

# Small and Medium-sized Enterprises Development Strategies under the COVID-19 Pandemic

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**Abstract.** The background of this study is the post-epidemic era. Now the novel coronavirus has entered a prolonged period. It's a cycle in which people get used to the effects of the virus. Under the premise of ensuring their health, we should strengthen the business operation to achieve the purpose of profit. Through the analysis of classic cases in the past, this study tries to objectively draw a universal conclusion to help small and medium-sized enterprises make strategic decisions. It is concluded that small and medium-sized enterprises should make strategic alliance through their own advantages and finally make up for their disadvantages. Enterprises should improve their core competitiveness, establish a good corporate image and give customers better experience. Enterprises should design their own IP image to attract more people, while incubating more IP to radiate more people. In this study, the advantages and disadvantages of the development of small and medium-sized enterprises put forward targeted methods, and give new suggestions for the development of enterprises.

**Keywords:** Economics of Application; Case Analysis; Small and Medium-sized Enterprises; Post-pandemic era.

## 1. Introduction

Since the outbreak of COVID-19 in late 2019, it has spread faster and more widely than anyone expected. Even though it first broke out in China, however in today's highly globalized world no country can be immune from its influence. Moreover, it has brought a huge impact on the global economic development. In fact, each country has used different measures to prevent the further spread of the virus. These measures have almost stalled the economic development and even regressive phenomenon in some countries or industries. Many countries choose to shift their focus to economic development again. This research will be based on the post-epidemic stage, taking China as an example to analyze how small and medium-sized enterprises (SMEs) should formulate strategies and seek development. Different from previous studies that analyzed the impact of the epidemic this article will be more targeted. And also different from research on how to develop economic my research will be based on SMEs, which makes my research more specific. This article is based on a more specific point in time for some groups more beneficial and practical research.

In order to find practical and effective strategies conducive to the development of the company, this research will compare the existing successful cases and analyze deeply to get a universal conclusion. This research will further analyze the prospects of the conclusions by comparing the data and modeling methods. Therefore, this article will be divided into four parts: introduction, case and case analysis, prospect prediction and conclusion. In the second- and third-part analysis and methods are proposed. In the conclusion part the whole paper is summarized and prospects for the future are proposed.

## 2. Development status of SMEs

With the increasing vaccination rate and the gradual economic recovery the world has entered the post-pandemic era. The "post-pandemic era" refers to the late stage of the COVID-19 pandemic. The economy, culture, education and people's consumption habits have been greatly affected by the COVID-19 pandemic Times of Change. It is a new period of historical development due to profound

social changes in the wake of the COVID-19 pandemic. The peaks and valleys of the epidemic, the slowing of economic growth, and the shift in people's purchasing habits, the changing global environment, and the ups and downs of industrial development are the major indicators of its characteristics. The impact of the COVID-19 pandemic has made most enterprises shut down and many people lose their economic sources in the short term, causing problems in capital flow and a sharp drop in consumer confidence. In the post-epidemic era, people began to re-examine their consumption behavior, and their consumption concept became drier and more rational. Meanwhile new crown outbreaks have huge impact on the part of the traditional industry, is also part of the emerging industries such as telecommuting, online education has brought the development opportunity, in the outbreak era, a new social, economic and cultural environment will have a significant impact on the development of industry, some industries could usher in a new opportunity. During this period, the world economy is gradually recovering and the macroeconomic environment is developing steadily and soundly. The process of digitalization is accelerating and emerging industries are thriving. At the same time, the recurrence of the epidemic has a profound impact on industrial development. The epidemic situation and epidemic prevention policies of various countries have certain restrictions on international trade, all walks of life are reshuffling and the industrial pattern is ushering in changes [1].

SMEs have made great progress; they now serve as one of the key pillars sustaining the growth of the country's economy. Small and medium-sized businesses have several benefits over large ones when it comes to manufacturing specialization, product differentiation, market adaptability and flexibility, technical innovation, and other factors. However, they also deal with issues including a lack of scale efficiency, a talent shortage, a poor level of technology generally, a low management level, and more. As a result, the weak in the competition are frequently in a disadvantageous position in the strong market battle. Therefore, the choice of the competition road of small and medium-sized enterprises is of more realistic significance to their prosperity and decline. The small and medium-sized enterprises refer to the economic units with relatively small operation scale compared with large enterprises, which do not occupy the dominant position in the market, operate independently, have various forms and are small in scale, and do not have a dominant position in the market. The dominant position of knowledge and technology in the production and management components of organizations is, nevertheless, becoming increasingly clear as businesses expand in a path that is technology and knowledge-intensive. Therefore, enterprise competitiveness and its market position and influence often do not completely or even do not depend on the size of its personnel, assets as the characteristics of the size of the size to define small and medium-sized enterprises is difficult to be convincing. In fact, the real difference between small and medium-sized enterprises and large enterprises should be competitiveness gap, not size. In general, SMEs are found in all spheres of life, however the majority of SMEs are found in decentralized industries. The term "dispersed industry" refers to a sector of the economy with a large number of small and medium-sized businesses, none of which has a monopoly on the market. Therefore, in order to create successful strategies, SMEs must first recognize their unique advantages and strengths. We can only identify the proper thinking of the war path and create the proper competitive war path by fully appreciating these qualities and advantages [2, 3].

