



Università  
Ca'Foscari  
Venezia

**Master's Degree in**  
Languages, Economics and Institutions  
of Asia and North Africa

Final Thesis

**West and East:  
when Internet breaks down  
geographical barriers but  
not cultural ones**

**Supervisor**

Professor Daniela Rossi

**Assistant supervisor**

Professor Franco Gatti

**Graduand**

Rossana Pirrone

Matriculation number

871776

**Academic Year**

2018 / 2019

# INDEX

引言.....	1
<b>Chapter I: East and West: two different e-commerce models.....</b>	<b>6</b>
1.1 What is important to know about e-commerce in China.....	7
1.2 Factors that have played a significant role in the rapid spread of e-commerce .....	13
1.3 Peculiarities of Chinese consumers.....	15
1.4 The influence of the Italian lifestyle .....	18
<b>Chapter II: Why is important to understand the culture of a specific country .....</b>	<b>20</b>
2.1 Hofstede’s cultural dimensions .....	21
2.2 Case studies about cultural distance in China .....	27
<b>Chapter III: How cultural differences influence marketing in China .....</b>	<b>34</b>
3.1 Marketing campaigns in China .....	36
3.2 How to reach Chinese Consumers .....	49
3.3 How culture influences consumers .....	51
3.3.1 <i>The importance of colors in China.....</i>	51
3.3.2 <i>The importance of numbers in China.....</i>	53
3.3.3 <i>Branding name in China .....</i>	56
3.4 Marketing campaigns on WeChat .....	59
<b>Chapter IV: Two different cultures, two different platforms: Alibaba vs Amazon.....</b>	<b>63</b>
4.1 Alibaba and its competitors .....	64
4.2 Analysis of this two platforms.....	67
4.2.1 <i>Turnover and customers in 2016.....</i>	67
4.2.2 <i>Distributor versus marketplace.....</i>	68
4.2.3 <i>Two remuneration models .....</i>	70
4.2.4 <i>Two business models .....</i>	71
4.3 Influences: 11.11 and Black Friday.....	74

4.4 Amazon withdraws from China.....	76
<b>Chapter V: Uber vs Didi.....</b>	<b>77</b>
5.1 Compared strategies .....	79
5.2 Uber’s failure in China .....	81
5.3 The monopoly of Didi .....	84
<b>Chapter VI: Examples of companies that tried to penetrate the Chinese market with a local partner .....</b>	<b>88</b>
6.1 Groupon.....	91
6.2 Richemont .....	93
6.3 Some Italian companies on Alibaba .....	94
Conclusion.....	98
Bibliography.....	101



# 引言

目前，互联网成为了全世界的重要发展趋势，发达国家应该掌握互联网技术和设备，而且要深刻地了解互联网对社会交流有什么影响。

互联网的发展和传播不仅引发了一场真正的技术革命，而且引发了一场重要的文化革命，这使得来自世界各地的用户能够快速地进行信息交流。

互联网的不断发展导致了电子商务的诞生，导致了通过互联网进行商品和服务的贸易。但是，即使互联网可以缩小两国之间的地理距离，因为它让用户更方便地进行信息交流，无论你在哪儿，你都可以给家人打电话或视频通话，它还使得用户更方便地进行海外购物，但它仍然无法缩短两国之间的文化距离。

这就是为什么我们经常谈论跨文化电子商务的原因。这个概念表明，当一家公司决定开展国际贸易时，它不仅必须将网站翻译成另一种语言，还必须明白来自不同文化背景的客户对它的营销传播有何不同的反应。

因此，用跨文化的方法很重要，因为这个方法让一家公司了解一个国家的所有方面和它的不同的文化，从名称的翻译，这在另一种语言中可能具有不同的含义到一个国家的传统，从迷信到禁忌，为满足当地人的需求和期望。

以下论文将向我们展示理解两国之间文化距离的重要性，一家外国公司想要取得成功将面临的困难，如果它无法适应当地习俗和传统。论文分为六章。

在第一章中，我们分析了西方和东方电子商务模式之间的差异，重点是中国。实际上，我们试图了解电子商务在中国的运作方式，分析哪些因素促成了它的快速发展，我们同时关注中国消费者及其与西方消费者的区别。因为许多意大利公司都认为中国市场是扩大国界的机会所以他们开始在这个市场上销售产品。

这样，他们影响了越来越被西方商品所吸引的当地消费者，因为中国人认为西方商品的质量更好。

在第二章中，重点是一个国家的文化。

实际上，一个人的文化背景是影响消费者兴趣和品味的主要因素之一，因此，为了明白不同文化背景的用户如何理解网站的每个方面，不仅要翻译产品的说明书，而且分析目的地国的文化也很重要。

因此，文化是一个基本要素，因为它影响消费者的行为，在不同国家之间创造不同的特色。

事实上，如果某事件在一个国家是正常的，在别的国家可能不是这样的。发生这种情况是因为个人的习惯，传统和信仰源自他们生长的社会和文化环境不同。

如果一家公司想要成功进入文化遥远的市场，则必须注意这些特殊性，这是因为来自不同国家的人们有不同的理解现实的方式。

本章中有心理学家霍夫斯泰德 (Hofstede) 的研究，他分析了不同文化的特征，找出了四个文化维度。由于这些文化方面的因素，找到进入市场的正确方法更加容易。

在本章的第二部分中，有一些关于中国的案例研究。

这些关于在中国咖啡的传播，或中国人如何使用厨房的案例研究对于了解中国消费者在购买某些产品方面与西方消费者有何不同非常重要。

中国是世界上人口最多的国家，人口超过十亿。

其中约有一半使用社交媒体，尽管与西方国家有不同的方式。这是因为社交媒体也受到国家文化的影响。

在本章的第一部分中，我们分析了来自世界各地的公司在中国做的广告，以及由中国公司在世界其他地方推出的广告，分析哪些内容才能引起中国消费者的兴趣。

第二部分描述了如何吸引中国消费者，因此知道怎么使用本地平台很重要。

中国人花费大量时间上网或使用社交媒体，所以如果一家公司想要越做越大，把自己的产品出口到中国，它要注意中国人怎么用这些社交媒体，因为它们和中国的电子商务网站与我们的完全不一样。在本章中，还要注意文化，因为文化会影响客户的购买过程，进而影响公司采用的营销策略。

以中国为例，要注意这个迷信的国家如何受数字和颜色的影响。同时需要知道如何选择一个中文名字，为了避免用一个对一位中国人来说很难的名字，或者因为翻译一个名字时，可能会产生歧义。

中国是一个日益互联的国家，如今人口的大多数用手机上网，而手机已几乎取代了电脑的使用。实际上，如今人们不仅使用手机拨打电话和上网，而且还可以通过手机进行购物和付款。

手机的迅速普及导致移动商务的诞生，在中国，借助微信，它取得了巨大的成功。

对于所有想要与中国消费者互动并吸引他们注意力的品牌而言，它立即被认为是必不可少的。

因此，几家公司在微信上推出了游戏或活动，在中国消费者中取得了巨大成功。

中国的电子商务诞生于阿里巴巴，也称为中文亚马逊。

尽管与美国平台相比，它仍然存在明显差异，其实，它诞生是为了解决该国基础设施匮乏的问题。

互联网的不断发展促进了这些在线网站的诞生，它们被认为是这个国家经济增长的重要因素，这样，购买和出售产品变得更加容易和快捷。

中国最重要的电子商务平台是阿里巴巴，这个平台让卖方与买方取得联系。

在中国阿里巴巴取得了巨大成功，首先要感谢马云，他创造了一个能够满足当地消费者口味和需求的平台。

在本章中，我们将分析阿里巴巴和它的国内外竞争对手，它的主要国际竞争对手是美国巨头亚马逊。

由于许多人错误地称阿里巴巴为“中国亚马逊”，在下一章中，将对这两个平台进行分析，重点介绍它们的区别。

但是尽管它们的差异很多，但阿里巴巴和亚马逊也有共同的特点，这就是黑五对中文平台的影响。实际上，马云发起了类似黑五的活动，以增加销售量和公司收入，他在双十一发起了这项活动，他选择了这天因为在中国这天已经很著名，实际上这就是光棍节。

但是，尽管亚马逊是一个在全球范围内取得许多成功的平台，但在中国的工作却不是这样的。

这就是为什么创始人 Jeff Bezos 认为离开中国很有必要。

随着互联网的发展，共享经济开始兴起，它支持新商业模式的诞生，修改现有公司的运作方式，并支持滴滴出行平台的快速发展。

滴滴出行是共享经济背景下的互联网活动。像滴滴出行一样，Uber 也是这种经济的一个例子。它是一家于 2009 年 3 月在旧金山成立的运输公司。随着市场的快速发展，不同公司之间的竞争越来越大。如果不同的公司提供相同的服务，则两家公司都可以通过整合策略和合作来获得优势。

由于互联网的发展，现在预订出租车变得更加容易。Uber 和滴滴出行是使用手机预订汽车的示例。2014 年，Uber 进入中国，从那时候开始，两家公司之间的价格战开始。为了解决这个问题，两家公司达成了一项战略协议，让滴滴出行收购了 Uber，这样，它们降低了竞争力和运营费用。

公司通常希望在其他国家扩展业务以发展并在市场上占有越来越重要的地位。

但是，进入在不同文化背景的市场时，获得跨文化交流并能够理解不同国家的文化价值非常重要。

因此，许多在中国扩张的公司更愿意与当地合作伙伴合作，以获得语言，文化和法律方面的帮助。

## Chapter I

### **East and West: two different e-commerce models**

The development and dissemination of the internet has led not only to a real technological revolution, but also to an important cultural revolution, allowing a rapid exchange of information between users from all over the world.

This continuous progress of the Internet has led to the birth of e-commerce, and therefore to the trade of goods and services that takes place via the Internet.

But despite the fact that the internet has been able to reduce this geographical distance between one country and another, allowing users to exchange information, images or videos in real time, or to purchase goods from another country with a simple click, however, it was not able to reduce the cultural distances that still persist between one country and another. This is why we often talk about cross-cultural e-commerce.

This concept indicates that, when a company decides to launch an international trade, it should not simply limit itself to translating the site of its business into another language, but must also understand how customers from different cultures respond differently to your marketing communication.

In this chapter we analyze the difference between the western and eastern e-commerce model, with an important focus on China.

So, we try to understand what is important to know about e-commerce in China and what factors have contributed to its rapid development.

Attention is also given to the characteristics of Chinese consumers and how they differ from those in the West.

Seeing the Chinese market as an opportunity to expand its borders, many Italian companies have started selling their products on this market, thus influencing local consumers who are increasingly attracted to Western goods, since these are considered to be a better quality, analyzing which sector is mainly influenced by the Italian lifestyle.

## 1.1 What is important to know about e-commerce in China

Even if e-commerce has spread rapidly all round the world, it's different in different countries according to some cultural peculiarities. A clear example is given by China, that in recent years has experienced strong growth in online purchases.

The most relevant factor that has affected such a rapid and constant development of the infrastructure is the government's interest in the Internet. It immediately became interested in the Internet as a phenomenon, putting part of the funding and creating the necessary conditions for rapid and widespread penetration throughout the country, since the Internet is seen as one of the main tools for China's economic growth.

The history of internet in China begins exactly on September 14, 1987, at 21:07, when the first email was sent from a computer located in the city of Beijing outside the national territory. The email messages was: “越过长城走向世界” (Yuèguò chángchéng zǒuxiàng shìjiè), that means “Across the Great Wall we can reach every corner in the world”.<sup>1</sup> The importance of this message lies in China's intention to break with the past and to create a direct link with the rest of the world, to overcome that isolationism that had characterized China since the 1950s.

The rapid development of the internet and its establishment as the main tool of communication, encouraged the Chinese authorities to support the spread of these new technologies. However, it was necessary to limit this instrument of communication too difficult to control, which is why the history of the web in China is characterized by rigid and constant censorship and control interventions.

Despite the restrictions imposed by the authorities and government interventions, the use of internet in China continues to have an unstoppable rise, thanks above all to new technologies and new generations born in the web age, and which therefore represents a main point in their everyday life.

---

<sup>1</sup>“The internet 互联网”, *The China Story*, 2nd August 2012.  
<https://www.thechinastory.org/keyword/the-internet>.

The success of the Internet in China is due to several factors, including:

- Great attention of the State for the infrastructure and interest of the Chinese government to make the internet more and more efficient;
- Constant improvement of the technological environment and strengthening of networks and services;
- Reduce access rates in order to make the service accessible to all, avoiding that the network could improve social discrimination;
- Radicalization of the Internet in traditional Chinese industry, aware of the advantages that the network offers, including the development of electronic commerce.

This is how e-commerce was born in China, favoring the rapid development of online businesses, mainly due to a low presence of bureaucracy, making it easier to create online stores. Many people think that e-commerce works in China as it does in developed markets, but in reality Chinese e-commerce has very different characteristics.

In western countries its development is based on a traditional network of retail stores, while in China it is seen more as a solution due to the lack of adequate infrastructure.

In China, in fact, e-commerce is a way to promote the development of the country.

Comparing Chinese e-commerce with that of developed countries, it differs in several ways:

- Allows young Chinese people to open online businesses, promoting bottom-up growth;
- It created a connected and social world;
- It is based on advanced technology, many activities are accessible from the smartphone and there are hundreds of millions of users.

More and more companies are interested in China to develop their business, but to launch a new business in this country, companies have to pay attention to several factors:

- Understanding the Chinese economy: often we tend to associate low cost with low quality, but this is not always the case. In China, the cost of production is low because even wages and raw materials are low, related to the low cost of Chinese life. The Chinese economy runs on a double track, on the one hand we tend to import high quality products from abroad, often relying on the concept of *country of origin* (COO).

With the term country of origin, we define a country where a certain brand was born.

According to some studies, this causes a psychological effect that influences the buyer during the purchasing process, called precisely *country of origin effect*. This occurs especially when the customer does not know the product or the quality of it, so he is unfamiliar with the product, and the image of the product's country of origin has a fundamental impact on the customer's evaluation of the product.

But on the other hand they try to support national production, to foster the growth and development of the country.

- Some numbers to understand the potential of the Chinese market: China is considered the largest internet infrastructure in the world, with 772 million users, almost 55% of the population.

China has built the largest internet infrastructure in the world, covering almost all urban areas. Internet-related resources have been expanded and developed, thanks to the interest of the Chinese government.

- Who are Chinese consumers: there are different categories of customers.

The first category includes the young persons, who are increasingly demanding.

Then there are the over 60s, who are more interested in health products and medical services.

In the third category there are singles, which constitute a powerful Chinese category, and finally we find that of young men, more and more interested in products for body care, and that of young women, attracted by the luxury market.

- Knowing the main Chinese social media: the most used communication system in China is WeChat, an app with different functions that allows people not only to communicate, but also to advertise, to pay for purchases and to share information.

Chinese social media are so important because they represent one of the most important e-commerce channels.

- Why invest in China: there are several reasons that lead a company to invest in China, including the great development of infrastructure, the period of political stability that China is experiencing under the leadership of President Xi Jinping and the rapidity of the changes taking place, which concern different sectors, such as social, infrastructural and

innovative. These changes, which in Europe took decades to manifest, occurred in China within a few years. This speed has made this country become a way to study the evolution of business management phenomena and to understand the cause-effect relationships of managerial decisions.

China is the largest e-commerce market in the world, overcoming even the United States. This result was made possible also thanks to the construction of new high-tech infrastructure capable of serving all its citizens.

This Chinese digital market, however, differs from that spread to the United States and Europe. To better understand the development of e-commerce in China, it is important to pay attention to the vastness of the Chinese population and its territory.

Even though in recent decades the Chinese economy has come a long way, some sectors are lagging behind and some infrastructure are still inadequate, fueling the digital divide between rural areas and urban areas, a gap that is especially present in the distribution of infrastructure. This gap represents the negative side in the development of electronic commerce, while one of the positive aspects is that were born many platforms for foodstuffs, which promote the distribution of products even in the most remote areas of China.

Some of the main problems of internet development in rural areas are the lack of a family computer and the lack of adequate internet infrastructure.

Chinese e-commerce has therefore developed with the aim of reducing the infrastructure gap and with the aim of supplying products to customers in a practical and direct manner. Therefore, Chinese e-commerce is a means to help small traders overcome these infrastructural obstacles by managing to get in touch with customers.

This new trend has caused clear changes, for example using WeChat, in Chinese weixin ( 微信 ), Chinese people can shop, pay for purchases, book taxis and restaurants in a very simple and quick way.

It is mainly managed by Chinese platforms. Among these, the most common are Alibaba, Baidu and Tencent, also called *BAT*.

- Alibaba in the commercial branch, as the largest online B2B exchange platform in the world;

- Baidu, the main Chinese search engine;
- Tencent, which provides social services (entertainment, media, internet, etc.).

The success of these companies is the result of their ability to provide services already tested in Europe and the USA, but adapted to the cultural characteristics of the country and to the needs of the Chinese population.

The strength of these platforms lies in the fact that they do not try to prevail over one another, but they look forward to the collaboration to create an excellent point of reference for all those companies that want to sell online in China.

An important consequence of the rapid development of the internet and technologies has been the spread of e-commerce, which has allowed companies and consumers to buy and sell goods at any time and from anywhere in the world.

Since this type of trade is based primarily on technology, it is important to develop advanced technology to be able to compete with other companies.

In the internet age, many activities in China must rely on online commerce.

The continuous development of e-commerce has stimulated China's economic growth, also driven by the increasing importance that companies have in the country.

In 2015, around 700 million internet users are registered in China, and the internet usage rate has risen over 50%, especially in rural areas.<sup>2</sup>

From the end of 2016, Chinese users have reached 731 million, and Chinese people who have connected to the internet via smartphones have reached 695 million.

E-commerce has brought more and more opportunities for development in China and more and more companies are entering the field of e-commerce.

E-commerce mainly has five models<sup>3</sup>, which are divided into:

1. B2C (Business to Consumer) → It is the best know model of electronic commerce and

<sup>2</sup> YANG Bo 杨波, “Shí tǐ shāng yè yǔ diàn zǐ shāng wù hé zuò zhàn lüè yán jiū: Jī yú yí gè àn lì de shí zhèng” 实体商业与电子商务合作战略研究: 基于一个案例的实证 (Research on the strategy of physical business and e-commerce cooperation: based on the empirical evidence of a case), Nanjing Institute of Information Technology, Nanjing, 25<sup>th</sup> September 2019.

<sup>3</sup> WU Gaoli 吴高莉, “Diàn shāng qǐ yè yíng xiāo zhōng cún zài de wèn tí jí duì cè” 电商企业营销中存在的问题及对策 (Problems and countermeasures in the e-commerce enterprises' marketing), Wuxi Vocational and Technical College of Wuxi, Jiangsu, 25<sup>th</sup> September 2019.

concerns the purchase of goods and services by the final consumer. So, this business model is based on transactions between a company, that sells a product or service, and the individual customers who are the end-users of this product or service.

1. B2B (Business to Business) → It is based on commercial transactions between companies, so it does not affect the final consumer. Usually, it is used to improve the effectiveness and the efficiency of a company's sales effort.
2. C2C (Customer to Customer) → This is a more recent form of e-commerce and it is becoming increasingly popular thanks to the activation of many sites about online auctions. The methods of settlement of the transaction are established by the seller and the buyer. This kind of business model facilitates commerce between private individuals.  
An example of this type of e-commerce is eBay.
3. P2P (Peer to Peer) → It is when two individuals interact directly with each other, without intermediation by third-party. The buyer and the seller transact directly with each other via the P2P service. This business model has its own platform that may provide some services such as search, rating or payment processing.
4. M-commerce or mobile commerce → It is the buying and selling of goods and services through wireless handled devices, such as tablets and smartphones. So, it enables users to access online shopping platforms without needing to use a desktop computer.

M-commerce activity is on the rise thanks to an increasing of wireless handled devices and the proliferation of m-commerce applications.

## **1.2 Factors that have played a significant role in the rapid spread of e-commerce**

Internet development in China caused many changes in the country. With the development of e-commerce, consumers have the means and possibilities that make them protagonists of the market, deciding the fate of a product or a service. In fact, while before the technological revolution a product was advertised through television or newspapers, now it is the users themselves who, by sharing information on a product, create a sort of word of mouth among users.

In fact, now, to attract customers, companies select targets with similar characteristics and issue advertisements on applications or sites most used by a given target. Users are therefore constantly asked to try new products. To be more successful, many companies use celebrities to sponsor their product.

In China there is the highest number of internet users which contributed to a rapid increase in online sales. At present, online shopping is one of the most popular activities in China. This is why a company that want to invest in China, cannot fail to be present on the online platform. In fact, when a Chinese consumer tries buying on the net, then he probably become a frequent users, if only to search the product or to see the review of those who bought it, and then buy this product in the physical store.

Between 2009 and 2013, a growth rate of 70% was recorded. This led China to be the largest global market for online sales, overcoming even the United States.

There are several factors that have contributed to the rapid spread of e-commerce, including:

- Low internet access costs. To promote the modernization of the country, the Chinese government has preferred to reduce the prices to access the internet, as well as to encourage the rapid spread of broadband connection, to increase the number of users who connect to the internet every day and to prevent the internet from being a means of discrimination among people.

Later, with the spread of smartphones, users had the opportunity to connect not only from the fixed network, but also from the mobile one, contributing to the diffusion of purchases on online platforms.

