGY CO., LTD.

O Health Biotechnology was founded in 1991. Its current business scope includes research and development, production, agents, wholesale, retail, and online media. Its products include organic and natural food products with no chemical additives, artificial colors, or artificial flavors, natural chemical-free cleaning products, food blenders, and whole-body vibration machines. Their wholesale channel comprises around 1,000 dealerships in Taiwan, occupying 35% of the domestic market. In 2017, O Health Biotechnology changed their original website into a B2B health and vitality export website. This self-operated platform is their mode of cross-border e-commerce. They have received many inquiries from businesses in Thailand, Singapore, and Malaysia, and a large order from Malaysia. They will soon sign a contract for a local agent in the ASEAN region.

2.6.4. NATURAL TAIWAN INDUSTRY CLUSTER

The Natural Taiwan industry cluster brings together eight SMEs distributing health products in Taiwan, including Tenergy, Sweet Town, Yansen, Beans Family, and Greensanity Health International. Their products include a variety of functional and high-value health products such as powdered drinks, condiments, snacks, drinks, health foods, and appliances to meet the health needs of middle-class consumers. With O Health Biotechnology as the core manufacturer, the Natural Taiwan industry cluster has focused on cyber-physical integration and marketing to penetrate emerging markets. The Natural Taiwan industry cluster works with the Uitox Global E-commerce Group to engage in cross-border e-commerce and expand into foreign markets. In 2017, four new food brand owners joined the platform, expanding their businesses into Malaysia, Singapore, Indonesia, and Thailand. They also added product description interfaces in Indonesian and Thai.
3. RESULTS AND DISCUSSIONS

3.1. ANALYSIS OF CROSS-BORDER E-COMMERCE ENTRY AND ONLINE MARKETING STRATEGIES

The entry strategies of the three cases are: (1) seeking third-party operators to perform marketing work, (2) collaborating with overseas platforms, and (3) building their own online platforms. The online marketing strategies of the three cases are: (1) e-commerce platform-driven overseas marketing (Puro Biotechnology), (2) global online marketing led by brand owners (TenArt Biotech), and (3) co-brand promotion via industry cluster website (Natural Taiwan industry cluster). Each strategy has pros and cons and their selection by the SMEs depends on their level of adaptability and the nature of their products.

The collaborations between Puro Biotechnology and Nineder Technology (the Shopping 99 platform) and between the Natural Taiwan industry cluster and the Uitox platform are both examples of trusting a third party with foreign sales. Pricing, marketing strategies, and logistics are all handled by the third party, and the SMEs are responsible only for production. Thus, the division of labor is clear. The disadvantage of this, however, is that the SMEs do not interact with the end customers, and any consumer disputes that arise in the sales process are difficult to elucidate. This makes it difficult for the companies to understand customer needs. The rights and obligations of the SMEs and the third-party operators must be thoroughly considered and examined under this model.

Collaborating with overseas platforms allows firms to use existing infrastructure to launch and sell products. For instance, TenArt Biotech launches products on eBay to penetrate the European market. As existing overseas platforms have already accumulated and analyzed their traffic, they can group consumers to help firms reach their target market faster. However, the disadvantage is that the SMEs are constrained by the platform's regulations. Listing fees and commissions also apply. Thus, management of these channels is not autonomous.

O Health Biotechnology built their own online platform for export sales. The primary advantages of this are in-depth localization and control over the promotion, display, and marketing of products. Furthermore, because they are in direct contact with the customers, they can collect feedback. The disadvantage is a high initial investment cost. Without a full understanding of the local market, a new website cannot accumulate traffic quickly, so the process of penetrating the local market is slow.

3.2. ENTRY STRATEGIES FOR INTERNATIONAL MARKETS

TenArt Biotech expands its international market through licensing. Puro Biotechnology participates in a joint venture. O Health Biotechnology makes use of an overseas agent. The Natural Taiwan industry cluster represents an alliance. Licensing is a non-equity mode. The other strategies are all forms of equity mode. Details are presented in Table 3. These different strategies represent different levels of control, commitment, and risk, and are selected based on the SME’s own resources as well as the external environment.
Table 3

