



Ca' Foscari
University
of Venice

Single Cycle Degree programme

in Lingue, economie e istituzioni dell'Asia e dell' Africa mediterranea
curriculum in Language and management to China
"Second Cycle (D.M. 270/2004)"

Final Thesis

E-commerce and digital marketing in China

Pirelli case study

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Academic Year

2016/2017

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Introduction

The Chinese economy is changing very fast. Thanks to the increasing number of people using the mobile phones and laptops in China, a new way of shopping spread all over the country. This is called online shopping. It means that people can comfortably stay at home using their mobile phone or laptop for buying everything they need. This new tendency has affected the business in different ways. First it seems mandatory for a company to create its online shop and often a company sells more online than on its brick and mortar shop.

The first part of the thesis has the objective to analyze the current situation of the online Chinese market in this regard. At approximately 5.16 trillion RMB (\$7552 billion) of online retail sales in 2016, China is the world's largest and fast-growing online retail market with 26% of growth rate from 2015, more than double the growth rate of overall retail sales. According to this data, China already surpassed U.S. as the world's largest online retail market. Chinese main e-business type is B2C, the business to consumer. It will follow an analysis of the most famous B2C platforms as Tmall, Jingdong and Suning. Alibaba group changed the shopping world, especially Taobao and Tmall. Taobao is a C2C platforms where consumers can sell goods to other consumers and everyone can open an online shop. With the quick and safe payment App Alipay, payment became more convenient and fast. Tmall is a B2C platforms. It is safer than Taobao and with more rules about the opening of the shop and the goods sold. In fact the online shop can only be open by companies with specific characteristics and the goods sold have to be original and not counterfeit. Giving the importance of this two platforms in China, the thesis analyzes the two platforms from their business model in terms of: key activities, strategic partnership, value proposition, distribution channel, customers segments and revenues. At the end of the first part there is a focus on the Chinese online consumers group.

This analysis is helpful to understand the current situation of the market and it will help to understand the case study proposed in the second part of the thesis. The second part of the thesis consists of an analysis of the digital strategies used by the Italian company Pirelli in China. This want to show how companies, especially foreign companies, are forced to

change their business strategies to fit the new market's requests. The case study starts with an introduction of the company and its history, the APAC strategy of the company, the main products sold in China, the product positioning in the Chinese market and the distribution channels. It will follow a 4Ps analysis of the Tmall shop of Pirelli in China. This analysis will show what are the strong and weak points of the company in this regard. Moreover, Pirelli will be confronted with its main competitor Michelin. The successful Michelin Tmall shop will serve as way to better understand where Pirelli can improve and where instead needs to stay firm.

To sum up, the thesis has the scope to introduce this new and digital world of online shopping and make companies understand the importance of consider a new digital marketing strategy if they want to be successful, especially in the Chinese market.

Introduction in Chinese

随着现代科技的不断进步，网络技术和电子支付手段发展迅速，电子商务应运而生。简单来说，电子商务是利用信息技术来实现商品交换的活动。由于这些电子工具和网络技术的应用，使交易各方所花费的时间减少、效率大大提高，而且资金安全也更加有保障。其独特的便利性和多样性，使得世界的电子商务发展进入了黄金时期。越来越多的网上购物平台如雨后春笋一样不断涌现，人们的网上购物之旅也越来越方便，足不出户就能在家购买世界上各个国家的各种商品。

虽然，不同的购物平台满足了人们不同的购物需求。但是随着经济的全球化，各企业之间的竞争也越来越激烈。因此，如何选择一条行之有效的电子商务发展模式，成为摆在每个电子商务企业或即将开展电子商务的传统企业面前的重要课题。本文通过对电子商务市场几个相对成功的案例分析，并进一步对各自的优劣势进行研究，深度阐述了现代电子商务的各种商业模式。

第一部分首先对中国电子商务的整体市场情况做了客观分析。在过去的 2016 年，中国的网上购物市场消费大约为 5.16 万亿元，成功超过了美国成为世界上最大的网络消费市场。同时，相比于 2015 年，实现了 26% 的增长，超过了整体零售业增长率的两倍。之后本文对电子商务的几种类型做了描述，包括 B2C、B2B 和 C2C。所谓 B2C，即交易直接发生在公司和直接使用商品的顾客之间。而 B2B 是指企业与企业之间通过专用网络或平台，进行数据信息的交换、传递，开展交易活动的商业模式。C2C 则是指交易发生在个人与个人之间的商业活动。

本文着重分析了目前市场占有率最多的 B2C 的商业模式。之后以具有代表性的中国的阿里巴巴、京东和苏宁为例，比较了他们各自的优势和盈利模式、合作伙伴以及客户分布等。重点对改变了人们购物方式的阿里巴巴旗下的淘宝和天猫做了比较和区分。淘宝更多的是以 C2C 为主，人们购物的同时也可以自己开一家淘宝店铺成为卖家。而天猫更像是一个官方的 B2C 商城，只允许公司和机构开设店铺，用

更加严格和安全的要求来保证出售产品的质量。同时，通过分析网络消费的数据，可以看出电子商务在逐步发展，手机端的消费占比也越来越重。

第二部分是案例分析部分，研究了关于倍耐力轮胎有限公司在中国地区的发展历史。首先对中国轮胎市场的生态系统作了详细的分析，随着中国汽车市场的繁荣发展，轮胎的需求量也进一步增大。同时，高档汽车对于高档轮胎的需求也越来越多。这为倍耐力公司开拓中国市场提供了一个非常良好的背景。通过对一些外国企业在中国的营销策略分析可以看出，对于这些国外的公司，他们为了适应电子商务的发展，在中国也积极建立了网络销售渠道。虽然建立的时间不长，但是也很显著地提高了销售效果。为了更加了解该公司的历史，本文分析了其历代产品在中国轮胎市场的产品定位和销售情况，以及他们在中国的市场战略和物流模式。

从倍耐力公司进入中国市场以来，就一直在推进品牌建设。一方面不断加强与各大汽车厂商的合作，另一方面，通过不断开拓高端市场来确定品牌定位，并积极建设各级销售点。对于中国市场，倍耐力推出了三大系列轮胎：夏季用轮胎、冬季用轮胎和全季节轮胎。每个系列再根据具体的用途和车型进行更详细地划分。本文以 4Ps 的方法分析了倍耐力公司的天猫商铺，包括产品、定价策略、配送方式、促销手段和顾客群体。得出了该公司非常成功和美中不足的一些地方。同时也以相同的方法对目前中国轮胎市场最畅销的米其林公司进行了分析，可以看到其中也有很多值得别的公司学习的促销方法，比如根据中国各种本地节日推出贴近节日主题的促销方案，联合中国本地企业共同宣传促销捆绑销售等等。

总的来说，本文聚焦于介绍和分析现今最流行的电子商务市场，对于不同的消费需求牵引出不同的电子商务商业模式。随着科技的进一步发展，电子商务的市场价值肯定只增不减，所以希望各公司能意识到它的重要性，并根据自己公司的实际情况制定行之有效的营销策略，特别是针对中国市场的策略。

Chapter one: Chinese e-commerce market overview

Despite a slowdown in recent years, Chinese economy can be still considered as an healthy consumer economy. With gross domestic product growth of 6.7% in 2016, China is still the world's fastest-growing major economy.¹ In 2016 China total retail sales of goods amounted to 33, 231.6 billion RMB, with a growth rate of 10% compared to the previous years. In the same year, the online retail sales of goods reached 4,194.4 billion RMB, registering a growth of 26% year on year; accounting 13% of the total retail sales of physical goods. According to this data, China can be considered as the world's largest online retail market.²

1. The main Chinese e-business type

There are three main e-commerce businesses in China: B2C, B2B and C2C. Business to consumer (B2C) is a business or transactions conducted directly between a company and consumers who are the end-users of its products or services.

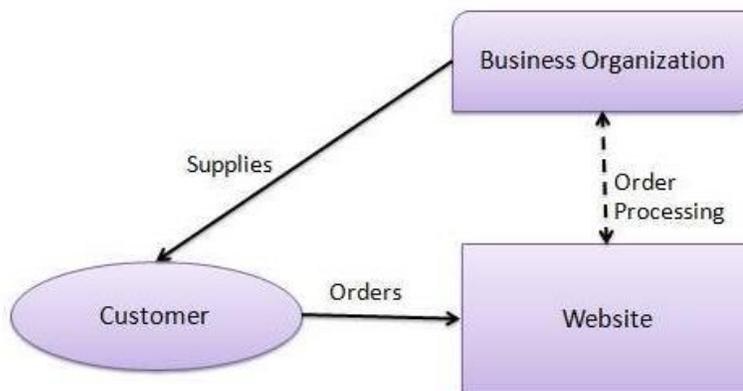


Figure 1. A model of B2C process

¹ Tong Frank, *Online shopping in China grows 26.2% in 2016*, 2017, <https://www.digitalcommerce360.com/2017/02/06/online-shopping-china-grows-262-2016/>, Retrieved on 11-05- 2017.

² National Bureau of Statistics of China, *Total Retail Sales of Consumer Goods in December 2016*, 2017, http://www.stats.gov.cn/english/pressrelease/201701/t20170122_1456810.html, Retrieved on 11-05-2017.

The business to consumer as a business model differs significantly from the business to business model (B2B), which is a type of transaction that exists between businesses, such as one involving a manufacturer and wholesaler, or a wholesaler and a retailer.³

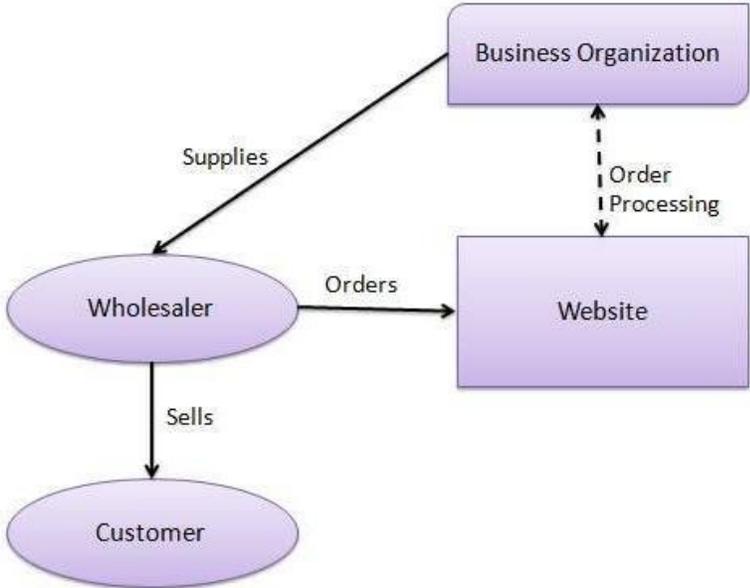


Figure 2. A model of B2B process

Customer to customer (C2C) is a business model that facilitates an environment, usually online, where customers can trade with each other. For example one implementation of C2C market is the auction. C2C market has soared in popularity with the arrival of internet, as companies such as Taobao and Ebay have fostered great interactions between customers.⁴

³Investopedia, *Business to Business - B to B*, 2017, <https://www.investopedia.com/terms/b/btoc.asp>, Retrieved on 23-05-2017.
⁴Investopedia, *Customer to Customer (C2C)*, 2017, <http://www.investopedia.com/terms/c/ctoc.asp>, Retrieved on 23-05-2017.

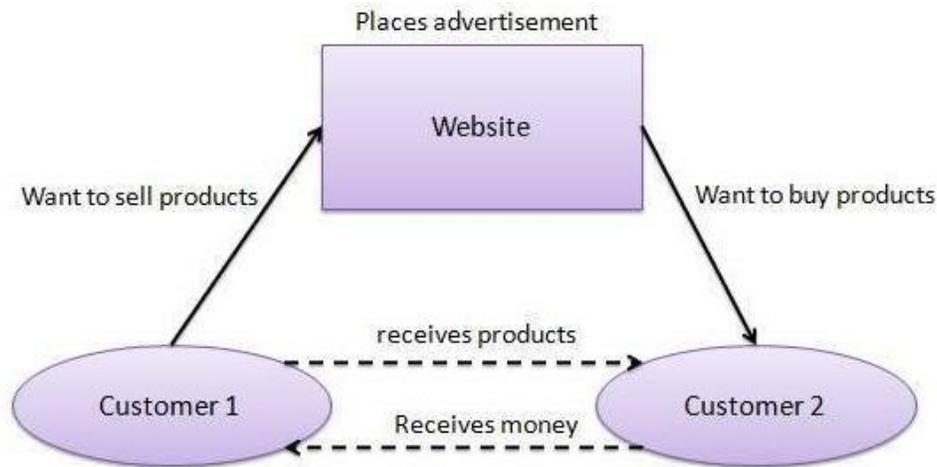


Figure 3. A model of C2C process

2. B2B market in China

As for China's B2B small and medium enterprises' platform revenue market share, nine core enterprises accounted for 72,9%:

1. Alibaba, *Alibaba* 阿里巴巴, the leading platform for global wholesale trade, accounted for B2B e-commerce operators platform revenue ratio of 47.5%, ranking first, it continues to lead the small and medium enterprises B2B e-commerce market;
2. Global Sources, *Huaqiu ziyuan* 环球资源, leading B2B media company and a facilitator for trade with China, and JQW.com *jinquanwang* 金泉网, which provides various types of information between different enterprises, ranked second (5.6%) and third (5.1%) respectively;
3. DHgate.com, *Dunhuangwang* 敦煌网, world's leading online free foreign trade trading platform, and HC360.com *huicongwang* 慧聪网, which provides users with a comprehensive B2B industry information, supply, purchase, inventory information, were fourth and fifth, accounting for 4.8% and 4.6%;
4. Made in China.com, *Zhongguo zhizaowang* 中国制造网, which provides improved and easily accessible web-based solutions to small and medium enterprises to promote Chinese trade, accounted for 3%;

5. Toocle, *Wangsheng shengyibao* 网盛生意宝, specialized in providing Internet information services, e-commerce and enterprise application software development of high-tech enterprises, accounted for 1%;
6. GlobalMarket, *Quanqiu shichang* 全球市场, the largest Manufacturer-to-Business marketplace, accounted for 1%;
7. Mysteel.com, *Wo de gangtielang* 我的钢铁网, the most comprehensive steel industry information portal, including steel prices, historical price trends, steel market inventory, shipments, steel industry analysis and other information, accounted for 1%.

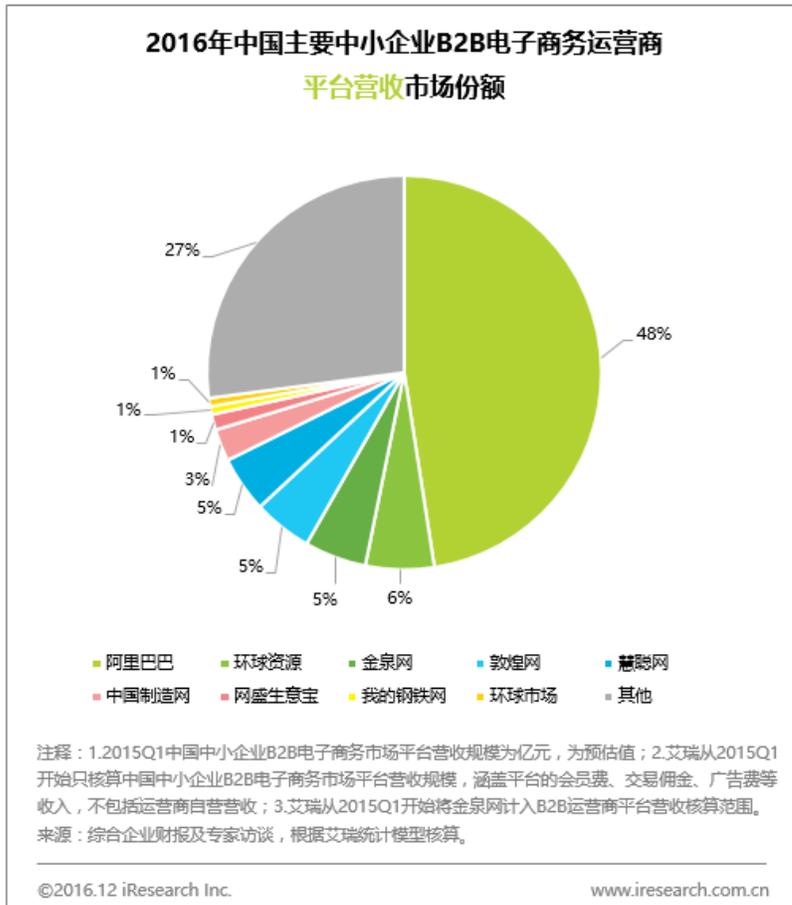


Figure 4. China's B2B small and medium enterprises' platform revenue market share in 2016

Among the abovementioned Top9 enterprises, Alibaba has largest revenue, and maintains the same growth rate of the other enterprises, its competitive advantage is obvious; Toocle has the highest growth rate, about doubling the other enterprises, with a potential competitive advantage; the remaining enterprises in 2016 in term of revenue and growth are roughly the same, maintaining a stable competitiveness.⁵



Figure 5. Chinese small and medium enterprises' B2B e-commerce operators platform growth rate in 2016

⁵ Sohu, 2017 Nian de zhongguo B2B hangye fazhanxianzhuanghangyefazhan zhuangtai he qushi fen xi 2017 年中国 B2B 行业发展现状和趋势分析 (Analysis of the B2B market in China in 2017), 2017, https://www.sohu.com/a/142535634_738170, Retrieved on 22-05-2017.