- The territorial conformation. The hugeness of the country makes a widespread distribution difficult all over the territory, this has made users rely more on online portals for their purchases, able to reach them in every part of the country.
- Wide choice of products offered online. In fact, thanks to the diffusion of these online platforms, Chinese consumers have the opportunity to buy products or brands that are difficult to find physically on the national territory.
- The ability of online retailers to gain the trust of their customers. These platforms, in fact, to avoid problems of mistrust on the part of consumers, sought solutions to guarantee them the seriousness of the company.

Because of the scarce diffusion of credit cards on the national territory, among these solutions we have the introduction of a secure payment system both for those who buy and for those who sell, called *Alipay*<sup>4</sup>, and the possibility of being able to write a review on a particular service or product, increasing the reliability of the seller and decreasing the cases of fraud. Feedback gives customers the ability to judge a product, and allows the manufacturer to implement or not the needed changes in order to satisfy the consumer.

This feedback system is considered the most reliable evaluation method for a product.

These factors have been developed taking into account the characteristics of Chinese consumers.<sup>5</sup>

---

<sup>4</sup> Alipay, in original version 支付宝, is a digital payment platform designed and launched on the market in 2004, by the Chinese e-commerce giant Alibaba Group.

<sup>5</sup> Lorenzo RICCARDI, *E-commerce in Cina: nuovi trend per il mercato globale*, <https://www.corriereasia.com>, 2019.

### 1.3 Peculiarities of Chinese consumers

To market successfully to customers, companies need to understand and know the so called *consumer behaviour*.<sup>6</sup>

In fact, in China, as in the rest of the world, it is important to understand what leads the consumer to buy a product. Actually, to choose which product or service to buy, the customer passes through the so-called *purchase decision process*.

This process is based on 5 different stages that lead the consumer to buy a product or a service.

First stage: This initial step is about “problem recognition”, that is when the consumer perceives a difference between his ideal and actual situations. So he perceives a need, something he does not have. From a marketing point of view, during this phase it is important to make good use of advertising to fuel consumers' interest in a specific product.

Second stage: The second step concerns information search, so the potential customer starts looking for a series of information on the product they would like to buy. The acquisition of this information can be done through an internal search, and therefore given by the experience that the consumer had with that particular brand, or by an external search, when knowledge or past experience is insufficient, therefore obtaining information from the outside, such as from the TV, advertising or from friends.

Third stage: The third step relate to “alternative evaluation”, that is the evaluative criteria that the consumer adopts comparing different brands and products. So, for companies it is important to understand and identify the most important evaluative criteria used by the consumer to compare different brands.

Fourth stage: Having examined the alternatives and after a careful analysis, consumer is almost ready to make a purchase decision. He just has to decide from whom

---

<sup>6</sup> “Consumer behaviour” describes the actions a person takes in purchasing and using products and services, and help to understand why people choose a particular brand or one product over another.

buy, in this case he could be influenced by past experience and return policy, and when to buy, considering financial circumstances or time pressure.

Fifth stage: This final step analyses the post purchase behavior, where the customer compares the purchased product with his own expectations, and is either satisfied or not with the purchase. Studies explain how satisfaction or dissatisfaction influences consumer communications and also repeat-purchase behavior. For example, satisfied buyers tell three other people about their positive experience and always tend to buy from the same seller. While dissatisfied people complain with other nine people and, in most cases will not buy a product again.

Consequently, one of the most important focus of the marketing concept is exactly the customer satisfaction.<sup>7</sup>

This is a process that influences any consumer in any part of the world, but if we want to better understand what differentiates a Chinese consumer from a Western one, we must rely on the following points:

- Chinese consumers hardly ever rely on a single brand. In fact, unlike Western consumers who often repeat a purchase with the brand they enjoyed, Chinese consumers always tend to buy from different brands and on multiple platforms, varying from time to time.
- Chinese people are one of the most saver population, for this reason, when they buy, they pay particular attention to prices, comparing the same product on different platforms or in different shops, to find the most convenient one.
- Chinese users tend to give preference to foreign platforms, seen as a guarantee of the quality of the products distributed. Moreover, through foreign platforms, they can more easily find products or goods that are difficult to reach on the local market.

This trend occurs mainly with users living in inland areas of China where, unlike coastal regions, many products do not arrive, due to logistical difficulties or land cover.

- One of the most distinctive characteristics of Chinese consumers, is their testing behavior, in fact they want to taste the product before buying it. For example, in Chinese supermarkets, the majority of Barilla boxes were opened because of the closed box. In fact, Barilla is a

---

<sup>7</sup>Tiziano VESCOVI, *International Marketing To China*, McGraw-Hill Education, 2018, pp. 104-107

new product in China, but with a close packaging they cannot see what was inside, so they opened it.

The most common products purchased online are cosmetics, women's accessories or products related to the tourism and electronics sector. The buying process of a Chinese consumer also follows a certain linearity.

When the consumer is interested in a certain product, he starts collecting information, especially using WeChat, since this app is the most widespread in China, to understand what the product's features are, and the benefits it brings.

Choosing the product, the Chinese consumer, like the Western one, is influenced by the opinion and reviews of other consumers on the same product.

Once convinced that the product corresponds to its own needs or desire, the Chinese consumer will begin to compare the various prices of the same product both on online platforms and in offline retailers.

Once having determined that the price offered by the online platform is lower than that one offered by a physical store, the customer proceeds with the good's purchase and payment.

For payment, the consumer has several options, in fact he can decide whether to pay immediately by credit card or through payment applications such as WeChat Pay<sup>8</sup> or Alipay, or whether to pay in cash on delivery. In recent years, online transactions have increased thanks to fast and secure payment systems that are made through special apps.

---

<sup>8</sup> WeChat Pay or WeChat Wallet, is a payment option that is found on WeChat, which allows users a secure and fast payment, just bringing their QR code closer to the scanner if they are in a physical store, or they can send money on WeChat account of others.

## 1.4 The influence of the Italian lifestyle

Chinese e-commerce offers great possibilities for Italian companies that want to penetrate this market, especially for small and medium enterprises.

In March 2015 was launched a project called E-Marco Polo, based on the agreement between Unicredit, Intesa San Paolo and the Alibaba group, fueling the interest of Italian entrepreneurs interested in entering the Chinese market. From this initiative was born *The Memorandum of Understanding* (MOU), a legal document that signs a bilateral agreement between the Italian government and the Chinese group to promote Italian exports to China, thus creating new opportunities in the e-commerce sector for Italian companies.

Thanks to this agreement, Italian companies have easy access to the Tmall Global portal, which allows them to sell their products and services on the Chinese market, without necessarily have an organization established in the territory and without having special licenses for the use of online platforms<sup>9</sup>.

Considering China as a growing market containing a clear development potential, many Italian companies have tried to enter the Chinese market, offering quality Made in Italy, focusing above all on that segment of the population with high incomes and a considerable heritage. In fact, many Chinese people are willing to pay good money for the purchase of refined European products, not only in the fashion sector, but also in the food and wine one. There are several areas where you can see the importance of the "Italian lifestyle" in Chinese e-commerce:

1. Beauty and design: clothing, furniture, design and cars;
2. Handicraft: high quality products that are at the bottom of qualified food production, including DOC wine, extra virgin olive oil, espresso coffee, and so on.
3. Culture: strong sense of belonging to a territory. The term culture also includes values, which differ from one country to another. Among the Asian values, we also find a strong sense of superstition of the population, an important factor to consider when a company

---

<sup>9</sup> Lorenzo RICCARDI, *E-commerce in Cina: nuovi trend per il mercato globale*, <https://www.corriereasia.com>, 2019

wants to enter the Asian market.

One of the main superstitions in China is about numbers. One of the dominant numbers in this sector is the number 4, whose pronunciation in Chinese corresponds to the pronunciation of the word "death". Which is why, when Alfa Romeo presented the car model numbered 164 in the Asian market, it was unsuccessful, since the Chinese reading of the numerical sequence means "die all the way". On the other hand, we find the importance of the number 8 in Chinese culture, whose pronunciation recalls that of "prosperity". For this reason Alfa Romeo changed the number of the car to 168, which sounded like "to be successful all the way".

In addition to numbers, colors are also important in Chinese culture, which influence consumer behavior.

The most important colors to pay attention to are:

Red: it is considered a lucky color, which symbolizes luck, happiness and wealth, it is no coincidence that it is also the color of the so-called *hongbao* 红包 (red paper bag)<sup>10</sup>;

White: it indicates death, which is why in China we do not tend to use white flowers for decorations during marketing events.

Yellow, instead, is the color of authority, in fact in ancient China only the emperor could wear yellow clothes, a color that indicates purity, wealth and authority.<sup>11</sup>

4. Social quality: strong sense of family and community, in fact China is a country based on a collectivist culture, where people work for the interests and the wealth of the whole community, unlike countries with an individualistic culture ( US, Great Britain) where the individual works for his own interests and those of his family, which is why advertising messages in Asia focus on family and groups, while in the United States on individuals<sup>12</sup>.

---

<sup>10</sup> Giving Hongbao, or red envelopes, is a custom at Chinese New Year. This envelopes always contain money, and are given, most commonly, to kids from their parents, grandparents, and others as Chinese New Year gifts.

<sup>11</sup> Tiziano VESCOVI, *International Marketing To China*, McGraw-Hill Education, 2018, p. 80.

<sup>12</sup> *Ibid.*, p. 79.

## **Chapter II**

### **Why is important to understand the culture of a specific country?**

An important role in understanding what attracts clients and their interest, what they like or disgust about, is given by his own cultural background. This is an important factor that must be taken into consideration when deciding to create a cross-cultural e-commerce. In this situation, therefore, it is important not only to translate the texts and product files, but to analyze and study the target culture, to understand how users with a different culture can interpret every single aspect of the portal. Culture is therefore a fundamental element, as it influences consumer behavior, creating distinctive characteristics between one country and another. What is considered a normal thing in a country may not be in another country. This happens because individuals have habits, values and beliefs that derive from the social and cultural environment in which they grew up. A company that wants to successfully penetrate a market that is culturally distant from its own, must pay attention to all these peculiarities, since consumers in a particular country have their own ways of understanding reality.

The following chapter is divided into two sections, the first based on the studies of the psychologist Hofstede who, analyzing the characteristics of different cultures, has grouped them into 4 cultural dimensions. This study is very important because, knowing what dimension a country belongs to, it is easier to use an approach more appropriate to the characteristics of the consumer.

The second section includes some case studies concerning China, useful for understanding at a more practical level how Chinese consumers are differentiated from Western ones for the purchase of some products. The case studies are about the spread of coffee in China, the purchase of strollers by Chinese mothers, the changes made to the wafers to facilitate their sale in this market, and the different use of the kitchen.

## 2.1 Hofstede's cultural dimensions

When we talk about culture, we don't indicate only a set of values and beliefs that guide the actions and behavior of the population in given circumstances, but we also refer to a collective phenomenon shared with people who live in the same social environment. In fact, culture is not innate, but learned.

There are several ways in which cultural differences manifest themselves. These are:

- Symbols: could be words, pictures, gestures or objectives that carry a particular meaning understanding only by those who share that culture.
- Heroes: alive or dead person that could be real or imaginary with particular characteristics that make them models to imitate.
- Rituals: activities shared by a group of people that are considered socially essential for them. Rituals include also social and religious ceremonies.
- Values: are acquired early in our lives and refers to one's judgement of what is important in life.<sup>13</sup>

In a community, create some shared rules are indispensable to survive. But these rules are shared among people of the same group, and so, if we go in different parts of the world, we can't find a common language or shared habits, because different social environments have different culture.

Hofstede, Dutch anthropologist and psychologist, made some studies on people come from different countries. He discovered that, even if they have common problems, they find different solutions.

These differences are visible on four main areas:

- Social inequality, and so the relationship with the authority;
- The relationship between the individual and the group;
- The difference related to gender, and so the relation between masculinity and femininity;

---

<sup>13</sup> Geert HOFSTEDE, Gert Jan HOFSTEDE, Michael MINKOV, *Cultures and Organizations: Software of the Mind: Intercultural Cooperation and Its Importance for Survival*, third edition, McGraw-Hill Companies, 2010, pp. 6-9.

- Ways of dealing with uncertainty, and so the expression of emotion and also the control of aggression.

From this study, he found 4 dimensional model of differences among national cultures.

These four dimensions of cultures are:

1. *Individualism- Collectivism*: this dimension describes the relationship among one person with other individuals in society.

In some societies there is a relevant difference between the role of the individual and the role of the group. Societies in which prevails the interest of the group over the interest of the individual, are called collectivist, referring to the power of the group.

The first group in our lives is our family where we were born. A lot of collectivist countries give a lot of importance to families. One of this is China, where family is considered as a key part of Chinese civilization.

According to Confucianism believes, in fact, it's important level up the family to manage the nation to prosperity.

Societies where the interests of the individual prevail over the interests of the group, are called individualist, where everyone is expected to look after him and his immediate family. We can find these kind of societies in Great Britain and United States.

2. *Power Distance*: this point describes how culture influences the hierarchical structure of society. Cultures with a low power distance, like Israel and Denmark, seek to eliminate the unequal distribution of power.

While countries with a strong power distance, as in India, maintain this difference between the population.

To define Power Distance, is important to keep in mind three points:

- I. Employees afraid and how they perceive their daily work environment;
- II. Boss paternalistic or autocratic;
- III. The preference of the respondents.

The result of this analysis is that in that countries where boss are not so autocratic and

employees are not very afraid, both, bosses and employees, said that they prefer a consultative method of decision making, and so consulting each other before decision making.

On the other hand, in countries where employees are afraid of disagreeing with their bosses and bosses are seen as very autocratic, so in that countries with a large power distance, they don't adopt a consultative approach, but a large majority of them prefer a boss who decides autocratically.<sup>14</sup>

Power distance differ from country to country, and this dimension is important to understand differences in feeling and thinking.

There are a lot of philosopher that during the years studied the differences of power distance in different countries.

An example of a country with a large power distance, is China. It seems that the stability of society is based especially on this unequal relationship among people. This is attributable to Confucianism that underline the importance of five basic relationship in the society: ruler-subject, father-son, elder brother-younger brother, husband-wife and senior friend-junior friend. So, in this case, the difference between people is due to religion reasons.

3. *Uncertainty avoidance*: It's based on the fact that the future is uncertain, and no one know what will happen tomorrow. This could create anxiety<sup>15</sup>, for this reason every human society has developed ways to try to alleviate this anxiety. These ways refer to religion, law and technology.

Religion because it is considered as a link with the transcendental forces and people believe that these forces control their personal future. So, religion is seen as a solution to accept this uncertainty, for example offering life after death.

---

<sup>14</sup> Geert HOFSTEDÉ, Gert Jan HOFSTEDÉ, Michael MINKOV, *Cultures and Organizations: Software of the Mind: Intercultural Cooperation and Its Importance for Survival*, third edition, McGraw-Hill Companies, 2010, pp. 60-61

<sup>15</sup> Anxiety is a term taken from psychiatric and psychology that express a state of being worried about what may happen.

Law and rules are also important because they try to prevent this uncertainty in the behavior of other people;

Technology, instead, help people to avoid uncertainty caused by nature.

Studies show how on this field there is no difference between traditional and modern societies. But the difference is that this feeling of uncertainty and the way people try to overcome it, depend on the cultural heritage of societies.

Strong uncertainty avoidance countries, is characterized by an expressive culture and people are allowed to raise the voice, to pound the table or show one's emotions. Countries with a weak uncertainty avoidance have a low level of anxiety, and emotions and aggression are not supposed to be shown.<sup>16</sup>

4. *Masculinity- Femininity Dimension*: this part describes how within a society the roles are divided according to gender.

All human societies are composed by men and women. A lot of societies, not only traditional ones but also modern ones, think that there is a huge difference between them. This is clear in the distribution of men and women over certain professions.

This analysis shows how men are supposed to be more concerned with achievement, career and are more competitive. While women are supposed to be more concerned with taking care of the children, of the home and relationship with others.

In a work context, men give more importance on high earning, get recognition they deserve doing a good job and advance in higher level jobs.

While for women is important have a good working relationship and cooperate with people.

So, those societies in which there is a clear distinction of gender role, such as in Germany, are called masculine, and in these societies, men are supposed to be focused on material success, on career and money, while women are supposed to be more concerned with the

---

<sup>16</sup>Geert HOFSTEDE, Gert Jan HOFSTEDE, Michael MINKOV, *Cultures and Organizations: Software of the Mind: Intercultural Cooperation and Its Importance for Survival*, third edition, McGraw-Hill Companies, 2010, pp. 195-197.

quality of life. Those societies in which emotional gender roles overlap, such as in Sweden and Norway, are called feminine, and in these societies both women and men are supposed to be tender, modest and concerned with the quality of life.

For the poorer part of the world, such as in some Asian countries, this difference between masculinity and femininity played a significant role in the prevention of the female births, due to the desire of parents to have a son rather than a daughter.<sup>17</sup>

These dimensions are about western countries. So then, with Michael Harris Bond, Hofstede decided to develop a study focusing on Chinese people, called *Chines Value Survey (CVS)*. From this analysis they added the fifth universal dimension, that is *long-term versus short-term position (LTO)*.

Long term orientation is when people focus their attention to the future, and so the most important human characteristics are perseverance and thrift.

Short term orientation is that one related to the past and present, and so the importance of traditions, fulfilling social obligations and the preservation of “face”.

Long term vs short term orientation is considered to deal with a society’s search for virtue, for this reason this dimension is related to Confucius.

In fact, Chinese culture gives a great importance to the teaching of Confucius, considering not as a religion but as a set of pragmatic rules for daily life.

These teachings are based on:

- The stability of society is based on the unequal status relationship between people: Confucianism underline the importance of five kind of relationship, that, as said before, are ruler-subject, father-son, elder brother-younger brother, husband-wife and senior friend-junior friend.
- The family is the prototype of all social organizations: according to this principle, a person is primarily a member of a family and then an individual.
- Virtuous behaviour toward others: this precept says that it’s important not treating others

---

<sup>17</sup>Ibid., p.185.

as one would not like to be treated oneself.

- Virtue with regard to one's task in life: consists of trying to acquire education and skills, to work hard, to spend just for the necessary, not more, being patient and persevering, and do everything with moderation.<sup>18</sup>

It is important to understand these cultural differences to find the best way to approach a different and often far from one's own country.

As shown by these studies, different countries differ in different aspects, what is considered normal in one country, it is not in another that has a different cultural background.

Hofstede showed that people share characteristics at regional and national level.

These characteristics are precisely the cultural models that represent the distinctive traits of an individual, influencing their behavior and persisting over time.

These points correspond to the fundamental dilemmas that all cultures must face to. According to these dimensions, in fact, each society shows different characteristics and behaviors.

These differences are also reflected in companies and organizations that increasingly feel the need to understand these cultural differences to know which is the best way to present themselves in the global and multicultural context in which they operate.

---

<sup>18</sup>Ibid., pp. 237-238.

## 2.2 Case studies about cultural distance in China

The culture of a country is considered the key element to understand the decision process that influences the individual during the purchase. Consumers with a different culture, have also a different way of perceiving and positioning the product, in fact the position of the same product could be different in different countries.

An example is given by the different position that the Ferrero Rocher occupies in Europe and in China. While in Europe it is considered as a normal chocolate snack, in China it represents a gift given for some special events. In fact, even if Chinese people don't like sweet things, they like Ferrero Rocher just because it is seen as a gift, and it is considered a symbol of prosperity and good luck, not for the product itself, but because of the package and the golden balls, a symbolic color in China, viewed as the color of the emperor.

Who wants to enter a new country must be sensitive to its cultural diversity. For this reason it is important to carry out a cross-cultural analysis, analyzing the similarities and differences between consumers in different countries. A cross-cultural analysis involves an analysis of the values, customs, symbols and language of a particular country, and these elements are so important because they influence the character of consumers in different societies.

So, to enter and succeed in a country different from ours, it is important not only to know the language of the place to be able to communicate, but it is more important to know the beliefs and cultural diversity of that place, because different cultures attach different meanings to things.

For example, Tiffany & Company, knowing of the superstition of the Chinese and Japanese linked to the meaning of the number 4, decided to modify the set of glassware, taking it from sets of four to a set of five.<sup>19</sup>

There are some case studies related to China that show how culture influences consumer behavior. These differences lead Western companies that want to enter the market to adapt more or less deeply to the customs and habits of a specific country.

---

<sup>19</sup>Tiziano VESCOVI, *International Marketing To China*, McGraw-Hill Education, 2018, pp. 143-145.

For these companies it is important to well understand the similarities and appreciate these differences.

Among these we find:

- Coffee: while in Italy drinking coffee has become a daily habit and a means of socialization, this cannot yet be said for China, where the national drink is tea.

In fact, Italian people usually drink coffee to see a friend, to invite someone to go out or just to talk about work.

Nowadays, this Italian culture of coffee has spread widely abroad.

We should find a way to convince Chinese families to buy coffee, but in China nothing is ready for coffee, in fact Chinese families do not have a Bialetti moka, they do not have spoons and cups, and the stoves do not have a small fire. Given the lack of conditions for the preparation of coffee, the only solution remains to change the business model, selling instant coffee, simple and quick to prepare.

In fact, a drink to be successful in China must have certain requirements, including ease of preparation, a low price for a high quantity and a pleasant taste for the consumer. All features that are not found in typical Italian coffee.

