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How Western Beauty and Cosmetics Brands Leverage Social Commerce in China

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Supervisor

Prof. Stefano Elia

Co-Supervisor

Luis Augusto De Freitas Cordeiro

Authors
Aslıhan Tanrıver
884988
Sinem Akkaya
882832

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Abstract

Social commerce is a recent evolution of e-commerce whose traditional strategies are also renewed allowing consumers to connect each other and products by using social network (Wang et al.,2012). Diffusion speed of social commerce usage in the world comes from creation of innovative and advanced business models in order to perform e-commerce (Turban et al., 2010). The main goal of the thesis is to show the influence of social commerce practices on the Chinese beauty and cosmetics market for Western companies. Aspects and characteristics of social commerce(s-commerce) will be given by presenting the findings regarding the behavior and culture of local consumers considering e-commerce, cross border, mobile commerce and social media perspective. It will also be presented the s-commerce evolution from its birth until today; its six dimensions, social psychology; and main objectives and values for companies' point of view. In the light of these information, our study will present and detail the Chinese consumers behavior regarding s-commerce market specificities, indicating the country as a potential target market for those companies aiming to use digital sales tools to get access to China. Along, this process an overview regarding the m-commerce, social media, e-commerce (local and international) and social commerce will be introduced to understand how they are applied in the country presenting some examples of each one of them. After showing how the technology scenario of the country evolves and grows, the focus will be on showing how the technology changes the way of behaving and purchasing of Chinese consumers by considering their tendency to create and live in China based domestic digital world within their daily lives instead of accepting what comes from rest of the world. Aiming the main goals of this thesis, the Chinese beauty and cosmetics industry analysis is performed by means of applied cases within s-commerce concept in the industry based on top ten digital beauty and cosmetics brands in the country. Moreover, in order to show the important facts about the Chinese market for the beauty and cosmetics companies who are willingness to accomplish desirable business goals in the market, key success factors (KSF) are identified. After highlighting the importance of the digital world within the country and consumers' nature and Chinese consumers' propensity to use and purchase beauty and cosmetics products, L'Oréal and Feelunique cases are discussed. The goal of the cases is to show how two foreign based companies can adopt their strategy to the market by either being physically present or not in the country and still have success, demonstrating some possible marketing success actions they implemented. Besides of that, the study shows how China pushes these companies to localization in some part of their strategy. The final part of this thesis presents the conclusion obtained in the process, presenting limitations and recommendations for potential further research.

Key Words: Social Commerce, Mobile Commerce, Social Media, E-commerce, Cross Border E-commerce, Chinese Beauty and Cosmetics Market, Chinese Consumer Habits and Online Behaviors, L'Oréal Case, Feelunique Case

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ABBREVIATION

- Asia-Pasic (APAC)
- Augmented Reality (AR)
- BAT (Baidu, Alibaba, Tencent)
- Bonded Imports (B2B2C)
- Business-to-Business (B2B)
- Business-to-Consumer (B2C)
- Consumer-to-Consumer(C2C)
- Conversion Rate (CR)
- Customer Relationship Management (CRM)
- Do it yourself (DIY)
- Electronic Commerce(E-commerce)
- Electronic Word of Mouth (e-WOM)
- Internet Word of Mouth (IWOM)
- Jingdong (JD)
- Key Opinion Leaders (KOLs)
- Key Performance Indicators (KPIs)
- Key Success Factors (KSFs)
- Little Red Book (RED)
- Mobile Commerce(M-commerce)
- Online to Offline(O2O)
- Pinduoduo (PDD)
- Return on Investment (ROI)
- Social Commerce(S-commerce)
- Social Networking Sites (SNS)
- Word of Mouth (WOM)
- Year over Year (YoY)

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1. Introduction

Initially, in this section, research background, motivation of the research, objective and structure of the study will be mentioned to have an extensive overview about the thesis.

1.1 Research Background

According to OECD (2010), with the development of the internet, there have been emerging new technologies, concepts and theories in the world. Throughout these emerging concepts and technologies, there have been also new system implementations and services occurring continuously within business sector with the help of internet intermediaries, such as internet search engines and portals, e-commerce intermediaries and payment systems, which enable not only the communications and transaction between third parties but also applications and services (OECD, 2010). According to Darwish et al. (2011), people were just used to enjoying surfing on the internet within the web portals before, nevertheless people's experiences on the internet have been changed regarding personalization and socialization with introduced Web 2.0 at present times. Era of Web 2.0 has been occupying a place in people's lives all over the world rapidly with blogs, social networking sites (SNS), photo and video sharing and so on since implementations related to Web 2.0 have been getting increased rapidly (Darwish et al., 2011).

Form of web 2.0 was introduced first in 2004 in order to refer user-centered technological platforms and services (Rossi, 2017). Within concept of web 2.0, SNS are important tool for socialization purportedly within the context of group formation, community building and sharing (Rossi, 2017). Through help of Web 2.0 and SNS, social commerce is created with the feature of user generated content.

Social commerce is a new way of doing commerce which had been brought in literature formally on 2005 (Han et al., 2017). It is not only seen as a combination derived from social media and e-commerce but also a rising phenomenon emerged from being triggered by the web 2.0 wave (Wang, 2009). While according to Shadkam et al. (2013), social commerce can be used with the purpose of doing commerce, experiencing commerce opportunities through engaging and taking part in a collaborative online environment by people. He also states that s-commerce has developed with the purpose of embracing potential of social media tools and strategies and those ones can be utilized in the e-commerce context as well (Shadkam et al., 2013).

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Marsden (2010) defines social commerce as a way to monetize social media thanks to applied two-way strategy as; enabling people to connect where they generally purchase or leading those people for purchase where they consistently connect. He also claims that social commerce affects people decision related to what, where and from whom to buy through giving a chance them to share info, experiences and opinions (Marsden, 2010). In this circumstance, the role of customers is altered due to evolution of e-commerce into s-commerce. According to Kim (2012); Hajli et al., (2015); Huang et al., (2013), the evolution of s-commerce demonstrates shared bargaining power of end users which is retrieved from customers thanks to the internet movement. The shift of e-commerce from a product-oriented platform into a customer-oriented environment was enabled by the advent of social commerce (Huang et al., 2013; Wigand et al., 2008).

1.2 Motivation

Nowadays, the reason why many people go online is because not only for willingness to have information but also for social interaction (Lackey, 2018). According to Digital Commerce (2018), the effect of social media on the way of people's communication and interaction with each other is as strong as ever. Besides of that, based on the study of We Are Social and Hootsuite (2018), worldwide social media usage has risen 13% in 2017. Lackey (2018) states that with the increased of social media usage, it seems like social media applications and retailers have been capturing the audience, however, the quantity of purchased products through social media apps does not reflect the effect of capture (Lackey, 2018). According to a study by Pew Research(n.d.), approximately half of Americans have been purchasing a product by utilizing their mobile device while a minor percentage of this group has been ending up buying a product from a social platform. As is things go mobile, China is ahead of other nationalities. As a proof of that the Chinese online retail market can be shown since it is the largest market in the world and 80% of e-commerce transaction made by mobile devices in 2018 according to Netmera (2018). With the evolution of digital and created opportunity within digital in the Chinese market, online and offline has been merging by forming new retail experiences for consumers. Furthermore, many platforms have been integrating e-commerce and social media by building user-friendly the platforms and appealing customer place in order to make those platforms first stop in retail experience of Chinese customers instead of final destination for them (Lackey, 2018). In this circumstance, the social commerce is an inevitable potential to leverage in the country since it arises from combination of social media and e-commerce.

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According to Wilson (2019), social commerce can be simply explained as purchasing of products, selling of products and services directly via social networks and Asia takes the first row in this concept. She also indicates that s-commerce trend is more apparent in the Chinese market within the Asia region and China's social commerce was forecasted to reach RMB Yuan 1.14 trillion in 2018, growing Yuan 3.0 trillion in 2020 (GroupM, 2019). It was assumed that social commerce usage will represent more than one-third of China's internet population in the country. Country's outstanding performance in s-commerce was defined ten years ahead of other nationalities in the world because of the fast-digital revolution (Forbes, 2015). However, it is not only result of technology penetration of the country but also how the penetrated technology has been changing Chinese people lives and impacting the way Chinese behaves. Thanks to increasing growth in the digital ecosystem through commerce and social experiences of Chinese people, the market itself reveals how the social commerce has been being improved and why it is ten years ahead from other nations (Forbes,2015) . Furthermore, the Chinese market inspires all over the world like the U.S. about how social commerce may grow and evolve. For example, while WeChat had been spreading out all over the world with the impact on social commerce and due to its expansion , Facebook acquired WhatsApp as a part of its strategy against WeChat (Forbes, 2014).On the other hand, China can be also described as a distinctive market by differentiating from other countries in the world since digital market in the country is not leaded by well-known international social networks, e-commerce platforms or search engines which are utilized all over the world(NY Times,2018). Rather than, China has been creating a whole digital service ecosystem domestically because of the Chinese market and the Chinese consumers' behavior characteristics and those services become taking place of well recognized international digital companies in the world.

Considering product categories, beauty and cosmetics products are one of the most preferable products with increasing consumption and spending among other product categories on e-commerce (WeAreSocial,2019). Besides of that, beauty and cosmetics market in china has been becoming the largest market in the world with respect to sales and market shares (MarketingToChina, 2018). In the light of those information, the Chinese beauty and cosmetics industry in social commerce is appalling to conduct study. In order to show impact of s-commerce on performance of Western beauty and cosmetics brands, L'Oréal is selected as a case study. The reason why L'Oréal is selected can be explained with it has three brands among top ten beauty brands in China according to the Gartner L2 Digital IQ Index (2018) and this makes L'Oréal the leading company in the Chinese market.

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As another case study in beauty and cosmetics industry, Feelunique, which is e-commerce retailer company, is selected to demonstrate cross border e-commerce can also create an environment to access the Chinese market for foreign brands by taking an advantage of social commerce.

1.3 Objectives

Under the background history and the motivation of the research mentioned in the previous sections, this study aims to find out how use of social commerce can affect performance of foreign based companies , which are physically present in China, in beauty and cosmetics industry as well as to understand whether being physically present in China are required or not in order to leverage power of the social commerce in China. In the light of highlighted facts about the country, while the mentioned argument about ''how Western beauty and cosmetics brands leverage social commerce in China'' will be evaluated based on performance of L'Oréal in the Chinese market, ''how being physically present or not matter for benefiting from the market '' will be clarified through the case of L'Oréal and Feelunique in China. The research will be conducted by the help of secondary and mostly qualitative data. In case of L'Oréal, business and e-commerce performance of the company will be evaluated between 2014 and 2018 by considering its digital marketing strategies in China while in case of Feelunique, e-commerce performance of the company between 2015 to 2018 will be examined by focusing on its expansion strategy and digital strategy with mostly the help of local e-commerce solution provider in China. Based on the objectives, the research questions were raised as;

- *"How Chinese Consumers' Behavior Characteristics Affect Digital Acceleration and Digital Strategies of Companies?"*
- "*Why Social Media Platforms are Seen as a Sales Channels in China for Local and Foreign Brands?"*
- *"How Western Brands in Beauty and Cosmetics Industry Should Leverage Social Commerce in China?"*
- *"Is Physical Presence Necessary in Order to Leverage the Potential of the Chinese Market?*
- *"How L'Oréal and Feelunique Perform Their Business in China by Using Social and Technology Power of the Chinese Market?"*

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1.4 Structure of Thesis
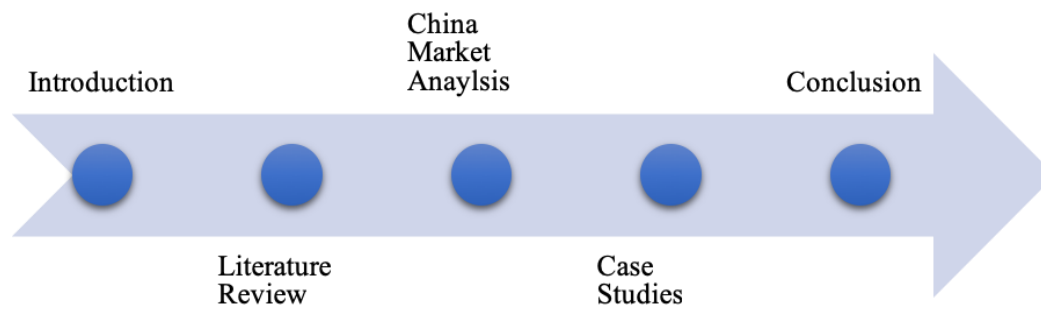
Figure 1 : Structure of Thesis

The structure of the thesis is demonstrated in Figure-1. Thesis starts with *Section 1* as an introduction chapter that consists of a description of general background in research on s-commerce, the motivation, the aim and structure of the thesis. *Section 2* begins with literature review which is conducted through traditional technique. The basic concepts in this chapter will be defined not only how s-commerce evolved as a combination of e-commerce and social media platforms, but also how mobile commerce helps social commerce to develop. The background behind studied concept will be introduced and literature review of those concepts will be dwelled on. The main structure will be studied in terms of six dimension of s-commerce; the social psychology of s-commerce and objectives and values for companies by leveraging s-commerce. While in S*ection 3,* overview of the s-commerce in China will be focused on by the analyses of the Chinese market and the customers' behavior regarding the use of mobile phone within m-commerce; social media; e-commerce; and international e-commerce for physically non-present companies in the Chinese market and the Section will end up with social commerce applied cases in the country within e-commerce and cross border e-commerce concepts. In the following Section *4,* analyzing and understanding purchasing and social behavior of Chinese consumers; and online Chinese consumers decision making process will be studied. *Section 5* starts with general overlook to the Chinese beauty and cosmetics market. After understanding the role of Chinese consumers on e-commerce performance, implementation of emerging trend on the social commerce and the beauty and cosmetics market in China, the top ten beauty brands' cases in the country will be examined by giving an example based on usage of social media platforms within e-commerce; and integration of the brands e-commerce websites. In the light of information that mentioned above, the section will be concluded with key success factors (KSF) for a foreign cosmetic brand in

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order to guide in the market to be successful considering characteristics of the Chinese market and consumer behavior. On the other hand, in *Section 6*, cases of L'Oréal and Feelunique will be studied in order to understand social commerce effect within business performance in the Chinese market. In the end of the section, the arguments related to the case studies' performance will be introduced. In following *Section 7*, the thesis will be concluded with a summary of the research and recommendations. Furthermore, in order to indicate from where limitations are arisen in the research, a place will be given to limitations in *Section 8*. Lastly, the thesis will be ended up with the future research in *Section 9* in order to direct the readers for new area of studying.

2. Aspects and Characteristics of Social Commerce

This section includes definition of e-commerce, cross border, mobile commerce and social commerce by giving comprehensive overview within the concepts in order to absorb aspects and characteristics of social commerce.

2.1 E-Commerce and Cross border

E-commerce can be defined as a medium that allows companies to improve the way of doing business (Skeffington, 2000). Considering its functionality, many types of definition regarding e-commerce can be found in the literature, e.g., Zwass considers that (1996), e-commerce is a way of exchanging information related to business, remaining the business relationships and carrying out business transactions via telecommunications network. Another definition is from Treese and Stewart (1998, p.5), "the use of global Internet, purchase and sale of goods and services, including services and support after sale." Also, Kauffman and Walden (2001, p.3) states that internet can be seen as an intermediary which allows end-to-end business transactions in e-commerce.

Xing states that, in international e-commerce concept, cross border is a part of e-commerce and cross border can be mentioned as transactions through internet which allows companies greater savings in transaction costs. Decrease in travel, administration, communication and markets search costs can be considered the most significant savings characteristics of e-commerce (Xing, 2017). Especially, Global south economies, stands for economically underdeveloped countries such as China, Africa, India, Brazil among other countries, are the ones who encourage usage of e-commerce since it allows their producers/exporters to conquer the classical problems related to limited access to information, high level entry cost and being far away from potential markets (Xing, 2017).

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According to Xing, there are three types of e-commerce which are Business-to-Business (B2B), Business-to-Consumer (B2C) and Consumer-to-Consumer(C2C). The B2B commerce involves a greater variety of inter-company transactions which contains wholesale trade and trade in intermediate goods/services. The B2C can be seen as a way of selling goods and services to consumers by enterprises while C2C is about trading goods and services among consumers (Xing, 2017). Such an expert e-commerce companies like Alibaba(china), Amazon (USA), eBay (USA), Rakuten (Japan) are seem like intermediaries which make possible to sell new and used goods by individuals.

As it can be seeing, all type of e-commerce is about having an interaction between buyers and sellers, all of them are able to create possible new types of international trade and transaction basis. Thus, it can be said that e-commerce has a potential to be essential for doing a business regarding export and import internationally in the future (Xing, 2017).

2.2 Mobile Commerce

There are lots of definitions about Mobile commerce (m-commerce) in the literature. For example, Leungh et al. (2001) characterize m-commerce as content delivery and transaction on mobile devices, whilst Frolick et al. (2004) define it as wireless e-commerce and mobile communication between the business and its customers.

In the literature, there are some studies that focus on the difference between m-commerce and e-commerce. To give an example, Dholakia et al. (2004) point out that e-commerce is through fixed and wired terminals while m-commerce is a term that is for e-commerce transactions that is happening through mobile and wireless terminals. According to him, although these two terms define electronic transactions, the difference can be figured out from meaning of ''e'' and ''m''; it means that ''e'' stands for fixed and wired, whilst ''m'' stands for mobile. According to Ali et al. (2004), new technologies which enables mobile phones and other handheld devices, where the internet-enables mobile phones, personal digital assistants, palmtops, laptops and pagers goes by, to connect the internet allows wireless business transactions and it is m-commerce. The phenomenon is about usage, application and integration of wireless communication technologies and wireless device. According to Niranjanamurthy et al. (2013), m-commerce is a recent trend that is emerging from the marriage of e-commerce with emerging mobile and prevalent computing technology. He identifies the m-commerce characteristics that differs from e-commerce in the following terms:

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- *Ubiquity* that is defined as thanks to the wireless devices, user will be able to get the info and make transactions whenever and wherever she/he wants;

- *Accessibility* that is defined from chance of user to contact at virtually whenever and wherever she/he wants thanks to presence of mobile device;

- *Convenience* which is a term that movability of the wireless device and it is features from storing data to get an access for info or people;

- *Localization* which gives opportunity to user to get appropriate info thanks to location specific based applications,

- *Instant Connectivity* that makes people to use the service and access to the internet simpler and faster,

- *Personalization* that realizes personalized info, meeting the users' expectations, followed by payment mechanism that enable private info to be stores and getting rid of the requirement of entering the details of credit card every time per each transaction;

- *Time Sensitivity* that enables users to have an access on real time info and;

- *Security* which based on the user device that ensures specific level of security.

Liao et al., (2005); Park (2006); Kim et al., (2007); Clarke (2001) agree that the m-commerce specific features are ubiquity, convenience, localization, instant connectivity and personalization. While according to Zhang and Yuan (2002), these differences are identified from three different dimensions, which are the technology, the nature of service and the business model, and these three consist of type of device, interface, connectivity, bandwidth, location awareness and convenience. According to Ozok et al. (2010), there are some highlights that differ that platform in terms of four aspects called as;

- *Human Related Factors* that's about wherever and whenever user wants, she/he can shop;

- *Interface* which is related to possibility of shopping with appropriate screen, keyboard and cursor movement;

- *Product-Related* which is about making users shop for personalized goods and have diversity of products;

- *Service-Related* that's about enabling users' shop for customized goods, have diversity of products and shop from secure environment.

A number of studies (Frolick et al., 2004; Venkateshet al., 2003) finds that mobile commerce importance is extensive thanks to giving rise to create more touch points with

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customers and to expand companies' business for new markets. In the study of Song et al. (2007), it is claimed that behavioral aspects of consumers for utilizing m-commerce should be taken into consideration when companies want to complete mobile commerce strategies. Figuring out these behavioral aspects will give an opportunity to company for understanding and predicting about their behaviors towards usage of m-commerce. Hofacker et al. (2012) highlight that companies feel that there is an urgent need for utilizing mobile commerce strategies and that's why, they are willingness to leverage capabilities to have a competitive advantage in a market.

In the literature, there are lots of studies about identifying m-commerce purchase intentions. Firstly, according to Huang et al. (2009); Yaseen et al. (2010); Zhou et al. (2010); Zhou et al. (2011); Pelet et al. (2012); Nassuora (2013); Chunxiang (2014), *reliability and privacy concerns* are trustable predictors for these intentions. Second intention is demonstrated in the research of Song et al. (2008); Wang et al. (2010); Yaseen et al. (2010); Wang et al. (2012); Zhou et al. (2010); Nassuora (2013); Jaradat et al. (2013) as *perceived usefulness and ease of use and expectation of performance and effort* that are predictors of understanding consumers' m-commerce adoption behaviors. Wang et al. (2010); Pelet et al. (2012); Zhou et al. (2010) point out that social effect that is a decision of using m-commerce depending on the other views is an important predictor as for the intention as well.

2.3 Social Commerce
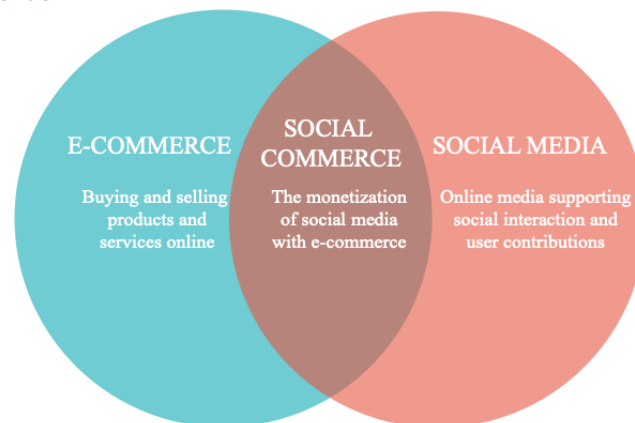
Figure 2: Social Commerce Landscape (Marsden, 2010)

Social commerce is defined as synthesis of social media with e-commerce according to Marsden (2010). S-commerce is subset of e-commerce which utilizes social media that meaning online media which provides social interaction and contributions of users to improve experience of purchase. In order to monetize social media marketing, implying

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online promotion of products and services by leveraging social media, s-commerce is seen as a well-known solution.

In the following section, definition and evolution of s-commerce; six dimensions of s-commerce; social psychology of s-commerce and objectives and values of s-commerce for companies will be mentioned.

2.3.1 Definition and Evolution of Social Commerce

The more social media sites become popular, the newer business model opportunities for e-commerce has occurred. Social media can be seen as a subset of Web 2.0 and development of social media within web 2.0 enable social commerce (s-commerce) to be a brand-new extension of e-commerce (Liang et al., 2011). The social commerce terminology appeared for the first time in 2005 on Yahoo! (Wang et al., 2012). It is mentioned that "*Shoposphere*" of Yahoo is the earliest venture to penetrate social commerce on November 11, 2015. By its feature of "Pick Lists", users are able to make a comment on lists of products and review them. In this way, users make Shoposphere a "blogosphere" by creating content (Wang et al., 2012).

Social commerce is defined as a form of e-commerce activities and transactions by leveraging social media thanks to evolution of web 2.0 software (Liang et al., 2011). According to Wang et al. (2012), the development of social media on Web 2.0 contributed to the evolution of s-commerce which can be explained considering the framework called "information model" or "I-model", which is made of four main components called as information, technology, people and organization/society. The reason of using this framework is because social commerce has been seen as an issue related to information phenomena (Wang et al., 2012). The authors still state that the first dimension is people which can be seen as a main and essential tool for *socialization, commerce, technological* development and generation of information and use. They also state that aspects regarding people can be seen in many forms such as individual consumers and sellers, small or large group of people or communities who own the technologies. The second dimension constituted by organization and society regard more about policies, strategies, management, operations processes, structures and cultures. Those entities are the ones who take an advantage of social commerce. The authors mention that technology dimension refers to all hardware, software, infrastructure, platform, applications, resources, services and any other resource related to it. The very last dimension is related to information which has social purpose and it is about collection or creation, processing, dissemination and use.

Considering social commerce aspects, information is an essential driver for user generated content (Wang et al., 2012).

Year / Dimension	People	Management	Technology	Information
2005	People mostly care about other shoppers' opinions and exchange information.	Long-tail niche product strategy can meet the requirements of small businesses.	E-commerce websites and blogs.	User-generated contents with web 2.0 technologies.
2006	Consumer can generate shopping attitude by socializing.	Strategy for social experience such as ensuring collaborative areas, and for alliances such as putting e-tailers and social networking sites together.	Startup social shopping websites with the combination of social networking functions and e-commerce sites.	Creation of content sites by combining features of research and purchase in a platform
2007	Social consumers can be seen as both cognitive and emotional	Team buying strategy which is about merger of online and offline social networks	Combination of search engine and social networking features such as blogs, video, do-it-yourself (DIY) media (YouTube)	Moving from traditional- text based information to audio and video-based information.
2008	Social shopping customers are not responsive to marketing.	Concrete content strategy considering social networks as a tool for branding not for transactions.	Formation of social shopping sites with combination of e-commerce websites and social networking functions	Crowdsourced contents with user communities and information resources.
2009	Consumers now have the power over their own choices by social networks	Emerging strategies in Co-creation and multi-channel	Usage of twitter as event marketing and mobile phones.	Co-creation content with users and marketers
2010	Social commerce can be seen as a tool for fighting with deflation in terms of economical point of view. Regarding of Cultural point of view, perception of social commerce in Asia is about more saving while for Western countries is about more social fun	Arising of cultural perspectives in social commerce like team buying in china known as Tuangou.	Emerging of f-commerce with the launches of group buying application in Facebook	Global crowdsourcing
2011	Consumers decide what to buy based on their interests in addition to their social networks. But sometimes peer influence does not withhold them from shopping regarding their interests.	Combination of online auction and social networking sites like eBay and Facebook. Social business-like Groupon in China.	Launches of Google plus with the expectation of leading to g-commerce, twitter for t-commerce and Facebook for f-commerce.	Local content to meet the requirements of consumers from different cultures and interest by moving to interest graph from social graph in the info-graphic of social network.

Table 1: I-Model Dimension of Social Commerce (Wang et al., 2012)

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2.3.2 Six Dimension of Social Commerce

In the light of study of Baruah (2012), it can be said that in today's world, the social media tools are utilizing in order to affect and attract consumers by participating and engaging in a collaborative online social environment. According to Wang et al. (2012), social commerce is defined as a form of commerce that engages social media and merges both online and offline environment since he states that involvement of social media empowers not only social interactions but also contributions of users with the aim of supporting activities for purchasing and selling of both products and service online and offline. While Harkin (2017) defines it as a new category of e-commerce or the birth of the referral economy. Chen et al. (2011) demonstrate that an unparalleled platform is created for consumers so as to publicize consumers' evaluations related to purchased products and simplify word of mouth diffusion thanks to social media.

Weijun and Lin (2011) highlights that s-commerce is a business model occurring in social media, which is a place where people can interact, take a suggestion from trustworthy peers about satisfactory products and services, and then purchase them. They consider that the business model combines a speedily evolving and rapid expanding toolset. That's why, Wang et al. (2011) research varied dimension of social commerce. According to the researchers, although there are lots of ways to offer social commerce solution, Marsden (2010) concludes that lots of them can be analyzed in terms of six different dimensions called as *Social Shopping, Rating and Review Recommendations and Referrals, Forums and Communities, Social Media Optimization and Social Ads and Applications*. These six dimensions will be defined in below by giving a brief definition to have a comprehensive idea and then features of all these toolsets will be explained deeply based on Marsden's (2010) reference.

2.3.2.1 Dimension: Social Shopping

According to Marsden (2010), social shopping enables people to share the act of online shopping together. The toolset consists of Social Media Stores, Portable Social Graphs, Group Buying, Group Gifting, Co-browsing, and Social Shopping Portals.

a. **Social Media Stores:** is defined as allowing people to purchase where they connect within the walled gardens of social media platforms. Marsden (2011) reveals in his research that 35% online consumers would purchase the products on Facebook.

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b. Portable Social Graphs: means enabling social network users to bring their online social networks to e-commerce websites and creating interaction among their friends and followers summarily whilst on the site according to Marsden (2010). Razorfish (2009) makes clear that social graph definition is emerging from the network of personal connections through which people communicate and share information online.

c. Group Buying: is identified by Marsden (2010) as providing an opportunity for the people so as to utilize their collective purchasing power to buy together for having a better deal, generally recruiting fellow buyers through social media networks such as Facebook and Twitter, and group buying websites such as Groupon.

d. Co-Browsing: According to Marsden (2010), co-browsing specified as ensuring people to shop together on e-commerce websites at the same time as synchronous shopping with synchronized page views and integrated chat facilities.

e. Group Gifting: Group gifting makes purchase a gift collectively online possible for people. (Marsden,2010)

f. Social Shopping Portals: Marsden (2010) defines that it facilitates people to shop multiple stores together utilizing social shopping tools, often combined with non-synchronous social commerce tools like Rating& Reviews, Recommendations & Referrals and Social Bookmarking.

2.3.2.2 Dimension: Ratings& Review

According to Marsden (2010), the toolset is defined as allowing people evaluate the product and service feedback and giving viewers a chance to contribute and discuss. The toolset consists of Customers Rating & Reviews, Expert Rating & Reviews, Sponsored Reviews, and Customer Testimonials.

a. Customer Ratings& Reviews: The word emerges from real customers, either integrated

into an e-commerce website like Amazon, Apple iTunes; social network pages like Blippr or customer reviews site like Epinions (Marsden,2010). In addition to this, Reference to the Nielsen (2009), 90% of online consumers in the worldwide rely on the recommendations of people they know in the meantime 70% of them rely on consumers' opinions that is shared online.

b. Expert Ratings & Reviews: From Marsden (2010) point of view, it is the perspective of the independent voice of authority on social media platforms like

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YouTube, on e-commerce websites like Amazon's professional reviews or on dedicated reviews sites like Crowdstorm.

c.   Sponsored Reviews: Marsden (2010) defines it as paid for reviews that are coming from customers, experts or more litigiously shills bidding on social media platform and reviews sites such as SponsoredReviews, PayPerPost.

d.   Customer Testimonials: Customers stories are published to an e-commerce websites of social media platform and offered by ratings and reviews software companies like Bazaarvoice according to Marsden (2010).

2.3.2.3 Dimension: Recommendations and Referrals

While Rating& Reviews are visible to all, generally Recommendations & Referrals are personalized social media endorsements for online products and services designed for realization of the referral value of customers and advocates from Marsden's (2010) perspective. The toolset consists of Social Bookmarking, Referral Programs, Recommender Systems and Social Recommendations.

a. Social Bookmarking: Marsden (2010) describes it as idea of sharing with the network. Pick lists, wish lists, gift lists and galleries of products, deals and tips are bookmarked and shared. The author continues that these ones can be searched by others like how it can be done in Amazon. It is identified as a core feature of social shopping portals according to him. According to Liang et all. (2011), as long as a user feels that relationship between service provider and social network is accurate, the user is appealing to share significant commercial info or recommended products online and look for commercial opportunities from their online friends.

b. Referral Programs: Marsden (2010) states that referral program is related to rewarding customers and partners in order to refer new ones by incentivizing them such as Sky's Introduce a Friend and it stands for social media version of affiliate and performance marketing. As Marsden (2011) points out that referral rewards program is one of the ways to achieve incentive driven advocacy meaning that it is driven through the incentives that encourage consumers for advocating.

c. Social Recommendations: Marsden (2010) defines that it is with regarding to personal shopping recommendations depending on comparing similarities between social, purchases and browsing history profiles such as Netflix Cinematch personalized movie recommendations from Honk.com.

2.3.2.4 Dimension: Forums &Communities

Marsden (2010) clarifies that for s-commerce, forums which it linked to e-commerce platforms further products discovery, selection and referrals by ensuring moderated and curated environment around a specific theme, task or category. The toolset consists of Discussions Forums, Q&A Forums, Retail Blogs and Customer Communities.

a. **Discussions Forums:** People in discussion forums not only support each other but also try to solve the problem of others like in P&G BeingGirl according to definition of Marsden (2010).

b. **Q&A Forum:** Marsden (2010) states that it is a structured forum that can be identified as new style for frequently asked questions format that benefiting from user contributions for giving an answer for common questions like Yahoo Answers.

c. **Retail Blogs:** Retail blogs are defined by Marsden (2010) as ensuring news and discussion with related to e-commerce events and in addition to this, learning customer feedbacks and recommendations on desired advancement such as idea blogs like MyStarbucks Ideal.

d. **Customer Communities:** According to Marsden (2010), with the goal of loyalty, advisory or social Customer Relationship purposes, online communities of customers and partners that are linked to e-commerce websites are created. Marsden (2010) gives an example of Juicy Couture's conversion rates, that is defined as a metric to measure the understand the ability of the promotion to inspire the desired behavior like purchasing, asking for more information or registration by Cotter, S. (2002), since it faces a huge increase with 62% thanks to Community Club Couture.

2.3.2.5 Dimension: Social Media Optimization (Marsden, 2010)

The dimension aim is defined as attracting visitors to e-commerce websites by promoting and advertising these websites and contents by benefiting from social media according to Marsden (2010). He states that it includes seeding marketing collateral to main social media platforms and linking them to e-commerce websites. E-commerce websites traffic is driven up via direct links and improvement in search engine rankings. The toolset consists of News Feeds, Deal Feeds, Media Sharing, Social Media Events and Link Building according to Marsden (2010).

a. **New Feeds:** The aim is to offer syndicated news related with products for online purchase on social media platforms such as SlideShare and Facebook in order to provide

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a source for additional information and for special deals according to Marsden (2010) perspective.

b. **Deal Feeds:** As Razorfish (2009) perceptively states that the initial reason behind why people connect with brands in social media is being informed related to deals. Marsden (2010) thinks that these are the deal focusing on version of new feeds like Carrefour Face Shopping.

c. **Media Sharing:** Marsden (2010) qualifies that it is about publishing advertising and promotional content connected to e-commerce website to popular social media platforms like Blendtec's 'Will it Blend?'' ads on YouTube.

d. **Social Media Events:** With reference to Marsden (2010), the feature is related with running media events in social media space linked to e-commerce websites and the examples of it are webinars, press briefings, contests, screenings and shows like publisher Random House's Cover Design contests on Flickr.

e. **Link Building:** The purpose of link building is to add comments to third party social media content linking back to an e-commerce website from Marsden (2010) point of view.

2.3.2.6 Dimension: Social Ads & Apps (Marsden, 2010)

With reference to Marsden (2010), paid advertisements on social media or social applications or widgets are embedded in the social media platform linking to e-commerce websites. The toolset consists of Social Apps, Social Ads, and Shop Widgets.

a. **Social Ads**: The author continues that social ads are about having a place for advertisements through paid for media space in social media platforms like Facebook and blogs. The work of Nielsen (2012) reveals that although third of people think that ads on social networks are annoying, more than a quarter of people are more willing to pay attention to an ad when it is posted by a friend and in addition to this, it is clarified in Nielsen (2012), after seeing a social ad, social likes are the following step that's mostly taken and it can be a significant source in order to raise a brand's visibility.

b. **Social Apps:** Marsden (2010) implies that social apps are about creating online applications or widgets supporting social interaction and user contribution. He still states that even though a widget is a single-handed program running on any internet site, an application is platform specific like Nike+.

c. Shop Widgets: Show widgets are the small portable widget stores which are embedded into social media turn customers, partners and advocates into online sales points and examples of it are Amazon according to Marsden (2010).

On the six dimensions that is mentioned above, scope of social commerce and social shopping is considered distinctly by reference to Marsden (2010), and social shopping is thought as one of the aspects of social commerce from his perspective. On those given definitions, he still states that s-commerce and e-commerce is overlapping on some of the dimensions such as Rating and Reviews, Recommendations and Forums and Communities. According to Marsden (2010), these overlapping specifies that social commerce stands for an evaluation that builds on concepts and practices of e-commerce.

2.3.3 The Social Psychology of Social Commerce

As Marsden (2010) points out in his research that there is a chance for creating of effective brand building with the help of social commerce by understanding the social psychology of social commerce in order to create differentiated choice- shaping associations in the consumers' mind based on one, or more, of the six universal social intelligence heuristic. These heuristics are called Popularity, Authority, Affinity, Consistency, Reciprocity and Scarcity. The work of Cialdini (2007) also indicates that Reciprocity, Social Proof, Commitment, Authority, Liking and Scarcity are the six principles of persuasion that is utilized in marketing activity to make customers persuade to take the desired action. According to Cialdini (2007), these six principles are also helpful to drive conversation on landing page.

The first social intelligence heuristic is named as popularity by Marsden (2010) and defined as following the crowd. He states that as long as something is dominant or popular, it is perceived as a social proof which is correct and most valid option. That is why, he clarifies that it can be defined as peer power on the action. Instead, Cialdini (2007) named popularity as social proof and also identifies that ''Humans have a natural tendency to do things our peers do or suggest.''. As a second social intelligence heuristic, Marsden (2010) defines authority which emerges from following the authority since as a human being, when conclusions come from expert or authority, he proposes that it will be respected whatever those people say. Cialdini (2007) believes that it is the most challenging one to leverage because of time needed to build a real authority takes time. He believes that it is one of the reasons why influencer marketing is speeding up during the last years. Third social

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intelligence heuristic is defined by Marsden (2010) as Affinity. It is defined as following the ones that you like. He implies that there is a natural tendency for agreeing with people that we have affinity with. While Chialdini (2007) named affinity as liking and states that people have tendency to like other people that similar to us and it is an insight for the brands to focus effort on finding a common ground with their target customers. Consistency is a fourth social intelligence heuristic according to Marsden (2010) and it is about being consistent. In the circumstance that people' beliefs and behaviors do not match-up with each other, feeling psychologically discomfort occurs. Cialdini (2007) figures out that when people commit, their thoughts and following actions start to be aligned and consistent with their commitment. As a sixth social intelligence heuristic, reciprocity is defined by Marsden (2010) and the meaning is described as repaying favors. He adds that because of the natural tendency, people will feel appreciated when we repay favors even these favors are invited or not. On the other hand, Cialdini (2007) defines ''Reciprocity as process of exchanging things with others in return for a mutual benefit.'' Scarcity is the last social intelligence heuristic that is defined by Marsden (2010). According to him, it stands that scarce stuff is good stuff for people. He expresses that people give more value to the opportunities since they will be less available and the desires to give more value emerges from the fear of potential loss. According to Cialdini (2007), missing fear is triggered by scarcity and it makes people feel regretful for not having a decision on time.

The relations between social intelligence heuristic and their relations with social commerce is demonstrated benefiting from Marsden's (2010) perspective in Table-2. The intersection points can give an idea about how those six principles of social intelligence heuristic should be used in order to incentivize consumers for taking the desired action within social commerce solution dimensions that is mentioned above.

