

Comparison of Mode and Channel from Operation and Investment Perspective-Case Study of Cross - border Electric Retailers

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ABSTRACT

This paper takes Amazon, Wal-Mart, Jingdong and Alibaba as examples to study the international operation mode and investment path of retail electric business. The research shows that the transition from B2C to B2B2C is the best way to avoid institutional barriers. Based on their respectively comparative advantages, it is the key to construct the service support which the supplier (B) → the businessman (B) → the customer (C) all need, such as logistics, payment and finance. Amazon and Wal-Mart's FBA openness and infrastructure sharing model are conducive to consolidate the supply chain to ensure the genuine sources of products and their low prices ; Alibaba uses strong relationship-building capacity and integration of external resources to create a fourth party logistics platform; increases customer stickness through making use of Alipay to collect large amount of leisure funds to do consumer finance innovation. Regardless of the path, countries with close geographical and psychological distance or with good infrastructure are preferred in case enterprises' overseas investment. The fighting focus of the next step is to remodel the business under the premise of following the existing business structure and based on cloud computing.

Key words: B2B2C; internationalization; investment path; operation mode

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INTRODUCTION

Since 2012, China has taken three major measures to promote the development of cross-border electric business. First, it promotes the facilitation of trade customs clearance by establishing cross-border electric business comprehensive test area in 13 cities. Customs specially sets the regulatory code 9610, allowing electric business enterprises to take the approach "examine and release the list, summarize to declare", that is, firstly clear the customs,

secondly regularly collect by customs to form the customs declaration and then apply for foreign exchange settlement and tax rebates¹. Second, it develops bonded logistics. Based on historical sales of the hot-sale products, electric business enterprises can stock up in the bonded warehouse in advance, so that they can directly deliver products from the bonded warehouse after the customers make orders, changing the international sales to domestic sales. Since the establishment of Nansha Free Trade Area, the number of cross-border electric business enterprises has increased from more than 10 to 916². Third, the cooperation between enterprises and governments to strengthen the quality control supervision³. In 2016, Guangdong Inspection and Quarantine Bureau, Danone, Mead Johnson, Yihua, Midea, Tmall, Jingdong, Vipshop and other 18 companies signed to build a global quality tracing system. Through using the mobile phone APP to scan goods' two-dimensional code, the information about goods in transit, origin and others are available. Between 2008 and 2016, the contribution rate of cross-border electric business to China's foreign trade increased from 7.6% to 20%, of which B2C, C2C-based⁴ cross-border retail electric business accounted for more than 10%, and imports grew faster than exports (see Table 1). China has become the focus of global cross-border retail electric business.

The development of cross-border retail electric business has three characteristics: (1) monopoly market structure has become increasingly prominent. Due to centralized procurement, large enterprises have more advantages at bargaining, supply chain management and large-scale operation, being able to effectively reduce the marginal cost, gain effect of scale. Small electric business enterprises choose to be alliance with large enterprises, or they will face exit. (2) B2C mode is gradually evolving to B2B2C model. Due to directly connecting factories with consumers, the cost advantage of B2C model is significant⁵, but it forms a market squeeze effect to the traditional retailers. Countries are cautious about B2C imports. Therefore, the evolution from the B2C to B2B2C and building brand operators → channel providers (wholesalers or retailers) → consumer electric business path (B2B2C) protect the existing ecological consumption chain and is more in line with the fundamental interests of each country. (3) Traditional stores began to transform to full channel (O2O). During the period from 2010 to 2015, the sales share of foreign retail enterprises in China's top 100 retail enterprises decreased from 23.2% to 9.9%. Best Buy and Revlon have withdrawn from

¹ Cross-border electric business logistics mainly manages postal items (express) with "multi-frequency, low volume" features, which are different from traditional trade "low frequency, large quantities". The key is how to clear customs quickly. Customs set a regulatory channel especially for "cross-border electric business", aimed at accelerating customs clearance. The current tax rebate rate is about 13%.

² from Nansha Free Trade Area in January 2014 - August 2016 statistics.

³The majority of platform companies lack direct purchasing capacity, causing to be at a disadvantage in terms of quality control, and the agent-caused fake problem has been difficult to solve.

⁴ According to the mode of operation, cross-border electric business can be divided into cross-border wholesale (B2B) and cross-border retail (B2C, C2C), in which B2B leads. For example, China-made network and global resources are mainly based on the B2B model, relying on releasing information and advertising and earning membership fees and marketing promotion fees. Single transaction volume is huge and orders are relatively stable under B2B. B2B mostly uses the approach of "online information release and search, offline transactions". This paper focuses on the internationalization path of retailers in the B2B2C whole channel (O2O) strategy

⁵When China sells a 1,000 yuan mobile phones to India, the cost of overseas agents, stores and other channels accounts for 20% of the price, while online sales cost only accounts for 6% to 7% of the price, whose cost advantage is remarkable, causing electric business enterprises to expand rapidly. China Vipshop which set up only a year and a half ago, has established buyer team in 11 countries and regions, 12 overseas warehouses and 11 domestic bonded warehouse. In 2015, its market share is over 15%, entering the top three among the Chinese self-B2C imports electric business enterprises.

China. The first store of E-MART (Korea)⁶ in China will be closed soon. In 2016, Wal-Mart announced the closure of 269 stores worldwide (25 in China). For the transformation of O2O, the supermarket chose to cooperate with the electric business platform, or build their own electric business channels. Carrefour started "online mall" and Metro's (Germany) official flagship store settled in Tmall International; RT-Mart built Feiniu network in cooperation with Midea online. Yonghui supermarket will transfer 10% equities to Jingdong. China Resources Group will make its retail resources such as China Resources Vanguard, Suguo supermarket, Pacific Coffee, China Resources Care and others be on-line in 新关大 and Meituan take-away ... In this context, the global retail industry has changed dramatically, and the concept of "global buy, global sell" gradually deepens in the people. The retail giants speed up the international layout. But countries have different base and the development path of cross-border retail will be different. US supermarkets have strong capacity with sound brand management, supply and distribution channels and credit finance system. Cross-border electric business enterprises mainly follow the development path from bottom to top (from offline to online): the offline supermarket (resources) → online mall → platform. However, China owns strong platforms but weak supermarkets. The third-party platform enterprises such as Jingdong and Alibaba take the lead in development, while traditional department store such as Guangbain Department Store, Xinguang Department Store and the new Dah Sing have lag behind and have been forced to follow, which determines the Chinese electric business to follow the reverse path: the platform → online mall → offline resources from top to bottom (from online to offline). It can be seen that the cross-border electric business development paths of China and the United States are complementary: China's electric business enterprises are good at "commercial application of mobile device technology", "technology promotion" and "stimulating customer interest in shopping at App end", while Europe and the United States electric business enterprises do well in supply chain management and logistics control, which makes retail power to realize the global investment and cooperation and competition possible. But what basic conditions are related to the difficulty of integration of global resources? In China, platform develops first, and then e-businessman, so how to link the offline and online resources and make them jointly develop? When Wal-Mart entered into China, does it directly launch War-mart.com platform, or sell its own products on third-party platform? Does it cooperate with pure platform enterprises or with the e-businessman? Does it build its own overseas warehouse, or connect self-run international logistics with China's local logistics to solve the last one km distribution problems? In 2015, the total retail sales of China and the United States respectively accounted for 13% and 8% of the total online retail sales⁷, becoming the world's two most important retail market. In this paper, we take the global retail giant Amazon, Wal-Mart and China's largest retail business enterprise Alibaba, Jingdong as examples to study its internationalization path in different regions⁸ in order to find out its strategic differences and influencing factors.

⁶Korea New World Group's large supermarket, entering in China 1997.

⁷Data from: internationalization road of Ma Yun's Taobao: Ali battles Amazon in Southeast Asia, Qihuang's analysis, 2016-12-02.

⁸here internationalization refers to the process of enterprises expanding its business areas from the local to the global, developing from local enterprises to a multinational one through investment, trade, etc...

