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# Amazon's future in China

**A comprehensive report focusing on the opportunities and challenges for Amazon as it seeks to expand its range of products and services into China.**

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**International Marketing MK3111**

I confirm that this report which I have submitted is all my own work and the source of any information or material I have used (including the internet) has been fully identified and properly acknowledged as required in the school guidelines I have received.

<b>Module Tutor</b>	Chris Shaw and Shabaz Mahmood
<b>Student Number</b>	G20698339
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## Report Introduction

Amazon began its entry into China in 2004 with its acquisition of Joyo.com for \$75 million (Wagner, 2004) and is currently headquartered in the Chinese capital of Beijing. Over the last 15 years, the company has built fifteen fulfilment centres across some of the major cities of China, including Shanghai, Tianjin, Chengdu, and Guangzhou (Tong, 2014) which demonstrates both its prowess as an investor in China and its positivity with regards to the longevity of the Chinese market. Amazon conducted two major rebranding moves throughout its relatively short history in China, the first occurred in 2007 when it switched its name from Joyo Network to Joyo Amazon and then later renamed itself again to become Amazon China in 2011 (NetEase Technology, 2011).



Amazon's Founder (FE Online, 2017) | Amazon's Seattle Headquarters (Rosenberg, 2017) | Amazon's Employees (Dawson, 2014)

Amazon China's current Alexa ranking within China is 52 and remains 266 worldwide (Alexa, 2019) which is continuing to rise and coupling this with Amazon China's revenue of \$783.7 million (ecommerceDB, 2018) in 2017, this Chinese branch of Amazon looks to have been a positive and profitable investment. However, Amazon's operations in China are consistently overshadowed by its two largest rivals, JD.com and Alibaba (Monica, 2017), which completely outweigh Amazon in the Chinese market both in their technical capabilities, their connection to and understanding of the Chinese consumer, as well as by their overall market shares in the country (China Internet Watch, 2018; Long, 2018). This fierce rivalry will continue to dominate the discussion of Amazon's ability to expand its products and services in China (Deagon, 2015; Dunn, 2017).

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## Market Analysis (Profile & Implications)

Amazon's presence in China has been growing at an astonishing rate throughout the last decade as the country's e-commerce industry has seen its own unprecedented growth (Tsuruoka, 2010). Albeit the fierce competition that has arisen, Amazon.cn has still managed to carve out a small percentage of this gigantic market (See Figure 1.0). Amazon has worked to expand its logistics network in an effort to gain a stronger grasp on shipping costs as well as to improve the efficiency of cargo handling and customs for goods headed to ports across Asia, Europe, and the United States (Goh & Saito, 2016).

The Chinese e-commerce market has grown from \$298 billion in sales in 2015 to \$573 billion in 2018 which postulates a growth rate that is unheard of in the majority of other markets and by 2021, the retail e-commerce market is expected to draw in sales of \$839.54 billion in China (Kim, 2017) (See Figure 2.0). These figures are not set to slow down with current estimates suggesting that China's e-commerce market, which is presently growing over 30% year-on-year, will reach a total value of \$1.1 trillion in 2020 (Long, 2018).

Furthermore, this explosive growth in the online retail market in China has been fuelled by the country's growing middle class, especially in urban areas (Arora, 2018). The middle class in China has grown from just 5 million households in 2000 to 275 million households by 2020 (Morreale et al., 2018, p. 9-22).

Complementing this report are three case studies focusing on three non-Chinese companies that have attempted to enter the Chinese e-commerce market: eBay (see Appendix Eight), Groupon (see Appendix Nine), and Rakuten (see Appendix Ten).

By contrasting the first two case studies with the third we can understand how the Chinese market requires specific adaptation and a measured, controlled, and moderated approach rather than huge sums of investment with no adaptation to the culture and an aggressive strategy to entry (Chen, 2016). By comparing Rakuten's entry with both eBay's and Groupon's entries, the differences are clear. This is seen most clearly with regards to Rakuten's overall attitude to its entry which was no doubt helped by its origins in Japan due to that country's greater proximity to China both geographically and culturally.

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Understanding the Chinese e-commerce market involves considering Chinese-originating companies that hold a firm grip on some of the key subsectors of the e-commerce industry with JingDong, known as JD.com, being one of the most interesting examples to focus on. JD holds a perceptual advantage in terms of electronic appliances in China even though they sell a wide range of products which was the same for Amazon in the West in terms of their bookselling business before they expanded far beyond that.