From an Italian company that works in this sector point of view, there are several differences in perception of the product and numerous obstacles it faces to favor the spread of coffee also in China.

To let Chinese consumers to learn about coffee, it is important to give them opportunities to taste it in suitable atmospheres and following a correct preparation of it.

Another difference between these two different cultures lies in the way coffee is consumed. If for Italians it has now become a daily custom and an opportunity to spend time with friends, in China it still represents a fashionable drink, which represents a modern and international lifestyle, which is why 90% of coffee consumers in China are young people, urban populations and the upper middle class.

Moreover, while in Italy the cafeterias crowd in the morning for breakfast, in China you usually go to the bar in the afternoon after work.

This is why for many Chinese people the most important thing is the experience itself, so they like to go in a cafeteria, to stay there drinking coffee and eating some biscuits or sweet or salty food whose names recall Italian cuisine.

At the beginning coffee was seen as a high-quality and expensive drink, given on special occasions or during particular celebrations.

So, if Italian companies want to encourage the domestic use of coffee, it is necessary not only to make it easier to prepare at home, but also to adapt it to the local taste and to emphasize the benefits it has for health.<sup>20</sup>

- Baby prams: after the introduction of the one-child policy in China, the children who were born, called "little emperors", enjoyed the attention and condescension of parents and grandparents, being the only heirs of the family. This phenomenon led many baby goods manufacturers to enter the Chinese market, including baby pram manufacturers.

Until a few years ago, the use of strollers was unknown in China, in fact Chinese people used bands to carry children on their backs.

Now, with the influence of Western culture, these habits are changing, and even the Chinese people are starting to use strollers, diapers, cradles that until a few years ago were neither known nor available.

But, also in this case, the purchase of these products is influenced by the cultural difference of the country. In fact, while in Europe the stroller is one of the first instruments purchased by parents to show their child, so it represents the pride of the mother, because it is the presentation of the baby in the social life, in the Chinese tradition the child stays inside the home for the first months of life, and relatives and friends visit him at home.

Other cultural factors made the introduction of the stroller in China difficult, in fact the stroller was considered as a bulky and impractical tool, the pedestrian streets in China are

---

<sup>20</sup>Tiziano VESCOVI, Andrea PONTIGGIA, *Panni Stesi a Pechino, Esploratori e Pionieri nei Nuovi Mercati Internazionali*. Egea, September 2015, pp. 25-30.

full of bicycles and scooters, another factor that goes against the physical use of the stroller.

A third problem for the diffusion of baby prams in China is pollution, which means that the baby should be protected.

For these problems, the stroller has entered the Chinese market in small steps, introducing itself as an element of fashion and trend.

For this reason, in China, the biggest buyers of strollers are mothers who are helped by their husbands and friends, not by their parents because, being the stroller a new product, they prefer the help and advice of young friends who follow fashion.<sup>21</sup>

So, it is important to understand how culture could influence the behavior of consumers.

- Wafers: when wafers entered the Chinese market they did not get much success, mainly due to problems related to product packaging and taste. In fact, for Chinese our sweets are too sweet.

Furthermore, size was a problem because wafers were a new product in China, so Chinese consumers didn't know this product, which means that if they want to buy wafers, they don't buy a lot of it, but they prefer to buy a small quantity just to try it, and then, if they like the taste, they can repeat purchase. But the problem is that the packs of wafers are of 250 or 500 gr, the individual packages is 65 gr, moreover, our packages are made in a way that as you open it you have to finish it.

After some tries, the company realized they have not only to change the taste, for example creating a green tea wafer to adapt to local tastes, but also to change the dimensions of the packages, for example just a couple of them to allow Chinese to taste them, and they also created a package that once opened, can be closed again.

- Kitchen: sometimes some products can be a success in China, but not for the same use we do of them.

In most cases Chinese buildings do not have a kitchen. This is often found in common,

---

<sup>21</sup>Ibid., pp.55-58.

small places, representing a place of rapid stop where you have to take turns. They are often cramped and dirty places. So small that you don't have enough space to insert a table and chairs, like for western kitchens, but usually there is only the space for the one who has to cook.

The Chinese customer is often looking for new western elements that can give an idea of modernity, especially in the rooms that represent the social places of the house.

In furnishing, in fact, he tends to spend more on the living room, considered the place where guests are received, social relationships are kept and where their social status is shown, while, to furnish the kitchen, the price is lower, since Chinese kitchens are usually small and not so important as in Western countries.

In fact, according to the traditional division of spaces between public (waishi 外室) and private (neishi 内室) rooms, the kitchen is part of the so-called public spaces, considered as a place of service that families often shared with neighbors and so it is composed by simple and essential components.

Few years ago, Chinese families bought food every day because they didn't have a refrigerator at home. Today, however, some families have a fridge, but since the kitchen is too small to contain it, it is often placed in the living room and is part of those objects that represent the status symbol of the family, and so it is located in a place where guests can see it.

Often, in Chinese's houses, there are two kitchens, one traditional Chinese kitchen used to cook and prepare food, and a second one with a western style that is placed in the living room to symbolize the status of the family, not taking into consideration its functionality. This shows us how the motivation to buy varies with the variation of the cultural background and that while in Europe customers buy a kitchen that is comfortable and fits their needs, in China customers do not take into account functionality, but consider furniture only as a way to show their status.<sup>22</sup>

---

<sup>22</sup>Tiziano VESCOVI, Andrea PONTIGGIA, *Panni Stesi a Pechino, Esploratori e Pionieri nei Nuovi Mercati Internazionali*. Egea, September 2015, pp. 42-45.

We can therefore deduce that when a company decides to enter the global market, it must take into account the fact that these markets are not simply a reflection of their home country.

It is essential for a company to know these aspects to understand how to best move in an international context and to analyze which is the best marketing strategy to enter the global market. In fact, several countries have differences that affect not only culture, but also the educational, political and economic system.

Talking about the educational system, we refer to the productive capacities, skills and knowledge of the individual.

The political system, on the other hand, refers to the laws and certain practices characteristic of certain countries, such as recruitment, training and remuneration. But the political system can also refer to the laws and rules that some nations have issued to control the use of the internet. Many States have in fact considered important to monitor how users use this new method of social interaction, issuing restrictions, laws and insurance in this regard.<sup>23</sup>

China is one of the countries whose government exercises strong control, through censorship and blockades. The Chinese government has developed filters and controls on web content to prevent especially three categories of content:

1. Pornographic content;
2. Violent content;
3. Political and cultural contents, which can create criticism on the choices of the government or fuel insurrections or political and cultural movements against the political government.

For this reason, many blogs or content are censored, to maintain the unity and sovereignty of the Chinese government.

While the economic system refers to the various educational opportunities, elevated in the socialist countries because they are free, limited in the capitalist countries because they have a higher price, and to the different taxation systems of different countries.

---

<sup>23</sup> XU Hanming 徐汉明, ZHANG Xinpíng 张新平, GONG Huayan 龚华燕, “Wǎngluò shèhuì zhìlǐ de fǎzhì móshì” 网络社会治理的法制模式 (The Rule of Law Model of Internet Governance), Zhongnan University of Economics and Law, 15<sup>th</sup> August 2019.

All these points are fundamental to understand how to behave and how to act on the global market. When a multinational company decides to enter in different countries, a crucial point for the success of this operation is to analyse the cultural know-how. For this reason, these companies usually choose a matrix structure, that is a structure where every manager of the business unit has two bosses, one that coordinate the operations across all countries, and one that coordinate all business units of a specific country. This structure work well if these two bosses have the same power and the same relevance in the organization and so there is a balance between the two side. Even if this structure is costly, because the double structure requires a double system, however it is the best for this kind of situations.

Working in a cross cultural environment, companies can also choose different approaches to manage staffing. We have three different approaches:

- Ethnocentric approach: when top management and other key positions are filled by people of the home country. This is a very common approach;
- Polycentric approach: when international subsidiaries are managed by the people from the host country;
- Geocentric approach: when nationality is downplayed and companies search the best people to fill the key positions on a worldwide or regional basis. This approach focuses people's competences and skills, not on their nationality.<sup>24</sup>

As analyzed in this chapter, several countries have different cultures that influence the customer's purchase decision process. In fact, every country has its own values and beliefs that lead the consumer to act in a certain way.

All these aspects are so important to find the best way to enter a global market, because culture influences not only consumer behaviour but, as we will see in the next chapter, also marketing strategies, because people with a cultural difference have also a different perception of seeing and understanding things, and to be successful it is important to pay attention on this, using suited strategies to the market a company wants to penetrate.

---

<sup>24</sup> Andrea PONTIGGIA, *International Organizational Design and Human Resources Management to China*, McGraw-Hill Education, 2016, pp.80-82.

## **Chapter III**

### **How cultural differences influence marketing in China**

China is the most populated country in the world, with more than a billion inhabitants. Of these, about half use social media, even though in a different way from the West, as social media is also influenced by the culture of the country.

In the first part of the chapter we analyze the advertisements that companies all over the world have launched in China and the advertisements that Chinese companies have launched in the rest of the world, analyzing what is important to focus on in order to obtain the interest and attention of the Chinese consumers.

The second part describes how to reach Chinese consumers, and therefore learn and know how to use local platforms in a good way.

Considering that the Chinese spend a lot of time surfing the internet or using social media, if a company wants to expand in China by exporting its products, it is necessary that they understand how Chinese users use these media, because these and Chinese e-commerce sites are very different from the ones we are used to seeing.

Then, there is a description of how culture is a fundamental element that influences the customer during the purchasing process. The presence of culture is clear also in the quality and design of a product and in the presentation of many services.

In fact, to be successful in these culturally distant markets, it is important not only to know the language for a good translation of the product, but also to know the culture of the place that influences the marketing strategies that a company adopts.

In the case of China, it is said that this superstitious population is particularly affected by numbers and colors, and the importance of knowing how to choose a good Chinese name for the product you want to sell, without creating names that are too complicated or with a negative meaning for Chinese consumers.

China is not only increasingly connected, but most of the connection is from a mobile device, smartphones that have almost replaced PCs and are now being used to perform all those

actions that were previously done using a computer.

In fact, today smartphones are used not only to chat and surf, but also to make purchases and payment. This rapid spread of mobile phones has led to the birth of the so-called m-commerce, which in China is having great success thanks to the use of WeChat, the most widespread app among users.

It immediately proved to be essential for all those brands that wanted to interact with Chinese consumers and attract their attention. For this reason, several companies have launched games or events on WeChat, achieving great success among Chinese consumers.

### 3.1 Marketing campaigns in China

An important part to which the company must pay particular attention to launch a good marketing strategy, is the content. Taking into consideration that Chinese customers are very selective and impatient, the company must be able to create something that can attract their attention, and also can arouse their interest in the product and attract new customers.

To make content more interesting for a Chinese customer, it is important to consider the concept of storytelling, that is the story that is built around the brand useful to instill greater value, or the use of celebrities to increase brand awareness.

In addition to content, it is also important to focus on videos, in fact, with the spread of smartphones, more and more Chinese users are spending time watching videos on mobile phones, thanks also to video platforms such as Youku (优酷), the Chinese correspondent of YouTube. It's not just about watching a video or a movie, but you can also send messages, interact with users and convince them to buy products online.

Since images, audio and text are concentrated in the video, it is considered as a very effective tool. Good content and an interesting video are two fundamental factors for advertising products.

Some advertising campaigns related to China are set out below. With these campaigns we can analyze how foreign companies launch an advertisement in China and how Chinese companies implement advertising campaigns for their products in the rest of the world.

Let's analyze the following brands:

- Tiffany's: an American company based in New York that sells jewelry. It is an example of how is important to create a video that can attract the attention of Chinese consumers. To create the video, the company used the image of a strong woman, Liu Wen, a famous Chinese model with whom many other women identify themselves. The video describes the daily life of the model and her career in New York. The idea of using a famous Chinese model representing her successes has been an inspiration for many Chinese women, who see in this figure the possibility of realizing themselves and achieving their goals.

- Under Armor: American company active in the sportswear sector. It is an excellent example of how this company has successfully managed to create its own advertising campaign thanks to a video on social media. The video depicts a girl hitting a punching ball, and behind it there are some words like "it's too old" or "it's nothing special". These words, which should criticize her, actually encourage her to insist and strike ever stronger. This advertising campaign was very effective because it represents the constant struggle of women in their lives, and all the difficulties they face every day in social life.  
Since there are many advertising campaigns, the strategy of Under Armor has been to focus attention on customers, analyzing their sensitivity and understanding their needs to create real experiences, trying to be creative and involving more and more the customers with their advertising campaigns. This makes us understand why today more and more brands are transforming customers into brand representatives, asking them to create something that represents the brand and then reward the winners of the contest.
  
- Dolce & Gabbana: an Italian luxury fashion house, it is an example of how wrong communication choices can lead to banish or humiliate a brand on a national territory, in this case in China. This refers to the latest promotional video created for the fashion show of the year that the two Italian designers, Domenico Dolce and Stefano Gabbana, were organizing in Shanghai, but which was not appreciated by Chinese critics.  
The promotional video was not appreciated because it was considered sexist or racist towards China, but because it plays on cultural stereotypes that make the video in bad taste and offensive. To this was added a debate between Stefano Gabbana and Diet Prada, who published private chats with Stefano Gabbana that degrades and humiliates China. This example is important to understand how a bad social behavior has repercussions not only on an individual level, but for the whole company that, although victim of a media exaggeration, was banned from China, and probably on the whole Chinese territory, will bring a negative reputation for a long time.  
This example let us understand that it is risky to use sarcasm in a different country with different culture that has different points of reference.

Furthermore, this advertising could be offensive because the Chinese actress seems to be stupid, because they use an ethnocentric communication, in fact only Italian people can understand it, and also because they use number “four” that, for its Chinese pronunciation, it is better to avoid.

So, in this case, to be sure to use a good promotional advertising in a so different and cultural distant country, it is important to ask to a local agency to avoid these kind of mistakes.

- Huawei: For the launch of a new mobile phone, the Chinese company has launched a spot on social media that has immediately achieved a lot of success, because in addition to the usual video that shows and promotes the capabilities and characteristics of the mobile, it also makes us reflect on the use that we do with technology and various social networks. This viral spot represents a boy in a forest who sees a small unknown animal, the Gnu Gnu. Instinctively the boy takes a picture and shares it on social media. However, reflecting on the consequences this action may have, he decides to delete the photo.

This spot is considered very important because it helps us understand how we are so used to using social media today, that we no longer reflect on how we actually use them, not understanding what is right or wrong to do.

The purpose of this advertising campaign is precisely to make us understand that not all the moments of our life are made to be made public and to share them with others and that we need to reflect on the responsibility we have in dealing with the contents that we produce.

The slogan used in the advertising is "It's in your hands", an invitation to understand the power of the medium we have and an invitation to make all of us responsible for the use we make of it.

One might think that such a commercial is not the most suitable to advertise a phone, since the message is more focused on the responsibility of the individual in using social media and that often many moments should be just lived, without having to share them with the public or live them through a smartphone screen.

But one might also think that the genius of the spot lies precisely in this, and therefore in the ability to destabilize the public, which is not only considered as a marketing strategy, but is increasingly seen as a necessary and fundamental action to help people to understand how to make good use of technology and what its limitations are.

- Oppo: Oppo is a Chinese consumer electronics and mobile communications company of China. The company, on the occasion of the presentation in Paris of the new smartphone "Oppo Find X", soon launched on the Chinese market, has thought up an advertising campaign based on the so-called 3D O-Moji.

One of the features of the new Oppo smartphone is photography, which is improved thanks to the structured light 3D scanning system.

Thanks to the precision of the data collected and implemented in the front camera, the new Find X can propose a 3D Smart Selfie Capture technology.

The device is in fact able to reconstruct, with millimeter precision, the 3D model of the user's face.

Based on this model, artificial intelligence technology analyzes facial features and shape, also providing suggestions that help make the face more realistic and natural. The company relies on this feature to launch the advertising.

It is in fact possible to create O-Moji starting from any image or you can create your own avatar in cartoon format.

In addition, O-Moji can be used in any chat application to interact with friends.

Another innovation presented by Oppo is an elegant structure of the phone that allows the disappearance of the camera when it is not in use, thus allowing a wider and more panoramic view of the screen that offers a new visual experience.

Moreover, thanks to the 3D facial system, the company has integrated Alibaba's payment method Alipay into this telephone model, becoming the first Android phone capable of making payments through facial recognition.

- OnePlus: Chinese phone company founded in 2013 by Oppo. It became famous thanks to

its media campaign conducted especially online that was able to attract the attention of consumers. The slogans that accompany these products are "Flagship Killer" and "Never Settle".

This phone company has created many phones, innovating from time to time. The first video of OnePlus uploaded on YouTube concerns the OnePlus 5. It is a particular video that follows the concept of photography.

This video shows a serial killer and two guys. The girl is by the lake reading a book and, when she sees the killer approaching, she takes out her cell phone, a different model from the OnePlus, and takes a picture of him. Then the other boy approaches her apparently to help her, but once there, he advises her to change her mobile phone and take an OnePlus 5, listing all its photographic features.

This advertising spot, even if it is not considered the best, has aroused the interest of users who have shared it several times.

Also for the launch of the next smartphone model, OnePlus 6, the company has always launched an advertisement on the YouTube channel, but adopting a strategy different from its competitors. The first version of the video is launched in 2018 in different languages, including the Italian, where the collaboration of the fans is asked to create the promotional video. It is precisely this close relationship with users that is the company's flagship.

In fact, users feel privileged to be able to actively participate in the decisions to be made on the smartphones to be launched. They were instrumental in creating the video to publicize the launch of this phone model, allowing them to add comments below the published video to give advice to enrich the features of the smartphone. The purpose of the company is to create an advertisement that best represents the OnePlus 6 spirit. Several temporary videos were published, each slightly different from the previous one, and to which the users recommended changes were made.

Furthermore, at the end of each video, the names of the users who had contributed to the creation of the video were also announced. The OnePlus 6 was officially presented in London on May 17, 2018, also showing the final version of the promotional video for the launch of the smartphone, born from the collaboration between the company and its users.

This strategy is a clear demonstration of the ingeniousness of the company to make customers participate by making them feel privileged by this direct and active relationship for the creation of the advertising spot.

- Honor: In November 2018, Honor, Huawei's smartphone brand, debuted in Italy with a TV commercial for the launch of two phone models, Honor 10 and Honor View 10 Lite. In this TV commercial there are the rapper Jake La Furia and Atalanta captain Alejandro Gomez, known as "Papu".

The two rather than perform in great performance, decide to have fun with their hobbies together with Honor, launching the hashtag #DoWhatYouLike.

In fact, the video portrays Jake La Furia starting with the idea of recording a new song using his Honor smartphone, but he ends up cooking a kitchen plate, listening to music simultaneously from multiple smartphones together with his friends.

This is in fact one of the features of the new smartphone model that the company wants to advertise.

Gomez, on the other hand, proposes to use the phone to take a selfie while dribbling with an egg instead of a ball, but he also ends up recording a soap opera with friends, using his own Honor.

This part of the advertisement also highlights an important feature of the new mobile, that is the memory of 128 GB. This phone brand has always been present in a digital world ever closer to millennials (also known as Generation Y, and indicates people born between 1980s and 2000s), but now it is seen as a more traditional tool.

These two models of Honor sponsored in Italy, Honor 10 and Honor View 10 Lite, have consolidated the positioning of this brand in the sector, contributing to the continuous growth and constant development of the company. The company has decided to use TV as a means to launch their brand because they believe it is the most suitable tool to achieve different types of targets to which Honor refers.

The purpose of the company by launching this advertising spot is not to demonstrate that technology allows us to continually overcome our limits, but wants to communicate a

smartphone model that is able to accompany us at all times of our day, allowing us to do everything we like. For this reason the launch of the hashtag #DoWhatYouLike.

- Tmall: Many advertisements have also been created on the Tmall e-commerce platform on the occasion of the Single Day, which is on November 11<sup>th</sup>. This is a shopping holiday popular among young Chinese people, and the original Chinese name is “*Guanggun Jie*” (光棍节). Born primarily as a day for singles, today everyone, engaged or not, is waiting for this date to make purchases by taking advantages of Alibaba promotions. In fact, since 2008, China's largest online trading platform has started an extreme day of online sales on the Tmall portal. Embracing Chinese style and culture is one of the best ways to take full advantage of this day and its promotions. In fact, on the occasion of the Single Day, many brands that occupy a space on Tmall, try to recreate Chinese advertisements to attract users' attention. They do this by creating the "maotou" (猫头), that is the cat's head, as well as symbol of Tmall.

Below, the 10 best advertisements that have adopted this strategy on Tmall.

#### 10. GAP 2017

An American company, based in San Francisco, which produces and sells clothing and accessories. In the advertising on Tmall, on the occasion of the 11<sup>th</sup> of November, they use a scarf, which is the most sold product by the company, which includes 4 people with different facial features, one of which is Asian. And the shape of the scarf resembles the head of a kitten, a symbol of Tmall.



Source: Single Day 2018: le 10 pubblicità più cool dell'evento da 30 miliardi, (November 2018), East Media, <http://www.east-media.net/single-day-2018-pubblicita>.

## 9. PINKO 2017

It is an Italian's women's fashion brand. The advertisement represents a model coming out of a stylized cat face, releasing colors as if they were her emanations. Even the writing in Chinese 爱到出色 (aidao chuse) means "to love to the point of pulling out the colors".