Table 1 2008-2016 Cross-border Electric Business Transactions

Index	2011	2012	2013	2014	2015	2016	2017
The total size of import and export transactions (trillion yuan)	23.6	24.2	25.8	26.43	29.5	32	34.6
The proportion of cross-border electric business quotient (%)	7.60	9.50	12.00	15.90	17.60	20.30	23.10
The size of cross-border electric transactions (trillion yuan)	1.8	2.3	3.1	4.2	5.2	6.3	7.5
The proportion of B2C	3.20	4.60	6.10	7.60	9.20	10.40	11.10

Data from: "the development report of 2016 China cross-border electric business (export B2B)"; BSD international freight corporation published " market analysis and development trend forecast of 2017 China's cross-border electric business" in January 25, 2017

THE CASE ENTERPRISES' BACKGROUND COMPARISON

This part compares the commonness and individuality of the case enterprises from the aspects of entrepreneurial spirit, operation mode, market position and ownership structure. The founders of Amazon and Jingdong have the common quality: they dare to be first in the world, are good at long-term layout, and believe that technology will win.

Table 2 Case Enterprises' Background and Overview

	Amazon	Wal-mart	Alibaba	Jingdong
Founder	Jeff Bezos	Sam Waltom	Ma Yun	Liu Qiangdong
Listing time	1997-5-15 (20 years)	1972-8-25 (45 years)	2014-9-19 (3 years)	2014-5-22 (3 years)
Listing place	US NASDAQ Stock Exchange	New York Stock Exchange	New York Stock Exchange	US NASDAQ Stock Exchange
Registration place	Seattle, Washington, USA (later moved to Delaware)	Arkansas (later moved to Delaware)	Cayman Islands	Cayman Islands (Jingdong's predecessor)
Registration time	1995year (22years)	1962year (55years)	1999year (18years)	1998year (198years)
Mode of operation	mainly based on self-run B2C	O2O	B2B and B2C	B2B and B2C
Market price ⁹ (USD / share)	789.82	69.52	101.69	25.95
Share capital (100 million shares)	4.75	30.73	24.95	28.41
Market value (100 million dollars)	3,751.65	2,136.35	2,537.17	737.24
Revenue (100 million dollars)	922.46	3,515.67	1196.94	1,799.32
Number of employees	230,800	2,300,000	36,446	105,963
Earnings per share (USD / share)	3.43	3.17	13.32	Loss
Price Earning Ratio	230.27	21.93	7.63	Loss

Note: (1) data from: Wal-Mart's electric business started to have effectiveness with an 30% increase of net sales which first exceed Amazon, GJSAY, 2014-05-07;

(2) Wal-Mart's financial data is from its three quarterlies of 2016((Feburary 1, 2016 - October 30, 2016);

(3) Jingdong's financial data is from its three quarterlies of 2016 (January 1, 2016 - September 30, 2016);

(4) Amazon's financial Data is from its three quarterlies of 2016 (January 1, 2016 - September 10, 2016);

(5) Alibaba's financial data is from its three quarterlies of 2016 (January 1, 2016 - September 30,2016)

Case enterprises are the United States's and China's retail giants, are listed in the United States, and establish overseas finance platform, but their operation histories in capital market are different. Wal-Mart and Amazon, respectively, have 45 years and 20 years of listing history; Jingdong and Alibaba have only 3 years in the capital market, a short time. In addition to Wal-Mart which gets development from offline retail entity based on hypermarkets, Sam's Club, shopping center, the other three enterprises are starting in the electric business.

⁹ Price: refers to the closing price of straight flush on October 31, 2016.

From the operating indicators, Jingdong's operating income (179.932 billion) is higher than Alibaba (119.694 billion), but due to focusing on logistics infrastructure construction, its operating expenses are huge, causing the operating loss. Alibaba has strongest profitability. Its earnings per share (13.32 yuan / share) is about 4 times as much as Wal-Mart and Amazon. But the number of employees (3.64 million) is also the least. Operating scale is much smaller than the US retail giant. Wal-Mart relies on a strong offline retail sales capacity¹⁰. Operating income reaches 354.937 billion yuan, 2.97 times as much as Alibaba, 3.84 times as much as the Amazon. Personnel size (2.3 million people) is 63 times as much as Alibaba, 10 times as much as Amazon. But the market value (\$ 213.6 billion) is only 58.78% of Amazon (\$ 363.4 billion), and the price-earnings ratio (21.93) is only 9.52% of Amazon (230.27), indicating that the market is more bullish on Amazon's profitability and looks forward to Internet companies higher.

Table 3 Case Enterprises' DuPont Financial Analysis

Case enterprises	Amazon	Alibaba	Jingdong	Wal-mart
① The tax retained rate (NI/EBT) =1-rate	0.5434	0.6065	1.0385	0.6942
② Interest burden (EBT/EBIT) =1- Interest burden	0.8824	0.9216	1.1269	0.8928
③ Gross profit rate (EBIT/SALES)	0.0324	0.2125	-0.0086	0.0473
④ Net profit margin =①*②*③	0.0155	0.1188	-0.01	0.0293
⑤ Asset turnover = sales income/total assets = efficiency (SALES/ASSETS)	1.3011	0.2438	1.2477	1.6996
⑥ Return on assets (ROA=Net profit/sales revenue) =④*⑤	0.0202	0.0290	-0.0125	0.0498
⑦ Asset interest rate (leverage)=ASSETS/EQUITY	3.987	1.5857	3.4079	2.5705
ROE=NI/EQUITY=⑥*⑦	0.0805	0.0459	-0.0427	0.1281

Note: calculated by financial data from case enterprises' three quarterly reports in 2016 released by straight flush software listed companies.

Using DuPont financial indicators, Amazon's and Wal-Mart's tax and interest burden is relatively heavy, which affected their net profit margin (less than 3%). Wal-Mart has highly efficient distribution and the fastest asset turnover (1.70). Return on asset(ROA) and return on equity (ROE) were the highest (4.98% and 12.81%). Ali's gross margin (21.25%) was the highest, with the highest profit margin, the highest net profit margin (11.88%) and the fastest asset turnover (0.2438). Jingdong profitability was the weakest with its operating margin being negative (-0.86%). Amazon and Jingdong have higher leverage (3.99 vs. 3.40), but Amazon's ability to use leverage is stronger than Jingdong, with higher return on equity (ROE) (8.05% VS.-4.27%).

¹⁰ Wal-Mart's revenue exceeded 400 billion US dollars in six consecutive years, more than the sum of Apple, Microsoft, Google's revenue.

From the market position, Alibaba and Jingdong are the leaders in Chinese electric business. Ali controls 50% of the B2C market in China, of which international business accounts for 9.31%, domestic retail business accounts for 80.14%¹¹. Taobao, Tmall and other retail platform are Ali's core assets, but they need to go a long way to get internationalization. Jingdong is China's largest self-operated electric business, which owns the Jingdong Mall, Jingdong Finance (to provide consumer loans), pat network O2O, Jingdong Intelligent NSNG (Jingbao)¹² and other businesses. In addition to profit from Jingdong Mall, the other new businesses face losses, and have not yet reached the scale of output. In November 2016, Jingdong was forced to spin off the financial business, transforming the Jingdong finance to an investors holding enterprise with the purpose of giving it more autonomy. Wal-Mart is the world's largest offline retailer who had strong global procurement bargaining power and is proficient in supply chain management. Its goods not only have all categories (selling several millions of SKU), but also do "every day parity." However in China, it subjected to institutional barriers¹³. Low store coverage, the lack of economies of scale, high logistics costs are becoming its weakness in the expansion of Chinese market. Amazon is the US electric business seller and logistics distributor. In 2013, its sales amount exceeded the total of the nine companies which rank after it¹⁴.

From the business model, the four companies are integrated electric business enterprises. Amazon prefers B2C, whose platform is responsible for commodity sales and who builds its own logistics to finish distribution. Alibaba has both B2B and B2C models, mainly providing a platform to the sellers, not focusing on marketing and logistics. As a platform enterprise, the key issue to Alibaba's internationalization is: how to connect its own platform with local logistics and payment resources? Jingdong's advantage lies in: being good at supply chain management, having a large number of users and rich experience in domestic logistics. Selling genuine products with integrity, self-built logistics, and providing integrated access program are the development path Jingdong upholds. Wal-Mart, like Jingdong, has a huge number of offline self-brands and logistics system.

From the ownership structure, Alibaba and Jingdong Group (Jingdong's predecessor) registered in the Cayman Islands, and used VIE mechanism to control the mainland company¹⁵.

¹¹ Data from: Alibaba 2014 second quarterly.

¹² Jingdong smart: set up in 2014, focusing on intelligent hardware market and nurturing the industrial chain.