This narrative is shared by many of the other e-commerce players in the Chinese market with Suning focusing on electronics (Bloomberg LP, 2019) and Jumei focusing on cosmetic products (Reuters, 2019). Meanwhile, WeiPinHui focuses on discounted foreign branded cosmetic products (Crunchbase, 2019), XiaoHongShu focuses on imported products, especially fashion (Rowan, 2016) as well as XiaoMi (Teck, 2016). Each successful company holds a focus on one particular type of product which is the emerging pattern from studying the e-commerce industry in China. Figure 3.0 (Perceptual Map) visualises and further contextualises the orientations of these different competitors, especially regarding the affordability of their products and their product range.

Alibaba takes a different approach and sells every type of product with no particular emphasis on any one kind of product, however, Alibaba holds an advantage in the diversity and obscurity of the products they sell which its competitors simply cannot compete with (Carroll, 2018). Due to Alibaba's grasp of such a wide variety of products, this highlights the reason why other companies in the Chinese e-commerce market are forced to focus on niche areas (Bosa, 2017).

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## Cultural Analysis (Profile & Implications)

The cultural development of China historically occurred in complete separation from that of the Western world and so by consequences the Chinese culture has formed its own unique features which differ from those in the West. In addition to this cultural analysis, both a SWOT (Appendix Five) and PESTEL analyses (Appendix Six) (Armstrong et al., 2016, p. 51-52) have been created as further demonstrators of the cultural orientation of China and its present circumstances across different parameters.

One of the most important elements of business-to-business culture in China are the interactions between people involved in business meetings which remain essential to the securing of deals and the maintenance of relationships. In the context of a business meeting in China, members should enter the room in order of seniority and should actively demonstrate great respect to the leader of the Chinese delegation (Hudgins, 2017).

Furthermore, handshakes in China are not firm like in the West and the avoidance of overbearing eye contact is advisable as it could be interpreted as aggressiveness. The exchange of business cards in China is considered to be one of the most important ceremonies and therefore, showing respect to any business cards that one receives is paramount to the formation of good business relations (Asialink Business, 2019).

The establishment of a strong relationship is crucial before closing any deals and the Chinese have the tendency to extend negotiations beyond deadlines which should be accepted and not mentioned in order to maintain composure and solid relations. This also involves avoiding politically-related discussions include human rights, religious persecution, animal treatment, or the situations in Tibet and Taiwan (McKay, 2012; Today Translations, 2019).

There still remains an ingrained culture of zero-sum competition in China which creates incentive to take advantage of newcomers to the market, hence allowing opportunism to flourish. China, despite the common Western perception of the political circumstances in the country, remains widely decentralised with local governments holding much sway in the localities over which they preside (Orr, 2014). Due to the

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decentralisation of the government in China, there are large differences in policies as well as business ownership and operations across provinces and regions (Caulfield, 2006, p. 253-267). This is especially demonstrated in the cultural, religious, and economic difference between the Western inland regions of Xinjiang and Qinghai (Dreyer, 2019; Mano & Zhang, 2018) and the Eastern coastland provinces, the latter of which holds much greater economic development (Yurou, 2019), religious freedom (Al Jazeera News, 2019; Kuo, 2019), and accessibility (IEG Review Team, 2018) than the former.

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## Marketing Strategy Implications

The market and cultural analysis of the Chinese market in relation to the online retail industry presents some positive and potentially negative implications for the marketing mix of Amazon China. With the first element of the 7 P's (Armstrong et al., 2016, p. 47) being price which, with the rising middle class in China, can remain similar to those on the Western version of Amazon.

The second of the 7 P's is place and due to the differences between provinces in China because of the fluctuations in development and differences in ease of business between the western Xinjiang and Qinghai regions and eastern coastal provinces, it is essential that any company with cross-provincial operations forms a good relationship with local governments (China Internet Information Center, 2019). These local governments hold a particularly strong call over what occurs in their locality (Stratfor, 2016). For example, if Amazon wished to construct a new series of fulfilment centres across China, it would first need to gain permission from both the national government, the provincial governments, and then the local government.

