Bachelor's Thesis

How Can Swiss Small and Medium Sized Enterprises Moluk and Park Use E-Commerce to Internationalize to China. A Case Study with Ricola.

Institution:	Zurich University of Applied Sciences
Department:	ZHAW School of Management and Law
Author:	Mrs. Debby Chau
Student Number:	S15531619
Supervisor:	Mrs. Juan Wu
Submission Date:	March 24, 2018

Management Summary

Currently, the cross-border e-commerce landscape in China is booming. It is anticipated that 300 million Chinese middle-class consumers are seeking for a higher standard of living, as China matures into a developed economy. This development is driving the increased demand for foreign consumer good products because such goods are perceived to be high-quality. Switzerland as a country enjoys a reputation for an impeccable standard and is associated with its naturalness and fineness of products.

With the limited presence of Swiss companies in the cross-border e-commerce platforms in China, this thesis investigates transparentizing the processes and enabling the access to such knowledge for Swiss small and medium-sized enterprises (SMEs). Consequently, this bachelor thesis should illustrate, how Swiss SMEs Moluk and Park can use e-commerce to Internationalize to China. Moluk and Park, will act as case studies to provide them with the most suitable options of internationalizing to China through the means of cross-border e-commerce.

The research for this bachelor thesis was divided into three main parts. Firstly, secondary research was carried out to investigate the current situation of the e-commerce market, by conducting a business environmental analysis of China. Secondly, primary research was conducted through a qualitative interview with Ricola, which has already internationalized to China. Lastly, an online consumer survey with 241 respondents was implemented to answer the questions surrounding consumer behavior and specific questions to Swiss SMEs, Moluk and Park.

The findings from Ricola depict that there is a commonality between how Swiss products are marketed in China. The idyllic picture of Switzerland is frequently used in marketing and heavily highlight the Swissness and picturesque aspect of the given product. Moreover, the cross-border e-commerce online platforms is a fragmented market in comparison to the local one, as there is no clear market leader having more than 25% of market share. Therefore, a comparison of all four leading cross-border platforms, namely, Kaola, Tmall Global, VIP International and JD Worldwide were analyzed to ensure a holistic understanding for the roadmap.

In conclusion, it is recommended to set up the e-commerce stores with JD and Kaola, as they have the lowest initial costs for set up. Especially Kaola is interesting, considering that they have the largest market share within the cross-border e-commerce business and further seek to extend their European brand portfolio.

As Moluk is already established and has international expansion experience, coupled with the high demand for baby products in China, it is recommended to use this momentum to start with the direct mail with overseas warehouse logistics model. Park on the other hand, has limited international expansion experience, therefore it is advisable to assess the situation again before starting with the direct mail with international express delivery model on their selected platform.

Table of Contents

List of Figures

List of Tables

1 Introduction

The perception of Switzerland among the Chinese is commonly associated with mountains, lakes, villages and the Swiss flag. In fact, Switzerland as a country does not only have a positive image in China as a desired travel destination for its natural landscapes and pure environment, but also for its high-quality products (Hu, Kalbaska, & Cantoni, 2013). Given this positive image, Swiss companies can benefit from this association and are able to exploit this connotation to attract more Chinese customers.

This positive perception stretches beyond the luxury goods market but also concerns the consumer goods in the mass market. As the mass middle-class becomes wealthier in China, the demand for a higher standard of living becomes inevitable. Hence, it is expected that in the future the demand for foreign consumer goods will continue to rise in China (ModusLink, 2015).

Furthermore, the trend towards digitization for shopping becomes apparent. As Chinese consumers seek to increasingly buy from e-commerce platforms. According to Grandon & Pearson (2004), the definition of e-commerce is “the process of buying and selling products or services using electronic data transmission via the Internet and the www”.

Within less than a decade, China has emerged to be the world leader in e-commerce. China has a total internet user base of 730 million, accounting for 40% of the global retail e-commerce market (Marinova, 2017). The mobile payment market particularly is 11 times larger than the size of the American market (Marinova, 2017).

Even with those significant figures, this is only the beginning of China’s e-commerce growth. Whilst the country’s middle-class boom has just started to take off, it is anticipated that potentially more than 300 million middle-class consumers, with a disposable income, will drive demand and consumption in China (Marinova, 2017).

Cross-border e-commerce platform is a marketplace for foreign brands to sell to Chinese consumers. The middle-class’ high propensity to purchase foreign goods online, exceeded the total sales $100 billion by the end of 2017 for cross-border e-commerce platforms. A study by eMarketer revealed that more than one-fifth of (23%) of digital buyers, will make at least one purchase off cross-border e-commerce platforms once a year (Long, 2017). This represents an annual average spending of US $882 per Chinese digital buyer, purchasing a product from cross-border platforms (Long, 2017).

The three main factors propelling the trend towards cross-border shopping in China are the tech-savviness of Chinese consumers, the increased exposure to foreign brands through overseas traveling and the willingness and ability to spend more (Long, 2017). As the Chinese middle-class seeks for a higher standard of living, the overall demand of foreign goods is expected to rise, as they commonly have a better reputation compared to Chinese goods (Long, 2017).

With the biggest cross-border e-commerce platforms such as JD Worldwide, Tmall Global and Kaola, adding more foreign brands into their portfolio and continuously improving their cross-border logistics and lead times, this brings an opportunity for foreign brands to tap into the Chinese market (Long, 2017). The demand is especially high for products in the baby, maternity, health and beauty sectors (Long, 2017).

The research of this thesis was conducted in two steps. Firstly, secondary research was conducted to thoroughly examine the status quo of the Chinese e-commerce market. This secondary research investigates the holistic picture of e-commerce in China. Including exploring its size, potential growth, business environment, and understanding the online shopping behavior of Chinese consumers. Furthermore, the literature review depicts how Swiss companies internationalize and shows the possible entry modes specifically for SMEs.

Secondly, primary research by the means of a qualitative interview with Ricola serves to illustrate the theory in practice. The role model company Ricola has already expanded to China and acts as an exemplary model showcasing the internationalization path, and the risks and benefits associated with such a venture. Additionally, an online survey was conducted to tackle specific questions concerning, Swissness, online shopping behavior of the Chinese.

An analysis will be provided to showcase the available platforms and to understand which options offer the best solutions for Swiss SMEs. Moluk and Park serve as case studies to provide them with a roadmap to China and give specific recommendations to help them internationalize to China using cross-border e-commerce platforms.

1.1 Purpose of Research

The research question for this bachelor thesis, is stated as. How can Swiss small and medium-sized enterprises Moluk and Park use e-commerce to internationalize to China. A case study with Ricola.

One of the available options for Chinese consumers to buy foreign goods is through the Chinese business to consumer (B2C) cross-border e-commerce platforms. These platforms enable foreign SMEs to start selling on their platforms under much better conditions than establishing a physical store. The market penetration online through e-commerce is expected to be higher as the outreach is much bigger, than a traditional store.

The purpose of this thesis is to provide recommendations and a roadmap to two Swiss SMEs, Moluk and Park illustrating how they can internationalize to China using cross-border e-commerce platforms as a point of entry. Even though the Chinese have a positive country image of Switzerland, it is observed that not many Swiss companies are yet exploiting this opportunity.

According to Alibaba's platform, the most popular brands originate from the United States, Australia, Japan, Germany and South Korea (Long, 2017). In comparison, Switzerland is relatively slow and has just started to discover China as a fiscally viable consumer market.

In September 2017, M-Industrie started selling a selected assortment of goods in the Chinese cross-border e-commerce platform Kaola (M-Industrie, 2017b). Shortly after in December 2017, M-Industrie partnered up with Tmall Global (M-Industrie, 2017a). Operating under a new name "Orange Garten", the company launched a marketing campaign tailored towards the Chinese market (Bürgler, 2018).

The image of Orange Garten in China is focusing on Swiss clichés, sustainability, environmental protection and high-quality of Switzerland. This is the right mix for Chinese consumers to attract them towards these products (Bürgler, 2018). According to Kessler, Swiss products are in great demand in China and consumers are willing to pay very high prices for good quality Swiss products. Therefore, Swiss companies in China are testing how high they can go with the prices until the pain threshold is reached (Bürgler, 2018).

Furthermore, as digitization has become increasingly prevalent in the Chinese society, this gives a new opportunity to foreign small business owners, to expand their reach on to a global scale remotely from Switzerland. Chinese consumers have different online shopping preferences compared to Europeans, many spend more time shopping online than in social networks. It is therefore observable that Chinese consumers like to learn about companies and its history, as a long tradition represents reliability and quality (Bürgler, 2018).

Therefore, this thesis aims to showcase the benefits and risks involved for Swiss SMEs to internationalize to China via e-commerce. Ideally, the framework outlined can provide a balanced and justified roadmap for Moluk and Park in their future ventures.

2 Theoretical Framework

The theoretical framework is divided into two major parts, firstly it investigates the background and market of the e-commerce business in China, to fully oversee and comprehend the current situation. Secondly, a literature review is conducted to understand the status quo of academia within the field of internationalization of SMEs.

Based on both aforementioned components, it provides a substantial foundation to further investigate and apply the gathered knowledge to the Moluk and Park case studies.

2.1 Background and E-Commerce Situation in China

In 2017, China's economy grew by 6.9%, which exceeded the official forecasted target of 6.5%. The total gross domestic product (GDP) of China amounts to US $11.2 trillion and is the second largest economy after the United States with US $18.6 trillion (World Bank, 2016). Throughout China's economic development, it has reached an average growth of 9.7% from 1989 until 2017, with its peak of 15.4% in the first quarter of 1993 and a record low of 3.8% in the fourth quarter of 1990 (TradingEconomics, 2018).

According to Millward (2017), China has 731 million internet users in total, which represents roughly 53% of the general population, whereby 95% of the users access it from mobile devices. As the global purchasing powers are slowly shifting to emerging markets including China, it has become evident that China's middle-class is growing wealthier than ever before.

With an upper middle-class only consisting of 14% of the population in 2012 within the urban households (annual household income: US $16,000 – US $34,000), this demographic is expected to grow to 54% by 2022 (McKinsey&Company, 2013).

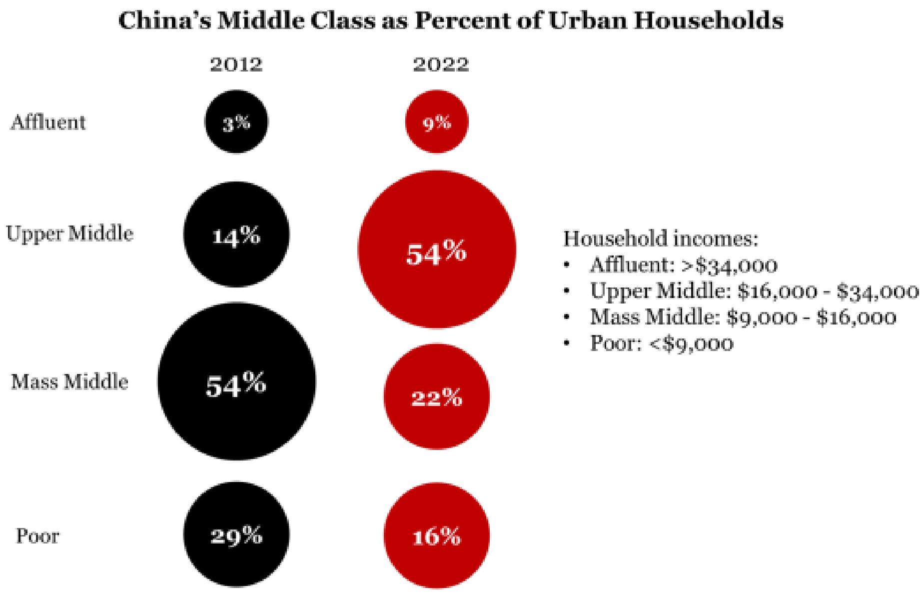


Figure 1: China's Middle-Class as Percent of Urban Households, (McKinsey&Company, 2013)

Coupled with the forecast of the consumer economy growth of 55% as compared to the United States of 21%, China's consumer market is on track to add nearly US $2 trillion by 2021 (BCG, 2017). Given all those forecasts, consequently it is evident that China remains on track with acceleration and growth within the e-commerce industry in the near future.

Besides the economic growth, China is a unique market due its sheer volume and size, whereby an opportunity arises for foreign consumer good firms to start their e-commerce business in China. This is not a pioneering venture, as many European companies have already found their path to China's middle-class, however this thesis aims to pinpoint how such an opportunity can be exploited to the advantage of the Swiss SMEs.

2.1.1 Market Analysis of E-Commerce

To understand the Chinese e-commerce market, a thorough market environment analysis was conducted to cover six crucial dimensions, namely political, economic, social, technological, environmental and legal. This will provide a holistic understanding of the e-commerce market. The aforementioned elements cover important aspects, thus creating a holistic understanding of the e-commerce market.

This specifically exemplifies the current situation and the outlook within the given spheres to exhibit the threats, challenges, and opportunities associated with e-commerce in China.

2.1.1.1 Political

China is a state capitalist, whereby the Chinese Communist Party holds the major political power in China. Firms must adhere to formal and informal legal issues regarding governmental regulations and policies. It has been observed that the government put key emphasis and importance of the development of e-commerce in the last decade. Evident from the National Medium- and Long-Term Program for Science and Technology Development until 2020, the ministry of information industry was listed as of one of the priority topics (The State Council, 2006).

The plan states to enable information technology and large application software to modernize the service industry in China. Priority is given to the development of highly credible online software platforms, supporting the industries such as logistics, tourism, e-commerce, and media (The State Council, 2006). As China's political power holds a strong influence on the economy and enterprises, this is expected to be beneficial for the e-commerce businesses in the future.

Furthermore, China has cut red tape in e-commerce to support entrepreneurship and ease of market access since 2015 (South China Morning Post, 2015). It aims to encourage more venture capitalists to enter the sector, reduce share-holding restrictions on foreign investments, and lower taxes. Moreover, it is supporting the reduction of logistical costs, strengthening the financing and infrastructure, and turning the bricks-and-mortar stores into click-and-mortar stores (South China Morning Post, 2015). In conclusion, it is to be expected that the e-commerce platforms will have bargaining power against the government and other businesses to freely operate, as they become more important for the Chinese economy in the future.

2.1.1.2 Economic

Although the GDP growth rate of China has been slowing down from double-digit growth numbers, in 2017 it achieved a growth rate of 6.9%, which exceeded the official forecast. With the downside risks of rising leverage of the non-financial sector and uncertainty around housing prices, China's GDP forecast for 2018 and 2019 remain unchanged at 6.4 and 6.3% (Glenn & Wong, 2017).

According to Statista (2018), the Chinese e-commerce market revenue is expected to amount to a total of US $584 billion in 2018. The revenue is forecasted to grow by 12%

each year, resulting in a total market volume of US $917 billion by 2022. The market segmentation consists of Fashion, Electronics & Media, Food & Personal Care, Furniture & Appliances and Toys, Hobby & DIY, with the largest segmentation to be for fashion with a total market volume of US $195 billion in 2018. In addition, the user penetration of the e-commerce platforms is at 46.8% in 2018 and expected to rise to 67% by 2022.

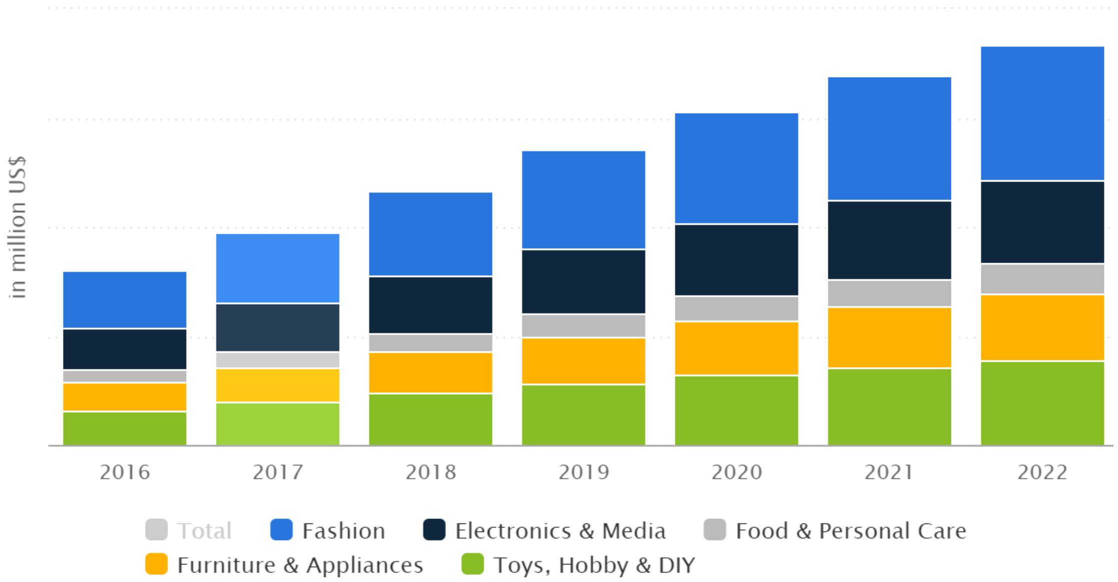


Figure 2: E-commerce Revenue in million US dollars, (Statista, 2018)

Given these developments, it is conspicuous that this also translates to an increased demand for consumer goods within the market. As the middle-class in China, is increasingly becoming financially capable to purchase foreign goods, there is a sizable amount of demand in the Chinese market yet to be met.

China as the second largest consumer market has a thriving potential to grow and to absorb additional commercial activities within the e-commerce sector.

2.1.1.3 Social

Within the social aspect, it is apparent that Chinese consumers are maturing and becoming accustomed to foreign goods and Western brands, which is shifting their consumer behavior. Even though superficially it might appear that China is becoming more Western, there is still rich culture and habits that are enrooted within the Chinese consumers. Therefore, it cannot be just assumed that Chinese customers can be targeted the same way as Western ones, but rather need a special consideration.

Economically speaking, Chinese consumers are willing to purchase foreign products with an associated premium for many reasons. The ModusLink (2015), suggested that foreign brands and goods are considered as elegant and refined. The foreign goods are associated with status and prestige, reasserting one’s professional success and capability to live a high-level lifestyle. This is a facile way for Chinese people to differentiate themselves and show their individualism in comparison to the general population. Furthermore, previously European brands were rather perceived as ostentatious luxury products. However, with the growing sophisticated middle-class, they desire to enjoy the same quality of life as their Western counterparts (Jing, 2017).

Due to many scandals in the past, such as health hazards or counterfeit products, people are especially careful when buying Chinese products. This, in turn, supports the increased demand for foreign goods, especially for the growing middle-class, which have a high awareness of such issues within China.

Lastly, it is of great importance to target the customers in a right way and through appropriate channels. There are common mistakes foreign companies make when trying to market towards Chinese customers. This ranges from failure to match the product to their target customer, mistranslations or misinterpretations, marketing through wrong channels, and unplanned pricing strategies (Lam, 2017).

According to a Forbes study (2017, p.5), it is important that the brand aligns with local Chinese culture and tastes however, it is vital to not to be fully native as the foreignness of a brand is still a unique selling proposition. Therefore, it is essential to promote the brand, assuring that there is consumer awareness and a positive connotation to the brand.

Furthermore, the shopping behavior of Chinese consumers also is an interesting attribute for e-commerce. The online shopping through a Personal Computer (PC) or mobile gains importance over the in-store purchases. In a survey conducted by Price Waterhouse Cooper (PWC), it is revealed that 46% of Chinese consumers shop in-stores on a daily or weekly basis, which is lower than the 52% shopping via mobile online. In addition, 24% of the consumers also claimed that they shop less in physical stores as a direct result of Tmall (Cheng, 2017).

