

Master Thesis

Global Ambitions, Local Realities: A Case Study of Alibaba, JD.com, and Pinduoduo's Localizing Strategies in the European E-Commerce Market from 1990s to 2024

*Explore the Chinese digital giants and their European strategies
in the context of globalization*

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ABSTRACT

This thesis critically explores the localization strategies of three leading Chinese e-commerce enterprises—Alibaba, JD.com, and Pinduoduo—as they navigate the European market. Utilizing a combined methods with both qualitative methodology and comparative case study methodology, this thesis delves into exploring how these leading Chinese e-commerce giants adjust their business models, marketing strategies, and operational tactics to align with the business operations with the distinct cultural, economic, and regulatory landscapes of Europe. It emphasizes the balance between global expansion aims and local adaptation needs, highlighting how each company modifies its strategies to optimize market integration and competitiveness. The findings illuminate the nuances of strategic localization and enhance our understanding for the differential success factors and challenges these firms experience in Europe. The implications are significant for both theoretical advancements in globalization studies and practical insights for business practitioners engaging in international market expansions.

Keywords: Alibaba; JD.com; Pinduoduo, e-commerce, European e-commerce, cross-border e-commerce, cultural adaptation, globalization, localization, digital commerce

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Choosing my thesis topic was straightforward. My fascination with the complex dynamics of globalization was born from my time spent in the Glocal program, learning under professors from around the world and experiencing life in different countries. This unique blend of experiences has not only enriched my understanding but also intensified my interest in the broader implications of our interconnected world. This path, however, was strewn with challenges. It tested my resolve and required perseverance through many difficulty periods. Throughout this time, Dr. Youn Sun (Rosa) Won provided guidance that was both essential and grounding. Her support helped me navigate through the academic and personal challenges that accompanied my studies.

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CHAPTER 1: INTRODUCTION

In an era marked by the digital obliteration of traditional borders, Europe emerges as a vital epicenter for e-commerce innovation and expansion. Given its significant economic output, comparable to that of the United States, and a robust population base, Europe offers a fertile ground for the ambitious global strategies of e-commerce giants. This setting provides a unique backdrop for investigating the strategic maneuvers of Alibaba, JD.com, and Pinduoduo, three frontrunners in the Chinese e-commerce arena, as they navigate the complex European market.

This introductory chapter outlines the rationale for selecting this particular theme and sets the stage for the subsequent analysis. The focus on Alibaba, JD.com, and Pinduoduo in Europe is driven by their pioneering roles in international expansion among Chinese e-commerce firms and the strategic necessity to understand their localization tactics in a diverse and mature market like Europe. The exploration of these strategies not only contributes to academic discourse but also offers practical insights for businesses navigating the complexities of global expansion and localization. This thesis, therefore, not only explains the 'what' and 'how' of their strategies but also critically analyzes the 'why' behind their focus on Europe, delivering an in-depth exploration of international business strategies in the era of digitalization.

1.1 Research background

In an era where digital borders are increasingly blurred, the European continent emerges as a vibrant epicenter for e-commerce innovation and expansion. With its rich mosaic of cultures, robust economic stature, and unparalleled digital connectivity, Europe represents a vast frontier ripe for exploration by the world's e-commerce titans. Spanning from the frost-kissed Ural Mountains to the sun-drenched Mediterranean coasts, this region boasts a consumer base twice the size of that of the United States, complemented by an economic output that stands shoulder to shoulder with the American giant. Amidst a backdrop of shifting geopolitical landscapes, escalating energy costs, and the relentless march of technological advancement, Europe's e-commerce sector shines as a beacon of growth and resilience. Statistical forecasts paint a promising picture, with e-commerce revenue in Europe projected to swell to an impressive \$902 billion by 2027.¹ This burgeoning sector not only underscores Europe's pivotal role in the global e-commerce narrative but also spotlights the continent as a prime target for international expansion, especially for the leading lights of China's e-commerce industry.

Since it can be traced back to Alibaba's establishment of the Alibaba International Station in 1999, China's e-commerce history has gone on for nearly 25 years. This is an extremely emerging industry.² As China's domestic internet market approaches saturation, the titans of Chinese e-commerce—Alibaba, JD.com, and Pinduoduo—have set their sights on the European market, heralding a new chapter in their global expansion playbook. These Chinese e-commerce giants represent the pinnacle of e-commerce excellence in China, a country that has rapidly evolved to dominate the global e-commerce landscape. In the span of a decade, China's e-commerce market share has soared from less than 1% to over 40% of the global market,³ showcasing the

¹ Adel Boukarroum, "Charts: Ecommerce Trends in Europe," Practical Ecommerce, November 1, 2023, <https://www.practicalecommerce.com/charts-ecommerce-trends-in-europe>, accessed February 4, 2024

² Liang Liu, Xiaoyu Jiang, and Jian Wu, "Research on the Development of Cross-Border E-Commerce in China: Take Alibaba as an Example," *Proceedings of the Third International Conference on Economic and Business Management (FEBM 2018)* 56 (2018): 201–5, <https://doi.org/10.2991/feb-18.2018.47>.

³ Longmei Zhang and Sally Chen, *China's Digital Economy: Opportunities and Risks*, Washington, D.C.: International Monetary Fund, 2019, 4.

unparalleled competitiveness of Chinese e-commerce companies on the world stage.⁴

Having conquered their home turf through intense competition and innovation, these giants have set their sights on foreign shores, particularly in Europe. This strategic pivot is motivated by the quest to transcend the limitations of the home market, venturing into a region renowned for its expansive market size, high internet penetration (nearing 90%),⁵ and a consumer base characterized by substantial purchasing power and a penchant for high-quality products. The mature e-commerce ecosystem in Europe, coupled with a culture that increasingly embraces online shopping, presents a fertile landscape for these giants. This deliberate move towards Europe by Alibaba, JD.com, and Pinduoduo is not just an exploration but a strategic engagement, aiming to harness the continent's dynamic e-commerce potential and craft new narratives of growth and market leadership in an ever-globalizing economy.

This strategy of going global while also paying attention to local needs is a big deal. This push into Europe is a clear sign of how the world of online shopping is becoming more connected, with big players from China taking up significant roles in the global e-commerce story.⁶ More importantly, this move underscores a broader trend of globalization intertwined with the nuanced demands of localization, reflecting these platforms' ambitions to not only extend their digital footprint but also adapt to diverse consumer landscapes. This strategic choice is grounded in the global economic landscape's evolution, where digital commerce transcends borders, which represents a compelling exploration of how, within the wave of globalization, Chinese e-commerce giants are embarking on a unique journey of localization.

⁴ HSBC, "Five Reasons Why China Is Dominating E-Commerce," 2018, <https://www.business.hsbc.com/navigator/made-for-china/five-reasons-why-china-is-dominating-e-commerce>, accessed March 1, 2024.

⁵ Ecommerce Europe, "European E-Commerce Report 2023," 2023, <https://ecommerce-europe.eu/wp-content/uploads/2023/11/European-Ecommerce-Report-2023-Light-Version.pdf>, 1-97, accessed March 1, 2024.

⁶ Adrian Gmelch, "How Chinese Marketplaces Are Conquering the E-Commerce Market," Lengow Blog, October 18, 2023, <https://blog.lengow.com/marketplaces/how-chinese-marketplaces-are-conquering-the-western-e-commerce-market/>, accessed March 1, 2024.

1.2 Research objectives, main questions, and sub questions

My research aims to dissect and comprehend the strategies employed by key Chinese e-commerce giants – Alibaba, JD.com, and Pinduoduo – to establish a presence in the European market. The choice to focus on Europe as a whole, rather than individual countries, stems from a desire to understand the broader implications of EU-wide e-commerce policies and regulations, which, despite being uniformly applied, exhibit varied manifestations in different member states.⁷ Similarly, the selection of Alibaba, JD.com, and Pinduoduo for this thesis is deliberate, as each company represents a distinct facet of the Chinese e-commerce industry, with varying strategies and focal points. For example, Alibaba's strategy in Europe is characterized by early market entry and rapid adaptation to local demands; JD.com's strategy focuses on leveraging logistical and technological advantages for expansion; Pinduoduo, a newer yet successful entrant, brings a novel perspective with its unique business model and market adaptation strategies. Overall, this thesis aims to provide both horizontal and vertical comparative analyses of these companies, thereby offering insights into their varying strategies and real-world implications.

The time span of this thesis will be from 1999 to 2024, covering the period from Alibaba's initial foray into the European market to the subsequent entry and competition from JD.com and Pinduoduo. The selection of this timeframe is intended to provide a deep dive into how these leading Chinese e-commerce platforms have adjusted and evolved their localization strategies in the European market, as well as how these strategies have responded to market dynamics over time. This timeframe encompasses the crucial stages of e-commerce development from its early growth to becoming an integral part of the global economy, including advances in internet technology,⁸ the widespread adoption of electronic payments, and significant shifts in consumer shopping behaviors. Throughout these 25 years, Alibaba, JD.com, and Pinduoduo have not only faced challenges from technological innovation and changing market demands but also

⁷ Ecommerce Europe, "European E-Commerce 2023," 2-3.

⁸ Ana M. Fernandes et al., "The Internet and Chinese Exports in the Pre-Ali Baba Era," *Journal of Development Economics* 138 (May 2019): 57–76, <https://doi.org/10.1016/j.jdevco.2018.11.003>.

had to navigate intensifying international competition and the impacts of various laws and regulations. By analyzing the strategic adjustments and market adaptation actions within this period, this thesis aims to reveal how these companies have managed to achieve deep integration and success in local markets while maintaining global competitiveness.

The primary research question guiding this thesis is:

- **How have Alibaba, JD.com and Pinduoduo adapted their localisation strategies to grow in the European e-commerce market in the context of their globalisation expansion from 1990 to 2024, and how do these strategies manifest themselves in concrete terms, to success or fail?**

This question is pivotal for understanding the dynamic interplay between global business ambitions and local market realities, exploring the extent to which these companies have managed to localize their offerings and operations to meet the specific demands of European customers.

To delve deeper into this inquiry, the thesis will explore several sub-questions, each focusing on the localization strategies of the three companies:

- **Alibaba's Strategy in Europe:** As the first of these companies to enter the European market, Alibaba's approach provides some of the earliest insights into the challenges and opportunities facing e-commerce entities in China.
- **JD.com's Expanding Strategy in Europe:** As an e-commerce company that focuses on creating a competitive advantage in the European market with its strengths in logistics and technology, how did it build its competitive advantage in Europe and what has been the unsuccessful experience of its expansion in recent years.
- **Pinduoduo's Emerging Strategy in Europe:** Pinduoduo as the latest European entrant of the three but indeed the most rapidly growing e-commerce company in recent years, has a strategy characterised by aggressive marketing and an innovative

business model that offers a fresh perspective on market adaptation.

Moreover, this thesis will not only delve into the individual strategies of these companies but also embark on a comparative analysis across several dimensions. This approach aims to uncover not just the unique tactics employed by each company but also to illuminate broader trends, challenges, and opportunities within the European market context:

- **Theories of Globalization and Localization Application:** How have theories of globalization and localization been applied in the case studies of Alibaba, JD.com, and Pinduoduo's strategies in the European e-commerce market?
- **Comparative Analysis of Market Entry Strategies:** How do the market entry strategies of Alibaba, JD.com and JD.com compared to each other and what are the similarities and differences between each?
- **Adaptation of Business Models to European Consumer Preferences:** In what ways have Alibaba, JD.com, and Pinduoduo adapted their business models to align with European consumer preferences, and how successful (or unsuccessful) have these adaptations been across the companies?
- **Technological Innovations and Supply Chain Management:** How have technological innovations and supply chain management strategies differed among Alibaba, JD.com, and Pinduoduo in their European operations, and what impact have these differences had on their competitive positioning?
- **Response to European Regulatory and Market Environment:** How have Alibaba, JD.com, and Pinduoduo navigated the regulatory landscape and market environment of Europe, and what challenges and opportunities have they encountered?

By addressing these sub-questions, the thesis will not only explore the company-specific approaches to adaptation but also engage in a cross-company comparison to draw broader insights about the effectiveness of different strategies. Additionally, the examination of the European market environment and its influence on the companies'

localization efforts will offer a holistic view of the challenges and opportunities presented by this unique market.

1.3 Significance of research

The decision to focus on the European expansion strategies of Alibaba, JD.com, and Pinduoduo, China's leading e-commerce platforms, is driven by their significant influence on global e-commerce trends and their strategic penetration into the European market. This thesis is significant in its contribution to understanding global e-commerce strategies, particularly in the context of localization practices.⁹ As the digital economy increasingly transcends borders, comprehending how major e-commerce players adapt to diverse markets such as Europe is crucial. This thesis enriches academic discourse on global e-commerce strategies and provides practical insights for businesses aiming to navigate the complex European market.

Moreover, it offers a deep dive into how these e-commerce behemoths adapt their competitive strategies to accommodate the complexities of a diverse, mature, and highly regulated European market. By analyzing their localization efforts, technological innovations, and partnership models, this thesis provides valuable insights into the broader implications of Chinese digital commerce practices on the European digital ecosystem, including potential shifts in market dynamics, consumer behaviors, and the competitive landscape. Furthermore, this investigation into the cross-border e-commerce activities of Alibaba, JD.com, and Pinduoduo illuminates the role of digital platforms in fostering global economic integration, highlighting how these entities bridge markets, cultures, and economies.

In addition, this thesis not only enriches the academic discourse on global e-commerce but also serves as a strategic guide for stakeholders navigating the intricacies of

⁹ Nitish Singh, Hadi Alhorr, and Seung Kim, "E-Commerce on the Global Platform: Strategic Insights on the Localization-Standardization Perspective," *Journal of Electronic Commerce Research* 11, no. 1 (2010): 6, http://www.jecr.org/sites/default/files/11_1_p01.pdf.

international digital commerce.¹⁰ In essence, examining the European strategies of these Chinese e-commerce giants offers a comprehensive understanding of digital globalization's challenges and opportunities. Particularly, the emphasis on localized practices in the wave of globalization—specifically, the tangible practices of Chinese e-commerce in the European context—stands out as an especially compelling and attractive representation, underscoring the nuanced interplay between global ambitions and local realities.

1.4 Thesis structure

This thesis is meticulously structured to offer a comprehensive analysis of the European market entry strategies of Alibaba, JD.com, and Pinduoduo. The first chapter sets the stage with an introduction to the research background, establishing the context and significance of the thesis.

The second chapter delves into a thorough literature review, exploring theories of globalization and localization. It explores the growth of e-commerce in Europe, charts the expansion of Chinese e-commerce globally, and engages in a critical reflection.

The third chapter outlines the methodology, focusing mainly on the theoretical framework of the text, as well as the two research methods: a combination of qualitative and quantitative research methods, and describes what sources of data and materials were adopted in relation to the methodology.

The fourth chapter provides a detailed historical perspective on the background to the development of the three companies' localisation strategies in Europe, from exploring the historical context and important historical opportunities driving the global expansion of Chinese e-commerce to discussing the development of the local e-commerce environment in Europe, with particular consideration of its unique consumer behaviours,

¹⁰ Singh, Alhorr, and Kim, “E-Commerce,” 9.

political policies and cultural characteristics, providing a detailed historical perspective on why and how the three Chinese e-commerce companies chose to develop in Europe in the fifth chapter

The fifth chapter provides a case study of the three companies, exploring and comparing them in detail both horizontally (the historical development of the specific localisation strategies of the three e-commerce companies themselves) and vertically (the comparison of the three localisation strategies from different perspectives), and ultimately summarising success factors and limitations with regard to the effectiveness of these strategies.

The sixth chapter summarises the thesis, synthesises all the findings, draws strategic conclusions, makes recommendations and suggests avenues for future research that will contribute to the understanding of the interplay between global ambitions and local realities in the field of e-commerce.

CHAPTER 2: LITERATURE REVIEW

As we embark on the exploration of how Alibaba, JD.com, and Pinduoduo navigate the European e-commerce landscape, it is essential to contextualize their strategies within the broader theoretical frameworks of globalization and localization. This chapter reviews pertinent literature that addresses the dynamic interplay between these two concepts, which are critical in understanding the complexities of international market expansion by these e-commerce giants.

This literature review aims to dissect the "glocalization" process, where global strategies are adapted to local realities. It evaluates how Alibaba, JD.com, and Pinduoduo have implemented these strategies across varied regulatory environments and consumer cultures in Europe, demonstrating the necessity of integrating global efficiency with local responsiveness. The review will also reflect on academic critiques and real-world applications that challenge and refine these theoretical models, setting the stage for deeper analysis in subsequent chapters. This foundational overview not only highlights the strategic maneuvers these companies employ but also introduces the complex interdependencies between global market ambitions and local market realities, which will be further examined in the detailed case studies that follow.

2.1 Globalization and localization theory

The intersection of globalization and localization theories is particularly pertinent when examining the international expansion of e-commerce companies like Alibaba, JD.com, and Pinduoduo. Theories of globalization, such as those proposed by Levitt (1983),¹¹ suggest that technological advancements foster a uniform market that could be serviced with standardized products and strategies, which provides a starting point for understanding the global reach of these companies. Furthermore, the economic environment, including economic development, trade, international transactions, and global logistics is pivotal in the growth strategies of these companies.¹² It also means that the expansion of trade reflects a shift towards more efficient locational patterns as markets integrate, a notion that aligns with the concept of economies seeking greater specialization for competitive advantage.¹³ However, the evolution of global markets has shown that pure standardization is often insufficient; nuanced localization strategies are essential to succeed in diverse markets.

In this situation, the concept of "glocalization" provides a framework for reconciling these two theories. This term popularized by sociologist Roland Robertson, encapsulates the synthesis of the global and the local, suggesting that global products and strategies must be adapted to local contexts.¹⁴ This is evident in how Alibaba adapted Alipay for different regulatory environments outside of China, JD.com's tailored logistics solutions for various European countries, and Pinduoduo's adoption of local social media platforms for market-specific advertising. The theory of localization is crucial when analyzing these companies' strategies in Europe.¹⁵ It emphasizes these companies act as key agents that unify clusters, bringing together various sectors and reinforcing the notion that global strategies must be nuanced with local adaptations.¹⁶

¹¹ Levitt, *The Globalization of Markets*, 69–81.

¹² Nitish Singh, "Global E-Commerce Opportunities and Challenges." In *Localization Strategies for Global E-Business* (Cambridge: Cambridge University Press, 2011), 21-2.

¹³ Michael Storper, "Globalization, Localization and Trade," Oxford: Oxford University Press, 2000, 7

¹⁴ Roland Robertson, "Globalization: Time-Space and Homogeneity-Heterogeneity," in *Global Modernities* (London: Sage Publications, 1995), 25–44.

¹⁵ Singh, "Global E-Commerce," 8-9

¹⁶ Storper, "Globalization," 11

While when looking at the global expansion of Chinese enterprises, opportunity comes first. Globalization provides a golden opportunity for Chinese development, enabling enterprises to promote domestic products in the world market and better participate in international cooperation, and to profit from globalization.¹⁷ However, scholarly critiques have emerged that challenge the universality of global business strategies. Javalgi argue that companies must navigate the paradox of global efficiency and local responsiveness.¹⁸ This is particularly relevant for e-commerce companies that operate on a global scale but must tailor their offerings to local tastes and preferences. For example, Pinduoduo's discount strategy that works well in China may need adaptation in Europe, where consumers might prioritize quality and brand over price. Besides, Globberman et al also point out that despite the potential for e-commerce to support more globalized business models, it shows that practical challenges such as the need for localized knowledge and compliance with diverse regulatory regimes limit its ability to fully globalize the retail brokerage industry.¹⁹

In synthesizing the globalization and localization theory, it becomes evident that the successful internationalization of e-commerce businesses is not a straightforward application of global or local strategies but rather a fluid integration of both. In applying these theories to the case of Alibaba, JD.com, and Pinduoduo, a critical perspective is necessary to understand the interplay between global market ambitions and the local realities they encounter. Just as Rugman and Verbeke's critique of the global strategy as an overstated concept in the context of most firms' actual behaviors underscores this need.²⁰ These Chinese e-commerce companies' efforts in the European market illustrate

¹⁷ Zhenglai Deng, *Globalization and Localization: The Chinese Perspective*, vol. 3 (World Scientific, 2012), 134

¹⁸ Rajshekhar (Raj) G. Javalgi, Patricia R. Todd, and Robert F. Scherer, "The Dynamics of Global E-Commerce: An Organizational Ecology Perspective," *International Marketing Review* 22, no. 4 (August 2005): 420–35, <https://doi.org/10.1108/02651330510608442>.

¹⁹ Steven Globberman, Thomas W. Roehl, and Stephen Standifird, "Globalization and Electronic Commerce: Inferences from Retail Brokering," *Journal of International Business Studies* 32, no. 4 (December 2001): 749–68, <https://doi.org/10.1057/palgrave.jibs.8490993>.

²⁰ Alan M Rugman and Alain Verbeke, "A Perspective on Regional and Global Strategies of Multinational Enterprises," *Journal of International Business Studies* 35, no. 1 (January 2004): 3–18, <https://doi.org/10.1057/palgrave.jibs.8400073>.

the practical application of balancing global standardization and local adaptation to navigate the complexities of regional markets.

2.2 Strategies and challenges for Chinese e-commerce expansion in EU in last 25 years

The digital economy of the European Union, with its valuation surpassing 899 billion EUR,²¹ acts as a crucial catalyst in promoting the growth of cross-border e-commerce initiatives, thus furnishing Chinese e-commerce platforms with expansive prospects for penetration and growth within the market. The escalation in cross-border electronic commerce transactions across the EU denotes an escalating receptivity among consumers towards engaging with international e-commerce platforms. In navigating this complex and multifaceted consumer landscape, Chinese e-commerce entities are tasked with addressing a spectrum of critical considerations, encompassing the alignment with linguistic preferences, the decoding of cultural intricacies, and the efficient management of logistical costs associated with product delivery.

Firstly, analyzing European e-commerce strategies, including insights from Polish online retail platforms, highlights localization's critical role in drawing and keeping a customer base. Essential adjustments like offering services in local languages and facilitating currency exchange are vital for triumph in international e-commerce.^{22,23} Nevertheless, such strategies introduce complex challenges for Chinese e-tailers, particularly in balancing the degree of localization against preserving their distinct brand identity. This balance presents a conundrum, navigating between aligning with EU consumer expectations and safeguarding their unique market differentiators, illustrating the nuanced challenge of melding market adaptability with maintaining inherent competitive

²¹ Ecommerce Europe, "European E-Commerce 2023," 7.

²² S. Lone, N. Harboul, and J.W.J. Weltevreden, "2021 European E-Commerce Report" (Hogeschool van Amsterdam, 2021), <https://ecommerce-europe.eu/wp-content/uploads/2021/09/2021-European-E-commerce-Report-LIGHT-VERSION.pdf>, accessed February 14, 2024.

²³ Choy Soon Tan, "Understand China's Cross-Border E-Commerce Industry: A Market Entry Mode," *Systematic Literature Review and Meta-Analysis Journal* 2, no. 2 (October 19, 2021): 77, <https://doi.org/10.54480/slrn.v2i2.23>.

edges.

Secondarily, the approach to digital marketing exhibits distinct variances across mature and nascent markets. Retailers in Europe's developed sectors, with their refined digital skills and competitive market acumen, are poised for greater efficacy in digital marketing strategies compared to their emerging market peers. Such retailers deploy a forward-thinking stance, utilizing their strategic and operational savvy in digital arenas to bolster their global business footprint. This scenario presents hurdles for Chinese digital retailers facing EU counterparts with a pronounced digital edge. This strategic disparity suggests that methods successful in mature markets may not seamlessly translate to developing contexts like China, where the economic environment is more insular, and digital marketing experience might be less extensive.²⁴ Highlighting a crucial insight, the effectiveness of market strategies can significantly vary by region. Consequently, Chinese e-commerce entities are compelled to meticulously tailor and adjust their approaches, factoring in the unique dynamics and prospects of the EU market, aiming to strike a harmonious balance between local consumer engagement and strategic digital marketing execution.

Thirdly, amid the rapid growth of China's e-commerce sector, the work of Ma et al. (2018) elucidates the sector's nuanced impediments, notwithstanding its exponential growth.²⁵ This thesis critically appraises the sector's minor share in China's aggregate trade, attributing the limitation to a thicket of legal and logistical conundrums, particularly within the stringent European regulatory milieu. The imperative of compliance with the EU's intricate geo-blocking directives epitomizes the multifaceted operational challenges, precipitating a need for dexterous navigation by platforms

²⁴ Sjoukje PK Goldman et al., "Strategic Orientations and Digital Marketing Tactics in Cross-Border E-Commerce: Comparing Developed and Emerging Markets," *International Small Business Journal: Researching Entrepreneurship* 39, no. 4 (October 24, 2020): 357 <https://doi.org/10.1177/0266242620962658>.

²⁵ Shuzhong Ma, Yuxi Chai, and Hongsheng Zhang, "Rise of Cross-Border E-Commerce Exports in China," *China & World Economy* 26, no. 3 (May 2018): 65, <https://doi.org/10.1111/cwe.12243>.

uninitiated in EU jurisprudence.²⁶ Further critical analysis by Ma et al. probes into logistical inefficiencies and the suboptimal digitization of business procedures, which potentially disrupt the swiftness and dependability of transcontinental commerce.²⁷ Echoing these concerns, Ding et al. (2017) scrutinize the logistical bottlenecks, articulating a sector beleaguered by languorous delivery timelines and prohibitive freight costs, critically impairing customer satisfaction and the global competitive posture of Chinese e-commerce.

2.3 Critical reflection

A critical reflection on the literature review concerning the global ambitions and localizing strategies of Alibaba, JD.com, and Pinduoduo in the European e-commerce market reveals certain gaps. While these companies have made considerable efforts to adapt to European markets, the literature often glosses over the depth of cultural integration and the intricacies of regulatory compliance. This critique suggests a need for more granular analysis on how these firms navigate local consumer behaviors and legal frameworks, beyond mere strategic adjustments. Moreover, these existing discussions often overlook the importance of establishing long-term relationships with consumers and the potential negative consequences of inadequate cultural sensitivity. Future research should delve deeper into these aspects, providing a more nuanced understanding of what truly constitutes successful localization in diverse markets.

Moreover, a critical examination of the literature also shows an oversight in addressing the scalability of these e-commerce giants' business models within the European context.²⁸ The literature often assumes a one-size-fits-all approach to globalization, neglecting the distinct market dynamics, consumer preferences, and economic conditions across different European countries. This critique points towards the necessity for a

²⁶ Georgios Alaveras, Nestor Duch-Brown, and Bertin Bertin, "Geo-Blocking Regulation: An Assessment of Its Impact on the EU Digital Single Market.," in *JRC Digital Economy Working Paper* (European Union, 2020), 1–16, <https://www.econstor.eu/handle/10419/247407>.

²⁷ Ma, Chai, and Zhang, "Rise," 65–6.

²⁸ Adam Sadowski et al., "A Longitudinal Study of E-Commerce Diversity in Europe," *Electronic Commerce Research* 21 (March 6, 2021): 169–94, <https://doi.org/10.1007/s10660-021-09466-z>.

diversified strategy that respects local market idiosyncrasies rather than a homogeneous expansion plan. Furthermore, the literature's emphasis on market entry strategies sometimes overshadows the importance of sustainable growth and the ongoing adaptation required to maintain relevance in a highly competitive landscape. A more thorough investigation into these areas would enrich the discourse on international e-commerce expansion, offering valuable insights into the complexities of establishing a lasting presence in foreign markets.

Consequently, it is imperative that subsequent inquiries delve into how Chinese e-commerce platforms can reconcile the need for adaptation with the preservation of their distinct brand ethos. Research should focus on the enduring viability of diverse adaptation methods and how cultural subtleties influence consumer behavior, particularly within the Dutch context. Moreover, an analysis of the cost-benefit paradigm of adhering to EU regulations, and its ramifications for strategies of market entry, would be invaluable. Such scrutiny is pivotal for advancing beyond rudimentary market entry maneuvers to a more profound comprehension of the strategic dimensions in the context of the dynamic EU market for cross-border e-commerce.

CHAPTER 3. METHODOLOGY

This chapter outlines the methodological framework essential for dissecting the complex interplay of globalization and localization strategies employed by Alibaba, JD.com, and Pinduoduo as they navigate the European e-commerce market. The framework adopted here integrates qualitative research methods to delve deeper into the nuances of how Alibaba, JD.com, and Pinduoduo implement their globalization strategies while conforming to local market needs. Furthermore, the comparative case study methodology will be utilized to analyze how each company adjusts its business models and strategies to meet European consumer expectations and regulatory standards.

For the resources, market analysis reports and firsthand observations of operational tactics also provide fresh data directly from the competitive field. Secondary resources supplement this with a broader context, drawing from company reports, financial statements, industry analyses, and academic literature, to understand the broader economic and regulatory landscapes.

Overall, this methodological chapter sets the stage for the upcoming detailed analyses in the subsequent chapters, where these strategies will be dissected and discussed. The insights derived from this structured approach will significantly enhance our comprehension of international e-commerce strategies amid European market expansion.

3.1 Theoretical framework

The theoretical framework of this thesis is grounded in globalization and localization theories, offering a dual lens to examine the European market strategies of Alibaba, JD.com, and Pinduoduo. Globalization theory, which discusses the expansion of businesses beyond their domestic borders, is juxtaposed with localization theory, emphasizing the adaptation to local market conditions, cultural nuances, and regulatory environments.^{29,30} Applying these theories, this thesis analyzes how each e-commerce giant's strategy reflects a response to global market trends while catering to specific local demands in Europe. Through a detailed examination of their operational, marketing, and partnership strategies, this thesis aims to uncover how these companies navigate the complex interplay between maintaining a global brand identity and adapting to localized market requirements.

For a detailed examination of Alibaba, JD.com, and Pinduoduo's European strategies, this thesis will scrutinize specific instances of localization. For Alibaba, the analysis will focus on its AliExpress platform, as the first Chinese e-commerce platform to enter the European market, examining how it adapted to the market initially and prioritized consumer experience; JD.com's strategy will emphasize its logistics and warehousing solutions in Europe, along with an analysis of the operations and localization effectiveness of its self-operated Ochama e-commerce platform in Europe; Pinduoduo will focus on the rapid development of its Temu e-commerce platform in Europe, exploring its marketing and pricing strategies and the controversies they have sparked. Through these detailed case studies, the research aims to provide a granular view of how these companies apply global strategies in local contexts, revealing the intricacies of their approaches to navigating the European e-commerce landscape.

²⁹ Valeria Garcia, "Localization Strategy for Global Expansion via E-Commerce," *Reviews of Contemporary Business Analytics* 6, no. 1 (2023): 104.