With regard to product, the continuation of the trade war between the United States and China coupled with currency manipulation practices on behalf of the Chinese government (NowThis World, 2015) the difficulty of the importation of Western products into China may increase. Further opportunities (Appendix Three) and challenges (Appendix Four) for Amazon China are detailed according to economic, social, political, and technological parameters.

The physical environment factors of the marketing mix demonstrates a potentially negative implication for Amazon largely due to the explosive increase in the extent to which international environmentalist organisations criticise China for its continued damage of the environment demonstrates an implication for the marketing strategy of Amazon in China. With watchdogs increasingly investigating the operations of companies in China, Amazon must hold clean practices to maintain its reputation.



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Educating all Amazon staff working in China on the Chinese cultural particulars, especially those which remain acutely distinct from the West, is crucial to the establishment of a strong reputation for the Amazon brand in China.

The technological advancements taking place in the e-commerce industry hold implications for the final two P's of promotion and positioning as Amazon must maintain a strong understanding of the Chinese consumption habits in an attempt to compete with rivals.

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## Strategic Recommendations & Conclusion

- Amazon China must remain technologically savvy because during our market analysis, we identified that companies with the highest market share are in constant augmentation of how they incorporate technology into their e-commerce platform to improve the customer experience. Linking the use of technology back to what we discovered in our market analysis demonstrates the priority of continuous technological advancements for the constant improvement of their platform.
- Secondly, partnering with a local Chinese brand with a strong name as a method of entry into different sectors of the e-commerce business is considered to be the most realistic route for Amazon China to expand with the meaningfulness and recognisability of the brand name accounting for a large proportion of a company's success. Hiring local leadership is essential for a foreign company to successfully enter the Chinese market because this type of management is accustomed to the way that the Chinese do business.
- Thirdly, the home connected appliances market is presently booming in China and if Amazon were to expand into this market, this would provide them with a USP and market niche that they desperately need in order to survive in the face of tough competition (Zhang, 2016) with another opportunity involving the introduction of Amazon Go into the Chinese market as another approach to achieving a USP and competitive advantage (Carroll, 2018).
- In addition to hiring local leadership, launching a separate service based locally in China is imperative as customer service, human resources, distribution, and other operations of the company can be conducted from there. The localisation of the company will allow management to avoid language barriers, employ citizens that understand the Chinese mindset, and employing managers that can make the business succeed amid the diversity of the Chinese culture.
- Finally, giving local Chinese operations the autonomy to form their own business model and operate independently of the US-based headquarters of Amazon will allow

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for even greater integration of the Amazon brand into the Chinese market. Without granting this autonomy, Amazon risks isolating itself from an opportunity to lead its subsidiary in a direction in which it could realistically rival JD and Alibaba.

Looking back at the case study of Rakuten and its success with cross-border e-commerce sales, this creates another opportunity for Amazon to emulate this strategy for their own expansion in the region which they have already set in motion with their partnership with Kaola (Venza, 2019). In conclusion, the ability of Amazon to stabilise itself in the Chinese market remains dependent upon its ability to become as technologically advanced as its competitors whilst also taking into the consideration the threatening externalities facing China as a market from foreign powers and the political and economic consequences that follow.

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# Appendix

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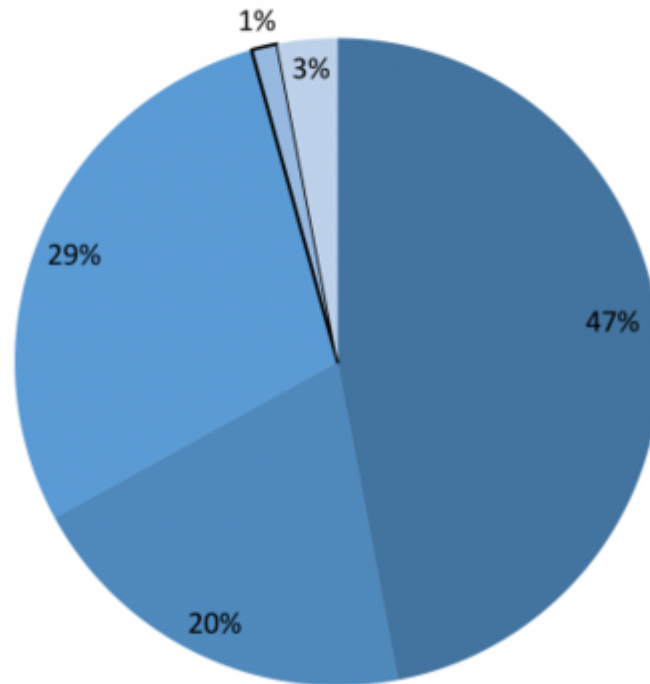
## Appendix One