¹³ In accordance with the "business management approach of foreign investment (China)" (implemented on June 1, 2004). According to the relevant provisions of Article 7 and Article 10, the operating period of foreign retail enterprises generally does not exceed 30 years (it does not exceed 40 years in midwest area). Foreign investors who set up electric retail enterprises, should report to the Ministry of Commerce for approval. If its business does not involve in the Internet, the total number of shops does not exceed 30, the area of a single store does not exceed 3,000 square meters; or if the total number of shops does not exceed 300, the area of a single store does not exceed 3,000 square meters. Foreign retail enterprises should be approved by the provincial commerce authorities and report to the Ministry of Commerce for the record.

¹⁴ Data from: Wal-Mart's electric business started to have effectiveness with a 30% increase of net sales which first exceeded Amazon, GJSAY, 2014-05-07.

¹⁵ VIE mechanism is short for Variable Interest Entities, is a mechanism for avoiding which is derived from the administrative constraints of the institutional barriers of foreign investment to telecommunications business in the mainland (including the Internet and electricity business). The process is: (1) Overseas set up an offshore company A controlled by foreign or domestic investors (listed company) (2) A sets up a foreign-owned enterprises B in China, engaged in technical consulting and other non-restrictive industries. Through the way of company B offering funds to company B (VIE agreement), A controls the company C which has the operating license in the territory, indirectly entering the foreign limited industry. In June 2015, the Ministry of Industry released the proportion of foreign equity restrictions on business class e-commerce (online data processing and transaction processing business). The foreign ownership ratio can increase to 100%. This means that Amazon can wholly operate e-commerce. With the system being open, VIE can gradually withdraw.

Ali's three top shareholders are Japanese Softbank (holding 34.4%), the United States Yahoo (holding 22.6%) and Ma Yun (holding 8.9%). Jingdong's three top shareholders are Tencent (accounting for 21.25%), Liu Qiangdong (accounting for 18.2%) and Wal-Mart (accounting for 10.8%)¹⁶. The founders of two companies all use A / B shares voting structure, having enough voting right which can control the board of directors through the partners holding B shares¹⁷. This means that Alibaba and Jingdong are foreign direct investment companies that are deeply cultivated in China¹⁸. They are Internet companies with their market in China, their users in China, the profit mainly from China, the helmsmen from China, but also with foreign holding and overseas listing. As China's largest online trading platform, although it enjoys tax incentives for high-tech enterprises in China and its annual net profit is over 300 billion yuan, a lot of incomes export to overseas.

Table 4 Revenue of Case Companies in 2015

	Electric Business' Annual Revenue	Annual Membership Fee	Operating Income	The Proportion of Electric Business' Annual Revenue
Wal-Mart	13.7 billion dollars	49 dollars	482 billion dollars	2.84%
Amazon	107 billion dollars	99 dollars	88.988 billion dollars	1.20 times

Note: Data from www.fortunechina.com

INVESTMENT LOCATION COMPARISON BETWEEN CASE ENTERPRISES

Different regions have cultural differences and different access to resources, so that their building paths of regional brand will be different. But no matter what paths they choose, they need to solve the logistics and platform issues, whose strategic core lies in logistics, consumer finance and supply chain control. Case enterprises' overseas investment preferred countries with close psychological and geographical distance. Southeast Asia's markets with a population of 620 million people, the rapid development of the Internet and the potential for the development of electric business have been greatly favored by the Chinese electric business enterprises. But most areas lack transport and payment infrastructure, becoming fragmented markets which are extremely difficult to tame. Thailand, as the region's most developed country, due to its population of over 60 million, geographical proximity and many overseas Chinese and Chinese, becomes the springboard of hitting the market for Chinese technology giants. Amazon prefers Singapore and India whose economy is relatively small and who have closer consumption and cultural habits with United States (close psychological distance).

¹⁶ Data from: documents submitted to US SEC by Alibaba and Jingdong respectively on May 6, 2016 and on 6 February, 2017.

¹⁷ Also known as double-tier ownership structure. The company issues A and B two types of shares with different voting rights to ensure that the founder and the management maintain sufficient control after the company is listed. The enterprise issues A shares to external investors, 1 share 1 right; the management holds the B shares, 1 share N rights. But the two types of shares have the same dividends. B shares are not publicly traded but may be converted into A shares at a ratio of 1: 1. In this way, even if the founder has only 1/3 of the B shares, he does not worry about the loss of control. Liu Qiangdong only holds 18.2% stakes in Jingdong, but has 80.9% of the voting rights. NYSE and NASDAQ are subject to the companies with such ownership structure. But stock exchanges in London and Hong Kong refuse them because the structure is not conducive to protecting the interests of investors.

¹⁸ According to international practice, foreign investment exceeding 10% of the shares is recognized as international direct investment. The purpose of international direct investment is to obtain control of the target company.

In the regions with remote psychological and geographical distance, case enterprises preferred North America, Dubai and other areas with good infrastructure. From 2007 to 2015, the proportion of European population who do online shopping increased from 30% to 53%. UK (81%), Denmark (79%), Luxembourg (78%), Germany (73%), the Netherlands (71%), Finland (81%), Finland (71%), Finland (71%), Finland (71%) and Sweden (71%) are the most enthusiastic countries with doing online shopping¹⁹. The Netherlands with its high level of industrialization, leading technology, universal education, multilingual citizens, high labor skills, stable politics and economy, strong economic radiation to European inland, developed logistics network is reviewed as "the best place for business in the world" by the Economist Intelligence Department. In addition, the Netherlands has signed a wide range of tax treaties (double tax exemption), allowing foreign investors to participate in shares, exempting the withholding tax on remittance interest and royalties. It is a better place for tax avoidance in transnational tax investment planning. The Netherlands is a loyal member of the European Union, locates at the junction of the North Atlantic route and Continental Europe's channel to the sea, with 170 million consumer population within a radius of 500 km, accounting for about 50% of the EU market, and is known as the "European gateway". When goods enter into the Netherlands, they can be delivered to Western European inland within 4 to 48 hours.

THE COMPARISON BETWEEN CASE ENTERPRISES' BUSINESS STRATEGY AND INTERNATIONALIZATION PATH

For the rapid occupation of the market, the cross-border electric business enterprises try to avoid weakness and seek to play their own advantages in the internationalization path.

¹⁹ Data from: Eurostat's survey report on online shopping people from 16 to 75 years old during 2007 and 2015.

Table 5 Wal-Mart's International Path and Strategic Objectives

Investment area	Investment Behavior	Review	Period
The US market	1996: built the website Walmart.com. 1997: went listed and raised \$ 54 million. 2000: divested Walmart.com, co-financed 100 million US dollars with Silicon Valley venture capital to get independent operation.	Electric business started early, but developed slowly	21years
	2010: The Sam's Club launched an online mall which first used its own platform and then stopped. 2014: built Sam's APP mobile client. 2015: In Shenzhen, introduced hypermarket's O2O "Shugoo" platform, "Wal-Mart" mobile App, "quick purchase service center" for customers' delivery from the store, mobile electronic payment tools, the likely unity of online and offline prices.	1、 developed its own Internet business platform and App mobile client. 2、 Self-built platform business experienced the progressive testing path of Sam's online mall → supermarkets O2O shugoo.	
	2015/7: announced that the Sam's membership shop settled in third-party platform – xiachufang.com.	1、 copied the China's mode of “third-party platform +self-run direct purchasing and supply chain” in the United States.	
	2014: developed its own web search tool to improve the conversion rate by 20%; bought search marketing software company Adchemy to optimize the use of words.	2、 Since 2014, payed attention to data digging, independently developed search engine tools, centralized online and offline consumption data, and used large data to do precise marketing.	
	2016/9: used \$ 3.3 billion in cash plus \$ 300 million in equity to buy the US local electric business company Jet.com		
Chinese market	2012: increased the holdings of No. 1 shop ²⁰ to 51% 2015: spent \$ 760 million to wholly take over the "No. 1 Shop". 2016/6 : merged "No. 1 shop" into Jingdong, in exchange for 145 million shares of Class A common stock issued by Jingdong, for 5.9% stake (through swap). later spent nearly \$ 2 billion to increase the holdings to 10.3%. 2016 : Wal-Mart's first cross-border shop in China - the official flagship of “global buy” store entered Jingdong; more than 20 Wal-Mart stores entered Jingdong Imdada's O2O platform "daojia.Jd.com", in which Dada is responsible for providing 2 hours' delivery service. 2016/10: used 50 million US dollars to (equivalent to 336 million yuan) do strategic investment on Jingdong's Imdada to integrate O2O business.	Through the progressive equity investment of equity participation → adding capital to increase holding → full acquisition, got access to brand, website, APP and its distribution logistics of China "No. 1 shop" in Beijing and Shanghai; And then sold "No. 1 shop" to Jingdong ,becoming the third largest shareholder of Jingdong through the way of swapping shares → increasing holdings → strategic investment ; sold self-run categories	4years