³⁰ Božidar Jaković, Tamara Čurlin, and Ivan Miloloža, "Enterprise Digital Divide: Website E-Commerce Functionalities among European Union Enterprises," *Business Systems Research Journal* 12, no. 1 (May 1, 2021): 197–215, <https://doi.org/10.2478/bsrj-2021-0013>.

By adopting this theoretical perspective, we gain deeper insights into the challenges and opportunities faced by these companies as they expand into Europe. It allows for a critical examination of how they address the dual imperatives of achieving global scale and catering to the specific demands of local consumers. This perspective is essential for evaluating the strategies employed by these firms, considering the diverse consumer preferences, regulatory landscapes, and competitive environments across European countries. Furthermore, this theoretical approach provides a lens for scrutinizing the challenges related to cultural adaptation, regulatory compliance, logistics, and competition. It also highlights the potential benefits of strategic localization, including improved customer loyalty, market differentiation, and regulatory advantages. Thus, the chosen theoretical framework offers a structured and academically rigorous approach to exploring the intricacies of Chinese e-commerce companies' expansion strategies in Europe within the broader context of globalization and localization theories.

3.2 Qualitative research methods

In the intricate realm of studying Alibaba, JD.com, and Pinduoduo's localization strategies in the European e-commerce market, qualitative research emerges as a potent instrument. It intertwines seamlessly with the study's objectives, offering a robust framework for delving into the heart of these multinational companies' strategies in foreign markets.³¹ Qualitative research excels in this context due to its ability to provide depth and context to the analysis. It is ideally suited to uncover the multifaceted and context-dependent nature of the strategies implemented by these e-commerce giants in Europe. By focusing on non-numeric data sources such as news articles, observations, and textual materials, qualitative research allows us to understand the intricacies of localization strategies within their European market context.³²

³¹ Janina Jędrzejczak-Gas, Anetta Barska, and Marianna Siničáková, "Level of Development of E-Commerce in EU Countries," *Management* 23, no. 1 (June 1, 2019): 209–24, <https://doi.org/10.2478/manment-2019-0012>.

³² Nikhilesh Dholakia and Dong Zhang, "Online Qualitative Research in the Age of E-Commerce: Data Sources and Approaches," *Forum Qualitative Sozialforschung/Forum: Qualitative Social Research* 5, no. 2 (2004), <http://nbn-resolving.de/urn:nbn:de:0114-fqs0402299>.

The advantages of qualitative research in this thesis are manifold and deeply entwined with the research objectives. Firstly, it allows for a profound exploration of how these companies tailor their strategies to align with European consumer expectations and regulatory standards. It is not merely about identifying what strategies have been employed; it is about deciphering the why and how behind these strategic choices. This aligns with the study's goal of understanding the factors influencing strategy development and their real-world impacts on market performance and consumer behaviors. Furthermore, qualitative research has the flexibility to adapt as the thesis progresses. This is crucial when navigating the complexity of understanding how Alibaba, JD.com, and Pinduoduo balance their global expansion aspirations with the intricacies of local market integration in Europe. This ability to pivot and refine the research approach ensures that the study remains thorough and comprehensive.³³

In conclusion, qualitative research is not a standalone methodology, but a dynamic and synergistic approach³⁴ intertwined with the study of Alibaba, JD.com, and Pinduoduo's European localization strategies. It is an essential tool that will enable us to not only identify and describe these strategies but also delve deep into the intricacies of their implementation, the decision-making processes, and the ultimate impact on the companies' positioning in the European market.

3.3 Comparative research methods

To integrate globalization and localization theories with the study of Alibaba, JD.com, and Pinduoduo's strategies, which can also apply a comparative case study methodology. This approach would allow for an in-depth analysis of how each company adapts its business model and localisation strategy to align with European consumer expectations and regulatory standards.³⁵ For a comparative analysis to be effective, it requires the

³³ Dholakia and Zhang, "Online Qualitative," 9.

³⁴ Dholakia and Zhang, "Online Qualitative," 8.

³⁵ Georgeta Soava, Anca Mehedintu, and Mihaela Sterpu, "Analysis and Forecast of the Use of E-Commerce in Enterprises of the European Union States," *Sustainability* 14, no. 14 (July 21, 2022): 1-29, <https://doi.org/10.3390/su14148943>.

establishment of specific criteria to measure and compare these companies effectively. These criteria may include metrics such as market penetration, adaptation to local consumer preferences, compliance with local laws and regulations, and impact on local economies, etc.

Firstly, it is imperative to acknowledge that the European e-commerce market is a complex and dynamic landscape, shaped by a myriad of factors including cultural, economic, and regulatory influences. Therefore, a methodological approach that allows for a nuanced examination of the strategies employed by these three companies is essential. The comparative research method excels in this context by enabling cross-case comparisons. By systematically evaluating the strategies of Alibaba, JD.com, and Pinduoduo side by side, this method allows for the identification of both commonalities and disparities. This thesis argues that such an approach is instrumental in discerning the strategic elements that are unique to each company and those that are shared among them. This comparative lens facilitates a deeper understanding of how multinational e-commerce firms adapt and navigate through the intricacies of the European market.³⁶

In addition, to delve into the specific application of globalization and localization theories for Alibaba, JD.com, and Pinduoduo, a detailed methodological approach can focus on comparative analysis across several dimensions such as market entry strategies, product localization, marketing and promotion, logistics and supply chain management and cultural adaptability. This involves collecting data through a mixture of primary sources (e.g. analyses of companies from academic literature, market analyses or relevant books) and secondary sources (company reports, news articles or government reports). The innovative aspect of this thesis could lie in developing a framework that quantitatively measures the degree of localization each company achieves and its impact on market success.³⁷

³⁶ Soava, Mehedintu, and Sterpu, "Analysis," 4.

³⁷ Soava, Mehedintu, and Sterpu, "Analysis," 2.

Critically, the study should scrutinize not just the successes but also the shortcomings and challenges faced by these companies³⁸, offering a balanced view that contributes to a deeper understanding of international e-commerce strategy. This approach not only applies theoretical insights to real-world scenarios but also enhances the discourse on how digital platforms can navigate the complex interplay between global expansion and local market integration.³⁹

However, it should be noted that this thesis employs an integrative approach, which is a comprehensive method of analysis that combines qualitative and comparative research methods, instead of a single analysis of both. Rather than treating them in isolation, these elements work together to provide a comprehensive analysis of Alibaba, JD.com, and Pinduoduo's strategies in the European e-commerce market. The globalization and localization frameworks guide this thesis's examination of their strategies, qualitative research methods enable in-depth exploration, and comparative research methods facilitate cross-case comparisons and thematic analysis. This integrated approach ensures a holistic understanding of these companies' strategic endeavors in Europe.

3.4 Data and material sources and analysis

For the data collection, it will be comprehensive, involving an analysis of a variety of sources including company reports, press releases, market research data, and related literatures. These sources will provide insights into the strategic initiatives of Alibaba, JD.com, and Pinduoduo in Europe. Furthermore, this thesis plan to conduct content analysis on these materials, focusing on the narratives and discourses used by these companies to understand their strategic orientation and market performance. The selection of these sources is an indispensable part of the research, providing a thorough insight into market dynamics and consumer behavior, competitive strategies, and regulatory environment in the European e-commerce sector. Additionally, this thesis will conduct a content analysis of these materials, focusing on the narratives and discourses

³⁸ Soava, Mehedintu, and Sterpu, "Analysis," 2-3.

³⁹ Sadowski et al., "A Longitudinal," 169–94.

used by these companies to understand their strategic orientation and market performance:

Primary Sources:

- **E-Commerce Literature and Book:** Scholarly articles and theoretical works that delve into the mechanics of e-commerce, globalization, and localization strategies. For instance, works by authors like Levitt (1983)⁴⁰ on globalization and Robertson (1995)⁴¹ on glocalization provide foundational theories applicable to understanding the strategic adaptations of these companies in Europe.
- **Market Research Reports and Industry Analyses:** Comprehensive insights will be sourced from documents and databases such as Euromonitor International's analysis on "E-Commerce in the European Union"^{42,43,44} and China's reports on e-commerce growth trends overseas^{45,46}, which provide valuable data on consumer behavior, market size, and competitive landscape.
- **Company Business Analysis:** In-depth evaluation and discussion of the company's business model, market positioning, financial status, operational efficiency, competitive situation and the external market influencing factors it faces. For e-commerce companies like Alibaba, JD.com, and Pinduoduo, and it reveals how companies position themselves, compete, and grow in the European market through localization strategies in the context of globalization.

Secondary Sources:

- **Press Releases and Media Coverage:** Information from public announcements and

⁴⁰ Levitt, *Globalizations*, 69–81.

⁴¹ Roland, "Globalization", 25–44.

⁴² Lone, Harboul, and Weltevreden, "2021 European," 1-111.

⁴³ Ecommerce Europe, "European E-Commerce 2023," 1-97

⁴⁴ Hongfei Yue, "National Report on E-Commerce Development in China Inclusive and Sustainable Industrial Development Working Paper Series" (United Nations Industrial Development Organization, 2017), https://www.unido.org/sites/default/files/2017-10/WP_17_2017.pdf.

⁴⁵ Ministry of Commerce of the People's Republic of China, National Bureau of Statistics, and State Administration of Foreign Exchange, "2022 Statistical Bulletin of China's Outward Foreign Direct Investment" (The Commercial Press, 2022), <http://images.mofcom.gov.cn/hzs/202310/20231007152406593.pdf>, accessed March 1, 2024.

⁴⁶ World Customs Organization, "WCO Study Report on Cross-Border E-Commerce," 2017, <https://www.wcoomd.org/~media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/ecommerce/wco-study-report-on-e-commerce.pdf?la=en>, accessed March 22, 2024.

media reports detailing operational updates, strategic partnerships, or market entry news in Europe, such as JD.com's collaboration with European brands⁴⁷ or Pinduoduo's market strategy adjustments⁴⁸.

- **Company Reports and Financial Statements:** Analysis will primarily rely on detailed reports from Alibaba, JD.com⁴⁹, and Pinduoduo⁵⁰, such as Alibaba's annual report⁵¹ that discusses its global expansion strategies, including specific efforts and investments in the European market.
- **Company Blogs and News Articles:** Company official blogs, industry experts, academics and market analysts⁵² often publish their insights and predictions on e-commerce market dynamics and company strategies in personal blogs or columns, which provide a valuable third party for research perspective.
- **Digital Commerce Platforms and Knowledge Bases:** Insights from e-commerce platforms like Thuiswinkel⁵³ or research from Practical Ecommerce⁵⁴ that highlight digital commerce trends, consumer behaviors, and regulatory standards in the European market.
- **Data Aggregation Websites:** Sites such as Statista⁵⁵ for additional market and consumer data, including detailed e-commerce metrics that can supplement primary

⁴⁷ April Chai and Yuchuan Wang, "JD.com and UK's Parcel Delivery Company Evri Announce Partnership to Empower Growth of European Brands in China," JD Corporate Blog, January 24, 2024, <https://jdcorporateblog.com/jd-com-and-uks-parcel-delivery-company-evri-announce-partnership-to-empower-growth-of-european-brands-in-china/>, accessed May 2, 2024.

⁴⁸ Minyi Li, Chengchung Tsai, and Lobel Trong Thuy Tran, "A Case Study of Pinduoduo Strategy Based on SWOT Analysis" in *1st International Symposium on Innovative Management and Economics* (ISIME 2021), 2021: 337-46, <https://doi.org/10.2991/aebmr.k.210803.046>.

⁴⁹ JD.com, Inc., "JD.com 2022 Annual Report," 2022, <https://ir.jd.com/static-files/9cc8985d-be5d-476b-81c5-5a0366f09d6c>, accessed February 4, 2024.

⁵⁰ Pinduoduo(PDD) Inc., "Pinduoduo 2022 Annual Report," 2022, https://www.annualreports.com/HostedData/AnnualReports/PDF/NASDAQ_PDD_2022.pdf, accessed February 4, 2024.

⁵¹ Alibaba Group Holding Limited, "Alibaba Group - Fiscal Year 2023 Annual Report," 2023, <https://static.alibabagroup.com/reports/fy2023/ar/ebook/en/index.html>, accessed February 4, 2024.

⁵² Huanxin Deng, "How Merchants Are Revolutionising Manufacturing in China," Lengow Blog, December 19, 2022, <https://blog.lengow.com/e-commerce-trends/how-merchants-are-revolutionising-manufacturing-in-china/>, accessed February 4, 2024.

⁵³ "European E-Commerce Report," Thuiswinkel.org, 2023, <https://www.thuiswinkel.org/webshops/kennisbank/downloads/european-e-commerce-report/>, accessed February 4, 2024.

⁵⁴ Boukarroum, "Charts: Ecommerce in Europe 2023," Practical Ecommerce, October 4, 2023, <https://www.practicalecommerce.com/charts-ecommerce-in-the-e-u>, accessed February 4, 2024.

⁵⁵ Statista, "Europe: Cross-Border E-Commerce from China by Country," Statista, 2021, <https://www.statista.com/statistics/1189049/cross-border-e-commerce-china-european-countries/>, accessed February 14, 2024.

and secondary sources with up-to-date statistics and trends.

By focusing on reports, market analyses, and foundational e-commerce literature as primary sources, this thesis grounds its analysis in substantial and authoritative data. Secondary sources provide context and contemporary insights into the market's evolution, while supplementary sources like expert interviews add depth and qualitative understanding, enriching the overall analysis of Chinese e-commerce expansion into Europe.

3.5 Assumptions

The central hypothesis of this thesis posits that:

The success of Alibaba, JD.com, and Pinduoduo in the European e-commerce market is significantly influenced by their localization strategies.

However, this thesis aims to explore its scope and characteristics, thoroughly describe the differences and similarities, and identify various applicable perspectives to gain a comprehensive understanding of the topic. The strategies are anticipated to encompass a broad spectrum of adjustments across product offerings, marketing tactics, supply chain management, and customer service to align with European consumer expectations and regulatory environments.

Given the above methodologies of this thesis, this hypothesis suggests that each company's approach to adapting its business model and operations to the European context—while rooted in a common aim of market penetration and growth—will exhibit distinct characteristics and outcomes. The premise assumes that effective localization goes beyond superficial changes, requiring deep integration and sensitivity to the unique aspects of the European market. The hypothesis is informed by the understanding that the European market introduces a distinct array of challenges and opportunities, driven by its diverse cultural, regulatory, and consumer landscapes. It is presumed that:

Those companies that have more thoroughly and thoughtfully integrated

localization into their European market strategies are likely to have experienced greater success.

CHAPTER 4. LOCALIZATION STRATEGIES IN HISTORIOGRAPHICAL PERSPECTIVE

The journey of Chinese e-commerce's global rise begins with the pivotal economic reforms of the 1970s that opened China to the world, transforming it into a market-driven economy. This chapter captures how the accession to the World Trade Organization in 2001 was a critical turning point, propelling Chinese firms onto the global stage. It sketches the trajectory of companies such as Alibaba, JD.com, and Pinduoduo, which capitalized on the digital revolution and globalization trends to extend their reach beyond borders, leveraging China's manufacturing prowess to meet global demand.

Within this context, the text examines the strategic moves and adaptability of these e-commerce behemoths as they navigated through decades marked by rapid technological change, regulatory shifts, and geopolitical tensions. It sheds light on the strategic frameworks like the "Belt and Road Initiative" that facilitated their market expansion, especially into Europe, amidst evolving global trade landscapes and the recent challenges posed by the COVID-19 pandemic. Through this lens, the narrative highlights the resilience and strategic ingenuity of Chinese e-commerce players, illustrating their significant role in reshaping global commerce and setting a benchmark for innovation and cross-border trade in the digital age.

4.1 Background of the global expansion of China's e-commerce

4.1.1 An overview of the historical background

Tracing the trajectory of Chinese e-commerce's global expansion necessitates a journey back to the late 1970s, a period that marked the beginning of China's profound economic reforms. These reforms, transformative in nature, transformed the economy from a centrally planned system to a market-oriented one, setting the stage for the country's future engagements on the global economic scene. A landmark event in this journey was China's accession to the “World Trade Organization (WTO)” in 2001, a move that not only symbolized its integration into the global economy but also served as a catalyst for economic transformation. This integration provided Chinese companies with a platform to compete globally, leveraging the country's manufacturing might to offer a plethora of products at competitive prices across the world market.

As the 20th century gave way to the 21st, the trend of globalization, characterized by diminishing trade barriers and the rise of the internet, created a conducive environment for cross-border trade. The term "cross-border e-commerce" emerged around ten years ago, signifying the burgeoning field's relevance and its transformative impact on global commerce.⁵⁶ This era presented Chinese e-commerce firms with unparalleled opportunities to access global markets, capitalizing on the nation's industrial strengths. E-commerce has now become a truly global phenomenon, triggering a vast commercial revolution and significantly influencing the process of globalization.⁵⁷ However, the journey of these firms was not merely about tapping into international markets; it was equally about navigating the evolving landscape of China's domestic market. Following decades of robust growth, the early 2010s signaled a slowdown in China's economy, transitioning from its rapid growth trajectory to a more sustainable pace. Since its initial appearance in 2008, Chinese cross-border e-commerce has demonstrated a trend of

⁵⁶ Ma, Chai, and Zhang, “Rise of Cross-Border E-Commerce” 63.

⁵⁷ Singh, Alhorr, and Kim, “E-Commerce,” 7.

growth, steadily evolving and altering the conventional dynamics of international trade.⁵⁸ This economic shift was mirrored in the e-commerce sector, where heightened competition and market saturation in urban centers led to diminishing returns. This scenario prompted a strategic reorientation towards international markets as a means to sustain growth and diversify revenue streams.

The need for expansion was further fueled by the rise of a substantial middle class in China, which possessed increasing purchasing power and an expanding demand for a variety of high-quality goods. This demographic shift presented both a domestic challenge and an international opportunity for Chinese e-commerce platforms. Domestically, these platforms had to innovate continuously to satisfy evolving consumer demands. Internationally, they recognized the potential to cater to similar consumer profiles in foreign markets, with Europe standing out as a particularly attractive destination. The entry of Chinese e-commerce companies into the European market is driven by two main motivations: First, robust cash flows provide the necessary financial backing to enter global markets and generate new profits, as well as meet the demands for substantial reinvestment. Second, these companies are enhancing their global competitiveness, shedding the long-held stereotype of imitating Western products or services, and leveraging advanced technology to challenge international markets.⁵⁹

The decision to venture into the European market was not made in isolation but was influenced by the broader global trade environment of the 2010s. The complexity of the international marketing environment, fostering diversity in natural environments, economic development, cultural norms, political and legal frameworks, and conditions of product use, played a significant role in shaping their expansion strategies.⁶⁰ This period was marked by the digital trade revolution, which simplified the complexities of

⁵⁸ Aijun Liu et al., “Cross-Border E-Commerce Development and Challenges in China: A Systematic Literature Review,” *Journal of Theoretical and Applied Electronic Commerce Research* 17, no. 1 (December 27, 2021): 76, <https://doi.org/10.3390/jtaer17010004>.

⁵⁹ Alessandra Vecchi and Louis Brennan, “Two Tales of Internationalization – Chinese Internet Firms’ Expansion into the European Market,” *Journal of Business Research* 152 (November 2022): 108, <https://doi.org/10.1016/j.jbusres.2022.07.024>.

⁶⁰ Singh, Alhorr, and Kim, “E-Commerce,” 8.

international business, and by escalating geopolitical tensions and protectionism in key markets. For Chinese e-commerce entities, these conditions necessitated a strategic navigation through a landscape filled with both opportunities and risks. Europe, with its high internet penetration, affluent consumer base, and relatively open market, represented an appealing option for diversification. This move was also a strategic hedge against the uncertainties and volatilities in other major markets, notably the United States, where trade tensions were on the rise. As the domestic market becomes increasingly saturated, these companies are urgently seeking to expand internationally. Given the uncertainties in Sino-American political relations, Europe, as a key high-end market, naturally becomes their preferred destination.⁶¹ And as of 2022, Chinese direct investment in the EU has reached \$6.9 billion.⁶²

A pivotal element in this strategic calculus was “the Belt and Road Initiative (BRI)”, launched in 2013. As the BRI began to take shape after 2013, the Chinese government's support became more apparent, especially in areas involving significant investments by large Chinese state-owned enterprises.^{63,64,65,66} The “Belt and Road” initiative seeks to enhance global trade by fostering infrastructure development, stimulate economic growth in Asia, Africa, and Europe, and has significantly enhanced the logistics and supply chain efficiency of Chinese e-commerce companies.⁶⁷ Designed to enhance global trade and stimulate economic development across Asia, Africa, and Europe, the “Belt and Road” initiative focuses on building infrastructure, the BRI significantly improved logistics and

⁶¹ Vecchi and Brennan, “Two Tales,” 115.

⁶² Ministry of Commerce of the People’s Republic of China, National Bureau of Statistics, and State Administration of Foreign Exchange, “2022 Statistical Bulletin,” 35.

⁶³ Frank N. Pieke and Naná de Graaff, “Chinese Influence and Networks among Firms and Business Elites in the Netherlands” (Leiden: Leiden Asia Centre, May 2022), <https://leidenasiacentre.nl/wp-content/uploads/2022/05/Pieke-De-Graaff-Chinese-Influence-and-Networks-among-Firms-and-Business-Elites-in-the-Netherlands.pdf>, accessed March 4, 2024.

⁶⁴ Vecchi and Brennan, “Two Tales,” 108.

⁶⁵ Ruyi Wang, “The Analysis of Competitive Business Strategy among Platform Enterprises like Taobao, Jingdong and Pinduoduo,” in *Proceedings of the 2021 3rd International Conference on Economic Management and Cultural Industry (ICEMCI 2021)* 203 (2021): 2948, <https://doi.org/10.2991/assehr.k.211209.478>.

⁶⁶ Ministry of Commerce of the People's Republic of China, “E-Commerce in China 2022” (The Commercial Press, 2022), <http://images.mofcom.gov.cn/dzsws/202306/20230609104929992.pdf>, 60, accessed March 1, 2024.

⁶⁷ Ying Wang et al., “Supply Chain-Based Business Model Innovation: The Case of a Cross-Border E-Commerce Company,” *Sustainability* 10, no. 12 (November 23, 2018): 4362, <https://doi.org/10.3390/su10124362>.

supply chain efficiencies for Chinese e-commerce firms. This strategic alignment between corporate interests and national policy facilitated smoother entry and expansion into European markets, underscoring a synergistic approach to global commerce. The announcement of the “Made in China 2025” plan, which aimed to surpass advanced countries in critical strategic areas like industry and innovation, further highlighted this alignment, especially alarming policymakers in industrial powerhouses like Germany.⁶⁸

In essence, the global expansion of Chinese e-commerce into Europe is a story of strategic synthesis, intertwining internal economic imperatives with global market opportunities, technological progress, and national policies.⁶⁹ This expansion reflects a profound understanding of global economic trends, an adeptness at navigating complex international trade environments, and a proactive stance in aligning corporate strategies with broader national objectives, all while leveraging the diverse phenomena of e-commerce as understood broadly to include any economic activity facilitated by electronic connectivity.⁷⁰ This narrative, set against the backdrop of China's remarkable economic transformation and the dynamic interplay of global economic forces, highlights the strategic acumen of Chinese e-commerce giants as they chart their course in the ever-evolving landscape of global commerce.

4.1.2 Historical Periods and Strategic Decisions

The strategic incursions and adjustments of Alibaba, JD.com, and Pinduoduo into the European e-commerce market, viewed through a historical lens, offer a fascinating glimpse into the evolution of global e-commerce dynamics. Their journey, set against the backdrop of rapid technological advancements and shifting geopolitical landscapes, underscores the intricate dance between seizing global opportunities and navigating the complexities of local market integration.

⁶⁸ Pieke and Graaff, “Chinese Influence,” 10.

⁶⁹ Yue, “National Report,” 15-20.

⁷⁰ Sadowski et al., “A Longitudinal,” 170.

Late 1990s to early 2000s

In the late 1990s and early 2000s, as the world began to embrace the digital revolution, Alibaba emerged as a pioneer among Chinese e-commerce companies, charting a course for globalization that others would follow. At this stage, the main challenges faced by the e-commerce industry include: only 4 million Internet users in China, which limits market expansion; an underdeveloped logistics distribution network; and a lack of consumer trust in online payments and remote purchasing.⁷¹ Alibaba, with its vast marketplace model, initially focused on connecting Chinese suppliers with European businesses and consumers, leveraging the burgeoning internet to bridge geographical and cultural divides, showcasing the internet's crucial role in facilitating trade across different tariff zones.⁷²

Market selection was a critical first step in Alibaba's strategy. The company focused on European countries with robust internet infrastructure and an openness to e-commerce, recognizing these regions as fertile ground for introducing Chinese products. This strategic choice was pivotal, allowing Alibaba to establish a foothold in markets where digital commerce was gaining momentum, setting a precedent for Chinese e-commerce penetration in Europe. In contrast, other Chinese e-commerce entities, such as DHgate, followed suit, targeting similar markets but often focusing on different niches or consumer segments, illustrating the diverse approaches within the Chinese e-commerce ecosystem in this period.

Early 2000s to 2010s

As the digital landscape evolved through the 2000s, these companies deepened their European market penetration through strategic technological innovation. Since China's accession to the WTO in 2001, this period also marks the accelerated development phase of e-commerce in China.⁷³ In this period, Alibaba emerged not merely as a marketplace but as a harbinger of e-commerce in China, crafting an ecosystem that seamlessly

⁷¹ Yue, "National Report," 2.

⁷² Ma, Chai, and Zhang, "Rise of Cross-Border E-Commerce" 72-3.

⁷³ Yue, "National Report," 2.

integrated B2B, B2C, and C2C platforms.^{74,75} Tmall Group, part of Alibaba, established itself as China's first and largest official cross-border B2C platform,⁷⁶ reinforcing the company's pioneering role in the international expansion of Chinese e-commerce enterprises. The integration of marketing, payment, logistics, and financial services into a cohesive industry chain reflects this evolution, underscoring the breakthroughs in logistics and supply chain construction necessary for the international expansion of Chinese e-commerce enterprises.⁷⁷

On the other hand, the role of technology as a powerful structural force and driver of change became increasingly evident,⁷⁸ as seen in the establishment of platforms like Alipay, during this period epitomized Alibaba's foresight into creating a trustworthy online transaction environment, laying a robust foundation for future cross-border expansions. Meanwhile, JD.com, with its inception in 1998, embarked on a journey of establishing a direct sales model bolstered by an unwavering commitment to authenticity and quick delivery. This period was crucial for JD.com to carve out its niche in logistics and supply chain excellence—a foundation that would later facilitate its ambitions beyond China's borders.

Late 2010s to Early 2020s

The 2010s presented new challenges and opportunities, 10 years after China joined the WTO, marked by economic uncertainties and the rise of digital consumerism, but it is also the era of standardization for cross-border e-commerce in China.⁷⁹ The European sovereign debt crisis, coupled with increasing internet penetration, created a paradoxical environment of cautious consumer spending but growing online shopping. However, the share of export e-commerce in the global cross-border market has been steadily

⁷⁴ Weijian Li and Chenggang Li, “Analysis of the Internationalization Strategy of Cross-Border E-Commerce Enterprises: The Case of Alibaba Group,” *IBusiness* 14, no. 04 (2022): 270–83, <https://doi.org/10.4236/ib.2022.144020>.

⁷⁵ B2B short for "business-to-business", B2C short for "business-to-consumer", C2C short for "consumer-to-consumer".

⁷⁶ Liu et al., “Cross-Border E-Commerce Development,” 77.

⁷⁷ Ma, Chai, and Zhang, “Rise of Cross-Border E-Commerce” 72-3.

⁷⁸ Storper, “Globalization,” 14.

⁷⁹ Yue, “National Report,” 3.

increasing, driven by its advantages such as low product costs, the rising number of mobile devices, and the expansive market potential among overseas Chinese consumers.⁸⁰ There was a noticeable shift in consumer preferences. The early adopters of e-commerce, initially sensitive to price, began to demand not just cheap, low-quality goods but also sought higher-quality branded products accompanied by better services.

To boost exports, China has implemented a policy of liberalizing “Cross-Border E-Commerce (CBEC)” since 2016, aimed at maximizing export volumes.⁸¹ Amid this competitive landscape, the expansion of international businesses into overseas markets emerges as a significant challenge for domestic e-commerce companies. These companies must now navigate not only local market intricacies but also the intensified competition in the global arena.⁸² Therefore, even though higher instances of trade risks have impeded the progress of China's cross-border e-commerce sector, it still results in Chinese firms being confined to the lower tiers of the global value chain.⁸³

Alibaba's ventures into international markets become evident with the launch of AliExpress, facilitating a global outreach that circumvented the need for physical presence while ensuring a wide range of products were accessible to a global audience. Later, Alibaba and JD.com consolidating their international presence with strategic acquisitions and partnerships aimed at capturing the European market's potential. Alibaba's foray into digital trade platforms and cloud computing services highlighted its strategy to transcend traditional e-commerce boundaries, offering Chinese small and medium-sized enterprises (SMEs) a gateway to the global marketplace.⁸⁴ These strategies reflect efforts by Chinese e-commerce companies to increase their presence in

⁸⁰ Ma, Chai, and Zhang, “Rise of Cross-Border E-Commerce” 65.

⁸¹ Tan, “Understand China’s Cross-Border E-Commerce Industry,” 76.

⁸² Feng Ding, Jiazhen Huo, and Juliana Kucht Campos, “The Development of Cross Border E-Commerce,” *International Conference on Transformations and Innovations in Management (ICTIM 2017)* 37 (2017): 373, <https://doi.org/10.2991/ictim-17.2017.37>.

⁸³ Ma, Chai, and Zhang, “Rise of Cross-Border E-Commerce” 66.

⁸⁴ Ellie Falcone, John Kent, and Brian Fugate, “Supply Chain Technologies, Interorganizational Network and Firm Performance,” *International Journal of Physical Distribution & Logistics Management* 50, no. 3 (November 11, 2019): 335, <https://doi.org/10.1108/ijpdlm-08-2018-0306>.

Europe and other international markets.⁸⁵

However, the journey was not without its hurdles. High trade risk events and the competitive threat from global market enterprises expanding overseas illustrated the challenges faced by Chinese companies, necessitating strategies beyond mere market penetration to include differentiation and customization of products to avoid direct price competition. In contrast, JD.com's investments in technology and logistics aimed at replicating its domestic success story on an international scale, albeit with a cautious approach to direct market entry.