<table>
<thead>
<tr>
<th>Case SMEs</th>
<th>Industry</th>
<th>Products</th>
<th>E-Commerce Platform</th>
<th>Foreign Markets</th>
<th>Entry Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>TenArt Biotech</td>
<td>Beauty and skin care products</td>
<td>Facial masks and skin care products</td>
<td>eBay, Amazon, and Tmall Global</td>
<td>Singapore, Malaysia, Indonesia, China, United Kingdom, and Italy</td>
<td>Non-equity mode (licensing)</td>
</tr>
<tr>
<td>Puro Biotechnology</td>
<td>Beauty and skin care products</td>
<td>Cosmetics and skin care products</td>
<td>Shopping 99</td>
<td>Philippines, Malaysia, and Vietnam</td>
<td>Equity mode (joint venture)</td>
</tr>
<tr>
<td>O Health Biotechnology</td>
<td>Food</td>
<td>Organic foods</td>
<td>UiT ox</td>
<td>Malaysia, Singapore, Indonesia, and Thailand</td>
<td>Non-equity mode (agent)</td>
</tr>
<tr>
<td>Natural Taiwan industry cluster</td>
<td>Food</td>
<td>Organic foods, snack foods, blenders</td>
<td>UiT ox</td>
<td>Malaysia, Singapore, Indonesia, and Thailand</td>
<td>Non-equity mode (alliance)</td>
</tr>
</tbody>
</table>

Data Source: This Study.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1. CONCLUSION

The three strategies adopted by the case SMEs for cross-border e-commerce in the ASEAN market were: (1) seeking third-party operators to perform marketing work, (2) collaborating with overseas platforms, and (3) building their own online platforms. These strategies were formulated based on the SMEs’ resources, level of adaptability and the nature of their products. In online store planning, we suggest that SMEs first set up shop on mainstream domestic or overseas e-commerce platforms before adopting the self-owned online platform model. Initially, the firm should focus on using their website to introduce their brands, but rely on other parties for marketing. This is because independently attracting internet traffic to a new website is relatively difficult, so the traffic of existing platforms should be the first target. Once the firm becomes familiar with international marketing in the target ASEAN market, adding an online shopping function to its own website can be considered. Our analysis of the primary ASEAN websites provides reference for SMEs in selecting platforms.

If the SMEs are already selling their products through physical channels or distribution systems in ASEAN countries, we suggest building a multilingual website so that brand information can reach target customers directly. Using a cyber-physical integrated marketing model to manage existing overseas channels and dealers can tap into the synergy of channel integration.

When SMEs engage in cross-border e-commerce, their products, brands, and channels form the golden triangle of cross-border e-commerce and influence one another. Puro Biotechnology demonstrates how understanding the consumption characteristics of the local market and developing products or social operating models acceptable to local consumers is the foundation of expanding into cross-border e-commerce markets. TenArt Biotech showed that product innovation, the cultivation of diverse channels (including exhibitions and brick-and-mortar retail stores), excellent customer service, channel quality, price control, the strengthening of big-data capabilities, and talent cultivation are challenges for Taiwanese brand
owners. The Natural Taiwan industry cluster is an example of utilizing existing brands and physical distribution channels, engaging in cyber-physical integration to increase the sales energy of SMEs in the local market, and exploiting market opportunities in cross-border e-commerce. In particular, the SMEs reported that the ethnic Chinese community in the target markets had a good impression of Made-in-Taiwan products.

Cluster collaborations allow SMEs to learn from one another. A single SME may continue to wait and see with the ASEAN e-commerce market (e.g., O Health Biotechnology), but guidance from experienced SMEs can help with a bold first step towards the target market. SMEs can also reduce the costs and risks of entering international markets by combining their resources. In addition, introducing their brand through their own website increases both the visibility and online reach of an SME.

4.2. SUGGESTIONS

The majority of the economic structure in Taiwan is comprised of SMEs. Advantages include high flexibility and speed, so they can swiftly respond to changes in the market. The disadvantages are that each SME has limited resources, making it difficult to compete with international businesses on a large scale. SMEs in Taiwan feature products, technology, and services of high quality, and with the flexibility to swiftly adapt to local conditions, they have the potential to lay down a successful foundation in the ASEAN market if they can partner with local businesses. We suggest that SMEs collaborate with e-commerce platforms, draw on the resources of industry associations (e.g., the Taiwan External Trade Development Council and the Information Service Industry Association of R.O.C.), refer to the needs of the local market and e-commerce platform suggestions when planning product categories, and develop suitable brands based on the conditions of the local market.

The demand for cross-border e-commerce talent in SMEs grows day by day, and actively introducing specialized management talent will facilitate global marketing and bring new operating models. We suggest that the government consider providing SMEs looking to penetrate ASEAN markets with grants or salary subsidies when they hire or recruit foreign and domestic talent with backgrounds in cross-border e-commerce management. This will aid SMEs in reinforcing themselves with professionals that have knowledge of local market trends. Finally, with regard to strengthening the overseas resources and capabilities of SMEs, we suggest that the government use counseling or reward mechanisms to encourage Taiwanese business associations to provide SMEs with assistance in on-the-ground operations.

CONFLICT OF INTERESTS

None.

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None.

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