²⁰ No.1 shop mainly based on East China and South China, focusing on operating household goods, groceries and food category, with the advantages of owning specific categories and specific markets.

		in Jingdong, relied on Jingdong platform and strategically invested Imdada and integrated Jingdong O2O Logistics to complete the last one km distribution.	
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Cooperating with third-party electric company platform or logistics companies to effectively dilute the cost of is the business model of network business's internationalization. Walmart, as the world's largest offline retail business, its distribution system penetrates into the major cities in the United States, with 4,500 stores and 102 distribution centers and has capacity of supply chain management and global procurement bargaining power. Although electric business starts earlier, but it develops slowly. Electric business accounted for only 2.84% of 2015 operating income, much lower than the 1.2 times of the Amazon (see Table 4). A large number of physical store customers have not yet converted into electric business customers, so that online sales potential is huge. How to make the huge number of offline physical stores and supply chain advantage work well online, and how to establish offline logistics and distribution capabilities which match online transactions? In 2006, Wal-Mart built its electric business channel, trying to switch to electric business, but soon giving up. On June 2011, it started China's electric business trip, outsourced the "platform + local logistics" to Chinese enterprises. From 2011 to 2012, Wal-Mart got all the resources of No.1 shop through the way of holding equity → purchasing the majority of shares → the full acquisition. Wal-Mart sells its own brands in No.1 shop, implementing the strategy of "third-party platform + self-owned logistics", trying to cooperate deeply with No.1 shop in the goods procurement and logistics. But their online and offline categories are too different from consumer preferences: No.1 shop focuses on female customers (accounting for 2/3), and its categories are about "hot mother" (covering maternal and child supplies, home furnishings and small appliances) and "Beauty" (covering beauty, department stores, fashion electronic products), mainly for major cities' white-collar workers while Wal-Mart is mainly for high-income men. Although Wal-Mart's directly selling products in No.1 shop can effectively expand the goods SKU, in short term, it is difficult to support No.1 shop's urban expansion demand in first- and second-tier cities, because 80% of its more than 400 offline stores are distributed in second-, third- and fourth-tier cities. The volume of "No. 1 shop" (hundreds of SKU) is also difficult to support Wal-Mart (millions of SKU) O2O closed-loop integration requirements. In order to speed up the penetration of the Chinese market, Wal-Mart quickly adjusted its strategy. In 2016, it sold No.1 shop to the Chinese retail giant Jingdong and held 5.3% → 10.5% stakes of Jingdong through the process of exchanging equity and increasing capital. Jingdong has always been based in the north. The acquisition of No. 1 shop is conducive to enriching the home supplies, food and miscellaneous goods and to expanding its electric business territory of South China and North China. Wal-Mart and Jingdong's strategic cooperation is along the path evolving from linking category with platform → capital injection → member marketing → food safety management → brand marketing. Wal-Mart makes use of Jingdong's platform operating capacity and regional brand influence to quickly penetrate into the Chinese market and achieve the model leap of "international logistics + local distribution + local platform + local payment". In 2016, Sam's Club and Wal-Mart flagship store have been online of Jingdong. Wal-Mart strategically invested Jingdong's Imdada and improved its logistics and distribution chain, in order to enhance China's last one km distribution efficiency. In Shenzhen, Wal-Mart also tested self-built O2O "Sugoo" platform, the ultimate goal of which is to master the initiative of "platform + payment + logistics".

It can be seen that Wal-Mart's investment in China has undergone a strategic shift from self-

supporting to cooperation, from choosing small-scale electric company (No. 1 shop) to choosing comprehensive leading electric company (Jingdong) to achieve cooperation. Wal-Mart followed the path of holding shares→increasing capital and holding→full acquisition to get business platform, brand and channel of "No. 1 shop". After the failure of integration, through integrating brands→replacing equity→increasing capital and expanding shares, and carrying out in-depth strategic cooperation with the Chinese retail giant Jingdong, which has similar business model and an united one of logistics, payment, platform functions, Wal-Mart effectively avoids the restrictive institutional barriers on China's foreign-funded enterprises and the expansion scale of foreign-funded stores. Jingdong's platform, service, and reputation provide support for Wal-Mart's direct sales in China. At the same time, Wal-Mart deeply involved in the transformation of Jingdong logistics system to optimize China's local distribution capacity, so that "Chinese distribution" and Wal-Mart "international distribution" can be effectively linked, an effective solution to the last one kg distribution problem. In 2015, Wal-Mart will copy the model of "third-party platform + self-logistics + self-supply chain" in the United States, with Sam's membership stores entering the kitchen market under third-party platform. In 2016, Wal-Mart got the acquisition of the United States' local electric company jet.com²¹. Wal-Mart integrates online shop with Jet electric business system to achieve low cost and fast performance.

²¹ Jet.com set up only 1 year ago, with more than 100 million US dollars of operating income, more than 400 million customers and providing one day service to more than 50% of US households for free.

Table 6 Alibaba's International Path and Strategic Objectives

Investment area	International investment behavior	Objectives	Period
Chinese market	<p>2009/8 : launched the Aliexpress platform.</p> <p>2010/3 : invested 70 million yuan in Stars Express, holding 30% stakes.</p> <p>2007 : invested Best Logistics ; 2010/7 : Best Logistics got the 70% of Xuntong Express's shares.</p> <p>2013/12 : invested Haier Electronics by 2.822 billion Hong Kong dollars to build strategic partnership.</p>	Built its own cross border electric business platform.	6years
The US market	<p>2013/10: set up an overseas investment team led by Michael Zeisser.</p> <p>2014/3 : invested \$ 215 million in Tango (an instant messaging application company)</p> <p>2014: participated in the sports souvenir online retailer Fanatics' new round financing of \$ 170 million.</p> <p>2014/5: Invested to hold 39% of ShopRunner's stakes (express service provider).</p> <p>2014/8: injected 120 million US dollars to Kabam (video game company)</p>	Invested the Internet start-ups to gain the potential source of growth.	1year
	<p>2014/9: Alibaba went listed on the New York Stock Exchange. Compared with the issue price of 68 US dollars, on the first day the closing price of 93.89 US dollars rose 38.07%.</p> <p>2014/6: launched online boutique market site 11Main in the United States, aiming at the US online retail market.</p>	Got listed in the US market for access to overseas capital; launched self-run website to test US retail market.	2years
European market	2015 : announced the expansion in Europe, setting up offices in Italy (Milan), Germany (Munich) and France (Paris).	<p>1. established an office in Western Europe and cooperated with government departments to help SMEs enter the Chinese market.</p> <p>2. worked with financial institutions in Britian, France and Italy to solve the payment problem and expand Alipay's global application.</p> <p>3. established the European data center in France and Germany.</p>	2years
	2016 : set up an office in the Netherlands (Amsterdam), focusing on promoting the Beilu Lu products in the Chinese market [food, children's products, daily luxury goods].		
	2016 : Ant Financial Services Group cooperated with BNP Paribas S.A., London Barclays PLC (BCS), UniCredit Bank and SIX Payment Service.		
	2016 : worked with Vodafone, a telecom operator, to set up a data center in Frankfurt and provide cloud computing services with the German data center.		
Southeast Asian market	<p>2014/5: invested \$ 249 million to acquire 10.35% stakes of Singapore Post.</p> <p>2016/4: invested \$ 1 billion to acquire acquisition of Southeast Asian electric company Lazada and got its Singapore online store Redmart. This has been the largest foreign investment for Ma till now.</p>	entered the Southeast Asian market with regarding India, Thailand and Singapore as the	2years