After 2020s

Entering the 2020s, the focus for these e-commerce giants has increasingly been on sustainability and deeper localization. This is particularly reflected in the following characteristics: new platforms are surpassing traditional platforms to become the new e-commerce dividend, the active promotion of overseas e-commerce offline channels, and the gradual establishment of a standard system for cross-border e-commerce.⁸⁶

Following the announcement of the COVID-19 pandemic, e-commerce experienced a significant boom at the end of 2019 and into the early part of 2020.⁸⁷ After 2022, the State Council of China introduced a series of policy documents to promote the development of cross-border e-commerce in China, such as the "Opinions on Promoting the Integrated Development of Domestic and Foreign Trade". It expanded the cross-border e-commerce comprehensive pilot zones to all 31 provinces, regions, and municipalities nationwide, and also increased financial support for overseas warehouses.

^{88,89}

At the same time, Alibaba has expanded its European footprint through partnerships and acquisitions, aiming to integrate more deeply with the local e-commerce ecosystems.

⁸⁵ Ma, Chai, and Zhang, "Rise of Cross-Border E-Commerce" 72-3

⁸⁶ Ministry of Commerce of the People's Republic of China, "E-Commerce," 36-7.

⁸⁷ Garcia, "Localization Strategy," 103.

⁸⁸ Ministry of Commerce of the People's Republic of China, "E-Commerce," 38.

⁸⁹ Yue, "National Report," 17-20.

JD.com has leveraged its logistics network to offer cross-border trade solutions,⁹⁰ facilitating smoother access for European SMEs into the Chinese market, and vice versa. For Pinduoduo, the current decade marks a significant phase as it embarks on its journey to internationalize with the launch of Temu. This move, while reflective of Pinduoduo's ambition to replicate its domestic model globally, also signifies the evolving landscape of e-commerce, where innovation and price competitiveness become key determinants of success in foreign markets. Online retailers have the capability to utilize internet technology to provide differentiated and customized products, thus steering clear of purely competing on price.⁹¹ Observing Pinduoduo's successful expansion in the low-income market, Alibaba and JD.com have launched similar competitive initiatives.

Throughout these periods, the strategies of Alibaba, JD.com, and Pinduoduo in Europe have been reflective of broader historical trends. This marks the beginning of the globalization era for Chinese e-commerce.⁹² Despite facing several challenges, China's cross-border e-commerce has witnessed a steady growth trend.⁹³ This marks an era of convergence in business models within China's e-commerce industry, with the three giants—Alibaba, JD.com, and Pinduoduo—each stepping beyond their core competencies to compete for domestic market share. Additionally, as China's e-commerce penetration nears saturation, each company is seen to be adapting and experimenting, constantly seeking new ways to enter international markets and expand their user bases.

4.1.3 Strategic impact of historical events

Understanding the strategic maneuvers of Alibaba, JD.com, and Pinduoduo within the European e-commerce market requires a deep dive into the historical context that has

⁹⁰ Dijun Fan, Xufang Li, and Jinmin Zhang, “Comparative Study on Strategic Modes of E-Commerce Platform between Jingdong and Alibaba,” ed. F. Wen and S.M. Ziaei, *E3S Web of Conferences* 275 (2021): 01028, <https://doi.org/10.1051/e3sconf/202127501028>.

⁹¹ Yannis Bakos, “The Emerging Landscape for Retail E-Commerce,” *Journal of Economic Perspectives* 15, no. 1 (February 2001): 71, <https://doi.org/10.1257/jep.15.1.69>.

⁹² Yue, “National Report,” 4.

⁹³ Liu et al., “Cross-Border E-Commerce Development,” 69.

shaped their paths. Therefore, it is necessary to focus on dissecting the impacts of major historical events on their strategic decisions, which illuminate the nuanced and dynamic interplay between global events and corporate strategy.

Accession to the World Trade Organisation(WTO)

The journey begins with China's accession to the World Trade Organization (WTO) in 2001, a pivotal event that dramatically altered the course for Chinese e-commerce firms.

⁹⁴ This accession did not just symbolize China's integration into the global economy; This milestone was particularly significant for later Chinese e-commerce companies, as it provided a robust legal framework and unprecedented market access on a global scale. International trade rules such as “the General Agreement on Tariffs and Trade (GATT)”, “the General Agreement on Trade in Services (GATS)”, and “the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)” have played an important role in addressing issues related to tariffs, trade barriers, and intellectual property rights in international trade,⁹⁵ and have directly promoted the development of cross-border e-commerce in China and eventually penetrating the European market. The companies leveraged the newfound international legitimacy and market access to strategically enter and expand within the European market. However, it's essential to note that during this period, China's e-commerce companies like Alibaba's initial foray into global markets was cautious, were primarily focused on consolidating their domestic market position. Initially, they emphasized B2B transactions⁹⁶ and mainly focused on exporting Chinese goods to meet the demand in foreign markets, including Europe. Later, this strategy gradually evolved to encompass a broader vision, aiming to position these platforms as global intermediaries for trade, transcending geographical and cultural boundaries. The company's strategic patience and gradual approach to internationalization illustrate a thoughtful response to the opportunities presented by WTO membership, laying a foundation for future expansion beyond China's borders.

⁹⁴ Vecchi and Brennan, “Two Tales,”112-3.

⁹⁵ Yun Zhao, “WTO Rules and Cross-Border E-Commerce: An Analysis of the Alibaba-Taobao Case and Its Implications for Online Retailers,” in *Highlights in Business, Economics and Management EMCG*, vol. 20, 2023, 161, <https://doi.org/10.54097/hbem.v20i.12339>.

⁹⁶ Ma, Chai, and Zhang, “Rise of Cross-Border E-Commerce” 65.

Impact of the economic crisis

The global financial crisis of 2008 and the subsequent European debt crisis presented a paradox of challenges and opportunities for global commerce, with a notable pivot towards value-oriented online shopping. This shift represented a silver lining for Chinese e-commerce platforms, which were positioned to offer competitive pricing and a vast assortment of products.⁹⁷ The economic downturn inadvertently served as a catalyst for these platforms to gain traction in European markets, where consumers were increasingly seeking affordable alternatives to traditional retail options, which accelerated the shift towards online shopping—a trend from which Chinese e-commerce platforms indirectly benefited. As Europe, grappling with economic instability, saw a surge in demand for cost-effective online retail options, presented both challenges and opportunities for Chinese cross-border e-commerce. On one hand, the global economic slowdown threatened to dampen consumer spending, including on imported goods, potentially affecting the volume of cross-border transactions. On the other hand, the growing consumer appetite for online shopping due to the crises created an unprecedented opportunity for expansion. Recognizing this, Chinese e-commerce giants, which had been cautiously expanding their international presence, found themselves at a strategic inflection point, as Chinese e-commerce giants like Alibaba were still in the early stages of exploring European markets, and the primary focus remained on strengthening the domestic e-commerce infrastructure and expanding their user base within China.⁹⁸

However, they were compelled to navigate the complexities of a strained global economy while seizing the burgeoning opportunities within the e-commerce domain. These companies found that market diversification became a key focus to e-commerce company, with an emphasis on reducing reliance on any single market by expanding deeper into Europe and exploring other emerging economies. This is further evidence of

⁹⁷ Bakos, “The Emerging Landscape,” 750.

⁹⁸ Thymen Ballering, Trainee Economic, and Commercial Affairs Department of the Consulate General of the Kingdom of the Netherlands Shanghai, *China Cross-Border E-Commerce Guidebook*, 2017, 39-44, <https://www.rvo.nl/sites/default/files/2017/03/Cross-Border%20E-Commere%20Guidebook%20FINAL%20FINAL.PDF>, accessed March 6, 2024.

what Kalinich et al. (2018) say about the need to create a true European digital single market as soon as possible.⁹⁹ This approach was aimed at insulating the platforms from regional economic downturns and capturing new segments of the global consumer market. Moreover, in an environment where consumer spending was financially constrained, offering competitive pricing and superior value became paramount. Leveraging their extensive supply chains and direct manufacturer access, Chinese e-commerce platforms offered an array of products at competitive prices, resonating with the cost-conscious European consumer base.

Belt and Road Initiative

Launched in 2013, China's Belt and Road Initiative (BRI) aimed to enhance global trade and stimulate economic growth across Asia, Europe, and Africa through infrastructure development and investments. Driven by this Chinese government's "Go Global" strategy, more Chinese internet firms are extending their operations abroad, with Europe being a favored destination.¹⁰⁰ By improving logistics and reducing transportation times, BRI directly addresses some of the most pressing challenges faced by cross-border e-commerce operations, namely, the efficiency and cost-effectiveness of moving goods across vast distances.^{101,102} This grand strategy significantly impacted Chinese e-commerce entities by improving logistics and supply chain efficiency, thus easing the path for Chinese e-commerce companies to expand their operations in Europe. Another focus is the initiative's focus on building a digital infrastructure alongside physical connectivity has further facilitated the seamless exchange of goods and information, bolstering the digital trade corridors that are vital for the e-commerce sector. Through projects like the Electronic World Trade Platform (eWTP), the BRI has helped create localized ecosystems that support cross-border trade, simplifying customs procedures and enhancing the online retail experience for European consumers.¹⁰³ These efforts align

⁹⁹ Zoran Kalinić, Vladimir Ranković, and Ljubina Kalinić, "Challenges in Cross-Border E-Commerce in the European Union," *Zeszyty Naukowe Uniwersytetu Ekonomicznego W Krakowie*, no. 5 (2018): 165-6, <https://doi.org/10.15678/ZNUEK.2018.0977.0510>.

¹⁰⁰ Vecchi and Brennan, "Two Tales," 107.

¹⁰¹ Liu et al., "Cross-Border E-Commerce Development," 77-9.

¹⁰² Strzelecki, "Key Features," 4.

¹⁰³ Liu et al., "Cross-Border E-Commerce Development," 78-9.

with the broader goals of Chinese e-commerce giants to penetrate and establish a robust presence in the European market, leveraging the infrastructural and economic synergies created by the BRI.

However, the ambitious scope of the BRI also brings to the fore several challenges, including geopolitical tensions and the sustainability of the investments involved. For Chinese e-commerce platforms, navigating these complexities requires a delicate balance between seizing the opportunities presented by the BRI and addressing the potential risks and criticisms associated with the initiative. The geopolitical landscape shaped by the BRI's extensive infrastructure projects can influence market access and regulatory environments in various countries, directly impacting the expansion strategies of these companies. Furthermore, the long-term success of Chinese e-commerce platforms in Europe under the BRI framework will depend on their ability to adapt to evolving political and economic dynamics, ensuring sustainable growth amidst the initiative's ambitious goals. In essence, while the BRI has opened new avenues for Chinese e-commerce platforms to enhance their European operations,¹⁰⁴ it also necessitates a strategic and nuanced approach to overcome the inherent challenges of such a grand-scale project, highlighting the importance of agility and strategic foresight in the competitive arena of international e-commerce.

Regulations and trade frictions

Navigating the intricate landscape shaped by “the General Data Protection Regulation (GDPR)” in 2016 in the European Union, the escalation of the US-China trade war since 2018, and the advent of “Digital Services Taxes (DST)” from 2019 across several European nations has posed significant strategic challenges for Chinese e-commerce giants like Alibaba and JD.com. These barriers may be intentional, i.e. caused deliberately (trade bans or transport restrictions) or due to other reasons, as shown in the research conducted by Jędrzejczak-Gas, Barska, and Siničáková (2019).¹⁰⁵ The

¹⁰⁴ Pieke and Graaff, “Chinese Influence,” 10.

¹⁰⁵ Jędrzejczak-Gas, Barska, and Siničáková, “Level of Development,” 221.

implementation of GDPR, for instance, while enhancing consumer trust through stringent data protection and privacy standards, necessitated a considerable overhaul of existing data handling practices, imposing hefty compliance costs.¹⁰⁶ This regulatory burden not only strained operational resources but also highlighted a critical dilemma: the balance between ensuring rigorous data protection and maintaining competitive agility in the global e-commerce market.

Similarly, the US-China trade war's disruptions underscored the fragility of global supply chains in 2019, compelling these platforms to diversify their market presence and supply sources rapidly—a move fraught with its own set of challenges, including increased operational costs and the complexity of navigating new regulatory environments.^{107, 108} Moreover, the introduction of DST in Europe added a further layer of complexity, challenging the platforms' financial strategies and their ability to compete on equal footing with local entities. These developments underscored the importance of navigating the regulatory and geopolitical landscapes effectively for e-commerce entities aiming for global expansion. For Chinese e-commerce platforms, these events marked a period of strategic recalibration. For example, while Alibaba, JD.com, and other Chinese giants had established a significant presence in various international markets by this time, Europe's stringent data protection laws necessitated a reassessment of their operational and data handling practices;¹⁰⁹

Meanwhile, the US-China trade war encouraged these companies to look more towards Europe as an alternative market to offset the challenges faced in the US;¹¹⁰ They also attempted to go for compliance with stringent European data protection standards, increasing their appeal in the privacy-conscious European market, and also strategically diversified their market presence and supply chain to address any single market. As

¹⁰⁶ Vecchi and Brennan, “Two Tales,” 114.

¹⁰⁷ Kalinić, Ranković, and Kalinić, “Challenges in Cross-Border E-Commerce,” 159-70.

¹⁰⁸ Alexander Coad and Néstor Duch-Brown, “Barriers to European Cross-Border E-Commerce,” in *JRC Digital Economy Working Paper* (Seville: European Commission, Joint Research Centre (JRC), 2017), 4, <http://hdl.handle.net/10419/202225>.

¹⁰⁹ Ding, Huo, and Kucht Campos, “The Development of Cross Border,” 373.

¹¹⁰ Pieke and Graaff, “Chinese Influence,” 11.

companies like Alibaba and JD.com adapt to GDPR and other regulations, they drive up industry standards for data privacy, which, in turn, increases operational costs and influences pricing strategies, potentially leading to higher consumer prices. This regulatory compliance pushes these companies to invest in local infrastructure and workforce, fostering job creation and economic activity in European regions. However, this move can also challenge local small businesses that struggle to compete with the scale and technological prowess of these giants, risking market consolidation and reduced competition.

Economically, while the diversification of supply chains reduces dependency on a single market, making supply chains more resilient, it also necessitates navigating multiple regulatory environments, adding complexity and potentially stifling quick market responses. These dynamics underscore a dual-edged impact where, on one hand, there is an enhancement in consumer protection and local economic stimulation, and on the other, there's an escalation in market entry barriers and operational complexities that could inhibit smaller market players.

COVID-19 Pandemic

The outbreak of the COVID-19 pandemic has been a double-edged sword for global e-commerce, accelerating digital adoption and online shopping trends worldwide,¹¹¹ including Europe. For Chinese e-commerce giants, the pandemic presented an unparalleled opportunity to capture a larger market share as lockdowns and social distancing measures drove consumers online. As countries around the world implemented lockdown measures, traditional retail outlets saw a drastic decline in foot traffic, compelling consumers to pivot towards online shopping. This shift not only accelerated the adoption of e-commerce globally but also significantly expanded the consumer base for Chinese platforms in Europe. These companies quickly responded to the surge in demand, scaling up their logistics and distribution networks to handle the increased volume of transactions. However, the rapid growth also tested the resilience of their

¹¹¹ Goldman et al., "Strategic Orientations," 351-53.

supply chains, highlighting vulnerabilities in logistics that were exacerbated by border closures and disruptions in global shipping. Alibaba, in particular, intensified its focus on the European market in 2020, enhancing the logistics capabilities of AliExpress to shorten delivery times significantly and expanding its network of local warehouses.

These strategic expansions were not without their challenges; the pandemic underscored the critical importance of resilient supply chains and the ability to quickly adapt to changing consumer behaviors and regulations across borders. For these Chinese e-commerce platforms, success in such uncertain times requires not just an ability to scale operations quickly but also a strategic commitment to understanding and integrating into the local market dynamics and consumer expectations. This period of rapid adaptation highlights the need to not only satisfy immediate logistical requirements but also to ensure alignment with broader consumer values and regulatory frameworks. a balance that will define the future trajectory of Chinese e-commerce expansion into Europe.

In conclusion, the expansion of Chinese e-commerce into Europe is a multifaceted narrative shaped by various historical events and shifts—ranging from China’s WTO accession, navigating through the global economic crisis, harnessing digital transformation, to adapting to EU e-commerce policies—reflects a deep understanding of the global e-commerce landscape and a remarkable ability to pivot and adapt strategies in response to changing external conditions. This historical perspective offers rich insights into the strategic depth and agility of these firms, underscoring their sustained growth and success in the competitive European e-commerce market. As Pieke and Graaff emphasise, the ambitions of Chinese multinationals are not just to gain a foothold in Europe, but the greater ambition is that they are seeking to compete with each other more globally as competitors.¹¹²

¹¹² Pieke and Graaff, “Chinese Influence,” 21.

4.2 The European e-commerce environment

4.2.1 European e-commerce potential

European e-commerce environment

The European e-commerce landscape has undergone remarkable transformation and growth in recent years, a trend underscored by an array of compelling statistical indicators. From recent European e-commerce reports,^{113,114,115} the number of internet users, the rate of online shopping, and the logistics infrastructure in European countries have been growing year by year, and each country and region exhibits distinct localized characteristics.

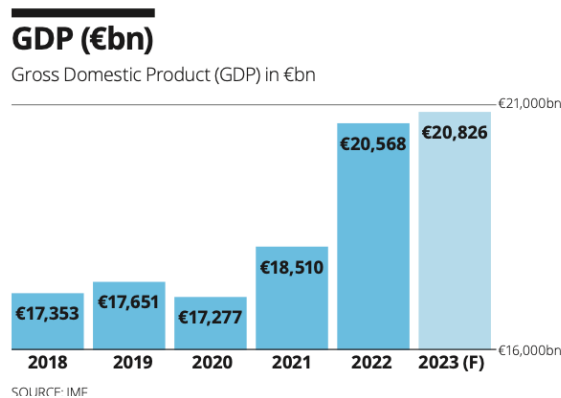


Fig. 1 Gross demstic product(GPD) in €bn of Europe

Source: IMF

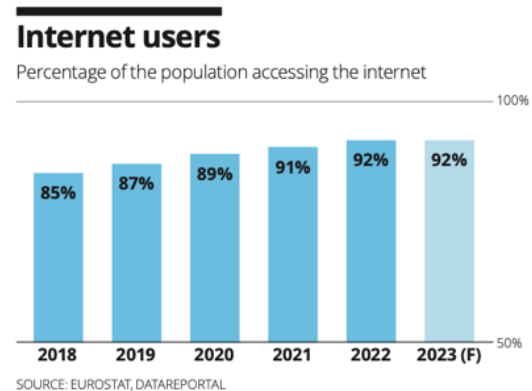


Fig. 2 Internet Users of Europe

Source: Eurostat, Datareportal

¹¹³ S. Lone and J.W.J. Weltevreden, “2022 European E-Commerce Report” (Amsterdam/Brussels: Amsterdam University of Applied Sciences & Ecommerce Europe., 2022), https://ecommerce-europe.eu/wp-content/uploads/2022/06/EMI2022_FullVersion_LIGHT_v2.pdf, 1-105, accessed February 14, 2024.

¹¹⁴ Lone, Harboul, and Weltevreden, “2021 European E-Commerce Report,” 1-111.

¹¹⁵ Ecommerce Europe, “European E-Commerce Report 2023,” 1-97.



Fig. 3 E-shoppers of Europe
Source: Eurostat, Datareportal

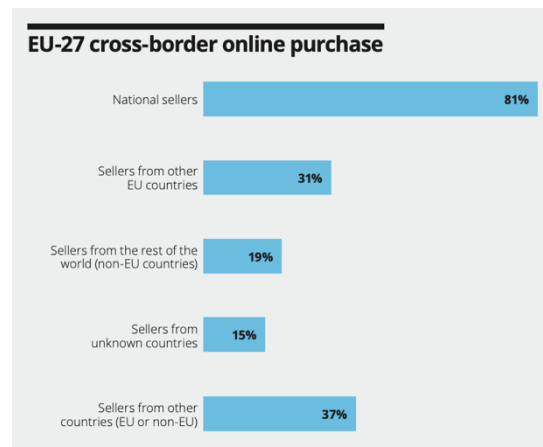


Fig. 4 Cross-border Online Purchase in Europe
Source: Eurostat (2021)

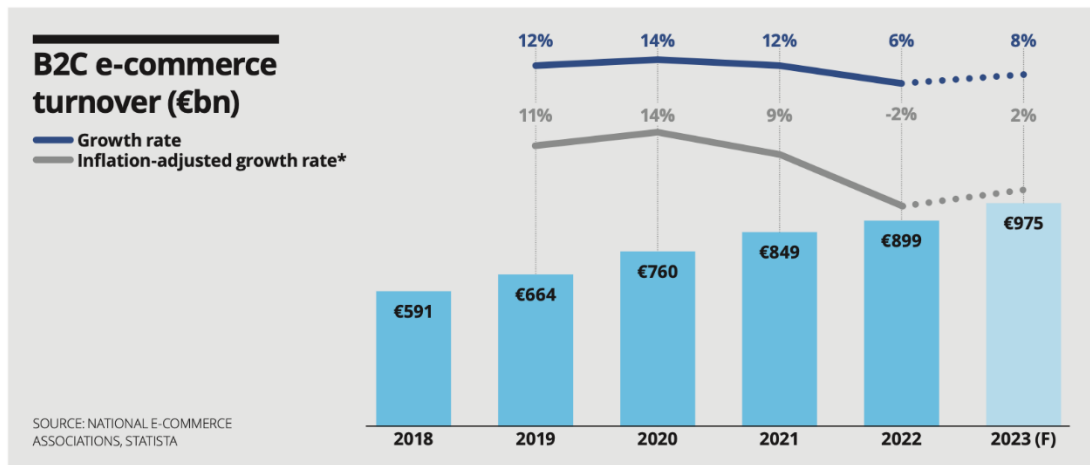
This underscores the region's increasing maturity and potential for e-commerce ventures, notably from Chinese firms eyeing expansion. The European e-commerce market has already shown significant growth, especially in the mobile commerce and cross-border e-commerce sectors.¹¹⁶ In 2016, e-commerce represented 8.1% of total retail sales across the EU-28, with a forecast to reach 11% by 2020. Although this growth is concentrated in domestic markets, the potential for cross-border e-commerce remains immense.¹¹⁷ As the European E-commerce Report 2023¹¹⁸ indicates that the e-commerce turnover in Europe soared to €760 billion in 2020, a substantial increase from the previous year, underscoring the robust growth momentum within the sector. Besides, according to the 2022 Statistical Bulletin of China's Outward Foreign Direct Investment, at the end of 2022, investors from China had established approximately 47,000 subsidiaries and affiliates spanning 190 different nations and territories worldwide, with Europe ranking third, at nearly 10.2 percent,¹¹⁹ highlighting the region's strategic importance in China's global expansion strategy.

¹¹⁶ Ding, Huo, and Kucht Campos, "The Development of Cross Border," 370-71.

¹¹⁷ Coad and Duch-Brown, "Barriers to European Cross-Border E-Commerce," 5-6.

¹¹⁸ Ecommerce Europe, "European E-Commerce Report 2023," 7.

¹¹⁹ Ministry of Commerce of the People's Republic of China, National Bureau of Statistics, and State Administration of Foreign Exchange, "2022 Statistical Bulletin," 135.



*All Inflation-adjusted growth rates throughout this report were supplied by Eurocommerce. Further explanation of the methodology can be found on page 95

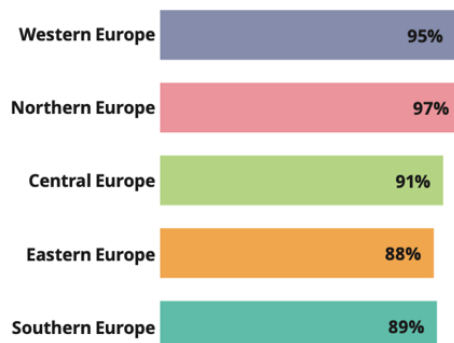
Fig. 5 B2C e-commerce turnover(€bn) in Europe

Source: National E-commerce Associations, Statista

In the realm of revenue generation, the European e-commerce market stands as the foremost global leader within its domain.¹²⁰ The market has not only grown in size but also in sophistication, with the Eastern European segment, in particular, showing exceptional growth rates, indicating untapped opportunities for market entrants.

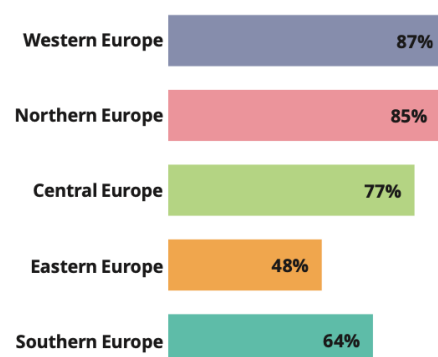
The forces driving the growth of e-commerce include a mix of factors from both the demand side and the supply side. One pivotal factor among them is the advancement of information and telecommunication technologies.¹²¹ Western Europe continues to hold a leadership position in the overall European e-commerce market, with large markets

Internet users by region, 2022



SOURCE: EUROSTAT, DATAREPORTAL

E-shoppers users by region, 2022



SOURCE: EUROSTAT, STATISTA

¹²⁰ Jędrzejczak-Gas, Barska, and Siničáková, "Level of Development," 209.

¹²¹ Jędrzejczak-Gas, Barska, and Siničáková, "Level of Development," 212.

including the UK, Germany, France, Italy, and Spain having advanced e-commerce infrastructures, and well-established e-commerce environments.

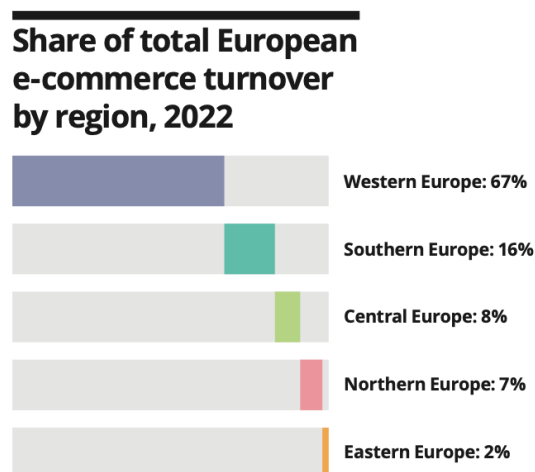


Fig. 8 Share of total European e-commerce turnover by region, 2022

Source: Eurostat, Statista

Enhanced internet connectivity speeds and proficient usage of computers and mobile devices play a role in the progression of e-commerce. Notably, the increased frequency of internet usage among consumers, with around 76% of Europeans accessing the internet on a daily basis, also plays a pivotal role in this trend.¹²² High-speed Internet penetration, secure and convenient payment systems, and robust logistics frameworks create a supportive setting for e-commerce businesses. The government recognizes the significance of the e-commerce sector and supports its growth through targeted policies and regulatory measures.¹²³ Therefore, despite significant barriers to cross-border online shopping, such as retailers not shipping to customer countries or not offering adequate cross-border payment methods, these issues have decreased compared to the past. Customers still care about delivery conditions, customer service, payment, and consumer rights.¹²⁴

¹²² Jędrzejczak-Gas, Barska, and Siničáková, “Level of Development,” 212.

¹²³ Zhang and Chen, *China's Digital Economy*, 6.

¹²⁴ Strzelecki, “Key Features,” 5.

Local competition

The European e-commerce landscape is characterised by complex competitive networks, where local nuances can heavily influence market dynamics and competitive strategies. In countries such as Germany, platforms such as Zalando have leveraged deep consumer insights and advanced logistics to become market leaders. Their success is due in part to a deep understanding of local consumer behaviour and preferences, which vary widely across Europe. The ability of these local platforms to specialise in catering to the unique preferences of their audience makes them strong competitors in their respective markets. This extensive market penetration is further solidified by robust brand loyalty, creating significant barriers for new competitors attempting to establish themselves, regardless of their origin. In addition,

The rise of global powerhouses like Amazon and eBay has added a new dimension to the competitive landscape. These platforms, supported by a strong logistical framework and technological innovation, bring an unrivalled product range to the European market. For example, Amazon sets high customer service standards with its Prime service, offering fast delivery and a wide range of products. This global reach not only raises the bar for operational excellence, but also raises the expectations of customers across Europe, driving continuous innovation from both local and new entrants.

Beyond the local market, the cross-border e-commerce sector in Europe is experiencing rapid growth. The EU's "Digital Single Market policy (DSM)" has significantly propelled the expansion of cross-border e-commerce activities,¹²⁵ and has been one of the pillars of the European economic integration process.¹²⁶ It aims to digitize the single market, emphasizing transactions promoted through the internet and how to expand the market by removing barriers faced by e-commerce.¹²⁷ The proliferation of mobile commerce plays a significant role in this growth story. Data from the Eurostat reveals that smartphone penetration in Europe has reached unprecedented levels, with over 80% of the population in major economies such as Germany, France, and the United Kingdom using

¹²⁵ Alaveras, Duch-Brown, and Bertin, "Geo-Blocking Regulation," 15.

¹²⁶ Coad and Duch-Brown, "Barriers to European Cross-Border E-Commerce," 3.

¹²⁷ Coad and Duch-Brown, "Barriers to European Cross-Border E-Commerce," 5-6.

smartphones, a crucial driver for mobile commerce. Moreover, advancements in mobile payment solutions have significantly reduced transaction friction, contributing to a more seamless consumer experience and further boosting mobile commerce growth. Data indicates that mobile commerce is set to constitute over 50% of total e-commerce sales in Europe by 2023, highlighting the shift towards mobile-first shopping experiences.

In addition, the strategic use of digital sales channels has further intensified intra-European competition. 79 per cent of companies engaged in online sales generally use their own websites for online sales, reflecting the trend towards fostering direct consumer relationships. However, the emergence of multichannel strategies (40 per cent of companies utilise two or more channels for e-commerce) highlights the complexity of interacting with European consumer segments. This approach is critical in a context where digital literacy and internet penetration rates vary widely, from high levels in Northern and Western Europe to lower levels in Eastern Europe, demonstrating the spatial diversity of market potential and challenges.^{128,129} Cross-border e-commerce has also seen a significant uptick, supported by the European Union's "Digital Single Market strategy", designed to simplify online transactions across member states. This initiative has not only simplified logistics and payment processes but also encouraged a greater volume of cross-border transactions, with the European Commission reporting a substantial percentage of online consumers making purchases from other EU countries.¹³⁰ It indicates that cross-border e-commerce has been instrumental in lowering trade costs and has contributed positively to the GDP of the European Union member countries.¹³¹

Internal development level

The development of e-commerce across Europe displays considerable variation from one

¹²⁸ Coad and Duch-Brown, "Barriers to European Cross-Border E-Commerce," 7.

¹²⁹ Sadowski et al., "A Longitudinal," 181-92.

