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Business opportunities for Italian companies on Alibaba’s e-commerce platforms

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前言

电子商务平台已经出现在日益数字化的全球经济主角之中。中国科技巨头阿里巴巴集团是中国和亚洲电子商务的市场领导者，也是创新的先驱，它代表了最有趣的数字生态系统案例研究之一。阿里巴巴的商业模式为企业提供了巨大的机会, 那是抓住机会进入广阔的中国电子商务市场。

阿里巴巴的不同在线商务平台的总体目标是超过8亿客户，该公司有雄心的计划是到2036年为20亿全球消费者提供服务。到同年，阿里巴巴希望使1000万家企业实现盈利，并创造1亿个就业机会。该公司成立的目标是倡导小型企业，相信互联网的力量可以利用创新，并使公司在国内和全球环境中更具竞争力。为了到达这个目标，阿里巴巴开发了自己的数字生态系统。这个生态系统让参与者能够通过平台创造和分享价值，在这个情况下每个参与者都可以在这个系统中为他人以及整个组织的成长和创新做出贡献。

本论文的重点是阿里巴巴的电子商务平台可以为意大利中小企业的成长和发展发挥的作用。一方面, 阿里巴巴是中国科技巨头，其规模庞大，创新能力强，声誉良好，知名度高，在中国和东南亚市场具有深厚的渗透率以及自给自足的生态系统；另一方面，在意大利的中小型企业世界中，由于原产国的影响，许多公司在传统，工艺和全球声誉方面都享有很高的声誉，尤其是在时装、食品、家具等关键领域（最近化妆品领域也越来越重要）。

尽管具有这些高附加值的特点，但意大利公司的技术技能较低，意大利企业家界对数字工具的信心远远不足，并且该国的数字经济尚未成熟。这可能会使许多企业难以抓住来自全球在线市场的重要机遇。

本论文的目的是描述并分析这些机会，特别是进入阿里巴巴电子商务平台所带来的机会。此外，根据新冠肺炎大流行的影响及其后果，调查这些机会是否会增加，减少或改变，也属于我们的研究范围。作家相信，这一颠覆性事件将推动全球数字化的发展，并将为当今的电子商务带来巨大变化。此外，作家认为这种流行病正在创造特殊的条件，这将导致意想不到的趋势和演变。作家坚信，对中国在线市场机会的深入了解将为许多意大利公司提供宝贵的工具，尤其是在企业处于如此微妙的时刻，因为它们遭受了大流行的后果并正在寻求复苏。作家还相信，在即将到来的大

流行后经济形势下，电子商务平台将发挥越来越重要的作用：它们将继续成为连接全球需求和报价的基本桥梁，并将成为创新和业务发展的多产实验室。

本论文从对公司的准确描述入手。**第一章探**讨了阿里巴巴的商业模式及其特点，特别关注其网络结构以及数据分析和管理。后来，本章重点介绍该公司在意大利的利益和活动，并概述了阿里巴巴为连接中国市场与欧洲和意大利公司建立的桥梁。在第二章中，本论文对意大利数字情景的主要要点进行了分析，其中考虑了新冠肺炎大流行带来的演变并描述了意大利公司在日益数字化的全球市场中的地位。为了具体说明阿里巴巴平台已经为企业提供的机会，作家选择并分析了三家成功进入意大利在线零售市场并获得非常积极成果的意大利公司的案例研究，重点介绍了他们的制胜战略，形成的经验，困难和障碍。所**分析的三家公司在各个方面都保持一致**：维度和价值主张，营销策略和竞争环境。

考虑到这三个案例研究，很明显，进入阿里巴巴平台时采用的最佳策略取决于公司的规模和资源，品牌声誉和价值主张。第一家公司可以利用其规模和资金可用性来计划和执行较重的进口策略，以及用于营销和产品的适应策略；另外两家选择依靠原始产品的独特性和声誉。两者之一正在寻求一种以数字渠道和数字工具为重点的营销策略，而另一家则依赖于其在西方和周边市场建立的良好声誉。

最后，在第三章中，作者试图预测电子商务平台在大流行后经济复苏中所扮演的角色，着重于三个方**面：第一个是数字平台的适**应性和相关的制胜策略；第二个是阿里巴巴集团作为中国实体的全球，政治和经济地位；第三个是中国消费市场的可预见的关键趋势。鉴于新冠肺炎大流行的影响和后果，显然考虑了这些方面。

作家的分析允许对电子商务平台的增长做出乐观的预测：电子商务将继续蓬勃发展，平台能够适应新的环境和市场需求，而且它们还将继续成为连接人员及其必需品的基本工具。由于新冠肺炎大流行病有助于重塑地缘政治和经济关系，并导致全球化收缩，因此平台将能够与背景一起发展，并将继续为全球企业提供巨大的机会。

Introduction

E-commerce platforms have emerged among the protagonists of the increasingly digitalised global economy. The Chinese tech giant Alibaba Group, market leader in the Asian e-commerce and an innovation pioneer, represents one of the most interesting case studies of digital ecosystem. Its business model has created immense possibilities for enterprises willing to take the chance to enter the vast Chinese e-commerce market. Alibaba's different online commerce platforms reach an overall target of more than 800 million customers, and the company's ambitious plan is to serve 2 billion of global consumers by 2036. By the same year, Alibaba aspires to enable 10 million businesses to be profitable, and to create 100 million jobs. The company was founded with the aim of championing small businesses, believing in the power of the internet to leverage innovation and make companies more competitive both in domestic and global contexts. To do that, Alibaba has developed its own digital ecosystem that enables participants to create and share value through the platforms, a system in which every actor contributes to the growth and innovation of the others and of the whole organisation.

The focus of this dissertation is on the role that Alibaba's e-commerce platforms can have in the growth and development of Italian SMEs. On the one hand there is the Chinese tech giant, with its massive size, great innovation capacity, good reputation and high popularity, deep penetration in the Chinese and South-east Asian market and self-nourished ecosystem; on the other hand there is the Italian SMEs world, in which many companies are characterised by tradition, craftmanship, and an excellent reputation worldwide thanks to the country of origin effect, especially in key sectors like fashion, food and furniture (but increasingly also in cosmetics). Despite these highly value-added features, Italian companies possess low technological skills, the Italian entrepreneurial world is far from being confident with digital tools, and the digital economy in the country is not mature yet. This could make it difficult for many businesses to seize important opportunities coming from global online markets.

The goal of this dissertation is to describe and analyse these opportunities, specifically the ones that come from entering Alibaba's e-commerce platforms. Furthermore, it is in our scope to investigate whether these opportunities will grow, decrease or change depending on the effects of the Covid-19 pandemic and its consequences. We believe that this disruptive event will give an important push to digitalisation all over the world and will bring great changes to e-commerce as we know it today. Moreover, we think that the pandemic is creating peculiar conditions that will lead to unexpected trends and evolutions. We are convinced that a deeper knowledge of the opportunities coming from the Chinese online market will constitute a precious tool for many Italian companies, especially in such a delicate moment for businesses, that suffer from the consequences of the pandemic and are looking for recovery. We also believe that in the forthcoming post-pandemic economic scenarios e-commerce platforms will have an increasingly important role: they will continue to be fundamental bridges linking global demand and offer and will constitute a prolific lab for innovation and business evolution.

We will start this dissertation with an accurate description of the company. The first chapter examines its business model and its peculiarities, with a particular attention on its network structure and data analysis and management; we then proceed with a focus on the interests and activities that the company has in Italy, outlining the bridge that Alibaba is creating between its platforms, the Chinese market and the European and

Italian companies. In the second chapter we analyse the Italian digital scenario in its main critical points, watching the evolution caused by the Covid-19 pandemic and describing the position of Italian firms in the increasingly digitalised global markets. In order to give concrete examples of the opportunities that Alibaba's platforms already offer to businesses, we chose and analysed three successful case studies of Italian companies that were able to enter the Chinese online retail market and to obtain very positive results, highlighting their winning strategies, formative experiences, difficulties and obstacles. Finally, in the third chapter we attempt to forecast the role that e-commerce platforms will have in the post-pandemic economic recovery, focussing on three dimensions: the adaptability of digital platforms and related winning strategies, the global political and economic position of Alibaba Group as a Chinese entity, and the foreseen key trends for the Chinese consumer market, all of the three clearly considered in light of the impact and consequences of the Covid-19 pandemic.

With regards to the methodology, our main sources have been books, academic papers, specialised magazine and newspaper articles, consultancies reports and conference papers. Data about the case studies examined in chapter 2, and most of the information about Alibaba's activities in Southern Europe and in Italy, were collected through telephone interviews conducted by the author between July and August 2020. Respondents were representatives of the companies at issue.

Alibaba

China's digital scenario: an overview

China is arguably the nation in which digitalisation and digital economy are developing at the greatest speed and extent. China has one of the highest internet penetration rates in the world: in March 2020, about 64.5 percent of the Chinese population had access to the internet (Thomala, 2020); the country is also one of the globe's largest investors and adopters of digital technologies, it has the capability and dimension to propel rapid commercialization of digital business models and has the advantage of a very large home market of consumers who are young and eager to embrace digital in all its forms (Woetzel et al., 2017).

A few words deserve to be said about China's rapid digitalisation process. The intent of making China a global leader in digital technologies is driven by both political and economic reasons, which can be summarised in two main aspects: on the one hand, the Chinese Communist Party is heavily relying on the adoption of new technologies to keep economic growth steady and maintain its grip on power, willing to restore China's "rightful place" in the global order, after centuries of subordination to foreign powers; on the other hand, digitalisation is at the core of industrial and technological policy planning (the "Made in China 2025" strategy being the most concrete application of this planning), as the country is trying to restructure its production and industry to reach the highest international standards. China, once called the "world's factory", is massively investing to turn itself into a global leading industrial and technological superpower (Shi-Kupfer, 2019).

Together with digitalisation, China is experiencing the growth of the digital economy, the expression being used to define the economic activity that results from billions of everyday online connections among people, businesses, devices, data, and processes. What principally builds and support the digital economy is hyperconnectivity, which indicates the growing level of interconnection among people, organisations, and machines that results from the internet, mobile technology, and the internet of things (Deloitte, 2017).

As stated in the White Paper on digital economy development in China, published in 2020 by the China Academy of Information and Communications Technology, the government goal is to use digital technologies to reach an in-depth, integrated development of economic and social fields, using data as the key element (中国信息通信研究院, 2020).

Hyperconnectivity is possible not only because of the capillary diffusion of internet connection, but also because of the spread of tools that allow people to stay constantly connected: in 2018, around 50% of the Chinese population used a smartphone (while in Italy the percentage was only 37.68%) (Wong, 2019; STATISTA, 2020). This data directly takes us to the next point, which is the diffusion of e-commerce in China and its strong popularity among Chinese internet users. In fact, half of the online transactions in China take place via smartphone (Daxue Consulting, 2020).

The Chinese e-commerce market is now the largest and most important one in the world, followed by the United States. Annual online sales are estimated around $672 billion, and the annual growth rate of the online retail market is 35%, making China also one of the fastest-growing e-commerce markets (Business.com, 2020). According to Statista, in 2019 the added value of the digital economy accounted for more than one-third of China's GDP, and the country's e-commerce sales were higher than the combined total of Europe and the United States. Today, in China there are 710 million people purchasing online, making the Chinese population the largest digital buyer population in the world (Y. Ma, 2020a). There are three main companies dominating the Chinese e-commerce sector: Alibaba, JD.com and Pinduoduo, that altogether control more that 80% of the market. Even more impressively, in 2019 China alone accounted for 56% of the world's online sales, and over 35% of the country's retail sales occur online, versus 11% in the United States (Matthews, 2020).

But what contributes to create this phenomenon? Among the factors that give impulse to the massive spread of e-commerce in China there are the use of smartphones as transaction devices before communication devices, mass adoption of digital payment platforms, the poor physical retail infrastructure, the push towards urbanization, free trade of goods via cross-border e-commerce, and cost-effective labour, that allows fast and cheap delivery (Mckenzie, 2017).

A brief digression deserves to be done about digital payment systems in China: they have experienced a massive development in under a decade, becoming a valuable alternative to cards (which require merchants to pay quite high fees) and cash (counterfeit notes are common in China). The growth in smartphones adoption contributed to create a new network of communication that competed with card readers, which require landlines or wireless internet/Voice over Internet Protocol (VoIP). Furthermore, the adoption of QR codes has made it possible for customers to become providers of the connection that is necessary to complete the transaction, freeing merchants from the burden to provide a connection. The two major digital payment platforms in China are Alibaba's Alipay and Tencent's WeChat Pay, which are the largest digital payment services in China and among the largest in the world. Alipay reached 1.2 billion monthly users in 2019 and WeChat Pay surpassed one billion users in 2018. Over 90% of people in China's largest cities use WeChat Pay and Alipay as their primary payment method: cash is the second, and card-based debit/credit is the distant third (Klein, 2020).

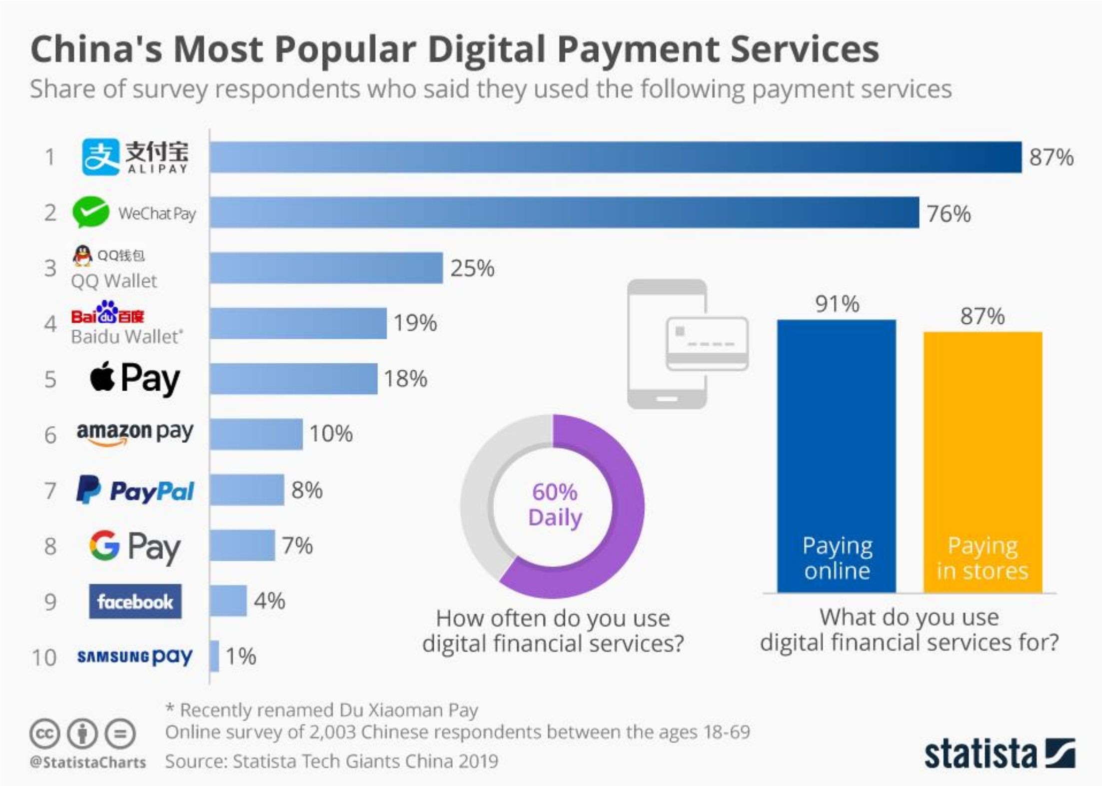

Figure 1. China's most popular digital payment services. Source: STATISTA

All these elements contributed to create a prolific and developed online retail environment. Thanks to online integrated platforms and their excellent research engines, Chinese consumers can rapidly find any product they want. Everything can be bought in the same place and retailers can offer to users a highly personalised customer experience together with a quick and efficient customer service, as well as a vast choice in terms of delivery options and a degree of involvement (thanks to activities like games, web streaming and others) unknown to the Western online shopping context (Williams, 2019).

The tech giant Alibaba controls over 50% of China's e-commerce market. The company, founded in 1999 by former English teacher Jack Ma, has become the biggest online retailer in the world. Since its foundation in a small apartment in Hangzhou, the company has experienced a surprisingly rapid growth. Let us say some words about the core factors that led to its success.

Since its creation, Alibaba was characterised by a unique business model, which first goal was to provide business services to small enterprises and individuals, and by an unconventional profit model, that was not based on admission charges to enter the platforms, but mainly on advertisement and keyword bidding, together with services like marketing tools and technical support. In addition to that, the company created a reliable credit model that helped to build a trustworthy reputation among customers (later perfected with the introduction of Alipay). All these aspects contributed to draw more and more sellers, thus expanding the products' offer and attracting more and more customers on the platforms, creating a virtuous circle that eventually gave birth to Alibaba's complex ecosystem. Finally, the suite of support services aimed at ensuring optimal customer satisfaction and the ability to identify and seize unique business opportunities also contributed to the success of Alibaba Group as we see it today (Pavie & Luo, 2016).

***Open, Sesame!* Alibaba's values and mission**

A frequently asked question about Alibaba is the explanation of its unusual and clearly non-Chinese name. Why did Jack Ma choose an Arabic name? When asked, Mr. Ma answered that he felt attracted by the idea of the "*Open, Sesame!"*, the command that Ali Baba used to open doors to hidden treasures in "Ali Baba and the Forty Thieves", one of the folk tales contained in the Middle Eastern collection "One Thousand and One Nights": he was looking for a gap to open to reach Chinese small and medium enterprises. Also, he noticed that the word begins with an "A", the first letter of the alphabet, and was easily understandable and pronounceable in almost every language (Clark, 2018).

The idea behind this choice perfectly described Jack Ma's intent: to create an easy way for every kind of business to become successful, or, as the Chinese motto of the company says:

让天下没有难做的生意 (*rang tian xia mei you nanzuo de shengyi*, “to make it easy to do business everywhere”).

Jack Ma was born in 1964 in Hangzhou, in a modest family. He started to develop an interest in the English language at the age of 12, when he rode his bike every day to a hotel near the city of Hangzhou's West Lake district, about 100 miles southwest of Shanghai. At that time, China was opening up, and the area was a popular destination among foreign tourists. Mr. Ma used to improvise as a tourist guide for free, showing the lakes to visitors, thus having the chance to practice his English. In 1979 he met a family from Australia that later invited him to visit them back in their country: this experience changed completely the way he saw China and gave him a broader perspective on its future. After completing his studies as an English teacher, in 1995 he began to show increasing interest in the internet, the emerging phenomenon of those years, and started to cultivate the dream to set up his own Chinese e-commerce company. In 1999, he gathered 18 people in his apartment in Hangzhou and explained them his vision. With an initial investment of $60,000, put together by those people, Alibaba was started (Fannin, 2008).

The company was founded with the aim of supporting small businesses, believing that the internet would level the playing field by enabling small enterprises to grow through innovation and technology, so that to make them able to compete more effectively in domestic and global economies (*Alibaba Group*, 2019a).

