



MSc International Business Economics

MASTER THESIS

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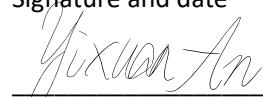
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Executive Summary

As students majored in International Business studies, the authors noticed an interesting social phenomenon, that many western firms which achieved huge success in their home countries, while also expanding business to other foreign countries as the process of internationalization, have not reached the expected performance in China, Google, eBay and Uber, for instance. And some ended with pulling out, some decided to implement a strategic movement to other areas and some are still maintaining even carrying a loss in earnings. Based on the interest in this phenomenon and curiosity of the reasons behind it, we decided to pick up a typical example and conduct a case study. Amazon was the company chosen for a case study, which announced in April 2019 to shut down the domestic e-commerce business in China. It conspicuously entered the Chinese market through the purchase of Joyo in 2004 and 2011 launched Amazon China. During the 15 years in the Chinese market, Amazon experienced huge rises and falls, the peak market share in China reached 15.4% and the bottom hit less than 1%. In this paper, we want to identify the key factors behind this fall and the reason that finally led to Amazon's partial exit of the Chinese market.

We structure the analysis based on the essential business theories, the OLI eclectic paradigm, the institutional theory, the international market exit, the failure in the emerging economy. The findings would be put into the separate "O", "L", "I" eclectic paradigm, for the reason that we find this all confirming the importance of OLI advantages for a company's success in internationalisation. The author had to critically think after reviewing the literature, are the OLI advantages the decisive factors for companies to succeed in a foreign market? As an emerging economy, does China have all the risks and shortages like the state? How about the gap that there is a lack of relationship between a failed business and consumers? Therefore, the analysis was mainly from five dimensions: the company's operation and structure of the business, the barriers for foreign companies on the country's level, the industrial insight of Chinese e-commerce, the main competitors and their key competencies and the consumers' perspectives to the company and the topic.

As a result, the authors considered the paper with a contribution in demonstrating the importance of the OLI framework explaining the failure of Amazon as a "reverse" of OLI eclectic paradigm, as well as an explanatory case study that identifies reasons for the failure of western internet firms in China using OLI eclectic paradigm that never had before. It also

suggested managerial implications for the western firms who want to enter the Chinese market, disregard how successful they are in their home countries. A holistic understanding of the situation in the market is necessary, considering the fast development in China and pushing the change of people's demand. The conservative way of copying and paste the exactly same business with arrogance and disrespect does not work in China anymore, they should attach high importance to the Chinese domestic consumers, obtain full information and conduct market research, understanding more about consumer behaviour and preferences and therefore find their core competencies and position it in the industrial rivalry.

In the end, a quantitative evaluation of the factors is suggested to be a nice supplement to the research, and also if access to a core participant of the business is available, an interview that improves the reliability is also recommended as future research.

1. Introduction

On April 18th of 2019, Amazon, the leading international e-commerce company in the world, announced that it will close the local e-commerce business in China. Amazon added its name to a remarkable list of western internet companies, among others, Google, Uber, Yahoo and eBay, who haven't been able to beat their Chinese competitors. Amazon entered China through the purchase of Joyo (joyo.com) in 2004, and for the first several years, Amazon only provided products from its own stores, then in 2011, Amazon China launched the marketplace for third-parties sellers in China. After entering China, Amazon quickly gained a foothold in China's e-commerce market. Amazon China's sales almost approached \$7 billion in 2004, while Taobao only had C2C business at that time, and four years later, Alibaba released B2C Taobao Mall, and Jingdong did not receive its first \$10 million in financing until three years later (陈静, 2019). By 2008, Amazon China's market share reached 15.4%, and since then, the development of Amazon China has slowed down, with market share declining year by year to less than 1% market share in 2018. After 15 years of struggle, Amazon closed its local e-commerce business.

As China has been one of the fastest-developing economies, increasing attention has been attracted to this second large economy in recent years. For this reason, lots of foreign companies place China as their manufacturing base and important growth market. Even some of them tried to decrease the dependence of the supply chain process in China, but to move to some lower-cost labour markets like Vietnam, but the involvement of the Chinese supply chain

is still strong. According to the UNCTAD (United Nation Conference on Trade and Development), even under the impact of the COVID-19 pandemic, the global FDI has declined sharply by 42%, China had an FDI increase of 4%, and achieved 163 billion dollars standing at the top all over the world. It is also observed by CNN that the US FDI delinked by 49% and overstepped by China to be the largest FDI recipient. The press has forecasted that foreign companies are more likely to inject more resources into the Chinese market, at the same time, the business analysts and scholars are all investigating why China is so attractive to global capital, and are all surprised by the speed of economic recovery during the COVID-19 pandemic. But a coin always has two sides, it is not rationing enough to be too optimal and overconfident on expanding to the Chinese market. It is well known for instance, Google announced to pull out of the mainland search engine market in 2010, Uber failed and withdrew from the Chinese market in 2017 only after 3 years of penetration, and the e-commerce giant Amazon was exposed to exit Chinese market regarding the domestic e-commerce business in 2020. All the three companies mentioned above were admitted to be the industry giants and achieved big success in other foreign countries during the process of internationalisation.

The international market exit has become a common phenomenon within the internationalisation process of companies. And the phenomenon has been studied for decades, including the reasons for the exit, the process of the exit and some scholars covered the outcome of the exit. Most of the scholars in this field investigated the factors or variables that lead to a failure or exit, but there is no common pattern to explain the international market exit. These reasons include the strategic fit, poor understanding of local customers and market, the lack of innovation from inside, as well as institutional pressure, cultural distance, fierce competition from outside ((Yoder, Visich, & Rustambekov, 2016) (Burt, Dawson, & Sparks, Failure in international retailing: research propositions, 2003) (Ozkan K. O., 2020) (Sousa & Tan, 2015) (Li F. , 2019). While these studies have contributed to understanding the rationale behind the exit decision, studies are mainly focusing on the international retail industry (Yoder, Visich, & Rustambekov, 2016) (Burt, Coe, & Davies, 2019) (Zhang & Hardaker, 2021). Due to the existence of gaps between industries, some factors that have a positive effect on the disinvestment in the retail industry may be negative in the e-commerce industry, in addition, extant studies on international market exit in the e-commerce industry are few and far between. (Li F. , 2019) has investigated the failure of western internet firms in China and identifies the key factors and the prevailing narratives from both the inside view and outside view to explain why all Western internet firms have failed in China. However, there may be other reasons for

Amazon's eventual failure in China, as companies like Google, Uber and Yahoo are exiting China while Amazon is still playing well in the Chinese market. In addition, the withdrawal of many Internet giants has put a veil of mystery over the Chinese market.

It seems very interesting to investigate whether any unique factors in the Chinese market have become barriers for the well-known MNEs to fail. Will these factors be the same for all the foreign MNEs, or will this be perfectly explained by de-internationalisation theories, FDI theories or institution theories? Anything else like consumer behaviour, decision makings, strategy mistakes or any “force majeure” that make this happen? It is highly expected that this project could figure out the reason for Amazon's failure in China, as a typical example for all the other MNEs to take a lesson, make more considerations cautiously before chasing the trend to expand to the Chinese market. Therefore, we defined the research question as follows:

Why did large western MNEs fail in China: A case study of Amazon's partial exit of the Chinese market.

The fact that Amazon had entered the Chinese domestic market of the e-commerce industry by the acquisition of Joyo.com, is identified as the process of internationalisation, while Amazon pulling out the Chinese domestic market could be seen as a failure of internationalisation in China. It could be pre-estimated that cross-border business theories and institutional theories are also behind the social and business phenomena. All those mentioned theories would be discussed further in this paper.

In this thesis, the ‘partial exit’ of Amazon from China refers to the domestic e-commerce sector in China, as Amazon still keeps other businesses such as Kindle, Amazon Website Service (AWS) and cross-border e-commerce in China. Amazon only reduced some of its businesses in China. For the sake of this thesis, the customers of Amazon China refer to the buyer customers as the focus of this study is on the failure of its B2C e-commerce. Amazon still operates its cross-border e-commerce both from and to China, after the closure of domestic e-commerce, the company still owns seller consumers in China focusing on selling products overseas, as well as consumer customers who buy products from other countries.

The rest of the paper is structured as follows: the next section provides the relevant theoretical background in relation to reasons behind MNEs' international market exits and the review of literature where different variables and factors lead to the exit are presented. The subsequent section conceptualizes the answers to the research questions and guides for the data collection and our research. The following section sets out the reasoning approach and methodology including research design, data collection, sample selection and research method. The next section presents the data analysis and main findings. And then the discussion chapter, the theoretical and managerial implications are presented. and last is the conclusion section.

2. Literature Review

Research on international market exit (or divestment, de-internationalization) has grown these years. Existent studies have investigated numerous causes of international market exit, however, there is no widely accepted best-fit theoretical framework to explain the phenomenon. Eclectic paradigm (OLI), as the integrative theory of a variety of internationalisation theories, is used to be the theoretical framework to explain the exit of Amazon from China, and institutional theory, as well as transaction cost theory, are applied as complementary for the eclectic paradigm (institutional perspective for L, transaction cost theory for I). In this chapter, different theoretical aspects of the thesis will be introduced, including OLI eclectic paradigm, institutional theory and transaction cost theory. Common reasons for international market exit in previous literature will be presented, as well as the MNEs in emerging markets. The aim of this chapter is to provide an understanding of the theories applied in this thesis and existing studies of the international exit phenomenon for a better reflection from the findings to the theories.

Before performing the literature review, we did preliminary literature search focusing on MNE and internationalization, entry mode, de-internationalization, the studies we found shown as Figure 1.

Hutzschenreuter, T., & Matt, T. (2017). MNE internationalization patterns, the roles of knowledge stocks, and the portfolio of MNE subsidiaries. <i>Journal of International Business Studies</i> , 48(9), 1131-1150.	MNE and internationalization	Literature review
Verbeke, A., & Asmussen, C. G. (2016). Global, local, or regional? The locus of MNE strategies. <i>Journal of Management Studies</i> , 53(6), 1051-1075.	MNE and internationalization	Literature review
Andersen, O. (1993). On the internationalization process of firms: A critical analysis. <i>Journal of international business studies</i> , 24(2), 209-231.	Internationalization	

Yoder, S., Visich, J. K., & Rustambekov, E. (2016). Lessons learned from international expansion failures and successes. <i>Business Horizons</i> , 59(2), 233-243.	Reason for Internationalization failure	Case study
Grochal-Brejdak, M., & Szymura-Tyc, M. (2013). Internationalization process of e-commerce enterprises-prerequisites, barriers and basic modes. <i>Journal of Economics & Management</i> , 13, 39-55.	internationalization of e-commerce	qualitative analysis (case study)
Benmamoun, M., Singh, N., Lehnert, K., & Lee, S. B. (2019). Internationalization of e-commerce corporations (ECCs). <i>Multinational Business Review</i> .	internationalization of e-commerce	Case study
Mutinelli, M., & Piscitello, L. (1998). The entry mode choice of MNEs: an evolutionary approach. <i>Research Policy</i> , 27(5), 491-506.	Entry mode	Quantitative method
Surdu, I., Mellahi, K., & Glaister, K. (2018). Emerging market multinationals' international equity-based entry mode strategies. <i>International Marketing Review</i> .	Entry mode	systematic review
Ahsan, M., & Musteen, M. (2011). Multinational enterprises' entry mode strategies and uncertainty: A review and extension. <i>International Journal of Management Reviews</i> , 13(4), 376-392.	Entry mode	Literature review
Kim, W. C., & Hwang, P. (1992). Global strategy and multinationals' entry mode choice. <i>Journal of international business studies</i> , 23(1), 29-53.	Entry mode	Qualitative method

Turcan, R. V. (2011, June). De-internationalization: A conceptualization. In AIB-UK & Ireland Chapter Conference International Business: New Challenges, New Forms, New Practices,'April.	De-internationalization	Conceptualization
Gnizy, I., & Shoham, A. (2014). Explicating the reverse internationalization processes of firms. <i>Journal of Global Marketing</i> , 27(4), 262-283.	De-internationalization	Qualitative method
Ozkan, K. S. (2020). International market exit by firms: Misalignment of strategy with the foreign market risk environment. <i>International Business Review</i> , 29(6), 101741.	De-internationalization	Case study
Burt, S., Coe, N. M., & Davies, K. (2019). A tactical retreat? Conceptualising the dynamics of European grocery retail divestment from East Asia. <i>International Business Review</i> , 28(1), 177-189.	De-internationalization East Asian market	longitudinal study
Coe, N. M., Lee, Y. S., & Wood, S. (2017). Conceptualising contemporary retail divestment: Tesco's departure from South Korea. <i>Environment and Planning A: Economy and Space</i> , 49(12), 2739-2761.	De-internationalization Divestment	Case study
Lu, J. (2011). American Internet Companies' Predicament in China: Google, eBay, and MSN Messenger. <i>Javnost-The Public</i> , 18(1), 75-91.	Similar companies Chinese market	
Młody, M. (2016). Backshoring in Light of the Concepts of Divestment and De-internationalization: Similarities and	De-internationalization	Qualitative method

Differences. Entrepreneurial Business and Economics Review, 4(3), 167–180.		
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Figure 1, preliminary literature search.

However, after reviewing several of the literature, we found that the internationalization process and entry mode are less relevant to our research question, as the international divestment or international market exit is mostly referring to foreign subsidiaries, the same in the Amazon China case. and from the preliminary literature review, we found that the institutional environment in emerging markets significantly affects the MNEs' failure. Furthermore, de-internationalization is a rather broad topic, and as we explained above, 'partial market exit' is more proper to describe the situation in this case. Thus, we change to focus on the international market exit. The final studies list we reviewed is shown in Figure 2.

Studies	Key words	Method-data
Burt, S., Dawson, J., & Sparks, L. (2003). Failure in international retailing: research propositions. <i>The International Review of Retail, Distribution and Consumer Research</i>	Failure internationalisation, retail,	Overview conceptualisation
Sousa, C. M., & Tan, Q. (2015). Exit from a foreign market: Do poor performance, strategic fit, cultural distance, and international experience matter? <i>Journal of International Marketing</i>	international exit, strategic fit, cultural distance, international experience	Qualitative method-questionnaire, fully exited Chinese outward foreign direct investment (OFDI) firms
Yoder, S., Visich, J. K., & Rustambekov, E. (2016). Lessons learned from international expansion failures and successes. <i>Business Horizons</i>	Internationalization failure	Case study- 5 failures. 3 success

Li, R., & Liu, Z. (2015). What causes the divestment of multinational companies in China? A subsidiary perspective. <i>Journal of Business Theory and Practice</i>	Subsidiary divestment, China	Quantitative method- data from Chinese Industrial Enterprises Database 1997-2008
Park, J.-Y., Lew, Y. K., & Park, B. I. (2019). An organismic approach to multinational enterprise failure. <i>Management Decision</i> ,	MNEs, internationalisation failure, institution	Qualitative method- interview, primary data for Korean MENs
Zeng, Y., Shenkar, O., Lee, S.-H., & Song, S. (2013). Cultural differences, MNE learning abilities, and the effect of experience on subsidiary mortality in a dissimilar culture: Evidence from Korean MNEs. <i>Journal of International Business Studies</i> ,	Korean MNEs, cultural differences, subsidiarily mortality	Qualitative method- data set of South Korean manufacturing firms 1990-2006
Schmid, D., & Morschett, D. (2020). Decades of research on foreign subsidiary divestment: What do we really know about its antecedents? <i>International Business Review</i>	Foreign subsidiary divestment, market exit	Literature review- 45 articles
Ozkan, K. S. (2020). International market exit by firms: Misalignment of strategy with the foreign market risk environment. <i>International Business Review</i> , 29(6), 101741.	International market exit, international business risk, Strategy implementation	In-depth of 62 cases of foreign exit
Burt, S., Coe, N. M., & Davies, K. (2019). A tactical retreat? Conceptualising the dynamics of European grocery retail divestment	Divestment, grocery retailing, east Asia	longitudinal study- 30 years, secondary sources

from East Asia. <i>International Business Review</i> , 28(1), 177-189.		
Dang, Q. T., Jasovska, P., & Rammel, H. G. (2020). International business-government relations: The risk management strategies of MNEs in emerging economies. <i>Journal of World Business</i>	MNEs, emerging market, risk management	qualitative case study method, written documents and in-depth semi-structured interviews
Sun, P., Mellahi, K., & Thun, E. (2010). The dynamic value of MNE political embeddedness: The case of the Chinese automobile industry. <i>Journal of International Business Studies</i> ,	MNEs, emerging market, automobile industry	Qualitative method-interviews and secondary data
Luo, Y. (2003). Market-Seeking MNEs in an Emerging Market: How Parent-Subsidiary Links Shape Overseas Success. <i>Journal of International Business Studies</i> ,	MNEs, emerging market, China	Field study, Server and secondary data
Ma, X., & Delios, A. (2010). Host-country headquarters and an MNE's subsequent within-country diversifications. <i>Journal of International Business Studies</i>	subsidiary strategies; political strategies, emerging markets, MNEs, China	quantitative method, 1979-2005
Zhao, M., Park, S. H., & Zhou, N. (2014). MNC strategy and social adaptation in emerging markets. <i>Journal of International Business Studies</i> ,	MNCs, emerging market, social adaptation, China	Quantitative method

Perks, K. J., Hogan, S. P., & Shukla, P. (2013). The effect of multi-level factors on MNEs' market entry success in a small emerging market. <i>Asia Pacific Journal of Marketing and Logistics</i>	MNCs, emerging market, cultural distance, country risk	Historical analysis, archival data
Froese, F. J., Sutherland, D., Lee, J. Y., Liu, Y., & Pan, Y. (2019). Challenges for foreign companies in china: Implications for research and practice. <i>Asian Business & Management</i>	MNEs, China, HRM,	Literature review,
Zhang, L., & Hardaker, S. (2021). Divestment of European grocery retailers from China. <i>Geografiska Annaler: Series B, Human Geography</i>	divestment, retail, China	Case study- 2010-2020
Bilro, R. G., & da Cunha, J. F. (2021). An exploratory study of Western firms' failure in the Chinese market: a network theory perspective. <i>Journal of Chinese Economic and Foreign Trade Studies</i>	Cross-cultural management, Chinese market, Network failures attribution	Qualitative research- in-depth interviews
Zeng Glaiser 2015	MNEs, internet platform company, failure	multiple-case study, interviews
Li, F. (2019). Why have all western internet firms (WIFs) failed in China? A phenomenon-based study. <i>Academy of Management Discoveries</i>	Western internet firms failure, China	Qualitative method- interviews

Figure 2, the selected literature.