(Figure 1.0) (Keyes, 2017)

### Market Share For Online Retailers

China, 2016

■ Alibaba   ■ JD.com   ■ Other Retailers   ■ Amazon   ■ VIP

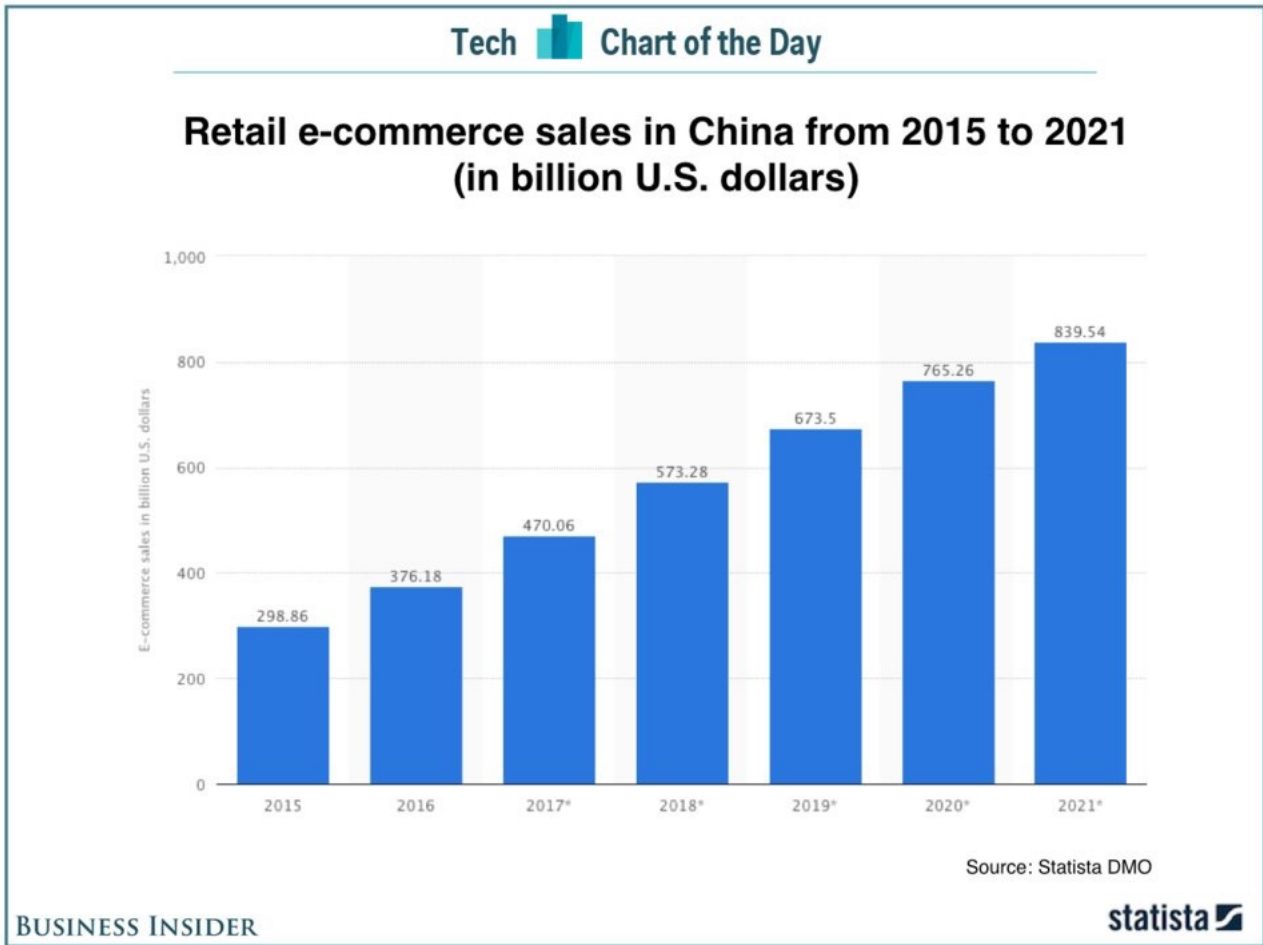


Source: Euromonitor, The Wall Street Journal

BI INTELLIGENCE

## Appendix Two

Figure 2.0 (Kim, 2017)