Source: Single Day 2018: le 10 pubblicità più cool dell'evento da 30 miliardi, (November 2018), East Media, <http://www.east-media.net/single-day-2018-pubblicita>

## 8. TAMPAX 2017

Even this American company has managed to create excellent publicity while dealing with a delicate issue that often risks offending or falling into banality. The advertisement represents a girl who uses a tampax to surf the waves, which take the form of Tmall's cat. The message he wants to send is to travel to the new world. Innovative and certainly very effective.



Source: Single Day 2018: le 10 pubblicità più cool dell'evento da 30 miliardi, (November 2018), East Media, <http://www.east-media.net/single-day-2018-pubblicita>

## 7. M&M's 2017

Also in this case you can see the symbol of Tmall created with a window in the shape of a cat. From this we can see the space, where the planets and stars are replaced by M&M's chocolates. In the foreground there are the classic yellow and red animated chocolates.



Source: Single Day 2018: le 10 pubblicità più cool dell'evento da 30 miliardi, (November 2018), East Media, <http://www.east-media.net/single-day-2018-pubblicita>

## 6. GOPRO 2018

Since the GoPro is an instrument used for adventure photography, since it is resistant to water and shocks, the theme used for this advertisement is that of travel, representing a boy who kayaks in a cave. Many sportsmen use this action camera to shoot their actions. The cave recalls the head of Tmall's cat, from this you can see the sky, on which there is the slogan 越发现越不同 (yue faxian yue butong), that means "the more you discover, the more diversity you see". However, the cave is not the only cat's head seen in advertising, in fact there is a smaller one where eyes and nose are given from the date of the Single Day, which is "11.11".



Source: Single Day 2018: le 10 pubblicità più cool dell'evento da 30 miliardi, (November 2018), East Media, <http://www.east-media.net/single-day-2018-pubblicita>

## 5. MASERATI 2017

The Maserati kitten was also excellent, created with the car's information units, perfectly recreating the shapes of Tmall's cat, all within which is the symbol of the luxury car manufacturer.



Source: Single Day 2018: le 10 pubblicità più cool dell'evento da 30 miliardi, (November 2018), East Media, <http://www.east-media.net/single-day-2018-pubblicita>

#### 4. LIPTON 2018

Famous English tea brand, it creates an advertisement that perfectly represents London, the city from which Lipton comes. Thus we find the characteristics of the city, and so a red bus on two floors, with the shape of the kitten and inside the fruit, probably representing the variety of tea tastes that the brand offers. In the background is one of the most famous symbolic buildings in the city, the Tower Bridge in London, to emphasize once again the origin of the tea.

Also in this case we find twice the shape of the Tmall kitten, which is in fact reproduced not only from the bus but also from the date of the Single Day, and so "11.11".



Source: Single Day 2018: le 10 pubblicità più cool dell'evento da 30 miliardi, (November 2018), East Media, <http://www.east-media.net/single-day-2018-pubblicita>

#### 3. LAB SERIES 2017

It is a brand of creams for men. The advertisement created for the Single Day on Tmall shows the blue cream mask, which represents the color of the brand, that perfectly recalls the shape of a cat. There is also a Chinese written that says 理想型蓝 (lixiang xinglan) which means "aspire to be a fashion blue". Creativity lies in the sound word game created

by 型蓝 (xinglan), which recalls the pronunciation of 型男 (xingnan), which indicates a fashionable and beautiful-looking man, who represents the target the brand refers to.



Source: Single Day 2018: le 10 pubblicità più cool dell'evento da 30 miliardi, (November 2018), East Media, <http://www.east-media.net/single-day-2018-pubblicita>

## 2. GILLETTE 2017

Gillette is also included in the list of the ten best advertisements launched on the e-commerce platform on the occasion of the Single Day. Here we find the symbolic cat's head represented by a mirror in which a father and a son are reflected. This is not only a moment of family sharing, but it is also a cross-cultural example because the faces represented follow the somatic features of a Chinese face. Even the sentence that reads above concerns a play on words. In fact the word 无可剃代 (wuke tidai) means "you can't not shave", but the sound is the same as the phrase 无可替代 (wuketidai), meaning "irreplaceable", referring to the irreplaceable razor blades of Gillette.



Source: Single Day 2018: le 10 pubblicità più cool dell'evento da 30 miliardi, (November 2018), East Media, <http://www.east-media.net/single-day-2018-pubblicita>

## 1. COCA COLA 2018

Coca Cola occupies the first place, in Chinese its name is 可口可乐 (kekoukele), which does not only recall the sound of the brand, but the meaning is also important, in fact it

means that it has a good taste and that it makes you happy.

The advertising launched on the occasion of the Single Day is perfect, using the red color, which is not only the color of the brand, but also the color of Tmall and the Chinese holidays. The cat's ears are formed by the head of two people who are sharing a bottle of Coke. Moreover, to follow the oriental tradition, the girl's cheeks were colored in red, typical of the culture of eastern countries. All these features have been fundamental to make the perfect advertisement.



Source: Single Day 2018: le 10 pubblicità più cool dell'evento da 30 miliardi, (November 2018), East Media, <http://www.east-media.net/single-day-2018-pubblicita>

- Alibaba: The Chinese giant has not only revolutionized the world of online commerce, but is also revolutionizing that of advertising, changing the way of marketing starting from the root. This platform, thanks to artificial intelligence, has succeeded in developing an algorithm capable of producing 20,000 lines of advertising texts in a second, making it possible to make the most of the time and creativity of brand marketers, without replacing company marketing with new technology. In fact this method will not replace the figure of the brand marketer, but will help these figures to work more efficiently.

This solution would have already passed the Turing Test, that is the criterion suggested by Alan Turing, to determine if a machine is able to think, thus proving to be able to operate as a human being. This algorithm in China is already used by many brands and some Alibaba platforms, including Tmall and Taobao. For the moment, this technique is able to generate advertising texts only in Mandarin, giving users the possibility to choose the style of message they prefer. Various styles are proposed, including: functional, promotional, poetic, amusing or touching style. This is not the only type of artificial intelligence launched by Alibaba. The platform, in fact, had also released an intelligent

banner designer, able to autonomously modify the layout of an advertisement on a site, and an advertising video-editing tool, able to quickly generate short commercials to be used on the Taobao platform. In September 2018, Alibaba and the ICE (National Institute for Exports) launched "helloITA" on Tmall's platform, to bring the culture and excellence of Made in Italy to China, favoring the export of Italian companies. About 80 Italian companies, coming from the most important Made in Italy sectors, such as fashion, wines, food and lifestyle, have already joined the project, with the aim of educating Chinese Internet users on the uniqueness and value of Made in Italy, focusing mainly on the most popular Italian holidays, such as Christmas, Mother's Day and Valentine's Day.

So, when you want to advertise in China it is important to remember the cultural differences of the country, trying to create a distinctive spot and that at the same time can be successful in a market different from the western one. Local communications companies often use an eccentric and aggressive visual language that Chinese users like. They are in fact attracted by bright colors, excessive contrasts and dazzling backgrounds. Even if for Westerners the use of too bright colors is not very elegant and therefore not suitable for our tastes, the same cannot be said for Asian users, which is why the large multinationals that want to enter the Chinese market must keep these characteristics and differences in mind in order to be successful even among Chinese consumers.<sup>25</sup>

---

<sup>25</sup> Gabriele CELERI, *Il Digital Marketing in Cina*, 29<sup>th</sup> January 2019, <https://technoodles.altervista.org/digital-marketing-in-cina>

### **3.2 How to reach Chinese consumers**

China is a big market with great potential that must be reached with adequate tools. Starting from the point that China is a geographically and culturally distant country, it is necessary, for those who want to deal with marketing in China, to change their corporate strategy, since Chinese consumers have different tastes and uses, that the companies that want to expand in this market must be able to correctly intercept. This way of working is useful also for the so-called digital world, since China is the country that has the highest number of web users. In fact, in China there are 751 million connected users, out of a population of 1.4 billion, favoring the spread of digital marketing.

This goes through different channels, ranging from social media to search engines, to e-commerce platforms, each of which plays an important role. But it is important to keep in mind that in China the leaders of the sector are different from those we are used to seeing in the West.

For example, in China the most used search engine is Baidu. Google is in fact used mostly only by foreigners residing there. This search engine is entirely in Chinese language and collects almost 75% of user searches. It is not only used for searches done from the desktop or mobile, but also for its linked platforms, such as Baidu Baike, which could correspond to our free encyclopedia, Wikipedia, and Baidu Tieba, a kind of Google+.

So, if a company wants to expand into the Chinese market, it is essential that your site is not only correctly translated into the Chinese language, but must also be suitable for this search engine.

Instead, for Social Media Marketing, you need to know the most common applications in China and you have to be able to use them correctly.

In fact, Chinese users to communicate and share information do not use Facebook, WhatsApp or Instagram, as Western ones, but local applications such as WeChat and Weibo.

WeChat was born as a messaging platform, similar to our WhatsApp, but thanks to the advanced and innovative features, its popularity has grown to the point of registering about a billion users. In fact with WeChat it is not only possible to send messages and share photos

and moments, but you can also book restaurants, taxis, flights, follow official brand pages, make payments both online and offline or simply transfer money to other contacts. It is interesting to note how the WeChat payment system, WeChat Pay, is increasingly widespread and used by Chinese consumers, reaching Alipay's market share in a few years, that is the payment system designed by Jack Ma and used on the e-commerce platform Alibaba.

Weibo instead is a mix between Instagram, Facebook and Twitter, and represents the platform most used by celebrities, organizations or companies that want to establish direct communication with end users. Unlike Twitter, Weibo has greater potential, it is possible to create surveys, microblogs, and simultaneously share videos, photos and files.

It is one of the most used platforms in China, because it allows users to search for information in real time, which is why the collaboration with Chinese influencers on the platform is strategic. In fact, often a post is enough to do a more in-depth research, directly controlling the brand's e-commerce site.

In China there are many platforms for online commerce, such as Alibaba, Tmall and JD, but we also find platforms for niche trade, such as for luxury goods or for the design and furnishing sector.

In conclusion, for a company that wants to penetrate the Chinese market, it is essential to know and use local Chinese platforms, just as it is important to create a message that is suitable not only for the tastes of the local population, but also for their culture.

For this we need to consider some fundamental points. For example, when you place a product on the market, you have to pay attention to the name of the brand with which you launch the product, since in the Chinese language it could have a negative meaning or it would simply be difficult to pronounce or remember for a Chinese. Furthermore, it is important to study a communication strategy that takes into account not only their culture but also their different calendar.<sup>26</sup>

---

<sup>26</sup> Cecilia LORUSSO, *L'abc del Marketing in Cina: come raggiungere i consumatori cinesi*, 10<sup>th</sup> August 2018, <https://www.engage.it/rubriche/abc-del-marketing-in-cina-east-media>.

### 3.3 How culture influences consumers

As mentioned above, China is a country culturally distant from ours. Although with the spread of the Internet it is possible to communicate in real time with anyone from the other part of the world as if there are no distance, in reality some distances exist at a cultural level. For this reason, for a company that wants to penetrate the Chinese market, it is essential to understand local consumers and to know how to behave with them.

For example, being China a collectivist country, unlike the individualistic countries of the West, when companies launch an advertising campaign on that market, they try to highlight the values of this collectivist culture, focusing above all on families and groups of people, while in the United States, for example, it is based more on the individual and the single person.

But, despite the economic power and the level of modernization that this country is reaching, the idea linked to the superstition of some Asian communities remains strong.

China is in fact one of the most superstitious countries in the world. These superstitions also concern colors and numbers, which having a different meaning, represent some of the fundamental cultural aspects that must be known and taken into consideration in order to reach the Chinese consumers.<sup>27</sup>

#### 3.3.1 *The importance of colors in China*

Colors influence the perception of brands, products and advertising. In marketing, they are very important because they affect consumers' perception of the brand. For example, taking into account the effects of brand recall or brand recognition, it is possible to recognize a brand thanks to the association with the color of the logo.

In some cases, color can also become the distinctive element of the brand and be registered as a color brand, such as the color blue tiffany.

Culture is one of the elements that can affect the perception of colors. In Chinese culture, for

---

<sup>27</sup>Tiziano VESCOVI, *International Marketing To China*, McGraw-Hill Education, 2018, pp.79-80.

example, white is associated with mourning, while in Western culture it is the color of purity and innocence. Proper use of colors can help to differentiate their products from competitors, and it is also able to influence the mood and emotions of consumers, and therefore also their attitude towards certain products.

For example, if in a given category all brands have the blue logo, changing color could be a distinctive factor for a competitor brand.

Many brands adapt different colors to the site or to their stores depending on the country where they are located.

For example, many fast-food restaurants have their own red color brand; but in countries like in Italy, where it is considered important to consume healthy foods, Mc Donald's mainly uses the color green on its site, as it is associated with agriculture and therefore with eco-sustainability.<sup>28</sup>

Especially in China a lot of importance is given to colors, each of which has a different meaning and is associated with a message or a specific feeling.

The main color, which can be considered as the Chinese national color, is red 红 (hóng), the color of the Chinese national flag. This color is connected with luck and holidays.

For example, we can find this color for the Chinese New Year, the Spring Festival (春节, Chúnjié), where everything is decorated with red elements, such as lanterns, clothes, dragons, decorations and so on, to wish good luck. And on these holidays, Chinese children receive the so-called red envelope 红包 (hóngbāo) containing money.

There are also several exclamations containing the red 红 (hóng) character, said to wish good luck. For example, we can use the term 红运 (hóngyùn), "red luck" to indicate luck, or use the phrase 走红运 (zǒu hóngyùn) "walk in red luck" to indicate a lucky period in one's life. We find the character of "red" also in the expression 红火 (hónghuo) "fiery red", mainly used to indicate a prosperous and flourishing business.

Or even the expression 开门红 (kāimén hóng), literally "open the doors in red", used to indicate the good start of a commercial activity.

---

<sup>28</sup> Raquel BAPTISTA, *Colori nel marketing, come scegliere quelli giusti per la propria strategia*, 14<sup>th</sup> January 2018, <https://www.insidemarketing.it/colori-nel-marketing-strategia>.

According to Chinese tradition, the typical color of marriage is not white, but red, a symbol of love and prosperity. Not just for the dress, but this color should also be chosen for all accessories and jewelry.

We can also talk about a socialist red, linked to this revolutionary tradition that used this color as its flag and a sign of recognition. For this the term "red heart" 红心 (hóngxīn) is used to indicate a person loyal to the socialist cause.

While the name of 红太阳 (hóngtàiyáng), "red sun", was used to indicate Mao Zedong, while his writings are known as 红宝书 (hóngbǎoshū), or "precious red books".

The white color 白 (bái) is universally considered as the color of innocence and purity, but in China it has a negative meaning, indicating mourning and therefore death.

In fact, the Chinese expression 白事 (báishì) is a "white event", indicating a funeral. For this reason, in China white flowers are much less used as decorative elements.

Black color (黑, hēi), according to Chinese tradition, indicates both darkness and also honor, it is in fact the color used in Chinese theater to make up the face of characters characterized by great moral integrity.

However, it is also used for some expressions that refer to illegality and the mafia, such as the expression 黑社会 (hēishèhuì) "black societies", used precisely to indicate criminal organizations, or the expression 黑会 (hēihuì) to indicate the clandestine meetings made by criminals, or the term "black street", 黑道 (hēidào) to indicate the path of crime.

Another important color according to Chinese tradition is the yellow 黄 (huáng), considered the color of the emperor and therefore of the authority, and this is the reason why in ancient China common people were forbidden to wear yellow.<sup>29</sup>

### 3.3.2 *The importance of numbers in China*

As well as the colors, even the numbers have a special meaning in the Chinese tradition and influence consumers' attitudes in the same way. All cultures have good or bad auspices, which affect not only the daily life of each of us, but also the purchasing choices.

---

<sup>29</sup> Aldo TERMINIELLO, *Il significato dei colori in Cina*, 18 May 2018, <https://www.saporedicina.com/significato-dei-colori-in-cina>.

For this reason, marketing, which relies heavily on attention to detail, to be successful in China, must be able to implement a cross-cultural marketing strategy that allows it to fully understand these characteristics and peculiarities of a given culture.

For the Chinese the numbers are very important, and it is necessary to keep it in mind to launch a good marketing strategy on this market.

Chinese popular culture makes a clear distinction between the numbers considered lucky and those considered unlucky. These are so deeply held beliefs that there is an high demand of that numbers considered auspicious for house numbers, telephone numbers, bank accounts, driving licenses and for any other combination.

For example, in 2003, the Sichuan Airlines company spent more than 2 million yuan for the purchase of the phone number. The reason? The number in question was formed by a constant repetition of the number 8, which according to Chinese tradition, is the luckiest number, because the pronunciation recalls the word prosperity (fa 发).<sup>30</sup>

It is no coincidence that the inauguration of the Olympic Games held in Beijing took place on 08/08/2008. According to legend, the festivities began exactly at 08, 08 minutes and 08 seconds. Number 8 is opposed by the number 4, the most feared by the Chinese.

It is considered an unlucky number because it has the same pronunciation as the word "death" (死 Sǐ). The number 4 in Chinese, can be linked to numbers 13 and 17 of Italian, considered unlucky numbers, especially if they fall on Friday. In fact, the Italian hotel rooms lack the 17<sup>th</sup> one, as in the Chinese hotels the fourth floor is missing, passing directly from the third to the fifth one.<sup>31</sup>

Here a brief explanation of the numbers according to the Chinese tradition, to understand which are the positive numbers and which ones it is better to avoid to obtain success in this market.

Among the lucky numbers we have:

- Number 0: it indicates the beginning of everything, and so it is seen as a positive number.

---

<sup>30</sup> Cecilia LORUSSO, *Numeri in cinese: la guida al loro significato*, 30<sup>th</sup> January 2018, <http://www.east-media.net/numeri-in-cinese-significato>.

<sup>31</sup> Vincenzo SCAGLIARINI, *Internet dei numeri, così funziona il web in Cina*, 23<sup>rd</sup> May 2014, <https://www.linkiesta.it/it/article/2014/05/23/internet-dei-numeri-cosi-funziona-il-web-in-cina>.

- Number 2: according to a Chinese saying, "good things come in pairs", which is why the Chinese think that double brings good, and for this reason even the ornamental decorations are made in pairs, like two figurines or two candles. This explains why Chinese brand names often repeat the same character twice.
  - Number 3: considered a lucky number for a homophonic question, its pronunciation (sān), recalls the sound of 生 (shēng), that is life, to be born.
  - Number 6: unlike the West, in China it is a number that brings good luck, because it is homophone with the character 流 (liú), which means fluid, indicating that something can flow smoothly without too many hitches. For this reason, many companies use this number for their business, so that things can flow without too much difficulty.
  - Number 8: as mentioned before, the number 8 is the lucky number par excellence according to Chinese tradition, precisely because the pronunciation recalls the sound of the character (fā), that is success, prosperity. Furthermore, the script 88 is similar to that of 囍 (shuāng xǐ), that means double joy.
  - Number 9: It is a lucky number, because its pronunciation is similar to the word indicating "eternity, long-lasting" (久 Jiǔ), for this reason it is the preferred number for weddings. It was considered the number of the emperor, since the ancestors thought that the last number of human beings was nine, starting from ten, the numbers belonged to the sky. Precisely for this reason in the forbidden city (residence of the emperor in Beijing) the rooms are 9,999. Instead, the most important number to avoid is number four:
  - Number 4: it is the most unfortunate and feared number by all, precisely because, as mentioned before, it has a pronunciation similar to that of the character indicating "death", 死 (sǐ). It is no coincidence that his presence is prohibited in many places or contexts.
- This is mainly the only number that is better to avoid when dealing with Chinese consumers, while the other numbers not listed above do not have a particular meaning, and therefore would not affect the several marketing strategies on the Chinese market.<sup>32</sup>

---

<sup>32</sup> Cecilia LORUSSO, *Numeri in cinese: la guida al loro significato*, 30<sup>th</sup> January 2018, <http://www.east-media.net/numeri-in-cinese-significato>.

### 3.3.3 Branding name in China

The brand of a product represents an important point to what companies have to pay attention, since the reputation and perception of a brand is important to understand the level of education of a market, in fact the value of a brand encompasses not only product information, but also the reputation, the competitive position of the company and the collective experience of use. And so, the brand is important to build the entire product culture.

In brand strategies, we focus mainly on 4 main aspects:

1. The value that a brand has for a Chinese consumer;
2. Translation of the brand according to the Chinese language and culture;
3. Need for reassurance, experience and brand visualization;
4. Importance of brand leadership in a given context.<sup>33</sup>

When entering a foreign market it is necessary to translate the name of the brand, both for linguistic and cultural reasons.

As explained by American professor Kevin L. Keller, brand equity is formed by brand awareness, that is the brand's ability to be remembered and recognized by the customer. Brand recognition is the customer's ability to recognize a brand thanks to a series of external stimuli. Brand recall, on the other hand, is the consumer's ability to remember a brand as it is present in his mind; and from the brand image, that is the values that consumers associate with the brand.

The ability to know how to adapt a brand to the cultural references of a country represents a strategic move of the utmost importance for China. In fact, a brand contains various identifying elements, such as the name, color, logo, graphic images and signs.

There are several factors that influence the choice of the name, for example you can use a name that reflects the benefits that the product gives or that indicates the characteristics of the company that produces it, or the desired positioning and the promised quality.