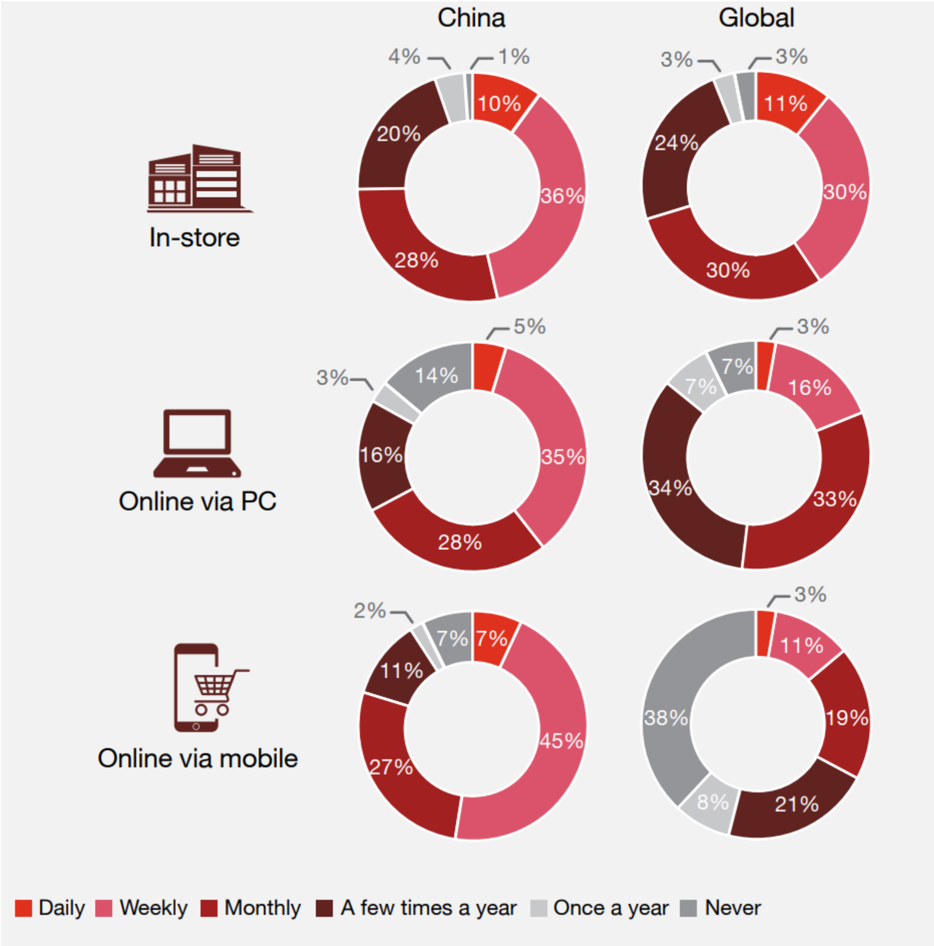


Figure 3: Frequency of Shopping Through Different Channels, (PWC, 2017)

In Figure 3, it is observable that China's affinity towards online shopping via PC or mobile is considerably higher than the average global consumer. Thus, it can be assumed that Chinese consumers are more technologically advanced compared to their global peers. This shows a trend of how e-commerce will increasingly be more important over time in the Chinese market.

2.1.1.4 Technological

China is catching up with the technological advancement of the United States. With the biggest tech giants valued at around US $500 billion (Alibaba and Tencent), it is rivaling Facebook (The Economist, 2018). China has the largest online-payments market and the fastest supercomputer, with plans to build world's most lavish quantum-computing research center (The Economist, 2018).

China's technological progress is reflected within the e-commerce sphere. As consumers become more digitally native, particularly the younger generation (Forbes, 2017, p. 2), there is an increased emphasis on digital/mobile marketing. This also extends to payment and shopping methods which is evident with the growing trend of mobile instead of desktop shopping (refer to Figure 27 in Appendix 8.1). Instead of adopting Western social media or tech affinities, China has their own homegrown version of media channels (refer to Figure 28 in Appendix 8.1).

Alibaba as one of the biggest players in e-commerce has a unique business model. Alibaba aspires to create an ecosystem, as Jack Ma, has outlined at the World Economic Forum in Davos. The difference between Amazon and Alibaba is to be found in its nature of doing business. Whilst, Amazon runs an empire, where everything is controlled by the company itself, Alibaba's philosophy differs. Alibaba strives to create a holistic ecosystem and empowers its customers to sell and provide the services. The aim of Alibaba is to empower 10 million small business sellers to stay competitive and gain an advantage in the market (Ma, 2017).

The vision is to use the internet technology to transform any small business in the field to become a competitive retailer, comparable to Amazon. Jack Ma (2017) explains his business as follows:

> To hire people to deliver for us, we need 5 million people, to deliver the things we sold. How can we hire 5 million people? The only way we can do it is to empower the service companies, the logistics companies. Make sure they are efficient. Making sure that they make the money. Making sure they can hire more people. (para. 2)

Therefore, it is apparent that Alibaba has much more of a different business model than their American counterpart. Alibaba offers an integrated platform from payment using Alipay to shipping and logistics all in favor of the small businesses integrated on their platform.

Consequently, Chinese players are not just a mere copy of the American counterparts, they have established a different system and a unique selling proposition to their own business.

2.1.1.5 Environmental

It is no surprise that with the volume of e-commerce in China a right and cost-effective way to deliver goods and services is essential. With air pollution being a persistent problem, this is amplified with the waste packaging, logistics, and transport continuously driving larger demands.

As e-commerce and logistics systems become more integrated, there is an associated environmental impact in this aspect. According to China Money Network (2017), in 2016 a total of 31.3 billion packages were delivered in China, which is up 51.7% year-on-year and taking an overall share of 43% of all packages delivered globally. As result, the astonishing growth in deliveries consequently follows with a large amount of packaging waste clogging landfills.

The latest data suggests, that a total of 9.9 billion packaging boxes, 8.2 billion plastic bags, 16.9 billion meters of tape and 20.7 billion sheets of address forms were used in the year of 2015 (Li, 2017). All of this could cover approximately 200,000 football fields, while the tape could circle around the equator 425 times (Li, 2017). Clearly, with such volumes, this is a persisting issue that needs to be tackled to have a sustainable future for the e-commerce industry in the long-term.

To address this issue, Cainiao Network, a logistics alliance launched by Chinese e-commerce giant Alibaba in 2013, grouped with the six largest Chinese courier delivery companies to put environmental protection at the forefront by making the packaging greener (Li, 2017). It focuses specifically on boosting the use of environmentally friendly packaging, the adoption of electric delivery vehicles and applying big data in logistics to optimize the resources and minimize energy consumption (Li, 2017).

Together with Alibaba and the six largest logistics companies in China, Cainiao Green Alliance Foundation was established in Beijing to pursue this project. The foundation plans to invest US $47.5 million for research and to provide innovation to promoting green logistics, consumption and supply chain management. The initiative called “Go Green Project” aims to make 50% of the overall packaging materials renewable by 2020 (Li, 2017).

Even though China is facing criticism towards environmental protection issues, there is a large effort by the industry to challenge the status quo by launching such an initiative. This suggests, that the market is maturing, and that consumers and businesses have an increased awareness and consideration for the environment.

2.1.1.6 Legal

The legal system in 2011 was found to be at its nascent stage, experiencing different problems. There was limited knowledge with creating legislation surrounding e-commerce, especially concerning topics such as transactional security, intellectual property rights protection and tax. Critical success factors of e-commerce, such as consumer rights, data privacy, validation of electronic contracts and recognition of digital signatures were yet to be written, improved or refined (Kariyawasam, 2011, p. 270).

As e-commerce is constantly evolving and changing, impacting the social life and the overall economy in China, it is to be expected that new regulations and legislation surrounding this business will fall into place. Especially, with the boom in e-commerce, legislators will feel the pressure to act and put the necessary legal reform in place to create an integrated, safe and trustworthy legal framework.

China aims to introduce new e-commerce law to tackle the upcoming e-commerce questions within the scope of business. The fundamental principles of the new law are as suggested (Albrecht, 2017):

"Encouraging innovation, honesty and credibility, allocation of resources by the market, improving the monitoring and innovations, self-discipline and social governance, anti-discrimination, extrapolation of data, balance between exchange and protection". These principles complement each other, aiming to establish a comprehensive legal framework (refer to Appendix 8.2).

Even though, it is permissible to have provisions customized by national regulations in e-commerce, the drafted law adheres to many international treaties and agreements such as:

"UN Convention on the Use of Electronic Communications in International Contracts, the UNICTRAL Model Law on Electronic Commerce, the WTO's Work Program on Electronic Commerce, the Preferential Trade Agreements (PTAs) in the Asia-Pacific region and the data protection provisions of the APEC, the TPP and the RCEP" (Albrecht, 2017).

Although the drafted e-commerce law has not been adopted yet, it would bring major changes and improvements to consumer protection and the protection of intellectual property. Simultaneously, there are also a lot of gaps and information that leaves room for interpretation flexibility and development for the future (Wu, 2016).

While waiting to understand whether Chinese legislators will pass the law, many Chinese e-commerce giants have already started to implement their own frameworks, such as Alibaba claiming intellectual property infringements by implementing AliProtect and TaoProtect (Alibaba, 2018).

2.1.2 Key Success Factors of Foreign SMEs in China

To be successful in the Chinese market there are key success factors, which play a crucial role in succeeding within e-commerce in China. According to CBEC (2015), these factors are critical for the business conduct in China.

- Having an own branded website with an online shop is not enough to convert sales. It is essential to cooperate with marketplaces (e.g. Tmall, JD) to ensure exposure and to reach end consumers.
- Trust can be gained over communication around the brand on social media (e.g. WeChat). In China, 70% of Chinese internet users post online reviews to share information with their peers, compared to 20% of American internet users.
- Customer service in China cannot just be viewed as an administrative process however, must be perceived as a core for sales conversion activities.
- Marketing and communication aspects are not comparable to the West, as the channels such as Google, Facebook, Twitter, and YouTube are all blocked. A solid understanding of social platforms such as WeChat, Sina Weibo, Baidu, and Youku must be established to reach the potential customers effectively.
- The payment landscape in China is seamless and different from the West with individual businesses offering a payment service. In China, the service providers such as Alipay, AsiaPay, BPH, PayEase, and ChinaPay, frequently are part of an end-to-end service instead of an individual one.

To achieve certainty of success, the mentioned success factors have to be taken into account when internationalizing into China to avoid running into risks of product rejection and failure of the venture.

2.1.3 E-Commerce Platforms in China

The e-commerce business in China is evolving at a fast pace, whilst being highly competitive with many players striving to get their stake in the overall market share. Firstly, this section explores the e-commerce platforms in the overall Business to Consumer (B2C) market, whilst secondly, the specific cross-border e-commerce platforms will be investigated.

2.1.3.1 E-Commerce Platforms in B2C Market

The biggest e-commerce giants in China are Chinese companies as opposed to foreign companies as it is depicted in Figure 4.

Figure 4: Market Shares of China B2C Online Shopping Websites in 2016, (iResearch, 2017)

Alibaba’s Tmall platform, dominates by far in the B2C e-commerce market, with the next largest platform being JD. Many international retailers compare Tmall to Amazon and assume that Tmall is China’s Amazon. However, research has shown that this comparison is inaccurate and unjustified as discussed earlier.

In a survey conducted by PWC regarding e-commerce in China, 61% of Chinese consumers commence their product search journey on Tmall, whereas only 39% of global consumers use Amazon in the same way. Therefore it can be assumed that Tmall is not solely an e-commerce platform, however also acts as a search and discovery engine, similar to Google (Cheng, 2017).

According to Clemons, Jin, Ren, Wang, & Wilson (2012), the e-commerce market in China is simultaneously the largest online market, however also has the largest amount of counterfeit or low-quality goods. Thus, it is not sufficient to provide offering promises, assurances and guarantees to consumers, which might be easy to replicate for low-quality or counterfeit sellers. It also has to be supported by reputational capital, which consists of the extent to which buyers believe a selling organization is honest and concerned about its customers (Doney & Cannon, 1997). Through this, companies can generate sufficient online trust, which is actioned by maintaining quality, in turn, to reach a level of trust between the platform and the buyers (Doney & Cannon, 1997).

Many foreign e-commerce platforms already operate in China such as Amazon and E-bay, however the most dominant platforms are the Chinese platforms depicted in Figure 4, where the two biggest players, hold 70% of the overall market share.

2.1.3.2 Cross-Border E-Commerce Platforms

Many of the e-commerce platforms have a specialized cross-border e-commerce platform as depicted in Figure 5.

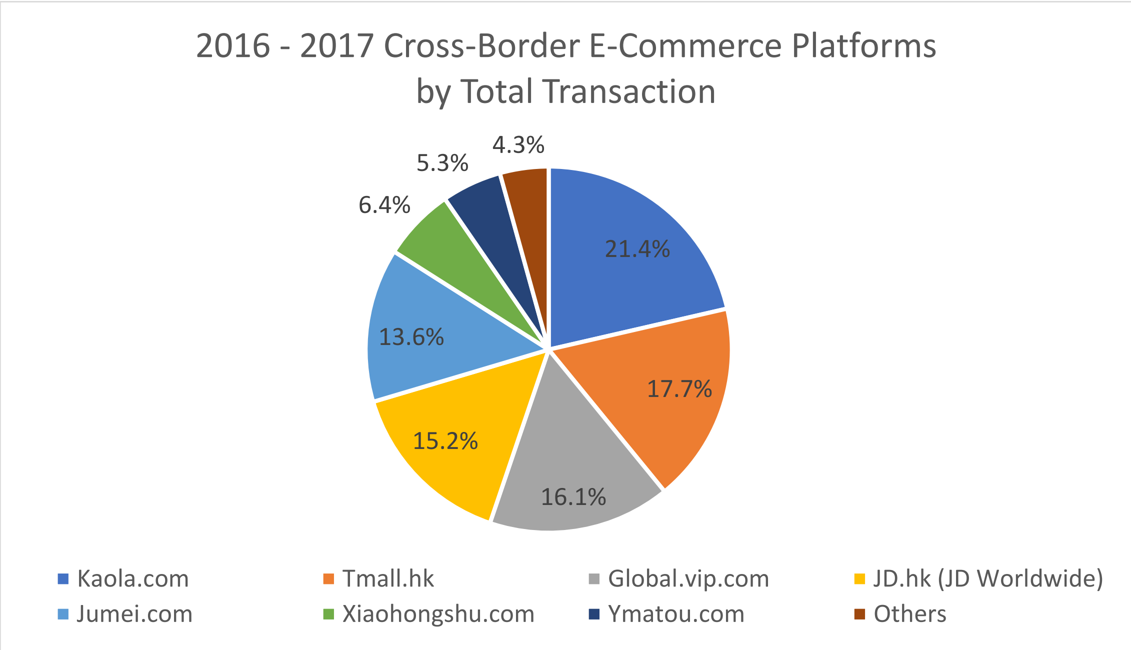


Figure 5: Cross-Border E-Commerce Platforms by Total Transaction, (100EC.CN, 2017)

The e-commerce giants Tmall and JD, are represented under Tmall.hk and JD.hk (JD Worldwide) when it comes to their cross-border platforms. Both are major market participants holding 17.7% and 15.2% market share respectively.

It is observable that the cross-border e-commerce market is surprisingly fragmented in comparison to the local one as discussed in 2.1.3.1. Whilst the local market is heavily dominated by Alibaba, the cross-border e-commerce market, has a much more proportionally spread market share with no remarkable market leader (Graziani, 2017).

The market participant with the highest market share in this segment is Kaola with 21.4 % of the overall market, owned by NetEase. Launched in March 2015, Kaola is relatively a new entrant and differentiates itself from the conglomerates such as Tmall and JD in an effective way.

Comprehensively speaking, there are 3 main categorical divides for these cross-border e-commerce platforms depending on their market share size.

1. First tier (Kaola, Tmall, Global VIP, JD)
2. Second tier (Jumei, Xiao Hong Shu, Ymatou)
3. Third tier (Specialized platforms for baby products, Beo Bei Gezi, Mia, Babytree)

Furthermore, the global competitiveness report published by iiMedia Research for the first half year of 2017, also suggests that the four most competitive platforms correspond with the biggest e-commerce platforms as depicted in Figure 6.

The Competitiveness of Top 10 Import Cross Border E-commerce Platforms in China		
Ranking	Platform	Competitiveness Index
1	Kaola	97.6
2	Tmall Grobal	95.3
3	VIP International	92.4
4	JD Worldwide	90.8
5	YMT	87.6
6	Red Book	86.2
7	Daling	82.6
8	Bolo.me	80.3
9	Fengqu	70.8
10	Higo	76.6

Figure 6: Competitiveness of Cross-Border E-Commerce Platforms in China, (iiMedia Research, 2017)

According to Jing (2017), NetEase plans to invest US $3.18 billion in European products, as there is particularly a strong growth potential in this category. The aim is to invest this amount over the next three years, with a variety of more than 2,000 brands to appeal to high-spending Chinese shoppers (Jing, 2017). The goal is not to solely increase the number of foreign brands on their website, NetEase plans to be selective to ensure the highest-quality of hand-picked brands can be offered to its clientele. NetEase is confident in gaining the upper-hand in the future competing with the giants in the overall e-commerce market, as a more sophisticated middle-class means having to upgrade consumption to meet the demand in the next 10 to 15 years (Jing, 2017).

To differentiate themselves, Kaola plans to build additional nine warehouses dispersed in the United Kingdom, Italy, France and Spain to ensure there is available infrastructure for more-efficient shipments to China. Lastly, further investments are planned for Kaola's European operations center, which opened in Frankfurt 2016 to allow for a better supply chain, guaranteeing product integrity for the Chinese customers (Jing, 2017).

2.1.3.3 E-Commerce Shoppers Characteristics

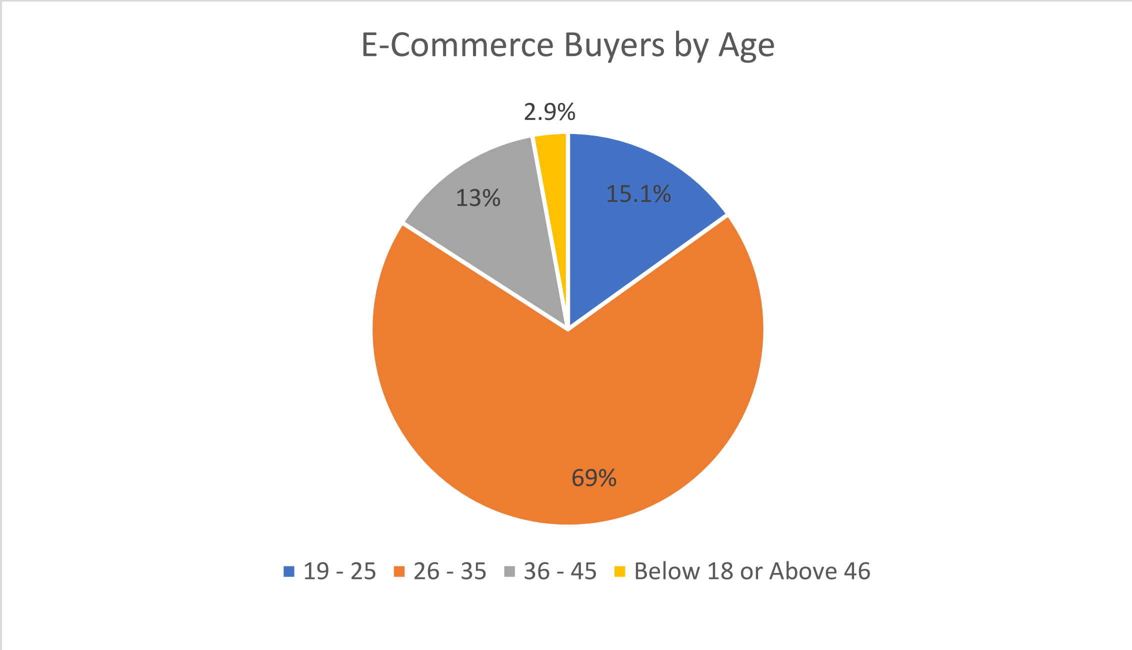


Figure 7: E-Commerce Buyers by Age, (Adapted from Summary of Major Players of Chinese E-Commerce Platforms, by Yang, 2018)

The online shopping users are predominantly concentrated in the adolescent age groups in their 20s and 30s. In the age category of 26 to 35, the cross-border online shopping consumers usually have a higher academic qualification, a stable income and a good economic situation (Yang, 2018). This middle-class' strong spending power and large demand for foreign goods are the main drivers for cross-border online shopping in China (Yang, 2018).