Jack Ma said: “*There were three reasons why we survived. We had no money, we had no technology, and we had no plan”*. This provocative sentence clearly expresses the enthusiasm and the commitment that allowed the company to reach its success, despite all the difficulties the founders met: creativity and innovation came from uncertainty and lack of resources and know-how.

Alibaba's core values, established when the start-up was founded, have been adapted to suit the fast-moving company, but their ethos of purpose has remained. Customer first, trust, constant change, continuous improvement, and employers' commitment are the foundations of the company's vision.

The essential one, often repeated by Jack Ma, is *"Customers first, employees second, shareholders third"*, a statement that defines the company's business model. Alibaba is a customer-oriented company: it exists and lives thanks to its customers, the medium, small, and minuscule enterprises that rely on their platforms to carry on their activities. Alibaba made of the understanding and response to the needs of its customers its priority. Secondly, the company aims at taking care of its employees by creating a strong community, with shared values and common goals, so that to implement the efficiency of work and naturally create value. The value created by customers' satisfaction and employees' commitment is what allows shareholders to achieve long-term benefit (Brennan, 2019).

Daniel Zhang, Chairman and CEO of Alibaba group, describes the ambitious targets that the company is determined to reach by 2036: to serve 2 billion consumers globally, to support 10 million profitable businesses on their platforms, and to create 100 million jobs. The original, long-term goal has remained unchanged: to be a company that will last for 102 years, thus successfully spanning three centuries (Alizila.com, 2016).

A "Smart Business"

In order to understand Alibaba's revolutionary business model, it is important to explain how different it is from other Western online commerce platforms, such as Amazon. Alibaba is not a traditional reseller, as it does not own any warehouse, logistic services are handled by third-part suppliers, and it does not sell directly to the customer (Trefis Team, 2020). On the contrary, Alibaba is a marketplace that coordinates online all the functions related to sales thanks to a distributed network, built on data provided by sellers, marketing operators and services, and logistics suppliers. Alibaba uses technology to manage and coordinate the efforts of many Chinese companies and, by doing so, creates an internet-born business ecosystem. China has been a fertile ground for the rise of this kind of business ecosystems because the country's business infrastructure was weak and underdeveloped. This made it possible to rethink and restructure many industries in China, both traditional and new ones (Zeng, 2019). In other words, digital tools and the use of internet made it possible for many industries to develop rapidly even without the support of a traditional business infrastructure, following a peculiar path.

Ming Zeng, former Chief Strategy Officer at Alibaba, has coined the expression "smart business" to describe the company's business model: it refers to the capability of the company to exploit the internet to create a virtuous circle where a flexible network of activities and the continuous collection and elaboration of data keep the business always competitive. Zeng has summarised the concept of smart business in the following formula:

network coordination + data intelligence = smart business

Network coordination

"Network coordination" is a concept created by Zeng based on both traditional (industrial organization) and new economic theories, such as the network theory. It refers to the fact that complex business activities can be broken down so that they can be executed more effectively: functions once isolated in vertical integrated structures can be easily coordinated through online connection. Thanks to the coordination of the activities performed in the network, every part of the production process becomes decentralised, flexible, and globally efficient. Platforms like Taobao and Tmall[1] are perfect examples of this mechanism: they are huge networks of sellers and partners that collaborate to manage a series of complex activities, such as online sales, money transactions and distribution. The degree of coordination between these many actors becomes an important source of competitive advantage. A relevant example of network coordination's best result is the Singles' Day or "Double 11" festival, the online shopping festival that takes place on November 11th every year. After facing the inadequacy of the Chinese logistic network during 11.11 in 2012, when it collapsed because of the huge number of parcels delivered on the same day, the company worked hard to improve the service investing in infrastructures and coordination systems. In 2018 Cainiao, Alibaba's logistic arm, delivered the first 100 million parcels in only 2.6 days (Naiberg, 2018); in 2019, 100 million packages were delivered before 8 a.m., eight hours after the Singles' Day had begun (Brennan et al., 2019).

Network-based business models can become catalysts of value creation and innovation hubs, but it is possible to leverage such a model only when corporate and "learning" culture are elastic enough to put apart hierarchy, planning, and push and pull economy (Lund & Nielsen, 2014). In the case of Alibaba, there were two main factors that contributed to the birth of the network: the already mentioned weakness of the country's physical business infrastructure, and the company's initial lack of time, resources, and skills. As it was impossible for the founders to develop Alibaba's own services, they created some standard

[1] Taobao and Tmall are respectively C2C and B2C Alibaba's e-commerce platforms. Their characteristics will be discussed later in this chapter.

online tools to allow third parties to become part of the system, attracting more and more actors in the network (Zeng, 2019)

A key role that has emerged thanks to the network mechanism is the one of Taobao (and Tmall) partners, also referred to as TP. These are individuals or companies that provide online services to sellers, such as marketing, analytics, and management of daily operations. Their expertise in online retail permits to offline sellers and brands and to luxury products importers to start using the Chinese e-commerce platforms even without any knowledge of online retail. These web agencies manage stores on Taobao and Tmall on behalf of individuals or brands, and their role has become so crucial that Alibaba has created a ranking to evaluate TPs best performances, so that to help companies to choose the web agency which competencies best suits their needs.[2]

In order to create value, a network must be flexible. It is not possible to plan the evolution of the network, it should instead develop autonomously based on the needs of the actors that are part of it. This means that initially roles cannot be precisely defined, so that to allow the system to stay fluid, until they crystallise by following a natural path. At that point, the platform recognises them giving them an official status and support, thus producing profit (Zeng, 2019).

Taobao, introduced in 2003, has been a prolific lab in this sense. Given its initial informal and flexible nature, it has stimulated the emergence of many new roles. As these flexible roles emerged to fill the gaps in the network, new necessities came up and so new roles to play appeared. The function of "structural holes" is central in the stimulation of competitive

[2] Information comes from an interview with Albert Antonini Mangia, Business Development & Marketing manager at Alibaba Group (Italy), done by the author on September 2nd, 2020.

networks and in the creation of new value forms, as their filling creates a virtuous circle (Burt, 1995).

Data intelligence

As already mentioned, Alibaba's activities were all developed and have always taken place online. Constant and real-time online interactions and processes provide a huge amount of data that can be used to create a continuous circle of feedback that improves the management of products and services and customers' satisfaction. With the expression "data intelligence" Zeng refers to the ability of enterprises to make profit rapidly and automatically using machine learning technology (Zeng, 2019), which is, as defined by Mitchell, *"the study of computer algorithms that improve automatically through experience"* (Mitchell, 2017). These algorithms work similarly to natural selection: every piece of data related to a process or an action is examined and compared to other data coming from similar operations or actions, then the best performance is recognised, and the learning process continues. During 2017 Singles' Day, Alibaba's databases managed 42 million of calculations per second, which means that machine learning algorithms carried out billions of operations to decide which recommendation and suggestion suited better for every customer.

Machine learning and its applications allow the company to learn in real time about customers and their changing needs, and the products to evolve accordingly. The unique feature of this technology is to overcome human limitations in terms of speed, accuracy, reliability, consistency, and transparency (Attaran & Deb, 2018).

Thanks to machine learning Alibaba has developed an excellent recommendation engine that displays efficiently the items that better suit the needs of individual customers. To make an accurate estimation of users' needs at any moment, the recommendation system examines user profiles, the context information of the scenarios, and the real-time feedback collected from individual users. In addition, it ensures the diversity of displayed items in order to maximize user experience (Jin, 2017).

Algorithms also guarantee a safe purchasing and selling environment. Transactions made through Alipay are protected from frauds using a complex framework that consists in a five-layers system: the first three layers are used to scan the buyer and seller's accounts, devices and activities, the fourth layer summarise the results of the first three ones and takes appropriate action (if the activity is clearly fraudulent) and the fifth layer is where suspicious but "grey" cases are manually reviewed. The last stage is the only one performed by humans (Chen et al., 2015).

According to Zeng, being a "smart business" is what gives to Alibaba its fundamental competitive advantage. The company's strategy is focused on coordination: the organisation is not a static and hierarchical structure that needs strict management and supervision, but rather a fluid and dynamic network made of interconnected actors. The combination of two factors has leveraged the success of the company: decentralisation and flexibility of activities and roles, and digitalisation and automation of processes and decisions through machine learning and data analysis.

Alibaba's ecosystem

The concept of business ecosystem, now widely adopted in the high-tech community, was firstly defined by James F. Moore, who described it as *"an economic community supported by a foundation of interacting organizations and individuals [that] produces goods and services of value to customers, who are themselves members of the ecosystem. The member organisms also include suppliers, lead producers, competitors, and other stakeholders.*

Over time, they coevolve their capabilities and roles, and tend to align themselves with the directions set by one or more central companies [...]" (Moore, 1996). This definition of business ecosystem is relevant in the case of Alibaba, although it describes a situation in which actors find themselves involved as parts of the ecosystem in a spontaneous way, without the specific intent of one entity to create the system. By contrast, Alibaba started its ecosystem according to specific needs and made it grow and develop around a defined goal, which is to provide to the final customer the most complete and comprehensive purchasing experience.

Another definition of business ecosystem is given by Pidun, Reeves and Schüssler from Boston Consulting Group (2019), who describe it as *"a dynamic group of largely independent economic players that create products or services that together constitute a coherent solution."* According to their further description of the different types of ecosystems, Alibaba can be defined as a transaction ecosystem, which is characterized by a central (in this case digital) platform that links suppliers of products or services with final consumers. Transaction ecosystems benefit from network effects, meaning that the more the participants in the network the more the value of the whole ecosystem. This is valid for customers as well as they become important providers of data and feedback (Pidun et al., 2019). As already mentioned, the Chinese context was characterised by a lack of retail and payment infrastructure, by the difficulties of producers and sellers in finding customers and the correspondent difficulty of consumers in finding the products they were looking for: this explains the success of Alibaba's transaction ecosystem that removed the frictions of traditional retail (Pidun et al., 2020)

The company's main businesses and services are the following (descriptions and data taken from Alibaba.com):

- **Alibaba.com.** The first business of the company, it is China's largest international online wholesale (B2B) marketplace. It connects Chinese and overseas suppliers to overseas wholesale buyers, who are typically trade agents, wholesalers, retailers, manufacturers, and SMEs engaged in the import and export business.
- **1688.com.** China's largest integrated domestic wholesale marketplace. It connects manufacturers and wholesale sellers to wholesale buyers in China. Typically, traded goods are apparel, general merchandise, accessories, home decoration, furnishing materials and packaging materials.
- **Taobao.** Founded in 2003, it is the largest B2C online marketplace in China. Like Ebay, merchants on Taobao are mainly individuals or small businesses. The shopping experience is optimized by big-data analytics and technology that help sellers to match with the needs of consumers.
- **Tmall.** Launched in 2008, It is the world's largest third-party online commerce platform for brands and retailers (B2C). It is a platform where to buy both Chinese and international branded products.
- **Alibaba Cloud.** It is the digital technology pillar of Alibaba Group. It provides a complete suite of cloud services to customers worldwide, including elastic computing, database, storage, network virtualization services, large-scale computing, security, management and application services, big data analytics, a machine learning platform and IoT services.
- **Cainiao Network.** It is Alibaba's logistic network. It offers domestic and international logistics services and supply chain management solutions.
- **Ant Group.** It is the parent company of China's largest digital payment platform, Alipay, but it also offers digital financial services. It is mainly consumers- and small-businesses oriented.

- **Alimama.** It is Alibaba Group's monetization and marketing services platform. Thanks to data technology, it helps merchants, brands, and retailers to use media resources on Alibaba's own platforms and third-party properties for marketing purposes, and enables Alibaba to monetize its core commerce, digital media and entertainment and other businesses.

Other important businesses are Aliexpress, an e-commerce platform for international consumers to buy Chinese products; Freshippo, a grocery retail chain that merges online and offline activities; Ele.me, an on-demand food delivery platform; Youku, a video platform similar to Youtube; Dingtalk, a digital workplace platform.

Figure 2. Alibaba Group's ecosystem. Source: Alibaba

The union of core commerce, cloud computing, logistics, payment and financial services, marketing services, and digital media and entertainment creates Alibaba's digital economy. It has developed around the platforms and the businesses that consists of consumers, merchants, brands, retailers, third-party service providers, strategic alliance partners and other businesses. Alibaba's digital economy generated RMB7,053 billion (US$1 trillion) in GMV[3] in the 12 months ended March 31, 2020, including transactions occurred both through Chinese and international retail marketplaces (Alibaba Group, 2019b).

Tmall, Tmall Global, and the cross-border e-commerce

The distinction between Tmall (also called Tmall Classic) and Tmall Global is essential in order to introduce the next paragraph, which is about Alibaba Italia, and to understand the issues of Italian companies selling their products in China through Tmall, discussed in chapter 2.

Tmall Global is a sub-platform of Tmall where retailers can sell imported products to Chinese consumers through cross-border e-commerce. Cross-border e-commerce is a form of trade that involves international business activities performed by trade entities based in different countries, and both transactions and payments are made through e-commerce platforms. These third-party platforms, like Alibaba, support trading between enterprises by making information, fund, and commodity flow easier (S. Ma et al., 2018).

The cross-border system allows foreign companies to avoid the many legal and logistical requirements that would be necessary to sell their merchandise in China in the traditional way: a physical presence in the country, like a warehouse on mainland Chinese soil or a physical store, a business license issued by the government, a Chinese bank account, and a Chinese registered trademark. Also, in order to comply with the Chinese regulatory system, some categories of products (like cosmetics, mom & baby, and health products) would require testing (which in China is made on animals) in order to be sold through normal

[3] Gross Merchandise Volume. Used in online retailing to indicate total sales monetary value for products sold through a particular marketplace over a certain time frame.

trade channels. Cross-border e-commerce permits to skip this testing, accelerating the entry in the Chinese market and also solving ethical issues related to animal testing (which is a central issue for some companies, as discussed in chapter 2). Products sold on Tmall Global, which are not registered in mainland China, can be stored in bonded warehouses in Chinese free trade zones or shipped directly from international warehouses in the US, Europe, Hong Kong, etc., while products sold on Tmall Classic are typically stored within Cainiao (Alibaba logistics) warehouses in mainland China. Generally speaking, the cross-border e-commerce channel allows foreign companies to create an "asset-light" presence in China without the risks and the capital burdens linked to the establishment of a China entity (Zheng, 2020). It is thus a great opportunity for all those companies that offer high quality products and have a renowned brand in their home market but lack the resources or time to invest directly in China.

Going international. Alibaba in Southern Europe and in Italy

On the 15th of July 2020 I conducted an interview with Rodrigo Cipriani Foresio, general manager at Alibaba and country manager at Alipay Southern Europe, and with Albert Antonini Mangia, business development and marketing manager at Alibaba. Our interview focused on the interest that the Alibaba Group has towards European companies and how it can leverage their business by helping them in entering the Chinese e-commerce world. We also discussed some of the main aspects that a company should know when approaching the platforms.

Alibaba is particularly interested in Italian excellences and Italian products benefit from a good reputation in China, so the interview focused initially on the Italian scenario. However, what reported about how to approach Alibaba's platforms and the Chinese e-commerce in general can be considered valid for every company willing to enter those platforms.

Information and data reported here mainly come from the interview conducted by me. When considered appropriate, integrations have been made.

Alibaba started an internationalisation process in 2015 with the opening of a series of operational headquarters worldwide. The first commercial office was opened in Milan on the 25th of October 2015. The Italian hub manages now the entire Southern Europe area, including Italy, Spain, Portugal, and Greece.

Missions

The key missions of the company's expansion in the Southern European area are the following:

- Help local companies to enter Alibaba's e-commerce platforms, mainly Tmall and Tmall Global. In the specific case of Italy, the goal is to support the value of Made in Italy products and leverage internationalisation and digitalisation of Italian businesses.
- Spread the use of Alibaba's platforms and services in the area, with a particular focus on Alipay, Aliexpress, and Cloud Computing services.
- Create awareness and improve the knowledge of Alibaba's ecosystem and the company's value among institutions, entrepreneurs, and stakeholders.

As explained previously, cross-border e-commerce (possible on Tmall Global) allows SMEs that do not have the dimension nor resources to establish a legal entity in China to export their products without excessive burdens. This opens interesting opportunities for many European companies, especially for businesses selling cosmetics, health care products, or other particular categories of merchandise that would require to be tested before being registered.

European product categories that have the largest demand in China are fashion, food, furniture, and cosmetics. In particular, fashion is a key sector when it comes to export, as more than 50% of the most important fashion brands in the world are Italian. Because of its dimension the Chinese market is appealing for many businesses, but not all companies are eligible to enter Alibaba platforms.

How to bring companies to China

An important task of the company's hub in Milan is to find and evaluate the companies that are suitable to enter Alibaba's platforms. Here we focus on Italian companies. At the beginning, the Chinese headquarter used to send to the Italian office lists of Italian products and brands that Chinese consumers already showed interest for: every time a Chinese user searched for a certain Italian product or brand on one of the Alibaba's platform and could not find it, this information was registered. Once the number of potential Chinese consumers increased and a demand for a certain item or brand emerged, these data were transmitted to the office in Italy, who took contact with the local companies. This has been the case of brands like Kiko, Armani and Lavazza, that were especially requested from online Chinese consumers. The fast and precise response to the demand coming directly from customers is possible thanks to Alibaba's highly efficient search engine and to the advanced algorithms that elaborate data.

Given the enormous size of data collected (Alibaba has about 800 million users) it is easy to find the right companies to propose to start selling on the platforms. As the reputation of Alibaba improves and the awareness of the potentiality of the Chinese online commerce market increases, more and more companies are showing an interest in entering Tmall and

Tmall global: Alibaba’s local team in Italy must then decide which companies have the characteristics to start selling their products on Tmall. Trading with China is no easy thing: there are relevant linguistic and cultural barriers, and it is a distant and deeply different market. Companies are evaluated on the basis of their products, strategy, and knowledge of the language.

Today there are 10 million sellers and about 1.5 billion products traded on Alibaba platforms. The biggest problem for them is thus visibility and recognition of their value proposition. What the team in Milan does is to provide advice and support to companies so that they can emerge and be found by potential customers, but what must be kept in mind is that Chinese e-commerce constitutes a great opportunity and a great risk at the same time. Italian export in China is still low and has undoubtedly a great growth potential, but companies must be well prepared.

What can Alibaba do for companies?

Mr. Cipriani Foresio describes Alibaba as a “data technology company”, meaning that the company bases its business and has as core competitive advantage the collection and analysis of data. This leads to the second definition given to the company, related to the main service Alibaba provides: it is a marketplace. What Alibaba offers to companies are online platforms where to trade their products (the marketplace), and all the data analysis services related to activities and transactions taking place on those platforms. As Alibaba does not have the ownership of the goods traded, but only creates a space where trading can happen, no one of the strategic decisions related to the online business is within its competence.

As mentioned before, European companies mainly sell on Tmall and Tmall Global. The figure illustrates what is provided by the Tmall platform (the online space, data about consumers and their activities, payment via Alipay and the access to a vast pool of shoppers) and what on the contrary is the seller's responsibility.