## Appendix Three

Table 1.0

### Specific Opportunities for Amazon China

China's Middle Class Consumer Habits	Smartphone Technology	Fulfilment Centres	Amazon Prime
<p>The middle class in China has grown from just 5 million households in 2000 and is predicated to reach 275 million households by 2020 (Morreale et al., 2018, p. 9-22). This unprecedented influx of middle class consumers into a single market is a historic opportunity that Amazon China must prepare itself to take full advantage of.</p>	<p>In order to keep up in the latest technological features for e-commerce experience, Amazon should direct its Research &amp; Development budget towards the continuous enhancement of its mobile app technology in order to achieve the smoothest and most customer-friendly experience.</p>	<p>There should be at least one fulfilment centre for each Eastern Chinese province by 2030 as part of Amazon's expansion in the country. These Eastern provinces are set to see further increase in their populations of middle class citizens. Despite the cost of this type of expansion, it is justified by China's e-commerce market forecast which is to reach \$1.8 trillion in 2022 (Long, 2018).</p>	<p>Make improvements to the benefits of being a member of Amazon Prime in China in order to give more incentives for customers to participate in the scheme and become more loyal to Amazon in their online shopping habits (Perez, S).</p>
<p>The orientation of Chinese consumers towards Western-style consumption is highlights an advantage for Amazon China as its parent company is Western and therefore understands the Western consumer mindset which is something that Chinese-originating companies will have to spend the time to adapt their strategies to.</p>	<p>Granting the opportunity to continuously improve all customers experiences on the Amazon China mobile app.</p>	<p>Cities for Amazon to focus on expanding their reach in where they do not yet hold a presence are list here alongside with their respective province:</p> <ul style="list-style-type: none"> <li>- Chongqing (Sichuan)</li> <li>- Wuhan (Hubei)</li> <li>- Hangzhou (Zhejiang)</li> <li>- Nanjing (Jiangsu)</li> <li>- Qingdao (Shandong)</li> <li>- Zhengzhou (Henan)</li> <li>- Dongguan (Guangdong)</li> <li>- Dalian (Liaoning)</li> <li>- Hefei (Anhui)</li> <li>- Nanchang (Jiangxi)</li> </ul>	<p>Incorporate the benefits of Amazon Prime China in such a way that fits in with the Chinese mindset of what they perceive benefits to be which may differ from the Western idea of benefits. Additionally, provide Amazon Prime China with its own branding incorporated into the standard Amazon branding and perhaps its own Chinese brand name.</p>

## Appendix Four

Table 2.0

### Specific Challenges for Amazon China

Fierce Competitors	Scammers	Governmental Obstacles	Political Rivalry
<p>JD.com and Alibaba continue to be the main challenges that will face Amazon's operations in China and this is not expected to change. Particularly JD.com and Alibaba will continue to dominate the Chinese market which will in turn dominate much of Amazon's mobility in China as a direct result.</p>	<p>The rise of widespread incidences of fake reviews, artificial sales, and bribes to consumers demonstrates an inability for Amazon to control what happens on its e-commerce platform which does not the company as reliable for consumers to feel safe when purchasing on its site.</p>	<p>Censorship and a heavier regulation of what is sold are expected to be conducted by the government at both national and provincial levels which demonstrates a higher level of bureaucracy, thus resulting in a lower operational efficiency.</p>	<p>The continuing trade war between the United States and China could lead to greater strains placed on American companies operating in China including Amazon. This political instability caused by rivalry between powers could demonstrate significant issue for Amazon that remain largely out of their control.</p>
<p>Amazon's origins as a non-Chinese company may also cause identity issues for the company as it attempts to cater to the Chinese consumer, but due to its Western origins, it may not be able to complete this as efficiently as its Chinese-originating counterparts.</p>	<p>If further incidences of scamming occurs on the Amazon site, the company will need to take further measures to crackdown on the practice before its brand reputation is permanently damaged.</p>	<p>Violations of intellectual property laws in China are notorious for their lack of monitoring especially in comparison to other developed markets in the West which could lead to further issues for Amazon's supply partners.</p>	<p>The other political issues that China has involved itself in in the surrounding Asian region, most notably the North Korean nuclear proliferation issue and the rivalry between China and Taiwan, also demonstrate further external challenges that remain outside of Amazon's control, but may still effect the operations of the company if these issues escalate further.</p>

