

# The Main Difficulties and Countermeasures of Small and Medium-sized Enterprises under the COVID-19

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**Abstract.** The COVID-19 epidemic broke out suddenly and swept the world rapidly in 2020, which had a great impact on China's economy and even the global economy. Under the pressure of enterprises stopping production and increasing personnel costs, many small and medium-sized enterprises are facing bankruptcy. This paper analyzes the difficulties and opportunities faced by small and medium-sized enterprises under the epidemic crisis, and the role and challenges of Internet technology in helping small and medium-sized enterprises to transform and upgrade. This study holds that Internet technology can provide small and medium-sized enterprises (SMEs) with more innovation space, broaden sales channels, improve the effect of customer drainage and other advantages. At the same time, it also needs SMEs to change their business ideas, strengthen the use of information technology, and strengthen the talent pool. The paper puts forward some concrete suggestions, such as strengthening the awareness of Internet management, accelerating the transformation of industrial model, and strengthening the talent pool, so as to help small and medium-sized enterprises realize innovative development by using the Internet. Based on relevant data and cases, this paper explores and analyzes how small and medium-sized enterprises use the Internet to achieve innovative development.

**Keywords:** COVID-19; SMEs; survival.

## 1. Introduction

The COVID-19 epidemic affected area of small and medium-sized enterprises reached 47%, and the evaporated assets also reached 10 billion yuan. The epidemic has led to a comprehensive economic recession. However, after three months of anti-epidemic, China has gradually stabilized the development trend of the epidemic, and in this epidemic, a more efficient enterprise operation mode has gradually emerged, that is, using the Internet to transform the enterprise development mode, which has enabled many enterprises to regain their lives in the epidemic crisis.

With the help of Internet, enterprises with high degree of digitalization can further reduce the impact of the epidemic on enterprises and minimize the negative impact of the epidemic. For enterprises that fully use the Internet, under the epidemic crisis, even in the face of the epidemic crisis, using Internet technology can ensure the steady development of enterprises during this special period. The application of Internet technology provides great support, and the outbreak of epidemic has changed the development direction of traditional enterprises. The Internet is widely used to develop online markets, broaden drainage channels, and achieve rapid sales of products, which has played a positive role in these aspects.

Before the epidemic, many small and medium-sized enterprises lacked sufficient motivation for the application of digital technologies such as industrial internet. On the whole, the digitalization of China's economy was largely concentrated in the marketing field. After the outbreak, many enterprises began to try to use various new modes such as online office, and realized online work, which made enterprises begin to taste the sweetness of digitalization. With the outbreak of COVID-19 epidemic, online SMEs represented by the Internet have accelerated the development of digital economy, and the economic mentality of Chinese enterprises has begun to be reconstructed. The major logical changes in the epidemic era alert business operators to re-examine customer value, tap new behavioral characteristics of consumption, make full use of Internet media, and strengthen the online and offline operation mode of enterprises. It is of great practical significance to explore how

small and medium-sized enterprises use the Internet to realize transformation and development in this period.

## 2. Literature Review

### 2.1. The Impact and Changes Brought by the Epidemic

During the COVID-19 epidemic, Hubei Province, where the epidemic was the most serious, had the greatest impact on the economic growth. In the first quarter of 2020, the cumulative growth rate of regional GDP will drop by 3.06-6.05 percentage points from the end of 2019 to 1.45%-4.44%, with the largest decline. In the provinces near Hubei, the flow of people is relatively large, such as Zhejiang, Guangdong, Hunan, Henan, Chongqing, Jiangsu, Anhui, Shandong and other provinces, which are also relatively seriously affected by the epidemic, and the epidemic has impacted the GDP growth rate of these places in the first quarter by 1.57-3.00 percentage points [1]. For enterprises, small and medium-sized enterprises in China, especially entity enterprises, are the most affected, with the bankruptcy rate of small enterprises reaching 1.3%. Other entity enterprises are in a state of loss, and the online operation platform maintains a good momentum [2].

Under this epidemic, new technologies, new products and new formats have emerged, and infrared temperature measurement, telecommuting, video conferencing and non-contact economy have rapidly changed from new things to normal life. Behind these changes, information technology, equipment manufacturing and biotechnology play an important supporting role, but the information technology industry in these three key industries is the most far-reaching enterprise model driven by this epidemic [3]. Looking at the current development situation of small and medium-sized enterprises in China, the development trend of Internet new technology industry is good, and it can always remain profitable during the epidemic period, and its scale is also constantly improving, and the market demand is also constantly expanding [4]. The traditional small and medium-sized enterprises relying on the traditional market suffered a great deal in this epidemic, and many of them were on the verge of bankruptcy, which further confirmed the important role of information technology in the epidemic crisis.