Chinese writing consists of characters with specific sounds and meanings that can influence the perception that the consumer has of the brand. It is not enough to simply translate a name

---

<sup>33</sup> Tiziano VESCOVI, Andrea PONTIGGIA, *Panni Stesi a Pechino, Esploratori e Pionieri nei Nuovi Mercati Internazionali*. Egea, September 2015, pp. 64-66.

into Chinese characters, as the final result may not make sense.

There are several ways to effectively translate the brand name:

- Maintain a sound similar to the original one, not only for a phonetic coherence, but also to guarantee the recognition of a specific brand on a global level, while making sure that the association of Chinese characters does not create a negative meaning.

An example of this strategy are the Audi cars, which in China are known as 奥迪 Aòdí.

The association of these two characters has no meaning in Chinese, so it is clear that it refers to a Western product, capable of attracting the attention of consumers influenced by internationalization.

- Build meaning to promote good brand positioning, even if the result is far from the original brand pronunciation. To implement this method, it is important to remember that usually the Chinese name consists of only two maximum three syllables. This leads to a completely new name, but the colors, the logo and the typical graphic elements of a given brand remain the same.

An example is Heineken beer, which has translated its name with 喜力 Xǐlì, which means happiness and power. Although the brand does not have a real meaning, however there is a positive association with the brand name.

- Cultural similarity, which consists in the creation of a name that has a positive value in Chinese culture, so as to obtain the approval of the local consumer since it follows the typical values of their tradition, even if the final sound is completely different from the original one.

An example is the Red Bull energy drink, which was translated as 红牛 Hóng niú, which literally means "red cow". In fact, according to the Chinese horoscope, the cow is a positive animal, which represents work, robustness and meekness. Unlike the bull, symbol of Red Bull in the West, which has no cultural value in the Chinese tradition, while here it is a symbol of the strength and energy that the drink should provide.

- Integrating sound with meaning is another option that can be adopted, and their combination represents the preferable solution, since both the sound and the meaning are positively linked to the original name of the brand.

An example is Ikea, which has translated its name into 宜家 Yí jiā, which not only maintains a similar sound, but also creates a positive meaning, it means suitable home, perfectly in line with the brand's mission in global terms. Furthermore, it is also a solution consistent with Chinese culture, according to which the main values are the home and the family.

Another example is Coca Cola, which has chosen the Chinese name 可口 可乐 Kěkǒu kělè, which literally means good to drink and makes happy. In this case the characteristics of the product are linked with the results that can be obtained from the use of this drink.

- Another strategy that can be used is to leave the original name, without any modification, recalling the concept of globalization and international product. This strategy is often used for luxury goods.<sup>34</sup>

The use of English in China is still not widespread, so it is appropriate to use Chinese to be able to sell in this market.

However, it is necessary to know how to make a good translation, also taking into consideration the different methods listed above, and not to entrust the translation to an automatic system that with semantic and grammatical errors could give the user the impression of lack of attention and quality, inspiring little confidence in the new market.

---

<sup>34</sup> Ibid., pp. 68-73.

### 3.4 Marketing campaigns on WeChat

Another form of e-commerce that is rapidly spreading in China, concerns m-commerce, or mobile commerce. This is made possible thanks to the increasing use that the Chinese make of the mobile phone. M-commerce can be linked to an O2O (online to offline) marketing strategy, which allows consumers to learn about products online, see which ones they prefer and then go to a showroom or store to experience the same offline experience.

M-commerce is already having great success in China thanks to the WeChat app, which is thought to become the future m-commerce platform in China.

WeChat is the most used application by Chinese users, the most active and well-known messaging platform in China, with over 800 million users a month. For this reason, it is often in the midst of marketing strategies in China. In fact, many companies that want to penetrate this market see this application as a winning move to increase sales in China.

For brands, in fact, it is important to find a way to interact with their customers and, at the same time, be able to create interesting content for the followers, not only to create an interaction with them, but also to obtain the trust of users.

Making marketing on WeChat is convenient, in fact you can use this platform to launch promotions, present new products, create contests or simply games to interact with your customers. Recently, many luxury or fashion brands have opened a corporate account on WeChat, to interact directly with followers. But seeing the effectiveness of this application, more and more brands include WeChat in their marketing strategies in China, to be able to interact with their potential customers, attract their attention until the final phase of the online or in-store purchase.

The analysis of 10 case studies of famous brands that have achieved great success on the local market thanks to the use of this application is set out below.

1. Montblanc: The Swiss watch brand has used WeChat to launch a campaign that focuses attention on the phases of the moon, reconnecting to the importance of this theme in the Chinese cultural tradition, and the popularity of Chinese astrology.

Montblanc has allowed its customers to participate in a promotion related to some models

of watches that include a mechanism that describes the rise and set of the moon. Participants in this promotion must simply indicate the name, gender and date of birth in the app, thus obtaining information on the progression of the lunar phases at the time of their birth to understand how these can influence certain aspects of their life, as: their personality, hobbies, relationships and work inclinations. This initiative was influenced with the help of the famous Chinese astrologer Wang Xiaoya.

2. Yves Saint Laurent: The French fashion house has launched an advertising campaign on WeChat called "Kissing Habits Survey" to promote its lipstick collection. To participate, members had to first register by entering their gender and star sign, and then fill out a kiss questionnaire. When all was finished, they received advice on which lipstick to buy based on their characteristics. Subsequently, Yves Saint Laurent launched another marketing strategy with the "An Invitation To Kiss" campaign, a mini-film based on six couples and how each of these is based on a particular lipstick color from a given collection. To participate, you had to share your love story in order to win one of the products. It immediately became viral, involving many followers.
3. Tiffany & Co.: The most famous jewelry brand in the world has created a strategic campaign on the occasion of the Chinese Valentine's Day, the QiXi, 七夕, so named because it falls on the seventh day of the seventh lunar month. This campaign was based on sharing a photo that shows a sign of love, and you could win coveted awards. Also in this case the initiative was well taken by the followers, immediately becoming viral even beyond the great wall of China.
4. Burberry: The British brand has decided to use WeChat to give its followers the chance to live an exclusive experience. In fact, through WeChat, users could not only watch the Fashion Week Autumn/Winter 2014 and the photos of the event, but they also had the opportunity to read messages from famous people or listen the audio of some designers who commented on some proposed styles. Thanks to these interactive methods, Burberry

allowed its followers to take part in the event, like an exclusive club.

5. Mercedes-Benz: The automotive brand has created a WeChat campaign on the occasion of the FIFA World Cup. To win prizes, those registered for this campaign had to send their “good luck” to the German national team, the soccer team sponsored by Mercedes Benz, thus combining the interest of the automotive sector with that of the football sector.
6. Olay: An American skin care line has developed a game on WeChat called "Fair and Rosy Skin, Show Your Meng-ness Cheek to Cheek". With this campaign, the US brand asked its followers to share their results with them, in return they could win hongbao on WeChat, and so red envelopes containing money.
7. Michael Kors: To celebrate the main Michael Kors store opened in Shanghai, the fashion brand has launched an event called Michael Kors Jet Set Experience. On the occasion of this event, Michael Kors has developed on WeChat a special app called "Jet Set Experience" that allowed followers to access live images allowing the interaction of news between the store and online.
8. Tag Heur: Swiss watch brand that, on the occasion of the touring exhibition “La Maison” created an O2O marketing strategy (online to offline) thanks to the use of WeChat. The Swiss company encouraged users to visit a store or attend a particular event, providing them with a high-quality experience, developing a game that allowed users to scan a QR code and fill out a questionnaire during a visit to a certain exhibition. At the end of the exhibit, participants with correct answer were awarded a prize.  
  
O2O marketing is so relevant to luxury brands that want to encourage customers to receive a high-quality in-store experience.
9. Kate Spade: American fashion brand that has exploited a technological WeChat option that allows brands to incorporate smartphone games into their marketing strategies. This

fashion house launched a game with Chinese lanterns for the mid-autumn festival, the so-called Zhōngqiū jié (中秋节), which allowed users to choose the color of a lantern and the message they wanted to write on, then letting it fly into the sky.

10. Piaget: The Swiss watch company, during the celebration of QiXi 七夕, the Chinese Valentine's Day, created a campaign that allowed participants, through the use of a special app, to write a short poem to send to the loved one.<sup>35</sup>

In conclusion, we can say that many brands have decided to use WeChat for their marketing strategies as this element represents a fundamental platform in China. For these companies that want to extend into an emerging market such as China, it is essential to make use of social media to achieve greater success among users, thus increasing their visibility on the market, and managing to create an increasingly positive image thanks to this cross cultural approach.

---

<sup>35</sup> *Campagne di Marketing su WeChat: 10 case study di brand famosi*, 20<sup>th</sup> December 2016, <http://www.east-media.net/campagne-marketing-wechat-10-case-study-brand-famosi>.

## Chapter IV

### Two different cultures, two different platforms: Alibaba vs Amazon

E-commerce in China is born with Alibaba, also called the Chinese Amazon. Despite being compared to an American platform, it still has obvious differences, emerging as a solution to the country's lack of infrastructure.

The continuous progress of the Internet has favored the birth and development of these online platforms, which have been essential factors for the economic growth of the country, favoring the purchase and sale of products in an easier and faster way.

The most important e-commerce platform in China is Alibaba, a platform able to put the seller in contact with the buyer.

Alibaba has achieved much success in China, thanks above all to the skills of its founder, Jack Ma, who was able to create a platform that meets the tastes and expectations of local consumers.

In this chapter, we analyze Alibaba, examining its national and international competitors, and therefore the American giant Amazon.

Since many, albeit mistakenly, call Alibaba as "the Chinese Amazon", in the following chapter an analysis of the two platforms is made, highlighting what differentiates them.

But despite the differences that are listed, Alibaba and Amazon also have common traits, namely the influence of Black Friday on the Chinese platform. Jack Ma, in fact, tried to create an event similar to Black Friday to increase sales and therefore the company's profit, moving these promotions to November 11th, a day already known in China as the Singles' Day.

But, although Amazon is a globally successful platform, the same cannot be said for its work in China. In fact, failing to cope with local competition, the founder Jeff Bezos thought that it was better to leave China and focus on activities in other countries.

## 4.1 Alibaba and its competitors

Alibaba Group ( 阿里巴巴集团, Ālībābā Jítuán) is a Chinese e-commerce platform based in Hangzhou. When Jack Ma launched Alibaba.com in 1999, he was an English teacher. Alibaba represented a business to business (B2B) e-commerce platform, able to put the seller in contact with the buyer. This e-commerce company provides online platforms that other users can use to buy and sell goods, representing a substantial means for all those who want to sell their products and services on the Chinese market. The platform has grown to become one of the largest e-commerce companies in the world, occupying the first place in the online sales sector. Despite this, Alibaba remains an e-commerce system for small businesses, putting them in contact with suppliers and buyers from all over the world and helping them find manufacturing companies, wholesalers and exporters.

On this platform it is possible to find a wide variety of products, from electronic products to clothing, from cosmetics to food, and so on.<sup>36</sup>

In China, Alibaba was so successful thanks to Jack Ma that understood that Chinese people were reluctant to trust strangers and his ability to identify their needs and serve those needs effectively. When he launched this platform, Jack Ma offered some free services to buyers and sellers, generating revenue through additional services and advertisements.<sup>37</sup>

When he decided to launch Alibaba in China, he realized that it was essential to import a foreign model to generate the curiosity of Chinese clients.

So he took the eBay platform as a reference point, creating an online marketplace capable of connecting buyers and sellers. Jack Ma understood that it was not enough to just copy eBay, but it was important to adapt this model to local taste.<sup>38</sup>

This is an important aspect that can interest any foreign company that wants to create an electronic portal to sell in China, in fact it is not only important to understand how to

---

<sup>36</sup> Andrea MINOIA, *E-commerce: Cina, chi sono i principali concorrenti di Alibaba*, 7<sup>th</sup> November 2018, <https://dcommerce.it/mercato/e-commerce-cina-principali-concorrenti-alibaba>.

<sup>37</sup> Tiziano VESCOVI, *International Marketing To China*, McGraw-Hill Education, 2018, p.3

<sup>38</sup> Marco GERVASI, *L'e-commerce cinese che sfida Amazon*, Il Sole 24 Ore, 9<sup>th</sup> November 2015, <https://nova.ilsole24ore.com/frontiere/lecommerce-cinese-che-sfida-amazon>.

advertise the product, but it is also necessary to work on the graphic aspect to respect the expectations of the user who will go to browse the site.

At present, the main Alibaba platforms are Tmall and Taobao, which occupy more than 50% of the Chinese electronic market share. Because of the lack of adequate infrastructure in China, Alibaba and its platforms have had to create a new online infrastructure that would make online transactions possible. One of the first problems that arose was the payment system. It was necessary to find a safe method both for those who sold and for those who bought. Also in this case Ma Yun was able to create a reliable online payment system, called Alipay. This secure system helped increase sales. It is the central node that connects the seller with the buyer. When the buyer decides which product to buy, he pays the sum of money through the Alipay system. The sum paid, is kept and "frozen", in fact Alipay, instead of transferring the money to the seller's Alipay account immediately, keeps the money as escrow and informs the seller that the buyer has made the payment.

Then, being sure that the customer has paid, the seller sends the product to the buyer, even if he still does not collect the money. The buyer receives the product and checks it.

If there are no anomalies and the product is fine, the seller can collect the amount that is released by the buyer. Otherwise, if there are some anomalies, the buyer informs the seller sending back the product. The buyer can decide if he wants to change the goods, receiving the good product, or if he wants to cancel the order. In this case the sum of money remains blocked.

The e-commerce industry has effectively promoted the development of industries such as manufacturing, distribution, broadband, logistics, and payment, with new services, new markets and new economic organization. In this way, the traditional economy has been transformed and upgraded, promoting the improvement of China's GDP.<sup>39</sup>

An important role to obtain these results is played by Alibaba, that being one of the most

---

<sup>39</sup> XU Weihang 许璞航, "Ālibābā diànzǐ shāngwù fāzhǎn shuǐpíng de kōngjiān géjú jí yǐngxiǎng yīnsù yánjiū - jīyú 285 gè dì jí shì de jiémiàn shùjù" 阿里巴巴电子商务发展水平的空间格局及影响因素研究 - 基于 285 个地级市的截面数据, (A Study on the Spatial Pattern and Influencing Factors of Alibaba's E-Commerce Development Level - Cross-section Data Based on 285 Prefecture-level Cities), Northeast Normal University, Changchun, 1<sup>st</sup> May 2019.

successful online platforms in China, was able to encourage the country's economic growth. The complexity and diversity of e-commerce channels have influenced the unique selling propositions of e-commerce and the size of the market in China.<sup>40</sup>

If on the one hand this platform has achieved continuous successes, on the other hand it faces competitors not only on the national territory, but also on a global level.

One of Alibaba's main domestic competitors is JD.com, another Chinese e-commerce company established in Beijing in 1998. It is a B2C platform, which initially sold electronic products, but then began to deal with a variety of different products, such as food, books, household products and those for children.

On the Chinese national territory, it ranks second in the e-commerce sector, immediately after Alibaba. Unlike Alibaba, JD has its own national shipping network to ship the goods directly to consumers. The strength of JD is in the logistics, constantly updated to guarantee a shipment throughout the national territory in 1-2 days, making it difficult for rivals to compete. For this reason, many luxury brands rely on JD.

While internationally, one of Alibaba's biggest competitors is Amazon.

Amazon is an American online trading platform, based in Seattle. It was one of the first large companies to sell products on the internet.

At the beginning Amazon sold only online books, but soon it expanded the variety of products it offered, and today it is possible to buy all kinds of goods on Amazon, such as electronic products, clothing, food, children's products, video games etc.

Nowadays, Alibaba and Amazon are considered as the two largest platforms in the world. While Amazon is very successful in the western countries, Alibaba is successful in eastern countries, creating a great competition between the two online platforms.

---

<sup>40</sup>XIE Xintong 谢昕彤, "Xīn méitǐ shídài xià wǒ guó kuàijìng diànzǐ shāngwù de fāzhǎn qūshì tàntào - yǐ ālibābā sù mài tōng wéi lì" 新媒体时代下我国跨境电子商务的发展趋势探讨—以阿里巴巴速卖通为例 (Discussion on the Development Trend of Cross-border E-commerce in China under the New Media Era - Taking Alibaba AliExpress as an Example), Zhejiang University of Finance and Economics Oriental College, Zhejiang, 30<sup>th</sup> September 2018.

## 4.2 Analysis of this two platforms

Analyzing platform-based e-commerce companies, it becomes clear that these differ from each other as each tries to satisfy the needs of users by creating key products able to satisfy the needs and expectations of customers.<sup>41</sup>

Considering Amazon and Alibaba as the two major online trading platforms, it is important to analyze them to see not only in what they differ but also how they influence each other, to try to understand why a platform that gets success in one country fails to achieve the same success in another country.

### 4.2.1 Turnover and customers in 2016



[Table 1:](#) Amazon and Alibaba turnover over the years.

Source: Alibaba vs Amazon: la battaglia tra due giganti e due modelli di e-commerce, (June 2017), M101, <https://www.m101.it/wp-content/uploads/2017/06/evoluzione-volumi-affari-amazon-alibaba.png>.

<sup>41</sup> TAN Jingguo 谭经国, “Píngtái xíng diànzǐ shāngwù qǐyè shāngyè shēngtài xìtǒng de gòujiàn yánjiū - jīyú ālibābā de ànlì fēnxī” 平台型电子商务企业商业生态系统的构建研究—基于阿里巴巴的案例分 析 (Research on the Construction of Business Ecosystem of Platform-Based E-commerce Enterprises - Based on Alibaba Case Analysis), Gansu, 15<sup>th</sup> March 2019.

The chart shows that in 2016 Amazon has more turnover than Alibaba, in fact Amazon has registered 136 billion against 23 billion for Alibaba.

But, what is important to note from the chart, is the percentage of platform growth in a year, of 27% Amazon against 56% of Alibaba.<sup>42</sup>

So, even if the turnover of Alibaba in 2016 is less than that of Amazon, the most important point on which attention must be focused is the speed of growth that distinguishes the Chinese giant.

#### *4.2.2 Distributor versus marketplace*

One of the most significant differences between the two platforms is in the economic model they present. While Amazon is more like a distributor who personally handles the purchase of goods, sells and sends products directly to the customer, Alibaba is a sort of marketplace, acts as an intermediary, connecting sellers with customers, therefore, unlike Amazon, he does not deal with purchases, warehouses and sales.

Analyzing Amazon, we can say that:

- Amazon relies heavily on logistics, sellers can in fact distribute the products in the various Amazon stores to manage shipments, stock, deliveries and returns of goods;
- It is very organized on delivery services, also having aircraft for delivering goods in different countries. In 2017 it also announced a huge investment in its own air transport, to guarantee customers a fast and efficient service;
- In December 2014 it launched Amazon Prime Now, allowing customers to order shopping directly from home, with delivery in one or two hours. Amazon fresh food also allows the delivery of fresh products;
- Logistics infrastructures represent a fundamental factor for Amazon's business, to guarantee all these services, it naturally has a large number of employees.<sup>43</sup>

---

<sup>42</sup> Giovanni CAPPELLOTTO, *Alibaba vs Amazon: la battaglia tra due giganti e due modelli di e-commerce*, 12<sup>nd</sup> June 2017, <https://www.m101.it/19103-alibaba-vs-amazon>.

<sup>43</sup> Ibidem.



Table 2: Number of employees of Amazon and Alibaba

Source: Alibaba vs Amazon: la battaglia tra due giganti e due modelli di e-commerce, (June 2017), M101. <https://www.m101.it/wp-content/uploads/2017/06/dipendenti-Amazon-Alibaba.png>

As can be seen from the graph, in fact, there is a clear difference between the number of Amazon employees and those of Alibaba. 300,000 Amazon employees against Alibaba's 50,000.

From this model it is evident that Amazon sacrifices profitability to growth, obtaining a high level of trust from investors who consider it as an ever-growing society.

On the other hand there is the Alibaba competitiveness. It is characterized by:

- It acts as an intermediary, it does not in fact take care of buying and selling products, but simply of putting seller and customer in contact, a sort of marketplace similar to eBay;
- It has around 200 million sellers and a daily shipment of 40 million packages;
- It works mainly on three sectors:
  1. Taobao, for private sellers;
  2. Tmall, for major brands and B2C distributors;
  3. Alibaba, for B2B wholesale.
- In 2010 Aliexpress was launched, it is a global platform able to bring the Chinese market beyond national borders, allowing non-Chinese customers to buy Chinese products more

easily from their country.

In an interview with CNBC TV Jack Ma, the chairman of Alibaba Group, declares:

“The difference between Amazon and us, is Amazon is more like an empire — everything they control themselves, buy and sell,” Ma said. “Our philosophy is that we want to be an ecosystem. Our philosophy is to empower others to sell, empower others to service, making sure the other people are more powerful than us.”<sup>44</sup>

So, he thinks it is not correct to call Alibaba the “Amazon of China”, because these are two different platforms.

#### *4.2.3 Two remuneration models*

Unlike European marketplaces, which charge fees more than 10%, Alibaba charges very low commissions, ranging from 1 to 5%. The profit of this platform is therefore generated by the various advertisements or keywords that the sellers buy to occupy a good position on the site. It is investing mainly in developing markets, such as Vietnam and Thailand, to try to create an ecosystem based on the relationship between brands and products, sellers and customers. On the other side there is the American platform that, unlike Alibaba, asks for higher commission on the sale.