3. B2C market in China

When Chinese digital market started booming some years ago, consumer to consumer websites took the most of the scene and became increasingly popular. More recently, China's digital retail market drastically shifted from consumer to consumer (C2C) sites to business to consumer (B2C). Nowadays, Chinese shoppers feel more confident with B2C websites than C2C marketplaces⁶ since C2C has some issues, such as lack of quality control or payment guarantees. Moreover in the C2C market, it is difficult to prove if the product is counterfeit or not. This shift from C2C to B2C is also linked to the recent different attitude of Chinese consumers that nowadays tend to be more sophisticated and demanding. However the C2C market has still a large market volume, full range of characteristics, in the future there is surely room for growth. From growth point of view, 2016 B2C online shopping market growth of 31.6%, far exceeding the growth rate of 15.6% of C2C market. IResearch's research data shows that in 2016 China's online B2C shopping market reached 2.6 trillion RMB, accounted for 55.3% of China's overall online shopping market transactions.⁷

⁶ Borsano P., *B2B E-Commerce in China: time to Shift from B2B Marketplaces to Personal Online Shops*, <https://www.kyklo.co/b2b-e-commerce-china-time-shift-b2b-marketplaces-personal-online-shops/>, Retrieved on 23-05-2017.

⁷ Rongyi wang 容易网, *Niandu shuju 2016 zhongguo dianshang guimo chao 20 wan* 年度数据 2016 中国电商规模超 20 万 (Annual data, in 2016 chinese e-commerce surpasss 200000), 2017, <http://www.weibo.com/ttarticle/p/show?id=2309404062328730554594>, Retrieved on 18-05-2017.

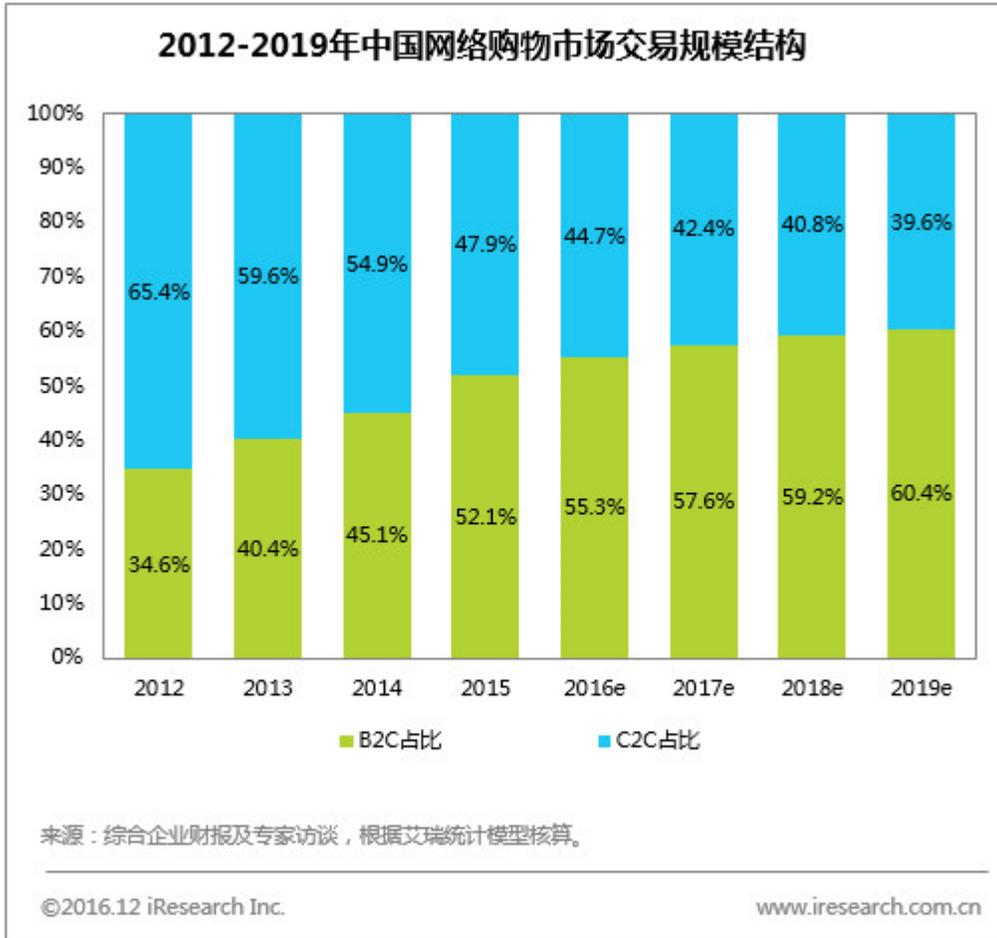


Figure 6. B2C and C2C market growth rate between 2012-2019

3.1 B2C platforms

The main operators in the B2C market are:

1. Tmall, *Tianmao* 天猫, belongs to Alibaba Group and is one of the most successful platform in China.
2. Jingdong, *Jingdong* 京东, headquartered in Beijing, is the world's largest AI delivery and hight tech company.

3. Suning, *Suning* 苏宁, headquartered in Nanjing, is among the top three B2C companies in China. In its 1600 shops scattered among China and Japan, it sells mainly electronic devices.
4. Weipinhui, *Weipinhui* 唯品会, is an emergent Chinese ecommerce platform. It is a big outlet where consumers can find any kind of products with a discount price.

From the market share point of view, in the B2C market, Tmall market share ranked first while Jingdong is increasing its market share. Compared to 2015, Jingdong, Suning, Weipinhui market share increased.

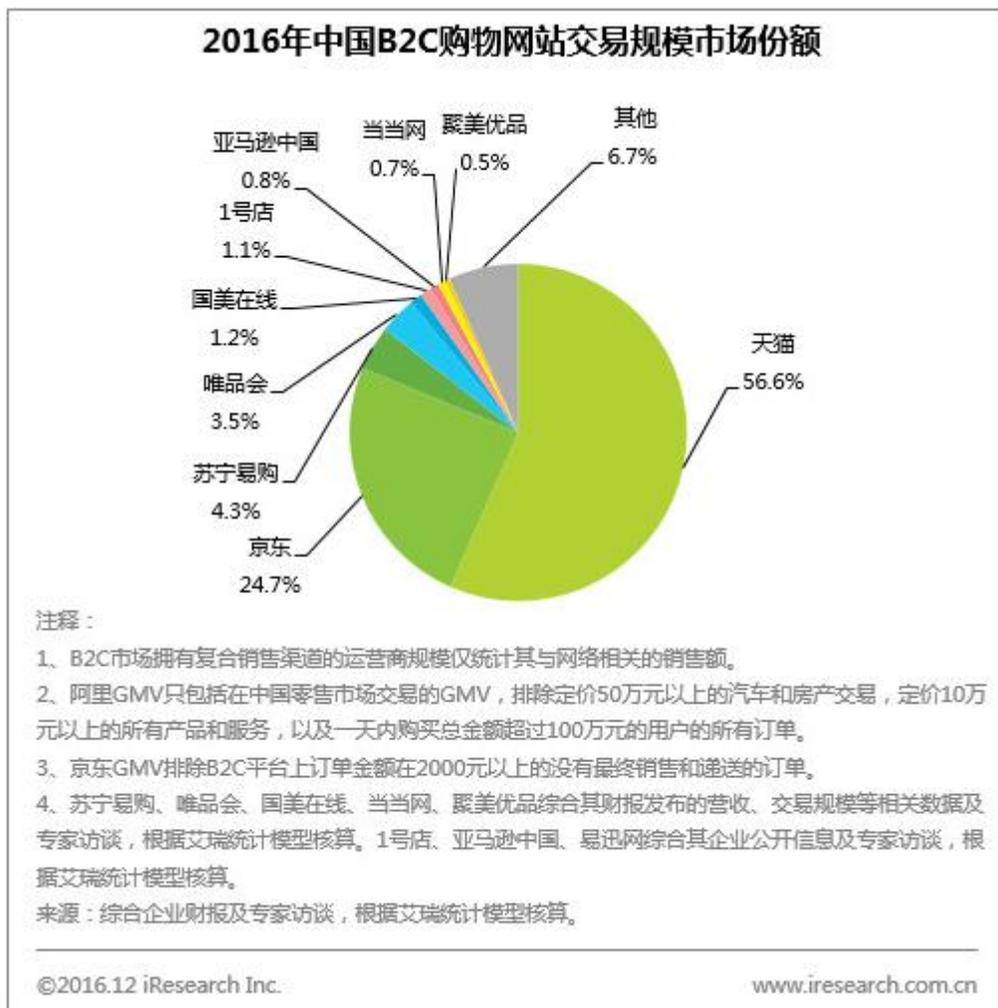


Figure 7. B2C operators market share in 2016

Mobile shopping market concentration is still high. From the enterprise market share point of view, in 2016 Tmall still ranked first, accounting for 82.6%; Jingdong accounted for an increase of 1.8% to 7.5%, Suning accounted for a slight increase while other enterprises decreased their market share. Along with the development of new ways of social commerce like: social commerce, live broadcast, O2O, the market will have more intense competition.

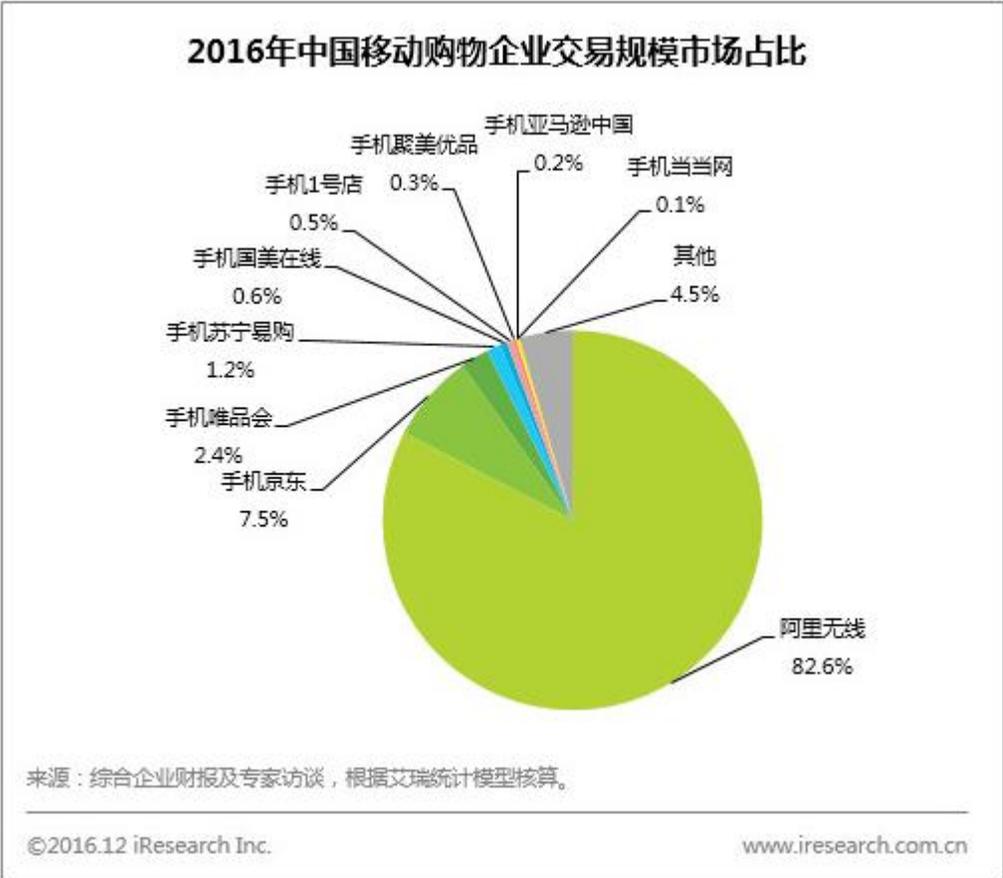


Figure 8. Mobile shopping market operators' market share in 2016

At the moment, in the online shopping industry, Jingdong, Suning, Weipinhui have the highest growth rate.⁸

⁸ Rongyi wang 容易网, *Niandu shuju 2016 zhongguo dianshang guimo chao 20 wan* 年度数据 2016 中国电商规模超 20 万(Annual data, in 2016 chinese e-commerce surpasss 200000), 2017, <http://www.weibo.com/ttarticle/p/show?id=23094040623287305545494>, Retrieved on 18-05-2017.

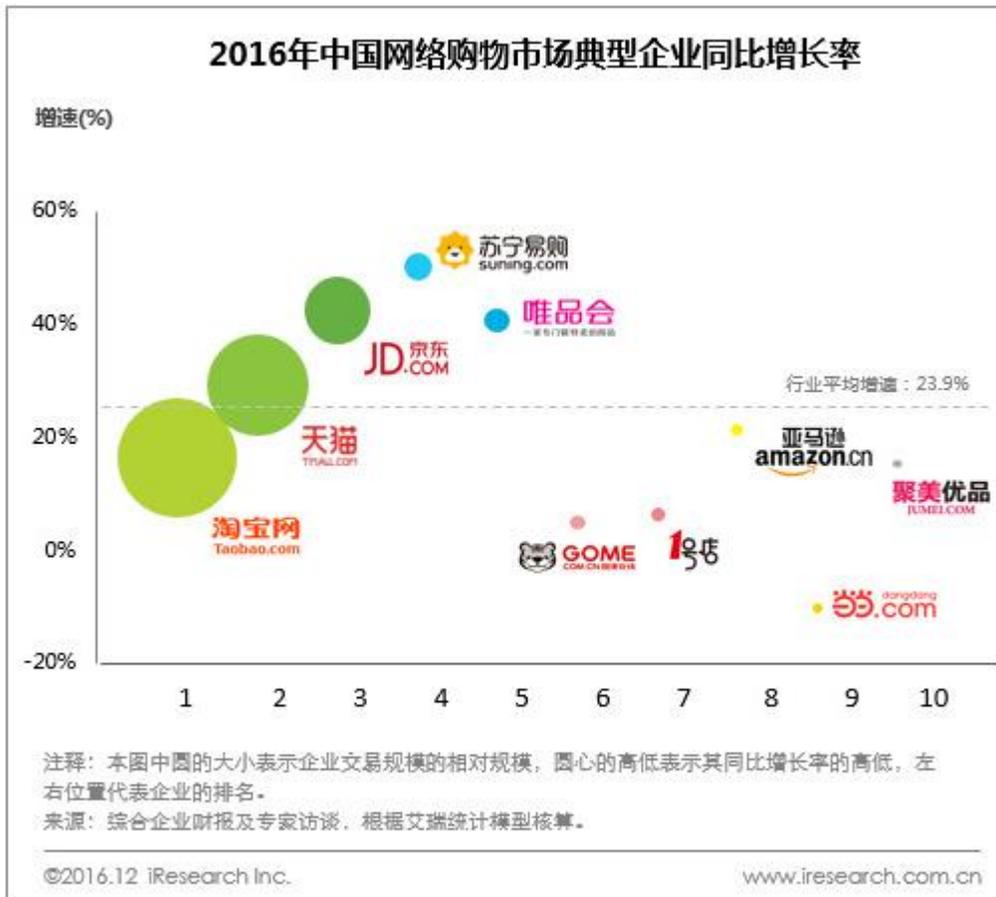


Figure 9. Online shopping platforms growth rate in 2016

4. E-commerce main platforms: Alibaba Group

Alibaba Group Holding Limited is an open company, which was founded by Jack Ma a former English teacher from Hangzhou, in 1999. From the outset, the company's founders shared a belief that Internet would level the playing field by enabling small enterprises to leverage innovation and technology to grow and compete more effectively in the domestic and global economies. Since its first website, that helped small Chinese exporters, manufacturers and entrepreneurs to sell internationally, Alibaba Group has grown into a global leader in online and mobile commerce. Today the company and its related companies operate leading wholesale and retail online marketplaces as well as businesses in

cloud computing, digital media and entertainment, innovation initiatives and others.⁹ In other words, Alibaba is a huge ecosystem with dozens of possibilities to conduct online businesses.

