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**Successful strategies adopted by
foreign brands on Chinese
E-commerce market**

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前言

本文的目的是提供一些外企在中国电子商务中成功应用的策略资料。电子商务是中国经济的基石，多年史无前例的经济增长和技术发展，使中国以 GDP 计算成为世界第二大经济体。本文特别针对专业人士和中小企业，以提供有关中国电子商务目前现状的指导，并确定最适合其商业模式的策略。

在第一部分中，我分析了中国电子商务的诞生，从商业互联网在中国的传播到马云在 1999 年 4 月创立阿里巴巴，还谈到了移动支付系统的传播（支付宝）。在网上购物的繁荣和中产阶级的作用之后，我特别关注了中国公民的消费演变。中产阶级在该国的进口商品中起着根本性的作用，在奢侈品消费者之后，中产阶级是目前西方和其他海外品牌考虑最多的目标。中国消费者对产品的质量越来越有经验，也越来越感兴趣。作为集体主义社会，个人所购买的产品同时还表明着自己的地位，因此，现在可以更轻松地确定消费者类别。

第二部分专门介绍从外贸代理机构开始进入中国数字市场的策略。外国公司首先需要贸易伙伴才能在中国开展业务，因为中国在跨境电子商务方面仍然有非常严格的规定，而且大多数外国网站都无法访问到中国国家防火墙。中国的电子商务发展与西方大不相同，事实上，到 2020 年，中国的互联网用户数量为 8.54 亿，智能手机普及率为 59.9%，因此中国的国内电子商务是全世界最大的。

由于采用了先进物流系统和先进信息基础设施，中国公民经常在网上购买，这导致了一系列社会商业现象，比如社交商务，网红经济，购物快速增长-“双十一”-和直播卖货。这些是中国电子商务最典型的现象，因此，在中国取得成功的外国品牌必须了解这些现象并调整其交流方式。在中国，社交商务强大，社交商务占电子商务零售总额的 11.6%。团购现象影响了中国消费者的行为，并产生了一些团购电子商务平台，其中最重要的平台是拼多多。

KOL（也称为网红）是社交商务的主角，KOL 与外国品牌之间的合作是过去 5 年中最频繁的沟通策略之一。许多知名品牌，尤其是时装品牌，都与 KOL 合作，许多中国消费者在购买产品之前会先评估网红的意见。在中国，几乎所有社交平台和电子商务平台都采用了“直播卖货”功能，现在许多 KOL 都可以在长时间的在线会话中在线销售其产品。一些网红设法在长时间的视频直播期间出售大量产品，因此实时流媒体已成为电子商务中的基本工具。在这一部分中，我还将尝试分析哪些合作成功，以及为何成功，使对中国市场感兴趣的公司可以效仿与 KOL 的合作。他们是打入市场、提高产品知名度和增加销售额的理想合作伙伴。

流媒体直播是一种正在兴起的趋势，它影响了社交网络和电子商务平台，包括淘宝网以及京东。在这篇论文中，我提供了一些成功合作的案例研究。

在最后一章中，我重点讨论了购物节并说明了为什么在电子商务环境中如此重要。购物节是进入市场的绝佳机会，但也是激烈竞争的时刻，因此也是一种风险。

最后，为了更好地了解中国电子商务的专用术语，论文内也包含一个术语表，这样读者能简单地了解互联网常用词的中文翻译。

Introduction

E-commerce is a cornerstone of the Chinese economy, years of unprecedented economic growth and technological development made the country with the world's largest population the second largest economy by GDP. 700 million individuals is the estimated number of online consumers in China, and therefore more and more companies are interested in entering the Chinese market. Besides the initial difficulties in becoming a player in the e-commerce market the greater part of foreign businesses fails due to the lack of a proper communication strategy.

The world of cross-border e-commerce in China is extremely complex and various topics must be taken into consideration to fully understand it before even considering a proper communication strategy. For example, mobile payments, logistics management, the inextricability of cross-border e-commerce from social media, tailored marketing strategies for macro-categories of consumers, the protection of intellectual property rights and finding the most suitable platform. These measures I've included are aimed at SMEs and other brands that haven't yet established a physical presence in China and will have to allocate resources to find a trade partner agency that will grant greater control over brand communication and image on Chinese media. Once these requirements are met, it is possible to think of developing a targeted making the most of online trends.

The first part of the present dissertation focuses on the role of Alibaba and how the e-commerce era has shaped vertically Chinese consumers habits. Alibaba has revolutionised E-commerce in China unveiling the true potential of the Chinese market, becoming the giant it is nowadays, operating numerous sectors. Alibaba and other e-commerce giants have always provided an impeccable service to end-users and merchants, supported by a cutting-edge IT infrastructure and highly efficient logistics system. This has made online shopping an integral part of the life of Chinese consumers, whether it be ordering food, buying a transport ticket or buying an appliance. Despite the growing number of luxury goods consumers - luxury spending by Chinese shoppers now represents 33% of the global market – what's interesting for brands are the upcoming middle-class generation that will have a higher purchase power, will be savvier than their parents and will be more incline to pursue taste and status.

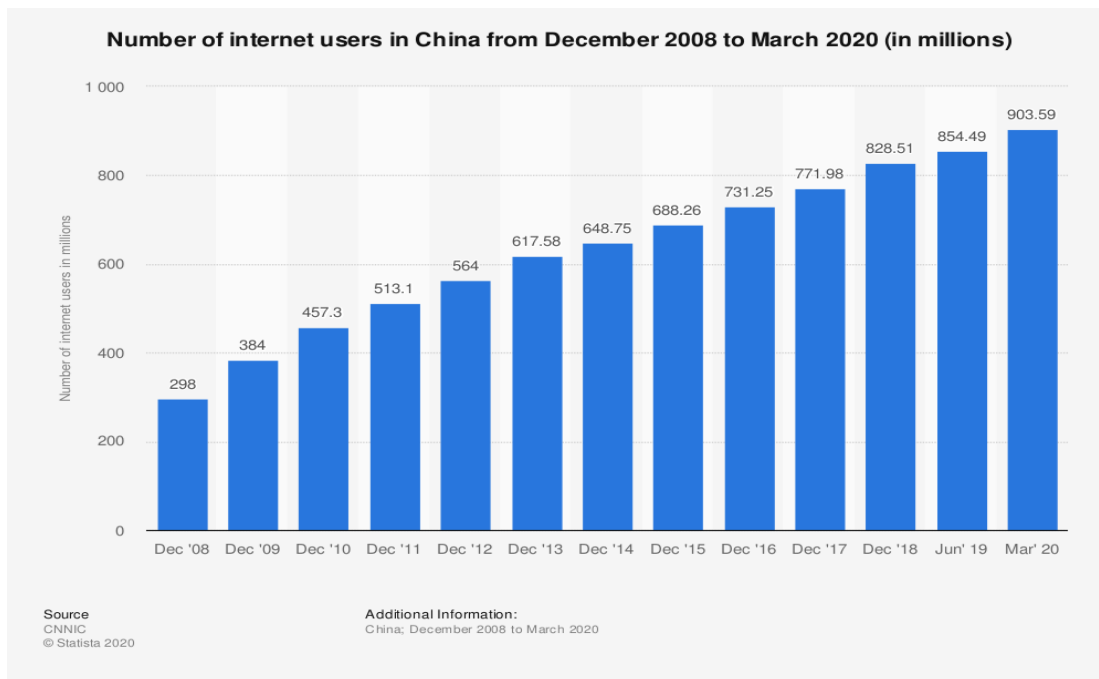
The second part provides an overview of the main trends of the digital environment and analyses the strategies implemented by brands on a case by case basis. Most of the brands already had a physical presence in China but are useful to understand the scale of certain phenomena, for example in Social commerce. In China, social commerce makes up 11.6% of retail e-commerce sales and is a vast subject but in this dissertation it has been narrowed down to social commerce platforms (PinDuoDuo) and KOL. PinDuoDuo is the unfiltered representation of Chinese consumers' attitude towards online shopping, leveraging on e-WOM and special offers made possible by a shortened supply chain (Producer to Consumer). Key Opinion Leaders are a core part of Social Commerce and are fundamental within brands marketing strategies aimed to break into the market, raise products' awareness and increase sales. KOLs identify themselves as consumers and build their communities on transparency and reciprocal trust, becoming a stable factor in the marketing funnel on par with WOM and reviews. Among the various forms of collaborations between brands and KOL live streaming is a rising trend that has reshaped social networks and e-commerce platforms, including Taobao.com and JD.com. Live streaming commerce, whose market value stood at 433.8 billion RMB in 2019, has proved to be exceptionally engaging, spreading brand awareness through information and entertainment.

In the final part, I once again focus on the characteristics of Chinese media by analysing the gamification trend on social networks and e-commerce platforms. Gamified interfaces are designed to get users to spend more time on the apps, engage them and induce them to sign up for membership programs or take part in campaigns activities. The dissertation ends with shopping festivals, as an attempt to clarify the scale of Chinese e-commerce and the relationship between Chinese consumers and online shopping. The largest e-commerce event, which takes place in China thanks to the abovementioned conditions, is a huge opportunity for brands that want to enter the market but this might represent a non-negligible risk due to the high costs and demanding bureaucracy.

Entering the Chinese market through e-commerce can bring numerous advantages but generally comes at high costs and with no guarantee of return on investment. Analysing how other brands have managed to make the most of the peculiarities of the Chinese online environment can be crucial to developing a successful strategy.

The origins of E-commerce in China

The aim of this work is to demonstrate a number of different approaches for foreign brands that are planning to land on the Chinese online market and this requires to go back to the evolution of the internet in China. Internet was created with the intention of communicating through a network relying on the technology available at that time. This has meant that the use of internet spread across the globe at different times and with different characteristics. Internet in China has been provided on a permanent basis since April 1994 and now the PRC is the country with the highest number of users, reaching a total of 903,6 million internet users in the first quarter of 2020. The number of the users steadily grew by an average of 16,9 % every year since 2008, making the Chinese E-commerce the world's largest market in 2012 and since 2014 more Chinese people have accessed the internet via mobile device than computer making china a mobile-first nation. Impressive numbers made possible by the reforms implemented during one of the tenth five-year plan. The spread of the internet and informatization in the western world was an organic and market driven process towards innovation. But in China the informatization appeared as a mandatory point in the tenth five-years plan considered as an instrument to increase the industrialization and competitiveness. Internet was intended as a support tool for the traditional industry from the beginning, sensing that the new economy, which is represented by the computerized industry, will not hinder the development of traditional industry but will promote its development, especially by boosting the domestic demand.



During the period covered by the Tenth Five-Year Plan¹, the exploration and regulation of e-commerce in China went hand in hand with the development of computerization. The first China's online transaction happened in March 1998, when a user bought 10 hours worth of internet surfing service. In the same month of the same year, according to the institutional reform plan of State Council reviewed and approved by the First Session of the Ninth National People's Congress, former Ministry of Posts and Telecommunication and Ministry of Electronics Industry were combined into Ministry of Information Industry. On March 31, the newly established Ministry of Information Industry was officially unveiled in Beijing. Its main tasks were to rejuvenate electronics manufacturing, software industry and communications and promote informatization of national economy and social service.

The Ministry of Information Industry existed for ten years as the superior authority of the Internet industry and was included into the newly founded Ministry of Industry and Information Technology during the institution reform in 2008.

1999 marked the birth of the first B2C e-commerce website. The title of founder of Chinese e-commerce is usually attributed to Jack Ma, but it was Wang Juntao who founded 8848.net in 1999 selling the first book ever sold online in China. In just one year, while groups of e-commerce pioneers were founded one after another, 8848 finished basic

¹ Tenth plan: (2001-2005) - 十五计划

deployment of three core elements of e-commerce, channel, logistics and payment, also sustained by China Merchants Bank comprehensively who launched the first online banking service in China in Shenzhen.

Since then, E-commerce has gradually penetrated all levels of the economy and society and thus network management and online consumption have taken shape. In 2005, the online purchase of goods and services amounted to RMB 1,600 billion (about \$ 250 billion), about 8.5% of total purchases, while total online sales of goods and services amounted to 909.5 billion of RMB.

In those years, government and companies were facing the main problems related to e-commerce that can be summed up in three issues:

- a.** The lack of a reliable online payment system, Chinese consumers initially distrusted long-distance payments over the internet.
- b.** Few Chinese people had access to the internet and that was limiting the E-commerce potential
- c.** The lack of proper infrastructures and logistic networks, the pre-existing distribution network wasn't fully developed.

The "E-commerce Growth Five-Year Plan" was jointly issued by the State Development and Reform Commission and the State Council Information Office in 2007, marking the first time the State Council issued a national E-commerce development plan at the national policy level. The plan's promulgation marked the transition of E-commerce in China from a rapid growth period to a standardization stage. In the following years, the government kept launching regulatory policies aimed to lead and control a sector in rapid expansion that would soon affect the global market as well.

E-commerce was a significant factor in the perpetual revolution that China faced in the last two decades. China surpassed the US and hosted the largest online retail market in the world, but a large population and a relatively growing GDP are not enough to explain this overwhelming result. The informatization enforced and promoted must have changed

the consumers' habits and the market, in 2016 the Internet penetration² rate reached approximately 53%, which is an estimated 731 million Chinese people who were active online, double the amount of U.S population. In 2019, about 20.7 percent of the total retail sales in China were made online, up from 18.4 percent in 2018, totalling 1.8 trillion USD in B2C and C2C. Beside the impressive number in terms of sales and revenues Chinese people were already in 2014 the most active e-commerce buyers, with an average of 23.1 orders, per capita, per year (González,Gao;2017).

Alibaba – History of the Chinese E-commerce giant

In the second half of the 1990s thanks to the increasing interest in internet some people invested in the very first online marketplace. That was the case of Amazon, founded by Jeff Bezos with the first B2C online bookstore launched on July 1995. Another notorious example is represented by eBay, launched in September the same year by Pierre Omidyar under the name of AuctionWeb. eBay became the first online auction website allowing person to person transactions.

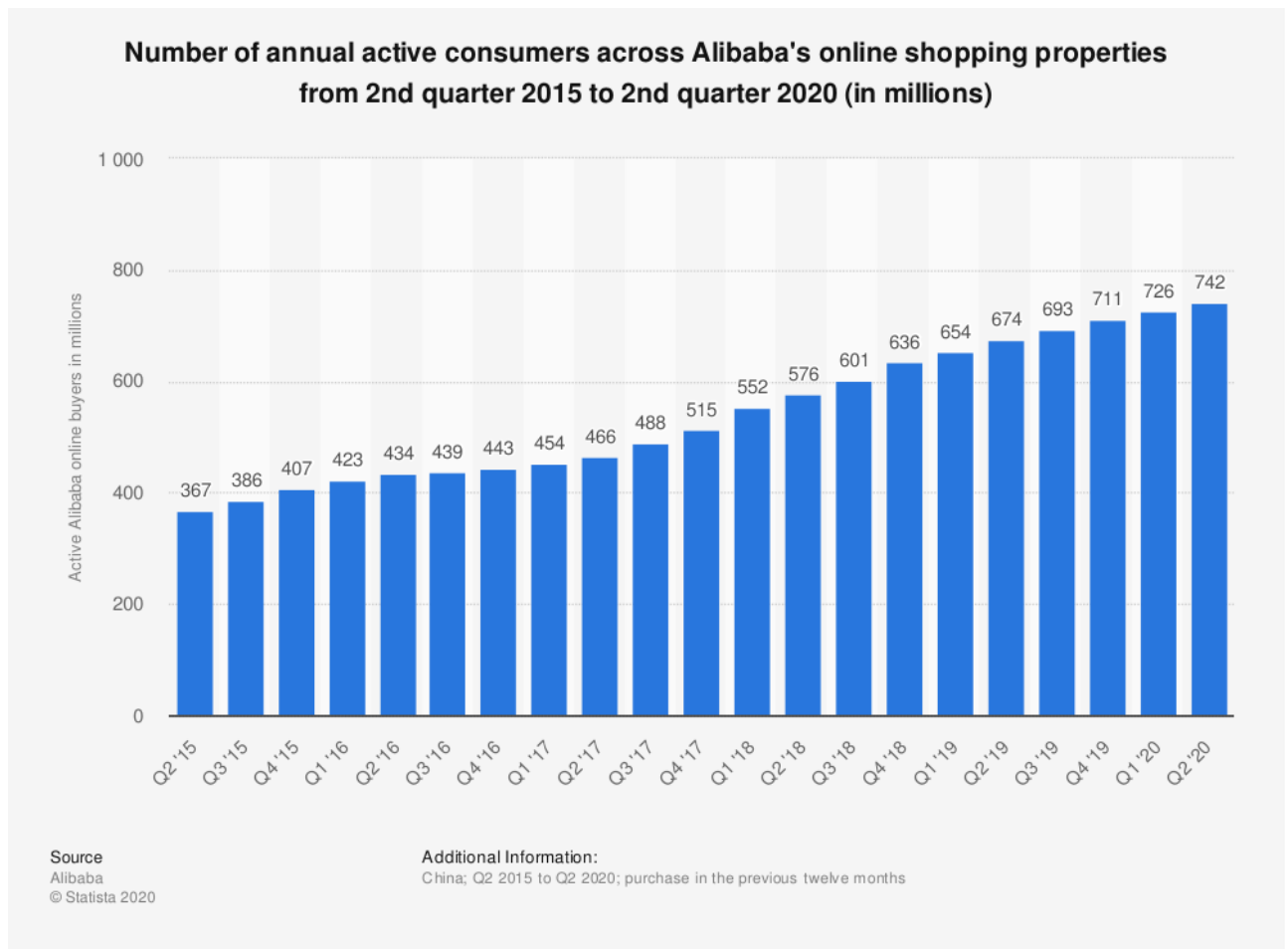
Influenced by the western world and forward-looking enough to understand the opportunity of the internet Jack Ma (马云), former English teacher, invested his experience and efforts in the creation of Alibaba Group Holding Limited, also known as Alibaba Group and as Alibaba.com on April 1999. Jack and the founder's group believed that the internet would level the playing field by enabling small enterprises to leverage innovation and technology to grow and compete more effectively in the domestic and global economies. Alibaba therefore started as a B2B platform improving the domestic e-commerce market and helping a significant number of Chinese SMEs in the global export.