	<p>2007 : founded the Indian Channel to help Indian companies seek global buyers.</p> <p>2008 : built strategic partnership with Infomedia, India's largest B2B media company.</p> <p>2014 : bought some shares of Indian Venture Company PayTM²² and Snapdeal's shares.</p> <p>2016 : Negotiate the acquisition of one of India's largest online trading platform Snapdeal²³.</p> <p>2016/11 : cooperated with Thailand's largest consortium's Chia Tai Group. Ant Financial Services Group invested Ascend Money, starting from 7-11, to promote Alipay in Thailand.</p> <p>2016/12 : Thailand's political and business delegation reached a comprehensive cooperation agreement with Ali [involving telecom business, small- and medium-sized enterprise development, personnel training, logistics supply chain, etc.], to help boost the development of Thai electric business and build "Thailand 4.0" and "no cash community."</p>	<p>cores. In India and Singapore with the relatively good infrastructure, it mainly used the way of "self-building +holding shares or the acquisition of competitors" to develop localized platform; participated in the post company to solve overseas distribution problems. In Thailand with the relatively weak infrastructure, signed with the government , relying on government resources to deepen cooperation; and cooperated with Thailand's payment company to promote Alipay applications.</p>	
the Middle East market	<p>2016: Ali cloud cooperated with Saudi data services provider Detecon.</p> <p>2015/12: Ali jointly set up YVOLV with Dubai Real Estate Group Meraas.</p> <p>2016/11: YVOLV built data centers in Dubai.</p>	<p>worked with local real estate giants or telecom operators or data service providers to build data centers in Dubai in order to enter the Middle East market.</p>	1year

At the beginning, Alibaba was founded to serve as a global B2B website. In September 2014, the company successfully listed on the NYSE in the United States, opening its internationalization. Ali's strategy is "global purchasing, global selling." On the one hand, it

²² Paytm holds more than 70% of India's market share.

²³ Snapdeal: founded in 2010, has received 627 million US dollars (2014) from Softbank, 500 million US dollars (2015) from Softbank, Ali and Foxconn and others, 12 rounds of financing in total with total scale of \$ 1.76 billion. In India, the three giants Snapdeal, Flipkart and Amazon respectively accounted for 26%, 45% and 12% of the market share.

makes self-run platform Aliexpress²⁴ to get through with Taobao background, then selling Taobao goods overseas. On the other hand, it establishes Alibaba International Station and makes the Chinese consumer market as a catalyst to attract overseas businessmen to enter and meet the needs of Chinese consumers' cross-border online shopping[http://dict.youdao.com/w/cross-border%20online%20shopping/javascript:void\(0\);](http://dict.youdao.com/w/cross-border%20online%20shopping/javascript:void(0);).

Alibaba involves in the logistics, finance, electric business, brand, investment, cloud computing and other fields to build a complete Ali zoology. Through the establishment of rookie network, it cooperates with local postal and logistics suppliers to build loose network organization and strategic cooperative relations; It has access to Macy's and other world retail giants and finishes the acquisition of Southeast Asia's largest electric business company Lazada (2016), and gradually develop into an international business platform. By investing venture companies in Silicon Valley, Ali has gained complementary resources and potential growth sources. Its Alibaba YunOS Auto named World Club Cup, using sports marketing to expand the brand influence. Its Ant Financial Services Group invested Ascend Money(Thailand), SIX Payment Service (Switzerland), K-Bank (South Korea Internet Bank), Paytm (Indian version of Alipay) and other financial institutions and reached a strategic cooperation with the Lotte (Japan's largest electric business platform), Stripe (American online payment company) and the Swiss Global Blue (European tax rebate agencies) to expand Alipay's global application. At present, Alibaba establishes data centers in Singapore and the Middle East, designing to build cloud computing-based core competitiveness. Ali hopes to transplant the entire Ali ecology overseas, so it pays attention to overseas high-level cooperation in the expansion²⁵. It prefers to cooperate with the government to use its social resources to increase brand recommendation and supervision, promulgate customs clearance law and solve the problem of local payment. For example, it signed a memorandum with government agencies of the United Kingdom, France, Italy, to promote their local businesses to be online in Taobao and Tmall and use the Chinese platform to enter the Chinese market. And it works with Singapore and Brazilian postal companies to take advantage of local resources to improve customs clearance efficiency and solve the delivery problem of front-end's 100 meters (import) and back-end's 1 km (export). In Russia, Alibaba mainly copies Chinese model, that is, Aliexpress cooperates with the local mobile phone operators to develop APP services. In March 2015, Aliexpress with Russia's four major mobile phone operators MTC, Megafon, Beeline and Tele2 launched mobile phone bill payment service to facilitate online shopping for consumers outside Moscow and St. Petersburg. In July, Russia's B2C electric business platform with annual turnover of more than 100 million US dollars collectively settled into Aliexpress.

As for different regional markets, Ali has different investment strategy. In Europe, Ali will be positioned as a gateway for European companies to enter the Chinese market. As the emerging

²⁴ Aliexpress: Alibaba in 2010 established Aliexpress, initially aiming at getting through with Taobao background, then selling Taobao goods overseas. In 2012, it shifted the target market from the United States to Russia and Brazil, in order to avoid the competition with Amazon, eBay in the main battlefield in the United States and expand its influence on the countries along One Belt One Road, gradually becoming a platform with tens of millions of goods. The number of daily visiting users of Aliexpress in Russia reaches to millions, 5 times ebay, 9 times the Amazon, becoming Russia and China's largest cross-border electricity business platform. In order to solve the logistics problems, Aliexpress at first cooperated with the International Postal Union. But with the business development, postal's bottleneck highlighted. Then in France, Australia, Singapore, Italy and other countries, Aliexpress signed a series of agreements with local governments and logistics suppliers to open up cross-border logistics by using the local forces.

²⁵ In 2016, Ma proposed the eWTP (World Electronic Trading Platform) initiative at the G20 summit, was awarded by the United Nations for senior official and red pass, and was responsible for building a global electric business platform.

market is complex and changeable, it is difficult for western multinational companies to enter, who hope to rely on Ali ecology, get all-round service support from the transaction → payment → finance → logistics and expand the Chinese market with low cost. From 2015 to 2016, Ali has offices in Italy (Milan), Germany (Munich), France (Paris) and the Netherlands (Amsterdam), and plans to upgrade the UK office in London's financial district to the European "strategic center". Since 2011, Alibaba has launched 10 localized business platform in the world. By 2013 Alibaba has established online operation centers in Texas, Pennsylvania and Brazil; by November 2016 it has set up more than 70 offices in China, India, Japan, South Korea, Europe and the United States, operating in more than 200 Countries and regions. Ant Financial Services Group cooperated with three European banks and a payment company to launch **online remote** and APP payment business. By September 2016, nearly 100,000 businessmen in 70 countries could use Alipay.

Table 7 Jingdong internationalization path and strategic objectives

Investment area	International investment behavior	Objectives	Period
European market	2015/02 : started Jingdong "French Pavilion", and set up overseas direct purchasing team.	established European direct procurement system through the group procurement, setting up overseas joint ventures and other ways.	1year
	2015/11 : established Zitro Corporation with Otto Group (holding 50% shares respectively) which headquartered in Germany. Otto is responsible for regional service (website establishment and maintenance, operations, IT system processing, payment, logistics, customer service, etc.) to assist European and American brands to enter China through Jingdong platform (not the only).		
Chinese market	2016/6 : Wal-Mart emerged its "No. 1 shop" into the Jingdong, in exchange for 5% of Jingdong shares (swap) and then increased the holdings of Jingdong shares from 5.9% to 10.3%.	used Wal-Mart's global procurement system to remedy the short board of Jingdong supply chain.	
	2016/8 : Tencent increased holdings of Jingdong from 17.6% in 2014/5 to 21.25%.	increased the advertising coverage in the Tencent news client to get more traffic entries.	2years
	2016/4 : China's largest logistics platform "Dada" and Jingdong's fresh food O2O platform "Daojia.jd.com" merged to "Imdada", serving over 500 thousands of businessmen in more than 300 cities and cooperating with more than 30,000 supermarkets and drugs in 18 cities. Jingdong has 47% stakes in Imdada as its single largest shareholder. 2016/10: Wal-Mart injected 336 million yuan to Imdada.	Self-building logistics system → upgrading cooperation → fully open (logistics branding), shifting logistics system from the cost center to profit center.	10years

Jingdong's overseas business started late. In 2015 it began international layout. In 2016, Jingdong will upgrade import and export business sector to the marketing department and set up a global team, responsible for attracting investment and purchasing directly overseas. It has launched French Pavilion, South Korean Pavilion, Japanese Pavilion and other national pavilions and pavilions with regional characteristics to attract Kao, Pigeon, Nissin, Shiseido, Kose, Canon, Panasonic and other international brands to settle. Jingdong chooses Wal-Mart and Tencent as partners. In the demand side, it places Jingdong ad into the Tencent news end, making Jingdong has access to its huge user group. In the supply side, Wal-Mart's global direct

purchasing capacity and supply chain system enrich the original product categories. In Europe, Jingdong and the German electric giant Otto²⁶ set up a joint venture (2015). With Otto resources, Jingdong introduces European brands rapidly to meet the needs of overseas shopping for Chinese consumers. Otto changes from B2C to B2B, as grafting bridge between China's electric business and the European brand.