Alibaba group operates various businesses and also derives support for its ecosystem from the businesses and services of related and affiliated companies. Its major businesses and the businesses of its related companies and affiliates include:

1. **Taobao** *Taobao* 淘宝: launched in May 2003, Taobao Marketplace is an online e-commerce marketplace which facilitates C2C retail transactions. It provides a platform where consumers can open a virtual store and sell their good and at the same time consumers can acquire product knowledge, chat with other consumers, receive update from merchants. It mainly caters consumers in China, Hong Kong, Taiwan and Macao.¹⁰
2. **Tmall** *Tianmao* 天猫: launched in April 2008, Tmall.com, previously known as Taobao Mall, was introduced to complement Taobao Marketplace. Now it is the largest business-to-consumer retail platform in Asia enabling businesses to sell directly to the millions of increasingly sophisticated Chinese consumers in search of top quality branded merchandise throughout China. On February 2014, Tmall Global was officially launched as an extension of Tmall.com to enable international brands to offer products directly to consumers in China. At the moment a large number of Chinese and international brands and retailers have established storefronts on Tmall.com.¹¹
3. **Juhuasuan.com** *Juhuasuan* 聚划算: launched in March 2010, Juhuasuan is a marketing platform for boosting sales where Tmall.com and Taobao Marketplace merchants can raise brand awareness and acquire new customers through special promotional events and discounts. The platform offers private label products and selected branded, products made to custom specifications, as well as services.¹²

⁹Alibaba Group, *History and Milestones*, 2016, <http://www.alibabagroup.com/en/about/historyn>, Retrieved on 25- 05- 2017.

¹⁰Alibaba Group, *OUR BUSINESS*, 2017, <http://www.alibabagroup.com/en/about/businesses>, Retrieved on 25-05-2017.

¹¹ Ibidem.

¹² Ibidem.

4. **Aliexpress** *Quanqiusumaitong* 全球速卖通: launched in April 2010, AliExpress is a global retail marketplace targeted at consumers worldwide especially from Russia, Brazil, United States, France, United Kingdom and Spain. Alibaba is using AliExpress to expand its reach outside of Asia and challenge online giants like eBay and Amazon. The main difference from Taobao is that it is aimed primarily at international buyers in fact the platform enables consumers from around the world to buy directly from distributors and manufacturers in China and have access to products at competitive prices.¹³
5. **Alibaba.com**: Alibaba.com, the first business of Alibaba group, is a platform that helps to buy and sell goods across the world. This platform helps to link together also suppliers and buyers from all over the world. Buyers are mainly wholesalers, trade agents, manufacturers, retailers and SMEs engaged in the import and export business.¹⁴
6. **1688.com** *Alibaba* 阿里巴巴: launched in 1999, the platform is a leading B2B website in Chinese for wholesale and dropshipping. It connects buyers and sellers who trade in general merchandise, industrial components, raw materials, electronics, apparel etc. It serves as a wholesale channel for merchants doing business on Alibaba Group's retail marketplaces to source products from domestic wholesalers. It could be considered the Chinese version of Alibaba.com and Aliexpress.com; moreover it is far cheaper than the abovementioned platforms.¹⁵
7. **Alimama** *Alimama* 阿里妈妈 launched in 2007, Alimama is a leading online marketing technology platform that includes advertiser and publisher. For sellers on Alibaba Group's marketplaces it offers online marketing services for both mobile devices and personal computers.¹⁶
8. **Alibaba Cloud** *Aliyun* 阿里云: launched in 2009, Alibaba Cloud, is Alibaba's group cloud computing arm and business unit. Its main role is to develop platforms

¹³ Ibidem.

¹⁴ Ibidem.

¹⁵ Ibidem.

¹⁶ Ibidem.

for data management and cloud computing. Furthermore it also supports with its services and R&D tech all the business operating on Alibaba group.¹⁷

9. **Ant Financial** *Mayi jinfu* 蚂蚁金服: launched in 2014, the Ant Financial Services Group runs from small businesses to individuals. Its services ranging from wealth management, payments, insurance to micro loans for S&M enterprises. Businesses operated by Ant Financial Services Group include Sesame Credit Ant Fortune, Alipay, Yu'e Bao, Ant Financial Cloud, Ant Check Later, Zhao Cai Bao and MYbank.¹⁸
10. **Cainiao** *Cainiao* 菜鸟: launched in 2013, Cainiao is Alibaba's group logistic arm. It was created to assist the new online market development. In fact this platform provides real-time access to data for both consumers and merchants, as well as allows participants to share information on delivery status, order etc. This flow of information enhances companies to improve the efficiency and effectiveness of their logistic services and the same time it enhances China's logistics industry, linking logistics providers such as warehouses and distribution centers together.¹⁹

According to the retail market, Taobao and Tmall are considered the biggest and the most influential online marketplaces of Alibaba group. I will analyse the platforms according to their business models in terms of:

- Key activities
- Strategic partners
- Value proposition
- Distribution channel
- Customers segments
- Revenues

¹⁷Aliyun, *About Alibaba cloud*, 2017, <https://www.alibabacloud.com/about>, Retrieved on 20-05-2017.

¹⁸ Ant Financial, *Bring small and beautiful changes to the world*, 2017, https://www.antfin.com/index.htm?locale=en_US, Retrieved on 31-06-2017.

¹⁹ Ecommerceiq, *One Platform to Rule Them All: 5 Pillars of Cainiao Network Business Model (PII I)* 2016, <https://ecommerceiq.asia/cainiao-business-model-2/>, Retrieved on 1-06-2017.

4.1. Taobao

Taobao is considered as a model of Chinese e-commerce. It is people-oriented and based on China national characteristic that explains why it is so successful in China and why it was able to overcome its main competitor Ebay, who shut down its own website in China in 2006. In fact its business model was created after years of market studies about how to find a way to win consumers attention leveraging on competitors weaknesses.²⁰

Taobao selling and buying process can be summarized as follow:

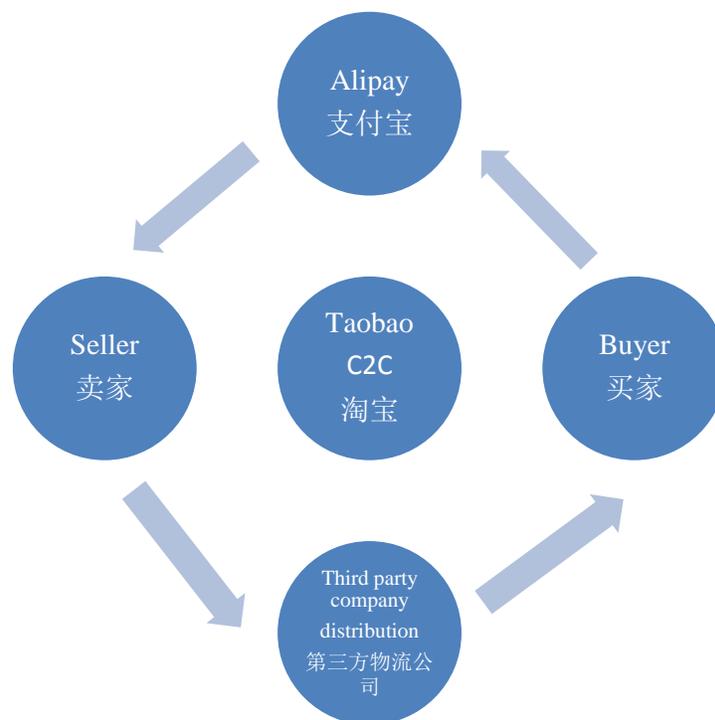


Figure 10. Taobao sell and buy process

While Taobao business model consists of 6 main characters: buyer, seller, Alimama, Tabao Spreader, advertisement master, API developer.

²⁰ Thibaud, *The success of Taobao on the Chinese Internet*, 2015, daxueconsulting. Com/success-of-Taobao-on-chinese-internet, Retrieved on 04-06-2017.

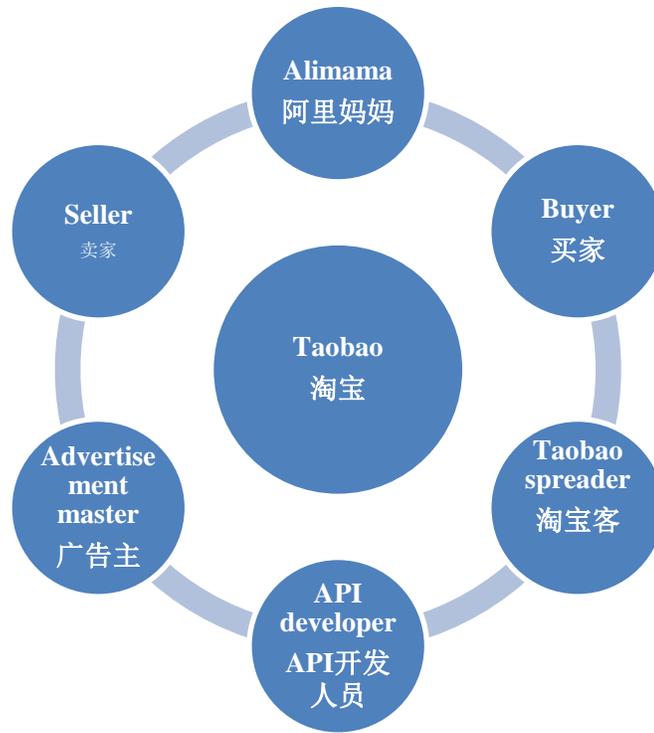


Figure 11. Taobao main characters

4.1.1. Revenue

Taobao started its business in China with three years of free-strategy. It means that Taobao would not have charged listing or transaction fees for the first three years. However after three years it started to reconsider its profit strategy. Nowadays opening a shop on Taobao is free of charge but sellers have to pay a deposit that can be refunded. The price of the deposit varies according to the products sold on the platform. However Taobao main source of revenue is advertising.²¹ After three years of trial and test it launched various types of small services such as banner and pay per click advertising.²² However the most consistent source of profit comes from:

²¹ Li Xiaochen, Zhang Bingtian, Lu Tianshu, Niu Hui, Hou Yuguo, Zhu Lin, *E-commerce in China: Taobao*, 2008, <http://www.dwastell.org/MSc/Group6.pdf> , Retrieved 05-06- 2017.

²² Taobao, *Maijia zhongxin 卖家中心 (Seller centre)*, 2017, <https://openshop.taobao.com/index.htm>, Retrieved 06-06-2017.

- Brand Advertisement *Pinpai tuiguang* 品牌广告: Taobao, thanks to the great flow of consumers, became one of the best place to show advertisement.
- Best position *Zuanshi zhanwei* 钻石展位: it represents the best place to put sellers advertisement, obviously the best is the place the more the costs.
- Special topic-events *Chaoji maiba* 超级卖霸: it is a way to promote products joining some events with special topic. The seller will join this event with its products and AliWangwang, Alimama and Taobao will help to promote the event.

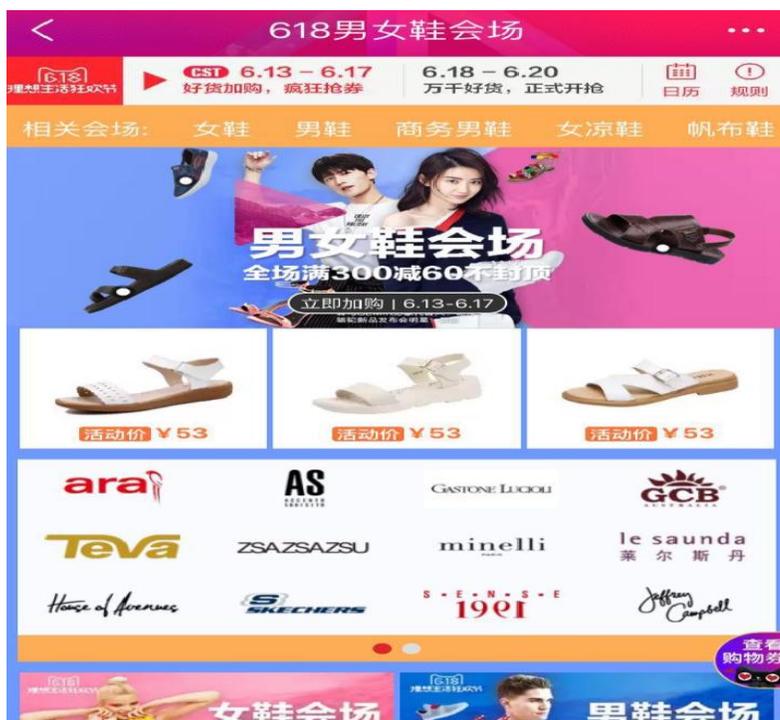


Figure 12. Special shoes event on Taobao

- Keyword system *Sousuo jingjia* 搜索竞价: it means that the seller will buy a keyword linked to his products, if the consumers will search for that product with that word the seller's products will have a higher rank on the search result page. In this way his products will appear more frequently in the search results list and the page will get more visitors that can turn into customers.
- Taobao Spreader *Taobaoke* 淘宝客: the seller can choose a small range of products that he wants to promote and put on the Taobao's Spreader platform. In this way he

will get more costumers. The promotion, click, place is for free, only when there is the transactions he will have to pay the commissions. Taobao's commissions are 10%.

Moreover for the seller, Taobao provides a lot of value-added services such as:

- Software and Service *Ruanjian yu fuwu* 软件与服务: it consists of all the software and services that will help to manage the shop.
- Shop decoration *Taobao wangpu* 淘宝旺铺: Taobao will provide value-added serviced to embellish the online shop.²³

4.1.2. Value proposition

E-commerce users give importance to the security of personal information including both customer account security and payment security. Especially in the C2C market where the seller is not a company but an individual, online users get more anxious. It is definitely difficult to trust an intangible seller. Taobao managed to turn this big issue into one of its main advantages. After some years, Taobao invented a third-party platform called Alipay *zhifubao* 支付宝 to secure the payment process avoiding any risks.²⁴

Through this platform the costumer does not pay the seller directly, the money will go before to the third-party platform. When the buyer confirms that the product received is the right one and authorized the payment, the seller gets the bank transfer through Alipay.

If the customer did not receive the product or it has some problems, the consumer can easily have his money back from the Alipay account. This process gives the payment initiative to the customer that usually is in the weak side compared to the seller. With the creation of this platform not only the seller is more careful in the success of the transaction, but the buyer, having more guarantees, is more willing to buy products.²⁵

²³ Si Linsheng 司林胜, *Dianzi shangwu anli fenxi jiaocheng* 电子商务案例分析教程 (E-commerce cases analysis tutorial), Beijing, Dianzi gongye chubanshe, 2010, p.156.

²⁴ Zhou Hong 周虹, *Dianzi zhifu yu jiesuan* 电子支付与结算 (E-payment), Beijing, Renmin youdi an chubanshe, 2016.

²⁵ Alibaba, *Secure payment*, activities.alibaba.com/alibaba/secure-payment.php, Retrieved 06-06-2017.

As shown before, since the risks linked to the C2C market are a lot, in addition to Alipay, Taobao created in 2003 a reliable credit evaluating system. The main purpose is to avoid the credit risk linked to the C2C, for example, in Taobao, buyers could face the risk of receiving products that are different from the sample picture. For sellers, they could have the risk of delayed payment.

As for sellers, Taobao points out 7 indicators to evaluate their credit:

- Promised Time: the faster is the seller the more credible;
- Quality: the more the quality of the products the more the credit;
- Price: higher credit if the price of the product is cheaper than other sellers' products
- Service: a good service stands for higher credibility;
- Turnover: higher credit level for more turnover transaction;
- Credit rating: higher reliability the seller, higher credit rank.²⁶

On Taobao is easy to value seller's reliability. In fact the buyers can just have a look of the seller's profile to know his credit score. Obviously the more the credit, the more the seller is trusted by the buyers. Moreover Taobao users can give a feedback about their partner after the transaction through Alipay. The comments could be positive, neutral or negative. With the positive comment the partner will get one score (credit); the neutral is zero credit; the negative corresponds to a negative credit. The total credits are divided to 20 ranks with particular mark in each rank, and these marks are displayed beside the buyers and sellers nicknames. Of course the one with higher total credit scores is the more trusted and as a consequence will have more business opportunities.²⁷ Taobao also uses store dynamic scoring system that judges the store credit based on four indicators: commodity description consistent, courier service, delivery speed and seller customer service.