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## Appendix Five

### SWOT Analysis

The development of a marketing strategy is dependent upon the conduct of a SWOT Analysis and beginning with strengths, due to Amazon's worldwide brand status that holds dominance in other close key markets such as Japan (Inagaki, 2018) and India (Hahn, 2018). This worldwide dominance of the e-commerce industry allows Amazon to be a force that remains difficult to contend with for its rivals due to the strength in its overall brand identity (Armstrong et al., 2016, p. 321), the consistency of its websites across different regions and its good reputation for customer service (Elliott, 2018)

Amazon holds a competitive advantage through the use of mind recall tactics in order to trigger new sales or to achieve upselling such as via the "recommendations" section on the website, or the personalisation of the website to each customer's purchase history as another example (Amazon.cn, 2019). Additionally, the invention of Amazon Prime is key to the company's differentiation strategy as it continues to upgrade and expand its membership scheme to offer more benefits to its customer in order to achieve higher levels of retention, satisfaction, and enthusiasm amongst its most frequent customers.

Finally, Amazon's focus on selling to the urban populations in China is key which is demonstrated through their 15 fulfilment centres being located in the largest cities in the country (Tong, 2014). This highlights how concentrating on the urban centres first is a strength for Amazon as it grows its distribution system throughout China. If Amazon were to try to focus on offering order distribution to the vast rural regions of China, despite that being where the majority of the population still live, due to the relative infancy of Amazon China, the ability of them to realistically offer such distribution may cause issue in the quality of the service provided. Instead, Amazon China focuses on consumers in the largest cities that are majority middle class consumers, are more aware of Western consumer habits, and have a greater level of technology utility compared to the populations living in rural regions of the country (Barton et al., 2013).

One of the most prominent weaknesses that Amazon China has had to tackle throughout the history of its presence in the market is its inferiority in understanding the Chinese consumer in comparison to companies that have originated in China. Due to this, Amazon China has had to and shall continue to require further investments in market research to understand the consumer they are targeting and although there is a growing trend amongst Chinese middle class consumers for the Western-style of consumption, the Chinese culture and mentality continues to dominate.

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Amazon China has also been weakened in the Chinese market by the fact that it remains less technologically advanced than its rivals, especially on its mobile application as other companies have integrated their apps in such a way that it acts as a social media platform as well as a marketplace (Xiang, 2014) which has been successful for Amazon China's rivals. Finally, despite the fact that Amazon has fifteen distribution centres in China, these fulfilment centres are still not encompassing the full potential of the market which stretches even further beyond the cities that Amazon China already has a presence in. A gradual planned expansion into the different tier cities (Barton et al., 2013) to ensure coverage to each province will allow Amazon China to flex its ability to deliver to regions outside of the largest cities while still maintaining the high standard of their delivery service which, as has already been affirmed, can be degraded with an expansion that takes place too rapidly. The motto for Amazon China should be "gradual expansion and quality retention".

The opportunities for Amazon China are vast in the Chinese market largely due to the fact that their presence in the country still remains in its infancy compared to its rivals. Improvements to Amazon China's smartphone technology by continuously adding extra benefits and functionalities is incredibly important in China to get perfect due to the surge in smartphone application e-commerce (Xiang, 2014).

China's growing middle class will reach 550 million by 2020 making it by far the largest middle class group on the planet which demonstrates an opportunity for Amazon China that if they strategise correctly now, China will become the largest single nation market for Amazon globally (Iskryan, 2016). This unprecedented rise in China's middle class is the central reason for why Amazon China must continue to invest in its position in the country as the potential for growth in the market, even despite the incredible competition, outweighs any other single nation market in the world.

Furthermore, opening more distribution centres across more of the cities across China is presented as a key opportunity for Amazon China to improve the efficiency of their delivery time and refine and localise their service. The more distribution centres that the company is able to build, the greater overall efficiency will be achieved due to the higher number of staff, the reduced pressure on the distribution centres that already exist, and the more space afforded for product warehousing.