Compared to the entity companies, overseas acquisition of electric business enterprises cost less. For example, Ma's largest overseas acquisition cost \$ 1 billion (2016, Lazada acquisition case). But establishing infrastructure is costly. From 2016 to 2017, Amazon plans to invest \$ 2 billion to build a logistics distribution center and upgrade the technical information system.

SERVICES OPENING PATH COMPARISON BETWEEN CASE ENTERPRISES

China and the United States are very different in logistics distribution model. The 2/3 of the United States' population concentrates in around 8 km range of Walmart, BestBuy and other large supermarkets, which integrate logistics, payment and brand management and have their own credit and settlement system and a strong supply chain. Every day trucks shuttle in the major stores and timely distribute goods. Supermarkets entrust their own brand to factories for processing, and are commissioned to sell others' brand. The operation scale of China's chain supermarket is much smaller. Although the consumption scale is huge, the geographical dispersion needs to focus on cargo allocation and centralized declaration, in order to reduce channel costs. Chinese supermarket's gross margin is about 10% to 15%, net profit only 3% to 5%²⁷. Supermarket's self-built logistics will undoubtedly increase the picking and delivery costs, and further squeeze profit margins. In China there is no successful stories about supermarkets which transform to electric business and construct dual operation mode of online and offline based on the supermarkets. Most of China's O2O enterprises are still in the stage of burning money on distribution, aiming at cultivating user habits and forming a large scale, and then transforming to be an entrance after the formation of consumer stickness, linking with value-added, profit-based life services.

Wal-Mart has its own satellite positioning system, automatic ordering system, stable supply chain, and a strong bargaining power because of the size of procurement. To expand the economy of scale, Wal-Mart has opened the logistics system, allowing suppliers to pay for their inventory management systems and distribution services (5% of the delivery fee), but the suppliers must use the Wal-Mart's bar code and do sorting and packaging under retail requirements. This is conducive to sharing cost and speeding up the supplier's inventory turnover. Opening logistics system makes logistics activities as a "profit source" for Wal-Mart, with distribution costs less than 3% of sales, far below the competitors' 4.5% to 5%²⁸.

Amazon is oriented by self-run B2C business and sets platform, logistics and shopping malls in one, causing high operating costs. In 2006, Amazon opens its more than 64% of the platform

²⁶ Otto Group: Otto Group, Hanjo Schneider as chairman, was founded in 1949, has ever been the leading authority in the international mail order industry, and now involves in TV shopping, Internet retail and mobile business. It has 123 enterprises and sets up five procurement offices in Dongguan, Shanghai, Qingdao and other cities with business in more than 20 Countries and regions, being the world's largest retail channel operator, which provides financial and third-party logistics services. Its Hermes Europe is a supply chain management service providers (responsible for bilateral cross-border logistics), accounting for 25% of the European B2C and C2C express market with logistics profit margin of 5%.

²⁷ Source: what will Wal-Mart electric business eventually want to be? North Bay Suppliers, 2015-07-22.

²⁸Data from: view Wal-Mart's business strategy from the financial management point.

GMV and FBA²⁹business to the platform enterprises. It makes use of its advantages of warehousing and logistics, attracting a large number of businesses to enter, and ultimately beating ebay who leads the C2C model. After opening the platform and logistics, Amazon's net service revenue consists of four components: platform business commissions, agency fees (AWC), logistics revenue (FBA) and Prime membership fees. Among them, FBA is the most important source of profits.

Jingdong spent 10 years in investing the domestic construction of logistics system and now has 234 warehouses, 6756 distribution stations, billions of users and a online mall with whole categories. In 2013, Jingdong established Qinglong platform, whose daily processing capacity is up to 2 million, and which can support 10,000 users to operate online at the same time. In February 2015, Jingdong started "French Pavilion", sent a delegation to do direct overseas purchasing. Self-run logistics system and direct overseas purchasing are conducive to eliminating the uncertainty of distribution and effectively controlling the supply quality, but it has high operating costs and low gross margin. In order to amortize cost and get long tail effect, in November 2016, Jingdong opened the three service systems of supply chain, express and logistics cloud to the community and launched "211", "arrive in limited day", "distribute in night " "Speed up" and other integrated services in the core cities. For the economies of scale³⁰, Jingdong speeds up the layout of the warehouse network, transiting from the operator to the platform service providers, logistics shifting from the cost center to the profit center.

As a platform business, logistics is Alibaba's largest short board. In order to solve the logistics constraints, Ali has launched a large logistics plan (June 2010), Skynet plan (June 2011), and established "China568" with logistics enterprises (logistics information service platform). In September 2012, Taobao and Tmall piloted "Alibaba service station" to provide campus express system solutions; set up "community service station" in more than 580 convenience stores of Beijing, Shanghai, Hangzhou and other cities. In 2013, Alibaba announced the establishment of the logistics division, started "China Smart Logistic Network" (CSN) project³¹and set up rookie network (network plan) to strengthen the logistics infrastructure construction. Alibaba invested

<http://dict.youdao.com/w/eng/%e7%99%be%e4%b8%96%e7%89%a9%e6%b5%81%e6%9c%8d%e5%8a%a1/-keyfrom=dict.phrase.wordgroupBEST> Logistics(2007),Stars Express (2010),and Haier Electric (2013) by equity, and indirectly held News Express (2010), and jointly developed logistics and distribution of appliances and large items of goods , installation and other service standards with Haier Electric. Based on the "China568" and CSN, Ali gradually builds the logistics system of "open platform + logistics integration", "self-building + cooperation", "online and offline integration" with the support of Internet of things and cloud computing. Ali makes use of accumulated mass trading data to create a socialized fourth party logistics integrator, which provides integrated solutions specifically for third-party logistics. Jingdong and Amazon have their own logistics, massive users and all kinds of goods. Benefiting

²⁹ In 2006, Amazon opens FBA (Fullfillment By Amazon) and provides a package of logistics services including warehousing, picking, packaging, distribution, collection and cargo return, which cover 44% of the population within the surrounding 20 km and achieve the day up, then up to the next day up to. According to the GRP (Consumer Intelligence Research Partner) 's study, by July 2016, more than 65% of sellers used Amazon's FBA service, accounting for 42.1% of Amazon's orders.

³⁰ That is, the more warehouse, the closer the goods from the consumer, the faster delivery, the lower cost.

³¹ on May 28, 2013, Alibaba and Intime Group, Fosun Group, Forchn Holdings, China Post, EMS, SF Express, TTK Express,"3Ts and 1DA "(STO, YTO,ZTO,YUNDA),ZJS,HTKY and other related financial institutions together launched the CSN project, which is actually the supply chain integrator, or called the forth party logistics(4PL), responsible for the integration of technology, resources and capabilities to provide supply chain solutions.

from the early accumulation of users, Jingdong imported 4 million bottles of red wine from French winery under their first cooperation in 2014. Wal-Mart owns its developed supply chain logistics, but the traditional logistics distributes along the path of manufacturers → warehouses → supermarkets → consumers. Now it needs to comply with the requirements of the development of electric business to re-build the integration system of manufacturers → warehouse → consumers' warehousing and distribution. When the traditional business model and modern business model coexist, Wal-Mart faces a huge challenge as for how to get through the two logistics chain. Alibaba's relying on external alliance to build a logistics network is a typical light-asset operation model. Formulating industry standards of logistics equipment, operational processes and other aspects is the key to ensure efficient operation of the alliance, but which also needs to solve who will monitor the service and how to coordinate the interests of the parties and other problems.