¹³⁰ European Commission, "Proposal for a Regulation of the European Parliament and of the Council on Cooperation between National Authorities Responsible for the Enforcement of Consumer Protection Laws," May 25, 2018, <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SWD:2016:0164:FIN:EN:PDF>, accessed February 1, 2024.

¹³¹ Soava, Mehedintu, and Sterpu, "Analysis and Forecast," 5.

country to another.¹³² Some countries, such as the UK, Germany and France, have a more mature e-commerce market with a large user base and a well-developed digital infrastructure. In the UK, for example, the e-commerce market has reached hundreds of billions of pounds and continues to grow, according to statistics. Consumer acceptance of online shopping is high, e-commerce penetration is substantial, and cross-border e-commerce is well-developed. In contrast, the growth of the e-commerce market in some Eastern and Southern European countries remains relatively slow. In these countries, e-commerce penetration is low, digital infrastructure is not well developed, and consumer demand for online shopping is conservative. In terms of potential, the e-commerce markets in all European countries have varying degrees of growth potential. Regionally, Northern European businesses exhibit the highest responsiveness to barriers, while Southern European businesses display the lowest, with Eastern European businesses situated in between. Notably, the divide between Northern and Southern Europe is more pronounced compared to the distinction between Eastern and Western Europe.¹³³ In mature markets, although the growth rate may slow down, there is still room for optimizing services and improving user experience. In some countries that are lagging behind in development, the e-commerce market is expected to see opportunities for rapid growth as digital transformation advances and consumer shopping habits change. For example, Eastern European countries have great potential to improve digital infrastructure and promote cross-border e-commerce policies, which can attract more investment and enterprises to move in. As Sadowski et al (2021) found, European e-tailing has considerable regional diversity, plurality and the presence of a stable spatio-temporally stable digital divide.¹³⁴

These developments present a promising environment for Chinese e-commerce companies planning to enter or expand in the European market. With an increasingly digital-savvy consumer base, supportive policies for cross-border trade, and a thriving mobile commerce ecosystem, Europe offers a fertile ground for growth-oriented e-

¹³² Jędrzejczak-Gas, Barska, and Siničáková, "Level of Development," 216-21.

¹³³ Coad and Duch-Brown, "Barriers to European Cross-Border E-Commerce," 10.

¹³⁴ Sadowski et al., "A Longitudinal Study," 178-90.

commerce initiatives.

4.2.2 Culture and consumer behaviour

Consumption habits

In the European e-commerce landscape, the intertwining of cultural differences, economic conditions, personal trust, technological adoption, and notably, language barriers, plays a significant role in shaping consumer habits. Economic status and personal trust are found to have a significant positive effect on online shopping behaviors, suggesting that beyond the mere utility of technology, trust and economic confidence are crucial.¹³⁵ However, technological utility's lack of a significant correlation highlights the predominance of other factors.¹³⁶ Cultural disparities, particularly in language, emerge as a formidable barrier to cross-border e-commerce, suggesting the necessity for e-retailers to prioritize translations into English and other principal EU languages to mitigate translation-related costs and facilitate transactions.^{137,138} The critical role of localization, including the use of local languages, currencies, and preferred payment methods, is underscored for successful market entry, significantly affecting a company's visibility on local search engines.¹³⁹ The distinct consumer behaviors in different EU countries, driven by diverse product preferences, delivery, online payment options, and the importance of merchant reputation, further complicate the e-commerce landscape.^{140,141} Moreover, geographical distances and national borders, along with preferences for domestic products and information friction, continue to be significant factors.¹⁴² The dominance of platforms like Alibaba, Amazon,

¹³⁵ Sadowski et al., "A Longitudinal Study," 172-3.

¹³⁶ Sadowski et al., "A Longitudinal Study," 172-3.

¹³⁷ Strzelecki, "Key Features," 2.

¹³⁸ Kalinić, Ranković, and Kalinić, "Challenges in Cross-Border E-Commerce," 164-5.

¹³⁹ Kalinić, Ranković, and Kalinić, "Challenges in Cross-Border E-Commerce," 165.

¹⁴⁰ Ding, Huo, and Kucht Campos, "The Development of Cross Border," 372-3.

¹⁴¹ European Research Report, "Expectations of Online Shoppers: Today, Tomorrow and Beyond," 2023, https://worldline.com/en/home/main-navigation/resources/resources-hub/publications/expectations-of-online-shoppers-today-tomorrow-and-beyond?utm_source=3rd+Party+media+&+advertising&utm_medium=display&utm_campaign=MS+RB_RedefiningR_CAM-CH_3rd+party-ThePaypers_EMEA-United+Kingdom_Eng_2023&utm_term=Digital+Marketing, 14-6, accessed Feb 1, 2024.

¹⁴² Coad and Duch-Brown, "Barriers to European Cross-Border E-Commerce," 3.

or eBay in cross-border sales, with a notable share of imports from China, illustrates the global interconnectedness of e-commerce.¹⁴³ Despite the allure of lower prices and promotional activities, concerns over returns, dispute resolution, and producer uncertainty remain significant deterrents to cross-border shopping for many Europeans.¹⁴⁴

Payments

In navigating the European e-commerce landscape, the amalgamation of payment preferences, stringent regulatory frameworks, and evolving tax regulations significantly shapes market dynamics. European consumers predominantly utilize credit cards and PayPal, reflecting a mature financial ecosystem, with MasterCard and Visa leading over third-party payments. However, the integration of third-party systems offers competitive rates, challenging traditional credit card transactions and showcasing a shift towards diversified payment solutions.¹⁴⁵ The effectiveness of these payment methods is intertwined with factors such as personal trust, economic stability, and cultural nuances, which collectively influence online shopping behaviors. Cultural impacts on e-commerce are profound, necessitating a deeper understanding of how these variances affect consumer engagement online.¹⁴⁶

The European Union's efforts to reduce cross-border e-commerce barriers include simplifying VAT processes for online businesses, aiming for a unified digital market. This endeavor addresses challenges like navigating diverse data protection, privacy, and contract laws across member states, which have historically deterred retailers from expanding overseas. By harmonizing VAT regulations and ensuring taxes are paid in the consumer's member state, the EU is mitigating major hurdles, facilitating a smoother e-commerce experience across borders.¹⁴⁷ Furthermore, the significance of adapting to consumer needs in cross-border e-commerce is highlighted by the hypothesis

¹⁴³ Kalinić, Ranković, and Kalinić, "Challenges in Cross-Border E-Commerce," 167.

¹⁴⁴ Strzelecki, "Key Features," 4.

¹⁴⁵ Liu, Jiang, and Wu, "Research on the Development," 274-5.

¹⁴⁶ Sadowski et al., "A Longitudinal Study," 172-3.

¹⁴⁷ Kalinić, Ranković, and Kalinić, "Challenges in Cross-Border E-Commerce," 165-6.

surrounding six factors: payment, currency, national identification, delivery, security, and shopping comparison websites. These elements underscore the necessity for businesses to consider the multifaceted nature of consumer preferences and behaviors, ensuring successful engagement in Europe's complex e-commerce arena.¹⁴⁸

Logistics

In the European e-commerce environment, logistics play a crucial role, characterized by diverse methods of transportation including land, sea, and air. The synergy of international parcel delivery, express services, overseas warehousing, and third-party logistics has been significantly enhanced by the successful operation of the China-Europe Railway Express, which, as of August 2018, had launched over 10,000 trains.¹⁴⁹ This development is indicative of the competitive landscape within the logistics sector, leading to a decrease in international shipping costs and making such barriers increasingly surmountable.¹⁵⁰ E-commerce has profoundly transformed the postal and parcel market, introducing substantial changes to traditional supply chains and distribution networks.¹⁵¹ It serves as a vital technological and distribution tool, enhancing companies' competitiveness and innovation, especially in how products and services are promoted. Through the optimization of supply chains and automation of internal processes, e-commerce offers consumers new opportunities, significantly improving the shopping experience and interaction with brands.¹⁵²

Furthermore, the rise of parcel collection points across Europe represents a significant shift in delivery preferences, offering a convenient alternative to traditional home delivery methods. With more than 336,000 collection points across Europe, including 43,000 fully automated parcel lockers, France leads in usage, with approximately 14% of parcels directed to collection points in the first half of 2023, surpassing Spain and Germany. This success can be attributed to strategic investments in a nationwide network

¹⁴⁸ Jędrzejczak-Gas, Barska, and Siničáková, "Level of Development," 214-5.

¹⁴⁹ Liu, Jiang, and Wu, "Research on the Development," 278.

¹⁵⁰ Strzelecki, "Key Features," 2.

¹⁵¹ Kalinić, Ranković, and Kalinić, "Challenges in Cross-Border E-Commerce," 164.

¹⁵² Soava, Mehedintu, and Sterpu, "Analysis," 5.

of collection points, providing widespread access to customers in both metropolitan and countryside locales, thereby enhancing the competitiveness of e-commerce logistics, particularly where home delivery poses challenges.¹⁵³

In conclusion, navigating the complexities of the European e-commerce landscape necessitates addressing key challenges encompassing cultural nuances, consumer behaviors, legal frameworks, product and marketing strategies, payment methods, and logistics constraints.¹⁵⁴ The effectiveness of international e-commerce relies on surmounting logistical challenges such as prolonged transportation times, inadequate return services, and high shipping costs, which are increasingly prominent issues. Additionally, Artur's research underscores the importance of catering to diverse consumer needs through six critical factors: payment, currency, national identification, delivery, security, and shopping comparison websites, highlighting the necessity for e-commerce platforms to consider the multifaceted demands of consumers to ensure success in the dynamic and varied European e-commerce market.¹⁵⁵

4.2.3 Policy and regulatory environment

EU “Digital Single Market (DSM)”

Building on the examination of the European e-commerce scene, “the Digital Single Market (DSM)” strategy stands out as a pivotal initiative, particularly in its implications for foreign e-commerce entities, including those from China. The DSM aims to streamline cross-border e-commerce processes, incorporating strict data protection measures like the GDPR, to guarantee the unrestricted movement of people, services, and capital within the EU, regardless of nationality or residence (EU Commission 2017). This strategy is crucial for the EU Commission, underlining the necessity of minimizing regulatory compliance costs in the online sphere to support cross-border trade in goods, services, and digital media. Efforts include making parcel delivery more cost-effective

¹⁵³ Liu, Jiang, and Wu, “Research on the Development,” 278.

¹⁵⁴ Ding, Huo, and Kucht Campos, “The Development of Cross Border,” 370.

¹⁵⁵ Strzelecki, “Key Features,” 6-7.

and managing diverse VAT rates more efficiently, alongside fostering cross-border access to copyrighted media content. These elements are especially significant for non-EU e-commerce businesses seeking to penetrate the European market.

Despite these ambitious goals, the journey toward a seamless European e-commerce market faces considerable challenges, notably for foreign e-commerce platforms. Legislation aimed at rendering cross-border parcel delivery more cost-effective while setting for full implementation by 2019 underscores attempts to mitigate one of the primary barriers to e-commerce integration.¹⁵⁶ However, the nascent stage of cross-border e-commerce delivery services, largely due to high operational costs, continues to pose significant hurdles, impacting not only local but also foreign businesses attempting to navigate the European market. Thus, while strides are being made towards an integrated single market, substantial obstacles remain, underscoring the EU and European Economic Community's keen interest in navigating these challenges. The pursuit of strategic goals amidst operational and regulatory complexities highlights the ongoing effort to establish a unified digital marketplace in Europe, with particular emphasis on establishing an equitable environment for both European and international e-commerce enterprises, including those from China.^{157,158}

Regulatory barriers

Navigating the realm of European e-commerce presents a particularly intricate challenge for foreign businesses, including those from China, as they confront a labyrinth of regulatory obstacles. The European Union's regulatory framework, with its diverse tax regimes and complex payment systems to varied consumer protection laws, imposes significant hurdles for non-EU e-commerce entities aiming to enter the market. One notable example is the “Value Added Tax (VAT)” obligations for non-EU merchants, which require adherence to varying rates across member states, complicating the tax

¹⁵⁶ Kalinić, Ranković, and Kalinić, “Challenges in Cross-Border E-Commerce,” 164.

¹⁵⁷ Kalinić, Ranković, and Kalinić, “Challenges in Cross-Border E-Commerce,” 160.

¹⁵⁸ Alaveras, Duch-Brown, and Bertin, “Geo-Blocking Regulation,” 2.

settlement process for foreign companies.¹⁵⁹

The pursuit of a fully integrated Digital Single Market further amplifies these challenges due to the EU's regulatory diversity. Foreign businesses face formidable obstacles such as “the General Data Protection Regulation (GDPR)”, which establishes rigorous data protection standards that non-EU businesses must meet to operate within the EU.

Additionally, the complexity of customs regulations, exemplified by “the Import Control System 2 (ICS2)”, introduces an additional layer of logistical challenges for non-EU businesses, affecting the efficiency of cross-border sales and delivery.^{160,161} The variance in internet usage and the digital infrastructure across Europe not only affects market entry strategies but also highlights the uneven playing field foreign businesses must navigate, compared to their EU counterparts.¹⁶²

The link between efforts to engage in cross-border e-commerce and the encounter with these regulatory barriers is stark, especially for foreign enterprises. The intricacies of navigating such regulations often lead to negative impacts on online sales performance, emphasizing the need for a more harmonized regulatory environment. The requirement for foreign businesses to comply with the eCommerce Directive, for instance, underscores the complexity of aligning business operations with EU standards, presenting a significant barrier to market entry.¹⁶³ The collective impact of these regulatory barriers not only outlines the challenges faced by foreign companies in the European e-commerce landscape but also accentuates the imperative for regulatory reform. Such reforms are crucial to facilitating a more accessible and efficient market entry for international e-commerce businesses, including those from China, thereby unlocking the full potential of the digital single market.

European Geo-blocking Regulation

¹⁵⁹ Coad and Duch-Brown, “Barriers to European Cross-Border E-Commerce,” 7.

¹⁶⁰ Coad and Duch-Brown, “Barriers to European Cross-Border E-Commerce,” 8.

¹⁶¹ Strzelecki, “Key Features,” 5.

¹⁶² Sadowski et al., “A Longitudinal Study,” 180-92.

¹⁶³ Coad and Duch-Brown, “Barriers to European Cross-Border E-Commerce,” 20-30.

Building upon the regulatory challenges in the European e-commerce landscape, the EU's introduction of geo-blocking regulations marks a pivotal development, particularly impacting foreign e-commerce businesses, including those from outside the EU like China. Geo-blocking, a practice where online sellers deter consumers from other countries from accessing their web stores, has been a notable hindrance to achieving a genuine Single Market. Merchants have employed geo-location tools to pinpoint the geographic locations of visitors, thereby restricting access based on nationality or residence. In February 2018, the European Union took a decisive step by enacting legislation to prohibit such geo-blocking practices, aiming to ensure that consumers across the EU, irrespective of their nationality or residence, have equal rights to access goods and services online. This move explicitly bans limiting website access based on users' country information, addressing a significant barrier to cross-border e-commerce, especially for non-EU businesses looking to serve the European market.¹⁶⁴

The abolition of geo-blocking is pivotal in the EU's strategy to foster a Digital Single Market, removing a crucial obstacle to market integration. For foreign online retailers, this regulation opens up the European market, allowing them to compete on equal footing with EU-based companies by ensuring that their websites are accessible to consumers across all member states without discrimination. This regulatory shift not only enhances cross-border online trade but also ensures that consumers throughout the EU have access to a wider range of services and goods, free from undue geographical restrictions. Such changes underscore the EU's commitment to creating a more open and competitive online marketplace, significantly benefiting both consumers and foreign e-commerce businesses by dismantling geographical barriers in the digital space.¹⁶⁵ This regulatory evolution highlights a significant step towards an inclusive and equitable digital market, providing an equitable platform for businesses worldwide.

EU E-Commerce Policies

¹⁶⁴ Alaveras, Duch-Brown, and Bertin, "Geo-Blocking Regulation," 1-3.

¹⁶⁵ Kalinić, Ranković, and Kalinić, "Challenges in Cross-Border E-Commerce," 166.

In the European e-commerce landscape, policies and regulations from both the EU and its constituent member states establish a complex framework that affects businesses entering the market. The foundational analysis by Soava, Mehedintu, and Sterpu (2022) highlights the significant role of these policies in facilitating global market access for SMEs and large corporations alike, effectively reducing the barriers to international market entry.¹⁶⁶ This underlines the crucial impact of a supportive policy environment on e-commerce growth, setting the stage for further exploration of regulatory challenges and opportunities. In the European e-commerce landscape, policies and regulations from both the EU and its member states establish a complex framework that affects businesses entering the market.

All in all, as the discussion evolves, the complexities introduced by the diversity in member states' regulations, such as data privacy, return policies, and tariffs, come to the forefront. These challenges, notably detailed in terms of the impact of tariffs and VAT thresholds on cross-border transactions,¹⁶⁷ underscore the necessity for a harmonized approach. The EU's VAT reform for cross-border e-commerce illustrates a tangible response to these challenges, aiming to simplify tax processes and place greater responsibility on e-commerce platforms. This reform, in concert with insights on operational factors like security and payment methods as indirectly emphasized by Jędrzejczak-Gas, Barska, and Siničáková (2019), showcases the progressive efforts towards creating a more integrated and efficient European e-commerce ecosystem.¹⁶⁸ Through this logical progression, the narrative weaves a coherent picture of the intertwined relationship between policy, regulation, and the operational dynamics shaping the realm of European e-commerce.

¹⁶⁶ Soava, Mehedintu, and Sterpu, "Analysis and Forecast," 5.

¹⁶⁷ Ding, Huo, and Kucht Campos, "The Development of Cross Border," 373.

¹⁶⁸ Jędrzejczak-Gas, Barska, and Siničáková, "Level of Development," 214-5.

CHAPTER 5. Comparative Analysis: Localization Strategies of

Alibaba, JD.com, and JD.com in European E-Commerce Markets

After examining the localization strategies of Alibaba, Jingdong, and Pinduoduo, and exploring their respective case studies of their entry into the European e-commerce market from a historical perspective, a series of key questions arise as a result. These queries not only relate to whether these Chinese e-commerce giants have been able to successfully translate the business models and cultural idiosyncrasies they have deepened in their home markets into a competitive advantage in the European market, but also explore how they have balanced global consistency and local specificity when adapting to new markets. In addition, this chapter observed some interesting patterns, including similarities in the three companies' strategies in terms of supply chain innovation, technology-driven, customer experience, and price competition, as well as differences in how they have adapted their products and services to European consumer behavior and cultural traits. These patterns and queries provide me with a framework that allows me to compare and analyze in-depth the localization strategies of these companies in the European market and how they use international experience to build brand awareness and trust in this chapter. This chapter will use a comparative analytical approach to not only evaluate these strategies more broadly, but also reveal a comparison of the cross-sectional strategies adopted by the three companies in entering and expanding into the European e-commerce market, assess the effectiveness of their strategies, and discuss the significance of these strategies for their long-term success in the European as well as the global market.

5.1 In-depth analysis of localization strategy

5.1.1 Alibaba

Cross-border e-commerce pioneer

Founded in 1999 during a time of significant economic reform and a surge in internet use in China,¹⁶⁹ Alibaba Group (Chinese name: 阿里巴巴) quickly became a key player in the emerging area of cross-border e-commerce, establishing itself as the first significant Chinese company to venture into the international online retail space.

The following is a timeline of Alibaba's expansion in Europe:

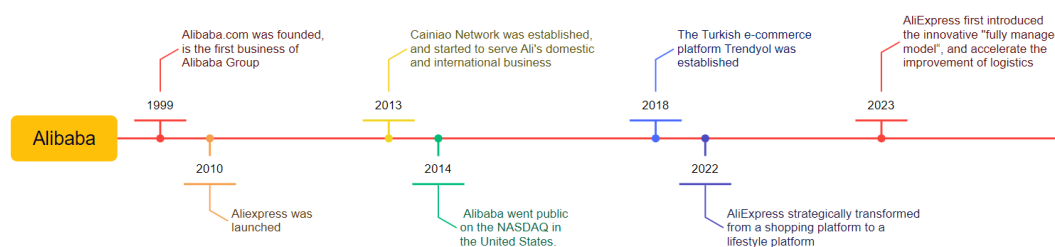


Fig. 9 The timeline of Alibaba's expansion in Europe

Source: liberated by the author

Over the past 20 years, Alibaba has been committed to its development, with the mission of "making it easy to do business anywhere. After 1998, under the rapid increase in Internet penetration and the impetus of joining the World Trade Organization (WTO) in 2001, Alibaba used these changes to advance itself and the Chinese wholesale market internationally. The creation of platforms like Taobao, Tmall, and Alipay marked the start of Alibaba's significant influence in the Chinese domestic e-commerce scenes.¹⁷⁰ Then Alibaba's move into international markets by 2016 represented a deliberate effort to expand its role in facilitating global trade, and become the world's largest retail trading

¹⁶⁹ Fernandes et al., "The Internet," 57–8.

¹⁷⁰ Jooyoung Kwak, Yue Zhang, and Jiang Yu, "Legitimacy Building and E-Commerce Platform Development in China: The Experience of Alibaba," *Technological Forecasting and Social Change* 139 (February 2019): 118–19, <https://doi.org/10.1016/j.techfore.2018.06.038>.

platform.^{171,172,173} This strategy aimed to extend the success it achieved in the domestic market to a worldwide audience. Alibaba's international expansion strategy is characterized by a "dual-track" approach, encompassing both emerging and mature markets. Initially leveraging geographical and cultural synergies, the company prioritizes entry into open, emerging markets such as Southeast Asia. Subsequently, Alibaba intensifies its penetration into mature markets like Europe, gradually deepening and comprehensively strategizing to overcome the significant barriers and competitive pressures these markets present.¹⁷⁴

A flowchart can explain the structure of the Alibaba ecosystem as follows:

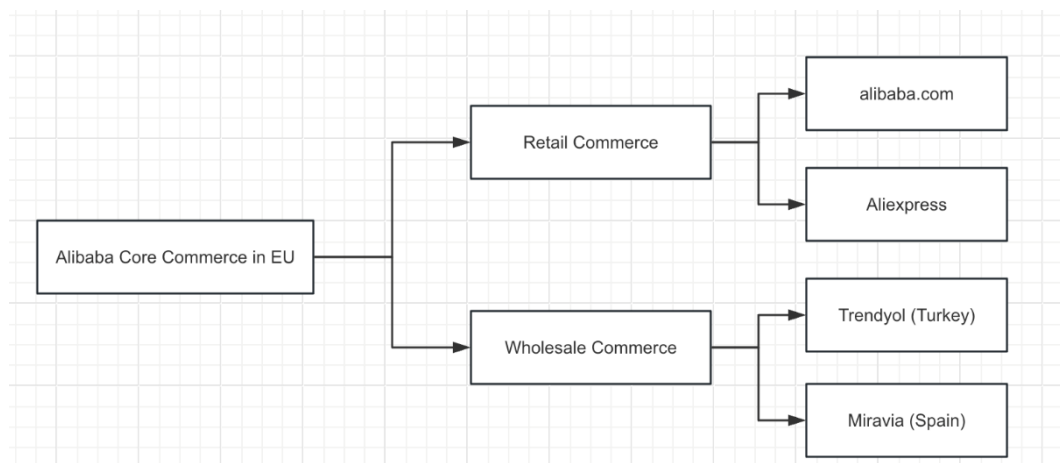


Fig. 10 The structure of the Alibaba ecosystem

Source: liberated by the author

Market adaptation: Cross-border & local model

In recent years, Alibaba Group has embarked on a strategic endeavor to adapt to and thrive within the diverse and competitive international marketplace, particularly focusing on various European countries. This initiative has been characterized by the launch and

¹⁷¹ Li and Li, "Analysis of the Internationalization Strategy," 273–4.

¹⁷² Chenye Guo and Siqi Wang, "The Differences between Alibaba's Domestic and Overseas Operations," *Highlights in Business, Economics and Management* 24 (January 22, 2024): 2254, <https://doi.org/10.54097/e32yey53>.

¹⁷³ Dania Romagnoli and Maria Emilia Garbelli, "Why Promoting Online in a Global Electronic Marketplace Is a Successful Strategy for Small and Medium Sized Enterprises: The Alibaba Group Holding Business Model," in *Country Experiences in Economic Development, Management and Entrepreneurship: Proceedings of the 17th Eurasia Business and Economics Society Conference*, vol. 5 (Springer International Publishing, 2016), 423, https://doi-org.ezproxy1.lib.gla.ac.uk/10.1007/978-3-319-46319-3_26.

¹⁷⁴ Li and Li, "Analysis of the Internationalization Strategy," 276.

acquisition of different e-commerce platforms, each tailored to meet the unique demands and preferences of specific markets.¹⁷⁵ Recognizing the importance of market adaptation, Alibaba has carefully curated its approach to ensure that each platform aligns with local consumer behaviors, regulatory environments, and logistical frameworks. Alibaba's competitive edge is derived from its distinctive and inimitable business model. The company oversees a variety of platforms including AliExpress and Alibaba.com, and has strong capabilities in payment systems, cloud computing, and advanced logistics technologies, establishing a solid commercial ecosystem.¹⁷⁶

Alibaba has the following main commercial operations in the European market:

- **Alibaba.com**, initiated as the inaugural enterprise of Alibaba Group in 1999, has evolved by 2023 into China's premier comprehensive online wholesale trading platform for international trade. It facilitates connections between Chinese and overseas suppliers and global wholesale buyers—typically trade agents, wholesalers, retailers, manufacturers, and small to medium enterprises—offering services such as procurement, online transactions, digital marketing, digital supply chain fulfillment, and financial services.
- **AliExpress**, launched in 2010, is a cross-border e-commerce platform designed for international customers, often referred to as the "international version of Taobao"¹⁷⁷ by many sellers. Over the years, AliExpress has developed into China's largest cross-border export B2C platform, enabling consumers to directly purchase products from manufacturers and distributors across China and the globe.
- **Trendyol**, established in 2010 as an online fashion retailer in Turkey, was acquired

¹⁷⁵ Marieke Havinga, Hoving Martijn, and Swagemakers Virgil, *Alibaba: A Case Study on Building an International Imperium on Information and E-Commerce, Multinational Management: A Casebook on Asia's Global Market Leaders* (Multinational Management: a Casebook on Asia's Global Market Leaders, 2016), <https://doi.org/10.1007/978-3-319-23012-2>.

¹⁷⁶ Fan, Li, and Zhang, "Comparative Study," 01028.

¹⁷⁷ Havinga, Martijn, and Virgil, *Alibaba: A Case Study*, 30.

and invested in by Alibaba Group in 2018, subsequently becoming part of the conglomerate. It stands as the largest platform in the Turkish e-commerce sector.

- **Miravia**, introduced in November 2022 as an e-commerce platform in Spain, particularly distinguishes itself in the beauty and fast fashion sectors. It is positioned as a premium platform offering mid-to-high-end products from top-tier brands.

Since AliExpress launched targeting the Russian and European markets in April 2010, Alibaba's international e-commerce expansion began. AliExpress, covering a wide range of countries, has been committed to promoting Chinese suppliers' products since Alibaba International was established in 1999. By 2012, as the majority of its users shifted to individual consumers, AliExpress transitioned from a B2B to a B2C model. Leveraging Alibaba's robust network of merchants and supply chains, AliExpress rapidly grew to over a hundred million users by simplifying the listing process. In December 2021, Alibaba established the "International Digital Commerce (AIDC)" division,¹⁷⁸ securing a significant position in the European e-commerce market and forming a retail business model that combines cross-border and localized operations, mainly through platforms like AliExpress, Trendyol, and Miravia.

At first, Alibaba's initial global expansion strategy was heavily influenced by its domestic success, underpinned by a belief that the proven e-commerce models within China's vast market could be replicated in overseas markets through a process of localization.¹⁷⁹ This approach, commonly referred to as "Copy from China," was predicated on the assumption that the core tenets of Alibaba's business model would seamlessly translate across different cultural and economic landscapes. However, this strategy overlooked the critical nuances and diversity of local markets, failing to account for the unique consumer

¹⁷⁸ Alizila Staff, "Alibaba Introduces More Agile Organizational Structure to Accelerate Domestic and International Growth," *Alizila*, December 6, 2021, <https://www.alizila.com/alibaba-introduces-more-agile-organizational-structure-to-accelerate-domestic-and-international-growth/>, accessed March 24, 2024.

¹⁷⁹ Syed Tariq Anwar, "Alibaba: Entrepreneurial Growth and Global Expansion in B2B/B2C Markets," *Journal of International Entrepreneurship* 15, no. 4 (July 1, 2017): 377, <https://doi.org/10.1007/s10843-017-0207-2>.

behaviors, regulatory environments, and competitive dynamics that characterize different regions.¹⁸⁰ The realization of these oversights prompted a strategic shift within Alibaba, led by the appointment of Jiang Fan as the International Digital Commerce Director and CEO in 2021. Under his leadership, Alibaba began to refocus its efforts on integrating its cross-border capabilities with a deeper understanding of local market dynamics, thereby embarking on a new path that sought to harmonize its global aspirations with the realities of regional differentiation.

This strategic pivot from a replication-based approach to one that emphasizes the symbiosis of cross-border operations and localized strategies exemplifies Alibaba's adaptation to the complex nature of global commerce.¹⁸¹ Through platforms like Alibaba.com, the company has managed to create a bridge between Chinese and international suppliers and global wholesale buyers, incorporating services such as customs clearance to ease the transaction process. As the ecosystem continues to expand, Alibaba has transformed into a platform provider, no longer directly offering services or participating in transactions.¹⁸² This not only reflects Alibaba's commitment to facilitating global trade but also marks a significant departure from its initial "Copy from China" strategy, moving towards a model that values local insights and operational flexibility.

Moreover, the evolution of AliExpress from a B2B platform to a comprehensive B2C marketplace catering to global consumers showcases Alibaba's shift towards a consumer-centric approach.¹⁸³ By offering services in multiple languages and facilitating secure transactions through Alipay International, AliExpress has become a testament to Alibaba's adaptability and foresight in capturing the global e-commerce market. This adaptability is further evidenced by Alibaba's strategic investments and acquisitions, such as the purchase of Trendyol, indicating a shift towards a more nuanced understanding of global markets.

¹⁸⁰ Guo and Wang, "The Differences," 2255.

¹⁸¹ Vecchi and Brennan, "Two Tales," 113.

¹⁸² Romagnoli and Garbelli, "Why Promoting Online," 430.

¹⁸³ Tariq Anwar, "Alibaba: Entrepreneurial Growth," 373–5.

