

A Brief Discussion on the Choice of Financing Strategy of E-commerce Enterprises' Life Cycle

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Abstract: This paper studies the relevant financing strategy chosen by e-commerce enterprises in different life cycles, makes a concrete analysis of the internal and external financing strategies chosen by them in different stages of development, expounds the financing risks they face in different life cycles, and can provide some reference and reference for e-commerce enterprises to formulate corresponding financing strategies, so as to improve the financing capacity of e-commerce enterprises and prevent financing risks.

1. The Theory of the Corporation Financing Strategy

No matter in any period, enterprises need a lot of funds to support the development of enterprises, which makes enterprises need to finance, and a correct financing strategy of choice on the development of an enterprise has a great impact, so the theory of enterprise financing so far there are many. MM theory holds that the company's capital structure is independent of the company's market value when we do not consider the premise of corporate income tax, and the operating risk of the enterprise is the same and only the capital structure is not the same. "In other things, when the company's debt ratio increases from zero to 100 per cent, there will be no change in the total cost and value of the firm's capital, i.e. the value of the firm is independent of whether the firm is indebted or not and there is no optimal capital structure." [1] The revised MM theory holds that under the premise of taking into account corporate income tax, because the interest on liabilities is tax-free, it can reduce the comprehensive capital cost of the enterprise and thus increase the value of the enterprise. The theory of balance is to examine how people judge their relationships with others according to their own knowledge and experience in the P-O-X triangle, and can also be regarded as a theory to explain interpersonal relationships. If you want to examine how people act in the P-O-X triangle and turn imbalances into equilibrium, the main question is to understand how people re-judge their association with others or things and how to evaluate them emotionally, which is essentially a process of attitude change or movement. From this point of view, the theory of balance is a theory that describes the dynamic activity of attitude. Then there is the theory of control, etc.

2. The Characteristics of Strong and Weak Financing Ability of Enterprises

The financing ability of an enterprise refers to the level of financing of an enterprise, that is, whether an enterprise can obtain good capital in a long-term and stable way, which is also a lifeblood of whether an enterprise can develop rapidly, and the financing ability of an enterprise is often reflected in the financing channels and financing methods of enterprises are diverse, such as a company's financing channels need not only domestic financing, but also foreign financing, and the cost of financing is often relatively low [2]. The diversity of financing methods can be reflected in debt financing, owner's equity financing and so on. Therefore, an enterprise financing capacity is reflected in many aspects, often an enterprise financing capacity determines the prospects and future of the enterprise development.

The strength of an enterprise's financing ability is to be examined from many aspects, first of all, an enterprise's financial indicators are very important, such as an enterprise's inventory turnover rate, profit statement and other indicators, you can see the state of the enterprise; Whether an enterprise has a good credit record has a profound impact on the financing ability of an enterprise, third, the asset composition of an enterprise also plays a very large role in the financing ability of an enterprise, such as an enterprise has a large number of fixed assets, then the enterprise's ability to cash out is very strong; Whether the management of an enterprise is strict, but also a reflection of the strength of the enterprise financing capacity, if an enterprise's internal management is in disarray, then there may be corruption or misappropriation of funds for other risks, resulting in the failure of business operations, so that cannot be paid in a timely manner. These five points are the characteristics that affect the assessment of an enterprise's financing ability

3. The Particularity Analysis of the Life Cycle of E-Commerce Enterprises

E-commerce enterprises have their own particularity, e-commerce enterprises in its initial period, the enterprise's own ideas and characteristics are very important, if an e-commerce enterprise in the initial stage of the characteristics and ideas unique, then the enterprise's attraction to investment is relatively attractive [3]. When e-commerce enterprises into the long-term, e-commerce enterprises should pay attention to expand their own visibility, and through their own characteristics of the rapid occupation of the market, so that enterprises in the market quickly stand their own feet. When e-commerce enterprises enter their peak period, that is, the maturity of e-commerce enterprises, then the market visibility of e-commerce enterprises will be very significant, in the market share will have a very large share, with their own stable consumer groups, its own profits will be considerable. And the end of e-commerce enterprises, is its recession period, e-commerce enterprises will be seriously weak after the same kind of enterprises in the market, its enterprise profits will decline rapidly, its original customer resources will be greatly lost to other e-commerce enterprises, and e-commerce enterprises will have a serious decline in financing and investment capacity, and even insolvent situation, serious bankruptcy.