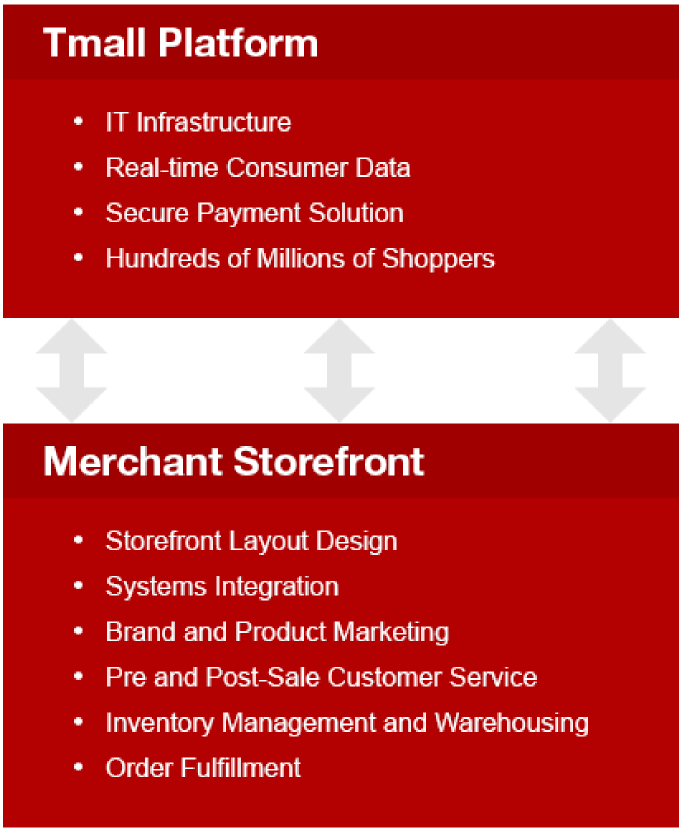

Figure 3. Competencies of Tmall vs. competencies of merchants. Source: Tmall.com

In order to open a store on Tmall Global, a company must pay a deposit fee (that serves as a refund in case of merchants' breach of the platform's terms and conditions), an annual fee for services and a real-time transaction fee (based on the category of the product sold, product price and logistics cost). Alipay also charges a 1% fee to each transaction (Tmall.com, 2015).

Because of the fact that, in the case of Tmall, Alibaba profits from each transaction (but also from services provided and from the type of product sold), it is in the interest of the

Alibaba company itself to help merchants to sell as much as possible and to perform at their best.

Brand communication and advertising on Alibaba's platforms

With regards to marketing on Alibaba's platforms, there are two aspects that deserve to be discussed.

The first one concerns the way in which a company decides to present its brand and products to consumers: storefront layout design, storytelling, product description are all within the sellers' competence. It is essential for each merchant to know how to enhance its products and communicate efficaciously with the public, because the huge variety of goods sold on the platforms can make it difficult to stand out. A good marketing strategy for the opening of a Tmall store should thus involve:

- Tell the company's history and values (underlying the values that are common to both cultures, the one of the company and the Chinese one)
- Highlight the products' characteristics (considering what is relevant in the Chinese cultural context) and clearly explain their use (especially if that specific product is new or recently introduced in the Chinese market)
- Involve some kind of interactive and captivating content related to the shopping experience (games, video streaming etc.). This last aspect is fundamental in the Chinese e-commerce, and it will be further discussed later on in this dissertation.

The second one concerns advertising. Again, with 1.5 billion products sold on the platforms, visibility is fundamental, so companies usually choose to buy space for ads. Alibaba auctions prime spots on its platforms for specific keywords, and given the high level of competition, prices increase quickly (Vinkenborg, 2016). Merchants can buy display ads through Alimama (Alibaba's marketing platform), that gathers user data from

Alibaba's ecosystem (including e-commerce marketplaces, UCWeb browser[4], streaming media services and AliPay transactions) or, in case of larger merchants and brands, display ads can also be purchased across Alibaba's marketplaces. A large amount of revenues come from product listings via CPC (cost-per-click) bidding platforms: the more an item is popular, the more the clicks the ad receives, the higher the cost for the seller and the profit for Alibaba. In 2017 Alibaba's CFO Maggie Wu claimed that Alimama accounted for 60% of Alibaba's total revenue (Sun, 2019). This information has been confirmed by Mr. Cipriani Foresio during our interview. In addition to the advertising that the company chooses to make and pays for, platforms calculate, with their own algorithms having very complex and dynamic functions, the popularity percentage of a certain product and suggests it according to its degree of popularity.

The importance of Tmall Partners

Many foreign companies starting their online businesses on Alibaba's marketplaces decide to choose a Chinese partner company that can help them in managing the activities on the platforms. These entities, called Trade Partners (TP) or Tmall/Taobao partners, are third-party companies, web agencies based in China possessing an expertise in e-commerce. Depending on the type of contract agreed upon, TP companies can run a store's daily operations, manage marketing activities, analytics, logistics operation, and customer service. Customer service deserves a particular attention in China because Chinese consumers are used to receiving very fast and effective support: the average waiting time of a Chinese online shopper is 15 seconds. TP companies can either manage the operational side or, in the case of a highly popular product, web agencies can also purchase goods from

[4] UC Browser is a web browser developed by mobile internet company UCWeb, a subsidiary of the Alibaba Group

the merchant and sell them on their own account. The main advantages of having a Chinese partner are:

- Obtain valuable insights into the Chinese markets thanks to data often inaccessible from the outside.
- Avoid the burden of paperwork and the problems related to China's legal and regulatory system.
- Overcome linguistic, cultural, and behavioural differences.

Usually, TP companies specialise in some product categories. They are selected and certified by Alibaba, which also takes care of matching retailers with the most suitable Chinese partner for them. It is in the interest of both Alibaba and the seller to find the right partner, as a bad management of daily operations can cause the failure of a company on Tmall. The role of Tmall Partners is so essential that Alibaba has created a ranking to evaluate web agencies' performances. Parameters considered are operational capability, daily sales capability, and comprehensive experience regarding commodity, logistics, after-sales, dispute handling and consulting.

Italian companies on Alibaba's e-commerce platforms

Moving towards digitalisation. Italian scenario before and after COVID-19

Italy's pace towards digitalisation is undoubtedly much slower than the Chinese one; it is also quite slow when compared to other European countries. According to the Digital Economy and Society Index (DESI) of 2020 (reporting data from 2019), Italy ranks 25th out of the 28 European Union Member States in terms of digitalisation. Data show that compared to the EU average, digital skills in Italy are generally very low, and that the number of ICT specialists and ICT graduates is also below the EU average. According to researchers, only 74% of Italians are regular internet users, and the lack of digital skills is visible in the low use of online services. In 2019, 17% of the Italian population had never used the internet; only 49% of the population had shopped online before and 11% had sold online before, while the European average for the same indicators was respectively 9%, 71% and 23%. The most popular online activities are listening to music, watching videos, and playing games, followed by making video calls, reading news, and using social networks. Doing a course online and selling online are the least popular activities.

Parallelly, Italian companies lag behind in the adoption of technologies such as big data or cloud, as well as in the uptake of e-commerce. The figure below shows the distance between Italy and EU in terms of digitalisation: the relevant indicators for this dissertation's scope are "Use of Internet Services" and "Integration of Digital Technology", referring respectively to what internet users do online and to how much internet technologies are used by enterprises.

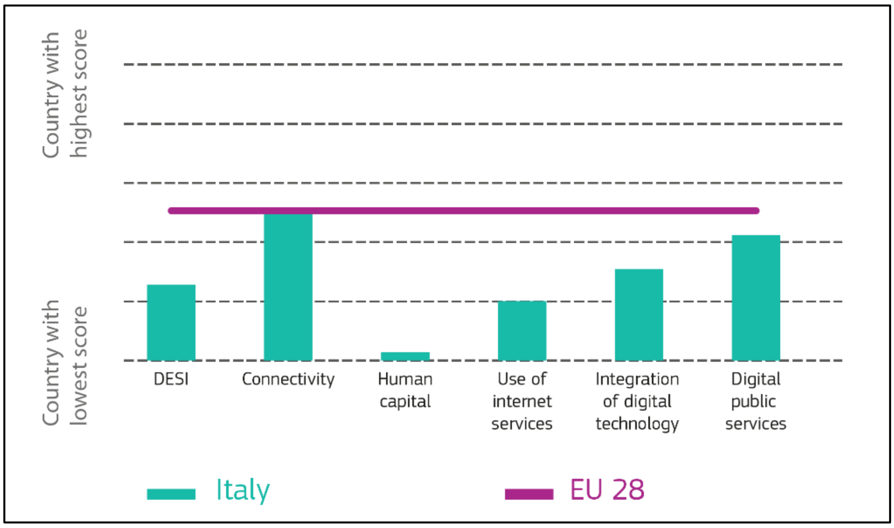

Figure 4. DESI 2020. Italy's relative performance by dimension

As shown in the diagram, Italy clearly lags behind with respect to the European average. Data from the 2019 Netcomm Forum show that not only Italian consumers are still reluctant to buy online, but also that Italian companies hesitate in opening their online shops and merging their online and offline activities: this is because of the previously mentioned lack in digital competencies. The B2C Ecommerce Observatory of the School of Management of the Politecnico di Milano underlines that only 10% of Italian companies are selling their products online (Maconi, 2019). Again, there is a wide gap between Italy and the EU average, where enterprises selling online are 18%; in Italy, only 6% of companies sell across border to other EU countries (against 8% in the EU), and they generate on average 8% of their turnover from online sales (11% in the EU) (European Commission, 2020).

There is a linear connection between a certain country's digital competencies and the chances to develop its own internal e-commerce system: one of the consequences of the country's backwardness is that Italian companies tend to outsource their online activities leaning on marketplaces. Italy is the European country whose companies make the biggest use of this kind of websites, with an incidence of 7.8% (Maconi, 2019).

Although there is undoubtedly a general delay in the development of the digital economy, the 2020 Coronavirus epidemic is rapidly changing things. The measures adopted to contrast the spread of Covid-19, such as physical distancing and the limits applied to movements and activities, are a strong boost towards the digitalisation of many aspects of everyday life. The urgence of limiting contagion has forced the whole system to adopt rapidly and massively a wide range of new practices, from work to school (smart working and distance learning being the main examples) to consumption. Purchasing habits and consumer behaviours shifted towards e-commerce, that managed to ensure continuity of service for many businesses and for customers. For the first time ever, during the lockdown, e-commerce has been the main, if not the only, consumption generation engine: since January 2020, online product purchases in Italy increased by 31% (while services purchasing dropped mainly because of the limitations on tourism and transportation, -47% with respect to 2019), and Italian online shoppers have passed from 27 million at the end of 2019 to 29 million in May 2020. According to Netcomm, 1.3 million out of 2 million of new online shoppers are due to the impact of Coronavirus. The value of e-commerce on the total of the retail sector passed from 6% of 2019 to 8% of 2020. Another influential phenomenon is the fact that smartphones have become the favourite devices to shop online: this trend suggest that e-commerce will stay even after the end of the pandemic, because mobile phones allow to shop online anytime and anywhere, and once new habits will be established its advantages will make consumers likely to keep newly acquired purchasing behaviours. E-commerce B2C from smartphones has increased by 22% since 2019, and counts for 15.7 billion (Osservatori Digital Innovation, 2020).

How to adapt? Italian companies facing a changing market

The change taking place in consumer habits brought about by the spread of Covid-19 obliges companies to adapt to new needs. The pandemic is accelerating the digitalisation process in many sectors, in Italy just like abroad. A profound understanding of the impact of the crisis and of the dimension and depth of transformation is necessary, as change will stay.

Companies willing to emerge from the crisis have to develop a systematic understanding of changing habits: a study on habit formation has shown that the average time for a new habit to emerge is 66 days (Lally et al., 2009), meaning that lockdowns imposed in many countries lasted enough to change irreversibly consumers' habits. According to Jacobides and Reeves (2020), there are three main steps that companies should take to gain advantage from the crisis:

1. Reassess growth opportunities in the new normal: understand new trends, identify their type and duration, rely on data, and consider different perspectives (looking at competitors and other markets)
2. Reconfigure business models to realise new opportunities: The shock to globalization brought on by the pandemic is causing the need for many companies to re-shore critical components in their supply chains, from R&D to assembly; the new trends are to shift the value offer online, strengthening or building your own e-commerce, potentially leaning on big digital platforms, and push omnichannel integration and OMO (Online Merge Offline) (Osservatori Digital Innovation, 2020).
3. Reallocate capital more effectively: although crises inhibit spending propension, companies that are ready to take on some risks and invest to be able to innovate are

also the more likely to overcome the crisis more successfully. Investments regarding cloud, big data, AI, but also improvements in integration, logistics and marketing will be essential.

Let us examine the situation of Italian companies dealing with the pandemic and the issues they are facing. A consideration that deserves to be done is that together with the digital and technological backwardness already mentioned, the transformation required to face the crisis also meets some other obstacles that are peculiar of the Italian environment.

Italian businesses generally perceive innovation as difficult: biggest barriers are the lack of financial resources (especially in the South of the country and with regards to small firms), the lack of skilled personnel, the perception of regulatory rigidities and difficulties in changing internal organisation (especially in large firms) (Iammarino et al., 2009). On the one hand, these obstacles make it more difficult for many companies to innovate in order to adapt to the changing needs of the market caused by the Covid-19 outbreak; on the other hand, such a massive socioeconomic shock could propel innovation with unprecedented force and abruptly change the status quo.

As the focus of this dissertation is e-commerce, we will discuss how Coronavirus impacted companies' activities and pushed the development of online retail. A survey has been conducted about the relationship between e-commerce and Coronavirus in mid-March on Italian e-commerce operators, in which 58 operators representing all product sectors were interviewed. 54% of the e-commerce companies interviewed saw their turnover drop due to the Coronavirus, while only 21% increased it. The operators in sectors like apparel, home and furniture, and tourism (clearly because of limitations on mobility) are those who have suffered the most. However, those who have increased their turnover struggled to keep up with orders, with an average increase of 96% in sectors such as online entertainment and training, or online grocery stores which alone have seen a growth of 300%. The products most bought by Italians were pasta, disinfectants, and long-life products. Reorganisation has been particularly critical in the first phase of the lockdown. In particular, the most stressed areas are related to smart working and internal organisation (31%), logistics (27%), and product supply (21%). During this period, numerous e-commerce support initiatives arose in various areas: players like Storeden and Shopify have promoted the creation of e-commerce sites and have allowed 90 days of free trial instead of 14; Ebay has announced free webinars to support merchants willing to open online businesses and has offered 6 to 12 months free of charge for the opening of a shop on the platform. Also, Nexi has proposed the free Mobile POS service, a Pay-by-Link service for remote payments that works without the need of an e-commerce site (Casaleggio Associati, 2020).

In light of what has been reported so far, a few considerations about the future Italian e-commerce scenario deserve to be done. This analysis is based on the report published by the B2C Ecommerce Observatory of the School of Management of the Politecnico di Milano in October 2020 (Osservatori Digital Innovation, 2020).

- The pandemic has caused a hike in the online demand of some product categories (the first one being food and groceries), thus creating the necessity but also the opportunity to structurally reinforce the e-commerce strategy in those sectors. Strengthen the online offer means optimise operations, invest in marketing and communication, and understand omnichannel integration’s benefits. Sectors who experienced the greatest pressure to innovation and are able to adapt to new conditions could stimulate other sectors to do the same, becoming an important point of reference.

- As Italian consumers are slow in getting used to e-commerce, online purchasing experience should be simplified and made more attractive: customer service and one-to one support must be reinforced, and check-out and payment options have to be easy and clear. Also, a particular attention has to be devoted to mobile customer experience.
- Considering Italian digital retail backwardness, to look at international e-commerce operators can become an important source of inspiration. The goal that international online retailers are pursuing, allowed by digital technologies, is to create the most customised purchasing experience possible. Key innovations coming from abroad concern online product research (e-commerce websites' search engines should be improved) and new strategies of product selling and product presentation (live streaming being one of the emerging ones). Other strategies include creating partnerships with third-party shipping companies to reduce waiting times and manage e-commerce orders fulfilment in physical shops.

Why should Italian companies enter the Chinese online market?

According to Casaleggio Associati (2020), Italian e-commerce companies that sell abroad are 61% of the total (+ 5% since 2019), while 39% only sell in Italy. 21% of them sell in France, 19% in Spain and 18% in Germany; the United Kingdom and the USA follow with 14% and then Switzerland and Northern Europe with 10%. 6% of companies sell in the Balkans and Russia, Japan, and Asia (excluding China), while enterprises that are active on the Chinese e-commerce market are 5%.

Despite the global economic crisis caused by the pandemic, the e-commerce sector in China still grows at a speedy pace. Data reported from Emarketer.com (2020) show that even if overall retail sales in China will shrink by 4% in 2020 because of the effects of Covid-19, retail e-commerce will see an increase of 16% compared to 2019. Chinese online consumers are expected to spend $2.090 trillion (RMB14.440 trillion) in 2020. E-commerce giants Alibaba, JD.com and Pinduoduo will control 83.6% of the retail e-commerce market in 2020, compared with 80.3% last year. Their growth is due to their diversified product offerings and resilient logistics, which made them able to serve consumers at best during the pandemic (Cramer-Flood, 2020).

China offers great potential for e-commerce companies: as we reported in chapter 1, China's deep internet penetration, its enormous pool of online shoppers, and other peculiar features of the market such as the capillary diffusion of digital payment systems (Alibaba's AliPay and Tencent's WeChat Pay being the biggest players) make its e-commerce environment particularly fertile and attractive.

A key element to consider in order to understand why Italian companies should sell their products on the Chinese online market is the possible match between a certain Italian offer and a certain Chinese demand. Italian brands benefit from a worldwide shared good reputation: Italian products are generally considered of good quality, elegant, and refined, and Italian firms' long tradition and history contribute to increase their value perception because of the country-of-origin effect (De Nisco & Mainolfi, 2016). Some product categories particularly benefit from the perception of Italy as the country of art and good taste: fashion and apparel, furniture, fine foods, and wines.

Thanks to the rise of the middle class and the increase in purchasing power, Chinese consumers are increasingly switching from mass products to premium products. Premium segments experienced a relevant growth and foreign brands hold a leadership position in the premium market (Zipser et al., 2016). With regards to luxury consumption, research has shown that Chinese luxury shoppers are becoming increasingly informed and aware (Rovai, 2018), thus able to recognise Italian quality and elegance; finally, Chinese shoppers are oriented toward risk avoidance, especially when it comes to counterfeits, so cross-border e-commerce is the ideal option to shop foreign goods (Ma, 2020).

Also, selling on the Chinese online market can give to firms an important chance to innovate. Citing Pontiggia and Vescovi (2014) *"Internationalisation choices are a field where to test and experiment new business models and are a strong innovation engine for companies"*. In the case of e-commerce, experiments can be done in terms of brand identity and marketing strategy, for example improving storytelling to better communicate the firms' values, exploring new positioning options or rethinking value proposition in general. The digital channel offers a low cost, fast and highly reactive way to innovate, thanks to the immediate feedbacks the company can receive. Entering the Chinese online market offers a great opportunity to operate *mirroring back*: here companies can test new models and strategies, learn from the Chinese experience, and eventually apply their newly acquired knowledge back in the Italian context.

Why choosing Tmall?