In addition, to ensure the success of the transactions, Taobao created a messaging platform called *Ali wangwang* 阿里旺旺. When buyers or sellers have any doubts they can directly communicate through this platform for free and both can send text or picture in order to clarify problems or to give more details about the product. Ali wangwang, which records all

²⁶ Li Xiaochen, Zhang Bingtian, Lu Tianshu, Niu Hui, Hou Yuguo, Zhu Lin, *E-commerce in China: Taobao*, 2008, <http://www.dwastell.org/MSc/Group6.pdf> , Retrieved 05-06- 2017.

²⁷ Ibidem.

trading processed, has also a legal power; it means that if problems occur, it could be used as evidence.²⁸

4.1.3. Strategic partnership

In general, banks charge customers remittance fees when transferring funds from one account to another. That is why Taobao undertakes economic cooperation with the major banks in China such as BOC, ICBC etc. to reduce the remittance fees and to ensure a trustworthy transaction.²⁹ Moreover, from 2012 onwards, International cards such as Visa and MasterCard began to be supported on Taobao while Alipay supports Chinese domestic bank cards. In 2017, almost all of the international credit cards are accepted for payment on Taobao. Besides, Taobao has cooperated with other internet companies such as Baidu, 21 CN, Sohu and Msn.³⁰ Alibaba blocked Baidu's spider from indexing both Tmall and Taobao, this means that pages from this platforms do not appears when you search from that on Baidu. The establishment of this mutual cooperation is of course mutually beneficial. After suspending its partnership with Tencent's Wechat platform, on April 2013, Alibaba invested USD 586 million in Sina Weibo, after this partnership, Taobao users can link their Sina Weibo and Taobao accounts together and use either account to log on to both platforms.³¹

4.1.4. Customer segmentation

At the beginning of its business, Taobao made a lot of researches on the Chinese online market. The study discovered that the great majority of online shopping websites preferred targeting people who like collecting and sharing or white collar with higher salaries. Ebay,

²⁸ Ibidem.

²⁹ Zheng Qin, Yang Chang, Li Shundong, Li Fengxiang, *E-commerce strategy*, Hangzhou, Zhejiang University press, 2014, p.253.

³⁰ Thibaud, *The success of Taobao on the Chinese Internet*, 2015, daxueconsulting.Com/success-of-Taobao-on-chinese-internet, Retrieved on 04-06-2017

³¹ Reuters, *Alibaba pushes into social networking with Weibo investment*, 2017, <http://www.reuters.com/article/net-us-sinaweibo-alibaba-stake-idUSBRE93S0DA20130429>, Retrieved on 29-04-2017.

for example targeted the male, international, high-income white-collar workers. Taobao, instead, chose fashionable young woman. The growth rate of Taobao proves that this marketing positioning is more suitable for China market compared to other websites.³²

4.1.5. Distribution

Taobao and Tmall owns no warehouses or inventory. Alibaba created software platforms to facilitate the distribution but it does not have the expenses of maintaining a network of warehouses and logistics to sell directly to the consumers. In fact, Taobao logistics and distribution is outsourced to third party logistics enterprises. Express companies need to be large enough to cover a big number of buyers and sellers in terms of distribution network. The distribution process will involve the country distribution sites and regional distribution centers and other nodes to achieve the cross-regional distribution.

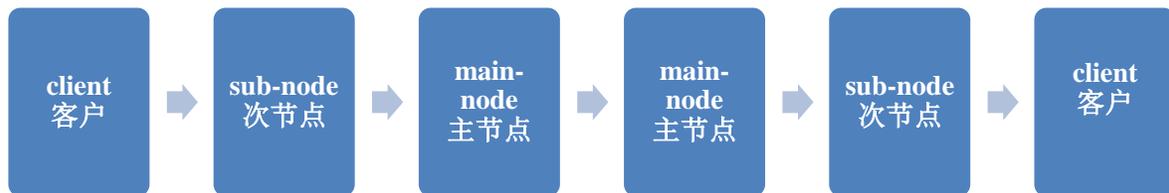


Figure 13. Taobao distribution process

On Taobao a buyer finds something that he needs on the platform and contacts the seller. If he is sure about the product, he will place the order. After receiving the order, the seller will prepare the goods and he will carry them to the closest district sub-node or he will call the express delivery and they will come to pick them up at seller’s place. Then the express delivery will gather all the goods from the same district or area in the district sub-node. After gathering all the goods, these will be send to the main-node that is full of goods from all of the city’s districts. Afterwards, from the main-node the products will be sent to other districts sub-note if the buyers are in the same city, if the buyers are in different cities, the

³² Liu Yunxiu., Jitphrasong, Niopat, “The Analysis of Taobao C2C E-Commerce Marketing Strategy”, *International Journal of Management and Commerce Innovations* (www.researchpublish.com), 2017, 4(2), pp. 172-181.

goods will be firstly delivered to the other's city main-node and then the goods will be sorted between the city's district sub-nodes.³³

4.1.6. Key activities

Tmall and Taobao Single's Day

Taobao and Tmall are both famous for organizing the world's largest online shopping event called *Shuangshiyi* 双十一. In the 1990s, Single's day was celebrated by young and single Chinese as a funny protest against Valentine's Day. Later in 2009, Alibaba took the holiday as a way of boosting revenue in the generally quiet sales period before the Lunar New Year season. Alibaba started promoting discounts at retailers on its e-commerce platforms such as Taobao and Tmall.³⁴ Singles Day has grown tremendously reaching 17.8 billion dollar in sales in 2016, up from 14.3 billion dollar in 2015.

From companies perspective this event is a great opportunity to grow in revenues that is why companies know that they need a Single's Day strategy³⁵ that mostly consists of:

1. Promotions
2. Eye-catching advertisement
3. Discount prices
4. Delivery of presents

³³Hui Jiang, *Taobao wuliu moshi jixi* 淘宝物流模式解析 (Analysis of the distribution method of Taobao), 2016, <http://www.kaitao.cn/article/201607141507190579.htm>, Retrieved on 11-07-2017.

³⁴Cheng Ming, *Singles' Day: Alibaba smashes records at world's largest online shopping event*, 2016, <https://www.cnbc.com/2016/11/11/singles-day-news-alibaba-poised-to-smash-records-at-worlds-largest-online-shopping-event.html>, Retrieved on 14-06-2017.

³⁵Lavin F., *Singles- Day sales scorecard: a day in china now bigger than a year in Brazil*, 2016, <https://www.forbes.com/sites/franklavin/2016/11/15/singles-day-scorecard-a-day-in-china-now-bigger-than-a-year-in-brazil/#1d7a49d51076>, Retrieved on 14-07-2017.

Jingdong 618

China's largest integrated network of retailers Jingdong, was set up in China on June 18, 2004. For this reason June 18 became Jingdong anniversary. Before 2013, Jingdong took June 18 as a celebration day providing its consumers with promotions and activities, which for other businesses has undoubtedly produced a huge pressure. That is why Taobao and Tmall on 618 offer big promotions. It can be considered the second important events organized by Alibaba after the Single's Day.



Figure 14. Taobao webpage on 618

In 2017, Taobao's 618 event slogan is ideal life *lixiang shenghuo* 理想的生活. This means that Taobao will select from millions of goods the ones in line with the idea quality of ideal

life goods and it will recommend them to the users that have strict requirements about the quality of life.³⁶

4.2. Tmall

Taobao mall, B2C platform, was created by Alibaba group in 2008 as a way to complement Taobao C2C marketplace. Only in 2010 Taobao Mall became an independent web domain with the name of Tmall.com. Moreover, in 2011 Alibaba CEO Jack Ma split Taobao between: Taobao marketplace (C2C), Tmall.com (B2C), etao (search engine for online shopping). The split seemed necessary to contrast the great competition emerged in the Chinese e-commerce ecosystem. As an independent B2C platform, Tmall business model can be expressed with the following chart:

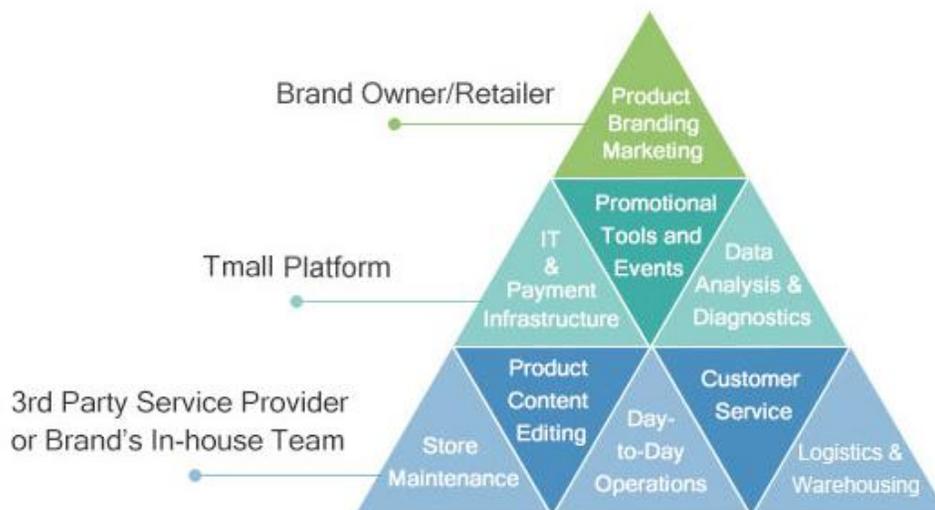


Figure 15. Tmall business model

Source: http://about.tmall.com/business_structure

Tmall business model can be divided in three sections: brand owner or retailer, Tmall platform, 3rd parties service provider. All of this parts have their own duties. The brand owner, for example, will provide its products and expertise to establish his brand on

³⁶ Jiang Tong 江同, “Jingdong 618 cong dujiaoxi dao zhonglele” 京东 618 从“独角戏”到“众乐乐” (Jingdong 618 success), *Jisuanji yu Wangluo*, 42, 12, 2016, pp. 10-12. Retrieved 18-07-2017.

Tmall's platform. Tmall, at the same time, will provide IT and payment, promotional tools and data analysis. As for payment, Tmall provides the well-known Alipay. Furthermore, Tmall offers to its users a lot of promotional tools such as banner placements and pay for performance advertisement; through this advertisements retailers can make their online shops more attractive. Data analysis represents also a very useful tool. Tmall will provide data that are the results of market researches on the purchase and consumers' behavior.

Moreover, third's parties service provider mainly consist of store maintenance, product content editing, day to day operations, consumer service and logistic.

It is very important to maintain the store up to date and add descriptions of products in Chinese. Day to day operations are also central. They consist of answering customer inquiries on Aliwangwang and fulfilling orders. Create brand awareness to attract more people is the core of the customer service and finally it is important for sellers to handles the shipping within China, with a full range of product storage and logistic.³⁷

Taobao and Tmall both belong to the Alibaba group. The two platforms share the most part of their business model except for some differences that I will analyze in terms of consumer segment, revenue and value proposition.

4.2.1. Costumer segmentation

Tmall, compared to Taobao C2C platform, belongs to the B2C online shopping side. This means that only registered companies can open a flagship store on Tmall while personal users as on Taobao cannot. Tmall users at the same are more sophisticated compared to Taobao's one; they are more looking for high quality products which origin is certified and reliable. The target customers of Tmall platform are still young women as Taobao but these women are more willing to buy expensive goods.

³⁷ Tmall, *Business structure*, 2017, http://about.tmall.com/business_structure, Retrieve on 05-06-2017.

4.2.2. Revenue

As for revenue, Tmall not only leans on advertising fee such as Taobao but there are other sources of revenue. For example for all the goods purchased on Tmall store, after the sale, there will be a percentage that will be kept by Tmall, while Taobao sellers do not have to pay commissions. In addition, shop registration fee that is free for Taobao users, is not free for registered companies that want to open a shop on Tmall. They are required to pay a 10,000 RMB of store deposit. Finally, Tmall sellers have to pay once a year a service fee from 30,000 RMB to 60,000 RMB while Taobao has no service fee. Tmall provides also the annual fee return depending on annual sales and detailed seller rating (DSR). There are two refunding levels of 50% and 100% depending on the annual sales requirements achieved by the seller, however the DSR average cannot fall below 4.6. This is a way to encourage merchants to improve the quality of their services and sell more.³⁸

4.2.3. Value proposition

Tmall offers a lot of value-added services that are not included in Taobao business model. Tmall shop design can be totally customizable. The seller can decide the content and the design of the store that will look more beautiful compared to the Taobao's one. On Tmall, customers can also buy a shipping insurance that means that if the buyer wants to return the good he bought, he will not pay the shipping fee again. At the same time, all the products have seven days return or exchange guarantee, no question asked, on Tmall. On Taobao this is a service that can be joint by the seller or not, this means that Taobao has less guarantees for consumers. All the orders on Tmall must be shipped or traceable within 72 hours of order placement. Moreover, in order to help the merchant to control and analyze data, Tmall offers data statistic services while Taobao does not offer these services. Finally Tmall and Taobao have a different credit system. On Tmall there is not a negative value for the credit, the score starts from 0 to 5. Both Taobao and Tmall use store dynamic scoring

³⁸Tmall, *Fee schedule*, 2017, https://about.tmall.com/tmallglobal/fee_schedule?spm=3.7128713.0.0.nPAqY#place, Retrieved on 25-07-2017.

system that judges the store credit based on four indicators: commodity description consistent, courier service, delivery speed and seller customer service. Taobao has also a seller score credit like crown, golden crown, heart, diamond 4 grades.

5. Online consumer group

Chinese consumers are changing over the time. Due to economic and political circumstances Chinese consumers have now a completely different attitude towards shopping. In fact the number of online shoppers in China from 2006 to 2016 increased from 33.37 to 466.7 million.

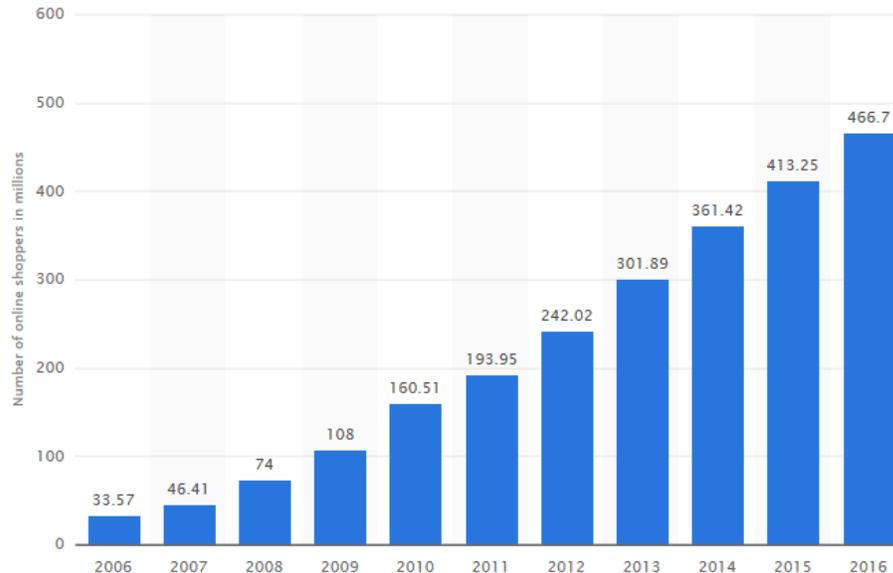


Figure 16. Numbers of Online shoppers between 2006-2016

Source: <https://www.statista.com/statistics/277391/number-of-online-buyers-in-china/>

Chinese consumers can be defined as follow:

- young (age between 18-28), urban and highly educated;
- very pragmatic despite their growing wealth;
- are becoming increasingly brand-loyal;
- are changing the way they shop, spending less time in physical stores and embracing new channels.