The last of the opportunities for Amazon China to consider is the growing trend of Chinese consumers taking to a Western-style of consumption as an opportunity for Amazon to incorporate a greater amount of its Western identity and business model into the Chinese market if this trend continues to grow. This situation would likely see Amazon China enjoy significant growth as it would possess Western characteristics that

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its competitors wouldn't be able to simply emulate; its brand identity would be the epitome of Western and Chinese syncretism which would be reflected through its advertising. However, the Chinese mentality is expected to remain with regards to online customer reviews (OCRs) as studied by Chang et al. (2017, p. 483-493) which further emphasises the need for a fusalional approach by Amazon China by incorporating elements of Western mentality into their strategy whilst still retaining some parts of the strategy to cater towards the Chinese mindset.

Throughout Amazon China's existence in the Chinese market, the fierce competition of JD.com and Alibaba and other competitors in the future will be a continuous threat due to the nature of the market as it grows to become the largest in the world. However, it is specifically the developments and investments in technology and how that translates to a smoother, faster, and more streamlined purchasing experience that Amazon China must consider as it must itself be in continual effort to upgrade the front facing customer purchasing experience.

Finally, the issue of scammers using fake reviews, artificial sales and bribes to deceive online consumers on Amazon China continues to be a growing issue for the company to control that directly effects their customers' experiences (Xiao, 2016, p. 139-152). A rise in this type of activity on the platform is also not a positive image for the brand as it wishes to present itself as offering a safe and secure platform and if the issue continues to cause issues for customers, ill-feeling towards the site and even the entire brand may grow (Bürge & Emont, 2018). In the most extreme case, the government may consider the platform as unstable and may raise its own concerns about the issue of scammers creating their own black market through the Amazon China platform which would be detrimental to the reputation of the company.

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## Appendix Six

### PESTEL Analysis

#### Political

China holds tensions with the United States (US) and European Union (EU) over a multitude of different foreign policy issues and political disputes including the nuclear proliferation of North Korea (Nuclear Threat Initiative, 2019), the freedom for Taiwan to continue being independent of China (BBC News, 2019), and the independence of Hong Kong as an autonomous region of China (NowThis World, 2016). Each of these political issues impacts upon the stability of the relations between China and the US and EU and since the parent company of Amazon China is American in its origin, the political factors shaping the relations between the US and China in particular may hold direct impacts for business operations. One manifestation of these unstable relations is the American-Chinese trade war.

#### Economic

China's trade war with the US continues to be a point of contention between these two superpowers with the latter having imposed three rounds of tariffs on Chinese goods which equates to a total of \$250 billion (BBC News, 2019; Pramuk & Schoen, 2019; Koty & Wong, 2019). Considering the economic rivalry felt between the two, it is important that companies, especially those involved in exporting products and logistics such as Amazon, remain vigilant to the potential direct impacts that this economic discord could have for their business operations (Sembhy, 2018; Hooper, 2019; Tan, 2019).

#### Social

China's introduction of its one child policy in the 1970s changed the structure of their population ever since, but amid concerns that the youth population will become disproportionate to the elderly population so much so that the youth population will not be able to support the elderly population. To resolve this impending issue, China introduced its two child policy in 2016 (The Economist, 2018; Bloomberg News, 2019) and even more recently considered halting any kind of childbearing policy at all (Lardieri, 2018), thus ending the forty year long tradition of state sponsored birth control. As Amazon China

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looks to remain in the Chinese market for the decades of economic growth that it is set to see, the issue of the disproportionate population structure is set to have social effects that could impact business operations (Hesketh & Zeng, 2016, p. 1930-1938).

## **Technological**

Chinese cities, particularly Shanghai, are quickly becoming some of the most prominent technology capitals of the world due to some of the forefront technologies that are being invented and produced in these cities in alignment with the Chinese president's vision for China to become the premier science and technology globally (Magee, 2019). However, these technological advancements and the overall explosive growth of the Chinese market has led to a rise in the practice of currency manipulation (NowThis World, 2015; Wallace, 2018).