Most women in this age category are married and have children. Middle-class mothers are especially willing to purchase high-quality foreign baby products on the cross-border e-commerce platforms. This is also why specialized maternity and children e-commerce platforms, can survive despite their target market limitations (Yang, 2018).

2.1.4 Cross-border E-Commerce Logistics Models

According to Yang (2018), there are three approaches utilized in cross-border e-commerce. All three models are elaborated and show different possibilities depending on the capability of the SMEs.

2.1.4.1 Bonded Model

The bonded model gives opportunities for larger SMEs predominantly with perishable goods seeking to have a warehouse located in China. Figure 8 shows the process of the bonded model in detail.

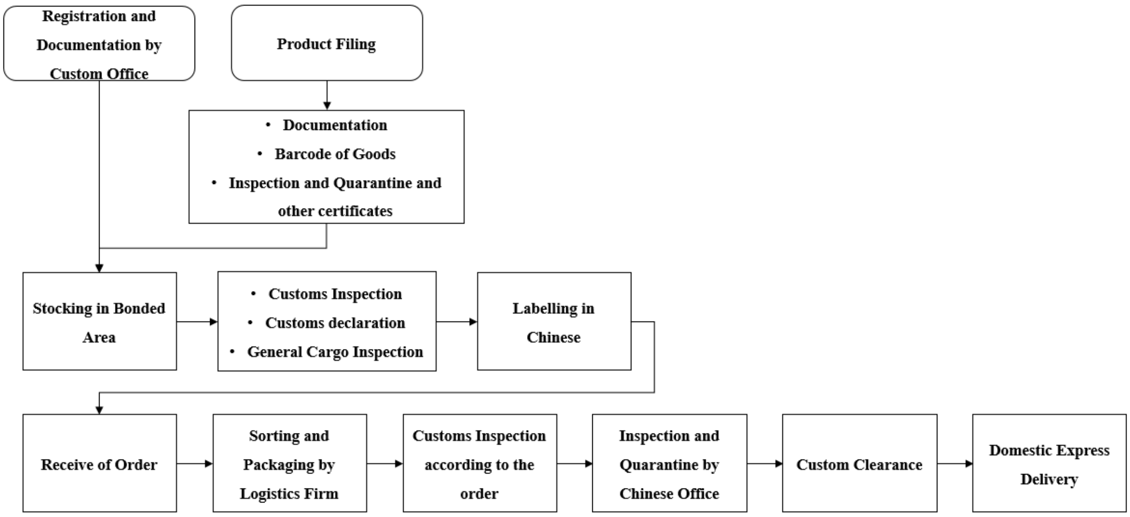


Figure 8: Bonded Model Process, (Adapted from Summary of Major Players of Chinese E-Commerce Platforms, by Yang, 2018)

All the goods need to be passed through Chinese customs record and the inspection of quarantine measurements in China. The goods get imported into the warehouse before it gets sold on e-commerce platforms such as JD.com or Taobao.com. In the bonded area, the warehouse sorting, packaging, and customs clearance is all handled before it gets shipped to the end consumer.

On one hand, economies of scale lead to significantly lower logistics cost. In addition, the lead time is also shorter as the buyers place an order online, and the product gets shipped domestically, which is quicker and more cost-efficient way than shipment from abroad.

On the other hand, the filing of this model is much more complicated. Products placed in the warehouse are exposed to various liabilities. The risks include detained funds, warehouse costs and the maintenance of products with a shelf life.

Therefore, the bonded model is suitable for firms fulfilling the demand of large quantities. This model offers little flexibility considering the fixed costs, however has a large cost advantage when it comes to selling in large volumes with economies of scale, especially for perishable goods with a short shelf life.

2.1.4.2 Direct Mail with Overseas Warehouse

The direct mail with an overseas warehouse model is suited for firms that sell a moderate amount of goods in China. E-commerce giants, such as Tmall and JD, own their own overseas warehouses in Europe, where the SMEs can stock their goods. The process is as depicted in Figure 9.

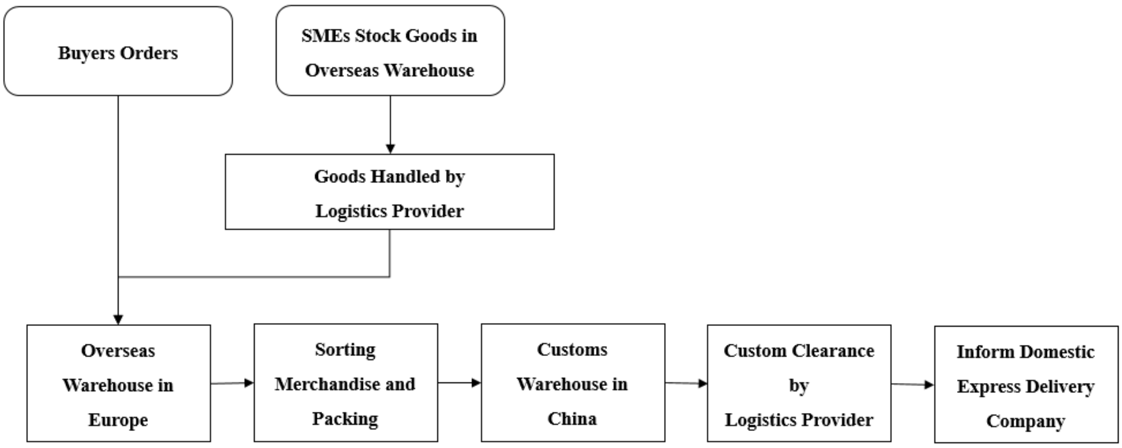


Figure 9: Direct Mail with Overseas Warehouse Model, (Adapted from Summary of Major Players of Chinese E-Commerce Platforms, by Yang, 2018)

The direct mail with overseas warehouse is also known as the three-stage direct mail model. The three steps consist of:

1. Business (SMEs) to overseas warehouse in Europe
2. Overseas warehouse to China customs and clearance
3. Domestic express delivery to end customer

The shipments from the overseas warehouse to China, generally will be gathered and send in small batches (less than truckload shipping) to reduce the freight for air travel. The Chinese company handles all the steps after and ensures that the fixed costs are kept low for the SMEs in Europe. The main fixed cost in this model is the overseas warehouse in Europe.

This model offers more flexibility as far as to the speed and logistics aspect as the goods get shipped into China in small batches. The logistics are also less costly than compared to the bonded model.

2.1.4.3 Direct Mail with International Express Delivery

The direct mail with international express delivery model caters for SMEs, delivering small quantities on an irregular basis. The SMEs sort their own goods and place several customer orders in a large parcel before it gets sent off to China. The international shipping and railroad mailing is all handled by the SME before it gets to the logistics firms located in China.

Thereafter, the logistics firms are responsible to go through customs clearance, before the domestic express delivery firm takes over and delivers the goods to the end customer.

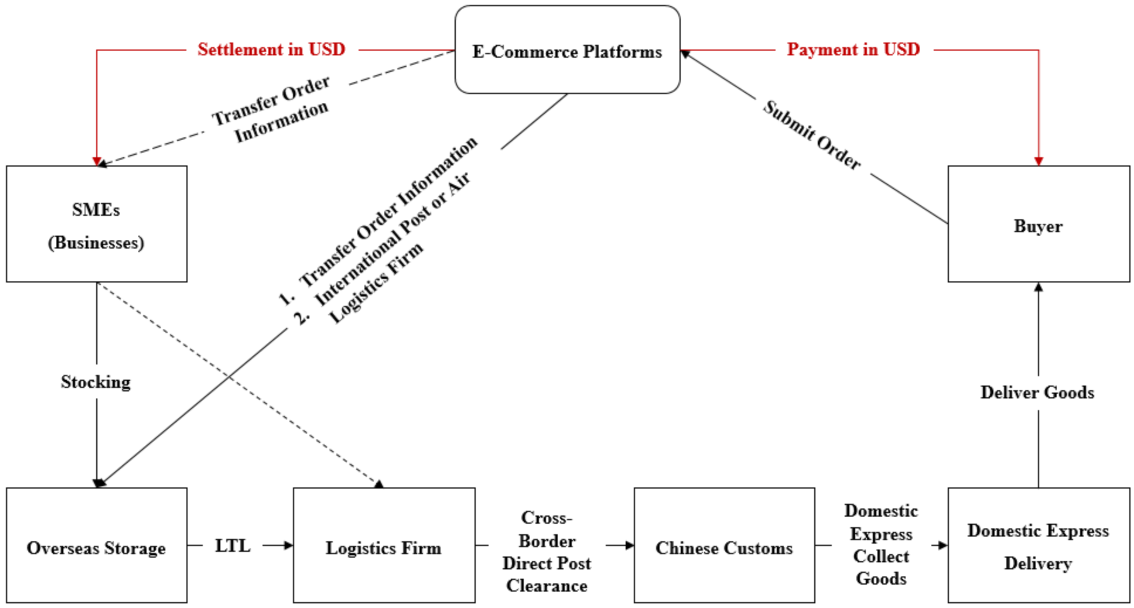


Figure 10: Direct Mail with International Express Delivery, (Adapted from Summary of Major Players of Chinese E-Commerce Platforms, by Yang, 2018)

This model offers the highest level of flexibility and individualistic workaround, as the quantity remains small. There are also no fixed costs involved as there is no warehouse, however the trade-off is the higher variable logistics costs, associated with this model.

Across the board, this model suits smaller companies best, as the liabilities are kept as low as possible. Thus, this is a great entry model when for products without a stable demand yet.

2.2 Literature review

The literature review is divided into three major research fields. Firstly, the different entry modes to a foreign country will be analyzed. Secondly, the relevant theories and models researching the alternative internationalization strategies will be explored. Lastly, the literature review will investigate the specific venture behavior of Swiss SMEs within their internationalization process.

2.2.1 Entry Modes in the Context of SMEs

Internationalization as a concept, is synonymous for geographical expansion of economic activities across a country's national border. Starting in the 1920s, internationalization as a term gradually gained importance and replaced imperialism, as a prevalent organization principle stretching through cross-border interaction between market economies (Gjellrup, 2000).

The classical theories of entry modes can be found as adapted by Rugman and Collinson in Figure 11. The chosen entry modes of companies is dependent on the desire of involvement in the target country. As the risks associated with the entry increases, the desire to be involved and gain control also increases. Because every entry mode has its advantages and disadvantages, it is of utmost importance to investigate which the right entry mode is for companies before committing to an internationalization strategy.

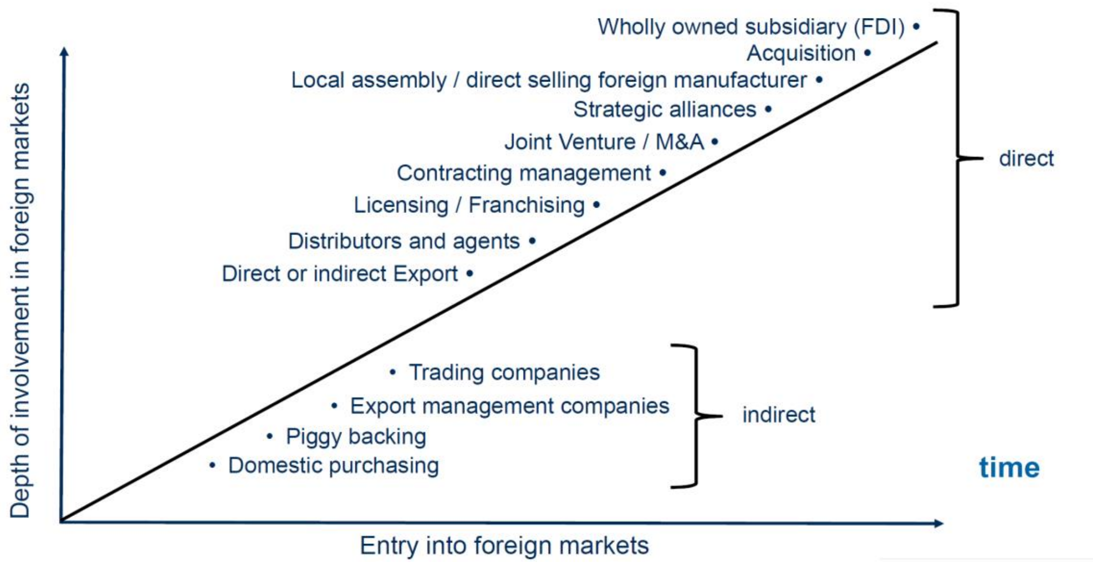


Figure 11: Different Entry Modes and Its Involvement in Foreign Markets, (Adapted from International Business, p.41 by Rugman and Collinson, 2010)

It is important for companies to obtain a solid understanding of the local business environment and dynamics, before settling in for an entry mode (Ofili, 2016).

There are many influencing factors at the forefront for companies when deciding how to commence with their cross-border activities. Depending on the size of the company, the pressures in the given business industry, and the nature of the product and market, there are many variables to consider, when determining the entry strategy.

The major influencing factors in determining an entry mode when internationalizing can be found in Table 1 (Björck, 2017):

Resources and Capabilities	• If technological know-how is important avoid licensing and joint venture to mitigate risks of theft, go for wholly owned subsidiary instead. • If the management know-how or the brand needs to be protected, it is recommended to pursue franchising and subsidiaries (wholly owned or joint venture).
Pressures for Cost Reductions	• If pressure for cost reduction is high, the combination of export and wholly owned companies are recommended. • Companies pursuing global standardization or transnational strategies prefer wholly owned subsidiaries.
Localization Pressures	• Licensing, franchising, joint ventures, mergers and acquisitions and exports are lower cost entry modes. • These lower cost entry modes allow for high local responsiveness.
Product Characteristics	• Export is recommended, given if the transport costs are bearable (i.e. product will not be too expensive). • Products of low value and weight ratio are expensive for long distance shipment. • Wholly owned subsidiary is recommended for perishable goods, with importance on quick

	delivery, high weight or complex products, which need a significant level of technical support.
Target Market Characteristics	• Export is recommended if it is a liberalized and deregulated market. • Franchising or licensing is recommended in unstable unknown markets. • Joint venture is recommended in case of export or foreign direct investment restrictions. • Wholly owned subsidiary is recommended to circumvent trade barriers (e.g. high tariffs, quotas regarding local production ratios).

Table 1: Factors Influencing the Selection of Entry Modes, (Björck, 2017)

From the influencing factors, it is noticeable that every company is exposed to various constraints. In the case of SMEs, the primary constraints, is the limited financial resources, which indicates that licensing, franchising and exports, will be more suitable, as the costs associated are lower. Moreover, it allows for higher local responsiveness of the target market, making it more desirable for consumers abroad.

2.2.2 Models of Internationalization in the Context of SMEs

There are several internationalization theories and models, however in the 1950s to 1960s, the academic research mostly focused on multinational enterprise (MNEs). These approaches including the international activities were often named as the economic approach, which entailed a vast amount of theoretical and empirical data. Some of the most important theories for the internationalization of MNEs include the internalization theory, the transaction cost theory, the eclectic paradigm and the monopolistic advantage theory (Ruzzier, Hisrich, & Antoncic, 2006).

As this thesis focuses on the internationalization of Swiss SMEs, the Uppsala Internationalization Model and the Network Approach Model will be reviewed with a focus on SMEs.

2.2.2.1 Uppsala Internationalization Model

Researchers in Sweden and Finland developed Uppsala Internationalization Model, also known as the Stages Model. The Uppsala Model is of dynamic nature and indicates that internationalization of firms is a constant process, where the company will be more involved over time as they go through learning process (Johanson & Vahlne, 2009).

The experiential and general market knowledge and resource commitment (state aspects) of firms affects the commitment decision and business activities (change aspect). This model suggests that the international involvement of firms increase in small incremental steps, within the foreign markets in which they operate in. Firms enter new markets based at a greater psychic distance, as it is more beneficial to share the same language, culture, education and business practices (Johanson & Vahlne, 2009).

In contradiction with the stages model, the big challenge is that many SMEs nowadays, do not internationalize following the traditional pattern anymore, but rather are observed to be international by birth (Madsen & Servais, 1997). Companies such as Spotify, Uber, and Airbnb are referred to as born globals and commonly are in high technology industries, which enable the quick domination world-wide (Strandberg, 2017).

2.2.2.2 Network Approach to Internationalization

The network approach in internationalization investigates the network of a firm as a starting point to provide an appropriate global framework. The network perspective is an extension of the Uppsala model, which continues to examine the investments into networks and penetration associated with increased resource commitments into existing networks (Ruzzier, Hisrich, & Antoncic, 2006).

The networks are viewed simultaneously as complimentary but also competitive relationships which lay a foundation for the internationalization process. Firms are observed to be interdependent, regardless whether through cooperation or competition (Ruzzier et al., 2006). The model showcases, that the internationalization of firms happens by establishment and development of relationships with counterparts in the foreign market. Firstly, the network is primarily domestic, whilst further relationships will be developed in other countries on a next stage (Ruzzier et al., 2006).

A lot of network-based academic research in international business focuses on the management of international relationships. However, in the context of a SMEs internationalization with an emphasis on the strategic position and research of individuals, such as an entrepreneurs' influence seems to be neglected (Ruzzier et al., 2006). This especially plays a crucial role, because in a SME one single person could achieve a substantial impact on internationalization decisions. Specifically from social relationships with other individuals as these exhibits a great importance on the entrepreneur and its business decisions (Davidsson & Honig, 2003).

2.2.3 Swiss Companies Internationalization Venture Behavior

According to Ruigrok, Amann, & Wagner (2007), the internationalization and performance relationships for Swiss firms have a common pattern of an inverted S-curve as depicted in Figure 12. When analyzing the graph, the following conclusions can be drawn out of the 3 phases.

1. Benefits outweigh the costs
2. Costs outweigh the benefits
3. Organizational learning offsets and outweigh costs again

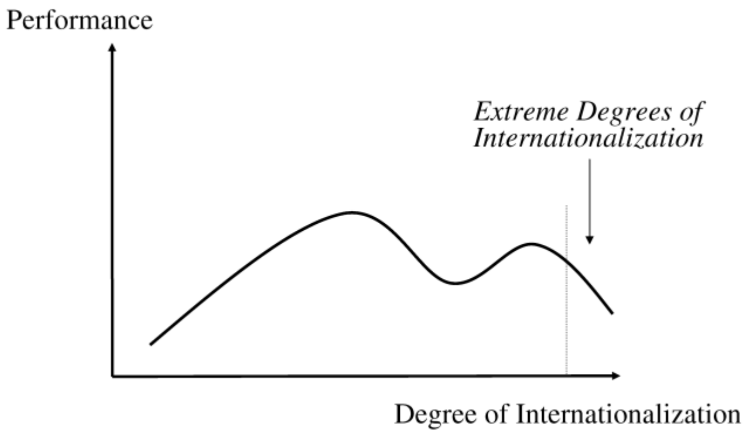


Figure 12: Degree of Internationalization and Performance Link for Swiss Companies, (Ruigrok, Amann, & Wagner, 2007)

Due to the unique landlocked location and culture of Switzerland, it is perceptible that Switzerland with four national languages is highly diverse. Coupled with the major constraint for internal growth, due to a relatively small and limited home market, Swiss companies face the pressure early in their development lifecycle to internationalize. It is observable that Swiss companies generally choose one of their geographically close countries as a first step to internationalize to, namely, France, Germany, Austria or Italy (Ruigrok et al., 2007).