## **2.1. Comparative Disadvantages of Small and Medium-sized Enterprises**

### **2.1.1 Low barriers to entry**

The majority of SMEs operate in decentralized markets with few entry barriers, which enables many businesses to enter the market more easily and at a cheaper cost. However, if a business with significant economic clout uses diversity as a risk-reduction strategy. Existing small and medium-sized businesses in decentralized industries will be greatly threatened [3].

### **2.1.2 Economies of scale are not high**

The efficiency of scale is low for SMEs because of their modest size. Furthermore, as variations in market supply and demand have a significant impact on both the supply of raw materials and the sale of finished goods. The cost of relying on market coordination, namely transaction cost, is also higher for SMEs. However, due to their small size and simple organizational structure SMEs have great flexibility and are easy to make decisions and manage.

### **2.1.3 Market scope is concentrated and close to customers.**

Small and medium-sized enterprises generally produce fewer products and relatively concentrated market scope, so it is easier to get close to customers. This feature is more obvious in-service industries such as catering information consulting, which enables small and medium-sized enterprises to formulate targeted strategies according to the characteristics of customers [4].

### **2.1.4 Diversification and decentralization of market demand**

Customers today frequently refuse to buy typical products because they prefer unique styles and are willing to pay more for them. In this situation, mass production of standard products is definitely not a smart idea in order to satisfy the various consumer wants, and paying attention to grade and style will be more significant to the business. Small and medium-sized businesses should therefore reflect their "small, fast" characteristics in their strategic planning, give full play to their resource origin, economic characteristics, small ship good turn around, and other business advantages, do things that big businesses cannot or do not want to do, and establish their positions in the market competition in order to strengthen themselves.

## **2.2. Comparative Advantages of SMEs**

Compared with small and medium-sized enterprises large enterprises have the advantages of low transaction costs caused by a large number of transactions and have the scale efficiency generated by a large portfolio of assets. Small and medium-sized enterprises have their own comparative advantages in efficiency, cost and mechanism.

### **2.2.1 Efficiency advantages of SMEs in decision-making management**

The information needed by large enterprises to make decisions often needs to be transferred, controlled and sometimes distorted. And the decision needs to be consulted before the layers. This kind of decision-making will lead to decision lag due to lack of efficiency and sometimes even the decision maker will make a decision when the basis of decision changes leading to mistakes. Compared with large enterprises the decision-makers of small and medium-sized enterprises have more decision-making power. Small and medium-sized enterprises have fewer internal links and are easy to manage. So that small and medium-sized enterprises can effectively save costs and improve management efficiency.

### **2.2.2 The cost advantage of small and medium-sized enterprises in industry and market**

Large enterprises generally enter mass production, which not only requires greater market risks, but also has a long investment and construction cycle. Therefore, there is no advantage for large enterprises to enter a new industry in the early stage of formation. On the contrary, small and medium-sized businesses typically invest a less amount in a project, have easier access to finance, a quicker turnaround on development, and the ability to put a product on the market. Small and medium-sized businesses also benefit from market departure in a similar way. Small investments in small and medium-sized businesses have a shorter payback period than large investments, which is the basis for their flexibility in exiting at any time.

### **2.2.3 The humanistic advantage of small and medium-sized enterprises in management**

For enterprises, the spirit of ownership of employees can be compared with the entrepreneurial spirit of managers and it can directly affect the effort level of employees. Because the number of employees in small and medium-sized enterprises is small, they know each other; there is mutual

supervision and no soil for the existence of "big pot rice", which can improve the efficiency of employees.