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	Popularity	Authority	Affinity	Consistency	Reciprocity	Scarcity
Social Shopping	✖		✖	✖		
Ratings &Reviews	✖	✖				
Recommendations &Referrals		✖	✖		✖	✖
Forums & Communities		✖		✖	✖	✖
Social Media Optimization	✖	✖			✖	✖
Social Ads				✖		

Table 2: From Tools to Strategy - Using Social Intelligence with Social Media (Marsden, 2010)

2.3.4 Objectives and values of Social commerce for Companies

The rapid evolution of Social media and Web 2.0 has allowed the changes in e-commerce from a product-oriented understanding to social and customer-centered understanding (Huang et al., 2013). Web 2.0 can be seen as an accumulation of open-source which allows users as participants to enlarge the experience, knowledge and market powers in business and social processes (Murugesan, 2007) In fact, social media can be seen as internet-based applications and it can be established on Web 2.0 while Web 2.0 can be seen as a platform for collective intelligence. Thanks to combination of these two, customers are able to reach information and experiences which allow them to have better purchasing purpose by informing well with precise purchase decision (Dennison, 2009). In this way, customers' purchasing behavior can be obtained by online companies which can use these insights related to consumer' experiences and expectations in order to design successful business strategies. Social media is identified as a great chance for companies and brands to have a positive value on consumers' mind. According to Liang et al. (2011), it is significant to understand the reason why social media users are willingness to share and have commercial info for companies since through it, companies will be able to figure out why social commerce is attractive, and they can use it for enhancing and advancing their social media marketing strategy. FBIC, Global Retail & Technology (2015) concludes their report that since integration of social media platforms and mobile connectivity is a disruption and challenge, retailers should be apprehensive about it and focus on it. Having power of social media is important for retailers and brands points of view.

Another point of view for the companies is figured out by Rodriguez et al. (2015), the study mentions that they can benefit from technology by extracting the valuable

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information from it, therefore, companies should construct a framework and process the information to give a value to its customers since there is an emerging phenomenon for having an idea about consumers' requirements and finding new customers is called as social media. Harrigan et al. (2015) claim that Customer Relationship Management (CRM) is continuously growing and the effect on this growth is identified as social media that have reformed the way companies and consumers interact. Stephen and Toubia (2010) consider that customer interface is disrupted by social media and that is why, CRM too. Chen et al. (2003) point out that customer relationship which is created by merging people, processes and technology is for utilizing to understand and know company's customers. Thanks to this integrated approach, companies are able to manage their relationship by addressing their customer retention and relationship improvement. The author considers that it is derived from both advance in information technology and organizational development of the process in customer centric. The main purpose of creation of social media is not related with CRM aims, but it can be used for customer relationships (Harrigan et al., 2015). Berry (1983), Li et al. (2012) Liang et al. (2012) believe that the word social in social media not only means that happening between peers, but also between companies and customers and that's why, for companies it is unignorable truth that there is a potential to create structural and social bonds with customers through the social media. Heller et al. (2011) clarifies in their study that there is new concept called as social CRM meaning that combining social media technology with CRM. It is pointed out their research that to extracting value from power of social media to have connection with companies' customers, companies should recreate their customer relationship by utilizing social CRM.

FBIC, Global Retail & Technology (2015) report makes clear that social media enables retailers to have endless number of potential customers and target customers through specialized social platforms. Social media not only stands for an online advertising channel, but also implies marketing and customer service channel which retailers can employ and communicate with its customers. Increasing the number of sales at a lower cost, improving brand awareness and expanding product offerings can be conducted through social conversation that is created with customers in social media. Social platforms are converted into direct sales channels that mean another option for shopping to online shoppers from retailers and brands perspective (FBIC, Global Retail & Technology, 2015). In the research of Booz & Company (2015), it is commented that consideration, conversion and loyalty and service stages of the customers' relationship will be the most influenced areas by social commerce.

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For all these reason that are mentioned above, e-commerce has started to embrace Web 2.0 features, functions and capabilities for improving customer involvement, supporting customer relationship and attaining substantial economic value (Huang et al., 2013). Thus, Hung et al. still state that birth of social commerce lead to this kind of development in e-commerce since social commerce mainly uses web 2.0 in e-commerce. In addition, main characteristics of web 2.0 can be seen as user-generated content and content share. Hence, in this case, effect of web 2.0 is more on the both business results and social communication among consumers considering business transaction, trustworthy business reputation, business relationship with consumers, and brand development and better position of product thanks to estimation of market trends. (Huang et al., 2013).

According to Busalim et al. (2016), with social commerce, 4 characteristics can be identified which are interactivity, collaboration, community and social aspects. Based on these characteristics, values that it brings to companies will be mentioned as following;

Interactivity

Thanks to advancement of the internet, interaction technologies have given a rise to changes in terms of business model and the way of interaction of firms and consumers. According to Busalim et al. (2016), interaction is a special characteristic of s-commerce, it is something that can be established between consumers and companies as well as among consumers. Tools that can be used for this interaction are online forum, communities, rating, reviews and recommendations. In this way, customers are able to look for reviews and comments of other users about the products before they complete purchasing action. In this way, consumers are more able to be well informed in their decisions. The authors still specify that the one of the advantages of interactivity within social commerce for companies is that they are able to get more proper feedback from their customer targets based on their needs regarding development of new products and services. The other advantage for companies is electronic word of mouth (e-WOM) (Busalim et al., 2016). Shi et al. (2015) also states that companies can take an advantage of social commerce web site by communicating their promotional information with customers and raising brand awareness by means of e-WOM. This way of social interaction by sharing information has been created e-WOM marketing influences and with this influence, the more companies are attracting potential consumers via positive recommendations from existing consumers, the more their business performance will be increased (Shi et al., 2015)

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Collaboration

Busalim et al. (2016) declare that interaction feature of social commerce lead to changes in consumer role from passive to active by being co-creative actor on the internet. They are joining business process by creating content. It is also highlighted that social commerce ensures them an environment in which consumers would be able to form their own content and exchange information with others. Regarding companies of point of view, by collaborating with existing consumers and also with potential consumers lets them to co-create value with the creation of content, providing feedback and spreading information (Busalim et al., 2016). Huang et al. (2013) also considers that the creation of value by consumers is promoted via web 2.0 thereby collaboration of network-based customers generally allows companies to have better outputs (Huang et al., 2013).

Community

In the study of Busalim et al. (2016), it is mentioned that usage of web 2.0 technologies and social media allow social commerce to be a community-based platform. Social commerce is a platform that lets consumers and sellers to connect and in the point of consumers, they are able to make a connection with their friends, for example, via online social networking activities and sharing their opinion with their friends or even sending the discount to friends. Considering companies, they are more able to boost brand advocacy of consumers by making them better informed along the purchasing decisions (Busalim et al., 2016). In the study of Huang et al. (2013), it is also mentioned that using web 2.0 in e-commerce lead to change market power from companies to customers. Moreover, increasing needs for online services and application change customers' needs, for this reason customers are likely seeking for a way to encourage engagement by being more social and interactive. This is also something that can be provided by web 2.0 by letting customers with a new way to contact with marketers and peer communities simultaneously (Huang et al., 2013).

Social Aspect

Social commerce is a platform that mainly focuses on social media-supported commercial activities. Thanks to social media, this social support leads them to make a better decision in their purchasing behavior (Busalim et al, 2016). According to Liang et al. (2011), social support can be seen as a key element of social commerce that has an impact on customers' purpose to use social commerce. Social presence of users in social media makes users willing to share more information and obtain recommendations in social commerce (Busalim et al. 2016).

3. S-commerce Market in China

As it is clarified in the literature the triumvirate of digital ecosystem of China is represented by Baidu, Alibaba and Tencent (BAT) which control the majority of the Chinese market. While it is described by PwC (2019) with Alibaba and Tencent & Jingdong (JD)alliance. Whilst those ones have different core competences, independent ecosystem is created to maintain online consumer experiences, e.g., consumers who is in Tencent System cross from WeChat to JD while same consumer can be prohibited to move from WeChat to Tmall. According to PwC (2019) it means that, the internet giants enables consumers to have a seamless experience only if they keep staying within the walled gardens of the giants.

Since these leading giants BAT operates in lots of area (MEDICI, 2019), it makes digital ecosystem of China highly integrated. Before starting the section, these three dominant giants were reviewed below and then China's homegrown platforms were described in created Table-3 in order to understand the digital ecosystem and giants positions in the Chinese market in general with reference to BCG (2017), Fung Business Intelligence (2018). eMarketer (2019) and PwC (2019).

While Baidu keeps the leading position in search with its search engine Baidu search and map service with Maidu Maps (Business Sweden,2017), core business of Baidu is searching & advertising (MEDICI,2019). Business segments are divided into two parts as Baidu Core and iQiyi, PPS which is one of the leading video platforms (Cuofano,2019).

On the other hand, Alibaba's core business is e-commerce (MEDICI,2019). Alibaba's main business and the business of its related companies are symbolized by Taobao.com, Tmall, AliExpress, Alibaba.com, 1688.com, Alimama, Alibaba Cloud, Cainiao Network and Ant Financial (Alibaba Group,2019). Also, Youku which is a video streaming platform is operated as a subsidiary of the group and Shenma which is a search engine was co-founded in 2013 by Alibaba and UCWeb which was acquired by Alibaba in 2014(CIW,2017).

Tencent's core business is defined as social networks & gaming (MEDICI, 2019) whilst operates in also payment, information, utilities, platform and artificial intelligence areas. Ecosystem of Tencent in social networks are represented by QQ, WeChat, Qzone and Weibo while, in payment represented by Tenpay, WeChat Pay, QQ wallet (Tencent, 2019).
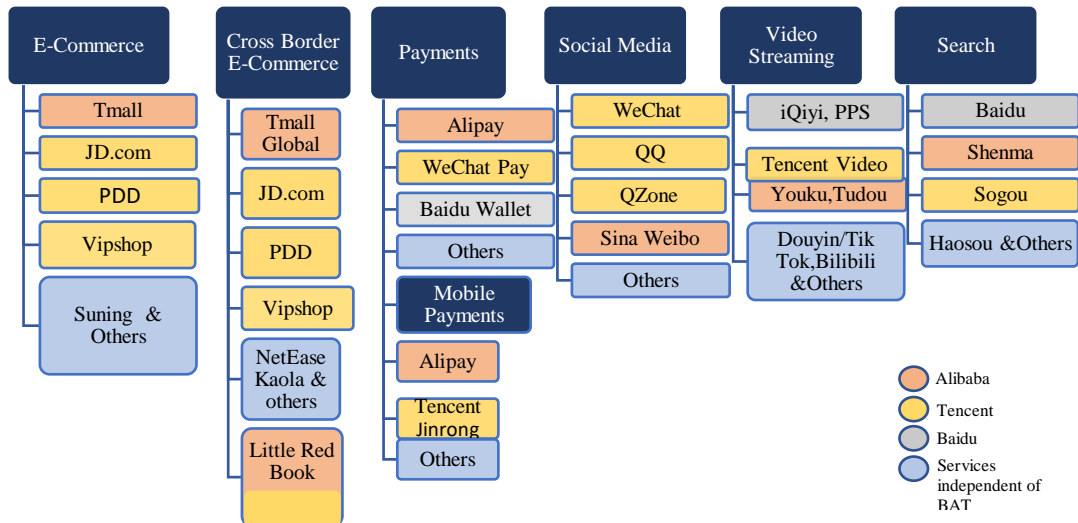
Table 3: Digital Ecosystem of China Based on the Information Taken from BCG (2017), Fung Business Intelligence (2018, eMarketer (2019) and PwC (2019)

Except the main ecosystem of the three giants, strategic alliances were showed in the table as well. JD is connected to Tencent which acquired 15% of JD in 2014 while became the largest shareholder in 2016 with a 21.25% equity stake (Hacker Noon,2019). Pinduoduo, which is a social commerce platform, was backed by Tencent with the 18.5% stake in 2018(CB Insights Research, 2018). Furthermore, Tencent and JD announced equity investment with Vipshop in 2017 (Tencent, 2017). Furthermore, Sina Weibo became a strategic cooperation with Alibaba in 2013 yet because of holding nearly half of the total ads revenues coming from Alibaba, reliance on Alibaba's got diminished later (WalktheChat,2019). While Little Red Book (RED), which is a social commerce platform, is invested by Alibaba and Tencent in 2018(KrAsia,2019) and Sogou search engine was backed by Tencent Holdings Ltd (Bloomberg, 2017). In the following sections, the mainland homegrown platforms were examined deeply.

3.1 Social Commerce Overview in China

Chinese consumption habits have been changed thanks to the internet (Nielsen, 2018). These changes are also related to digital evolution which makes devices connected in the core purchase factor in China. It is expected that new breakthroughs will lead to reform buyer behaviors and provide an environment for the brands regarding reaching and engaging their target audience. Report of Nielsen (2018) states that, there is a consumption boom in China because of connected devices and digital platforms. Considering their consumption habits, Chinese consumers currently have been using mobile, mobile commerce, social and e-commerce in order to have an access proper shopping experience

(Nielsen,2018). Actually, these trends are shaping potential usage of social commerce by Chinese consumers. Based on the news by China Daily (2018), China's social commerce was about 170 billion dollar which stands for 1.14 trillion yuan in 2018. Thus, in order to understand digital consumer trends considering social commerce, this part focused on mobile commerce, social media and e-commerce in order to have a general overview in the Chinese Market.

3.1.1 Mobile Commerce in China

According to China Statista (2018), there were 802 million active Chinese internet users and 788 million of mobile users which were accounted for 98 % of total netizen population, as shown in Figure-3 (McCarthy, 2018). Netizen, which is defined as a combination of the words "internet "and "citizen", stands for people who use the internet or the ones who belong to online communities and engage with online shopping (Jones, 2013).
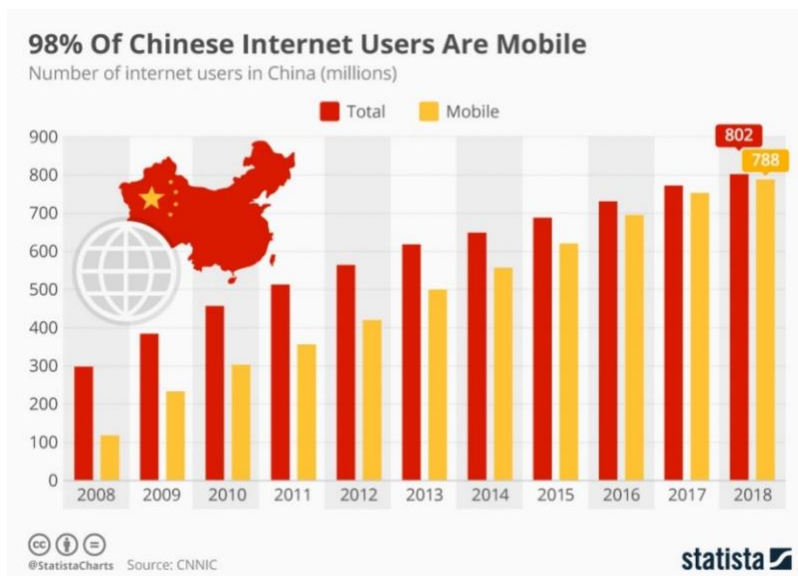
Figure 3: Internet Users and Mobile Users in China (McCarthy, 2018)

In this day and age, mobile phone can be seen as a necessary tool to shop for consumers and to be connected with consumers for companies, and for this reason, brands should consider developing mobile-centric strategies in China (Nielsen, 2018). The reason why having a mobile-centric strategy is important is because high degree of developed mobile payment system, a great number of mobile users and convenience and accessibility of online shopping through mobile are the main drivers for rapid evolution of mobile towards e-commerce (Sampi, 2017). Therefore, the role of mobile devices within s-commerce cannot be negligible since almost all of population is active mobile users.

3.1.1.1 Role of Mobile within M-commerce on S-commerce

In order to understand evolution of e-commerce in China, looking at the size of the internet user base is crucial as well as understanding of how Chinese people integrate digital services in their daily lives. This integration is explained in terms of continuous growth of social networks, e-commerce reaching levels from year to year and speed of growth in mobile payment system, which is faster than anywhere else (Business Sweden, 2017).

According to Sampi (2017), Chinese people use smartphones in every step of sales funnel from discovery and research to payment and feedback. Adaptation of Chinese consumers is pretty fast to digital world. According to Nielsen's Consumer Confidence Index Report (CCI) (2018), there were 47% of consumers that change their spending from offline to online. The reason of that is suitability of online shopping since online shopping makes easy to compare prices and available items to be delivered to their homes (Nielsen, 2018). As a result of that, m-commerce in China has been showing a rapid rise lately.
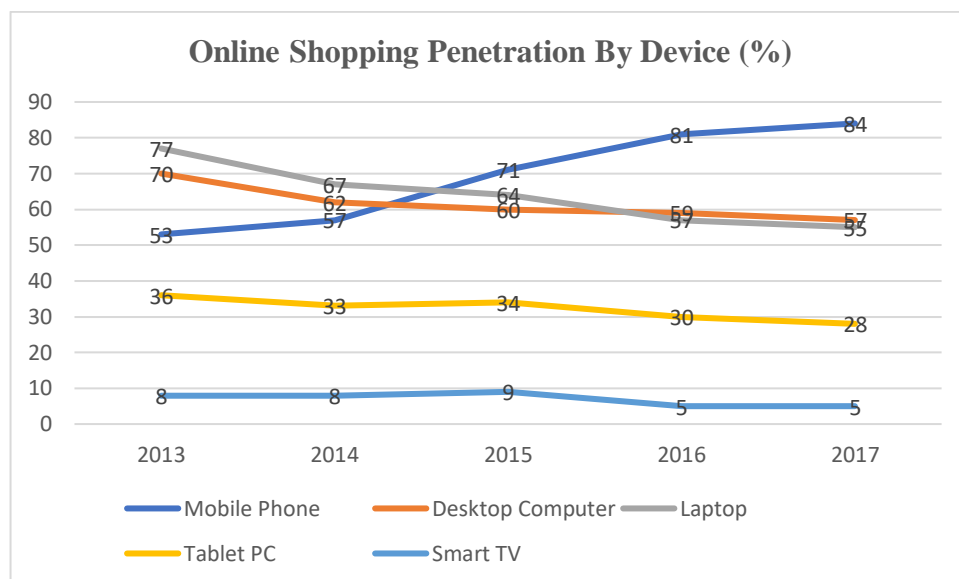
Figure 4: Online Shopping Penetration by Device (Nielsen, 2018)

As it is shown in Figure-4, Chinese consumers preferred mobile as a first choice for the shopping. Consumers usage of mobile phone to shop was amounted as 84% and the other devices' usage such as laptops, desktops and tables for online shopping have been keeping decreasing.

Mobile e-commerce corresponded to 60% of e-commerce with the rise of 40% in 2017 within global e-retailers such as Amazon, Apple and JD.com (eMarketer,2018). Based on the data taken from eMarketer (2018), the global mobile e-commerce sales reached up almost 1 trillion dollars by standing for 52.4% of e-commerce sales in 2016, these sales were forecasted to reach over 1.8 trillion U.S. dollars by 2018 and it is

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expected to overpass 2.5 trillion dollars by 2021 by accounting for 73% of total e-commerce sales in 2021. In the report of eMarketer (2018), it was mentioned that China has the one of the most contributor country by significant mobile spending especially because of consumers who utilize mobile payment solutions for making purchases and this set the pace for transaction of mobile commerce. Due to China's leading players such as Alipay and WeChat and mobile-first consumers[1], China created 67.1 % of m-commerce sales worldwide in 2017 (Netmera, 2018). While percentage of mobile commerce sales was equal to more than 80% of online shopping, these sales are forecasted to increase 2.595 trillion dollars by 2021 while its sale was amounted as 909.93 billion dollars in 2017 (Netmera, 2018). Furthermore, transformation of web-based online merchants to mobile commerce is pretty successful thanks to significant mobile internet penetration rate of the country (Statista, 2018).

In the light of given information above about the mobile commerce market and its potential for all over the world, there are many reasons to explain why China has the potential in the world in terms of m-commerce within s-commerce market. After China's potential was shown, the Chinese market was analyzed based on the country and Chinese consumers' behavior characteristics within the topic. Three most important reasons are appeared after literature review, which first one is about digital potential of country; the second reason is related with usage of mobile within daily life of consumers; while the third one can be explained with intentions of consumers for mobile payment. To give more specific information and data and to explain "Why China is a potential market for s-commerce" was declared below as following;

First of all, Smith (2009) highlights importance of mobile by stating that mobile phones are defined as a fertile arena to improve social commerce for future. Through this idea, it can be concluded that China is a potential market for leveraging s-commerce through the mobile. While over half of the online shopping were made through mobile phone by Chinese consumers in the Chinese market, consumers in Western countries were mostly using laptops rather than mobile devices for shopping in 2017(ALIZILA,2017). In order to give an evidence to the selection, data were given in Figure-5 based on the source of We Are Social' Report (2018).

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[1] "Mobile-first" is a lifestyle trend in which people choose their mobile device as their first point of interaction for most of their communication, information and entertainment needs (Clark,2016).

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Digital Overlook towards China and the World(in billion)

China values: Total Population 1.418, Total Number of Active Internet Users 0.802, Total Number of Active Mobile Internet Users 0.7651, Active Social Media Users 1.007, Number of Active Mobile Social Users 1.007

World values: Total Population 7.676, Total Number of Active Internet Users 4.388, Total Number of Active Mobile Internet Users 3.986, Active Social Media Users 3.484, Number of Active Mobile Social Users 3.256

Figure 5: Digital Overlook towards China and the World China Based on the Data Taken from WeAreSocial (2019)

The mobile phone is a key for opening the door of digital world in China. The online market is huge in the country and evidence for it can be explained with reference to Figure-5 as total number of active internet users which is amounted as 802 million with 57% penetration where more than 94% of the country's total number of active internet users, which corresponds to 761,5 million, utilize mobile device for accessing the internet. It means that since 94% active internet users access the internet via mobile devices in 2019, the importance of mobility as a one of the drivers for shopping cannot be minimized. As an evidence for it, orders of Single's day can be given since 90% of orders that was made in 2017 emerges from a mobile device in China (Business Sweden, 2017).In addition do that, as it can be noticed that, there were 1.007 billion active mobile social users with 71% penetration in the country while there were 1.007 billion active social media users with 71% penetration in 2018. It means that; 10 users of social media out of 10 access it from a mobile in China by 1.007 billion out of 1.007 billion whilst more than 9 users of social media out of 10 access it from a mobile in the world by 3.256 billion out of 3.484 billion. It can be commented that; since active social media users are completely coming from the mobile users in the country and half of the online shopping of Chinese consumers are made through mobile phone, it is a proof that social commerce will be powered by m-commerce in the Chinese market by the help of social media.

Secondly, with reference to the research of PwC (2017), most used behavior for shopping through mobile/smartphone shopping was demonstrated for both China's and Global's point of view in Figure-6.

Figure 6: Top Five Shopping Behavior for Shopping Online by Utilizing Mobile/Smartphone (PwC, 2017)

As it is seen in the Figure-6, making payment for purchase, researching products and storing products info to buy for later were the most outstanding reasons to use mobile/smartphone for mostly Chinese people and it shows the country's consumers tendency to use mobile payment. The more mobile phones are trusted, the more they are preferred to make a payment in their phones rather than payment with cash. Since Chinese consumers are mostly use mobile as a payment method, mobile payment in China becomes more popular day by day. That is why, China is also the leading country for mobile payments thanks to Chinese consumers since 86% of Chinese consumers preferred to utilize mobile payment in order to purchase while it was amounted as 24% in the world (PwC,2018). When service providers are examined in terms of mobile payment transaction value share in China with reference to eMarketer (2019), Alipay ranked on the top among other players in Q3 2018, while Tencent Jinrong, which includes Tenpay and WeChat Pay, followed its place.

The third the most appealing reason can be explained with reference to PwC Total Retail Survey (2017). Even though usage of mobile/smartphone of consumers on a weekly or daily basis was amounted as 14 % during the shopping in the world, for Chinese that was issued as 52%. PwC Total Retail (2017) also states that the trend represents how outlook of e-commerce is dominant by mobile in China. As a proof for the dominance of the mobile, it can be shown that ''Alibaba's mobile penetration of

gross merchandise value has grown from 6% in 2013 to 80% in December 2016, by making desktop almost irrelevant'' (PwC, 2017).

Whilst M-commerce is the next profitable market because of getting a leading trend in both m-commerce and alternative payments in the world, it is stated that, China, The U.S. and the UK will represent the largest m-commerce market in the world at the end of 2022(China Daily,2019). According to China Daily's (2019) news, China will save the position in the world as a largest e-commerce market for upcoming four years with reference to report of Worldpay. This all information describes the Chinese e-commerce market as a potential for s-commerce.

3.1.2 Social Media in China

Digital revolution gives rise to purpose of usage platforms and social media which is also seen as a tool for entertainment, commerce and utility as well as engaging with friends and family (Nielsen, 2018). According to Nielsen (2018), there is a great impact of social media on purchasing decision of consumer and it is said that social platforms allow connected consumers to finish their purchasing journey starting from searching brands to buying goods and leaving comments (Nielsen, 2018). According to PWC's Total Retail survey (2017), social networks were used as a purchasing inspiration tool by 70% of Chinese consumers. That is why in this part, role of social media on s-commerce was clarified.

3.1.2.1 Role of social media on S-commerce

There are three aspects in country's respect that explain "why" China possesses largest social media user base in the world. First of all, consumers are the ones that utilize social media frequently and shop; the second aspect is that e-commerce marketplaces become social in the country; and the last one is about social platforms which are integrated with e-commerce capabilities. Those aspects make the country important for all over the world. Except the huge social media user base of the country, there are two important effect that makes social media usage required for the companies in China. The first one is Key Opinion Leader (KOL), which can be celebrities, experts, internet influencers, web stars, or trend-setters, that use actively and effectively online communities; share experience about goods; add professional info and recommendations related to buying to their followers (He et al., 2015). Thus, they have a significant effect on purchase decisions about their followers in China. According to the study of PwC's Total Retail (2017), it was found out that 29% of Chinese consumers utilize social media for having an idea about what

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brands or goods are favored by key opinion leaders (KOLs) and celebrities. It is the reason why marketers should seek KOL in their industries and social media applications and keep a favorable relationship with them since KOLs are a demonstration of why e-commerce and social media cannot be disconnected in China (PwC, 2017). The second effect of social media in China can be described with word of mouth (WOM). According to Nielsen(2012), one finds that social media affects the marketing of the companies in terms of social WOM, that is created by social media which encourage consumers to create and get access the opinions; hyper-informed consumers by giving consumers opportunity to find info about others' experience, more info related to brands, goods and services and seeking deals and buying incentives thanks to social media; and opportunity for engagement due to being enabled by social media to communicate with consumers.

In the study of PwC's Total Retail (2017), the reasons for using social media for Chinese people were defined with the amounted percentages as; 54% of reading reviews, comments and feedbacks whilst it was 47% in the world; 45% of learning new brands and goods whilst it was 39% in the world; 25% of buying directly via a social channel whilst it was 15% in the world; 27% of commenting, giving feedbacks reviews about good or experience whilst it was 20% in the world. Benefiting from the data, it is concluded that, for retailers and brands, engaging with customers on social platforms for setting up and performing on social communities is a crucial issue in China. As an evidence of that, Alibaba starts a range of tools for driving social engagement with their e-commerce platforms such as Quanzi, where creation of special interest groups, discussion about goods and share of recommendations can be done by users (PwC's Total Retail ,2017).

It is demonstrated in the study of FBIC, Global Retail & Technology (2015) that Chinese millennials use social media daily with the aim of sharing their experience and reviewing about brands, goods and services online. According to data that comes from Statista (2019), the most popular social networks, in the world as of January 2019 are presented below in Figure-7.

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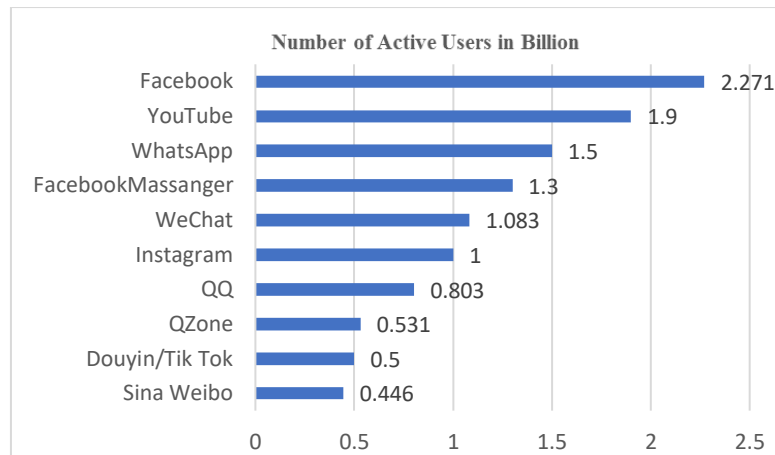
Figure 7: Number of Monthly Active Users of Social Networks in the World (Statista, 2019)

As it can be seen in Figure-7, Facebook and Tencent are the leading social networking companies because of their brands position in social network. Asia Pacific (APAC) social networks are mainly preferable in the world by users in 2019 with WeChat, QQ, Qzone, Douyin/Tik Tok and Sina Weibo respectively. Since China is dominant for innovations of social commerce, popularity of its social media platforms in the world is one of the indications for it.

More specifically when most top used social media in China are examined, according to Wang et al. (2019), WeChat, QQ, Qzone, Douyin/ Tik Tok, Sina Weibo and Baidu Tieba find first places in the Chinese market. Furthermore, according to the report WeChat, QQ, Taobao, Alipay, Wifi Master Key and Tencent Video are respectively the ones of the most used mobile apps both in China and the world in terms of monthly active users (WeAreSocial,2018). It means that there is an overlapping between most used mobile app and the most popular social media platforms in China. In this situation, it defines a room to examine social commerce potential in the country by help of social media and mobile. Those facts make selection of the country more appealing.

According to FBIC, Global Retail & Technology (2015) report, social media era in China was defined as 'unique, local and fragmented' and it was highlighted that WeChat and Weibo are main players for the s-commerce platform. Main characteristics of the most used social media platforms in China were defined based on the information retrieved from literature as following;

WeChat

WeChat is defined as combination of all apps that consumers can possess in their personal phone and it is proposed in 2011 by Tencent (Tencent,2019). Number of monthly active users amounted as 1 billion and it is the most widespread messaging app in China

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(Statista,2018). It is defined as a closed-platform that means that owners of the accounts are only able to see what their friends post, and it limits brands to communicate with subscribers on a customized way. In addition to that, WeChat's Mini programs, which is defined as third party apps, is compatible to work with WeChat without no need to download (The NY Times, 2018).

There are similarities between WhatsApp and WeChat, but it is pointed out that WeChat, which is most popular social networking app in China, has more functionalities which make it much more expanded than WhatsApp (FBIC, Global Retail & Technology). These functionalities are instant messaging which includes including text, voice and video, social media, mobile games, mobile payment, e-commerce and online to offline(O2O), which defines as a principle of joining the online digital world to the offline one via the integration of internet-connected devices, on one platform (FBIC, Global Retail & Technology, 2015; Angrymoo, 2018). In addition to that, it enables users to view their connections' most recent updates via Facebook style timeline (Angrymoo, 2018); with scan QR code characteristics, users are allowed to display top stories, to look through news; and except those ones, there are lots of characteristics as calling for a taxi, having appointment for hospital, payment through WeChat Pay and so on.

How to use WeChat for Business

The most important feature of WeChat for business is WeChat Official Account (Angrymoo, 2018). With WeChat Official Account, business is able to engage with its followers while individuals can also engage with their friends. Businesses also make a connection their e-commerce store to their WeChat Official Account and in this way, businesses can show product or services on WeChat via their WeChat Official Account and carry out the payments (Angrymoo,2018).

 Using instant messaging, WeChat allows business to make a one-to-one personalized interaction with its Chinese users (TimWorkRoom, 2018). In addition to that, it is also mentioned in the website of TimWorkRoom (2018), WeChat accounts of companies and celebrities enable them to create content in order to promote the products. While making promotions, Tencent also enables brands to make an advertisement with a banner ad, KOL advertisements and moments ads which is an advertisement that allows brands to be in the moments section like the way of Facebook's new feeds (TimWorkRoom, 2018). On the other hand, thanks to O2O functionality of WeChat, retailers make users aware about product and service in order to enable potential consumers to have different

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offerings and visit the local brick and mortar store with the aim of buying (TMO Group, 2019).

QQ

Tencent defines QQ as an instant messaging platform for both PC and mobile. It is introduced initially in 1999 by Tencent (Tencent, 2019). Because it offers a variety of functions and services, it is widespread and is one of the most favorable social platforms for young Chinese users. In the first quarter of 2017, number of monthly active users was amounted as 861 million. Functionalities of QQ are defined as keeping touch with friends via texting, video, pictures and stickers; designing their customized avatars; chatting bubbles and profile photo widgets. QQ also allows to access QQ wallet and give a chance to users to use mobile payment, mobile top-up, shopping online and bank transfer (Tencent.com, 2018)

How to use QQ for Business

Since it has a really large user base, it is mentioned that it is another big market for advertisers (TimWorkRoom, 2018). By using QQ, companies are able to advertise and link to discussion groups. Furthermore, companies can create an official account which is known as Qzone. With the feature of paid marketing programs, companies can create their content and advertise within QZone games, pop-up windows and etc. (TimWorkRoom, 2018)

QZone

Tencent mentions QZone as the largest social networking platform which was introduced in 2005 by Tencent in China (Tencent, 2018). The number of monthly active users was amounted as 632 million in the first quarter of 2017. It enables users to share photos, upload and watch videos and lives streaming; create their blogs, write diaries, play a game, listen to music and design their special space. In addition to these functionalities, QZone Album is one of the main features of QZone and it can store and, photos can be uploaded through it (FBIC, Global Retail & Technology, 2015). There are some similarities between QZone and Facebook like; the products of brands can be promoted through fan pages.

Douyin/Tik Tok

Douyin is well known live streaming site that is known as Tik Tok in the world. It allows users to have sharable and fast video content and memes and GIFs to users can attach music, sound effects and even emoticons (The New York Times,2018). It was

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introduced in 2017 and numbers of active users were accounted as 154 million per month. The platform is widespread among young generation Z and lots of KOLs prefer to use Douyin instead of live-streaming platforms such as YY and Huajia (The New York Times,2018).

How to use Douyin for Business

Within this platform, KOLs are able to gain billions of followers and this enables companies to make advertisement and KOL marketing by utilizing the platform (TimWorkRoom,2018).

Sina Weibo

The New York Times (2018) states that Sina Weibo can be thought as Chinese Twitter and has been becoming most popular micro blogging site. It was introduced in 2009 by a Chinese technology company called as Sina Corporation. Number of active users per month was 430 million while for twitter that was amounted as 326 million. Live streaming is one of the most important parts of Weibo and that functionality is important for KOLs engagement. A Weibo story has similarities with story of Instagram, and it enables its users to post short visual content (the New York Times, 2018). Also, Sina Weibo launched payment service by 2014 and they presented the app, which enables merchants to sell their goods directly to their followers, is called as Weimai (FBIC, Global Retail & Technology (2015). It also has e-commerce feature for businesses that can sell their products by utilizing the platform (Angrymoo, 2018).

How to use Weibo for Business

Companies can open a Weibo Enterprise Account to engage with their consumers by interactive content. On the other hand, companies can create a page in order to make a promotion and marketing and ad campaigns. In addition to that, business can have a customer loyalty program by offering "red envelopes" to users (Angrymoo,2018). The platform also allows companies to create marketing strategy as well as to sell their products directly to the Chinese consumers through the page (TimWorkRoom,2018).

Baidu Tieba

Baidu Tieba was published in 2003 and is the largest Chinese website while it is also known the largest Chinese search engine in the world with similarity of Google (TimWorkRoom,2018). Baidu Tieba is defined as a largest communication platform that is supported by Baidu. The website characteristics are defined as creation of forum and searching in forum by writing a specific keyword and if forum is not identified before, after

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users' action it will be created on the search (TimWorkRoom,2018). It enables to post by account while anonymous posts are not let on the system. Baidu Tieba does not allow users to edit their posts after publishing which does not matter whether to have an account or not. Users are able to delete what they posted and delete comments that are written by other users for their posts (TimWorkRoom, 2018)

How to Use Baidu for Business

This platform enables companies to have their own content by targeting niche groups. By utilizing this platform, posts on an array of topics can be posted by the companies in order to engage with their users. If companies use this platform correctly, they can even develop an organic existence in China without having paid advertising (TimWorkRoom, 2018).

Considering the importance of social network platforms within the strategy of companies, companies should keep in its mind that social media cannot be considered just as a tool for creation of conversations, it also converts them into real sales because of characteristics of the Chinese market and consumer. This situation completely reforms the role of social media in the Chinese market (Medium, 2017). Moreover, considering digital marketing aspects, China's landscape changes very quickly. Thus, in order not to be left behind in the competition, responding changes in online trends quickly is essential for especially foreign brands (Bakhta, 2018). On the other hand, since most international websites and social media platforms are replaced with domestic substitutes as it is shown above, it stands for a crucial point for foreign brands adaptation of social media platforms. In addition to that, considering social media aspects, China's landscape is also pretty much dynamic with the emerging of new platforms constantly (Bakhta, 2018). That's why it is important to stay up to date with the most popular platforms with brand-new issues and trend topics within these platforms and then leveraging these platforms in order to promote brands' products and service and to engage with consumers based on the aim of company (Bakhta, 2018). In this circumstance, with reference to report of PwC's Total Retail (2017), it can be said that the way for engaging with Chinese consumers is about pleasing them in the right time and appropriate moment. In order to do that, Alibaba, Tencent and Baidu can be utilized by representing 62% with respectively for digital advertising in the Chinese market, while Tencent and Weibo is preferable by standing for 86% with respectively for social media advertising (PwC,2019). As it can be understood that social media is

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nonnegligible fact since it affects purchase intention of Chinese and it impacts all over the world.

3.1.3 E-commerce in China

Many people all over the world prefer to buy goods or services online and the reason behind this action is because they are able to shop 24/7, to compare the prices and to save time and so on (KPMG, 2017). Presence of digital economy environment pushes people and companies to go online. China is a market which is known not only as a largest e-commerce market in the world but also as an innovative and exclusive (MarketingToChina,2018). It is accepted as a benchmark from the point of view of retails all around the world to focus on the Chinese market in order to be present and understand the market for the next step of the retailers within the industry (MarketingToChina,2018). For having a general overview to e-commerce industry in the Chinese market, We Are Social (2018) concluded that;

- 581.5 million of people bought their consumer goods through usage of e-commerce and growth in year over year (YoY) change is amounted as increase in 12%.
- 41% stand for penetration of consumer goods in e-commerce corresponding to total population.
- Total Annual sales for consumer goods e-commerce market was given as $ 499.1 Billion which has 24% increase in YoY value.
- Annual revenue per each user of consumer goods on e-commerce was 858$ that has 11% rises in YoY value.