Because of cultural and geographic closeness, particularly of sharing the same language, the psychic distance is much closer, thus an advantage for the internationalization can be assumed. Consumers are more likely to accept the product in the foreign market and less local market knowledge is required, as it is comparable to the home market of Switzerland (Ruigrok et al., 2007).

However, after the initial internationalization to culturally close markets, the next phase requires more organizational learning to conquer further markets outside the Swiss cultural bubble. This step requires extensive effort and resources to research and master the relevant business aspects in the respective markets. Therefore, it is to be expected that the curve declines, before it rises again once the invested resources offset and the new market will be profitable to the company (Ruigrok et al., 2007).

A further aspect and limitation is that this thesis focuses on SMEs. A common restraining factor to be found within SMEs is the prevalence of limited resources. Whether it is limited human capital, financial capital or international know-how, SMEs face additional hardships when deciding to expand abroad and are exposed to various constraints. Which in turn, requires that every decision is well evaluated to avoid jeopardizing the future of the firm.

3 Methodology

This thesis consists of two major components. Firstly, secondary research provides an understanding and overall framework of how e-commerce functions in China. Secondly, primary data was gathered through an empiric interview with Ricola and an online consumer survey targeted towards Chinese consumers.

The empiric study with Ricola, depicts the first-hand experiences, aims and the processes of expanding to China, as the company is already established there. Based on the qualitative interview with Ricola, different learnings and steps involved in such an internationalization process for Swiss SMEs were analyzed and assessed for the relevancy of Moluk and Park. Therefore, the empiric study featured should act as a hypothetical model showcasing how a Swiss SME could potentially expand to China.

The guided interview was conducted over the phone with Mr. Stephan Huber, the Regional Director of East Asia for Ricola and fully transcribed in German (refer to Appendix 8.3). The results of the interview were gathered and put into relevant topic areas to focus on the different matters of e-commerce and its operations respectively in China.

Moreover, to put the selected SMEs Moluk and Park in the limelight, an online customer survey was conducted in China. Information was gathered about how Chinese consumers perceive Swiss products by particularly focusing on the Swiss Products of Moluk and Park. The survey was evaluated and provides quantitative results (refer to Appendix 8.9). The survey was set up in three main parts:

1. General information of the participant (age, salary, online shopping habits, perception, and association with Switzerland)
2. Specific questions to Moluk as a brand and its products
3. Specific questions to Park as a brand and its products

The questions were set out to have predefined answers to guide the respondents. Whilst some questions allowed the respondent to select multiple answers other questions only allowed one answer to be selected.

In Table 2, the questions are divided into two categories, to provide an understanding when looking into the evaluation of the survey.

Multiple Answers Questions	Single Answer Questions
Questions: 1, 3, 7, 11, 14, 15, 16,	Questions: 2, 4, 5, 6, 8, 9, 10, 12, 13, 17, 18

Table 2: Survey Answering Methodology

The goal was to reach at least 200 respondents to receive a representative sample size for the testing of the market. This aim was exceeded with a total number of responders being 241.

To facilitate the process of only getting Chinese respondents and remove the communication barrier, the survey was translated into Chinese and published in China via WeChat and on a professional network (LinkedIn) for two weeks from 10. April 2018 to 24. April 2018.

4 Empiric Study

The empiric study examines the specific qualitative cases of this thesis along with the results of the conducted survey, which provides the quantitative part.

4.1 Overview of Cases

The three selected companies, for the intensive and semantically rich case studies, include Ricola, Moluk, and Park.

Based on the interview with Ricola, data was gathered to understand the internationalization process to China, one crucial aspect is the e-commerce market in China. Subsequently, the motivation and expectations of such a venture shall be explored to grasp whether there are common patterns for the internationalization to China. Some of the technicalities to be explored include the handling of logistics, customs declaration and patent protection for the company.

Moluk and Park, both Swiss SMEs were approached to be able to apply the theoretical research on a practical case study. Both operate in different consumer goods industries, namely children toys and leather good accessories industries, which require in-depth research to understand the potential market and customers to give tailored and smart recommendations for the pursuit.

4.1.1 Case Description of Ricola

Ricola manufactures herb cough drops with 60 different ranges and exports them to over 50 countries worldwide. To date, Ricola is a family-owned and run company, headquartered in Laufen in proximity to Basel. Currently, there are four subsidiaries located in Italy, the United Kingdom, China and in the United States. The company is directed together with the executive board president and the third-generation family member, Felix Richterich (Ricola, n.d.).

Ricola values high-quality ingredients, in particular Swiss herbs cultivated from the mountains using natural farming methods. The company employs approximately 400 people, where 80% of the employees, work in production and the rest represent the share of white-collar workers (Ricola, n.d.). According to Huber (2018), Ricola has expanded to China nearly 20 years ago. Global sales make up for nearly 90% of the overall revenue, hence Ricola was always a very international oriented brand, seeking to expand and capture business opportunities abroad.

Figure 13 : Marketing Pictures for Chinese Market, (Ricola, n.d.)

4.1.2 Case Description of Moluk

As the world is becoming more virtual, Moluk strives to design innovative and sustainable products to entertain kids beyond the superficial level. Moluk’s toys aim to stimulate children’s senses and minds to explore and interact. There are no electric powers switches, batteries or complicated instructions. All of the toys are simply powered by a child’s imagination (Moluk, n.d.).

Figure 14: Moluk Marketing Pictures, (Moluk, n.d.)

Moluk toys are designed by Alex Hochstrasser, who focuses on innovative designs and push the envelope of what toys can do. The inspiration for the designs come from how children play and interact with objects in their environment, but also draw heavily from his own childhood memories (refer to Appendix 8.5).

Moluk collaborates only with trusted manufacturers, who share the values and deliver excellent products focusing on the safety and longevity of the toys. The products are sold through a network of distribution partners around the world, without directly engaging in e-commerce (Moluk, n.d.).

Annual Revenue	US $800,000 to $1,000,000
Revenue Split by Region	• North America: 40% • Europe: 40% • Asia / Oceania: 20%
Profit	Has been breaking even for the last 5 years
Gross Margin	50%. A product costs $1 to manufacture and is sold to distributors for $2. The margin also must cover costs for

	development, tooling, IP protection, insurance, safety testing etc.
Most successful products	• Europe: Bilibo, Plui Rain Cloud • China: Oogi

Table 3: Key Performance Indicators of Moluk

Since 2014, Moluk collaborates with Chinese distributor Wisdom Warehouse, which is part of the Serainbow Group. They buy directly from factories in China and distribute the products through online and offline channels. As Serainbow group also manufacture other products they took charge of the CCC certification.

The toys emphasize on the multi-functionality and are reduced to the pure essence, which are two very Swiss attributes of the toys. Furthermore, Moluk develops open-ended, educational toys working across different ages, which are not gender-specific. The company has won multiple international awards for the design and play value. There is no direct competition as they strive to develop new concepts, which leads to differentiation from the existing market. The business model of Moluk is illustrated in a business model canvas in Appendix 8.4.

4.1.3 Case Description of Park

Park is a Swiss label producing leather goods including bags and wallets. The accessories are made of premium smooth leather sourced locally in Greek workshops, near the old tanneries of Chalepa on the island of Crete (Park, n.d.).

The aim was to have social innovation within the business model. During a trip to Crete, hidden workshops of Chalepa were discovered by the founders. Those workshops have been existing for centuries and have a rich tradition, without an innovative approach these workshops would perish, as increasingly manufacturing is taking place in India and China. Therefore, the idea behind was to establish a truly socially responsible brand, whilst blending contemporary Swiss design with the high-quality leather craftsmanship.

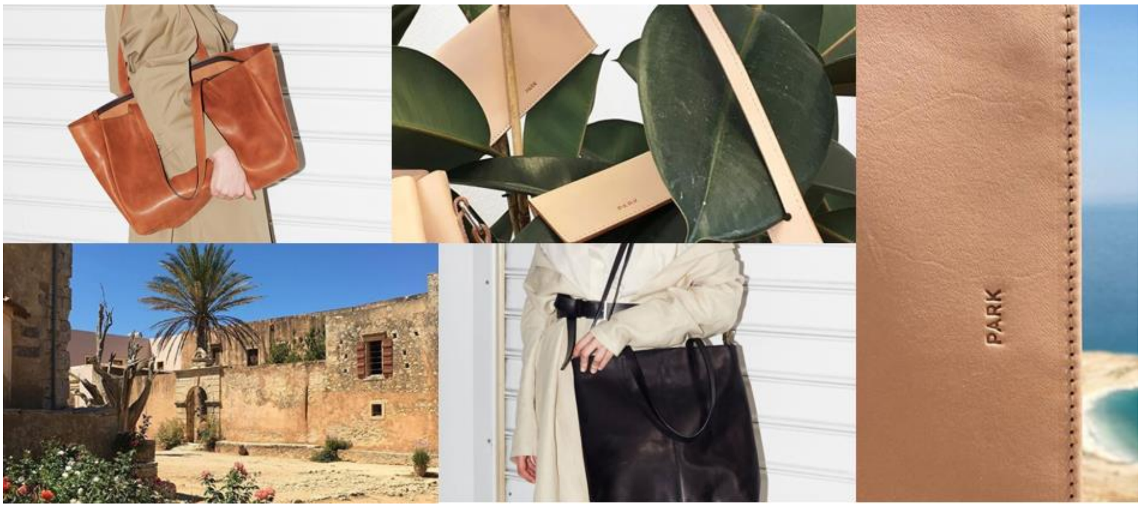


Figure 15: Park Marketing Pictures, (Park, n.d.)

The leather is still produced in a very time-honoring way, respecting heritage and family traditions. The products are of high-quality and designed to be timeless and elegant pieces, which never go out of style. Each Park bag is unique and uses natural raw materials, giving every bag a special touch as the leather matures and develops over time (Park, n.d.).

Annual Revenue	Not disclosed
Revenue Split by Region	• Switzerland: 75% • Europe: 25%
Profit	Not disclosed
Gross Margin	Not disclosed
Most successful products	• Weekender WK02 in Brown

Table 4: Key Performance Indicators of Park

Park decided not to disclose any financial information for this thesis. The business model canvas of Park is illustrated in Appendix 8.6.

4.2 Case Study

In the case study, Ricola acts as a model to Moluk and Park. The most important findings and learnings of Ricola will be evaluated to ensure that their experience in China lays a solid foundation for further SMEs when looking to venture to China.

4.2.1 Ricola Empiric Model

Based on the interview with Stephan Huber, Regional Director of East Asia of Ricola, several topic areas, concerning the business activities in China were discussed. All information is gathered from the interview and is referenced from Huber, S. (2018, March 30). Personal Interview.

4.2.1.1 Motivation for Expansion

Ricola is a truly international brand where nearly 90% of the overall revenues stream derives from sales outside of Switzerland. Hence, Ricola has already been conducting business in Asia 20 years ago. They first expanded to Singapore and Hong Kong, where they became market leader at a quick pace. From there, they saw the potential for their cough herb drops and have tackled further countries in Asia.

20 years ago, China was perceived as a huge emerging market with many cities on the rise and an upcoming middle-class, which had an increasing purchasing power. To date, China still is a huge market, perhaps not with a double-digit GDP growth, however still 5%-6% from a considerably large pie, which makes the slice still immense comparatively.

Naturally, after the expansion to Singapore and Hong Kong, Ricola started to consider China as a market. Even though, Singapore and Hong Kong as a market differ, in terms of size, population density, development of the country and income level, parallels can still be drawn from a cultural point of view.

This is especially comparable to the first tier cities in China such as Shanghai, Beijing or Guangzhou. An indication of product acceptance in China can also be traced back to the fact that not only Western consumers in Singapore or Hong Kong liked Ricola's products, it also appealed to the local population.

This boosted the overall confidence of the firm, as the cost-performance ratio was also in line with consumer's expectations, giving them multiple reasons to start expanding to the south of China. The motivation for the expansion can be summarized as the business potential and commercial interest for this ever-growing market.

4.2.1.2 Consideration for Marketing and Cultural Differences

On one hand, Ricola aims to be close to the market and its customers, therefore localization is crucial. On the other hand, Ricola wants to communicate the same values as a brand on a global horizon. Ricola's main unique selling proposition and communication consists always of herbs, naturalness, and Switzerland. In China, the emphasis particularly lays on naturalness and Switzerland. Which is in line with what Switzerland is associated within China, standing for positive connotation to quality and cleanliness, this not only supports but also validates the communication statements with real credibility. Especially in cities, where air and environmental pollution is causing concern among the urbanized population, the naturalness aspect of Ricola has a significant importance.

The communication of herbs however, is less of an emphasis, due to Chinese having a different view on heritage and understanding of herbs based on the Traditional Chinese Medicine (TCM). Therefore, herbs are used as an approach to bring it into association with naturalness and Switzerland, however disconnected from TCM. Overall, when showing landscapes of Switzerland, the aim is to always underline that it is a natural product, without artificial coloring or sweeteners, originating from an unspoiled environment.

4.2.1.3 Most Important and Successful Marketing and Sales Channels

As digitization becomes increasingly important in China, pushing through digital marketing is also more common. This is not only limited to social media (WeChat) but also extends to other e-commerce channels (TMall, JD, Suning), weather apps, air pollution apps, traveling apps (CTrip) and traditional websites for advertisement.

Return on investment is very high with digital advertisement. If the emphasis is storytelling, Youku is a great platform as an online TV channel. Outdoor advertisement is also successful specifically for metropolitan cities, as there are a lot of TV screens at every metro stop, which allows for great flexibility and customization when thinking about marketing activities.

Traditional TV still plays a role outside of Shanghai and Beijing but being the most effective in second and third tier cities. In addition, to showcase the product, it is important to provide samples, so consumers can really try it. Ricola does not have a target audience based on demographics, however it does conduct an analysis of the behavior and attitude of consumers. Through this, it allows them to analyze data of consumers before they can provide samples.

The biggest channels for Ricola in the food segment in e-commerce are TMall Supermarket and JD, which together have more than 70% of the overall market share.

4.2.1.4 Operations Structure and Distribution in E-Commerce

The operation costs for e-commerce is similarly structured to offline channels. The first component is front margin, which Ricola has to pay to the retailer. Secondly, there are trading terms, which vary on a large scale depending on the size of the brand, the category of product, and what the brand's objective are.

Besides those basic costs, there are special programs that can be bought or bid for to achieve various goals. For example, during Singles' Day (also known as 11.11) the largest offline and online shopping day, to boost the search results for Ricola or ensure more visibility in the front page of the retailer for their store, Ricola has to pay an additional premium to push the promotional activities. These are all features that can be purchased by stores to increase their online exposure, which is in conjunction with different premiums.

Ricola works with an exclusive distributor in China. Previously it was DKSH, a Swiss firm, however now they work with a local distributor. The exclusive distributor of Ricola carries out the operations and maintenance of all e-commerce websites. To ensure compliance and correctness, Ricola has an e-commerce specialist working closely alongside the distributor in terms of the distribution, visibility, activities, and compliance of all activities. Whether its information, websites or display banners, everything is under control and requires approval before it is published.

Therefore, there is a similar set-up to conventional trade as, there are key accounts for Ricola for the biggest and most important firms, such as JD, Tmall, and Suning. In addition to the giants, there are also wholesaling and smaller platforms.

With the key accounts, Ricola is under a joint business plan, which looks into various business building blocks and development of supply chain.

4.2.1.5 E-Commerce Process

According to the shipment terms, the product gets imported to China. The shipment terms usually clarify, who will bear the costs of the shipment itself and also the risks associated with the load. When the product arrives in China, it must go through Chinese Inspection Quarantine (CIQ) to ensure that the product is safe for import. Thereafter, it goes to a central warehouse and will be shipped out to the respective partners and channels.

4.2.1.6 Risks Associated with China

China is still a developing and growing country, therefore the stability benefited in Europe cannot be assumed. This is also reflected in rising wages, costs and inflation at a comparably quicker pace. With a heavily regulated business environment by the Chinese Communist Party, there are many guidelines, policies and legal procedures that Ricola has to adhere to.

Another aspect is the cultural difference that needs effort and resources to be understood. It requires a lot of know-how of the doing business principles, trust and communication to understand China as a market. In China, there is no try and error mindset, however Ricola relies on thought-through processes and bottom-up forecasts to ensure that the business can be maintained.

Currently, Ricola has six employees in China. They have a high awareness of the business situation in China, which means that they remain risk-adverse, conscious and careful about over-building their team too quickly. The aim is to grow the number of employees proportional to the revenue growth in China.

4.2.1.7 Counterfeit Products and Legal Issues

There are not many unexpected issues, as a lot of the policies and regulations are already communicated. There are many regulations concerning, packaging and labelling in China, however this is the same with other markets such as, Hong Kong, Taiwan, Korea or even the European Union.

What is unique in China however is that there is a regulation, where it makes it possible for consumers to report non-conformity of packaging. This leads to the phenomenon of professional shoppers, who are present in stores and observe whether packaging of different brands are compliant. This may lead to administrative efforts when trying to resolve complaints and dealing with clarifications with public authorities.

As Ricola is an imported product in China, the problem of private consumers reselling Ricola products remains to be a small problem and is insignificant in the overall business. However, in the past there was a case of a product in the south of China, having a very similar packaging and branding but appearing under a different name. As Ricola operates under a trademark, they were legally protected and could enforce this on the company. Even though, the legal security standard in China is not on par with the Swiss one, it is improving, so this problem was solved through taking legal measures with serious repercussions for the company.

4.2.1.8 Prognosis of Future Outlook

Ricola remains highly optimistic when looking into the future of China as a market. The priorities of the firm remain clear, whilst they try to expand in a gradual and prudent process, without making hasty decisions.

Coupled with the trend of urbanization in big cities such as Shanghai, Beijing, Chengdu, and Guangzhou, which leads to an increasing number of convenient stores (CVS), overall there is a positive outlook for Ricola. Furthermore, Ricola expects, that the trend for Swiss product, specifically natural products will gain importance in the future.

The outlook for e-commerce in China is that many bulky products, such as water, pampers, milk will have more than 50% of their sales over an e-commerce channel. However, for Ricola convenient stores (CVS), remains an important point of sale, therefore it is projected that e-commerce will only have a 10% to 20% stake of the overall sales of Ricola. Especially considering the disruptive technology the e-commerce giants such as Alibaba provide smaller firms with, it is highly likely that digital will gain a high importance. Enabling the possibility for small firms to gain access to a logistics chain, which they did not possess before.

4.2.2 Ricola Case Discussion

Ricola’s business and operations in China as described in 4.2.1 can be used to draw major learnings for Moluk and Park as they already have established in China. As the nature and size of Ricola’s business is different than Moluk’s or Park’s the recommendations and key-takeaways are tailored towards those specific cases.

- As Moluk and Park remain having limited resources, it is important to have the priorities set and grow gradually and prudently. Rely on a well-thought-out plan to mitigate financial risks or instability aspects in doing business in China.
- In first tier cities the taste is rather metropolitan and comparable to Western cities. This makes it beneficial for Western companies to use it as a source of entry, as the product acceptance will be higher and cultural barrier lower.
- When it comes to marketing, localization is of key importance. Moluk and Park should preserve the same global values, however pay close attention to the values communicated in China to ensure the highest possibility for success.
- The identity of Switzerland in China is highly idyllic. Values such as naturalness, high-quality are commonly associated and communicated to replicate a positive image on the product.
- The return on investment is high in digital advertisement. WeChat, weather pollution apps and e-commerce platforms are among the most popular outlets. Youku is especially useful for story-telling, as it is a video sharing platform.

5 Results

The results mainly draw up the data collected from the survey in three parts and investigates how the overall business implications are affected, based on the research question, on how Swiss SMEs Moluk and Park can internationalize using e-commerce to China.

Firstly, hypotheses are established when looking into what was expected when conducting this thesis. Secondly, the hypotheses were tested based on the collected data to either accept or reject them. Lastly, the case specific questions provide a deeper understanding for the companies Moluk and Park to understand what they should expect in the Chinese market with the respective consumers.