2.1 OLI

For more than five decades, the eclectic paradigm, also known as OLI, has remained the dominant analytical framework for integrating a variety of economic theories of the determinants of foreign direct investment and the foreign activities of MNEs. The concept of eclectic paradigm was first put forward by Dunning in 1976 to offer a holistic framework for enterprise to identify and evaluate the significance of factors influencing the act and growth of foreign production (Dunning, 1988). Based on the eclectic paradigm, the internationalization of MNEs is determined by the interaction of three interdependent conditions: ownership (O) advantages, location (L) advantages and internalization (I) advantages.

Ownership advantages can be distinguished into two types: the first one is due to the ownership of unique intangible assets, such as firm-specific technologies, organizational structure, management skills, brand and reputation; the second one is attributable to complementary assets, such as the ability of a firm to create new technologies, or the ability to coordinate assets with other assets across national boundaries (Cantwell & Narula, 2001) (Dunning, 2000). It also includes natural factor endowment, institutional environment, manpower and capital which could be analyzed as a country's specific factors (Rugman, 2010). This capital can be replicated without losing its value to other countries, and easily transferred within the firm without high transaction costs.

Location advantages refer to the advantages that the host country provides for investors in terms of investment environment, including market size, government policies, business culture, commercial infrastructure, legal system and nature resource (Dunning, 2001). According to Dunning, two types of location advantages can be distinguished: one is direct location advantages, which are favourable factors in host countries, another one is indirect advantages referring to the unfavourable factors from the home country.

Internalization advantages are to avoid the influence of market failure on the enterprise and to keep the advantages of the enterprise by internalizing the assets it owns. It refers to the ability of MNEs to utilize the ownership advantages to reduce or eliminate transaction costs. The root cause of internalization lies from the external market failure, and the market failures were divided into structural market failures and transaction failures (Dunning, 1988) (Dunning, 2001). Internalization advantages are strongly related to O advantages as I advantages arise

from the greater ease that the integrated firms can obtain the full return on its ownership of unique assets such as its own technology, as well as directly from the utilization of complementary assets (Cantwell & Narula, 2001).

The eclectic paradigm suggests that when a firm possesses only O and I advantages, which means there is a lack of favourable overseas investment places, therefore, the firm can only integrate the relevant advantages internally and then the foreign market will be supplied by exports. And if a firm possesses only O and L advantages, which means the O advantages the firm owns are hard to internalize and can only be transferred to foreign companies. Similarly, if a company owned I and L advantages without O advantages, it means that the company lacks the basic prerequisites for foreign direct investment and cannot succeed in overseas expansion.

2.1.1 OLI and MNEs' Divestment

Boddewyn proposed an "eclectic theory of foreign divestment" similar to the eclectic paradigm in 1985, which can be considered as a reverse eclectic paradigm. In this theory, he suggested that foreign divestment would occur when an MNE meets any of the following three conditions: 1. The company no longer owns net competitive advantages; 2. The company finds that it is no longer profitable to internalize its advantages; 3. And it is no longer profitable to internalise its net competitive advantages in a particular host country (Boddewyn, 1985).

According to (Dunning, 1988), the reduction or disintegration of foreign production is quite different from the expansion to a foreign market. It requires the absence of one or some of the three OLI variables and there may be certain exit barriers. The authors also mentioned that MNEs would reduce their activities in a certain foreign country when there are changes in the distribution of factor endowment or the net transnational benefits (cost) fall (increase) (Dunning, 2000). Once a company expands abroad, its following investment may be related to the size and pattern of its existing investment and also to its competitive strengths and weaknesses, market opportunities and competitor's reaction. As the situation and environment are changing, the cross-border activities need to be reassessed, relocated and reorganized, and this may lead to a divestment eventually (Dunning, 1988). Dunning also explained that many of the offshore manufacturing in developing countries took advantage of the low-cost labour. However, with the development of technologies, human labor was partially replaced by machines, the significance of labour cost in many manufacturing processes has been reduced

which means the location advantages are weakened. This resulted in a return home of these activities and led to international divestment. Furthermore, in some industrializing developing countries with rapid development, such as Korea and Singapore, there are also some divestments in low value-added activities caused by the lack of L advantages (Dunning, 1988). The changing ownership of assets would happen when the relative transactional costs changes (Dunning, 1988). As the OLI paradigm explained that in certain conditions, MNEs will have an incentive to enter foreign markets, in contrast, companies will exit from a foreign market if there is a financial problem in their home countries that weaken their firm-specific advantages (Dunning, 1988); (2000). Furthermore, some of the investigated variables of international divestment in other theories (i.e., resource-based view, institutional theory, transaction cost theory) represent ownership, location, or internalization advantages (i.e., OLI factors), so international divestments can be explained from the perspective of this eclectic theory (Schmid & Morschett, 2020).

However, revealed that OLI eclectic paradigm does not work to identify the reason for the failure of Western Internet firms in China through empirical case studies. He argued that the OLI eclectic paradigm could not convincingly explain the reason for all those western internet firms' failures in China. The competitive advantages linked to OLI perceived by Western Internet firms are not fundamentally different from those for foreign firms from other sectors, which means the advantages arising from OLI paradigm are quite similar for both Internet companies and companies in other industries. However, only these Western Internet firms failed, whereas those firms from other sectors succeeded (Li F. , 2019).

2.2 Institution theory

According to Douglass North (1991), institutions as "humanly devised constraints that structure political, economic and social interactions", which are complex procedures formulated by human beings for the creation of orders and reduction of uncertainty. Constraints, as North described, are devised as formal rules (policy, law, constitution), and informal rules (sanctions, taboos, customs, traditions, codes of conduct), which contribute to the safety and order of the market or society. An institution is viewed as 'rules of the game' emphasizing the surrounding environment's impact on social and organizational behaviours (North, 1991). Scotts (1995) categorized three types of institutions and illustrate how they overlap and affect

each other and social behaviour as Figure 3. These three institutional pillars focus on three dimensions of social science i.e. regulative, normative and cognitive institutions. And these three pillars are transported by various carriers— cultures, structures, and routines—and they operate at multiple levels of jurisdiction” (Scott R. , 2001). The regulative pillar consists of rules and laws that impose rewards or punishment for conformity or non-conformity, in an attempt to influence further behaviour. The normative pillar emphasising the normative rules that have prescriptive, evaluative and obligatory meanings (Scott, (2001). It includes both norms and values, norms refer to how things should be done while values are the general standards. The normative pillars define not only the goals or objectives but also the way to pursue them ((Scott R. , 2001). And the culture-cognitive pillar constitutes the interpretation of a culture frame influenced by personal beliefs and subjectivity (Scott R. , 2001).

	<i>Regulative</i>	<i>Normative</i>	<i>Cultural-Cognitive</i>
<i>Basis of compliance</i>	Expedience	Social obligation	Taken-for-grantedness Shared understanding
<i>Basis of order</i>	Regulative rules	Binding expectations	Constitutive schema
<i>Mechanisms</i>	Coercive	Normative	Mimetic
<i>Logic</i>	Instrumentality	Appropriateness	Orthodoxy
<i>Indicators</i>	Rules Laws Sanctions	Certification Accreditation	Common beliefs Shared logics of action Isomorphism
<i>Affect</i>	Fear Guilt/ Innocence	Shame/Honor	Certainty/Confusion
<i>Basis of legitimacy</i>	Legally sanctioned	Morally governed	Comprehensible Recognizable Culturally supported

Figure 3, Institutional pillars (Scott R. , 2001).

The institutional theory provides an understanding of the context in which firms compete (Peng, Wang, & Jiang, 2008). (Peng, Wang, & Jiang, 2008) argued that institutions also play a much more important role than just ‘background’ that a company operates foreign activities, as institutions directly determine the challenges that a firm faces when the firm formulate and implement strategies. In addition, Institutional theory provides a different perspective of MNEs’ competitive advantages. Many laws promulgated by national government agencies directly affect the game rules of domestic and multinational companies, thus changing the competitive landscape (Williams & Martinez, 2012). The distinctive nature of an MNE is that it is embedded in a global network of overseas subsidiaries (Zeng & Glaister, 2015). The

constitutive elements of the institutional environment determine a firm's action in a specific country (Scott R. , 2001). Previous scholars have studied how the diverse institutional environment impacts transaction cost for MNEs in a different cultural, political and economical market that create uncertainty and risks due to the institutional distance (Zeng & Glaister, 2015). In an institutional distant host country, MNEs must deal with various institutional factors with which they are unfamiliar. It is significant for MNEs to obtain operating legitimacy in the host country, and the success of MNEs is closely linked with its strategic and structural adaptation to the institutional environment in the host country (Zeng & Glaister, 2015). Legitimacy refers to the acceptance, approval and support of a company by the social environment, and it is the overall judgment of whether the company meets the expectations of regulatory, normative and cognitive institutionalization (Suchman, 1995). MNEs, thus, must understand and meet the formal and informal rules of the local institutional environment to become successful. Since the institutional environment of emerging markets is very different and unique compared with developed markets, these formal and informal rules of the game, as well as relevant legitimacy pressures and requirements on multinational companies, are particularly important in the context of emerging markets (Rottig, 2016).

2.2.1 Institutional environment in China

In Asia, institutional environments, particularly formal institutional environments, vary greatly. The regulatory dimension is significant for companies operate in a foreign market. It is well-known that China is a one-party state guided by the Chinese Communist Party (CCP). Although facing the pressure to change, the one-party system is still in relatively firm control. Therefore, there is strong state control in China, which is considered as one of the key factors in supporting efficient social reforms and economic development (Barkema, Chen, George, Luo, & Tsui, 2015). Government has extensive intervention in economic activities. However, China has strict government censorship and control for the network, which causes a significant slowdown in browsing speed and leads to user frustration for those cross-border data travelling. China is a country with a decentralized government structure where the central government delegates authorities to low-level government units, which give the local governments the freedom to govern business activities. Furthermore, in the Chinese institutional context, MNEs are not only required to follow the policies and regulations issued by the government but also meet China's expectations, such as role models, large scale of investment, source of know-how and skills (Park & Vanhonacker, 2007).

As noted above, the formal institutions in China are quite weak, and the weaker formal institutions provide some benefits for Chinese companies. A weaker formal institution means less formal constraints on business operations and that means more discretion for business managers. In turn, it raises more ambiguity, Chinese entrepreneurs can reduce the ambiguity through the use of social networks, however, it would be another challenge for MNEs in China (Hitt & Xu, 2016). Local firms, thus, have an advantage over many Western firms, especially American firms, in terms of their ability to build strong social relationships.

As the origin of Confucianism, China is relationship-centred, which views people as relational beings (Luo Y. , 2000). The most outstanding word representing Chinese relationships is *guanxi*. *Guanxi* can be considered as a social network maintaining through mutual responsibilities or norms, and these norms include *mianzi* (face), *xinyong* (trustworthiness), and *renqing* (favour), which are the basis of long-term relationship establishment (Bilro & Cunha, 2021). *Guanxi* helps increase the efficiency of the business relations (Bilro & Cunha, 2021), two organizations that are connected with each other are easier to build business relationships in China. In China, the root of *guanxi* lies in unwritten social rules, much more common than economic or legal regulations. The importance of relationships in China is well recognized. In China, governance by social relations is a powerful force that maintains social order and stability (Luo Y. , 2000). Many social rules, norms and values in China are derived from relationship-based pervasiveness, which explains the importance of building trust, networking, governing relationships and maintaining reciprocity in this environment (Barkema, Chen, George, Luo, & Tsui, 2015). Culture, as a normative pressure on MNEs, requires MNEs to recognize the distance between host and home countries and respect the local culture in the host country. MNEs should operate their business complying with the norms and values embedded in host countries.

Furthermore, owing to the high collective culture, social networks, reviews and others' recommendations play an important role when Chinese consumers make a purchase decision (Wang & Ren, 2012). The media can lead to public opinion, which would impose on the business activities in turn. Chinese consumers are active online and always provide avid content, they are more social online than Western consumers (Wang & Ren, 2012). Companies thus have to first prioritize customer service, as any negative word of mouth can spread really fast and eventually cause more damage than it would in a Western country (Wang & Ren,

2012). The recent issue that H&M accuses there is abuses in the cotton-growing Xinjiang region without any evidence and field study, which is a total slander. A flood of comments on online forums or Weibo claimed the accusation is offensive; many people used the Web to call for boycotts against H&M products; and soon, the whole brand products were eventually removed from two e-commerce giants in China, Taobao and JD.com. MNEs are expected to do business ethically in China.

2.3 Transaction cost

Transaction cost theory, also known as transaction cost economics, has been broadly applied in international business scholars. It was developed by Ronald Coase in (1937) to describe the boundary of a company, the justification for governance structure (i.e., market versus hierarchy). (Coase, 1937) claimed that there is no cost-free market mechanism, as it includes transaction costs. Transaction costs are caused by some friction between the buyer and the seller during the transaction. Coase initially proposed that when the transaction costs in the market are greater than the production and management costs, the existence of the transaction costs determine the existence of a firm (Coase, 1937; Martins, Serra, Leite, Ferreira, & Li, 2010). And the transaction cost was broadly defined as the cost of running the economic system of firms (Coase, 1937). The transaction costs can be categorised into three different costs:

- a. Search and information costs;
- b. bargaining and decision costs; and
- c. Policing and enforcement costs (Coase, 1937).

(Williamson, 1985) further extended the theory, he divided the transaction costs into ex-ante costs including (1) searching and information, (2) drafting and negotiating an agreement, and (3) costs of safeguarding the agreement, and ex-post costs including (1) evaluating the input, (2) measuring the output, and (3) monitoring and enforcement (Williamson, 1985).

(Williamson, 1985) also extended the focus of transaction cost theory on long term contracts and hybrid forms.

The underlying logic of transaction cost theory is that firms aim to reduce the exchange cost. Firms prefer vertical integration when transaction costs are greater than internal costs (Jiang, Chu, & Pan, 2011). The transaction costs are determined by four types of variables:

opportunism with guile; bounded rationality; asset specificity; uncertainty and transaction frequency (Martins, Serra, Leite, Ferreira, & Li, 2010), based on two assumptions, bounded rationality and opportunism (Williamson, 1985). Furthermore, internalisation is preferred to externalisation when a. transaction uncertainty is high, which means it is hard to guarantee the execution of the contract; b. If the assets involved in the transaction are specific, which means the bargaining power of suppliers is high, in turn, increase the transaction costs; c. If the transaction is frequent, that is, if the company must regularly buy a large number of products from the supplier, they can demand better terms (Martins, Serra, Leite, Ferreira, & Li, 2010).

Transaction cost theory is widely used in strategic management, especially in examining the mode of entry (Jiang, Chu, & Pan, 2011). Transaction cost theory is used to describe the necessary and sufficient conditions for the choice of entry mode. And according to (Schmid & Morschett, 2020), the rationale of transaction cost theory for foreign subsidiaries divestment is that foreign subsidiaries have to bear varying degrees of transaction costs, depending on their entry mode and level of ownership. Relative to the high level of vertical integration, the uncertainty and other characteristics of foreign markets increase transaction costs that are less internalized (Schmid & Morschett, 2020).

2.4 Consumer perceptions

Cross-cultural consumer behaviour is most widely divided into two dimensions, individualism and collectivism, this will definitely influence how the consumers perceive, how they pay attention and how they process the information (Herk & Torelli, 2017). And this could be relevant as well when it comes to how they perceive MNEs. Back to around 60 years ago, the Country-of-Origin Effect was firstly introduced (Dichter, 1962), that the place one product is produced or “made in” has a significant effect on its success. As for this research, the focus is mainly on the failure of Amazon in the Chinese market, thus, it will be helpful to build the conceptual framework if there are researches about, for instance, consumer perceptions of MNEs, the factors or features of MNEs that could attract consumers etc. Unfortunately, the relevant literature were too few to provide a piece of broad knowledge, there were only a few supportive literature. The consumers might have positive

impressions of companies with a nice reputation and CSR strategies (Huber, 2018) (Marano, Tashman, & Kostova, 2017).

2.5 International market exit

Previous scholars have studied the international market exit phenomenon, but use different phrases to describe the phenomenon, such as de-internationalization, international divestment, international market failure or market withdrawal, reduction, disengagement (Burt, Dawson, & Sparks, 2003). There are slight differences between these terms. Welch and Luostarinen introduced the concept of de-internationalization for the first time in 1988. However, the concept was not defined until 1997, (Benito & Welch, 1997) finally defined the concept as “any voluntary or forced action that reduces a company’s engagement in or exposure to current cross-border activities”. They also distinguished the differences between full and partial de-internationalization. (Mellahi, 2003) further proposed that “de-internationalization is the voluntary process of decreasing involvement in international operations in response to organizational decline at home or abroad. It can be considered as a means to improve company profitability under non-crisis conditions (Mellahi, 2003). And according to (Turcan, 2003), the process of overseas activities of firms should be viewed as a cause-and-effect relationship between internationalization and de-internationalization. As mentioned above, de-internationalization can be full or partial. Partial de-internationalization refers to limiting or reducing activities in the host country while full refers to ultimate exit from the market (Ozkan K. S., 2020). As for international market exit, (Sousa, C. M., & Tan, Q., 2015) defined that “exit refers to a firm’s voluntary decision to liquidate or sell an active operation in a foreign market”. Market exit can be done through the sale of assets, international store swaps, bankruptcy or other similar processes (Burt, Dawson, & Sparks, 2003).

2.5.1 Reason for international market exit in literature

Extant scholars have sought to establish the reason for international market exit (failure, withdrawal, divestment). (Benito & Welch, 1997) pointed out four groups of factors that influence the decision of divestment: the economic, competitive, political environment and social stability and predictability of the host country; the performance of the international business; the strategic fit between domestic and international business; Fourth, management capabilities and governance issues in non-domestic markets.

There are various factors that can lead to the international market exit, and these factors can be studied from two aspects: internal factors and external factors (Burt, Dawson, & Sparks, 2003). One view is that external circumstances can cause the management of failed firms, which does not mean inefficient or ineffective management (Burt, Dawson, & Sparks, 2003). External factors refer to adverse environments such as political system, cultural difference and economic conditions, as well as the competition and customer demand in the host country (Burt, Dawson, & Sparks, 2003; Ozkan K. S., 2020) On the other hand, the Organization Studies perspective emphasis on internal factors and believe that the failure is the result of management's foresight, and the lack of willingness and ability to effectively respond and adjust to reverse the downward trend caused by external factors (Burt, Dawson, & Sparks, 2003). Internal factors also refer to the firm age and size, business strategies and strategic choice, organizational structure, perception of the market and poor performance (Burt, Dawson, & Sparks, 2003; Ozkan K. S., 2020). Based on the suggestions of (Benito & Welch, 1997) mentioned above, (Burt, Dawson, & Sparks, 2003) proposed a four-fold framework for international retail failures: market failure, competitive failure, operational failure and business failure.