4. E-Commerce Enterprises in Different Life Cycle of Financing Strategy Choice

China's e-commerce enterprises in different periods should choose a different financing method, in its e-commerce enterprises should choose some debt financing, and self-financing model, because this time the enterprise is relatively weak, e-commerce enterprise financing is still more difficult, and when e-commerce enterprises into the long-term, then e-commerce enterprises financing more, enterprises can adopt listing financing, attract venture capital, etc., in the e-commerce enterprises into their own maturity, Mainly to listed shares to raise capital, in the enterprise into its recession, because of the adoption of a conservative financing strategy [4].

4.1 The Choice of Financing Strategy in the Initial Period

E-commerce enterprises in the initial period, because of its relatively small scale, so the enterprise's own capital is very limited, in addition, in this stage, e-commerce enterprises are not competitive, profitability is relatively poor, the accumulation of their own funds growth rate is relatively slow, so it has a huge capital demand, while the risk of financing is relatively high. But at this stage, the development potential of e-commerce enterprises is relatively large. In this period, e-commerce enterprises can choose self-financing and absorb venture capital financing strategy [5].

4.1.1. Self-Financing

Self-financing refers to the owner of an enterprise to increase investment in the enterprise. Since self-financing comes from the input of shareholders or owners, and the input of shareholders or owners does not require capital costs, they are more demanding returns on returns, so the financing burden of enterprises is relatively light, in meeting the needs of enterprise development at the same time can reduce the financial risk of enterprises [6]. E-commerce enterprises are generally small in

the early stages, and lack of credit history, the risk is high, generally only rely on the entrepreneurs themselves and friends, relatives to provide funds.

4.1.2. Absorb Venture Capital

Venture capital is the early form of equity investment in enterprises to inject funds into enterprises, when the enterprise development to maturity and then choose the way of equity transfer, to obtain excess profits. Although the risk of venture capital is relatively large, but its absorption of large amount of capital, while the long cycle, low financing costs, so it is suitable for start-up enterprises [7]. It is important to note that when selecting risk investors, we must look at them, make careful decisions, and try to select strategic investors, while taking care to ensure their right to operate and achieve mutual benefit and win-win results with venture capitalists.

4.2. The Choice of Financing Strategy in the Growth Period

When e-commerce enterprises into the long-term, enterprises already have a certain scale, in the market has a certain degree of visibility, market share gradually increased, cash flow also has a certain degree of growth, and in this case, e-commerce enterprises choose the financing methods and financing channels more. At this stage, e-commerce enterprises should expand their own financing channels, mainly to take the way of equity financing [8]. At present, more mature can recommend the use of financing methods are mainly as follows:

4.2.1. Stock Listing

To promote the listing of e-commerce enterprises in line with the relevant system provisions in the securities market, through equity financing, the advantages of this way is that the amount of funds raised, low risk, no repayment pressure, can be used for a long time.

4.2.2. Fund Investment

Private equity funds can be used to invest in e-commerce enterprises, on the one hand, can increase the amount of funds of e-commerce enterprises; on the other hand, can use the advantages of fund management to play the advantages of e-commerce enterprises better capital benefits.

4.2.3. Conversion of Their Own Profit Funds

Enterprises in the growth period than the start-up period has a better profitability, in view of the low cost and convenience of internal financing, e-commerce enterprises can be less dividend distribution to shareholders, long-term, the profit funds for the future development of enterprises. At the same time, can also optimize their own procurement, production, sales process, reasonable savings, open source and saving, from both ends to do a good job of financing electronic enterprises

4.3 The Choice of Financing Strategy in the Mature Period

At this stage, the growth rate of e-commerce enterprises has decreased, lack of new growth momentum, but in this period the capital of enterprises is relatively abundant, the brand has a high visibility, the ability to resist risks significantly enhanced. At this stage, enterprises should make full use of financial leverage; adopt appropriate radical financing strategy, to improve the efficiency of enterprises [9]. At this stage, mainly take the way of debt financing, the current more mature can recommend the use of financing methods are mainly bond financing and bank loans.