5.1 Survey Evaluation of Chinese Consumers

A total sample size of 241 respondents was reached. The survey questions in Chinese and English can be found in Appendix 8.8, whilst the visual evaluation of each question on the survey can be found in Appendix 8.9.

The age distribution as depicted in Table 5 was focused on respondent above the age of 18, providing a good mixture of each age category to convey a holistic picture, without having biases towards any age groups.

Age category	Below 18	18 – 25	26 – 30	31 – 40	41 – 50	51 – 60	Above 60	Total
Respondents	1	49	21	56	74	18	22	241
Percentage	0%	20%	9%	23%	31%	8%	9%	100%

Table 5: Age Category of Respondents

The respondents' annual income levels as shown in Table 6 were also distributed across the board, which provided unbiased data by having each category represented. Most of the respondent were classified as being middle and upper-middle income respondents (annual income higher than 60,000 RMB), which corresponds with the target group, as the purchasing power of the growing middle-class is of utmost importance for the cross-border e-commerce shopping in China.

Annual Income	Less than 60,000 RMB	60,000 – 120,000 RMB	120,000 – 300,000 RMB	300,000 – 500,000 RMB	500, 000 – 1,000,000 RMB	Above 1,000,000 RMB	Total
Respondents	94	55	56	21	11	4	241
Percentage	39%	23%	23%	9%	4%	2%	100%

Table 6: Annual Income Level of Respondents

5.1.1 Hypotheses

Before the survey was conducted, four hypotheses were constructed regarding the demographic assumptions based on the theoretical framework. Certain expectations were discussed for the outcome based on the research conducted in the background and e-commerce situation in China (refer to 2.1).

The hypotheses in Table 7 examines the general shopping behavior in correlation to age and income levels with the aim to show trends to understand the market more in-depth. The hypotheses are outlined so they could be tested, giving the option of either accepting or rejecting them in the following section.

Hypothesis 1	It was expected, that the higher the annual income of given person, the more willing they are to pay a premium for a Swiss designed or Swiss made good compared to a Chinese designed or Chinese made good.
Hypothesis 2	It was expected, that respondents from first tier cities with a higher income are more likely to pay a premium for a Swiss-designed or a Swiss made good compared to a Chinese designed or Chinese made good.
Hypothesis 3	It was expected, that middle and upper-middle incomers (annual income over 60,000 RMB) increase by age, before declining close to retirement age.
Hypothesis 4	It was expected, that the percentage of frequent shoppers (shopping via e-commerce once a month) decrease by age.

Table 7: Hypotheses on Survey Results

5.1.2 Hypothesis Testing

These hypothetical correlations were tested and depicted the following results. The hypotheses were solely accepted or rejected based on the survey and did not consider any other research conducted previously.

Hypothesis1: Rejected

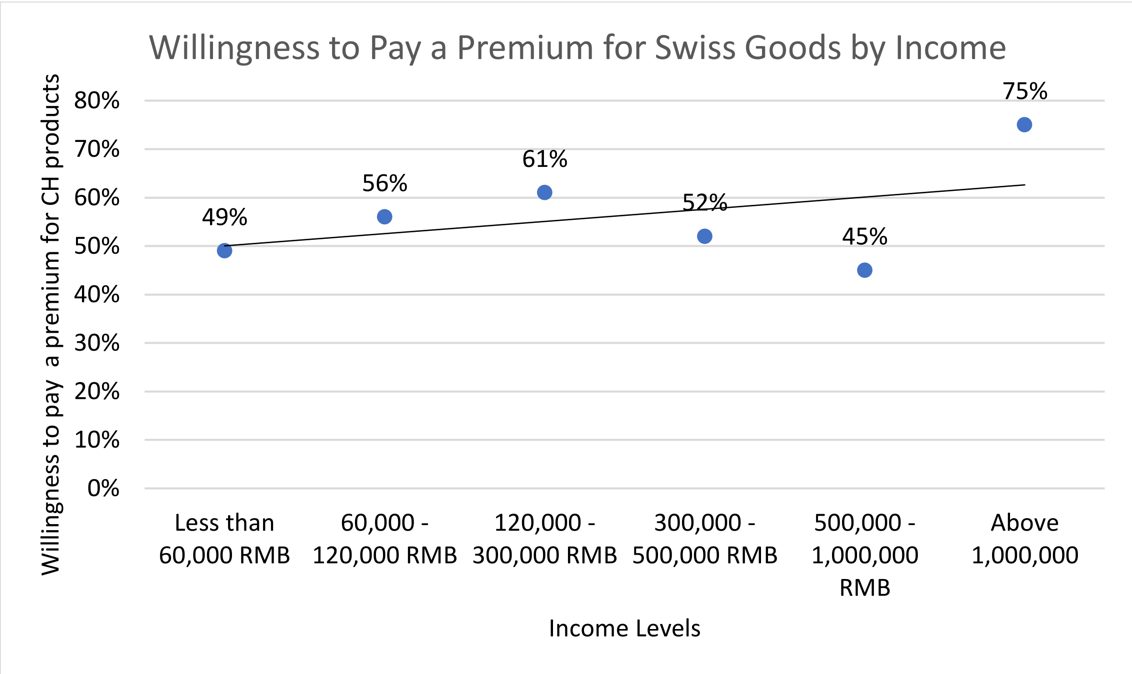


Figure 16: Willingness to Pay a Premium for Swiss Goods by Income

As the income rises, the willingness to pay a premium also rises until the 120,000 – 300,000 RMB income category, however declines slightly for the next two affluent categories (300,000 – 500,000 RMB and 500,000 – 1,000,000 RMB) before increasing significantly again in the highest income category.

Even though, no clear trend could be identified, the average willingness across all ages remains high with 56.3% indicating their willingness to pay a premium for Swiss goods. This sets out a positive outlook for Swiss SMEs seeking to expand to China, regardless from what product is offered.

It remains unclear, why the two categories (300,000 – 500,000 RMB and 500,000 – 1,000,000 RMB) remain below the average. There might be multiple reasons associated with this, for example that they have the financial ability to shop in foreign countries, not needing to pay a premium in China, but this needs to be confirmed in further research.

Hypothesis 2: Rejected

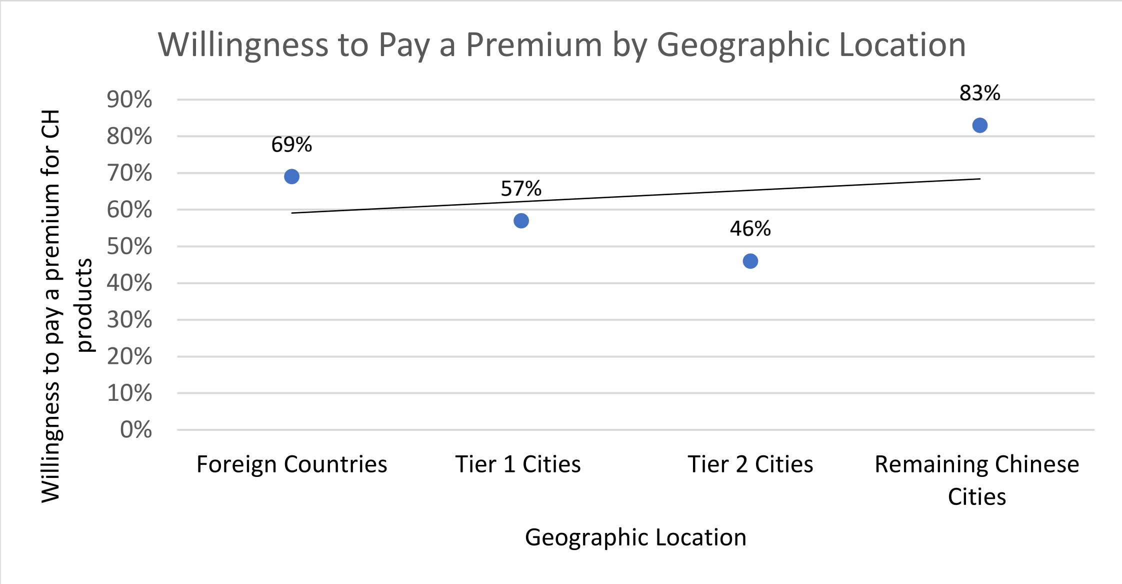


Figure 17: Willingness to Pay a Premium by Geographic Location

In Hypothesis 2, the geographic location used whilst answering the survey was tracked however, the respondents did not directly indicate whether they are permanent residents based on the tracking of the geographic location.

In China's tier system, all cities get divided into a total of four tiers. Depending on the GDP, politics and population, all 613 Chinese cities are classified into a tier as illustrated in Table 8 in USD (Hernández, 2018).

Factors	1^{st} Tier	2^{nd} Tier	3^{rd} Tier	4^{th} Tier
GDP (in US Dollars)	Over $300b	Between $68b – $299b	Between $18b – $67b	Below $17b
Politics	Central government	Provincial capital cities or sub-provincial capital cities	Prefecture capital cities	Country level cities
Population	More than 15m	Between 3m – 15m	Between 150,000 – 3m	Below 150,000

Table 8: China's Tier System

The main finding in this correlation, appears that third and fourth tier cities are often neglected. It was expected that first tier cities will have the highest willingness, however respondents with the financial ability to be abroad or other Chinese cities, which are not first, or second tier cities seem to be more likely to pay a premium.

With the highest willingness in the remaining third and fourth-tier Chinese cities, this especially shows that the focus should not be limited on the first cities such as Guangzhou, Tianjin, Chongqing, Shanghai or Beijing, but also focus on the emerging cities, that are becoming wealthier in a quick pace.

Hypothesis 3: Accepted

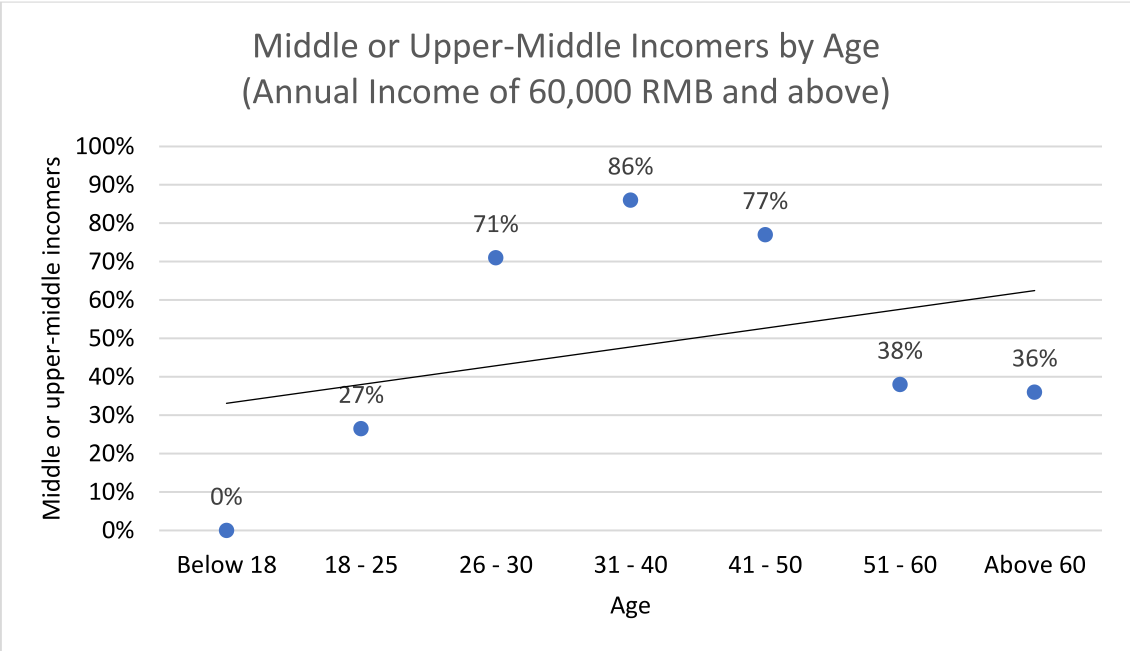


Figure 18: Middle or Upper-Middle Incomers by Age

For Hypothesis 3, the annual income was measured based on the number of respondents being above the 60,000 RMB annual income mark. As the age increases, the annual income increases as well as expected in the hypothesis. The peak is reached in the age category 31 – 40, whilst the overall highest purchasing power is well distributed during the working-age categories from 26 to 50.

As the respondents get close to retirement age, the percentage of middle and upper middle incomers drop drastically. This is assumed to be traced back to the retirement age, as retirees do not receive regular income anymore. If the question would have been on wealth accumulation instead of annual income, the shape of the curve would have been expected to be linear.

Given these results, it becomes evident that focusing on the 26 to 50 year old's is important when looking into selling your products as the purchasing power in this age group is the highest among the respondents.

Hypothesis 4: Rejected

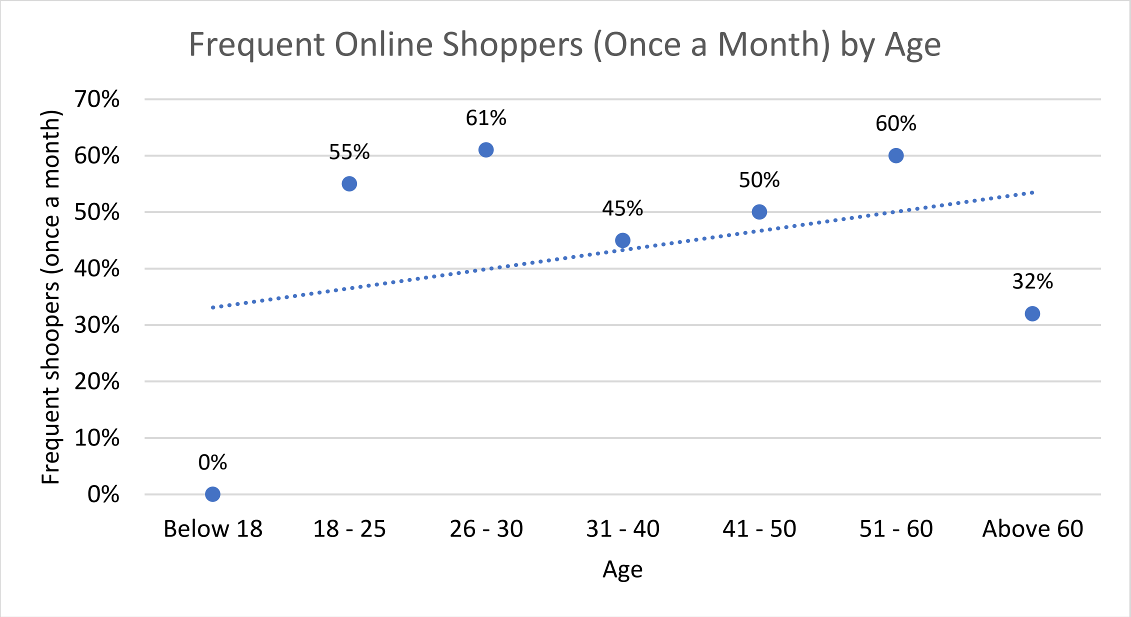


Figure 19: Frequent Online Shoppers by Age

The frequent online shoppers were classified as respondents that shopped once a month at any given e-commerce platforms. There was no clear trend to be confirmed that the e-commerce shopping activity decrease by age. In fact, the results of this correlation seem random and unpredictable.

The results show that the tech affinity among the Chinese respondents is relatively high up to the age of 60 with an average of 54.2%. Before dropping significantly with the age group of over 60, shopping comparably less than the other age categories.

This shows us that there is no limitation in terms of age, as the average and general population is frequently shopping online, regardless of their age.

5.1.3 Discussion of Hypotheses

The preliminary information is that this survey was shared over the internet. This might show an incomplete picture of the general population, as there is already an existing bias with respondent being more tech affine.

These hypotheses were either accepted or rejected solely based on the information provided from the survey, which included 241 participants. It is not fully representative of the whole population and might show inconsistency with earlier discussed concepts (refer to 2.1.3.3). It is expected that the results might change if a bigger sample size was granted and the survey was shared in different ways to avoid generating any biases.

In this light, however it would be unfair to deem the information as unusable as four major conclusions were drawn from this hypotheses testing:

- The first hypothesis depicted that generally, there is a high willingness to pay a premium for Swiss goods among the middle-class population.
- The second hypothesis depicted that the focus should not only be placed with first tier citizens, but also should be on the second, third and fourth tier citizens as they become more significant in the future.
- The third hypothesis depicted that the purchasing power is the highest among 26 to 50-year old’s, making this age category suitable for cross-border e-commerce platforms.
- The fourth hypothesis depicted that there are no clear limitations on age categories shopping online, there is only a drastic decline spotted in the 60+ age segment.

5.2 Survey Evaluation

The survey evaluation is split into three categories. For the extensive visual evaluation of each question refer to Appendix 8.9.

5.2.1 Evaluation Part 1 (E-Commerce and Swissness Questions)

The results of the survey have shown that 50% of the participants shop once a month, whilst 18% of the respondent shop two or three times in January shortly before Chinese New Year. Such seasonal shopping times along with the singles' day in November 11, mark some of the most important e-commerce shopping events for China as a market, with a total transaction volume of $25billion in 2017 (CNBC, 2017).

Furthermore, the respondents usually buy consumer goods online, with the most popular one being clothing, skincare and shoes (refer to Figure 20). Handbags and baby accessories also have been listed multiple times, showing the great demand providing opportunity for Moluk and Park as brands in China.

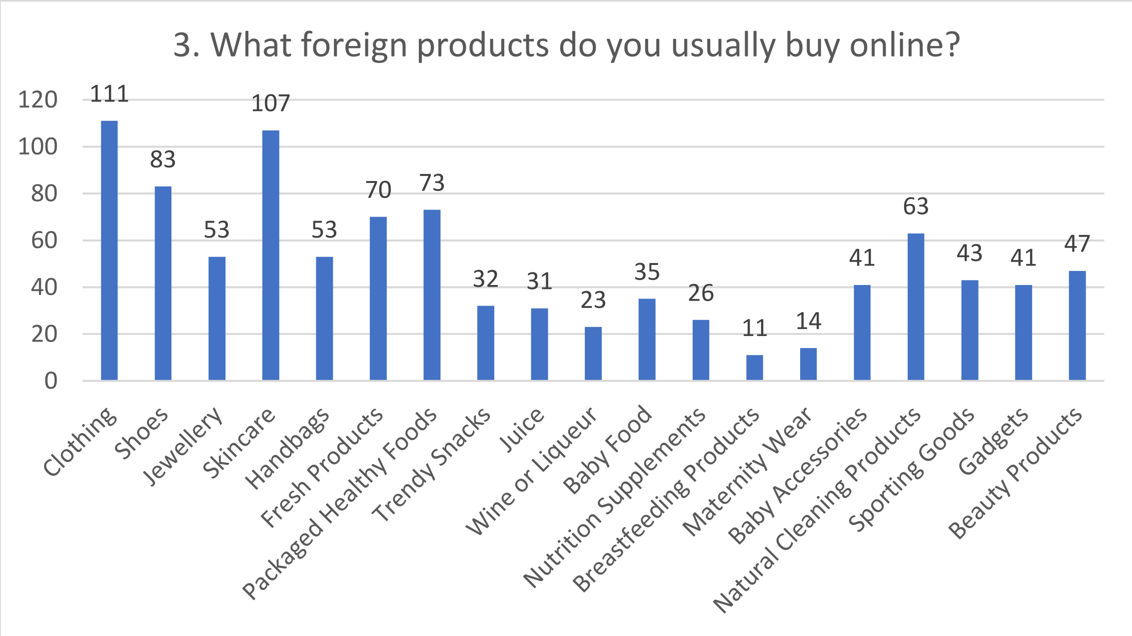


Figure 20: Survey Question 3

When it comes to paying a premium for a Swiss Designed or Swiss Made 54% are willing to pay a premium over a Chinese Designed or Chinese Made product. The most common associations of Switzerland as a country ranks in the following manner 32% high-quality, 32% heritage and craftsmanship, 27% fresh air and good environment, 7% innovation and 2% others.