McKinsey 2016 year's survey confirms that China's digital consumers still overwhelmingly use mobile devices to access the web. However, while mobile devices strategies should not be neglect, it is also important to take in consideration the multidevice owners that, compared to the mobile users, spend 17% more of their time on online shopping websites. Compared to the mobile users, multidevice owners buy online in 29% more categories and are more willing to use social media like Weibo and Wechat to interact with businesses.³⁹

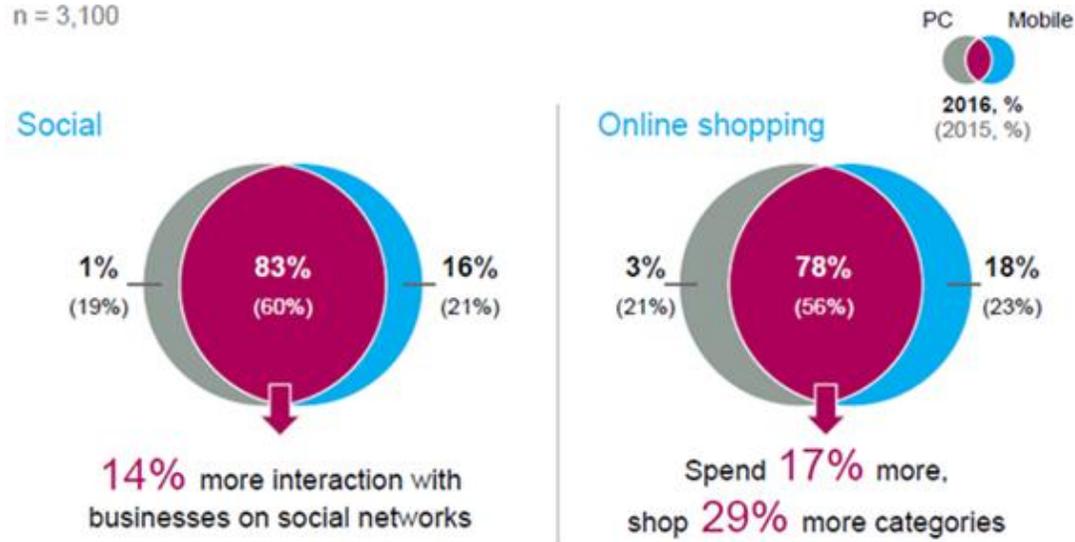


Figure 17. Devices adoption among digital consumers, %
 Source: McKinsey consumer china 2016 Survey, <https://www.mckinsey.com/industries/retail/our-insights/how-savvy-social-shoppers-are-transforming-chinese-e-commerce>, Survey, conducted online during January 2016, engaged more than 3,100 people across a wide range of income levels and household locations.

As for online shopping, some categories have attracted more digital consumers than other. In 2016 new shopping tendencies spread such as the need to buy premium products, including electric automobiles, sporting goods and sport utility vehicles. Since Chinese consumers are getting more sophisticated, they want to buy premium imported goods online. In this regard Alibaba set up Tmall Global that is an ecommerce platform where

³⁹ Wei Wang Kavin, Lau Alan, Gong Fang, *How savvy, social shoppers are transforming e-commerce*, <https://www.mckinsey.com/industries/retail/our-insights/how-savvy-social-shoppers-are-transforming-chinese-e-commerce>, 2016, Retrieved on 11-05-2017.

international brands can sell their imported products in the Chinese market. In 2016, the number of Chinese purchasing on this platform doubled.⁴⁰

As for other categories, food and apparel are taking space. Food, a category that faces more challenges in building an ecommerce business, has gained more online consumers with sales up to 28% in 2016 compared to 2015.

Apparel does not have so much problems in online adoption but the sector have to fight to be more appealing than other physical stores.⁴¹

⁴⁰ Tong Frank, *Online shopping in China grows 26.2% in 2016*, 2017, <https://www.digitalcommerce360.com/2017/02/06/online-shopping-china-grows-262-2016/>, Retrieved on 11-05- 2017.

⁴¹ Ibidem.

Chapter two: Pirelli case study

1. Tyre market ecosystem

China belongs to APAC region and is in the area the fastest-growing economy. Between 2013-2017, Chinese gross domestic product grew of +7.7%. In the same period, Chinese vehicle market registered also a strong growth of 8% per year. In this sector, the segments that are expanding the most are the Prestige and Premium one: between 2013-2017, the Compound annual growth rate (CAGR) of the overall market was of +6% while the prestige and premium segment registered a CAGR of +12%.

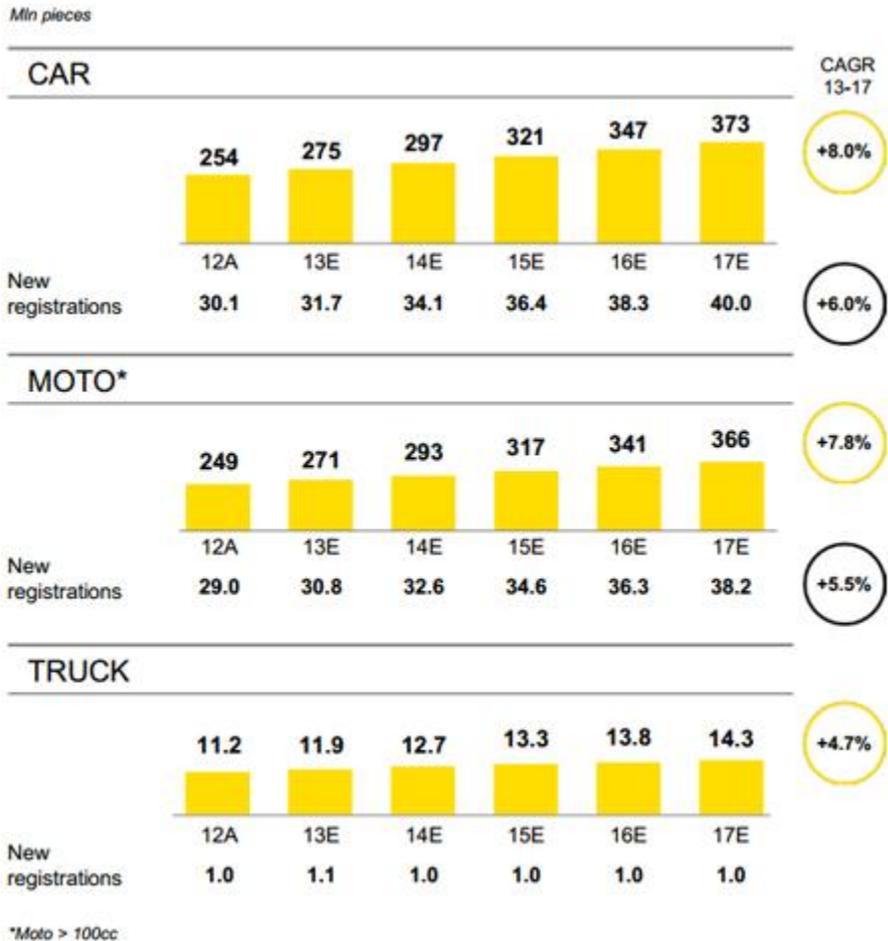


Figure 18. Vehicle market growth

The strong demand for premium products in the region is affecting also the tyre market. Compared to the overall market, the premium segment registered a CAGR of 2,5%. Along with the increasing demand of the OE segment, the Premium sector incidence is expected to growth from 13% to 17% in 2017.⁴²

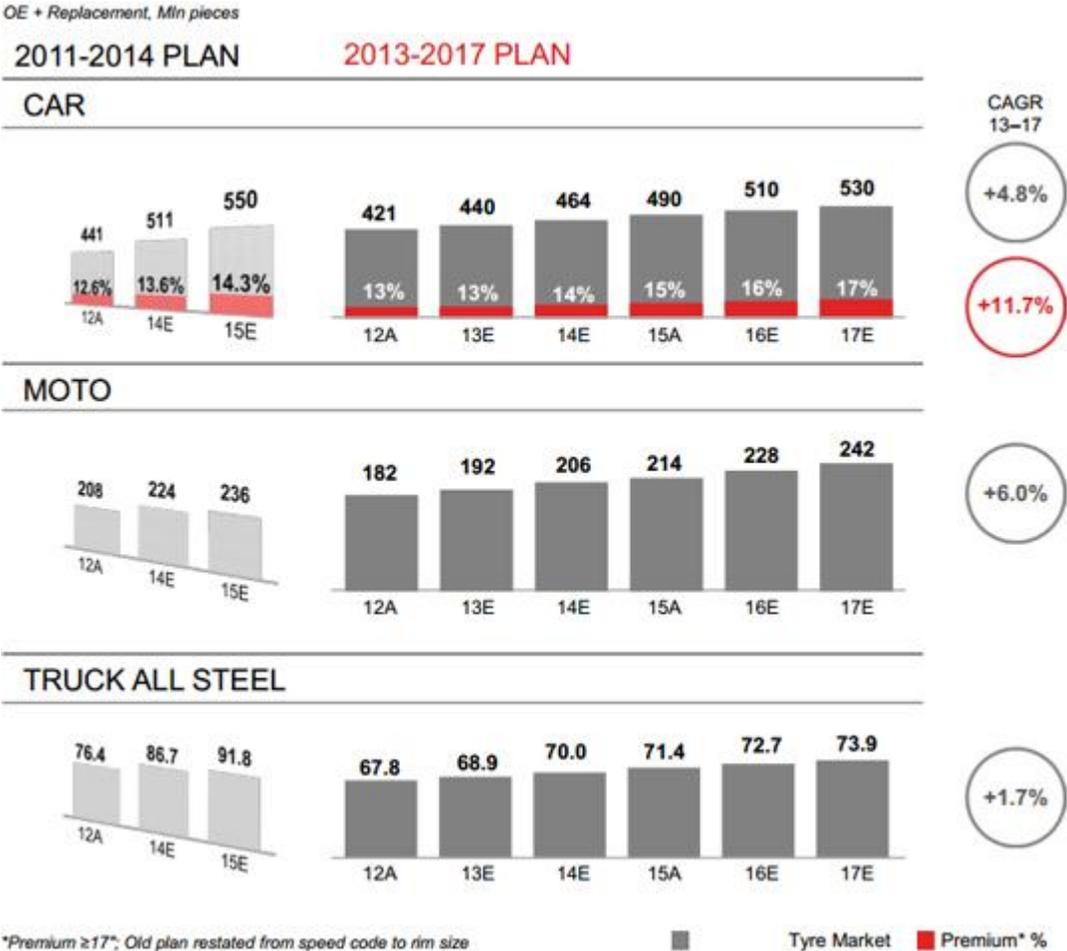


Figure 19. Tyre and Premium market

⁴²Pirelli, *Market overview*, 2017, <http://corporate.pirelli.com/corporate/it-it/investitori/pirelli-at-glance/strategia-per-region/apac>, Retrieved on 28-07-2017.

2. Pirelli history

Giovanni Battista Pirelli and his cousin Leopoldo, in charge of product development, were the first two characters in Pirelli's history. On January 28th 1872, Giovanni Battista Pirelli founded G.B. Pirelli & C.. The company started producing elastic rubber but quickly started manufacturing cables. These cables were mainly used for telephone lines and electricity.

In 1890 they decided to expand their business building a new factory at Porta Nuova, in Milan, for the production of bicycles tyres. This was the first tire factory in Italy. After this big step, the company kept growing building in 1902 the first production location abroad, near Barcelona followed by another one in British Southampton. In 1917 they opened a plant in Argentinian Buenos Aires, in 1924 they opened another one in Manresa (Spain) and 1928 in Burton (UK).

In 1932 the founder Giovanni Battista Pirelli passed away and with the Second World War, the company had not good times, but from 1946 forth Piero and Alberto (founder's sons) took over the enterprise. At that time the company needed to be known by consumers that is why Pirelli entered the advertisement world. From that time Pirelli took care of arts and became a brand linked with the art's world. The 1953 year saw the introduction of cinturato radial tyre. In 1956 Piero died and Alberto became the only dirigent founding 4 years later a new headquarters in Milan, the famous skyscraper, designed by Gio' Ponti. In 1965 Alberto Pirelli, at the age of 83, retired and his son Leopoldo took the company. He would run the company for 25 years. In the seventies, Pirelli started to cooperate with Dunlop and together they introduced Cinturato P6, P7 and P8. Tronchetti Provera took over the enterprise in 1992. In 2005 Pirelli stopped producing cables and built a factory in Shandong, China followed by another one in Romania. In 2007 Pirelli decided to focus only on tyres. In 2009 Pirelli signed a Joint venture with Russian technology. From 2010 on Pirelli founded Pirelli foundation and started to be active in events like F1, Superbike, Trofeo Maserati and so on. In 2012 Pirelli signed an agreement with Astra Oto Parts to set up a plant in Indonesia that will produce motorcycle tires.⁴³

⁴³ La Gazzetta dell'Automobile Italiana, *Pirelli celebrates its 140th birthday; full history*, 2012, <http://www.autoedizione.com/pirelli-celebrates-its-140th-birthday-full-history/>, Retrieved 21-06- 2017.

2.1. Pirelli and China

On 23 March 2015, China national chemical corporation, Chemchina through its subsidiary China National Tire & Rubber (CNRC) bought 26.2% of share that Camfin, Italian holding firms, owned in Pirelli. Afterwards it launched a bid of €15 per share for the rest, valuing the group at €7.1bn.

The bid was launched by a consortium controlled by Chinese state-owned group and Camfin investors including Italian banks such as Intesa San Paolo and UniCredit, Russia's Rosneft and Pirelli chief executive Marco Tronchetti Provera on the remaining stake for achieving the completion of the acquisition.⁴⁴ The structure after the fusion is shown by this chart:

⁴⁴ The Guardian, *ChemChina makes €7.1bn bid for Pirelli*, 2015, <https://www.theguardian.com/business/2015/mar/23/chemchina-makes-71bn-bid-for-italy-pirelli-tyre-maker>, Retrieved on 22-06-2017.

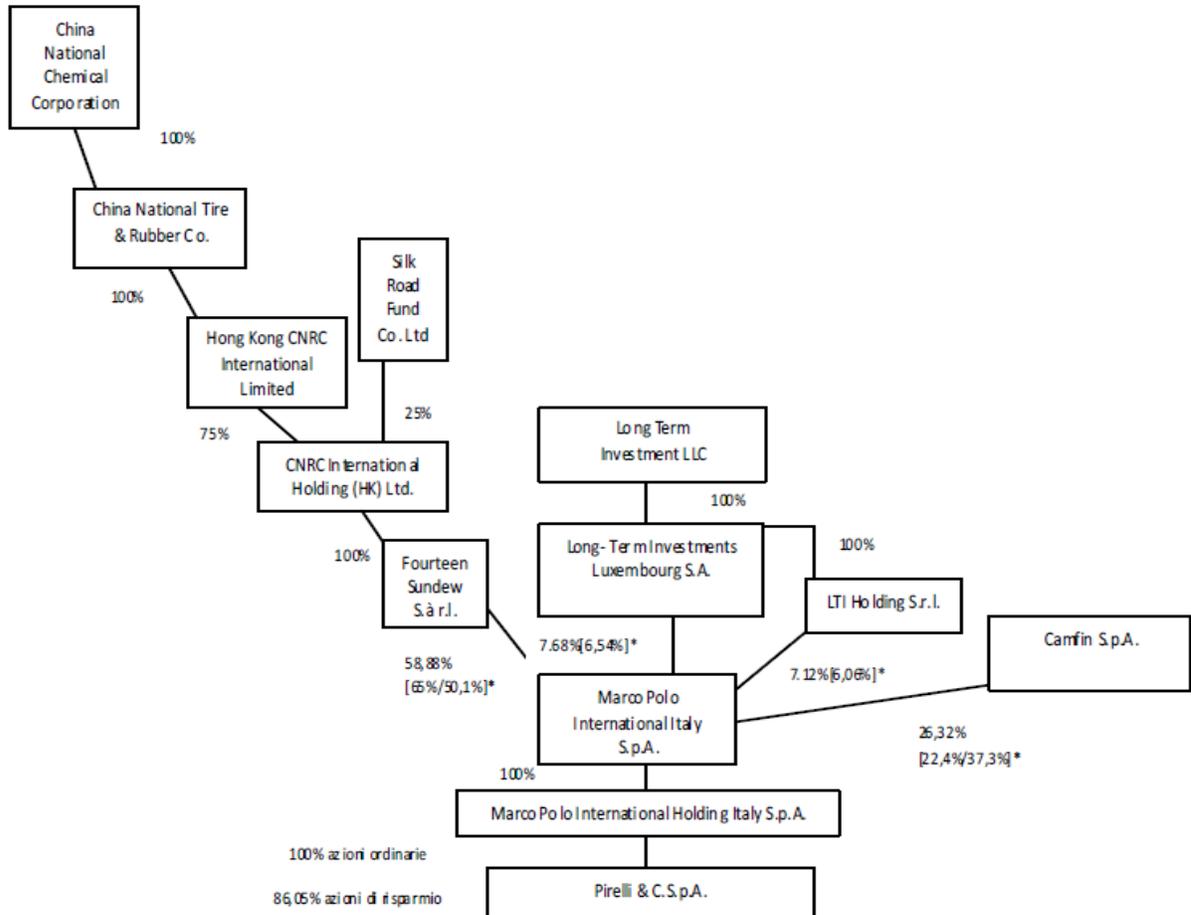


Figure 20. Piirelli after the fusion

Source::https://www.pirelli.com/mediaObject/corporate/documents/common/investors/agm/2016/common-feb/Piirelli_C_SpA-Assemblea_15-2-2016-Relazione_CdA_Fusione/original/Piirelli_C_SpA-Assemblea_15-2-2016-Relazione_CdA_Fusione.pdf

Central to the agreement was the continuity of the autonomy of Piirelli’s group present managerial structure; moreover Piirelli’s Headquarters and Intellectual property were kept in Milan.⁴⁵ The acquisition was considered as mutually beneficial since China could improve their automotive sector with the new acquired technology and knowhow and Piirelli at the same time could better contrast its main competitor, Michelin and Goodyear, in the Asia market.