Through the data collected from Chinese outward foreign direct investment firms, (Sousa, C. M., & Tan, Q., 2015) investigated the determinants of international exit decision, focusing on financial considerations and strategic triggers, as well as boundary conditions (i.e., culture distance, international experience). The results indicated that strategic fit and poor performance are detrimental to the firm's survival in the host country, they negatively affect the survival, and the result was also revealed by (Li & Liu, 2015). Furthermore, (Sousa, C. M., & Tan, Q., 2015) also found out that cultural distance moderates the impact of the internal strategic fit and international performance on the exit decision.

(Yoder, Visich, & Rustambekov, 2016) studied the international expansion failures of five companies, as well as the success stories of the other three companies. The common reasons for the failures include a lack of understanding of the purchasing characteristics of consumers and local culture, underestimation of the local competition, supply chain issues, and poor strategic decisions regarding facility location and the rate of expansion, while the companies understood customer preferences and focused on location issues and their supply chains are normally succeeded in marketing expansion (Yoder, Visich, & Rustambekov, 2016). Knowledge of local culture and customer preference is critical, lack of understanding of customers make it even more different to gain a loyal customer base. In addition, MNEs always show great confidence when entering foreign markets, for instance, MNEs often position themselves as high-end or at least prestigious when entering China (Li F. , 2019). Therefore, those companies that failed in the foreign market did not realize that they needed to look beyond their traditional competitors and identify small local businesses that are highly appealing to local customers (Yoder, Visich, & Rustambekov, 2016). This is also in line with the opinion of (Cantwell, Dunning, & Lundan, 2010) that “MNEs are as powerful as local companies in some institutional context, MNEs thus may be valued for their differences and not for adjusting for local preference”. However, extant studies or examples indicate that underestimating the local competition and lack of adjustment to appeal to local customers will eventually lead to international market failure (Yoder, Visich, & Rustambekov, 2016). In addition, analyzing the competition only before entering is not sufficient, it is necessary to follow the changes in order not to lose a competitive edge (Ozkan K. S., 2020).

Common contributing factors of international market retreat for retailing also included whether the host environment is stable or predictable, the operational performance (both domestic and cross-border), the operational strategies in foreign markets, senior management changes and governance censorship (Burt, Coe, & Davies, 2019). (Burt, Coe, & Davies, 2019) investigated at different time periods, the market exit decisions made for different considerations through the study of European grocery retail divestment in East Asia over a thirty-year period. In the first phase (1998- 2001), most divestments can be considered as re-adjustment of market entry as these exits followed soon after entry while the exits in the second phase (2003-2008) may be seen as a part of border strategy led market consolidation process, while the actions in 2012-2016 reflected the growing competition in the host country (Burt, Coe, & Davies, 2019).

Another research has also investigated the failure of some MNEs, (Park, Lew, & Park, 2019) pointed out that under the international business domain, the MNEs’ failures are mainly rooted

in strategic leadership and capabilities, institutional pressures and differences in host countries. (Zeng, Shenkar, Lee, & Song, 2013) also underlined the impact of cultural difference to MNEs, especially one MNE in a dissimilar culture society.

(Ozkan K. S., 2020) delineated common patterns of market withdrawal through the examination of 62 cases of foreign market exits. The aim of the research is to find out how misalignment between strategy and risk environment interferes with foreign market exits. The findings support the need to align the company's strategy and risk environment to reduce the likelihood of international market exit. And the findings also indicate that the main cause of misalignment are cross-cultural risks, and they are related to customers, competition or marketing mix (Ozkan K. S., 2020). The results show that more than 50 percent of case companies' exit can be traced to failing to understand, misunderstanding customers. And also the local competition, as well as marketing mix would increase the risks (Ozkan K. S., 2020). Intense competition is another contribution to cross-cultural risk in foreign market environments (Ozkan K. S., 2020).

Schmid & Morschett (2020) further claimed that parent firm host country-specific international experience and subsidiary establishment via acquisition or greenfield can increase the likelihood of foreign subsidiary divestment. Subsidiary establishment through acquisition has a higher likelihood of divestment (Schmid & Morschett, 2020).

2.5.2 MNEs failure in emerging market

In emerging economies, MNEs always face a high-level risk. (Dang, Jasovska, & Rammel, 2020) has mainly focused on how MNEs identify and mitigate the risks. They took Vietnam as the chosen host country and it is interesting to look at some risk assessment they have concluded. One is that they think the need for general information providing a broad overview is crucial before entering the foreign market; they also think that consulting firms are necessary to provide further reports. They also suggested risk mitigation, such like: comply with local standards, integration in local value chains and be careful with quality standards; support local communities to build a good relationship, report a positive contribution to the local economy to brand the MNE with better value, try to be in favour of the local government, be active in the local government events and so on (Dang, Jasovska, & Rammel, 2020). Shortly, they

suggested that MNE in emerging economies should try the best to build their relationship positively with local governments, as the formal institutions have very strong power impacting business activities. This is seen very similar to the macro-environment in the Chinese market. (Sun, Mellahi, & Thun, 2010) also emphasized that MNEs always have to overcome the outsidership and build up local networks in host countries to reach a successful internationalization.

(Luo Y. , 2003) identified four dimensions that could have a positive influence on subsidiary performances, they are resource commitment, information flow, local responsiveness and control flexibility. He highlighted that a subsidiary tends to have better sales and profitability when they are supported and provided with more resources by the parent firm, but they still need to be more adaptable and flexible in foreign markets. This opinion shows again in the study by (Mellahi & Collings, The barriers to effective global talent management: The example of corporate élites in MNEs, 2010). (Ma & Delios, 2010) proposed that MNEs establishing a host-country headquarter in emerging markets can reduce the institutional intervention of host governments; this is seen as a successful political strategy of MNEs.

(Zhao, Park, & Zhou, 2014) identified the term social adaptation as an important capability for MNEs in emerging markets. They have stated the speciality of emerging markets, the emerging economy tends to develop fast over time and will be very different from the early stage so that MNEs are supposed to carefully scan the environmental changes, both economic and social dimensions. (Perks, Hogan, & Shukla, 2013) suggested that the success of MNEs in small emerging markets is very dependent on the market potential and cultural distance, while in large emerging markets, it seems that the entry mode, the overall environmental risk, the firm's size are more important drivers, supporting the arguments from previous literature (Anderson & Gatignon, 1986); (Johnson & Tellis, 2008); (Rasheed, 2004).

2.5.3 the failure of western firms in China

(Froese, Sutherland, Lee, Liu, & Pan, 2019) delineated the key challenges for foreign companies in China, based on a comprehensive review of extant literature. They are two business environment relevant challenges, regulatory and cultural challenges, and two management challenges, innovation and human resource challenges (Froese, Sutherland, Lee,

Liu, & Pan, 2019). The authors identified that foreign companies should pay attention to not only cross-country cultural differences, but also within-country cultural differences in China (Froese, Sutherland, Lee, Liu, & Pan, 2019).

Common factors for European grocery retailers' divestment between 2010 and 2020 include financial pressures from the home market or other overseas markets, competitions from local retailers in both physical stores and online retailing, and the challenge of 'New Retail', changing consumer dynamics and the growing transaction cost (Zhang & Hardaker, 2021). (Zhang & Hardaker, 2021) also argued that the divestment of European grocery retailers from China can be considered as a step in their de-internationalization process.

The external factors that lead Western firms to fail in the Chinese market can be clustered into seven distinct categories, including political/administrative, socio-cultural, economic/financial, marketing efforts, product/services quality, competitors and competition, and technology/innovation (Bilro & Cunha, 2021). (Bilro & Cunha, 2021) clustered the categories through qualitative research based on in-depth interviews, additionally, the findings revealed that Chinese culture, local partnership and the "catching-up effect" should also be considered. Furthermore, the authors claimed that *guanxi* is changing to a new paradigm in China (Bilro & Cunha, 2021).

As for those Internet giants in China, there are limited scholars studying the failure. Comparing MNE internet platform companies (IPCs) and local (Chinese) IPCs through empirical interviews, (Zeng & Glaister, 2015) revealed that there are three main elements of difference in competitive performance between MNE IPCs and local IPCs: the differences of applicability of resources, the differences of response to the market and the differences of interaction with institutional players. Local IPCs spent significant time and effort to understand the market and how to satisfy customer's needs rather than assumed homogeneous customer demands (Zeng & Glaister, 2015) (Li F. , 2019). And local IPCs were able to make optimal use of their existing resources to deliver better value than MNE IPCs even though they have less advanced technologies. In addition, most MNE internet firms are entering into the Chinese market by imposing the same technological platforms, business model and strategies (Wang & Ren, 2012) (Zeng & Glaister, 2015) (Li F. , 2019) while the local competitors launch products that are particularly designed for domestic customers.

However, modifying the business model for Chinese customers is not equal to acting differently globally. MNEs must ensure their behaviour in China is in line with their global standard as MNEs can easily get into trouble when they act local in China and hold another behaviour around the world (Park & Vanhonoracker, 2007). And the last reason commonly examined by scholars is that MNEs experienced business partner issues (Zeng & Glaister, 2015) (Li F. , 2019). MNE IPCs tend to build close networks only with direct partners which isolate them from the local environment (Zeng & Glaister, 2015), thus creating barriers for further innovation and development.

Additionally, (Li F. , 2019) identified that lack of local autonomy and slow decision-making from the inside view, and a large number of competitors, using strategies rooted in Chinese history and culture, differences between digital and traditional business from outside view all lead to the failure of western internet firms in China.

3. Conceptual Framework

Strategic unfit	Poor understand of local customers and market	Lack of innovation	Fail to cope with competition
Cultural distance	Reason for international market exit (Amazon's partial exit from China)		Problem with local partners
Institutional pressure			Slow decision-making, lack of local autonomy
High risk	China e-commerce industry ?	Customer perspective ?	

Figure 4, Conceptual framework (own work).

The literature review has outlined the theories relevant to the International market exit phenomenon. The eclectic paradigm (OLI) can be used to explain some cases of international divestment when there is a lack of one or some of three variables that weaken the firm-specific advantages. However, some of the literature revealed that this paradigm cannot sufficiently explain the failure of western internet firms in China. The institutional view is also a widely accepted theory used to explain the MNEs' activities in host countries, institutions directly determine the challenges or advantages that MNEs face in host countries. The institutional environment in China is quite different from the west in all three perspectives: regulative, normative and cognitive institutions require MNEs to pay more attention to adapt them to the local environment. Some factors rooted in the transaction cost theory also contribute to the subsidiary's failure.

The literature review shows various factors that lead to the international market exit. All these variables can be categorized as following reasons: Inefficient and ineffective strategy management, lack of understanding of local customers and competitors will lead to poor performance, and finally lead to market withdrawal. Huge cultural distance between western and China, local partnership issues, and also lack of technology innovation, lack of local autonomy, as well as the slow decision process all contribute to the international market exit.

The literature will help guide the research question in the following ways. Extant literature has provided the reason for the international market exit, however, there is a conflict about whether the OLI eclectic paradigm can explain the international market exit for the sake of this case needs to be further investigated through primary and secondary data collection. There is limited research studying the phenomenon in the internet or e-commerce industry. Additionally, the limited number of researches about the exit in the internet industry cannot convincingly explain Amazon's partial exit from China, as while the other internet companies failed their adventures in China, Amazon not only survived but also 'lived' well. Therefore, the reasons for the withdrawal of Internet giants such as Amazon from China still need to be investigated in-depth in terms of industrial development and customer perspectives. Through the analysis of the annual reports, media sources and a focus group interview of customers, compare whether the results are consistent with the views of the literature review.

4. Philosophy of science and Methodology

The figure below by Mark Saunders, Philip Lewis, and Adrian Thornhill, illustrate the research onion. The research onion in Figure 5 is an illustration upon the identification of the research paradigm, the research approach and research methods, which will be clarified in this section Philosophy of Science, and the following section Methodology (Saunders, M., Lewis, P. & Thotnhill, A., 2012).

4.1 Paradigm

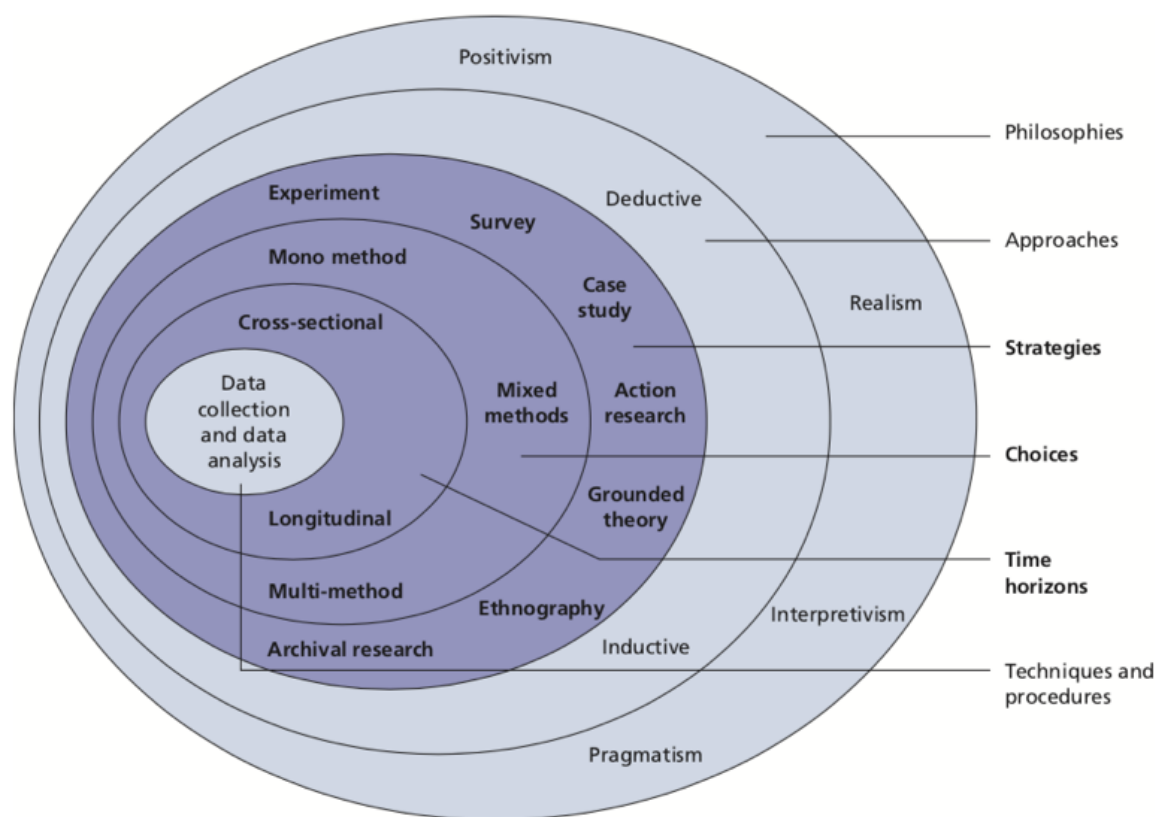


Figure 5, Research Onion

(Saunders, M., Lewis, P. & Thotnhill, A., 2012).

According to Mark Saunders, Philip Lewis, and Adrian Thornhill, before choosing the specific research method, defining the paradigm for the research will be fundamental. A paradigm consists of some basic beliefs about reality and how the researchers view the world and provide guidance for the investigation. It can roughly be distinguished as either objective or subjective. The research question refers to a problem of an MNE that achieved success in many regions around the world including its home country, which did not successfully

operate its business in the Chinese market and ended with a partial exit. Therefore, the involved social actors could be identified as, the company itself, the decision-makers, the host country including institutions and humans, the consumers, the competitors, etc. The need for a paradigm that builds on a human-scientific approach, where reality is, therefore, created by humans.

Having the above insight in mind the project will be written from the perception of reality within critical realism. Critical realism sees the world as an objective being in levels. The levels have been identified by Bhasker, where the first two levels (the real level and the actual level) are considered intransitive meaning the world as it actually is. The last level (the transitive level) describes the world as we experience it (Egholm, 2014), which to some extent, indicates that the objective reality could be impacted by the researcher's subjectivity. The researchers could describe the world casually, and the answer lies in "judgmental rationality", meaning as long as we are confident enough to express what we perceive as reality and open for arguments for our claims (Easton, 2010). It is accepted that the way reaching reality is difficult.

4.2 Research approach

As there is a particular social phenomenon, that Amazon did not reach big success as in other markets and finally partially exited the Chinese market, the authors find out the most appropriate method for this paper is a case study. There would be more business concepts and models applied for explaining the reason behind the phenomena. In addition, due to the limited access to the target company, and as the phenomena is not ongoing, but in the past, the size of data will probably not be large enough. Furthermore, a case study is more suited for a how and why research question, so that it has an explanatory nature. As the project is a case study, the research approach chosen for this paper is the mix of induction and deduction, retroduction, which is suggested for case research. It involves the process of "moving backwards" and asks "what is true to make the event possible?" (Easton, 2010).

4.3 Methodology

The purpose of this section is to explain the methodology used in this project thoroughly. The following methodology describes approaches and methods used during the study in order to investigate the answer to the research question.

In this section, the authors will explain the research design and illustrate the research methods implemented in the project and the reason for choosing specific theories or models.

Furthermore, this will be followed by the description of selecting the sample, designing the data collection process and the overall research process conducted during the research.

Qualitative research will be utilized in this paper, for that the required data are more likely to be descriptive, interpretative and detailed, expected to contain more information than only numbers or statistics, to investigate the factors that caused the failure of Amazon at the Chinese market.

4.3.1 Research Design

To answer the problem statement, it is necessary to conduct qualitative research. Qualitative research is generally connected to an evaluation of social matters and looks for the reality and cause behind the specific social phenomenon. The qualitative methods provide detailed results, which can offer ideas and concepts about what people's opinions are, how they feel and what they think, which is suitable for answering the problem statement of this project.

According to Easton, recording and analysing the associated events that takes place as a result of actors acting could help more understanding the social phenomenon (Easton, 2010), which lead to the two research methods we are using in this paper, secondary data analysis and focus group that we will discuss in the following part. In a word, this study uses a qualitative research strategy as there will be less numeric or quantitative data produced during the primary research (Bell J. , 2005).

4.3.2 Data collection

Secondary documents

For case study research, official documents from institutions or organisations could be a great source that provides the authors with holistic background information, for different actors involved in one social phenomenon, the authors could gain insight into the company, the

industry, the society, the specific group of people, etc. For this paper, we are trying to investigate the reason behind the failure of Amazon China, thus, based on the existing knowledge, the authors have primarily decided the types of documents to search for. Firstly, the organisational documents, such as annual reports, the letter to shareholders which could indicate the operation situation in the Chinese market, and we also expect there can be some detailed financial figures for the Chinese market to provide more evidence. Secondly, the official documents, like the e-commerce department of China, or other offices which could give a report for the authors to better understand the whole Chinese e-commerce industry. Some of the industrial reports could also contain detailed information about the local players, in this case, are the main competitors of Amazon China. And lastly, the authors would like to gain more media outputs, because, for such a big social phenomenon, there were some famous socialists or entrepreneurs talking about this during a public interview, this could add value to the research, providing a more professional perception.