The Chinese still seem to have a very idyllic and picturesque impression of Switzerland, therefore innovation has scored rather low on the survey. However, characteristics such as high-quality, heritage and craftsmanship and a good environment seem to be the values at the forefront.

Therefore, it is important, also to use these characteristics and values to convey a story for a marketing campaign, to align the product with the positive country image Switzerland has already established. Similarly, to how Ricola positions and markets its products in Switzerland (refer to 4.2.1.2).

5.2.2 Evaluation Part 2 (Moluk-specific Questions)

At the beginning of this Moluk specific section, a preliminary overview of the brand along with the explanation of the concept and two videos have been shown to transfer the knowledge to the respondents (refer to Appendix 8.8).

The results of this part concerning specific Moluk questions have shown the following conclusions. 20% have seen toys similarly to Moluk's, however only 6% have heard about it in connotation to the brand.

Independent whether the brand is known or unknown among the respondents, 71% would be interested to purchase a toy with such a concept if they had a child. Furthermore, it was examined based on what factors respondents purchase toys as depicted in Figure 21.

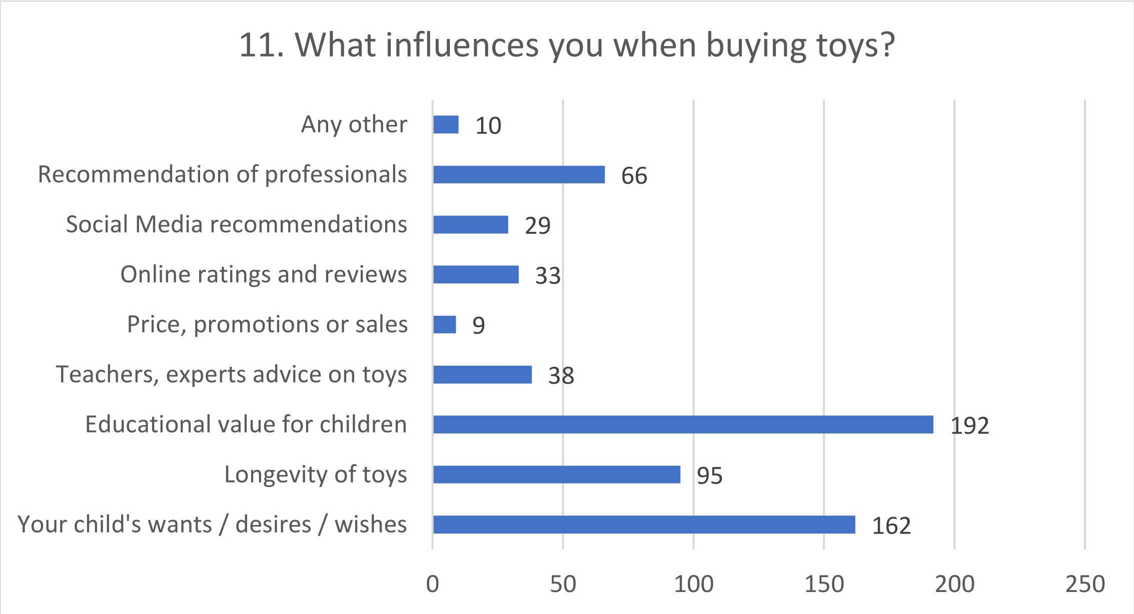


Figure 21: Survey Question 11

The educational value for children as a reason was stated as the most important one, even over the child's wants, desires or wishes. Especially in the Chinese culture, educational and academic nurturing and attainment is of utmost importance and valued from a very young age on. "Don't let your children lose at the starting line", is a popular proverb referring to this common phenomenon. A lot of urban Chinese parents, believe that children will not be intelligent if they do not provide them with the best in class education within the first six years of their life (China Daily, 2011).

Whilst being rather strong in the STEM (Science, Technology, Engineering, Mathematics) fields, studies have suggested that Chinese students from prestigious universities, are often times lacking in imagination and creativity as compared to their Western counterparts (Jung, 2004). Today however, creativity and innovation is becoming increasingly important in the Chinese society (Huang & Szente, 2014).

As this value aligns with Moluk's play value, of exploring and learning that creativity is borderless, it is recommended to push the educational play value of the brand in promotional activities in China. Furthermore, the longevity of toys is also regarded as important, which corresponds with Moluk's products of being of superb quality.

As oogi (refer to Figure 23) is the most popular product of Moluk in China, a price expectation question was put in place to test what the market is willing to pay. 44% of all respondent would pay less than 100 RMB, whilst 39% would pay between 100RMB to 200 RMB.

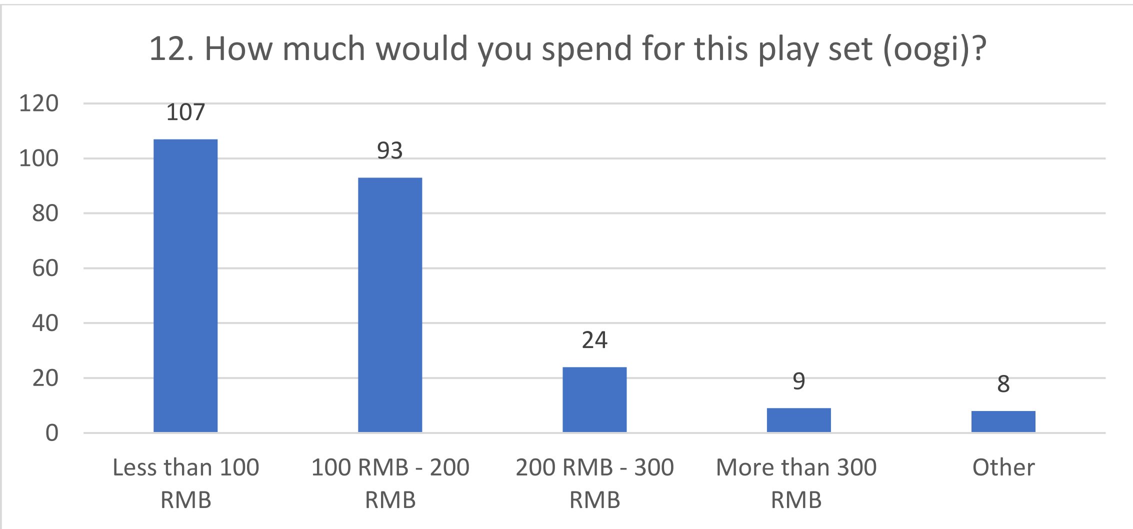


Figure 22: Survey Question12

Figure 23: oogi family Playset, (Moluk, n.d.)

Currently the oogi family retails for 23.20£ on Amazon, which is roughly 200 RMB. Even though the pricing expectations of the Chinese consumers are lower, Moluk should keep the same pricing in China, to ensure that the margin stays the same and the additional costs can be covered.

In addition, there is a psychological specificity playing in this, as Chinese Consumers believe that high prices correspond automatically with superb quality, taste and choice. It shows that they can afford those products and exert a level of prestige and status (Daxue Consulting, n.d.). Therefore, it is important to have a premium pricing strategy in China.

5.2.3 Evaluation Part 3 (Park-specific Questions)

At the beginning of the Park specific section, a preliminary overview of the brand along with the explanation of the concept and pictures have been shown to transfer the knowledge to the respondents (refer to Appendix 8.8).

The result of this part specifically concerning Park has shown the following conclusions. 95% of all respondents like minimalistic design, which is a good opportunity for Park, as Park bags have a more simple and sleek aesthetic look to them.

Traditionally Chinese taste was more ostentatious, as wealth for the mass has only been increasing recently. Due to the more infantile stage of luxury consumption, a lot of accessories and apparel worn were very flashy and displayed as status objects. As the luxury life cycle is slowly progressing into the next stage, the general Chinese population aims to differentiate themselves and seek for elegant and timeless pieces (Kühne & Bosshart, 2014).

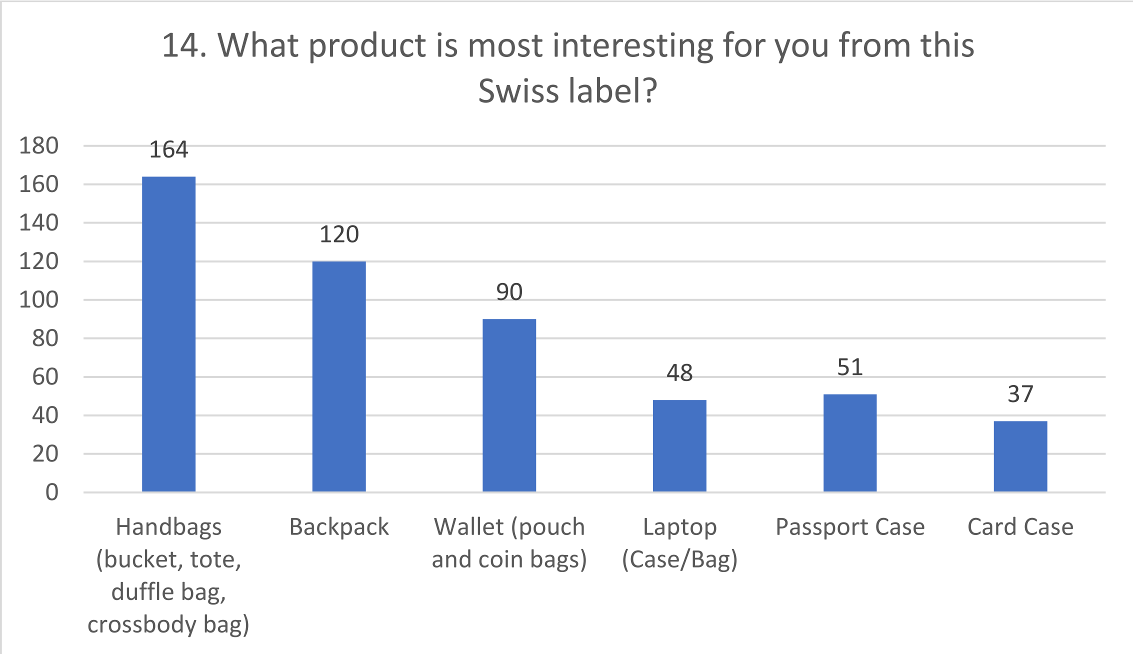


Figure 24: Survey Question 14

Across the board as depicted in Figure 24, different style bags are more popular than accessories such as cases or pouches. This shows that Park should focus on bags when entering the Chinese market. The most popular colors were ranked as black, followed by light brown and nude.

Figure 25: Survey Question 16

In addition, it is observable that the quality of leather goods seems to be the most important factor followed by value for money. It is especially interesting that the sustainability of sourcing is not viewed as important by Chinese consumers. Therefore, the marketing communication in China, should underline the high-quality craftsmanship and Swiss design aspect of the bag.

Figure 26 : Bucket Bag BB02 and Park Bags Rucksack RS01, (Park, n.d.)

The respondents were also surveyed about their price expectations for the rucksack (RS01) and bucket bag (BB02).

Rucksack RS01	61% of the respondents would pay less than 2,000 and 23% would pay between 2,000 to 2,500RMB.
Bucket Bag BB02	44% of respondents would pay less than 1,000 RMB and 31% would pay between 1,000 to 1,500 RMB.

Table 9: Price Expectation of Park Products

Currently, the rucksack (RS01) retails for 349 CHF, which corresponds to around 2,211 RMB and bucket back (BB02) retails for 224 CHF, which corresponds to 1,419 RMB.

Even though most respondents would pay less than the current retail prices, it is advisable to keep the same prices to ensure that the margin can be kept and the additional costs of operations in China can be covered.

Additionally, the psychological factor also plays a role, as Chinese Consumers believe that high prices correspond with a refined quality, taste, and choice. It shows that they can afford those products and exert a level of esteem and status (Daxue Consulting, n.d.). Therefore, it is important to have a premium pricing strategy in China.

5.3 Discussion of Findings

Comparing the empiric case of Ricola and the survey results some commonalities can be found. The values important to be addressed in China, are comparable to the ones that emerged from the survey. High-quality is among the most important one, which increases the willingness to pay a premium for a Swiss made product among the middle-class population.

Understanding of the Chinese consumers is of high importance to ensure marketing can be done effectively. From Ricola's case, it was depicted that they have internationalized to Asia already 20 years ago, this shows that the commitment only increased very slowly and did not take off immediately in the past. With the increasing technological savviness of consumers and the nature of the products of Moluk and Park being non-perishable goods, this gives them the chance to internationalize to China.

Given the financial capability of Moluk and Park, being smaller than Ricola in size and revenue, it might be difficult to establish an e-commerce store by themselves. Also because there is no human capital supporting the business in China on-site, the language barrier might pose as a potential source of problem. Therefore, it is important to rely on a plan to mitigate risks for doing business in China.

As the demand builds up in the long-term in China, it is advisable to have a specialist working for Moluk and Park on-site to ensure compliance and correctness of the e-commerce activities.

Furthermore, there is a possibility that the first tier cities are rather saturated with easily accessible foreign products. The future trend might be that second, third and fourth-tier cities become the main shoppers of e-commerce, not only because of the increasing purchasing power but also due to the accessibility issue for foreign products.

5.4 Roadmap to China

With the financial constraint SMEs face, it is essential to plan and to execute the internationalization process with care to avoid running into major risks that can jeopardize the outcome of such a venture. Risks associated with the e-commerce internationalization are all-prevalent and need to be mitigated to ensure a smooth integration process. Major risks involved are not limited to operational or financial uncertainties but also includes facets of cultural layers from how a product should be marketed to how Chinese consumers should be approached and educated.

This roadmap illustrates the visualization of the path and the different components involved in setting up an e-commerce business in China. As the cross-border e-commerce market is a fragmented market, without a clear market leader in its field. To provide the full picture, the biggest four e-commerce platforms are compared to show benefits and drawbacks. Based on the roadmap, smart recommendations are provided to Moluk and Park to ensure a tailored solution for both companies.

5.4.1 Comparison E-Commerce Platforms

The comparison is based on the four platforms with the highest percentage of market-share. Namely, Kaola, Tmall Global, VIP International and JD Worldwide. The operation characteristics are investigated to further analyze how the platforms distinguish from each other.

Platform	Operation Characteristics	Market Share
Kaola	Comprehensive, B2C, Proprietary Trading, Independent Platform	21.4%
Tmall Global	Comprehensive, B2C, Marketplace, Sub-Platform	17.7%
VIP International	Vertical Platform, B2C, Proprietary Trading, Sub-Platform	16.1%
JD Worldwide	Comprehensive, B2C, Marketplace, Sub-Platform	15.2%

Table 10: Cross-Border E-Commerce Platforms, (Grizzly Panda Marketing, 2018)

To further the difference and nature of each platform, the different characteristics are listed in Table 11 to show which platforms are the most suitable ones.

B2C	The platform mostly trades business to consumer.
Proprietary Trading	All products and brands are sold directly by the platform company and not the brand itself.
Independent Platform	Focuses only on cross-border e-commerce trading, and does not have a parent platform.
Marketplace	Offering a marketplace for individuals, businesses and brands to set up and operate their own store with their own handling of transactions and logistics.
Sub-Platform	Sub-division of their parent platforms or company focusing on cross-border e-commerce.
Vertical Platform	Focuses on a specific category or group of products and brands.

Table 11: Explanation of E-Commerce Business Terms, (Grizzly Panda Marketing, 2018)

5.4.2 Application Requirements

In line with the different characteristics of each cross-border e-commerce platform, the application procedure and requirements also vary. It is observable that the bigger the platform is, the more complicated and selective it becomes. As these represent the strongest players in the markets, the standard of capability and know-how is very high, but the entry barriers for the merchants to have a reputable brand and operational excellence is as equally high.

Platform	**Requirements for Application**
Kaola	• Corporate entities • Valid brand authorizations • Good brand reputation • Operation status
Tmall Global	• Corporate entities outside of mainland China • Overseas registered trademarks • Overseas retail qualifications • Excellent credit standing • Excellent operating status

VIP International	• Need to fulfill at least one of the qualification
	  ○ Owner of a famous brand
	  ○ Authorized sole agent of a famous brand
	  ○ Authorized sole distributor of a famous brand

	○ A branch of the famous brand ○ Chinese agency of a famous global brand
JD Worldwide	• Corporate entities • Public bank account • Reputable brand • Meet specific requirement for store type • Priorities will be given to: ○ Famous retailers, famous international brands, famous foreign brands never entered the Chinese market ○ Brands selling products in the following categories: maternity & baby, nutrition & health, food, wear & shoes, bags and suitcase, and cosmetics

Table 12: Application Requirements of E-Commerce Platforms, (Grizzly Panda Marketing, 2018)

All the platforms have similar requirements concerning the legal aspect, however depending on the platform, some are stricter with the reputation of the brand, whilst others are more open towards emerging brands and products.

Generally, it is observable that Swiss brands have much less of a presence than its neighboring countries, such as Italy, France, and Germany. Therefore, it is difficult to compare the portfolio of Swiss brands offered on the platform. Among some of the present Swiss brands on Tmall and Kaola include, Orange Garten (Migros), Nestlé and Hero Baby, which all are established Swiss brands.

Whilst Tmall Global and JD Worldwide, are sub-platforms owned by much bigger parent companies. The emerging e-commerce platform Kaola, which is now focusing on European brands and VIP International, focusing on an array of specialized vertical product lines within fashion and accessories is highly interesting, as they can hold up with the giants in the market.

5.4.3 Cost Estimation

The exact costs for each platform is dependent on the number of goods, type of goods, weight, and size of the product. At this point, it is difficult to provide an accurate cost estimation as the available information is limited. However, Table 13 shows the basic costs involved in setting up a store within a cross-border e-ecommerce website.

The costing estimation could not include VIP International, as they do not disclose any accessible information online, to understand the cost structure.

Platform	Shop maintenance	Member -ship fee	Service fee	Commission	Deposit
Kaola (Department for International Trade, n.d.)	$1,000 - $2,000 per month	$1,000	N.d.	2% - 10%	$15,000
Tmall Global (Gronkvist, 2017a)	$1,000 - $2,000 per month	$5,000 - $10,000	1%	2% - 4%	$25,000
VIP International	N.d.	N.d.	N.d.	N.d.	N.d.
JD Worldwide (Gronkvist, 2017b)	$1,000 - $2,000 per month	$1,000	N.d.	2% - 8%	$15,000

Table 13: Costing of E-Commerce Platforms

Kaola and JD Worldwide, are especially competitive with the lower required entry costs of US $15,000 for the deposit and the membership fee of US $1,000, compared to other platforms in the market such as Tmall.

However, the variable costs in terms of commission is comparably higher than Tmall, therefore it can be assumed that Tmall is more suitable for more established brands. The established brands have more resources and are more likely to build up a larger demand within a shorter time frame, whereas this is more of a challenge for smaller companies.

Besides the basic set-up costs of an e-commerce platform, it is also of major importance to invest in the marketing and communication to stand out from the competition. It is to be expected that promotional costs for the e-commerce store, can go up to 30% of the sales volume depending on the specific circumstances (Yang, 2018).

Lastly, other relevant variable costs include logistics (approximately US $1 - $3 per order) and after-sales costs (approximately $125 per month). These estimations all depend on the sales volume of the company.

5.4.4 Recommendations

Exporting through cross-border e-commerce platforms is the most suitable entry mode to China for Moluk and Park. Due to the lower entry costs, the ability to deal with local responsiveness and the capability to bear transport costs, this represents a viable entry possibility for both companies.

Even though the surveys indicated that the average consumer expects the products of Moluk and Park to be cheaper, to cover all the costs, it is recommended to keep the pricing as it is or increase it to follow the prestige pricing strategy. This pricing is justified from a psychological standpoint but also from the financial perspective to cope with the expected surcharges for marketing, sales, and logistics with the operations in China.