Jack Ma had the intuition to invest in e-commerce when less than 1% of Chinese citizens were connected to internet. As a pioneer in industry his business attracted large investment that contributed to the launch of a C2C online retail marketplace (TaoBao), a third-party online payment platform (Alipay), an instant messaging tool (Aliwangwang),

² The Internet Penetration Rate corresponds to the percentage of the total population of a given country or region that uses the Internet.

a digital marketing platform (Alimama.com), and a cloud computing service platform (Alibaba Cloud). In 2018 the group broke the 500 billion USD valuation Mark, becoming the second Asian company after its competitor Tencent.

In the last quarter of the same year the total number of annual active consumers across Alibaba's online shopping platform was 636 million.



Online Marketplace analysis

Alibaba (阿里巴巴 - Ālǐ bābā)

Its major businesses and the businesses of its related companies and affiliates include:

1. **Taobao Taobao** 淘宝: launched in May 2003, Taobao Marketplace is an online e-commerce marketplace which facilitates C2C retail transactions. It provides a platform where consumers can open a virtual store and sell their good and at the same time consumers can acquire product knowledge, chat with other consumers, receive update from merchants. It mainly caters consumers in China, Hong Kong, Taiwan and Macao.

2. **Tmall** *Tianmao* 天猫: launched in April 2008, Tmall.com, previously known as Taobao Mall, was introduced to complement Taobao Marketplace. Now it is the largest business-to-consumer retail platform in Asia enabling businesses to sell directly to the millions of increasingly sophisticated Chinese consumers in search of top-quality branded merchandise throughout China. On February 2014, Tmall Global was officially launched as an extension of Tmall.com to enable international brands to offer products directly to consumers in China. At the moment a large number of Chinese and international brands and retailers have established storefronts on Tmall.com.

3. **Juhuasuan.com** *Juhuasuan* 聚划算: launched in March 2010, Juhuasuan is a marketing platform for boosting sales where Tmall.com and Taobao Marketplace merchants can raise brand awareness and acquire new customers through special promotional events and discounts. The platform offers private label products and selected branded, products made to custom specifications, as well as services.

4. **Aliexpress** *Quanqiusumaitong* 全球速卖通: launched in April 2010, AliExpress is a global retail marketplace targeted at consumers worldwide especially from Russia, Brazil, United States, France, United Kingdom and Spain. Alibaba is using AliExpress to expand its reach outside of Asia and challenge online giants like eBay and Amazon. The main difference from Taobao is that it is aimed primarily at international buyers in fact the platform enables consumers from around the world to buy directly from distributors and manufacturers in China and have access to products at competitive prices.

5. **Alibaba.com**: Alibaba.com, the first business of Alibaba group, is a platform that helps to buy and sell goods across the world. This platform helps to link together also suppliers and buyers from all over the world. Buyers are mainly wholesalers, trade agents, manufacturers, retailers and SMEs engaged in the import and export business.

6. **1688.com** *Alibaba* 阿里巴巴: launched in 1999, the platform is a leading B2B website in Chinese for wholesale and dropshipping. It connects buyers and sellers who trade in general merchandise, industrial components, raw materials, electronics, apparel etc. It serves as a wholesale channel for merchants doing business on Alibaba Group's retail marketplaces to source products from domestic wholesalers. It could be considered the

Chinese version of Alibaba.com and Aliexpress.com; moreover, it is far cheaper than the abovementioned platforms.

7. **Alimama** *Alimama* 阿里妈妈: launched in 2007, Alimama is a leading online marketing technology platform that includes advertiser and publisher. For sellers on Alibaba Group's marketplaces, it offers online marketing services for both mobile devices and personal computers.

8. **Alibaba Cloud** *Aliyun* 阿里云: launched in 2009, Alibaba Cloud, is Alibaba's group cloud computing arm and business unit. Its main role is to develop platforms

9. **Cainiao** *Cainiao* 菜鸟: Cainiao is Alibaba's group logistics arm, which was established in 2013. It was developed to aid the growth of the new online industry. In reality, this platform gives customers and merchants real-time access to data and allows them to exchange information about delivery status, orders, and so on. This flow of data helps businesses increase the quality and effectiveness of their logistic services while also benefiting China's logistics industry by connecting logistics providers such as warehouses and distribution centres(M.Paradiso,2017).

Alipay and mobile payments in China

E-commerce has been successful in China thanks to multiple factors. The penetration of the internet, the rapid spread of mobile phones and an efficient logistic network helped to level the existing disparities between different tiers cities. Another crucial factor for which China is still considered a leading country is e-payment, especially mobile payment (M-payment). The Alibaba Group, in the figure of Jack Ma, had very clear in his mind that a safe payment system that would have safeguarded customers and merchants was a necessary prerequisite for success. According to this philosophy the Alipay (支付宝, *Zhīfùbǎo*) service was launched in 2004 by Ant Financial group (蚂蚁集团, *Mǎyǐ jítuán*), owned by Alibaba and conceived as Taobao's online payment service. Alipay is the leading non-financial organization in online and mobile payments (Alipay, 2018).

Before Tmall was launched the e-commerce market was mostly based on C2C, and the lack of trust between parties was tangible. Buyers experimented certain anxiety while shopping online and insecurity was the main antagonist along with privacy issues and the

fear of frauds. Now thanks to Alipay they can register on Alipay with an e-mail account or a phone number and was developed to carry out P2P (Person to Person) payments and online purchases, as well as to pay for ordinary expenses – top-up credit on mobile, buy plane or train tickets, and pay water, medical, or electric bills). In this way, to add a further level of safety for the users, the App could provide two payment services: Charging directly from the user's bank account or prepaid model – similar to what PayPal offers nowadays.

In 2004 credit cards in China were rare and cash was deemed more trustworthy, but nowadays Alipay, like other modern third-party platforms, adds another step between consumer and vendor. When the buyer confirms that the product received is the right one and authorizes the payment, the seller gets the bank transfer through Alipay.

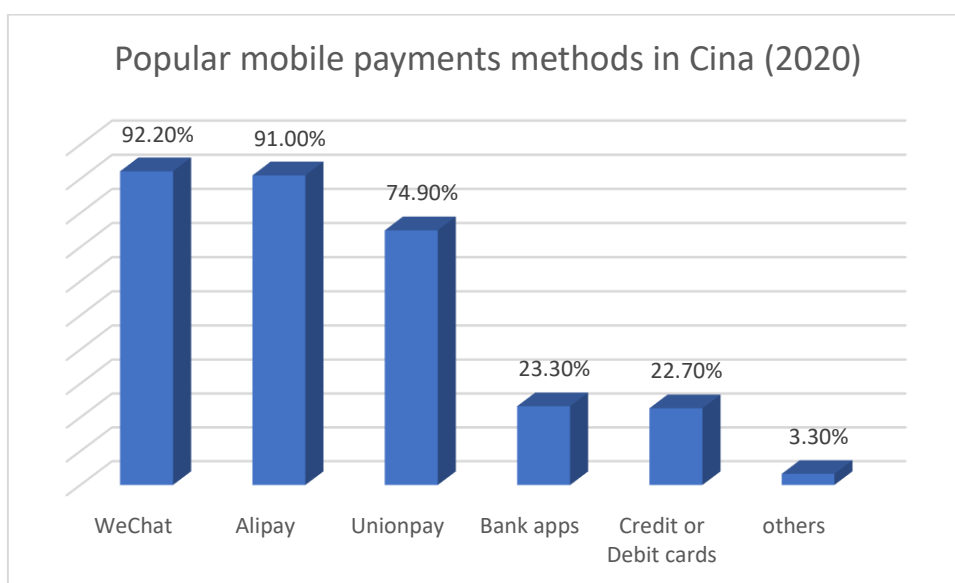
Other giants developed their own payment platforms, some of which had a better penetration rate in China, like Tenpay, with an 84,3% in China. (*Tenpay includes WeChat pay (微信支付) e QQ Wallet, that are respectively supplied by WeChat and QQ.*)

The remarkable strategy of Alipay was offering an online payment interface with tiny transactions fees while developing a vast digital ecosystem of products and services from which major profits come. The platform counts 1,2 billion total users, 900 million of which are in China³, 320 million daily active users and a stated intention of making China the first cashless society. While other countries have switched from cash to credit cards and now are switching to mobile payments, China adapted by skipping a step, having already instituted an online banking system in 1999. This explains how Alipay overtook PayPal in 2013 processing nearly 150 billion USD in mobile transactions. M-payments met favourable conditions in China and the increasing standards of security and quality the buyer is more willing to shop online.

In the first quarter of 2018 more than 20% of all sales in China were processed online. Alipay charges a tiny transaction fee but the real profit comes from selling other financial services. Chinese consumers are the more accustomed user of M-payments in the world and even if their overall annual transaction value per customer is lower than other western countries, the average Chinese customer is projected to increase the share of its mobile transaction if compared to the rest of the world consumers (Statista Digital market Outlook).

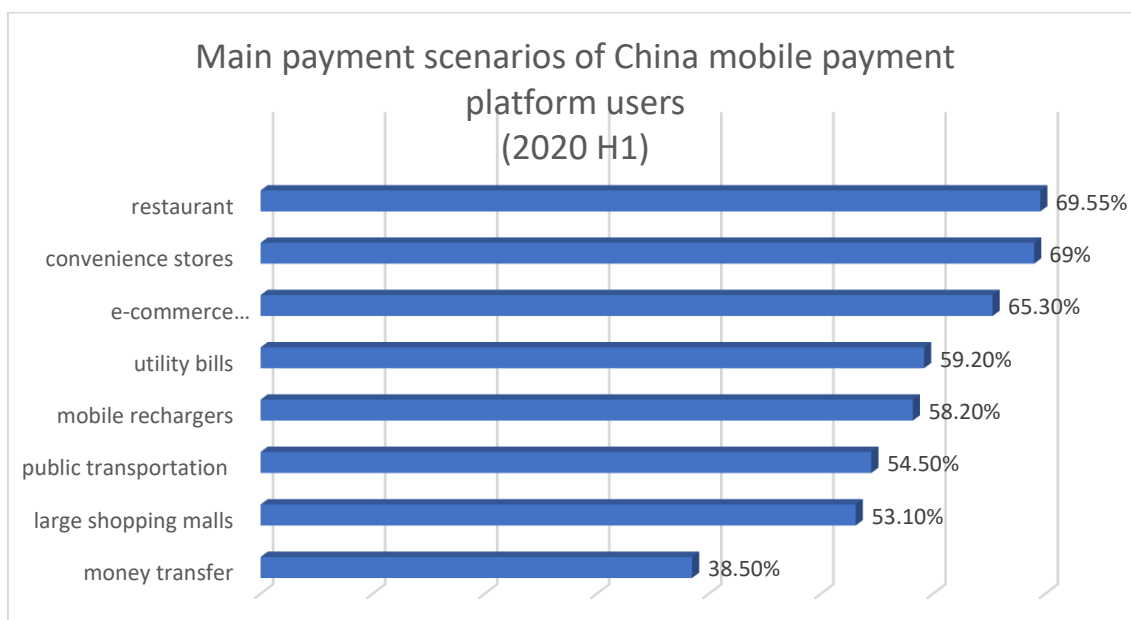
³ 40 Alipay Statistics and Facts (2020), DMR, Craig Smith

Alipay has owned the largest share of the market till 2019, with more than 1.2 billion transactions. WeChat is now the most popular m-payment system, even if this is related to the total number of active users, while Alipay still keeps the lead of the duopoly in terms of number of transactions, followed by the TenPay group (QQ wallet & WeChat Pay) with a 38.8% of the market. Other payment platforms such as 1Qianbao, union mobile, Apple pay, Baidu Wallet and JD Pay are also increasing their overall transaction volume but they still maintain only a small share of the overall retail payments market.



M-payments have penetrated every kind of daily transaction, as discussed in the chapter on the evolution of e-commerce, the possibility of using such an immediate tool encourages users to spend. M-payments influence consumer behaviour, it has been shown that consumers may be more willing to pay higher prices when using their mobile devices to pay, for low perceived pain and high convenience (Hossain, Zhou;2018). Convenience may help in daily life transactions such as public transportation, parking fee, money transfer, buy goods in a convenient store, but trust and perception factors act upon on-line shopping. Compared to cash payment, mobile payment may reduce pain of payment resulting from a high price and promote consumption. When buying low-priced goods, pain of payment caused by price is low, and people tend to purchase no matter which payment method (Liu, Luo, Zhang;2020). This is a fact that should not be underestimated for a brand that already has experience in e-commerce but wants to approach a Chinese

audience. In the first half of 2020, according to iiMedia⁴, using online wallets to pay on online shopping platforms was the third most common situation for using m-payments in China.



Chinese consumers in the E-commerce Era

Chinese consumer habits have been shaped by multiple factors during the last decade. Generally speaking, a mix of internal forces, like mass migration and urbanization, and external factors, such as exports and investment, have contributed to increase Chinese gross consumption volume and increase the share of consumer spending in China's GDP.

Urbanization has been a constant process that has more than tripled the numbers of Chinese people living in the cities, rising from 18 percent in 1960 to 56 percent in 2015.

⁴ 艾媒报告|2019-2020 年中国在线直播行业研究报告

The migration towards urban areas was motivated by better working and living standards, urban workers not only enjoyed better services but earned significantly more and that boosted population's overall consumption growth. Unfavourable purchase power fluctuations and the One Child Policy have also profoundly influenced household's consumption and the living standards across the vast Chinese territory.

China has planned its transition from an investment and trade-driven economy model to a consumption-driven economy, trying to meet the rising demand with domestic goods and services. E-commerce has been maybe the major change in the Chinese consumers' life over the last decade. E-commerce has shaped cities logistic and has been esteemed that approximately 3.5 million people were directly employed in the e-commerce segment in China (These numbers include both new e-shop entrepreneurs, all types of logistics-related jobs and all communication and superstructure workers such as web designers, graphic designers and photographers). E-commerce platforms became numerous and those aimed at the private consumer (B2C, C2C) occupied a different share of the market throughout the years. When we think of e-commerce, we almost always have in mind a system based on online purchase, logistic and material goods, but a significant portion of e-commerce in China consists of online services such as private transportation, financial and banking services, travel planning, food delivery that have had a huge impact on consumption and habits of individual households.

Private transportation or “vehicle for hire” are indeed a habit for Chinese urban citizens and despite the recent SARS-CoV-2 pandemic the sector has registered more than 360 million users according to CNNIC report⁵. A smart digital ecosystem has made easier to buy plain, bus, subway and plane tickets, along with other services such as accommodation booking. In March 2019 there were 418 million people booking transportation tickets online⁶.

In Western countries is now common to use the interface of third party app to order meals and in China, food delivery platforms (外卖平台 Wàimài píngtái) such as Meituan 美团 and Ele.me 饿了么, had gradually acquired popularity becoming fundamental suppliers in the food and beverage sector in a country where meals are subject to the working hours.

⁵ CNNIC (2020) 第 46 次中国互联网络发展状况统计报告.

⁶ ibidem

Wide choice, good penetration of the service across all the provinces, reliable rating system and smart interfaces led 409 million users in 2020 Q2 to order food or beverage at least once on the platforms⁷.

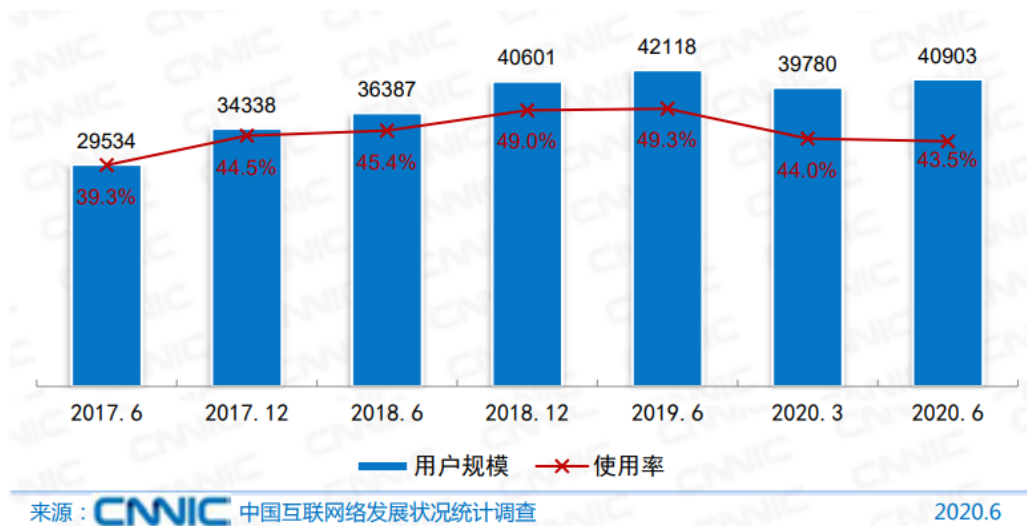


FIGURE 1 USER SCALE AND UTILISATION RATE ION FOOD DELIVERY PLATFORMS

These few but significant aspects of the life of almost all Chinese consumers give us an overview of how important e-commerce is in China from an economic and social point of view. Brands who want to customize a product or service or want to make it marketable in China will therefore have to deal with dynamics that are very different from Western markets, or which at least are on a larger scale.

The role of the emerging Middle Class

The Middle-class has a key role when we talk about consumes related to the online retail. Middle class is defined by its income and a middle-class household in China earns between RMB 25,000 (US\$3,640) and RMB 250,000 (US\$36,400) in a year, which is a quite wide range. The urban middle class population that enjoys higher incomes but an higher cost of living has an annual disposable income of 140,000 to

⁷ ibidem

300,000 RMB that are enough to ensure regular meals out, beauty products, flat screen TVs, and holiday travel. Now there are estimated to be 140 million middle-class household and it's expected that the middle class will represent 76% of the total population by 2022 (for scale: in 2017 was estimated that the middle class represented 58% of the population).