It also created Amazon Prime, a strategy that allowed the platform to increase sales, in fact, with an annual subscription of 19.99 euros, customers enjoy various advantages, including:

- free shipping on a wide range of products, and shipping in one-two days;
- free deliveries in two hours;
- preview offers;
- prime videos: streaming video;
- Amazon prime reading: a variety of books included in the subscription;
- prime photos: to store an unlimited number of photos.

There are many users subscribing to Prime, and this service is very important for the company that registers a greater number of sales, and therefore a greater profit, with subscribers to

---

<sup>44</sup> Anita BALAKRISHNAN, *Jack Ma explains the differences between Alibaba and Amazon*, 18<sup>th</sup> January 2017, <https://www.cnbc.com/2017/01/18/jack-ma-difference-between-alibaba-and-amazon.html>.

Prime, compared to customers who are not subscribers.

Marketplaces are important sectors for successfully selling products to customers. However, it is important to understand how to manage everything, respecting the rules and knowing the environment, having adequate means and tools to achieve success.<sup>45</sup>

#### *4.2.4 Two business models*

Despite Amazon and Alibaba traveling on two parallel lines, these two platforms have many differences. In addition to those mentioned above, another fundamental difference is the business model adopted by the two companies.

Analyzing Amazon's business model, it is noted that:

- The intent of this platform is to sell products directly to consumers, also creating competition with smaller brands;
- Amazon's sales activity is based on two fundamental points:
  - I. The platform buys a product and resells it at a higher price, generating a profit;
  - II. A commission is applied on third-party sales, in fact Amazon also operates as a platform that allows some retailers to sell products to customers. These are usually the less common or higher priced products.
- Amazon does not raise prices, to keep itself cheaper than physical stores. Profit is given by cloud services, therefore by the rent of online server rentals.
- Attempt to develop daily products, creating Amazon Fresh, which offers a variety of daily products. One reason why we try to develop this category of products is not for the gain, that is still low in this sector, as much as to retain the customer, guaranteeing continuous flows.
- Another example of a business model adopted by Amazon is Amazon Prime, an annual subscription that allows customers to receive products ordered in one or two days, or not to pay for shipping on certain products.

---

<sup>45</sup> Giovanni CAPPELLOTTO, *Alibaba vs Amazon: la battaglia tra due giganti e due modelli di e-commerce*, 12<sup>nd</sup> June 2017, <https://www.m101.it/19103-alibaba-vs-amazon>.

Instead, as regards Alibaba, its business model is different because:

- It is considered as a simple platform that serves to connect consumers with merchants, with the primary purpose of supporting small businesses and trying to put them in contact with wholesalers or larger companies, instead of fueling competition among them.
- Alibaba's income comes from advertising or some key terms purchased from sellers, leaving them even more freedom to plan their sales and get a better profit than Amazon's.
- To facilitate the sale of everyday products, Alibaba allows users to order fresh food via the app, and they can also choose whether to have them delivered at home or to go and take them at associated stores.<sup>46</sup>
- The business model also refers to two other Chinese platforms:
  - I. Taobao: (C2C), it generates profit thanks to advertisements.
  - II. Tmall: (B2C), earns thanks to sales percentages.<sup>47</sup>

Some people believe that this difference between Alibaba and Amazon is playing in favor of Alibaba, since its online trading activities have higher margins than its rival, moreover the structure of the platform is simpler and requires less investment with the increase of sales. Thanks to the advancement of science and technology, the renewal of consumer concepts, the continuous popularization of the Internet, online shopping has become an indispensable part of people's lives.

The fast and convenient online shopping, can meet the needs of most people and, in this case, the e-commerce platform is recognized by most consumers. The value of e-commerce equity investments is increasingly attracting the attention of many people.

But, even if Alibaba has a lot of advantages on the national territory, because it is considered the most successful B2B e-commerce platform, it is the largest online trading provider in the world, its brand is relatively high-profile, it has a high level of service and a solid business structure, it has a wide range of users and an enormous potential for profit, the great success

---

<sup>46</sup>Giuliano BALESTRERI, *L'impero Amazon contro l'ecosistema Alibaba, per il gestore "la battaglia finale è solo questione di tempo"*, 23<sup>rd</sup> February 2018, <https://it.businessinsider.com/limpero-amazon-contro-lecosistema-alibaba-per-il-gestore-la-battaglia-finale-e-solo-questione-di-tempo>.

<sup>47</sup>*Alibaba vs Amazon: battaglia tra colossi*, 24<sup>th</sup> August 2017, <https://www.scuolaecommerce.com/alibaba-vs-amazon>.

that this platform has had in China, it is still weak in an international context, as since it was born as a Chinese platform, it still has a certain gap with the best international competitors. But as the Chinese economy is constantly developing, people's living standards will be higher and e-commerce will have a broader market in the future, that is very helpful for the development of Alibaba.<sup>48</sup>

---

<sup>48</sup>JI Weiqin 计卫琴, “Diànshāng gǔpiào tóuzī jiàzhí ànlì fēnxī” 电商股票投资价值案例分析 (Case Analysis of E-Commerce Stock Investments Value), Hangzhou, 9<sup>th</sup> September 2019.

### 4.3 Influences: 11.11 and Black Friday

Talking about influences between the two online trading platforms, we refer to Black Friday. This day, which is usually the day after Thanksgiving Thursday, is important from a commercial point of view, as the big chains, on this occasion, offer exceptional promotions and discounts, increasing sales. In fact, this is considered as one of the biggest shopping promotional events, by which turnover has grown rapidly.

Until 2010, Black Friday was just an American phenomenon, but over the time it has spread to more and more retailers across the world.<sup>49</sup>

This influence has come all the way to China, with the Single's Day (光棍节, Guānggùn jié) which falls on November 11th. This date was chosen because 11.11 contains only the number 1 repeated four times, which best represents the individuality of the single person.

It is a holiday born as a contrast to Valentine's Day, where lovers buy many gifts for their loved one. So it was thought to dedicate a day to singles, to comfort all those who have not yet found the better half, and can console themselves with shopping, taking advantage of the promotions and discounts of that day.

Concerning the origin of single day, it is thought to have been invented in 1993 at the Nanjing University by 4 single boys, who decided to use the 11<sup>th</sup> of November as a celebration day for people without partners.

Over time, this anniversary has become the occasion for parties and events forbidden to couples and, for shops, an occasion to attract more customers.

But the definitive statement of the Singles 'Day came when in 2009 Jack Ma, the founder of Alibaba, chose this date as an occasion to try to do the same thing that Amazon does with Black Friday.<sup>50</sup>

From the companies and shops point of view, in terms of earnings and sales, the day of singles is the most important day in China, as the Black Friday for the Western world.

---

<sup>49</sup> Tiziano VESCOVI, *International Marketing To China*, McGraw-Hill Education, 2019, p. 339

<sup>50</sup> *Oggi è il Singles' Day*, 11<sup>th</sup> November 2018, <https://www.ilpost.it/2018/11/11/singles-day-2018>.

So, the importance of this day, from a commercial point of view, was born with Jack Ma, who transformed the sentimental day into a day of consumerism, in fact with the emerging of price advantages, the “double eleven” shopping day gradually reflects into a new consumption habitus within individuals.<sup>51</sup>

In November 2016, on the occasion of the singles day, Jack Ma organized an event with local and international celebrities, waiting for midnight to kick off the considerable discounts for the next 24 hours. Thanks to this tactic of Single's Day, online purchases have increased rapidly, attracting the attention of more and more brands and users.

After only 52 seconds from the start, the platform had already registered a sale of one billion yuan (135 million euros).

Among the international guests present at the event there are:

- David and Victoria Beckham, who presented the new line of sunglasses ready to be launched on the Chinese market;
- Alessandra Ambrosio and the Victoria's Secrets' models;
- Scarlett Johanson, testimonial of Huawei and presented the event with Jack Ma.

During the show, the audience at home could interact through special apps, being able to buy in real time even the clothes worn by the stars during the evening.

For Chinese consumers, shopping is not just the purchase itself, but a kind of entertainment in which they participate to have fun.

At the end of the event, sales were \$ 17.8 billion, significantly higher than the previous year. 82% of purchases were made by mobile phone, showing that the smartphone has now become the main means of using the network. These data are considered to be so important that all other e-commerce platforms are inspired by Alibaba.<sup>52</sup>

---

<sup>51</sup> LI Caixiang 李才香, “Wǎngluò shèhuì bèijǐng xià xīnxíng xiāofèi guàn xí de xíngchéng jīzhì - yǐ “shuāng shíyī” gòuwù jié wéi lì” 网络社会背景下新型消费惯习的形成机制—以“双十一”购物节为例, (New Consumption Habits in the Network Society——Based on the “Double Eleven” Shopping Day), Research Center for Sociology Theory and Methodology, Renmin University of China, Beijing, 20<sup>th</sup> January 2019.

<sup>52</sup> Diego BARBERA, *Alibaba 11.11: Viaggio nel festival dello shopping sfrenato*, 15<sup>th</sup> November 2016, <https://www.wired.it/attualita/tech/2016/11/15/black-friday-cinese-alibaba-1111>.

#### 4.4 Amazon withdraws from China

Despite Amazon claiming global dominance, the same success was not achieved by the Western giant in China. This was the main factor that convinced Amazon to withdraw from the Chinese market, failing to cope with competition from Chinese operators, considering that Alibaba and JD.com control 82% of the Chinese e-commerce market.<sup>53</sup>

Although Amazon's interest in China remains strong, the platform has announced the closure of Amazon China, which allowed Chinese consumers to buy locally produced goods, and will focus more on international products thanks to its global market.

From July 18, therefore, Amazon has closed the sales service for third parties, but will remain operational for the sale of goods from international markets, while Chinese users can use Amazon to sell their products to customers outside the Chinese territory.<sup>54</sup>

Amazon's defeat in China, where it previously had a 16% share, slows its potential for future growth. The US giant has received criticism of its inability to operate in China, as it has failed to adapt its offers and products to the tastes of local consumers, which instead favored local rivals thanks to their deep knowledge of the tastes of local consumers.

Another factor that favored the rise of Alibaba towards Amazon was precisely the secure payment system, Alipay, designed by Jack Ma, unlike Amazon, which had not yet devised its own payment system for the Asian market.

However, Amazon was not the only example of a Western platform that failed in China, in fact on the Asian market there were other defeats by eBay in 2006, Walmart, an American hypermarket that merged its activities with JD.com and google, which left the Chinese market in 2010, having failed with local rival Baidu.<sup>55</sup>

---

<sup>53</sup> Monica D'ASCENZO, *Cina, Amazon si arrende ad Alibaba e JD.com, e chiude il marketplace online*, 18<sup>th</sup> April 2019, <https://www.ilsole24ore.com/art/cina-amazon-si-arrende-ad-alibaba-e-jdcom-e-chiude-marketplace-online>.

<sup>54</sup> Giusy CARETTO, *Perché Amazon dirà addio alla Cina*, 18<sup>th</sup> April 2019, <https://www.startmag.it/innovazione/amazon-cina-addio>.

<sup>55</sup> *Amazon si ritira dalla Cina*, 23<sup>rd</sup> April 2019, <https://notiziein.it/amazon-si-ritira-dalla-cina>.

## Chapter V

### Uber vs Didi

With the development of information technology, the sharing economy is launched, which has favored the birth of a new business model, modifying the operating model of existing companies and favoring the rapid development of some platforms such as Didi Travel. Marcus Felson and Joe Spaeth introduced the term "sharing economy" as early as 1978. They defined the "sharing economy" as a super platform created by an independent third party and supported by information technology to allow the replacement of resources for both demand and supply.

In 2015 Robin Chase proposed the three elements that make up the shared model. These are: excessive resources, sharing platforms and wide participation. Didi Travel is a typical Internet activity in a shared economic context and it is worth investigating its business model. The business model is a dynamic cyclical process for companies to achieve the creation and acquisition of value, as well as a general concept that describes the overall operating process of a company.<sup>56</sup>

Another example of an automobile transport service made available by the spread of mobile applications is Uber, a transport company founded in March 2009 with headquarters in San Francisco. This service connects passengers and drivers, allowing customers to book the car via the website or using mobile applications, which allows customers to check the position of the car booked in real time.

The rapid development of the market favors a continuous growth of competition between different companies. A strength can be seen in the merger between different companies offering the same service, integrating strategies and cooperation.

---

<sup>56</sup> WANG Lei 王蕾, "Gòngxiǎng jīngjì qíngjǐng xià qǐyè shāngyè móshì tànjiù—yǐ dīdī chūxíng wéi lì" 共享经济情景下企业商业模式探究——以滴滴出行为例, (Research on Enterprise Business Model under the Shared Economy Situation – taking Didi Chuxing as an example), School of Business Administration, Nanjing University of Finance and Economics, Nanjing, October 2019.

Thanks to the development of the internet, it is now easier to take a taxi, thanks to an online booking service that allows people to book a car from a mobile phone. An example is given by Uber and Didi.

In 2014 Uber extends to the Asian market, seeing China as a great opportunity for expansion, but there it fails to achieve the same success achieved in the western world and two years later it is defeated by the so-called "Chinese Uber", or Didi Chuxing, the Chinese transport service based in Beijing, which will gain the monopoly of the Asian market.

When Uber entered China in 2014, a price war started between the two companies and the two companies began to compete. One of the first strategies used by both companies is precisely this price war that has led the two companies to increasingly reduce costs to obtain a better position in the market and attract customers.

A solution to this continuous lowering of prices was a strategic agreement between the two companies that saw the acquisition of Uber by Didi, thus reducing competitiveness and operating costs, and sharing information on the market.

Despite Didi's position as leader in the domestic market, business is very weak on the international market. Therefore, this acquisition of Uber to Didi was not only advantageous at the national level for the two companies, but also it was fundamental for Didi at an international level, to expand its business also in foreign markets.

To improve their services, customers can evaluate and give their own feedback, useful to the company to improve customer satisfaction.<sup>57</sup>

---

<sup>57</sup> SHANG Yuxiao 尚玉箫, LIU Lu 刘璐, LI Zhe 李哲, QU Yuanyuan 渠媛媛, PAN Beibei 潘蓓蓓, "Hùliánwǎng qǐyè bìnggòu zhěng hé fēnxī—yǐ Dīdī bìnggòu Uber wéi lì" 互联网企业并购整合分析——以滴滴并购 Uber 为例, (Internet Enterprise M&A Integration Analysis—Taking the acquisition of Uber as a case), Qufu Normal University School of Management, Shandong, 8<sup>th</sup> April 2019.

## 5.1 Compared strategies

In 2013, before launching the transport service in China, Uber conducted some research in Shanghai, working in partnership with local transport companies. Maintaining a price higher than the national taxi transport service, Uber's initial strategy was not very successful, remaining a service used only by a small circle of Chinese elites or by foreign customers who already knew Uber.

In August 2014, to allow Chinese customers to use the service, Uber launched People's Uber, a non-profit service created specifically for the Chinese market, guaranteeing very low prices, just enough to cover the payment of taxi drivers, with the aim to attract Chinese customers. People's Uber was launched in Beijing and subsequently implemented in several Chinese cities.

To resist the costs of the competition, Uber had to lower the prices by 30%, and the company itself undertook to pay the difference in order not to reduce the earnings of the drivers. When Uber entered China, Didi Chuxing (滴滴出行) was Didi Kuaidi, born from the merger of Didi Dache (滴滴打车) and Kuaidi Dache (快的打车), and it is the most popular taxi application in China.

When Uber further reduced its prices by 30%, Didi had higher prices. But unlike Uber, the strategy adopted by the two companies, Didi Dache and Kuaidi Dache, did not focus on price, but tried to solve other problems encountered by Chinese customers, such as convenience and speed of service, trying to cope even with the shortage of taxis.

To solve the first problem, the speed and convenience of the service, Didi Dache and Kuaidi Dache, relied respectively on Tencent and Alibaba, which have the e-hailing apps already integrated within their payment apps, such as WeChat Pay and Alipay, favoring greater speed and convenience for the booking and payment process.

To try to solve the second problem, on the shortage of taxis, however, the two companies integrated the tipping function, with the aim of encouraging taxi drivers to be available even during peak hours.

Comparing the two strategies, it is clear that the Chinese company has not focused on prices,

but having a thorough knowledge of the local consumer, has managed to focus attention on the solution of several problems that would have facilitated the use and practicality of the system, obtaining a great advantage over the rival.

In fact, the principle of Didi taxi is very simple, similar to the use of WeChat.

The user only needs to open the application, click on " 现在用车 " (I want a taxi), send a message to explain where he is at that moment and where he wants to go. Then the message is sent to the driver within range of three kilometers.

Drivers can take this order with their mobile phone and keep in touch with the passenger. Indeed, some research shows that 91.3% of Chinese citizens prefer Didi Kuaidi's service, and the main factor is precisely the use of a cashless payment service preferred by the Chinese, because it is faster and more convenient, like WeChat pay or Alipay.

Moreover WeChat allows the customer to book private cars, shared rides or taxis directly from the application.

While Uber, having no in-depth knowledge of the Chinese consumer, had imported an American model into China, providing the credit card as the only payment method.

Another wrong strategy adopted by Uber was to provide a service that included only the use of private cars, while Didi, on the other hand, managed to involve taxis as well, which are heavily used by the Chinese, and only then having consolidated and having obtained a wide clientele, it has also provided a private car service.<sup>58</sup>

---

<sup>58</sup>Tina ZHANG, *La sconfitta di Uber in Cina e il monopolio di Didi*, 11<sup>th</sup> June 2019, <https://bridgingchinagroup.com/uber-in-cina-e-didi>.

## 5.2 Uber's failure in China

After several attempts and new strategies to try to survive the local competitor, in the end Uber gave in, letting itself acquire from Didi.

This defeat allows us to analyze some significant points that it is important to take into consideration if a company want to enter the Chinese market.

These points are:

### 1. It is important to quickly penetrate the Chinese market:

Uber, created in 2009, waited until 2013 to start studying and penetrating the Chinese market. What is often considered fast in the Western world is not fast enough for China. In fact, if a service that works well at home is created, it is likely that this service has already been copied and adapted in China, as in the case of Uber.

Only a month before Uber was officially launched in China, Didi was offering a service that already covered 30 cities, reaching to cover 178 after two months from the launch of Uber in the country. At the same time, Kuaidi Dache, supported by Tencent and Alibaba, offered a service in 256 different cities.

So Uber, which had only been in China for a few months, was already having to face two local competitors who offered the same service but with much wider coverage and customers.

### 2. Price war in China:

One of the characteristics of the Chinese market is the significant financing that often leads companies operating in China to a real price war.

The same war that Didi had to face when he entered the Chinese market. In fact, in February 2015, after the merger between Didi and Kuaidi, the new Didi was able to continuously decrease prices, in order to obtain a dominant position on the market.

Although the prices were too low that the company was at a loss, it still managed to keep going thanks to continuous financing, such as a billionaire investment made by Apple for Didi, and which made Uber supporters aware of not being able to compete up to that level.

Obviously, although not all foreign companies will compete with giants such as Alibaba, Tencent or Apple, it is important to know that if a company intends to penetrate the Chinese market, one of the first strategies adopted by local companies is precisely the price war, to be more attractive and occupy a dominant position in the market.

Moreover, another factor that has favored the rise of Didi has been the continuous innovation of the product, also offering services such as collective buses dedicated to commuters, carpooling (sharing private cars between a group of people) and services similar to those offered by the public service lines, while Uber had focused only on the service that made it famous throughout the world.

Today Didi has about 300 million customers, managing 11 million daily trips.

3. It is essential to know how to choose the right partner:

On this point, Uber did well, leaning on Baidu. Once in China, in fact, one of the major problems that the US company has had to face has been the laws and regulations of the Chinese government.

The Chinese authorities did not even know how to regulate the service, so Uber decided to rely on the local partner Baidu, which not only offered technological solutions like maps, but, having many government-type connections, also offered many political solutions, thus managing to cope with the complicated legislation of the country.

Several foreign companies, as analyzed in the next chapter, have sought a collaboration with a local partner to try to successfully penetrate the Chinese market. But some companies did not know how to choose the right partner, remaining fossilized against local competitors. An example is given by Groupon, which to launch the service on the Chinese market, had made a joint venture with Tencent, which already had an agreement with the Daily Deal, so its attention to Groupon was limited, leading the company to lose against local competitors. A more detailed analysis about Groupon is given in the sixth chapter.

4. The Chinese market is not for everyone:

Even if the Chinese market represents a great opportunity for those companies that want to

expand, winning in China is not necessary to become a successful company.

In fact, even if Uber has failed in China, it still remains a service that works well in the rest of the world.

The same thing applies to Google, Facebook or Twitter, even if they are blocked in China, they are still model companies and services used by users all over the world.

For foreign companies it is difficult to penetrate into China because for Chinese companies it is important to be able to maintain dominance on the national market, thus bringing into play all the resources useful to face foreign competition.

Moreover, foreign competition must deal with its lenders. In the case of Uber, being a company that offers a worldwide service, it gave up its grip in China because the difficulty of being able to win against the local competition was taking away too many resources.

This kind of situation hardly influences the work of a Chinese company, which is usually concentrated only on China.

#### 5. Understand when to leave:

This point is connected with the previous one, in fact Uber, when he realized he had no chance against the respective local company, knew how to take a step back, avoiding total failure. Today, in fact, it has shares in Didi.