3.1.3.1 Role of E-commerce on S-commerce

Ten years ago, China's e-commerce market was equal to less than 1% of the global e-commerce market, however, today, it is the largest e-commerce market in the world with more than 50% market share (HSBC, 2018). Increase of this market share arises from the country internet usage, Chinese people's tendency to shop online, logistics ecosystem, mobile penetration and a lack of retail infrastructure in lower-tier cities (HSBC, 2018).Firstly, as it is mentioned above, the number of internet users was amounted as 802 million in China in 2018 (Statista, 2018) and there were more internet users in China than combination of world's most populous countries, which are the US, Indonesia and Brazil (HSBC, 2018). Second factor that gives rise to growth of e-commerce in China is online shopping. Online shoppers' number in China had risen from approximately 46 million in 2007 to over 533 million 2017(Statista, 2017) and more than 70% of Chinese users shop

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online since 2018. The third factor is logistic ecosystem which empowers the growth of China's e-commerce market in order to cope with delivery of orders with the help of highly efficient systems and networks (HSBC, 2018). Forth one is about mobile penetration. There were 761,5 million users go online by using their mobile phone and this number was almost twice as much as population of the US. As the last one is a lack of infrastructure in lower-tier cities. Middle class of China keep rising recently and it was almost equal to third of China's total population (HSBC, 2018). For those who live in lower-tier cities, retail infrastructure is not developed as much as in first-tier cities. Because of the limited choices, consumers in lower-tier cities prefer to shop online in order to find more variety and options than what they already have (HSBC,2018). Because of all these reasons, online retail B2C in China keep growing constantly by becoming the largest e-commerce market in the world. According to Statista (2018), online retail's B2C in China was amounted as almost 1.28 trillion Yuan in the third quarter of 2018. The reasons why Chinese are getting more interested in usage of e-commerce platforms, e-commerce apps and digital payment methods is because of gaining more popularity of e-commerce in China.

According to Marketing to China Agency (2018) study, e-commerce growth in China on the world level incentivizes the global brands for competition and the evidence can be shown thanks to the China's first ranking position as a retail e-commerce sales share in the world with reference to eMarketer (2019). It is stated that China will exceed the retail sales of the U.S. in 2019 for the first time. E-commerce is defined as a main driver for the total retail economy of the country with sales growing more than 30% in 2019 to reach $1.989 trillion, which corresponds to 35.5% of retail sales in China (eMarketer,2019).

Apart from the e-commerce sales potential and reasons of this growth, e-commerce aspects were also analyzed by considering consumer attitudes towards usage of e-commerce platforms and purchasing preferences based on categories with the aim of giving a proof to show that China is potential market for e-commerce beauty and cosmetics industry. The most frequent activities on e-commerce platforms within last month of research is given according to conducted survey of We Are Social [2](2019) as; seeking for a product or service online to purchase (80%), visit of online retailer store on the web from any device (94%), buying a good or service online from any device (82%), buying online through a laptop or computer(31%) and buying online through mobile device (74%) in

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[2] The findings of a broad survey of internet users age is between 16 and 74 (We Are Social, 2019).

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China. According to We Are Social (2019) the spending per each category for e-commerce in China is shown in Figure-8.

Total Annual Amount of Spending by Categories in E-commerce (in%)
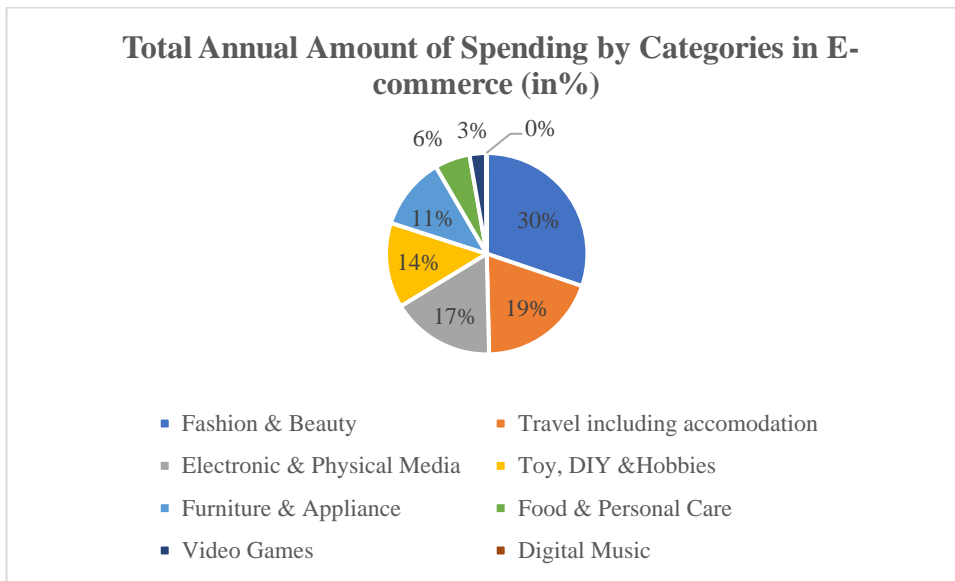
Figure 8: Categories of Spending on E-commerce in % (WeAreSocial, 2019)

As it can be seeing, consumers are more willingness to pay for fashion and beauty products on e-commerce. Annual growth in the total amount spent on consumer e-commerce is amounted for each category as; 23% in Fashion & Beauty, 16% in electronics & physical media; 19% in Food& Personal Care, 15% in Furniture& Appliances; 21% toys, DIY & Hobbies; 17% Travel; 15% in Digital Music & 8.3% in Video Games (We Are Social, 2018) in China. As it can be understood from the annual growth of product categories, fashion and beauty is the highest growth percentage on e-commerce spending also the same category has the highest percentage spending within annually. While food & personal care follows the third place as a growth in e-commerce spending. Those mean that these product categories can stand for a high potential for the brands which want to leverage e-commerce in China, and it is one of the most appealing reasons for selection of the category in the Chinese market.

Considering top ten e-commerce retailers of China, data were represented (eMarketer, 2018) in Figure-9 by ranking based on sales share on e-commerce in 2018 respectively.

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Top 10 Retailers' Ecommerce Sales in China(%)

Retailer	Share
Alibaba	58.2%
JD.com	16.3%
Pinduoduo	5.2%
Suning	1.9%
Vip.com	1.8%
Gome	0.7%
Amazon China	0.7%
Yihaodian	0.7%
Dangdang	0.2%
Jumel	0.1%
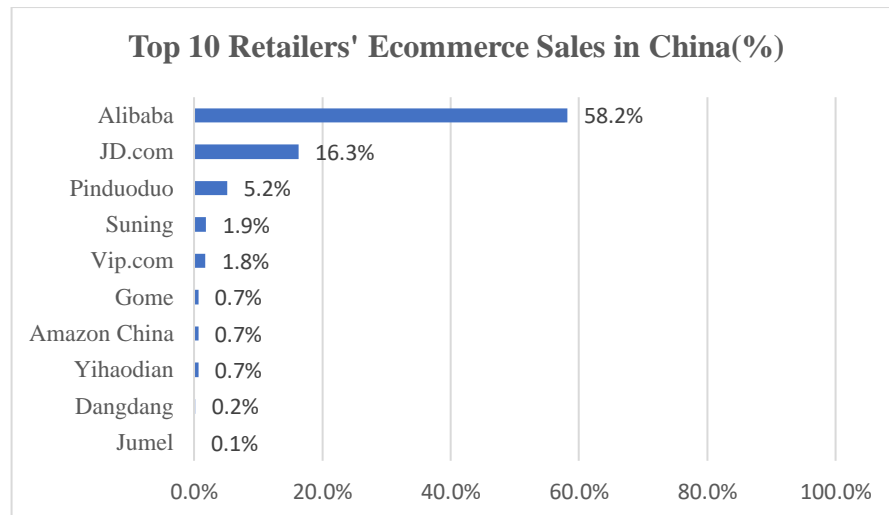
Figure 9: Top Ten Retailers of Chine by Sales Share on E-commerce in % (eMarketer, 2018)

As it can be seeing above, Alibaba is leading the Chinese market even if according to its share has been decreasing for the last years (eMarketer, 2019). Benefiting from Figure-9, the position of top five retailers' in the market based on e-commerce sale is explained as following;

- *Alibaba:* Although Alibaba, which is a multinational conglomerate e-commerce founded in 1999, was a dominant position in the retail e-commerce sales with 58.2% market share in China, eMarketer (2018) report states that it also faces with fierce competition in the Chinese market. It is the largest e-commerce company in the world which has 552 million active users in China 2018 (Forbes, 2019). It builds own brands in the world and China thanks to disruption traditional e-commerce through innovation, digital technology, service and brand marketing. Alibaba's percentage retail e-commerce sales consist of gross merchandise value for Tmall, Taobao marketplace and AliExpress Global on 2018. In the Chinese market, Tmall website, which is the largest third-party platform in China for brands and retailers, in B2C and Taobao website, which is the biggest m-commerce platform with integrated entertainment and social feature, in C2C has also highest ranking and share in the market after Alibaba's prevailing position in B2B (eMarketer, 2018).

- *JD:* Alibaba's market share success was followed by JD.com with 16.3 % (eMarketer, 2018). JD, which was launched in 1998, is a direct sales e-commerce platform which enables some functions such as merchandising and pricing (BCG, 2017) and it was the second largest online mall as well as biggest competitor of Tmall Global. The success of JD in the Chinese market arises from China's growing middle-class target audience and quality products with premium prices

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(SeekingAlpha, 2018). There were 305.2 million active customers' accounts in 2018 according to Team CIW (2019). As it is highlighted in the report, the Chinese marketplace is defined as dynamic which means that Chinese consumers are open to new players who offer branded goods that is well known among consumers. It is one of the reasons why Alibaba and JD.com have been challenging by smaller and more specialist players that provide authentic goods.

- *Pinduoduo (PDD):* Third place was saved by PDD in terms of market share with 5.2%. PDD, which was founded in 2015, is called up as Groupon because of allowing social buying and it is a social e-commerce company in China. Active users of PDD was 344 million within the end of 2018 by driving the company as the world's fastest growing company with regard to client acquisition (Nie et al, 2018). Pinduoduo enables consumers to directly purchase from wholesalers and factories at a competitive price (eMarketer, 2018). The reason behind PDD's successful position is identified with targeting Tier 3 and Tier 4 cites which mean that having a chance to attract price sensitive customers. Difference among tiers is identified by eMarketer (2018) as urbanization of Tier 3 and Tier 4 cities, which are smaller, is less than Tiers 1 and Tier 2 ones. Even they are smaller or less urbanized, their adaptation pace towards e-commerce is nonignorable. Tier 3 and Tier 4 consumers are willingness to look for benefits of more economical yet genuine products online with reference to eMarketer (2018). In addition to this, it is reported that smaller e-commerce players like Pinduoduo or other new ones have been leveraging the idea of targeting Tier 3 and Tier 4 to be successful in the Chinese market. According to analysis of eMarketer (2018), being price sensitive means that having less tolerance of the higher prices, which can be faced on large players sites like Alibaba and JD.com, and this triggers to be attracted by deals which are found on new smaller e-commerce players like Pinduoduo.

- *Suning:* eMarketer claims that fourth place was secured by Suning, which an electronic retailer that found in 1990, with share of 2%. There are approximately 357 million registered users within 2018 (PrNewswire, 2018). Suning's place was kept thanks to researching multichannel integration.

- *Vipshop:* Fifth place was taken by Vipshop, which is online discount retailer that was founded in 2008, with share of 1.8%. In 2018, there were 3.3 million active customers in Vipshop (CIW,2018). Vipshop place was saved by help of flash sales and partnership with Tencent and JD.com (eMarketer, 2018).

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According to eMarketer(2019), Alibaba's and JD.com's share will be continuously received by related newcomers and multichannel retailers for upcoming times that's why the giants' purpose is to focus on further international expansion while smaller local players' one is to seek their niche in the e-commerce market thanks to leveraging WeChat and O2O data for targeting Chinese in a more efficient way since digitalization has been a platform for not only online growth but also brand creation and customer involvement in China. The reason of an increase in investment of omnichannel capabilities lead to converge between e-commerce, mobile commerce and social commerce (Arora, n.d).

3.1.4 International E-commerce for Physically Non-presence Companies in China

The development of the internet leads to decrease geographical distance between companies and specific market consumers. While consumers are able to shop internationally, companies are able to meet customer requirements across their border (Gomez-Herrera, 2014). Market demand, for healthy, safe and green products for imported products, will lead expansion of import channels and diminishing circulation cost and it will also influence the entrance decision of companies to the Chinese market in order to meet Chinese customers' needs with more products categories in China (China Chamber of International Commerce, 2018). Thanks to this increase market demand, CBEC retail imports is seen as a new and outstanding channel for the consumers in China.

According to the data of E-commerce China Agency (2018), the percentage of consumers who made a purchase through a cross-border e-commerce reached to 67% in 2017 while it was amounted as 34% in 2015. One of the reasons behind that increase can be identified with Chinese favor for the foreign products. The reason why Chinese are willingness to purchase imported product is defined with trust on imported products, which is more than local goods in some specific categories by considering Chinese consumer preferences; product safety issue since Chinese consumers believe that these products' quality is better than the ones produced domestically; low price; reliable products and lower risk of receiving fake products (MarketingToChina, 2017). Thanks to presence of cross border online platform, consumers are able to reach these foreign products (E-commerce China Agency, 2018). According to Chinese Imported Consumer Goods Market Report by China Chamber of International Commerce (2018), number of CBEC consumers was amounted as 10.2% of China's total e-commerce consumers in 2017.

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Why Chinese consumers use CBEC platforms and the channels when they want to utilize these platforms was revealed in Figure-10 and Figure-11 with reference to Frost & Sullivan and Azoya Consulting, Deloitte Research (2018).
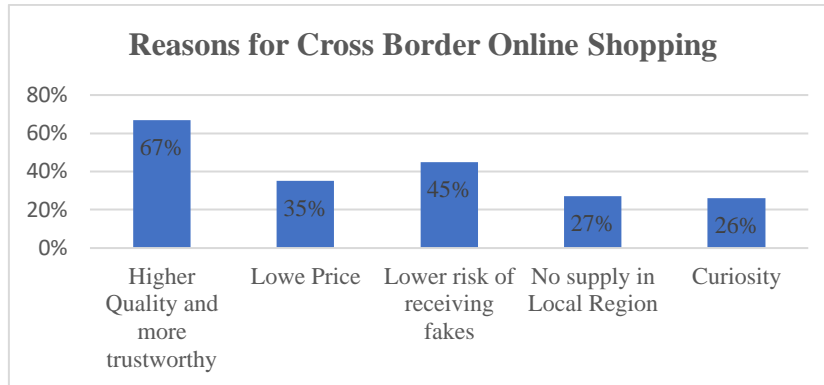
Figure 10: Reasons for Cross Border Online Shopping (Frost& Sullivan, Azoya Consulting, Deloitte Research, 2018)
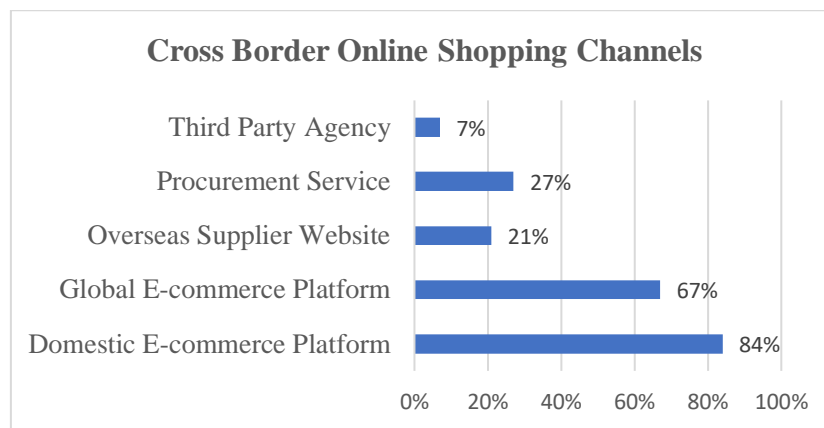
Figure 11: Channels for Cross Border Online Shopping (Frost & Sullivan, Azoya Consulting, Deloitte Research, 2018)

As it can be seen in Figure-11, the preferences of respondents for CBEC platform in the last twelve months were mostly for domestic e-commerce platform like Tmall, Koala and JD.com and global e-commerce provider like Amazon and Lotte. Consumers' tendency selection for purchasing towards domestic e-commerce platform makes those players lead the Chinese market as an e-commerce channel (China Chamber of International Commerce, 2018).

The other main reason to the use of CBEC platforms in the Chinese market is defined with increase in the middle-class population in China, since the increased demand is in line with general trend of China's consumption rise (China Chamber of International Commerce, 2018). Consumption spending of all of city tiers for CBEC per capita increases as well with the fact especially in first tier cities such as Beijing, Shanghai, Guangzhou and

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Shenzhen. Besides of that, average consumption spending and the population of consumers in lower tier cities is keep growing faster compared with major cities. It means that consumers of these tiers are also willingness to experience shopping through cross border thus, these consumers are seen as potential. It is concluded by CCIC (2018) that improvement in CBEC and popularity of imported consumers goods among the country is expected to increase more. Evaluation of CBEC retail import penetration was showed in Figure-12.
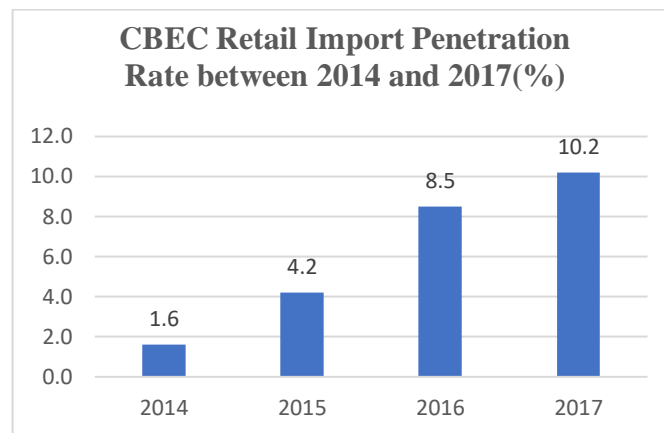
Figure 12: CBEC Retail Import Penetration Rate between 2014 and 2017 in China (AliResearch, 2017)

CBEC retail imports were amounted as reached 67.2 billion Yuan with growth in YoY as 53.7 % (The State Council, The People's Republic of China, 2018). As it can be seeing in the Figure-12, CBEC retail import penetration, which means the consumer who purchase goods via CBEC correspond to online consumers, of China were increased to 10.2% in 2017 with increase of 537.5% corresponding to 2014 and according to eMarketer (2016), half of Chinese online shoppers would prefer to purchase the item through CBEC platforms. The reason behind this increase can be identified with the shift in the Chinese market demand from meeting daily needs to quality life improving (AliResearch, 2017). According to market analysis of CCIC (2018), this number of CBEC retail consumers' increase is expected to step up consistently for near future.

The shift of consumer demands to have better life was defined with three products categories as beauty (Cosmetics & Personal Care), health (Health Care & Foods) and family (Maternal & Child). Since according to iResearch (2016), cosmetics &personal care was the most popular category for China's cross border online shoppers. While maternal & child product and health care & foods product followed the cosmetic& personal care position as a most preferred cross border categories by online shoppers. While the most used categories in cross border e-commerce in terms of product sales were identified by

AliResearch (2017) as Cosmetics & Clothing, Health Care & Foods and Home Appliances & Household Products. In order to understand product categories distribution on Tmall international, which is the second dominant player with market share as a CBEC platform in the Chinese market, was examined as an example.
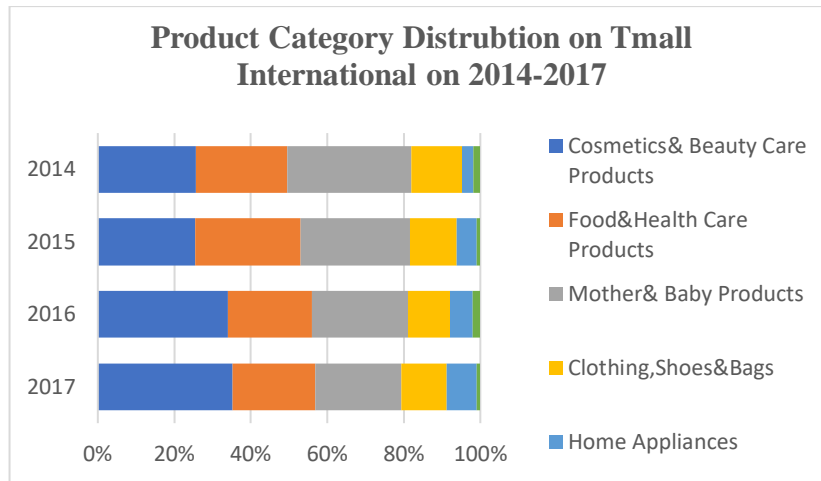
Figure 13: Product Category Distribution on Tmall International (AliResearch, 2017)

According to the Figure-13 showed above Cosmetics & Beauty Care products, Food & Health Care products and Mother & Baby Products were leading imported categories by CBEC import in China. Cosmetics & Beauty and Home Appliances categories showed the most crucial growth among other categories on Tmall International (China Chamber of International Commerce, 2018). As it can be noticed from the Chinese market analysis on CBEC industry, Cosmetics & Personal care category success in CBEC platforms can be demonstrated as an evidence of choosing Feelunique as a CBEC company from beauty & cosmetics sector.

Except the reasons of why CBEC becomes popular among the Chinese people, there are some reasons that makes those platforms appealing for foreign retailers as well. Number of foreign brands, who uses CBEC platforms, has been increasing according to market analysis of CCIC (2018) since CBEC is seemed as a way for foreign brands in order to enter and operate in the Chinese market without having a physical presence (Dezan Shira & Associates 2018). However, products quality, safety inspection, risk prevention and controls are required for CBEC retailers by the government's law. The aim for these specified regulation and requirements is about fair competition in the marketplace and insuring consumer's rights and interest's protection by also considering the characteristics of market (The State Council, The People's Republic of China, 2018). According to The

State Council, The People's Republic of China (2018), the reasoning for development and improvement on policies about retail imports and export through cross border e-commerce is related to enlarging opening up, incentivizing Chinese domestics industries and helping the potential of consumption and meeting needs of Chinese people. Since the government knows importance of CBEC and other ways of trade, it encourages imports and boosting CBEC as well as other forms and models of trade. It is stated that increasing CBEC will end up with providing high level stepping up in foreign trade, driving consumption and jobs creation for China (The State Council, The People's Republic of China, 2018). Ministry of Finance of the People's Republic of China (2019) agree that, implementations made on policies will have influence on promoting CBEC and other ways for trade, easing fair competition for domestic enterprises, encouraging development and improvement domestic industries, helping growth of economy and rising high qualitative imported foreign goods.

As it is mentioned before, in addition to effect of Chinese consumers on e-commerce growth, cross border purchases are also relevant for the Chinese market since CBEC purchases were also often made in 2017 as 65% of Chinese e-commerce users makes at least one CBEC purchases every month. (WalkToChat,2017). The leading players on CBEC were demonstrated in terms of market share below by benefiting from reference of iiMedia (2018).
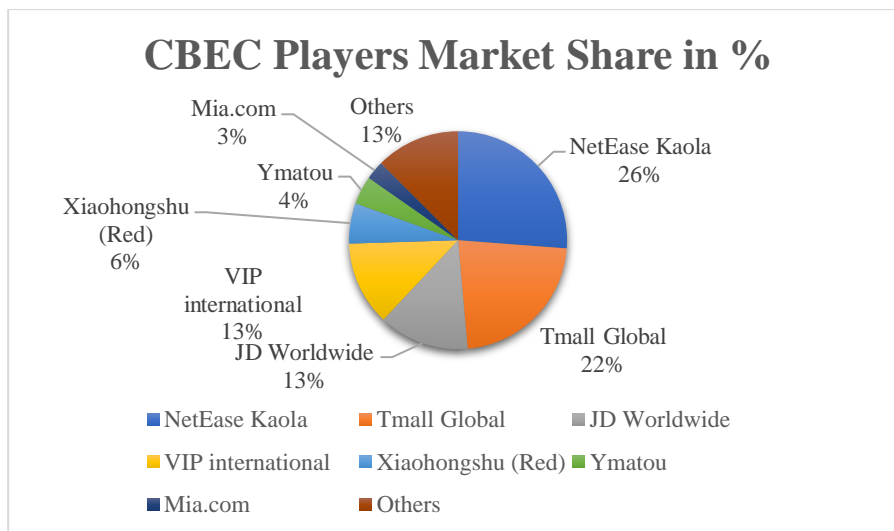
Figure 14: CBEC Players in China by Market Share in % (iiMedia Research; compiled by Fung Business Intelligence, 2018)

While the local e-commerce market was dominating by Alibaba and JD.com, the CBEC market is much more fragmented. As it is shown in the Figure-14, Kaola came first with 26,2 % market share regarding transaction value while market share of Tmall Global and

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JD worldwide followed it with 22,4% and 13,4 % respectively (Fung Business Intelligence,2018). Considering product categories, the most preferable cross border platforms by consumers for cosmetics and personal care were Tmall Global, VIP.com, Kaola and JD Worldwide (Westwin, 2018).

Furthermore, as it is mentioned previous *Section 3.1.4*, the potential of the Chinese market and consumers' openness to accept of foreign brands incentives overseas brands to leverage CBEC in China. In this circumstance, there are four method that are described by Dezan Shira(2018) and Deloitte(2018) as company standalone website, selling through CBEC online mall store, selling through CBEC online malls direct purchasing model and social platforms in literature and it will be shown in Appendix in order to give a guideline for those companies who want to enter China. These four mentioned methods can be used either alone as a way of selling product or just as a combination of two methods at the same time. Besides of that, in the Appendix, type of imports model, tax and regulations and these platforms' entry requirements will be shown with platforms' characteristics. As it was mentioned in the next section and within the case studies, it can be said that marketplaces and social media platforms are inseparable. Besides of that, selling products through a marketplace also lead foreign brands to have an online shopfront since marketplaces like Tmall and JD.com have already an online store within WeChat.

3.1.5 Social Commerce Applied in China

Social commerce is characterized as awareness booster, which means improvement in product discovery; decision accelerator, which implies improving in product selection, and referral, which represents improvement in product referrals (Marsden,2010). He states that it has a positive effect on social media marketing monetization, e-commerce sales optimization and business model innovation from companies' point of view.

China is defined as a country which is already ten years ahead of other nationalities in s-commerce in the world (Forbes,2015). In the light of the information that is clarified up to now, thanks to the development and growth in mobile commerce, social media, e-commerce and cross border e-commerce in the country, China can be described as a trend country to be inspired by other countries in the world. That's why, in this section, usage of social media platforms within social commerce concept was studied based on almost all of the top used platforms for both e-commerce and CBEC point of view.

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Alibaba

Social commerce is a rising trend in China. There can be found very successful examples of social commerce implementation of Alibaba in the Chinese market, e.g., e-commerce live-streaming platforms like Taobao live, Tmall Live and Little red Book are taking the place of forefront for social commerce (Hallanan, 2018). Therefore, improvement and expansion of Taobao and Tmall with Key Leader Opinions (KOL) are the newest aim of Alibaba by taking advantage of social commerce platform called Weitao (Hallanan, 2018).

Weitao is a social media platform that allows KOLs and brands to publish content related to product, to create audiences and to communicate with them. Weitao is used with the goal of finding out and searching brands and products with entertaining content. Its social commerce concept is alike Little red book but there is a difference in the concept of linkage (Hallanan, 2018). While Little red book allows users to connect with its own e-commerce website, users are directly linked to products which is sold either on Taobao or Tmall via Weitao's content. Content can be shared by Taobao merchants, brands, Weitao KOLs and regular users. Store owners and brands can make an agreement with Weitao KOLs to post about their products in return KOLs get paid for the items sold. (Hallanan, 2018).
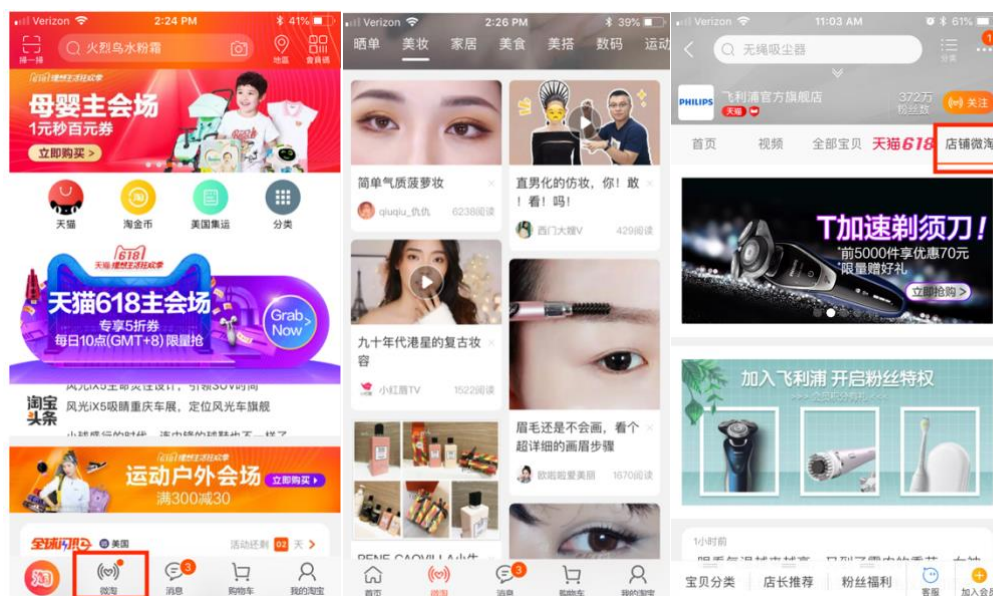
Figure 15: Weitao Content Accessible on Taobao (left), Weitao Homepage (center), Weitao Social Content on Brand's Taobao or Tmall Storefront (Hallanan, 2018)

Weitao is built within Taobao mobile app and users can reach it from the app's main page. Once Taobao app is opened, Weitao icon will appear on the page and by clicking the icon, users can reach the Weitao's home page. In this page, users are able to reach content

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from stores and KOLs that they follow and also able to find out posts for different categories (Hallanan, 2018). Specific brands' Weitao contents can be reached either with Taobao storefront site or Tmall storefront side of the same brand and its icon can be found on the upper right side in the Figure-15.

Posts are connected to products that are sold on Taobao and Tmall and products within the post content are able to be found on the right of the page in products tab as it is shown in Figure-16.
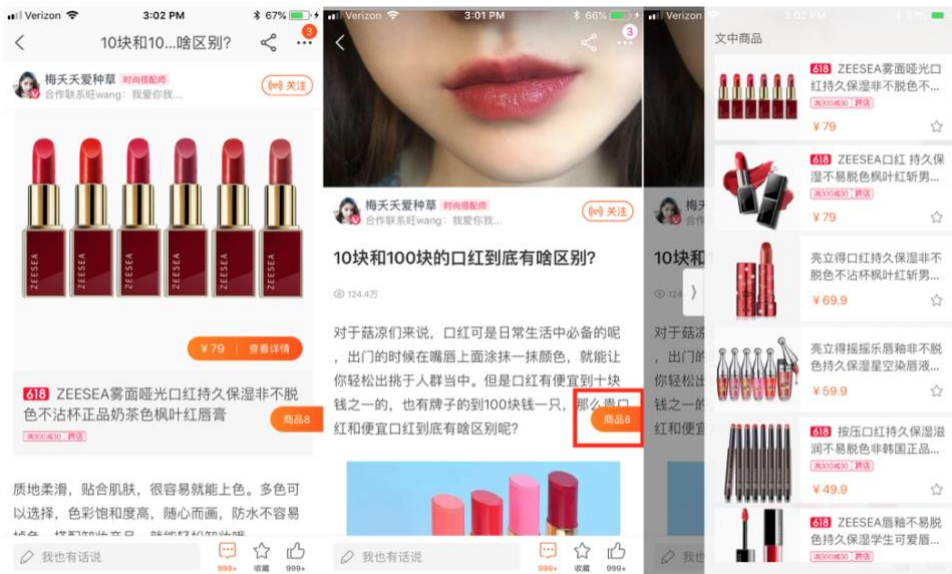
Figure 16: Weitao KOL Post with Product Link (left), Weitao Article with Products Tab (center), All Available Products (right) (Hallanan, 2018)

Besides of that, users are allowed to post variety of contents like from basic photo posts to long form of articles and short videos and to reach Taobao Live live-streams through Weitao accounts (Hallanan, 2018).

JD

Second example of applied social commerce trend is JD with Meili and WeChat. JD set up a joint venture with Meili Inc. in order to integrate the social commerce features for shoppers and integrate some tools, that allow businesses to access consumers via social media. Social commerce platform is established on entry point of JD within Weixin platform, which is known as a domestic form of WeChat (JD, 2018).

Kepler Mini- Program of JD.com on WeChat provides new platform for brands, which are interested in doing e-commerce in China. The mini program allows brands, who is present on JD.com, to use same page contents as what they have in JD.com (AgencyChina, 2018). When consumers search product related keywords on homepage of WeChat or using discover tab for search function, page of products on JD.com are appeared within top search

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results (TechNode, 2018). The Kepler mini- Program solution comes to existence with in merging social media and e-commerce between the WeChat and JD.com. When brands open a shop on WeChat, brands don't need to think about delivery and aftersales service since they can be managed by JD.com system (AgencyChina, 2018). To set an example, when product, e.g. mobile phone, is searched on WeChat, all results show up from JD.com shopping site with Genuine Product Guarantee as shown below in Figure-17 (TechNode, 2018).

Figure 17: Products That Exist on Jd.com Popping up in the Search Results of WeChat (Technode, 2018)

WeShop, which is a mobile marketplace built in WeChat powered by mini-program, is launched by JD.com with Meili. The WeShop platform gives an opportunity for JD.com to create big volume of traffic from WeChat shopping entry point (TechNode, 2018)

NetEase & PDD

Another example is NetEase's Yanxuan eCommerce. Yanxuan sets a store on social commerce platform which is PDD. According to the published data, there are 89 items that are put on the shelves of PDD by Yanxuan (Kantar Consulting, 2018). In order to use PDD, consumers can download the PDD app or reach it with signing up WeChat account. The app stores are linked to WeChat social account and this characteristic allows consumers to engage with products and exchange information about their product experience with friends. The main feature of the app is group buying which is a way of getting products at a group-buy discounted price (WalktheChat, 2018). In addition to that, with customer service messages feature, brands are able to send consumers a welcome message within 48 hours after they follow the account but even more, they share new products

recommendations to users by sending a message. Other features of PDD are short free products by referrals, term coupons, ask friends to bargain, which allows generate viral incentives to decrease price of products. (WalktheChat, 2018)

Vipshop (VIP.com)

Fourth example of implementation of social commerce is from Flash sale store called as Vipshop (VIP.com). VIP.com is an e-commerce platform, which is reminded as online discount sale meaning that it allows popular and widespread brands to sell their excess inventory products at a discounted price. The main focus as categories is Cosmetics & Beauty, Maternity & Baby, Food & Nutrition, Home & Personal Care, and Fashion & Apparel. The profile of users is mostly female shoppers with 80% and half of the sales are derived from Tier 3 and Tier 4 cities (Angrymoo, 2018). According to VIP.com (2018), they define themselves as the world's largest flash sale platform in addition to known as the third largest online retailer in the country. WeChat Mini-Program of Vipshop is like a functional e-commerce site where consumers are able to reach the same amount of data and content which are also present on standard e-commerce websites (Jingdaily, 2019).
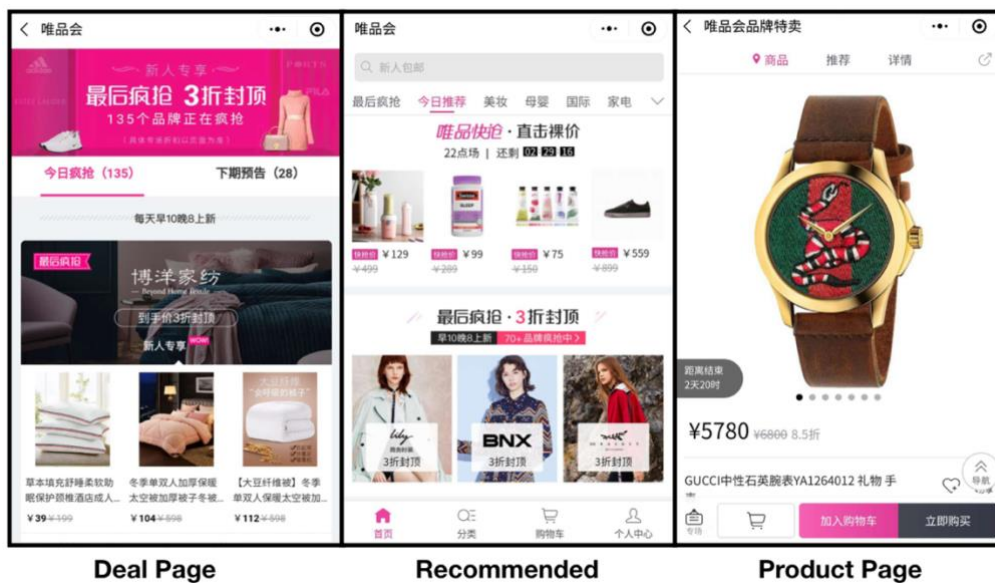
Figure 18: WeChat Mini-Program of VIP.com (JingDaily, 2019)

Little Red Book

Last example of applied social commerce is Little Redbook which is a social e-commerce shopping app also known as XiaoHongShu in China (Lui, 2018). E-commerce platform of Little Redbook called as Brand Zone is launched in 2014 (Azoya Group, 2018). Info, reviews and recommendations related products can be shared with photos and other users are able to read, make a comment and save the post to boards, also themed boards

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can be created by these posts. Tag can be added to picture to show characteristics of product and with this characteristic, users are able to see product features like Pinterest, Figure-19 shows a beauty KOL on the platform (Jing Daily, 2017).

Figure 19: A Beauty KOL on Redbook (JingDaily, 2017)

More specifically, when it is looked for share of cosmetic shopping channels in China, Taobao, Tmall, JD and VIP are taking the first places in the country (iResearch,2015), while for most preferable CBEC platforms for the category is Tmall international, Vip.com, Kaola and JD. com (Westwin,2018).

As it will be mentioned in the section *Usage of E-commerce Websites by Top Ten Beauty Brands in China,* Tmall, JD.com and Vipshop are most used platforms in the Chinese market for leveraging social commerce for those brands.

4.Analyzing and Understanding of Purchasing and Social Behavior of Chinese

In this section, Chinese consumer behavior will be explained with influential factors that can have impact on them and the section will end up with online Chinese consumers decision-making process.

4.1 Chinese Consumer Behavior

Consumer buyer behavior is defined as end consumers' buying behavior for personal consumption and there are four factors as can be seen in Figure-20 that affect the consumer purchasing decisions which are cultural, social, personal and psychological (Kotler & Armstrong, 2018). Influential factors of consumer behavior will be explained deeply below.