4.3.1. Bond Financing

To promote e-commerce enterprises in line with the relevant system provisions on financing in the bond market, the advantages of this way is that the scale of financing is relatively large, the cost of financing is relatively low, but the financial risks they face are relatively high, so e-commerce enterprises should reasonably arrange the structure of debt financing and equity financing, will pay the risk of payment within a reasonable range.

4.3.2. Bank Loans

Bank loans are the most frequently used financing methods of enterprises, bank loans can effectively supplement the enterprise's liquidity, to prevent enterprises from breaking the capital chain, but too much reliance on debt financing, will increase the enterprise's asset-liability ratio, increase the business risk. Therefore, it is necessary to combine the actual situation of enterprises, to seek the best financing methods and financing portfolio, the enterprise's asset-liability ratio is controlled in a reasonable range.

4.3.3. Innovative Financing

The so-called innovative financing refers to the use of current Internet technology, as well as the "Internet plus" background, the use of online payment platform for financing. Such as Alipay, JD.com, Tencent's WeChat. Such a platform is not only a necessary platform for e-commerce enterprises, but also can carry out low-cost, high-liquid financing. The essence is to make reasonable use of some advance receipts or advance payments, which strengthens the financing capacity of e-commerce enterprise funds.

4.4 The Choice of Financing Strategy in Times of Recession

In this stage, e-commerce enterprises continue to shrink in size, market share is decreasing, profitability is gradually weakening, enterprises are not enough to resist risks, so at this stage, enterprises must adopt a conservative financing strategy, less debt financing, in order to reduce the cost of enterprises, recover some unnecessary investment, so that enterprises shorten their recession. At this stage, sub-business enterprises can adopt the financing method of asset securitization.

Asset securitization refers to the enterprise some of the liquidity is relatively poor, but in the future can bring a certain amount of income to the enterprise assets in the capital market mortgage or sale, so as to see a certain amount of cash flow in the current period. In this way, its financing risk is relatively small, the financing cost is relatively low, can improve the utilization of the existing assets of enterprises, add new growth momentum for enterprises, thus helping enterprises to get out of the current predicament [10].

In summary, the most important choice of financing strategy is to adjust with the situation and development stage of e-commerce enterprises themselves, choose the financing strategy suitable for their own company, so as to provide sufficient funds for the development of e-commerce enterprises, while reducing financing risk, and promote the rapid development of e-commerce enterprises.

5. Summary

With China's rapid economic development, comprehensive national strength is becoming stronger and stronger, China's enterprises are more and more active in the world's economic arena, at the same time, with the rapid development of Internet technology and increasingly mature, China's e-commerce enterprises are springing up, and especially small and medium-sized enterprises, in the increasingly fierce market competition, an e-commerce enterprise wants to get long-term development, and even finally success, through countless examples of verification, an enterprise must respect the life cycle of enterprises, conform to the law of enterprise development. China's e-commerce enterprises in different periods should choose a different financing method, in the initial period of e-commerce enterprises should choose some debt financing, and self-financing model, because this time the enterprise is relatively weak, e-commerce enterprise financing is more difficult, and when e-commerce enterprises into the long-term, then e-commerce enterprises financing more, enterprises can use listing financing, attract venture capital, etc., in the e-commerce enterprises into their own maturity, Mainly to listed shares to raise capital, in the enterprise into its recession, should adopt a conservative financing strategy. And take the correct business strategy and financing means, this enterprise will have vitality, will have very strong market competitiveness, in order to stand out in many e-commerce enterprises.

If the enterprise does not follow the enterprise life cycle, then a violation of the laws of the enterprise and the laws of the market will certainly be eliminated by this city. Therefore, if an

enterprise wants to be successful, if it wants to achieve remarkable achievements, it must follow the law of enterprise development. Therefore, when the enterprise out of the start-up period, long-term, mature period, recession period, to take a different financing strategy, follow its enterprise life cycle theory, like the plants of nature, follow its own laws, so that enterprises will have market competitiveness, in order to avoid the enterprise's mistakes to the greatest extent, the financial risk of this enterprise can reach a most controllable degree. Therefore, the study of enterprise life cycle is of positive significance to the rapid development of e-commerce enterprises in China.

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