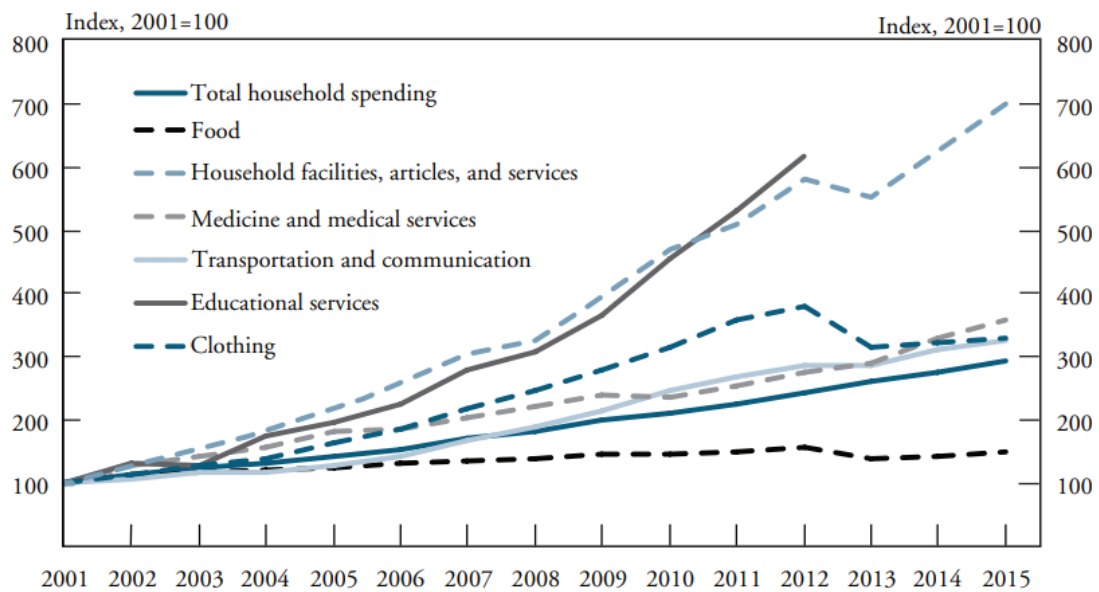
In the last decade the Middle class has proven to be a generation of sophisticated shoppers that are favouring quality over quantity and the fact that China is the first consumer of luxury goods is a clear evidence. Luxury spending by Chinese shoppers now represents 33% of the global market (Bain&Company). Since the classification of middle class is based on the household income and we can observe a factually wide range, we therefore need more criteria to evaluate and classify the middle class. To better understand the evolution of behaviour of Chinese consumers the classification of middle class exclusively based on the household gross income is not enough. A so wide interval can't truly represent this class as a whole and we therefore have to consider other criteria. Considering that in 2019 Housing, Food, Transportation, Communication and Education expenses made up about 65% of household's disposable income⁸ (average 42.359 RMB)⁹.

The Chinese middle class have developed in a relatively short span and now the market attention focuses on the segment that has never experienced periods of material shortage and have enjoyed, in most of the cases, the increasing wealth of a fast growing economy such as China. These consumers are savvier than their parents and often described as "Westernized", are willing to try new things, pursue taste and status, are loyal to the brands they trust and prefer niche brands.

⁸ income remaining after deduction of taxes and social security charges, available to be spent or saved as one wishes.

⁹ Annual per capita disposable income of urban households in China from 1990 to 2019 , by C. Textor , Statista.

Real Average Household Expenditures in China



Note: All series are deflated by Chinese CPI.

Sources: China National Bureau of Statistics and Haver Analytics.

FIGURE 2 BAIN & COMPANY CONSUMPTION IN CHINA

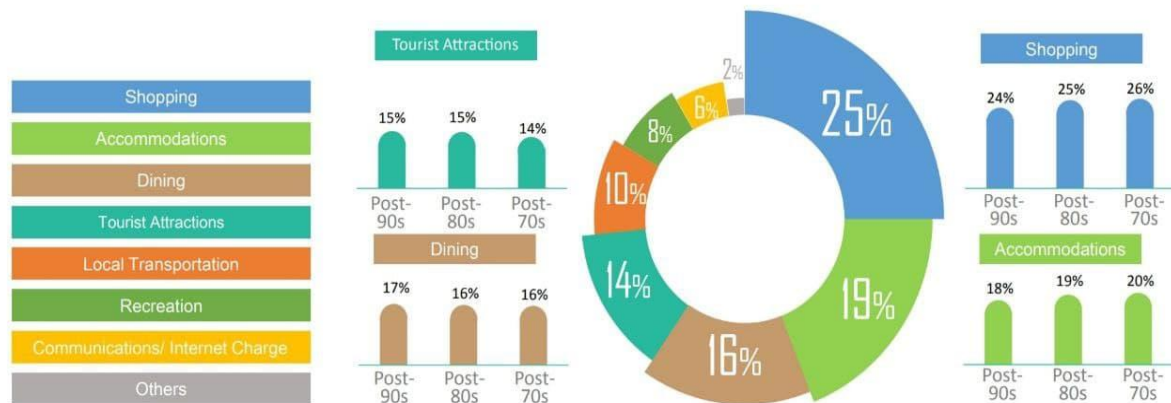
Any other purchase that doesn't fit in the previous categories can be labelled as "luxuries", classified then as non-recurrent and not necessary expenses. This type of expenses can help us identify the tier of a consumer that belongs to the middle-class income range. The significance of consumption for middle class identity is a well-researched subject, even if there are many ways in which the middle class can be classified from the perspective of a Chinese citizen, the perceived status given by certain goods and brands seems to have a prominent role (Anagost, 2008; Hanse, 2008). Since the Chinese culture is collectivistic rather than individualistic this parameter has proved to be predominant. Material possession for Chinese consumers is a way to emphasize a certain socioeconomic hierarchy, therefore the choice of the product may be influenced by the opinion of the group the consumer belongs to.

The growing demand for luxury goods, especially those ones that belong to clothing, accessories and fashion categories, seems to be related not only to the increasing number of new wealthy middle-class individuals, but also to the growing number of Chinese

tourists going abroad every year¹⁰ (Rovai, 2016). Before get into the details, we have to remember that China is the first consumer of luxury goods, Luxury spending by Chinese shoppers now represents 33% of the global market but just 27% of the purchases were made in China (Bain&Company). It has been proven that Chinese tourist (149 million travelled overseas in 2018¹¹) allocate 40–50% of their budget to shopping, this because Chinese citizens find cheaper price abroad for most of the brands that are imported in Mainland China. The Price-Gap caused by the “luxury tax”¹², that can span from 13% to 56% overprice, is a significant incentive for Chinese tourist.

Beside the relation between luxury goods and international tourism it’s recognised that while china is shifting from a perceived low-quality industrial output to a leading country in numerous sectors, Chinese consumers still associate foreign products with quality and reliability. New generations are more willing to travel and along with the booming of the middle class, the number of outbound tourists has tripled since 2010¹³.

BREAKDOWN OF ON-LOCATION SPENDING HABITS BY OUTBOUND CHINESE TOURISTS



Source: Nielsen

¹⁰ Rovai, Serena Chinese Outbound Shopping Tourism.

¹¹ Ministry of Culture and Tourism, PRC (2019), 149.7 million Chinese tourists traveled overseas in 2018

¹² “luxury tax”: a composite of different taxes, being made up of import duties, VAT and consumption tax

¹³ In 2019, the number of outbound tourists from China reached nearly 155 million, almost three times more compared to 2010. (Statista)

Companies that are aware of and expect shifts in customer saving and spending habits can find it difficult to satisfy China's rising middle class too. Although the customers who make up this segment have a promising future, they are currently relatively poor and dispersed across cities of all sizes in China.

Nowadays they are largely blue-collar workers; over the next 20 years they will increasingly migrate into service and knowledge industries. With an average household income of 17,600 renminbi, these people currently have little discretionary income to spend. Differences in exchange rates mean that products with components purchased on the global market rather than sourced domestically will usually be too expensive for them. This limitation applies not only to manufactured and imported goods but also to services, such as international travel.

Despite such obstacles, some companies have already begun targeting urban working households. As incomes rise, new entrants will find more profitable opportunities to accompany these consumers up the growth curve. By serving them today, companies will gain the visibility and insight they need to remain competitive as urban consumers' incomes and tastes change.

Chinese online shoppers - macro categories

The growth of e-commerce has brought to light a lot of data, discovering some macro-categories of consumers not too different from those of Western developed countries.

The Free Young Spenders

Among the macro-categories, we find the young free spenders, Chinese Z and Y generation consumers from 2-3 tier cities and smaller urban areas. They are often called the Internet Generation, they are the main users of e-commerce, social networks and social commerce, their social behaviour has been shaped in the network environment since childhood.

They have a lot more time on their hands than their counterparts in larger metropolises. Consumers in smaller cities are more likely to leave work at 5 or 6 p.m. and spend much less time commuting. This allows them free time to eat out, follow the latest trends, and buy products that will enhance their lifestyle and social status. Young Free Spenders also believe that expensive products are generally better than cheaper ones and they aren't

particularly concerned with saving for the future. Such habits afford them considerable spending power. Despite accounting for only a quarter of our survey population, this segment is responsible for nearly 60% of total spending growth in 2018 over 2017. (McKinsey,2019). Z generation is inevitably going to represent about 45% of Chinese consumers by 2025 and was responsible for the 27% of luxury purchases in China according to Bain & Company. Develop a successful communication strategy for this peculiar group is not easy and therefore companies usually collaborate with internet celebrities to grab their attention.

The Health-conscious movement

Macro-categories are not just a matter of age range and city tier, there are in fact some non-homogeneous groups linked by the same socio-economic phenomenon. Developed world countries are prone to make more environmentally sustainable choices, select greener products and care more about their health. Chinese people have faced the effect of heavily polluted environment and air pollution in all the major cities in the last decade. Awareness of pollution and healthcare problems have transformed consumer's habits significantly and now Chinese consumers are shifting to healthier and more sustainable purchasing habits. Food safety is one of the main concerns, in a country where the total population exceed one billion, guaranteeing a quality standard of supply can often lead to compromises to the detriment of the final consumer. But the healthy approach doesn't just involve food safety, it's a comprehensive philosophy that also involves personal care, cosmetics, pharmaceutical products, apparel and is extended to every other category of product and service if we consider sustainability. According to "China Sustainable Consumption Research Report" in 2017 about half of consumers were willing to pay 5-10% more for eco-friendly products in China, while in 2019, the number of such customers increased to 80%¹⁴. Chinese markets are integrating this new pattern into their strategy and pay more attention to this global phenomenon, shifting towards green products at a very high pace. In 2018, more consumers said they intentionally chose healthier products than the previous year and this occurred across all city tiers but most pronounced in tier 1 cities. The issue of health is a trend that interests consumers but has also become the subject of debate for the elected officials of the PRC. Following the

¹⁴ China Sustainable Consumption Research Program, 'Chinese consumers' willingness to pay more for green products', 2019

National Health Conference, China's leaders ensured health became an explicit national political priority with the approval of the Healthy China 2030 Planning Outline by China's Central Party Committee and the State Council. This document is the first medium to long term strategic plan in the health sector developed at the national level since the founding of China in 1949¹⁵.

This new trend has mainly affected products for babies, dairy products and cosmetics, which are for a very significant part regularly imported product. With 72% of urban consumers saying they are actively seeking a healthier lifestyle, many brands have an enormous opportunity, especially Western brands that have experienced the evolution of consumer awareness for healthier products already in the previous decade. They have the opportunity to enter a market where demand is quite high and therefore need to focus their efforts on winning the attention of the right category of consumers. (McKinsey,2019).

There are many other categories of consumers in China, many are emerging, others are already established trends - as we have seen for health and luxury. She-economy, Silver-haired generation, Super parents, Free Young spenders, Health-conscious consumers are all categories of consumers that we became aware of thanks to the rapid growth of the e-commerce phenomenon in China characterized by the merger of the roles of social and e-commerce platforms. The Chinese digital infrastructure and the collectivist society ensure that there is continuous communication, both direct and indirect, between end-customer, producers and third parties.

Western brands towards the Chinese online market

In 2010 the potential of the Chinese market and its fast growing e-commerce was transversely known to all sectors in the western world (outside China), but since China opened its gates to the world it has always welcome the foreign presence under certain conditions. Foreigners that would like to invest in or trade with China still have pretty

¹⁵ 健康中国 2030"规划纲要, Healthy China 2030, 9th Global Conference on Health Promotion, Shanghai 2016

much the same conditions that occurred at the beginning of the decade. China is a complex environment in which the economy is strongly affected by political decisions, the government has indeed the power to drastically influence (negatively or positively) the internal market. A clear example is the Anti-corruption enforcement enacted by president Xi Jinping in 2012¹⁶, causing an immediate 30 per cent loss of revenues for the spirits and watches industries, both providing products easy to offer as ‘gifts’ (Kapferer). Chinese partners and clear agreements with local governments still represent the most reliable entering strategies, the bureaucratic and administrative issues combined with lack of a distribution system in certain areas of the country made the participation of the Chinese side essential. Considering that the traditional approach consists in exporting goods or opening brand stores, the role of the local distributor could be intended as an intermediary, who completely manages the distribution process, or as a local partner, with whom create a joint venture in order to gain knowledge of the market from the inside, choose proper distribution networks, and create brand awareness leveraging on Chinese media.

When e-commerce gained a higher status and a preponderant role in the habits of Chinese consumers, distributors started to invest on online stores, especially on Tmall. Buying goods and services on Tmall became for Chinese people the paradigm for online shopping. The platform was born as a detached section of Taobao(C2C) dedicated to B2C and when it gained its own domain (Tmall.com) a massive advertisement campaign investment of 200 million RMB (29.9 million USD) was made and lasted three months, promoting the new platform on the national television and on billboards in the major cities. In 2010 the online retail just represented the 2% of the total retail¹⁷, but at the end of the same year it featured over 30.000 registered international and domestic brands available to online consumers. Tmall experienced a steady growth, reaching 70,000 stores (50.000 brands) in 2016 and doubled that value in 2017 with 150.000 stores and 18.000 registered international brands. The platform had from the beginning the clear goal of creating an environment where the B2C e-commerce could thrive, but such a goal comes at a cost. In

¹⁶ A far-reaching campaign against corruption began in China following the conclusion of the 18th National Congress of the Chinese Communist Party (CCP) in 2012. was the largest organized anti-graft effort in the history of Communist rule in China.

¹⁷ An interview with Alibaba Group chairman and CEO Daniel Zhang. The McKinsey Quarterly. (2019; pp 6-7)

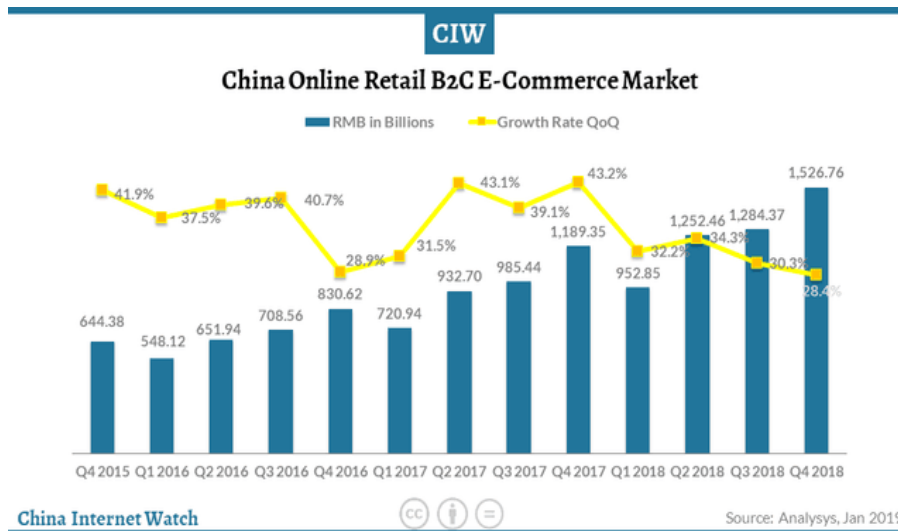
2011 the mission statement was “让欲望不再失望” *Ràng yùwàng bù zài shīwàng*, which means “You won't be disappointed”, a statement that fitted perfectly with the mission of Alibaba: “to make it easy to do business anywhere”. To ensure a high-quality service, which was more likely enjoyed by the end consumer, Tmall started to adapt more restrictive and demanding rules, such as a deposit fee of 10,000 RMB (at least) to protect against contract violations and a technical services fee for merchants from RMB 6,000 to RMB 30,000 or RMB 60,000. These norms lead vendors to protest and a significant part of stores left the platform and turned to the rival companies. Many Chinese vendors complained that the demanding requirements make opening and running an online store very difficult. The situation, despite the mission of the group, was even more complicated for international companies because of the additional TP agency¹⁸ fees.

After grossing in the end of the fiscal year, March 31 2020, approximately 3.2 trillion yuan worth of GMV¹⁹ it is considered by many as the new mainstream playground for international brands, statement supported by the fact that in 2018 the number of foreign brands on the platform increased by 118% (over 80% of which entered into the Chinese market for the first time). In the same year Tmall and its direct competitor JD had a combined market share of over 85% in China's B2C e-commerce market²⁰.

¹⁸ TP agencies: full-service digital marketing agency that act as Trade Partners.

¹⁹ GMV : Gross Merchandise Volume , is the total amount of sales a company makes over a specified period of time, typically measured quarterly or yearly.

²⁰ CIW team: China Internet Watch - China's online retail B2C e-commerce market reached 1,526.76 billion yuan (US\$226.38bn) in Q4 2018, an increase of 28.4% year-on-year.



The forerunners

Even if some brands like Uniqlo and Gap had their own website with Chinese domain and online shop in 2008, they couldn't ignore the fact that Tmall occupied the biggest market share of the whole consumer e-commerce market. For a large number of low to mid-priced international apparel brands, from Espirit to Levi's, the chosen route into China's fast-growing e-commerce market — worth as much as \$210 billion in 2012, (according to McKinsey & Co)²¹ — often involved Tmall.

In the Uniqlo special case Tmall helped the Japanese brand setup their official website. If a customer wanted to place an order from Uniqlo official website, they had to log into their Tmall account first.

Many firms that landed on Tmall a few months after its opening had already figured out the potential of the Chinese online retail market and were ready to open their flagship store on TaoBao which was considered as the eastern counterpart to E-Bay and the precursor of Online B2C in China. The number of shops on Tmall dramatically increased during the first five years of the platform and numbers can show the scale of the phenomenon. By the end of December 2011, the online shopping sales volume reached 756.6 billion RMB, B2C accounting for 23.2%. In 2013, the shopping market continued to grow rapidly, reaching 1.85 trillion yuan, an increase of 40.9% from 2012 to 2013. Online retail sales accounted for 7.9% of total retail sales in 2013. Since online shopping

²¹ Aggiungere fonte

was a strong alternative to the retail stores for the consumers, the transformation of the traditional retail enterprise was urgent.