In addition, Trendyol and Miravia serve as case studies in Alibaba's strategy of leveraging local strengths for global expansion. In Turkey, Alibaba doesn't view Trendyol merely as a portal to the Turkish market but as a bridge to Europe and the Middle East, capitalizing on Turkey's manufacturing prowess. Similarly, Miravia's launch in Spain, with its focus on selling local and international brands, reflects Alibaba's recognition of the importance of catering to local consumer preferences and the purchasing power of specific demographic segments. In contrast to the mixed quality of AliExpress's offline stores, Miravia primarily targets mid-to-high-end consumers, potentially complementing AliExpress and enhancing its own cross-border platform ecosystem abroad.

Therefore, Alibaba's strategic transition to a model that harmonises cross-border e-commerce with the complexities of the local marketplace has necessitated the need for clear roles within its operational framework. It can also be seen from the 2023 financial reports¹⁸⁴ that each business - be it Alibaba.com, AliExpress, Trendyol, or Miravia - has been carefully positioned to capitalise on specific aspects of the cross-border plus local paradigm. This integrated approach not only addresses the logistical and regulatory challenges inherent in global commerce, but also meets the expectations of consumers in different markets. In essence, Alibaba's cross-border business development reflects a thoughtful and strategic response to the challenges and opportunities of e-commerce in Europe. By combining cross-border capabilities with local market insights, Alibaba has created a business model, the Cross-border + local model, that not only addresses the complexities of international trade, but also fosters a more connected and efficient global marketplace. This integrated cross-border plus local model, led by strategic leadership and innovative business practices, highlights Alibaba's role as a pioneer in redefining the international business landscape.

¹⁸⁴ Alibaba Group Holding Limited, "Alibaba Group," 16-7.

Enhancing the Merchant and Consumer Experience

Alibaba's strategic focus on enhancing merchant and consumer experiences in Europe highlights its commitment to localization, aiming to tailor its e-commerce platforms to meet the specific needs and preferences of local markets. This localization effort draws significantly from China's manufacturing excellence, particularly the efficient industrial clusters in the Pearl River Delta and Yangtze River Delta, which have been pivotal in propelling AliExpress to global prominence. These regions, known for their specialization in electronics, furniture, and textiles, provide merchants on AliExpress with a competitive edge in cost and efficiency.

However, navigating the complexities of cross-border e-commerce, from adhering to local regulations to meeting consumer expectations, has introduced significant operational challenges for merchants, especially those inexperienced with store management, product selection, and taxation. Additionally, AliExpress's supply-side services were previously fragmented, with numerous overseas operational channels and a cumbersome product publishing process. To address these issues, Alibaba established a merchant center to integrate supply chain elements, simplifying the product listing process to a single step. This initiative has drastically eased the management of sales on the platform for merchants.

To further reduce operational difficulties for merchants and enhance their efficiency, AliExpress introduced a *fully-managed-service* (Chinese: 全托管) in early 2023, accompanied by 100 merchant recruitment events nationwide.¹⁸⁵ Under this model, merchants only need to provide and stock their products, with the platform handling all aspects of cross-border operations, store management, warehousing, and distribution. This service model not only alleviates operational pressure on merchants but also enables a deeper integration of their manufacturing capabilities with the platform's digital

¹⁸⁵ Shi Feng, "AliExpress Holds 2023 Merchant Summit in Shenzhen, Officially Launches Full-Managed Services - E-commerce News." *Www.dsb.cn*, April 21, 2023, <https://www.dsb.cn/215372.html>, accessed March 4, 2024.

capabilities, providing a more seamless and efficient e-commerce operation experience. This service encapsulates a form of localized innovation by offering end-to-end management of online stores for brands, encompassing everything from logistics to customer service. This model alleviates the burden on sellers, enabling them to focus on product development and brand building, while Alibaba manages the complexities of online retail. This approach is not just an enhancement of the e-commerce model; it's a reimagining of how global platforms can offer localized solutions that cater to specific market needs, thereby fostering a closer integration of cross-border and local commerce.

For consumer experience optimization, Alibaba continued to improve its logistical infrastructure in 2023. This included the development of preferred warehouses in collaboration with Cainiao Network domestically and the addition of overseas warehouses,¹⁸⁶ particularly in markets like Europe and Korea,¹⁸⁷ significantly reducing delivery times to 3-7 days. These initiatives have not only greatly enhanced the shopping experience for consumers but also strengthened Alibaba's competitiveness in the EU e-commerce field.

Through these innovative and optimized measures, Alibaba's localization strategy in the European market has deepened, particularly in enhancing the experiences of merchants and consumers, achieving remarkable success. This success is a crucial part of localization, reflected in initiatives like Miravia and Trendyol. Miravia, for instance, targets the Spanish market by offering products from local and international brands, catering to consumers' preferences and enhancing their shopping experience. Similarly, Trendyol leverages Turkey's manufacturing strengths to offer a wide range of products to European consumers. This strategic alignment not only amplifies Alibaba's global presence but also reinforces its commitment to delivering tailored e-commerce experiences.

¹⁸⁶ Fan Feifei. "Alibaba Logistics Arm to Enlarge Global Footprint," *Investinchina.chinadaily.com.cn*, July 24, 2023, <https://investinchina.chinadaily.com.cn/s/202307/24/WS64be33fd498ea274927c6237/alibaba-logistics-arm-to-enlarge-global-footprint.html>, accessed Feb 1, 2024.

¹⁸⁷ Kwak, Zhang, and Yu, "Legitimacy Building," 121–2.

Supply Chain Innovation

In the landscape of Alibaba's venture into the European e-commerce market, the pivotal role of supply chain innovation, spearheaded by the strategic operational synergy with Cainiao Network, merits a closer examination from a research perspective.¹⁸⁸ This approach is not merely a commercial strategy but a cornerstone of Alibaba's localization efforts in Europe, highlighting the significance of logistic efficiencies in establishing a successful market presence. The inception of Cainiao Network in 2013, through a collaborative effort among various courier companies with Alibaba as the major stakeholder, marks a significant milestone in Alibaba's strategy to enhance its logistic capabilities. Since the end of 2021, Alibaba has made rapid inroads into refined operations in Europe, a success that is closely tied to the sustained investments by its logistics arm, Cainiao, in global logistics and warehousing infrastructure. By aggregating orders to optimize delivery routes, Cainiao aimed to address the logistical challenges inherent in cross-border e-commerce,¹⁸⁹ a sector where logistics costs significantly impact the overall cost structure.

Comparatively, Cainiao's model diverges from competitors like JD.com, which opts for an in-house logistics approach. Cainiao's partnership-based strategy underscores a critical aspect of Alibaba's global expansion – leveraging external efficiencies rather than direct ownership. This distinction is crucial in understanding Alibaba's approach to supply chain innovation, especially in the European market, where the logistical landscape is characterized by its complexity and diversity. As of June 2023, Cainiao's logistics network extends to over 200 countries and regions globally, featuring two key integrated e-commerce logistics hubs and 18 overseas distribution centers. The network operates approximately 170 chartered flights and boards weekly, and more than 2700 truck routes are heavily utilized worldwide. This substantial investment in the distribution network has directly contributed to rapid market growth. In 2022, 1.5 billion cross-border e-

¹⁸⁸ Li and Li, "Analysis of the Internationalization Strategy," 280.

¹⁸⁹ Falcone, Kent, and Fugate, "Supply Chain Technologies," 345.

commerce packages were delivered to 133 million overseas consumers through this logistics network, a significant portion of which were customers outside the Alibaba e-commerce ecosystem.¹⁹⁰ The vast market scale has provided Cainiao International Express with further opportunities to optimize costs and efficiency. For instance, in trunk transportation, Cainiao can leverage its volume to sign cooperative agreements with airlines, securing fixed cargo space and stable prices, thereby avoiding severe price fluctuations. In local distribution, Cainiao also benefits from stable and substantial shipment volumes to obtain discounted rates, reducing the delivery costs of the last mile.

The strategic importance of logistics in Alibaba's global expansion cannot be understated, particularly with the operational challenges posed by cross-border e-commerce. It has established multiple automated warehouses, known as global distribution centers, in at least seven countries, with each center directly connected to the local national postal services,¹⁹¹ with each center directly connected to the local national postal services. These centers are not just logistical hubs but strategic assets that enhance Alibaba's capacity to serve the European market more effectively. Cainiao's evolution from an Alibaba-focused logistics provider to an autonomous entity illustrates a strategic shift towards a more integrated e-commerce and logistics model. By developing a comprehensive network of multimodal transportation solutions, Cainiao is not just serving Alibaba's platforms but is becoming a key player in the global logistics landscape.

This strategic evolution of Cainiao, in tandem with Alibaba's broader supply chain innovation efforts, represents a nuanced approach to tackling the challenges of e-commerce localization in Europe. Through a detailed examination of Cainiao's role and strategies, it becomes evident that Alibaba's success in the European e-commerce market is intricately tied to its ability to innovate and optimize its supply chain.

¹⁹⁰ Alibaba, "Alibaba Group - Fiscal Year 2022 Annual Report," *Static.alibabagroup.com* (Alibaba Group Ltd., 2023), <https://static.alibabagroup.com/reports/fy2022/ar/ebook/en/16/index.html>, accessed May 4, 2024.

¹⁹¹ Falcone, Kent, and Fugate, "Supply Chain Technologies," 335.

5.1.2 JD.com

Background of JD.com

Founded in 1998, JD.com (Chinese name: 京东) initially established itself as a direct seller focused on high-quality, authentic electronics like smartphones and cameras. This dedication to quality helped the company carve out a niche in the competitive Chinese market. Unlike Alibaba, which developed intermediary services such as Alipay, JD.com's model was built on a direct-to-consumer approach without third-party sellers, emphasizing a reliable delivery system and exceptional service. This strategy not only fostered trust among consumers but also set the foundation for JD's evolution into a broader ecosystem. Today, JD.com isn't just an e-commerce company; it operates a comprehensive network of businesses including JD Logistics, JD Real Estate, JD Technology, and JD Health, resembling the expansive ecosystems of Alibaba and Ant Group.¹⁹²

The timeline of JD.com 's development in European market is shown below:

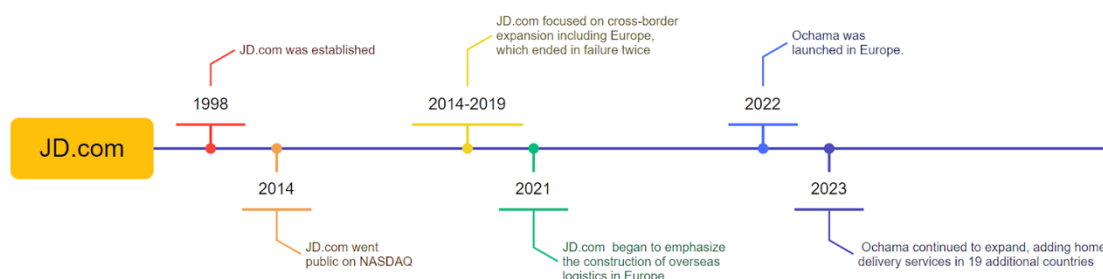


Fig. 11 The timeline of JD.com 's development in European market

Source: liberated by the author

As JD.com looked beyond China, it identified three strategic pillars for its international expansion:

- Establishing new retail models in Southeast Asia
- Launching the Ochama brand in Europe

¹⁹² JD.com, "Our Business," Jd.com, 2017, <https://corporate.jd.com/ourBusiness>, accessed February 14, 2024.

- Exporting sophisticated supply chain solutions globally

Initiatives such as JD Russia and the cross-border e-commerce platform JOYBUY, offered in both English and Spanish, marked JD's early attempts to diversify its geographic footprint. However, these ventures did not meet expected growth targets, and JD faced significant challenges in gaining market share abroad. This was reflected starkly in the financial performance of JD Central, which reported a staggering \$1 billion loss from 2017 to 2021 for its expansion in the Southeast Asian market,¹⁹³ underscoring the need for a strategic reassessment.

This period of financial hemorrhage forced JD to reconsider its global strategy. Even in the recent 2023 fiscal year earnings conference call, it was reiterated that JD.com is currently taking cautious measures regarding overseas opportunities.¹⁹⁴ The company's response was to gradually reduce its presence in less profitable markets, this is also reflected in the risk of losses brought by the new business division, which houses overseas e-commerce, as reported in JD.com's 2022 financial statements.¹⁹⁵ This strategic pivot was evidenced by the closure of JD Indonesia and JD Thailand in early 2023, followed by the withdrawal from the Southeast Asian markets through the shuttering of JOYBUY's English and Russian sites.¹⁹⁶ These decisions were not merely retreats but rather calculated moves to minimize losses and reallocate resources more effectively. By concentrating efforts on building robust cross-border supply chain infrastructures, JD aimed to enhance its operational efficiencies and reduce the financial drain from its international ventures.

¹⁹³ Ben Jiang, "Chinese E-Commerce Giant JD.com Plans to Pull Back from Indonesia, Thailand," *South China Morning Post*, November 29, 2022, <https://www.scmp.com/tech/big-tech/article/3201423/chinese-e-commerce-giant-jdcom-eyes-retreat-southeast-asian-markets-indonesia-thailand-sharpen-focus>, accessed February 14, 2024.

¹⁹⁴ Vivian Yang, "JD.com's Strategic Advancements in International Business: A Focus on Supply Chain and User Experience," *JD Corporate Blog* (blog), March 8, 2024, <https://jdcorporateblog.com/jd-coms-strategic-advancements-in-international-business-a-focus-on-supply-chain-and-user-experience/>, accessed May 10, 2024.

¹⁹⁵ JD.com, Inc., "JD.com 2022 Annual Report," 22.

¹⁹⁶ Stefano Sulaiman and Sophie Yu, "China's JD.com to Shut E-Commerce Sites in Indonesia, Thailand," *Reuters*, January 30, 2023, sec. Technology, <https://www.reuters.com/technology/indonesian-unit-jdcom-discontinue-all-services-end-march-jdid-website-2023-01-30/>, accessed February 20, 2024.

Later, the focus shifted towards Europe with the introduction of Ochama,¹⁹⁷ signaling a renewed commitment to this potentially lucrative market. This strategic recalibration suggests that JD.com is refining its approach to international expansion, prioritizing regions and models where it can leverage its core competencies in supply chain management and technology-driven retail solutions.

JD.com's Ochama Strategy in Europe

JD.com's strategic decision to expand its Ochama brand into Europe was largely motivated by the continent's significant market potential, which became particularly attractive in the wake of the COVID-19 pandemic.¹⁹⁸ The pandemic not only reshaped consumer behaviors worldwide but also accelerated the shift towards digital shopping platforms. A report from EcommerceDB highlighted this trend, predicting a steady growth in European e-commerce in 2024, with the market expected to exceed \$750 billion by 2027.¹⁹⁹ Seeing these figures, JD.com aimed to transplant its successful omnichannel model, encapsulated in the new retail brand "Ochama" (meaning "omnichannel amazing"), to capture this burgeoning market.

Initially planned for November 2021, the launch of Ochama was postponed to January 2022. The brand made a significant entry by opening four automated pick-up stores in the Netherlands, which featured advanced robotics for sorting and delivery,²⁰⁰ symbolizing a high-tech retail revolution. These stores, combined with an online platform where customers could order and schedule pickups en route home, were JD.com's first step in

¹⁹⁷ Kevin Rozario, "JD.com Picks Netherlands as Testbed for Omnichannel Foray into Europe," *Forbes*, January 13, 2022, <https://www.forbes.com/sites/kevinrozario/2022/01/13/jdcom-picks-netherlands-as-testbed-for-omnichannel-foray-into-europe/?sh=73382e6b2dc2>, accessed March 4, 2024.

¹⁹⁸ Kelly Dawson, "In-Depth Report: Cross-Border Ecommerce Rises on JD amid Pandemic," JD Corporate Blog, February 8, 2021, <https://jdcorporateblog.com/in-depth-report-cross-border-ecommerce-rises-on-jd-amid-pandemic/>, accessed May 2, 2024.

¹⁹⁹ ECDB, "ECommerce Market in Europe 2024: On Its Way to 1 Trillion Dollars," *Ecommercedb.com* (blog), May 2, 2024, <https://ecommercedb.com/insights/european-ecommerce-market-worth-us-1-1-trillion-by-2026/3982>, accessed February 6, 2024.

²⁰⁰ Vivian Yang, "JD.com Launches Robotic Shops 'Ochama' in the Netherlands," *JD Corporate Blog* (blog), January 10, 2022, <https://jdcorporateblog.com/jd-com-launches-robotic-shops-ochama-in-the-netherlands/>, accessed May 10, 2024.

integrating their logistical prowess with European consumer needs. From its inception, Ochama expanded rapidly. Ochama first started by taking advantage of Chinese expatriates and Chinese tourists by offering some of the Asian food and groceries they needed. The goal is to gradually expand to all European consumers as well as to sell local groceries. by mid-2022, it operated over 500 pick-up points across the Netherlands, Germany, and Belgium, offering a full range of products from food to electronics and beauty products, with plans announced to extend home delivery services to 19 more countries.²⁰¹

Understanding the critical role of logistics in e-commerce success, JD.com invested heavily in European supply chain infrastructure. This included a €90 million acquisition of a large warehouse in Utrecht, the Netherlands, which serves as a central logistics hub due to its strategic location. Furthermore, JD.com planned another significant investment through its subsidiary, JD Property, aiming to purchase an additional logistics center for €54 million. These steps were part of a broader strategy to perfect warehouse operations and explore last-mile delivery solutions in a market dominated by local postal and courier services. Given these challenges, JD.com has not fully transitioned to a self-operating model in Europe but instead has formed partnerships with local firms to integrate its supply chain services more effectively.²⁰²

Despite the robust infrastructure and advanced technological integration, Ochama faced challenges in meeting local consumer expectations. The pick-up store model, successful in China, did not gain the anticipated popularity in the Netherlands.²⁰³ This prompted a strategic shift less than six months into operation, from focusing on self-operated pick-up

²⁰¹ Yuchuan Wang, "Ochama Accelerates Expansion: Delivery Services Now Available in 19 Additional Countries," *JD Corporate Blog* (blog), October 11, 2023, <https://jdcorporateblog.com/ochama-accelerates-expansion-delivery-services-now-available-in-19-additional-countries/>, accessed May 4, 2024.

²⁰² April Chai, "JD.com and UK's Parcel Delivery Company Evri Announce Partnership to Empower Growth of European Brands in China," *JD Corporate Blog*, January 24, 2024, <https://jdcorporateblog.com/jd-com-and-uks-parcel-delivery-company-evri-announce-partnership-to-empower-growth-of-european-brands-in-china/>, accessed May 10, 2024.

²⁰³ Rebecca Sentance, "Is JD.com's Ochama Bringing New Retail to Europe?," *Econsultancy*, January 25, 2022, <https://econsultancy.com/is-jd-coms-ochama-bringing-new-retail-to-europe/>, accessed March 4, 2024.

stores to adopting a community group buying model. This new approach leveraged third-party locations for order collection, significantly reducing the logistical costs associated with last-mile deliveries. However, this pivot also highlighted a critical issue: the difficulty in adapting JD.com's model to European consumer preferences, which remained centered on traditional e-commerce deliveries rather than pick-up models.

The reevaluation of Ochama's strategy reflects broader challenges JD.com faces internationally, particularly its struggle to replicate its domestic success abroad amidst fierce competition from giants like Alibaba and emerging players like Temu. 2023 Financial reports reveal that JD.com's new ventures, including its overseas operations, have been major contributors to its overall losses.²⁰⁴ In response, JD.com scaled down its less successful initiatives in October 2022, including some European and Southeast Asian operations, to refocus on markets where it can play to its strengths in logistics and quality assurance. As JD.com continues to adjust its strategy in Europe, it must navigate a complex competitive landscape, focusing on low-income and price-sensitive consumers to carve out a niche in the highly contested market.

Logistics Innovation

In 2020, JD.com's founder, Liu Qiangdong, articulated a bold vision: "To become an international enterprise and recreate JD.com overseas." This strategic declaration signaled a shift from the company's initial engagements in cross-border e-commerce, which had not met expectations, to a more focused investment in logistics and supply chain infrastructure. This shift was not merely a change in direction but a foundational strategy to leverage JD.com's core strengths in supply chain management as a lever for global expansion, emphasizing the strategic pivot necessary for international success. This corresponds to Chen's assertion that JD.com's core competitive advantage is derived from its irreplicable warehousing and distribution model that ensures exceptionally

²⁰⁴ JD.com, "JD.com Announces Fourth Quarter and Full Year 2023 Results, Annual Dividend and Share Repurchase Program | JD.Com, Inc.," *JD.Com, Inc.*, 2023, <https://ir.jd.com/news-releases/news-release-details/jdcom-announces-fourth-quarter-and-full-year-2023-results-annual>, accessed February 4, 2024.

reliable service quality.²⁰⁵

Building on this strategic realignment, JD.com recognized its unique position in the logistics sector, where it faced minimal direct competition and could act as a pioneer, in particular, realizes the enormous benefits that smart technology logistics can bring to a company's operations.²⁰⁶ Substantial investments were then directed toward expanding JD.com's logistics footprint, establishing state-of-the-art warehouses in Germany, the Netherlands, France, the UK, and Spain.²⁰⁷ This was more than an expansion; it was a transformation aimed at laying a robust logistical foundation that would support JD.com's growth and enhance its digital and operational capabilities on a global scale.

With the infrastructure in place, 2021 marked a year of vigorous expansion for JD.com's logistical operations. The company launched direct cargo flights from China to London and entered strategic partnerships to extend its logistics network.²⁰⁸ These initiatives were integral components of JD.com's strategy to create a dense and efficient global logistics network, which would provide the backbone for both its cross-border and local operations within Europe and the Middle East. These efforts reflect JD.com's commitment to integrating its operations deeply into the global trade fabric, utilizing advanced automation to increase efficiency.

This aggressive global expansion is underpinned by JD.com's dual goals: enhancing customer experience and optimizing supply chains efficiency.²⁰⁹ By offering authentic products at competitive prices and investing in high-tech logistics infrastructures, JD.com seeks to streamline its fulfillment services, thus boosting customer loyalty and

²⁰⁵ Yunlin Chen, "Analysis of the Development Trend of E-Commerce Based on Network Intelligence Technology: The Case of Jing Dong (JD)," in *Proceedings of the 2022 2nd International Conference on Public Management and Intelligent Society (PMIS 2022)* (Atlantis Press, 2022), 564, https://doi.org/10.2991/978-94-6463-016-9_58.

²⁰⁶ Zilin Huo and Jiyuan Du, "Analysis of E-Commerce Business Strategy - Take JD.com, Inc. As the Case," *Asian Business Research* 7, no. 1 (January 26, 2022): 43, <https://doi.org/10.20849/abr.v7i1.989>.

²⁰⁷ Vivian Yang, "Four Ways JD.com Is Bringing Supply Chain Excellence to Europe," JD Corporate Blog, September 9, 2023, <https://jdcorporateblog.com/four-ways-jd-com-is-bringing-supply-chain-excellence-to-europe/>, accessed May 10, 2024.

²⁰⁸ Yuchuan Wang, "JD Launches China-UK All-Cargo Charter Flight," JD Corporate Blog, September 9, 2021, <https://jdcorporateblog.com/jd-launches-china-uk-all-cargo-charter-flight/>, accessed May 4, 2024.

²⁰⁹ Yang, "JD.com's Strategic Advancements."

satisfaction. The focus on delivering genuine products swiftly and reliably has become a hallmark of JD.com's service, distinguishing it notably among Chinese consumers and positioning it strongly in competitive markets. Overall, this strategic pivot from focusing primarily on e-commerce to emphasizing logistics and supply chain management exemplifies JD.com's adaptive strategies in the face of evolving global market conditions. By aligning its business model with logistical expansion, JD.com is crafting a resilient platform that is well-positioned to capitalize on global market opportunities.

5.1.3 Pingduoduo

Fastest Latecomer

Pinduoduo (Chinese: 拼多多), established in 2015, is a prominent e-commerce company that has significantly impacted the market by targeting an often-overlooked segment of Chinese consumers—those from lower-tier cities²¹⁰ who are sensitive to prices²¹¹ but eager to engage in e-commerce. These consumers lacked a suitable platform that could meet their demand until Pinduoduo introduced the revolutionary concept of "Pinduoduo" or the concept of social group buying.^{212,213} This disruptive innovation model²¹⁴ allows Pinduoduo users to share links of listed products on social platforms, enabling them to buy in bulk at lower, wholesale-like prices.

²¹⁰ Honghua Chen et al., "Looking for Meaningful Disruptive Innovation: Counterattack from Pinduoduo," *Asian Journal of Technology Innovation* 30, no. 1 (2022): 33, <https://doi.org.ezproxy1.lib.gla.ac.uk/10.1080/19761597.2020.1820352>.

²¹¹ Chen et al., "Looking for Meaningful Disruptive Innovation," 24–5.

²¹² Wu Zhao, AnQi Wang, and Yun Chen, "How to Maintain the Sustainable Development of a Business Platform: A Case Study of Pinduoduo Social Commerce Platform in China," *Sustainability* 11, no. 22 (November 12, 2019): 6337, <https://doi.org/10.3390/su11226337>.

²¹³ Wang, "The Analysis," 2949.

²¹⁴ Chen et al., "Looking for Meaningful Disruptive Innovation," 31–2.

The timeline of Pinduoduo's European market development is shown below:

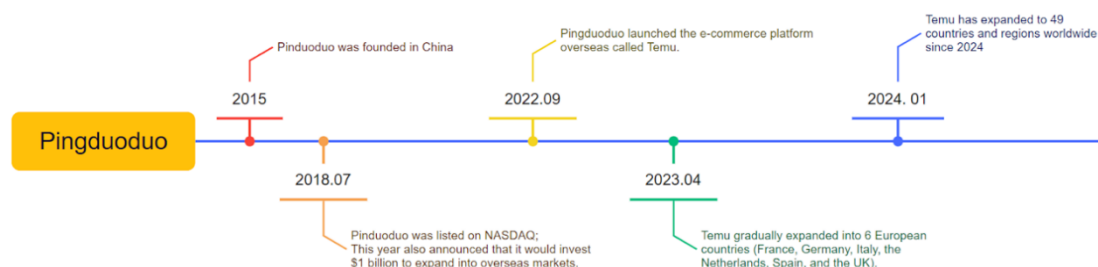


Fig. 12 The timeline of Pinduoduo's European market development

Source: liberated by the author

It can be argued that the success of Pinduoduo is attributable to the exploitation of internet traffic dividends within the broader framework of the mobile internet era and the deepening reach of internet services into less saturated markets.²¹⁵ In the e-commerce industry, Taobao reached its initial public offering within five years, whereas JD required ten years. In contrast, Pinduoduo achieved a rapid ascent, launching its IPO on NASDAQ in just three years and swiftly increasing revenue. By the end of 2018, Pinduoduo had ascended to become the third-largest e-commerce entity in China, succeeding Alibaba and JD. As identified by Chen et al., Pinduoduo's innovative business model was pivotal in allowing it to emerge as a latecomer in niche markets and successfully transition to mainstream market leadership.²¹⁶ As of 2023, Pinduoduo's market capitalization has exceeded that of its much older competitor, Alibaba.²¹⁷ In just three years, Pinduoduo has disrupted the long-standing duopoly in the Chinese e-commerce industry and has attracted widespread attention due to its rapid growth rate.²¹⁸

Central to Pinduoduo's strategy is the concept which aggregates consumer demands that can be matched with manufacturers' mass production capabilities. This direct-from-

²¹⁵ Yufeng Ma, "Exploring Pinduoduo: Unveiling the Dynamics and Innovation in China's E-Commerce Industry," in *Highlights in Business, Economics and Management*, vol. 24, 2024, 2556, <https://doi.org/10.54097/sm597h14>.

²¹⁶ Chen et al., "Looking for Meaningful Disruptive Innovation," 38-9.

²¹⁷ Laura He and Michelle Toh, "'Pay Any Price.' Alibaba's Jack Ma Urges Reform as Rival Rattles E-Commerce Giant," *CNN*, November 30, 2023, <https://edition.cnn.com/2023/11/30/tech/pdd-earnings-jack-ma-alibaba-reaction-intl-hnk/index.html>, accessed March 1, 2024.

²¹⁸ Li, Tsai, and Thuy Tran, "A Case Study," 337.

manufacturer approach bypasses multiple layers of distribution intermediaries, providing two significant financial benefits: consumers enjoy lower prices on goods, and manufacturers expand their customer base, potentially at better prices than those offered by more powerful middleman agencies.

In January 2022, Pinduoduo began exploring international expansion as a new growth strategy, formally launching its cross-border project in May 2022. As its first step into Europe, Pinduoduo introduced its overseas platform, Temu, which officially launched in the UK on March 25, 2022. Concurrently, Pinduoduo initiated the "2022 Pinduoduo Global Expansion Support Plan,"²¹⁹ aimed at providing comprehensive service solutions to manufacturers looking to expand abroad. Like its domestic strategy, Temu eliminates middlemen, proposing a direct business route from manufacturers to consumers. Since its debut, Temu has risen rapidly in the e-commerce sector through aggressive advertising and consumer engagement strategies, including offering free products for app promotion. This business model, prohibiting direct sales, ensures faster delivery times and authentic product listings.

However, the journey of Temu reflects the blend of promising growth and inherent challenges in the Western e-commerce landscape. While industry giants such as Alibaba and JD.com have significantly shaped the e-commerce landscapes in Europe, their focus has traditionally been on the affluent urban consumers, often overlooking the lower-income segments and smaller cities.^{220,221} Therefore, Pinduoduo's strategic recognition of and adaptation to these overlooked demographics—similar to its domestic approach—has been pivotal, which has successfully capitalized on two major factors: (1) recognizing a business opportunity in a largely ignored demographic of lower-tier city residents, and (2) effectively leveraging its first-mover advantage by understanding the needs of China's low-income consumers. Thus, Pinduoduo's approach not only

²¹⁹ TechNode Feed, "Pinduoduo Launches 2022 Overseas Expansion Project · TechNode," *TechNode*, September 20, 2022, <https://technode.com/2022/09/20/pinduoduo-launches-2022-overseas-expansion-project/>, accessed Feb 10, 2024.

²²⁰ Chen et al., "Looking for Meaningful Disruptive Innovation," 33.

²²¹ Li, Tsai, and Thuy Tran, "A Case Study," 338.

challenges traditional retail models but also aligns with broader economic trends of increasing consumer demand for affordability and efficiency, and then managed to replicate its domestic success on an international stage, demonstrating the effectiveness of its business model and the potential for scalable, sustainable expansion.