Table 8 Comparison of Case Enterprise Services' Internationalization

	Service internationalization	Review
Warl mart	2015: At the Arkansas headquarters, Bentonville tests the service of "Walmart Pick-up Grocery" ³² , which is designed for low-temperature food." 2016 : promoted the Prime membership services in China.	attracted members and promoted member services. " Pick-up Grocery " is suitable for open towns, not for crowded and concentrated Chinese cities.
Amazon	Initial stage : outsourced domestic logistics to USPS and UPS, international logistics to Fedex. 2005 : introduced Prime member service to Gold Medal users. 2007: launched a package of FBA services of "rental shop + selling network flow + sub-warehouse leasing + packaging and delivering for customers + collecting money" to the platform businessmen 2011 : built its own express team in the UK, trying to solve the "last mile" distribution problem. 2013 : established UAV project. 2015 : promoted Amazon Flex's 2 hours arrival service in Seattle.	platform mainly charges membership fees, rental fees, agency commission and so on with efforts to build high-tech distribution capacity from the logistics of outsourcing → self- run delivery → UAV distribution.
Jingdong	2013 : open FBA services to platform businessmen and partners. 2015 : established the third national pavilion - Japan Pavilion, following the French Pavilion, South Korea Pavilion, made use of overseas direct purchasing to attract international brands to settle and provided direct mail, centralized distribution in bonded area and other integrated logistics solutions for Jingdong's global customers. 2016 : established smart logistics open platform.	Shifted from the self-run logistics → open FBA service, and changed from the platform provider to a "platform + logistics" service providers through the "direct purchasing+ bonded logistics", focusing on smart and open logistics.

³² "Walmart Pick-up Grocery": Warehouse and store are separated. 2 hours later after the consumer make orders online , the customer can drive to Pick-up Grocery (similar to the gas station), input the name, order number and click on t "pick up". 5 minutes later the warehouse staff will deliver the goods to the car.

COMPARISON OF STRATEGIC TRANSFORMATION OF CASE ENTERPRISES

The electric business industry has fastest strategic evolution. Due to the differences of culture, consumer habits, user stickness and others between countries, when there is a need for overseas expansion, case companies rarely use self-run B2C model, but prefer to make use of the local complementary resources, or build a complete B2B2C consumer service chain to help local brands enter into other markets, or even they can radiate regional market by means of geographical or policy advantages from the host country. Platform enterprises will face the two major challenges from lacking of technology and lacking of talent reserve when they enter overseas. Ali first appointed Michael Zeisser, former head of Liberty Media's Electric Business Department, as president of the Investment Department; then appointed Jane Penner, former spokesman of Google, as Vice President and Head of Investor Relation Department in order to use his experience and contacts to develop the North American market. In 2015, Ali successively appointed Ameer Chande³³, Rodrigo Cipriani Foresio as the Group's general managers in the UK and Italy; appointed Terryvon Bibra³⁴, Sebastien Badault³⁵ as the office's general managers in Germany (Munich), France (Paris), who directly reported to the Group CEO Mike Evans.

From the beginning, Amazon founder Jeff Bezos positioned the company as a technology company. Amazon has an unique advantage in cloud computing, media, hardware equipment and artificial intelligence and can use high tech to connect global resource platform in the role evolution process from technology provider → logistics provider → retail electric business provider. In 2015, electric business providers' revenue accounted for 70% of the Group's total revenue. Alibaba was positioned at the beginning as a website to serve the global B2B, following the development path from platform → payment and consumer finance → logistics → technology, and gradually expanding to cloud computing, big data, culture and entertainment, O2O and other fields. Taobao sells ads and data services to sellers; Tmall and Alibaba impose membership fees, platform fees and advertising fees on the businessmen. Depending on the consumer finance and financial management functions of payment wallet (Yu E Bao), Ali gets a lot of cash flow and quickly puts it into advertising, logistics and other profitable activities. As a result, although Ali is famous for fakes and the "low price competition", relying on its innovation in trade finance field, its profitability is still stronger than Amazon. In 2013, Amazon's operating income and net profit were respectively Alibaba's 9.36 times and 58.24 times, but the sales profit margin is only 0.37%, far below the Ali's 45%.

In the O2O era, the offline layout of "store + shopping center + distribution warehouse" directly relates to commodity inventory and logistics coverage. Wal-Mart owns huge offline resources, increasingly paying attention to build an independent platform, improve the logistics system and develop data digging. Wal-Mart's massive consumer resources are enough to support its precise marketing under the big data. For example, the proliferation of diaper consumption means that baby carriage will also meet its sales climax. Wal-Mart can boost baby car suppliers to increase production and efficiency and obtain low purchase price through strategic

³³ Ameer Chande: Former senior executive of Wal-Mart, aged 41, later worked as Director of Health and Health Care Business in Tesco PLC.

³⁴ Terryvon Bibra: former chief omni-channel retail officer of Karlstedt, Germany's largest chain department stores; was responsible for Amazon's European business; served as the leader of all regional markets in Yahoo.

³⁵ Sebastien Badault: one of the founders of Amazon France and Google France, being responsible for regional business development.

cooperation. Wal-Mart used five years to successfully carry out supermarket O2O platform "Sugoo", the global flagship store, Sam's online shop and App in China; invested the Jingdong's "Imdada" logistics and planned to build the first shopping center by 600 million yuan in China. "Genuine, safety, daily parity, courteous service" is Wal-Mart's brand concept. To strengthen the quality control, Wal-Mart strictly enforces supply chain management, provides consulting services for suppliers to help them improve processes and reduce overall costs and uses long-term assets with suppliers to share costs together and improve asset efficiency. Wal-Mart's inventory turnover period is 17 days, accounts payable turnover period is 62 days³⁶, which means Wal-Mart can take up the supplier's funds for 45 days for free. If the daily demand for funds is 10 billion, it can get ample funds of 450 billion which can be invested flexibly in all types of capital markets.

In China, Jingdong focuses on the physical market and meanwhile pays attention to group buying, traveling and other virtual markets, expanding its business from the network mall to the finance, intelligent hardware and online travel, for example, investing BitAuto in the automotive field and Tuniu in tourism, gaining dividends from the growth of online travel market. Jingdong cultivates NSNG through multi-channels, following the business development path from chip → platform → cloud computing → super app → equity-based crowdfunding to provide system solutions for entrepreneurs, completing the change from retail platform provider → supply chain service provider → resource integrator. But JingDong is still an electric business enterprise which deeply roots in the local market, adheres to the development path of self-run logistics and overseas direct purchasing and focuses on creating brand reputation.

Investing and acquiring host country's leading platforms, logistics companies and high-tech start-ups to obtain the scarce technology and capacity are common tactics during the internationalization of electric business enterprises. In 2013, Alibaba set up overseas investment team, focusing on two types of investment: one is mobile applications with potential power (mobile phones and services). Ali has successively invested Lyft³⁷ (taxi application), Tango (chat application), Quixey³⁸ (search engine), Peel (TV content sharing), Kabam (mobile game development) and other Silicon Valley start-ups, deploying communication applications, content sharing and online and offline lives. The other is logistics and platform enterprises, aiming at attracting local brands to conduct online business and building global distribution capabilities. Ali has successively invested in vertical business platform 1stDibs (high-end luxury website) and Fanatics (sporting goods website); held shares in Singapore Post, and built strategic cooperative partnership with postal sectors of Australia, China and Brazil and the logistics enterprises of Russia, Japan, South Korea, the United Kingdom, the United States, Australia and other countries. In Japan, Alibaba cooperated with

³⁶ Cash turnover period = inventory turnover period (17 days) + accounts receivable turnover period (0 days) - accounts payable turnover period (62 days) = - 45 days. This means that the supplier offers 45 days' business credit for free.

³⁷ Lyft: a US privately held, traffic sharing network services company, headquartered in San Francisco. The company launched P2P ride sharing App, with its business in 65 cities across the United States.

³⁸ Quixey: Headquartered in Mountain View, California, developed the "Functional Search (App Search Engine) technology that allows users to search across websites for the APP information of comment sites, blogs and social media sites.

Softbank in operating platform, in which Softbank was responsible for the funds, Ali provided brand and member resources. Since 2016, Ali has started a strategic transformation, changing into cloud providers through the layout of the global cloud computing infrastructure, and has successively established data centers in Silicon Valley of the United States, Singapore, Hong Kong, Dubai, France, Germany, Japan (planning) and Australia, with its "virtual machine + Data center" covering more than 2.3 million users in over 100 countries. During "double eleven" period in September 2016, Ali for the first time operated cloud computing center designed and built by itself to support 175 thousand times / second's transaction volume.