⁴⁵ Camfin, *CHINA NATIONAL TIRE & RUBBER CO. (CNRC), A SUBSIDIARY OF CHINA NATIONAL CHEMICAL CORPORATION (CHEMCHINA), CAMFIN S.P.A. (CAMFIN) AND CAMFIN’S SHAREHOLDERS SIGNED A BINDING AGREEMENT FOR A LONG TERM INDUSTRIAL PARTNERSHIP WITH RESPECT TO PIRELLI & C. S.P.A. (PIRELLI)*, 2015, http://www.pirelli.com/mediaObject/corporate/documents/common/investors/opa/22-03-2015_Press_Release_CAMFIN_Signing_Sale_and_Purchase_and_Co-Investment_Agreement.pdf, Retrieved on 22-07-2017.

2.2. Pirelli and China latest news

TP Industrial Holding S.p.A is the company where Pirelli's industrial asset were merged. On March 2017, industrial and consumer were separated with the consequently assignment of all the assets owned by TP Industrial Holding S.p.A (previously owned by Pirelli & C. S.p.A.) to Marco Polo International Holding Italy S.p.A. Marco Polo International Holding Italy S.p.A., the vehicle through which the partnership between CNRC (at 65%), Camfin (at 22.4%) and Long-Term Investments Luxembourg (at 12.6%) was realized, controls 100% of Pirelli & C. S.p.A. and TP Industrial Holding S.p.A.⁴⁶ On April 2017 Pirelli industrial S.r.l. was renamed as Prometeon Tyre Group S.r.l. (PTG). This split was created for helping the different sectors to have a different growth with different and independent strategies.

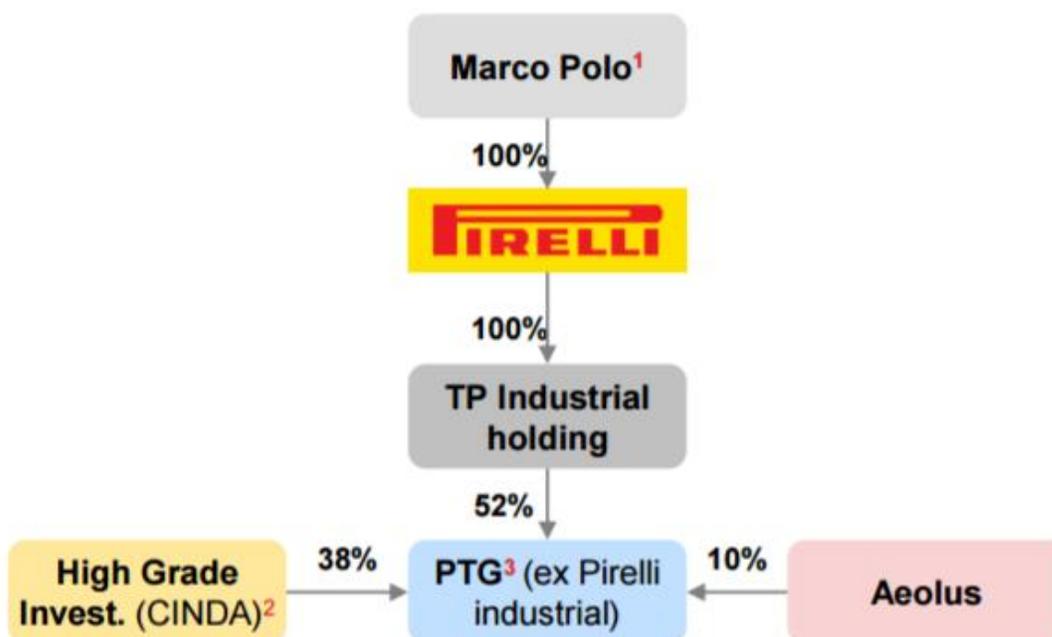


Figure 21. Pirelli consumer and industrial separation

Source: <http://www.european-rubber-journal.com/2017/04/04/pirelli-separates-industrial-unit-become-pure-consumer-tire-company/>

⁴⁶ Pirelli, *Interim Financial Report*, 2017, http://www.pirelli.com/mediaObject/corporate/documents/common/investors/cda/lq-2017/Interim_Financial_report_at_March_31-2017/original.pdf?_ga=2.198800431.1035406534.1498025492-412490114.1492498017, Retrieved on 22-07-2017.

3. Pirelli APAC strategy

Between 2013-2017, in the APAC region (especially China area), the strategy adopted by Pirelli can be summarized in the following points:

- **Positioning:** strategic positioning in OE through OE pull-through in replacement with a direct access to car PoSs and create a strong partnership with UE Premium Car companies.
- **Brand awareness:** raise the brand awareness in the APAC region especially in the Premium segment.
- **Distribution chain:** expand the POSs especially in China (in 2013 there were already 2,000 branded PoSs).
- **Market share:** reaching a double-digit market share in the Superpremium segment ($\geq 18\%$).
- **Product range:** create new product range specifically for the Asia Pacific SUV and Car market.
- Increasing the APAC region revenue, with region's revenues stand for 8% of the overall group revenues.⁴⁷

The main target and objective is capturing the premium and prestige segment growth in the APAC region in all the markets and channels with:

- Enhancing partnership with Prestige and Premium OEMs.
- Distribution network development: in 2017 PoSs reached 4,500 with all of this located in strategic areas.
- For top-end dealers, create dedicated services such as commercial development, training, PoS setup.⁴⁸

⁴⁷ Pirelli, *Strategia*, 2017, <https://corporate.pirelli.com/corporate/it-it/investitori/pirelli-at-glance/strategia-per-region/apac>, Retrieved on 28-06-2017.

⁴⁸ Ibidem.

4. Pirelli China products

Pirelli China mainly sells premium car tyres. Company's products are quite the same all around the world with exception for some tyres that can present a different pattern. The R&D department according to consumer requests and country's road conditions can slightly differentiate the pattern of some products. Pirelli China for example has some products like the summer tires Cinturato P6, Dragon sport and the winter tyres ice asimmetrico (car and SUV) that are uniquely designed for Chinese market and roads.

Company's tyres can be split in three main categories:

- Summer tyre
- Winter tyre
- All season

In the summer tyre section there are:

- **DRAGON SPORT** is a high-end and sportive tyre developed mainly for the Asia-Pacific region. This tyre will ensure dry and wet conditions handling performance and comfort.
- **CINTURATO P6** is characterized for its level of safety, comfort and fuel economy for medium, city compact cars.
- **P ZERO** is a milestone in the development of the Pirelli range. Its asymmetric tread pattern improves braking performance and enhances handling and control. The special "s-shaped" grooves in the tread area deliver lower cabin noise levels, enhancing driver comfort.⁴⁹
- **PZERO CORSA** is a tyre that brings the best of motorsport technology both on the road and on tracks.⁵⁰
- **PZERO (New)** is the unique Ultra High Performance product combining Pirelli's knowledge gained from competitive Motorsport with Pirelli's alliance with the top

⁴⁹ Pirelli, *Pzero*, 2017, <https://www.pirelli.com/tires/en-us/car-light-truck/find-your-tires/product-sheet/pzero>, Retrieved on 26-07-2017.

⁵⁰ Pirelli, *Pzero Corsa*, 2017, <https://www.pirelli.com/tires/en-us/car-light-truck/find-your-tires/product-sheet/p-zerocorsa>, Retrieved on 26-07-2017.

car manufacturers. New P ZERO has a range developed with the most prestigious OEMs that is able to meet any customization needs in terms of size, technology and seasonality.⁵¹

- **P ZERO CORSA SYSTEM** is the most sporting tyre in the road car range. Developed by Pirelli together with supercar manufacturers for both road and track use, on models directly derived from their motorsport counterparts.⁵²
- **P ZERO ROSSO** is the ideal choice for sports on vehicles with medium-high displacement.⁵³
- **P ZERO NERO** is the UHP tyre for consumers who want to fit Pirelli on their medium-large sedans and sporty cars.⁵⁴
- **Cinturato P7** is Pirelli's first green-performance tyre. It has been created to take full advantage of latest materials, structures and tread pattern design in order to guarantee savings, respect for the environment.⁵⁵
- **Cinturato P1** is also a Pirelli green-performance tyre.⁵⁶
- **SCORPION VERDE** is a tyre for SUVs and Crossovers.⁵⁷

All Season tyres:

- **SCORPION VERDE ALL SEASON** is a Pirelli's green-performance SUV and Crossover tyre.⁵⁸

⁵¹ Pirelli, *Pzero*, 2017, <https://www.pirelli.com/tires/en-us/car-light-truck/find-your-tires/product-sheet/p-zero>, Retrieved on 26-06-2017.

⁵² Pirelli, *Pzero Corsa System*, 2017, <https://www.pirelli.com/tires/en-us/car-light-truck/find-your-tires/product-sheet/pzero-corsa-system>, Retrieved on 26-07-2017.

⁵³ Pirelli, *Pzero Rosso*, 2017, <https://www.pirelli.com/tires/en-us/car-light-truck/find-your-tires/product-sheet/pzero-rosso>, Retrieved on 26-06-2017.

⁵⁴ Pirelli, *Pzero Nero*, 2017, <https://www.pirelli.com/tires/en-us/car-light-truck/find-your-tires/product-sheet/pzero-nero-gt>, Retrieved on 26-06-2017.

⁵⁵ Pirelli, *Cinturato P7*, 2017, <https://www.pirelli.com/tires/en-us/car-light-truck/find-your-tires/product-sheet/cinturato-p7>, Retrieved on 26-06-2017.

⁵⁶ Pirelli, *Cinturato P1*, 2017, https://www.pirelli.com/tyres/en-ww/car/find-your-tyres/products-sheet/cinturato_p1_verde, Retrieved on 26-06-2017.

⁵⁷ Pirelli, *Scorpion Verde*, 2017, <https://www.pirelli.com/tires/en-us/car-light-truck/find-your-tires/product-sheet/scorpion-verde>, Retrieved on 26-06-2017.

⁵⁸ Pirelli, *Scorpion Verde All Season*, 2017, <https://www.pirelli.com/tires/en-us/car-light-truck/find-your-tires/product-sheet/scorpion-verde-all-season>, Retrieved on 26-06-2017.

- **SCORPION ATR** is a versatile and safe tyre with excellent traction and resistance to wear. It features a tread with a specific self-cleaning pattern. It facilitates the most demanding off-road driving and resists the hardest shocks on uneven surfaces.⁵⁹
- **SCORPION ZERO** has an attractive tread pattern, high level of grip and steering response. These characteristics make it an ideal tyre for drivers seeking high and sporty performance on road and safe driving in off road conditions.⁶⁰

Winter tyre:

- **ICE ASIMMETRICO** (Car) is characterized for the good traction and maximum stability and control on the ice. Ideal for city and travel usage.⁶¹
- **ICE ASIMMETRICO** (SUV) is characterized for good traction and maximum stability and control on the ice. Ideal for city and travel usage.⁶²
- **WINTER SOTTOZERO 3** is the winter tyre dedicated to high-end premium vehicles. It has been designed taking into account the evolution of the modern vehicles, in order to achieve maximum safety, control and performance in all winter weather conditions.⁶³
- **WINTER SOTTOZERO SERIE 2** is the ideal choice for sports cars and top-end vehicles, balancing performance, safety and respect for the environment. Characterized by a record number of homologations, this product is the choice of premium car manufactures.⁶⁴
- **SCORPION WINTER** has been designed to fit modern CUVs and SUVs, with a special focus on the high-end segment and provides an important contribution to the

⁵⁹ Pirelli, *Scorpion Atr*, 2017, <https://www.pirelli.com/tyres/en-ww/car/find-your-tyres/products-sheet/scorpion-atr>, Retrieved on 26-06-2017.

⁶⁰ Pirelli, *ScorpionZero*, 2017, <https://www.pirelli.com/tyres/en-gb/car/find-your-tyres/products-sheet/scorpion-zero-asimmetrico>, Retrieved on 26-06-2017.

⁶¹ Pirelli, *Ice Asimmetrico*, 2017, <http://www.pirelli.cn/tyres/zh-cn/car/find-your-tyres/product-sheet/ice-asimmetrico-car#/overview>, Retrieved on 26-06-2017.

⁶² Pirelli, *Ice Asimmetrico*, 2017, <http://www.pirelli.cn/tyres/zh-cn/car/find-your-tyres/product-sheet/ice-asimmetrico#/overview>, Retrieved on 26-06-2017

⁶³ Pirelli, *Winter Sottozero 3*, 2016, <https://www.pirelli.com/tyres/en-ww/car/find-your-tyres/products-sheet/winter-sottozero3>, Retrieved on 26-06-2016.

⁶⁴ Pirelli, *Winter Sottozero serie 2*, 2017, <https://www.pirelli.com/tyres/en-ww/car/find-your-tyres/products-sheet/winter-sottozero-serie2>, Retrieved on 26-06-2017.

drivers' safety as it guarantees maximum stability and control in snow, wet and dry conditions.⁶⁵

- **SCORPION ICE&SNOW** stands out for the excellent handling and supreme driving comfort it provides. When driven on road it ensures excellent grip and low noise levels at low temperatures, even though water or on snow.⁶⁶

5. Product positioning in the Chinese market

According to China weather conditions, the main market consists of summer and all season tyres. While the winter tyres represent only a small percentage in the overall sales since the target is only the north-east part of China where there is snowy and cold weather.

For the abovementioned reasons, I will mainly analyze the market positioning only of the Summer and All Season tyres.

⁶⁵ Pirelli, *Scorpion Winter*, 2017, <https://www.pirelli.com/tyres/en-ww/car/find-your-tyres/products-sheet/scorpion-winter>, Retrieved on 26-06-2017.

⁶⁶ Pirelli, *Scorpion Ice&Snow*, 2017, <https://www.pirelli.com/tyres/en-ww/car/find-your-tyres/products-sheet/scorpion-icesnow>, Retrieved on 26-06-2017.

	Compact Car 	Middle size Car 	High range Car 	Sport high range Car 	Pick-up 4X4 	Cross country Car 	Cross country luxury Car 
Sport	P ZERO ROSSO P ZERO P ZERO (NEW)	P ZERO ROSSO P ZERO P ZERO (NEW)	P ZERO ROSSO P ZERO P ZERO (NEW)	P ZERO CORSA SYSTEM P ZERO CORSA (NEW)		P ZERO ROSSO P ZERO	P ZERO ROSSO P ZERO
Touring	CINTURATO P1	CINTURATO P7 PIRELLI DRAGON SPORT CINTURATO P1 CINTURATO P6	CINTURATO P7 PIRELLI DRAGON SPORT			SCORPION VERDE ALL SEASON SCORPION ZERO SCORPION VERDE	SCORPIO N VERDE ALL SEASON SCORPION ZERO SCORPION VERDE
City	CINTURATO P1	CINTURATO P1 CINTURATO P6			SCORPION ATR	SCORPION VERDE ALL SEASON SCORPION ZERO SCORPION VERDE SCORPION ATR	SCORPION VERDE ALL SEASON SCORPION ZERO SCORPION VERDE
All Terrain					SCORPION ATR	SCORPION ATR	

Figure 22. Pirelli product positioning in China

6. Pirelli distribution channels

In China, Pirelli produces and imports tires. Tires are imported by airplane, train and ship. As for the tires produced in China, there are two factories in Jiaozuo and Yangzhou. After the production, the tires will be stocked in two warehouses close to the factories. Then they will sell to D1. Pirelli logistic stops here; it does not reach directly the consumers that will only deal the D2 that is the retailer. According to the sales forecast the factories will produce and import tires. For the imported tires there is a forecast of three months, for the tires produced in China, there is a forecast of one month and fifteen days.