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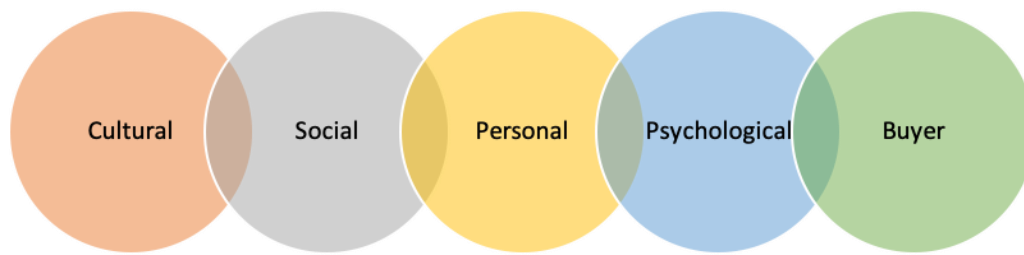
Figure 20: Influential Factors of Consumer Behavior (Kotler et al., 2008)

Cultural Factors

There is a profound impact on consumer behavior by cultural factors (Kotler et al., 2008). Culture is the most basic reason for person's desire and behavior. Kotler et al. (2008) also states that culture and its factors change in every country since each society has different cultural influences on buying behavior. Being not able to adjust these differences will lead to unsuccessful marketing and mistakes (Kotler et al., 2008)

Reference to Harvard Business Review (2013) reveals that Chinese consumers have been demonstrating significant duality by being price-sensitive and brand-conscious. The reason of that is lying behind Chinese culture, where face and social status are crucial. If a higher social and/or economic status are able to be symbolized by a brand, Chinese consumers are willing to pay a premium price otherwise they are going to be price sensitive. Brands' products which offer these statuses are sold at higher price in China than in West.

The study of Harvard Business also mentions that in China, lack of trust is a big issue, for example, working model of eBay was not successful because of that. If a consumer wants to buy a product from this platform, they have to pay first and then wait the product to be delivered, however for Chinese consumers it is hard to buy a product without seeing it (Harvard Business Review, 2013). For this reason, Taobao offered another solution with a third-party payment system called Alipay which allows consumers to make the payment after they get the product and then Alipay assigns the money to seller. In this way, it is assumed that trust problem was solved. Considering consumer rights, Chinese consumers are more conscious to protect their rights than before. For instance, in 2011, a fault has been discovered in Siemens refrigerator by some Chinese consumers, but Siemens could not handle it well in the beginning and it denied that there was a problem and then a celebrity in China arranged a boycott activity to the brand what led Siemens into a crisis in the Chinese market (Harvard Business Review, 2013)

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Social Factors

According to Kotler et al. (2008), social factors such as consumer's small group, family and social roles and status have an impact on consumers' behavior.

A behavior of person can be influenced by several small groups, e.g., Kotler (2008) claims that word of mouth (WOM) has a significant power on consumer purchasing behavior since recommendations and personal words from reliable friends, associates and other consumers are seem more convincing than from commercial sources such as advertising or salesperson. In addition to that, by giving reference to Kotler et al. (2008), opinion leaders have a strong power on other people by exerting social influence since consumers listen what they talk. That is why, companies pay attention to use opinion leaders regarding their products.

Since online social networks are a medium where people can engage each other and exchange information on blogs, websites, and message boards, by using other "Web-of Web" and these social networks, companies try to stimulate their product and to be closer to customer in order to build a relationship (Kotler et al., 2008).

According to Kotler et al. (2008), a person is a part of many groups like organizations and online communities and the position of person in each group is defined considering both role and status. People generally tend to buy products which are fit in their roles and status.

Considering Chinese consumers, reference to Fung Business Intelligence Centre (2015) states that, social connection is significant in Chinese culture since they pay attention to relationships. For this reason, they tend to care more about recommendations from friends and WOM has a strong power on brand choices and purchasing decisions of Chinese consumers. They believe that information coming from friends is more significant than coming from other means of advertisements.

Personal Factors

Personal characteristics such as consumer's age, occupation, economic situation, and lifestyle are the influential factors on consumers buying behavior (Kotler et al, 2008).

Kotler et al. (2008) also states that product choices and brand choices differ based on economic situation of person and that's why companies consider trends in personal income, savings and interest rates. The authors still specify that even tough people come from the same culture, social class and so on, they can have different lifestyles and consumer's lifestyle is a sign to understand what consumers' values and how they make

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choices based on that since lifestyle shows the way of people acting and interacting in the world (Kotler et al., 2008).

According to BCG Perspectives (Boston Consulting Group, 2017), the Chinese consumers profile is defined as young living in urban areas; belonging to middle class; the ones that put money aside less than their kin even though their income amount is sizable. Chinese consumers are identified with their positive mindset. Because of the characteristics, they assumed that their income will be raised, and their living standard will also get well in future. The dream of them is about purchasing more premium products, buying more healthy food and more expensive goods thanks to this raised amount of earnings (Boston Consulting Group, 2017).

Although compared with consumers belonging to West, Chinese ones are not loyal towards brands especially for global ones which do not offer luxury products. They are willingness to try new goods and to experience new brands which engage with those consumers to offer new products and to reach them through utilization of multimedia in an innovative way (Boston Consulting Group, 2017).

Psychological Factors

Engagement of consumers with product or an action is related to perceive perception of consumers which is relevant with consumers (Houston Business). Perception of risk related to purchase of a particular product is a one type involvement. To put it in different saying, if there is social risk such as low-quality or physical risk such as buying the wrong product during purchasing process, there is a higher degree of involvement in the buying process (Houston Business).

In the Journal of Houston Business, it is mentioned that for Chinese consumers, social risk is pretty high when it comes to gift-giving since along their history, gift-giving tradition has an essential role to create an individual's Chinese social relationship which is referred to Guanxi (Houston Business). Guanxi is defined as personal connections which are the most important thing for both personal and business relationships (Houston Business). It is also identified that Guanxi creates a significant incentive for Chinese consumers to pay attention in source identification (Houston Business). Chinese consumers are afraid of buying counterfeit product in China since it has great number of knockoff or fake products. Chinese consumers don't mind traveling to get luxury goods abroad in order to be sure that product is "genuine" (Attractchina.com, 2014). Chinese shoppers became the largest group of luxury shoppers in the world, one of the reasons of that is to buy

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"genuine" goods. Because of that, gift-giving is a valuable asset in interest and social status, otherwise incorrect item or a fake product as a gift leads to significant social risk (Houston Business).

According to Houston Business Journal, it is also clarified that another motivational factor related to social risk is face saving which represents social statues, e.g., an old-fashioned product can harm Chinese consumer' social standing. The world "face" is translated from Chinese word with a meaning of one's dignity. Since Chinese culture care about "face", they give more attention in the choice of product otherwise with the wrong purchase, they can lose their "face" or their dignity" (Houston Business).

4.2 Online Chinese Consumers Decision-making Process

Changing digital ecosystem in China causes to change the way how and what Chinese consumers purchase.   Developing technology leads to important shift in consumers' behavior in all over the world. However, the huge shift is seen in the Chinese market (World Economic Forum,2018). While the economic growth of the country impacts purchasing power of the Chinese consumers, spending habits and values of consumers are changed by demographic changes and shift of generation (Accenture,2018). All these factors affecting Chinese consumers' behavior both online and also offline.
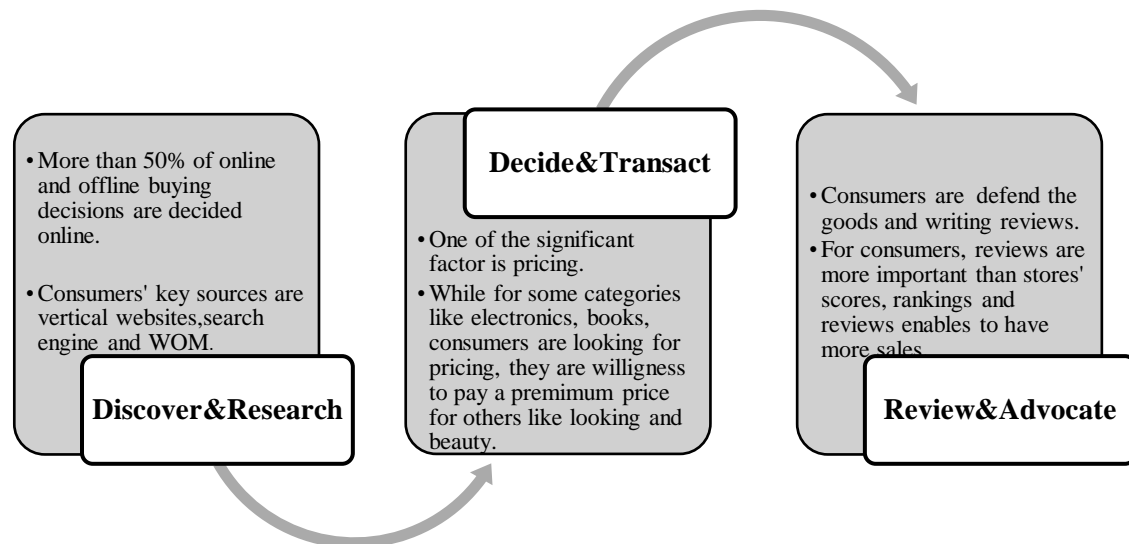
Figure 21: Online Chinese Consumer's Journey (Bain & Company, 2014)

There are three different stages of the online Chinese consumer's journey as it is shown in Figure-21 called as Discover &Research, Decide &Transact and Review& Advocate (Bain& Company, 2014). The stages are defined as following;

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Discover& Research

Bain &Company (2014) states that Chinese consumers review online sources to decide whether to buy or not, e.g. According to PwC report (2017), 61% of Chinese consumers used Alibaba's Tmall as a starting point for their product search journey. Bain& Company (2014) continues that Chinese people spend too much time for searching since they cannot be convinced simply to purchase therefore, the detailed the review, the better it is for them. This habits partly come from high degree of personalized and fast changing nature of the online shopping experience (BCG, 2017). Especially, integrated digital platforms of China make able this content discovery (BCG, 2017). According to Bain& Company (2014), when Chinese consumers see others' comments, it will affect their decision about product. In addition to this, word of mouth recommendation that is coming from their friends' and families impact their decision as well. In research of Bain& Company (2014), it is recommended that; retailer should focus on social media since now their importance is more than way of traditional advertising.

Decide& Transact

Bain & Company (2014) highlights that Chinese people give importance to price and the proof of it can be identified by Singles' Day discounts popularity in the country. According to data of Marketing to China Agency (2017), on Single' Day, Alibaba was able to sell over $14.3 billion in less than 24 hours which means that; Single's Day had a better performance compared with Black Friday in U.S. Because of importance of price for Chinese people, they are making price comparison before buying decision according to Bain& Company (2014). It is stated that while for some categories price is a key element for end decision, for some others it is not. Furthermore, according to Bain &Company (2014), quality and authenticity that is supplied by a brand will have more sales, even if their goods have high prices. In FBIC, Global Retail & Technology (2015) report, it is added that, thanks to presence of social media platforms, Chinese online consumers have an additional channel for shopping, and it is important for convenience of them.

Review& Advocate

Bain& Company (2014) describes that Chinese consumers are willingness to share their experiences and review through social media. Some brands and retailers incentivize feedback, reviews like how Taobao did according to Bain& Company (2014) e.g., Taobao rewards their customers which write reviews in a detailed way. According to Bain &Company (2014) that is not just for increasing the amount that is spent by satisfied

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customers, it will also create word of mouth among their relatives and friends. FBIC, Global Retail & Technology (2015) also highlights that reviews that is written in a positive way can create brand awareness and increase amount of sales of the retailer.

5. Beauty and Cosmetics Industry in China

This section starts with overall overview for beauty and cosmetics industry in China then explains how marketplaces and social media can create an environment for usage of social commerce in beauty and cosmetics market in china. Practices applied within in the Chinese market will be given as an example to show the characteristics of platforms together with social platforms. How top ten beauty brands in China create social engagement with their customers by means of marketplaces' collaboration and social commerce enabler platforms is analyzed below.

5.1 Beauty and Cosmetics Industry Overview in China

According to Inkwood Research (2018), the value of global beauty care products market was $432 billion in 2017 in the world and it was expected to growth about 2,81% CAGR within forecast period of 2018-2026. Customer's concern about looking good and young, also awareness of skin care are the drivers for the growth of the segment of skin care as well as evolution of smartphone and internet penetration create an environment for the growth of e-commerce for all categories as well as of beauty products in the world.
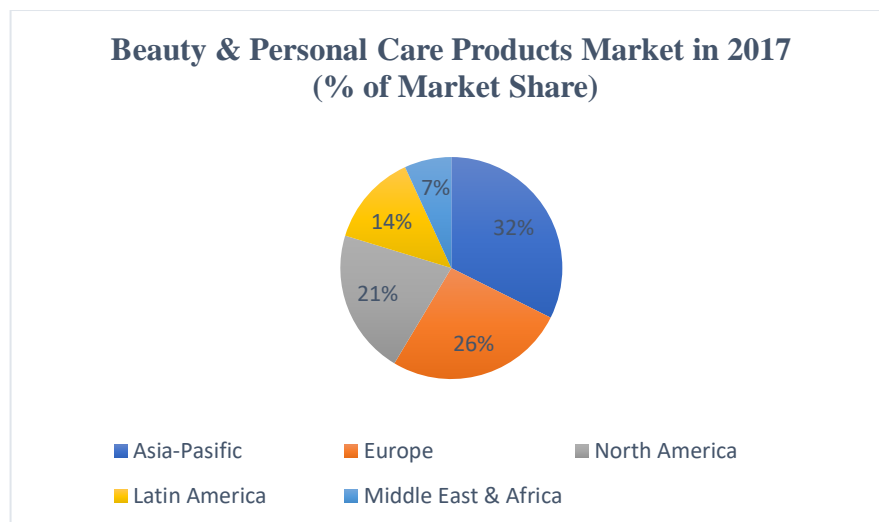
Figure 22: Percentage of Market Share of Countries in Beauty and Personal Care Market in 2017 (Inkwood, 20018)

As it is shown in the Figure-22, based on Global market value in terms of regions, Asia-Pacific (APAC) was obviously dominant in the Chinese market by holding 32% share with the value of $143.43 billion in 2017 while the second leading region was Europe by

holding 26% with the value of $116.24 billion in 2017. Considering APAC region, an increase consumer income and changing the way they live and increase in awareness of personal look are stimulating the growth of beauty care products industry.

Figure 23: APAC Beauty and Personal Care Products Market by Country (Inkwood, 2018)

As it can be seen in the Figure-23, China had the highest contribution in the market thanks to country's high population which makes a possible customer base for the market within APAC region (Inkwood, 2018). Because of the characteristics of consumer in China, beauty has a comprehensive word which holds combining minds, body and wellbeing. The holistic view can be concluded with the fact that demand for value added beauty and personal care products are expected to increase in near future in the market (Euromonitor, 2018).

There have been some changes regarding consumers' preferences. They opt for skincare products of main international brands and their purchasing behavior changes from price-focus to quality and brand focus. Based on China's Skincare and Cosmetics Market, HKTDC Research (2016) survey [3]report revealed information about what Chinese women care about while buying cosmetics. The results showed that they consider mostly product benefits/efficacy (66%), brand (64%), and worth of mouth (60%). Word of mouth and price were drivers especially for the young generation replicants while natural/organic/herbal ingredients and high-tech/biotech products are drivers for mature replicants. On the other hand, in terms of 63% of male replicants, men pay attention to their skin by using cleansing milk, lotion or face cream. According to Euromonitor's estimation (2018), men's cosmetics

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[3] Survey results come from 2053 respondents who have the habit of wearing makeup (HKTDC,2016).

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market also kept growing especially in skincare products. There was a 6.9 % growth in 2017 since male users were more responsive and open-minded to skincare and make-up products in China. Therefore, overall market share was small comparing with skincare market share for women (HKTDC, 2018).

According to HKTDC (2016) study, the consumer preferences, considerations behind spending, buying decision and the channels for purchase have been changing for cosmetics products. In recent years, the reason for purchasing new cosmetics brands for Chinese people is defined in Figure-24 with reference to HKTDC survey results [4](2016).
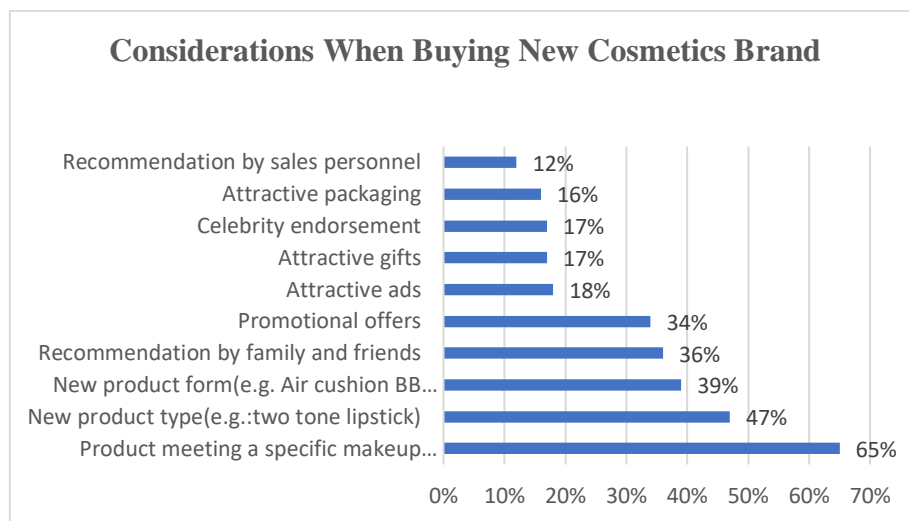
Figure 24: Considerations When Buying New Cosmetics Brand (HKTDC, 2016)

As it can be seeing Chinese people buy new cosmetics brand products thanks to fulfilment of their specific make up need and being highly motivated by recommendations of their families and friends. It can be commented that since Chinese people are willingness to share with their relatives and friends and shopping is one of the most desired activities for them, that is why the created area for having reference and recommendations from other customers and the relatives and friends triggers social commerce success in the market. For this reason, it can be concluded that the effects of the families and friends and also as it is mentioned before effect of KOLs on Chinese consumers' willingness to purchase cosmetic brand can be shown as one of the evidences for why China is an important country as a social commerce market place. To be more precise, especially generation after 80's and 90's are the fundamental consumer targets for cosmetic products since they pay attention to look and popularity of the products and they are likely open to be updated in terms of products. That's why film/TV stars and beauty bloggers are involved by brands in order to

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[4] Survey results come from 2053 respondents who have the habit of wearing makeup (HKTDC,2016).

increase sales. Nevertheless, the Chinese consumers' behavior towards making decisions are independent. They would like to consider many things before purchasing by collecting information through different channels, family and friends (HKTDC, 2018).

To understand, how retail sales of cosmetics market in the Chinese market evolves from 2012 to 2017 is shown below in Figure-25.

Retail Sales(RMB billion)
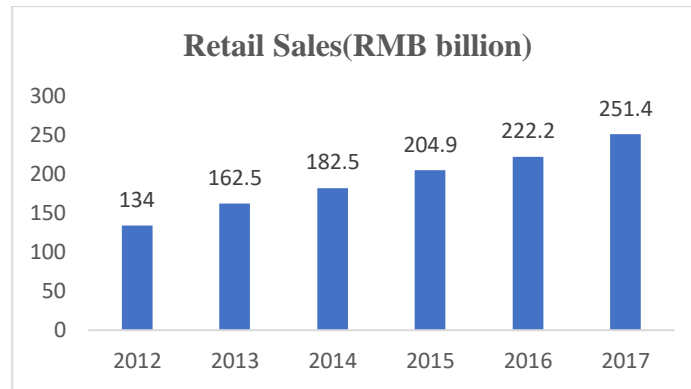
Figure 25: Retails Sales of Cosmetics Market in China between 2012 and 2017 (HKTDC,2018)

Recently, Chinese cosmetics market has been getting bigger quickly along with fast growth of Chinese economy. As it can be seen, the Figure-25 demonstrates yearly retail sales of cosmetics products through wholesale and retail businesses based on above specified scale and there was a %87.6 growth since 2012 in retail sales of the category. Market research of Euromonitor (2018) mentions in its study that skin care formed the majority parts of the sales of beauty and personal care in China. It is stated that total retail sales in 2017 was about RMB186.7 billion and RMB34.4 billion for skincare products and make-up products respectively and year after year growth of these products are 10.3% and 21.3% respectively. General basic need for skin care of Chinese consumers includes also lower tier cities is cleansers, masks and lotion. Trends of skincare-products of China have been becoming to the high-end. Euromonitor (2018) states that there has been increasing in market share of high-end skincare products from 27% in 2012 to 31% in 2017 slowly even though high-end skincare products' retail sales value in 2017 was not higher than mass-market-fast moving alternatives (HKTDC, 2018). Making up for daily life is essential for more youthful Chinese consumers who born in 1980s and 1990s and these are the ones who are the main segment for color cosmetics as well (Euromonitor, 2018). According to Statista (2019), it is also stated that, segment profile of consumer for beauty product has been becoming younger, wealthier and sensitive for luxury products of beauty and care.

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When the competition in the Chinese market was examined it can be concluded that as for domestic cosmetics brands of China, their performance in the market in 2017 is very well, there are two factors pave the way for that outcome; the essential one is expansion into second and third-tier markets[5]; and the other one is that brands put an effort into online sales and advertising on new-media platforms such as WeChat and Weibo in order to ensure and increase brand acknowledgement by consumer (HKTDC, 2018). Besides of that, Gartner L2 (2018) defined Chinese market with fierce competition among local and Korean brands and global ones. Chinese consumers' preferences for these brands can be explained with the survey conducted by HKTDC (2016), considering brand origin factor of most purchased cosmetic brands, 25% responders choose foreign brands because of its guaranteed quality & good WOM, its special formula and uniqueness while 31% responders choose Korean brands because of the consideration of a good product value for money and local makeup style. For domestic products, 24% responders chose products from the mainland because of a good value product for money and price issues. Besides of that, in the study, it is commented that because of this competitive area between domestic and foreign brands, Asian brands started to improve by focusing on the marketplace and using channels for social commerce while Western ones used their strategy to benefit from the Chinese market. Because of fierce competition in the market, multinational brands were challenged by local ones even though they possess a leading position in beauty and personal care thanks to offering a greater number of choices for product selection and reputations of brand (Euromonitor, 2018). In Section 3.2, Top 10 Beauty Brands in China is mentioned with detail based on the Gartner L2 Digital IQ Index, which is defined by taking into consideration four dimensions as discoverability, consideration, path to purchase and content (Fiola, 2018).

Another point of view that, considering Chinese consumer preferences for overseas brands and dominance of foreign brands in the Chinese market cannot be overestimated when it comes to beauty and cosmetics industry in China. To be more precise, according to Fung Business Intelligence (2018), within survey period from March 2017 to March 2018, Chinese consumers mostly preferred to buy food products with 55% and beauty and personal care products with 49% over CBEC platforms. This can be a proof foreign brands can see the CBEC as an opportunity to meet customers' requirements without being

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[5] Second tier cities are referred to regional economic centers which are simply sub-provincial cities that have independent economy within a province other than Beijing, Shanghai and Guangzhou. Third tier cities have more developed economy but are not the provincial capital or sub-provincial cities (HKTDC,2017).

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physically present in China by taking advantage of customer attituded towards them and their position in the market.

As it is clarified up to now, there is a big online potential for beauty and cosmetics industry in China as it is shown that it is one of the most favored categories in the country for both e-commerce and CBEC platforms. The beauty and cosmetics market are booming in Asia-Pacific (APAC) thanks to highly contribution of China and it is also estimated that by 2019, China will be the largest market for cosmetics brands (Globe Newswire,2018). The category importance of the country can be explained with rising middle class in the country, tendency towards usage of cosmetics brands because of characteristics of consumers, smartphone and internet penetration acceleration of the country.

5.2 Social Commerce Applied in China for Beauty and Cosmetics Market

Beauty and cosmetics industry are getting more obliged to go by the new rules when changes about demographics, social media towards consumer behaviors are occurred (ATKearney, 2017). China is an outstanding market that has huge economy growth which has rapid urbanization and rise of middle class that also affects consumers' buying and social behavior, life style, consumption and spending of the country (Barton,2013). What changes in their life move the Chinese consumers to desire more authentic products in luxury related with beauty and cosmetics products((Barton,2013). Since it is a wealthy economy in the world, Chinese population is willingness to purchase beauty goods and it is the proof of cosmetics market success in the country. While the industry is restricted by only physical stores before, it is not anymore with e-commerce and everything associates with it such as its social platforms, subscription boxes etc. Companies catch up new trends in order to close the gap between beauty and e-commerce, e.g., consumers can try the products virtually by using app of L'Oréal Makeup Genius and buy the product through application. This takes place by means of instantaneous technological development, help of professional market artists, the increased influence of beauty bloggers and vloggers and willingness of consumers towards digital experience (Lachowicz,2018). More examples about why beauty brands step to e-commerce is mentioned below by reference to respectively top ten beauty brands in China (Flora,2018)

Estée Lauder

Estée Lauder is American beauty brand. According to the Gartner L2 Digital IQ Index in 2018, it was only brand that can be called as a Genius since it had strong social engagement with customers. It had an impressive visibility in terms of Tmall search pages

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and it leveraged of e-tailers characteristics by using video live chat beauty advisor (Flora, 2018). The brand made a collaboration with Chinese singer Hua Chenyu as a KOL and launched of Estée Lauder for limited-edition lipstick by making a collaboration with Chinese singer Hua Chenyu enabled the brand to have top Weibo post among all other brands. In China, it is usual that young male starts are used as a way to promote the products to female fans of these stars, but Estée Lauder took another route to promote the products by being more targeted with the product promotion (JingDaily, 2018). The brand made a campaign for Hua's upcoming concert by giving an incentive these fans to put the lipstick on in order to support their star. Even though it was a niche target, all seats in the concert area were sold out and on the concert day, WeChat campaign had been successful with more than 100,000 views and 956 likes and based on the Tmall page of Estée Lauder, 15397 lipsticks were sold at the price of 230 RMB with 27,335 reviews (JingDaily, 2018). As it was mentioned in JingDaily (2018), Estée Lauder made a direct connection between fans' support of the stars and sale of the lipstick, and with this connection, the brand formed a dress code by making fans wonder about to be left out if they don't wear the lipstick at the concert. As it is mentioned in the article of JingDaily (2018) that WeChat normally does not allow users to direct to e-commerce websites to purchase the product right away, consumers are forced to copy the link from the WeChat and paste it on Tmall app, and this way normally leads to have low conversion rates. However, in order to drive that much sales and conversion, Estée Lauders follows a path that Chinese consumers are directed to Tmall page through WeChat to buy the product.

L'Oréal Paris

L'Oréal is a French based cosmetic brand which belongs to Consumer Products Division of L'Oréal. Paris had an impressive visibility within e-tailers concept such as Tmall, JD.com and VIP.com in 2018. Its investment is on omnichannel with an exclusive WeChat loyalty program that allow consumers to get coupons and it can be used in offline store where consumers can find a scannable barcode (Flora,2018). Some social commerce attempts of L'Oréal Paris will be mentioned within Section 6.1 of L'Oréal Case.

Lancôme

Lancôme is French based brand which belong to L'Oréal Luxe Division of L'Oréal. It developed high serviceableness considering Tmall and its brand site, its loyalty program integrates with many online platforms and offline stores in 2018. Lancôme was the first one of cosmetic brands that leverage WeChat's new brand zone feature which enables users

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to buy products even though they don't follow the brand on WeChat (Flora,2018). Apart from that, L'Oréal created a website called as Rose Beauty for Lancôme with the aim of making visitors able to read reviews about products, search for makeup tutorials and product info and share experience (MarketingToChina, 2013). L'Oréal tries to connect with Chinese by making feel them that it is not just a website, it is a platform for reviewing product and you are part of that community where you can contribute to make the platform also beauty one (MarketingToChina,2016). Some of social commerce actions of Lancôme will be mentioned within Section 6.1 of L'Oréal Case.

Chando

Chando is a Chinese brand that has achieved social engagement and sales through Tmall by making a collaboration with Chinese boy band called TFBoys. According to Jing Daily (2018), Tmall sales of the brand reached a peak for its TFBoys face mask set that was sold on Single's day in 2017. Based on the news from China Daily (2018), Chando got an amazing support for its product line whose sales were fold in two compared to 2016 thanks to the band. Apart from that, the brand introduced Direct-to-Customer sales, which let companies to have a control over their brands' story and passing on their messaging directly to consumer, over JD.com in order to sustain high visibility among multiple e-tailers (Fiola, 2018).

Maybelline

Maybelline is American makeup brand which belongs to Consumer Products Division. The brand has offered the higher level of product detectability in terms of color cosmetics categories due to having strong collaboration with Tmall, JD.com and VIP.com. its profile on WeChat has a direct connection to VIP.com mini app in case of purchase (Fiola, 2018). Some of social commerce practices of Maybelline will be mentioned within Section 6.1 of L'Oréal Case.

SK-II

SK-II is a Japanese cosmetic brand owned by parent company Procter & Gamble. The brand introduced a loyalty program in 2018 which is along with its brand site, WeChat, Tmall and physical stores (Flora, 2018). Chinese customers were able to gain and redeem points through multiple location by using this loyalty program within its Tmall, WeChat and the brand's own stores (Stylus, 2018). It has introduced many popular campaigns that trigger the brand' growth interest among consumers. For example, in 2017, SK-II tried to connect online and offline store with the product line called perfect PITERA (JingDaily,

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2018). By launching WeChat campaign for the product, the brand encouraged online customers to experience a perfect PITERA cure in its brick and mortar store. Cure was about ensuring consumers free skin test and assisting customers develop a customized skincare plan with the brands products. Apart from directing online customers to offline store to buy products, SK-II also worked other way around by having online boutique on WeChat (JingDaily, 2018). The customers who paid a visit SK-II's physical store can order on WeChat with the help of the expert specialist after getting free skin test. The WeChat post relate to this event got more than 100,000 views in order to promote (Jing Daily, 2017).

Avène

Avène is a French beauty brand and its performance within the Chinese market is relatively good. It increased presences in China JD.com and also by VIP.com with the free gift campaign in 2018(Fiola, 2018).

Innisfree

It is a Korean beauty brand owned by Amore Pacific. Its target is also post-95 generation and the brand use the generation's the most preferred platform which is Tencent's QQ in order to promote products by making mobile product collaboration. The brand is popular in China because of being presence in most searched brands on social and cross border shopping app RED (Flora, 2018).

According to Zaryouni (2016), the success of Innisfree is the result of well-designed and powerful digital characteristics of the brand on standalone website, mobile, in-store and on social media. Innisfree has a far-reaching brand website which includes a gamified cross-channel loyalty program, user-generated content which is constituted from many social platforms and video libraries. Social media also has a key role on Innisfree's success since consumers are able to have a profile by logging in with their Weibo, QQ or Alipay accounts. With the help of these accounts, Innisfree can form an omnichannel loyalty program by tracking both online and offline purchasing activities. The brand also allows consumers to gain points while engaging with the brand on social media or website. It is mentioned in the article of Jing Daily (2016) that Korean celebrities and TV shows are also popular in China and many Western brands try to leverage these celebrities in their marketing campaign. Innisfree also made a collaboration with Korean influencers Lee Minho and Yoona for Summer Love campaign in China. The campaign' video had 181,000 views on Youku, which is YouTube of China and is a subsidiary of Alibaba Group (JingDaily,2016). This number of views was four times higher than brand's average video

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view count.This campaign also was endorsed by desktop and mobile advertising together with WeChat and Weibo promotions. WeChat posts reached 10,600 views while on Weibo there were 2,000 post interactions (JingDaily, 2016). The campaign spread to the world with the hashtag #innisfree and the brand achieved 17.7 million impressions with 36,000 mentions on Weibo. Zaryouni (2016) also mentions that the brand's campaign just went beyond the promotions and try to link the buzz to shopping even on its Tmall site.

Laneige

Laneige is a Korean beauty brand owned by Amore Pacific and took an advantage of Chinese actor Xu Weizhou to increase engagement on Weibo. Laneige got in return for this move and brand increases the engagement (Fiola,2018). Even though number of Xu's followers were less than some of China's stars, he provided the brand higher engagement more than superstar Angelababy. By campaign called as Fashion in Seoul, the brand launched a video on Youku, and the brand got 2 million views. In addition, the same campaign was endorsed by cross-promotion WeChat presence of the brand in Youku hereby the brand reached 440 million viewers (Zaryouni,2017).

Dior

Dior is French-based beauty brand owned by LVMH. It takes place in all WeChat's popular mini apps. It allows consumers to have standard gift card format within mini-app so consumers can purchase virtually "gift cards" for specific products and send them to friends through WeChat. There is a connection between gift card mini app and a second mini app which is used for e-commerce by brand. Dior was the first brand which takes advantage of Weibo's Snapchat-like Stories feature for promotion of its Rouge 999 lipstick (Fiola, 2018). The aim of the Dior by using Weibo's story feature was to promote the product the way they did on Instagram and copy the same success with Chinese consumers (Jing Daily, 2017).

As it can be seen above, out of the ten top beauty brands in China, there are nine foreign base companies and L'Oréal is the one that has the most international brands in the ranking and this fact makes the company appealing to study.

5.3 Key Success Factors for Beauty and Cosmetics Brand in China

In order to be competitive in the beauty and cosmetics industry, key success factors (KSF) should be understood well since KSF is a function of Chinese consumer needs and competitive pressures in the Chinese market. In our study, 'Objectives and Value of Social Commerce for Companies' is covered in Section 2.4 without specifying industry while in

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that section, key factors to reach out a success will be given for beauty and cosmetics industry in China by benefiting from the literature. KSF for cosmetics brands are showed in Table-4 as following;

Key Success Factors	Description
Being on the Web and Branding on the Internet	Especially for the beauty and cosmetics products, WOM has a strong impact on Chinese consumers' decisions. Overall, Asian people seek information and look for similar experience related with desired products and get detailed info about way to utilize it. Since the web stands for a source of information to get inspired for Chinese consumers, it can be accepted as an important channel to communicate and branding through usage of the internet with the Chinese consumers for beauty and cosmetics companies' point of view. That is why, benefiting from social network power by establishing in and presence on the web is a crucial factor for cosmetics brands (Marketing China, 2013; China's Cosmetics Market, 2015). Moreover, there are lots of professional websites that can provide great variety of information related to cosmetics together with online women's magazines in the Chinese market and when online press relations operations are managed well, it will have a direct impact on success of a brand development. (China's Cosmetics Market, 2015).
Social Media	Because of the characteristics of the Chinese market, beauty and cosmetics brands should prefer to conduct the advertising campaign online since it is an opportunity for a brand to get awareness about their own presences. Namely, when beauty and cosmetics brands' contents are seemed as important, those brands will be well known and popular on social networking platforms. The more popular social networking platform to inform customers is used, the more preferable it is for the companies to reach the customers (Marketing China, 2013).
Internet WOM & KOLs	Chinese consumers utilize the internet as a source of information with the goal of reading reviews, opinion and comments which are posted by other users about the brands and products before purchasing (China's Cosmetics Market, 2015). That is why internet Word of Mouth (IWOM) has a vital role in beauty and cosmetics brands' reputation. On the other hand, KOLs are substantial to guide Chinese consumers' purchasing decisions. Especially in beauty and cosmetics industry, professional cosmetic bloggers create a strong impact on Chinese consumers decisions by posting videos about makeup techniques or products that KOLs like to advise (China's Cosmetics Market, 2015). Besides of that, Chinese consumers are willingness to be interacted by favorite beauty and cosmetics brands in order to give more preference towards it. With that reason, presence on social networks and using KOLs as sales channel are crucial way to reach Chinese consumers (Marketing China, 2013).
Use Stars and Chinese Models	Stars and Chinese models have an important power to influence Chinese consumers about brand image of beauty and cosmetics companies. Because of the Chinese consumers' behavior characteristics, when Chinese consumers see a star or Chinese model, the brand products will be perceived more with benefits and these stars or models can be utilized for making Chinese consumers accept the brands message (Marketing China, 2013).
E-commerce	Chinese consumers are active users in online platforms such as Taobao, Tmall, and JD.com. Especially, when there are promotions and discounts on these websites regularly, Chinese consumers prefer these platforms to buy beauty and cosmetics products online in a best price (China's Cosmetics Market, 2015). Based on that, the companies should give detailed information of the products and use rating system in the brands' e-commerce websites (Marketing China, 2013).
Traditional Advertising	As a way of reaching all over China, beauty and cosmetics brands can also use traditional advertising through offline channels like mass media such as TV, press, magazines, radio and outdoor (Marketing China, 2013).
A Good Distribution	The main ways for distribution in China are supermarkets, B2B, local company's channels for selective distribution and procurement even though there are lots of different distribution methods. Beauty and cosmetics products are mostly taken place in supermarkets however; companies should be aware of the main drawback of having these products on the supermarket since that stores located in second and third tier of cities barely (Marketing China, 2013).
Good Positioning	Because of the intense competition in the Chinese market, brands should be accepted in the Chinese consumers' mind and the market by not only good positioning but also meeting the consumers' needs as soon as possible. (Marketing China, 2013).
Adaptation to Expectation of Asian Consumers	Asian consumers want to feel that beauty and cosmetics brands cares about their needs in terms of their beauty and skins concern. For this reason, rethought strategies of beauty and cosmetics brands for the market are not enough per se. Also, the products should be adopted for the Chinese market. (Marketing China, 2013).

Table 4: Key Success Factor for a Beauty and Cosmetics Brand in China Based on the Information Taken from Marketing China (2013)and China's Cosmetic Market(2015)

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In the light of those information, it can be understood that since China is a leading country by going online and being digital, beauty and cosmetics companies should make especially digital and the internet their focus point in their business and marketing strategy as how it should be for the companies in different industry. How beauty and cosmetics brands can achieve a success in the Chinese market through those KSFs can be evidenced by L'Oréal positioning in the market considering the Group is a one of the most dominant multinational market players both in the world and China (Statista, 2017). L'Oréal's KSFs were identified by the company itself to explain why it is the most leading cosmetics brand in the world with the following reasons; maintaining growth of beauty product by expanding online; the development in social networks; having a desire to give new, different, better and premium products; increasing the speed for running worldwide; and maximizing their ranking in the world (L'Oréal 2017) and how they operate in the Chinese market will be analyzed in the next section.

6. Case of L'Oréal and Feelunique

In the following section, it will be examined the cases of L'Oréal and Feelunique in terms of company overview, the reasons behind the selection of these companies, their business and digital marketing strategies regarding the Chinese market. As a last part of the section, argument about cases are discussed. During the analysis, secondary data are utilized so as to present business performance of the companies in China.

While carrying out the research of L'Oréal, e-commerce sales of the company in China are compared from 2014 to 2018 by benefiting from Consumer Products Division e-commerce sale percentages for China. Notwithstanding L'Oréal had three-star brands as Lancôme, L'Oréal Paris and Maybelline New York which were in the top ten beauty cosmetics brands in China according to the Gartner L2 Digital IQ Index for specified years (Gartner L2, n.d.). While Lancôme belongs to L'Oréal Luxe Division, L'Oréal Paris and Maybelline New York belong to Consumer Products Division. The comparison of e-commerce sales performance of L'Oréal in China was conducted only for the brands belonging to the Consumer Products Division because their information were the unique data available when this study was performed. That's why, the overall e-commerce performance of the company in China was examined the Key Performance Indicators (KPIs) in terms of usage of social media platforms with reference to ''brand awareness'', ''brand advocacy'', ''increasing sales'' and Consumer Products Division ''e-commerce

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sales''. While one of the best KPI to evaluate the s-commerce performance is the Conversion Rate (CR) regarding the quantity of times the purchase button is clicked from users coming from social media channels after visiting, it cannot be observed due to data availability (Shopify, n.d.). On the other hand, for Feelunique case, since it is a privately held company, there was no information about e-commerce sales Neither for the world neither for China specific market. That's why, performance of the company was analyzed only in terms of usage of social media platforms to increase both brand awareness and sales.