Counterfeit goods and E-commerce

Even though the platform was planning the opening of a new B2C section, it represented a difficult manoeuvre and the wide-spread counterfeit goods market become another significant barrier between the group and foreign brands. Fearing the unfair competition and the reputational damages, even those who would have become the forerunners stayed away from the platform. Jack Ma was aware of the damage that counterfeit items were causing and promptly removed an estimated 114 million listings from its platform. Ma stated that counterfeits were a “cancer in society” to emphasize the efforts that the group made to maintain customers satisfaction and gain trust from foreign investors. We have to consider that counterfeits lead to tensions between PRC and US when Taobao was put on the list on the Piracy List²², intimating the enforcement of intellectual property rights.

23

Once again, counterfeiting is widely associated with clothing and fashion, especially popular and luxury brands, which are the first to be undermined in terms of online credibility. This billion dollars' worth phenomenon has different interpretations, Chinese consumers are year after year less willing to buy counterfeit goods because of the risk of losing face, therefore a tendency to buy faithful copies or replicas of the original was found in recent surveys. the environment has a great importance for Chinese people, to the extent that also a counterfeit product needs to be proportioned to the social status the owner belongs to, otherwise people around would notice it, making the person lose the face, and causing shame for him/her and the family. In China the proportion between *deceptive counterfeiting*²⁴ and *non-deceptive counterfeiting*²⁵ is still balanced, but when we talk about middle-class consumers non-deceptive counterfeiting represents the vast majority.

²² A list of virtual markets (websites) and physical markets outside of the US where large scale copyright infringement takes place and that recommends trade sanctions for countries with weak copyright protection enforcement

²³ The American Chamber of Commerce in China found that IPR enforcement is improving, but significant challenges still remain.

²⁴ Deceptive: the buyer is unaware that the product is fake

²⁵ Non-Deceptive: the buyer is aware that the product is fake

The knockoff industry mainly harms the image and the business of certain sectors, such as clothing, but things turned serious when pharmaceutical products, cosmetics and electronic apparel came out to be harmful and unsafe, causing the original manufacturer to lose trust before even the official launch of their products on the Chinese market. Sometimes counterfeits are also a consequence of a poorly planned and supervised outsourcing strategy to China. A lot of companies are losing control over their supply chains which gives opportunities for counterfeiting to become a problem. The critical damage that Taobao and all the other platforms in general faced was one of the main reasons why the Alibaba Group felt that an investment on a more sophisticated and controlled platform dedicated to B2C was necessary.

Tmall launch – cross-border commerce

The launch of Tmall therefore represented for International brands a safe harbour where the authenticity and healthy competition was guaranteed and safeguarded. Among the over 25.000 international brands coming from over 92 countries (dated April 2020) some of the most renowned forerunners were UNIQLO, L'Oréal, Adidas, GAP, Unilever, Ray-Ban and Steve Madden, who opened their flagship stores within the end of 2011. The majority of the forerunners, like those mentioned above, were well established companies with a remarkable presence in certain markets, and in spite of the consistent budget in marketing, advertisement and communication, their arrival on the market was more difficult than expected. Western brands faced difficulties in adopting strategies tailored on the distant and complex Chinese market. As already said, we have to remember that China has a contradictory market: extremely innovative, compared to the western ones, with different platforms and media, but with binding specifications and restrictions. Among these restrictions, the Chinese Government made mandatory the partnering with local players, so that e-commerce related licences were rarely granted to multinationals, but were instead given to joint ventures with local partners as majority shareholders.

We must bear in mind that most of the western forerunners in the Chinese e-commerce had in most of the cases a certain presence that usually consisted of physical stores - both single-brand and traditional distribution network- on Chinese soil as part of their globalization process and therefore had a certain popularity and a basic knowledge of the

Chinese retail market that became deeper in their respective sectors. Despite this, to face the new social distance and the restrictions of the online environment brands relied on TP agencies, or even on delegating the current traditional distributors. To compete online, brands need more than an accurate translation, creating contents that fit with the Chinese culture. Tmall usually invite brands to apply through TP agencies are aimed to help brands handle the bureaucratic burden of opening a Tmall local online store rather than a Tmall global. While the first one takes a lot of time and resources it will grant more visibility, faster shipping and fewer fees, Tmall Global doesn't require a Chinese business license or the number of certifications and ICP²⁶ license. The Tmall Global alternatives was a solution for those companies who are selling a certain type of product which would be burdensome to be approved for Chinese standard (this was the case for many beauty products).

The dominance of Tmall offers numerous advantages but it requires an effort in terms of resources and organization that not every company approaching the Chinese market can undertake.

Although rarely considered, the option of opening a stand-alone website is sometimes taken into account. The main barrier is represented by the cost of building new traffic to a website, especially if the brand is new -to-market or niche. The three giants (Tencent, Alibaba, Baidu) take up most of the traffic since they own more than the 90% of the market share and opening an official shop on a platform like Tmall isn't just about paying fees. In exchange of a better exposure, high traffic and a number of services for the vendors Tmall requires a very high standard of quality and impeccable customer service. Moreover, choosing a marketplace comes with other costs such as transaction fees²⁷ (2%-5%)²⁸ and strict inventory requirements. While a stand-alone website allows a more tailored customer experience and full control over reviews, enquiries and returns, marketplaces have dedicated teams that provide marketing guidance, assistance and a refined user experience.

²⁶ ICP: Internet Content Provider license. An ICP is required by the Chinese National Ministry of Industry and Information Technology to allow brands to sell products directly to consumers online.

²⁷ Commission fee are based on the category of the product sold.

²⁸ Customers loyalty program: Vendors also have to pay a deduction fee that starts from 0,5% which accumulates for Tmall.com to reward consumers in future promotions

Western brands often eschewed T-mall and other Chinese e-commerce platform as their channel for the Chinese market, but Western e-commerce websites cannot hope for the Chinese shopper trust that Tmall enjoys.

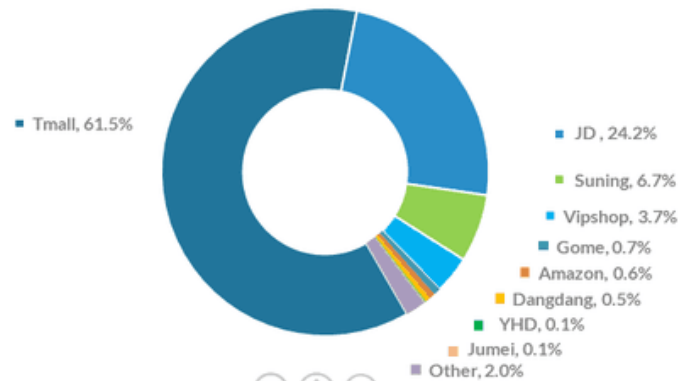
Two Schools of thought – Amazon.com in China

Talking about the trust that Chinese consumers put in the endemic e-commerce system it is fair to mention the Amazon case. In 2020 we can officially state that Amazon, as an Online wholesale retailer, did not succeed. The e-commerce giant moves its first steps in China after the acquisition of Joyo.com (卓越网 Zhuóyuè wǎng) an online bookstore in 2004 and renaming it “Amazon China”. Despite being a conglomerate with an extensive experience on Chinese soil it failed to understand geographical disparities and socioeconomic variations. Amazon lacked responsiveness, when the Chinese market adapted to shorter delivery time, and lacked the flexibility that other Chinese e-commerce websites gave to their vendors. Chinese consumers were also not stimulated, neither reassured by the Western-style interface that Amazon kept on its Chinese domain. Maintaining a standardized interface and a Western philosophy, added to a lack of trust by investors, relatively high transaction fees and a bad management, brought to the company just 1,3% of the total Chinese online retail market in 2017, almost half of the previous year. Now Amazon still offers broadcasting, clouds and international media services and has gained an important lesson that it is now implementing in India with considerable results.

JD.com - approaching the West to compete in the domestic market

Although Tmall is the most coveted platform by foreign brands it is not running alone. In second place is JD, a platform independent from Jack Ma's group. Founded in 1998 by Liu Qiongdong, it was a magneto-optical store that soon diversified into selling consumer electronics, telephones and computers. Since its internet debut in 2004 under the name "360buy" it has experienced steady growth, effectively entering the Fortune 500 list and covering 24% of the online market share. In 2013 it underwent a restyling adding a new mascot, a new design for the logo and a new name, becoming JD.com. (京东 Jīngdōng).

Market Shares of Online Retail B2C E-Commerce Platforms by GMV in Q4 2018



In March 2014 Tencent bought 15% stake of JD.com handing over its e-commerce businesses PaiPai²⁹, QQ Wanggou and a stake in Yixun to JD.com, in order to build a stronger competitor to Alibaba Group. By that time, JD.com was still the second largest e-commerce platform occupying around 20% of the online retail market but wasn't perceived as a real threat from the Hangzhou's Group. In the last quarter of 2018, Tmall and JD.com were responsible for 85,7% of the online market.

The relationship between the Chinese market and foreign brands is often analysed as a one-way relationship. We must keep in mind that the Chinese market is increasingly looking for new products, it is the largest consumer of luxury goods, and this makes the domestic competition even more fierce. JD.com is at the forefront of the high-tech landscape, in fact, many Chinese consumers prefer JD to buy 3C products (Computers, communication and consumers electronics). But when it comes to other industries, JD.com had to make itself attractive. In 2016, realizing that Chinese consumers became used to spending large amounts online in less time than the rest of the world, the management of the platform decided to start partnerships with foreign brands. The Farfetch strategic partnership inaugurated in 2017 was a prominent example, Farfetch offered its credibility and leadership in global luxury when JD wanted to compete in

²⁹ PaiPai 拍拍: originally owned by Tencent is now a second hand e-commerce websites owned by JD.com since 2017.

fashion e-commerce. On the other hand, Farfetch enjoyed the synergy of unparalleled logistics and social media capabilities of WeChat (Tencent partnership, see above) to create a frictionless and seamless brand experience. (JD has world's largest delivery drone fleet, a decisive feature for gaining the rural audience)

This strategy was particularly beneficial for those brands that had already physical retail shops in China, thus allowing world-class omnichannel³⁰ capabilities, including click & collect and in-store returns, connecting the brands' physical retail stores in China to consumers.

The collaboration with Farfetch was not an isolated case, in fact, again in 2016 after a first unsuccessful experience in the Chinese market, Walmart purchased a 5% stake in JD.com which was to be increased to 12%. In this case, JD offered its vast online inventory to accommodate food, cosmetics and daily necessities for Chinese consumers, ensuring a two-hour delivery from a Walmart physical store (Dada-JD Daojia)³¹ in some major cities.

TP Agencies

The two largest marketplaces make up more than two-thirds of the shares of the online market but despite this, there are many alternatives that companies that want to enter the Chinese market can adopt. We've been focused in brands that already have the resources to face a first impact with the Chinese market, but not all brands have the resources and structures to emulate the same path.

The next statement assumes that a company has already conducted an analysis to identify if a country may or may not be a potential market by: assessing the attractiveness of the national environment of the identified foreign country; identifying all the potential opportunities and all the possible risks associated with the decision; considering the accessibility of the foreign country; (Khanna, Palepu & Sinha, 2005)

³⁰Ominachannel: a cross-channel content strategy that organizations use to improve their user experience and drive better relationships with their audience across points of contact

³¹ Dada-JD Daojia: Grocery delivery service born from the Walmart-JD.com joint-venture.

According to experts, the choice of a third-party service must be subordinated to the creation of a long-term cross-border e-commerce strategy. Besides, because of the rapid proliferation of the Chinese e-commerce market, a myriad of TPs agencies have recently emerged to capitalize on this lucrative business. For this reason, some marketplaces have established a certification system, as Alibaba did for Tmall Global launch in 2013, to avoid counterfeiters and disreputable companies and to ensure quality control and consumer confidence. Some factors that must be considered before turning to third-party service providers are:

- The marketplace

The strengths of the marketplace must be in synergy with the business model. Some TPs specialize in platforms that organize sales, others in online mall sales. The balance between products characteristic and target audience must be replicated on the online platform. To survive the highly competitive market, marketplaces are gradually ceasing to be wholesalers and are starting to be more specialized in certain product categories. It follows that consumers become loyal to a certain marketplace for the purchase of a certain kind of products (cosmetics on Tmall, clothing on Taobao, electronics on Suning, fresh food on PinDuoDuo) and this makes it easier for a Western brand to choose which marketplace it will place its product on. Know

- TP's experience

Determining what services are needed for your company and choosing a third party with experience in those services, this is one of the best ways to ensure the quality of services.

- Select TP by their product category of choice

Third parties who mainly distribute food have different skills than those who distribute other product categories and vice versa. It is not uncommon for TP agencies to manage marketing and communication for Chinese market of brands that compete in the same field.

Although the rules and regulations are valid at national level, the Pilote Zones³² for cross-border e-commerce may have specific procedures. In China there are basically two

³² The CBEC pilot zones are designed to boost China's import and export businesses. In May 2020 46 pilot were added zones taking up the total to 105 zones. (China Briefing,2020)

strategies for selling products online: *Domestic strategy* and *Cross-Border strategy*. Domestic or *local* strategy consists in having the product already stored in Storage sites on the Chinese soil and this requires a Chinese bank account and a trademark registered in China. The Domestic strategy brings considerable advantages like fast shipping and effective returns but it comes at high costs and can turn into a time consuming procedure (Tmall is usually the most chosen platforms for domestic strategies).

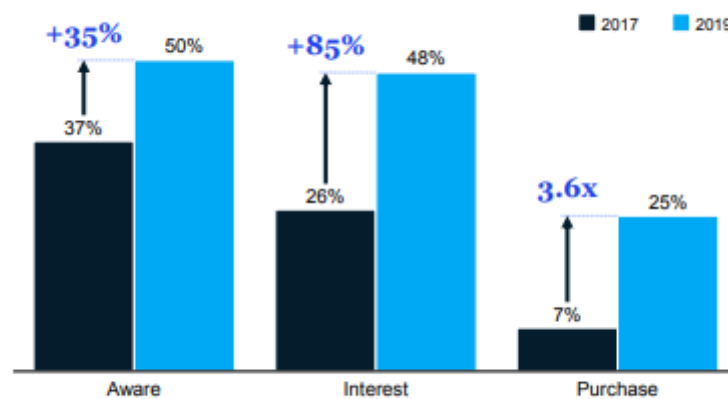
With Cross-border strategy companies can ship their products to Pilot Zones, where they will be considered as outside Chinese Borders. CBEC zones avoid the need for a Chinese Legal Entity and all the payments are made in foreign currency. Despite longer shipping times and a more challenging returns management the Cross-border strategy is considered to be the best approach to test the market. JD Global and Tmall Global are the main platforms to implement a cross-border strategy.

Regardless of the strategy chosen by the brand, having a TP agency can help make the sales process more fluid, especially if we consider that many TP agencies have agreements with the main platforms.

Social Commerce

In the previous paragraph, the steps to develop a strategy that allows a foreign company to physically enter the Chinese online market have been listed and clarified. From the point of view of a company, the business model, the type of products and the company's goal represent the three pillars on which to found a possible China-oriented outreach strategy. After having dissected the issues linked to the choice of a marketplace suitable for the products and the importance of trade partners, we have a preliminary picture of what is the logistics strategy for approaching China. Cultural mediation is one of the steps of strategic planning which, however, is now adopted for expansion to any other foreign market. China's rapid technological progress and the particular political nature of the Beijing government mean that the Chinese internet ecosystem has evolved differently than in the Western world, which only has differences that are the result of cultural diversity. First of all, China is defined as a collectivist society, and it is a fundamental concept to better understand the phenomena that are happening in China, for example, Chinese social commerce.

Social Commerce is a phenomenon that has been particularly successful in China. Social Commerce is by definition the use of networking websites as vehicles to promote and sell products and services, webpages that encompasses every activity of purchasing a product. In 2015 it was estimated that on average, a Chinese person spent 78 minutes a day on social commerce. Approximately 50% of customers in China make their purchase decisions according to recommendations from relatives and friends. In recent years, the virtual experiences of customers in the social commerce context have gained importance. Social Commerce is basically an advertorial tool generated by users that contributes (through reviews, advice) to spread awareness about a brand or a certain product and



SOURCE: iConsumer 2017; McKinsey China Digital Consumer Trends 2019

FIGURE 3 CUSTOMER JOURNEY EVOLUTION

increase sales. Social networks have boosted this concept of digital WOM³³ and even if social commerce is stronger and well adapted in China it doesn't mean that isn't present in other countries. Instead, we can state that this is a case of evolutionary convergence in the ever-changing online world that meet optimal conditions in the collectivistic Chinese society. More than 300 million Chinese consumers (McKinsey) in China use social media to obtain information about the products, compared to their Western counterparts, Chinese consumers show a particularly high preference for using social media to seek opinions from other consumers rather than from experts.

Social commerce encompasses the use of social media to promote networking and content created by users to help customers purchase online. One of its unique features is that it gives customers the ability to make better purchase choices and to boost their future

³³ WOM : World of Mouth, is the passing of information from person to person using oral communication

shopping experience (NG, 2013). The Chinese collectivistic culture helped in the integration of marketplace and on the new concept of – see now buy now – that is spreading, the audience made easy for vendors to bring their products online rather than bringing consumers to their online shop. Of course, companies, and the market in general, had to adapt to this new driving force.

PinDuoDuo

Social Commerce has been crucial in increasing consumption in Tier 3 cities and rural areas. Pinduoduo 拼多多 e-commerce platform has managed to become a giant in its field thanks to two factors: referral marketing and group buying³⁴ - also known as collective buying-. These two factors are based on the purchase of a certain volume of merchandise that is purchased by a modest network of consumers. Referral market and group buying are based on WOM inside of a network that could involve a fair number of individuals. We have experienced the parabolic evolution of Groupon, the U.S. company that pioneered the group-discount model in the Western world but the concept of group-bargaining already existed in the Chinese culture.