Price competition

Temu, the international branch of Pinduoduo, strategically encapsulates its approach with the slogan "Team Up, Price Down." This mantra highlights a commitment to collective buying that reduces costs for consumers, a core principle that mirrors Pinduoduo's successful model in China. Pinduoduo adopts a direct procurement model with manufacturers, allowing them to sell products directly on the platform, thereby eliminating intermediaries and reducing the cost of goods.²²² This model not only compresses prices, enabling consumers to purchase their needed goods at lower costs, but also encourages more manufacturers to open stores on the platform, further eliminating third-party price differences. Additionally, Pinduoduo's group buying model requires consumers to purchase collectively before a sale can be completed, which not only increases sales efficiency but also enhances the shopping experience by offering lower prices through group participation. On Temu's platform, this strategy is vividly manifested through marketing campaigns that feature aggressive discounts, such as "90% off," "free delivery," and "90-day unconditional returns." The inclusion of extremely low-priced items such as \$2 slippers and \$8 men's watches is not merely a tactic to attract attention but a fundamental aspect of their business model designed to drive significant user traffic and engagement.

While the low-price strategy has proven effective in attracting a volume of traffic and fostering initial engagement, the European market presents unique challenges. As discovered by Oliva Sterman and Giese in their study on the "Grow Big Fast" (GBF) strategy model in e-commerce, the low-price strategy initially attracts users and capital

²²² Ma, "Exploring Pinduoduo," 2557.

quickly through low prices and large-scale market promotion, seemingly enabling rapid market capture. However, this approach also reveals the inherent fragility of such strategies in the face of future market dynamics, customer behaviors, and capital movements.²²³ Unlike the Chinese market, where Pinduoduo has thrived by serving price-sensitive consumers from lower-tier cities, European consumers traditionally exhibit a preference for specialized, vertical e-commerce platforms. This divergence in consumer behavior suggests that while aggressive pricing can draw attention, it may not engender the same level of loyalty and repeat business in Europe. Additionally, historical trends indicate that online consumers are often skeptical of low-cost goods, associating them with inferior quality.²²⁴ However, the changing economic conditions, characterized by post-pandemic recovery, ongoing geopolitical tensions, and rising inflation, have begun to alter consumer priorities, potentially making Temu's value proposition more appealing.

The underpinnings of Temu's pricing strategy are closely tied to its supply chain innovations, which mirror the 'full custody' model used by platforms like AliExpress. This model allows Temu to source products directly from the factories that produce items for globally recognized brands, thereby bypassing middlemen and reducing costs significantly. This direct-from-factory approach is not just about cost savings but also enhances supply chain responsiveness to market demands. The adoption of the Consumer-to-Manufacturer (C2M) model further facilitates this process, allowing manufacturers to tailor their production based on real-time consumer data provided by Temu, thus aligning product offerings more closely with consumer expectations.

Furthermore, Temu replicates Pinduoduo's use of gamification and sophisticated user acquisition strategies. These tactics are adapted to the European context, where Temu

²²³ Rogelio Oliva, John D. Sterman, and Martin Giese, "Limits to Growth in the New Economy: Exploring the 'Get Big Fast' Strategy in E-Commerce," *System Dynamics Review* 19, no. 2 (2003): 83–117, <https://doi.org/10.1002/sdr.271>.

²²⁴ Sung-joon Yoon and Yue-Long Tan, "What Makes People Revisit E-Commerce Platform? A Case Study on Pinduoduo Platform in China," *International Journal of Electronic Commerce Studies* 13, no. 4 (December 26, 2022): 61–80, <https://doi.org/10.7903/ijecs.2090>.

leverages its technological agility to implement advanced data analytics and artificial intelligence seamlessly.²²⁵ This capability not only supports effective pricing strategies but also enables personalized marketing and enhanced customer engagement. The strategic use of social media platforms, which are less saturated in Europe compared to other marketing channels, provides Temu with an avenue to engage new customers, particularly those drawn to interactive and gamified shopping experiences.

The efficacy of these strategies is reflected in Temu's impressive financial growth indicators.²²⁶ Recent data from Similarweb indicates that Temu has quickly established itself as a formidable presence in the European e-commerce market, capturing substantial market share within months of launch.²²⁷ This rapid growth is evident in its statistics, with Temu ranking among the top five retail websites in the UK and showing strong performance in Germany and Italy. This success illustrates not only the effectiveness of Temu's market entry strategies but also its potential to sustain and expand its market presence.

In summary, Temu's strategic execution demonstrates a sophisticated understanding of both its operational model and the unique market dynamics of Europe. By aligning its low-cost strategy with a robust logistical framework and innovative customer engagement practices, Temu is poised to capitalize on the shifting consumer sentiments in Europe. The platform's ability to offer immediate refunds and manage customer disputes efficiently distinguishes it further from competitors, enhancing its reputation and customer satisfaction.

Disadvantages and controversies

The rise of Pinduoduo (PDD) and its subsequent international expansion through Temu

²²⁵ Chen et al., "Looking for Meaningful Disruptive Innovation," 33-4.

²²⁶ Pinduoduo(PDD) Inc., "Pinduoduo 2022 Annual Report," 10-5.

²²⁷ Daniel Reid, "Temu: Analyzing Europe's Ecommerce Rising Star," *Similarweb* (blog), 2023, <https://www.similarweb.com/blog/insights/ecommerce-news/temu-europes-ecommerce-rising-star/>, accessed February 4, 2024.

have been swift but fraught with controversy. Like its precursor, PDD, which was criticized for issues similar to those faced by Alibaba in its early years,²²⁸ such as the proliferation of counterfeit products and aggressive marketing tactics, Temu too has navigated a complex array of challenges since its inception. Furthermore, the inherent uncertainties within the Pinduoduo platform, particularly information asymmetry, are likely to influence consumer evaluations of transaction outcomes and purchasing decisions.²²⁹ The lack of transparency, particularly in terms of product quality, seller qualifications, and the adequacy of after-sales service disclosure, complicates consumers' ability to make informed choices. Low barriers to entry for sellers lead to the proliferation of low-quality vendors, a lack of quality control, and often significant discrepancies between product descriptions and the actual products, thereby exposing consumers to quality issues. Moreover, deficiencies in Pinduoduo's regulatory and support mechanisms result in inadequate protection of consumer rights. Opportunistic behaviors by the platform, such as the lack of transparency in promotional information and pricing strategies, further undermine consumer trust and loyalty towards the platform. Additionally, concerns about a demanding work culture have mirrored broader tech industry issues,²³⁰ further complicating its operational landscape.

PDD's late entry into the European market follows the established paths of Alibaba and JD.com. Alibaba has expanded through AliExpress and its wholesale operations, while JD.com has entered the European market with its Ochama stores in the Netherlands, offering a full range of products online. Temu's emergence has incited concern among these competitors, particularly given its rapid growth and the potential disruption it poses to their market positions.

Despite these challenges, Temu has carved out a distinctive niche by leveraging a

²²⁸ Nikkei Asia, "Inside PDD, China's E-Commerce Titan behind Temu and Pinduoduo," *KrASIA*, January 13, 2024, <https://kr-asia.com/inside-pdd-chinas-e-commerce-titan-behind-temu-and-pinduoduo>, accessed May 4, 2024.

²²⁹ Yao Tang, Yannan Zhang, and Xianzhang Ning, "Uncertainty in the Platform Market: The Information Asymmetry Perspective," *Computers in Human Behavior* 148 (November 1, 2023): 107918, <https://doi.org/10.1016/j.chb.2023.107918>.

²³⁰ Nikkei Asia, "Inside PDD."

customer-centric approach that is underpinned by sophisticated data analytics.^{231,232} This approach is fundamentally different from that of Alibaba and JD.com. Temu has adopted what it calls a social e-commerce strategy,^{233,234,235} which combined with intensive advertising campaigns and material incentives, encourages users to engage more deeply with the platform. Users can obtain greater discounts or even cash and free products by promoting Temu to their social circles, thus integrating traditional e-commerce with a gamified referral system.

However, Temu's competitive pricing strategy, a core aspect of its market appeal, has also been a source of significant operational challenges. Key issues include logistics, customer service, and product quality—areas that have generated considerable consumer feedback and complaints. In response, Temu has attempted to refine its business model by tightening subsidies and enhancing product selection criteria. Despite these efforts, the platform's "competitive bidding model," which favors lower-priced goods for higher platform visibility, has led to supplier discontent. This model pressures suppliers to reduce prices, often at the expense of product quality, resulting in penalties if products fail to meet customer expectations.

Furthermore, Temu faces logistical challenges that are exacerbated by the intrinsic costs and complexities of international shipping. Unlike domestic operations, international logistics require navigating a more intricate supply chain, which significantly inflates costs. Compounding these challenges is the intense competition from other Chinese platforms like Shein and Alibaba, which are also expanding in the West, and from global giants like Amazon. Amazon's platform is particularly formidable due to its vast network of Chinese sellers who, despite generally higher prices, can offer quicker delivery times from local warehouses—an advantage that Temu currently struggles to match.

²³¹ Chen et al., "Looking for Meaningful Disruptive Innovation," 33–4.

²³² Chen et al., "Looking for Meaningful Disruptive Innovation," 33–4.

²³³ Zhao, Wang, and Chen, "How to Maintain the Sustainable Development," 6337.

²³⁴ Xintian Wang and Xiangdong Wang, "Socialization, Traffic Distribution and E-Commerce Trends: An Interpretation of The" Pinduoduo," *China Economist* 14, no. 6 (2019): 56–72, <https://doi.org/10.19602/j.chinaeconomist.2019.11.04>.

²³⁵ Ma, "Exploring Pinduoduo," 2555–56.

In summary, while Temu has successfully imported Pinduoduo's disruptive pricing model and innovative social shopping experience to the European market, it must address several critical issues to sustain its growth and establish a more stable market position. These include enhancing its logistical frameworks, improving supplier relations and product quality, and refining its customer service capabilities. Successfully navigating these challenges will be crucial for Temu as it aims to solidify its presence and compete effectively in the highly competitive European e-commerce landscape.

5.2 Comparing Localization Strategies

5.2.1 Market Entry Strategies

AliExpress, a subsidiary of Alibaba, has adopted a composite market entry strategy that aims to build a multi-tiered retail network across Europe by combining cross-border e-commerce with local business expansion. Central to this strategy is the "cross-border + local" model, which includes the launch of local brands like Miravia for the Spanish market and the expansion of the Turkish e-commerce platform Trendyol to other European countries. These localized platforms allow AliExpress to better tailor its products and services to meet specific local consumer needs and preferences. In contrast to Alibaba, whose market entry strategy in Europe differs from that of its major competitor Amazon, Amazon adopts a strategy of entering markets independently and rapidly promoting new product lines.²³⁶ Additionally, AliExpress's physical stores in Spain, such as the AliExpress Plaza in Barcelona's shopping centers,²³⁷ serve not only as logistics and distribution hubs but also as centers for brand display and customer experience. This hybrid online-offline model effectively links virtual and physical commerce, aiming to enhance consumer shopping experiences and satisfaction.

²³⁶ Hongyi Chen and Yueqiao Feng, "Analysis of the Business Model of E-Commerce Companies under COVID-19: Taking Alibaba as an Example," in *Proceedings of the 2022 7th International Conference on Financial Innovation and Economic Development (ICFIED 2022)* (Atlantis Press, 2022), 2690–91, <https://doi.org/10.2991/aebmr.k.220307.437>.

²³⁷ Staff Reporter, "AliExpress Opens Store in Barcelona Shopping Center," *Retail Asia*, July 22, 2021, <https://retailasia.com/stores/news/aliexpress-opens-store-in-barcelona-shopping-center>, accessed March 4, 2024.

In contrast, since 2004, JD.com has developed its B2C operations, adopting a closed business model in contrast to the dominant Alibaba. JD.com internalizes all product inventories to ensure quality.²³⁸ JD.com's strategy with its Ochama brand in Europe is distinctly innovative, exploring the market through an integrated online and offline full-channel retail model launched in the Netherlands. Leveraging its logistical and technological strengths accrued in the Chinese market, JD has established automated warehouses and logistics and distribution network to support the efficient operation of its offline stores and online orders.²³⁹ Ochama stores offer traditional shopping functionalities enhanced with self-service pickup mechanisms, improving convenience and efficiency. This model particularly appeals to consumers seeking novel shopping experiences and technological interactions, demonstrating JD's strategic flexibility and innovation in the European market.

Pinduoduo's Temu entered the European market with a radically different strategy, implementing an aggressive low-cost market approach designed to provide products at prices below the market average through a direct-to-consumer platform. Pinduoduo's differentiated positioning strategy has allowed it to avoid direct competition, which is one of the key external factors in its rapid development.²⁴⁰ By utilizing Pinduoduo's supply chain strengths and large-scale purchasing capabilities from the Chinese market, Temu offers a wide array of products to European consumers, quickly establishing brand recognition and attracting a large base of price-sensitive customers. Temu's offerings are not limited to specific categories; shoppers can purchase anything from clothing to small kitchen utensils. Moreover, Temu's marketing strategy revolves around low prices, including the popular group buying model, which offers goods at specific prices to

²³⁸ Kwak, Zhang, and Yu, "Legitimacy Building," 119.

²³⁹ Dragana Ostic and Bojan Obrenovic, "JD Strategic Cross-Border Expansion—Offering Retail as Strategy Solutions Abroad," in *Casebook of Chinese Business Management*, ed. Mingyue Fan, Limin Wang, and Dragana Ostic (Singapore: Springer Nature Singapore, 2022), 139–40, https://doi.org/10.1007/978-981-16-8074-8_15.

²⁴⁰ Li, Tsai, and Thuy Tran, "A Case Study," 340.

consumers.²⁴¹

This strategy not only reduces initial market entry costs but also allows Temu to rapidly secure a foothold in the highly competitive European e-commerce market. Although all three companies utilize e-commerce platforms as their primary tool for market entry, their strategies exhibit clear differences. AliExpress combines local brands and physical stores to enhance market adaptability and brand depth; JD's Ochama focuses on an innovative full-channel retail model driven by technology to elevate consumer experiences; and Pinduoduo's Temu capitalizes on a cost leadership strategy to quickly capture market share through price competition. These strategies not only reflect each company's corporate strengths but also cater to different consumer needs and market conditions in Europe.

5.2.2 Product Localization

Localisation of e-commerce products mainly involves adapting the e-commerce platform and its services to match the cultural, regulatory and consumer behavioural characteristics of a given market. This includes the localisation of the language of the platform interface, the adaptation of payment methods, the cultural adaptation of product selection and description, and the adaptation of branding strategies to comply with local market regulations. The core purpose of e-commerce localisation is to enhance the user experience, improve consumer satisfaction and ensure the cultural relevance of the brand message in order to gain an edge in a competitive market.

Within this framework, Alibaba's AliExpress has adopted a multi-dimensional localisation strategy to adapt to the European market. On one hand, this is reflected in the diversification of products, which primarily consists of five core components: technology, platform, logistics, payment, and security, together forming the closed-loop

²⁴¹ Martin Steve, "TEMU Marketing Plans for Europe in 2024 - Detailed Guide," Temu App, February 14, 2024, <https://www.temuapp.io/temu-services-in-europe/>, accessed February 14, 2024.

ecosystem of e-commerce.²⁴² Alibaba's international strategy involves investing in innovative sectors such as emerging industries and intelligent software to rejuvenate its product lineup and drive growth; it also focuses on traditional and lifestyle services to deliver comprehensive consumer solutions.²⁴³ On the other hand, there is also the adaptation of products on the platform to meet the needs of European consumers. In particular, electronic products were adapted in terms of voltage and plugs to ensure that all devices not only comply with European electrical standards, but are also equipped with CE-certified plugs as required by the EU. In addition, AliExpress' adaptation of product specifications reflects strict adherence to European safety standards, for example, all toys and children's products comply with European Union safety regulations. This targeted product adaptation strategy not only complies with regulatory requirements, but also deeply understands consumer demand for high quality and safety.

Further, the localisation of the brand strategy has been key to AliExpress' successful adaptation to the European market. By using the local language and adapting the visual elements of the brand to match the local aesthetics, AliExpress has been able to make its brand communication more appealing in the Spanish and French markets. The local adaptation of brand elements, such as the use of colours and the fine-tuning of design styles, not only enhances the brand image, but also strengthens the cultural resonance with the target consumers, which is an important strategy to increase market penetration.

Meanwhile, Ochama and Temu also demonstrated how they can enhance their competitiveness in the European market through user experience optimisation. Ochama's omni-channel retail model, which combines the convenience of online shopping with the tangible experience of offline experience, especially in the Dutch and Belgian markets,²⁴⁴ has significantly boosted consumer satisfaction by providing localised customer service and product supply chain management. In addition, Temu has adopted diversified

²⁴² Li and Li, "Analysis of the Internationalization Strategy," 280-1.

²⁴³ Li and Li, "Analysis of the Internationalization Strategy," 280.

²⁴⁴ Dylan Carter, "Chinese Retailer Ochama to Come to Belgium," *Brusselstimes*, 2022, <https://www.brusselstimes.com/269991/chinese-retailer-ochama-to-come-to-belgium>, accessed March 6, 2024.

payment methods for payment system integration that meet the preferences of European users, including mainstream e-wallets and direct bank transfers. These adjustments ensure the platform's payment convenience and security, while optimising the user interface and interaction design of the mobile app to suit the market characteristics of high mobile usage.

These specific localisation measures demonstrate the strategic flexibility and execution of the Chinese e-commerce platform in its global market expansion. By deeply understanding and adapting to European consumer behaviours and preferences, AliExpress, Ochama and Temu have been able to solidify and expand their market share in the highly competitive European e-commerce market.

5.2.3 Marketing and Promotion

The localization of marketing and promotion is a crucial process for e-commerce businesses adapting to new markets, particularly in adapting to local cultures and consumer habits. AliExpress's market research in Europe focuses extensively on analyzing consumer purchasing behaviors and preferences. Through data mining and consumer behavior studies, AliExpress has accurately differentiated consumer preferences across various countries—for instance, consumers in Southern Europe show a high demand for fashion and home products, while Northern European markets tend to favor high-tech and sustainable products. This detailed market insight supports AliExpress in implementing targeted product positioning and pricing strategies across different national markets. In terms of marketing channels, AliExpress employs a wide range of digital marketing tactics including but not limited to search engine optimization (SEO), pay-per-click (PPC) advertising, and extensive social media marketing.²⁴⁵ Particularly in social media, AliExpress invests heavily in content marketing and user-generated content (UGC), enhancing brand loyalty and user engagement through

²⁴⁵ Sociallyin, “Types of Digital Advertising: Essential Knowledge for Business Growth,” *Alibaba.com Reads* (blog), January 25, 2024, <https://reads.alibaba.com/types-of-digital-advertising-essential-knowledge-for-business-growth/>. Accessed March 4, 2024.

promotional competitions and interactive activities. Moreover, AliExpress launches targeted advertising campaigns during key shopping seasons, such as country-specific campaigns during Christmas, to maximize sales potential.

In marketing channel strategies, both AliExpress and Temu leverage the high penetration of social media, though their strategies vary. AliExpress uses extensive social media marketing, combining the features of Facebook, Instagram, and YouTube for content customization and ad placements to maximize coverage and engagement. Conversely, Temu focuses on collaborations with local influencers,²⁴⁶ particularly in the fashion and beauty sectors, to quickly establish brand recognition through influencers' extensive networks. Especially in contrast to traditional e-commerce platforms that rely on search engine traffic distribution mechanisms, Pinduoduo employs an innovative traffic distribution mechanism—where traffic is controlled by community participants, particularly "Key Opinion Leaders (KOLs)" such as internet celebrities, influencers, enthusiasts, and geeks.²⁴⁷ Under this mechanism, the importance of establishing emotional connections and value identification far exceeds the mere completion of transactions. This is why they have been able to scale up rapidly in a relatively short period to promote its products through their widespread networks. With carefully designed social media ads and influencer collaboration content, Temu rapidly enhances its brand recognition and market share among young consumers. It is worth mentioning that social media plays a crucial role in modernizing traditional word-of-mouth marketing by facilitating conversations among consumers. People at the lower end of the economic spectrum often form tighter community bonds and social networks based on mutual assistance, unlike their higher-income counterparts. As a result, information about products shared within these networks can swiftly reach and resonate with target audiences who have similar purchasing preferences, effectively identifying potential buyers. Additionally, Temu employs a multilingual strategy on various social platforms to ensure its advertising content and social interactions reach a broader consumer group.

²⁴⁶ Zhao, Wang, and Chen, "How to Maintain the Sustainable Development," 6337.

²⁴⁷ Wang and Wang, "Socialization," no. 6 (2019): 66–68.

Temu's strategy has demonstrated significant growth momentum in Europe, particularly making breakthroughs in markets such as the UK, Germany, and Italy.²⁴⁸ Temu attracts new users rapidly through extensive discounts and subsidies, particularly by deploying large-scale advertising on social media platforms such as Facebook, Twitter, and TikTok, which enhances market awareness of its low-price model. Temu's marketing strategy heavily relies on social commerce and digital marketing, utilizing these tools to showcase products and attract customers. The company maintains a strong presence on TikTok and YouTube, popular among its target audience. By offering a wide range of products, Temu can target customers based on their interests and search engine histories.²⁴⁹ Furthermore, Temu utilizes the "social fission" model successful in Pinduoduo's Chinese market, promoting a gamified marketing strategy in Europe that encourages users to invite friends and family to participate, thereby winning more discounts and even free products. Gamification refers to the process of integrating gaming elements into services to enhance the user experience and facilitate value creation. Being customer-centric is a strategy where a brand makes business decisions based on customer needs.²⁵⁰ Although this strategy incurs high costs, it effectively boosts user numbers and market share.

The Ochama brand of JD.com demonstrates a comprehensive online-offline integrated channel marketing strategy in the European market. Not only has Ochama opened physical stores in the Netherlands and Belgium, but it has also strengthened the market promotion of its online platform, achieving seamless integration of goods and services. In the physical stores, Ochama uses highly automated warehouses and logistics systems to enhance the shopping experience, while directly adjusting online marketing strategies based on consumer feedback collected in-store. Additionally, Ochama's promotional activities closely integrate with local geographical and cultural characteristics, such as conducting thematic marketing activities during local significant festivals and utilizing

²⁴⁸ Casey Hall, "Startup E-Commerce Platform Temu Expands to Europe," *Reuters*, April 26, 2023. Technology, <https://www.reuters.com/technology/chinese-owned-e-commerce-platform-temu-expands-europe-2023-04-25/>. Accessed March 1, 2024.

²⁴⁹ Steve, "TEMU Marketing Plans."

²⁵⁰ Steve, "TEMU Marketing Plans."

popular local payment systems and logistic services to enhance consumer convenience. This integrated online-offline strategy not only enhances the brand's market coverage but also improves consumer satisfaction and brand loyalty.

5.2.4 Logistics and Supply Chain Management

Alibaba's AliExpress, JD.com's Ochama, and Pinduoduo's Temu have implemented sophisticated logistics and supply chain management strategies to adapt to the market demands and cultural environments of different regions. These strategies include the design of logistics networks, technological innovations in supply chain management, and the localization of returns and after-sales services.

Alibaba implements a cost leadership strategy in its logistics sector, aiming to enhance profit margins by reducing operational costs. However, this approach may compromise the quality of customer service, potentially driving customers to competitive platforms and thus increasing the company's market risk.²⁵¹ For example, the core of AliExpress's logistics strategy is to optimize the delivery network and enhance logistical efficiency, closely tied to its role as a supply chain intermediary. As a platform connecting global suppliers with European consumers, AliExpress collaborates deeply with specialized logistics providers in various countries to ensure efficient and cost-effective product distribution from suppliers to consumers. For instance, AliExpress has launched an innovative "Super Economical Route" in Russia²⁵² using a combined sea-rail transport method that not only breaks through cost barriers but also expands the range of transportable categories. In France, in collaboration with Relais Colis,²⁵³ AliExpress has integrated over 5,200 pickup points, greatly enhancing the last-mile experience for consumers and meeting the European market's demand for fast and convenient delivery

²⁵¹ Fan, Li, and Zhang, "Comparative Study," 01028.

²⁵² Dewitniss, "The New Rail-Sea Route from China to Europe and Caspian Sea Countries: A Game-Changer for Trade And...", *Medium*, December 22, 2023, <https://medium.com/@amidumubarak/the-new-rail-sea-route-from-china-to-europe-and-caspian-sea-countries-a-game-changer-for-trade-and-cf8e8bc17fb6>, accessed February 6, 2024.

²⁵³ Lao Bei, "Alibaba Deepens Roots in Europe with a New Partner in France," *KrASIA*, April 30, 2019, <https://kr-asia.com/alibaba-deepens-roots-in-europe-with-a-new-partner-in-france>, accessed March 6, 2024.

services. Additionally, in partnership with Cainiao Network,²⁵⁴ the Middle Europe Train directly connects China with major European logistics hubs, significantly reducing the transportation time of goods, thereby increasing customer satisfaction and enhancing market competitiveness.

Unlike AliExpress's intermediary model, JD.com's Ochama employs a self-operated omni-channel model, particularly effective in solving the "last-mile" logistics challenge. JD.com adopts a product concentration strategy, focusing on channeling resources and capabilities into a specific market segment.²⁵⁵ Ochama's collaboration with Blokker in the Netherlands utilizes its extensive store network as pickup points, not only addressing the issue of high delivery costs but also enhancing consumer accessibility. This strategy has not only increased customer traffic and revenue for Blokker stores but has also strengthened Ochama's competitive position in the market. Additionally, Ochama employs various logistics methods, including sea, air, and freight, to transport goods from China to Europe, similar to AliExpress's approach but highlighting the importance of JD Logistics International in its operations. The international expansion of JD Logistics not only supports Ochama's operations but is also crucial for JD.com to establish its own supply chain system in Europe, emphasizing JD's commitment to enhancing supply chain efficiency and responsiveness.

Temu's logistics strategy showcases the advantages of the fully managed model, allowing suppliers to send goods to domestic warehouses while the platform handles fulfillment, after-sales, and other services. Temu's logistics strategy showcases the advantages of the fully managed model, allowing suppliers to send goods to domestic warehouses while the platform handles fulfillment, after-sales, and other services. This strategy grants Temu comprehensive control over quality, pricing, and service, effectively minimizing supply chain risks. Internationally, Temu works with a number of carriers, including DHL, UPS

²⁵⁴ "First Freight Train from China's Small Commodity Hub Arrives in Belgium's Liege," *ERAI*, 2019, <https://index1520.com/en/news/pervyy-konteynernyy-poezd-alibaba-cainiao-v-soobshchenii-kitay-evropa-pribyl-v-lezh/>, accessed February 6, 2024.

²⁵⁵ Fan, Li, and Zhang, "Comparative Study," 01028.

and FedEx, while relying on local logistics providers in Europe for last-mile delivery. Moreover, in markets such as Germany, Italy, Spain, and Portugal, Temu collaborates with local postal services, utilizing PIN code lockers and local stores as pick-up points. code lockers and local stores as pickup and drop-off points, enhancing logistical efficiency and reducing delivery costs. Some items are shipped directly from the manufacturer to the customer, in which case shipping Some items are shipped directly from the manufacturer to the customer, in which case shipping can take up to 25 days. However, the Temu Distribution Center offers other items that customers can receive in three to five days, which greatly reduces transit time.

5.2.5 Cultural Adaptability

In the expansion of global e-commerce, Alibaba's AliExpress, JD.com's Ochama, and Pinduoduo's Temu face challenges that are not limited to adapting to various cultural values and consumer habits. They also include understanding and integrating into the target market's legal regulations, economic environment, technological infrastructure, and sociopolitical context.²⁵⁶ These factors collectively form each region's unique market environment and have profound impacts on the operational strategies and market performance of e-commerce platforms. The image of "Made in China" is a double-edged sword on the international market. On one hand, this label has helped Chinese products quickly capture global markets with their cost-effectiveness, particularly in industries such as electronics, textiles, and daily consumer goods, giving Chinese-made products a significant competitive edge due to their price advantage. On the other hand, this image is also often associated with poor quality, imitation products, and a low-end market positioning. Especially in developed countries and regions, consumers may have reservations and prejudices against "Made in China" products, suspecting that they do not meet high quality and performance standards. This stereotype limits the market acceptance of high-end and innovative Chinese products and hinders the enhancement of brand image.²⁵⁷

²⁵⁶ Guo and Wang, "The Differences," 2255.

²⁵⁷ Vecchi and Brennan, "Two Tales," 114.

AliExpress, Ochama, and Temu conduct extensive market research to explore cultural characteristics including religious beliefs, social customs, historical backgrounds, and consumer behaviors.²⁵⁸ This comprehensive research helps them avoid potential cultural conflicts and optimize their product and marketing strategies when entering new markets. For instance, AliExpress adjusts its product lines to comply with various food safety and clothing regulations related to religious groups, such as ensuring no pork-containing products are sold in Muslim countries or adapting the styles of clothing promoted to align with local conservative practices.

In terms of localizing staff and management teams, hiring local talent and enhancing their understanding of the local market through cultural exchanges and training are common strategies employed by AliExpress, Ochama, and Temu. However, there are differences: AliExpress combines local expertise with internal promotion mechanisms to form a hybrid management team that balances global strategy with local execution. Ochama employs a thorough localization strategy, assembling teams predominantly made up of local individuals and enhancing team adaptability and innovation through a multicultural management layer. In contrast, Temu prioritizes flexibility and market responsiveness, utilizing cross-national hybrid teams and emphasizing localization in key departments such as market research and customer service to swiftly adapt to market demands.

Furthermore, considering Europe's economic diversity and complex multi-currency environment, AliExpress, Ochama, and Temu have all introduced flexible multi-currency payment systems to accommodate the payment preferences of different countries. This payment flexibility not only provides convenience for consumers but also helps the e-commerce platforms reduce currency exchange risks. Additionally, given the strict regulatory landscape in Europe, especially concerning data protection and consumer rights, these companies ensure all operations strictly comply with regulations such as the

²⁵⁸ Guo and Wang, "The Differences," 2257.

GDPR to avoid potential legal issues.²⁵⁹

5.3 Summary of Strategy Effectiveness

5.3.1 Success factors

In the global business landscape, Chinese e-commerce giants such as Alibaba, JD.com, and Pinduoduo have showcased their unique localisation strategies in exploring overseas markets, particularly in Europe. These strategies have not only accelerated the internationalization pace of their respective brands but also brought new shopping experiences to European consumers, contributing to the long-term development of the enterprises. Alibaba has strengthened its logistics network and built an electronic payment system, JD.com has used precise market positioning and efficient supply chain management, and Pinduoduo has quickly attracted users with its distinctive social e-commerce model. Each strategy has its merits, but all aim toward the same goal—successfully penetrating the European market. An analysis of the strategies of these three companies leads to an important conclusion: Flexible localization strategies and in-depth market insights are key elements for entering the European market.