6.1 L'Oréal Case

This section starts with L'Oréal overview and reasons behind selection of the Group considering its position in the beauty and cosmetics sector and its digital strategies in China. In a broader perspective, general strategies and more specifically the digital marketing strategies of L'Oréal in the Chinese market are going to be demonstrated year by year. The section will be ended up with results in order to understand comprehensive overview about the company performance within the last five years period between 2014 and 2018 in the market.

6.1.1 Company Overview

L'Oréal is a French holding company founded in 1909 aiming their actions for strategic, marketing, scientific and industrial coordination. It is the leader worldwide as a cosmetics group in beauty segment, operating with 86,000 employees and 505 patents registered in 150 countries with 36 brands. According to Annual Report of L'Oréal (2018), their product category consists of Skincare, Haircare, Makeup, Fragrance and Hygiene products.

L'Oréal global flotilla of brands is classified according to four different divisions, which develop a specific version of beauty by consumption universe and distribution channel. Their flotilla (Figure-26) consists of a division named as *Consumer Products*, which products are sold in mass-market retail channels; a second one named as *L'Oréal Luxe*, which products are destined to selected retail outlets like departments stores, perfumeries, travel retail, online sites; their third division is the *Professional Products*, which products are used and sold in hair salons and beauty institutions; and lastly the division of *Active Cosmetics*, which its derma-cosmetics products are addressed to health channels which is pharmacies, para-pharmacies, drugstores and medispas.

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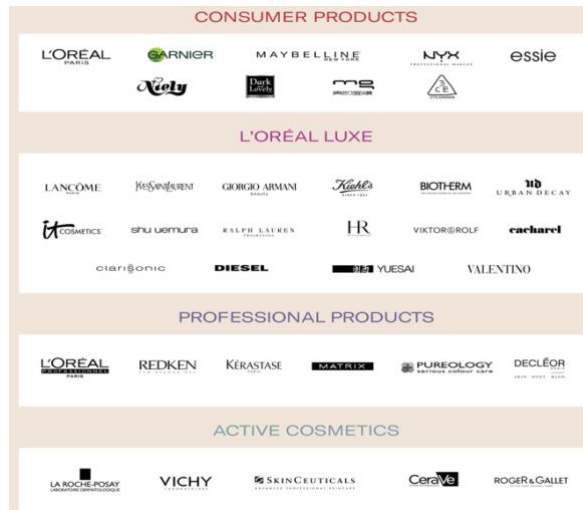
Figure 26: L'Oréal's Global Flotilla of Brands (Annual Report of L'Oréal, 2018)

The mission

'' Beauty for All; Offering all women and men worldwide the best of cosmetics innovation in terms of quality, efficacy and safety to satisfy all their desires and all their beauty needs in their infinite diversity.''

(Annual Report of L'Oréal, 2018)

The Strategy

''Universalization; It means globalization that captures, understand and respect differences. Differences in desires, needs and traditions. To offer tailor-made beauty and meet the aspirations of consumers in every part of the world. L'Oréal is driven by the vision of the world. ''

(Annual Report of L'Oréal, 2018)

Commitments

In the heart of L'Oréal commitments, ethics is taken place (Annual Report of L'Oréal, 2018). Ethical principles mean helping L'Oréal in modelling its development and leading the brand reputation according to the Group. These principles are particularly the foundation of the Group's policies based on 'compliances, responsible innovation, environmental stewardship, social and social responsibility and philanthropy.'   The company ethics is defined in Annual Report of L'Oréal (2018) as following;

- *Integrity: '' Because acting with integrity is vital to building and maintaining trust and good relationships.''*
- *Respect: '' Because what we do has an impact on many different stakeholders.''*
- *Transparency: '' Because we must always be sincere and able to justify your actions and decisions.''*
- *Courage: '' Because ethical questions are rarely, easy but must be addressed.''*

6.1.2 Reasons Behind Selection of L'Oréal

According to Marketing to China Agency (2016), 40% of beauty and cosmetics products consumption in the world is led by the Chinese consumers and according to survey, those customers have an impact on increased travel to Western countries. The reason behind it is explained with purchasing luxury products at a less expensive price compared with those products' price in their home country and it is affecting their tendency towards international brands. Another reason for their interest towards foreign cosmetics products can be explained with ''quality'' and ''status concern'', which come from their culture. Because they believe that high quality and luxury brands imply their economic status level.

After understanding importance of the category, when it is looked to the Chinese market, L'Oréal had three brands in the country among top ten ranked brands in beauty and cosmetics category in 2018 as it is mentioned in Section 5.2. In addition to it, L'Oréal was the pioneer international brand to sell products on Tmall Global in 2010 to offer online experiences to their consumers. When the Annual Report (2018) was analyzed, it was shown that their growth of like for like, based on a comparable scope of consolidation and constant exchange rate, in Asia Pacific was amounted as 24.1% which was the biggest growth among other zones and overtaken North America position to become the second largest zone in 2018. It was highlighted that Chinese consumers were leading growth especially for the L'Oréal Luxe Division in China and it is expected that their growth is keeping up thanks to e-commerce outcomes within all divisions. The reason why China is one of the leading of global e-commerce country can be explained with increasing interest in the internet and social networking site as well as increasing trends that trigger diffusion of social commerce in the country. Regarding how Chinese consumers' behavior characteristics are shaped by digital world and its evolution, the consumers shopping journey have been keeping up with the changes in the Chinese market. Since offline and online has been merging by forming a new shopping experience, e-commerce platforms and brands are desire to provide seamless shopping experience to the Chinese consumers by leveraging social media and e-commerce in the heart of their strategies to make those platforms and brands first destination in the online Chinese consumers' journey rather than final destination. Because of those facts, s-commerce has been changing the competition in China, L'Oréal steps up towards digital trends in the Chinese market to take an advantage of country's social commerce power.

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Analyzing L'Oréal's annual reports from the five years is possible to understand the effect of e-commerce on their sales year over year, especially in China. According to last annual report of L'Oréal (2018), it is highlighted that L'Oréal has 26.9374 billion euro of sales, from which 3 billion euros are from e-commerce, confirming that 11.0% of group sales are derived from e-commerce. Their growth in e-commerce is reported as 40.6 % in 2018 and it has been a leader e-commerce company in China where half of Consumer Products Division online sales is made. L'Oréal China sales, that is emerged from e-commerce, are reinforced thanks to digital strategies and having partnership with pure players[6] like Alibaba and Tencent (Annual Report of L'Oréal, 2018). In addition to it, travel retail business stands for a high potential channel because of strengthening the Group leading position which is driven by millennials and Chinese consumers (CosmeticsDesign, 2018). In the Section 6.1.4, it will be presented and analyzed the growth on e-commerce sales obtained by L'Oréal's Group with their digital strategy in the Chinese market.

Benefiting from all those information, it can be concluded that since China has become the second largest market for the Group in 2018 and it is the one of the most leading e-commerce channel for L'Oréal in the world, the Chinese market is important for the company thereby L'Oréal has focused on China intensely through digital marketing strategies in order to be a digital beauty brand based on the Chinese market specificities and consumers' behavior characteristics of the country(Annual Report of L'Oréal, 2018)With regards to rise of economic growth, consumers purchasing, and social behavior are affecting their expectation about luxury and cosmetics products. Due to adopting social networks as a marketing strategy to engage with potential consumers in China, it is an appealing company to understand "How Western Beauty and Cosmetics Brands Should Leverage Social Commerce in China".

6.1.3 Strategy of L'Oréal in China

L'Oréal success story in China begins with twenty-one years ago with the aim of putting a lipstick in the hands of every Chinese woman. During this period, L'Oréal became the leader of the Chinese beauty market and China became the second largest market for L'Oréal global (Loreal, 2018). This success of L'Oréal China is lying behind of the strategy called as *"Consumer-Centric 5- Power Model"* which is identified as following reference L'Oréal (Loreal, 2018);

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[6] A company that focuses exclusively on a particular product or service in order to obtain a large market share (TechTarget, n.d.).

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- First power is defined as its 22-brand portfolio with desirability, uniqueness and unique equity in China.

- Second power is stated with outstanding and unique innovations that are made available to Chinese consumer by L'Oréal's Research and Innovation center (R&I) which has been set up in 2005 in China.

- Third power is specified with a new way of doing marketing which is about disruptive marketing content related to digital that matching with digital innovations occurring in China.

- Fourth factor is indicated with new retail meaning that combines offline and online worlds to provide all-in ambient experience to consumers at all contact points since these two worlds base are the same consumers which purchase products at store and through their mobile phone.

- Last but not least is remarked as social value since Chinese people care about making society a better place to live.

6.1.4 Digital Marketing Strategy of L'Oréal in China

In the Annual Reports of L'Oréal, it is highlighted that as the Chinese market grows, consumers are getting more interested in new distribution channels with their diversified propensity to consume since the world changes, *"World of Beauty"* has been altering as well. It means that social media turn into ubiquitous in people's lives and it shifts L'Oréal into social beauty age in China (Annual Reports of L'Oréal, n.d.). The Group manages to follow new trends and provide products that meet new desires, such as makeup, natural beauty and customization desire, and get close through qualitative interactions with consumers thanks to having presence on digital. For this reason, brands of L'Oréal take an advantage of their international fame and the star products that make customers keen on online. Their online sales occur within its partner distributor' sites, its brand site and pure player platforms such as Alibaba, Tencent, Tmall and JD.com (Annual Reports of L'Oréal, n.d.).

Hagen Wuelferth, Chief Digital Officer (2017), explains that main drivers for Chinese people, who buy beauty products in e-commerce channels, and the success of L'Oréal in e-commerce in China by saying that *"There are both demand side and supply side reasons to explain this phenomenon why Chinese people are actually buying online."* For supply side; there are completely pathbreaking customer-centric internet players, e.g. Tmall, who are built with strong logistic capabilities that enable to deliver fast and cheap

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within several hours and this also offers service for lower tier cities and regions. L'Oréal has a partnership with these players that empower and perform its vision in China. On the demand side, he says that there are specifically younger consumers who are digital savvy, who have increasing purchasing power and beauty affinity (L'Oréal, 2017). It is stated that these consumers are in tendency to spend around one and a half hour or more on their mobile than other consumers in the world and that makes Chinese people's preference in favor of e-commerce since e-commerce provides *retailtainment* [7]experience to Chinese consumers. L'Oréal is a leader with its aspirational brands to ensure immersive content through live broadcast, virtual makeup try-ones, extended reality games and AI power customization and many more. Among five years, it is assumed that L'Oréal's success in the Chinese market can be composed by mobile with mobile app, social media and KOLs, content strategy, the Group own web page, e-reputation and word of mouth. In the website, there are lots of appealing theme for Chinese users like beauty tips and it helps increase number of website visitors thanks to attractiveness of content. Another important strategy about the customized web page is that when users arrive the page, they will face the same template of Tmall and that helps users not to waste time because of familiarity and it can decrease the bounce rate as well (MarketingToChina,2016). As it was mentioned before, Guan Xi is one of the most traditional traits that comes from Chinese culture and it triggers Chinese people to believe reviews, comments and recommendations that are given by their relatives or others. The importance of e-reputation and WOM comes from that cultural trait. In the following parts, general overview for the company, e-commerce performance and applied cases for China within the specified years between 2014 and 2018 will be analyzed.

6.1.4.1 General Overview of L'Oréal's 2014

L'Oréal had 22.532 billion euros of sales with an increase of 3.7% [8] and operating profit was amounted as 3.891 billion euro which stand for 17.26% of total sales. 0.9 billion Euro of sales came from e-commerce and it accounted for 4.1% of consolidated sales in e-commerce (Annual Report of L'Oréal, 2014). In the Gartner L2 Digital IQ Index in 2014, L'Oréal had at least three brands in the Top 10 in China (Annual Report of L'Oréal, 2014).

The Figure-27 shows consolidated sales of the company between 2012 and 2014 and the e-commerce data of 2014.

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[7] George Ritzer (1999) describes "retailtainment" as the "use of ambience, emotion, sound and activity to get customers interested in the merchandise and in a mood to buy."
[8] Like-for-like Based on a comparable structure and identical exchange rates (Annual Report of L'Oréal, 2014)

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Consolidated sales in billion euro between 2012 to 2014

21,638 — 2012
22,124 — 2013
22,532 — 2014

Consolidated Sales in Billion Euro in 2014

0,9
21,63

- Consolidated Sales Excluded E-commerce
- Sales coming from E-commerce

- 0.9 Billion Euro of sales in e-commerce out of 22.532 Billion of Euro sales,
- 4.1 % Percentage of Group sales from e-commerce
- +29 % of like for like growth in e-commerce.
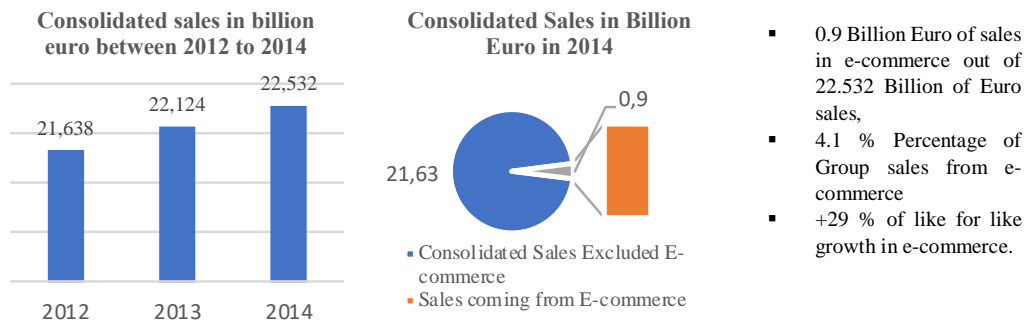
Figure 27[9]: L'Oréal Consolidated Sales between 2012 and 2014 & Consolidated Sales in 2014 (Annual Report of L'Oréal, 2014)

How sales are generated in 2014 based on each Geographical Zones, Operational Divisions and Business segment are showed in Figure-28.

By Geographical Zones
- Western Europe — 35,54%
- North America — 24,88%
- Asia Pacific — 21,07%
- Latin America — 8,56%
- Eastern Europe — 7,32%
- Africa, Middle East

By Products Divisions
- Consumer Products — 49,72%
- Luxe Products — 28,62%
- Professional Products — 14,00%
- Active Products — 7,67%

By Business Segment
- Skincare — 30%
- Make-up — 22%
- Haircar — 20%
- Hair Colourants — 13%
- Perfumes — 10%
- Others — 5%
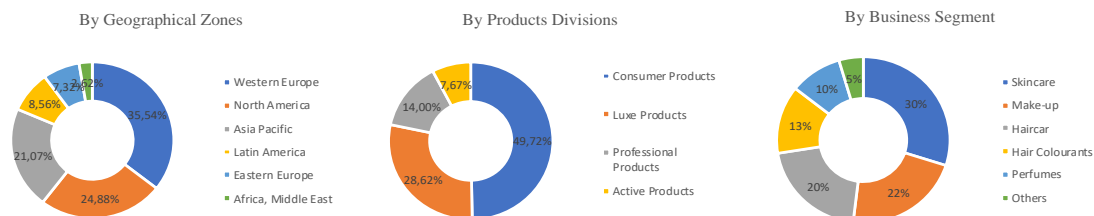
Figure 28: Sales by Geographic Zones, Operational Divisions and Business Segment in 2014(Annual Report of L'Oréal, 2014)

In 2014, position of the group made progress in all regions of the world except North America. Western Europe was strategically important zone for L'Oréal, it shown a good result with significant momentum. Also, L'Oréal in the New Markets, which was defined as Asia Pacific, Latin America, Eastern Europe, Africa and Middle East, had an increased market share with a good pace (Annual Report of L'Oréal,2014). As it can be seen in the Figure-28, Western Europe and North America are the leading zones in terms of generated sales while Asia Pacific is the most generated sales zone among New Markets. By examining the report of Annual Report of L'Oréal (2014) deeply, Asia Pacific like-for-like sales growth was amounted 5.3% which is given the fourth place among other zones in terms of growth.

When the Group sales are compared by Divisions, Consumer Products is the dominant division in terms of sales. While these other four divisions sustained their growth when compared with the previous year, e.g., L'Oréal Luxe, Professional products and Active Cosmetics improved their worldwide positions. Consumer Products Division like-

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[9] Data of Consolidated Sales for 2012 and 2013 are taken from Annual Report of L'Oréal 2014 as well as e-commerce growth of the Group data.

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for-like sales growth was seen as 1.6% while Make-up is the division's number one category, but haircare category was seen as a driver for the growth within the division. Magic, Niely And NYX acquisitions were included into Consumer Products Division with great strategic importance, especially skincare category in China and Asia for Magic. L'Oréal Luxe Division like-for-like sales growth was amounted as 7.1% with spectacular performance of make-up and fragrances segment. Professional Products Division like-for-like sales growth was recorded as 2.6% and with the acquisition of Decléor and Carita, Professional Products Division included in the new scope which is professional skincare. Active Cosmetics Division like-for-like sales growth was amounted as 8.7% whose increase was driven by La Roche-Posay and the fast growth of Skinceuticals.

Another point of view for generated sales can be shown through business segment of the company. Skincare, Make-up and Haircare segments had the most outstanding sales performance with 72.4 % of the total sales.

6.1.4.1.1 Marketing Actions regarding S-commerce

The outstanding performance of L'Oréal in the Chinese market can be explained within the specified year with some of following social commerce actions by reference to the literature;

Acquisition of Magic Holdings

L'Oréal's biggest move in China can be leaned on acquisition of Magic Holdings and this acquisition empowered the position of L'Oréal to be a leader in Chinese beauty industry (MarketWatch, 2014). Magic brand was integrated in Consumer Products Division as a leading brand in this category in 2014. Within Magic brand, facial masks were the most favorite one by Chinese consumers (Annual Report of L'Oréal, 2014).

Launching of Genius App

In 2014, L'Oréal Genius App was launched, and it is based on augmented reality (AR) technology that allows consumers to try makeup on virtually. Another feature of the Makeup Genius is to make users buy directly online and through Alibaba's website and make users post on WeChat with their relatives. The feature is a way for creation of brand awareness and digital word of mouth. In addition to it, further engagement with consumers, L'Oréal shared videos in order to introduce the Group brands on WeChat and also Weibo (MarketingToChina,2016).

The app was downloaded over millions by Chinese consumers shortly after it is launched (Digital Journal, 2018). The reason behind it can be explained by matching

functionalities of app with the consumers' behavior characteristics of the country. Chinese women were able to see magic on their face thanks to mirror app. Willingness to download to app can be also about curiosity since in China natural makeup style is common instead of heavy one and it can create curiosity for them. In addition to this, because of their characteristics, they are cautious to apply makeup in the circumstance of trying new things to not be humiliated (Digital Journal, 2018).

It is assumed that due to all these marketing actions L'Oréal was able to drive more demand to their products in the Chinese market both online and also offline. These efforts made L'Oréal one of the leading cosmetics brands in China within the year by creating a base to sustain and improve their position further in the Chinese market for the next year by breaking the boundary between communication and sales with usage of social commerce. The outcomes of the year considering the performance of the Group in e-commerce will be given below by showing the related data.

6.1.4.1.2 E-commerce Results of L'Oréal

In Annual report of L'Oréal, it is mentioned that, 2014 was a significant year for the L'Oréal's digital transformation which will change their relationship with consumer in a positive way and their aim for 2014 was to become a leader in Digital Beauty. It is mentioned that the reason of this transformation was because the world is getting more complex while there is a need of simplification in L'Oréal's approach in order to be fast, agile and quick to respond the promising trends. Another important aspect that helped digital acceleration of the Group was the digital communications which represented 15.7 % of net media spending was on digital advertisement, and this corresponded to 1,029 billion euro of consolidated sales (Annual Report of L'Oréal, 2014).

In the Group's Annual Report of 2014, it is highlighted that being digital was an important sales channel within Customer Products Division and the division had the best practices in e-commerce field by paying attention to the content. Besides of that, China had largest contribution of the Consumer Products Division's e-commerce sales which accounted for 13.5% of the division online sales. It is mentioned that there was 86.7% like-for-like growth of e-commerce in China and 10% of L'Oréal's e-commerce sales came from China's e-commerce which corresponded to 90 million euro. These results were explained with cooperation with pure players like Alibaba and Tmall. Especially, on Singles' Day, L'Oréal's brands performances were really satisfying with the special offers

for the specific day, i.e. face mask of Magic were sold over 11 million within 24 hours (Annual Report of L'Oréal, 2014).

Since Chinese netizens mostly prefer to use mobile phones to search for information and purchase products, the mobile power of the Chinese consumers was widely used by the company. In China, after opening a shop in Tmall in 2010, the company continued its movements to do something special for the Chinese market like brand Magic (2014) and unique app Makeup Genius (2014).

6.1.4.2 General Overview of L'Oréal's 2015

L'Oréal was a leader cosmetic group in the world in 2015. Based on registration report of L'Oréal (2015) data, the group sales were 25.257 billion euros with rise of 3.9% [10]compared with 2014 and operating profit was 4.388 billion euro that corresponded to 17.4% of sales. The Group e-commerce sales was amounted as 1.3 Billion Euro equaling to 5.2 % of consolidated sales. The group had four brands, that were taken the first four position of the Gartner L2 Digital IQ Index in Beauty 2015, as Urban Decay, Maybelline, L'Oréal Paris and Lancôme (Annual Report of L'Oréal, 2015). The Figure-29 shows consolidated sales of the company between 2011 and 2015 and the e-commerce data of year 2015.
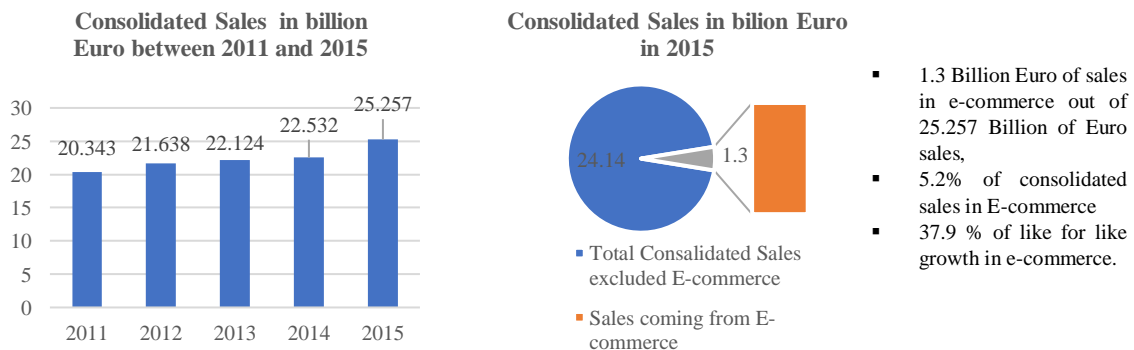
Figure 29:[11] L'Oréal Consolidated Sales between 2011 and 2015 & Consolidated Sales in 2015 (Annual Report of L'Oréal, 2015)

How sales are generated in 2015 based on Geographical Zone, Operational Divisions and Business Segment are showed in Figure-30.

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[10] Like-for-like Based on a comparable structure and identical exchange rates (Annual Report of L'Oréal, 2015)

[11] Data of Consolidated Sales for 2011, 2012, and 2013 are taken from Annual Report of L'Oréal of (2015).

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ByGeographic Zone	By Operational Divisions	By Business Segment
■ Western Europe ■ North America ■ Asia, Pasific ■ Latin America ■ Eastern Europe ■ Africa, Middle Easr	■ Consumer Products ■ L'Oréal Luxe ■ Professional Products ■ Active Cosmetics	■ Skincare ■ Makeup ■ Haircare ■ Hair colourants ■ Fragnances ■ Other
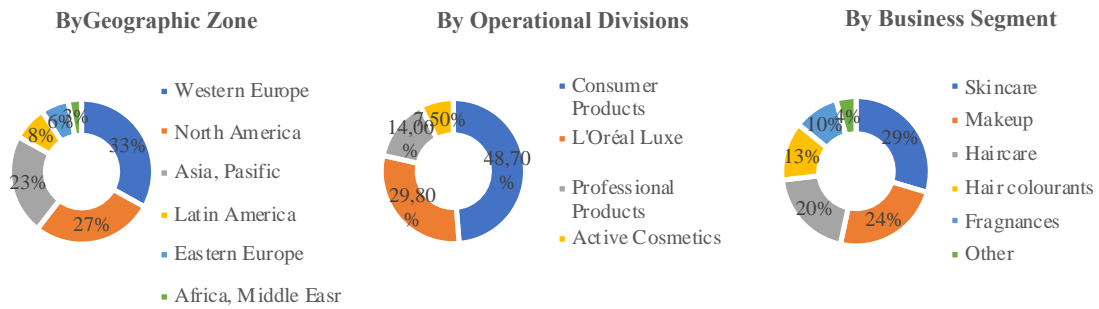
Figure 30: The Group Sales Based on Geographic Zones, Operational Divisions and Business Segment in 2015 (Annual Report of L'Oréal, 2015)

L'Oréal maintained and developed its position in all regions of the world through increasing market share in Western Europe, North America and New Markets, which was defined as Asia Pacific, Latin America, Eastern Europe, Africa and Middle East (Annual Report of L'Oréal,2015). As it can be seen in the Figure-30, Western Europe and North America were the leading zones in terms of generated sales while Asia Pacific was the most generated sales zone among New Markets. When examining the report, Asia Pacific like-for-like sales growth was amounted as 4.7% which was given the third place among other zones in terms of growth.

When the Group sales are compared by the divisions through benefiting from the Annual Report, Consumer Products was the dominant division in terms of sales. While these four divisions sustained their growth compared with the previous year, L'Oréal Luxe, Professional products and Active Cosmetics improved their worldwide positions. Consumer Products Division had 2.5% like for like sales growth with two key categories as make-up and haircare. The star brand of the Division Maybelline New York was the main contributor brand in growth. Acquisition of the year was Niely Cosmeticos that included in to the Consumer Products Division. On the other hand, L'Oréal Luxe had 6.1% like for like sales growth and there are five brands, that is seen as a growth driver for the division, which are Lancôme, which was an almost number one for the Chinese Market, Yves Saint Laurent, Giorgio Armani, Kiehl's and Urban Decay. The most contributed two zones for the division of growth were identified as Western Europe and Asia Pacific. Whilst the Professional Products division had 3.4% like for like sales growth, The Active Cosmetics Active Division, which was a leader in derma cosmetics in the world, sales growth like for like was given as 7.8% in the report.

Another point of view for generated sales can be shown through business segment of the company. Skincare, Make-up and Haircare segments had the most outstanding sales

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performance that reflected 73% of the total sales according to Annual Report of L'Oréal 2015.

6.1.4.2.1 Marketing Actions regarding S-commerce

L'Oréal continued to step up its digital transformation; merging digital and their business model for empowering the competitive edge in the beauty and cosmetics market; and being close to customers for strengthening the relationship with them in China. The outstanding performance of L'Oréal for the Chinese market within the specified year can be explained with some of following social commerce attempts;

L'Oréal Paris: Brand Ambassador & Online Platform

According to annual report of L'Oréal (2015), main success of L'Oréal in 2015 was L'Oréal Paris. L'Oréal Paris focused more on highlighting its expertise as a make-up specialist through launch of Makeup Designer platform. Online fans community for special events, such as Cannes Film Festival, and exclusive service, like the Makeup Genius app which has already been downloaded about 16 million, was created and developed by the brand. In order to build a more convenient relationships with consumers, L'Oréal Paris leveraged the power of brand ambassadors who have millions of fans on social networks in China. Another attempt of L'Oréal Paris was Gwang Cushion which is one of the main foundations launched in Asia so as to give a desirable look to consumers and inspiring online conversations (Annual report of L'Oréal,2015).

Cannes Film Festival

As a special event, L'Oréal focused on Cannes film festival by sending a notification to smartphone users of Makeup Genius during the festival in 2015. Most popular make-up artists were sent to the festival by the makeup brand in order to comment celebrities looking for their make-up. The artists decided L'Oréal products that consumers can use to have that looking and after deciding, the artists sent info to technology team of the Group for creating that look in the app. After it, through sending alerts to consumers, the app made users be able to see the makeup looks used by the festival celebrities in Makeup Genius. The purpose of the idea was to tell and demonstrate consumers how L'Oréal itself is a best of the latest beauty trends through benefiting from looking of the celebrities. While exclusively for China, video advertisement was launched on WeChat in order to send pictures and voice message with usage of slogan as ''I am in Cannes, will you come?'' and the Group utilized picture of well-known Chinese actress and singer and the brand ambassador Fan Bingbing in order to make consumers to attract to click on the

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picture and then watch the video and there was a link embedded on the post in order to direct targets to L'Oréal's e-commerce page. Thanks to the event help, a lot of followers and potential consumers and online sales were gained, and brand's influence was empowered through digital in the Chinese market (Galán, 2016).

Cool Run Everyday

In addition to it, more specifically, in order to target men cosmetics products of the Group in China, special avatar for the brand ambassador Jing Boran was created and added into one of the best played and known video games on WeChat and then thanks to it, players were incentivized to buy L'Oréal products with special offered coupons (MarketingToChina,2016).

Cushion CC Cream Campaign

Lancôme spread the fan based in its Sina Weibo social networking platform through benefiting from lots of celebrities and well-known KOLs in many social campaigns of the brand in 2015. For instances, there were 24.7 million impressions and 57.000 user generated contents mentions with the Cushion CC Cream Campaign. In addition to it, Lancôme had a leading position on WeChat platform as posted beauty brands. The brand's account empowered via advertising and integration of its loyalty program (Rosen, 2015).

It is assumed that with the help these attempts, L'Oréal was able to grab more demand in the Chinese market and this can be connected to China's contribution in the APAC zone whose growth ranking changed from fourth to third place compared the previous year. These efforts made L'Oréal one of the leading cosmetics brands in China within the year by creating a base to sustain and improve their position further in the Chinese market for the next years by leveraging social commerce as one of the main strategies in China's digital marketing landscape. The outcomes of the year considering the performance of the Group in e-commerce will be given below by showing the related data.

6.1.4.2.2 E-commerce Results of L'Oréal

Through the strategy, that was accommodated to the specifics and variety practices of each market and to empower partnership with e-commerce players, the Group leveraged potential of e-commerce as a distribution channel. The Group e-commerce sales growth was amounted as 37.9%. In 2015, 20% of the Division sales emerged from China e-commerce. Another important thing that helped digital acceleration of the Group can be explained by digital communications and which represented 25. 5% of total's company net media spending, corresponding to 1.8765 billion euro.

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E-commerce was one of the main drivers for increase in sales of the divisions in all zones where the company operated. Consumer Products Division like for like growth in e-commerce was amounted as 54.4%. Thanks to new Make it Happen communications platform for the division brand Maybelline New York, where consumers were able to follow make up trends in all over the world, the brands sales were increased. The growth of the division was also triggered by being physically present on e-commerce especially thanks to China's outstanding performance. The brands of the division had an important success in e-commerce on Single's Day, which is a peak moment for online shopping in China. In Double Eleven (11/11, Single's Day), Maybelline New York was defined as a leader as a make-up brand on Tmall. On the other hand, L'Oréal Luxe's e-commerce sales growth was amounted as double digital digit meaning more than 8% of the division's sales. Lastly, for Active Division, e-commerce was a major driver for digital acceleration since it was recorded as 17.1% of the division growth.

6.1.4.3 General Overview of L'Oréal's 2016

L'Oréal accelerated its growth and boosted its leadership position in the beauty industry in the world. Based on registration report of L'Oréal (2016) data, L'Oréal had 25.84 billion euros of sales with rise of 4.7% [12]compared with 2015 and operating profit was amounted as 4.54 billion euro (Annual Report,2016). The Group e-commerce sales was amounted as 1.7 Billion Euro equaling to 6.5 % of consolidated sales. In 2016, L'Oréal was the dominant player in e-commerce among other cosmetic brands. According to the Gartner L2 Digital IQ Index ranking (2016), the group had at least three brands in the Top 10 in China, the U.S, the UK, France and Germany (Annual Report of L'Oréal, 2016). The Figure-31 shows consolidated sales of the company between 2012 and 2016 and the e-commerce data of 2016.
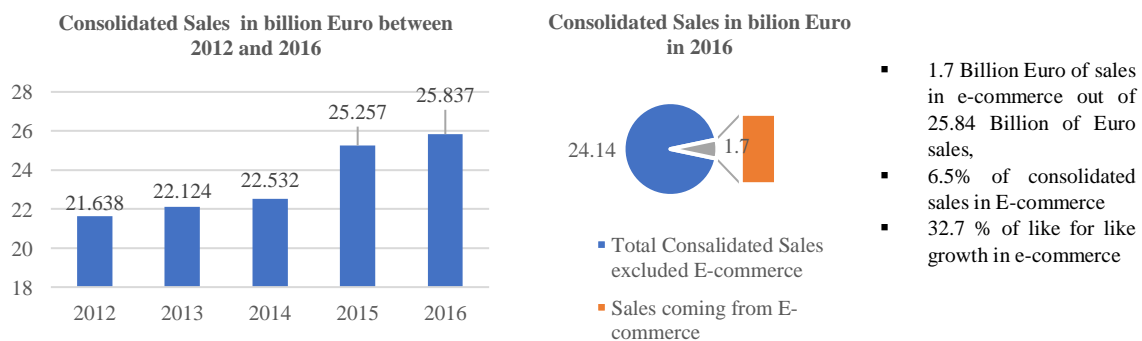
Consolidated Sales in billion Euro between 2012 and 2016

Consolidated Sales in bilion Euro in 2016

- 1.7 Billion Euro of sales in e-commerce out of 25.84 Billion of Euro sales,
- 6.5% of consolidated sales in E-commerce
- 32.7 % of like for like growth in e-commerce

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[12] Like-for-like: Based on a comparable structure and identical exchange rates (Annual Report of L'Oréal, 2016)

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How sales are generated in 2016 based on each Geographical Zone, Operational Divisions and Business segment are showed in Figure-32.
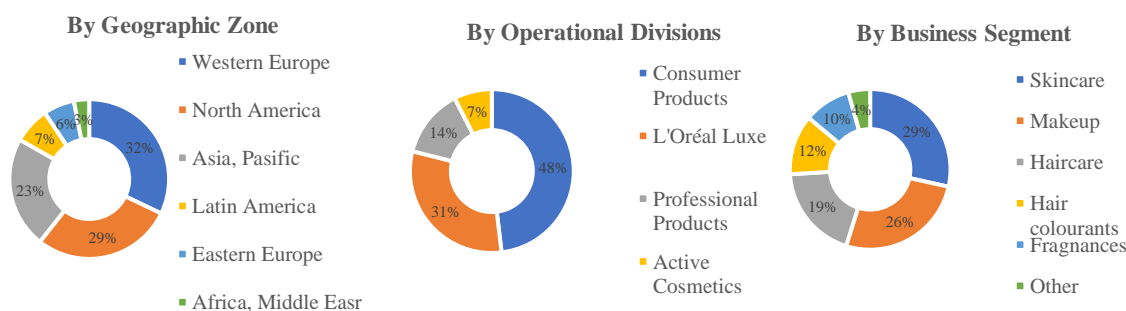
Figure 32: The Group Sales Based on Geographic Zones, Operational Divisions and Business Segment in 2016 (Annual Report of L'Oréal,2016)

Position of L'Oréal as the worldwide leader in the beauty has been maintaining thanks to increased market share in Western Europe, North America and New Markets, which was defined as Asia, Pacific, Latin America, Eastern Europe, Africa and Middle East (Annual Report of L'Oréal,2015). As it is showed in the Figure-32, Western Europe and North America were the leading zones in terms of generated sales while Asia Pacific was the most generated sales zone among New Markets. When the report was analyzed, Asia Pacific like-for-like sales growth was amounted as 3.6% which means that it was in the second last place among other zones in terms of like for like growth. Acquisitions of the Group was IT Cosmetics, Atelier Cologne, Saint-Gervais Mont Blanc and CeraVe within the year.

When the Group sales were evaluated in terms of the divisions by benefiting from the annual report, Consumer Products Division was the leading one in terms of sales. While all divisions maintained their growth compared with 2015, Professional Products Division was an exception because of having the same sales revenue as how it was in 2015. Consumer Products, L'Oréal Luxe and Active Cosmetics Divisions got progress and the Group market share on those three divisions was raised. Consumer Products Division had 4.4% like for like sales growth with two key categories as make-up and haircare. The most outstanding zone for the growth was North America. The star brands of the division were Maybelline New York, L'Oréal Paris and NYX Professional Makeup. On the other hand,

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[13] Data of Consolidated Sales for 2012 and 2013 are taken from Annual Report of L'Oréal (2016).

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L'Oréal Luxe Division had 6.9% like for like growth and increased market share in all continents and dynamic growth in Asia Pacific. Division number one growth segment was Make-up with 25% sales growth. In Asia, Yves Saint Laurent, Giorgio Armani and Lancôme, which is number one on the selective market in China, got outstanding growth due to the strong performance of makeup, new points of sales concept and an aggressive digital strategy. In China, L'Oréal Luxe obtained double-digit growth however Consumer Products Division was decelerated. For Professional Products Division, the like for like sales growth was amounted as 1.8% and the main driver for this growth was hair color category. Lastly, for Active Cosmetics Division, like for like sales growth was amounted as 5.7 % in the report.

Another point of view for generated sales can be demonstrated through business segment of the company. As it is seen in Figure-32, skincare, make-up and haircare segments had the most highlighting sales performance that corresponding to 74% of the total sales of the Group.

6.1.4.3.1 Marketing Actions regarding S-commerce

The outstanding performance of L'Oréal for the Chinese market within the specified year will be relied on some of social commerce attempts as following;

Booming in the Lipstick

There was a ''boom'' in makeup market in 2016 meaning that the category has been evolving faster than the cosmetics market itself in all over the world. The reason why it was an important segment for the growth is because of quick enlargement across all regions and beauty sectors. Star product of the segment was lipstick with 13.6 % growth. There are 1.5 billion lip make-up products sold per year (Annual Report of L'Oréal,2016). China' Penetration rate was 28% and it stand for women that utilize at least one lip makeup product per year. As it is mentioned in the report, for China, segment profile was between 15- and 75-years old people with strongest preference compared to other geographical areas towards natural colors and preferring unnoticeable makeup. Besides of that, make-up has reconstructed thanks to new generation that rebuilt usage, creating trends and buzz for new looks and the-boom was run through by the selfie generation and emerging usage of social media where people's focus was on appearances, self-expression and presentation (Annual Report of L'Oréal,2016).