This result is not of little importance, given that other foreign companies have failed in China, such as eBay, which has no stake in Alibaba or Google that does not have it in Baidu.

On the contrary, Uber, even if he did not achieve the success he was thinking in China, has nevertheless maintained a stake in Didi, since Uber's supporters, when it was still a valid competitor for Didi, realized that they were going to lose and therefore they sought an agreement with the local rival before completely losing their power and influence, leaving a trace in China.<sup>59</sup>

---

<sup>59</sup> *Uber, il fallimento in Cina e le cinque lezioni per le aziende*, 9<sup>th</sup> August 2016, <https://www.engage.it/blog/uber-il-fallimento-in-cina-e-5-lezioni-per-le-aziende>.

### 5.3 The monopoly of Didi

In August 2016 the two companies found an agreement that allows Uber to maintain a stake in Didi despite the failure against the local competitor. Even with this merger, Uber and Didi have maintained two distinct brands, Uber has in fact maintained its operations, while Didi deals with the technical and managerial knowledge of the two companies, while maintaining greater control over the merger. This union between the two companies, if on the one hand has led to a real economic saving, with the end of a downward war between the two brands, on the other hand has also brought lesser bonuses for drivers and less and less discounts for customers who use the service, who also stated that the rates had never been so high. Although this agreement sees the end of the competition between Uber and Didi on Chinese territory, international rivalry continues. In fact, Didi aims to become a company that offers a service not only on a national territory, but also globally. For this reason, the Beijing company continues to invest in the major local competitors of the American company, continuing to challenge Uber. In fact, Didi did not immediately expand with its own brand, but started investing to create solid commercial relationships with foreign partners, building up a reliable international reputation.<sup>60</sup>

The Chinese company has entered the list of the largest Start-ups in the world, revolutionizing the way of moving in China.

The application of Didi Chuxing offers a great variety of services, such as carpooling, finding a ride on a private car, calling a taxi and even renting a bicycle, managing to diversify the means of transport offered to customers. The transport service on private cars and the car sharing service have spread in China in recent years, thanks not only to the shortage of taxis available at peak times, but above all thanks to the widespread use of the internet on the smartphone that has allowed to develop a special app that offers a faster and more convenient service, favoring its increasingly widespread use among Chinese customers.

---

<sup>60</sup>Tina ZHANG, *La sconfitta di Uber in Cina e il monopolio di Didi*, 11<sup>th</sup> June 2019, <https://bridgingchinagroup.com/uber-in-cina-e-didi>.

Didi's success was achieved above all thanks to the lack of precise laws on service in China and on a trade war based on the continuous lowering of prices between the Chinese and the American company. Today the Chinese company aims to expand internationally to become a global company, investing in technologies that range from independent guidance to artificial intelligence.<sup>61</sup>

Although Didi Travel was formally established in 2012, at the end of 2018, the DDT travel platform already had 550 million registered users and the average daily order volume exceeded 30 million. 让出行更美好 (Ràng chūxíng gèng měihǎo) "Make the journey better" is the mission of Didi Travel. This platform will classify large consumer groups with travel needs and introduce differentiated travel services. Including drip rental for the mass consumer, drip car for high-end consumers, maternity and baby car for special groups. Didi has segmented the company's product audience, accurately launched the "best fit" product service for the weak points of each group's demand and built an enormous array of transportation products. Compared to the traditional taxi industry, these "personalized" travel products are obviously more appreciated by consumers. The Didi open platform actively collaborates with interested companies to form a complete travel closure cycle, such as transport, hotel accommodation and payment, to guarantee a complete service to customers. From a revenue point of view, the first source of income is the service fee for the platform. Secondly, it is the marketing promotion tax. Currently, Didi Travel is the leading taxi software in China, which represents 90% of the online car market. Therefore, it attracted a large number of advertisers to settle and Didi obtained advertising commissions and higher profits. Finally, Didi has reached a strategic partnership with many platforms such as WeChat and Alipay, and it is able to make some profit from this.<sup>62</sup>

---

<sup>61</sup> Francesco RADICIONI, *Didi Chuxing, la risposta cinese a Uber, diventa la più grande start-up in Cina*, 28<sup>th</sup> April 2017, <https://www.lastampa.it/esteri/2017/04/28/news/didi-chuxing-la-risposta-cinese-a-uber-diventa-la-piu-grande-start-up-in-cina-1.34625271>.

<sup>62</sup> WANG Lei 王蕾, "Gòngxiǎng jīngjì qíngjǐng xià qǐyè shāngyè móshì tànjiù—yǐ dīdī chūxíng wéi lì" 共享经济情景下企业商业模式探究——以滴滴出行为例, (Research on Enterprise Business Model under the Shared Economy Situation – taking Didi Chuxing as an example), School of Business Administration, Nanjing University of Finance and Economics, Nanjing, October 2019.

Although Didi has achieved much success on the national territory, the company, however, makes continual improvements to the service to favor its increasingly practical and safe use. The security problem came up especially in 2018, when an incident involving the company caused public worrying about the quality and security of this online service.

In fact in May 2018, a 21-years-old flight attendant was killed on a night ride with Didi. Although the police managed to find the culprit, the company tried to make changes to make this service as safe as possible.

They tried to improve the technology by using a high level service that allows them to better control the network, allowing greater control and reduction of crime cases, to make the journey safer for those who decide to travel by car.

For this reason all the cars used for this service and the drivers were registered, audio equipment and video cameras were installed on the cars. Furthermore, some of the company's research has shown that many users prefer to know the driver's gender and age before booking the car.

Therefore the changes that must be made to the service are:

- technology prevention and control;
- improve the safety function of the platform to prevent and detect possible crimes;
- add a car registration and monitoring function, even if this point was not well accepted by all because it is considered as a violation of privacy;
- on the cars two cameras have been installed, one for recording the driving images and one for the recordings inside the car;
- now the company also provides all the information on the driver, such as name, photo and mobile number, and vehicle information, thus providing the registration number.<sup>63</sup>

To make this service better and safer for passengers and drivers, the company has decided that policies must be implemented to ensure customer safety.

---

<sup>63</sup> WANG Chen 王晨, “Hùliánwǎng chūxíng móshì xià de fànzù fáng kòng tǐxì yánjiū—jīyú gānsù shěng lánzhōu shì “dīdī dǎchē” shǐyòng qíngkuàng de diào chá bào gào” 互联网出行模式下的犯罪防控体系研究——基于甘肃省兰州市“滴滴打车”使用情况的调查报告 (Crime Prevention and Control in the Mode of Internet Travel: A Research Report Based on the “Dropping Car”), Gansu Lanzhou, 9<sup>th</sup> September 2019.

Prevention can take place in three stages:

1. Pre-existing prevention is a control system that requires Didi Travel Platform to rigorously examine its problems in the operational and management process and eliminate the occurrence of incidents from the root cause.

Therefore, the platform requires companies to have a greater sense of social responsibility, promote a positive corporate culture, to reinforce the prevention and control of corporate risks and, in pursuing economic benefits, pay attention to compliance with obligations and achieve a balance between internal economic interests and external social interests. Didi should continuously improve the scientific and technological content of the main business segments, improve the business profit model, cultivate awareness of social responsibility and implement social responsibility throughout the enterprise.

2. In-process control is a real-time implementation of the event development process. Therefore, the platform should strictly monitor the operation of various companies and avoid security issues.
3. Post-supervision management, to conduct self-inspection and follow the progress of the incident and give feedback to the public, rigorously monitor the corresponding rectification measures and effectively safeguard travelers' rights<sup>64</sup>.

The corporate standards set by Didi are the first safety standards in the taxi network and even in the entire taxi industry.

The company has announced the importance of having safety standards that can accelerate and improve the services offered by this platform.

Since the beginning of this year, Didi has also taken a series of measures to continuously promote security and transparency, publicize security operations, listen to public opinions and suggestions and promote social co-construction and joint governance.<sup>65</sup>

---

<sup>64</sup> YI Bin 易斌 MA Xinxin 马新新, "Dīdī chūxíng píngtái ānquán shìjiàn zhìlǐ yánjiū" 滴滴出行平台安全事件治理研究 (Governance Research of Didi Chuxing Platform's Security Incident), Hunan University of Technology Business School, Hunan, 27<sup>th</sup> September 2019.

<sup>65</sup> WANG Jing 王婧, "Dīdī wǎngyuēchē ānquán biāozhǔn fābù xì gāi hángyè shǒu gè ānquán biāozhǔn" 《滴滴网约车安全标准》发布系该行业首个安全标准 (The release of the safety standard for app-based taxi is the first safety standard in the industry), Beijing, 8<sup>th</sup> October 2019.

## Chapter VI

### Examples of companies that tried to penetrate the Chinese market with a local partner

What leads a company to expand into other countries is the desire to grow and occupy an increasingly important position on the market.

There are 5 ways of international expansion:

1. Greenfield start: when the corporation sets up a foreign subsidiaries sending an expatriate or a small team that will hire locals and will build a local branch. The founders of the subsidiary can select employee from the host country who fit the corporation's culture. Greenfield is a very slow method, but the cultural risks are limited. It is important to select the right expatriate to reduce expatriate failure rates. One way to do this is to improve selection procedures to keep out inappropriate candidate.

The most important skills the expatriate must have to be successful in the host country are: *self-orientation*, *others-orientation* and so the ability to communicate and relate to others, *perceptual ability*, and so the ability to emphasize and understand why people of other country behave the way they do, and *cultural toughness* and so how well an expatriate adjusts to a particular posting tends to be related to the country of assignment.

For expatriate managers to succeed, it is important to adapt to foreign culture and to adjust to a foreign environment.

For this reason it is important to train the manager on three different aspects: culture, language and practice.

Cultural training is useful to help expatriate to appreciate the host country's culture, that is important to deal with host country nationals in an efficient way.

Language training is important to improve the expatriate manager's ability to interact with host-country nationals and build rapport with local employees.

Practical training, instead, helps expatriate manager and his family into day to day life in

the host country.<sup>66</sup>

2. International strategic alliance: is a sort of cooperation among existing partners, that agree to cooperate on a certain product or service for a mutual benefit. This alliance is a good way of learning to know each other, and, also in this case, the risks are limited.
3. Joint venture with a foreign partner: when two or more parties combine their resources to create a new business. The cultural risk of this agreement could be controlled by a clear definition between partners that decide which partners supplies which resources, also including what part of management. Foreign joint ventures are important not only because using some elements from the founding partners they can develop new cultural characteristics, but also because they are a limited-risk way to enter an unknown market and country.
4. Foreign acquisition: a local company is purchased by a foreign buyer. The acquired company has its own culture and its own history, and so it represents a national culture differing from that one of the acquiring company. Even if this is a fast way to expand, there are considerable cultural risks.
5. Cross-national merger: this method is extremely risky, and cultural problems can no longer be resolved by unilateral decisions.<sup>67</sup>

To enter in a market with a different cultural background, it is important the acquisition of intercultural communication abilities. This acquisition passes through three phases, that are awareness, knowledge and skills.

Awareness is considered as a starting point, because is when an individual recognize that he

---

<sup>66</sup> Andrea PONTIGGIA, *International Organizational Design and Human Resources Management to China*, McGraw-Hill Education, 2016, pp. 85-89.

<sup>67</sup> Geert HOFSTEDE, Gert Jan HOFSTEDE, Michael MINKOV, *Cultures and Organizations: Software of the Mind: Intercultural Cooperation and Its Importance for Survival*, third edition, McGraw-Hill Companies, 2010, pp. 407-409.

has a certain mental software because the way he was brought up and this is different from the others because of the difference way they brought up or the different environment where they live.

Knowledge is considered also important because if we want to interact with other cultures, we have to learn about these cultures, and so try to learn their symbols, their rituals and their heroes. Even if we do not share their values, could be important to try to understand them and why they are different from ours.

With skills we refer to the combination of awareness and knowledge plus practice. Skills are important because they allow us to recognize and apply symbols, rituals and heroes of the other culture.

We distinguish two types of intercultural communication training courses:

The first one is also the more traditional one and are called *expatriate briefings*. This type of training course is focused on specific knowledge of the other culture. It happens when the company inform the expatriate and his family about the new country and how to live there. So they explain the culture, the history, the geography and customs of this specific country. The second type of intercultural communication course focuses on general knowledge about cultural differences, so on one's mental software and where it may differs from others.<sup>68</sup> The basic skill to survive in a multicultural word is understanding first their own culture and then the cultural values of the other with whom one has to cooperate. Many companies try to expand into international markets, seeing China as an opportunity to invest and grow their economic power. Because China allows a series of activities such as importing, exporting, investing, distributing and relocating production due to low labor costs. But as this is a very distant country with a completely different culture, it is important to be well informed before launching business in China. For example, it is important to rely on professionals and experts who know not only the language, but above all the Chinese market and its laws. For this reason many companies to enter in China, rather than compete with their respective local rivals, have preferred to take advantage of relations with local partners, to be able to overcome various legislative and cultural blocks.

---

<sup>68</sup> Ibid., pp. 420-421.

## 6.1 Groupon

Groupon is one of the companies that took advantage of the online consumption boom in China to launch its own Chinese version, called Gaopeng.com, opening its own office in Beijing. This service will initially cover the cities of Beijing and Shanghai, to expand subsequently to other metropolises, starting to use coupons also in China.

It intends to make the most of the Chinese boom, also improving local staff by increasing the number of employees.<sup>69</sup>

The Chicago-based company entered China thanks to a joint venture with Tencent Collaboration (China's largest social network) and Alibaba (China's leading e-commerce site). The coupon market is constantly growing and, despite the great local competition, Groupon has decided to enter China anyway, since in this country there are around 460 million internet users.<sup>70</sup>

Despite the fact that Groupon started from an advantageous position given by its relations with two large local companies, it did not achieve the desired success, due to some cultural errors committed in China.

Initially Groupon occupied an advantageous position thanks to some key points that the US company had taken into consideration to achieve success in China, including:

- Enter the Chinese market thanks to a collaboration with an important local partner;
- Adapt the name using an easily recognizable Chinese name;
- Hiring local leadership;
- Start a separate service based in China;
- Give greater autonomy to local offices, so that by operating in a detached manner from the central office in the United States, it could create its own business model adapted to the characteristics of the Chinese market.

---

<sup>69</sup> *Groupon entra in Cina insieme a Tencent e Alibaba*, 28<sup>th</sup> February 2011, <https://www.corrierecomunicazioni.it/media/groupon-sbarca-in-cina-insieme-a-tencent-e-alibaba>.

<sup>70</sup> Luca COLANTUONI, *Groupon sbarca in Cina con Gaopeng.com*, 28<sup>th</sup> February 2011, <https://www.webnews.it/2011/02/28/groupon-sbarca-in-cina-con-gaopeng-com>.

But while in the United States it has been very successful because it has been able to fully understand the American customer, the same cannot be said of the adventure in China, where it has penetrated thinking of having a “one size fits all 'model” able to succeed in any market it wanted to enter, without taking into account the various differences that affect the consumer market.

For example, the lack of knowledge of Groupon in the Asian market led them to advertise Tibet, without taking into account the delicate situation between Tibet and China, offending the local Tencent partner and creating a bad image in China.

Another mistake was to try to "steal" the best employees of other local companies by offering them very high salaries. It could have been a good strategy if it were not that local competitors have joined forces announcing that anyone who left to work with Groupon would no longer be able to work in any other company within the alliance.

One consequence was that Groupon was forced to run offices in China with American employees who could not speak Chinese. Furthermore, many of the selected managers were not culturally sensitive to differences in the country, increasingly tightening relations with the local partner Tencent.

The Groupon business model is based on selling local offers to local customers. But being predominantly made up of American employees, it was not seen as a Chinese company, but as an American company, failing to adapt to the Chinese market.

Another factor that affected Groupon's failure, despite the joint venture with a local partner, was that Tencent already had other agreements with other companies, and Gaopeng was just one of many low-priority joint ventures.<sup>71</sup>

---

<sup>71</sup> Alex LEE, *A case study on international expansion: Groupon's cultural mistake in China*, 19<sup>th</sup> November 2018, <https://medium.com/datadriveninvestor/a-case-study-on-international-expansion-groupons-cultural-mistake-in-china-f0ca8ccd7f32>.

## 6.2 Richemont

Another example is the Swiss company Richemont that, to enter the Chinese market, sought support from an important local partner, the online sales giant Alibaba.

The two in fact announced the birth of a joint venture for the Chinese market, facilitating access for luxury brands in this market. This relation aims to penetrate China in a widespread way, since many Chinese consumers have started spending on luxury goods.

Many Chinese consumers mainly spend on expensive wines, expensive watches and jewelry, and antiques. Many of them are also starting to use high-end service offerings, such as exclusive spa and beauty treatment, top-end resorts and hotels or overseas travel.<sup>72</sup>

On the basis of this agreement, Yoox Net-A-Porter, an Italian company that deals with the online sale of luxury goods, and Alibaba, launch a joint venture creating two applications designed specifically for the Chinese consumer: Net-a-porter and Mr. Porter, intended for Chinese consumers in China but also for those traveling abroad.<sup>73</sup>

The agreement is based on support in the technology, marketing, logistics and payment systems sectors offered by Alibaba, in exchange YNAP (Yoox Net-A-Porter) will participate in the company by importing its knowledge and relationships with more than 950 luxury brands.

Alibaba CEO Daniel Zhang also announced that: "It is estimated that Chinese consumers represent almost half of the global luxury market by 2025", a factor that has mainly convinced Richemont to expand into the Chinese market. This partnership also includes the introduction of the two YNAP portals on another platform launched by Alibaba in 2017, Tmall Luxury Pavilion, dedicated exclusively to world-famous luxury goods. One of the priorities of this agreement is to guarantee customers a high shopping experience.<sup>74</sup>

---

<sup>72</sup> Tiziano VESCOVI, *International Marketing To China*, McGraw-Hill Education, 2018, p. 103.

<sup>73</sup> Francesca GEROSA, *Accordo tra Richemont e Alibaba per una Joint Venture in Cina*, 26<sup>th</sup> October 2018,

<https://www.milanofinanza.it/news/accordo-tra-richemont-e-alibaba-per-una-joint-venture-in-cina-201810260841243646>.

<sup>74</sup> *Richemont e Alibaba lanciano Joint Venture per la Cina*, 26<sup>th</sup> October 2018,

<https://it.fashionnetwork.com/news/Richemont-e-Alibaba-lanciano-joint-venture-per-la-Cina,1028406.html>.

### **6.3 Some Italian companies on Alibaba**

More and more companies are trying to penetrate the Asian market, many of them, to enter more easily, debut on Alibaba, the largest e-commerce platform in China.

On this platform there are about 230 Italian companies, including Kiko, Campari, Versace, Moncler, etc.

One of the objectives of the portal is to allow local companies to be known also by Chinese consumers, importing a made in Italy of excellent quality, since the young Chinese look with ever more interest at Western habits, favoring a growth in demand for international products. The attention is focused mainly on the average customer, who represents the type of customer who becomes increasingly sophisticated, that looks out for the quality and that is attracted by innovative products, for this reason this kind of customer is increasingly interested in buying foreign brands, with more attention to the European and Italian ones, seen not only as safer and more reliable products, but are also associated with a lifestyle to aspire to.

These companies aim above all at China because it represents one of the most promising markets for e-commerce, mainly due to the spread of smartphones that significantly increase purchases from mobile, and also to millennials, that are those born in the eighties and nineties of the twentieth century, which are among the largest consumers of high-end products. One of the strategies mainly used by Italian companies to sell in China is that of cross-border, which allows companies to sell immediately in the Asian market, without having to first open a company in loco or without having to own a physical store, allowing them to manage logistics directly from Italy.

In this way companies are facilitated both for the technical regulation of the product, and in fiscal terms.

Cross-border can be an effective solution to enter the Chinese market because, despite long waits for delivery, the Chinese consumer attributes a greater value to a product coming directly from Italy. In addition, to promote the spread of Made in Italy in China, the Italian institute for foreign trade (ICE) and Alibaba Group, have created a partnership by launching the *Hello Ita* project, to spread the excellence of Made in Italy.

It is the first “country-plan” created to support Italian companies on the Chinese e-commerce platform, and to educate Chinese consumers on the quality of Made in Italy.

This project brings together over 80 companies that have the opportunity to propose their offer to Chinese consumers, thus favoring the export of Italian companies. Most of these companies belong to the fashion, cosmetics, design and agri-food sectors.

As a Chinese platform, Alibaba was chosen because it is the number one in online commerce in China, with over 600 million consumers a year and 200 million daily users, most of them are young consumers under the age of 30 years, ever more demanding and informed about the product.

The example of three Italian companies that joined Tmall to enter in China is set out below.

### 1. Campari

In China, the culture of drinking is increasingly widespread, especially on social occasions, so Campari has decided to bring the Italian aperitif to China.

Some studies show that the use of Spritz and wines is increasing in China, favoring a 5% decrease in import duties and increasing the market share of Italian labels by 7%.

The biggest consumers are young people, who, being increasingly attracted by the western way of life, link Campari consumption to Western lifestyle.<sup>75</sup>

In fact, Campari is compared to Milan and to fashion, fully representing the Italian lifestyle. The company has been operating in China for over 10 years and it is estimated that by 2020 the Chinese market in this sector could exceed 450 billion dollars, thanks also to a growing increase in e-commerce in China.<sup>76</sup>

### 2. Moncler

Even the textile company Moncler lands in China, with the debut of Moncler Genius on Tmall

---

<sup>75</sup> Caterina MACONI, *Ora le aziende italiane corrono per avere una vetrina su Alibaba*, 8<sup>th</sup> November 2018, <https://www.wired.it/economia/business/2018/11/08/alibaba-ecommerce-cina-italia>.