5.4.4.1 Recommendations for Moluk

The target audience of Moluk products is seen as middle-class mothers between their 20s and 30s. To animate them to buy Moluk toys, it is important to emphasize the educational value, especially as those mothers also have a high educational attainment, the future success of their children starts early on with the right prerequisites. Therefore, this value should be communicated within the marketing and promotional activities in China.

As the financial resources of Moluk are limited, it is recommended to sell on Kaola and JD Worldwide as they appear more competitive for smaller companies. In addition, due to the nature of Moluk's products they should also consider investigating into specialized baby e-commerce platforms such as Beo Bei Gezi, Mia, and Babytree.

Those specialized platforms have an audience that is interested in baby and maternity products, and therefore the ideal customer base can be reached. However, when seeking to target a larger audience, Kaola and JD Worldwide represent the better choice. Kaola is especially interesting as they hold the highest market share in Europe, looking to further expand and widen their European brand portfolio.

Looking into logistics model, as Moluk is already in China and has built up a small demand, it might be worth to consider the direct mail with overseas warehouse logistics model (refer to 2.1.4.2). With this model, Moluk can ensure the limited fixed costs but also have the capability to meet the customers demand in China. As a steady demand builds up in the future, and the variable costs increase, it is recommended to switch to the bonded model (refer to 2.1.4.1) to ensure that the large quantity demands can be fulfilled.

Furthermore, it is acknowledged that it will be difficult to prevent the circulation of counterfeit Moluk toys, as Moluk's products are rather easy to copy. Based on this, it becomes of major importance to establish a strong brand, emphasizing the Swiss quality and design of Moluk. To provide a holistic understanding of how the products work seamlessly together in a creative way, a video can be produced on Youku to showcase this with a motion story-telling element.

In conclusion, to establish a cross-border e-commerce store in China there is a certain risk, as the investment is comparably high, and the know-how of the market is limited. This lack of resources might pose an additional threat when deciding for this venture, especially as there is no one to deal with the controlling aspect on-site. Nonetheless, Moluk already has an international outreach and experience in conducting business abroad, which indicates that this capability can be used also in China.

Coupled with the high demand for maternity and baby products in China, this is a great opportunity for Moluk to further invest in the emerging Chinese market. Given all the measures are taken, they can use this as a leverage to increase their products sold in China with a strong brand.

5.4.4.2 Recommendations for Park

The target audience for Park products is mostly women in their 20s and 30s, willing to spend on fashion and accessories. The fashion segment with a total e-commerce volume of US $195 billion represents the largest segment in the Chinese e-commerce market. However, as the apparel and fashion industry is becoming increasingly more competitive, with Chinese consumers also considering local brands over foreign ones (Long, 2017), Park needs to establish a distinct brand to differentiate themselves in the Chinese market.

It is important to focus on the story-telling part, underlining the origin and heritage of the bags produced in Greece and the traditional craftsmanship involved in the workshops. Furthermore, to bring the added value for the consumers, the Swiss design needs to be pushed more as an essential part of Park bags to ensure its success and raise reputation among the Chinese consumers. The aesthetically pleasing end product is part of this, however the history and process should be emphasized on in a video and published on Youku.

Considering the logistics model for Park, as currently there is no demand in China, it is advisable to start with the direct mail with international express delivery model (refer to 2.1.4.3). With this model Park can tap into the market with no fixed costs, whilst testing how the Chinese consumers respond to their products. In the future, if the demand of the products become more stable as the quantity demanded grows in China, it is advised to utilize the direct mail with overseas warehouse model (refer to 2.1.4.2) to take advantage of the lower variable costs in combination with the limited fixed costs.

As the financial resources of Park are assumed to be rather limited, it is recommended to sell on platforms such as Kaola or JD Worldwide as they appear more competitive for smaller companies. If Park seeks to have a more targeted group of individuals it might be worth to investigate into VIP International as the vertical focus of this platform is within the fashion and accessories industry.

In conclusion, to establish a cross-border e-commerce store in China represents a big risk for Park at this point as the investment is comparably high and the know-how of the market is not available. This lack of resources poses an additional threat when deciding for this venture, especially as there is no one on-site in China to support Park.

Given especially that the size of the company and the international experience so far stretches across Switzerland and Europe predominantly, the Chinese market knowledge might be an entry barrier for the business. Consequently, it is recommended to wait for this venture, as it seems that this opportunity might be too early on for Park.

Despite these restraints, the market for fashion and accessories is highly interesting, therefore it is advisable that Park reevaluates the situation and follows-up to ensure this opportunity can be exploited in the future.

6 Conclusion

Based on the positive outlook for e-commerce in China, with the increasing demand of Swiss brands from the growing middle-class. This lays a solid foundation and is a favorable business opportunity for Moluk and Park to establish their own cross-border e-commerce store in China. However, due to the financial constraint of the companies, the opportunity needs to be evaluated also from a financial point of view, to ensure feasibility and sustainability of commitment in the long-run for both companies.

Other risks involved is the ability to control the business conduct in China, due to having a language and cultural barriers as elaborated with Ricola. This thesis laid a foundation and understanding of the e-commerce market in China. Subsequently, recommendations for Moluk and Park were provided to assess the business decision, how they can internationalize to China using e-commerce as an entry mode.

Whilst the opportunity for Swiss consumer goods remain high, it is acknowledged that the Swiss companies have a slower internationalization pace than many of its neighboring countries, which exploited this opportunity earlier on. Given these findings, encouragement and empowerment should be provided to more Swiss SMEs to attempt this venture to China in the ever-growing Chinese cross-border e-commerce market.

6.1 Limitations to Methodology

Due to the small sample size of an individual case study of how Ricola internationalized to China, it is expected that the ideal way for SMEs to internationalize using e-commerce in China has not been researched in full. This thesis specifically investigated in the case of Ricola and applied the learnings to Moluk and Park coupled with the online survey that was conducted.

Concerning the online survey, even though a substantial sample size was reached for the scope of this bachelor thesis, it is still not representative enough for the whole of China with a potential outreach of 1.3 billion people. With the limited data of 241 respondents, it was difficult to have confidence in testing the correlations and trying to find a clear trend for certain constants.

If more data was provided, the trends and results of 5.1.1 and 5.1.2 could have shown a more clear and significant impact. Eventually leading to either the possibility of exerting a higher level of confidence for the sample testing or providing alternative trends to the established ones.

Furthermore, most correlations in the hypotheses concerning the general buying behavior in correspondence with the demographics only represented the survey data and did not take secondary research into account. Therefore, it can be assumed that the hypothesis lacks in substance when it comes to the general buying behavior questions. However, the smaller sample size simultaneously benefitted the case-specific questions, as consumers could clearly get an understanding of the product, values and identity of Moluk and Park.

6.2 Limitations to Research

In addition, the time constraint of this bachelor thesis played a major role. Instead of just providing an overview of all platforms, each platform should have been researched in depth to understand the application process and costing in full for both Moluk and Park. The current information provided was not sufficient enough, as much detailed information is only obtainable after you apply to become a merchant for the specific platforms.

Furthermore, the compared platforms in 5.4.1 were not always corresponding with the platforms as proposed in the online survey. The reason was due to fact that e-commerce is a highly fast-paced and constantly evolving business. The survey had to be conducted early in the research phase, which meant that the platforms proposed in the survey focus on the long track record of companies, such as Tmall and JD. However, the survey did not take the new market entrants into account, such as Kaola being a new market leader among the cross-border e-commerce platforms.

Lastly, due to the limited information provided by Moluk and Park in regard to the financial figures of the company, this represented a constraint to conduct detailed costing estimation. Therefore, there are no clear recommendations, considering the feasibility of the route to China from a financial point of view.

7 References

100EC.CN. (2017). 中国跨境进口电商跨入“万亿时代”，海外购用哪个跨境电商平台更好？. Retrieved from http://www.twoeggz.com/news/2930155.html

Albrecht, D. (2017). China’s New E-commerce Law: What this will mean for Consumers, Operators and Providers. Retrieved from http://www.youripinsider.eu/chinas-e-commerce-law-consumers-operators-providers/

Alibaba. (2018). Aliprotect Intellectual property protection platform. Retrieved from https://legal.alibaba.com/index.htm?site_type=international&language_id=english

BCG. (2017). China’s Consumer Economy on Track to Add Nearly $2 Trillion by 2021 - The Boston Consulting Group. Retrieved from https://www.bcg.com/d/press/28june2017-five-profiles-chinese-consumer-economy-163159

Björck, A. (2017). Internationalization and Foreign Market Entry Implementation. Autumn 2017. Winterthur: ZHAW School of Management and Law, Zurich University of Applied Sciences

Bürgler, E. (2018). Migros sahnt in China ab. Retrieved from https://www.tagesanzeiger.ch/sonntagszeitung/migros-sahnt-in-china-ab/story/24482117

CBEC. (2015). Western SMEs Entering China’s Ecommerce Landscape – How To? - Crossborder Ecommerce. Retrieved from http://www.crossborder-ecommerce.com/western-smes-entering-chinas-ecommerce-landscape/

Cheng, M. (2017). eCommerce in China - the future is already here: How retailers and brands are innovating to succeed in the most dynamic retail market in the world. Retrieved from https://www.pwccn.com/en/retail-and-consumer/publications/total-retail-2017-china/total-retail-survey-2017-china-cut.pdf

China Daily. (2011). The question of early education. Retrieved from http://usa.chinadaily.com.cn/epaper/2011-05/27/content_12591614.htm

Clemons, E. K., Jin, F., Ren, F., Wang, Y., & Wilson, J. (2012). The Special Challenges of E-commerce in China: A Preliminary Investigation of Sufficient Conditions for

Generating Adequate Consumer Trust for Initial Launch. In *2012 45th Hawaii international conference on system sciences: (HICSS 2012) Maui, Hawaii, 4-7 January 2012* (pp. 4562–4571). New York: IEEE. https://doi.org/10.1109/HICSS.2012.586

CNBC. (2017). 'Singles Day' China shopping festival smashes record with $25 billion haul. Retrieved from https://www.cnbc.com/2017/11/11/singles-day-china-shopping-festival-smashes-record-at-the-halfway-mark.html

Davidsson, P., & Honig, B. (2003). The role of social and human capital among nascent entrepreneurs. *Journal of Business Venturing*, *18*(3), 301–331. https://doi.org/10.1016/S0883-9026(02)00097-6

Daxue Consulting. (n.d.). Pricing Strategy in China: What to Take into Consideration when a Pricing Strategy in China. Retrieved from http://daxueconsulting.com/pricing-strategy-china/

Department for International Trade. (n.d.). Marketplace details | Kaola | Selling online overseas. Retrieved from https://selling-online-overseas.export.great.gov.uk/markets/details/kaola/

Doney, P. M., & Cannon, J. P. (1997). An Examination of the Nature of Trust in Buyer-Seller Relationships, *61*(2), 35–51. Retrieved from http://www.jstor.org/stable/pdf/1251829.pdf?refreqid=excelsior%3A3b7a86820d5112706c88a2d48cb4fc2e

Forbes. (2017). Marketing_to_the_Chinese_Consumer. Retrieved from https://images.forbes.com/forbesinsights/StudyPDFs/Marketing_to_the_Chinese_Consumer.pdf

Gjellrup, P. (Ed.) 2000. *SME support services in the face of globalisation,* concerted action seminar, Opening address, *Conference Proceedings, Danish Agency for Trade and Industry, Copenhagen,* pp. 16-28

Glenn, E., & Wong, J. (2017). World Bank raises China 2017 growth forecast, maintains 2018 outlook. Retrieved from https://www.reuters.com/article/us-worldbank-china/world-bank-raises-china-2017-growth-forecast-maintains-2018-outlook-idUSKBN1ED035

Grandon, E. E., & Pearson, J.M. (2004). Electronic commerce adoption: an empirical study of small and medium US businesses. *Information & Management*, *42*(1), 197–216. https://doi.org/10.1016/j.im.2003.12.010

Graziani, T. (2017). Cross-border e-commerce in China: what's the trend in 2017? - WalktheChat. Retrieved from https://walkthechat.com/cross-border-e-commerce-china-whats-trend-2017/

Grizzly Panda Marketing. (2018). Comparison of the Top 5 Cross Border ECommerce Platforms in China | Grizzly Panda Marketing. Retrieved from https://grizzlypandamarketing.com/comparison-top-5-cross-border-ecommerce-platforms-china/

Gronkvist, F. (2017a). How to Start Selling on Tmall Global: The Ultimate Guide. Retrieved from https://www.export2asia.com/blog/tmall-global-guide/

Gronkvist, F. (2017b). Selling on JD.com in China: A Complete Guide. Retrieved from https://www.export2asia.com/blog/selling-jd-jing-dong-in-china/

Hernández, M. (2018). China’s tiered city system explained: Tier systems are widely used to classify Chinese cities. The tiers are used by analysts to study consumer behaviour, income level, politics, and local trends to help tune strategies to local condition. Retrieved from http://multimedia.scmp.com/2016/cities/

Hu, T., Kalbaska, N., & Cantoni, L. (2013). A picturesque online representation of Switzerland: a research conducted on Chinese social network Weibo. Retrieved from http://www.webatelier.net/wp-content/uploads/2013/04/white-paper_swiss-images.pdf

Huang, P., & Szente, J. (2014). Helping Chinese Children Become More Creative. *Contemporary Issues in Early Childhood*, *15*(3), 297–302. https://doi.org/10.2304/ciec.2014.15.3.297

IiMedia Research. (2017). Comparison of the Top 5 Cross Border ECommerce Platforms in China | Grizzly Panda Marketing. Retrieved from https://grizzlypandamarketing.com/comparison-top-5-cross-border-ecommerce-platforms-china/

IResearch. (2014). 2014-2017 China Internet Economy Forecast Report_Reports_Insights_iResearch. Retrieved from http://www.iresearchchina.com/content/details8_19473.html

IResearch. (2017). China's Online Shopping GMV Approached 5 Trillion Yuan in 2016. Retrieved from http://www.iresearchchina.com/content/details7_30708.html

Jing, M. (2017). NetEase’s Kaola plans €3b spending spree on European products: Firm sees huge growth potential for European goods in China, as retail site ratchets up its competition against larger e-commerce players. Retrieved from http://www.scmp.com/tech/e-commerce/article/2087074/neteases-koala-plans-eu3b-spending-spree-european-products

Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, *40*(9), 1411–1431. https://doi.org/10.1057/jibs.2009.24

Jung, L. (2004). Chinese students lack imagination, creativity - People's Daily Online. Retrieved from http://en.people.cn/90001/90776/90882/7093100.html

Kariyawasam, R. (Ed.). (2011). *Chinese intellectual property and technology laws*. Cheltenham: Edward Elgar. Retrieved from http://site.ebrary.com/lib/alltitles/docDetail.action?docID=10506483

Kühne, M., & Bosshart, D. (2014). Der Nächste Luxus: Was uns in Zukungt lieb und teuer wird, *41*. Retrieved from http://www.gdi.ch/Media/Studien/GDI_Studie41_LUXUS_Cover_Summary_140901.pdf

Lam, R. (2017). 5 Big Mistakes Foreigners Make when Marketing to Chinese Consumers. Retrieved from https://www.dragonsocial.net/blog/mistakes-marketing-to-chinese-consumers/

Li, D. (2017). Alibaba, Chinese Delivery Firms Team Up To Fight Pollution With Billions of Greener Packages – China Money Network. Retrieved from https://www.chinamoneynetwork.com/2017/03/20/alibaba-chinese-delivery-firms-team-up-to-fight-pollution-with-billions-of-greener-packages

Long, D. (2017). China's love of foreign brands to push cross-border e-commerce sales above $100bn by 2018. Retrieved from http://www.thedrum.com/news/2017/11/15/chinas-love-foreign-brands-push-cross-border-e-commerce-sales-above-100bn-2018

Ma, J. (2017). Jack Ma explains the difference between Alibaba and Amazon: 'Amazon is more like an empire'. Retrieved from https://www.cnbc.com/2017/01/18/jack-ma-difference-between-alibaba-and-amazon.html

Madsen, T. K., & Servais, P. (1997). The internationalization of Born Globals: An evolutionary process? *International Business Review*, *6*(6), 561–583. https://doi.org/10.1016/S0969-5931(97)00032-2

Marinova, P. (2017). This Is Only the Beginning for China's Explosive E-Commerce Growth. Retrieved from http://fortune.com/2017/12/04/china-ecommerce-growth/

McKinsey&Company. (2013). Mapping China's middle class. Retrieved from https://www.mckinsey.com/industries/retail/our-insights/mapping-chinas-middle-class

Millward, S. (2017). China now has 731 million internet users, 95% access from their phones. Retrieved from https://www.techinasia.com/china-731-million-internet-users-end-2016

M-Industrie. (2017a). M-Industrie baut ihr Online-Geschäft in China aus. Retrieved from https://www.migros.ch/de/unternehmen/medien/mitteilungen/show/news/medienmitteilungen/2017/m-industrie-tmall.html

M-Industrie. (2017b). M-Industrie steigt ins Online-Geschäft in China ein. Retrieved from https://www.migros.ch/de/unternehmen/medien/mitteilungen/show/news/medienmitteilungen/2017/orange-garten.html

ModusLink. (2015). Chinese Demand for Foreign Brand Products - Moduslink. Retrieved from https://www.moduslink.com/chinese-demand-foreign-brand-products/

Moluk. (n.d.). MOLUK™ | ABOUT. Retrieved from http://www.moluk.com/about.php

Ofili, O. U. (2016). Internationalization: Choosing The Right Entry Mode: Lessons From Ebay's Strategy In China. *European Scientific Journal*, *12*(1). https://doi.org/10.19044/esj.2016.v12n1p202

Park. (n.d.). Über uns. Retrieved from http://www.thisispark.com/ueber-uns

PWC. (2017). Total Retail 2017: 10 retailer investments for an uncertain future. Retrieved from https://www.pwc.com/gx/en/industries/assets/total-retail-2017.pdf

Ricola. (n.d.). Ricola - ein schweizer Familienunternehmen: Die Ricola AG ist eine der modernsten und innovativsten Bonbonherstellerinnen der Welt. Ricola exportiert über 60 verschiedene Sorten Kräuterbonbons und -tees in mehr als 50 Länder. Retrieved from http://www2.ricola.com/de-de/Uber-Ricola/Das-Unternehmen

Ruigrok, W., Amann, W., & Wagner, H. (2007). The internationalization-performance relationship at Swiss firms: A test of the S-shape and extreme degrees of internationalization. *Management International Review*, *47*(3), 349–368. https://doi.org/10.1007/s11575-007-0020-6

Ruzzier, M., Hisrich, R. D., & Antoncic, B. (2006). SME internationalization research: past, present, and future. *Journal of Small Business and Enterprise Development*, *13*(4), 476–497. https://doi.org/10.1108/14626000610705705 Concerted action seminar, Opening address, Conference Proceedings, Danish Agency for Trade and Industry, Copenhagen, pp. 16-29

South China Morning Post. (2015). China to cut e-commerce red tape, back entrepreneurship and ease market access: New State Council guidelines are third time in a week that central authorities have promised to nurture growth of online businesses amid the economic downturn. Retrieved from http://www.scmp.com/news/china/policies-politics/article/1789178/china-cut-e-commerce-red-tape-back-entrepreneurship-and

Statista. (2018). e-commerce - China | Statista Market Forecast. Retrieved from https://www.statista.com/outlook/243/117/e-commerce/china#marketStudy

Strandberg, A. (2017). The internationalization of digital born global firms: Contextual factors and behavioral implications. CHALMERS UNIVERSITY OF TECHNOLOGY. Retrieved from http://publications.lib.chalmers.se/records/fulltext/254887/254887.pdf

The Economist (03/17/2018). The battle for digital supremacy. *The Economist*, p. 11.