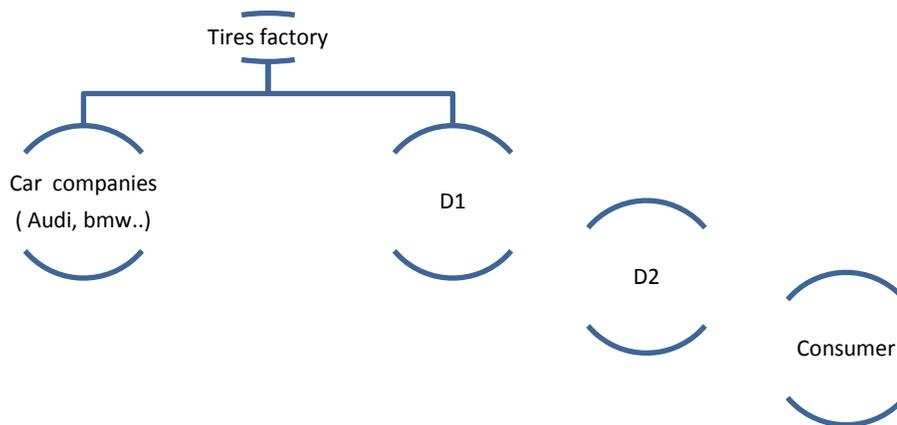


Figure 23. Pirelli distribution process

7. Pirelli and E-commerce: Tmall flagship store

On May 19th 2016, Pirelli opened its first flagship store on Tmall. Since e-commerce in China has a leading role, the opening of this store is conceived as an unavoidable step forward in Pirelli's China Strategy. Pirelli's Tmall flagship store is a good window not only to create sales but also to spread the company's brand culture. Gaining the attention of all the online users, it would increase its brand awareness and value boosting at the same time its sales. On Tmall flagship store consumers can have a look of the products and their price. If they do not want to buy the products online they can go directly to Pirelli's China 3000 bricks and mortar shops.

7.1. Pirelli Tmall 4Ps

I will analyze Pirelli's Tmall flagship store using the 4Ps analysis.

7.1.1. Product

The products sold on Tmall are only a small part of the abovementioned catalogue of products. Moreover, on the Tmall flagship store, are only available the summer and all seasons (AS) tires. The choice of products follows the trend of the company in the APAC area. The priority is given to the premium segment. Consequently the only tread pattern available is the premium one:

- SCORPION ZERO,
- SCORPION VERDE ALL SEASON
- SCORPION VERDE,
- PZERO,
- New PZERO.

The only available products size is that of 18", 19", 20" and 21".

There is another way to find tires on the Tmall flagship store; users can write the model of their car and the platform will provide the consumers with the tires created specifically for their car's model. On the Tmall platform you can choose tires for these premium vehicles:

- Mercedes Benz *benchi* 奔驰 (MO)
- Porsche *baoshijie* 保时捷 (NO,N1)
- Audi *aodi* 奥迪 (AO)
- BMW *baoma* 宝马 (*)
- FORD *fute* 福特
- LAMBORGHINI *lanbojini* 兰博基尼 (L)
- LANDLOVER *luhu* 路虎
- INFINITI *yinfeinidi* 因菲尼迪

In addition, on the Tmall platform, Pirelli sells four types of motorbike tires:

- S ZERO
- Angel ST
- MT60RS

- Scorpion

In total the number of products available on the platform is 30.

7.1.2. Price

The price range for the tyres is from 1,440 RMB to 4,050 RMB. With the great majority of products in the premium segment of more than 2,180 RMB.

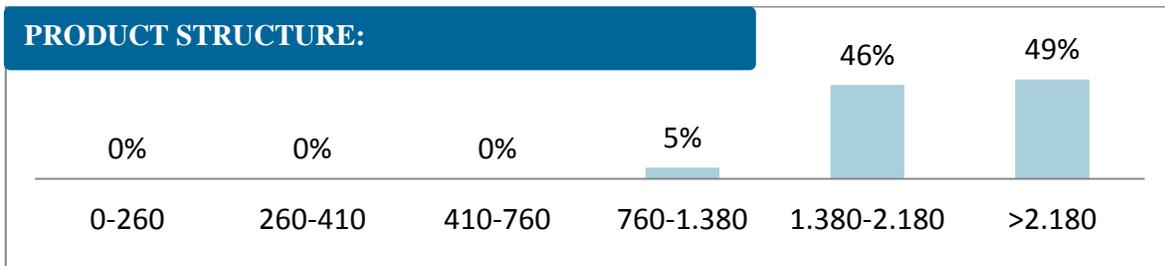


Figure 24. Tmall price range products on Tmall

7.1.3. Place

Pirelli, on Tmall, does not sell directly to its consumers. Pirelli will firstly sell its product to TP. After receiving the products TP will pay Pirelli and will send the tires to the consumers that placed the order on Tmall. After receiving the tires consumers have to find a shop that will install the tires. Pirelli does not provide installation service, that means that consumers have to pay for this service and have to find by themselves a shop that can install the tyres.

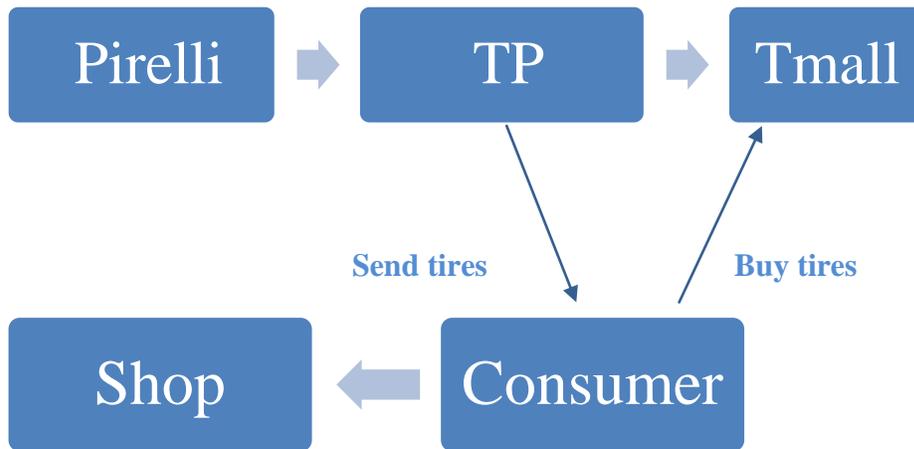


Figure 25. Pirelli distribution process

7.1.4. Promotion

Since Pirelli, on Tmall, is targeting only the premium and super-premium sector, it does not provide promotions as can be seen in Box 1.

Box1: Pirelli Tmall flagship store main page

The first part is dedicated to Pzero tyre advertisement (Pzero soft, Pzero MO, Pzero MC):

A. *Zhixu yi ge xuanze, quanju jinzai zhangkong*

只需一个选择, 全局尽在掌控

The overall is under control, you only need to choose

Haohua chexingde mingzhi zhi xuan

豪华车型的明智之选

The wise choice for luxury car models

B. *Xinkuan jialin, nin de ai che zhunbei hao le me*

新款驾临, 您的爱车准备好了么

The arrival of a new model, are you ready for this?

C. Zhixu yi ge xuanze,quanju jinzai zhangkong

只需一个选择, 全局尽在掌控

The overall is under control, you only need to choose.

Beinaili de fengfu de luntai chanpin,bingcheng yiguan de jianduan jishu

倍耐力的丰富的轮胎产品, 秉承一贯的尖端技术

Pirelli with its wide range of tyres products, uphold the cutting-edge technology

In the second part there is still a Pzero advertisement with a broadcast about Pzero:

A. Xinkuan Pzero jialin, nin de ai che zhunbei hao le me

新款 p zero 驾临, 您的爱车准备好了么

The arrival of a new model, are you ready for this?

In the third part consumers can find tyres according to the size of the tyre or according to the car model:

A. An chicun chazhao, an chexing chazhao

按尺寸查找, 按车型查找

The fourth part is divided between car tyres and motorbike tyres:

A. Chengyonghe luntai, motuoche luntai

乘用车轮胎, 摩托车轮胎

In the fifth part are showed the tyres recommended by Pirelli (it is visible only the picture of the product but not the price. It says only buy it now and only if you click can now the price):

A. Beinaili tuijian

倍耐力推荐

Some information about the company such as workers and countries are showed in the sixth section:

A. Beinaili lishishi

倍耐力历史

In the last part there are the memorabilia, history and culture of the company:⁶⁷

A. *Beiniali dashiji*

倍耐力大事记

From this analysis, it is evident that the focus of the main page is not attracting consumers with promotions and discounts but is on the high technology of the products, the history behind the products, the brand culture. This is a strategy to add value to the products, that are not only tyres, but they are tyres with a history, a culture and high technology. This adding-value strategy makes consumers willing to pay more for high-quality products.

The same trend is visible also during promotional days such as single's day and 618 that are the shopping festivals of Tmall and Jingdong platforms. The flagship store does not provide any kind of coupon, lucky draw, discount or gifts.

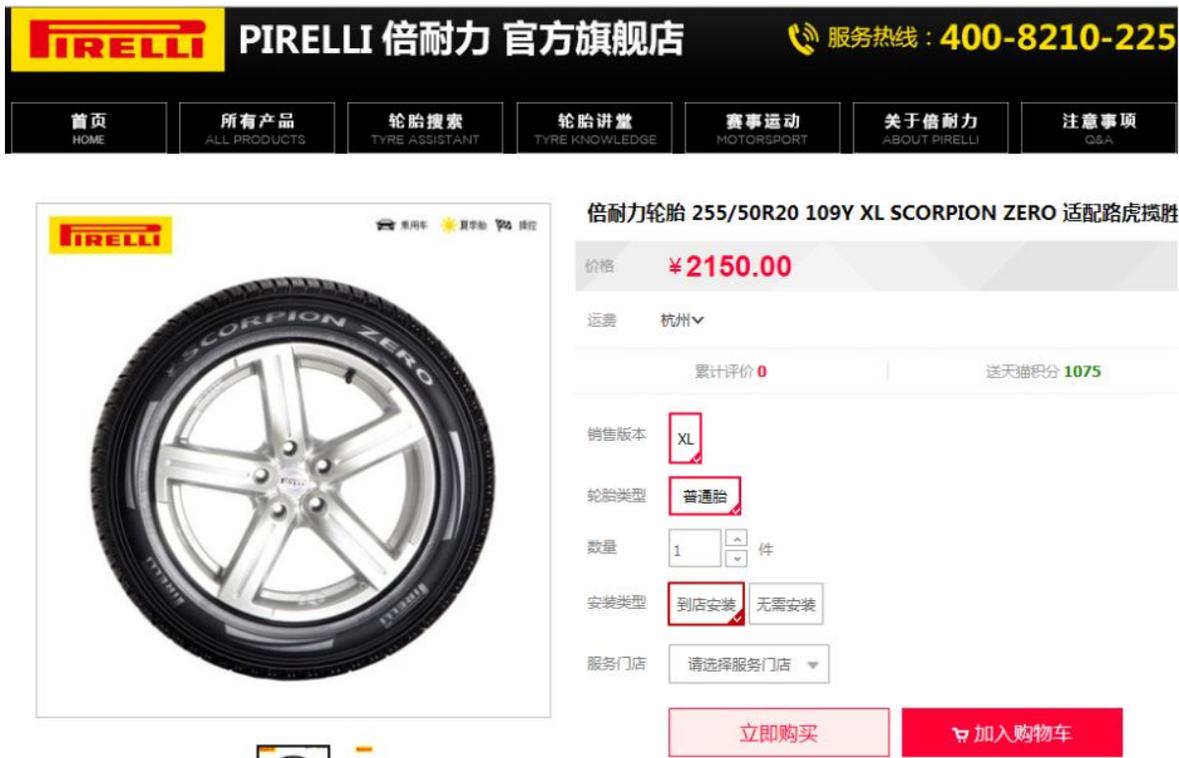


Figure 26. How a product is presented on Pirelli online store during the 618 shopping festival

⁶⁷ Box1: Analysis and Translation from Chinese to English made by me on 01-05-2017.

From the image it visible that no promotion for the product or discount is provided on 618.

7.2. Pirelli Tmall consumers

Pirelli targeting consumers are young people. On October 2016, only after three months from the opening of the store, the number of male consumers were 81,47% compared to its counterpart of female that were only 17,76%. While 26-30 years old consumers was the segment with the highest percentage. The number of total fans of Pirelli Tmall shop page was 3,916.

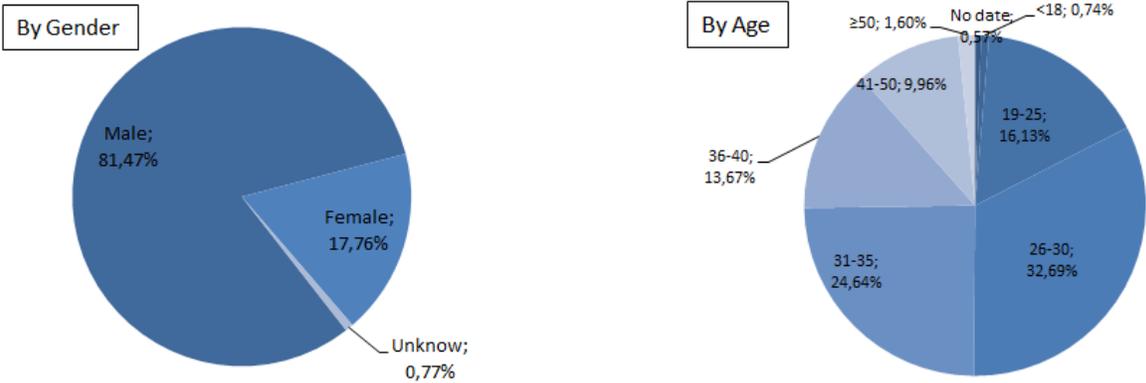


Figure 27. Percentage of visitors by age and gender of Pirelli Tmall flagship store

As for April 2017, the percentage of male visitors is still the highest (88%) and the visitor age is still 26 – 35. The number of fans increased of 5543, reaching 8160 fans on July 2017.

8. A comparative case: Michelin

Michelin was founded in France on May 22th 1889 by André and Édouard Michelin of Italian origins. The brand firstly produced bicycle tires and only later started producing car

tires. As for today, the French brand is one of the most prominent in the tyres sector. It also owns other brands such as: Tigar, BFGoodrich, Kormoran, Uniroyal, Riken, Kleber.

Although its headquarters is in Clermont-Ferrand, Michelin is not only confined in France, it has 68 production facilities in over 17 countries where produces more than 187 million tires and contributes to economic and social activities in over 170 countries.

8.1. Michelin in China

In 1988 Michelin set up its first office in Hong Kong and in 2003 it drove into the Chinese mainland market.⁶⁸

Michelin in China owns two production facilities one in Shenyang where it produces tires for truck and cars, utility vehicles, SUVs and 4x4.

The other production facility is located in Shanghai where it produces tires for cars, 4x4, utility vehicles and metal cables.

8.2. Michelin and E-commerce: Tmall flagship store

Michelin Tyreplus Tmall flagship store was created in 2015, following the opening of the online Tyreplus retail website on December 2014. With this new formula Michelin sought for a new beginning providing a new kind of service, Online to Offline (O2O) solutions for cars aftersales market. The Tmall website draws support from the online Tyreplus retail website which provides a lot of parameters for the choice of the tires, very convenient payment methods and provides consumers with a very quick and convenient pick out and buy service. On the retail platform, online consumers can choose tires according the size and tread pattern, after the choice of the products the consumers can choose the closest shop for a free installation. The online platform supports both mobile and computer versions and the consumer can pay with Alipay and Online banking. After the opening of the Michelin Tyreplus Tmall flagship store, retailers can also utilize Tyre plus order management APP to deeply understand and accept orders from Michelin Tyre plus flagship store for optimize the efficiency of the entire body. In future Michelin planned to use the

⁶⁸ Xiao Cai, "Car maintenance became big business in China", *China Daily*, 2017, <https://www.prsreader.com/china/china-daily/20120725/282037619288868>, Retrieved on 1-07- 2017.

ecommerce platforms with its promotional events to boost sales and spread the Tyre plus service to all the Chinese online consumers.⁶⁹

8.3. Michelin Tmall 4Ps

8.3.1. Product

Michelin Tmall Flagship store has a total of 81 pieces. The available tires are the summer, all seasons (AS) and winter ones. With 14 different tread patterns:

- PRIMACY 3 ST *haoyue* 浩悦
- ENERGY XM2 *renyue* 韧悦
- LATITUDE TOUR HP
- PILOT SPORT 3 ST
- LATITUDE TOUR
- ENERGY XM 1
- Primacy SUV *luyue* 旅悦
- PILOT PRECEDA PP2
- Crossclimate *kuayue* 跨悦
- LATITUDE SPORT 3 *lantu* 揽途
- X ICE X13
- PILOT SPORT 4
- PRIMACY LC
- ENERGY MXV 8

Compared to Pirelli, Michelin products size goes from 14'' to 22''. The flagship store offer also car oil but not motorbikes' tires.