Make it Happen: KOLs effect, Virtual Reality Headsets & Ad Space

L'Oréal kept in its mind that having an interaction with Chinese consumers, smartphones were one of the main ways to reach them. In order to reach new consumers

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online, the Group focused on customizing their service with the aim of knowing consumers better and expanding direct relationship whether through targeting marketing campaigns or the dedicated stores notably online. In order to launch Maybelline's new global brand statement in the Chinese market, Maybelline organized a stand out event for building authentic and instant media buzz (Cosmetics China, 2017). The aim of the event, was called as Make it Happen, was to introduce their new spokesperson and brand ambassador Angelababy, who was a Chinese megastar, and to launch the new lipsticks to audiences. By benefiting from idea of KOLs, China's most well-known ones were targeted. One of the reasons of why they were target is about leveraging celebrity marketing power through enabling them to have a chance to try new products and blog them live. On the video sharing app Meipai, the brand promoted a live stream of Angelababy and internet celebrities about new lipstick products trial and their selection. Thanks to the video sharing app Meipai, consumers were able to comment the content through live message when celebrities tried and talked about the new lipsticks' products at the same time. There was a direct link in the video stream in order to direct consumers to the Tmall site of Maybelline to buy products that they like (Cosmetics China, 2017).

In addition to digital strategy of live streaming idea, another point was about rising future engagements through virtual reality. The celebrities and KOLs who participated in the event utilized virtual reality headsets for saving their experiences and sharing on their own Meipai accounts. Thanks to the virtual reality headsets, viewers of the events were able to see celebrities' experience. In order to aggregate the virtual reality headsets that were shared by participants, special HTML5 page was created within Maybelline WeChat account with the purpose of having all the interest on their brands and new product from beginning and end of the event. In one hour, there were 5 million views on WeChat, while 80,000 on Meipai (Cosmetics China, 2017).

In addition to these drivers for the event, L'Oréal purchased ad space on the home pages of several e-commerce websites like Tmall and Weitao to be easily seen. At the end of the event, thanks to benefiting from KOLs and technology power of the country, after two hours live broadcasting, 10,000 lipsticks were sold (Cosmetics China, 2017).

It is assumed that with the help these actions, L'Oréal was able to have more demand in the Chinese market. Among from the growth of the divisions, L'Oréal Luxe performance in the country was evolved thanks to effort of the Group to create of brand awareness and reputation. These efforts also made L'Oréal one of the leading cosmetics brands in China within the year by creating a base to sustain and improved their position

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further in the Chinese market for the next years by using social commerce as a model in order to acquire and interact with the Chinese consumers deeply thereby inducing those customers to complete purchase online. The outcomes of the year considering the performance of the Group in e-commerce will be given below by showing the related data.

6.1.4.3.2 E-commerce Results of L'Oréal

In the year 2016, the Group turned into more digital, efficient, agile and sustainable company. Thanks to leveraging digital development, L'Oréal faced an increment in sales of e-commerce and focused on development of digital media through personalized marketing. With reference to it, like-for-like growth of e-commerce sales of L'Oréal's was amounted as 32.7% compared with 2015. In the report, this growth was being based on partnership with local, regional and global players such as Alibaba, Amazon, etc. and by its brands e-commerce sites. Another driver, that triggered the digital acceleration of the company, was about digital communications with even more targeted and efficient communities and the new media spending on digital was amounted as 31.9% that equaled to 2.3918 billion euro of consolidated sales. Thanks to presence on social networks, The Group created appealing and authentic content and connected beauty service, such as Makeup Genius. The capacity of innovation was empowered with services not only Makeup Genius app but also the My UV Patch or the Connected Brush by Kérastase in 2016.

Among all other divisions, e-commerce sales information was only given for Consumer Products one whose e-commerce growth was 30,7% with the good performance of China, where online sales already accounted for 28.2% in 2016.

6.1.4.4 General Overview of L'Oréal's 2017

L'Oréal had 26.024 billion[14] euros of sales with an increase of 4.8% [15]and operating profit was amounted as 4.676 billion in euro which stand for 17.97% of total sales. 2.1 billion euro of sales came from e-commerce and it stand for 8% of consolidated sales. In the Gartner L2 Digital IQ Index (2017), L'Oréal had at least three brands in the Top 10 in China within the year (Annual Report of L'Oréal, 2017).

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[14] The Body Shop is sold on 7 September 2017 and its sales included between 2008 and 2016 (Annual Report of L'Oréal,2017).
[15] Like-for-like: Based on a comparable structure and identical exchange rates (Annual Report of L'Oréal, 2017)

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The Figure-33 shows consolidated sales of the company between 2013 and 2017 and the e-commerce data of 2017.

Consolidated Sales in billion Euro between 2013 and 2017

22,124	22,532	25,257	25,837	26,024
2013	2014	2015	2016	2017

Consolidated Sales in bilion Euro in 2017

23,924   2,1

- Total Consolidated Sales excluded E-commerce
- Sales Coming from E-commerce

- 2.1 Billion Euro of sales in e-commerce out of 26.024 Billion of Euro sales,
- 8% Percentage of Group sales from e-commerce
- +33.6 % growth in e-commerce.

Figure 33:[16] L'Oréal Consolidated Sales between 2013 and 2017 & Consolidated Sales in 2017 (Annual Report,2017)

How sales are generated in 2017 based on each Geographical Zone, Operational Divisions and Business segment are showed in Figure-34.
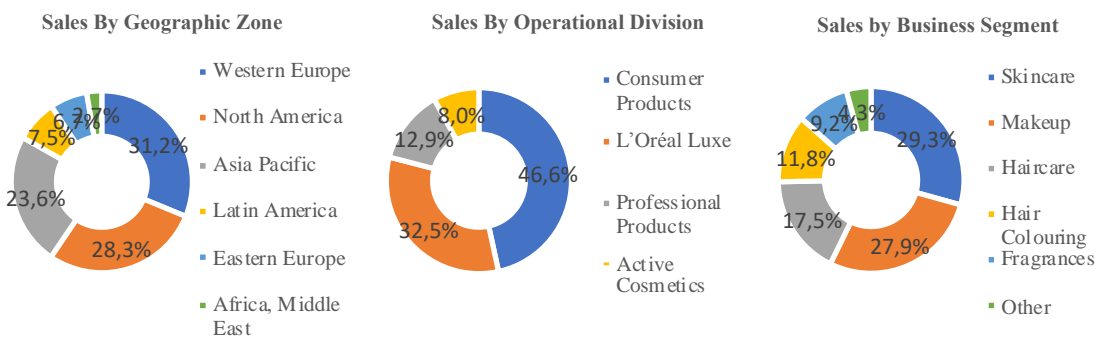
Sales By Geographic Zone

- Western Europe
- North America
- Asia Pacific
- Latin America
- Eastern Europe
- Africa, Middle East

Sales By Operational Division

- Consumer Products
- L'Oréal Luxe
- Professional Products
- Active Cosmetics

Sales by Business Segment

- Skincare
- Makeup
- Haircare
- Hair Colouring
- Fragrances
- Other

Figure 34: Sales by Geographical Zones, Operational Divisions and Business Segment (Annual Report of L'Oréal, 2017)

In 2017, The group approved again its position by making its name mark as a leader in beauty through increasing market share in Western Europe, North America and New Markets, which was defined as Asia Pacific, Latin America, Eastern Europe, Africa and Middle East(Annual Report of L'Oréal,2017).As it can be seen in the Figure-34, Western Europe and North America were the leading zones in terms of generated sales while Asia Pacific was the most generated sales zone among New Markets. By examining Annual Report of L'Oréal (2017), Asia Pacific like-for-like growth was amounted 12.3% which is given the first place among other zones in terms of growth. When the Group sales were compared by the divisions, Consumer Products was the dominant division in terms of sales. While these four divisions sustained their growth compared with the previous year,

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[16] Data of Consolidated Sales for 2013 is taken from Annual Report of L'Oréal (2017).

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Consumer Products, L'Oréal Luxe, Professional Products and Active Cosmetics improved their worldwide positions. In APAC, Chinese consumers were the drivers to stimulate the growth especially within L'Oréal Luxe Division. China had the most successful e-commerce results across entire divisions within Asia for the division sales. Consumer Products' sales like-for-like growth was 2.2 % while Active Consumer's sales like-for-like growth was 5.8%. The group empowered its growth with acquisition of "CeraVe" in Active Cosmetics Division by completing the portfolio.

Another point of view for generated sales can be shown through business segment of the company. Skincare, Make-up and Haircare segments has most outstanding sales performance that reflects 74.7% of the total sales (Annual Report of L'Oréal, 2017).

6.1.4.4.1 Marketing Actions regarding S-commerce

The outstanding performance of L'Oréal for the Chinese market within the specified year can be supported by some of social commerce attempts as following;

Single's Day Success

L'Oréal e-commerce success was also achieved via partnership with pure players such as Alibaba, Jindong and VIP. These channels presented fast-paced growth, especially around special day's events such as Black Friday or Single's Day in China e.g., especially, the success of the Group on Double Eleven was a record in its history since 5 million orders were just placed within 1 hour and 8 min on Tmall (Annual Report of L'Oréal, 2017).

Another thing for the success of Double Eleven Day was making extension of online sales to offline festival as well, e.g., Pop-up Smart Stores with virtual magic mirrors were set up with six of its brands On Single's Day (Annual Report of L'Oréal, 2017).

L'Oréal Paris: Balmain, Fashion Week Show Champs-Élysées

Innovative consumer experience was also provided with L'Oréal's portfolio brand Balmain in this year. L'Oréal Paris x Balmain's limited-edition lipsticks were specifically designed for Double Eleven customers (Annual Report of L'Oréal, 2017).

Stephane Rinderknech, L'Oréal's China Chief Executive Officer, said that "Thanks to e-commerce and thanks to Alibaba technology, we can literally bring Paris to the Chinese consumers" (Alizilia, 2017). With that purpose, L'Oréal made Chinese consumers be part of Paris Fashion Week while bringing the show to them with 360-degree live broadcast. Wherever they were, Chinese consumers were able to engage with the show virtually on their phone in Paris real-time and as if standing in front of the catwalk, they were able to see people around them in the show by rotating the phone 360 degree (Annual Report of

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L'Oréal, 2017). During the Fashion Show called as Champs-Élysées, Tmall consumers of L'Oréal were offered to join the show and there were a-lister stars which are also popular in China like Chris Lee. Tmall.com gave Chinese consumers an opportunity to watch live broadcasting and replay the show. During the show, there were more than 4.5 million Chinese online to watch (Alizilia, 2017).

Magic Mirror

Under favor of enhanced-reality technology of Alibaba's interactive device called Magic Mirror was set up in Genius app in order to let customers to "try on" different type of make-up products virtually by looking into the screen and tapping on an option of colors that shows up at the bottom. Thanks to it, consumers were able to see how their look are in the magic mirror with the chosen color of lipstick or blush. They could choose whatever they think it looks good and once they did, they could purchase the product through L'Oréal's flagship store on Tmall (Alizilia, 2017)

Virtual Guide

With the "Virtual Guide", which is based on location-based technology, subscribers of L'Oréal's Tmall store were informed with an alert on their phones by giving information about where closest L'Oréal is (Alizilia, 2017). By using these points, personal, concurrent and face-to-face beauty tips could be given by makeup artists at the counter. For the ones who went to mall to buy products, L'Oréal launched its own vending machines at many pop-up stores in order to prevent buyers, who already knew what to buy, from struggling of beauty adviser at the counter. Thanks to vending machines, consumers were able to purchase the products that they bought by scanning a QR code with their phones on that spot (Alizilia, 2017).

It is assumed that thanks to these attempts, L'Oréal was able to drive even more demand in the Chinese market especially by proving its position in China within L'Oréal Luxe Division. This success could be connected to China's contribution in the APAC zone whose growth ranking changed from third to first place compared to the previous year. These efforts made L'Oréal one of the leading cosmetics brands in China within the year by creating a base to sustain and improve their position further in the Chinese market for the next year by implementing social commerce solution in order to engage the Chinese consumers and to turn their social media engagement directly into sales. The outcomes of the year considering the performance of the Group in e-commerce will be given below by showing the related data.

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6.1.4.4.2 E-commerce Results of L'Oréal

Like-for-like growth of the Group in the e-commerce channel was 33.6% compared to 2016, which stand for 8.0 % of its sale. As it is mentioned before the e-commerce performance improvement of the company was linked to both the way of doing partnership with its historic clients, and with new players in e-commerce and co-creation online beauty. Another important thing that helped digital acceleration of the group is about digital communications and 38 % of net media spending was on digital corresponding to 2.907 billion euro of the consolidated sales (Annual Report of L'Oréal, 2017).

L'Oréal's performance in China, where 26.4 % of sales came from online, and luxury segment performance with brands such as Lancôme and Kiehl's had a leading growth in new distribution channel. Consumer Products Division's sales like-for-like growth was 2.2% while its e-commerce like-for-like growth was 35.5% in 2017. And within 2017 period, the division's Brand L'Oréal Paris was number one beauty brand in China. L'Oréal Luxe Division was doubled its sales within three years

6.1.4.5 General Overview of L'Oréal's 2018

L'Oréal saved the place of being first cosmetics group in the world in 2018.The Group had 26.937 billion euros of sales with an increase of 7,1%[17] compared with 2017 and operating profit was amounted as 4.922 billion euro that corresponded to 18.3% of consolidated sales in 2018 (Annual Report of L'Oréal, 2018). 3 billion Euro of the Group sales came from e-commerce that equal to 11 % of the Group sales. L'Oréal had at least 3 Group brands in the Top 10 Beauty in China, the United States, Germany, the United Kingdom and France as how it is in 2017 according to the Gartner L2 Digital IQ index 2018(Annual Report of L'Oréal, 2018). The Figure-35 reveals consolidated sales of the company between 2014 and 2018 and the e-commerce data of 2018.
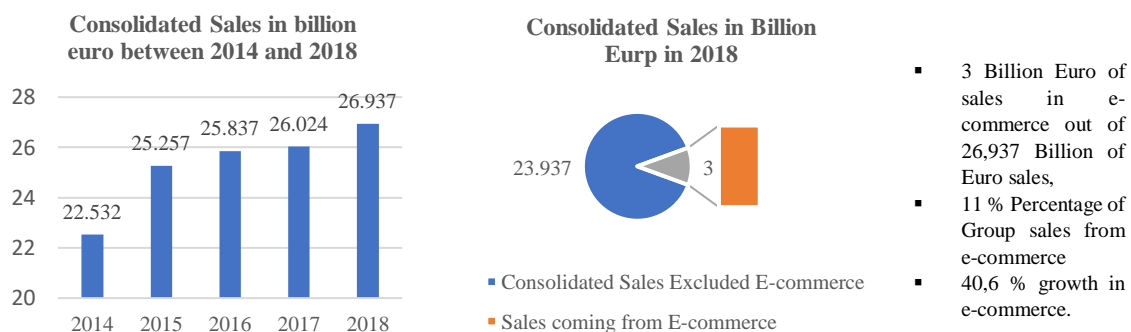
Consolidated Sales in billion euro between 2014 and 2018

Consolidated Sales in Billion Eurp in 2018

- 3 Billion Euro of sales in e-commerce out of 26,937 Billion of Euro sales,
- 11 % Percentage of Group sales from e-commerce
- 40,6 % growth in e-commerce.

- Consolidated Sales Excluded E-commerce
- Sales coming from E-commerce

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[17] Like-for-like: Based on a comparable structure and identical exchange rates (Annual Report of L'Oréal, 2018).

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How ales are generated in 2018 based on each Geographical Zones, Operational Divisions, and Business segment are showed in Figure-36.
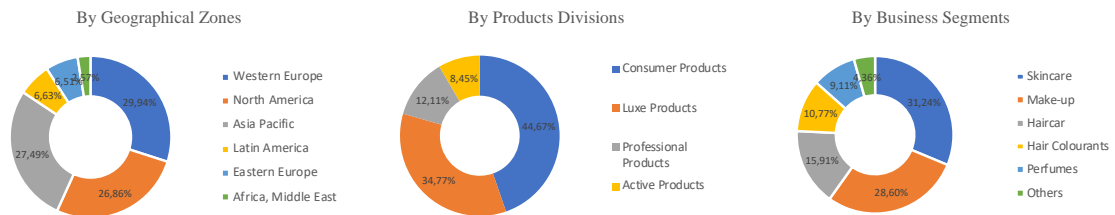
Figure 36: Sales by Geographic Zones, Operational Divisions and Business Segment (Annual Report of L'Oréal, 2018)

In 2018, position of the group remained as a leader in worldwide beauty with a powerful existence in its three major regions which are Western Europe, North America and New Markets, which was defined as Asia Pacific, Latin America, Eastern Europe, Africa and Middle East (Annual Report of L'Oréal,2018). As it can be understood from Figure-36, Western Europe and Asia Pacific were the leading zones in terms of generated sales while North America was taking the third place in 2018 by contrast with 2017. When the report was examined, among all zones, Asia Pacific, which was overreaching North America to be the second largest zone within the year, had the highest growth in terms of sales in 2018. The like for like growth was amounted as 24.1 %. The largest sale came from Western Europe, which was 29,94% considering geographical zone and second largest sale was from Asia Pacific with 27,49%. All four divisions had the winning market share thanks to Chinese consumer's dynamism, successful performance of premium brands and fast growth in other South-East Asian markets and Travel Retails which were the main drivers that lead to growth in the zone. In the zone, China was a main driver for growth because of travelers that were one of the highest expenders not only in the domestic market, but also in international and this fact made China important for the Group in order to increase travel retail sales. On the other hand, Loreal empowered its position in Asia Pacific zone with the acquisition of Stylenanda, which is Korean based and a very trendy brand

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with millennials in Korea and in China and selling through e-commerce, beauty retailers, department stores and duty-free shops, in June 2018(Annual Report of L'Oréal, 2018).

As it is seen in the Figure-36, The group brands were organized in terms of divisions as; Consumer Products, L'Oréal Luxe, Professional Products and Active Cosmetics. When the Group sales were compared through considering Divisions, Consumer Products was the leading division in terms of sales as well as other years. While these four divisions sustain their like for like growth compared with the previous year, Consumer Products Division and Professional Products progression in reported figures were amounted negatively. The Consumer Products Division like for like growth was amounted as 2.5% and when it was looked for brands of the Consumer Products Division, L'Oréal Paris was number one in global beauty brands as well as in China while Maybelline New York was number one in makeup brand in the world. Furthermore, L'Oréal Luxe Division had a like for like growth with 14.4%. For the division Asia Zone was defined as a leading market not just because of being the biggest market but also sustaining most growth. More specifically, since China was backbone of the Asia zone, their focus was more on making the division products favorable for Chinese Consumers like how as Lancôme was keeping their position as a number one luxury brand in the country. On the other hand, Professional Product Division demonstrated an inspiring sign for the future thanks to dynamic growth. United States, Brazil and Asia Pacific were the major drivers as countries and zone for triggering this acceleration. While Active Cosmetic Division outperformed the market in all over the world especially in the United States and Asia. Like for like Growth of the division is amounted as 11.9%. La Roche-Rosay and SkinCeuticals were the leader of the market among the division Brands (Annual Report of L'Oréal, 2018).

Another point of view for generated sales could be analyzed in terms of business segment of the company. Skincare, Make-up and Haircare segments had the most outstanding sales performance that displays 75,4% of the total sales in Annual Report of L'Oréal 2018.

According to the report (2018), in order to be more profitable and reach new customers, the company followed new trends of marketing by adopting new creative codes of the digital area. Because of foreseeing future of technology, ModiFace, which is a leading company in AR and artificial intelligence technology, was acquired in 2018. While digital partners of the company consisted Google, Facebook, Amazon, Alibaba and Tencent, they were also partnership with startup incubators, accelerators and investment funds.

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L'Oréal seemed itself in the second phase of digital transformation that had a goal of utilization of the new wave of technologies in a best way in order to give consumers better experience as well as increasing growth of the company.

6.1.4.5.1 Marketing Actions regarding S-commerce

The highlighting performance of L'Oréal for the Chinese market within the specified year can be explained with some of social commerce attempts as following;

Hey Tea Campaign

In 2018, L'Oréal conducted s a new campaign called as Hey Tea via WeChat app in order to reach Chinese consumers appropriately (Prance-Miles, 2019). The group made a partnership with Hey Tea and through this collaboration, L'Oréal introduced a lipstick called as Color It Hey Tea that was inspired from this trendy tea shop store. Those lipsticks were solely available on the tea shop and the group social media accounts for interested buyers. More precisely, it was also proposed that gift box of the Hey Tea x L'Oréal lipstick could be owned with either giveaway or bought through online shop in Hey Tea by utilizing its member points meaning that not for sale to all interested buyers. By spreading out across WeChat, Weibo, and Douyin platforms, exclusive giveaways on those platforms were offered thanks to asking by WeChat to consumers for commenting about the reason why they were willingness to have the lipstick set. How the winners were rewarded as; the top fifteen loved comments owners would have the lipstick set whilst the later sixteen and twenty comments would have a chance to get a membership cards of Hey Tea. According to Prance-Miles (2019), the aim of the group with these partnerships was to exploit power of market of the Hey Tea target audience that were young and mostly female customer base.

Cannes 2018

In 2018 Cannes, L'Oréal's action towards to the Chinese market started with help of Li Yuchun which is Chinese actress and pop star. Once she entered the hallway of Cannes Hotel and walked towards to red carpet, L'Oréal photographers' eyes were on Li Yuchun in order to take a photo and then the footage was immediately edited in editing suite of L'Oréal and post it to Weibo within hours of the records. In Bloomberg (2018), this action was reflected as a how a biggest beauty brand advertise itself within smartphone by shifting the focus from TV to mobile phone especially for Chinese digital savvy consumers.

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In 2018, L'Oréal funded a live talk show on Cannes beach with the participation of film stars such as Jane Fonda and Isabelle Adjani and some parts of this talk show was broadcasted in Mandarin hosted by American-Chinese TV star Hung Huang and the talk show was brought out on Tmall. Having a permanent flow of content over Facebook, Instagram and Chinese social networks such as Weibo and WeChat were an essential for L'Oréal since it reduced usage of traditional media (Bloomberg, 2018). According to Pierre-Emmanuel Angeloglou(2018), who is L'Oréal Paris's Global Brand President, Cannes was an amazing chance for L'Oréal to generate content and it took advantage of this opportunity by building a two-story video studio on Cannes beach in order to be more accessible and had a straight contact with consumers especially for Chinese thanks to desirable nature and beauty of cinema (Bloomberg, 2018).

Single's Day Success

Lancôme was the number one beauty and cosmetics brands while L'Oréal Paris held third position on Single's Days sales within Tmall's websites. Lancôme's success on Double Eleven was explained with cross platform promotion and celebrity & KOLs engagement according to Flora (2018). Lancôme was the most sold beauty brand on Tmall thanks to promoting Single's Days products by leveraging both online and also offline channels such as Weibo, RED, Beijing pop-up, and Tmall's livestream platforms where the created video in Eiffel Tower specifically for Single's day were broadcasted by the brand. In addition to it, being the highest selling beauty on Tmall was also triggered by power of collaborated celebrities and KOLs through creation of high social engagement and visibility for Lancôme promotions.

It is assumed that all these actions are contributed to growth success of the company in APAC which had the highest growth in terms of sales mostly driven by Chinese consumers, which was leading growth especially for the L'Oréal Luxe Division in the country and which made China's e-commerce sales half of the Consumer Products Division online sales of the market and the e-commerce sales of China had an effect on total e-commerce sales of the Group corresponding to 40.6%. By prioritizing to the four engines which are innovation, marketing 3.0, e-commerce and ability to seize, the company tried to strengthen its performance for 2019 and the next years since L'Oréal will get more experience with the usage of social commerce. The outcomes of the year considering the performance of the Group in e-commerce will be given below by showing the related data.

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6.1.4.5.2 E-commerce Results of L'Oréal

In Annual Report of L'Oréal (2018), President of Consumer Products Division, Alexis Perakis-Valat described four engines that were identified by the company in order to empower them for 2019 as innovation, marketing 3.0, [18]e-commerce and ability to seize. AR is an example for Marketing 3.0, which was defined by also L'Oréal as the total of reengineering of the relationship between consumers and the brands. AR lets consumers to try live new products and looking even for skincare on the website of L'Oréal and online diagnoses on L'Oréal China Website was provided by the company. When it was looked from e-commerce engine point of view, e-commerce sales growth in 2018 was amounted as 40.6% meaning a distribution network for the company and the company defined themselves as a leading e-commerce company in China. Another significant component that helped digital acceleration of L'Oréal was about digital communications. In reference to it, 43. 3% of net media spending was on digital which corresponded to 3.5022 billion euro of consolidated sales.

The aim of the group was to create the beauty of future with the help of digital technologies. Respect to this aim, L'Oréal was a digital-first company and saving the leader position in its field. E-commerce of the Group was faster 1.5 time than the growth of online beauty products in the world. China was a main contributor to this growth with a notable share of the Consumer Product's Division sales that's made online and half of the sales that's generated in China coming from e-commerce.

The Consumer Products Division e-commerce sales growth was amounted as 38%. On the other hand, L'Oréal Luxe Division e-commerce demonstrated a 42% spike in growth from the last year and Active Cosmetic Division e-commerce sales represented 13% of Division sales which corresponded to 0.2958 billion euro of the consolidated sales. While for Professional Product Division, it was specified that e-commerce was embraced as a new channel for distribution. The four-division showed robust fourth quarter results due to good performance on Single's Day in China.

6.1.5 General Analysis of L'Oréal Case

In 2018, L'Oréal was the number one beauty player in China and the country took place the second largest market for the Group (Annual Report of L'Oréal,2018). L'Oréal's

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[18] Marketing 3.0 is defined by Kotler et al. (2010) as moving beyond product-based (Marketing 1.0) and consumer-based (Marketing 2.0) approaches by taking holistic approach to customers with respect of multidimensional, values-driven people, even as potential collaborators.

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success in China can be explained with the strategy followed over years. Backbone of L'Oréal strategy regarding the Chinese market is to offer Chinese consumers multi-brand portfolio with an outstanding experience for both online and offline, to be innovative and the way of doing digital marketing with innovative digital strategy.

While L'Oréal was the pioneer of international brands with opening a shopfront on Tmall in 2010, there was no specific data on annual reports of the company about e-commerce until 2014. However, as it can be understood that they have been focusing on digital revolution thanks to digital communications ways and e-commerce growth advantages. That's why, we focused on Annual Reports of L'Oréal between 2014 and 2018 where the e-commerce data were specifically defined, and it was used in order to comment performance of the company in the Chinese market. With reference to it, results of consolidated sales, consolidated sales by geographical zones, consolidated sales by operational divisions, e-commerce sales, advertising & promotion and media spending on digital, number of digital experts, research & innovation investment and return on investment (ROI) of L'Oréal will be evaluated among specified years in order to end up with the effect of APAC for the company sales online and also offline by mostly focus on China.

Consolidated Sales

In order to understand overall performance of the company year over year in terms of sales, Figure-37 was created.
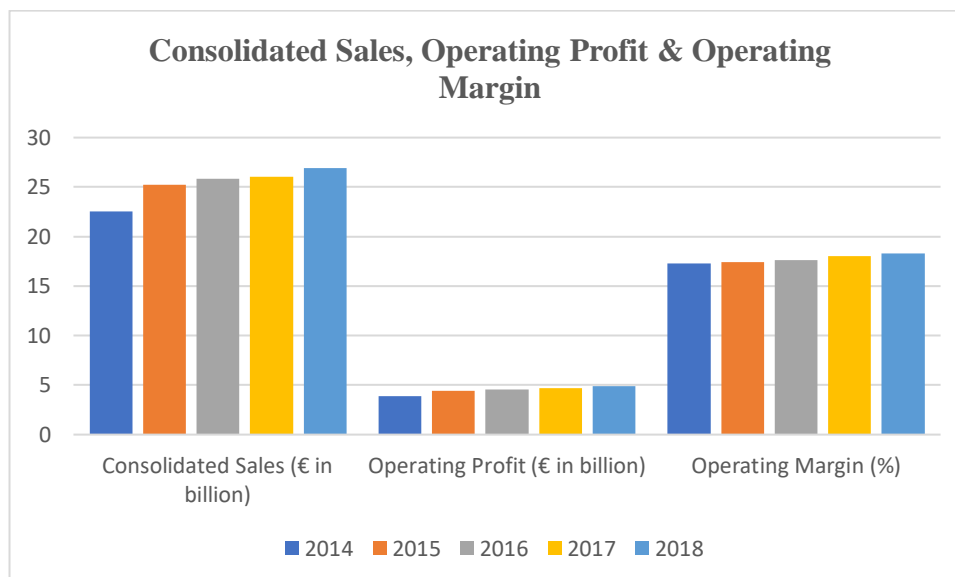
Figure 37: Consolidated Sales & Operation Profit Margin of L'Oréal Observed in the Group Annual Reports from 2014 until 2018

In 2018, sales of the Group were reported as 26.9374 billion euro while it is 26.023 in 2017. The growth of Group sales was amounted as 20% since 2014 and the Group sales will be analyzed in terms of geographical zone and operational divisions in following parts. As it is seen Figure-37, operating profit of the company was 4.922 billion euro in 2018 with 26.53% growth compared with 2014. Based on the values coming from operating profit, operating margin was calculated as 18.3% of sales thanks to strong investment in research, innovation and business drivers while it was 17.3% in 2014.

Consolidated Sales by Geographical Zone

In order to understand performance of the company in terms of sales year over year by geographical zones Figure-38 was created.
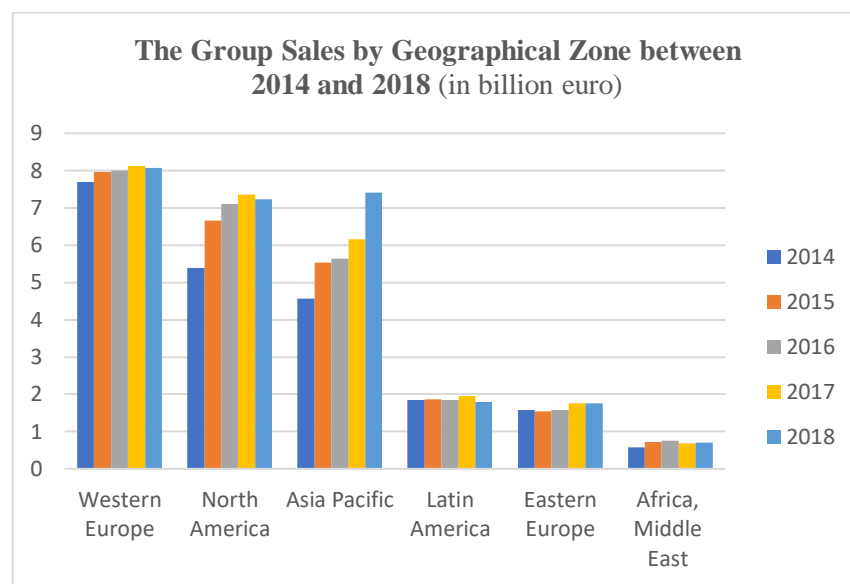
Figure 38: The Group Sales by Geographic Zones Observed in the Group Annual Reports from 2014 until 2018

As it is seen in the Figure-38, geographical performance of L'Oréal has been differentiating within the years. Western Europe, Asia Pacific and North America respectively were the leading ones among other zones in 2018. Compared with last three years, while position of Western Europe is saved, Asia Pacific overreached position of North America in 2018. These three geographic zone revenues were corresponding to almost 84.29 % of the total group revenue while it was 83% in 2017. Except Latin America, all other zones have been showing improvement in their performance from 2014 to 2018.

From Asia Pacific perspective, the zone has been recording an outstanding performance with 62% growth in sales since 2014. Today, weight of Asia Pacific on the consolidated sales was amounted as 27.5%, corresponds to 7.4056 billion euro of the consolidated sales, and APAC performance was mostly driven by China. Thanks to the

highest contribution of APAC to L'Oréal sales, firm's overall sales increased with 7.1% by breaking limit of 4.8% in previous year growth. Due to highlighted importance of the China for L'Oréal Group in the all reports, we assumed that China is the main contributing cause growth in APAC because of characteristics of the Chinese market and dynamic of Chinese consumers.

Consolidated Sales by Operational Division

So as to evaluate the performance of the Operational Division in terms of sales year by year, Figure-39 was created.
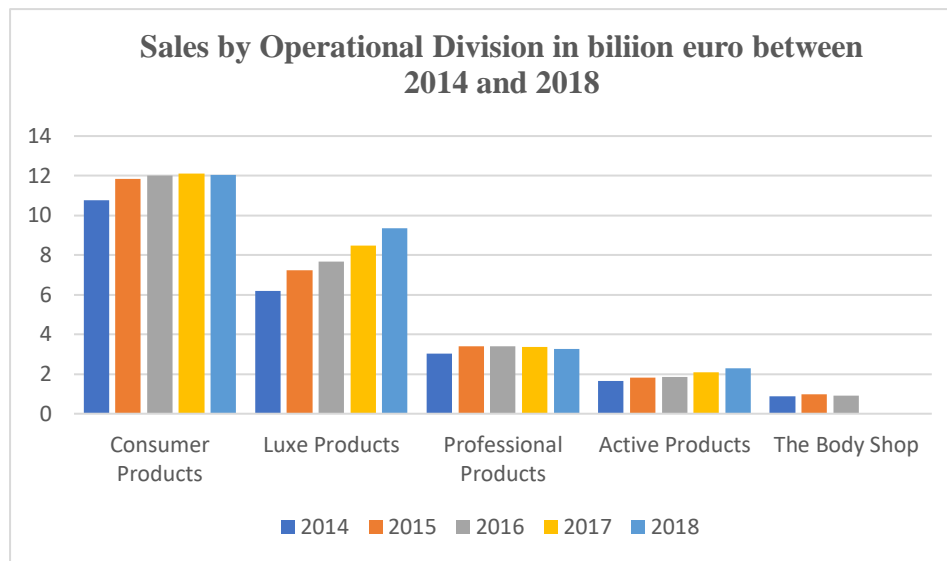
Figure 39[19]: The Group Sales by Operational Division Observed in the Group Annual Reports from 2014 until 2018

As it can be shown in the Figure-39, The Body Shop sales were taken into consideration between 2014 and 2016. The division performance of the company has been distinguishing within the years. Consumer Products and L'Oréal Luxe were the leading operational divisions for all respected years while Professional Products and Active Products Division come after from those ones respectively. These two dominant divisions revenues were approximately corresponding to 79.44% in 2018 while it is 75.29% in 2014.

All operational divisions performance has been increased from 2014 to 2018. While the Consumer Products and Professional Products Divisions had a slight decreased according to the reported figure from 2017 to 2018, in Annual Report of L'Oréal (2018), it was showed that overall like for like growth for all divisions were increased compared to 2017. Consumer Products Division performance in terms of sales always stand for outstanding part of the Group sales, even though it did not demonstrate the same

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[19] The Body Shop sales are included only between 2014 and 2016(Annual Reports of L'Oréal).

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performance in growth. The most growth performance among the divisions was seen in L'Oréal Luxe with 51.14% since 2014 whilst for Consumer Products Division, it was 11.75%. Those two divisions sales and growth contribution were sustained mostly by APAC within specified years in particular by China. Because of importance of Consumer Products Division in terms of weights of the Group e-commerce and total sales and also data availability, the division was taken into consideration for analyzing e-commerce performance of the company in China below.

E-commerce Sales

In 2017, L'Oréal Chief Marketing officer of Western Europe describes the aim of Group as ''becoming the number one of beauty tech company'' instead of perceiving only as a beauty leader. With that reason, they have been transforming their strategies to the new digital era. For understanding the performance of the company in terms of e-commerce sales year by year, Figure-40 was created.
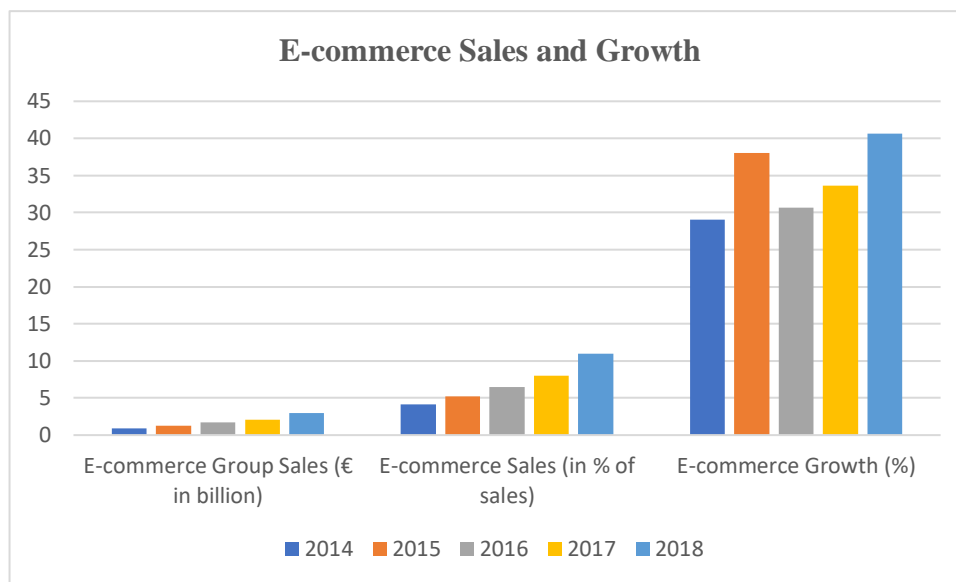
Figure 40: [20]E-commerce Sales and Growth of L'Oréal Observed in the Group Annual Reports from 2014 until 2018

As it can be seeing, impact of the digital transformation was reflected on online sales of the Group with an increase %233 from 2014 to 2018 by reaching 3 billion euro of revenue which stand for 11% of the total turnover of the Group. While online sales information of the Group was not specified in terms of countries in the Annual Reports, considering importance of APAC zone and the zone position for the Group sales, we assumed that the total Group sales has been getting evolved with mostly contribution of

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[20] E-commerce sales growth data for 2014 is taken from Annual Report of L'Oréal (2014).

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China's performance. Also, it was assumed that sale performance of China had the same impact on e-commerce sale of the Group as well. Loreal's 0,09 billion-euro online sales came from China e-commerce with 10 % of the Group online sales in 2014. The acceleration of the e-commerce growth in China until 2018 will be evaluated in terms of Consumer Products Division sales because of limited and specified data.

E-commerce in China

Firstly, to have a comprehensive overview about performance of Consumer Products Division and to show relationship between the division and China e-commerce, the division like for like sales growth and sales growth in e-commerce were demonstrated in Figure-41 and Figure-42.