Focus group

A focus group is one of the most used research tools within qualitative research. The original idea of the focus group is a group interview, where the researchers could collect opinions from several participants at the same time. However, to some extent, a focus group is not only a group interview, the participants are expected to perform beyond an interviewee, they are expected to have interactions with the hosts and each other as well as an open discussion for specific question or perception. One of the most significant advantages of using this research technique is that a focus group allows the researchers a deeper understanding of the reason why the participants feel the way they do, due to group interaction and non-verbal communication between the participants. At the same time, there is also a drawback of conducting a focus group, one participant could be very dominant and are likely to affect the expressions and opinions of other participants in the group (MacDonald, S. & Headlam, N., 2015); (Saunders, M., Lewis, P. & Thotnhill, A., 2012). For this study, the authors thought it might be interesting to focus a little on the consumers' perspectives, for that Amazon China's failure must have contained some relation to Chinese consumers.

During the time this research was conducted, the whole world was suffering from the COVID-19 pandemic, and the place of the authors' residence was under a strict restriction of contacts of people, thus, the focus group had to be conducted online. This could add in more uncertainties and difficulties to the data collection, due to the connection being through the

internet, and an open discussion of many participants at the same time becomes impossible, so that the focus group has a weaker advantage than expected.

Participants selection

To make sure there will be useful information collected through the focus group, the authors have settled some qualifications for the participants of the focus group: he or she has to be a Chinese citizen, for the reason they were the target group of Amazon for penetrating the Chinese market. And they were supposed to have a shopping experience on the platform. The authors also considered the age distribution, but could not achieve it due to the lack of older generation meet the qualifications. In the following table, the background of participants will be shown, the real name will be replaced with capital letters.

Participant A	Female, 29 years old, had a higher education abroad.
Participant B	Male, 28 years old, graduated from a higher educational institution abroad.
Participant C	Male, 25 years old, graduated from a higher educational institution abroad.
Participant D	Female, 30 years old, no international background.
Participant E	Female, 30 years old, had a higher education abroad.

Figure 6, Information of focus group participants.

Focus group questions design

The main purpose of the focus group was to gain the consumers' perspectives of Amazon as an online shopping platform. And since one business's failure must have some relations to the consumers, in order to investigate the consumers' relationship with Amazon, also how they perceive the failure of Amazon in China as a normal Chinese person, we set the focus group questions as it is now. The start-up questions were expected to warm up for the focus group, they were asked generally about names, backgrounds and experiences to get to know each other. Then they were asked about their past shopping experiences on Amazon, to see if the shopping experience was good, or if it was bad, what was the reason for that. This could provide the advantages and disadvantages of Amazon. They were then asked about their expectations of a nice online shopping platform, to check whether Amazon meets their

request, followed by the frequently used online shopping platforms they chose instead of Amazon, to see which are the major competitors of Amazon. They were also asked the reason they choose the other platforms, this could directly show the factors that attract Chinese consumers. For the last two questions, they were asked why they think Amazon failed and partially exited the market, we were expecting some supplements to the secondary data. Finally, we asked them if there were any inconveniences after Amazon's partial exit, to check whether there is a user stickiness of Amazon.

Focus group process design

A focus group was conducted with two moderators and five interviewees. Participants were introduced to the topic and the purpose of the focus group beforehand. As the focus group started, the participants were asked for approval to be recorded and promised the record would not be used for any commercial uses.

The focus group transcript consists of topics and questions which directed the discussion in a way to help understand the driving force behind the phenomena of Amazon exit of the Chinese E-commerce market. The main focus was to investigate what made the participants not shop on Amazon as consumers in the past, what they think of the former purchasing experience on Amazon, and why they think Amazon failed in the Chinese e-commerce market. And if there are any conflicting opinions or views differentiated from each others. Therefore, the structure of the questions flow was made of warm-up, opening, introductory, key and ending questions. The full transcript in the original language of conducting the focus group will be attached in the Appendix.

4.3.3 Validity and Reliability

The concepts of Validity and Reliability are always used in quantitative research, but are now also considered in qualitative research (Golafshani, 2003). As researchers, we certainly want our paper to create a realistic answer that could include all dimensions to the research question. Thus, in this section, we would like to evaluate the validity and reliability of the project.

Validity is about the accuracy of an assessment, whether there is a consistency between what is being investigated and what is being studied (Saunders, M., Lewis, P. & Thotnhill, A.,

2012), and “Validity is concerned with the integrity of conclusions that are generated from a piece of research” (Bell, Bryman, & Harley, 2019, p. 46). As critical realism argues, there is not an absolute truth, but we look at different causal relationships and we describe the world with casual language, we obtain objective facts with some subjective views. So, this has been defined, we cannot guarantee perfect validity for the project, the participants of the focus group were not equally representative of gender and age. But the research attempted to stick to one phenomenon, and collect as much data as possible around the topic, and put together the collected data to achieve as much knowledge as possible to create common understanding.

Reliability is about the accuracy of data, including the data collection and placement (Saunders, M., Lewis, P. & Thotnhill, A., 2012), and it is concerned for the repeatability of the results (Bell, Bryman, & Harley, 2019). This could probably be shown through the multiple analysis tools and models, whether the outcomes and the findings are highly corresponding between different types of data and different sources of data, and the findings derived from the secondary data, could, to some extent, greatly match the one from the primary data through the focus group.

5. Data analysis and Findings

The structure of this chapter will be a little bit different. First of all, we would like to provide a basic overview of findings from both secondary data and primary data with tables. Afterwards, we divide the whole analysis part into sections referring to the Literature review, the OLI framework. Under the Ownership section, we provide the company analysis, and the Location includes the country level and industrial level of institution theory. There are some entry barriers such as regulations and cultures on the country’s level, and we include competitor analysis and the industry analysis for industrial level. Finally, we have the transaction cost for Internalisation.

Data description and overview

Type of Data	Source of Data	Use of Data
Official reports, public reports and commentaries	Market and industry reports from Consulting Firms, Research institutions and Chinese government agencies, including Mckinsey, PWC, MIT Sloan, Finance.sina, Sohu, E-commerce Department of China, Internet Society of China, Amazon homepage.	Primarily provided a holistic overview of the E-commerce industry in China, the historical development during the past decade, confirming the chronology of major changes, the turning points. Built up the whole background and competition context for understanding, provided valuable information for main competitors, and the trends and future forecasting of E-commerce.
News reports, interviews relative to the topic	Articles from Chinese and English newspapers, websites, including Xinhuanet, NewYork Times; video interviews on Youtube, qq.com.	Helped collect key points from the interviews of famous entrepreneurs, strongly supplemented the answers to the research question.
Posts on Chinese social network sites	Articles and discussions from Zhihu, Sohu	Mainly helped to gain information from the general public and scholars' perspective for the phenomenon, also an important supplement to the research topic.

Figure 7, Description of secondary data.

First-order constructs	Second-order themes	Theoretical Dimensions
<p>Very diverse Chinese customers.</p> <p>Spend to improve lifestyle.</p> <p>Consumers need innovative services and technology.</p> <p>Chinese economy transformed into a consumption-driven economy.</p> <p>China has the largest E-commerce market.</p> <p>Social E-commerce will be the new trend.</p> <p>Lack of innovation.</p> <p>Does not fit the local market.</p> <p>Cannot follow the innovative steps of Chinese E-commerce.</p> <p>No advertisement or promotion campaigns.</p> <p>“bu jie di qi”不接地气” (Chinese for not embedded, directly translated as failed to keep the feet on the ground”.</p> <p>Huge problems in prices and delivery.</p> <p>Amazon is too conservative.</p> <p>Amazon China is an operation center, not a decision center.</p> <p>Amazon has the exact same US strategy.</p> <p>Amazon had poor use experience in China.</p>	<p>Impressive E-commerce development in China</p> <p>Strong competitors with advanced products and service.</p> <p>Failed to compete with local competitors.</p> <p>Does not meet the expectations of consumers.</p> <p>Poor shopping experience.</p> <p>Centralized organizational structure with slow-decision making process.</p> <p>Lack of understanding of Chinese consumers and market.</p>	<p>Intense Institutional environment</p> <p>Poor Location Advantages</p> <p>No Ownership Advantages</p> <p>No Internalization Advantages</p>

<p>Amazon satisfied the US boss instead of Chinese consumers.</p> <p>Too arrogant and disrespectful to Chinese consumers.</p> <p>Designed like from last century.</p> <p>Remained unchanged for ten years.</p>		
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Figure 8, Secondary data findings.

The secondary data could be summarised by the OLI framework, there are four dimensions that arose from the massive information: Intense Institutional Environment, Poor Location Advantages, No Ownership Advantages and No Internalization Advantages. The main ideas of Amazon's failure of E-commerce in China will be shown in the later sessions applied with the usage of business analysis models and techniques.

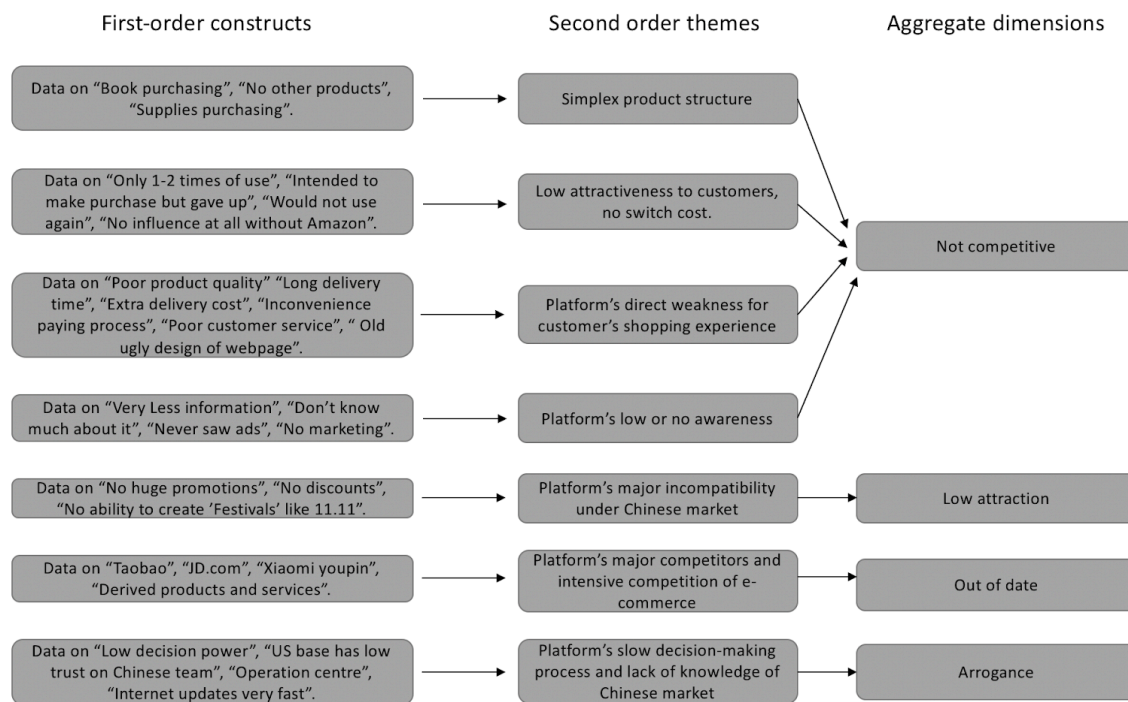


Figure 9, Primary data findings.

After analysing the transcript gained from the focus group, four major factors were identified and showed the main dissatisfactions from a customer's perspective, on what is the influencing factor for Amazon's failure in the Chinese market. These are: Not competitive; Low attraction; out of date and arrogance. These are the factors that lead to the fact that: firstly, the e-commerce industry in China have intensive competition and several major competitors, this will be illustrated in the competitor analysis and porter's five forces in the following sections; secondly, Amazon China is far behind the development of Chinese e-commerce industry, which will be followed by an industrial analysis and Amazon China's business structure afterwards to confirm, lastly, the problem of Amazon's controlled corporation Amazon China is that the decision-making process is too long, there is no enough trust and independency of Amazon China to follow up the trend of the market.

5.1 Ownership

5.1.1 Description of Amazon.com

Amazon.com is one of the largest online e-commerce companies in the United States, located in Seattle, Washington. The origins of Amazon can be traced back to 1995, when the company was founded by Jeff Bezos, began as an online bookseller aimed to become Earth's Biggest Bookstore. Firstly, it was named as Cadabra, and then Bezos renamed it after the Amazon River, where the most diverse creatures on earth are born. At that time, Bezos's saying was 'get big fast', to turn Amazon into the biggest mass merchandiser in the online world, and that is what he managed to do. Within a year, Amazon had managed to serve every state in the United States and more than 40 countries all over the world. And by December 31, 1997, repeat customers accounted for over 58% of orders. And the revenue significantly jumped from \$15.7 million in 1996 to \$148 million in 1997, followed by \$610 million in 1998. Five years after being founded, Amazon's success propelled Bezos to be crowned Time magazine's 1999 Person of the Year. And since then, Amazon began to expand even more rapidly.

In 1998, the company expanded into selling music, videos and computer games. And by the turn of the Millennium, Amazon had further expanded to a wide range of other categories, including consumer electronics, video games, software, home-improvement items, toys and games, and much more. In parallel with product diversifications, Amazon expanded geographically internationally by launching www.amazon.co.uk located in the United Kingdom and www.amazon.de located in Germany through the acquisition of the UK-based online bookstore Book pages and the German-owned Telebook in 1998. Later in 2000, Amazon launched amazon.fr for French consumers and amazon.co.jp for Japanese consumers, and in 2002 entered the Canadian market. Until 2004, Amazon acquired Chinese bookseller joyo.com and slowly moved towards Joyo-Amazon.cn. ((Annual report, 1998), (2000), (2006))

In 2000, Amazon launched Marketplace, enabling other merchants to pay to list their products on Amazon's digital shelves, and then store them in Amazon's warehouse. Since then, Amazon seeks to be earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavour to offer customers the lowest possible price. Through Amazon Service, the company offers Amazon Marketplace and Merchants programs that enable third parties to sell their products on Amazon websites, allow customers to shop for products owned by third parties using Amazon's features and technologies, and

also allow consumers to complete transactions that include multiple sellers in a single checkout process which provide much more convenience. (Annual report, 2006)

Bezos always argued that Amazon was a technology company rather than a retailer. At this point, Amazon launched Amazon Web Service (AWS) in 2002, which offers a broad set of global compute, storage, database, analytics, applications, and deployment services to developers and enterprises. In 2006, Amazon expanded its AWS portfolio with its Elastic Compute Cloud (EC2), providing a scalable computing environment and making web-scale computing easier for developers, followed up by Amazon Simple Storage Service (S3), which provides a web service for storing and retrieving data. AWS is a big success that it is even used by its competitor - Netflix (Britannica).

“Amazon was guided by four principles: customer obsession rather than competitor focus, passion for invention, commitment to operational excellence, and long-term thinking” (Annual report, 2019, p. 3). In 2005, Amazon launched the Prime membership program to provide faster delivery for members who pay annual fees, members receive free two-day shipping and discounted overnight shipping. By now, Amazon Prime members can enjoy the following services: unlimited access to unlimited streaming of thousands of movies and tv episodes, and other benefits. And Prime Now offers members one-hour delivery on an important subset of selection. There are over a hundred million paid Prime members globally, and more new members joined Prime both worldwide and in the United States (Annual report, 2006; Annual report, 2015).

In 2007, Amazon launched the Kindle e-reader, and then in 2011, the company introduced the Kindle Fire tablet. So, what Kindle has benefited the readers is the convenience to purchase books. “Anytime you make something simpler and lower friction, you get more of it.”, Bezos wrote this in his letter to shareowners in 2009. By 2010, Amazon had shipped Kindle to more than 120 countries, and provided content in six different languages. The Kindle’s success led the company to enter the e-book publishing market in 2011 with its Amazon Direct Publisher. And the same year Amazon reported that Kindle ebooks had outsold traditional printed books. (Annual report, 2010), (2011).

Amazon's pricing and speed have revolutionized the retail industry today. Consumers have become accustomed to the two-day Prime delivery, low prices, and a massive range of products, leading online retailers to outperform traditional retailers. Amazon has been a huge success in the United States and all over the world. However, globalisation, on the other hand, is not a

simple task because of the culture difference and the huge difference among consumer buying behaviour in different countries. Amazon has been able to expand to many countries and regions, but along with lots of tough challenges. With the growth of Amazon, it quickly globalized. Amazon.com not only reaches global customers, but also operates in 20 countries as Figure 10 shows, and provides Amazon Prime membership in 17 of those countries. Countries that offer the opportunity for Amazon Prime include Austria, Australia, Belgium, Canada, China, France, Germany, India, Italy, Japan, Luxembourg, Mexico, the Netherlands, Singapore, Spain, the UK and the US.



Figure 10, Amazon's global market.

5.1.2 Amazon China

As noted above, Amazon first entered China in 2004 when it purchased Joyo, the country's most prominent online bookstore at the time. joyo.com was founded by Lei Jun and Chen Nian in 2000, located in Beijing. As an e-commerce leader in China, Joyo.com provided consumers with all kinds of books, audio and video, software, toys, and other general merchandise. And then on August 19, 2004, Amazon announced the acquisition of Joyo.com for \$75 million, making it a wholly-owned subsidiary of Amazon China, combining Amazon's leading global online retail expertise with Joyo.com's deep experience of the China market to further enhance the customer experience and facilitate the growth of e-commerce in China. Subsequently,

Amazon gradually transformed Joyo in line with its global strategy. More than a year after the acquisition was completed, it began replacing Joyo's previous system with Amazon's database system, a replacement process that took three years and made Amazon China's IT system the most advanced in the industry. In 2007, it was renamed as Joyo-Amazon, and followed rebranded as Amazon China in 2011. In the same year, Amazon launched "I want to open a store" and "Amazon Logistics". In 2012, Kindle went online. On October 30, 2014, Amazon China announced that in response to the Double 11, Amazon will focus on international brands. Since then, Amazon.com, Amazon.de, Amazon.es, Amazon.fr, and Amazon.it will open a direct delivery service to China. In addition, Amazon's "Overseas Purchase" service began to run on a trial basis. And in 2016, the Kindle monthly subscription service and Amazon Prime membership service were launched in China. In 2017, Amazon China downsized its warehouse and operation team, Amazon prime membership day landed in China, and by the end of 2018, only three of Amazon's 13 operation centres in mainland China were left in Beijing, Kunshan and Guangzhou; in early 2019, the Guangzhou operation centre also announced to stop running. Until April 18, 2019, Amazon announced the closure of the local e-commerce business.