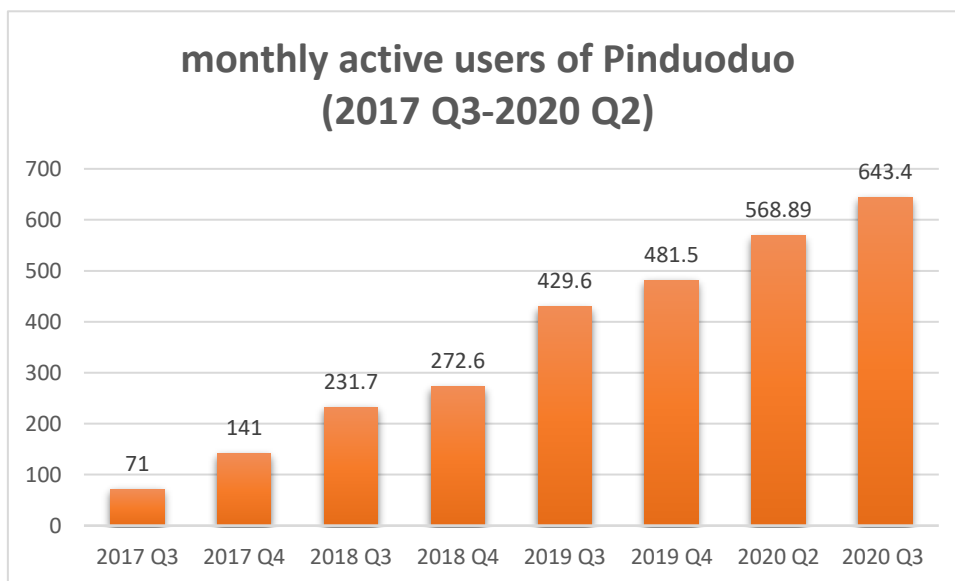
Group-buying, or *tuangou* 团购, was already popular in China as early as 2006. Chinese consumers were forming groups to buy products ranging from skincare to household supplies, during a time preceding the shift to the quality over quantity generation. Group-buying enables large groups of consumers to purchase vouchers online that offer up to 90% discounts at local vendors, reaching also a huge variety of services. The distinguishing feature of Chinese *tuangou* is the trend of Chinese consumer to gather even for the purchase of expensive products like jewellery and cars.

Pinduoduo Founded in 2015 by former Google engineer Zheng Huang, when there was little room for a new commerce platform in China due to the crushing pressure of the major players, was ready to catalyse the affirmed Group-buying habit of Chinese

³⁴ Group buying, also known as collective buying, offers products and services at significantly reduced prices on the condition that a minimum number of buyers would make the purchase.

consumers and the growing phenomenon of social media. Counting 536.3 million active buyers a year³⁵ and 7 billion products sold in the first half of 2019, is nowadays often taken into account by foreign retailers and brands.

Pinduoduo hasn't the traditional layout of a Chinese e-commerce, it has a browsing centred approach, not a searching centred approach. The search bar is a secondary element and products are displayed rather like Social Media contents, even though is possible to select categories of products for a more specific search. Pinduoduo makes the most of its Group buying strategy by offering two prices for the same product, the retail price and a discounted price. In order to purchase the product at the discounted price, the consumer must first of all share with at least another contact the product who intends to buy the same item at the lowest price. If other users are willing to buy the same products through the link shared by the initial consumer the transaction will be carried out and the product will be delivered. Users can even actively team up with friends or strangers on the app, sometimes reaching tens of thousands of buyers, to achieve significantly lower price³⁶.



Pinduoduo conquered its own share of the market by not competing with the pre-existent player. JD and Alibaba - and Amazon in the west - focus on optimization, quick delivery,

³⁵ reached 536.3 million in Q3 2019, an increase of 39% from 385.5 million on the previous year

³⁶ A team needs to be formed within 24 hours to have the order confirmed.

purchase rates, funnel conversion and invest a lot of effort in user-friendly interfaces. Pinduoduo, on the other hand, has tried to mimic the offline shopping experience online by building community via their team purchase model, driving engagement via fun and interactive games and rewards, and offering personalized experiences and value via recommendations³⁷.

The success of Pinduoduo rests entirely on E-WOM, now users can collaborate and benefit of the same discount in real-time. Taobao and Pinduoduo always specify under the price how many users have already bought the same product as a further step to encourage the purchase triggering an imitation, still based on the fact that Chinese consumers tend to value more the collectivity's feedback. Interactivity and affordability make shopping a shared experience and that can benefit all those users that have a certain influence on social media. Pinduoduo has also integrated game-like features, limiting the time for users to achieve the lowest price to 24 hours, creating a sense of urge increasing the probability of impulse buying.

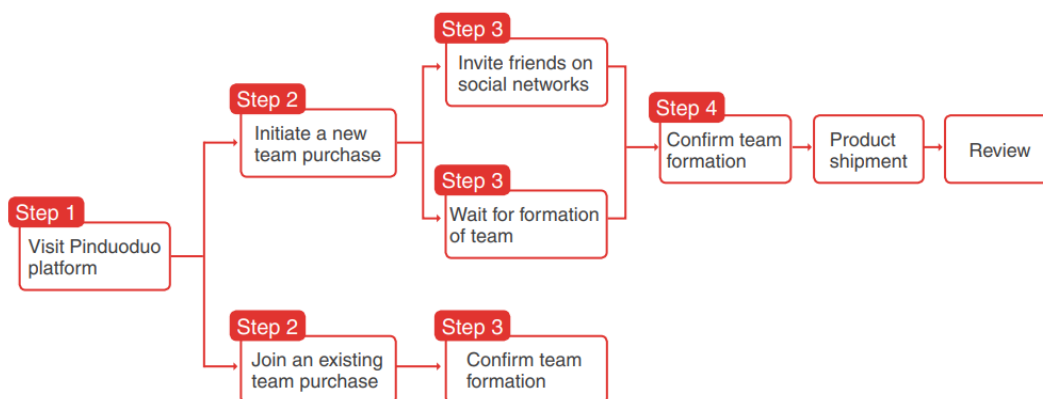
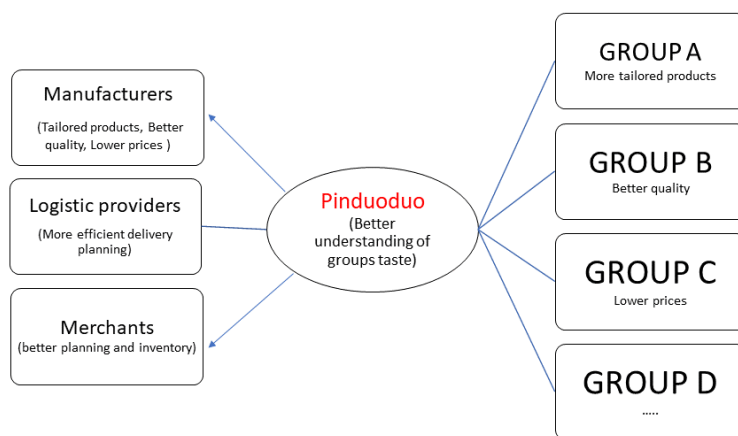


FIGURE 4 PINDUODUO CUSTOMER JOURNEY

The platform connects the manufacturer with the consumer and thus creates the C2M business model - also known as factory-to-consumer (F2C)-, a business model reshaping the retail industry, cutting off all relatively unnecessary costs and allowing users to buy high-quality products at an extremely affordable price. The C2M model is definitely

³⁷ Hariharan, A. & Dardenne, N. (2020) "Pinduoduo and the Rise of Social E-Commerce"

challenging the traditional supply chain and PinDuoDuo has applied it to the rising demand for fresh and low-cost agricultural products. At a fraction of the price, that consists of the producer price plus logistical costs, fresh food can be delivered within hours. Shipping directly from manufacturers and eliminating layers of distribution reduces prices for buyers and raises the profit margin for manufacturers. This approach is particularly effective for the sales of perishable agricultural and fresh products, where it is essential to rapidly match demand and supply. Moreover, Pinduoduo is a highly customer-centric company that uses the online data gathered to get a better understanding of their customers and then use this to create a better overall customer journey.



Pinduoduo might be the perfect platform for a company that can sustain an aggressive low-price centred launch strategy. The platform introduced new policies for cross-border business adopting an attractive “0 commission, 0 deductions” model to attract overseas brands and thus encouraging Chinese consumer to gather and buy imported products³⁸ from a different source. So far, the platform has reached in-depth strategic cooperation with more than 600 global first-line brands³⁹. The greatest part of its consumers are price-sensitive Tier 2-3 citizens and being able to group-buy imported goods makes PinDuoDuo a reference point in their e-shopping journey.

The greatest success of social commerce has been to involve rural realities, thus giving the opportunity to many entrepreneurs in rural areas to start their own business. Pinduoduo, the marketing of low-cost smartphones and state funding have encouraged

³⁸ PinDuoDuo most popular product categories are disposable goods, food and household appliances.

³⁹ Pinduoduo's 2019 annual report 25/04/2020

the penetration of the social commerce model and now Chinese E-commerce has gained the supply - but also the demand - of a modest share of the rural population with all the subsequent benefits⁴⁰. The Nasdaq-listed company recorded more than 270 billion yuan (\$42 billion) in agriculture-related GMV in 2020, up from 136 billion yuan in 2019. (Sales were helped in part by the pandemic, which pushed more producers to seek alternatives to traditional wholesale channels)⁴¹.

Key opinion leaders and brands

Before addressing the phenomenon of live streamers and why it became so effective in a relatively short span, it is appropriate to take a step back and give a more analytical explanation of Chinese collectivism. Although China insists a lot on its cultural identity, the unity of the Nation and internal homogeneity, the Chinese people enjoy a fair cultural heterogeneity. Some traditional and historical factors, which have produced a stable system of values that have been transmitted over several centuries, have strongly influenced Chinese culture. This does not mean that values have never changed over the centuries, but that part of the traditional value system has survived the growth of the world leading to a contemporary culture that combines communist ideology with the traditional Confucian theory and the new Western influence. Another essential concept of the Chinese culture is collectivism, in addition to conventional Confucian principles. In a particular sense, collectivism can be regarded as the relation between individuals and the degree to which they feel incorporated into that specific group: the collectivistic essence is thus expressed in the system of kinship, where the primary concern is to preserve the group's interest, a term that was further established during the Mao period. Nonetheless, new values have arisen and influenced Chinese culture in recent years. Most of them come from the values of modernity, prosperity and wealth in the West and frequently conflict with conventional principles, such as individualism and individual freedoms. Identities are based on the social system in collectivist countries and individuals are encouraged to associate with a reference group from an early age (Blake; Neuendorf) ;

⁴⁰ Lee, E. (2018) "The incredible rise of Pinduoduo, China's newest force in E-commerce". TechCrunch.

⁴¹ Pinduoduo doubles agricultural GMV to record 270 billion yuan in 2020

Moreover, their ideal characteristics depend on their social position, their identity is influenced by the social system and their behaviour is affected by the reference group. The Chinese will adhere more easily to the standards of the group than people in individualistic societies. Analysts must take these dynamics into account, especially those who automatically maintain an individualistic mentality when approaching Eastern markets with collectivistic culture (Japan, Korea, Thailand, Vietnam)

The distinction between individualistic and collectivistic societies is considered crucial for explaining consumer behaviours. Asian collectivist consumers have been found to engage in less impulsive buying than Caucasian consumers⁴² and to be more brand cautious than their counterparts in western societies. Individualists, on the other hand, tend to be more receptive to a new product concept, and so have less brand loyalty and switch brands frequently (Kacen; Lee). Foreign e-businesses have to understand the Chinese social environment in China and be more aware of the influence of culture on Chinese online interaction. Chinese people tend to enjoy more the online interaction compared to their western counterparts and Taobao is the perfect example of how social interaction works and can positively influence the trust perception and the browsing experience. (Dong-ling, 2014)

The Wang Hong 网红 Economy

The views of other consumers are extremely relevant to Chinese people. There are many studies that demonstrate what mainly influence other people opinion about a product and lead them to the purchase, but three fundamental parameters have been observed to be perceived expertise, similarity, and familiarity. Perceived similarity refers to the commonness shared by customers in taste, preference, and liking toward products. Perceived expertise refers to other consumers' ability to recommend products based on their knowledge and experience. Perceived familiarity relates to the frequency of interactions and relationships with other shoppers in social shopping sites. (Liao,2010) Today it is recognized that social networks have contributed to upcoming social changes, as they have created a new way of socializing in a new context.

⁴² Impulse buying generates over \$4 billion in annual sales volume in the United States (Kacen)

KOLs are the result of the development of social interactions on social media. By definition, Key Opinion Leaders are personalities who have knowledge and skills in a certain sector and who are able to influence the opinion of others. While the line of distinction between user and KOL is not well defined, the only certainty is the ability to know how to influence the thoughts and choices of an audience. For companies, the term KOL refers to a person, with a group of loyal followers engaging with him/her who produces quality content on social media. Chinese consumers, who spend a considerable amount of time online, are exposed in an increasing way to users that, through every tool that is provided online, talk about topics which may catch the interest of the onlookers. These influencers are practising a real eWOM, they exhibit the ability to widening a brand's audience and increasing brand awareness, drawing customers from online channels to physical stores to make purchases (O2O marketing).

Since there is no real classification, we will therefore rely on the division adopted by the Chinese MNCs⁴³ that are responsible for creating a link between Brands and the latter.



⁴³ A multi-channel network (MCN) is an organization that works with video platforms to offer assistance to a channel owner in areas such as "product, programming, funding, cross-promotion, partner management, digital rights management, monetization/sales, and/or audience development" in exchange for a percentage of the ad revenue from the channel

The classification elaborated on the subdivision suggested by some MNCs is based on the influencer's background, knowledge, personality and audience.

- Celebrities are the precursors of this new market. Actors, Singers that are probably accustomed to advertisement campaigns in which they starred, sponsorships and *testimonial agreements*. This segment has the highest charge – ranging from a few million to tens of millions RMB for a single endorsement. The average fee of big celebrities in 2016 was 5 million RMB and is expected to reach 10 million RMB in 2021.
- Wang Hong 网红⁴⁴ are Chinese Internet Celebrities and the term is often interchangeably used with “KOL”. However, the two concepts are not exactly equivalent. This segment comprehends industry experts and self-media that gained an audience while expressing themselves on social networks. In the past, these Wang Hongs were minor celebrities, but now the term has a broader meaning, including all those who thanks to their knowledge about a topic, can engage and influence a large audience (In many cases they have professional experience on the topic they talk about). Professional gamers, entertainment content creators and beauty&fashion bloggers are also called Wang Hong, because thanks to social media they become relevant to other users that share the same passion and interests. For some brands, this kind of influencers are more valuable than some well-known celebrities, and for a variety of reasons.
- Micro-influencers and streamers are an emergent category of social media app users that acquire from a few thousands to tens of thousands of followers. They are usually young and popular with a very valuable engagement rate among their audience.

In 2016⁴⁵, having Chinese celebrities as testimonials was still a must for the marketing strategies of foreign companies. As the number of personalities who have become

⁴⁴ 网络红人: abbreviated 网红, Wǎngluò (internet) hóng rén (celebrity)

⁴⁵ Robin8 datas (Website report)

influential in numerous industries has drastically increased, companies' interest has turned to these internet celebrities, who are now estimated to move a 58 billion yuan market.

The Wang Hong economy is based on this principle, Chinese Wanghongs attract the attention of Internet users, which can translate into profit through e-commerce and online advertising. Wang Hong economy is mainly based on two business models: online commerce and social media advertisement. They are to all intents and purposes in the C2C, using e-commerce platforms to sell their self-branded products to potential buyers among their followers. Most of the times they are using their appearance, personality and knowledge to express their opinion about a product or a service, trying to be genuine, and trigger an emulation mechanism that should come out through WOM. They have broken the traditional media's monopoly leveraging on the transparency and on the interpersonal engagement that advertisement and even testimonials are unable to deliver. The impact of Wang Hong Economy is more visible on the younger generation, totally uninterested in traditional media advertising, more at ease when free to explore their interests, which are now a new entertainment format to them. Along with these facts, brands focus more on the quality of Wanghongs audience rather than the number of followers or fans. Sometimes influencer's opinions are more valuable to a certain niche of consumers than WOM and will therefore have a greater impact on a brand or a product's perception.

Nowadays, this tier of KOL value reputation more than money and carefully choose the brands they want to work with. Even if sponsorship could initially generate high revenues and exposure, it could lead to a loss of trust by followers, and then to a lower engagement and conversion rate. Like their Western counterparts, they are in favour of being on multiple social networks but tend to focus their efforts on a platform in particular or at least, where their target audience is more present.

Influencer marketing in China is not only a plus in a business plan, but it is the critical cornerstone for any brand that wants to approach the Chinese market.

Gogoboi and Givenchy

In a country where the demand for luxury and superior quality goods continues to grow, Chinese influencers play a key role in educating their consumer audiences. These personalities are a fundamental resource for foreign brands that want to become

competitive in the Chinese market. The real stumbling block is how to establish a partnership that increases sales and brand equity.

Among the many KOLs that are emerging in the last decade one of the most interesting cases to decipher the relationship between Western brands and Chinese consumers is Thomas Ye Shi, known under the pseudonym of Gogoboi. Ye started as a fashion editor but leveraging on his taste, knowledge of the fashion industry and communication skills quickly gained remarkable success. He gained popularity in 2010 when he started to share the hashtag #whowearwhat on his personal Weibo account. Ye has been curating his own image on social media from the beginning, reaching 7 million followers on his WeChat account where sometimes his articles get more than 100.000 views.

Gogoboi has a revolutionary way of communicating and this way was highly appreciated by consumers who were eager to learn but limited by the firewall and language barrier. We could say that his promotional purpose is subordinate to consumer education, in fact among his many projects we find an overseas informative blog called 英国那些事儿 Yīngguó nàxiē shìr (*What's going on in England*) and his personal WeChat Shop 不大精选 Bù dà jīng xuǎn (*lit. not too choosy*), where he collaborates with numerous brands providing, qualitatively speaking, a better service than most resellers. Transparency is a key value for the blogger who stated that all of the products on his Bu Da Jing Xuan WeChat store would come from international luxury e-commerce retailers including Yoox, Net-A-Porter, Farfetch, Revolve, as well as department stores such as Harrods and Luisa Via Roma.