According to Casaleggio Associati (2020), half of the Italian e-commerce companies are active on marketplaces, even if having their own e-commerce website remains the favourite choice. About 50% of companies' turnover from online activities comes from the proprietary site, 23% from marketplaces, 8% from social media and the rest from other channels. 45% of those who sell on marketplaces are present on two or three platforms at the same time, while 30% only on one platform; 7% sell on four to five different platforms, while 18% of companies are present on more than five platforms. Moschino, for example, is the fourth Italian brand by presence on marketplaces: it is active on over five marketplaces and invoices over 50% on these platforms. The most used marketplaces include Amazon (38%), eBay (19%), Facebook Marketplace (12%), Alibaba (4%), ePRICE (4%), Zalando (4%) and Tmall (4%). Specifically, e-shops of Italian companies and brands on Tmall are more than 300.

Why choose to sell on a marketplace? Differently from a proprietary e-commerce website, which can be difficult to develop and manage, marketplaces or third-party platforms result to be less challenging distribution channels, that can push sales and allow merchants to access rapidly to foreign markets. Although less satisfactory and less efficient in enhancing a brand's value, using a marketplace make many processes faster and easier for merchants, especially for those who do not have the right competencies to develop their own online shop (Netcomm, 2020).

The companies whose case studies will be reported later on in this chapter mainly sell on Tmall. The platform has 711 million active users and 63.6% market share, so it is the first player in the Chinese B2C e-commerce scenario, followed by JD.com, which has 362 million active users and a market share of 24.4%. Although the good reputation related to its reliability and its high-end delivery services, JD.com lacks the "coolness" of its competitor Tmall, that performs better in creating digital-friendly content and attracting Generation Z and Millennials consumers (Wu, 2020).

Considering the key role that marketplaces can have when approaching a foreign market, plus its leading role in terms of users and dimension, and the quality of the services that it offers, choosing Tmall to enter the Chinese e-commerce market can be considered a good strategy; however, brands that are new to China's digital selling channels should consider to open stores both on Tmall and JD.com, as both platforms come with built-in infrastructures that are useful for brands to efficiently enter China's online market (Wu, 2020).

Alibaba has shown many times its intention to foster the entry of Italian businesses on its platforms. In 2014 the Italian Government (through its Ministry of Economic Development) signed a Memorandum of Understanding with Alibaba Group to promote trade opportunities for Italian companies on Tmall: the agreement was aimed at supporting Italian companies in entering the platforms, but also at providing Tmall with Italian retail trends, to make marketing campaigns more focused and effective for Chinese consumers. The then Minister for Economic Development, Ms. Federica Guidi, had highlighted the importance of *"[promoting] Italian brands in China through a powerful and modern channel of distribution"* and also the *"great chance for Italian SMEs – which often, due to their relative size, find it somehow difficult to expand internationally - to establish a presence in the highly competitive Chinese market and get to be known by the Chinese public for the excellence of their products"* (Alibaba Group, 2014).

In 2018, Alibaba has signed an agreement with ICE[5], which led to the launch of "HelloIta", a special space on Alibaba's platforms dedicated entirely to Made in Italy: the goal was, again, to promote Italian excellences on the Chinese online market (Roddolo, 2018).

Within the "HelloIta" project a multichannel campaign called "We Are Together" was organised. The aim was to promote Italian food culture and lifestyle through both online

[5] "Istituto nazionale per il Commercio Estero" (National institute for foreign trade). It is the Italian government agency for the promotion and internationalisation of Italian companies abroad.

and offline activities, such as tastings, show cooking, and promotions happened at Freshippo stores, with the participations of Chinese key opinion leaders (AIFI, 2019).

Italian cosmetics companies in China

According to the annual report of Cosmetica Italia (Italian national association of cosmetics companies) on the cosmetic sector activity and consumption in 2019, the value of exports of Italian cosmetic products for that year is increasing and exceeds the value of 4.9 billion euros. The value of exported Italian cosmetics is in fact of 4,917 million euros, with an increase of 0.8% compared to 2018. But the “new” destinations, strongly sought by Italian business activities, are increasingly influencing. There is in fact a great development in the Middle East and Asia areas. The value is still low to label the cosmetic industry as definitively on its way to internationalisation, but it is positive in terms of new development opportunities on foreign markets. With regards to Asia, there was an increase of 4.1% in the value of exports with an overall value of 907 million euros. Hong Kong, China, South Korea, Singapore, and Japan are the areas in Asia where the value of exports of Italian cosmetics has grown the most in recent years. According to the same report, China ranks fourth in terms of strategic importance for internationalization activities: the country occupies the 13th place in the ranking of world exports of Italian cosmetics, as 21 of the 63 million euros of exports to Asia come from there. Again, the so called “country of origin” effect is responsible for the desire of Chinese consumers of Italian cosmetics product, perceived as very high quality and refined.

On the 20th of July 2018 Alibaba Group and its marketplace Tmall Global organised a big event in Milan called “The colours of Italian beauty”, the first European conference of the group dedicated to cosmetics, in collaboration with Deborah Milano, Diego dalla Palma Milano, RVB LAB and KIKO, some of the most famous Italian cosmetics brands that have recently opened their flagship store on Tmall Global. More than 300 industry operators were invited. The latest trends in the cosmetics and beauty market in China were commented and the marketing opportunities that Alibaba offers to its customers through its ecosystem were presented.

Alibaba Group aims to encourage the entry of Italian and European cosmetics brands into its ecosystem, as the cosmetics industry is one of the most promising business sectors in China. The typical consumer profile is moving towards a younger age group with greater spending power and a stronger preference for luxury goods, such as beauty and personal care products (Deborah Group, 2018).

Three case studies of Italian personal care companies selling on Tmall

In order to give evidence of the opportunities and the results that operating on Alibaba’s platforms can give to Italian companies I conducted a series of interviews with representatives of three important Italian firms that have started a collaboration with Alibaba: Sodalis Group, Ludovico Martelli Group and Acca Kappa. All the three companies examined operate in the cosmetics and personal care sector. The research is aimed at discovering how these companies are performing on the Chinese online market (specifically, on Alibaba’s B2C e-commerce platform Tmall) and what are the main issues they need to face in this context.

Methodology

The interviews were conducted via phone call or video call between the 21st and the 29th of July 2020. Interviewees were Andrea Piaggesi, business development and export director at Sodalis Group; Leonardo Cirigni, Export Manager at Ludovico Martelli group; Valentina Cescon, Export Manager at Acca Kappa. Interviews focused on the following topics:

- Activities of the companies in China before and after the entry on Alibaba's platforms
- Degree of satisfaction regarding the collaboration with Alibaba
- Type of products and degree of products' success on the Chinese online market
- Context - specific marketing strategies
- Competition
- Future expectations

Case study 1. Sodalis Group's brand "Tesori d'Oriente"

Sodalis Group is an Italian company that, starting from 1990, has constantly grown through the organic development of proprietary brands and the acquisition of new brands. Some of them were previously owned by foreign multinationals, others were promising small and medium-sized companies in the personal, beauty and home care sectors. The new businesses have been gradually integrated within the group and developed in order to achieve continuous growth (Sodalis Group, 2018). Part of the group are brands like Bionike, Biopoint, Deborah Milano and Tesori d'Oriente, the latter being the one that the group exports to China the most.

Tesori d'Oriente (TdO) is an iconic Italian brand. The philosophy of the brand is focused on the oriental concept of body care, intended as an escape ritual from daily routine. The cosmetic ingredients and fragrances are therefore the ones that are typical of the Middle and Far East cultures, and packaging design and decorations also recall oriental styles. The value proposition focuses on the refinement of fragrances and on the reference to the oriental culture of well-being (Tesori d'Oriente, 2017). In Italy TdO holds the largest share of the market for low-cost perfumes, and it has significant shares in shower and bath creams and body creams.

As of the Chinese online market, TdO products are sold both on Tmall and Tmall Global, the latter used to promote innovation and test the products until they are registered.

The first exports to China took place between 2012 and 2013. At the beginning, products were sold at exorbitant prices in small shops of imported goods in first-tier cities. These types of Western products were mainly bought by upper-middle class consumers, to be shown off at home as luxury products or to become gifts. For example, a 500 ml shower cream could be sold for the equivalent of 25 euros. TdO cosmetics had an immediate ramp-up, and the company started to organise a more structured import. Initially, there was only one authorised importer who distributed in a highly selective way and at very high prices: with this first channel of distribution only, the value of exports to China was already around half a million euros per year. The following step was double: on the one hand, retail prices were lowered, maintaining the products into a premium segment but moving prices closer to the ones of similar cosmetic products, like the ones of the Japanese brand Kuyura (owned by Shiseido), TdO's first competitor in China; on the other hand, distribution was extended to health care and beauty care chain stores, like Watsons. In two years, the sales volume of exports to China exceeded 2.5 million euros. The product that obtained the greatest success and popularity was the lotus flower shower cream, thanks to the appreciation linked to the fragrance: in fact, the lotus flower has a particular meaning in Chinese culture, as it is a symbol of purity and is related to Buddhism.

The following step was to rely on wholesalers, as they allowed a more capillary distribution on the territory. At this point, the system was structured as follows: there was a single importer who had the exclusive in China and total control over prices. Furthermore, he was in charge of managing locally the relationships with wholesalers, so that to allow efficient distribution. It has to be underlined that distribution is a central topic when entering a market like the Chinese one: linguistic and cultural barriers together with remoteness and vastity of the market make it necessary to find a trustworthy partner who knows how to move locally.

In 2016 TdO cosmetics started to be sold on Tmall: in this first online attempt there were some difficulties as the brand's importer in China, who was in charge of managing the operations on Tmall, did not have the expertise to work efficiently on such a complex platform. First results were good but below expectations, considering the success reached offline. To improve performances, a joint venture with a Chinese agency specializing in the launch, promotion, and sale of products on the Alibaba ecosystem was created. This was the turning point: the newly created company was able to use all the marketing tools offered by Alibaba's ecosystem, creating exceptional product visibility.

A year and a half later online sales had reached the same weight as offline ones: the value of exported goods was 10 million euros.

Nowadays, Sodalis' export activity to China takes place as follows: the group relies on a Chinese importer company, where an employee from Sodalis is also present, that established a JV with a Chinese TP web agency to help managing daily operations related to the online activities. Sodalis also has a contact person at Alibaba's office in Italy that provides additional support.

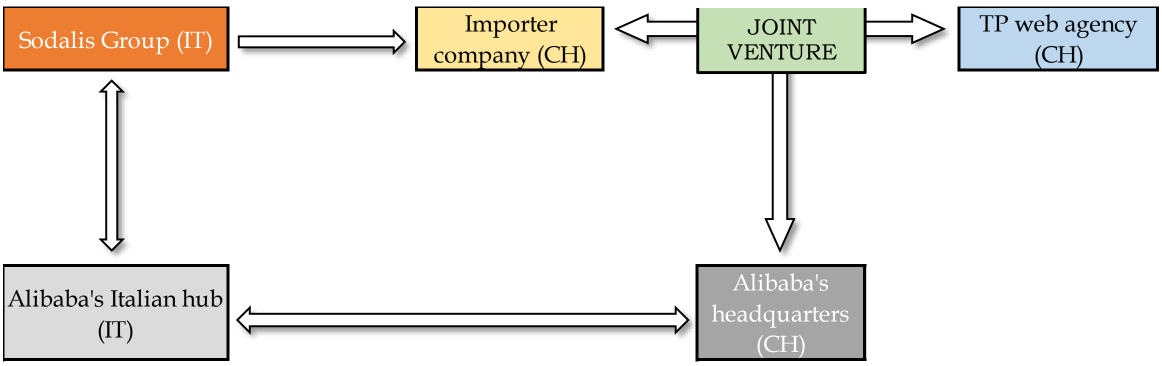

Figure 5. Explanatory diagram of Sodalis export to China through Alibaba's platforms

Before the COVID-19 emergency, TdO was the second best-selling brand of imported shower cream on Alibaba's platforms (after Kuyura), while it was sixth/seventh in the ranking that also included local brands. After the onset of the pandemic, as Chinese consumers could not shop in physical stores, many low-priced indigenous brands previously sold in brick-and-mortar stores went online, and consumption shifted to these brands. This pushed TdO's shower cream slightly down in the overall ranking, which now occupies the 16th position, but it still remains the second most imported shower cream. Even though Chinese consumption has changed in an absolute sense, as the pandemic pushed many offline companies online creating a higher competition, preferences for imported products have remained unchanged.

Offline sales were highly impacted: they fell by 50%, and online sales are still unable to balance this loss because the online landing of many small brands has increased competition in terms of prices, but also visibility.

With regards to the relationship with Alibaba, the opening of the Italian hub in Milan has considerably improved the ease of operating on the platforms: Sodalis receives an important support by business development managers in Italy, and they also have a Chinese speaking contact person, that helps a lot in relating with Chinese category managers at Alibaba and in solving problems linked to communication. Mr. Piaggesi stated that it is in the interest of Alibaba's managers in Italy to help and support companies that operate on the platforms, because it is on the basis of the results obtained by these companies that their work is evaluated. Thanks to this collaboration it has become easier to identify problems and to find ways to communicate the need to solve them: in fact, telling a Chinese partner that he is making a mistake is far from easy, and Chinese people generally find it very difficult to admit that they are wrong or that they have doubts, because this is considered very shameful and dishonourable.[6] Another important help that comes from Alibaba is the contact it provides with skilled Chinese web agencies (trade partners) that support foreign companies' online businesses: Mr. Piaggesi highlighted how essential their role is in having success on the Chinese online market, but also how difficult it can be to find trustful reliable partners.

Talking about TdO's most successful products in China, the leading one is shower cream (which has a slightly different formula compared to the one sold in Italy, that is more similar to a classic shower gel), followed by body and hand creams. The most popular fragrance is Lotus Flower, accounting for 80% of sales; other appreciated fragrances are Egyptus, Japanese Flowers and Ayurveda. The size of the Chinese market is such as to justify an *ad hoc* production: this is why TdO works to launch new segments and focuses on the development of products dedicated to the Chinese market. An example is the new fragrance

[6] The difficulty that Mr. Piaggesi underlined is related to a strong cultural difference between Western communication habits and Chinese ones. The Chinese culture is a high-context culture, while generally speaking Western cultures are low-context cultures.

Imperial Rose (Rose of Damascus), especially conceived for the Chinese market and not available in Italy (which is expected to become soon the fourth most popular one), or the development of a more fluid body lotion to better suit Chinese consumers' habits.

Figure 6. Imperial Rose shower cream. Source: Studio Idee Materia (Facebook)

Differently from what happens on the Italian market, where they are very popular, TdO's perfumes are not successful in China, mainly because of a cultural difference: Chinese rarely use perfumes, Western fragrances are often considered too sharp and a more delicate way to perfume is preferred (like using creams or soaps). International fashion brands fragrances constitute an exception, as this kind of foreign, expensive products are considered status symbols and are bought to show off.

With regards to communication and marketing strategies, an emerging tool that is becoming more and more effective to increase a brand's visibility is live streaming e-commerce: key opinion leaders (KOLs) or influencers record videos to demonstrate a product and broadcast live over a platform, social network, or website. Mr. Piaggesi said that it is becoming increasingly difficult to gain access to this tool, as live streamers are very selective towards the products they promote during their live coverages, and having your brand promoted by them is getting more and more expensive; however, given its popularity this is an essential marketing tool in China. Visibility and popularity are fundamental not to lose sales, but the competition and promotional pressures are so high that this strongly impacts margins.

Sodalis took part to a live streaming conducted by the influencer Xin Ba (辛巴), during which TdO's products were shown for ten minutes. In that little time frame 115'000 product bundles were sold, each one containing two Lotus Flower shower creams and two Lotus Flower shower gels, for a total of 460'000 units sold. This well explains the importance of live streaming as promotional tool.

A question that arose in the interview was: can an online business become a trap? Do the continuous emergence of new products and brands, the potential limitlessness of the marketplace, the rapid change in trends and consumer tastes and therefore the consequent run-up to visibility and good positioning in the rankings risk weakening a company? Mr. Piaggesi stated that although online business is much more complex and competitive than offline, it allows to act and make mistakes without this having a significant economic impact, as adjustments can be done quickly. Being successful is not simple, but thanks to Alibaba's tools attempts can be done at low cost. Investments that can be made on Alibaba or social media will never be as burdensome as those for physical retail. The very strong online competition puts the margins under great pressure but operating online allows more frequent and quicker innovation.

Concerning competition, large companies that have the resources and the size to carry out integrated and well-structured marketing plans are already online in China, but the marketplace will be increasingly crowded. This actually applies to both Alibaba and any other online retailer, such as Amazon. However, we should say that while in brick-and-mortar retail 80% of the market is held by large traditional brands and only 20% by small or new brands, for online retail is exactly the opposite: there are many brands that only exist online because they would never have the means to sell in a traditional way. This creates a completely different competitive scenario.

With regards to the future, Sodalis will continue to innovate and launch new products, but at the moment the main concern is how to efficiently manage online sales and how to finance the increased competitiveness in the online market.

In addition to TdO, Sodalis Group has brought some other brands from their portfolio to China: for example, the wet wipes Fresh&Clean brand was launched right before the beginning of the pandemic, thus obtaining very good results; furthermore, Bionike (health & beauty care brand) flagship store on Tmall has been opened in July 2020.

Case study 2. Ludovico Martelli Group's brand "Marvis"

Ludovico Martelli S.r.l. is an Italian company founded in 1908 by Ludovico Martelli in Florence, while today its headquarters are in Caldine (Fiesole). It is a family-run SME specialized in the beauty sector, from shaving to oral hygiene to dermo cosmetics, and it has fourteen brands including Proraso, Marvis, Kaloderma, and Oxy. Proraso is their most famous brand in Italy, its products for shaving have become iconic, and are diffusely popular and appreciated since decades. However, as Mr. Cirigni, export manager of the group explained, Proraso products do not have a large market in China, as Chinese have little or no bear. The interview with Mr. Cirigni focused on Marvis, a luxury toothpaste brand which recently obtained impressive results on the Chinese market. Marvis created an elegant and appealing toothpaste transforming a simple, daily product into a premium and luxurious one. These toothpastes are available in several different tastes and come with a stylish, vintage-style packaging (Bigelow Trading, 2020). The idea behind it is to match a traditional rich and dense toothpaste formula with a trendy, ironic personality, and a luxury everyday experience.

The first structured import business in China started in 2016 in partnership with Alibaba. The demand for Marvis products already existed, but initially toothpastes were sold in China in an unstructured way. When the collaboration with the platform began, Marvis products were mainly exported with the cross-border system on Tmall Global. As we already discussed, the cross-border system allows to start an import business in a simple and cheap way, especially when it comes to products such as cosmetics that would otherwise require to be controlled and registered by the Chinese Ministry of Health, thus complicating the procedure.

The collaboration with Alibaba takes place through a distributor, who acts as an intermediary. The distributor purchases the products from the company (Ludovico Martelli Group) and, relying on a TP (Chinese web agency), manages the daily operations in China: marketing, advertisements, and all the activities that are necessary to target the consumer. Actually, TP web agencies allow distributors to manage activities on all Chinese e-commerce platforms, not only on those of Alibaba but also on others, such as JD.com.