In the 15 years since Amazon entered the Chinese e-commerce market, Amazon China has been considered a quiet geek in this fast-growing environment. It rarely pushed itself into price wars or drew attention with any hustle and bustle. It relied on good service by word of mouth and its golden brand. Even for the Kindle's important debut in China, there was no marketing campaign or advertising. They are more concerned with trust from consumers, positive feedback and repurchase rates to improve consumer satisfaction than sales and market share.

Chinese consumers have a higher requirement for delivery time than Americans do. However, the imperfect domestic logistics infrastructure posed many challenges for maximizing customer satisfaction. Amazon China has its own delivery teams in 16 cities to meet the geographical characteristics of China and the diverse demands of its users. Self-built logistics is also Amazon's biggest innovation since entering the Chinese market, and this policy has been extended back to the U.S. and European Amazon sites. Amazon has a world-class operational network in China. Amazon had fifteen operation centres in China, two in Beijing, Guangzhou and Chengdu, followed by Wuhan, Shenyang, Xi'an, Xiamen, Kunshan, Shanghai, Tianjin, Harbin and Nanning, with a total operation area of over 490,000 square meters. The logistics system covers the whole of China, so that consumers anywhere in the country can become Amazon's customers. However, in terms of logistics, Amazon still has not become the industry

leader, at least not in the mind of customers. Referring to the speed of logistics, consumers first thought of Jingdong "next day delivery".

Amazon's decline in the Chinese e-commerce market has long been evident. In 2004, its annual sales once approached \$7 billion, however, with the speed of Amazon China's development, an immense decrease in sales can be observed from 2004 to 2016. In 2015, the president of Amazon China said that in the following 2016, they would continue to invest heavily in making shipping cheaper for customers when buying overseas products, a strategy that would increase more market share. At the time, Amazon China gained 1.1% market share, and now it seems that the strategy did not work, as Amazon's market share continued to decline and eventually exit the Chinese market. In fact, Amazon has long acquiesced to the decline in the Chinese market. In 2014, Amazon opened the "kindle official flagship store" in Tmall to sell its e-reader, and has since opened the "amazon official flagship store" in Tmall. An e-commerce platform unexpectedly had to use its competitors to expand traffic, Amazon has long acquiesced to its tough survival in the Chinese market (陈静, 2019).

The above description of Amazon, Amazon China and its journey in China shows the ownership advantages the company owns. Amazon entered the market through the purchase of the most prominent online store in China, which means the company had comprehensive market knowledge. Furthermore, Amazon's previous international experience and its technology, as well as the fulfilment centres and logistic infrastructure are all the ownership advantages Amazon possesses. However, the lack of the usage of these ownership advantages made Amazon less competitive in the market. Also, the centralized organizational structure of Amazon China is another problem for the company's survival. China is an operation centre, not a decision centre, all the decisions about the market should be made at its headquarter, which makes the decision-making process too long and complex. Furthermore, the centralised organizational structure causes the lack of local autonomy, and finally leads to the lack of understanding of the market and customers.

5.2 Location

5.2.1 Institutional factors

5.2.1.1 Country level

5.2.1.1.1 Regulations

The Chinese market regulator introduced on 15 March 2021 a series of e-commerce laws related to the latest developments in the industry, including live-streaming sales, user data privacy and forced exclusivity. The new rules are an important complement to the E-commerce Law that is effective from 2019, addressing new issues in China's massive e-commerce industry.

- The regulations require merchants selling products through live-streaming to comply with the legal responsibilities of the online transaction market, and they are required to keep the records for at least three years after the end of the live stream. And the rules require real-name registration for both merchants and individual live streamers.
- The platforms have to get permission from users when collecting the users' personal information and also for utilisation.
- And the rules also prohibit misleading practices like falsifying sales and audience numbers or posting false advertising of the products or services, and e-commerce merchants cannot delete the comments for their products or services.
- Suppressing the product list rankings of merchants who refuse to sell exclusively on a platform, removing or blocking such online stores, and increasing the service fees of such sellers, all these behaviours can be summarised as 'forced exclusivity' which is not allowed by the new rules. And in this month, Alibaba was fined 18.2 billion RMB for this.
- And the E-commerce Law has stricter supervision and management of cross-border e-commerce (Lee, New law brings structure, discipline to the willful world of Chinese e-commerce, 2018); (2020 电子商务行业发展主要进入壁垒及行业发展有利不利因素分析, 2020); (电商法：中国电商的“成人礼”，2019).

5.2.1.1.2 Culture and languages

Another challenge that presents to western e-commerce companies to enter China is language. Offering product description and website navigation in Chinese can be quite difficult for westerners. Furthermore, the page layout that Chinese consumers prefer and are accustomed to is also different from that of Western consumers due to cultural distance. The web pages below show the differences between Amazon and Taobao.



Figure 11, Amazon's webpage (亚马逊中国).



Figure 12, Taobao's webpage (Taobao).

The cost of payment

For foreign merchants, an important consideration is the exchange rate, and the price should be listed in the local currency- RMB. And they should also be aware that there are widely various transaction fees between different banks, cards and digital wallet merchants in China. As mentioned above, Alipay and WeChat Pay cover approximately 90% of all online shoppers in China. And compared to fees set by banks for debit and credit cards, the fees taken from merchants are very low with Alipay and WeChat Pay, 40% less. WeChat's merchant fee is 0.6 percent and it is 0.55 percent with Alipay. Therefore, when a foreign merchant enters China, the company should be aware of it (Gatti, 2020).

5.2.1.2 Industrial level

China's e-commerce market was propelled by Alibaba group-Taobao and Tmall, JD.com and Pinduoduo which are top e-commerce giants in China. The competition in the market is intense. And as e-commerce platforms provide services for both sellers and buyers, the more sellers, the more buyers, and this would make those giants keep expanding as Matthew Effect. With the growth of users, the platforms access more user information and that can help them to provide better services that meet customer's needs which can help increase customer loyalty. In contrast, new entrants to the industry need to invest a lot of development and operation costs, and at the same time, they will face high operation pressures in the early stage because of the lack of user information. Moreover, that would increase the difficulties of new entrants to analyse users in-depth and grasp their needs precisely, which also makes it more difficult to attract users continuously. The above-mentioned problems exacerbate the competitive pressure of new entrants to a certain extent. As e-commerce is a recently raised industry, industry's standards and regulations are still developing. During the process of selecting service providers or platforms, there is still a lack of reference bases and standards. The service experience for well-known brands will become an important criterion for judging. The long-term shaping of brand influence, thus, becomes an effective barrier.

5.2.1.2.1 E-commerce industry in China

China is the world's biggest e-commerce market, generating US\$ 1.7 trillion in sales a year, accounting for over 40% of worldwide e-commerce transactions. And China has the largest e-

commerce population, with 710 million people shopping digitally. Although it is found that up to 56% of the population has never made an online purchase, which shows the potential scale of China's e-commerce- with a population of 1.4 billion and hundreds of millions of untapped Chinese consumers. Today the value of China's e-commerce transactions is estimated to be larger than the European Union and the United States combined (2020 E-commerce Payments Trends Report: China, 2020).

Furthermore, the e-commerce market is still expanding in China with rural areas. In the first half of 2019, there are three million additional internet users in rural China to a total of 225 million. And these new internet users actually provide an interesting customer base for those e-commerce gains in China. With the growth of online shoppers in Tier 2 and 3 cities as well as the countryside, the competition of e-commerce companies in rural regions of China has begun. However, unlike urban customers, most rural citizens have no online shopping experience. Furthermore, the lack of infrastructure and logistic support in rural China is also present as an issue (Gatti, 2020).

Chinese Internet users are proficient in digital technology and tend to use mobile devices as an integral part of their daily lives. And nearly one in five internet users in China relies on mobile only while only five percent in the United States. The mobile share of e-commerce in China accounts for 60 percent of the overall e-commerce market, so the e-commerce platforms or merchant sites should be smartphone-ready and available as an application, as this is a preferable way to access mobile commerce (2020 E-commerce Payments Trends Report: China, 2020).

As to payment methods, the advancement in online payment methods has paved the way for e-commerce in China. The most popular online payment methods in China are Alipay, WeChat pay and Union Pay and these methods have become the primary payment method in China. Moreover, they are not only used for online shopping, but also at the checkout of many physical stores. They are gradually replacing cash and cards by scanning a QR code which is quicker and more sanitary. And the widespread use of local digital wallets means that the use of international alternative payment methods such as Apple Pay and PayPal is much lower. For instance, PayPal has 305 million active users globally while WeChat Pay has 900 million users, who are predominantly in China, and Alipay has about 1 billion subscribers. Alipay remains in a leading position with a 55.4% market share and followed closely by WeChat Pay at 38.8%

(BusinessToday, 2020). Furthermore, from late 2019, Alipay and WeChat Pay began to enable credit cards including MasterCard, Visa and American Express to integrate into their payment service, in order to attract more international customers to join their service when shopping from China merchants (2020 E-commerce Payments Trends Report: China, 2020). In addition, Alipay launched Ant Check Later (Huabei) in 2015, a consumer credit product, working as a virtual credit card. Once applied, customers will get a consumption quota ranging from RMB 50 to RMB 50,000. When customers spend money, they can prepay the credit limit of Ant Huabei and enjoy the shopping experience of “consumption first, pay later”.

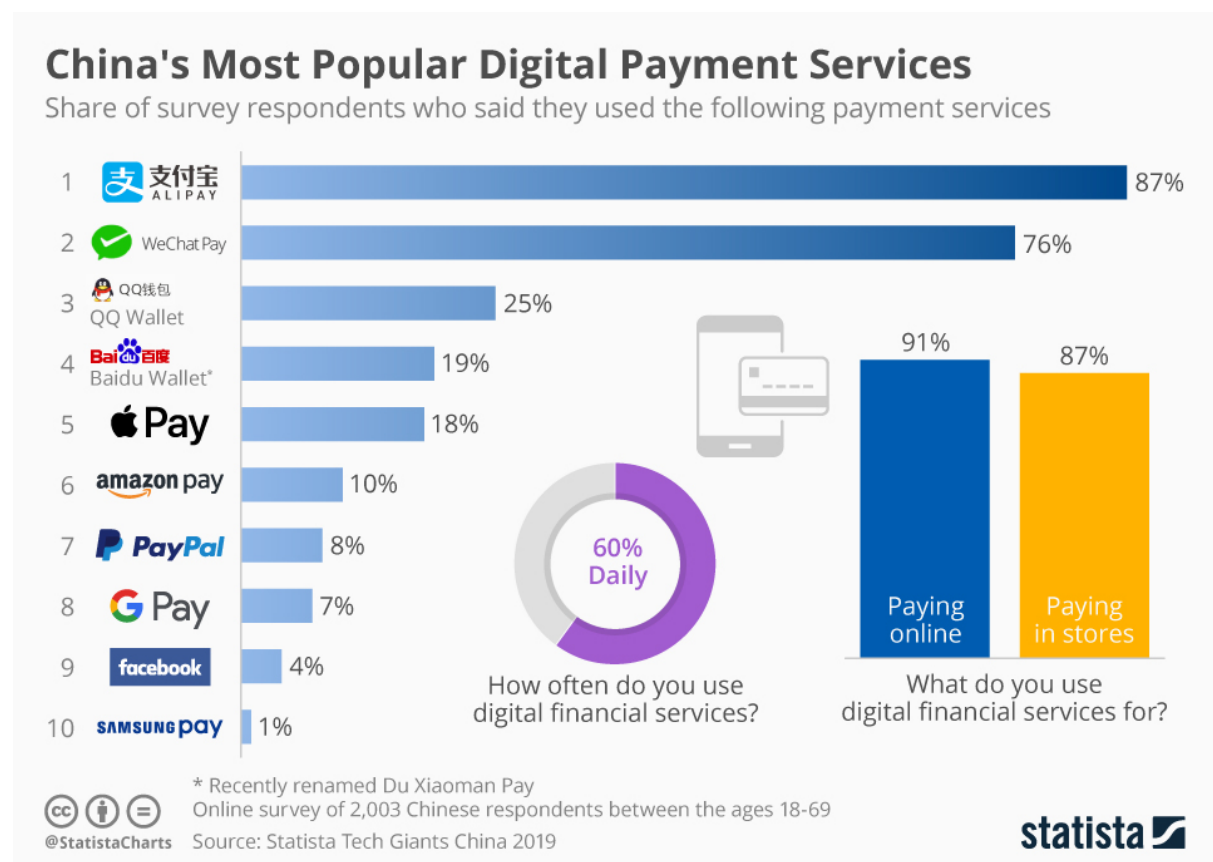


Figure 13, China's most popular digital payment service, 2019 (Ma Y. , 2021).

And another trend in China's e-commerce industry is the rise of live-streaming. Live Streaming has shown a completely new dimension in 2019: the format of live-streaming has been around for a while, but since the summer of 2019 it has become a new sales channel. E-commerce merchants promote their products by hosting live video or working with live streaming influencers who can range from celebrities to company CEOs to farmers, that they market the brands or products through their personal live stream channel. For one month from 17 August 2019 to 17 September 2019, there were almost 35 million audiences of live

streaming on the Chinese e-commerce giant platform Taobao. Viya is the most successful live streamer in China, selling 4.8 billion RMB in merchandise on the pre-sale day of Single's Day 2020, followed by Jiaqi Li with 4.3 billion RMB. Viya has also gained international awareness that she could act as a point of entry for those western brands wanting to sell products to Chinese consumers. Similar deals with other Chinese live streamers can be investigated when international merchants want to enter the Chinese market (Gatti, 2020); (2020 E-commerce Payments Trends Report: China, 2020).

Moreover, during the 2019 Single's Day shopping festival, Alibaba's Taobao's live streaming platform generated \$2.85 billion in sales accounting for 7.5 percent of the day's total sales (chargedretail.co.uk). And this refers to another shopping phenomenon in China that there are many shopping festivals in China similar to Black Friday in the west. China's key shopping events include the time before Chinese New Year is around January or February, '6.18'-18 June, Golden week of National Day which starts from 1 October and Single's day (Double 11) on 11 November. It is essential for e-commerce merchants to make strategies for these events with promotions and target marketing to achieve sales peaks on these dates. For instance, JD.com spent \$1.4 billion to underpin its promotions on '6.18'.

According to McKinsey's interview with Daniel Zhang, the chairman and CEO of Alibaba group, Chinese consumers are very diverse. He said that they know what is popular not only in China but all over the world. And the younger generation, z, prefer unique things and new brands over big brands, and also, they are willing to spend more to improve their lifestyles, and that is a huge opportunity. Thus, the diversity of Chinese consumers drives e-commerce companies to think about 'How can we make people remember us?' And 'How can we survive?'. From there, the answer is trying new things, and going forward, it will continue to be about innovation. Zhang said that Alibaba groups are always trying new things, always innovating service and using technology to provide new experiences to their customers. For instance, facial recognition and voice recognition solutions have become very popular in China. Facial recognition as confirmation of digital payment makes it more convenient, and it is a fantastic customer experience. And the voice-recognition solution makes it faster and more efficient when typing the Chinese language on a mobile phone (Zhang & Zipser, 2019).

O2O (online to offline) has already become a new sales and retail trend in China. E-commerce is going offline as Chinese consumer's demand for omnichannel options. The New Retail concept was first introduced in 2016, and it has become one of the most important growth areas

for the past few years. The Omnichannel model meets the demand of internet users and their requirement for experiencing the products and fast delivery. It is intended to be a smart version of e-commerce today (Gatti, 2020).

5.2.1.2.2 Competitor analysis

Alibaba Group

Alibaba is one of the world's largest retailers and e-commerce companies that can be traced back to 1999, providing customer-to-customer(C2C), business-to-business(B2B) and business-to-customer(B2C) sales services. On September 19, 2014, Alibaba Group was officially listed on the New York Stock Exchange, creating the largest IPO record in world history. 'To make it easy to do business anywhere' is the eternal mission of Alibaba Group. It is the strategic goal of Alibaba Group to create an open, collaborative and prosperous e-commerce ecosystem. Alibaba help the sellers on its platform with technology infrastructure and marketing reach and makes it more efficient (Alibaba).

Alibaba Group's subsidiaries include: Alibaba.com (the world's leading small business e-commerce platform), Taobao (China's largest online retail and one-stop shopping, social and information sharing platform), Alipay (China's leading third-party online payment service), Alibaba Cloud Computing (a data-centric advanced cloud computing service developer), Yahoo China, etc. And in 2013, Alibaba established Cainiao partnering with six Chinese logistics companies, a package delivery and logistics company that allows Alibaba and any other company to manage their own deliveries and logistics.

Alibaba's services cover more than 240 countries and regions all over the world, with more than 19 thousand employees in over 60 cities in China, India, Japan, South Korea, the United Kingdom and the United States. By June 30, 2020, Alibaba Group had a user reach of over 1 billion global annual active consumers, including 807 million consumers in China and 194 million consumers outside China (Alibaba).

Taobao

Taobao was launched in 2003, offering a variety of products for retail sales. Almost everything can be found on the platform, from pets to vehicles at cheap prices. Taobao is one of the most popular online shopping sites in China, and the platform is for small businesses and individuals to open online retail stores. There are two obvious features of this platform: First, the products from Taobao are usually by small merchants. Second, customers are very careful when they make a purchase from Taobao, they check several aspects including the shop credit, customer satisfaction rate and comments before making the final decision. Furthermore, there are average customer rates for product descriptions, customer services and delivery services below the shop name.

Taobao grew to become China's largest C2C online shopping platform and later became the second most visited website in China. Both the free registration and zero-cost transactions with Alipay contribute to the growth of Taobao. Taobao provides consumers from both large cities and less developed areas with an engaging, personalised shopping experience, optimised by big data analytics and technology. Customers can learn about the products and new trends through highly relevant and engaging content and real-time updates from merchants. Taobao also enables the merchants to promote themselves or products via live video to consumers searching for information and content regarding various categories. Live Streaming has become the main channel for sales and promotions on Taobao (Alibaba).

Tmall

Tmall was launched in 2008, catering to consumers' ever-growing demand for higher quality products and premium shopping experience. Tmall focuses on B2C services. A large number of international and Chinese brands and retailers have established storefronts on Tmall, supplying consumers in Chinese and overseas with both homegrown and international branded products as well as products that cannot be provided by traditional retail stores. The requirement to enter as a seller on Tmall is higher. Unlike Taobao, only recognized companies can sell their products on Tmall. Tmall is the world's leading third-party online and mobile business platform for brands and retailers in the world in terms of GMV, and it continues to grow rapidly. The categories of products on Tmall have increased significantly in recent years, ranging from cars, computers to clothing, household items, and a complete range of online game equipment. What makes Tmall more attractive than ordinary stores is its service, which

is not only a collection of big sellers and big brands, but also provides more thoughtful services than ordinary stores:

1. Seven days no reason to return or exchange goods

Tmall buyers accept buyers for seven days no reason to return or exchange, no need to worry about buying the inappropriate or something different from the actual

2. Genuine product guarantee

Tmall sellers are genuine items, accepting the supervision of buyers and the supervision of the platform

3. Credit evaluation

Tmall has a perfect evaluation system, consisting of hearts, diamonds, crowns, and levels to improve, the purpose is to provide a reference for honest transactions.