### **3. Analysis on the Problems and Strategies**

#### **3.1. The Strategic Alliance between Britain's Rofer Motors and Japan's Honda Motor Co**

The largest issue is the poor quality of Rofer's products, and Rofer lacks Honda's reputation for modern management and high levels of product quality. Rofer's familiarity with European tastes contributed to both firms' ability to affordably keep the expense of producing new models under control. The Rofer-Honda cooperation got its beginnings with a relatively small licensing deal. Rove has also grown to play a crucial role in Honda's European operations. This might be the primary requirement to assure the continuation of the Rofer-Honda collaboration. [5]. It is Rofer's side that needs to make a larger adjustment to the alliance, and they have paid a great price for it. They have worked hard to learn from the Japanese how to manage large companies successfully. They have worked tirelessly and patiently to overcome hurdles to communication caused by cultural differences such as language, culture, thought patterns, and values. They are aware that only after overcoming these challenges will the staff members of the two businesses be able to generate a sense of mutual respect and friendship, leading to the creation of a collaborative design team to create new models. The introduction of the Rofer 200 in 1984 marked the beginning of the second phase of the partnership. The model is based on a Honda car with fenders, wheels, bumpers and internal devices made by Rofer. In fact, the mutual trust built up by working together is far more important than any legal document.

In this case, it is not difficult to find that the two companies formed a strategic alliance to draw on each other's strengths in product cooperation. Each plays its unique advantage, and produces the effect that one plus one is greater than two. As a company with a certain customer base, Honda has its own good reputation and products. Rofer has the production conditions and the European market. The partnership allowed Honda to break a bottleneck in the European market and Rofer to produce the new models it needed. In the process of cooperation, the two companies learn from each other's strengths and improve their own production, management and communication mechanisms by constantly learning advanced technologies from each other. It will certainly be a valuable experience in the long run. In addition, the good cooperation between the two sides has also won better reputation and corporate image for their respective enterprises. Enough trust was built up to swap stakes. This not only shows the confidence of the product but also the strong maintenance of the alliance. This kind of cooperation demonstrates good corporate culture and corporate image and lays a foundation of trust for future cooperation with other companies. In the background I have already mentioned the advantages and disadvantages of SMEs. It is difficult for almost all enterprises to have enough capital to make a complete production chain with radiation. For example, a company engaged in product research and development can hardly have enough funds to carry out independent production in the early stage, but it cannot carry out effective marketing publicity and sales. Strategic partnerships are particularly effective. A food company can work with packaging companies, logistics companies and marketing companies. Mutual benefits complement each other's weaknesses. Because SMEs are the ones closest to customers, they can sell their products at a lower cost and undoubtedly maximize their profits. The product structure of small and medium-sized enterprises is relatively single [6]. The construction of strategic alliance is of great significance to upgrade and optimize the product structure and enhance the internal motivation of enterprises. Such cooperation not only enables companies to update their products but also optimizes their production chains.

#### **3.2. A Case Study of Wal-Mart's Core Competitiveness**

Enterprises can only apply the above mentioned. In order to form their own core competitive advantages, so as to obtain a powerful competitive position [7]. As a multinational chain company operating in the US, Wal-Mart primarily works in the retail sector. It is the Fortune Global 500 Company with the most employees worldwide and has held the top spot for three years running. Wal-

Mart has grown to be both the largest retail company in the world and the largest private employer in the United States over the past 40 years. With the tenet of "helping customers save every penny", Walmart has fulfilled its promise of the cheapest prices and offered customers a new enjoyment of superior service. The company always adheres to the principle of "one-upmanship in service and uniqueness in staff". Customers can feel at home and receive thoughtful treatment when they enter Walmart. Third, Wal-Mart implements the newest idea in shopping—"one-stop" shopping. Customers can purchase all the products they require in the quickest amount of time. Modern shoppers are drawn to this quick and convenient buying method. Wal-Mart also gives generously to numerous charitable organizations, despite frequently reducing their advertising budget to conserve expenses. What you pay, you get. Walmart's long-term investment in public welfare activities and its unique creativity have greatly improved the brand's popularity and successfully shaped the brand's excellent image in the eyes of consumers. Hama Mar has built up a core of competence that enables it to move forward in the world market.

### **3.2.1 Establish the competitive advantage of resources**

This enables them to take advantage of outside possibilities, counteract prospective dangers, and accumulate resources for a competitive advantage. Customer pleasure is the cornerstone to retail success. As a long-term tenet of Wal-Mart, "EVERYDAY PARITY" is also the measure that Wal-Mart TAKES to focus on customers. Here, the price is not regular or irregular sales promotion, but long-term stability to maintain a low markup rate.