The interest of Martelli Group for Alibaba's online businesses was born both due to the advice received from the distributor, who emphasized the importance of e-commerce platforms to address the Chinese market, and from Alibaba itself, which showed interest in Marvis products. The distributor, through the TP company, uses the indexing and customer search tools offered by Alibaba, but the other services are not used: there is already a structure in Italy that takes care of most of the operations. Mr. Cirigni explained that, although qualitatively excellent, Alibaba's services are quite complex to use for non-Chinese speakers. Also, the Chinese way of doing, organizing, and operating is substantially different from the Italian one.

Marvis toothpastes are Martelli Group's main business in China. They are high-end products: a Marvis toothpaste costs around 7 euros in China. They are also the only products of the group sold on Tmall (but they are also sold in physical stores), while Proraso products are also marketed in China but in a much smaller way, and in any case not on Tmall. The best-selling Marvis toothpastes in China, the so-called hero-products, are Whitening and Jasmine. The reasons for these preferences are that, in the case of Whitening, the Chinese are interested in the whitening power of toothpaste as they are generally smokers and drink a lot of tea, habits that both tend to stain teeth; in the second case, the reason for the success is linked to the popularity of the Jasmine fragrance throughout Asia. Marvis consumers in China are generally young people fascinated by Western luxury products.

Figure 7. Marvis Whitening Mint toothpaste

Figure 8. Marvis Jasmine Mint toothpaste

As regards the problems encountered in entering Alibaba's platforms, but more generally in the Chinese market, the respondent underlined the difficulties in communicating with Chinese partners: difficulties that emerge not only at the organizational and operational level, but also often at the marketing level. Indeed, it is no easy thing to effectively communicate the values, characteristics, and qualities of a brand, and translate these values into the Chinese language and culture. According to the interviewee this is the greatest problem to face on this market, since the difficulties in communicating values create the biggest obstacles to sales and success of products.

Martelli group is well aware of the importance that local-specific promotional tools like the role of KOLs and the use of live-streaming sales have in China: for this reason, in 2019 the company has contacted around 40 bloggers, influencers and KOLs to have Marvis toothpaste showed on their social pages or promoted during events like Singles' Day or similar. The most used platforms have been Sina Weibo, Weixin (WeChat), Douyin (TikTok) and Xiaohongshu (RED). Among the most popular KOLs there were Li Zhile(李知了), Neon Girl (霓虹娘), Xiaoman Manxiao (小蛮蛮小), Ye Jingfei (杂乱无章）, Papa Po（扒婆) Brain Hole Girl T (脑洞少女T). All of them have a few millions followers.

Marvis's major competitors in China are Korean toothpaste brands, which are high quality products thanks to Korea's long cosmetic tradition. Some examples are LG Health Care Himalaya Pink Salt toothpaste, Perioe's PUMPING gel toothpaste and Aekyung's Dental Clinic 2080 toothpaste. They all have a price range between 7 and 10 euros.

With regards to the effects of the pandemic on the success of Marvis toothpaste in China, it seems that online sales were not undermined, so there were no heavy losses. Of course, offline sales suffered some damages, but generally speaking the situation seems to be under control.

Case study 3. Acca Kappa

Acca Kappa (H. Krull & C. S.p.A.) is a family-run company born in Treviso in 1869. It is a historical excellence, a brand specialised in the creation of perfumes, professional brushes and products for body care and well-being. Its philosophy is based on the love for Italian culture, elegance, and lifestyle, and on the passion for craftsmanship and authentic beauty. The fragrances of Acca Kappa products are inspired by those of Italian gardens, and the values that distinguish the brand are love for nature, respect for the body, and an exclusively Made in Italy production (Acca Kappa, n.d.).

The brand penetration on the Chinese market has started before the collaboration with Alibaba. Initially, Acca Kappa products were only sold in a few selected shops, as a demand for the brand had already emerged because of its presence in neighbouring countries like Hong Kong and Japan. Acca Kappa scarce initial presence was due to the fact that, in order to import cosmetic products to China and have them registered, animal testing is compulsory, and this would have been contrary to the brand's ethics. This problem was solved when the opportunity to exploit cross-border e-commerce came, so that to avoid the registration issue. Alibaba thus came as an opportunity to strongly penetrate the Chinese market thanks to its cross-border e-commerce platform Tmall Global.

The issue of animal testing is not just a question of ethics, but it also concerns marketing: in fact, there are many markets that are particularly sensitive to this theme (many EU countries, the US, Canada and others), where consumers want to make sure that the brand they are purchasing behaves ethically everywhere in the world. If a certain company sells its products on many markets worldwide, a particular attention should be given to reputation and coherence of values: Acca Kappa's export manager Ms. Cescon explained that despite the dimension of the Chinese market and the profits that could come from it, the company prefers to protect its reputation. The proof that Acca Kappa public is extremely sensitive to these issues is the fact that the company has received explicit requests from consumers regarding animal testing in China. The risk would therefore be to gain market shares in China, but to lose shares in other countries. Therefore, to avoid a damage to its reputation, the company has decided to keep selling on the Chinese market through cross-border e-commerce, at least until regulations remain as they are now.

The store on Tmall Global was opened in summer 2019, but Acca Kappa products are also sold on Taobao. It was Alibaba that contacted Acca Kappa, as they understood its potential. The average Chinese online consumer is young, comes from first or second tier cities, has a good degree of education, and is learning to appreciate iconic and historical products, and to value the tradition and refinement embodied by a certain brand. As Ms. Cescon reported, Acca Kappa waited for Chinese consumers to become acquainted enough to appreciate their value proposition before entering the Chinese market; furthermore, as this market is particularly complex, the company needed a deep understanding of its mechanism so that to be able to position its products well.

Acca Kappa too relies on a distributor in China, which in turn is supported by a TP company. One of the biggest difficulties for Acca Kappa was identifying the most suitable TP to encourage brand development in the Alibaba ecosystem. Alibaba offers a very useful service from this point of view: it provides a shortlist of reliable pre-selected TPs, chosen on the basis of a ranking that is renewed every three months depending on the performance of the TPs. The web agency that proposes the most credible project is eventually selected. Acca Kappa has a direct relationship with the Alibaba team, but all the operations are managed by the TP company, which deals with the management of the stock, shipments, payments, etc.

The biggest difficulty with Alibaba platforms is in monitoring price alignment. There are in fact big differences, not much on Tmall Global as on Taobao. The problem is that, especially within the same ecosystem, finding very different prices for the same product causes the brand to lose credibility, damage its reputation and the perception of the value of the products. This can happen for various reasons: unauthorised imports or fake products, for example. This is also the case because anyone can sell anything on Taobao, there is no need for specific permissions. Acca Kappa also found some of its own products counterfeited (fake samples of their perfumes), fact that might constitute a serious threat for the brand reputation, as a counterfeited cosmetic product could contain dangerous ingredients and cause a damage to the user. A very useful tool that the Alibaba ecosystem offers is the IPR protection platform, that allows the take-off of fake products in a very short time (24-48 h). Ms. Cescon stated that the Chinese market is a very difficult one to control.

Acca Kappa products selected to be sold on Tmall are about fifty, and they were chosen based on the experience in neighbouring markets and on different product categories (perfumes, body care products, ambient scents).

The best-selling products in China are the brushes, which are 100% Made in Italy and the result of a tradition of over 150 years, and all the products of the White Moss line, a very popular fragrance in Europe that is also strong on the Chinese market. This fragrance is particularly popular because it is "personal without being intrusive". The fact that Acca Kappa fragrances have been successful indicates that the Chinese consumer is able to understand and appreciate the high quality and value of the product, because in China there is generally little use of perfume. Traditionally, subtle and delicate fragrances are preferred, and consumers tend to choose those of a certain prestige or from a famous brand. Acca Kappa has been able to make itself understood and appreciated: before being successful in China it was already popular in Japan and Hong Kong, and this helped generate interest in the Chinese market.

Figure 9. Acca Kappa's White Moss product line

As regards the marketing strategy, Acca Kappa does not resort to different methods depending on the country, because the focus is on the history and the Italian character of the brand, and the company aims at championing its identity everywhere by highlighting its originality. The young and rapidly expanding Chinese market offers the chance to reach this goal: the younger segments of the population, the more educated ones, are moving from the cult of mass brands to the preference for niche brands, in order to stand out from the crowd.

The choice of channels used to address this target is very important: alongside the selection of products for the specific market, companies also have to choose the right way to communicate with customers, and with regards to China online promotional activities are particularly important. In fact, promotion through KOLs and live streaming sales has been adopted by Acca Kappa too. One of them was done in 2018 with a Chinese KOL and the director of the brand Acca Kappa (half in English and half in Chinese).[7] For now, none of the live streaming sales organised took place on Alibaba's platforms.

In 2019 Acca Kappa took part in its first Singles' Day Shopping Festival on Tmall, and the results were very satisfying. The store on Tmall had just opened, so participation was hastily organized; despite this, thanks to the excellent reputation of the brand, the experience was more than positive.

Among the company's future projects is to improve and increase its online presence, also entering other ecosystem platforms, such as Kaola[8]; there is also the will to focus on best sellers as a driving force to increase brand awareness and make more and more products known and appreciated. Finally, animal testing remains one of the bigger obstacles for a deeper penetration in the market, and its desirable elimination would allow the company to expand also in the offline retail sector.

[7] Acca Kappa prefers not to reveal more specific data about live streaming sales, as they are considered sensitive.

[8] Kaola is the largest Chinese cross-border e-commerce platform (selling B2C import products) and has sellers and brands from around 80 countries.

Considerations about the reported case studies

The three companies analysed so far differ consistently in a variety of aspects: dimension and value proposition, marketing strategy, and competition environment.

Sodalis Group is a large enterprise (it has more than 500 employees) that owns more than 20 brands ranging from health, beauty, and personal care to house care; it has offices in Spain, Portugal, France and Russia and its products are exported to over 40 countries worldwide. The company's wide resources made it possible to address the Chinese market efficiently by investing consistently in many senses. Sodalis has in fact built a solid import structure in China and created a joint venture specifically to manage its online operations there, which also allows the company to fully exploit the wide range of marketing and support services offered by Alibaba. Furthermore, Sodalis has implemented specific strategies for the Chinese market, developing new products *ad hoc* for this market and adopting the most suitable promotional techniques to suit the expectations of Chinese consumers: in particular, we refer to live-streaming sales and to the role of KOLs, but also, for example, to the commercial broadcasted on Tmall. In the ad, shot in a place that could be Milan or another Italian city, we see a young, handsome Chinese guy wearing a suit that comes back home from a day at the office, takes a relaxing, soothing bath using TdO shower cream and goes out again in a casual yet trendy outfit with a smiling and satisfied expression on his face. The ad underlines both the beauty ritual of bathing with TdO's products and the Western feeling that they can give to the costumer. With respect to Marvis and Acca Kappa, TdO has reached a larger market penetration but at the same time faces a stronger internal competition, mostly coming from Chinese brands.

Ludovico Martelli Group is a smaller company when compared to Sodalis (around a hundred employees). Nevertheless, it owns a dozen of brands, among which Proraso, Marvis and Kaloderma are distributed widely in EU and US, and Marvis had a great success in China. Marvis toothpaste can be considered a niche product: only recently it has become so successful in China, and because of its particular features it does not have a strong competition yet. With regards to the depth of penetration on the Chinese market, given the actual purpose of export and the company's medium dimension it is easier to manage the majority of operations from Italy and only having indexing and customer search done by the TP company in China. Marvis toothpaste is promoted with a particular attention to the Chinese marketing environment peculiarities, especially to social marketing (in 2019 only, Marvis toothpaste was shown and sponsored by around 40 Chinese bloggers and KOLs), but for now there is no adaptation regarding the product, as the niche, luxury toothpaste is appealing as it is. A lighter import structure is the element that probably creates some communication difficulties for Martelli Group in China.

Acca Kappa is the smallest among the enterprises examined but has stores or distributors in many countries in Europe, America, and Asia; key to Acca Kappa's success relies in its artisanal, traditionally Made in Italy products that already benefitted from a good reputation in neighbour markets before entering the Chinese one. Because of the luxury allure and strong identity of the brand, it was not necessary for the company to adapt neither products nor communication to the Chinese market, as the chosen strategy was to emphasise the original founding values of the brand. The greatest problems met in China have been price alignment, essential aspect of positioning; counterfeiting; difficulty related to animal testing: all these aspects are related to the maintenance of the brand's high value perception and good reputation.

Considering the three case studies it is evident that the best strategy to adopt when entering the Chinese online market using Alibaba's platforms and tools depends substantially on the size and resources of the company, its brand reputation, and value proposition. Sodalis

Group could exploit its dimension and capital availability to plan and perform a heavier import strategy, and an adaptation strategy for marketing and products; Martelli Group and Acca Kappa chose to rely on the uniqueness and prestige of the original product instead. Martelli is pursuing a marketing strategy strongly focused on digital channels and tools, while Acca Kappa relies on its established good reputation, coming from both Western and neighbouring markets. This also depends on the smaller sizes of the two companies when compared to the first one.

Singles' Day 2020: performances of Italian brands in China

On the 11th of November Chinese celebrate Singles' Day (光棍节, *guānggùn jié*), also called Double 11 (双11). This unofficial holiday was initially conceived to celebrate people who are not in relationships: the date, 11/11, was in fact chosen because the numeral 1 resembles a bare stick (光棍), which in the slang of the Chinese internet indicates an unmarried man who has not added "branches" to the family tree. The four "1" represent four singles standing all together despite not being in a relationship. 2009 was the first year in which Singles' Day turned into a shopping festivity: it became a chance to push consumers to show love for themselves by treating themselves with gifts. The idea of making Single's day a shopping festival came because of the initiative of Alibaba Group. In order to celebrate the holiday and encourage online shopping, for 24 hours the company offered discounts of at least 50 percent and free nationwide shopping on both Taobao and Tmall (then called Taobao Mall) (Zhang & Hu, 2020). Since then, the holiday has evolved into the most important annual shopping festival in China. During the past five years, Singles' Day revenues have grown by an annual 35%, reaching a GMV of 410 billion yuan

(US$ 60.4 billion) in 2019: according to Bain&Company (2020) it is more than what Amazon generates in a month.

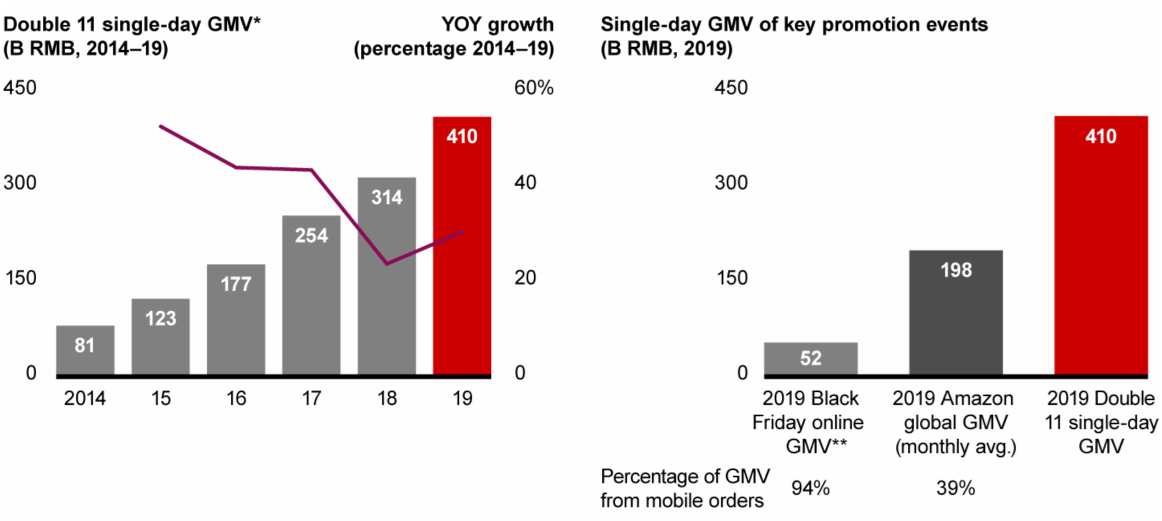

Figure 10. Singles' Day GMV growth between 2014 and 2019; 2019 Singles' Day GMV compared to 2019 Black Friday GMV and Amazon global average monthly GMV. Source: Bain&Company

Despite the pandemic, this year's results have scored new records. The duration of the festival and the related discounts and activities have been prolonged, adding three days (from November 1 to 3) of special offers before the actual 24-hours long event on November 11. According from data provided by Alibaba, 2020's 11.11 shopping festival in its total has seen more than 800 million participating consumers, 250,000 participating brands (of whom more than 31,000 are overseas brands) and a GMV of RMB 498.2 billion (US$ 74.1 billion), which is 26% higher compared to the same timeframe in 2019 (Alizila.com, 2020). These results seem to prove the health of China's retail sector, despite the anomaly of COVID-19 that strongly impacted global economy this year.

According to a survey conducted by C2 Global (2020), that questioned 1,145 Chinese consumers in October 2020 to assess their outlook for Singles' Day 2020, consumer demand remains solid and more than 63% of respondents showed willingness to spend the same or more in comparison to previous year; results from this survey also indicated that COVID-19 has a role in the choice of items to buy, as 23.6% of respondents stated. Other trends that deserve to be underlined concern the beauty/skincare sector, which in the survey results to be the fourth one in terms of expected growth (around 40% of respondents said to be willing to spend more than previous year in beauty/skincare products). Furthermore, brands having an eco-friendly or sustainability message seem to be enjoying fast-growing consumer welcome in China: 75% of the interviewee stated that a brand's environmental practices have the power to influence their purchase decision. This trend reveals that brands like Acca Kappa, who pays a particular attention to cruelty-free practices, might increasingly benefit from their ethical choices. Another emerging trend which should be highlighted is that consumers preference is shifting from foreign owned brands to domestic brands, especially with regards to categories like footwear, apparel and fresh food; however, foreign brands are likely to remain preferred in the beauty/skincare, handbag, and vitamins/supplements sector (more than 43% of respondents said to be planning to spend more than previous year in foreign brands' beauty/skincare products).

Finally, the survey questioned the main motivation behind the purchase of a specific item during Singles' Day: as most important factor, respondents indicated the discount applied on something they had been waiting to buy for some time, followed by the willingness to purchase to treat themselves. However, other important reasons pushing Chinese consumers to shop are Singles' Day product exclusive (the motivation to buy something is that the product is only available on that occasion) and the fact of seeing the item showed during a live-streaming sale. These results show that online purchasing and entertainment are increasingly embedded in China, creating a new kind of shopping experience that becomes more and more desirable for consumers.

2020 Double 11's results have been very positive for Italian companies: they have achieved a total turnover of 449 million dollars, projecting Italy into the top ranking of the ten countries that have reached the greatest number of Chinese consumers on the B2C platforms Tmall and Tmall global. Singles' Day is increasingly becoming an opportunity for brands to enter the Chinese market and to improve their knowledge of Chinese consumers. Youngsters should be the target, as 75 to 80% of Chinese shoppers are younger than 35 years old. For example, on Tmall's luxury pavilion, where Italy covers 50% of the offer, 80% of shoppers are under the age of 35 and the segment that grows the most is the one between 18 and 25 years old (Maconi, 2020). With regards to Italian companies, there are even greater opportunities coming from the demand for foreign products and for Made in Italy. As 2020's sanitary and economic crisis has posed great challenges to global economy, this shopping festival has become even more crucial in offering an important recovery opportunity for businesses. Many Italian companies have chosen 2020 to make their debut on Chinese e-commerce platforms: among them there are Bulgari Parfume, Prada, Ferragamo, Acqua di Parma and Kartell. Others, like AccaKappa, Pinko and De Longhi, already active on the marketplaces, performed very well (Consigliere, 2020).