KOLs have become increasingly able to capitalize on the attention they receive. When Gogoboi became an established name, collaborations with European brands were a natural step. The most common business model is “content e-commerce” that add a storytelling component to accentuate the value of the product behind the brand logo and materials. Givenchy was far-sighted enough to understand that opening their official WeChat account could be associated with the name of Gogoboi. Many other competing brands had already opened their official accounts and were already geared towards approaching Chinese consumers with a more immersive and exclusive user experience. On July 14th 2017 the line of handbags designed exclusively for the launch on the influencer's official online shop was launched and went sold out in 72hours. It was the

first time that a luxury brand was launching a product through a Chinese KOL private channel, but it wasn't the very first collaboration with luxury brands for the blogger.

In the fall/winter 2015 Paris Fashion Week, Louis Vuitton invited Gogoboi to take charge of its Sina official Weibo, releasing the show dynamics and reviews. At that time Gogoboi had about 4 million Sina Weibo fans. Louis Vuitton chose Gogoboi as the launch port of Sina Weibo, and its motive is believed to further enhance its influence in the Chinese market. The partnership started in 2015, deemed dangerous and even controversial in the high-end fashion industry, is indicative of a change in the axis between brand and consumers. Celebrities and testimonials have taken a back seat and now a good part of consumers also tend to evaluate Wang Hong's opinion before buying or getting an idea about a brand. Not all KOLs are exclusively interested in selling products or services, like minor celebrities or some travel bloggers. Among the numerous techniques used by Chinese influencers I've identified two main categories that may help to recognize the communication style of a certain KOL and therefore make easier for a brand willing to start a collaboration to facilitate the selection. *Informative* techniques comprehend tutorials, “unboxings”, experience sharing, reviews that leverage on potential consumers curiosity. *Commercial* techniques often comprehend discount and flash sales – dedicated to a certain community or for very limited batches of products -, celebrity cameos, Brand collaborations and product sharing, which differs from tutorial or experience sharing for a more sale-oriented approach.

In a 2018 study carried out by Azoya Consulting wondered how much the popularity of foreign brands had increased in the Chinese market and how much KOLs have influenced this growing trend. Their results, based on a population sample that had made purchases from cross-border platforms, showed that 50% of cross-border customers are affected by in-person and online feedback, 32% by content from social media accounts, and 25% by results from search engines. This suggests that shoppers listen to the opinions of influencers, along with those of close friends. In fact, the study also points out that KOL reviews and advice were the most influential factor in the buying process, with 67% of Chinese cross-border consumers declaring this. This proportion was higher, with 75%, among individuals aged 25 to 34.

Gogoboi wasn't an isolated case, another character who has attracted the attention of the fashion world is Mr Bag 包先生 (Tao Liang), who has managed to create a capsule

collection with Tod's⁴⁶. The Italian brand was in fact aware of his reputation and the relationship he had with fans who follow him for his reviews and opinions on accessories. Although collaborations with major influencers always lead to positive results, we must consider that often the collaboration with KOLs is aimed at making the brand known and appreciating the product rather than increase sales. Collaborations involving the creation of limited pieces that the Wang Hong design for their *fellow-shoppers* are not uncommon too.

The KOL strategy falls in most cases under the category of paid media ⁴⁷, but unlike traditional paid media, they have the power to create a number of impressions that cannot always be replicated through advertisement with the same budget. Sometimes companies decide to choose a mix of KOLs at different tiers in order to measure the achievable ROI and decide the better one to use in the marketing strategy. These internet protagonists are not only able to easily reach hundreds of views on an article but, as previously mentioned, they are able to engage their followers in offline activities like promoting the in-store purchase of limited products or providing exclusive gifts if they make a pre-order. After many successful cases, we should start to consider that companies approaching the Chinese market would better consider associating their brand with a Wang Hong as a prerequisite rather than an accessory strategy.

KOL and Streaming

Live streaming has become a precious tool in the hands of KOLs, more and more users have the opportunity to become the protagonists of the other side of the screen thanks to live-streaming platforms. These new celebrities have in fact transformed their mediation skills and the relationship with their audience into success.

⁴⁶ In 2018 Mr. Bags was mentioned in Forbes China's 30 under 30 list and Forbes Asia's under 30 list.

⁴⁷ A significant number of influencers try to associate their own image to a brand to better fit into a certain target on their own initiative.

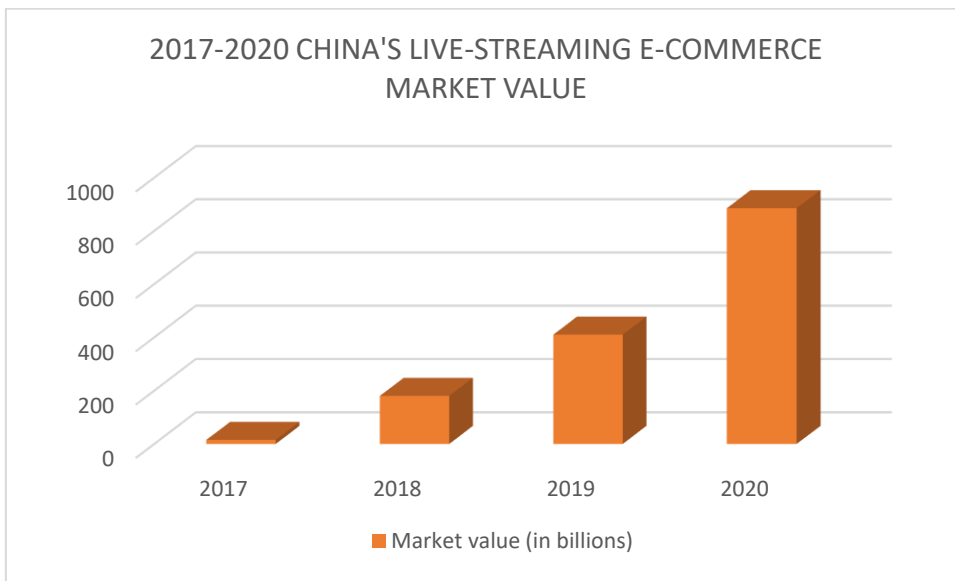


FIGURE 5 LIVE-STREAMING MARKET VALUE BY CHOZAN

In 2015, the Chinese live-streaming industry came into complete bloom.

Live streaming Apps and sites, unlike traditional video sites, allow real-time and interactive contact between streamers and viewers, shoring up a sense of co-presence. Over 200 live streaming Apps were launched during 2015, attracting 200 million users, according to an iiMedia study report (2016)⁴⁸. Many platforms, exactly as happened in the rest of the world, immediately adapted to the new feature that orbits the world of social media and entertainment. The social media experience, gained through the strategic use of social networks, has drawn the attention of companies to the new influential characters of the scene, who manage to entertain their followers even for long sessions. Live streams have accentuated the pre-existing attention economy, where interactivity and real-time communication help shorten the distance between KOL and users. But KOL – Audience relationship wasn't the only one that benefited from live streaming, companies started sharing insights about production processes. The live streaming of the manufacturing process of selected products became indeed a useful

⁴⁸ iiMedia Research is a world-renowned third-party data mining and analysis organization for new economic industries

marketing strategy for PinDuoDuo, as a decisive effort to shorten the distance between producer and consumer.

What in other countries is almost exclusively an entertainment and divulgation medium, China has turned it into a new playground for the marketing and sale of goods. iiMedia data shows that the live streaming e-commerce market was 433.8 billion RMB in 2019, an increase of 226% over the previous year.

There are now multiple platforms on which e-commerce live streaming is available, in the particular case of Taobao, which is the most well-developed and occupies the largest market share, for example, e-commerce live streaming generated over 100 billion Chinese Yuan (\$14 billion) in its transactions in 2018, and the revenue exceeded 2000 billion Chinese Yuan (\$28 billion) in 2019 (CBNDData, 2020).

The Alibaba group is truly synonymous with innovation in the field of e-commerce and the company did not miss the opportunity to be a leader in the new trend as well. In fact, in 2018 Taobao Live (淘宝直播 Táobao zhíbó) was launched with the goal of helping vendors to achieve over 100 billion yuan in sales by the end of the same year. Live sessions induce the viewer to a dynamic shopping, in real-time, during which he has the opportunity to interact with the one who's presenting the product. Even if this trend hasn't really affected the Western economies yet, Asian countries, such as Thailand and Japan started to notice the power of live commerce. Among the platforms that include or are mainly dedicated to broadcasting we can distinguish those which are e-commerce platform (Taobao, Mogujie) on which streamers produce contents to sell the products and those which are content platforms, such as Douyin 抖音⁴⁹ and Kuaishou 快手, which collaborate with third party e-commerce platform. (Douyin livestreaming commerce increased quickly in April 2020, with total sales reaching 11.9 billion in June. While Kuaishou livestreaming commerce decreased in January and February, it increased in March and April, reaching sales of 20 billion in just the month of May). This new

⁴⁹ Douyin 抖音 known outside china as Tik Tok is a video-sharing social network service owned by ByteDance

approach usually involves manufacturer, platforms, MCNs⁵⁰ and streamers to reach the consumer-audience.

There are different types of live streaming, such as game streaming, talent shows and life-casting. The way of dealing with companies is similar for both streamers and ordinary KOLs. As previously mentioned, streamers are in this case just another type of KOL. In fact, some streamers manage to adopt an independent strategy, based on their person, while others are more focused on selling. In reality, the latter are not real traditional influencers, they are in fact subsidized and sponsored by the platforms that provide them with the possibility of associating their image with internationally renowned brands. One of the merits of KOC has been that streamers overcame the lack of face-to-face interaction that often caused customers to doubt suppliers authenticity lowering the perceived risk of online shopping. We can state that in China Streamers aren't just an important resource for brands but they actually become a relevant asset for platforms.

The case of Viya, considered one of the most successful commercial streamers, is an example of how effective the influence that a KOL has on his audience can be with the proper means. Viya, affiliated with Alibaba -Taobao- reached on May 2020 the record number of 37 million viewers.

Former retail worker Viya, called Huang, was a pioneer in commerce streaming starting to promote her products in 2016. Viya approached live streaming with a consistent pool of followers due to her success as a singer. In 2019 she grossed almost 30 billion yuan in sales (about 4 billion USD) with an unmatched record of 385 million USD worth of goods during the single's day. During her live session that airs for several hours, she reviews an average of 250 products. When she became one of the most affirmed streamers, she started dressing more casual trying to strengthen her bond with her audience. With live stream in general, customers tend to spend twice the time shopping and browsing than before. Wanghongs of this calibre often have an entire team that take care of agreements with partner companies and choose the products, like an actual MCN, while the streamer focuses more on the "reviewing part". Internet influencers and their world of mouth

⁵⁰ A multi-channel network (MCN) is an organization that works with video platforms to offer assistance to a channel owner in areas such as "product, programming, funding, cross-promotion, partner management, and/or audience development" in exchange for a percentage of the ad revenue from the channel

become so prevalent after the massive penetration of Social Networks in China that the word Key Opinion Consumer – KOC – was coined to identify those KOLs who were initially promoting the purchase of a product without being sponsored by the brand or a reseller. Some foreign brands have managed to establish relationships with Chinese streamers but sometimes having to face resistance from the latter. We have to consider that a significant part of KOC streamers is trying to provide the best deals for their audience and this vision clashes with those foreign manufacturers, who identify themselves as high-end brands, that would rather lose money than cut prices to boost sales. Amanda Xie, KOC on the popular platform Xiaohongshu, was sceptical when Tiffany offered her to sell its new necklace in a live stream session because she couldn't really offer a discount for her followers, even if they are mainly wealthy women in second-tier cities.

Live streaming has become a habit for the users of social platforms and has become a part of entertainment and shopping. According to the latest data from China Internet Network Information Centre (CNNIC), the number of livestreaming users in China has reached 560 million as of March 2020. 40% of Chinese population and 62% of internet users are livestreaming users. Among them, livestreaming e-commerce users accounted for nearly half of the total livestreaming users, reaching 265 million. The recent pandemic has struck offline retails particularly hard accelerating the usage and growth of livestreaming among offline merchants and China's state-of-the-art communications infrastructure made it possible for live streaming to be a tool for everyone. An increasing demand of foreign goods is expected in 2021, as livestreaming has become one of the most effective sales channels in China, foreign businesses will need to adopt it if they want to get ahead in the Chinese market.

Virtual Idols - digital KOL

Virtual idols are a new trend that was rising in south-east Asian countries, but the recent breakout of the pandemic has helped to expand the phenomenon. The virtual idol concept was born in Japan and is basically a product with the features of a real KOL. Brands have soon started to create their own virtual idol, sort of interactive avatar designed to be associated with brand characters and values. In China virtual KOLs are mostly used

during live streaming and are aimed to target a younger audience, like the Chinese Z generation. Virtual celebrities are therefore a real magnet, often even preferable to traditional Influencers for some specific targets. What distinguishes the two types of celebrities lies mainly in the versatility of virtual idols, that are suitable for enduring live streaming sessions and perfect for every kind of collaboration between brands. This peculiar market is expected to be worth more than RMB 1.5 billion (\$ 210 million) by 2023.

Luo Tianyi and Nestlé

Some Western brands have had collaborations with virtual idols, for example Nescafé in 2018 collaborated with one of the longest-lived Chinese virtual idols, Luo Tianyi⁵¹, for the promotion of bottled coffee based beverages. Nescafé turned to Luo Tianyi or, more accurately, to Shanghai HENIAN Information & Technology Co. for starting a collaboration with the idol aimed to effectively reach young Chinese audience aged 15 to 25 (which was spending 45 % more on food and beverage every month than older audiences), revitalize the interest for young consumers in its bottled beverage and demonstrate that they had a style more in line with a younger audience.

To tease the campaign, NESCAFÉ targeted Luo Tianyi's fans through China's biggest youth culture website, Bilibili, and aired a customized Luo Tianyi NESCAFÉ video during Double 11, China's biggest shopping festival. The customized

The campaign undertaken by Nescafé had two steps, the launch video was used to inform -thousands of - users that they had the possibility to unlock personalized greetings from Luo Tianyi (another demonstration of the versatility of digital KOLs) by scanning a bottled of nescafé bottled beverage. To increase engagement, users had to complete a minigame to get the chance to interact with the Idol. Consumers could share the greetings on WeChat, China's top social platform, thereby encouraging posts and discussions with

⁵¹ Luo Tianyi (洛天依) is a Chinese VOCALOID (Virtual singer) formerly developed by Bplats, Inc. under the YAMAHA Corporation, and was created in collaboration with Shanghai HENIAN.

friends. On Douyin, China's top short video app, NESCAFÉ created a filter with Tianyi's music video so that fans could interact with her and be in the same frame with her.

In terms of yield, the campaign proved to be very efficient. China's coffee consumption has generally been on the rise since 2015 but that campaign specifically led to a 40% increase in sales compared to last year and during the campaign period, the NESCAFÉ Smoovlatté market share enjoyed 4 % monthly growth. The campaign reached almost 87 million fans on Weibo.

Nestlé was not an isolated case, in fact once again the world of fashion chooses to approach the digital native generations through a collaboration with Xing Tong 星瞳 , an Idol owned by Tencent. Xing Tong, star of the popular game QQ Dance, developed by Tencent, has already featured with a Chinese sportswear brand Li Ning. Levi's sensing the potential of the Idol, "hired" her as a testimonial during the Shanghai fashion week. The collaboration extended to the game, where Xing Tong's character could be customized within with a large selection of 3D rendered Levi's garments.

Still in the fashion world, for the Qixi⁵² party campaign, Givenchy collaborated with The Futurer, the virtual boy band protagonist of the aforementioned mobile game Honor of Kings. The campaign featured five members of the group wearing items from Givenchy's Qixi collection.

Tmall also developed its own virtual Idol for collaborations with fashion brands, such as Prada and Miu Miu. Platforms like Tmall and luxury brands try to keep up with the needs of new consumers. The Z Generation⁵³ in China is among the firsts for the consumption of luxury goods and engaging them now could be a key to future success, although it's undeniable that real KOL will never be replaced.

⁵² The *Qixi* Festival, also known as the Qiqiao Festival, is a Chinese festival celebrating the annual meeting of the cowherd and weaver girl in mythology and corresponds to the western Valentine's day. The festival is celebrated on the 7th day of the 7th lunisolar month on the Chinese calendar.

⁵³ Generation Z (or simply Gen Z), colloquially known as zoomers, is the demographic cohort succeeding Millennials and preceding Generation Alpha.

WeChat Mini-programs and Gamification

KOC, social networks and e-commerce platforms related strategies focus on influencing consumer's brand perception and spread awareness. But WeChat, the native Chinese system which gained the title of super app, has recently added a new feature that integrates even more functions cutting the frequency with which users needed to leave the app. Mini-programs were implemented in January 2017 and they rapidly become a new instrument for brands to understand customer behaviour and engage potential customers. Mini-programs were helpful to combine content with function to create a seamless customer journey that delights and retains their most valuable consumers. These "Instant" Apps embedded in WeChat for disposable interactions, at a fraction of the cost of a traditional App, have numerous advantages: a light 8Mb codebase app hosted and loaded from Tencent servers, that is integrated on the most popular app in China and has a unique codebase for Android and iOS. WeChat now hosts about 4 million miniprograms and are mainly related to e-commerce (95% of e-commerce brands have an MP), daily services and tools. MPs were welcomed by Chinese users, data show that users sharing is the first channel of new user acquisition for MPs (QuestMobile 2019). As stated before, MPs excel in all those aspects that would lead the user to leave WeChat, like Booking apps, Food&Goods Delivery, shopping, geolocation, and for this purpose dedicated QR codes and a dropdown menu were created. The applications are born from the idea of being integrated tools in the navigation pages and in fact have many access points. Soon, accounts needed more than a single MPs⁵⁴ and now the limit is 13 (10 owned directly, and 3 third-party MPs), this allows brands or services to break down their Mini-Program presence over multiple MPs with singular, focused purposes. This feature was designed for keeping the user experience as simple as possible instead of replicating the entire App-experience and it turned out to be the perfect way to segment customers need that can instinctively use the MPs that fit their needs while browsing without leaving the page or go back to the search bar.