### **3.2.2 Scarce resources**

The scarcer resources an enterprise occupies, the more it can meet the unique needs of customers, and the more likely it is to become the core competitiveness of an enterprise. For this reason, Wal-Mart adopts different retail operation forms to occupy high and low market respectively for different target consumers. For example, Walmart's affordable shopping plaza for middle and lower middle-class consumers; Sam's Club, which offers discounts and services only to members and Wal-Mart a general department store that is popular with upper-class consumers are among them. A recent development in retail is membership. A key aspect of Wal-business Mart's is Sam's Club, which is a secret weapon in the battle against Sears [8].

### **3.2.3 Resources that cannot be imitated**

In the Chinese market, Wal-Mart has been actively pushing and developing its "private brand," presenting "better quality and better price" private brand products that span the major categories of food, household goods, apparel, footwear, and so on. To ensure that every product has the superior quality of market-leading comparable brands, private brand product makers have undertaken rigorous auditing and testing procedures. Private brand products, on the other hand, are created by producers directly, saving on intermediary steps and raising prices above those of comparable products. Walmart is a business that values protecting its brand highly. In July 2011, Walmart submitted a request to the World Intellectual Property Forum claiming that the disputed domain name OurWalmart.com, which contains its logo "Walmart," infringes on its rights and interests. Walmart also asked that the domain name be returned to arbitration.

### **3.2.4 Irreplaceable resources**

The Walmart family started their business from scratch and then became rich and poor, donating to many welfare programs through charitable organizations. Such as: care for children, support education, protect the environment, implement green environmental protection plan. Wal-Mart really raises the management to the height of "cultural marketing, humanistic care", returns to the society, set up a good social image. At the same time, has achieved good social benefits. It is irreplaceable by other enterprises.

### 3.2.5 Sustainable resources

The resources of some brands are actually rising in value, and the rapid evolution of communications and computer technology is posing a serious challenge to the core competitiveness built on these technologies. Wal-Mart, however, has superior supply chain management. The largest benefit of Wal-supply Mart's chain is its satellite communication system. Its global supply network is supported by cutting-edge IT, which consists of a series of sophisticated supply chain management systems. The integrated, centralized and real-time monitoring supply chain management system enables Wal-Mart to fundamentally change its position as a retailer and directly "control production". Efficient operation based on information technology, reduce costs, create value and continuously improve productivity, thereby serving customers at a high level and setting a successful model for the business community.

Wal-Mart's core competitiveness is rooted in our core culture of customer first and employee satisfaction. "Everyday low prices" is Wal-Mart's long-term commitment to customers. The emphasis on the interests of employees motivates contented and hardworking employees to act jointly, innovate constantly, and meet customer needs faster and better than competitors. A wide variety of products, cheap and of good quality, convenient shopping times, free parking, and a smiling, friendly, warm, and happy shopping environment. Through establishing stable, long-lasting, mutually beneficial cooperative relationships with suppliers and managing those relationships with the use of a strong information network infrastructure. Not only to ensure that customers provide "every day low price" quality products, but also to respond to the changes in customer needs with the fastest speed.

### 3.3. A case study of Pop Mart's "New Retail"

Founded in 2010, Bubble Mart was positioned as a "fashion lifestyle small department store", selling toys, home furnishing, digital products, snacks, accessories, beauty cosmetics, bags, office stationery and other products. The 1.0 version of Pop-Mart has been adding more and more stores, and some stores have opened Pop Cafe, hoping to meet the individual needs of young consumers with the long tail effect. However, after a period of time, the business is scattered, the products are not focused, and there are many imitators in the market. The trigger for the transition was a Weibo post in January 2016. At that time, the designer toy Sonny Angel series sold very well in the store, so Wang Ning asked his fans on Weibo, "What else do you like to collect besides Sonny Angel?" "Fifty percent of the hundreds of comments said they liked Molly. Molly is a "young girl with lake green eyes and blonde curly hair, born in Hong Kong, who is a proud and talented young painter". The team went to Hong Kong to find Molly's designer Kenny. Kenny is quite famous in the fashion toy circle. However, due to financial problems, Molly's quarterly production is very small and has not been well commercialized. Poppet started working with Kenny, who did the design while Poppet handled the rest of the process from mold opening, production, promotion and sales.