Pinko, for example, has chosen to modify its strategy for this Singles' Day: instead of focussing on iconic products, they decided to experiment by creating a capsule collection together with an emerging Chinese designer, conceived specifically for the shopping festival. Roberto Sergi, regional general manager Apac at Pinko, stated that the company has doubled its profits in China this year, reaching a volume of 10 million euros, and that the key has been to focus on digital growth: 75% of marketing investments are in China, 50% of which goes directly to platforms. 35% of the turnover from digital channels comes from China, which represents the second market for importance, with a share of over 20% of the group's volumes. Pinko also participated to Shanghai Fashion Week in March with an intensively followed digital show, which registered two million views and attracted around 30,000 visitors to the brand's Tmall store. The company has implemented several marketing initiatives to keep a dialogue with the Chinese consumer, who, although not particularly brand - loyal, is fond of Italy and its creations.

Acca Kappa's outstanding results

The brand participated to 11.11 shopping festival on Tmall for the second time this year, and performed six times better than in 2019, generating one million in sales in just one day, as reported by the company's CEO Elisa Gera. The reasons behind these great results are said to be the power of Alibaba's marketplace Tmall in reaching Chinese customers, but also the growing attention and curiosity that Made in Italy attracts among e-shoppers (Maconi, 2020). Increasingly sensitive to niche products, Chinese consumers are more and more looking for artisanal and elegant product representing tradition and refinement. Acca Kappa dedicated specific marketing initiatives to the Chinese market, like for example organising live-streaming sessions and working together with KOLs. As Gera noted, in such challenging time for businesses, who experienced great losses due to store closures, the chance to access the great pool of consumers of China's online market becomes an even more important resource (Carrera, 2020).

Alibaba’s platforms and the post-pandemic economic recovery

Digital platform strategy: adaptability and competitiveness

The burst of the Covid-19 pandemic has greatly propelled both consumer and business digital adoption. Data seem to indicate that the augmented use of digital channels will not reverse at the end of the sanitary emergence (Baig et al., 2020). Our scope hereby is to attempt to forecast how platforms will adapt to forthcoming scenarios and to what extent will it be possible for them to take advantage from the emerging conditions by exploiting their technological and organisational characteristics.

Defining digital platforms

As already mentioned in chapter 1, Alibaba can be defined as a transaction ecosystem, built around a central digital platform that links suppliers with consumers and benefits from network effects (the more the participants in the network the more the value of the whole ecosystem), widely reducing transaction costs for parties to find counterparts.

Two different approaches appear dominant in the existing literature about platforms: the first one gives to platforms a technical definition, emphasizing the dynamics between the platform core functionalities and the contribution offered by third parties (e.g., Spagnoletti et al. 2015;); the second one presents platforms as ecosystems, that is to say, commercial entities structured as networks that facilitate transactions of goods and services (e.g., Tan et al. 2015). The latter approach is the one mainly adopted in this dissertation.

Therefore, adopting an economic perspective, a digital platform can be described as an online business that facilitates commercial interactions between at least two different actors. In the past decade, digital platforms have grown significantly and have widely diversified and innovated. Factors like increase in internet adoption and cloud computing, development of the online advertising industry, and fast rise in smartphone ownership all contributed to a greater access to platforms. Their technological nature and the continuous evolving of information technology expose platforms to a strong competitive pressure, forcing them to change constantly. Network effects push platforms toward concentration, because the value of the services they offer increases as the size of their network grows, creating a scenario where every field has generally one dominating platform (examples are Facebook for social networking or Airbnb for vacation rental). Data are the final key element: they are provided by users and then used by platforms to improve the matching between demand and offer and increase the quality of services provided (ITIF, 2018). Constant development in information technology, natural push towards concentration and vast pools of available data are all factors creating the conditions that make digital platforms a prolific lab for innovation.

E-commerce platforms: horizontal vs. vertical marketplaces

An e-commerce (electronic commerce) platform is a platform that allows the buying and selling of goods on the internet; the definition of electronic marketplace is instead more problematic, as the approaches adopted by the existing literature have been varied. In fact, the term "marketplace" can indicate the place where goods are bought and sold, but also a system of rules and procedures related to buying and selling in competitive conditions (Cambridge Dictionary, n.d.). Therefore, some scholars (Malone et al., 1987; Malone et al., 1989; Bakos, 1991) consider electronic marketplaces as governance structures, emphasizing these markets' benefits of information transparency and zero transaction cost. Other scholars (Christiaanse and Markus, 2002; Christiaanse and Markus, 2003; Ratnasingam, 2005) focus on electronic marketplaces as business models, highlighting not just the efficiency of such markets, but also the benefits derived from process streaming and optimisation.

According to Wang and Archer (2007) online marketplaces can be classified according to different criteria, the most common being the following: number of participants, relationship dimensions, participant behaviour, ownership, industry scope, market mechanism, products, power asymmetries, and fee structure. We will focus on the classification based on industry scope, to see how marketplaces that differ according to this criterion evolve and are able to adapt their business strategy to changing conditions.

Depending on the industry in which an electronic marketplace operates, it can be classified as either vertical or horizontal (Kaplan and Sawhney, 2000; Phillips and Meeker, 2000). Horizontal marketplaces appeared earlier than vertical ones, selling products that were not industry-specific, but could be used by all industries, such as office supplies; oppositely, vertical marketplaces were oriented towards a specific industry and sold specific categories of products. In these terms, this approach is only suitable to B2B marketplaces, while if we consider B2C e-commerce platforms (that are the focus on this dissertation) the distinction between horizontal and vertical platforms has to be made differently, focusing on the market segment targeted more than on the industry served.

Therefore, horizontal e-commerce platforms (or marketplaces) are those that offer a wide variety of products or services, thus addressing the needs of a vast pool of consumers. The best explanatory example is Amazon: it was started as an online bookshop, but it rapidly expanded to cover an almost limitless range of products. The horizontal model allows to consolidate numerous market segments to achieve great coverage, and it puts a major accent on convenience thanks to supply chain or scale advantages, that permits to offer competitive prices. This model's main disadvantage is that it presents a risk of becoming dispersive, because covering very different market segments prevents from dominating some specific industry (Khurana, 2018).

Oppositely, vertical e-commerce platforms (or marketplaces) are those that are specialised in a particular category of product or service and rely on industry domination. One example of vertical marketplace is Wayfair, a large American platform that sells furniture and home-goods. Platforms belonging to this group are likely to become the best in terms of performances in their specific sector but will probably have a limited target in terms of consumers. Since the focus is so narrow, products can be showcased in a better and more effective way and this benefits user experience, and customer relationship and product marketing strategies can be unified and stay consistent. One disadvantage of vertical marketplaces is that, although their specialisation increases competitiveness, their narrowness of scope can become constricting and create a high dependency on the market (Khurana, 2018).

Since Alibaba's e-commerce platforms clearly belong to the horizontal marketplaces' group, it is in our scope to investigate which of the two types of platforms (vertical and horizontal) shows to be more adaptable to changing conditions. This quality is fundamental in the rapidly evolving business environment, and it will increasingly be in facing the challenges brought up by the pandemic. Those who will be able to adapt better will stay more competitive, as they will be capable to move nimbly among the obstacles posed by the forthcoming scenarios.

Platforms' evolution mechanisms

E-commerce platforms operate in an environment that makes evolution a great opportunity and a need at the same time: because of the combination of technology and network effects they are particularly susceptible to change and innovation; simultaneously, change and innovation are also necessary not to lose market share. In this sense, the term "ecosystem" is very useful to describe the structure and functioning of e-commerce platforms: platform owners, demand and offer sides and all third-party contributors all participate in creating an environment in which every player is subject to and must be ready to embrace change. Assuming the platform owner perspective, we will try to understand and describe which factors have an impact in the evolution of e-commerce platforms.

A study proposed by Asadullah et al. (2018) has examined evolution mechanisms acting on digital platforms, and it shows that these mechanisms can be related to three categories:

1. **Platform design.** Evolution mechanisms can be related to the platform's technical features, incentive systems, and boundary resources. For example, some studies have demonstrated that various platform features can be designed to facilitate and support socialisation through building trust, information and knowledge sharing, and collective problem solving (Spagnoletti et al. 2015). These features also cause the evolution of platforms because they help users to overcome cultural and personal obstacles while dealing with strangers, as emerged in the case of Taobao (Avgerou and Li 2013).

2. **Platform operations and capabilities.** Evolution mechanisms can be related to how operations are managed on the platforms and to the extent to which the platform owner is able to support these operations. Huang et al. (2017) report three types of operations that allow a platform to evolve: data-driven operations (ability of the platform to identify business opportunities and risks through data analysis), swift transformation (ability of the platform to adapt its core technology to suit changes in business environment and to attract new users), and instant release (ability of the platform to address immediately the emergence of an idea through

the release of a new innovation); furthermore, another important mechanism for the evolution of digital platforms is the development of strong IS capabilities.

3. **Platform ecosystem and governance.** Evolution mechanisms can be related to the stakeholders who constitute the ecosystem and to the governance that regulates their interrelations. An example of this is the fact that, as reported by Tiwana (2015), adopting a fair revenue sharing model between the platform's owners and third-party contributors can be beneficial for the evolution of the platform. Another incentive towards evolution can be the creation of strategic partnerships to broaden the platform's scope and reach. A study by Ondrus et al. (2015) shows that open policies at the levels of providers, technology, and users, can propel evolution. Openness refers here to the ease for providers and users to join the platform and to the degree of compatibility between different platforms.

According to this study, different types of platforms are sensitive to different evolution mechanisms depending on their specific characteristics. Based on Boudreau and Lakhani's taxonomy (2009), which is based on the platform's business model, digital platforms can be classified into three different types: integrator platform, product platform, and multi-sided platform. These types differ depending on the degree of control of the platform owner over the activities conducted on the platform itself. We argue that a connection can be made between this taxonomy and the one based on the vertical or horizontal dimension: in fact, a horizontal platform, whose scope is to offer the widest choice of product or service categories possible, would probably benefit from allowing a greater autonomy to the players acting on it, so a *horizontal* platform has many features in common with a *multi-sided* platform; a vertical platform, focused on a narrow target and on a specific product or service category, would probably prefer to employ a stronger control over activities. Therefore, a *vertical* can resemble to an *integrator* or (even more) *product* platform.

In the study conducted by Asadullah et al. (2018), Alibaba is classified as an example of multi-sided platform model (i.e., a platform in which external parties have a high degree of autonomy and platform owners only impose them rules related to their affiliation to the platform). Therefore, it results to be sensitive to mechanisms related to platform design, like the ones which enable socialization and support social embeddedness through building trust: in the case of Taobao (Avgerou and Li 2013) these mechanisms have helped users to overcome cultural and personal resistance. Furthermore, as a multi-sided platform, Alibaba evolves thanks to evolution mechanisms related to platform operations and capabilities, like for example the development of strong IS capabilities, as shown in a study by Tan et al. (2015): adopting Wade and Hulland (2004) categorisation, this research report three types of IS capabilities: outside-in IS capabilities, externally focused IS capabilities related to anticipating market needs, understanding competitors, and creating durable relationships with customers; inside-out IS capabilities, internally oriented IS capabilities developed in a firm as a response to market demands and opportunities; spanning IS capabilities, that are required to integrate the other two categories that derive from both internal and external analyses. Tan et al. (2015) used this perspective to describe how IS capabilities influence the development of multi-sided platforms and chose the case study of Alibaba as example, because it is one of the most commercially successful internet-born businesses, whose growth and results are intrinsically linked to its IS capabilities. The most relevant aspect of the research is that IS capabilities are proven to be essential for multi-sided platforms' development, but different types of IS capabilities become strategic in different moments of their growth and, most importantly, there must be an alignment between business needs, IS strategies, business processes and the enabling technological infrastructure. Finally, evolution mechanisms related to platform ecosystem and governance are also relevant in the case of Alibaba, that enjoys open policies at the levels of providers, technology, and users (it is easy for providers and users to join the platform and Alibaba's different platforms are made to be not only compatible, but complementary).

We can argue that Alibaba's e-commerce platforms' characteristics make them particularly susceptible to many evolution mechanisms; this is particularly true considering Alibaba's ecosystem structure and its exposition to evolution mechanisms related to platform ecosystem and governance (benefits derived from partnerships with key stakeholders, openness policy and acquisition strategies). As described in Chapter 1, Alibaba is characterised by an elastic corporate and "learning" culture that allows the company to exploit its network-based business model to create value and boost innovation: its flexibility and the high degree of autonomy given to actors operating on the platform permit great agility in evolution.

Platforms' adaptability

Adaptability has emerged as the main survival weapon during the Covid-19 pandemic and is likely to remain essential in the next period (Heath, 2020). Adaptability will be fundamental for businesses too and requires to be integrated in their strategies. In order to do that, it has to be understood what specifically needs to be changed to suit new needs.

Before proceeding, a reasoning regarding platform strategy deserves to be made. Platform strategy is about entering a market by allowing platform participants to benefit from the presence of others, and users' choices and their participation to the platform are interdependent (Church, 2017). In the case of e-commerce platforms, merchants and consumers' offer and demand are strictly related to offer and demand of other merchants and shoppers. Therefore, this interdependence should be considered when adapting an e-commerce business to new needs.

If traditional approaches to strategy are based on stability and predictability, an uncertain and instable business environment influenced by globalisation and new technology poses a great challenge for the development of efficient business models. In this perspective, adaptability becomes essential: to stay competitive, companies must be ready to learn quickly and experiment with processes and strategies. According to Reeves and Deimler (2016) businesses should look for adaptive advantage, which can be reached through four organisational capabilities: ability to read and act on signals, being able to efficiently interpret and decode data through data-mining technologies; ability to experiment, using new approaches and technologies to test innovative ideas faster and at lower costs, and experimenting with business models as well as with product range; ability to manage business ecosystems, creating effective strategies at the network level; finally, ability to mobilise, creating working environments that encourage the knowledge flow, diversity, autonomy, risk taking, sharing, and flexibility, which foster adaptation.

If we consider what we have said so far about e-commerce platforms and our description of Alibaba's business model in Chapter 1, we can argue that organisational capabilities needed to reach adaptive advantage all belong to digital marketplaces and to Alibaba's platforms. E-commerce platforms are able to adapt because their digital nature, combined with the interaction and interdependence of the players acting on them, make them highly adaptable entities.

If we refer to the distinction that we previously made between horizontal and vertical platforms it can be said that both models possess the features that make them susceptible to adaptative change: on the one hand, horizontal marketplaces such as Amazon or Alibaba's Taobao or Tmall can count on enormous pools of data available to improve their services, big resources to address newly emerging market sectors and consumers' needs, and flexible, large network structures that propel internal knowledge flows and innovation;

on the other hand, vertical marketplaces benefit from a deep understanding of the sector or category they focus on, and the high degree of attention given to their customers allows them to gather immediately the insurgence of new needs or trends. However, we argue that horizontal marketplaces benefit from better adaptative ability for the following reasons:

- Their size allows them to collect larger amounts of data and to gather larger number of players, enhancing network effects and creating prolific information sharing.
- The weaker control of platform owners on platforms participants and their activities creates the right conditions for the emergence of new models and processes.

As horizontal marketplaces, Alibaba's e-commerce platforms possess the right characteristics to be able to adapt to a changing business environment and stay competitive.

One example of the company's adaptability to the conditions posed by Covid-19 has been the launch of a multi-pronged program regarding its B2B platform Alibaba.com. The initiative, highlighted by a series of 20 online trade shows, aims at responding to the growing demand for online commerce by pandemic-hit businesses based in the United States. Alibaba opened its B2B marketplace to global users in July 2020, and the United States have rapidly become the fastest-growing foreign market for this business. More specifically, the program is built on three new services: beyond the above mentioned online trade shows there are a trade financing system called Alibaba Payment Terms, which lets buyers on Alibaba.com pay on terms of up to 60 days after the seller ships their order, and a freight service called Alibaba.com Freight, which is offered through the digital freight marketplace Freightos and is designed to let buyers on the B2B marketplace organise bulk shipments online while comparing multiple carrier options, then booking, managing and tracking ocean and air freight shipments with real-time status updates (Digitalcommerce360.com, 2020).

Can Alibaba become global?

After having presented the company's history, values, characteristics and business model in Chapter 1, and having analysed e-commerce platforms' different types, evolution processes and the importance of adaptability for competitiveness, it can be argued that, thanks to its nature of integrated ecosystem and to the ownership of some of the biggest horizontal marketplaces in the world (Alibaba.com, Taobao and Tmall), Alibaba Group possesses many characteristics that give it a relevant competitive advantage in the forthcoming business scenarios. Our scope now is to investigate whether the company can head towards a global expansion or not: in fact, despite its dimension, resources, leading technologies and popularity Alibaba remains a Chinese company, and this poses some questions: first of all, we examine how the company is trying to expand worldwide and the ambitious goals it is pursuing, together with the obstacles it may meet; then we discuss the position of the Chinese government with regards to Chinese tech companies and their growing power; finally, we present some questions about the future of globalisation and the consequences of the Covid-19 pandemic.

Alibaba's New Retail and its internationalisation strategy

The term "New Retail" was coined by Alibaba's founder Jack Ma in 2016 to describe the intention to build and expand the group's ecosystem by integrating online and offline. The concept indicates a new way of structuring retail that uses digital technologies to improve every aspect of the retail process, from marketing to logistics, from transportation to user experience. According to Zakkour and Dudarenok (2019), Alibaba has been the first company to define and adopt a complete integration of online, offline, technology and logistics; furthermore, the company has been able to take all its valuable assets – digital payments, logistics, B2C and B2B platforms, cloud computing, data science, its marketing arm, and brick and mortar – and blend them to create a new model of how to make, move, sell, buy and deliver products. A good example of how this new model of retail is already mature in Alibaba's microcosm is the grocery chain Freshippo, where customers can shop cashless and receive customised recommendations based on their habits and tastes.

Of course, Alibaba is not the only Chinese company who seeks to merge its online and offline operations and that is creating a new way of doing retail exploiting the internet. Thanks to its very peculiar development, characterised by internet connection and smartphone use diffusion, weakness of traditional retail sector and subsequent rapid emergence of e-commerce, and massive penetration of mobile payment, China's internet has reshaped the relationship between the digital and the real-world economy and is having an increasing significant role in the economic lives of ordinary people, affecting both consumption trends and labour market. Specifically, the widespread adoption of mobile payments generates enormous pools of data which permit to create rich maps of consumers activities (Lee, 2019).

Going back to Alibaba Group, in its integrated ecosystem retail, logistics, payments and entertainment, all fuelled by data analysis, are interdependent and take advantage from each other. To expand and enrich its ecosystem, the company also looks outside China: as we mentioned in chapter 1, Alibaba started its internationalisation process in 2015, year in which its president Michael Evans was designated to transform New Retail into a global strategy. According to Evans, Alibaba sees New Retail's model as the global future of retail: New Retail will serve to digitalise the entire retail value chain, allowing small- and medium-sized brands, physical stores, and local and international sellers to all have access to the same data and digital infrastructure that Alibaba uses to manage its e-commerce marketplaces. This will become the backbone of its international expansion. An important part of Alibaba's globalisation strategy is also to connect brands and businesses from all over the world directly to Chinese consumers, with the final goal to make Alibaba the leading e-commerce company globally (Milnes, 2019). Let us examine now how the company is projecting and carrying out its globalisation strategy.