### 2.2. The Difficulties Faced by SMEs

Affected by the epidemic, many enterprises are facing bankruptcy. In this case, the first thing for enterprises to achieve development is to re-integrate resources. However, due to the impact of the epidemic, the economy of enterprises is affected, and most enterprises are in a state of self-protection [5]. Although in the current situation, resource integration is an important way to help small and medium-sized enterprises quickly enhance their strength and resist the risk of epidemic, the dispersion of resources increases the difficulty of resource integration, and some mergers and acquisitions are difficult to complete. Moreover, it is difficult to integrate resources across regions in time [6].

China's SMEs have certain relevance in the development mode. This kind of relevance is mainly reflected in an invisible link mode formed by connecting products of various enterprises to meet the different needs of the market [7]. However, affected by the epidemic, many links in the production of enterprises were disrupted and the original sales network system of enterprises was destroyed. The original sales channels of enterprises are damaged, and there are a series of problems in the development of new channels, such as technology, market, capital, personnel and model construction [8].

SMEs rely on the characteristics of policy support and regional advantages in China's local areas, and have formed a fixed capital investment model and product production model [9]. However, after the outbreak of the epidemic, the capital investment of government departments was limited, and the personnel cost continued to increase. Relying on the traditional development mode, it no longer has advantages in the market. And the old model is gradually eliminated under the influence of market mechanism, but compared with the traditional model, it needs to be transformed and developed under the new situation, but the solidified operation model makes it difficult for enterprises to expand [10].

### **3. Opportunities and Challenges for SMEs Under the Epidemic**

#### **3.1. Opportunities**

##### **3.1.1 Business model**

With the rapid development of Internet information technology, the business models of enterprises have also undergone major changes. Using Internet technology can break the time and space constraints, innovate product models, optimize product marketing ideas and methods, provide more innovation space for the development of enterprises, and also provide greater development space for the transformation of business models.

##### **3.1.2 Marketing channel**

Internet technology can realize the characteristics of online customer acquisition channels, diversified marketing methods and open value services, which provides technical possibilities for product innovation and transformation. In addition, it breaks the limitations of space and region, can expand the sales channels from regional or local to the whole country, even the whole world, and also realizes the transformation from physical channel online to online channel in terms of channel mode, and realizes the channel width that cannot be touched in traditional business methods.

##### **3.1.3 Live commerce**

During this epidemic crisis, many new media mobile terminals suddenly became popular, such as TikTok. One of the great features of these apps is that they have opened up a new path for live delivery. Introduce the functional features and related preferential activities of products through live online broadcast, promote the sales of products, and recommend related products to the national audience at the least cost. Based on the application of mobile terminals, the online customer drainage effect is obvious. According to relevant data, after the opening of Taobao live broadcast, the number of shop visitors has increased from less than 200 people a day to more than 5,000 people a day.

#### **3.2. Challenges**

The rapid development of the Internet has brought good news to the rapid recovery of small and medium-sized enterprises in China during the epidemic. However, not all enterprises can seize the advantages of the development of the Internet and realize the transformation of their products.

##### **3.2.1 Enterprise supporting**

Internet transformation requires enterprises to reorganize new development ideas and adjust enterprise structure. However, at present, many small and medium-sized enterprises have fixed development models, and enterprise support cannot meet the needs of Internet application. However, based on the actual difficulties in the development of small and medium-sized enterprises at present, they need to invest a lot of money in the adjustment of industrial structure and upgrading of supporting services, which makes enterprises feel pressure at this stage. For example, a gift customization company. The traditional operation mode of gift customization company is to introduce it to the enterprise through push, and its related gift packages can gain more attention and recognition from corporate customers through face-to-face conversation. However, with the development of the epidemic, gift companies have to face transformation and upgrading, and use Internet technology to strengthen the development and application of online customers. The most direct method is to display gifts through the third-party platform, but the third-party platform needs to pay related exhibition fees, design fees, art fees, etc., and the cost is relatively high, and it is also necessary to arrange special personnel to regularly do system maintenance and product-related information answers, resulting in increased labor costs and low customer turnover rate, which further increases the comprehensive cost of enterprises.

### **3.2.2 Product features**

SMEs can gradually grow and enhance their comprehensive strength if they have enough innovative consciousness in products and their product quality can be widely recognized by the market. However, at present, many small and medium-sized enterprises in China have some limitations in product design and production, and it is limited to sell and expand their products based on the idea of serving local characteristics and a special population. Due to the influence of their own comprehensive economic strength, small and medium-sized enterprises can't invest a large amount of economic capital expenditure in products to support the characteristic development of products. In the Internet era, the market requires higher speed of product upgrading, and the product characteristics of small and medium-sized enterprises can't keep up with the market demand, so they are easily eliminated by the market, and the application of Internet technology can't achieve the expected results.