After the transfer of product line and business focus, Pop mart has grown from a fashion daily grocery store to an IP integrated operation service provider with annual revenue of more than 100 million. The business includes retail business (offline stores, robot stores, online T-mall and APP) corpse incubation derivative (IP incubation and development, supply chain integration IP licensing), IP entertainment platform (Pal APP, IP themed games) and exhibition, etc. Collecting is a very instinctive psychology of consumers, which can bring great satisfaction. That mentality needs an outlet, which 15 years ago might have been through stamp collecting, which the younger generation is less keen on today. Blind box like those stamps' properties, has the certain collection and artistic value, can flow, easy to save, "we want to collect toys become the new generation of tide collection movement bubble of matt skillfully mastered the user's collection of psychological, from the way of product development, sales, design and communication are fully stimulate consumer" itch "point, let them become addicted. For fans, each purchase is not only the lined rubber figure itself, but queue up to buy the new series of expectations, is the blind shake when the will, is the moment of unwrapping the package when the joy or disappointment, is a set of time satisfaction and desire. The consumer thus has an emotion with the product itself, which goes beyond the product itself [9]. In Wang Ning's

opinion, future retailers should move from "delivering goods to delivering emotions, and from exporting products to exporting entertainment." In addition to product sales, Bubble Mat began to think about how to further explore and serve the derivative demands of fans. In September, Pop mart will host the first Beijing Toy Show, expected to be the largest ever in Asia, with a host of designers, Toy brands and other Asian Toy fair organizers bringing their brands with them. One way this show can benefit Pop Mart is by increasing its standing in the market and attracting additional designer talent for IP development. On the other side, it also aims to draw consumers' attention to trendy toys who had never heard of them before. According to the data of the toy industry released by China Industry Information Network and the survey company GtK, the global retail sales of toys in 2015 reached 89 billion U.S. dollars, of which the domestic retail sales were about 65 billion yuan and the Japanese retail sales were about 800 billion yen (49.3 billion yuan) [10]. With the rise of the domestic middle class, With the business line and business model more and more focused and clear, now the primary problem in front of the bubble Mart is not market competition, but how to spread the trend of toy culture farther, the market will be bigger, in order to better realize the brand since its inception set "do a temperature brand, deliver beautiful" vision.

This case shows the positioning of an enterprise and the importance of owning its own IP. As a small and medium-sized enterprise, there is not enough capital. It will have a huge impact on the development of the enterprise. Similarly, if a start-up can incubate IP that fits the brand image and is popular. It will play a positive role in the development of the enterprise. A company has its own IP image and incubates it. IP's own stories are introduced to make the whole IP image alive. And customers are willing to tell stories [11]. It plays an invisible role in promoting the brand. This will also attract more customer groups, so that they are willing to pay for emotional or multi-faceted needs, add vitality to the enterprise.

#### 4. Conclusion

Through the systematic analysis of the strategic alliance between Honda and Rove, the core competitiveness of Walmart and the IP of POP MART, this study draws the strategic plan of SMEs that want to develop in the post-pandemic era. Small and medium-sized enterprises can carry out strategic alliance, learn from each other and make up for each other's weaknesses and the effect of one plus one is greater than two. Close to customer needs, customer first as the criterion to establish a good corporate image. Improve the allocation of enterprise resources, constantly improve the core competitiveness of enterprises, so that enterprises can be long-term sustainable development; Enterprises should pay attention to writing stories, so that customers are willing to pay for feelings, and radiate new IP and consumer groups through the original IP. Therefore, I suggest that SMEs at this stage, under the current situation, must complement each other and give full play to their respective advantages. In particular, we should make good use of the advantages of various policies, seize the opportunities of transformation and upgrading, and optimize and upgrade backward production capacity. Actively use the advantages of the Internet, grasp the trends of The Times, and resolutely do not stand pat. Continue to carry out corporate financing, to ensure that the cash flow of the enterprise is full, to solve all kinds of emergencies. We must not upgrade the speed too fast; otherwise we will face the risk of breaking the chain of funds. Better grasp the consumer psychology of customers, actively upgrade tea products. Strengthen the scientific and orderly internal management of the enterprise, the enterprise staff for appropriate incentives, and actively form a good corporate culture. As major players in the market economy, enterprises must play their active role, maintain the vitality of market players and make active innovations.

This study draws a universal conclusion that these cases are not only suitable for large enterprises, but also fit the development law and the background of The Times of small and medium-sized enterprises. Different from previous studies, the research topic of this paper is small and medium-sized enterprises. This also gave reference for the development of small and medium-sized enterprises. This is conducive to more enterprises and enterprise managers in the choice of strategic direction to

make a reasonable decision. But at the same time, there are still many deficiencies in this study. Not all the decisions conducive to the development of small and medium-sized enterprises are listed, and the development of enterprises after the implementation of these policies is not visualized. All these make this study still have deviation in theory, and cannot guarantee the effect after implementation in enterprises. In the future, I will use more analytical methods to make a deeper analysis of this problem. Try to visualize the results and benefits through modeling and other means. In addition, this article will continue to analyze more development methods that are universal and more suitable for certain industries or environments, so as to provide enough help to SMEs.

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