## **Environmental**

Despite the great influx of wealth that China's economic transformation has granted to a portion of its population and has led economic growth globally for the last twenty years, the environmental impacts of this metamorphosis are unprecedented (Lallanilla, 2013). Particularly infamous is China's levels of air pollution in its cities demonstrated by the fact that less than 1% of the country's 500 largest cities meet World Health Organisation clean-air criteria (Economy, 2013). The crisis taking effect in the country not only demonstrates a serious environmental degradation, but also presents a widespread health risk (Kan, 2009, p. 530-531) and China's economic growth proliferation not only affects China, but the rest of the world too as China remains one of the largest contributors to the greenhouse gas issue (Albert & Xu, 2016; Watts, 2018).

## **Legal**

The legal landscape in China is perhaps one of the most important external factors for Amazon China to have to consider, especially due to the fact that the Chinese government is planning to implement laws in order to discipline practices and therefore regulate the overall growth of the e-commerce industry (Zhongkai, 2019). With Amazon being an American company, it will be well versed in the American corporate legal

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system, but the management of legal issues in China is something entirely different to contend with (Guvenli & Sanyal, 2003, p. 161-181).

The issue of government censorship in the Chinese market (Albert & Xu, 2017; Economy, 2018) is a major external factor for Amazon China to consider as selling of any type of anti-government product or a film or television show that involves anti-government rhetoric will surely be removed down immediately (Liu, 2018; Mcdonnell, 2017). Not only this but the Chinese government has become infamous for its forbiddance of many Western websites and social media, including Google, Facebook, and Twitter (Yuan, 2018) which Amazon uses a steadfast element of its marketing strategy in other countries. Further to this, repeated occurrences of these types of products through Amazon China may lead to even closer governmental scrutiny of Amazon China's business practices which would undoubtedly disrupt their overall operations.

There exists widespread violation and ineffective enforcement of laws regarding intellectual property protection which, in addition to being considered a threat for Amazon China, also demonstrates an issue of legality for all companies operating in the Chinese market (US-China Business Council, 2015). In order to protect itself and its partners in China, Amazon China must take precautionary measures within its organisation in order to prevent the most important elements of the company from being imitated by others without facing retribution (Shen & Tiller, 2010; Volodzko, 2018).



## Appendix Seven

### Perceptual Map

Figure 3.0



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## Appendix Eight

### eBay Case Study

Beginning with the online marketplace company, eBay, which entered the Chinese market in 2002 through the acquisition of EachNet, but we can identify three major elements of eBay's entry into China that caused their failure there. The first element is that eBay applied the same successful business model they had used globally to the Chinese market, in effect bypassing the country's specificities and cultural differences.

The second element is that the management staff originated from Germany and the United States which caused a language barrier, thus resulting in internal issues for the company (Gentlemen Marketing Agency, 2018). Finally, the lack of integration of eBay into the payment methods popular in China is the third element that caused their failure. eBay consumers were only able to pay by PayPal and some local bank cards, but the payment methods remained limited in comparison to Taobao (Lee, 2018) which offered an integrated payment system with local Chinese banks that eBay simply couldn't compete with.

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## Appendix Nine

### Groupon Case Study

The second case study focuses on Groupon's failure of its entry into China which was completely marred by miscommunication between Groupon its partner, Tencent, with the former investing hundreds of millions of dollars to enter the market quickly while the latter exercised caution and slow entry which culminated in Tencent taking Groupon's Chinese site offline just a few hours after the site had received the go ahead from the Groupon side of the partnership (Chijs, 2011; Kornienko, 2016).

As was the case with eBay's Chinese entry failure, the lack of cultural knowledge that the non-Chinese Groupon managers held of the Chinese culture also contributed to their overall inability to comprehend that aggressive entry into the Chinese market is never considered to be a successful strategy for entry (Zhu, 2011; Wang, 2011).

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## Appendix Ten

### Rakuten Case Study

However, our final case study demonstrates a success story and focuses on the Japanese company called Rakuten and its own entry into China which was characterised by the reverse of everything that eBay and Groupon did wrong. Rakuten firstly identified the demand for cross-border purchasing (Malison, 2015) from within China and then took a gradual approach to their entry into the Chinese market with moderate expansion.

Rakuten identified the need for Chinese third-party payment options and by 2014, had a partner with Alipay that enabled Alipay customers to have exclusive discounts on their orders. Finally, Rakuten identified the niche of delivering Japanese products to Chinese online shoppers and tailored their whole operations to the Chinese market by opening an office in Shanghai in 2015 and by concentrating customer services calls from within China to be answered by Chinese staff to avoid language barrier or cultural misunderstanding (Yoo, 2017).