The first relevant move in Alibaba's internationalisation strategy was the acquisition of Lazada, an important Southeast Asian e-commerce platform, in 2018. This brought to the Chinese company a great advantage in the area over competitors like JD, Amazon, and Tencent. Alibaba worked hard to integrate its China-based products and services, and Cainiao logistics network, with Lazada's ecosystem. Southeast Asia is critical to Alibaba's globalisation strategy: it is the third largest and fastest growing digital market in the world (it is predicted to reach a value of $240 billion by 2025) and the fast pace of urbanisation drives digital demand. Another important market in which Alibaba is planning to expand is India: it has a huge potential as consumer market (projected to be worth $200 billion by 2026) and its modern retail is focussing on digital commerce. Because of the fact that payments are seen as a major challenge for mass adoption of e-commerce in India, Alicloud has partnered with Patym, an Indian born digital payment system. However, India presents some peculiar challenges because of its inconsistency in rules, regulations and its ambiguous position between an open and a close market. Finally, another key element in Alibaba's globalisation plan could be its platform AliExpress. AliExpress.com is Alibaba's English language marketplace for Chinese merchants, from small businesses to bigger brands, to sell to global consumers via cross-border e-commerce. At the moment it is present on more than 200 markets around the world, and it has the mission to help Chinese companies to sell to a global audience. It is integrated with Cainiao logistics network and, feature that makes it particularly interesting, it can be used by companies other than Chinese ones to sell to customers of other countries. To understand how, we could report an initiative conducted in March 2019 in Spain, when Alibaba announced that AliExpress and the Cainiao logistics solution company had agreed to collaborate with Correos, the national postal service of Spain, with the aim of supporting small and medium-sized Spanish businesses to expand to global markets (Zakkour & Dudarenok, 2019).

As briefly examined, the company's approach to globalisation is double: on the one hand, Alibaba is expanding its ecosystem by acquisitions and partnerships to allow Chinese companies and businesses to enlarge their potential pool of consumers; by doing so; on the other hand, Alibaba creates growing opportunities for brands and merchants from outside China to enter its home market. If we adopt a wider perspective, it seems clear that the ultimate goal is to create a global integrated ecosystem that could potentially connect buyers and sellers from and to every part of the world. However, a few relevant obstacles to the reach of this goal can be foreseen. For example, the issue of counterfeiting goods that have often been found on Taobao: these unauthorised products led many brands to lose confidence in Alibaba and damage its international reputation. Company executives are struggling to solve this problem by working with law enforcement and with technologies such as big data tracking. Another issue that could make companies reluctant to enter Alibaba's platforms is their cutthroat internal competition: even if Chinese consumers are showing a growing appetite for niche brands, there are already thousands of brands on both Tmall and Tmall Global (Y. Wang, 2017). However, the greatest obstacle to Alibaba's global expansion is logistics: in fact, in the attempt to penetrate far-away markets, Alibaba's asset-light model is a disadvantage. Its e-commerce platforms, for the most part, do not buy and hold inventory, and logistics operations are managed by Cainiao but performed by third-party couriers. Cainiao, although highly efficient as a logistic network, does not have its own logistics workforce to deliver packages, and this prevents the company to be as fast as other competitors, such as JD.com or Amazon, who have their own proprietary logistics. According to Chu (2018) this asset-light model places Alibaba at a disadvantage in one of the most interesting markets where Chinese e-commerce giants could try to expand: the US. Amazon, which holds the leading position in this market, does use third-party couriers, such as USPS, FedEx, and UPS, but it is also building its own courier force in large cities with Amazon Flex. If Alibaba were to enter the US market, it would be very difficult for the Chinese company to beat Amazon over price and also provide affordable, quick delivery services like the ones provided by Amazon.

In recent years tensions between China and the US and the exacerbation of the trade war have constituted a great push towards direct shipping out of China through digital cross-border shopping channels. Cross border helped to alleviate some of the downtrend in Chinese exports and, after the outburst of the Covid-19 pandemic, direct selling is accelerating even more (E. Cheng, 2020).

Role of the Chinese government and the case of Ant Group's IPO

The Chinese government has extensively supported internal technological development. A major example is the ambitious project "Made in China 2025", a plan launched in 2015 aimed at transforming China into a leading global technological superpower by 2049, described as crucial for the country's future development. The strategy indicates ten core industries, such as robotics, power equipment and next-generation IT, in which China wants to achieve major breakthroughs and create globally competitive companies. The plan is backed by industrial policy, massive financing, and subsidies of hundreds of billions of US dollars. Some of the companies that have been named as leaders of the key industries are Baidu, Alibaba and Tencent, the three biggest companies in the technological sector (Zenglein & Holzmann, 2019).

Furthermore, the next five-year-plan (the single and most important guiding document, that signals the policy direction for the future economic and social development of the country), the fourteenth, is to be published in March 2021, and will contain important guidelines to further develop Chinese innovations and technological advancements, with consistent investment in R&D. Seven frontier fields are highlighted for further exploration: artificial intelligence, quantum information, integrated circuits, life and health science, neural science, biological breeding, and aerospace technology. Policies will be implemented to accelerate 5G, big data, artificial intelligence, but also digital development in industrialisation.

It is important to note that every FYP is emblematic of the time it is releases, and the forthcoming one is going to be influenced by the confluence of some key factors: China's impressively fast recovery from the pandemic, seen as a roadmap to progress, scientific and technological improvements and industrial reforms against the threats coming from geopolitical tensions, and the country's growing importance in international affairs and its critical role in the global supply chain. Finally, to introduce the next issue that will be covered, it is relevant to report that the fourteenth FYP will contain guidelines to conduce reforms regarding finance, fair competition, market supervision, and law enforcement (D. Wong, 2020).

In fact, on November 10th, 2020, China's State Administration for Market Regulation (SAMR) released the draft anti-monopoly measures for internet platforms. These measures are designed to restrict the dominance of the biggest Chinese internet firms and protect fair competition in the market. It is not the first time that anti-monopoly rules are established in China, but these are the first ones regarding the online economy, aimed at ensuring a fair competition. The necessity to create rules against monopoly in this sector comes from the fact that online platforms are increasingly treating customers differently on the basis on their spending behaviour and personal data, and sellers are forced to choose a single platform to sell exclusively on it (Lu, 2020). The greatest competition exists between

Alibaba and Tencent, that in some ways oblige their users to choose between one of the two ecosystems. For example, shoppers buying from Alibaba's Taobao or Tmall, or even from Freshippo grocery stores, cannot use WeChat Pay (owned by Tencent); in the same way, JD.com, one of the largest online retailer in which Tencent has a stake, does not accept Alibaba's Alipay as a payment method. Wang Qingrui, an independent internet analyst in Beijing, said that companies have the tendency to infinitely expand their own ecosystems to challenge their competitors and often see customers as assets, and do not want other platforms to access them. With the new rules, these tactics may be treated as abusing market dominance, and larger platforms may be forced to open up to rivals and even share some data. Furthermore, these guidelines establish that companies such Alibaba and Tencent will also have to submit their acquisitions for antitrust review (McMorrow & Riordan, 2020).

The document released by SAMR is directed particularly to Chinese tech giants, and it comes in parallel with the increasing global trend for regulators to act against the excessive power of the biggest technological companies, like Amazon, Google, and Facebook. In fact, both in the US and in Europe authorities have started to investigate their behaviour.

Hereunto, the case of Ant Group's initial public offering is particularly interesting. Ant Group, previously divided into Ant Financial and Alipay, is the financial arm of Alibaba Group and the largest digital payment platform in the world. In addition to digital payments, it offers a wide range of financial services such as credit, insurance, loans and banking. It was supposed to be listed simultaneously in both Shanghai and Hong Kong stock exchanges in November 2020, leaving for Alibaba Group the control of the company with a package of about 33% of shares. Ant's IPO was foreseen to become the highest IPO ever, reaching a record of $34.5 billion, and allowing the company to touch a total value even higher than some US big banks like Goldman Sachs. Every month, Ant manages a value of around $2400 billion in digital payments in China, thus it is the leader of the world's biggest monetary market. It is used by around 730 million people, with peer-to-peer payments being the more frequently used service; furthermore, it possesses over 60% of the Chinese consumer credit market. Ant Group has been one of the major beneficiaries of the Chinese "deregulation" era, which has characterised the rapid growth of technology start-ups (Barlaam, 2020). The initial public offering, planned for the 5th of November 2020, was suspended two days before the established date. The decision taken by the Shanghai Stock Exchange, as reported by the Chinese state agency Xinhua, was motivated by major problems including changes in the context of supervision of fintech services, resulting in non-compliance with the listing requirements, or with the criteria relating to the correct disclosure of information. However, according to other sources, regulators have told Ant Group top management that new capital requirements (in particular increases to microloans) and new licences were necessary to operate worldwide. The block of Ant's IPO came a few days before the draft anti-monopoly measures released by SAMR, which also has the aim of tightening controls on online lending activities. Tensions were already present since Jack Ma had sharply criticised Chinese banks during a financial event in Shanghai at the end of October. Ma said that an excessive attention to risks from regulators could suffocate innovation, and that the greatest risk in China was not systemic, but it is rather the absence of an efficient financial ecosystem that threatens the health of the national economic environment. The block of the IPO may also be seen as a reaction of Chinese officials, who have felt their authority threatened by Mr. Ma's strong statements. The halt has also caused important losses for Alibaba Group, with shares dropping by 6% at Wall Street (Annicchiarico, 2020). The last move of the Communist party has been to further affirm its role in controlling the company's activities: on the 26th of December 2020, a statement from the People's Bank of China has been released in which it is said that Ant Group will have to downsize its activities and return to its origins as an online payment platform, but also correct many aspects of its conduct to comply with regulations and respect fair competition (中国人民银行, 2020).

On the New York Times, Zhong (2020) has reported an interesting opinion about this issue. Andrew Collier, founder and managing director of Orient Capital Research, stated that he believed that a decisive factor in halting Ant's IPO was the will to protect Chinese big state-controlled banks, whose costs cannot compete with the agility of the online company, and give them enough time to try to adapt their operations to the online dimension. Mr. Collier also added that two decades ago, when China needed global capital more, and was less confident about its will to become a leading global power, an act like the block of Ant's IPO would be avoided, as it would have made them appear indecisive or unreliable. On the contrary, today China's leaders are more attentive to domestic priorities, and elements such as the trade war with the United States, the efficient management of the Covid-19 pandemic and the steady pace in technological development have reinforced the confidence and assertiveness of the Communist Party.

Despite the clear intention to foster innovation in many key sectors, and also the praiseworthy will to contrast monopolies and allow fair competition, the Chinese government is clearly trying not to lose its control over the most important, profitable and powerful private companies. There are growing concerns that other tech companies will be subjected to new regulations, and this damages the shares of Chinese tech giants (Jennings, 2020).

According to Bloomberg (2020), as China overhauls rules governing the fintech sector, Ant Group is increasingly less likely to be able to do its IPO before 2022. The changes needed to comply with new regulations will require a long time before being completed, as many areas should be reformed, and some rules still have to be defined. Such a delay would be damaging for Alibaba Group but also for investors, as Alibaba stock has kept falling after the block of the IPO in November.

As reported in the article, some analysts have already predicted that Ant's valuation could be consistently lower than the first one, dropping from $320 to $220 billion. This reduction in the valuation would also mean reduced fees for investment banks, including Citigroup Inc. and China International Capital Corp., that were counting on the expected great profit coming from the IPO. The reduced earning would also influence Alibaba Group's capacity to carry out acquisitions in a particular moment, since the group is looking to expand beyond its Chinese borders and is competing domestically against Tencent.

In conclusion, it can be said that the future of Alibaba Group, in China but also globally, would probably depend also on the degree to which it will comply with the regulations established by the Chinese government and on the respect and observance of the Communist Party's authority. In this sense, the fact of being a Chinese company deeply influences Alibaba's possibilities of becoming a global company.

Will globalisation contract after the pandemic?

The COVID-19 pandemic has represented an unprecedented disruption to economic activity, bringing great challenges for the global economy. Differently from earlier events, it has hit all the major economies at the same time, blocked links between countries, caused differentiated responses and created uncertainty about its eventual resolution. It is interesting to note that, although it is a global event, it has not led to an effective global response. Rather, nations have pursued disparate responses based on their compromise between the costs of virus containment and those of limitations, lockdowns, and isolation.

According to Enderwick and Buckley (2020) the pandemic is acting against globalisation, deepening a de-globalisation process which was already going on. Globalisation was already sharply criticised before Covid-19 (Buckley and Hashai 2020) because of its inequity, fragility, its disregard for the environment and unquestioning push to technological innovation. Furthermore, empirical data support the idea that a de-globalization process had begun before the pandemic (Witt 2019), because of the consequences of the global financial crisis of 2008. In fact, while trade succeed in recovering, trade as a percentage of gross domestic product (GDP) did not. Enderwick and Buckley (2020) argue that a more regionally based world economy could address the weaknesses of globalisation and offer a better balance between national and international interests, efficiency and resilience in global supply chains, and between growth, inclusiveness, and equity impacts. In other words, a regionally based economy could offer some of the benefits of current globalization, such as sustained growth and poverty reduction, while eliminating some of its negative effects like hypergrowth, rising inequality, environmental degradation and ineffective responses to global issues.

Because of the changes affecting globalisation, many firms are reconsidering the resilience of their global supply chains. In fact, although supply chains manage continuous adaptation, they seem to struggle with events having such a great and wide impact (that can be called "structural breaks") like the Covid-19 pandemic (Rumelt, 2009). Considering this, countries are adopting different approaches to global value chains: on the one hand, some countries wish to reduce their dependence from other countries, and this may offer some opportunities; on the other hand, some interests in remaining active members in global value chains remain. In this context, China finds itself in a particular position: it may find itself excluded from global value chains in critical goods like foods, pharmaceuticals and medical supplies. However, its position may change deeply as the United Stated, once a central point in global processes, keep on rejecting globalisation. If China will continue to embrace wide and intense exchange with other countries it is possible that a more China-centric model may emerge (Mahbubani, 2020), which will be fuelled by the prosecution of the Belt and Road initiative. As protectionism in the United States continues to grow, East Asia is progressively reducing its dependence on Western markets. China will manage an increasingly growing share of demand, and trade in final goods in the area will more and more have China as its final destination.

With regards to the theme debated in this dissertation, we may forecast a regional, rather than a global future development for Alibaba Group. Firstly, because at present the bigger expansion of the company business has taken place in the Asia region, with acquisition and partnerships mainly concerning Asian firms; secondly, because the current unstable relationships between the US and China may cause the latter to focus its attention on the East rather than on the West; furthermore, as understandable from the case of Ant Group's IPO, the Chinese government seems not to like the idea that a great economic power may concentrate in the hands of a private company, as it commonly happens in the Western world. Finally, the changes caused by the pandemic and their impact on globalisation may lead to a more regionally based rather than globally based economy.

Opportunities and issues for Italian companies on Chinese e-commerce platforms

As discussed previously, digital technologies have experienced a strong growth in volume of adoption and use during the Covid-19 pandemic. This has propelled innovation in many fields, as existing and new technologies have been fundamental tools to rely on to face the great challenges posed by the pandemic. Despite the essential help provided by digitalisation, the global economy is deeply suffering from the effects caused by the virus. Our scope hereby is to investigate the opportunities that e-commerce platforms will offer in the post-pandemic economic recovery and, more specifically, how Chinese e-commerce platforms could constitute an important business opportunity for Italian companies.

The future of e-commerce

According to OECD (2020) the Covid-19 crisis is accelerating a relevant expansion of e-commerce, which is likely to entail a long-term shift towards e-commerce transactions that will be used to buy every kind of product and service. In order to limit physical interaction and contain contagion, consumers have globally shifted from brick-and-mortar commerce to e-commerce, a shift that has taken place at a decisively more rapid pace than before the pandemic. The effect of the Covid-19 pandemic on e-commerce has not been uniform across product categories or sellers. In fact, in line with the measures adopted to contain the virus, the consumption of some product categories like groceries, items related to personal protection like gloves and masks, and home activities has surged, both online and offline, while other categories such as items related to travel, some types of sports or formal clothing have known a great decrease. Despite the shift to e-commerce, a relevant share of e-commerce retailers has faced the same economic repercussions as traditional brick-and-mortar merchants, as a consequence of a generally reduced spending on items considered non-essential.

According to a survey conducted by 200’000 third-party Amazon vendors in the United States, the most affected sellers where the smallest and the most specialised ones, while larger and diversified sellers saw positive results (Capriolo, 2020). This may highlight a tendency to prefer bigger vendors over small, specialised ones. This would also be in line with what previously said about the competitive advantage of generic, horizontal e-commerce platforms in comparison with specific, vertical ones. Furthermore, the crisis caused by the pandemic has underlined how fundamental the complementarity between online and offline sales channel is. For example, Amazon lost market share to Walmart (from 4.2% to 5%) and Target (from 2.2% to 3.5%) because the latter ones benefitted from large networks of brick-and-mortar stores, which facilitated fast delivery and pick-up by the consumers.

The OECD forecasts that certain changes brought by the COVID-19 crisis are likely to cause long-term changes in e-commerce. This is based on anecdotal evidence from the outbreak of SARS disease in 2002 and 2003, during which the epidemic has constituted an essential push towards the digital transformation of Chinese retail. For example, JD.com, which is now one of the largest online retailers in the world, decided to move from brick-and-mortar to online retail in 2004 as a direct response to the crisis provoked by SARS. An analogue mechanism provided the consumer base for Alibaba's platform Taobao, inaugurated in 2003. Moreover, as many new users have recently discovered the many advantages of buying online, it is likely that they will keep on buying some goods online in the future (OECD, 2019). Advantages include price and time convenience, but also, of course, the possibility to avoid the risk of contagion. Consumers may continue to order online because of the fear of diseases or because vendors manage to retain them thanks to loyalty or subscription programmes. With regards to the supply side, many operators decided or were forced to turn their eye to e-commerce and invested in it as a potentially essential complementary or alternative sales channel. After having moved their sales online, thus having invested in this channel, many firms have an incentive to capitalise on their investments over the long run, keeping on developing e-commerce. This is particularly the case for larger merchants, who have invested by enlarging or adapting their own sales and distribution infrastructure.

To conclude, it can be argued that the changes brought by the pandemic have caused a relevant shift towards e-commerce, and that this tendency is very likely to stay also after the end of the sanitary emergency.

Chinese consumers in 2021

According to government data, the Chinese economy grew by 4.9% between July and September 2020, making China the first major economy to start a successful recovery from the crisis caused by the Covid-19 pandemic. During the first quarter of 2020 the economy had shrunk by 6.8%, its first contraction since 1992 (year in which quarterly GDP data began to be registered) and, considering the impact that the virus globally had on economies, China's recovery is impressing. China is expected to be the only G20 country whose economy grew in 2020 (Kuo, 2020).