MPs in E-commerce context represent a short-cut for the customer that can instant buy a product or a service without leaving the app but the brand (or vendor) can add a reward

⁵⁴ Most of the MPs are linked to a Native app

button for a first purchase, a one-step registration for membership program or newsletter, a share button to obtain an additional discount or coupons. MPs are also a highly effective way to launch a limited-edition product that requires additional storytelling. Balenciaga's Popup Mini Program was used to test the market by launching single limited-edition items and creating an air of mystery as individual images and snippets of information were posted on their WeChat official account. This campaign aimed to increase Balenciaga's online notoriety and instil a sense of urgency to entice pulse purchase and improve conversion rate since the article was only available through MP purchase. Chinese consumers are not new to Flash sales and Flash sales to Membership approach and fashion and cosmetic brands are benefitting from it.

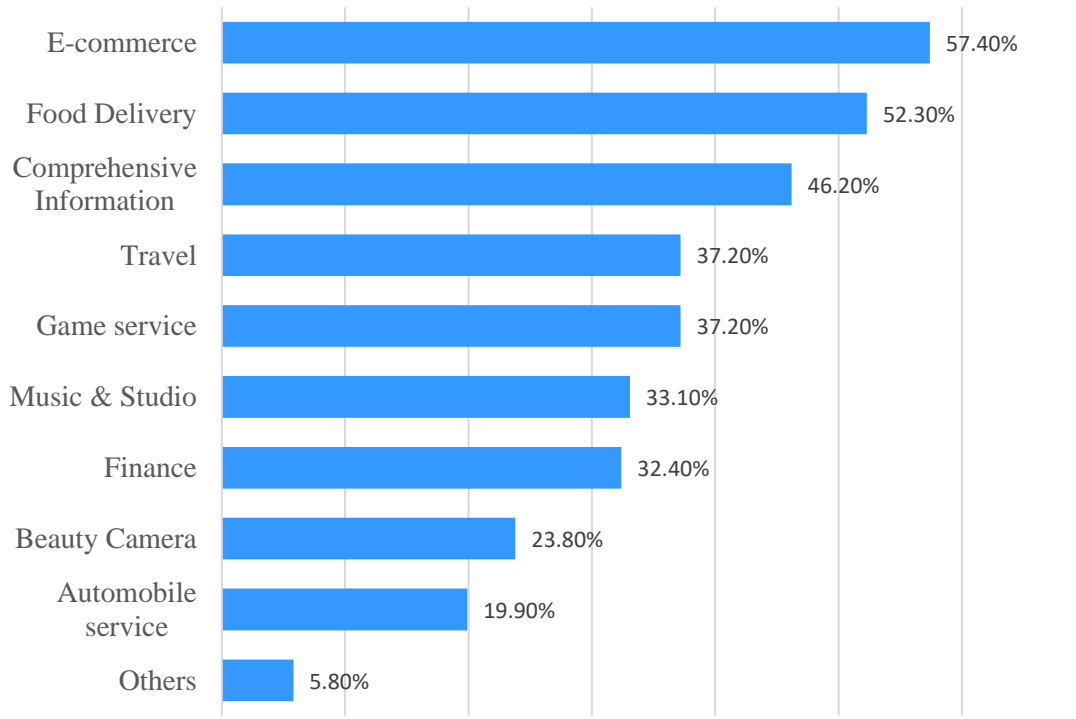
Mini-programs are suitable for KOLs to be used as mini-shops and this widens the pool of possible collaboration that brands can establish with KOL.

This relatively new feature gave a chance to some business to be more visible and easier to reach, especially through O2O⁵⁵.

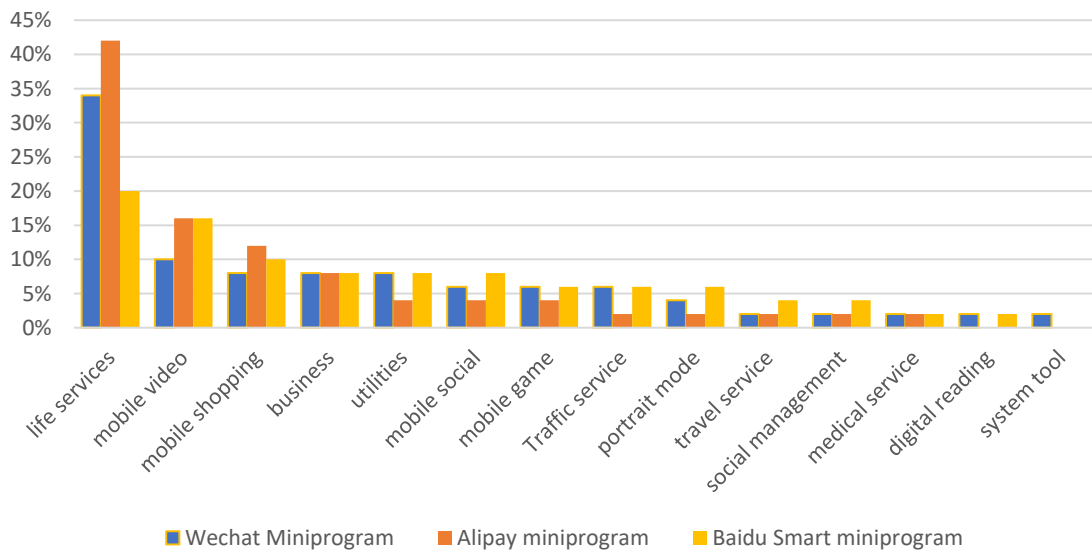
For example, Chow Tai Fook 周大福, one of Hong Kong's largest jewellery retailers, lets users customize their own diamond bracelets, rings, and necklaces, offering different cuts of diamonds and engraving services as well on its MP. Customers can pick them up at the nearest CTF offline retail store.

⁵⁵ Online-to-offline (O2O) commerce is a business strategy that draws potential customers from online channels to make purchases in physical stores. (Investopedia)

Shares of the most used MP by type



DISTRIBUTION OF TYPICAL APPLICATION INDUSTRIES OF MINI PROGRAMS IN JUNE 2020



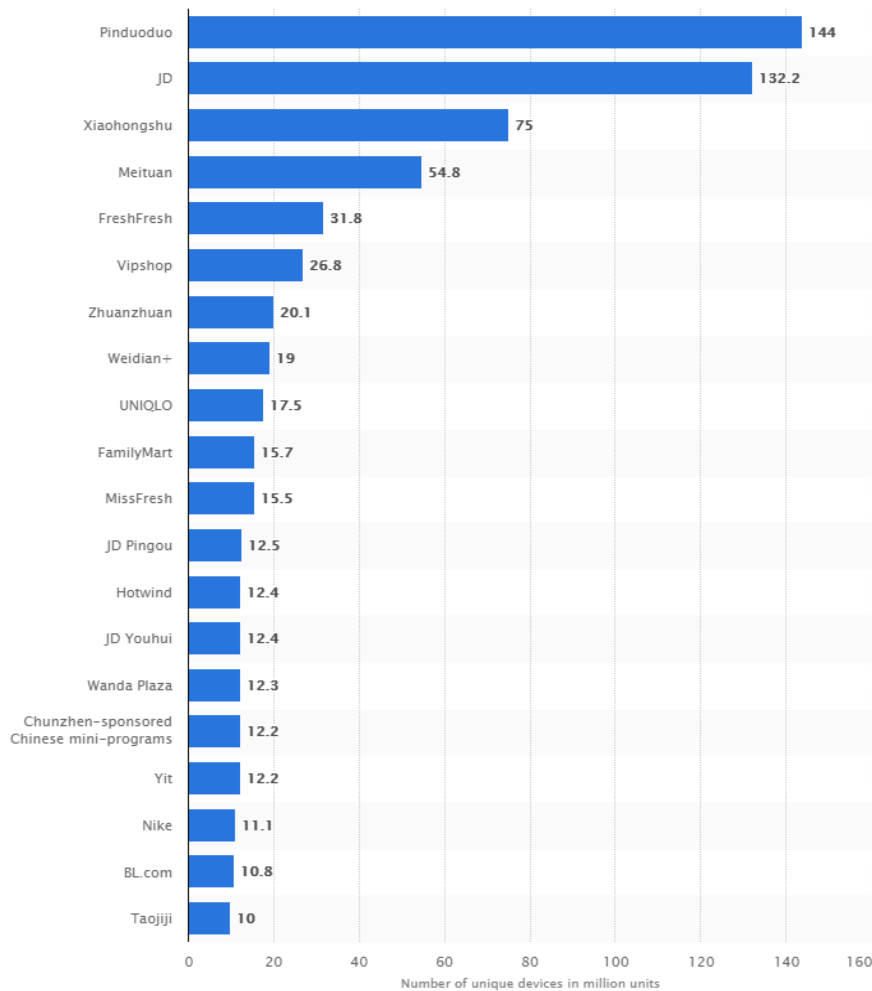
The success of the mini-programs is partially due to a phenomenon that had been discussed for some time when talking about online commerce: gamification⁵⁶.

Gamification on E-commerce platforms

Among the factors that have made the use of mini-programs popular, gamification is considered a key element (a topic already discussed in marketing and e-commerce). Mini-games still represent a good share in the rising MPs market, but gamification - from the perspective of service marketing - gamification is defined as “a process of enhancing service with affordances for gameful experience in order to support user’s overall value creation” (Huotari). Chinese users have already shown that they are inclined to consume and use Mini-games on the platform, compared to the general population of gamers, mini-game players are, on average, much older and include more women. 69% of the players are over 30 years old, and half of the players do not play any native app games, meaning they just play mini-games. With such an ideal situation it has been natural for brands of all kinds to adopt a new method of communication that included game-like mechanics.

Pinduoduo, the largest interactive e-commerce platform in China, was one of the first domestic platforms to experiment gamification. On April 2018, Pinduoduo platform launched a game named “Duoduo Orchard”, which regarded systems that require an active involvement by the consumer. Through sharing, browsing and purchasing of goods, the users can get virtual water droplets which they can use to water the fruit trees on the platform. When fruit trees grow up, Pinduoduo will post the user a box of real fruit. This fortunate content was designed to influence the consumer decision process and rewarding the user for basically having interaction on the platform (Hofacker) (Zhao, W). Except for this manoeuvre, Pinduoduo gained more attention and its mini-programs become popular. In June 2019, Pinduoduo ranked first among the leading 20 WeChat e-commerce mini-programs with 144 million unique devices using the program. This number grew from 137.2 million unique devices just a month earlier.

⁵⁶ Gamification is the application of game-design elements and game principles in non-game contexts.



6 MOST FREQUENTLY USED MPs IN 2019 [STATISTA]

The fashion industry is again a standard to measure how western brands have adapted to the Chinese market. On WeChat, after typing some well-known international brand in the search bar, the official account will be listed as first results followed by its official mini-program that most likely has the same name and image. If we click on the second result, marked by a tilted eight symbol or “小程序” Xiǎo chéngxù characters, the mini-program will be launched. Mini programs of brands that are interested in keeping users a little bit longer on their online shop are characterized by features that entertain and stimulate the user and are extremely easy to navigate. Few options but an elevate number of buttons, often accompanied by music and gifs. Burberry launched a Mini-program to display new collections, where new garments are displayed as a collage and users can learn about the new products through swiping and replicating the user experience given by social

networks. But Burberry went even further, in the MP customers receive a playful animal character that evolves as they engage in-store and social, with new characters and outfits to discover, inviting the user to explore the entire catalogue and share the outfits. This system of rewards through engagements is now pretty common.

The French manufacturer Hermes is another example of gamification designed to bring more traffic on the brand official accounts and spread awareness. The game is inspired by the traditional horseshoe toss game with a scoring system. The Hermès game is available globally but it's an especially smart strategy for China, where the average luxury consumer is significantly younger and more receptive to gaming.

Dior made the most of MPs trying to connect the digital world to its physical stores by creating an interactive treasure hunt. In celebration of the brand's new store opening in Shanghai a WeChat campaign was launched that invited users to collect items from the latest collection in store. Customers thus had the opportunity to purchase and be chosen to participate in a lottery with two tickets for an exclusive event organized by the French Maison.

The big fashion brands, although they have an international profile, invest heavily in localization strategies, especially in terms of communication, and therefore have a very high rate of innovation and other industries have started to adapt.

Gamification of membership

Gamification mechanics beside innovative advertisement campaign have also found application in membership programs. A study conducted by Collinson Group (2018) shows that successful loyalty programs are still critical for brand engagement with affluent middle-class consumers in mainland China despite a global decline in memberships. Out of a survey of 1,524 respondents in the top 10 to 15 percent of earners split equally across China, Hong Kong, and Singapore, 72 percent of mainland Chinese consumers "regard themselves as engaged members of loyalty programs.". Chinese consumers – that reached 89% of the surveyed mainlanders – are agreed that a loyalty program makes them want to spend more even if less than half of them fell really engaged by the program. The reasons of this successful approach that is dying out in western countries can be found in the positive attituded that Chinese consumers have towards group buying, discount, rewards system and a sense of exclusivity. It is not rare to find

membership plans that can be bought rather than achieved through frequent purchases. Even if growing tier of exclusivity and benefits are coveted there is obviously a limit to what membership plans can offer and therefore the sense of engagement can fade away. Gamification leverages the competitive nature and intrinsic reward system of humans to drive sales and leave a lasting impact on consumers, and these mechanisms can be triggered by adding simple components (LinkedIn progress bar for example). Prada, acutely aware of the collectivist culture of Chinese shoppers added a membership option based on collectible points on its JD.com online store. Beside a first time registration coupon and a 2000 RMB coupon over 20.000 RMB expenses Prada added three different tiers of Membership – Gold (50.000 RMB spent or three purchases), Silver (20.000 RMB spent or two purchases) and Bronze (1 RMB spent) – with the respective badges which can be displayed as an achievement on the customer's JD profile. Doing so brands can leverage on the desire of consumers to be recognized as high profile shoppers just by adding a single item to their virtual cart. Prada Group's online business reported double digit growth in 2018 and the company now has opened a JD account for most of its sub-brands.

Whilst games are highly structured, skill-based and built upon formal rules play involves improvisation, Online retail experience and creativity. Gamification of online retail can help to generate a deeper level of consumer engagement, and cognitively reposition the shopping experience as a form of entertainment. Combining creativity and improvisation while designing a playful experience in an environment that has never seen these kinds of new features is perhaps the hardest part. The growing attention to the consumer experience has certainly cut costs but has exacerbated competition. Although the development cost of a mini program was around 50% -30% less than that of a traditional App, the launch of a tool that is not a simple e-commerce or information channel makes the implementation of gamification a move that must be carefully evaluated.

Shopping festivals

The major holidays in the Western world have always been used for marketing purposes, even before the rise of e-commerce. In the West, companies have also begun to adopt local holidays to launch products or discount campaigns, thus making the calendar a tool in the hands of marketers. Consumers soon got used to these innovations, mainly because e-commerce has always moved in a much more frenetic way than physical retail and more frequent and scheduled discounts are proved to encourage the consumer to buy online. In recent years, a process has been triggered by which some holidays, born for purely commercial purposes, were born online first and then took hold in the retail tradition. This anticipation is necessary to give a framework to the emergence of Chinese shopping festivals and I think it is appropriate to introduce the topic with a parallelism. In recent years the Black Friday shopping festival was claimed as the busiest day for online shopping in Europe, while this title has been defended since 2005 by the US. Black Friday, the Friday following the American Thanksgiving, was actually a recognized event in the US before the boom of e-commerce and has always been associated with shopping and discounted prices.

The period between Thanksgiving and Christmas is a very busy period for online transactions in Western societies, in fact, a study conducted in 2005 by Shop.org/Bizrate showed that during the Monday following Black Friday 77% of retailers had seen an increase in sales. This trend was definitely tied to the earlier online shopping habits and the prolonged discount period before Christmas holidays. "Cyber Monday" coined by Shop.org press was the first Western shopping festival and became an international marketing term used by online retailers across the world. Since then, the term shopping festival has mainly been used to refer to those shopping events that aren't related to actual holidays and were planned for commercial purposes. After this premise, we can better understand the extent of the phenomenon in the Chinese market, where festivals have greater relevance.

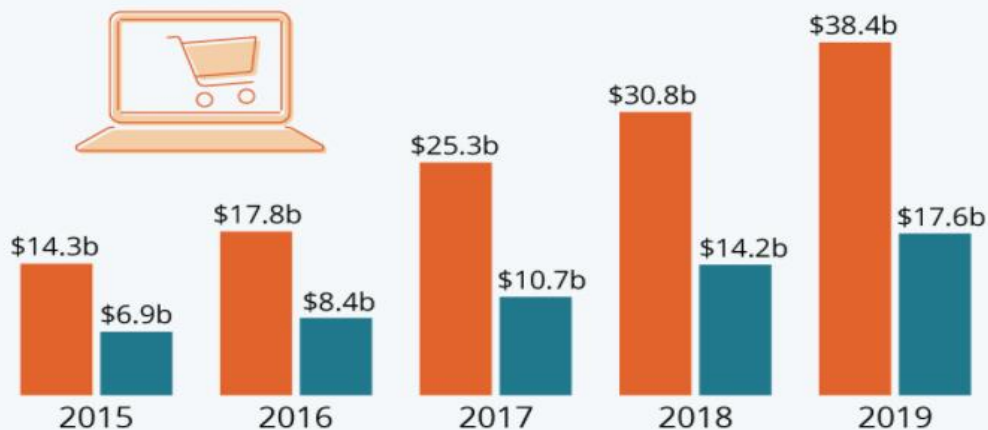
"Single's day", "double eleven" or as it is called in China "*shuang shiyi*" (双十一) are common names used for the world's biggest online shopping event. Experts have often used Black Friday, or the more similar Cyber Monday, as a Benchmark to understand the extent of this annual occurrence and only recently has it attracted the attention of a wider foreign audience. The Double Eleven has reputedly started in Nanjing University and it is believed to have been a mere pretext for singles student to buy something for themselves, having therefore a commercial background since its beginning. The date, 11th of November (11/11), know as Guānggùn jié 光棍节 (single's festival), was chosen because the numeral 1 resembles a bare stick. Single's day, along with "Cyber Monday" and "Amazon prime day", gained traction when a major platform - Alibaba in China and Amazon in the US - started to invest and trademark the event.

The annual Single's Day was launched a decade before as an online sale event, to which only 27 merchants took part by cutting their prices for 24 hours. During the 24 hours of 2020 Alibaba grossed 498.2 billion yuan, equivalent to US\$74.27 billion, an increase of 26% compared to the same timeframe in 2019, and JD's 2020 promotions reached new highs as well, recording over \$40 billion, while its international business saw transaction volume increased more than 120% year-on-year in the first 10 minutes (McKinsey). Since 2015, These record-breaking sales have constantly been more than the double of the gross sales generated by amazon during the Thanksgiving shopping week (from Black Friday to Cyber Monday) and the numbers achieved during the last edition show that this gap will grow for many years.