8.3.2. Price

Michelin tires price is around 364-2.045 RMB. With the great majority of tires in the middle segment.

⁶⁹ Xiang Ji, *Michelin launches O2O services in China*, 2015, <http://www.shanghaidaily.com/business/it/Michelin-launches-O2O-services-in-China/shdaily.shtml>, Retrieved on 26-07-2017.

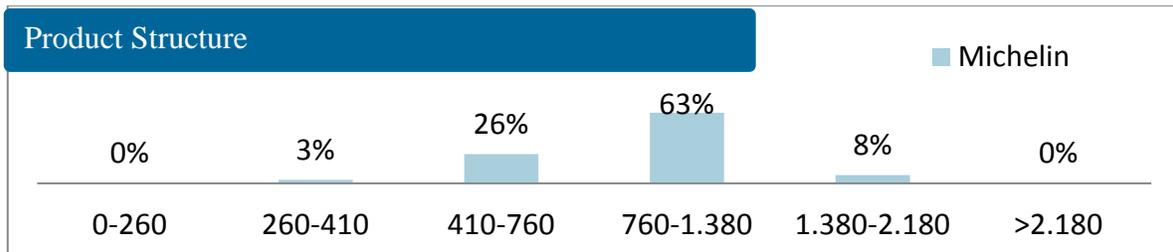


Figure 28. Michelin Tyres price range on Tmall

8.3.3. Place

Michelin distribution process is completely different from Pirelli's one. Michelin has a huge network of shops. The first step is to store the tires in the shops' warehouses. TP will help Michelin in opening its flagship store on Tmall. TP are in charge of organizing on-line promotion events, reply consumer's questions and comments etc. Consumers can buy the tyres online and then directly go to the nearest Michelin shop where they will have the tyres installed for free.

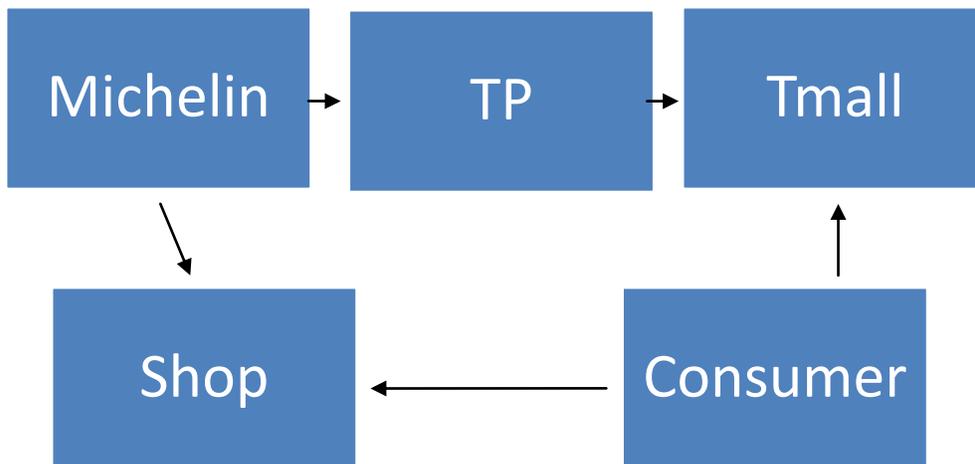


Figure 29. Michelin distribution process

The O2O strategy

Tyreplus is a wholly owned subsidiary of Michelin China. At the end of 2015, Tyreplus service car website reached more than 1300 members; these members are from all parts of China and are still increasing in number. The property rights of the products sold on Michelin Tmall flagship store belong to the members of the Tyres Plus alliance. The members of the alliance voluntary entrust Tmall flagship store in the sales but payment, replacement and installation services are provided by the members who will also provide consumers with the receipts.

8.3.4. Promotion

Michelin is winning Chinese consumers attention thanks to its promotion strategies. These include discounts, gifts and coupons. From this perspective it really differentiate itself from Pirelli, which is more interested in branding and conveys the brand culture to its consumers rather than propose any kind of coupon or discount to attract consumers.

The following Box2 presents the analysis of Michelin Tmall shop main page:

Box2: Michelin Tmall flagship store main page

The first part is dedicated to Michelin products advertisement:

A. Ad for all-season tires:

Pei ni yiqi kuayue chunxiaqiudong

陪你一起跨越春夏秋冬

Accompany you to step across seasons

B. International Labour Day discount event:

Man 499 jian 50 ying wuyi pei nin de anquan chuxing

满 499 减 50 迎五一陪您安全出行

Reach 499 RMB, subtract 50 RMB. On the International Labour Day we will accompany you to have a safe trip

Wuyi guojilaodongjie huodong shijian

(五一国际劳动节) 活动时间: 27.04/5.05

International Labour Day, event time: 27.04/5.05

C. Tires and food combined event:

Cong meijing dao meishi, xiangshou mei ge lucheng

从美景到美食, 享受每个旅程

From beautiful scenery to good food, enjoy every trip

Goumai miqilin gaoxingneng luntai, yingqu quanqiu meishi tiyan

购买米其林高性能轮胎, 赢取全球美食体验

Buy Michelin high resistance tires and you will win a food experience all around the world.

D. Ad. for oil:

Jiadeshi

加德士

Caltex Oil brand name

Xilie zhuanchang

系列专场

Special series

E. Ad. for tire with discount price:

Guanfang qijiandian, zhi shou zhengpin: primacy 3ST cuxiaoja: 499 ¥

官方旗舰店, 只售正品: primacy 3ST 促销价: 499 ¥

Official flagship store, it sells only certified products: primacy 3ST, promotional price: 488 RMB

In the second part there are advertisements of tyreplus shops *chijia* 驰加 that is the

authorized dealer of Michelin. It offers a lot of services and products.

In the third parts there is the ad. of primacy and energy tyres with a promotional price:

A. *Liang kuan huawen xianyi shengji*

两款花纹现已升级

Two different patterns are upgrading

In the fourth part we still see a tyre advertisement:

A. *Jingxuan haohuo gengduo de xuanze*

精选好货 更多的选择

Good products carefully chosen, a lot of choices

This section includes the star products *mingxinchanpin* 明星产品 with no promotional price and divided between:

Tyres characteristic	<i>Zhuadili</i> 抓地力 Traction	<i>Jingyin</i> 静音 Silent	<i>Naimo</i> 耐磨 Wear-proof	<i>Changlicheng</i> 长里程 Long mileage
Advertisement	<i>Xueyu tian geng tiehe lumian</i> 雪雨天更贴合路面 It can fit the road in rainy and snowy days	<i>Zhi shuyu ni de jingyin kongjian</i> 只属于你的静音空间 Only part of your silent space	<i>Buju tiaozhan fuza lukuang</i> 不惧挑战复杂路况 Fearlessness challenge complicated road conditions	<i>Wei nin jiangdi baotai fengxian</i> 为您降低爆胎风险 For you it is reduced the risk of puncture

The fifth section comprises the maintenance of service package *baoyang taocan* 保养套餐 (car oil products):

Jiadeshi xilie 加德士系列

<i>Han gongshi fei</i> 含工时费
<i>Chanpin de tupian</i> 产品的图片
<i>Jiadeshi quanhecheng jiyou</i> 加德士全合成机油
<i>Xinghao</i> 型号, <i>Rongliang</i> 容量
<i>Jiage</i> 价格 (without discount)



Caltex series

Contain man-hours fees
Photo of the product
Completely composed of engine oil
Type Capacity
Price

In the last part consumers can choose the tyres according to the size 14'' and 18''. All these products have a promotional price.⁷⁰

As evident from Box2 Michelin Tmall main page differs completely from Pirelli Tmall main page. Michelin is not providing information about technology and brand culture as Pirelli. Michelin first attention is on discount and advertisement.

Michelin Tmall flagship store on single's day 2016

On 11 November 2016 Michelin sold more than 14.600 tyres, earning 11.3 Million RMB. Although the majority of products were in the range of 760-1380 RMB, Michelin on 11.11 sold more in the 410-760 RMB range with sales QTY (quantity of sales) of 43%.

⁷⁰ Box2: Analysis and Translation from Chinese to English made by me on 01-05-2017.

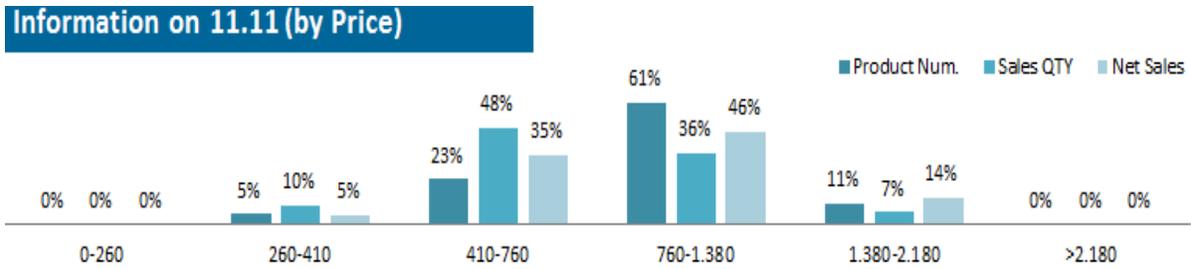


Figure 30. Michelin products' sold on 11.11

Michelin main advertisement consisted of promotion gifts and coupons. As for promotion gift each hour 10 promotion gifts were provided after buying four tires.

The second promotion gift was one car wax after buying two tires.

The company also provided coupons such as each ID can get 2 pieces 5 RMB coupons.

Other promotions are the following:

1. 00:00 – 00:59 Buy 195/65R15 91V PRIMACY 3 ST, each tyre can get 50 RMB subsidies. With this promotion Michelin sold 2.222 pieces.
2. 18:00 – 20:00 Buy 195/65R15 91V ENERGY XM2, each tyre can get 30 RMB subsidies. With this promotion Michelin sold 475 pieces.
3. Presell of 10 products before 11.11. Michelin sold 3.794 pieces.

Michelin Tmall flagship store on 618

On 618 Michelin mainly organized four promotional events called *si zhongli* 4重礼.



Figure 31. Michelin main page during 618 shopping festival

The first one consists of coupons. If consumer buys products for 300 RMB, he will have a discount of 60 RMB. If consumer buys products for 600 RMB, he will have a discount of 120 RMB.

The second promotion consists of giving a gift. Michelin fixed different times 0:00, 11:00, 15:00, 16:00, 20:00 and decided that twenty minutes before the fixed times, if the consumer buys two tires he will get 50 RMB to recharge his phone on Taobao. If he buys four tires he will get 100 RMB to be used to recharge the phone on Taobao.

The third promotion is still a gift. If the consumer buys an even number of tires in the same order and not separately, with two tires he will get one bottle of car oil, with four tires he will get two bottle of car oil.

The fourth promotion consists of a coupon of 5 RMB that the consumer can use for every purchase; he does not have to reach a price to get a discount.



Figure 32. Michelin main page during 618 shopping festival

On 618, the great majority of its products have a promotional price and also different events.

618 理想生活狂欢节 **聚划算**
理想生活狂欢节 聚划算

Primacy 3 ST 浩悦®
规格:205/55R16
载重指数: 91 速度级别: W
促销价: **675**
18.18.6.201

立即购买 >

618 理想生活狂欢节 **聚划算**
理想生活狂欢节 聚划算

Primacy 3 ST 浩悦®
规格:195/65R15
载重指数: 91 速度级别: V
促销价: **508**
18.18.6.201

立即购买 >

618 理想生活狂欢节 **聚划算**
理想生活狂欢节 聚划算

ENERGY XM2 韧悦®
规格:205/55R16
载重指数: 91 速度级别: V
促销价: **645**
18.18.6.201

立即购买 >

Figure 33. Michelin main page during 618 shopping festival

As we can see from the picture, the Primacy 3 ST presents a promotional price and promotional event: buy two tyres and you will get 50 RMB to charge your phone on Taobao. If you buy four tires you will get 100 RMB that you can use to recharge your phone on Taobao.⁷¹

⁷¹ Analysis and Translation from Chinese to English done by me on 01-05-2017.



米其林正品汽车轮胎 215/60R16 99V PRIMACY 3 ST 浩悦 包安装
官方正品 免费约安装

理想生活狂欢节 此商品热卖至6月20日，请尽快购买！ **聚**

618购物券 每300减60,可跨店凑单 去抢券 >

专柜价 **¥929.00**

618狂欢价 ¥728.00

活动一	满2件,送50元淘话费; 满4件,送100元淘话费	更多优惠 v
活动二	满2件,送50元淘话费; 满4件,送100元淘话费	更多优惠 v
活动三	满2件,送50元淘话费; 满4件,送100元淘话费	更多优惠 v
活动四	满2件,送50元淘话费; 满4件,送100元淘话费	更多优惠 v
活动五	满2件,送50元淘话费; 满4件,送100元淘话费	更多优惠 v
活动六	满2件,送50元淘话费; 满4件,送100元淘话费	更多优惠 v
活动七	满2件,送50元淘话费; 满4件,送100元淘话费	更多优惠 v

Figure 34. Michelin product page during 618 shopping festival

Conclusion

E-commerce has a leading role in nowadays Chinese economy. Everyday new kind of platforms are created for every kind of necessity and for selling every kind of products. It can be considered as a new tendency of the market. Alibaba is also following the new tendencies setting up before its C2C platform Taobao and later developing other businesses for new services and products.

From a C2C platform maker, Alibaba is now a platforms universe maker. From Taobao to Tmall, from Alipay for payment to Alimama for marketing, Alibaba built an universe for all different needs and tastes.

Alibaba is also making continuously research on the market that explains why it is very up to date. With the set up of Tmall Global, it proved to all the world that it is really making researches and paying attention to consumer's need. Tmall Global for example is a winning reaction to the online consumer's behavior. Chinese consumer are getting sophisticated and are craving for imported and international products.

Foreign companies operating in China should not neglect this new market tendency and should understand the importance of setting up an e-commerce strategy. This strategy does not only involve the registration of the company on the new online platforms, but it involves all aspects of business with major attention to the digital marketing dimension. In order to be successful on e-commerce, making market researches is the best way to start; understand what consumers need and want, what are the strategies used by domestic companies to be successful and start a digital-marketing strategy.

Michelin is very successful in this regard. Even if Michelin opened its Tmall flagship store only in 2015, it is boosting its sales and is creating brand awareness. It completely understands Chinese online consumer needs and behaviors. For example its digital strategy is based on providing promotions and discounts. This strategy is the most used strategy in China, where consumers are attracted by every kind of discount and coupons and where domestic companies are always offering this kind of strategies. Michelin is also creating brand awareness sponsoring restaurants. Moreover it realized the Online to Offline thanks

to Tyreplus Alliance. It means that Tmall flagship store is like a window for Michelin to advertise and sell more products but everything, from marketing to aftersales service, is managed by Tyreplus members. Tyreplus members provide also installation service for free and this service is very convenient for a Tmall shoppers who, after buying tyres online, can easily go to the closer Tyreplus physical shop for the installation.

Pirelli Tmall flagship store is not as successful as Michelin one. On its Tmall online shop, Pirelli is targeting mainly the premium and super-premium sector, that means that its strategy have to be different from Michelin's one. In order to increase the flow of users on his online shop it should however focus more on event organization promoted on its Tmall store and link its Tmall flagship store with Weibo and other Chinese social media. Since the product sold on its online shop are expensive, the company should improve the aftersales servic such installation of the tyres after the purchase and PoS esperience. The comapny does not need to provide coupons and discount since it is in the premium sector; but Pirelli do need to use Tmall page as a window to rise its brand awareness and making Chinese consumers willing to pay more for a product that has an history.

To sum up, e-commerce has a lot of potential for companies. Although it is a promising sector, without a right strategy and resources, it is impossible to enjoy its benefits.

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