As can be seen, cloud computing is the ultimate strategy for cross-border electric business enterprises. Someone who owns the cloud infrastructure around the world will have the cloud management service capabilities of electric business. Only by entrusting the overseas cloud host to local or global cloud service providers can cross - border electric business enterprises understand thoroughly into global business, and open overseas online markets instantly.

Table 9 Comparison of the Characteristics of Regional Markets in China

	Platform		Logistics		Payment channel		Logistics cost		Investment and finance costs	
	Self-run	The third party	Self-run	The third party	Self-run	The third party	Low	High	Low	High
Amazon	+		+		+	+	+			+
Alibaba	+		+	+	+		+		+	
Jingdong	+		+			+		+		+
Wal-mart		+		+		+		+		+

From the business model of four regional case enterprises in China, Alibaba's "platform + payment + finance" model has an advantage. Platform enterprises operate "payment wallet", utilize consumer finance (financial management) activities to absorb and invigorate the retail funds, dominating the core factor "trade finance" and resulting in effective reduction of investment and financing costs and acquisition of sufficient cash flow. During the "double eleven" period in 2016, for the first time Tmall sold international famous products to Hong Kong and Taiwan with providing local settlement, free shipping, local returns and other services. In the supply chain management, Alibaba is mainly based on loose cooperative organizations, taking "China market" as an incentive to absorb overseas brands into Ali platform. As for the various brand sources and the difficulties of product control, counterfeit goods or fake problems are serious. How to ensure the quality of supply and improve customs clearance and distribution efficiency in this mode is the key. To solve overseas distribution problems, on one hand, Ali built or rented overseas warehouse (mostly located in the free trade area), making use of bonded logistics' fast customs clearance to reduce the cost of circulation; On the other hand, it cooperated with the local government, postal companies and logistics enterprises to solve the last one kg distribution problem by using their relationship resources and distribution capabilities. But the size and credibility of the partners is essential to maintain the network's stability and efficient operation, because the brand reputation will be affected once the betrayal or political risk arises. JingDong and Amazon are "self-run supply chain + self-run platform business" providers, which are responsible for providing all-round services from sales of self-run goods → inventory management → logistics and distribution by mainly using self-built channels and overseas direct purchasing approach, that is, it purchases goods directly from suppliers, imports in batches under general trade, and then distributes the goods through the JingDong logistics system. For the layout of all categories, JingDong builds

overseas purchasing team or joint venture company and establishes a stable group purchasing relationship with overseas brands. This mode is strong in quality control and helps to improve the customer experience, but its operating costs and the requirements on financial management and logistics control capacity are high with needs of enough cash flow. Due to its huge network sales volume and the Group's powerful procurement bargaining ability, it is conducive to maintaining the price competitive advantage. Under proper management, with the advantage of the procurement scale and logistics' opening-up, through a reasonable account management, effective absorption and occupation of suppliers' funds, the enterprise can get plenty of cash flow to fasten overseas investment and expansion.

China's policy dividends produced by development of cross-border electric business and the opening of retail enables China's electric retail giants to take a huge lead in the cross-border development. Alibaba first stood on the Chinese market, attracted overseas retailers into Ali platform through exchanging the market for resources and opened the "one-stop" service of payment → distribution → marketing analysis and others. However, in the early stages of development, the platform was weak in dealing with users' supervision and legal punishment and was lacking of effective regulatory and responding mechanisms for abnormal transaction accounts and customers' complaints. As a result, fake and shoddy products were popular, which affected the international reputation of the Ali's platform. In terms of platform construction, Ali operates the platform together with local strong real estate or business giants under the "its own brand + third-party funds" mode. In the choice of investment location, Ali gradually expanded from Europe (Russia) → North America (USA) → South America (Brazil) → Southeast Asia → the Middle East. In Europe, Ali used self-built "Aliexpress" to attract large Russian retailers into the platform; worked with mobile phone operators to develop APP payment services, so that Russia quickly became China's largest overseas electric business market. In the United States, following the path from venture capital investment → going public → testing boutique retail platform, Ali has successively invested dozens of start-ups in Silicon Valley, taking use of the perfect capital market and innovative environment in the United States to obtain the necessary overseas resources and funds. But it's difficult to capture the US consumers because of bearing the "big fraud" charges. In Brazil, Ali translated the Aliexpress's pages into Portuguese. By July 2015, the Brazilian website's page view had been over 12 million times, three times of Brazilian Ebay. In Southeast Asia, Ali mainly laid out in Singapore and India by acquiring the local platform and payment wallet company, worked with local channel partners or co-built to get local logistics operators and network customers, built the operational capacity that can radiate the Southeast Asia and laid the foundation of displaying Ali's operational advantages on the platform. The time when Ali entered India is late (2014), so it developed local platform which can adapt to the local needs mainly through the "self-building + acquisition" approach. Ali invested Indian payment company Paytm (2015) to obtain local payment channels and participated in the postal company to solve overseas distribution problems. It can be seen that "Made in China" is still recognized by global consumers. But overall, Ali's overseas layout is still in the early stage. Ali platform is now the main channel for overseas goods to enter the Chinese inland market. In China, Ali with its industry monopoly status advocates diversification. Ali took a stake in YinTai to develop O2O business; held the shares of China Vision to get film and television copyright; invested Wasu to enter the film and television industry and intelligent living room; entered Hengda football to get sports marketing channels; invested Sina microblog and YOKU; purchased AutoNavi, UC, etc. Ali has gradually penetrated into upstream and downstream of such industries as the finance, entertainment, sports, navigation and other fields.

CONCLUSIONS

Case study shows that cross-border B2B2C business is more complicated than domestic B2C

business because of involving customs, tax, credit, payment, logistics, warehousing and other links, so it needs strong ability to integrate online and offline resources and build relationships. It is difficult for small companies to support this complex technical requirements because of its small size, low capacity of internationalized operation and shortage of fund. For this reason, cross-border electric business leaders are mostly network retail giants, which trigger host countries' concerns about national security issues. Most countries have strict access restrictions and security review systems for foreign Internet companies. Bypassing institutional barriers is one of the motivation for electric business enterprises to get internationalized. China's capital market is not yet fully open, lacking of QFII category, so that it has an open-minded attitude to the new form of Internet and allows Alibaba which has foreign capital holding structure to flourish in the country. It is very difficult to rely on single business to get through all links as cross-border electric business has long business chain. And large companies are limited by profit targets, leading to be relatively cautious in the innovation and investment. Therefore, it is the best way to cooperate with start-ups with the growth potential and the top electric business company in the host countries.

Electric business platforms mainly rely on price competition. It is undoubtedly a serious challenge for platform enterprises to ensure both the low price and quality of goods and distribution efficiency, which forces the platform enterprises to internationalize and establish the network of production, exhibition, consumption (finance) and distribution network based on global resource allocation. At present, China's cross-border retail electric business companies mainly do import business. Ali's Tmall International attracts more overseas businessmen. Wal-Mart enters Jingdong Mall and "No. 1 shop", aiming at the Chinese market. While Wal-Mart and Amazon's reverse support for the Chinese sellers' selling to the globe is small. Until 2016, there has been 550-600 Chinese sellers in Wal-Mart and Amazon, and it have regulation for the sellers: they must have the ability to deal with orders in the United States. On the one hand, because domestic companies are lack of overseas delivery capacity and brand influence, and do not have the basic conditions for overseas' online. China's Internet companies rely more on advertising revenue with the problems of occupancy, fighting for talents and channels and other unfair competition. On the other hand, The threshold for the companies set by platform enterprises in China is low. There is strong temptation of "China's major market and local logistics". The Chinese market has developed into a certain stage and has its unique ecological logic and oligopolistic competition. So leveraging is undoubtedly the best way to avoid the acclimatized problem brought by self-built logistics and platform. Overseas enterprises used Ali platform to enter the Chinese market, which greatly enriched the consumer's purchase choices and reduced the price of imported goods. But at the same time it squeezed the local enterprises, forcing the internationalization of domestic enterprises which establish production base overseas, and then bring products back to China to reverse the inferior position. Overseas investment and global operations will eventually lead to the internationalization of quality control, channel and brand strategy .

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