Chinese Singles' Day Blows Away Thanksgiving Weekend

Alibaba's Singles' Day GMV vs. U.S. e-commerce sales on Thanksgiving weekend*

■ Singles' Day (Alibaba) ■ Thanksgiving weekend (U.S. total)**



* GMV = gross merchandise value, i.e. the total value of all goods sold

** Thanksgiving Day, Black Friday and Cyber Monday

Sources: Alibaba, comScore



statista

Soon, even though the Chinese "双十一" was trademarked⁵⁷, numerous physical retail and platforms, such as JD.com and Vipshom.com, joined the event strengthening the influence that the festival itself was having on consumers. Double Eleven is strongly felt, like its Western counterpart, as a key event in terms of sales volume and visibility for brands and is also an occasion for Chinese consumers to plan the purchase of valuable goods at a reduced price. Double Eleven is therefore a key event for both consumers and brands, consumers have the chance to purchase goods at a favourable price and represents an opportunity for increasing sales and gain visibility. In the vast Chinese e-commerce universe, Alibaba doesn't just have the credits for the Festival but is still the leader among

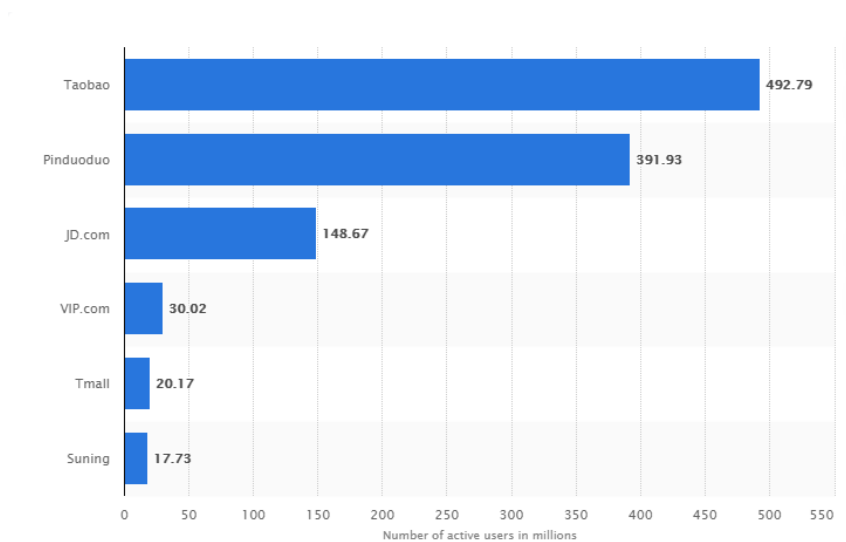
⁵⁷ The term "双十一" (Double 11) was trademarked in China by Alibaba Group on 28 December 2012,

the platforms knowing how to integrate the innovations and trends that arise year after year.

According to the data provided by Alibaba, the symbolic goal of the first 10 billion yuan generated by user purchases was totalled in just 96 seconds and this demonstrates that the infrastructure of e-commerce giants - from order processing to outbound logistics, passing for customer care - was able to withstand about 800 million shopping participants, peaking a record number of 583,000 orders per second. The frenzy of this event greatly influences the purchasing dynamics of users, in fact the convenience of e-commerce and price promotion can easily lead consumers to increase their online consumption during holidays.

Although assets symbolic role is still relevant in the Chinese collectivist society⁵⁸, Alibaba was able to create a festive atmosphere increasing mass participation through the use of Internet and traditional media. Users start to add valuable items to their shopping cart two weeks before the event on average, and will likely rush to make the purchase on the first minutes after the midnight using their smartphone in about the 90% of the cases (against the 37% scored by consumers in the US)

Number of active shoppers on Singles' Day in China 2020, by e-commerce platform

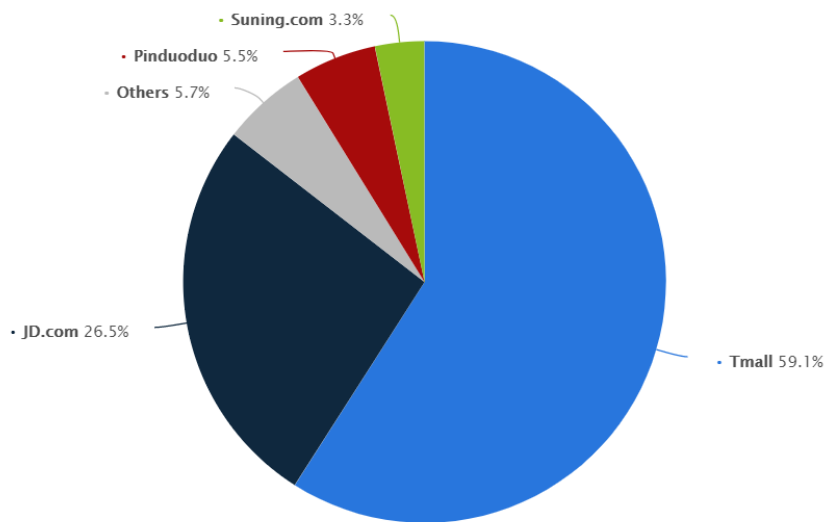


⁵⁸ Ibidem (p.19)

In the 2020's edition, Tmall accounted for almost 60 per cent of the total GMV during the Singles' Day sales in 2020, followed by JD.com (26,5%) , Pinduoduo (5.5%) and Suning (3,3%). Tmall and Single's day in general have become a planetary event and despite the hardships, such as a global pandemic and the tension due to the trade war⁵⁹ , the demand for foreign goods has increased again over the previous year. Among the over 60,000 international brands Japan, U.S., Australia, Germany and Korea were the main exporters and Swisse⁶⁰ , the Australian created but now Chinese owned brand, was the most purchased imported dietary supplement brand - the sales on the Tmall flagship store exceeded 170 million RMB (US\$ 25 million). The billion dollars export business is still lead by a few major categories that, as the Swisse case shows, are cosmetic, food and clothing. The growing importance that single's day has for international brands is demonstrated by the fact that during the last edition, 342 brands exceeded 15 million dollars in sales, a significant increase compared to previous editions. Among these, some successful cases have exceeded 150 million RMB: Adidas, Lancome, l'Oreal, Apple.

⁵⁹ China–United States trade war (中美贸易战) is an ongoing economic conflict between China and the United States.

⁶⁰ Swisse, a vitamin, supplement, and skincare brand, was already selling in China through e-commerce in 2014. The Tmall flagship store was opened in 2019.



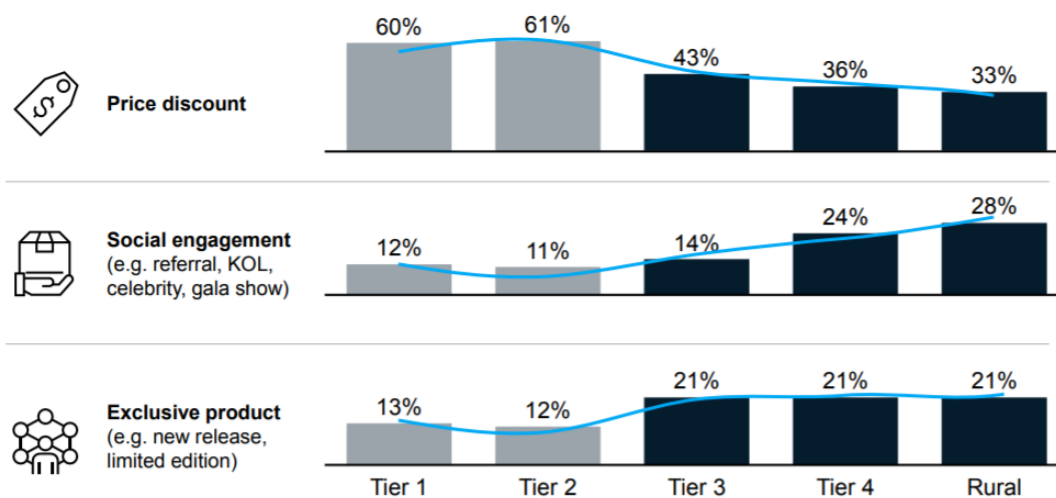
The Double eleven isn't the single shopping festival in China, there are other events that despite being less profitable are still crucial for some companies, like the Chinese New Year, the "Double Twelve" and the "618"⁶¹, the JD.com's version of Single's Day, thanks to which the second largest e-commerce platform in China reported grossed 269.2 billion

⁶¹ Shopping festival launched by JD.com in 2010. Known as Mid-year shopping festival. 18 days, from 1st June to the 18th, of discounts.

RMB (USD 38 billion) during an 18-days long shopping holiday. The most common strategies adopted during festivals are discounts, capsule collections or the launch of new products (occasionally limited editions) and gifts combined with product or service purchase. It is now a common practice to invest many resources in improving the User experience through extras - membership, coupons or real cash rewards -, especially if the product or service is aimed at Chinese citizens of tier 1 cities. Shopping festivals cater to all different segments of Chinese consumers, and even if three main factors that affect consumers are Price Discount, Social Engagement and Product Exclusiveness, these factors bear a different weight according to the macro-segment to which the consumers belong⁶². For example, price is more likely to affect tier 1 city consumer rather than rural consumers, while social engagement plays a major role in rural consumers rather than those in tier 2 cities⁶³.

Top buying factors for Double 11

% of online shoppers across different categories



SOURCE: McKinsey China Digital Consumer Trends 2019

I have chosen to place here such an important theme as shopping festival because the success of this type of event depends a lot on the phenomena discussed above. Live stream,

⁶² McKinsey China Digital Consumer Trends 2019

⁶³ The Chinese city tier system (中国城市等级制) is an unofficial hierarchical classification of Chinese cities. Many economists, consultants and businesses classify cities in China based on the tier system.

KOLs, social commerce have found fertile soil in the Chinese online market and in those companies that are used to implement innovation. During the 2019's Double Eleven, a significant number of brands did allocate most of their budget for the event to KOL and streamers and Social commerce, according to the data of Taobao Live, the number of live streaming merchants increased by 220%, and streaming on Tmall e Taobao reached \$3 billion, or 7 percent of Alibaba's total. Live streaming appears now to be so rooted as communication and branding tool that about 400 company executives and 300 celebrities have also held individual live streaming sessions. Jack Ma, selling lipstick during a live with Li Jiaqi or Zhang Hua, vice president of Lenovo Group, launching a new laptop with facial recognition and offering a discount of 400 yuan for the audience during the live are just two iconic examples of a trend that is perhaps destined to cross Chinese borders.

The Chinese shopping festivals planetary success can be tracked in many different factors, but according to Western standards, it goes without saying that an unprecedented smartphone penetration, highly advanced communication infrastructure, seamless customer journey with integrated payment solutions are the main reasons behind the Chinese successful outcome.

Conclusion

This thesis aims to explain the dynamics that regulate Chinese e-commerce, explaining the new phenomena that take place on innovative platforms designed for rapidly growing consumer categories. The demand for foreign products is growing and goes hand in hand with the increase in the purchasing power of the citizens of the PRC. China is expected to represent an opportunity for China for many years to come since it has become a leading country in numerous fields.

The Chinese market has always been a difficult goal to reach due to numerous factors such as cultural differences - especially when compared with Western countries -, the recent opening of the country, the Chinese firewall, stringent policies and the role of the state in the economy. Internet and E-commerce had the opportunity to evolve according

to the demand and characteristics of the domestic market. It is not yet possible to establish a presence on Chinese territory - physical or online presence - as a brand without a partner, regardless of whether this is a private individual or the local government. A Cross-border strategy is consequently the preferable approach to test the market, thus leaving more resources to be allocated to social media marketing and KOL collaboration. Among the advantages of e-commerce, there is not only that of being able to ideally reach a very wide audience, opening an online shop usually avoids all the difficulties required by opening a flagship store but, even more relevant, it can also safeguard brand image, interests and ethics from unsuitable partners or distributors. Although I have only mentioned companies with a large annual turnover, such as luxury brands or multinationals with a physical presence in China, this paper is also aimed at SMEs and other brands that haven't yet established an online presence in China. Whether it is opening a store on Alibaba or a collaboration with a KOL, the bureaucratic and economic effort will certainly be higher than that of your own country but essential for entering the Chinese market. To conclude, I tried to give my vision of the process that should lead a brand to operate in China and develop a successful strategy based on knowledge of the target consumer, search for the most suitable platform and understanding of the means of communication. Livestreaming, social commerce, group buying are phenomena that the internet era has brought all over the world in a more or less westernized way but in China, these trends, have taken on a very different meaning, often proving to have had a much stronger impact on audiences - especially shopping festivals and live streaming. Foreign brands must therefore adapt to - and prepare for - a very different style of communication from Western standards where communication strategy is most of the times deployed on several fronts and everything evolve at a frenetic pace. These are the precautions to be adopted when you want to be successful in the vast world of Chinese e-commerce.

GLOSSARY

汉字 <i>Chinese</i>	拼音 <i>Pinyin</i>	英文 <i>English</i>
人工智能	rénɡōng zhìnéng	artificial intelligence
公司对公司业务	ɡōngsī duì ɡōngsī yèwù	B2B
公司对客户业务	ɡōngsī duì kèhù yèwù	B2C
博客	bókè	blog
博主	bó zhǔ	blogger
客户对客户业务	kèhù duì kèhù yèwù	C2C
评论	pínglùn	Comment
消费者	xiāofèi zhě	consumer
数据库	shùjùkù	database
数字钱包	shùzì qiánbāo	Digital Wallet
折扣	zhékòu	Discount
电子商务	Diànzǐ shāngwù	E-commerce
电子商务平台	diànzǐ shāngwù píngtái	E-commerce platform
论坛	lùntán	forum
团购	tuángòu	Group Buying
超链接	chāo liànjiē	hyperlink
基础设施	jīchǔ shèshī	infrastructure
互联网	Hùliánwǎng	internet
关键意见消费者	guānjiàn yìjiàn xiāofèi zhě	KOC
关键意见领袖	guānjiàn yìjiàn lǐngxiù	KOL
直播	zhíbò	Live streaming
会员人数	huìyuán rénshù	Membership
小程序	Xiǎo chéngxù	Mini program
手机游戏	shǒujī yóuxì	mobile games

手机支付	shǒujī zhīfù	Mobile payments
在线银行	zàixiàn yínháng	online banking
线上购物	xiànshàng gòuwù	Online shop
帖子	tiēzi	Post (on a blog)
二维码	èr wéi mǎ	QR code
红包	hóngbāo	Red Pocket
奖励	jiǎnglì	Reward
当天发货	dàngtiān fā huò	same day shipping
季节性商品	jìjié xìng shāngpǐn	Seasonal goods
分享	fēnxiǎng	Share
智能手机	zhìnéng shǒujī	Smartphone
中小企业	zhōngxiǎo qǐyè	SME
社交商务	shèjiāo shāngwù	Social Commerce
帖	tiē	Thread
虚拟偶像	xūnǐ ǒuxiàng	Virtual Idol
网页	wǎngyè	web page
口碑行销	kǒubēi xíngxiāo	WOM (word of Mouth)
尺寸	Chǐcùn	size
颜色	yánsè	colours
数量	shùliàng	quantity
购车	gòumǎi chē	shopping cart
付款方式	fùkuǎn fāngshì	payment method
收货地址	shōu huò dìzhǐ	receiving address
退款	tuì kuǎn	refund
购买数量	gòumǎi shùliàng	Purchase quantity
订单	dìngdān	order
消息通知	xiāo xī tōngzhī	message notification
隐私	yǐn sī	privacy
反馈	fǎnkuì	feedback
账户	zhànghù	account
注册	zhùcè	to register

登录	dēnglù	to login
头像	tóuxiàng	profile picture
设置	shèzhì	settings / set up
密码	mìmǎ	password
最新动态	zuìxīn dòngtài	latest trends
推荐	tuījiàn	suggested
订阅	dìngyuè	to subscribe
跳跃	tiàoyuè	to skip
粉丝	fěnsī	fan / followers
搜索引擎	Sōusuǒ yǐnqíng	search engine
搜索	sōusuǒ	search
浏览器	Liúlǎn qì	browser
首页	shǒuyè	home page
会员码	huìyuán mǎ	membership code
优惠券	yōuhuì quàn	coupon
扫码	sǎo mǎ	to scan
收藏	shōucáng	to save / add a bookmark
商品分类	shāngpǐn fēnlèi	good categories
确认	quèrèn	to confirm
询价	xún jià	inquiry
批发价	pīfā jià	wholesale price
零售价	língshòu jià	retail price
性能	xìngnéng	function
旗舰店	qíjiàn diàn	flagship store
递送食品	dìsòng shípǐn	food delivery service
上传	shàngchuán	upload
下载	xiàzài	download
上线	shàngxiàn	online
离线	líxiàn	offline
点击	diǎnjī	click
回复	huífù	reply
拒绝	jùjué	decline

发微博	fā wēi bó	to tweet (on Weibo)
邮箱	yóuxiāng	inbox
垃圾邮件	lèsè yóujiàn	spam e-mail
文件	wénjiàn	document
附件	fùjiàn	attachment
接入	jiē rù	access
菜单栏	càidān lán	menù bar
关键字	guānjiàn zì	keyword
视频	shìpín	video
结账离开	Jiézhàng líkāi	check out
阿里巴巴	ālǐ bābā	Alibaba
全球速卖通	quánqiú sù mài tōng	Aliexpress
支付宝	Zhīfùbǎo	Alipay
百度	bǎidù	Baidu
哔哩哔哩	bì lǐ bì lǐ	Bili Bili
抖音	dǒu yīn	Douyin
饿了么	èle me	ele.me
京东	jīngdōng	JD.COM
快手	kuàishǒu	kuaishou
小红书	xiǎo hóng shū	little red books
美团	měi tuán	Meituan
拼多多	pīn duōduō	PinDuoDuo
淘宝	táo bǎo	taobao
天猫	tiān māo	Tmall
天猫国际	tiān māo guóji	Tmall Global
微信	wēixìn	WeChat

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