Based on these considerations and on the actual size of the Chinese consumer market it can be argued that this market will continue to be a great opportunity for companies willing to expand their businesses and enlarge their customer base. Therefore, here are some key considerations about trends and factors that are expected to characterise Chinese consumers in 2021.

First of all, Covid-19 has accelerated some trends that were already present in China's economic landscape (Leung et al., 2020):

1. Digitization (or digitalisation): the Covid-19 outbreak has not only accelerated digitization in B2C applications and channels, but also in less digitalised areas such as B2B processes and processes requiring physical interactions. Working practices were also significantly impacted.

2. Decline in global exposure: as previously discussed in this dissertation, some geopolitical and economic forces were already acting on the relationship between China and the world, and the pandemic seems to have reinforced this trend.
3. Growth of competitive intensity: competition is getting stronger and stronger among China's companies, and the virus will further raise its intensity. Again, digitalisation and adaptive skills will be the key: companies that have already digitized and possess highly agile operations will thrive, while weaker companies, particularly SMEs that are not sufficiently agile or digital savvy, are exposed to cashflow issues, unemployment, and potential business failure.
4. Consumers' maturity: as this is the first economic downturn that younger consumers in China have ever experienced, it has caused them to rethink their spending and saving behaviours.
5. Acceleration of private and social sectors: the private sector and leading technology companies are playing an important role, donating large sums to emerging powerful social institutions to help recovery. Furthermore, the pandemic might accelerate structural reforms to land, labour, and capital markets.

Particularly relevant to our scope are the trends regarding the changes in consumer behaviours: researchers reported that the pandemic will lead to:

- More health-conscious purchase decisions, as Covid-19 has increased awareness regarding product safety and quality, and this tendency is expected to continue. According to the survey conducted by Leung et al. (2020), more than 70% of respondents said they are willing to spend more money to buy safe and eco-friendly products, and around 75% of respondents showed the intention to exercise more and eat healthier after the end of the crisis.

- More caution in spending and a greater attention to quality. Chinese consumers are expected to become more value-sensitive and more inclined to spend larger sums for better quality, especially with regards to necessary purchases such as sanitary and health products, fresh foods and life insurance. On the contrary, they are less likely to spend in non-essential categories such as hair and beauty products, and large home appliances.

Another study by X. Huang et al. (2020) has highlighted four major trends that will persist even after the sanitary emergency comes to an end:

- There is a slow recovery of offline shopping, as people have begun to feel more confident about making purchases in brick-and-mortar shops; however, discretionary spend is still lower than before the pandemic and, with regards to physical shops, consumers appear still reluctant to spend time in crowded environment. Department and apparel stores are the most severely hit.
- The online channel is increasingly growing, with a spike in groceries online shopping during the peak of the pandemic.
- As mentioned before, there is an increasing demand for fitness related products and healthy foods.
- Given the physical constraints of the crisis, Chinese customers have been more willing to try new stores and new brands as a result of a long period passed at home. To face Chinese consumers low fidelity, many brands from hard hit categories (such as apparel) increased their digital activities, especially on e-commerce platforms and social media.

Digitalisation is expected to have a key role in China's economic recovery. According to Zipser et al. (2020), before the pandemic China was already among the globe's most digitalised nations, accounting for almost half of global e-commerce sales. When Covid-19 started to spread, lockdown measures accelerated the shift away from traditional retail and towards online channels. Thanks to China's evolved digital infrastructure many online initiatives were launched in response to the emergency and proved to be effective, and companies were able to accelerate digital transformation and successfully provide for an increase in demand for online shopping and services. With regards to beauty brands, those who had invested in an efficient social commerce infrastructure were able to expand sales during the crisis by quickly moving resources to digital channels. An example of good practice in this sense is the one conducted by Perfect Diary, a fast-growing local beauty brand, that intensified customer engagement during the first phase of the pandemic on its WeChat-based social channels. Thanks to their effort sales increases and the brand's valuation rose to $2 billion.

Particular attention deserves to be put on luxury goods and luxury companies, as more than 40% of global luxury goods production takes place in Italy, and Italy is the home country of more than half of the most important luxury brands globally. As said before, the Chinese market remains the biggest one in terms of opportunities for luxury goods and firms, thus it is essential for companies to figure out how to address the Chinese market in its post-pandemic evolution.

According to Achille and Zipser (2020) there is a link between luxury consumption and travels: in fact, 20 to 30% of industry revenues are generated by consumers making luxury purchases outside their home countries. Asian consumers buy luxury goods outside their nations not only to benefit from the lower prices that can be found in Europe, but also because shopping has become an integral part of the travel experience: there is a sense of authenticity and excitement that comes with the fact of buying a brand in its country of origin. Obviously, travel restrictions caused by the pandemic have been an obstacle to one of the main drivers of luxury spending. Nevertheless, Chinese consumers remain the biggest growth opportunity for the luxury sector. Given the recent shift in consumption towards vale-for-money, greater attention to quality, and a more cautious spending, brands will need a new approach to attract customers, mainly driven by tailored local experiences, stronger digital and omnichannel offerings, and deeper engagement with consumers in tier-two and -three cities.

Focussing on digital and omnichannel offering, luxury companies will need both short- and longer-term strategies.

- In the short term, e-commerce remains a crucial channel for keeping sales up, communicating with customers, and creating a sense of community around a brand. Brands should invest in digital tools and shift consumer spending towards online channel. The key strategy is to attract new customers and keep existing ones loyal, creating (or reinforcing) a psychological and emotional link with the brand, entertaining and fascinating shoppers so that they will also be more willing to visit physical shops in the future.
- In the long term, companies could exploit the chance given by the crisis to bring transformation to their businesses. For many firms, this is an opportunity to develop and execute an online and omnichannel strategy that they might successfully replicate in other markets in the future (which would be a perfect example of *mirroring back* strategy). Winning strategies could be partnering with established online retailers and e-commerce platforms, personalise digital marketing thanks to data analysis, offer a high-quality and personalised customer service and online purchasing experience.

With regards to consumer sentiment and behaviour, two trends are expected in luxury goods consumption:

- Attention to sustainability and a desire for more responsible consumption: companies should thus work on providing clear and detailed information about their processes and products.
- A (temporary?) preference for "silent luxury": after a large-scale crisis with deep emotional engagement and repercussion, consumer preferences could shift, at least for a time, toward a more low-profile kind of luxury, paying more attention to elements such as craftsmanship, heritage, and elegance, and less to opulence and conspicuousness.

Finally, as the companies examined in the case studies reported in Chapter 2 all belong to the beauty and personal care sector, predictions for this sector foresee a market growth of 8.7% in 2021 in China, the largest segment being personal care with a market volume of $24,603 million in 2021. According to experts, the sector is one of the fastest-growing ones, thanks to the generational shift bringing new, young consumers to the market, and also to the role of e-commerce, social media and the spreading of beauty and care trends coming from abroad (Statista, 2020).

Chinese e-commerce market's key trends

Considering what discussed so far, some particular characteristics and trends of the Chinese market should be taken into account by companies willing to expand their businesses online in China:

- **Strategic segmentation.** Despite the vastity of the pool of potential consumers offered by the Chinese market, the market is also increasingly crowded by competitors and it may become difficult to stand out without the right segmentation strategy, at least at the beginning, when a certain brand appears for the first time on the market. Let us cite two recent examples of market successes in the sector of "ready to drink" beverages give us an idea: the Xiang Piao Piao Meco line, launched in 2005, now sells around €200 million annually. They pivoted from tea, to powdered milk, to "ready to drink", choosing a super-premium positioning and a focused on the most affluent markets of Shanghai and neighbouring provinces; the Genki Forest line, born in 2016, bet on bottled water and tea creating zero-sugar, sparkling and flavoured beverages, with oriental and contemporary graphics and a promotional and marketing model based on the online channel first. They are estimated to have reached a value of annual sales of more than €200 million, too. These companies' success was driven by both initial correct segmentation and flexibility (Guidetti, 2020).

- **Omnichannel approach.** According to Gartner (2020) 82% of Chinese luxury consumers use a combination of online and offline channels to make purchases. The Chinese market has become the world's first omnichannel market, emerging as a global testing ground for brands' smart store initiatives and highly sophisticated online-to-offline campaigns. Thanks to internet penetration, smartphones diffusion, and digital payments, online-merge-offline (OMO) becomes increasing popular. Customers expect the two channels to be fluently combined: for example, product availability in a physical shop can be checked online and the product can then be ordered and delivered, or simply collected in the shop. A study published by Harvard Business Review shows that omnichannel shoppers tend to have larger baskets, spend more in both online and offline shopping occasions, and are also more brand-loyal than those who use a single channel (Sopadjieva et al., 2017).

- **Social commerce.** It can be defined as a commercial application based on the internet, that uses social media and Web 2.0 technologies to support social interactions and user generated content, with the aim to influence consumers in their purchasing decisions within online marketplaces and communities (Z. Huang & Benyoucef, 2013). Social commerce in China is huge, it is estimated to have a value around $300 billion, and it is expected to keep growing as a great number of service providers in the sector become increasingly popular. The picture below shows the actual top players in the field.

  There are relevant differences between social commerce in China and social commerce in the West. First, Chinese internet users tend to be content creators more than content consumers, and there is a diffused tendency to share with friends and family member feedbacks and opinions about the products purchased; moreover, the Chinese middle class with its big purchasing power has developed together with social media, creating a confluence of social network users and e-shoppers.

  Chinese social media apps have been able to integrate the purchasing process with the social dimension of the service, allowing user-generated content to effectively become a marketing tool. Although very similar to its international counterpart, Douyin, the Chinese TikTok (both are owned by ByteDance), offers its users the chance to instantly purchase the products they have viewed through its in-app store, something which is not possible on TikTok. Buying directly in the app or hosting product descriptions that link to other e-commerce sites are both possible, and certainly make tracking sales tied to influencers and content creators a lot easier. Kuaishou works similarly but it focuses on smaller, less cosmopolitan cities, while Xiaohongshu and Mogujie rely more on pictures.

Another kind of very popular social commerce service is represented by group-buying. In this concept, shoppers use their social network to build groups to buy products at discount. Pinduoduo is the most important group buying platform, with 568 million monthly active users. Group-buying platforms offer prices that get increasingly discounted the larger number of products a group buys. These apps typically leverage the power of WeChat, the most popular Chinese messenger and umbrella app, to allow people involve their friends and family in purchasing. By connecting wholesalers or even producers directly with customer groups, apps can cut out many intermediaries and deliver steep discounts.

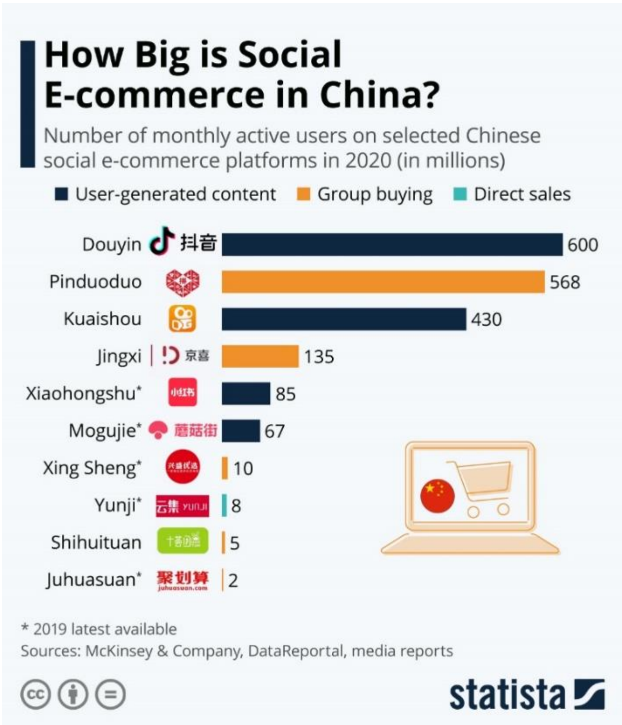

Figure 11. Major social e-commerce platforms in China.
Source: STATISTA

- **Livestreaming and KOLs.** Livestreaming e-commerce refers to the promotion and sale of products through social media channels, used by influencers (which in China are better indicated as KOLs, Key Opinion Leaders) to deliver in real time descriptions, opinions and testing of a specific product. The most popular livestreaming platform in China is Taobao Live, which is where around 80% of livestreaming sales are transmitted. Other important tech and e-commerce players, like Baidu and JD.com, have proposed their own version of the service. Products featured are primarily cosmetics and beauty aids, fashion, and food. Livestreaming has become a strategic way for brands in China to gain awareness, and it gives a chance even to craft artisans and independent farmers to reach customers. The possibilities it offers have emerged even more because of the restrictions imposed by the pandemic. Platforms hosting livestreaming sales, like Taobao Live, are similar to virtual shopping malls, where customers can shop and be entertained at the same time. Livestreaming e-commerce is growing rapidly: it is estimated to have already reached a value of $60 billion annually. In 2019 more than 430 people in China (about 30% of the population) viewed livestreams, and they are expected to have grown to around 560 million people in 2020. In 2019 approximately 37% of China's online shoppers bought something during a livestreaming sale. The trend is driven by Millennials and Gen-Z consumers, but middle-aged and seniors have started to approach livestreaming as well.

Chinese influencers (KOLs) are contacted by manufacturers, then choose the products that will be presented in the livestreaming and negotiate to obtain the lowest price possible. During the stream they demonstrate, critique the products and explain their features, and in the end reveal coupons that viewers can use to buy the products at discount, generating excitement and amusement. Many KOLs have become well-paid celebrities, and they receive an appearance fee plus a considerable commission on products sold. However, the trend seems to be shifting towards smaller influencers, and Alibaba's vision is to encourage the adoption of livestreaming by brands of different sizes across different industries (Greenwald, 2020).

Companies that want to successfully address Chinese e-shoppers should consider that the social, economic and cultural context in which e-commerce has developed in China is very different from the Western one. The widespread diffusion of social media and e-commerce channels in China has come together with the emergence of a rich middle class with a high purchasing power, creating the right conditions for the online market to thrive. Also, Chinese culture is characterised by a strong collective dimension (Hofstede Insights, 2018) that emerges in the approach to shopping: trends like group-buying and willingness to share feedbacks and opinions about purchases are an example.

Conclusion

The scope of this dissertation is to indicate the opportunities that Italian companies can find when entering Alibaba's e-commerce platforms and approaching the vast Chinese consumer market. To investigate these opportunities, we first described in detail the characteristics, structure and ecosystem of Alibaba Group, focussing also on the interests that the company pursues in Italy. Then, we gave an overview of the digital economy in Italy, to highlight how long the road still is and how wide the margins for improvement are. Italian enterprises would deeply benefit from a greater knowledge and adoption of digital tools as it would greatly impact their selling capacity domestically and globally. To prove this, we reported three successful case studies of Italian personal care companies who brilliantly exploited the advantages coming from their presence on Alibaba's e-commerce platforms, and we believe that many other companies could learn from their positive experiences. Finally, we built some hypotheses about the role that digital e-commerce platforms could assume in the forthcoming economic scenarios, especially in light of the effects of the Covid-19 pandemic. Our analysis allows to make optimistic previsions about the growth of these platforms: we can expect e-commerce to keep flourishing and platforms to be able to adapt to new context and market needs, but also to continue to be a fundamental tool to connect people and their necessities. As the pandemic contributes to reshape geopolitical and economic relationships and make globalisation contract, platforms will be able to evolve together with the context and will keep on offering great opportunities for businesses worldwide.

To sum up, the opportunities that Alibaba's e-commerce platforms offer to Italian companies are the following:

- The first and most obvious one regards the access to an enormous pool of potential customers and to an even bigger, precious amount of data: Alibaba has around 800 million active customers, which are expected to reach one billion in 2024. Every user produces massive amounts of data every day, that Alibaba puts at companies' disposal and that can really make the difference between a certain brand's success or failure. Despite the fierce competition, increasingly coming from domestic firms, there is still plenty of chances for foreign firms and brands to be appreciated and have success in China. As we reported, Chinese consumers still greatly appreciate Western products and, after some years of exposition to them, they have become more acquainted with them, are now able to evaluate quality and are more and more interested in niche products, fact that opens many important chances for Italian SMEs.
- The entrance in the Chinese e-commerce world has obliged many companies to invest on digital knowledge and tools, rethink their marketing and product strategies, and challenge themselves by facing a drastically different market, language and culture. Selling on the Chinese online market can give to firms an important chance to innovate. As we already mentioned *"Internationalisation choices are a field where to test and experiment new business models and are a strong innovation engine for companies"* (Pontiggia and Vescovi, 2014). Digital platforms are a low cost, fast and highly reactive way to innovate, thanks to the immediate feedbacks available. Entering Alibaba's e-commerce platforms is a great opportunity for companies to test, experiment, learn, and eventually replicate the newly acquired strategies back to their domestic (or other foreign) market (*mirroring back*).

Together with important opportunities, some risks also exist for Italian companies willing to enter the Chinese online market through Alibaba's platforms. The most relevant are the following:

- The Chinese market is not saturated yet, but competition is getting more and more intense. Immense e-commerce platforms such as Taobao, Tmall or JD.com are increasingly crowded because more and more foreign brands understand the importance and the opportunities of being online in China, and domestic brands are emerging and rapidly gaining attention and appreciation from consumers. In order to stand out and be successful businesses need not only a valuable product, but also a good Chinese partner that can help to face language barriers and market differences.
- The Chinese market changes at a high-speed pace in terms of both innovation and consumer taste. As the internet has a fundamental role in the Chinese consumer market, the rapid evolution of communication technologies and channels strongly impacts the way people purchase and what people wishes to consume. Furthermore, there is a huge number of actors shaping the market (sellers, buyers, and all third-party entities), which also have a role in making the environment mutate constantly. In China everything moves faster than in Europe, especially with comparison to Italy, and companies must keep this in mind in order to be successful and stay competitive.
- Despite its impressive economic growth and technological progress that the country has experienced in the last forty years, China remains an authoritarian state where the government can truly limit and strongly influence the activity of businesses. As the case of Ant Group's IPO has demonstrated, the Chinese economic environment

is still greatly conditioned by political forces, and the conditions they might pose could also become a threat for foreign companies, or at least create more uncertainties in a market that already presents numerous issues as it is.

To conclude, we propose a brief reflection about the changes taking place in the global technology industry. Observing the actions and measures that governments worldwide are taking to limit monopolies in the sector, the industry is expected to experience a relevant change in the next future, as tech will enter a more competitive phase. This shift has actually already begun in China, where the two biggest digital groups, Alibaba and Tencent, already compete with each other and with many other smaller rivals across a variety of markets. An evidence of the change taking place is the fact that Alibaba's share of the Chinese e-commerce reached 62% in 2013 but lowered to 51% in 2020, because competition is consolidating and the next two biggest e-commerce firms, Pinduoduo and JD.com (the latter is backed by Tencent), were able to gain 24% of the market together. According to CLSA they could reach 33% by 2026. Moreover, in 2020 Tencent announced that it will invest 500 billion yuan (around $70 billion) in the next five years in order to catch up with Alibaba in cloud computing (The Economist, 2021).

If the perspective is increasingly that of a diversified e-commerce scenario in China, we argue that companies willing to enter this market should also consider approaching more than one e-commerce platforms and invest in the smaller but emerging players.

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