Same as Taobao, Tmall itself is not involved in the sale of products, but an open platform, for merchants, to open flagship stores, by third-party brands stationed, and Tmall's distribution mainly relies on third-party logistics and Cainiao logistics to deliver, warehousing by Tmall to provide. Tmall's business model includes annual technical service fees and real-time deduction of technical service fees; advertising revenue and keyword bidding fees; software and service fees, etc. (Alibaba).

It is worth mentioning that the shopping festival- Single Day (double 11) was initiated by Tmall in 2009, Fulfilling the gap between the traditional retail Golden Week and Christmas promotion seasons.

JD.com

JD, also known as JingDong, founded in 1998, and officially entered the field of e-commerce in 2004. JD is China's leading one-step e-commerce platform, holding about 17% of the market in 2019 (supchina.com). JD.com is setting the global standard for the online shopping experience, offering a vast selection of products, across every major category, including electronics, apparel and home furnishings, FMCG, fresh food, home appliances, etc. [JD.com](https://www.jd.com) mainly operates as a direct seller similar to Amazon, but also as a marketplace, and like Alibaba, has its own delivery and logistics network. JD group believes that technology innovation can drive smart logistics. JD.com leading the development of China's e-commerce in the direction

of automated and drone deliveries. Last year, it started building a drone airport and announced its first autonomous truck. And on February 6, 2020, during the COVID 19 pandemic, JD made its first delivery with its autonomous robot car in Wuhan, delivering medical supplies to the local hospital, achieving zero human-to-human contact (JD).

JD Group is positioned as a "supply chain-based technology and service company", and its current business has involved retail, technology, logistics, health, insurance, production and development, overseas, and industrial products. JD group adheres to the operation principle of 'trust-based and customer-centric value creation'. With the mission of 'powered by technology for a more productive and sustainable world', [JD.com](https://www.jd.com) aims to become the most trustworthy company in the world. Customers can enjoy same-day and next-day delivery service when making a purchase from JD, using JD's unparalleled nationwide logistics network and advanced data-driven delivery technology. By now, [JD.com](https://www.jd.com) is able to achieve rates of approximately 90% of orders delivered the same day or the next day. It is a level of service that no other company in the world can match (JD).

Overall, JD Group's business model is built around the value proposition of providing more, faster, better and more savings to online consumers and third-party platform merchants, with four core strengths: The largest self-built logistics and warehousing system; Self-developed information systems; Commercialization of channels and emphasis on partners; Providing a perfect user experience.

Pinduoduo

Pinduoduo was launched in 2015, growing in the shadow of tier 3 and tier 4 cities and slowly taking the market share. Driven by its popular group-buying business model that integrated social components into traditional online processes, Pinduoduo has grown rapidly to become the fastest growing e-commerce company in China and the second largest e-commerce platform in the country. By now, the platform has gathered 731.3 million active buyers and 5.1 million active merchants annually, with an annual transaction volume of RMB 145.76 billion. Pinduoduo operates under the concept of 'good products with low price', providing various products to customers, targeting the group from third tier or lower tier cities through the C2M model. It is also the largest online seller of agricultural products in China (Pinduoduo).

With the original social group buying business model, Pinduoduo focuses on agricultural products on the market, and good products of origin, and is committed to serving the most common consumers in China. Under the group-buying business model, customers share Pinduoduo's product information on social networks such as WeChat and QQ, and invite other people who want to buy the same product to form a shopping group. If enough products are purchased, this can lead to a discount of up to 90%, including everything from RMB10 bedsheet to RMB 1000 personal computer, the price is unbelievably low. This keeps people motivated and make the purchase in a more involved and dynamic way (Lee, 2018).

In January 2020, Pinduoduo launched Duoduo Livestream, which allows merchants to promote their products on Pinduoduo via live video streaming. The potential unleashed by the new e-commerce model has also contributed significantly to boosting China's domestic demand and driving consumption upgrades in the broadest region. Currently, products on the Pinduoduo platform cover a wide range of categories, including FMCG, 3C, home appliances, fresh food, and home furnishings, and are growing at a sustained rate to meet the increasingly diversified needs of consumers. Pinduoduo's value proposition of selling goods at low prices with special offers, social sharing, satisfying consumers' psychology of taking advantage of bargains, and helping merchants build their brands are important factors that have made it successful (Pinduoduo).

Dangdang

Dangdang.com was established in 1999, aimed to become 'the largest online Chinese bookstore in the world'. And then it dived into the field of online books and competed with Amazon China- Joyo. In 2001, it added an online audio and video store. In 2005, it expanded into other product categories. In 2006, the expansion sped up after the company completed its financing from third round venture capitals. In 2007, Dangdang cooperated with more than 300 famous brands including Philips, L'Oréal, Casio, Lego, etc. and in 2009, it enabled mobile-purchase function, it is the first case in e-commerce filed in China. And now, Dangling has become the largest Chinese book online store. It provides nearly 800,000 Chinese books and audio-visual products to Chinese readers all over the world, and provides convenient and fast services to thousands of consumers every day. Six million readers worldwide have already shopped for their favorite items on dangdang.com (Dangdang).

With Dangdang.com, consumers are not restricted by time and geography, whether they are shopping or inquiring. Behind the consumers' enjoyment of "one click of the mouse, the best products are in front of their eyes" is the "cement support" that Dangdang.com has spent 11 years to build - a huge logistics system, Ten logistics centers located in six cities, the national warehouse area reached 180,000 square meters, becoming the largest e-commerce enterprise in China, providing cash on delivery service in more than 750 cities, and opening COD service for affiliated merchants. Furthermore, Dangdang's original product classification with reference to international advanced experience, intelligent query, intuitive website navigation and simple shopping process, etc., provide consumers with a pleasant shopping environment (Dangdang).

Online bookstores are the main business of Dangdang. In the book category, Dangdang occupies more than 50% of the online market share. Dangdang's book order conversion rate is as high as 25%, much higher than the industry average of 7%, which means that for every four people browsing Dangdang, an order will be generated. Relying on the full range of shelves, the lowest rate of returns, the fastest return to the publisher, Dangdang gets the lowest discount from publishers, and thus has a price advantage, so that it achieves the leading position in book retailing (电子商务平台之当当网优势, 2020).

Competitors	Business area	Market share	Competitive advantages
Taobao	Almost everything, the biggest category is clothes	63.1%	<ul style="list-style-type: none"> • convenience • ‘Omnipotent’ • strong customer base
Tmall	All categories but only big brand and registered companies		<ul style="list-style-type: none"> • Seven days no reason to return or exchange • Genuine product guarantee
JD.com	Mainly Digital electronics, and also other categories	26.51%	<ul style="list-style-type: none"> • Quality guarantee • Fast delivery (same day or next day)

Pinduoduo	Mainly general merchandise	12.8%	Low price
Dangdang	Mainly online book retailing	0.4% (book category, more than 50%)	Fast delivery

Figure 14, China top e-commerce platform overview (Ma Y. , 2021).

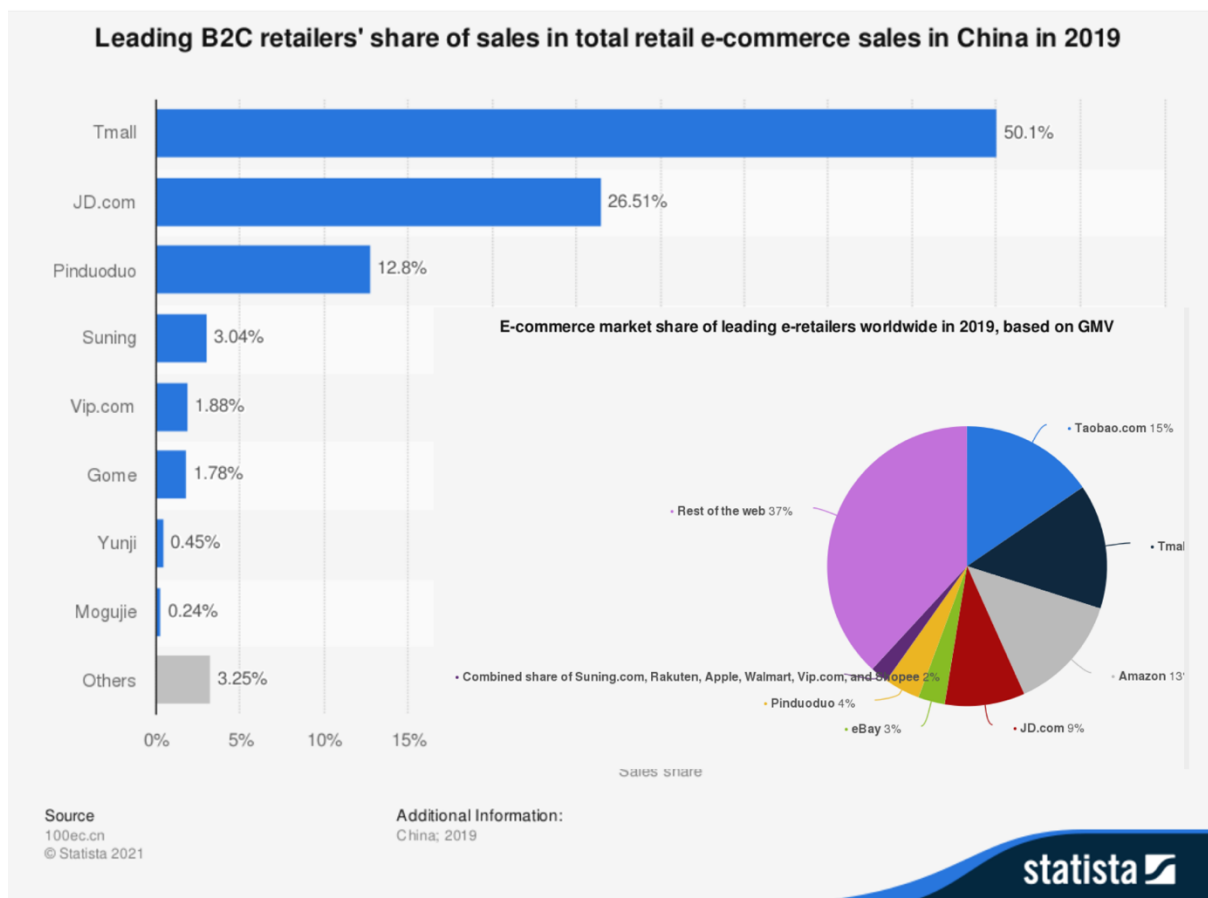


Figure 15, Comparison of B2C internet retail platforms market share in China and globally 2019 (Ma Y. , 2021).

5.2.1.2.3 Porter's Five Forces

In order to obtain a holistic competition situation of an industry and to identify the firm's competitiveness, it is very necessary to investigate the competitive structure. In this paper, Porter's Five Forces will be applied as the framework for analysing the competitive structure. Porter suggested that the competition in an industry roots in its underlying economic structure

and goes beyond the behaviour of current competitors back to 1980. Porter's Five Forces could emphasize the critical strengths and weaknesses of a company while showing an insight of the industry and where the company is positioned (Hollensen, 2015). The following analysis includes the five basic competitive forces, new entrants, suppliers, buyers, substitutes and market competitors, which are the key players in an industry that could have an impact on the industrial attractiveness and possible profitability. The main purpose of the competition analysis in this section, is to position Amazon in Chinese e-commerce industry and show whether the Chinese e-commerce industry is actually under an intensive competition, and how competitive Amazon was among the competitors. After identifying all the five forces, it will be clearer for the researchers to see how Amazon China could defend against those forces, and compared to what Amazon has actually done, it would be confident to see that if the competition situation is a main factor of Amazon's pull out of Chinese market.

To begin with a clear placement of Amazon, after entering Chinese market, it was positioned in the e-commerce industry, where there are online shopping platforms that support retails of products, as well as personal business.

Threat of new entrants

Whenever new players enter into an industry, the industrial competition reaches a higher level. The threat of new entrants, to a high extent, is influenced by the barriers to enter a market. The higher the entry barriers, the smaller the threat is for the existing players in the market already; on the contrary, it would be more tough for new players who are trying to penetrate the market. Thus, it is very necessary to recognise and analyse different types of entry barriers.

Taking the Chinese market as a whole, it was assessed by many consultancy companies that, it could never be seen as a single market, it is a huge country and the actual situation in the provinces and cities are diverse. And the complexity of the environment turns out that China is ranked the 31st economy across 190 economies for "ease of doing business" by The World Bank, obviously lower than the developed economies like most of EU countries, US and Japan. The government regulations for instance, are a typical entry barrier in a communist country, the process of starting business is remaining complex and time-costing. According to many sedentary documents and official reports, it is a certain fact that China is a large economy and has been growing rapidly during the past decades. Back to 2004 when Amazon entered the market, China accounted for less than 1% of worldwide transactions in e-commerce, while over

the past decade, China has become the global leading force in e-commerce. The awareness of online shopping has been gradually built up, the group of end users became larger and larger amount, even the off-line retail got a huge impact that online shopping has price advantage and time-saving, all level convenience that some of the consumers thought online shopping could replace off-line shopping. The consumers could be very loyal to the platforms due to the special feature that brings convenience for them, according to the focus group, they are normally very loyal to Taobao and JD.com for the 2 most mentioned e-commerce platforms. The consumers also value the reputation and the size of the platforms very much, those companies who offer a guarantee, a nice customer service and a valid channel for complaint are more credible. And apparently, the platforms that have a long operation history have higher awareness and can take better advantage of the purchasing inertance of consumers, having greater possibility to remain a group of loyal users. This phenomenon could be seen as a medium to high brand loyalty, there is a small likelihood for consumers to choose a new player on the market. This is seen as a high entry barrier for new entrants in the e-commerce industry. Amazon had an awareness of online book selling platforms according to the Chinese consumers at the focus group, while somehow did not create any awareness of online retail of products other than books. Taobao was established in 2003, JD.com was established in 1998, PDD was established in 2015, while it rapidly occupied a sizable market share. There is a B2C online retail trade share from 2012 to 2019 below. As a player in the e-commerce industry since 2004, Amazon was supposed to benefit from the threat of new entrants, while the market share did not make huge increases.

国内历年网络零售B2C市场交易份额对比												
时间	平台											
	TMALL	京东	拼多多	苏宁易购	唯品会	国美	当当.com	亚马逊	1919	云集YUNJI	蘑菇街	其他
2012年	52.10%	22.30%	\	3.60%	\	\	1.20%	2.30%	\	\	\	10.20%
2013年	50.10%	22.40%	\	4.90%	2.30%	0.40%	1.45%	2.70%	1.60%	\	\	9.90%
2014年	59.30%	20.20%	\	3.10%	2.80%	1.70%	1.30%	1.50%	1.40%	\	\	7%
2015年	57.40%	23.40%	\	3.0%	3.20%	1.60%	1.30%	1.20%	1.40%	\	\	8.9%
2016年	57.70%	25.40%	0.20%	3.30%	3.70%	1.80%	1.40%	1.30%	1.20%	\	\	3.30%
2017年	52.73%	32.50%	2.50%	3.17%	3.25%	1.65%	0.46%	0.80%	\	\	\	2.95%
2018年	53.5%	27.8%	7.8%	3.46%	2.18%	\	0.26%	\	\	0.38%	0.28%	4.34%
2019年	50.1%	26.51%	12.8%	3.04%	1.88%	1.73%	\	\	\	0.45%	0.24%	3.25%

Figure 16, Chinese online retail B2C trade share comparison (电子商务研究中心)

Bargaining Power of Suppliers

The literal meaning of bargaining power is the power to reduce the cost. The section bargaining power of suppliers, therefore, is the power and control a supplier of the company potentially has to raise its price or to reduce the quality of the purchased goods. A high cost of raw materials could definitely have a big influence on a company's profitability. However, due to the special feature of an online shopping platform, it combines various products and services, unlike a manufacturing company that has specific material suppliers, but a platform is more likely to have partners who help "supply" the whole purchasing action. In this case, the suppliers could be the delivery company that the platform is collaborating with, the cross-border e-commerce logistics, the operation management agencies and so on.

According to Svend Hollensen, the bargaining power of suppliers would be higher in several circumstances. The bargaining power is high when the supply is dominated by a few companies and when the products the suppliers provide are unique and differentiated (Hollensen, 2015).

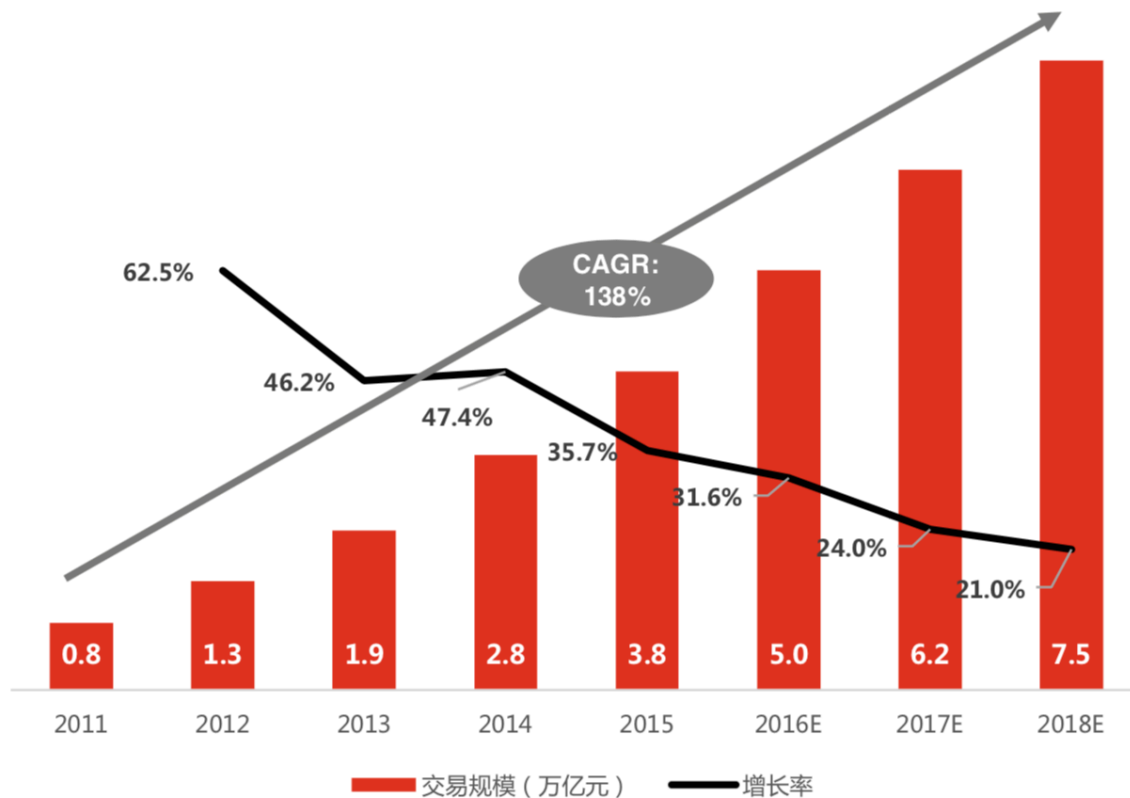
In this special industry, it is acknowledged that giant platforms are always dominant in the industry, such as Taobao and JD.com, they have powerful control within the relationship with partners due to the high market share, no partners would give up platforms like them. But this could be different as each platform has a different market share and thus different power over their suppliers. There is actually very little evidence showing who are the suppliers of Amazon, but for the e-commerce industry, the bargaining power of suppliers is relatively low.