## **3.3. Technological Innovation and Talent**

### **3.3.1 Internet thinking**

To make good use of the Internet to help small and medium-sized enterprises achieve stable or better development during the epidemic crisis, the first thing is to change the business thinking. Ideologically, the focus shifts to the Internet, so people should be brave enough to accept the major changes brought by the Internet, analyze the new trends of enterprise development under the background of the Internet, follow the trend, adjust the business ideas of enterprises, and realize the transformation from thought to action. For example, the sales of rural agricultural products, which are the most prominent in this epidemic. The traditional sales of agricultural products in rural areas operate through the third-party platform through distributors, and buy products with lower unit price from farmers, and then sell them to other demand groups at higher prices through distributors. However, in this epidemic crisis, a new idea of the Internet was born, and many fruit farmers directly sold their products to consumers all over the country through online sales. Driven by the idea of internet sales and management, local governments have actively called on the vast rural areas and farmers to change their development ideas. Even the local government held a special forum to introduce the many benefits of online operation of enterprises to the broad masses of farmers, and even the county magistrate of Zigui County took the lead in selling navel oranges live. The awareness of Internet management in rural areas has increased, and the sales performance of three agricultural products has soared, nearly 20 times higher than that in 2018.

However, not all types of enterprises are suitable for the promotion of Internet business mode on a large scale, so in concrete practice, the enterprises should choose the industrial development mode according to the characteristics of enterprise business development. Taking the thinking of Internet operation as the lead, the enterprises will conduct a small-scale pilot first, and constantly adjust to the difficulties and problems existing during the period to find a new idea of Internet operation suitable for the development of enterprises.

### **3.3.2 The application of information technology**

Combined with current trend of China's economic development, digital application of information technology will become the focus of the next stage of development. Therefore, for small and medium-sized enterprises, it is necessary to strengthen the use of information production, seize this opportunity, and realize the transformation of industrial model. The first is to strengthen the construction of the Internet operation framework. Small and medium-sized enterprises want to realize the informatization construction of enterprise development, first of all, it is necessary to build the enterprise's internet operation framework, and build the enterprise's development framework and talent reserve framework according to the enterprise's development goals and future plans. Transfer the core technology and product operation of the enterprise to online operation, regard the internet operation mode as the top priority of the future development of the enterprise, and strengthen capital investment and technology investment. Secondly, it is necessary to strengthen the technical construction of Internet operation, strengthen the support of external forces by introducing third-party professional

institutions, and lay a solid foundation for information technology transformation for enterprises. At the same time, it is also necessary to strengthen internal learning, improve internal hematopoietic capacity, and realize the transformation of technical means from seeking external support to internal self-innovation.

### 3.3.3 The talent pool and practical support

Traditional SMEs in China are based on operating efficiency, so they pay more attention to the training of talents that can bring direct economic benefits to enterprises, such as sales talents, and lack the talent reserve for enterprise transformation and application, especially information technology transformation and application. Enterprises need a large number of talents to realize the information transformation and upgrading of enterprises by means of the Internet. Even if the enterprise can hire a third-party professional organization to build the system framework, the later operation and maintenance costs will continue to increase. Therefore, only by building the Internet operation team can it be a long-term solution. First of all, the enterprises should adjust the talent structure and strengthen the introduction of information technology talents. Secondly, the enterprises should change the current talent training policy, and bring information technology talents into the talent training system of enterprises, so as to provide strong practical support for the subsequent development and transformation of enterprises. ...

## 4. Conclusion

This paper discusses the survival and development of small and medium-sized enterprises under the epidemic crisis, analyzes the opportunities and challenges of Internet technology in helping small and medium-sized enterprises to transform and upgrade, and puts forward some specific suggestions. This paper holds that Internet technology can provide SMEs with more innovation space, broaden sales channels and improve the effect of customer drainage, but at the same time, it also needs SMEs to change their business ideas, strengthen the use of information technology and strengthen the talent pool. Based on relevant data and cases, this paper explores and analyzes how small and medium-sized enterprises use the Internet to achieve innovative development.

However, this study lacks a systematic and in-depth investigation and analysis of the current situation and problems of small and medium-sized enterprises under the epidemic crisis, and only summarizes and describes them from the macro level, which does not fully reflect the actual difficulties and needs of small and medium-sized enterprises. The paper is too optimistic and idealistic about the role of internet technology in the transformation and upgrading of small and medium-sized enterprises, and does not fully consider the limitations and risks of internet technology, as well as the difficulties and resistance of small and medium-sized enterprises in the application of internet technology. In this study, the suggestions on how to use the Internet to realize the innovation and development of small and medium-sized enterprises are too general and vague, and there are no specific and operable schemes and measures for small and medium-sized enterprises of different types and industries, nor are the feasibility and effectiveness of the suggestions evaluated and verified.

Future research prospects are as follows: First, promoting the empirical research on the current situation and problems of small and medium-sized enterprises under the epidemic crisis, and collect and analyze more first-hand data through questionnaires, interviews and case analysis, so as to improve the objectivity and pertinence of the research. Second, the government should put forward more specific and innovative strategies and methods for small and medium-sized enterprises to use the Internet to achieve innovative development. According to the characteristics and needs of small and medium-sized enterprises of different types and industries, design and implement Internet technology application schemes suitable for their development stages and goals, and track and evaluate their effects.

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