The following chart provides an overall comparison of the strategic implementation effects of these three companies:

	Alibaba Group	JD Group	Pinduoduo
Established	1999	1998	2015
European E-Commerce Markets	AliExpress (2010) Trendyol (2010, Turkey) Miravia (2022, Spain)	Ochama (2022)	Temu (2022)
Selling Method	Mostly 3P	Mostly 1P	Mostly 3P
Most Popular Product Categories	FMCG, apparel, and electronics	3C and consumer durables	FMCG
E-Commerce Supplements	AliPay (part of Ant Group)	JD Logistics	Pinduoduo's Logistic Network

²⁵⁹ Zhao, “WTO Rules,” 162.

Market coverage	whole Euroe	24 countries ²⁶⁰	whole Euroe
Operating Model	Semi-Managed Model	Self-Operated Platform	Fully-Managed Model
Mainly Revenue Source	Platform Commission + Marketing Fees	Category Sales on platform	Purchase-Sale Price Difference
Logistics Model	Logistics Warehousing + Cross-Border Direct Shipping	Logistics Warehousing + Overseas Warehouse	Domestic Central Warehouse + Overseas Transit Warehouse + Overseas Warehouse
Logistics System	Own Logistics + Third-Party Logistics Cooperation	Self-Operated Warehousing and Logistics	Cross-Border Direct Shipping
Features	Earliest to develop the European market, most experienced	Strong logistics foundation, but several failures in the European market	Rising star, rapid development in recent years

Table 1 Comparison of Alibaba Group, JD Group and Pinduoduo

Source: liberated by the author

Note:

1. The above is as of May 2024.
2. "1P" refers to direct sales, "3P" refers to third-party sales through a platform.
2. FMCG refers to Fast Moving Consumer Goods.

Here are several key factors for the success of these companies' localization strategies in Europe, further exploring the multi-dimensional perspectives of these strategies:

1. **Product Agility:** In terms of product strategy, Alibaba, JD.com, and Pinduoduo all exhibit a high degree of sensitivity and adaptability. These companies are able to quickly adjust their product lines to meet the changing needs of the European market. Pinduoduo caters to price-sensitive consumers by offering highly cost-effective products, while Alibaba and JD.com focus on consumption upgrading, providing higher quality and better service products. In addition, cultural

²⁶⁰ Arjan, "Ochama Active in 24 European Countries," Ecommerce News, October 17, 2023, <https://ecommercenews.eu/ochama-active-in-24-european-countries/>, accessed May 4, 2024.

adaptability of products is also crucial; for example, Alibaba launches product series related to local festivals and customs to enhance consumers' willingness to purchase. At the same time, these companies have seized market opportunities by introducing innovative technologies, such as smart home products, to satisfy European consumers' desire for new technologies.

2. **Operating and Registering in Europe:** Registering in Europe not only complies with legal requirements but is also an important step in establishing consumer trust. Alibaba, JD.com, and Pinduoduo have all established offices and registered local companies in Europe, which not only helps to enhance the local image of their brands but also facilitates the direct handling of regulatory and market issues, thus improving the legality and transparency of their business. This move also allows these companies to quickly adjust strategies based on market feedback, especially showing greater flexibility in handling returns and after-sales service issues.
3. **Cooperation and Construction of Overseas Warehouses:** In order to improve logistics efficiency and reduce operational costs, these e-commerce platforms have invested heavily in building overseas warehouses and establishing cooperation with local courier companies.²⁶¹ This strategy has greatly shortened delivery times, improved customer satisfaction, and strengthened the user experience. Overseas warehouses allow for more flexible inventory management and faster market response speeds, especially during high-demand periods such as Black Friday or Christmas Eve, enabling rapid replenishment of popular goods. In addition, JD.com and Alibaba have also attempted to cooperate with local e-commerce platforms or retailers to strengthen brand exposure and sales through these channels.²⁶²
4. **Utilizing an “Omnichannel marketing” Strategy:** In 2022, AliExpress launched a fully managed model, which effectively solved the supply and demand issue of high

²⁶¹ Wang et al., “Supply Chain-Based Business Model Innovation,” 4362.

²⁶² Yang, “Four Ways.”

cost-performance goods in the European market, reduced consumers' purchasing costs through one-stop services, and enhanced the shopping experience. The emerging platform Temu also adopted a similar strategy, focusing on optimizing the supply chain and improving logistics efficiency, significantly enhancing the platform's market competitiveness, and accelerating its expansion in the European market. Through the fully managed model, these platforms have not only met the needs of the low-end market but also established a competitive edge in the mid-to-high-end market by offering high-quality products.

5.3.2 Challenges and limitations

Measured by Gross Merchandise Value (GMV), Alibaba firmly holds the lead in China's e-commerce market, with its well-known C2C platform Taobao and the more upscale B2C platform Tmall epitomizing its success. JD.com distinguishes itself with a unique direct sales model, securing a significant presence in the domain of high-value goods and durable consumer products, and further solidifying its market position through the establishment of its own logistics infrastructure and distribution network—JD Logistics. As a later entrant in the e-commerce sector, Pinduoduo has achieved rapid market growth since its launch in 2015 by precisely targeting low-income consumers and penetrating underserved markets. These three companies have not only carved out competitive advantages in the domestic market but have also displayed diverse paths of development and market strategies in the process of globalization. Despite their domestic successes, Alibaba, JD.com, and Pinduoduo have encountered a series of challenges and limitations on their journey towards localization in the European market.

Here are seven challenges and limitations faced by these e-commerce giants in their European market expansion process:

1. Operating methods effective in China may not work in Europe

Business strategies proven effective in the domestic market may face challenges in the international arena, especially when applied in regions with starkly different cultural,

economic, and technological backgrounds.²⁶³ Chinese e-commerce giants often find that their successful domestic models do not translate directly to the European market. For example, Alibaba's attempt to promote its highly successful live-streaming sales strategy in Europe did not achieve the expected commercial results. The success of this model in China largely depends on its specific socio-economic environment— in smaller cities and rural areas with relatively underdeveloped retail infrastructures, live streaming effectively connects consumers with products, catering to low-income consumers looking for quality goods at affordable prices. These consumers are more inclined to seek good value for money within limited time and resources, and skilled live presenters along with technological support from e-commerce platforms have made live-streaming commerce thrive in the Chinese market.²⁶⁴

However, in the European market, due to differences in consumer culture, such as unfamiliarity with live streaming and a relative aversion to impulse purchases, this sales model has not replicated its success in China. Additionally, product localization is a significant challenge for Alibaba, such as differences in electrical plug and voltage standards, and clothing size variations, all of which require meticulous local market research and adaptive adjustments.

For instance, as Alibaba's international arm, AliExpress has tried to transplant Taobao's business model abroad but faces issues with inadequate optimization of local consumer experiences. From technical implementation to marketing strategies, it has not fully considered the specific needs of local markets. For example, the use of coupons may not be widely accepted in non-Chinese markets, and discounts not converted to local currencies can cause inconvenience and confusion among consumers. More critically, product marketing often fails to reflect multicultural inclusiveness in visual presentations; for instance, marketing materials rarely showcase images of Black or Muslim communities in regions where these groups are predominant, a lack of cultural

²⁶³ Guo and Wang, “The Differences,” 2256.

²⁶⁴ Chen and Feng, “Analysis of the Business Model,” 2688-89.

sensitivity that limits its market acceptance widely.

2. Policy and Regulatory Environment Changes

Chinese cross-border e-commerce enterprises face a complex and evolving policy and regulatory environment as they expand into the European market. For example, in 2022, the cross-border e-commerce related policies of the European Union countries strengthened the requirements for green, low-carbon practices and market order, with specific laws and regulations developed for packaging and packaging waste. The policy environment has become increasingly stringent. For instance, in July 2022, the European Council approved the Digital Markets Act, which clearly defines the rights and rules for large online platforms, with the primary aim of ensuring that these platforms do not abuse their market positions.²⁶⁵ As European countries progressively tighten regulations on e-commerce platforms to create a fair competitive landscape, Chinese platforms such as Alibaba's AliExpress and Pinduoduo's Temu must adjust their operational strategies accordingly. Particularly significant was the European Union's removal of the VAT exemption for imports under 22 euros,²⁶⁶ which had previously benefited low-priced goods from China. This change directly increases the purchase costs for consumers and impacts the price competitiveness of Chinese products. Additionally, adjustments to the "terminal dues" by the Universal Postal Union,²⁶⁷ while still maintaining discounted postal rates for China as a developing country, may diminish in the future, further increasing operational costs for Chinese merchants and reducing their price advantage on the international stage.

Moreover, the development of Chinese e-commerce in the European market is also constrained by the immature network of local sellers. Despite Alibaba and Pinduoduo opening their platforms to European sellers, the base of local sellers remains relatively

²⁶⁵ Ministry of Commerce of the People's Republic of China, "E-Commerce," 43.

²⁶⁶ Richard Asquith, "EU July 2021 Ending €22 Import VAT Exemption; New Import OSS Return - Avalara," *Avalara, Inc.* (blog), 2021, <https://www.avalara.com/blog/en/europe/2021/01/eu-2021-ending--22-import-exemption--import-oss-returns.html>, accessed May 4, 2024

²⁶⁷ Universal Postal Union, "Terminal Dues - New Frontiers for a Changing World, 2021," 2021, https://www.upu.int/UPU/media/upu/files/postalSolutions/remuneration/Research%20and%20publication/Terminal-dues-New-frontiers-for-a-changing-world_2.pdf, accessed February 14, 2024.

small, and there is a lack of effective operational support and optimized platform strategies. Platforms like AliExpress need to offer more attractive conditions and support for European sellers, including localized marketing tools and search engine optimizations that cater to European consumers' shopping habits. Failure to effectively address these operational challenges could severely test the ongoing development of Chinese e-commerce in Europe. These challenges demand that Chinese e-commerce not only adjust their product and market strategies but also deeply understand and actively respond to the legal and cultural environment of the target market to ensure sustainable growth and competitive enhancement.

3. Challenges in Local Talent Recruitment

As Chinese e-commerce platforms such as Alibaba, JD.com, and Pinduoduo expand into overseas markets, recruiting local talent has become a significant challenge. Having moved beyond the initial start-up "0-1" phase, these companies now face the task of sustaining growth and deepening their operational footprint abroad. The demand for overseas recruitment by these enterprises predominantly focuses on sales roles, with the primary task being the hiring of local sales personnel to achieve financial self-sufficiency. As operations expand, there is a subsequent need to hire country managers to oversee these sales teams and manage complex issues such as local compliance, government relations, and other administrative affairs. Furthermore, as the companies grow, the need for professionals in human resources, finance, legal, and public relations also increases, making up a significant portion of overall staffing requirements. Most overseas positions demand local talent, with a smaller proportion filled by local Chinese diaspora, and even fewer positions being staffed by expatriates from China, typically recruited by corporate HR.

The challenges of overseas recruitment stem primarily from unfamiliarity with the local market and cultural differences. Many Chinese companies lack a deep understanding of foreign markets, leading to a mismatch between the qualifications they seek and the available talent pool. For instance, job requirements set by Chinese firms may be difficult

to fulfill in foreign markets. Additionally, these companies often have insufficient knowledge of local employment laws and practices, such as those pertaining to wages and age, which can lead to legal risks. The adaptability of candidates is also an issue, as the rapid strategic adjustments and result-oriented culture of Chinese enterprises may clash with the compliance-focused cultures prevalent in Western contexts. These factors not only complicate the recruitment process but also potentially lead to high turnover rates. Moreover, the aggressive price competition strategies and the intense work culture exemplified by companies like Pinduoduo, as they strive for market dominance, may invoke substantial scrutiny regarding the human resource costs, further impacting the company's international image and the sustainability of its operations.

4. Electronic Payment Risks

Electronic payment systems, while providing immense convenience for global e-commerce, also introduce a series of risks, particularly for cross-border platforms like AliExpress. These platforms support a variety of international payment methods to accommodate the payment habits of consumers from different countries, thereby facilitating global transactions.

However, flaws in online payment systems can lead to an increase in fraudulent transactions and security issues with funds, such as theft from merchants and consumers' accounts.²⁶⁸ This not only damages consumer trust but also results in direct financial losses for merchants. For instance, if the electronic payment system fails to effectively verify the legitimacy of transactions, or if there are technical vulnerabilities during the payment process, it may be prone to exploitation for fraud or theft.

Consequently, despite AliExpress's efforts to offer diverse payment options and develop payment tools that meet local market needs, these efforts must be complemented by stricter and more efficient security measures.²⁶⁹ The platform needs to continually

²⁶⁸ Romagnoli and Garbelli, "Why Promoting Online," 437.

²⁶⁹ Liu, Jiang, and Wu, "Research on the Development of Cross-Border E- Commerce," 204.

improve and innovate its payment system to ensure the security of transactions and the proper flow of funds, thereby maintaining its competitiveness and reputation in the global market. This includes the adoption of advanced anti-fraud technologies, strengthening of user verification processes, and real-time monitoring of transaction patterns to prevent and reduce payment-related risks. Continuous technological updates and security assurances are crucial to ensuring consumer confidence and maintaining the brand's reputation.

5. Intellectual Property and Patent Risks

On platforms like AliExpress and Temu, the prevalence of counterfeit and low-quality products highlights significant intellectual property (IP) and patent risks that e-commerce platforms face when managing a diverse supplier base.^{270,271} These platforms often include many small to medium-sized enterprises (SMEs) whose oversight capabilities are insufficient to effectively combat the sale of fraudulent and substandard goods.²⁷²

Typically, these smaller merchants lack a thorough understanding and respect for intellectual property rights, driven primarily by profit motives rather than innovation, and tend to imitate existing popular products to quickly capture market share. Even though platforms have legal measures in place to penalize non-compliance, the vast number of merchants makes tracing the origin of infringements and enforcing penalties challenging, thereby increasing the risk of IP and patent infringements.

For instance, in 2019, AliExpress was added to the U.S. government's "Notorious Markets" list for selling a large volume of infringing goods,²⁷³ and although it faced no actual sanctions, the incident significantly damaged Alibaba Group's global reputation. In European countries, consumer protection agencies and regulatory bodies place a much higher emphasis on brand IP and product quality compared to other regions. Frequent violations of intellectual property and persistent quality issues can severely tarnish a

²⁷⁰ Romagnoli and Garbelli, "Why Promoting Online," 441.

²⁷¹ Chen and Feng, "Analysis of the Business Model," 2691.

²⁷² Romagnoli and Garbelli, "Why Promoting Online," 439.

²⁷³ Zhao, "WTO Rules," 162–63.

brand's reputation and lead to a crisis of consumer trust. This level of dissatisfaction can have dire consequences for business operations, emphasizing the need for stricter IP enforcement and quality control measures on platforms operating within these markets.

6. Lack of a Robust Logistics and Overseas Warehouse System:

Since entering the European market, major Chinese e-commerce giants Alibaba, JD.com, and Pinduoduo have been striving to adapt to the specific development conditions of different countries, committed to providing European users and merchants with diverse logistics and payment solutions. However, establishing a comprehensive logistics and overseas warehouse system in Europe is a complex and challenging task.^{274, 275} The perfection of this system is a critical factor in enhancing AliExpress's competitiveness in the European market, yet many difficulties remain. The logistics chains of cross-border e-commerce companies like AliExpress often span multiple countries, which not only increases transportation times but also heightens logistic risks. During international transport, incidents of goods being damaged or lost are frequent, directly impacting consumer satisfaction and corporate reputation. Furthermore, to expedite customs clearance, some foreign trade agents might submit inaccurate information about the goods.²⁷⁶ Such practices, once detected, can lead to the detention of goods and may result in substantial fines for both the company and involved individuals. These issues collectively constitute significant challenges that companies like Alibaba need to address to optimize their European logistics networks.

For retail merchant-focused platforms (especially aliexpress and temu), cross-border e-commerce has more complex challenges than domestic e-commerce or traditional foreign trade. To address these challenges, the platform has gradually built two main logistics solutions for Chinese merchants:

- **Direct Shipping of Small Parcels:** This method allows sellers to ship items directly

²⁷⁴ Ying Wang et al., "Supply Chain-Based Business Model Innovation," 4362.

²⁷⁵ Ministry of Commerce of the People's Republic of China, "E-Commerce," 41.

²⁷⁶ World Customs Organization, "WCO Study Report," 12.

to the consumer on a point-to-point basis. While this approach offers higher flexibility, it also presents notable disadvantages such as higher costs per item and complications in handling returns and exchanges, making it less efficient in terms of customer service.

- **Overseas Warehouse Model:** Under this model, sellers send bulk shipments to warehouses abroad in advance. When consumers place orders, the goods are dispatched directly from these local warehouses. This strategy enhances delivery efficiency and facilitates easier after-sales service. However, it requires significant capital investment in warehouse infrastructure and exposes sellers to inventory risks. This model can be particularly challenging for small and medium-sized platform merchants due to the financial and operational burdens involved.

These fulfillment strategies reflect the ongoing struggle within the cross-border e-commerce sector to balance cost with consumer satisfaction. Merchants on the platform endure substantial logistics expenses, yet the overall consumer experience may still fall short of expectations, illustrating the inherent complexities and trade-offs in cross-border e-commerce operations. In other words, efficiently managing these logistics complexities is essential for maintaining service quality and fulfilling customer expectations, which are pivotal for sustaining and growing market presence in Europe's competitive landscape.

7. Strong Competitors in the European Market—Amazon

In the European e-commerce market, Amazon maintains its leadership position with exceptional operational efficiency and an extensive product range, demonstrating formidable competitive strength. Amazon not only holds a substantial market share among middle and high-end consumers but also secures a broad customer base through diverse services such as Prime membership, same-day delivery, and a high-quality customer service system. This dominance grants Amazon significant market control in Europe, setting high barriers for new entrants. Especially with the strong logistics infrastructure in Europe. However, for new entrants like AliExpress and Temu, which

primarily target the European market with a pricing advantage, Amazon's comprehensive competitiveness poses a significant challenge.²⁷⁷ Additionally, although JD.com's Ochama is also a self-operating platform like Amazon, each targets different market segments and focuses on different self-operated categories, with Amazon still holding the top market share across all categories in Europe. However, Amazon has not been oblivious to these competitors. Particularly, the rapidly emerging Temu, with its extremely low pricing strategy, has attracted those consumers who are very sensitive to price, significantly diverting a portion of Amazon's market share.²⁷⁸

These platforms, although attempting to quickly attract price-sensitive mid to low-end market consumers through low pricing strategies, find their efforts constrained by Amazon's strong market share and brand loyalty. To break through in such a competitive environment, AliExpress and Temu need to go beyond mere price competition and place greater emphasis on improving product quality, customer service levels, and brand recognition in the local market. As Vecchi and Brennan have stated, they have adopted a rather nuanced approach, leveraging the common perceptions of "Made in China" to avoid any direct competition with American tech giants.²⁷⁹

8. Data Privacy Risks

In the West, there is a strong awareness and protection of individual data and privacy rights, which are considered sacrosanct. Due to concerns over the potential state control behind Chinese internet companies, Western consumers generally harbor skepticism towards the security of their personal data.²⁸⁰ In this context, even the most innovative and market-vigorous Chinese e-commerce platforms must address extreme consumer concerns about privacy when entering Western markets. Moreover, the complexities of international politics sometimes cause the overseas operations of Chinese companies to

²⁷⁷ Chen and Feng, "Analysis of the Business Model," 2690.

²⁷⁸ The Economist, "How Worried Should Amazon Be about Shein and Temu?," *The Economist*, February 15, 2024, <https://link.gale.com/apps/doc/A782603072/AONE?u=glasuni&sid=summon&xid=6750e7dc>, accessed February 14, 2024.

²⁷⁹ Vecchi and Brennan, "Two Tales," 117.

²⁸⁰ Vecchi and Brennan, "Two Tales," 109-10.

be perceived as extensions of state actions, particularly when these operations touch on core Western interests or sensitive areas. Occasionally, these companies may unintentionally become entangled in international political disputes, which not only intensifies external concerns about personal data security but also impacts the companies' business practices and market performance. For example, the data collection and processing activities of Chinese enterprises overseas are subject to additional scrutiny and suspicion, damaging their market performance and exacerbating consumer distrust towards "Made in China."

Conclusion

The ascendancy of Chinese e-commerce platforms in Western markets has highlighted a competitive landscape wherein domestic enterprises must reinforce their positions.

Amazon's revenue in Europe reached \$514 billion in 2022,²⁸¹ underscoring its formidable influence. Their core advantage lies in their understanding of local consumer preferences, as evidenced by their tailored products and customer-centric services. Their strengths are rooted in solid relationships with local suppliers and robust logistics networks, ensuring timely deliveries and a product range that aligns with local tastes and standards.

Moreover, these markets have invested in building trust and providing premium customer service. Factors such as their return policies, warranty guarantees, and responsive customer service departments are often cited as contributing to increased customer loyalty. On the other hand, Chinese platforms attract consumers through aggressive pricing strategies and an extensive product assortment. However, concerns over product quality, sustainability, and longer delivery times may deter some shoppers. These observations suggest that while aggressive pricing can draw initial interest, the successful localization strategies employed by entrenched entities highlight the importance of quality, sustainability, and customer service in cultivating a long-term presence in foreign

²⁸¹ Amazon, "Amazon.com Announces Fourth Quarter Results," *Amazon.com*, 2023, <https://ir.aboutamazon.com/news-release/news-release-details/2023/Amazon.com-Announces-Fourth-Quarter-Results/default.aspx>, accessed May 4, 2024.

markets.

CHAPTER 6. Conclusions, Limitations, and Future Prospects

This concluding chapter aims to synthesize the core findings from the study on the localization strategies of Alibaba, JD.com, and Pinduoduo in the European e-commerce market, spanning their global expansion efforts from 1990s to 2024. This chapter will summarize the key conclusions drawn from the research, acknowledge the limitations encountered during the study, and propose potential areas for future research to further explore the dynamics of global and local strategies in the e-commerce sector.

By providing a concise yet comprehensive overview of the study's findings, limitations, and future directions, this chapter aims to offer valuable perspectives for academics, industry practitioners, and policymakers interested in the intersection of globalization and localization in the digital commerce era.

6.1 Conclusions

This thesis delves into the localization strategies of Chinese e-commerce giants Alibaba, JD and Pinduoduo in the European market. By analyzing these companies in terms of product adaptation, marketing strategy optimization and logistics system improvement, the thesis reveals the importance of localization strategy in helping these companies adapt and successfully expand into the complex European market. Especially in the context of globalization, localization is not only a strategy for market expansion, but also a key factor for sustained growth. While these measures have been effective in increasing the local acceptance and market penetration of the brand, the research has also revealed shortcomings and challenges in the implementation of localization strategies. These include severe challenges such as cultural differences, laws and regulations, local competition, intellectual property rights, and external economic or political changes, etc.

The results of the thesis show that Alibaba, JD.com, and Pinduoduo have effectively tailored their strategies to the European e-commerce market by aligning global ambitions with local realities. Alibaba leveraged early market entry and partnerships, JD.com focused on logistical and technological innovations, and Pinduoduo utilized social commerce to engage younger consumers. Despite their efforts, they faced challenges in cultural adaptation, regulatory compliance, market fragmentation, and intense local competition. The varying degrees of success among these companies highlight the importance of agility and continuous innovation in navigating the complexities of international expansion in a dynamic and regulated market like Europe. This analysis provides valuable insights for other firms aiming to balance global strategies with local consumer needs and regulatory conditions. Although the three companies used different market entry strategies, common key success factors included a deep understanding of consumer behavior in the target market, a high degree of localization of products and services, and effective supply chain management. Through these strategies, these companies not only increased their visibility in the European market, but also enhanced their competitiveness. In addition, this thesis provides valuable strategic guidance and

market insights for future Chinese e-commerce firms entering the European market, and offers a framework for action for other Chinese firms pursuing internationalization, especially in terms of how to effectively combine their core strengths with local market characteristics for strategic positioning.

6.2 Limitations

The limitations of the thesis are characterized by several key aspects. First, the data on which the thesis relies may be limited to a specific time frame, which may not be sufficient to fully capture the latest market dynamics and consumer trends in the rapidly changing e-commerce space. Especially in the context of rapidly evolving technologies and market strategies, time sensitivity is a key factor for analytical accuracy.

Second, although the thesis covers the localization strategies of Chinese e-commerce companies in Europe, it seems to lack an in-depth analysis of the cultural and market details of different European countries. The complexity of the European market is particularly high, involving multiple languages and cultural backgrounds that have a significant impact on consumer buying behavior and brand acceptance. Without exploring these factors in depth, the study may not be able to fully reveal the actual effects of different strategies.

In addition, the methodology of the thesis may favor qualitative descriptions and lack sufficient quantitative data to support its conclusions. In scientific research, quantitative analysis can provide more objective and verifiable results, enhancing the persuasiveness and reliability of the thesis. Without strong data support, research findings may be questioned in terms of credibility.

Also, the thesis may fail to adequately consider external environmental factors, such as political and economic changes and the implementation of new regulations, which are key variables affecting the success of international business. The e-commerce industry is particularly affected by the macroeconomic and policy environment, and ignoring these

factors may lead to an incomplete strategy analysis.

Finally, from a bias perspective, the thesis may have focused too much on the internal strategies of Chinese e-commerce firms while ignoring the reactions and strategies of local European firms, or it may have failed to present a balanced picture of successes and failures. This limitation of perspective may affect the comprehensiveness and objectivity of the thesis's findings.

6.3 Future Prospects

Looking ahead, the future for Alibaba, JD.com, and Pinduoduo in the European market holds both promise and uncertainty. As these companies continue to navigate the complexities of globalization and localization, their ability to adapt and innovate will be crucial in determining their long-term success. However, these journeys do not signify the end of competition for these three Chinese e-commerce companies in the global market, especially in Europe; rather, they may mark just the beginning. As of June 2024, the challenges for Alibaba, JD.com, and Pinduoduo are far from over. The European Union has initiated an investigation into Alibaba's AliExpress for allegedly selling illegal goods;²⁸² Meanwhile, Pinduoduo's Temu, despite its rapid expansion and significant success in Europe, faced a complaint from the European Consumer Organization to the EU tech regulators in May 2024;²⁸³ JD.com, grappling with unsatisfactory profit figures in its 2023 financial report, embarked on a new international strategy upgrade in May 2024.²⁸⁴ These developments indicate that while Alibaba, JD.com, and Pinduoduo have made substantial inroads into the European market, they must continually adapt and respond to regulatory challenges, competitive pressures, and market dynamics in the future.

²⁸² Al Jazeera, "EU Probes Chinese Site AliExpress over Potentially Illegal Online Products," *Al Jazeera*, March 14, 2024, <https://www.aljazeera.com/news/2024/3/14/eu-probes-chinese-site-aliexpress-over-potentially-illegal-online-products>, accessed June 4, 2024.

²⁸³ Foo Yun Chee, "Temu Targeted in EU Consumer Group's Complaint to EU Tech Regulator," *Reuters*, May 2024, <https://www.reuters.com/business/retail-consumer/temu-targeted-eu-consumer-groups-complaint-eu-tech-regulator-2024-05-16/>, accessed June 4, 2024.

²⁸⁴ Yang, "JD.com's Strategic Advancements."

Future research should indeed further deepen and expand in several areas to address the complexities of international e-commerce strategies effectively. First, a granular examination of consumer behavior across different European countries is essential. Such studies could analyze the unique cultural, economic, and social dynamics that shape buying patterns in diverse markets like France, Germany, and the Nordic countries. By identifying subtle regional differences, companies can tailor their approaches more finely, which can lead to higher engagement and conversion rates.

Secondly, the international trade environment is subject to continuous change, influenced by factors like trade agreements, geopolitical tensions, and economic sanctions. Future research should provide a dynamic framework for understanding how these external political and economic factors play a crucial role in shaping e-commerce strategies. This includes studying the impact of Brexit on UK-EU trade relations or the effects of EU regulations on data privacy on market entry strategies of Chinese e-commerce giants.

Thirdly, as digital transformation accelerates, the role of technological innovations such as artificial intelligence (AI) and big data becomes pivotal in redefining the competitive landscape. Future studies should delve into how AI can enhance personalization in customer interactions and how big data analytics can lead to more informed decision-making processes. Exploring the integration of AI with traditional business operations could reveal insights into improving supply chain efficiencies, predicting market trends, and customizing marketing strategies to fit the local tastes and preferences.

Lastly, the importance of sustainability and corporate social responsibility (CSR) cannot be overstated in today's globalized business environment. Future research should investigate how e-commerce companies can integrate sustainable practices into their business models. This includes assessing the environmental impact of logistics, the ethical considerations of sourcing, and the societal impact of their operations in foreign markets. Moreover, examining how these sustainable practices influence consumer trust

and corporate reputation could provide valuable insights into the strategic benefits of CSR.

GLOSSARY

Made in China 2025: This strategic plan was introduced in 2015 to advance the manufacturing sector in China, focusing on areas like robotics, aerospace, and energy-efficient vehicles. Its objectives include fostering innovation and improving both the quality of production and environmental sustainability, aims to position China as a global leader in advanced manufacturing by the year 2025.

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS): This global agreement, managed by WTO, was established to harmonize the protection of intellectual property across the world. It originated from the discussions held during the 1994. It is to standardize intellectual property regulations internationally, thereby supporting fair trade practices and facilitating the spread of technology and innovation.

Alibaba Group: Alibaba operates as a vast tech conglomerate with activities spanning e-commerce, retail, logistics, entertainment, health, and cloud computing. The company is known for a variety of significant platforms including Taobao, T-Mall, Youku, Lazada, and Daraz, providing a broad spectrum of digital and retail services.

AliExpress: Operated by Alibaba Group, AliExpress is a worldwide online retail platform based in China. It provides a marketplace for small businesses from China and elsewhere to offer their products to an international audience. The platform is known for a diverse product assortment including electronics, fashion, accessories, and home essentials, simplifying global transactions with its easy-to-use interface.

Ant Group: Within the Alibaba Group's broad array of financial services, Alipay stands out as the primary digital payment platform.

B2B (Business-to-Business): This acronym refers to commercial transactions between businesses, as opposed to interactions involving individual consumers. B2B commerce

usually involves trading products, services, or information, often functioning within the framework of a supply chain.

B2C (Business-to-Consumer): This term describes transactions where businesses sell products or services directly to consumers. These interactions typically occur through digital platforms like online stores or through traditional retail environments.

Belt and Road Initiative: Initiated in 2013, often known as the One Belt One Road initiative, a strategic endeavor aimed at increasing trade and fostering economic growth throughout Asia and other regions by establishing expansive infrastructure networks. The initiative draws inspiration from the historical Silk Road, aiming to recreate these trade routes in a modern context.