Bargaining Power of Buyers

The bargaining power of buyers measures to what extent the buyers can add pressure to the company to get lower prices or products with higher quality. Thus, for the sellers, this could convert into higher cost or lower profitability. In this section, the buyer power would be assessed to get a better insight into the market. The concept and theories applied are from the book written by Svend Hollensen, which determined the circumstances when the bargaining power of buyers is high (Hollensen, 2015). If the buyers are concentrated or always make a large volume purchase, it is said that the buyer power is high. Under the situation when the purchased products are not unique or undifferentiated, and also when there are plenty of sellers on the market of the product, it could be concluded that the buyer power is high as well.

In the past decades, there are several players on the market offers similar service and products on the market, just as the table above showed, there are at least 10 famous e-commerce platforms, indicating that the consumers have various choices, the structure of online shopping has changed, as well as the concept of consumers, from buying the cheap products at the very beginning, to compare the products and deriving services cautiously, the driving factors of online-purchase, changed from single price-driven to multiple factors. The number of consumers who participate in online shopping, and the frequency of online shopping, has doubled and redoubled, increased several times over the beginning as the following chart shows.

2011-18年中国线上零售市场交易规模



资料来源：中国电子商务研究中心

Figure 17, China online retail transaction scale 2011-2018 (PwC Experience Centre, 2017).

The group of online consumers grew rapidly, created huge demand for online retails, and therefore, there are many derived products and services came into the market. For instance, according to the Chinese internet association's investigation, there is a new type of e-commerce that has significant differences from the traditional e-commerce since 2015, named “social e-commerce”. It could be understood as the socialised e-commerce, it relies on various social network apps or websites, network media, involving a lot of social interactions for the sales of products and service. All those changes and phenomena could tell that the threat of buyers for e-commerce has been growing higher and higher.

Threat of Substitutes

The substitute is a product or service from another industry that offers similar values to the consumers. When it appears that there are substitute products, it means the industry is less attractive for the lower profitability and lower possibility to be chosen. The more substitutes,

the stronger they are, the higher threat in the industry. E-commerce actually includes various forms. There are companies that open an official store directly on the platforms and totally operate themselves, which are identified as B2C. There is also a huge percentage of e-commerce consisting of C2C business, where individuals start their business on the platforms. During the past two decades, there is a business form called “Daigou” in Chinese, meaning personal shopper or a reseller. This type of business normally focuses on foreign products, where an individual or a company is located in a foreign country, and have access to more foreign products or are able to offer a cheaper price for the same product due to the foreign currency exchange differences or special discount like black Friday sales. There is also the well-known online streaming sale, where an influencer or celebrity, has collaboration with the supplier of a product so that they sell them at a lower price, or it could sometimes also be exclusive offers, their online streaming is the only access for a specific product. The substitutes are not only the mentioned online shopping channels, but also the traditional offline shopping. Overall, the threat of substitutes could be identified at a very high level.

Industry rivalry

The section examines how intense the current competition is in the market, and it would be dependent on a number of factors. The first factor to look at is the concentration of the industry when there are numerous competitors of equal sizes and offering equal quality products would lead to more intense rivalry. According to the Chinese online retail B2C trade share comparison above, it is apparent that Taobao is the industrial giant that has more than a half dealing transaction, and JD.com is the second largest one that counts approximately 20% of transactions. However, e-commerce itself includes all kinds of products and services, consumers could buy food, furniture, clothes, jewellery, books, concert tickets and a lot more products, these are difficult to identify. So, when there are numerous competitors operating at an equal level of products and service, the threat of competition is high. When it comes to the switching cost, there is almost no switching cost for consumers within all the platforms in the Chinese market. There is no monetary cost when registering at an online platform, and except for Amazon premium, the local platforms do not have consumer segmentation as premium paying members. The last factor is the barrier to exit, when the exit barriers are too much, some companies might remain operating the business even with low profits, so the competition remains intensive. The exit barriers are normally the difficulty of transferring

ownership and assets for companies and government regulations. The overall exit barrier in the Chinese market is relatively low.

For a brief summary, Figure 18 below shows an approximate estimated value of all the five forces and are placed on the graph. The most outstanding force for the e-commerce industry in China was identified to be the Threat of substitutes, the market was nearly saturated, so that the platform not only did retail, but also developed derived services within finance, for instance, to help with more convenient paying processes. Clearly, Amazon China did not succeed in that intense competition of strong local platforms, for having no significant advantages, no uniqueness compared to the other platforms and therefore being replaced in a short time and abandoned by Chinese consumers.

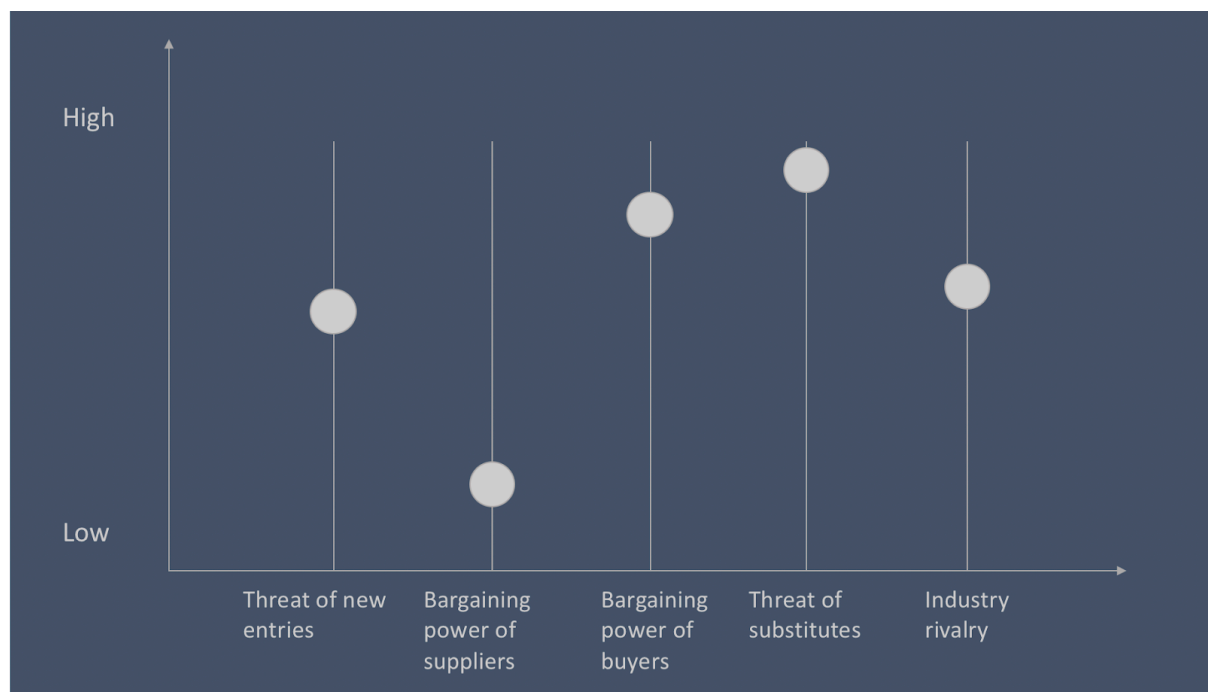


Figure 18, Porter's Five Forces Valued

As a brief summary of the findings within the “L” of the OLI paradigm, there are some points to highlight. Firstly, it seems unfair to blame the failure of Amazon on the emerging market risks, according to what was found, the e-commerce market in China was steadily growing, and along with the regulations and laws gradually completing the gaps, we think that this does not only happen to an emerging economy, but the hysteresis nature of law exists. On the cultural level, it is admitted that the barriers are relatively higher than other western markets, for that China is the country with a long and abundant history, and the cultural differences

actually apply to all the foreign companies who enter the Chinese market, not only targeting Amazon. Combining the result from Porter's Five Forces and the industrial analysis, the outstanding force was defined to be the threat of substitutes, namely the replacements in the industry are at a high amount and, at very high quality. As Taobao and Jd.com both have their core competence to keep attracting new consumers and at the same time, with the amount of high loyal consumers, Amazon did not have any of the core competences to provide a significant market share. In this part, we definitely perceive that instead of the difficulties Amazon China faced in cultural barriers and regulation restriction, the problem actually occurred in its own business structure, there was no core competencies of Amazon China as an e-commerce platform competing with local giants like Taobao and JD.com, and under the intense competition, as all the other player were improving and developing fast, Amazon China could only move towards eliminated.

5.3 Internalisation

As noted above, Amazon expanded to China through the acquisition of joyo.com, which means Amazon afforded a huge amount of cost when entering the market. Furthermore, the successful integration after the acquisition is an extremely complex and costly process. Amazon took more than three years to replace Joyo's previous system with its database system, the cost behind the replacement process is hard to imagine.

Amazon also set fifteen fulfilment centres, and had its own delivery team in 16 cities in China. The operational cost of Amazon China was rather high. Additionally, compared with Alibaba's cooperation with local logistic companies, the cost of Amazon China's self-built logistic infrastructures was much higher, thus, the delivery cost of Amazon China was not competitive in the market. Over the years, this approach has helped Alibaba successfully surpass Amazon, and later in 2013, Alibaba established Cainiao partnering with six Chinese logistics companies, making the cost even lower. Amazon China's logistics facilities and fulfillment centres built for the purpose of reducing transaction costs end up contributing to transaction costs in turn. However, the sales and market share of Amazon in China cannot keep up with the costs. The market share of Amazon in China kept decreasing (Figure 20). Before 2013, the performance of the business in China could still be seen in Amazon's financial reports. But since 2014, Amazon no longer puts China business in its financial report separately, but directly classifies

it into "international business". Amazon's sales in China were so small that the company doesn't disclose the figure in its annual report. It was even lower than the sales in Japan, which was the smallest market sales public in the financial report, with \$13.8 billion in 2018, or about six percent of Amazon's global business.



Figure 19 Amazon's market share in China 2009-2018 (qianzhan.com).

At the end of this Chapter, we would like to take the following figure as a reference, combining the findings and discuss a little bit about the important factors that caused Amazon's failure. As the last request to the participants of the focus group, they were provided with 10 factors and asked to place them in orders, from the most relevant to Amazon's failure to the least, they could ignore the factors they thought irrelevant. The result shows as follows: Three participants placed "Strategic fail" for the first order, one placed the "Competition in Chinese market was too intensive" and the last one placed "No ads and no marketing" for the first choice. The term "Strategic fail" is to some extent the combination of marketing and branding choices, the way of entry and the operation, namely the reason behind the failure is not singular. While the choice "Competition in Chinese market was too intensive" and "No ads no marketing" refer to the institutional factor, Amazon did not show any location advantages. From the consumer's perspective, it seems that the institutional factors and the company's own operation, lead to the failure of Amazon on the Chinese market.

	Member A	Member B	Member C	Member D	Member E
1	Competition in Chinese market was too intensive	Strategic fail	Strategic fail	No ads no marketing	Strategic fail
2	No ads no marketing	Western operation, Chinese team cannot make decisions	Competition in Chinese market was too intensive	Competition in Chinese market was too intensive	Western operation, Chinese team cannot make decisions
3	Slow and costly delivery	No ads no marketing	No ads no marketing	Slow and costly delivery	No ads no marketing
4	High price and no promotions	High price and no promotions	Slow and costly delivery	Web Page design is bad	High price and no promotions
5	Old fashioned and cannot follow up Chinese consumers	Slow and costly delivery	High price and no promotions	Western operation, Chinese team cannot make decisions	Slow and costly delivery

6	Web Page design is bad	Web Page design is bad	Products are not competitive	Old fashioned and cannot follow up Chinese consumers	Web Page design is bad
7	Western operation, Chinese team cannot make decisions	Competition in Chinese market was too intensive	Consumers cannot share photos for comments, only text	Strategic fail	Competition in Chinese market was too intensive
8	Strategic fail	Old fashioned and cannot follow up Chinese consumers		High price and no promotions	Old fashioned and cannot follow up Chinese consumers
9	Products are not competitive	Consumers cannot share photos for comments, only text		Consumers cannot share photos for comments, only text	Consumers cannot share photos for comments, only text
10	Consumers cannot share photos for comments, only text			Products are not competitive	

Figure 20, Focus group participants' choice on relevant factors to Amazon's failure.

6. Discussion

6.1 Theoretical contribution and implications

Looking through the project, the authors consider the contribution lies in the international business area, specifically demonstrating the importance of the OLI framework (Dunning, 1988) within the FDI theory in several ways. First of all, this paper had provided a better understanding of a type of failure during internationalisation process of a company, this was mentioned as a preliminary literature review, and we stepped into an international market exit, in other similar terms, are divestment and de-internationalization (Benito and Welch, 1997); (Burt, Dawson & Sparks, 2003); Mellahi (2003). Those pieces of literature mainly focused on the definitions, the differences between the terms, and tried to distinguish the differences, while the perspectives varied. This research did not set any definition for the terms but explained specifically, the phenomenon when Amazon announced pull out Chinese domestic market is a partial exit, which on the industrial level, the cake Amazon dropped is the e-commerce platform directly competing with Chinese domestic platforms retail domestic products targeting Chinese local consumers, on the country level, Amazon did not shut down the entire business towards the Chinese market, while focusing the business within B2B area, offering operational and managerial services and platforms for Chinese business who would like to penetrate foreign markets and promote. According to Li (2019), the OLI eclectic paradigm has not been used to identify reasons for the failure of Western Internet Firms in China through empirical case studies, however, our findings somehow filled in this gap, we provided a case study explaining the failure of Amazon as a “reverse” of OLI eclectic paradigm. By having a deeper insight of the companies' own strategies and operations in China, the finding of its long and complicated decision-making process demonstrates that the importance of an efficient organizational structure and management skills, as previous literature indicated (e.g., Cantwell & Narula, 2001; Dunning, 2000). Also, the paper identified an extremely tense competition context within the e-commerce industry in China, and completely different business culture from the western world. There were no significant location advantages for Amazon. However, it is not fair to blame the failure of Amazon totally on the emerging market risks, for the reason that e-commerce in China has steadily

developed along with the relative regulation and laws as a supplement, and the law has the nature of hysteric. This kind of cultural and legal barriers did not only target Amazon alone, but all the foreign countries entered the Chinese market. It would not be appropriate to conclude that the failure was completely due to institutional factors, but ignored the company's own operation and strategies. Furthermore, the research also found the lack of internalization advantage of the company, which is highly related to ownership advantages, there were indications that Amazon did not manage to cover the transaction cost with its operating profit in China, just as (Dunning, 2001) stated. Unlike the previous literature Li (2019), the research to some extent could be seen as a backward demonstration of the OLI paradigm, that OLI was proposed to describe a company's success factors during FDI, on the contrary, we have chosen a failure case and illustrated the lack of OLI advantages of the company. We perceive this as a confirmation of the importance of the role of OLI advantages for success in internationalisation of a corporation, and we think the paper is a contribution to the explanatory case study of relating the OLI eclectic paradigm to the failure of Western Internet Firms in China.

According to the previous identification in the chapter conceptualization, there is a gap within the customer perspective for this specific case. This paper also focused on the relationship between a failed business and the consumers, emphasizing how do Chinese consumers perceive the failure of Amazon as an online shopping platform, and what are the shortages of Amazon that make them unsatisfied. On the one hand, it could be reasoned as the strong competitors in China could better fulfil the demand of domestic consumers, providing more various products, services like fast and costless delivery, easy paying process and frequent ads and promotions with lower prices, etc. offered extreme convenience and satisfaction of their online-shopping activities. On the other hand, it is Amazon's own arrogance that made the consumers disrespected, they were also acknowledged that Amazon China did not have any independent decision power, so that caused a difficulty to follow the fast-moving trend and opportunities in the Internet age, and gradually fell into disuse. And all these findings could also verify the literature of OLI (Dunning, 1988; Dunning, 2001), and the cross-cultural risks related to customers and competition for international market exit (Ozkan, 2020).

6.2 Managerial implications

This paper is seen with managerial implications for western companies who tend to expand the business to China, disregard how successful they are in their home countries and other foreign markets. They should be careful with strategies taking the realistic situation in China into consideration, that the economy has developed too fast and along with a rapidly changing demand of people. The old way of moving the exact same strategy in their home countries with arrogance and disrespect the particularity of China does not apply to the Chinese climate anymore. The western firms should attach high importance to the Chinese domestic consumers, obtain full information and conduct market research, understanding more about consumer behaviour and preferences. They are supposed to know that many local businesses are very competitive in offering the actual products and services, try to find their core competence and place it in the industrial rivalry.

The findings also emphasized again the importance of advantages in OLI eclectic paradigm during the process of internationalization (Dunning, 1988; Dunning, 2001). That the companies are supposed to have an efficient organizational structure, communication and management skills, a good brand image or a nice reputation; to take advantage of the local policies and understand the business culture; to take good control of the transaction costs. These advantages could be essential and once the company possesses these advantages, the success of expansion could be ensured.

6.3 Limitations and possible future research

As stated in the philosophy of science, the critical realism paradigm actually accepts the fact that the objective truth can be influenced by subjective factors. This study has investigated the reason for Amazon's failure as an e-commerce platform in China and ended partially exited, pointing out several factors that caused the failure, we admit there are several limitations. First of all, even though both authors are native Chinese speakers and are highly fluent in the English language, the understanding and transforming of secondary data that was written in Chinese could not be totally accurate, while official documents, news and other media sources which are high relative to the topic were all in the Chinese language. This limitation also applies to the focus group conducted, all the participants were Chinese natives and the whole focus group was held using the Chinese language, the transcript was

primarily in Chinese and translated and summarised by the authors afterwards. Secondly, even though the authors have tried to collect as much data as possible, there is still a lack of specific and detailed data, for instance, the number indicating loss or poor profit in Amazon's annual report, the official discussion within this topic due to they perceive this event as a shameful failure and never want to describe it. Thirdly, we perceive there is a lack of interactions and open discussion of the participants of the focus group, due to the fact that it was conducted online under the COVID-19 restriction, the video call did not allow more than one person to speak at the same time. And lastly, we believed that an access to the real decision-makers from the company could greatly improve the reliability of the paper, while in this case, it seemed impossible and unachievable. Thus, future research related to this topic, should consider the possibility of reaching an actual person involved in the business before, also a quantitative evaluation of the correlation of key factors will be valued as a supplement, making the failure of western companies measurable to enrich the study of international market exit.