Figure 41[21] : Consumer Products Division Sales Growth of L'Oréal Observed in the Group Annual Reports from 2014 until 2018

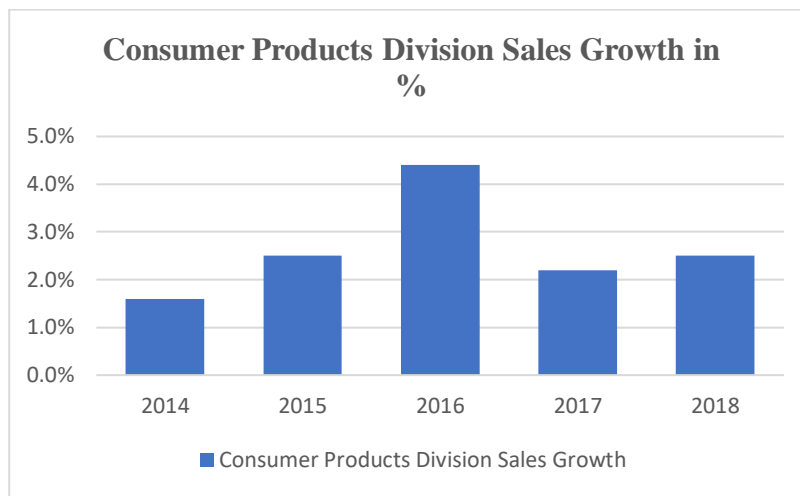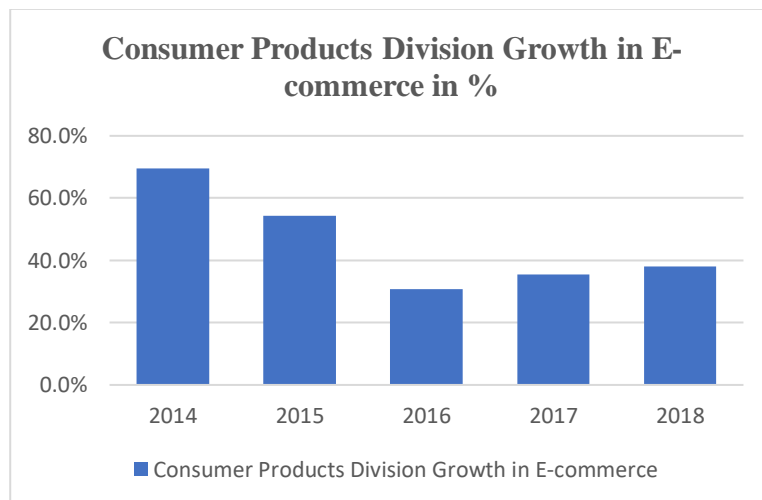*Figure 42: Consumer Products Division Sales Growth in E-commerce of L'Oréal Observed in the Group Annual Reports from 2014 until 2018*

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[21] Consumer Product Division sales growth data for 2014 is taken from Annual Reports of L'Oréal (2014).

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The Consumer Products Division had spectacular performance in terms of weight of sales in the Group as well as the division performed the same achievement in e-commerce sales. As it is seen in the Figure-41, both growths of the division differed among the years and it can be explained with effect of currency; performance of the brands on sales; business and digital acceleration on e-commerce strategies of the company both offline and online; increasing brand portfolio either by acquisitions or making sell out; and being partner with local and global. According to the Annual Reports, the division's star brands were L'Oréal Paris and Maybelline New York and the star brands are always in the top of ten beauty brands in China, the U.S., the UK, France and Germany according to the Gartner L2 Digital IQ Index ranking since 2014(Gartner L2, n.d.). It means that those brands contributed most to sale and growth of the division as well as the division e-commerce sale and growth. It can be commented that since almost all of the marketing actions in the specified years were performed through focusing on the division star brands, social commerce can be seen as a one of most important drivers for e-commerce in the country. The reason behind the peak on the sales growth in 2016, which can be seen in Figure-41, can be explained with success of the division' star brands. In addition to it, in specified year, as it is mentioned before, there was a make-up boom since the segment was one of the most outstanding sales performances for the Group, it is assumed that, the boom effect was reflected not only in total sales of the Group but also specially in the division sale. As the boom of the business segment directly affected sales and attractiveness of star brands and the position of those brands in the worldwide. All those presents can explain that motivates that there was a peak in 2016's growth of the division compared with other years.

When Annual Reports of L'Oréal was analyzed until 2014, there was no specific information about total e-commerce sales coming from China. However, these data were given as a reflection in Consumer Products Division online sales. In 2014, 13.5% of the Consumer Products Division online sales resulted from China e-commerce, while in 2015, 20% of the division sales emerged from China e-commerce. Instead for 2016, 28.2% of the Consumer Products Division online sales came from China e-commerce and for 2017, 26.4% of the China sales were from e-commerce. Lastly, 50% of Consumer Products Division online sales came from China e-commerce sales in 2018.

As it can be seen, there is a remarkable increase in China e-commerce performance on the division from 2014 to 2018. Firstly, the main reason can be explained with the mission of the division. The mission is defined as usage of digital resources across each

market, which is a major growth driver with e-commerce since it is a tool in order to optimize marketing models of the division. That is why, the weight of e-commerce in China either on the division sale or on the division online sale increased. It is an evidence of contribution and importance of the country to L'Oréal. Secondly, China's crucial effect on the division sales shows us why the digital strategies and attempts are made specifically for China by considering characteristics of the Chinese market and consumer. It is also the reason why potential of social commerce has been being leveraged by L'Oréal in the country. That's why attempts of L'Oréal about usage of social media platforms in China was mentioned before. When the attempts of the Group in the country were searched, it is realized that, they were mostly related with L'Oréal Paris and Maybelline New York in China which is the star brands of Consumer Products Division. Other reasons of increased e-commerce sales in China on the division from 2014 to 2018 can be emerged from rise in allocation of amount of budget spending in digital medias; in number of digital experts; and R&I spending of the company in all operated countries, which will be shown in the next part of this study.

Advertising & Promotion and Media Spending on Digital

Since media spending on digital is one of the important drivers to understand digital acceleration, Figure-43 was created to get a better understanding of L'Oréal's strategy regarding their budget allocation for both advertising & promotion on usual and digital medias.
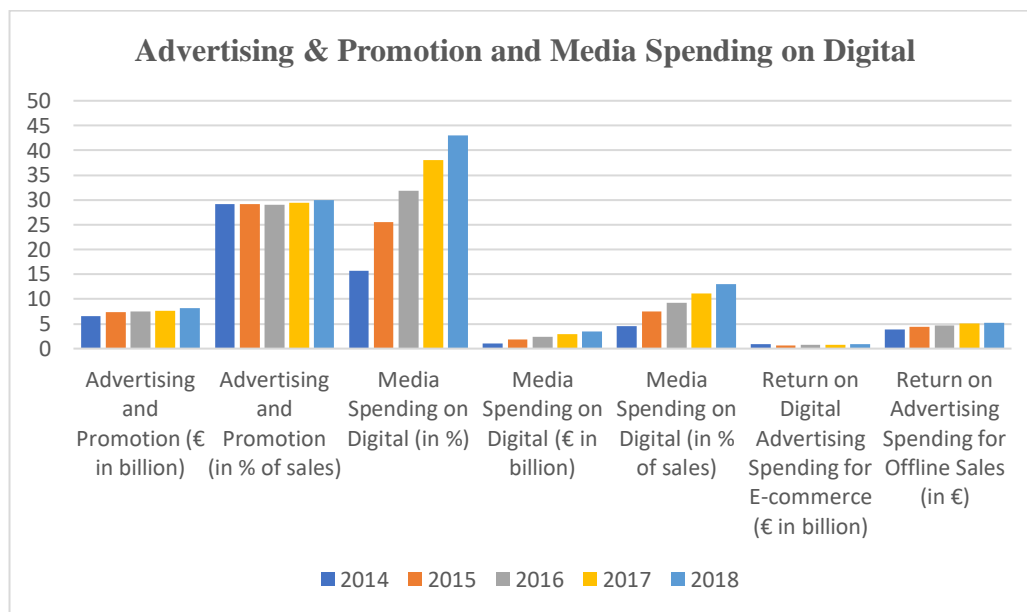

Figure 43: Advertising & Promotion and Media Spending on Digital of L'Oréal Observed in the Group Annual Reports from 2014 until 2018

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L'Oréal is one of the highest total ad spending company in the world (AdAge,2017). As it is demonstrated above, L'Oréal's advertising and promotion expenditures get increasing year over year while the percentage of those expenditures on the total sales were reflected around 29% within those years. In 2018, the Group allocated 8.1447 billion euro to advertising and expenditure that corresponds to 30% of the total Group sales. More specifically, the Group digital media spending keeps rising in favor of digital channels as like other digital investment. It is assumed that these investments gave a way to engage with the customers strongly; make a strengthened two-way communication channels that help improvement of products; customized products for meeting the Chinese market needs; and steep up the revenues in the long term for operated markets in particular in APAC. L'Oréal Group allocated 43% of the media spending on digital in 2018 while it was15.70 % in 2014 and it indicates their strong tendency of reinforcing each time more the use of social commerce in China. While percentages of advertising and promotion on the Group sales changed slightly over years, the percentage of media spending on digital in terms of the total sales was almost three times higher than 2014. Today, the allocated budget on digital corresponds to 13% of the total sales meaning 3.502 billion euro. The reason behind this rise as both allocated budget amount and percentage on the total sales can be explained with L'Oréal beliefs about power of digital and desires to empower their performance in digital transformation. It is believed that thanks to investment in digital, L'Oréal will maintain the competitive advantage and the position both in the Chinese market and the world since as CEO Jean-Paul Agon (2018) said ''Digital is doing much more than generating additional business.''

Return on advertising spending, which is defined as the amount of revenues that company receives for every euro spends on advertising source, excluded digital, this amounted was of 5.15euro worth of revenue in 2018 while it was 3.91 euro in 2014. For digital spending, that was calculated as 0.856 euro in 2018 while it was amounted as 0.87 euro in 2014. Results show that advertising and promotions end up effectively with positive returns on investment (ROI) for the company even though there was a slight decline in the returns for digital spending among specified years. Digital marketing strategies and campaigns success cannot be overestimated for the amounted online sales percentage and it helps the Group to keep their place strengthened in online markets especially in China. When the Key Performance Indicator (KPI) was calculated, because of the lack of information, we assumed that online advertisement affects only sales of e-commerce while offline advertisement impacts only offline sales. In addition to that, in 2018, L'Oréal

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announced that they conducted a development of a tool that is called as Dubbed Cockpit in order to measure the ROI and productivity of its all media investments in real time. Thanks to it, it is expected that they will be able to see what is working or not and make decisions based on performance instead of internal goals or preconceptions.

Digital Experts

Another driver for digital acceleration can be explained with increase in number of digital experts. That is why, Figure-44 was created.
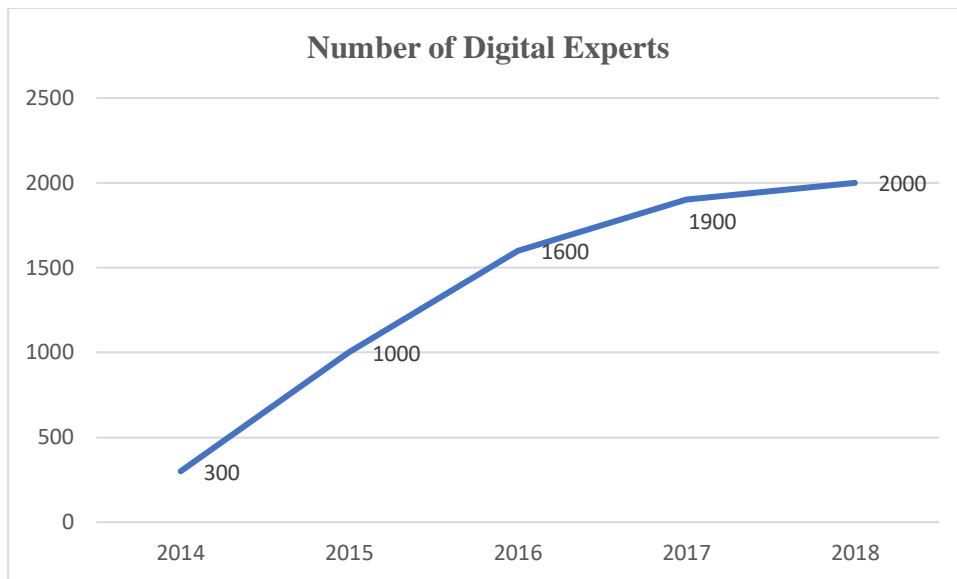
Figure 44: Number of Digital Experts of L'Oréal Observed in the Group Annual Reports from 2014 until 2018

As it is proved by the results up until now, digital is a core of L'Oréal strategies and it is in the middle of the organization transforming culture, talent and operations. In 2018, L'Oréal had 2000 digital experts in the world. As it can be seeing that there is an outstanding increase year over year in the number of digital experts which were amounted as 2000 in the 2018, while it was 300 in 2014 meaning that there is a 566% increase in number of digital experts. This is the proof of how digital era has been being reflected in L'Oréal's strategy. Moreover, in 2018, the Group announced that there were 22000 people which were trained in new digital area by benefiting from Digital Upskilling Training Program, which is one of the main drivers of Group's digital acceleration strategy, since 2015. The aim of the program is defined as to promote enhancement of new skills which are important for gaining new competitive advantage. It was stated that there are two major pillars of the program which are merging new skills for digital transformation, such as e-commerce, advertising precision and analytics, and integration of digital within the all the Group training program. It can be assumed that the importance of digital transformation with the

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effect of huge increase in the number of experts within the Group lead to have more innovative solutions within the social commerce market in China.

Research & Innovation Spending

Lastly, in order to understand the Group R&I spending and evaluate its relationship with the Chinese market, Figure-45 was created.
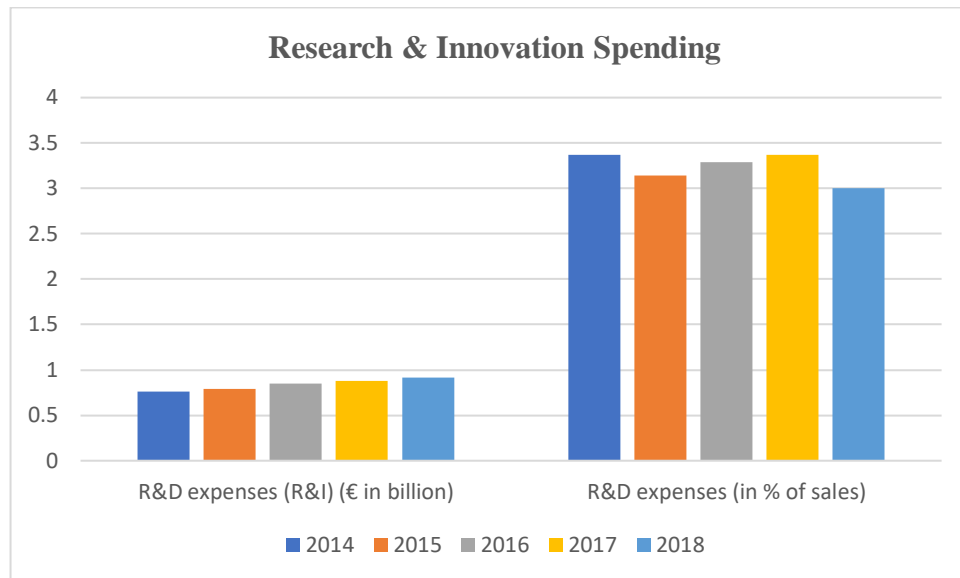
Figure 45: Research & Innovation Spending of L'Oréal Observed in the Group Annual Reports from 2014 until 2018

As it is revealed that the Group R&I spending was amounted as 0.914 billion euro which was corresponding to 3% of the total group sales in 2018 while the spending was 0.76 billion euro that means 3.37% of L'Oréal sales in 2014. As it can be noticed that while R&I expenses are around almost the same percentage of the total sales, the increment in allocated budget amount can be explained with the company's willingness to offer a wide variety of products and services to its customers.

How L'Oréal gives importance to the Chinese market can be explained with localization strategy that is followed in the country. Some examples about how L'Oréal allocates their budget specifically for the country within specified years will be explained with some examples below.

By following localization strategy in order to meet the local needs and sustain improvements, L'Oréal has headquarters, research and innovation center, plants and distribution center in China. In the Chinese market, lots of products have been developed at the Research and Innovation center in Pudong by being inspired by China and characteristics of the Chinese consumers. For example, shampoo as L'Oréal Power Moisture by L'Oréal Paris; lipstick-lip balm as Pretty and Healthy by Maybelline New

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York; Men Expert Complete 5 for men's cosmetics by Loreal Paris and Hydrafresh Genius Water by Loreal Paris were developed in 2015 for China. Moreover, in 2018, L'Oréal announced their partnership with Alibaba's Tmall. The company defines that the partnership is made in order to create a male beauty line that is specified just for China through consumer analysis. Because of getting insight from market, it is identified that there is a lack of choice for personal care products for male and it means to the company that there is a place to improve and focus on in the Chinese market. In order to do marketing campaign, online and offline channels are utilized.

Second reason of the increase in the R&I spending can be explained with the importance of digital transformation within L'Oréal's strategy. Especially in China, L'Oréal cares mobile centric strategy in the China because of the Chinese consumers mobile-first characteristics and this urges to the brand to be accessible virtually in every time and everywhere. The most outstanding examples of the Group's implementation perform through marketing actions which make the Chinese consumers part of the events without being physically presence. On the other hand, with the company-owned and developed apps or with utilizing possible social media platforms, L'Oréal was able to integrate gamification into customer journey by creating a retail the customers purchasing journey by creating a retailtainment environment. All these facts about using social media platform tactics show that L'Oréal is willingness to improve the Chinese customer experience and directly tie the voice of customer to the research and innovation and it is assumed that this is reflected in the Group's R&I spending.

Another example for R&I importance can be related with sustainable issues. L'Oréal was created a media campaign in China with purpose of increasing to the people's awareness about influence of pollution on skin in China. Since air pollution is defined as one of the major threats for beauty in the Chinese market. By focusing on making innovations based on Chinese market characteristics, a sensitive skin online platform called as e-skin was created in 2015 specifically for Chinese consumers that suffer from sensitive skin because of environmental circumstances as pollution and stress.

Return on Investment

Alongside of sales performance and e-commerce performance of the company, in order to understand efficiency of the company's all investments, ROI was calculated and showed in Figure-46.

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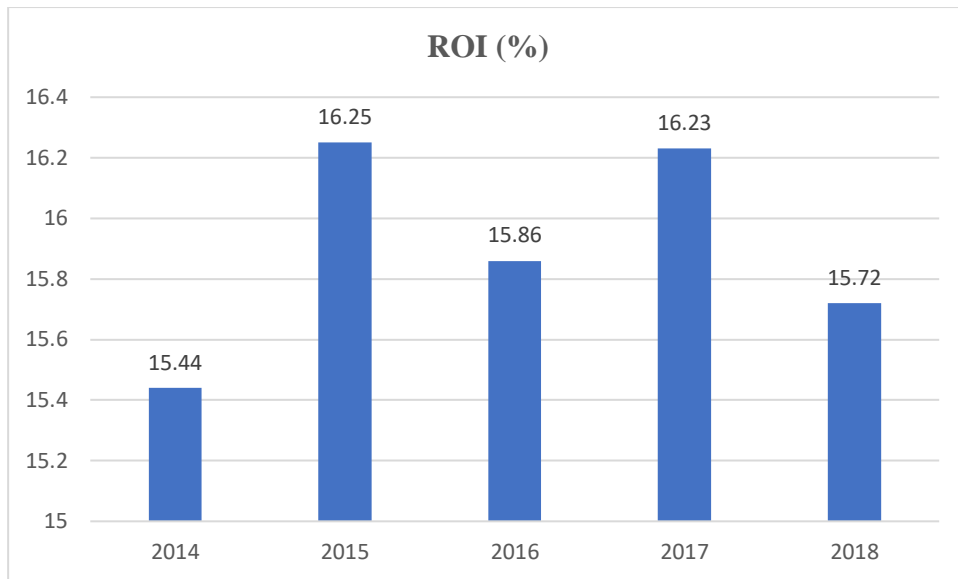
Figure 46: Return on Investment of L'Oréal Observed in the Group Annual Reports from 2014 until 2018

This profitability indicator demonstrates an increase in ROI of 0.28 points to 15.72 % from 2014 to 2018. For each euro of assets invested on average the business is generating about 15 cents of profit.

With selected KPIs, it is tried to reveal that how the company use and give importance to digital transformation as a main driver to maintain and improve its position further in the world and in China. L'Oréal believes Chinese consumers are not only going in digital but also living in digital. For this reason, China is the focus point of the digital revolution worldwide while reforming the rules of the game and L'Oréal thinks that beauty and digital is fitting perfectly. With being second in the beauty and cosmetics industry, China's importance for the Group consolidated sales and specifically travel retail sales is given by building digital loved brands trying to be the biggest e-company in China's beauty market. As it is showed that L'Oréal's leading position in the world is sustained over the years. Besides of that, L'Oréal clarifies that their sales in the Chinese market increased to double digit growth in 2018 especially with the help of e-commerce trend in the country. Since the Chinese beauty and cosmetics is defined as one of the fastest growing categories in the country and as one of the most demanded categories both e-commerce and CBEC, it is assumed thanks to booming opportunities and big potentials, L'Oréal will be continuing to be the leader in the market by making China No.1 market for the Group with consumer-centric five-power model. On that point, because of the Chinese market characteristics; the market structure of mobile-commerce-social media and e-commerce of China; and the

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Chinese consumers' behavior characteristics, it is expected that social commerce will be the backbone of their strategy and their success story further in the Chinese market.

6.2 Feelunique Case

The following section starts with Feelunique overview and reasons behind selection of the Company considering its digital strategies in China. In a deeper perspective, business and digital strategies of the company that is followed in the Chinese market and more specifically the expansion strategy to China as CBEC business are going to be revealed. The section will be ended up with results in order to understand comprehensive overview about the company performance with respect to its strategies in the market.

6.2.1 Company Overview

Feelunique is a privately held online e-commerce retailer company where beauty products are sold online to the United Kingdom (UK) and global market. The company is based at London, UK which was set up in 2005 with the aim of meeting increased needs of beauty products for customers in order to allow them search, asses, compare and purchase online the best beauty and health products from a wide range of 32,000 products from 500 brands. Feelunique is a cross border online retailer, that has a dedicated website in Norway, China and the US alongside the UK, France, and Germany, with delivering products to over 120 countries (Help Center- Feelunique, n.d.).

Feelunique.com is operated by the company, which is a shopping website that enable users to purchase products in variety of categories such as fragrance, makeup, skin, hair, shaving and beard care, bath and body as well as gifts (Bloomberg, 2019). The website contains main brands and indie brands, which means independently owned company, within itself such as Chanel, Dior, Tom Ford and Nars as well as major indie brands such as Charlotte Tilbury, Anastasia, Caudalie and Moroccanoil (Help Center- Feelunique). Feelunique is a retailer that works straight with brands or licensed distributors of brands with long time relationship. In addition to that, Feelunique works with concession brands that enable company to offer broader and differentiated products. Its main distribution hub is in UK with a large variety of delivery choices that fit the customers' needs internationally Help Center- Feelunique). The company describes themselves as the biggest online retailer with premium beauty products in Europe; as one of the fastest growing e-tailers in the world; as an only online beauty pure player with a wide range of premium brands along all beauty categories. Feelunique believes that with its dedicated editorial platforms, the company is able to be successful in e-commerce by giving information to customers about

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beauty regarding also industry interviews, video tutorials and suggested products (Feelunique,2018).

6.2.2 Reasons Behind Selection of Feelunique

As it is mentioned before, cross border is a way for foreign brands in order to meet Chinese consumer's requirements without having a physical presence in the country. In the light of this information, we assumed that cross border can be also another way of leveraging social commerce in the country by utilization of e-commerce and social media for the ones which do not have any physical Chinese entity. In particular, because of a boom in CBEC in China and consumers' desire and tendency towards to buy Western brands as beauty and cosmetics products, CBEC can be seen as a way to understand whether the company will leverage potential of the market successfully or not by testing itself in the Chinese market with Chinese consumers. According to Azoya Group (2018), the advantages of using the cross-border e-commerce export products to China are; the no need of having a Chinese team hired and low inventory risk. In addition to it, especially in cosmetic industry since there is a requirement of animal testing in China, overseas brands can avoid the need of animal testing, which is a sensitive issue in the world, of the products by Cross border e-commerce since it is forbidden in the EU.

In order to select a CBEC retailer, the market research was conducted. According to iResearch (2018), food with 55% and beauty and personal care products with 49% were the most leading products categories that are bought by CBEC shoppers on CBEC platforms (FBIC,2018). Global purchases of imported beauty cosmetics and skincare products for China was amounted as US$5.8 billion in 2017 (Workman,2018). Thanks to data coming from Workman (2018), it was concluded that South Korea, France, Japan, United States and United Kingdom were the first five countries according to China imported the highest dollar value worth of beauty cosmetics and skincare products within 2017. Out of those five countries, South Korea with 1.014%, Japan with 373% and United Kingdom with 354.9% were the ones that have the most percentage change in value from 2013 to 2017 (Workman,2018). Because of the data availability that is made difficult by the language and facility and personal preferences, United Kingdom was selected as a country in order to analyze cross border e-commerce export performance to the Chinese market. Since China's online population was approximately 700 million and online sales were accounted as 20% of retail sales by 2018 (EMarketer,2018), the Chinese market is important for UK retailers in some specific categories in order to sell appealing products to

Chinese consumers. When it was looked from United Kingdom perspective, United States, Germany, Netherlands, France, Ireland and China were the countries that have most UK shipments by dollar value within 2018 respectively. Among those six imported countries China was the fastest growing one with 28.5% from 2017 to 2018 (Workman, 2019). Because of those reasons, based on the market analysis in UK companies that leverage cross border e-commerce in China, Feelunique is chosen because of the successful results of e-commerce sales after China entry. Furthermore, the path followed by Feelunique is crystal clear to understand and declare within the concept of marketplaces and social commerce.

By focusing on Feelunique as a case study, the aim is to demonstrate its strategy, which are leveraged on standalone e-commerce websites, marketplaces and social commerce enablers within social commerce concept, step by step considering how the way of selling products can have an impact on online sales in the country.

6.2.3 Company Expansion Strategy with Azoya Group

Feelunique has decided to work with Azoya company as a Chinese turnkey cross border e-commerce service provider in 2015 in order to introduce a Chinese language version for its website in return for demanding for Western beauty products and managing merchandising, marketing and sustaining customer service in a local level (Feelunique,2018). Before launching Chinese e-commerce website, number of Chinese consumers that they have are not enough to sustain to have a leading place within online in the country. That is explained with the words of Chief Operating Officer of Feelunique, Jim Buckle, the company did not have deep knowledge about how to introduce its website to the Chinese consumers, which brands to promote and which marketing channel to utilize. In the beginning, Feelunique tried to sell to China with English site version but it did not delight Chinese consumers in terms of shopping experience especially owing to lack of mother tongue in customer service. After realization of the problem by the company, even though Feelunique employed new workers that can speak Chinese, another problem was occurred with regard to not having deep knowledge about shopping behaviors of Chinese consumers for beauty products. It is also highlighted that merchandising and customer education was a barrier in the Chinese market for the company. Because of the characteristics of Chinese consumers, retailers face challenges in terms of selling not popular niche products in the country and Feelunique does too. After those mentioned challenging situations, in order to remove the barriers, Feelunique announced partnership

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with Azoya. (MCM,2016). Cofounder of Azoya international, Dan Zhao introduced goal of Azoya to establish a company as guiding international retailers and brands that want to enter Chinese online market in order to increase sales. The solution that Azoya gives is a complete package with the core of retailer's standalone Chinese e-commerce website, that is supported by marketplace and social media strategy like WeChat (Sohlberg, 2018). Feelunique uses the advantage of Azoya as a local partner in order to meet Chinese consumers requirements and expectations and understanding local market (MCM, 2016)

According to Feelunique (2018), China stand for the most important international market with representing 20% of group sales today while according to gathered information from MCM (2016), thanks to Chinese language e-commerce website, Feelunique doubled its three-monthly online sales in 2016. That is why, Feelunique approaches not only consisting of expanding its digital marketing channel in China but also meeting demand of Chinese consumer for interacting and real time content. CEO of Feelunique Joël Palix (2018) states that, thanks to working with Azoya by benefiting from Azoya's experience and wide knowledge about Chinese consumers, culture and lifestyle, it is believed that Feelunique is able to understand appropriately what Chinese consumers desires and needs and based on what is learned, the company advances lots of beauty products that is locally sourced and includes emerging trends. In 2018, CEO announces that in addition to a new office opened in Hong Kong, Feelunique set up a distribution center in order to strengthen the growth in its China experience and to create a way for future enlarging Feelunique's cross border operation in APAC zone.

After the unsatisfied experiences which are faced by Feelunique as entering the Chinese market by itself with the English website in the beginning and not having deep information about the market and consumer behavior characteristics, Feelunique made a collaboration with Azoya group to take its own place in China in 2015. China Expansion
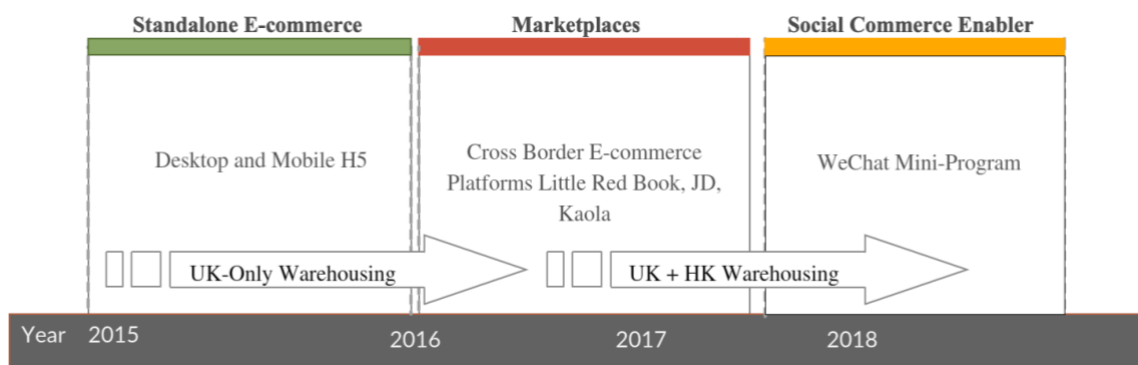

Figure 47: China Expansion Strategy of Feelunique (Azoya Group, 2018)

Strategy of Feelunique (Azoya Group, 2018) is showed in Figure-47 and it will be explained in below.

First of all, Feelunique escalated its sale with standalone e-commerce website within 2 years in 2015, CBEC marketplaces and mini-program were used as another phase of expansion strategy by the help of Azoya Group. Standalone website with Chinese language content and marketing content to engage with Chinese consumers were the first step to expand in China. The aim while doing it is to try to maintain its international look and to arouse curiosity with its target market (Azoya Group, 2018). Within expansion strategy, the focus was to try to be local also in terms of having fully integrated IT infrastructure, logistics and online payments, such as Alipay, WeChat Pay, Union Pay, as well as end-to-end services (Azoya Group, 2018).

After escalation of standalone e-commerce business' success in China, Feelunique took an advantage of Little Red Book as a cross border e-commerce platform, which is also defined as a social commerce platform. In August 2017, flagship store of Feelunique was established by working with Azoya. Thanks to characteristics of Little Red Book, which is content-driven platform where community is the focus, Feelunique localized photos, product descriptions and marketing campaigns for Chinese consumer (Azoya Group, 2018). As the demand of the overseas beauty and cosmetics products continued, NetEase Kaola was used as an another cross-border platform in order to set up a flagship store of Feelunique within the platform (Azoya Group, 2018). Customer base of Kaola differed from other platforms and that is why Feelunique had to accommodate selection of merchandise and provide logistics and customer experience that are aligned with customer's expectations. Another attempt to expand Feelunique online presence in China came from JD Worldwide, which is the largest cross border e-commerce platform (Azoya Group, 2018). Since key partner of JD.com, which is one of the leading e-commerce platforms, is Tencent, JD.com is able to reach WeChat user information. Thus, stores on JD.com have a good integration with WeChat eco-system. Since JD.com's WeChat mini-program is the best one considering e-commerce mini program within the Chinese market, Feelunique takes an advantage of this characteristics of JD.com and it accommodates its marketing campaigns in order to address to JD.com's customer base with different format. As there has been increasing demand and trends in social commerce, Feelunique and Azoya works together to be responsive by setting up a WeChat mini-program in order to market and sell to customer base of WeChat (Azoya Group, 2018).

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In 2017, Feelunique established an e-commerce service with social commerce enabler WeChat app in order to reach Chinese consumers. This new online store of Feelunique operates thanks to WeChat Mini Program, which is a program that has digital boutiques existing inside the WeChat app. Besides of that, Feelunique is one of the pioneer pure play cross border retailers that promotes a Mini Program in China (PYMNTS, 2018)According to the CEO of Feelunique Joël Palix (2017), it stands for a new channel to drive consumers acquisitions in China since the WeChat Mini Program enables consumers to purchase products in the same way that they would on Feelunique's website beyond downloading an additional app and to encourage consumers to share content on WeChat. After deciding to purchase the product, consumers are able to pay through WeChat Pay or debt card to complete transaction. It is expected that thanks to the program, Feelunique will be able to boost penetration in the Chinese market in the long term. As a result of WeChat Mini Program launch, it has been drawn attention of 114 million users since January 2017(PYMNTS, 2018).

As a last step in the expansion strategy until today, in order to protect and strengthen its position in China, Feelunique associated with Secoo, which is biggest premium e-commerce platform, in 2018 with the help of Azoya Group. With this collaboration, Feelunique has a dedicated cosmetic store within Secoo's websites. Furthermore, Feelunique has an opportunity to offer Secco's Chinese customer base of more than 20 million high net-worth members with an access to premium and niche global beauty brands in demand (Feelunique, 2018). Based on given information by the company, these customer bases' average spending per order is $500 (Feelunique, 2018). Thanks to partnership with Secoo, Feelunique has a high-quality content, which enhances Feelunique's China strategy, to keep informed customers about the products. The store of Feelunique within Secoo gives an opportunity to the company to offer a service to rapid growing online beauty market of China (Feelunique, 2018). Orders given via Secoo are carried out by distribution hub of Feelunique in Hong Kong (Feelunique, 2018). The hub is also performed with a collaboration supply chain solutions firm Seko Logistics. Feelunique mentions that with this partnership, distribution cost will be decreased by having localized distribution, and the partnership will create an opportunity for Feelunique to compete within a different scale by making Feelunique reachable (Cosmeticsbusiness, 2018).

In a nutshell, in order to understand how Feelunique operates in the Chinese market Figure-48 was created with reference to Azoya Group (2018).

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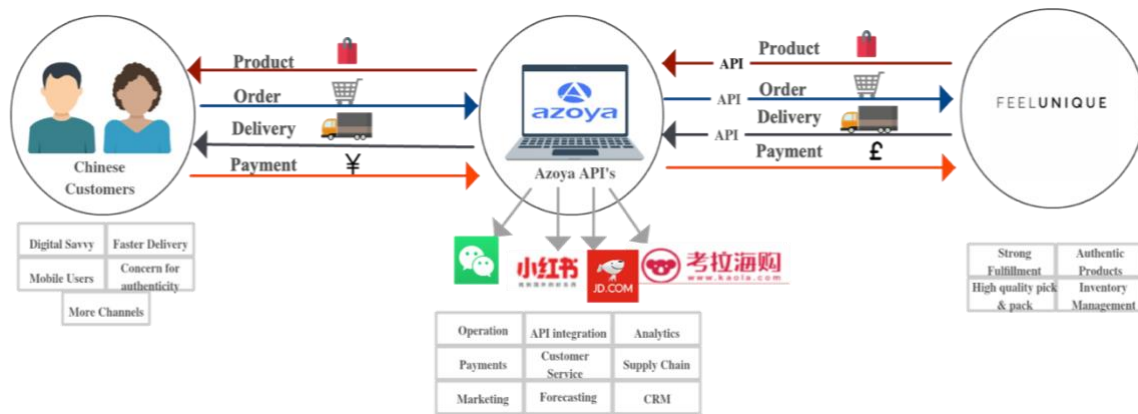
Figure 48: Feelunique Operational Scheme in China (Azoya Group, 2018)

As it is shown above, thanks to entirely localized IT solutions, Chinese consumers are able to order from Feelunique's website, which is in Chinese language. The website is aligned with digital marketing channels and marketplace in China as well as inventory management system of Feelunique. The role of Azoya within this scheme is to translate the website and sell goods besides to manage technological enhancement if needed for the Chinese market and marketing activities in order to brand of the website and create brand identity of Feelunique in the Chinese market. In addition, Azoya looks after the call center and customer service while Feelunique is responsible for sourcing and transportation of the goods to Azoya (Azoya Group, 2017). Feelunique's multichannel strategy in China and its e-commerce retail operations are strengthened by innovative e-commerce system of Azoya in order to provide seamless customer experience and to trigger business expansion.

According to Azoya Group (2017), what parts should be dedicated in e-commerce infrastructure to characteristics of the Chinese market and consumers are defined as following; sales channels like Little Red Book, JD.com, Koala, WeChat mini-program and app etc.; product; supply chain; marketing campaign and promotions; customer service; finance; payments methods such as WeChat pay, Alipay and union pay and voice of customer analytics in big data.

6.2.4 Digital Marketing Strategy of Feelunique in China

Feelunique is a retailer that focuses on multi-channel expansion and growth presence in China. Its success comes from by putting the customers at the center of their strategy, investing in the customer journey and the customer satisfaction (Brown,2019). The highlighting performance of the company in the Chinese market can be explained with some of actions as following;

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Charlotte Tilbury

In 2017, Feelunique present the Charlotte Tilbury make-up collection to the Chinese market. Since in the beginning, Chinese consumers were not familiar with the brand, Feelunique followed two digital marketing strategies as; increasing awareness through education campaign by benefiting from social media and reaching further brand engagement; and making Chinese consumers rely on the brand products thanks to well-known online influencer suggestion. With the aim of those two strategies, WeChat and Weibo accounts of Feelunique was utilized in order to introduce the Charlotte Tilbury make-up series towards its followers in China and at the end, the company was able to reach more than 7,000 impressions. Alongside it, Feelunique made partnership with lots of Chinese KOLs in order to introduce the products to their fans because of consumer behavior characteristics, which have sensitivity towards recommendations that comes from their adored celebrities (Netimperative, 2017).

A Screen Grab from a Single's Day Game

Feelunique is one of the cosmetic retailers that leverages Single's Day in China. There was a game offered by Feelunique in Single's Day in 2017. The game was launched via WeChat and Weibo accounts of Feelunique. Consumers were able to view and play the game through desktop computer, tablets and mobile phones. People that follow Feelunique on social media were able to select a color from different lip sticks in order to apply the selected color to the model's lips within 10 second. Even if the followers were able to complete the mission, they will be awarded with a coupon to buy lipstick from Feelunique. That gives rise to people visit the Feelunique official website and buy the product. (Digital Commerce, 2017)

Single's Day and Women's Day

Within Single's Days in 2017, there has been observed an increase in orders as 195% with an increase of conversions of 223% due to offered coupons and interactive social discounts (Azoya Group, 2017). According to Internet Retailer 2017 Europe report, Feelunique's sales in 2017 showed an increase of 600% with regard to the last year of sales on Single's Day with higher 220% customer acquisition (Digital Commerce, 2017). Apart from Single's day, international Women's day is also considered as an important event in China especially among female shoppers and successful campaign of Feelunique on that day generated 40 % higher return than 2017's Single's Day in November (Chu, 2018).