C2C (Consumer-to-Consumer): This term is the exchange of products between individual shoppers, usually mediated by online platforms like eBay or Craigslist. These platforms act as intermediaries, offering a space where users can buy and sell items directly to each other.

Cainiao: Originally part of Alibaba Group, Cainiao Network is now a major global logistics company based in China. It operates across international and domestic logistics, technology services, and ESG (Environmental, Social, and Governance) efforts. As of 2022, Cainiao has expanded to become the world's foremost logistics provider for international e-commerce.

Consumer-to-Manufacturer (C2M): This approach enables a direct link between consumers and manufacturers, allowing for product customization based on immediate consumer feedback and demand. The C2M approach cuts out traditional middlemen, potentially lowering costs and enhancing production efficiency while providing tailored products, driven by data analytics and consumer insights.

Cross-Border E-Commerce (CBEC): CBEC involves online transactions of goods and services across different countries, supported by platforms that handle logistics, payment processing, and adherence to international regulations. This enables consumers to purchase foreign products that may not be available locally.

Digital Economy: It refers to an economic form that revolves around the internet and other digital technologies, promoting economic development and innovation.

Digital Services Taxes (DST): it refers to taxes levied in the revenues earned from certain digital operations like online ads, streaming services, and the sale of user data. DSTs are designed to tax profits made by digital firms in the markets where they operate, regardless of their physical presence in those markets.

Digital Single Market (DSM): Initiated by the European Union, the DSM is designed to unify digital regulations across EU member states, ensuring seamless access to digital goods, services, and content.

E-commerce: This involves internet purchase as well as sale of goods and services. It covers lots of online transactions, enabling shoppers to shop from various locations at their convenience.

Electronic World Trade Platform (eWTP): The eWTP, introduced by Jack Ma of Alibaba, seeks to create a worldwide trading platform that eases market entry SMEs. This platform focuses on easing trade rules, lowering entry barriers, and enhancing logistics to support SMEs in reaching international markets.

FMCG (Fast Moving Consumer Goods): These are inexpensive goods that are sold rapidly, including packaged foods, beverages, toiletries, and household goods. These products are characterized by high turnover and frequent consumption, necessitating regular purchasing.

Fully-managed Model: In this business approach, contract out the complete management of the management of their online storefronts to third-party service providers. The extensive outsourcing covers product listings, order processing, logistics, etc.

General Agreement on Tariffs and Trade (GATT): Founded in 1947, aimed to foster global trade. This set stages for the WTO in 1995, which built upon its foundational ideas.

General Agreement on Trade in Services (GATS): Founded in 1995, it is a pioneering set of multilateral rules that regulate the global trade of services. It seeks to diminish or abolish government restrictions that impede the cross-border delivery of services or restrict foreign consumer access.

General Data Protection Regulation (GDPR): Founded in 2018, it ensures the security of individuals' personal data. It enhances data control for individuals and unifies data protection laws across the EU, simplifying compliance for international businesses.

International Digital Commerce (IDC): IDC is the online transactions that enable businesses and consumers to interact beyond national boundaries. Supported by international e-commerce laws and trade agreements, IDC facilitates a borderless digital market environment.

JD Technology: Formed in January 2021 from the merger of JD Digits, JD AI, and JD Cloud, JD Technology represents a strategic pivot in response to tighter regulations on fintech in China. The restructured entity emphasizes broader technological innovation, moving beyond its initial focus on financial technology.

JD (Jingdong): As a leading B2C e-commerce platform in China, JD is celebrated for its

selection of premium products, especially electronics, and its commitment to exceptional customer service and fast, reliable delivery. JD holds a competitive position in the Chinese market, rivalling T-Mall as one of the top e-commerce platforms.

JOYBUY: Operated by JD.com, one of China's foremost online retailers, JOYBUY is an international e-commerce platform that offers an extensive array of products, such as electronics, fashion, and home goods. I

Key Opinion Leaders (KOLs): Influential figures within specific industries or niches, known for their expertise, credibility, and substantial social media followings. Brands often collaborate with KOLs to leverage their authority for marketing purposes, as their endorsements can significantly influence the buying choices of their audience.

Made in China 2025: Initiated in 2015, this governmental strategy aims to transition China from a producer of low-tech, low-value items to a powerhouse for high-tech, high-value products. The plan focuses on enhancing China's manufacturing industry to achieve this transformation.

Miravia: Launched in 2010 under the Alibaba Group, Miravia is an emerging e-commerce platform known for its wide product selection, including fashion, electronics, and lifestyle items. It utilizes Alibaba's cutting-edge technology and logistics to offer users a fluid shopping experience, with aspirations to grow into a major player in the global e-commerce scene.

Ochama: A novel retail concept introduced by JD.com, Ochama blends online shopping with offline collection points, providing a range of products from groceries to electronics. Leveraging JD.com's logistics and supply chain strengths, Ochama enhances customer convenience by enabling online ordering followed by pickup at designated locations.

Pay-Per-Click (PPC): This refers to a digital advertising method. It is commonly

utilized in search engine marketing. This model allows businesses to bid on ad placements in search engine sponsored links based on relevant keywords, driving targeted traffic to their websites as part of comprehensive digital marketing strategies.

Pinduoduo: Pinduoduo, a Chinese e-commerce platform, was originally designed to promote "social buying," where users could get discounts by grouping purchases. Initially requiring joint purchases, it now also supports individual buying. The platform appeals mainly to price-sensitive consumers looking for good value.

Search Engine Optimization (SEO): It enhances the website's structure, and securing backlinks. The aim is to attract more organic traffic by making the site more appealing to search engines and relevant to user queries.

Self-Operated Platform: This term refers to companies engaged in e-commerce managing all aspects of their online operations internally, from product sourcing and inventory to customer interactions and fulfillment. The primary advantage is total control over branding, customer experience, and data security.

Semi-Managed Model: In this model, merchants take charge of certain aspects like product listings, pricing, and marketing, while partnering with third-party services for logistics, payments, and customer support. This approach blends direct oversight with outsourced efficiency.

SMEs (Small and Medium-Sized Enterprises): SMEs are businesses with staffing levels below certain thresholds. Vital to both developing and developed markets, they drive innovation and competition. While agile, SMEs often grapple with challenges such as resource limitations and limited access to funding.

Taobao: As part of the Alibaba Group, Taobao is an online platform where individuals can sell products directly to consumers, employing an individual-to-consumer model. On

the other hand, T-Mall, also under Alibaba's umbrella, supports a business-to-consumer model where established merchants sell directly to buyers. Combined, Taobao and T-Mall form the largest e-commerce entity globally.

Temu: Introduced in 2022 by PDD Holdings, which also owns Pinduoduo, Temu is an online shopping platform offering a diverse range of budget-friendly items, from electronics to home goods. It adopts Pinduoduo's approach of social commerce and aggressive pricing to attract consumers seeking economical purchases.

TMall: Originating as part of Taobao and becoming a separate entity in 2011, TMall is a B2C platform under Alibaba Group where commercial retailers market goods to consumers. Contrasting with Taobao's focus on C2C transactions, TMall offers a more structured environment for professional sellers.

Trendyol: Founded in 2010, Trendyol is a major Turkish e-commerce site that offers products like clothing, electronics, and groceries. Now predominantly owned by Alibaba Group, Trendyol has expanded significantly, benefiting from Alibaba's expertise in technology and logistics to become a leading online marketplace in the region.

User-Generated Content (UGC): UGC encompasses all types of content created by platform users or customers, such as text, videos, images, and reviews. Businesses leverage UGC to increase engagement, foster community, and utilize authentic user contributions to boost brand trust and influence buying decisions.

World Trade Organization (WTO): The WTO is a global organization dedicated to regulating and facilitating international trade. Its main objectives include ensuring the smooth and liberal flow of trade by enforcing agreements and resolving disputes among countries.

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APPENDIX

Figure 1 Gross demstic product(GPD) in €bn of Europe

Source: IMF12

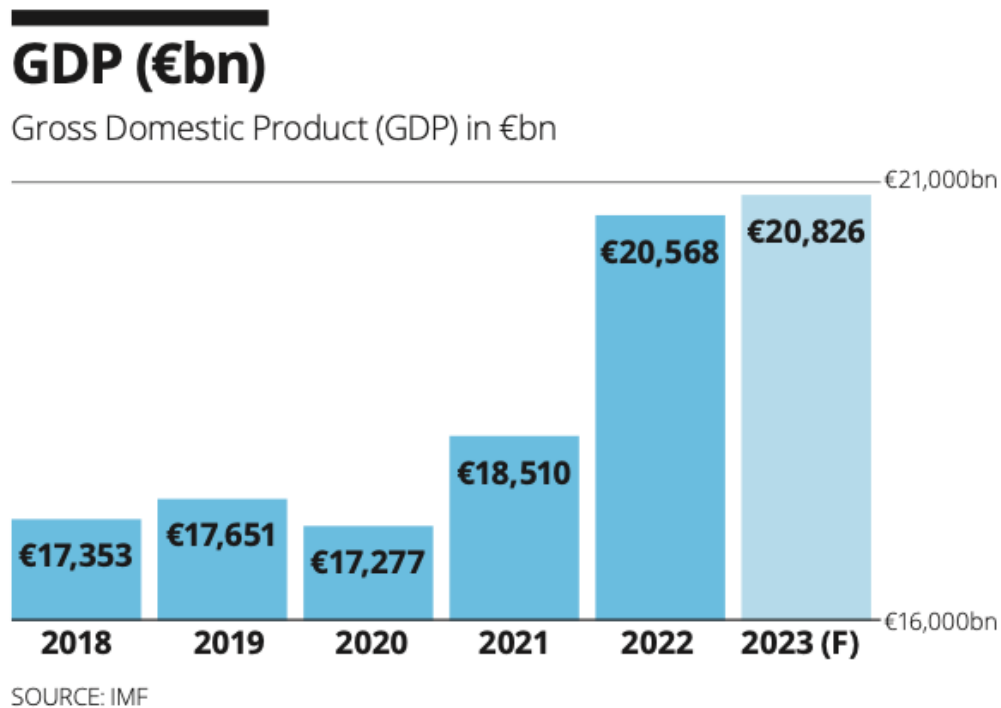


Figure 2 Internet Users of Europe

Source: Eurostat, Datareportal

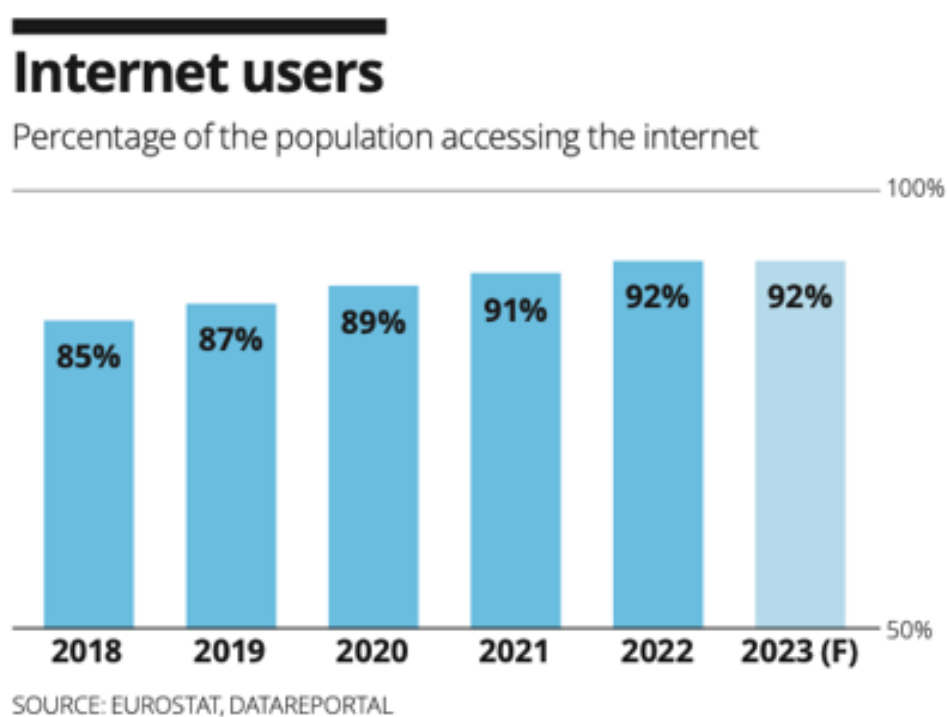


Figure 3 *E-shoppers of Europe*
Source: Eurostat, Datareportal

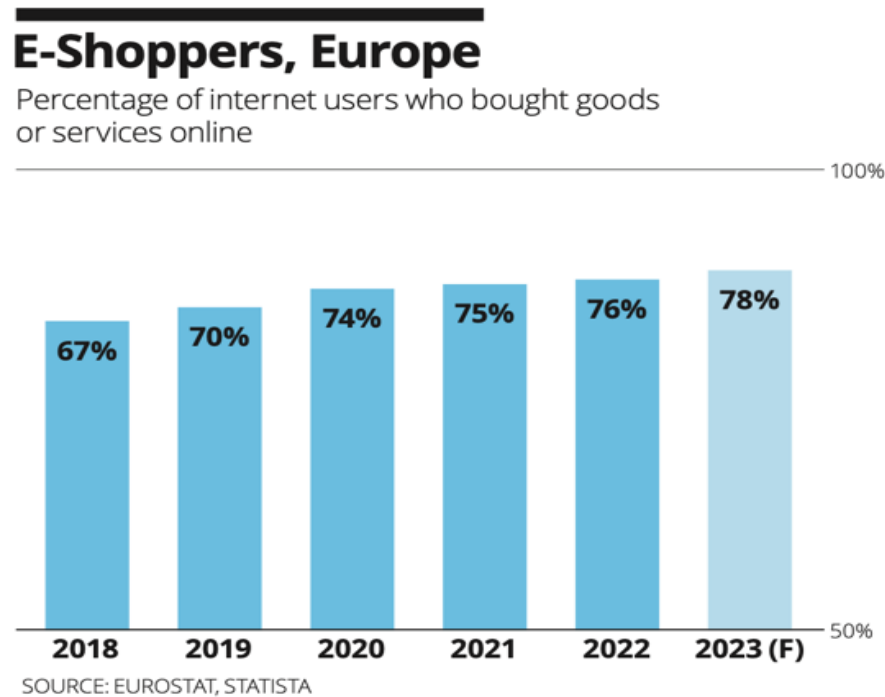


Figure 4 *EU-27 Cross-border Online Purchase in Europe*
Source: Eurostat (2021)

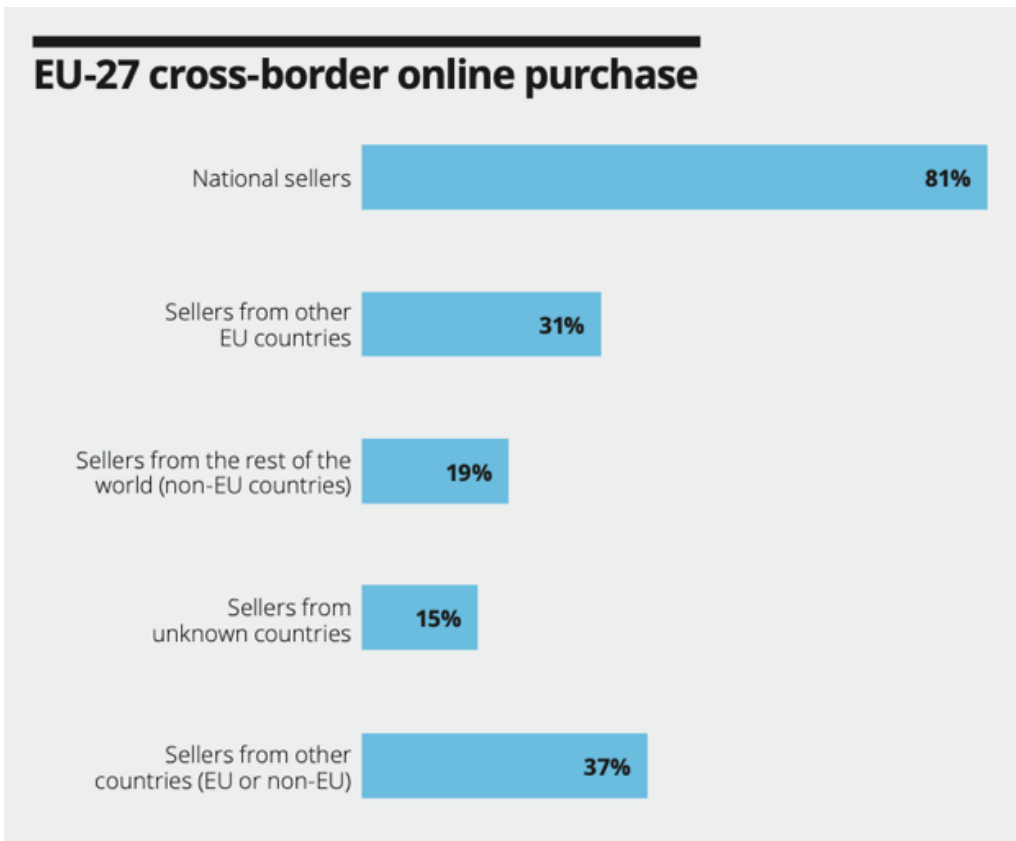
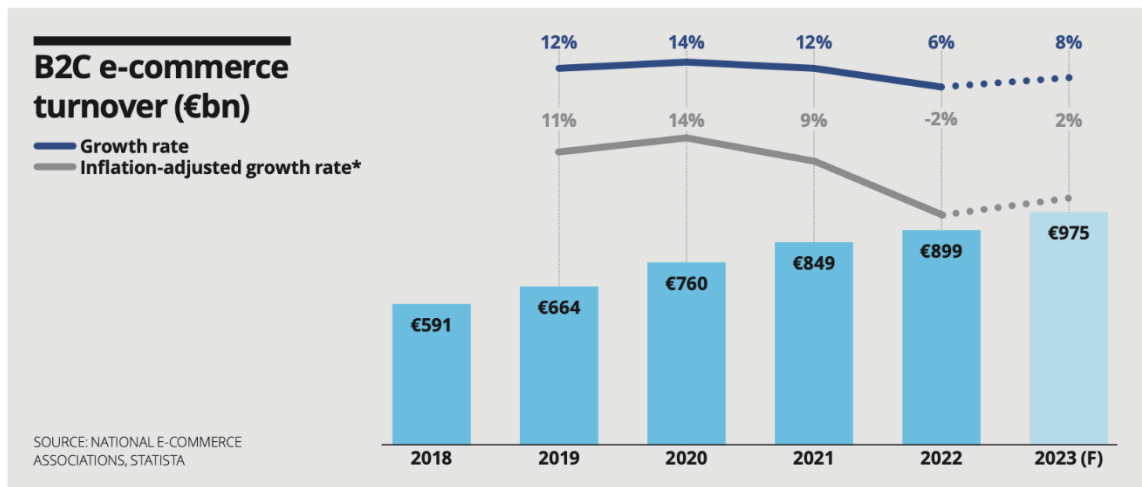
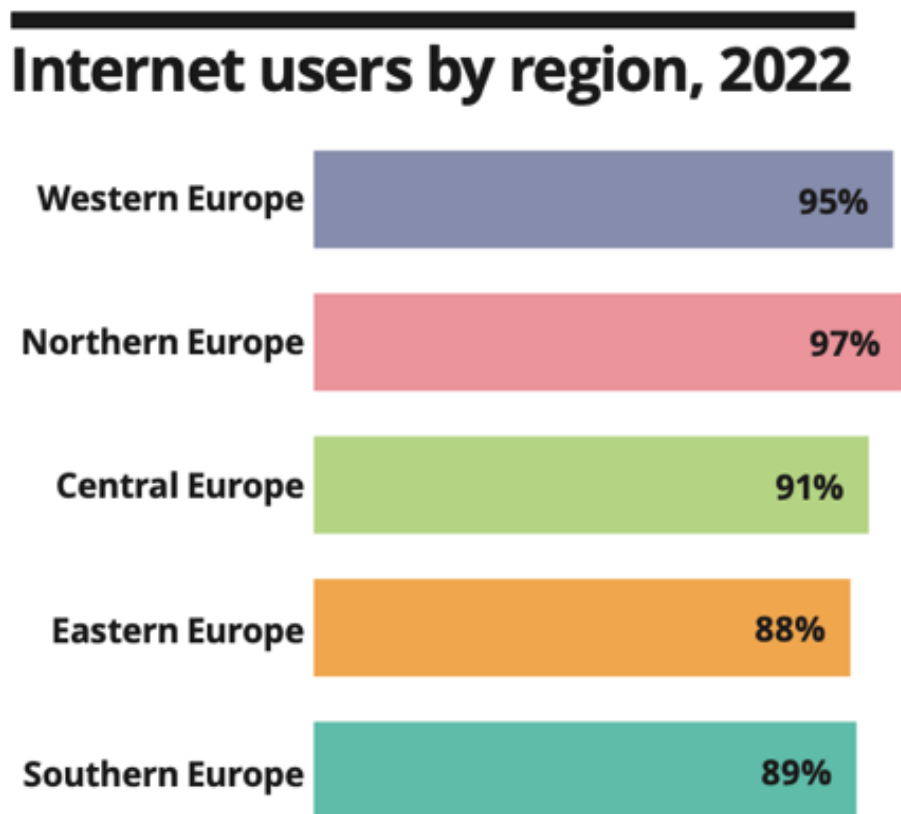


Figure 5 B2C e-commerce turnover(€bn) in Europe
Source: National E-commerce Associations, Statistasta



*All Inflation-adjusted growth rates throughout this report were supplied by Eurocommerce. Further explanation of the methodology can be found on page 95

Figure 6 Internet users by region in Europe, 2022
Source: Eurostat, Datareportal



SOURCE: EUROSTAT, DATAREPORTAL

Figure 7 E-shoppers users by region in Europe, 2022
Source: Eurostat, Statista



SOURCE: EUROSTAT, STATISTA

Figure 8 Share of total European e-commerce turnover by region, 2022
Source: Eurostat, Statista

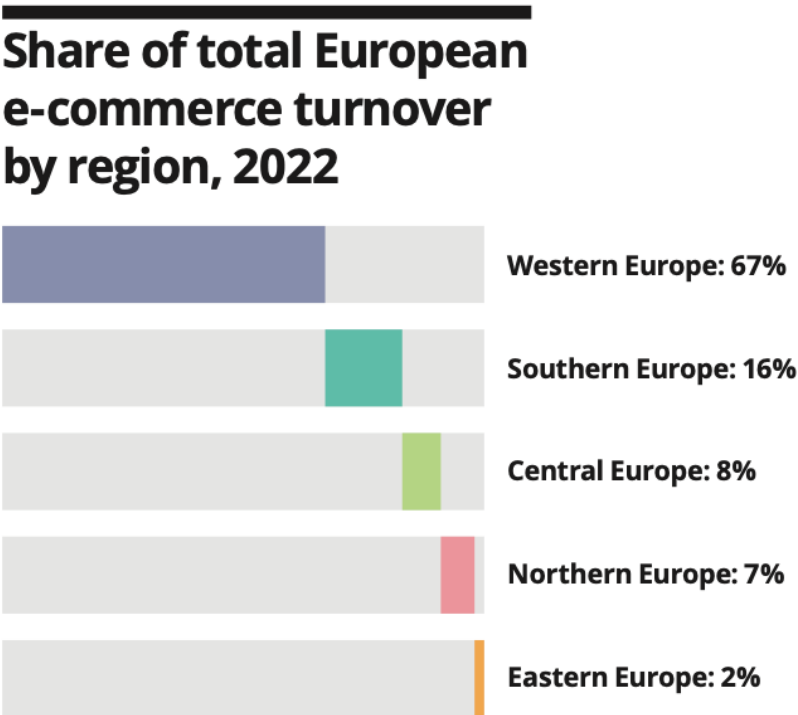


Figure 9 The timeline of Alibaba's expansion in Europe

Source: liberated by the author

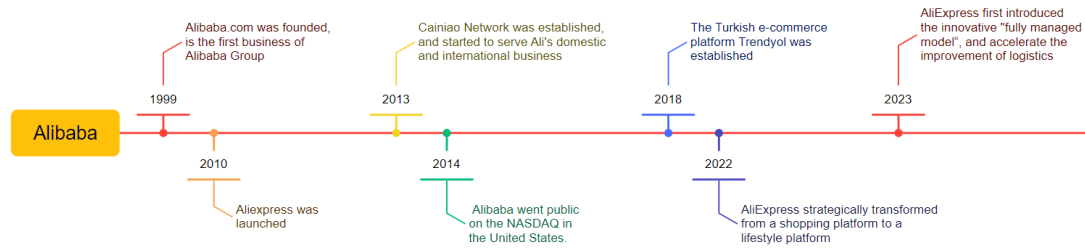


Figure 10 The structure of the alibaba ecosystem

Source: liberated by the author

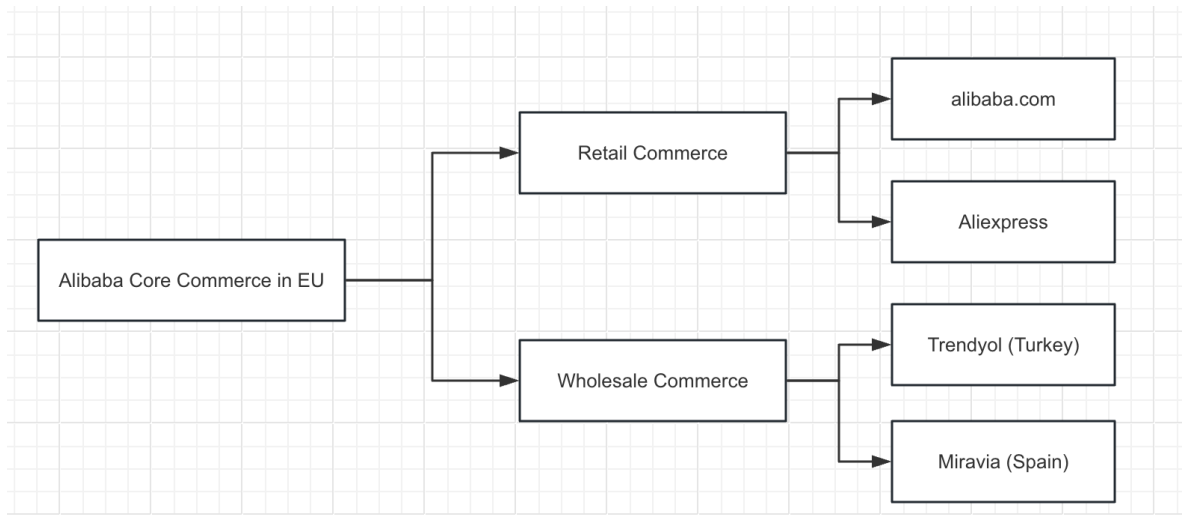


Figure 11 The timeline of JD.com 's development in European market

Source: liberated by the author

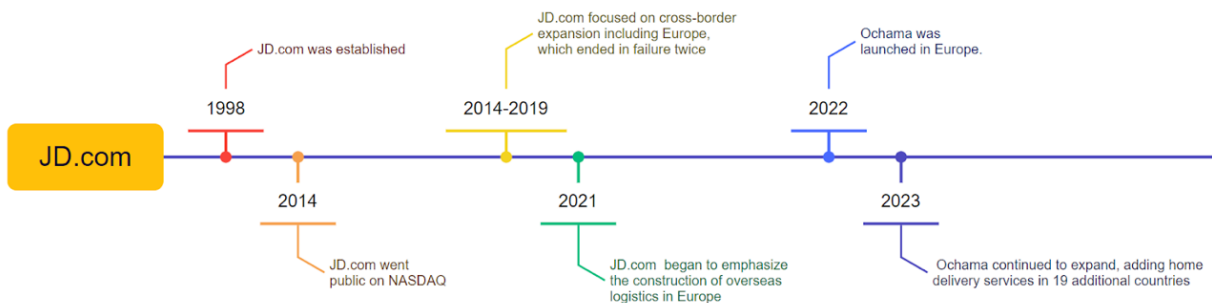


Figure 12 The timeline of Pinduoduo's European market development

Source: liberated by the author

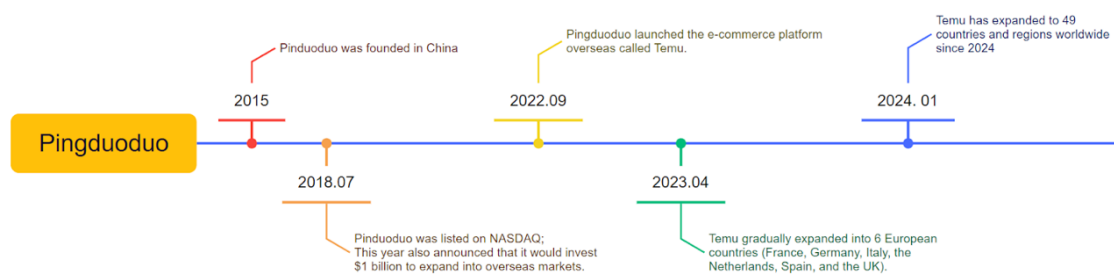


Table 1 Comparison of Alibaba Group, JD Group and Pinduoduo

	Alibaba Group	JD Group	Pinduoduo
Established	1999	1998	2015
European E-Commerce Markets	AliExpress (2010) Trendyol (2010, Turkey) Miravia (2022, Spain)	Ochama (2022)	Temu (2022)
Selling Method	Mostly 3P	Mostly 1P	Mostly 3P
Most Popular Product Categories	FMCG, apparel, and electronics	3C and consumer durables	FMCG
E-Commerce Supplements	AliPay (part of Ant Group)	JD Logistics	Pinduoduo's Logistic Network
Market coverage	whole Euroe	24 countries ²⁸⁵	whole Euroe
Operating Model	Semi-Managed Model	Self-Operated Platform	Fully Managed Model
Mainly Revenue Source	Platform Commission + Marketing Fees	Category Sales on platform	Purchase-Sale Price Difference
Logistics Model	Logistics Warehousing + Cross-Border Direct Shipping	Logistics Warehousing + Overseas Warehouse	Domestic Central Warehouse + Overseas Transit Warehouse + Overseas Warehouse
Logistics System	Own Logistics + Third-Party Logistics Cooperation	Self-Operated Warehousing and Logistics	Cross-Border Direct Shipping
Features	Earliest to develop the European market, most experienced	Strong logistics foundation, but several failures in the European market	Rising star, rapid development in recent years

²⁸⁵ Arjan, "Ochama Active in 24 European Countries," Ecommerce News, October 17, 2023, <https://ecommercenews.eu/ochama-active-in-24-european-countries/>, accessed May 4, 2024.