7. Conclusion

It is not always a success of the international expansion, MNEs should also consider the possibility of failure when entering China, especially a list of companies that have proved the hard survival in China. This paper studies the case of Amazon's partial exit from China, and investigates the factors behind the MNEs' failure in China.

In order to carry out the investigation, primary data from focus group interviews and secondary data from annual reports and other media sources were gathered. The analysis part was constructed around three sections referring to the three variables of the OLI eclectic paradigm and attempting to cluster the reasons from these three aspects. The results show that a long and complicated decision-making process, intense competition, different business culture and uncovered transaction costs are the main reasons for the exit. Additionally, innovation is extremely crucial for survival in the market as customer's increasing demand and endless innovation from competitors. The results also reveal that the "reverse" of OLI can be used to explain the case. And also with the development of Chinese e-commerce law, the industry will be more regulated and structured, and being aware of the new regulatory rules before entering the market can make expansion easier. The same with the institutional environment is changing

in China, such as the role of guanxi is different now in China, MNEs should make dynamic strategies.

Our study focuses on the failure of Amazon in China, however, as we mentioned above, Amazon still operates other businesses in China. Thus, subsequent research can investigate the gap between the failure part and the successful part of Amazon in China, to see if there are any strategic differences or if it is the supply-demand issue. This can provide a more comprehensive overview of the international market exit phenomenon. Therefore, it is critical to provide decision-makers with further information and guidance for survival in a foreign market.

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9. Appendix

9.1 Original transcript of focus group (in Chinese)

安：非常感谢大家周末参加我们的，这次会进行录像和录用，但是非商业用途，仅用于学术

请大家自我介绍，年纪，工作，购物经验

王：大家好，我叫王思晴。今年 29 岁。目前在丹麦上学，即将毕业。

安：你的购物经历，在亚马逊中国的购物经历，大概什么时间，买过什么

王：大概 14-15 年的时候在亚马逊买过书，其他商品不会在亚马逊上购买

大家好，我叫李青峰 今年 28 岁，现在在丹麦上学，已经毕业，马上回国。亚马逊在国内的时候是没有用过，之后国外用过，只用过一两次

安：是用的德国亚马逊或者英国的亚马逊？

李：德国的。

宋：大家好，我叫宋振。今年 25 岁。刚刚毕业于哥本哈根大学。我和青峰的情况比较相似，只用过德锅版的亚马逊。用过 1-2 次。

安：那购买的商品种类什么呢？

宋：生活用品，滤水壶以及滤水壶芯

安：还有剩下两位，谁来自介绍一下

姚：哈喽，我叫姚梦霓，目前我在中国沈阳工作，年龄 30 岁。购物经历也是大概在 14-15 年的时候，购买的是图书，还收到过朋友送的拼图，是在美版亚马逊上买的，其他就没有了

洪：我叫洪妍欣，今年 30，我曾经大概在国内七八年前买过，出国以后，三四年前在亚马逊买过一次 Kindle, 之后就没有了。

安：那么现在大家都了解了一下姓名和年龄，我们的论文的问题就是对亚马逊退出中国电商平台市场进行消费者层面的调查，我们希望大家这边得到的信息就是请大家从消费者的角度进行，对这个平台，曾经的购物体验以及亚马逊失败在中国的结果退的一个看法。所以我会问作为一个中国的消费者，你对于这个网购平台是怎么看的，可以从各个角度，可以从自己的层面或者公司的层面讲一讲自己的看法

李：我先说吧，我一共两次购物经历都不是很愉快，因为都没有拿到想买的东西。第一次是18年在亚马逊买了一个篮球，不知道是不是物流的问题，就是没有人联系我，最后这个单子就取消掉了，不过退钱还是很快的。第二次是去年，买了一个包，普通的双肩包，后面物流大概出了什么问题，不过结果一样，退钱还是很快的。好的一面是客服给的反馈还是挺好的，但是不好的一面就是物流原因没有购物成功过。另外一点网站界面不友好，看卡来比较偏复古，看起来很老的一个界面，和好几年前刚用淘宝的时候感觉差不多，不过后面淘宝一直都做那种UI设计的更新，包括界面啊，用户体验都更好。

安：其实应该是大家一起来讨论，但是由于我们是线上，不好进行讨论，所以我们还是一个一个来回答。那么谁作为下一个来讲一下自己作为消费者的这样一个体验

王：我来说一下，之前是本来打算在亚马逊上购买一个电子产品，但是发现平台上的化妆品，虽然我可以确保产品来自于海外，但是不包邮，运费很高，这样相对来说它的费用就增加了，而且运输时间很长，大概都需要一个月左右，所以我选择了放弃在亚马逊购物。

安：运费是要自己来负担对吗

王：对，运费以及税费是不包括的，但是在购买时会提供一个大概需要的费用，（就是预算）对，而且不包退换，那么如果出现问题的话，退回去的费用还需要自己承担，所以相对淘宝就会很麻烦。

安：所以你的购物体验就是觉得不够方便也不够省钱，对平台有没有其他的印象，因为亚马逊在美国其实做的比较成功，在美国就是有名的配送快，所以你在（亚马逊）中国是完全没有这种体验对吗

王：对，在中国就是完全没有这种购物体验。但是公司给我的印象是我能够确保产品是来自海外，所以如果我选择海外的品牌的话，我觉得品牌以及质量是有所保证的。但是我没有最后完成这次购物，所以我只能说作为一个消费者来说我很信赖在这个平台上购买

安：谁还愿意分享一下

宋：我来说一下，我是来丹麦后在平台购买，首先推送的物品很模糊，总是我搜索的东西而推送出来的不是我想要的。其次，搞不懂 **premie** 会员机制是什么意思。还有我觉得付款流程和国内相关的购物网站很不一样，让我感觉很不舒服

安：是付款流程太冗长了吗

宋：对，好像是，付款流程太冗长，没有国内相关网站那么便利，便捷。然后的话，很多产品做不到包邮，作为一个中国消费者让我感觉很不舒服

安：所以是产品的价格可以提高十块钱，但产品不包邮就接受不了是吗

宋：对对

安：好的，另外两位女士，谁来说一下

洪：之前一次由于时间太久记得不是很清楚，不过最近的一次是想在亚马逊买东西，但是像前两个人说的一样，要买的时候发现运费很贵，从德国寄到丹麦都很贵，比想买的物品还要贵，所以就放弃了这次消费。这一点，作为中国人可能接受不了。

安：就是不包邮就不会买

洪：关键是物流很贵，便宜一点也可以接受，而且只是德国到丹麦这么近的距离

安：想问一下，你之前在国内有过买书的经历，所以说在中国，亚马逊对你来说就是一个买书的平台？

洪：差不多吧，因为我的确没有关注过其他的产品在亚马逊平台

安：那我想问一下，你是怎么知道在亚马逊买书是比较好的渠道，正版。因为它不做宣传的

洪：应该是听身边的人说的，因为时间有点过久

王：我也是听朋友推荐的，就是当时在线销售书籍的网站，它是其中之一

安：另外一个就是当当对吗

王：对的

洪：但是当当送货很快

安：所以你是买书的时候觉得很慢对吗

王：我当时觉得还算正常

洪：我感觉没有当当快，我记得当当在当地都是有货区，仓库的，如果是在你当地有仓库的话，一般都是当天或者隔天送货

姚：我与大家不同的是在我印象中亚马逊还蛮好的，用户体验也挺正常的，没有什么过于不好的经历让我对它印象不好，但是至于它为什么退出我的视野，悄悄的没了，可能就是广告的植入，比如说像万能的淘宝，就不断的被洗脑（式广告营销），像我在国内看到这样的广告会更多一些。大家说的邮费问题有一点印象，其他的也就没有什么不好的经历

安：前两个问题大家基本都解答了，不满意的点也提到了，那么一个优秀的网购平台，好的购物体验该是什么样的，或者说其他要求，多么细节的要求都可以，你认为一个优秀的网站要有的点都有什么

王：我觉得如果是相对竞争的来说的话，有打折促销活动的话我会比较倾向一点，相对其他，比如两个比较相似的网购平台，如果其中一个的打折促销活动更多一点的话，我会比较倾向这个平台

安：就是价格优势吗

王：对

安：其他人也可以说一下，除了物流，包邮还有价格优势以外的其他注重的点

姚：我个人的想法是希望网络的页面能更简洁明了一点，比较清晰，太多的其他广告植入看起来很碍眼

李：对，网页页面设计好一点其实就是对质量的保证，售后要方便联系，还有就是要保证是正品

洪：我觉得产品信息详细一点对消费者会更好一点，会更加了解一点

安：所以产品介绍要详细一点，最好有图片有视频是吗

洪：对，因为大家摸不到也感受不到，多一点描述会让大家对产品的了解更多一点

宋：首先我觉得亚马逊的官方平台做的让人没有购物冲动。推送系统不是特别好，不像淘宝那样通过大数据进行分析，监听你日常的通话，搜索记录，给你推送想对应的产品，让你有看下去的冲动，亚马逊可能用户隐私做的好一点，但在这方面就丧失了一些点击量和流量

安：但这可能就比较有争议，用户隐私问题

宋：我不需要隐私，我的隐私早就被泄漏干净了，这边保护了我也会在其他地方被泄漏干净。其次，需要更多的一些促销，比如说造节，国内的很多电商都比较喜欢造节，比如说双十一，双十二，618 各种，但亚马逊在中国营销就没做到，没听说过亚马逊造什么促销节。还有就是它的会员服务我觉得也要提升一下，会员服务有什么优点，比如说京东次日达，亚马逊会员对我来说就不够熟悉

安：在亚马逊退出中国或者之前最常用的一两个购物平台

李：京东，淘宝。京东电子产品比较多，都会去京东看，可能是购物习惯吧，最开始就是在京东看电子产品，而且送货也很放心，物流送货很快，电脑，相机都会京东买，生活用品就是淘宝比较多了

王：最常用的购物平台就是淘宝，偶尔也会用京东，但最主要的就是淘宝，因为它囊括了我大部分的购物需求，而且已经很熟悉这个购物平台，用起来很方便

宋：淘宝和小米优品。淘宝的话有很多意想不到的产品，比如说电子版的游戏，盗版软件（其实是正版软件，share 账号）的安装，比如前几天买的 MS word 的安装，再其次就是支付方式做的比较便捷，和支付宝绑定，小额免密支付，很方便，信息都是绑定的，（还可以用花呗）。还有淘宝的东西很全，小零食什么，品质也比较放心，目前没什么不良体验。小米优品是因为自己是一个米粉，对于小米家族的东西比较喜欢，物价在同质量的产品中也是最便宜的，一般买一些小家电都会选择小米

姚：最常用淘宝，淘宝很多大的商家都会赠送运费险，所以在比较忙的工作生活中没时间逛街去店里选择的话就会在淘宝买，这样试一下不合适的话就可以直接退掉，这样比较方便。除此之外呢，时间比较急的情况还会选择京东，物流是很有名的，特别快。其他出门也会逛街，就很少会在网络上买化妆品一类东西，所以对产品源头也没有太苛刻的追溯。

洪：我用的最多的就是淘宝了，是用习惯了，不在国内很多年了，大部分都是淘宝（哪怕不在国内选东西的渠道还是淘宝吗）如果选择从国内寄东西还是淘宝，如果在国外的话也会选择其他的一些网站（在国外也不会用亚马逊对吧）对的

安：你可以从消费者的观点，也可以是看新闻或者媒体资料了解到的亚马逊退出中国的原因，从你们的观点来说一下，大概给大家说一下，大概 2000 年的时候国内有一个卓越网，04 年的时候亚马逊通过收购卓越网，改名为 z.cn，以此正式进入中国，19 年宣布退出电商市场，仅保留了亚马逊海外购的一个服务

王：我觉得营销是一个很大的问题，像它悄悄地进来。悄悄地走消费者都不知道。正常的情况下，如果营销做到位的话，起码它什么时候进出我们都应该知道。但是我觉

得它的营销可能做的不够，所以我们大家都不知道，所以自然而然就会选择其他的消费平台

宋：你刚刚的介绍我也有印象，卓越网前身就是雷军创建的，然后是 7500 万美元收购卓越网打造了亚马逊。我之前看新闻了解到亚马逊败走中国的原因可能是对中国的一些管理团队信任度不够高，看有关的报道说中国的决策中心，很多事情 CEO 都是没办法决定的，需要美国总部那边汇报得到批准，所以我觉得可能在中国区的老大都不能立刻决定一个商业决策，或者方向，对于这样一个瞬息万变的行业和市场，你的时效性是偏于滞后的，所以说可能在这一方面就没有很多的自主权。我觉得它在国内的一个决策中心应该是它的一个运营中心，而且可能真正能够做决策的人都是没有在中国生活过的美国人，对中国的市场就不够的了解，所以我觉得他们所做的一些决策就会驴唇不对马嘴，所以可能对中国市场的适应性就没有那么好，我觉得有一部分这方面的原因吧。

李：我不太了解，纯猜测，别的中国的电商平台做的很多比如支付方式这种伸展出来的业务，所以导致别的电商平台就有很好的产业链，不止做电商，还包括金融啊这些，市场就会越做越大，市场份额就会慢慢累积起来

安：这个猜测是对的，而且支付方式而言，它是不可能做大国内这些平台这样微信支付，蚂蚁花呗这种

洪：我觉得可能是没有被大多数的消费者了解到，没有很多中国人认识到它，（所以也是营销的问题对吗，宣传不到位，大众不知道）对的，我觉得是这样

姚：我不太清楚，我猜互联网更新迭代太快了，它没有跟上，没有完全融入中国市场，因为是商家嘛，可能还有一些资本运作，利益导向最终的失败

安：亚马逊退出对大家今后的购物有什么不便的影响吗

众：没有，万千没有

安：购买图书的两位也没有吗

众：没有

安：请大家对所有可能的因素进行一下排序（你认为不会导致退出的因素可以省略掉）

王: 9,2,4,3,8,1,5,6,7,10

李: 6 5 2 3 4 1 9 8 10

姚: 6 9 2 4 3 7 10

洪: 2 9 4 1 5 8 6 3 10 7

宋: 6 5 2 3 4 1 9 8 10

- 1: 网页设计与排版不符合审美和习惯，用户体验感差
- 2: 不做广告，没有营销，无法吸引消费者
- 3: 价格贵，没有大型打折活动
- 4: 物流慢，且多数物流自费
- 5: 公司整体运营风格过于西式，决策层面对中国团队不信任不授权
- 6: 公司整体战略都有问题
- 7: 产品不具有竞争力，选品和质量达不到预期
- 8: 表现过时，跟不上中国消费者节奏
- 9: 同类竞争对手太强大，中国电商行业崛起
- 10: 消费者之间无法充分沟通和分享购物体验，评论只能显示文字，不能发图片买家秀
- 11: 其他（请文字概述）

9.2 Translated and summarized transcript (in English)

Q1. Experience of shopping on Amazon China or Amazon other countries?

Purchased book on Amazon China, not other products.

Purchased book and puzzle on Amazon China, not other products.

Purchased book and kindle on Amazon China, not other products.

Purchased supplies 1-2 times such as kettle on Amazon Germany.

Purchased 1-2 times on Amazon Germany.

Q2. As a consumer of Amazon, please tell me more about your shopping experience, and your perception of the platform from a consumers' perspective.

Not a nice shopping experience, poor delivery and customer service, design of website seems very old style and vintage

Intended to make a purchase, but found out the product was from overseas, and charged for a huge amount of delivery cost, and about 1-month delivery time which is too long.

The platform itself is not good at pushing information, not what I searched for, secondly the so-called Amazon premium is very confusing, the paying process is so long and causes inconvenience. As Chinese consumer it is inconvenient to pay for delivery costs.

Give up the purchase while finding out the delivery cost is very high, even from Germany to Denmark.

Q3. From a consumers' perception, what is a nice online-shopping platform, what do you expect to be a nice online-shopping experience?

Discounts and promotions will attract me, lower prices.

I would like a very simple webpage design, very clear, and sometimes too many ads are annoying.

A nice webpage design could to some extent guarantee the quality, customer service has to be easy to contact, and no fake products.

More detailed information of products would be nice for consumers, to understand more, provide maybe more photos and video for better product description.

Amazon is not as good as Taobao with data analysis and preference recommendations. It does not make me want to shop, when you see the items or the category you are so interested in, you just cannot stop looking at it. Chinese e-commerce platforms like to create “days”, like the single days shopping, the double 12 shopping, but never heard Amazon do any marketing or any promotions campaigns. And they need to improve the premium service, and have to be very good at something for VIPs.

Q4. The most preferred 2 shopping platforms before Amazon pulled out Chinese market and what do you like about the platforms.

JD.com and Taobao. JD.com is well known with electronics, just used to it, and the delivery is so fast. Taobao is good for buying supplies, it can fulfil almost all the demands for everyday life, and is very easy and convenient.

Taobao and Xiaomi youpin. You can always be surprised on Taobao for games, apps, you can use Alipay, very fast with no security codes, you can even use Huabei, borrowing or pay by instalments. Taobao has almost everything, food and snacks, and nice quality. Xiaomi youpin has many nice home appliances, like the brand.

Taobao mostly, you get freight insurance, easy to return, very convenient. When in a hurry, but from Jd.com for the fast delivery.

Taobao, just get used to it. Even living abroad but still making purchases on Taobao.

Q5. In your opinion, what is the main reason for Amazon's pull out of Chinese market, could be your own perception or what you have seen or read from news and other social media.

Marketing, a big issue, it entered silently and pulled out silently, we have no information about it and just choose other platforms.

They perhaps don't have enough trust in the Chinese management team, the CEO can't even make decisions, they always need permission from the US base, and the market just changes so fast. They don't have decision-making power, more like an operating centre, while perhaps the US base has poor knowledge about Chinese market, so the strategy does not fit Chinese market.

Guess that the other Chinese platforms have many derived products and services like Alipay, built up a better industry chain, not only e-commerce, but some are also good at finance. So, the market grows bigger and bigger.

Amazon was not well-known enough, not very many people know it, so it is marketing.

The Internet nowadays just updates too fast, maybe Amazon didn't follow up, or didn't fit into Chinese market.

Q6. Any inconvenience after Amazon pulls out Chinese market?

All: Not at all, not even the ones purchasing books on Amazon China.