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Pushing Notification

Feelunique's strategies for acquisition of customers is conducted through different ways in China and one of them is sending notification to users of WeChat (Digital Commerce, 2017). The reason behind it can be explained with their purchasing characteristics.

Bioeffect

Azoya takes advantages of lots of various channels in order to drive traffic and engage target customers in China (Azoya, 2018). For example, the strategy of Azoya related to working with KOLs gives help to Feelunique to sell their niche lotion brand called Bioeffect in China. Thanks to presenting the brand and product to followers on social media by those online celebrities, Feelunique was able to make approximately $100,000 within two days (MCM, 2016t). In addition to it, thanks to Azoya, Feelunique is able to sell its products at the same price which is offered in its UK site based on the real time currency rate.

KOLs and Baidu

Because of knowing the importance of KOLs and celebrities in the Chinese market for Chinese consumers, Feelunique hosted those ones in UK in order to show their facilities and ask KOLs and celebrities to report back and share with their followers on social media. These initiatives make Feelunique respected and well known in the country and creates engagement for future (Digital Commerce, 2017). For example, in 2017, Feelunique's second anniversary of its Chinese operations was celebrated with great marketing campaigns and sales promotion in their pop-up store in London. Two key Chinese online influencers were invited to foster Feelunique in social media with live streaming by giving information about the UK retailer. After this interaction, Feelunique's sales revenue increased 360% within the campaign period, which average order per customer is 90 pound sterling with tens of thousands of new customers. Moreover, to specified actions that is mentioned above until now, the retailer also benefits from Baidu in order to market its brands and products.

6.2.5 General Analysis of Feelunique Case

Nowadays, Feelunique had 87.449 million pound sterling turnovers with growth of 33,7% at the end of the march fiscal year in 2018 compared to 2017's sales which was amounted as 65.440 million pound sterling at the end of march fiscal year (Suite.endole.co.uk., 2019). Feelunique's online sales have been showing rapid growth

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especially thanks to China (Digital Commerce, 2017). CEO says that 96% of their sales are made online. In 2017, Feelunique is mentioned that Feelunique's 10 % of group sales came from China where the Feelunique's sales were more than doubled compared to 2016 and it is the second biggest market of Feelunique (Azoya Group, 2017) whilst today, 20% of the company sales arised from China by making the country second largest market for Feelunique once more time (Lim,2018). In this circumstance, impacts of major events in China on e-commerce performances and strategic decisions about localization cannot be negligible (Azoya Group, 2017).

As it is mentioned before because of the limited data availability, Feelunique's performance in the country could not analyzed comprehensively however, thanks to literature, it can be assured that China stands for a promising country for Feelunique since its sales skyrockets in pursuit of the country's sales performance growth. The reason why a CBEC retailer is chosen in thesis is because of showing that being physically present in the Chinese market is not only way to leverage the market potential. Therefore, in the following section, L'Oréal and Feelunique case will be discussed.

6.3 Arguments Related to L'Oréal and Feelunique Case

Considering implementations of L'Oréal and Feelunique in China, it can be said that the success of both companies arises from the same action by being active in digital arena, being quick to response in the needs of customers and changes within the country and following localization strategy. In this achievement, help of local alliances also cannot be overestimated in the success of companies since they are the ones who know Chinese consumers and the Chinese market better than anyone else.

As it is understood from case of L'Oréal, the Group is able to increase its sales both online and offline in China by trying to find a way to engage its potential consumers thanks to presence of digital such as video advertising, KOLs, personalized communications and recommendations; to make a partnership with local players; to sustain product development and so on. Considering the results of e-commerce sales, why s-commerce China is an important for L'Oréal Group can be explained with four reasons. First of all, it is a new channel that has a good acceleration in growth; secondly, the new channel is a new access point to focus also on lower tier cities; thirdly, it is a way to increase visibility thanks to digital marketing strategies and lastly it is an important driver for gaining new consumers base. These are the reasons why L'Oréal is enthusiastic to willingness to find new ways of creating brand awareness and leveraging brand advocacy through social media and digital

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channels in China. In this circumstance, social commerce can be seen as a key factor for increasing revenues in China because of the market and consumer's behavior characteristics. However, L'Oréal cannot just rely on its brand reputation since there is a fierce competition in the Chinese market especially because of homegrown social media driven brands. Thus, L'Oréal has to pay attention to keep making buzz online otherwise it will be shout out from the Chinese market. For this reason, it is logical that L'Oréal amplifies its digital efforts in China through shifting its strategy towards online from traditional media especially with the help of social media, e-reputation, KOLs and content strategy gradually. As it is mentioned in cases of L'Oréal in Section 6.1, although events are not always specifically hosted locally, China is always core of the digital strategies and the efforts. It means that if there is a special treatment for China by L'Oréal within its online effort, it does not just arise from the scale of the opportunity but also it arises from the lessons learned in China for e-commerce. Hereby, those experienced lessons can be adopted to the rest of the world by integrating entertainment and retailing as how it is in China.

On the other hand, success of Feelunique is stimulated by creation of Chinese website, partnership with local service provider and local partner such as WeChat, Little Red Book, JD Worldwide and Kaola in order to have a full control in terms of all operations from marketing and merchandising to logistics and customer service in the Chinese market. As it is mentioned before, their big strengths in the Chinese market are emerged from partnership with Azoya in order to understand Chinese consumer and the market. However, both being more familiar with Chinese market and the consumer and giving quicker response to requirements arising from the rapidly developing Chinese internet can help the company in order to have a sustainable competitive advantage and growth in the Chinese market in the future. Besides of that, what is learnt from its second largest market can also be applied to the other operated markets by Feelunique.

Although both L'Oréal and Feelunique use almost the same digital strategies base in the Chinese market by usage of social media platforms as a sale channel, the overall business strategies of the companies, in respect to business scale; strategies for product development, industry classification, marketing, distribution; strategic core competences, and corporate strategies, in respect to internationalization strategies like acquisitions and strategic alliances, growth rate and capital structure differ from each other and it makes both companies not comparable each other. Because of those differences, L'Oréal is presence in the country whilst Feelunique uses CBEC. The choice between whether being

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presence or not change the way of serving and operating in the Chinese market and the choice can bring along different risks related to regulations; market failure; market control and expected return on investment; managerial and organizational cognition, balancing risk, which is economic, technological, socio-political cycle; cultural aspects. Owing to those differences and also lack of further information, while it cannot be identified explicitly which one is the best way of doing business in China, it can be said that China has become significant market for both companies by leading to increase their total sale performance. Furthermore, it can be concluded that the success in China that arises from especially online for both companies and also offline for L'Oréal increases the companies' visibility and reputation by being reflected in the companies' performance in China and worldwide and this potential makes China core of the digital transformation of the companies. As a result, because of the Chinese market characteristics, foreign brands, which are willingness to enter China for operating their business by whether being physically present or not, should apply locally adapted digital strategies by avoiding imitating their digital strategies which brings success in the back home.

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7. CONCLUSION AND RECOMMENDATIONS

Social commerce has been showing a great potential area to study for both practitioners and academics. The main objective of the thesis was to figure out the impact of s-commerce practices on the Chinese cosmetic market for Western companies. By presenting the facts, the readers of the thesis will have a chance to understand the overall picture about aspects and characteristics of s-commerce regarding e-commerce, cross border, mobile commerce and social media perspective by showing its evolution from birth until today; its six dimensions and the social psychology; and the main objectives and values of for companies point of view. First of all, the overview of s-commerce market in China was analyzed based on performance and potential of the country regarding m-commerce, social media and e-commerce (local and international) through touching on beauty and cosmetics industry in the China market. Besides of that, to understand how social commerce was applied in the country, some examples within the concepts were demonstrated. After that, to understand why Chinese people create and live in their own mainland world, purchasing and social behavior of Chinese were revealed. Aiming the main goals of this thesis, the Chinese beauty and cosmetics industry overview was conducted and applied cases on social commerce were represented for the leading beauty and cosmetics brands in China. In addition to that, KSFs for beauty and cosmetics brands were identified for the ones who want to operate and reach desirable business goals in the Chinese market. After the readers have a mindset about the country and the Chinese consumers' nature towards the digital world, the place of the digital in the Chinese consumers' lives and also, the Chinese consumers tendency to beauty and cosmetics products usage, L'Oréal and Feelunique case were discussed. The aim of the cases was to show how their strategies were adopted to the Chinese market by either being physically present or not in the country and still have a success. Besides of that, the study showed how the country pushed the companies to localization in some part of their strategy.

Whilst keeping up with changing expectations of the Chinese consumers with the aim of meeting their needs and having a presence in such a fierce competition in the Chinese market between overseas and local cosmetics brands, adaptation of the strategy to the market is challenging issue for foreign brands since the market is unknown. Even though it cannot be proved which is the best strategical path that companies willing to successfully

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operate in the market, those cases can give two different perspective to the readers as local and international e-commerce. However, in both cases, the social commerce can be seen as a fundamental tool to be used to help these companies to achieve their goals, sustain their success and improve their positions in the Chinese market. While leveraging on s-commerce, in order to increase the brands awareness, brands visibility and sales, the power of KOLs marketing were leveraged by both cases because of the Chinese consumers' behaviors characteristics. After then, both L'Oréal and Feelunique paid attention to use the Chinese domestics platform not only because there is a restriction on foreign websites and social media platforms in the country but also those platforms are inseparable parts of the Chinese consumers' daily lives. On the other hand, both foreign based companies were reinforced their e-commerce sales in the country not only with the help of pure players and local partners in the market but also with the help of concept of retailtainment on special days like Singles' day. Besides of that, the way of approaching the market by adopting companies' strategies affected the outstanding sales performance and digital acceleration of the two companies in China. Alongside this can shed the light on for the ones who want to enter the market by leveraging the country's s-commerce potential especially for the foreign cosmetics brands, this path can be also followed by the companies which operate in different industries but using similar strategical actions.

Thanks to the all these clarified points, the research questions for the thesis, which are; *"How Chinese Consumers' Characteristics Affect Digital Acceleration and Digital Strategies of Companies?"; "Why Social Media Platforms are Seen as A Sales Channels in China for Local and Foreign Brands?"; "How Western Brands in Beauty and Cosmetics Industry Should Leverage Social Commerce in China?"; "Is Physical Presence Necessary in Order to Leverage the Potential of the Chinese Market? ; "How L'Oréal and Feelunique perform their business in China by using social and technology power of the market?",* assumed to being answered.

However, while almost all sections were ended up with some remarkable points and recommendations for the companies, since the digital ecosystem of China differs from all other countries in the world, overall recommendations to companies ,who want to operate in the market either being physically present or not, will be given below as a pillar for strategy in the country by giving two perspectives.

First of all, because of the characteristics of the Chinese market and consumers, social media is more used than search engines in order to conduct product research and have recommendations about products in China (TMO,2016). For this reason, Chinese

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social media apps should not be underestimated by marketers to leverage the social commerce in the Chinese market. Since international social platforms are not allowed to use in the country, this situation gave a rise to increase in usage of the domestic apps and platforms. According to TMO (2016), female Chinese shoppers prefer to use make-up products app, WeChat, vertical fashion website, major online media and Weibo as a channel for obtaining information about makeup products in 2015. This can be shown as a proof that social media becomes a major channel not only for getting information but also what to buy, where to buy and order placement. It shows us how social media is a fertile area in order to extract value of s-commerce in China. As long as brands benefit from power of share buttons in social media appropriately in the country, brand awareness, reputation and e-commerce sales of the company are expected to increase.

Secondly, most of online shoppers of cross border attitudes towards CBEC in China is described that even the Chinese consumers have purchasing demand, they are not sure whether to buy recently or half of them does not possess clear idea about what to buy. (iResearch,2016). This can be an area to focus for foreign brands without having presence in the Chinese market to make the customers convinced about purchasing by offering novelty products. Furthermore, CBEC allows many brands and retailers to try out their products in the Chinese market (Fung Business Intelligence, 2018). Thanks to CBEC, businesses are able to avoid costs related to regulatory and licensing and problems about setting up businesses' presence in China (IMS, 2018). Overseas brands need to choose an appropriate model and platforms in order to access Chinese CBEC based on their strategies. While choosing one of these platforms, there are lots of things that should be taken into consideration by company as, regarding product and considering specialty websites. There is a high growth expectation within some platforms such as Tmall Global and JD Worldwide. Therefore, high start-up cost and maintenance fees are needed by some platforms while other platforms do not need but offer slower growth promise (Dezan Shira & Associates 2018). These platforms also reflect company's brand and product's image within the Chinese market and some platforms have some requirements like having mainland China capabilities regarding product return centers and Chinese customer service facilities. Thus, final decision should be made based on strategic analysis of each model considering both advantageous and disadvantageous and companies should take into consideration platform selection to be aligned with market development plan of the company (Dezan Shira & Associates 2018).

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8. Limitations

Social commerce is not only a type of commerce where social media intervenes but also converging both offline and online world (Zhang,2012). Since relatively it is a new phenomenon, the evolution is rapid. That's why, the topic itself was appealing to study and there had been always a room to improve ourselves and to help us to broad our horizons about new digital phenomena. On the other hand, the study had some limitations. First of all, the reason of being emerging trend was challenging to find appropriate resources to conduct the study on the literature especially for the specific industry of beauty and cosmetics in China. One of the main limitations was about to find updated data and information in English as most of the reports that analyze Chinese market specificity are published in Mandarin. Even with this restriction some reliable sources of information were found.

Another problem faced was related to the root of the words that are special to that country, i.e., those words and concepts that were required to understand the core meaning behind the word. In addition to it, since it seems that are becoming a new phenomenon, the s-commerce explanation and concept in the literature are named in many different ways, creating an important restriction to have a clear and comprehensive overview regarding s-commerce.

Alongside these limitations, finding specific data about e-commerce sales regarding L'Oréal and Feelunique's cases was a challenging issue. For example, in the case of L'Oréal, the annual reports of the company did not include e-commerce sales values until 2014 for both the world and China specific market. Even though this information was found after 2014, the values for China were written in a different way where it made tough the comparison, i.e., for 2015, Chine e-commerce sales percentage was given through the sales of Consumer Product, while the percentage for 2016 was given in terms of online sales of Consumer Products Division. Another limitation was about having e-commerce data of China only for Consumer Products Division except 2014. On the other hand, since Feelunique is a privately held company, there was no information about e-commerce sales neither for the world neither for China specific market. For this reason, the analysis of the company performance on social commerce were not satisfying as much as L'Oréal Case for us. Moreover, since the companies do not operate in the same way in the country, the digital key performance indicators could not be used to compare performances and make a consistent conclusion. Because of those limitations on availability and specified data for China, the cases were conducted in a different manner. Therefore, as further and detailed

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information and data were not accessible, this study could not have a better comprehension to conclude which of the cases is the best option to do business in the Chinese market. We just tried to show the changes on performance of both companies after their attempt to use s-commerce in China, highlighting the modes and differences from both approaches of doing business to get access to that market.

9. Future Research

Regarding all the research, conclusion, recommendations and limitations, we suggest researchers that digital KPIs and more specifically s-commerce KPIs should be performed in order to evaluate performance of L'Oréal and Feelunique in a credible and precise manner in the Chinese market. Since s-commerce is a blend of social media and e-commerce whose KPIs can also be taken into consideration in order to evaluate the social commerce performance of the companies. Based on the study of Marsden (2010), measuring s-commerce success is possible by using the '3Rs' of social media measurement which are defined as ROI, Reputation and Reach, however, ROI is identified as a preferred method since Marsden(2010) states that it creates a business case scenario for social commerce and enables a benchmark for optimization. In addition to it, in the literature to evaluate social commerce performance, CR is used in order to understand which social media platforms drive the most sales (Shopify, n.d.). On the other hand, when L'Oréal digital performance was examined, because of limited data availability, even if it does not happen in the real world, it was assumed that digital media spending of the company affects only online sales as well as offline media spending has an impact on only offline sales. This creates a future research area to evaluate the companies digital marketing effectiveness through ROI in the country when there is more provided data by the company about effect of the allocation of the spending on the sales channels.

As a result, since the social commerce industry has been improving and companies have been becoming more familiar with the usage of social commerce phenomena, we assume that the undiscovered area of social commerce will be open to improvements with the emerging new methods for the companies in both the Chinese market and all over the world.

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Appendix

Platforms make enable to Cross border E-commerce

There are four models, that can be chosen as a CBEC method in China as company standalone website; selling through CBEC online mall store (B2C); selling through CBEC online malls direct purchasing model(B2C2C); and social platform. Overseas business can sell their products to Chinese consumer either directly to consumer (B2C) or indirectly to consumer by means of marketplace intermediary (B2B2C) (Dezan Shira & Associates 2018). These four models will be explained below as following;

Company Standalone Website (outside China) – Self-built website: Brands, that do not have any legal presence in China, might choose to sell their products directly to China through their website hosted outside of China. Since it is the most convenient and cheapest solution as an entry mode (Netherlands Consulate- General Shanghai, 2018). Nevertheless, having a standalone website in China may not bring success to brand especially when big Chinese e-commerce platforms are already dominant in traffic (Netherlands Consulate- General Shanghai, 2018). For this reason, there is a low web traffic and attention by consumers (Dezan Shira & Associates 2018). Chinese consumers may not be able to find website or access the website even if it is translated into Mandarin because of the internet limitation. Even if consumers are able to find website of the brand, there can be some problem that Chinese consumers will face such as after-sale support, refund or exchange schemes and appropriate payment method and these issues may obstruct direct selling the products from abroad (Netherlands Consulate- General Shanghai, 2018).

Advantages	Disadvantages	Points to Note
• Cheap • Convenient setup for businesses • Be able to remain high level of consistency and flexibility of brand image • Full control of content and platform • Ownership of all resources, including user data, etc. • Creating an independent space to interact with consumers	• Low web traffic • Low chances of success	• Requiring a large-scale investment in the early period and ongoing investment in the later period with high investment risk • High demands for multifaceted resource mobilization and integration, and higher demands for internal management and operation • There is a need to continuously encourage users and accumulate traffic

Appendix A: Characteristics of Company Standalone Website with Advantages and Disadvantages (Dezan Shira & Associates 2018 & Deloitte 2018)

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Selling through CBEC online mall store (B2C) – Integrated e-commerce platform: Online malls are marketplaces which have different stores in a platform. Within the platform, store is owned by each brand and operated by themselves thereby consumers are able to reach several various stores and buy items from there by means of online mall's checkout system. Thanks to single check out system, there is a similar payment method like Alipay. In this mode, consumers are able to talk directly with shops and get after sales support fast as well as having offers easily by online malls (Dezan Shira & Associates 2018). Tmall Global and JD Worldwide are examples of online CBEC in China (Netherlands Consulate- General Shanghai, 2018).		
Advantages	**Disadvantages**	**Points to Note**
• High user traffic • Convenient sales support for consumers • Set-up can be completed more quickly on an already-developed platform based on its templates. • Relatively low investment with direct access to ready-made templates • Be able to benefit from the technical and resource advantages of the platform by leveraging more digital means	• High competition with other stores • High investment requirements including security deposits, annual platform fees, commission fees and payment service fees	• Ex: Tmall Global, JD Worldwide • Customer experience and content are subject to the platform's constraints • Rising platform costs • The public platform may have an impact on the brand image • Platform users are mostly price sensitive users who look for discounts and promotions • Possibility for counterfeiting by other sellers on the platform

Appendix B: Characteristics of Selling through CBEC online mall store with Advantages and Disadvantages (Dezan Shira & Associates 2018 & Deloitte 2018)

Social Platform – WeChat Store: WeChat and WeChat stores can be seemed as an emerging CBEC method that rapidly growing within CBEC suggestions for overseas brands however, rather than other methods, it is a social media app includes related services (Dezan Shira & Associates 2018). It seems as an influential model since product review and recommendations are taken from social media by Chinese consumers. In this way, companies can have direct communication with consumers as well as direct access to consumer data which assist companies to increase product and service; and brand awareness (Dezan Shira & Associates 2018). Moreover, having an official WeChat account can be happened only if companies ensure local business and ICP license. That's why, overseas brands would be able to meet these requirements by engaging a local party or third-party agent as well as local third-party WeChat e-commerce platform like WalktheChat (Dezan Shira & Associates 2018).		
Advantages	**Disadvantages**	**Points to Note**
• Huge number of active users on the mainstream social platforms • Be able to achieve a variety of functions, including online sales, marketing, customer relationship management, etc. • Simple model construction of WeChat public account and micro-stores (weidian) and relatively low threshold Socialization is in the line with the major trends in the Chinese market	• Need local business license and ICP license • Highly competitive • No organic traffic, have to market aggressively	• The role of social platform is more related to customer operations than e-commerce • In order to better serve consumers, WeChat can serve as a diversion tool rather than a complete solution

Appendix C: Characteristics of Social Platform with Advantages and Disadvantages (Dezan Shira & Associates 2018 & Deloitte 2018)

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Selling through CBEC online malls direct purchasing model (B2C2C)- Vertical e-commerce platform: In this model, overseas brands have indirect access to Chinese consumers since products are sold in an intermediary marketplace. Hypermarkets, vertical specialty and flash sales are three main intermediary marketplaces (Dezan Shira & Associates 2018). The definition of those marketplaces is following;

Hypermarket

According to the marketplace, only one shopfront is available, and goods are bought directly from foreign business by hypermarket and these goods are stored within their product stock (Dezan Shira & Associates 2018). Then, they are sold on platform by charging a mark-up from the retail price. Hypermarket stocks and delivers goods from its own warehouse and distribution centers thus, responsibility of logistic for overseas company is reduced. There is only one thing that foreign brand needs to take care of, which is procurement manager for the price negotiation in order to sell products on hypermarket (Dezan Shira & Associates 2018). In the report of Netherlands Consulate- General Shanghai (2018), hypermarket is recommended as an easier solution for products with high turnover and with well-known brands since it is able to tolerate risk of storing and distributing these items in China. Both online mall and hypermarket models are offered by many CBEC platforms to foreign brands. In the case of direct purchasing, certain categories and brands for foreign products are focused by hybrid platforms. JD worldwide and Kaola are examples of hypermarket CBEC in China (Netherlands Consulate- General Shanghai, 2018).

Vertical Specialty

While for Vertical Specialty marketplaces, goods are directly purchased from foreign suppliers. Their focus is specific product categories, target audience or geographical region (Netherlands Consulate- General Shanghai, 2018). Even though there is a lower consumer traffic and limited product catalogue, vertical marketplaces create a valuable environment for brands in niche markets in order to sell their goods which is under the radar of users on e-commerce platforms (Netherlands Consulate- General Shanghai, 2018). Since their niche market stays concentrated target customer better, this has a positive effect on sales conversions (Dezan Shira & Associates 2018).

Flash Sale

Flash Sale platforms create an environment for goods of overseas brands in market or for testing the products' popularity in Chinese market. Very small number of products are offered at discounted price within short period by flash sale platforms (Dezan Shira & Associates 2018).

Advantages	Disadvantages	Points to Note
• Lower risk and requirements as the marketplace take the burden of storage and distribution. • Marketplace is already familiar with consumer demands and directly facing the users and potential users to achieve higher conversion rate, users' acceptance of full-price products is higher.	• Product categories are limited • No branding controls • Can only sell at wholesale price	• Ex: _Hypermarket:_ Kaola, JD worldwide, Tmall Global • _Flash Sale_: VIP.com • Starting at a late stage, it takes a certain amount of time to accumulate user resources and to full utilize word of mouth and forms a positive business model • the professional level of each vertical platform is uneven, and the brand needs

Appendix D: Characteristics of Selling through CBEC online malls direct purchasing model with Advantages and Disadvantages (Dezan Shira & Associates 2018 & Deloitte 2018)

Types of Import Models

There are two major cross border import models which are the bonded imports and direct shipping imports (Netherlands Consulate- General Shanghai, 2018).

Bonded warehouse model (B2B2C) and direct shipping (B2C) model are the ones for bonded imports. Bonded warehouse model is a way of working of stock first then order. Products with 1,293 HS codes are the ones can be imported in the bulk to confirmed CBEC bonded warehouse zones across China (Netherlands Consulate- General Shanghai, 2018). After orders are placed by Chinese consumer via CBEC sites, custom clearance of these

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products is done directly in the bonded area and then delivered to customers and consumers wait 2-3 days delivery of the products (Netherlands Consulate- General Shanghai, 2018).

In the direct shipping model, if the products are not on the CBEC [22]positive list of China, there is a possibility that they can also be mailed directly from foreign merchants (B2C) and individuals (C2C) to China by using postal and courier (Netherlands Consulate- General Shanghai, 2018).
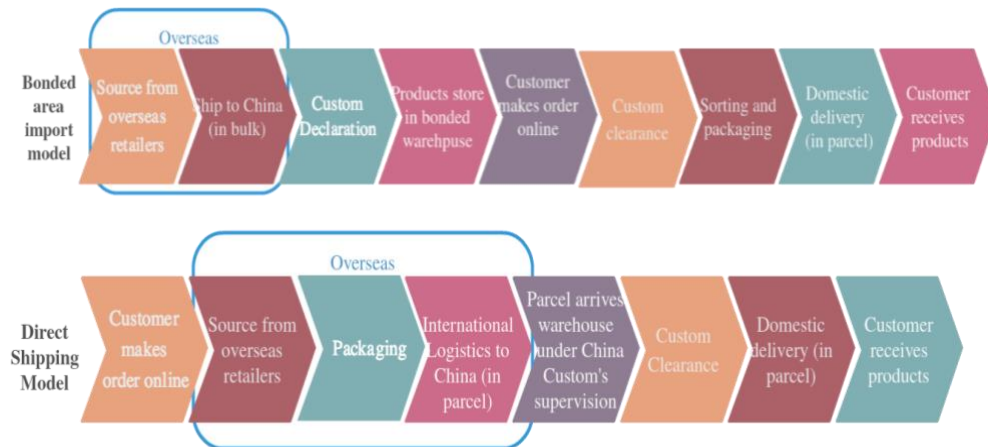
Appendix E: Flow of CBEC Products with Direct Shipping And Bonded Area Import Model (Fung Business Intelligence, 2018)

Tax and Regulations

Considering tax and regulations, there is no effect of new regulations on the direct shipping import apart from tax rates. Direct Purchase imports tax are collected when the parcel is check by customs during regular checks (Netherlands Consulate- General Shanghai, 2018). Moreover, personal postal tax has to be paid by Chinese consumers if the goods from abroad (B2C) or via individual (C2C) and product will be treated as it is personal use by the custom hereby tax is 15%, 30% and 60 % depending on category (Netherlands Consulate- General Shanghai, 2018). Furthermore, there is a chance to take an advantage of low postal tariffs thanks to international agreements [23]which makes this model import more attractive for Chinese consumers. For personal use imports, newest regulations are shown in Appendix C (Netherlands Consulate- General Shanghai, 2018).

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[22] It is a list that consists of listed commodities can be imported to China through a cross-border eCommerce model.

[23] China is considered as a developing country in Universal Postal Union agreements hereby it benefits from discounted tariffs.

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Cross Border Shipping Model	Type of Tax	Tax Rates	Tax Exemption	Order Values Caps	Custom Request	Suitable Categories
Personal Parcel Express Shipping	Personal postal articles tax	15% • Food & Beverage Electronics • Games and Toys 25% • Footwear & apparel • Personal care items • Bags • Most categories 50% • Cosmetics • Tobacco • Alcohol	Tax waived if tax amount < 50 RMB	• Only some parcels will be inspected • No more than 6 SKUs allowed • Value limit of 1,000 RMB/ order	• ID Authentication	• Food & beverages • Skin care products • Kitchenware • Clothing
Postal Packages (UPU)						
Business Commercial Imports (B2C)	Import taxes (tariffs + VAT + consumption tax), affected by "Positive List"	11.2 % • Mom & baby • Health Supplements • Personal care, cosmetics • Most categories 25.5 % • High-end cosmetics • Luxury skincare and perfume		• Every order has to pay tax, no exception. • Value limit of 5,000 RMB/orde r	Three purchase records • Order • Shipment • Payment •	• Food • Cosmetics • High-end consumer goods
Bonded Imports (B2B2C)			No waived amount	• Annual value limit of 26,000 RMB/pers on	• ID Authentication • Three purchase records ▪ Order ▪ Shipmen t ▪ Payment	• FMCG products • Low-value & High-weight products • Personal care products such as shampoo

Appendix F: Taxes on Inbound Postal Shipments (Azoya Consulting, 2018)

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Characteristics of Leading Platforms That Can Be Chosen for Beauty and Cosmetics Industry

CBEC platforms for beauty and cosmetics industry are given with their operation model, core competencies and entry requirements below:

	Tmall Global
Player	Tmall Global is owned by Alibaba Group and it is first, biggest and the most famous cross border B2C platform in China. It is set in 2014 and start to sell imported merchandise solely through overseas merchant's stores on Tmall's website. By 2015, Tmall Global has had more than 5400 international brands within different categories by offering bunch of different products from merchants' country page. Alibaba's online payment system which is Alipay is used for transactions with preferred currency (Netherlands Consulate-General Shanghai, 2018).
Operation Model	Marketplace (Fung Business Intelligence, 2018), Hybrid platform (B2C and/or B2C2C) (Dezan Shira & Associates 2018)
Core Competencies	Wide product choices (Fung Business Intelligence, 2018)

Appendix G: Operation Model and Core Competencies of Tmall Global

	JD Worldwide
Player	JingDong (JD) is the second largest online mall as well as biggest competitor of Tmall Global. Besides of that, it can be seemed as China's largest hypermarket with 54% market share. JD worldwide is launched in 2015 as a cross border website. There are 2 ways of delivering product to Chinese consumer considering hypermarket model and online mall. There are seven fulfilment centers and 200 warehouses across China with more than 5000 of delivery and pickup-stations. For hypermarket model, inventories are bought from foreign companies and sell them to Chinese consumer while for online mall, overseas' brand flagship stores are hosted by JD worldwide the same as Tmall group. Tencent's online payment system is used for the transaction with US dollars (Netherlands Consulate- General Shanghai, 2018).
Operation Model	Marketplace and self-operated (Fung Business Intelligence, 2018) Hybrid Platform (B2C and/or B2C2C) (Dezan Shira & Associates 2018)
Core Competencies	Good logistics services (Fung Business Intelligence, 2018)

Appendix H: Operation Model and Core Competencies of JD Worldwide

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	VIP Global
Player	Cross border website is launched in 2014 under the name of VIP international. Its operation model is so called branded sales events. Discounted or surplus stock products or totally new product to Chinese market are sold by VIP (Netherlands Consulate- General Shanghai, 2018).
Operation Model	Self-operated (Fung Business Intelligence, 2018) Flash Sale- Selling through CBEC online malls direct purchasing model (B2C2C) (Dezan Shira & Associates 2018).
Core Competencies	Good after-sale services (Fung Business Intelligence, 2018)

Appendix I: Operation Model and Core Competencies of VIP Global

	NetEase Kaola
Player	Kaola provides a platform for cross border hypermarket including largest bonded warehouse in china. With global partnership model, it works as B2B2C by purchasing foreign goods directly. Besides of that, there are options offered by Kaola's platform for companies. First, having 'POP stores' operated by third-party merchants or having hybrid solution with shopfront (B2C) and direct sales to Kaola (B2B) (Netherlands Consulate- General Shanghai, 2018)
Operation Model	Marketplace and self-operated (Fung Business Intelligence, 2018) Hypermarket – Selling through CBEC online malls direct purchasing model (B2C2C) (Dezan Shira & Associates 2018).
Core Competencies	Mainly self-operated; authentic products (Fung Business Intelligence, 2018)

Appendix J: Operation Model and Core Competencies of NetEase Kaola

	XiaoHongShu(Little Red Book)
Player	It is also so called as small red book which is a CBEC platform with fast growing pace. Chinese consumers are able to find out and buy overseas products that are posted by users that have the same mind. It is an example of social selling and the effect of WOM can be seemed as a way of reaching Chinese consumers especially for women which is under age of 30 (Netherlands Consulate- General Shanghai, 2018).
Operation Model	Marketplace and self-operated (Fung Business Intelligence, 2018)
Core Competencies	Content-based and community nature (Fung Business Intelligence, 2018)

Appendix K: Operation Model and Core Competencies of Little Red Book

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	Tmall Global	JD Worldwide	Kaola.com	VIP.com
Model	Online mall	Online mall	Hypermarket	Flash sale
Entry Requirements	▪ Overseas entity ▪ Overseas retail and trade license ▪ Brand owner or authorized distributor ▪ Chinese customer service provided ▪ Product returns handled in mainland china ▪ Invitation only since 2015: ▪ Foreign company with global brand recognition ▪ Turnover of at least RMB 100 million (US$ 15.79 million)	▪ Overseas entity ▪ Overseas retail and trade license ▪ Brand owner or authorized distributor or franchiser ▪ Chinese customer service provided ▪ Product returns handled in mainland china ▪ Priority for brand recognized companies	▪ Overseas entity ▪ Brand owner or authorized distributor ▪ In good reputation and operational situation	▪ Overseas entity (for CBEC) ▪ Priority for brand recognized companies
Entry Procedures	▪ By receiving entry invitation, the entry process is: Prepare required documents and make plans-sign contracts with TOs(must)-store application-store development-store launch ▪ Process takes 4-8 weeks from application	▪ Contact the relevant JD business development manager specified online ▪ Prepare necessary documents and resources ▪ Recommended, but not required to use reliable TP ▪ Process takes about 2-4 weeks	▪ Submit an application form online by clicking the button on the official webpage ▪ Wait for contact ▪ If accepted by Kaola.com, the offer will be sent together with instructions to finish the registration process	▪ Provide require information and documents by sending email to VIP.com ▪ Waiting for response, which usually take less than five working days ▪ Negotiate and sign official contract ▪ Products online

Appendix L: CBEC Platforms' Entry Requirements (Dezan Shira & Associates 2018)

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Appendix L is continuing

	Tmall Global	**JD Worldwide**	**Kaola.com**	**VIP.com**
Model	Online mall	Online mall	Hypermarket	Flash sale
Costs	▪ Security deposit of RMB 150,000 (around US$25,000 unless otherwise specified) ▪ Annual technology and service fee RMB 30,000(US$4,757) to RMB 60,000 (US$9,513) depending on the specific type) ▪ Realtime Deduction of Technical service fee of 0.5%-5% ▪ Alipay service fee for each cross-border transaction	▪ Security deposit of US$15,000(refundable) ▪ Service fee per store per year US$1,000 ▪ Commission fee 2%-8% based on sales	▪ Security deposit of US $15,000 ▪ Membership fee of US$1,000/year ▪ Commission fee of 2-10%	▪ Negotiate price for goods with platform or operate with consignment ▪ No deposit ▪ No membership fees ▪ No registration fee or commission
Pros	▪ High market share and consumer traffic ▪ Good reputation ▪ Marketing opportunities ▪ Control over branding, pricing, marketing, customer service and logistics	▪ High market share and consumer traffic ▪ Good reputation ▪ Marketing opportunities ▪ Control over branding, pricing, marketing, customer service and logistics	▪ Logistics support ▪ Economy to luxury product positioning ▪ Can be seller or wholesaler	▪ No extra fees ▪ Targeted customer base (75% female between ages 18-45) ▪ Logistics support ▪ Can be seller or wholesaler
Cons	▪ High start-up and maintenance costs ▪ High competition for sales	▪ High start-up and maintenance costs ▪ High competition for sales	▪ Product categories limited to digital, baby and children, health and beauty, food and nutrition, clothes and accessories and household ▪ Can sell at wholesale rate	▪ Product categories limited to health and beauty, mother and baby, clothing and shoes, home and furniture and food and beverages ▪ Call sell at wholesale rate ▪ Flash sale operations can lead to sudden stock shortages

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L'Oréal Case Study Analysis and Results

Related KPIs for the measurement of the Group performance were compiled from Annual Report of L'Oréal between 2014 and 2018

L'Oréal	2018	2017	2016	2015	2014
Consalidated Sales (in billion euro)	26,9374	26,023	25,837	25,257	22,53
Operating Profit (in biliion euro)	4,922	4,676	4,539	4,387	3,89
E-commerce Group Sales (in billion euro)	3	2,1	1,7	1,3	0,9
Percentage of Consolidated Sales in E-commerce	11%	8%	6,50%	5,20%	4,10%
E-commerce Growth (like for like growth)	40,60%	33,6%	30,7%	38,0%	29%
Advertising and Promotion (in billion euro)	8,1447	7,65	7,498	7,359	6,558
Percentage of Advertising and Promotion in Terms of Sales	30%	29,40%	29,02%	29,14%	29,11%
Percentage of Media Spending on Digital	43%	38%	31,90%	25,50%	15,70%
Media Spending on Digital (in billion euro)	3,50222	2,907	2,391862	1,876545	1,029606
Percentage of Media Spending on Digital in terms of Sale	13,00%	11,17%	9,26%	7,43%	4,57%
Return on Digital Advertising Spending for E-commerce (in euro)	0,8566	0,72	0,71	0,69	0,87
Return on Advertising Spending for Offline Salesn	5,15617	5,043854	4,727056	4,369758	3,91289043
Number of Digital Experts	2000	1900	1600	>1000	300
R&D expenses (R&I) (in billion euro)	0,914	0,877	0,849	0,794	0,76
Percentage of R&D expenses in Terms of Sales	3%	3,37%	3,29%	3,14%	3,37%
ROI	15,72%	16,23%	15,86%	16,25%	15,44%

L'Oréal	2014	2015	2016	2017	2018
Western Europe	7,6977	7,9684	8,008	8,1253	8,0651
North America	5,3894	6,6544	7,0988	7,3505	7,2343
Asia Pacific	4,5636	5,5379	5,6354	6,1518	7,4056
Latin America	1,8537	1,8713	1,838	1,9529	1,7848
Eastern Europe	1,5854	1,534	1,5715	1,7508	1,7542
Africa, Middle East	0,5684	0,7229	0,7645	0,6924	0,6935

L'Oréal	2014	2015	2016	2017	2018
Consumer Products	10,7675	11,8442	11,9934	12,1187	12,0322
Luxe Products	6,1979	7,23	7,6624	8,4717	9,3672
Professional Products	3,0324	3,3997	3,3997	3,354	3,2625
Active Products	1,6604	1,8163	1,867	2,0829	2,2755
The Body Shop	0,8738	0,9672	0,928	*	*

L'Oréal	2014	2015	2016	2017	2018
Skincare	6,489	7,91	7,089	7,624	8,557
Make-up	4,751	5,874	6,576	7,266	7,833
Haircar	4,449	4,872	4,779	4,559	4,358
Hair Colourants	2,86	3,091	3,021	3,076	2,95
Perfumes	2,123	2,376	2,367	2,393	2,495
Others	0,986	1,067	1,085	1,107	1,194

L'Oréal	2014	2015	2016	2017	2018
Consumer Products Division Sales Growth	1,6%	2,5%	4,4%	2,2%	2,5%
Consumer Products Division Growth in E-commerce	69,5%	54,40%	30,7%	35,5%	38%

Appendix M: L'Oréal Case Study Analysis

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