<sup>76</sup> *Campari sbarca in Cina*, 11<sup>th</sup> October 2018, [https://www.ilmessaggero.it/economia/news/campari\\_cina-4032225.html](https://www.ilmessaggero.it/economia/news/campari_cina-4032225.html).

Luxury Pavilion, that, as said before, is the e-commerce platform of the Alibaba group for the luxury market.

For Moncler, this represents the first collaboration with the Chinese market.

This project of Moncler Genius, hosts eight different collections created by eight different designers.

With the arrival of the digital age, luxury brands adapt to consumer habits, focusing mainly on young people who are always looking for innovative products.<sup>77</sup>

Although this type of sale does not take place through physical stores, even on the platform it is still possible to live a similar experience, having the possibility of receiving advice, exclusive offers and being able to do personalized researches.

These are all typical features of millennials, customers privileged by this type of sale.<sup>78</sup>

From Moncler point of view, this collaboration with the Chinese portal is very important as it will make possible to introduce the company's products to the high-end users of the Asian market, representing an important milestone for the enhancement of the digital presence of the brand.<sup>79</sup>

### 3. Smeg

Also Smeg, an Italian company that produces design home appliances, has seen in the collaboration with Tmall a good method to allow the company to expand also in China, suggesting some online offers of small household appliances.<sup>80</sup>

The opening of this online store represents the first step of the company to enter the Chinese e-commerce market.

Also in this case the choice of Smeg was encouraged by the tastes of the young Chinese

---

<sup>77</sup> *Moncler lancia Genius sulla cinese Tmall*, 26<sup>th</sup> September 2018,

<https://www.pambianconews.com/2018/09/26/moncler-lancia-genius-sulla-cinese-tmall-244485>.

<sup>78</sup> Caterina MACONI, *Ora le aziende italiane corrono per avere una vetrina su Alibaba*, 8<sup>th</sup> November 2018, <https://www.wired.it/economia/business/2018/11/08/alibaba-ecommerce-cina-italia>.

<sup>79</sup> Edoardo MELIADO, *Moncler lancia le collezioni "Genius" sulla cinese Tmall*, 25<sup>th</sup> September 2018, <https://it.fashionnetwork.com/news/Moncler-lancia-le-collezioni-genius-sulla-cinese-tmall,1017502.html>.

<sup>80</sup> See note number 13.

increasingly attracted by Western models and increasingly open to new trends.<sup>81</sup>

These three examples make us understand how important it is to have a good local partner who not only knows the culture and tastes of Chinese consumers, but who is also constantly updated and look after their needs.

In fact, thanks to these collaborations with local partners, several companies from different countries, in this case from Italy, from Switzerland and from America, have benefited considerable advantages that allowed them to enter the Chinese market more easily and to be successful with customers in this market, thanks to the deep knowledge that local partners have of the Asian market and its customers.

Therefore, it is important to succeed in obtaining a collaboration with a local partner not only for linguistic support but also because, comparing with a foreign management, the local one knows the needs, preferences and expectations of its customers and, consequently, knows how to act in a specific market. But, to do this, it is important to choose the right partner, to be sure of its support during the expansion process, thus avoiding failure due to the lack of support from the local partner, as happened to Groupon.

---

<sup>81</sup> Mirella VITRANI, *Smeg, brand icona delle cucine italiane, debutta su Tmall*, 14<sup>th</sup> September 2018, <http://it.cifnews.com/smeg-brand-icona-delle-cucine-italiane-debutta-tmall>.

## Conclusion

The development of the Internet has encouraged the spread not only of a communication channel able to put in contact with people who are on the other side of the world, but it has also promoted a global sale, which has allowed users to buy products from any country with a simple click.

The birth and development of the Internet in China has been one of the determining factors for its economic growth and its opening with the rest of the world.

We can therefore say that the internet has been able to reduce this geographical distance, but what this thesis wants to prove, is that it has not been able to reduce the cultural distance, in fact the way in which users use the internet is still influenced by the cultural characteristics of a specific population.

Different societies' cultures differ because of some differences in language, social structure, religion, economic and political philosophy and education.

From these differences there are three important implications for international business:

1. The need and the importance to develop cross cultural literacy, because doing business in different societies with a different cultures requires adaptation to conform to the norms and value systems of that culture.
2. Find a relationship between culture and national competitive advantage, in fact doing business in a country could influence the ability of firms to establish a competitive advantage in the global marketplace.
3. The connection between culture and ethics in decision making.

In fact, as has been analyzed in this thesis, Chinese consumers differ from Western ones on different points, and even the way in which they perceive and use a product is different compared to a Western consumer.

It is important for that companies that want to enter global markets understand that these markets are not a mirror images of their home country, but they differ on different aspects that influence the attractiveness of direct foreign investment in each country. These aspects are culture, education-human capital, economic system and political-legal system.

For this reason, when a company decides to penetrate the Asian market, it must take these elements into consideration, it must be aware of the fact that China is still a culturally distant country from ours, and what we consider normal, may not be considered the same in this country.

Only few companies have succeeded in consolidating their presence and reputation, conquering a good part of this market.

In fact, to be able to penetrate a market that is so different and distant from the West, companies must pay attention to different aspects related not only to the language but also to the different culture that China presents.

For this reason, marketing in China requires not only a great deal of attention to the linguistic and visual aspects linked to this ancient culture, for example finding a brand name that is suitable for Chinese culture and pronunciation, but it is equally important to pay attention to differences in tastes and habits of local consumers, or taking into account the beliefs and superstitions linked to this population.

There have been numerous cases of failure, often determined by the rush to access a market that is mistakenly perceived as being easy to penetrate due to its size, a superficial commercial strategy and the failure to adapt brands and products to the typical nature of the local culture.

Other companies, on the other hand, seem to have learned their lesson, trying to understand local habits, planning the launch of products with attention to the tastes and uses of potential buyers.

So, to achieve the desired success, it is important to use marketing techniques that respond to a specific cultural identity, and it is therefore important to align the internationalization strategy to a deep understanding of culture, history and language of that country.

Some examples that highlight these differences are given by the analysis of two case studies, which concern the relationship between Western platforms, in this case Amazon and Uber, with their respective local platforms, and then Alibaba and Didi.

From the analysis of these case studies we can see how the local platforms have been successful in the national territory compared to foreign competitors, and this happened

because their deep knowledge of the market and its customers, has led them to adopt strategies that respond to needs and to the expectations of Chinese consumers.

Amazon and Uber failed to do this, precisely because their cultural background was different and therefore they were not able to fully understand the culture and needs of this people. One way to successfully penetrate this market, as well as trying to understand this Chinese culture and habits, could be to collaborate with a local platform that, knowing the market and its consumers well, could help to overcome certain linguistic and cultural obstacles. Therefore, when a company wants to penetrate a new market, it is important to know it well, to know what is appreciated and what must be avoided, how customers perceive a message and, above all, it is important to take into consideration this cultural distance that characterizes each individual country.

So, if I had to answer the question: "Is Internet able to reduce the cultural distance between different countries?", the answer would be no, because even if over the years the internet has made great strides, proving to have a wide distribution capacity among the various geographical areas, it still suffers the cultural influence of specific countries that lead it to demonstrate several particular traits in different cultural environments.

## Bibliography

*Alibaba vs Amazon: battaglia tra colossi*, 24<sup>th</sup> August 2017,  
<https://www.scuolaecommerce.com/alibaba-vs-amazon>.

*Amazon si ritira dalla Cina*, 23<sup>rd</sup> April 2019, <https://notiziein.it/amazon-si-ritira-dalla-cina>.

BALAKRISHNAN Anita, *Jack Ma explains the differences between Alibaba and Amazon*,  
18<sup>th</sup> January 2017,  
<https://www.cnn.com/2017/01/18/jack-ma-difference-between-alibaba-and-amazon.html>.

BALESTRERI Giuliano, *L'impero Amazon contro l'ecosistema Alibaba, per il gestore "la battaglia finale è solo questione di tempo"*, 23<sup>rd</sup> February 2018,  
<https://it.businessinsider.com/l'impero-amazon-contro-lecosistema-alibaba-per-il-gestore-la-battaglia-finale-e-solo-questione-di-tempo>.

BAPTISTA Raquel, *Colori nel marketing, come scegliere quelli giusti per la propria strategia*,  
14<sup>th</sup> January 2018, <https://www.insidemarketing.it/colori-nel-marketing-strategia>.

BARBERA Diego, *Alibaba 11.11: Viaggio nel festival dello shopping sfrenato*, 15<sup>th</sup> November  
2016, <https://www.wired.it/attualita/tech/2016/11/15/black-friday-cinese-alibaba-1111>.

*Campagne di Marketing su WeChat: 10 case study di brand famosi*, 20<sup>th</sup> December 2016,  
<http://www.east-media.net/campagne-marketing-wechat-10-case-study-brand-famosi>.

*Campari sbarca in Cina*, 11<sup>th</sup> October 2018,  
[https://www.ilmessaggero.it/economia/news/campari\\_cina-4032225.html](https://www.ilmessaggero.it/economia/news/campari_cina-4032225.html).

CAPPELLOTTO Giovanni, *Alibaba vs Amazon: la battaglia tra due giganti e due modelli di*

*e-commerce*, 12<sup>nd</sup> June 2017, <https://www.m101.it/19103-alibaba-vs-amazon>.

CARETTO Giusy, *Perché Amazon dirà addio alla Cina*, 18<sup>th</sup> April 2019, <https://www.startmag.it/innovazione/amazon-cina-addio>.

CELERI Gabriele, *Il Digital Marketing in Cina*, 29<sup>th</sup> January 2019, <https://technoodles.altervista.org/digital-marketing-in-cina>.

COLANTUONI Luca, *Groupon sbarca in Cina con Gaopeng.com*, 28<sup>th</sup> February 2011, <https://www.webnews.it/2011/02/28/groupon-sbarca-in-cina-con-gaopeng-com>.

D'ASCENZO Monica, *Cina, Amazon si arrende ad Alibaba e JD.com, e chiude il marketplace online*, 18<sup>th</sup> April 2019, <https://www.ilsole24ore.com/art/cina-amazon-si-arrende-ad-alibaba-e-jdcom-e-chiude-marketplace-online>.

GEROSA Francesca, *Accordo tra Richemont e Alibaba per una Joint Venture in Cina*, 26<sup>th</sup> October 2018, <https://www.milanofinanza.it/news/accordo-tra-richemont-e-alibaba-per-una-joint-venture-in-cina-201810260841243646>.

GERVASI Marco, *L'e-commerce cinese che sfida Amazon*, *Il Sole 24 Ore*, 9<sup>th</sup> November 2015, <https://nova.ilsole24ore.com/frontiere/lecommerce-cinese-che-sfida-amazon>.

*Groupon entra in Cina insieme a Tencent e Alibaba*, 28<sup>th</sup> February 2011, <https://www.corrierecomunicazioni.it/media/groupon-sbarca-in-cina-insieme-a-tencent-e-alibaba>.

HOFSTEDE Geert, HOFSTEDE Gert Jan, MINKOV Michael , *Cultures and Organizations:*

*Software of the Mind: Intercultural Cooperation and Its Importance for Survival*, third edition, McGraw-Hill Companies, 2010.

LEE Alex, *A case study on international expansion: Groupon's cultural mistake in China*, 19<sup>th</sup> November 2018,  
<https://medium.com/datadriveninvestor/a-case-study-on-international-expansion-groupons-cultural-mistake-in-china-f0ca8ccd7f32>.

LORUSSO Cecilia, *L'abc del Marketing in Cina: come raggiungere i consumatori cinesi*, 10<sup>th</sup> August 2018, <https://www.engage.it/rubriche/abc-del-marketing-in-cina-east-media>.

LORUSSO Cecilia, *Numeri in cinese: la guida al loro significato*, 30<sup>th</sup> January 2018, <http://www.east-media.net/numeri-in-cinese-significato>.

MACONI Caterina, *Ora le aziende italiane corrono per avere una vetrina su Alibaba*, 8<sup>th</sup> November 2018,  
<https://www.wired.it/economia/business/2018/11/08/alibaba-ecommerce-cina-italia>.

MELIADO Edoardo, *Moncler lancia le collezioni "Genius" sulla cinese Tmall*, 25<sup>th</sup> September 2018,  
<https://it.fashionnetwork.com/news/Moncler-lancia-le-collezioni-genius-sulla-cinese-tmall,1017502.html>.

MINOIA Andrea, *E-commerce: Cina, chi sono i principali concorrenti di Alibaba*, 7<sup>th</sup> November 2018,  
<https://dcommerce.it/mercato/e-commerce-cina-principali-concorrenti-alibaba>.

*Moncler lancia Genius sulla cinese Tmall*, 26<sup>th</sup> September 2018,  
<https://www.pambianconews.com/2018/09/26/moncler-lancia-genius-sulla-cinese-tmall-244485>.

Oggi è il Singles' Day, 11<sup>th</sup> November 2018,  
<https://www.ilpost.it/2018/11/11/singles-day-2018>.

PONTIGGIA Andrea, *International Organizational Design and Human Resources Management to China*, McGraw-Hill Education, 2016.

RADICIONI Francesco, *Didi Chuxing, la risposta cinese a Uber, diventa la più grande start-up in Cina*, 28<sup>th</sup> April 2017,  
<https://www.lastampa.it/esteri/2017/04/28/news/didi-chuxing-la-risposta-cinese-a-uber-diventa-la-piu-grande-start-up-in-cina-1.34625271>.

RICCARDI Lorenzo, *E-commerce in Cina: nuovi trend per il mercato globale*,  
<https://www.corriereasia.com>, 2019.

*Richemont e Alibaba lanciano Joint Venture per la Cina*, 26<sup>th</sup> October 2018,  
<https://it.fashionnetwork.com/news/Richemont-e-Alibaba-lanciano-joint-venture-per-la-Cina,1028406.html>.

SCAGLIARINI Vincenzo, *Internet dei numeri, così funziona il web in Cina*, 23<sup>rd</sup> May 2014,  
<https://www.linkiesta.it/it/article/2014/05/23/internet-dei-numeri-cosi-funziona-il-web-in-cina>

TERMINIELLO Aldo, *Il significato dei colori in Cina*, 18 May 2018,  
<https://www.saporedicina.com/significato-dei-colori-in-cina>.

The internet 互联网, *The China Story*, 2nd August 2012.  
<https://www.thechinastory.org/keyword/the-internet>.

*Uber, il fallimento in Cina e le cinque lezioni per le aziende*, 9<sup>th</sup> August 2016,  
<https://www.engage.it/blog/uber-il-fallimento-in-cina-e-5-lezioni-per-le-aziende>.

VESCOVI Tiziano, *International Marketing To China*, McGraw-Hill Education, 2018.

VESCOVI Tiziano, *International Marketing To China*, McGraw-Hill Education, 2019.

VESCOVI Tiziano, PONTIGGIA Andrea, *Panni Stesi a Pechino, Esploratori e Pionieri nei Nuovi Mercati Internazionali*. Egea, September 2015.

VITRANI Mirella, *Smeg, brand icona delle cucine italiane, debutta su Tmall*, 14<sup>th</sup> September 2018, <http://it.cifnews.com/smeg-brand-icona-delle-cucine-italiane-debutta-tmall>.

ZHANG Tina, *La sconfitta di Uber in Cina e il monopolio di Didi*, 11<sup>th</sup> June 2019, <https://bridgingchinagroup.com/uber-in-cina-e-didi>.

## **Chinese language sources**

JI Weiqin 计卫琴, “Diànshāng gǔpiào tóuzī jiàzhí ànlì fēnxī” 电商股票投资价值案例分析 (Case Analysis of E-Commerce Stock Investments Value), Hangzhou, 9<sup>th</sup> September 2019.

LI Caixiang 李才香, “Wǎngluò shèhuì bèijǐng xià xīnxíng xiāofèi guàn xí de xíngchéng jīzhì - yǐ “shuāng shíyī” gòuwù jié wéi lì” 网络社会背景下新型消费惯习的形成机制—以“双十一”购物节为例, (New Consumption Habits in the Network Society—Based on the “Double Eleven” Shopping Day), Research Center for Sociology Theory and Methodology, Renmin University of China, Beijing, 20<sup>th</sup> January 2019.

SHANG Yuxiao 尚玉箫, LIU Lu 刘璐, LI Zhe 李哲, QU Yuanyuan 渠媛媛, PAN Beibei 潘蓓蓓, “Hùliánwǎng qǐyè bìnggòu zhěng hé fēnxī—yǐ Dīdī bìnggòu Uber wéi lì” 互联网企业并购整合分析——以滴滴并购 Uber 为例, (Internet Enterprise M&A Integration Analysis—Taking the acquisition of Uber as a case), Qufu Normal University School of

Management, Shandong, 8<sup>th</sup> April 2019.

TAN Jingguo 谭经国, “Píngtái xíng diànzǐ shāngwù qǐyè shāngyè shēngtài xìtǒng de gòujiàn yánjiū - jīyú ālibābā de ànlì fēnxī” 平台型电子商务企业商业生态系统的构建研究——基于阿里巴巴的案例研究 (Research on the Construction of Business Ecosystem of Platform-Based E-commerce Enterprises - Based on Alibaba Case Analysis), Gansu, 15<sup>th</sup> March 2019.

WANG Chen 王晨, “Hùliánwǎng chūxíng móshì xià de fānzù fáng kòng tǐxì yánjiū—jīyú gānsù shěng lánzhōu shì “dīdī dǎchē” shǐyòng qíngkuàng de diàochá bàogào” 互联网出行模式下的犯罪防控体系研究——基于甘肃省兰州市“滴滴打车”使用情况的调查报告 (Crime Prevention and Control in the Mode of Internet Travel: A Research Report Based on the “Dropping Car”), Gansu Lanzhou, 9<sup>th</sup> September 2019.

WANG Jing 王婧, “Dīdī wǎngyūechē ānquán biāozhǔn fābù xì gāi hángyè shǒu gè ānquán biāozhǔn” 《滴滴网约车安全标准》发布系该行业首个安全标准 (The release of the safety standard for app-based taxi is the first safety standard in the industry), Beijing, 8<sup>th</sup> October 2019.

WANG Lei 王蕾, “Gòngxiǎng jīngjì qíngjǐng xià qǐyè shāngyè móshì tànjiū—yǐ dīdī chūxíng wéi lì” 共享经济情景下企业商业模式探究——以滴滴出行为例, (Research on Enterprise Business Model under the Shared Economy Situation – taking Didi Chuxing as an example), School of Business Administration, Nanjing University of Finance and Economics, Nanjing, October 2019.

WU Gaoli 吴高莉, “Diàn shāng qǐyè yíngxiāo zhōng cúnzài de wèntí jí duìcè” 电商企业营销中存在的问题及对策 (Problems and countermeasures in the e-commerce enterprises' marketing), Wuxi Vocational and Technical College of Wuxi, Jiangsu, 25<sup>th</sup> September 2019.

XIE Xintong 谢昕彤, “Xīn méití shídài xià wǒ guó kuàijìng diànzǐ shāngwù de fāzhǎn qūshì tàntǎo - yǐ ālibābā sù mài tōng wéi lì” 新媒体时代下我国跨境电子商务的发展趋势探讨—以阿里巴巴速卖通为例 (Discussion on the Development Trend of Cross-border E-commerce in China under the New Media Era - Taking Alibaba AliExpress as an Example), Zhejiang University of Finance and Economics Oriental College, Zhejiang, 30<sup>th</sup> September 2018.

XU Hanming 徐汉明, ZHANG Xinping 张新平, GONG Huayan 龚华燕, “Wǎngluò shèhuì zhìlǐ de fǎzhì móshì” 网络社会治理的法制模式 (The Rule of Law Model of Internet Governance), Zhongnan University of Economics and Law, 15<sup>th</sup> August 2019.

XU Weihang 许瑛航, “Ālibābā diànzǐ shāngwù fāzhǎn shuǐpíng de kōngjiān géjú jí yǐngxiǎng yīnsù yánjiū - jīyú 285 gè dì jí shì de jiémiàn shùjù” 阿里巴巴电子商务发展水平的空间格局及影响因素研究 - 基于 285 个地级市的截面数据, (A Study on the Spatial Pattern and Influencing Factors of Alibaba's E-Commerce Development Level - Cross-section Data Based on 285 Prefecture-level Cities), Northeast Normal University, Changchun, 1<sup>st</sup> May 2019.

YANG Bo 杨波, “Shítǐ shāngyè yǔ diànzǐ shāngwù hézuò zhànlüè yánjiū: Jīyú yīgè ànlì de shízhèng” 实体商业与电子商务合作战略研究: 基于一个案例的实证 (Research on the strategy of physical business and e-commerce cooperation: based on the empirical evidence of a case), Nanjing Institute of Information Technology, Nanjing, 25<sup>th</sup> September 2019.

YI Bin 易斌 MA Xinxin 马新新, “Dīdī chūxíng píngtái ānquán shìjiàn zhìlǐ yánjiū” 滴滴出行平台安全事件治理研究 (Governance Research of Didi Chuxing Platform's Security Incident), Hunan University of Technology Business School, Hunan, 27<sup>th</sup> September 2019.