The State Council. (2006). The National Medium- and Long-Term Program for Science and Technology Development (2006- 2020): The State Council The People's Republic of China. Retrieved from https://www.itu.int/en/ITU-D/Cybersecurity/Documents/National_Strategies_Repository/China_2006.pdf

TradingEconomics. (2018). China GDP Annual Growth Rate | 1989-2018 | Data | Chart | Calendar. Retrieved from https://tradingeconomics.com/china/gdp-growth-annual

Webb, J., & Chen, Y. (2015). Thomas Crampton – China Social Media Landscape, 2015. Retrieved from http://thomascrampton.com/china/china-social-media-landscape-2015/

World Bank. (2016). GDP of China and the United States. Retrieved from https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN-US

Wu, C. J. (Ed.) 2016. *Chinese E-commerce Legislation Current Situation, Problems and Ways to Improve.*

Yang, Y. (2018). *Summary for Major Players of Chinese E-Commerce Platforms.*

8 Appendix

8.1 Technological Trends

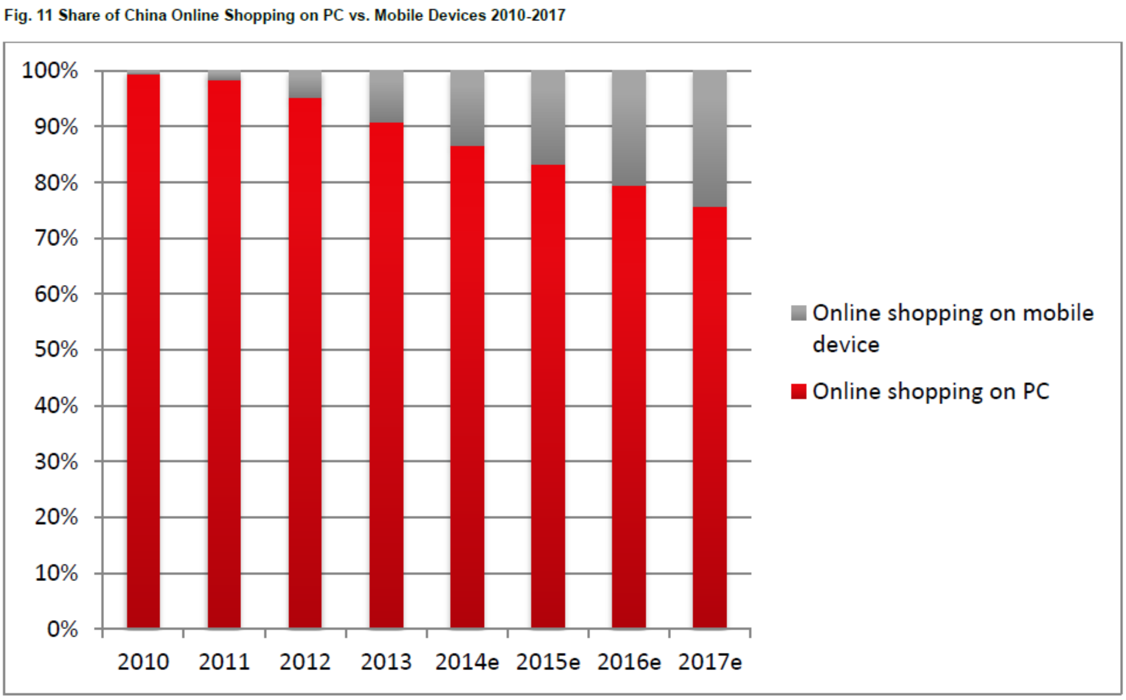


Figure 27: Share of China Online Shopping on PC vs. Mobile Devices, (iResearch, 2014)

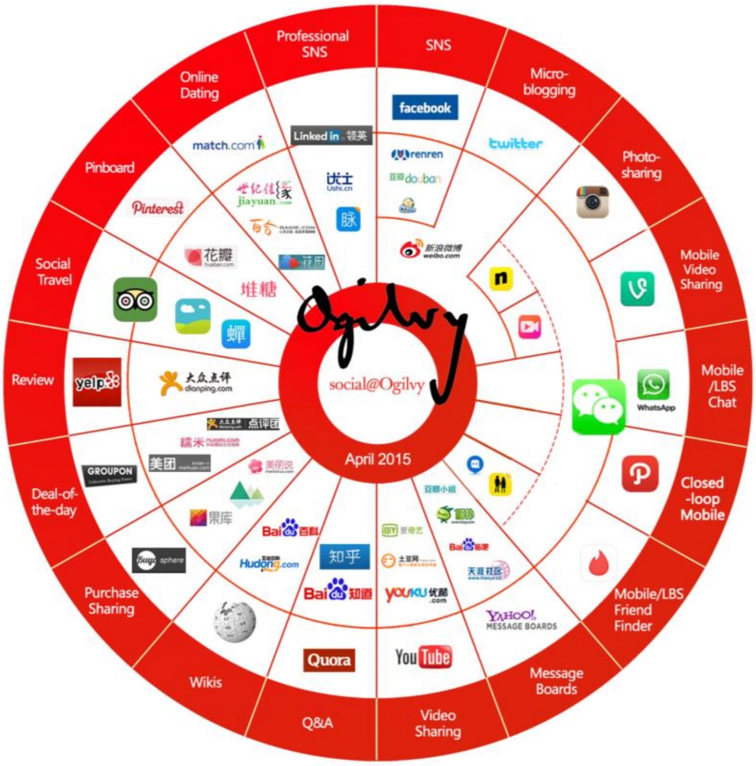


Figure 28: Western and Chinese Media Channels Comparison, (Webb & Chen, 2015)

8.2 Legal Draft Structure

The drafted structure consists of eight chapters in total and 94 articles, as outlined according to (Albrecht, 2017):

- Chapter I: General regulations, Article 1-10
- Chapter II: E-commerce subjects and operators, Article 11-25
- Chapter III: Trade and services in the areas of e-commerce, Article 26-44
- Chapter IV: Safeguarding in e-commerce, Article 45-66
- Chapter V: Cross-border e-commerce, Article 67-73
- Chapter VI: Monitoring and management, Article 74-80
- Chapter VII: Legal responsibilities, Article 81-93
- Chapter VIII: Appendix, Article 94

The main contents of the draft, cover:

- Subject of e-commerce
- Obligations for the platform's operator
- Electronic contracts
- Services for electronic payment
- Express service and logistics
- Data and information
- Fair competition
- Protection of consumer's interests
- Arbitration
- Monitoring and management system

8.3 Transcription of Ricola Interview with Stephan Huber

Supervisor:	Juan Wu (J.W.)
Interviewer:	Gregory Alder (G.A.), Debby Chau (D.C), Simone de Donno (S.D.)
Interviewee:	Stephan Huber (S.H.) - Regional Director East Asia of Ricola
Interview Setting:	Interview conducted over online communication tool, as Stephan Huber is based in Shanghai, China while the student group and the supervisor are based in Zurich, Switzerland. Conducted on 30th April 2018, 09.00 CET time.
Affiliation with interviewee:	Stephan Huber was approached over a professional network, to share the insights of Ricola with ZHAW. A Non-Disclosure Agreement was provided to ensure that the information provided by Ricola is kept for internal purpose only.

(Start of Interview, after introduction of students)

D.C.	Ja, das war eigentlich alles von unserer Seite für jetzt, hast du noch Fragen spezifisch?
S.H.	Nein, vielleicht nur kurz zur meiner Seite und Hintergrund, ich bin hier in Shanghai, mittlerweile ein bisschen mehr als 2 - 3 Jahre. Ricola hat ein kleines Team, wir sind ein Familienunternehmen, ungefähr 400 Mitarbeiter weltweit, 80% an der Produktion in Basel, also eigentlich sehr sehr lean. Wir haben ein Distributor-Model, sprich eigentlich wir sind über einen Distributor präsent, wir haben nur 4 subsidiaries, das ist Schweiz, Kanada, USA und Italien. Es gibt dann schon einen Hinweis wie wir eigentlich operieren. Vielleicht auch interessant, ich weiss nicht wie viel ihr über China wisst, aber ist halt schon zum Teil vielleicht weniger verständlich für Europa oder für Schweiz, das gewisse Dinge anders gehandhabt werden und darum kann ich ein bisschen auf das eingehen und auch zu versuchen, das zu erklären.
D.C.	Das tönt doch super, danke dir. Du hast die Frage vor dir, soll ich diese nochmals repetieren? Also die erste Frage wäre: What was the initial motivation to expand to China?
S.H.	Also ich glaube vor 20 Jahren war es ein normales Ding, Ricola hat schon zur derzeit viel Geschäfte ausserhalb der Schweiz gemacht. War schon ganz früh in Hong Kong und Singapur und war dort eigentlich ziemlich schnell Market Leader. Und dann kamen eigentlich andere Länder in Asien dann automatisch, also von dem her entsprechend war die Motivation für China das Business Potenzial, das war schon vor 20 Jahren ein Riesenland mit grossen Städten. Auch war es die upcoming

	middle-class, das auch heute noch relevant ist, da die Kaufkraft doch grösser und grösser wird, und eben als drittes ist es der Erfolg in Singapur und Hong Kong, wo das eigentlich angetrieben hat im Süden von China das aufgebaut hat und jetzt der Rest von China noch angehen.
D.C.	OK, ja und jetzt wenn du zum Beispiel anschaust Singapur und Hong Kong, gibt es da einen gewissen Unterschied wenn du China als Markt anschaust?
S.H.	Ich glaube Singapur und Hong Kong sind eigentlich mehr Städte, ein Kleinland sehr dichte Bevölkerung sehr viel (CVS) Convenient Stores, sehr international, sehr developed, high-income, eher saturated, ganz unterschiedlich zur China. Aber ich glaube es ist vergleichbar, wenn wir uns zum Beispiel nur auf Shanghai beziehen, oder nur auf Guangzhou oder andere Städte.
D.C.	Also eigentlich die 1st Tier cities in China.
S.H.	Genau, da gibt es noch bisschen vergleich zu product acceptance, ja also das Produkt kommt in Singapur und in Hong Kong gut an, nicht nur bei westlichen Leuten, in diesen zwei Städten sondern auch bei der lokalen Bevölkerung. Und das zu einem Preis-Leistungsverhältnis, das auch einen Grund gab in weiteren asiatischen Länder Erfolg haben soll.
D.C.	Ja, das macht Sinn. Habt ihr sonst noch fragen die Gruppe?
all	Nein, soweit noch nicht.
D.C.	Sonst können wir gleich weiterfahren, wenn das ok ist für dich Stephan.
S.H.	Also der Punkt, wie wir anders angehen das Marketing in China vs. Schweiz gibt es natürlich viele Punkte, ich glaub ich erwähne Mal so ein bisschen die 2-3 wichtigsten. Also wir wollen näher am Markt sein, das heisst dementsprechend lokalisieren. Aber andererseits, wollen wir natürlich wollen wir unsere Marktwerte, sollen eigentlich global die gleichen sein. Und ich glaube das ist in unserem Fall, Kräuter, Natürlichkeit und die Schweiz. Was wir in China ganz stark kommunizieren, ist eigentlich die Schweiz und die Natürlichkeit, glaube die Schweiz ist ein bisschen Katalisator für Qualität, für andere Assoziationen, die man zu der Schweiz hat. Gerade Natürlichkeit ist mehr relevant in Grossstädten und halt wegen den Umweltproblemen in China, wo Natürlichkeit sehr wichtig wird, beziehungsweise auch glaubwürdig von den Schweizern Produkten vertreten werden kann. Also wenn wir Bilder von der Schweizer Bergwelt zeigen oder von Kräuter zeigen, hat es eigentlich immer den Grund für eine positiven Assoziation. Die Kommunikation von Kräutern ist ein bisschen schwieriger, das verstehst du vielleicht Debby eher. Mit Traditional Chinese Medicine

	(TCM) in China, ist die Assoziation nicht einfach, das wir herkommen und sagen, wir haben Schweizer Kräuter, dies das und jenes. Sondern da hat China ganz ein anderes Heritage und ein anderes Verständnis mit Kräutern und was die tun können. Und vor allem auch haben wir andere Kräuter, die uns bekannt sind und dementsprechend sind wir weniger auf die Kommunikation von Kräutern, sondern wir brauchen Kräutern mehr als Ansatz für Natürlichkeit. Zusätzlich haben wir keine keine künstlichen Farbstoffe, keine künstliche Sweetner und so weiter kommunizieren. Also das heisst diese Schweizer Natürlichkeit, ich glaube sonst die grossen Unterschiede sind eher sicher einen stärkeren Push nach Digital, also das ist glaube ich überall der Thema, aber ich glaube Digital in China ist noch viel wichtiger und weit verbreiteter.
D.C.	Also Digital jetzt mehr auf WeChat oder was habt ihr da für Channels hier?
S.H.	Es gibt diverse Medien, WeChat ist ein Medium, wo wir einen Kanal und auch verkaufen, aber die ganzen E-Commerce channels, TMall, JD, Suning usw., aber auch die digitalen Medien es gibt ja viele Wetter Apps, Air Pollution Apps usw. gibt es auch all diese Seiten und auch die normalen traditionellen Webseiten, wo wir normal Werbung betreiben.
D.C.	Welcher Channel ist am erfolgreichsten?
S.H.	Was am vielversprechendsten ist, es ist schwierig zu sagen es macht niemand einen Marketing Modeling Mix, deshalb haben wir einmal dieses und einmal jenes, ich glaube ROI ist sehr hoch bei digital, wenn wir die Geschichte erzählen wollen, also sprich bisschen mehr als Marke und Produkt, also eben diese Schweiz Welt, Kräuter, also wieso das Produkt relevant ist, dann kommt sicher Youkou, also die ganzen online TV channel sehr relevant. Wir brauchen Outdoor zur gewissen Grad, speziell sind Grossstädten, hat es diese grossen TV Screens, die beispielsweise auch im Zürich HB seht, solche Screens gibt es rein in Shanghai ca.500 an jeder Metrostation, da kann man sehr viel customizing machen und das erlaubt uns eigentlich die Geschichte zu erzählen. Traditional TV hat noch eine Rolle, also nicht mehr in Shanghai oder Peking aber in anderen Städten ist traditional TV noch relevant.
D.C.	Und dann Youku ist eigentlich wie Youtube, ist es das gleiche Konzept?
S.H.	Ja genau, das ist nicht skippable, das ist das Schöne, sprich du hast eigentlich wenn du kurz Formate nimmst werden die auch in der hohen Wahrscheinlichkeit wahrgenommen, und das sind die grossen Unterschiede. Da gibt es noch CTrip, das ist wie TripAdvisor von der Schweiz relevant bei Reisen, es gibt verschiedene Wetter Apps die sind relevant, und halt zusätzlich neben sonst die zusätzlichen ganzen Medien Kanälen, braucht es sehr viel Sampling, wir machen Sampling

	Outdoor, Sampling mit TMall, Sampling an Events, der Konsument muss das Produkt probieren, das ist ganz wichtig und relevant.
D.C.	Wie macht ihr zum Beispiel das Sampling über TMall, wie geht ihr da vor?
S.H.	Ja, Target Audience Definition wers sein soll haben wir mehr nach Behavior und Attitude aufgestellt, das ist nicht nur Frau, demografisch 35 Jahre, income, sondern das ist mehr behavioral attitude. Dort können wir natürlich sehen, was die Audience sonst einkauft, was diese Audience sonst für Interesse und Hobbies hat und gehen dann so eigentlich auf die Target Audience ein.
D.C.	Wie soll dann die Model Customers von Ricola aussehen? Wenn du sagst, dass Behavior und Attitude, was sie einkaufen wie sie verhalten?
S.H.	Das ist der ganze Daten Rattenschwanz, was die Person sich vorher angeschaut hat und sonst noch online gemacht hat. Aber wir haben gewisse Interessen und Hobbies als Behaviors und nach diesen Kriterien kann man dann ganz einfach digital einstellen, die Personen sollen Samplen erhalten und die Personen keine erhalten. Oder diese Person sollte die Werbung sehen oder diese sollte die Werbung nicht sehen.
G.A.	Ich hätte noch eine Frage. Zum Produkt selber, vorhin erwähnt wegen den Kräutern, die China selber auch haben, habt ihr jemals darüber nachgedacht das Produkt anzupassen oder verändern, oder würde das die Botschaft von Ricola verändern? Oder kommt das gar nicht in Frage?
S.H.	Gemäss Familie Richterich, denen Ricola gehört, gibt es A nur Produktion in der Schweiz und B haben wir immer den gleichen Kräutermix der ins Produkt geht, jedes Ricola Produkt, ob es Zitrone ist oder Cranberry oder was auch immer. Darum wird es so bleiben und dementsprechend weitergeführt werden.
D.C.	Was sind die Betreibungskosten von E-Commerce Platforms, du hast erwähnt ihr seid auf Tmall, JD, Suning etc.?
S.H.	Also das ganze ist ähnlich wie offline. Du hast eigentlich auch front margin, die du dem Handel bezahlst, und hast trading terms, die ganz unterschiedlich sein können, je nachdem wie gross die Marke ist, je nachdem in welcher Kategorie du spielst, je nachdem was du erreichen willst. Zusätzlich zu front margin und trading term, hast du noch spezielle Programme, die du einkaufen kannst oder bestellen kannst also es kann sein zum Beispiel für double 11 im November, den grössten Promotions Monat, das du dort sagst, ja ich möchte mehr searches über Suchmaschine, oder ich möchte mehr Visibilität haben auf der Einstiegsseite auf TMall. Das sind Dinge, die du kaufen oder bieten kannst, was dann ausserhalb den ganzen Operationskosten. Aber unser Model ist, jetzt kommen zum Set-Up von E-Commerce, wir haben einen

	exklusive Distributor für China, der betreibt sowohl für uns die TMall Seite, wie auch beliefert alle E-Commerce Kanäle, die wir momentan präsent sind. Dementsprechen haben wir, ist wie im normal Handel wir haben sogenannte Key Account, das ist JD, Suning, aber da gibt es noch weiter Plattformen für Wholesaling oder kleinere relevante Plattformen für uns. Aber mit den Key Accounts haben wir auch JBP's (Joint Business Plans), das ist das gleiche wie man das auch mit Carrefour oder Walmart hat, der Prozess und Aufbau sind eigentlich ähnlich. Es geht eigentlich um Business Building Blocks zu erstellen, es geht um die Entwicklung der Supply Chain, Promotionspläne zu erstellen und so weiter. Darum ist es nicht anders als Offline.
D.C.	Was denkst du ist der erfolgreichste Betriebskanal? Also sagen wir diese KeyAccounts?
S.H.	Also in China für Groceries also für Food, also ist es der TMall Supermarket und JD. Beide zusammen machen weit über 70% von Food aus, diese beide machen die grössten Umsätze, also Amazon ist hier nicht relevant.
G.H.	Euren exklusive Partner, der das ganze E-Commerce für euch betreibt, werden die von euch kontrolliert, zum Beispiel angeschaut ob die Leistung stimmt? Habt ihr auch überlegt zu wechseln, oder kommt das gar nicht in Frage?
S.H.	Also ganz klar werden die kontrolliert, wir haben jemand der sich auf E-Commerce konzentriert und dementsprechend, mit denen ganz nah zusammenarbeitet. Im Sinn von Distribution, Visibilität, Aktivitäten und Compliance der Aktivitäten gleichzeitig ist auch, die Promotionen und andere Aktivitäten werden von uns freigegeben und approved. Gleichzeitig auch die ganze Visualisierung, sei es Informationsseiten, Display Banners, das wird alles von uns freigegeben. Es gibt auch immer auf TaoBao, halt Wholesaler private consumer, die machen mit ihren snipping tools eigene Dinge, das ist immer präsent und wird auch immer passieren. Aber sonst ist die Kontrolle da. Ob wir unseren Partner wechseln, kann gut sein, aber momentan haben wir nicht die kritische Grösse, wo es relevant ist den Partner zu wechseln.
G.A.	Ok, alles klar danke.
D.C.	Kannst du den ganzen E-Commerce Prozess erklären, also mit Import und Logistik etc.?

S.H.	Also eigentlich läuft es so, Produkt kommt nach China rein, in diese Shipment Terms, ob das Produkt in der Schweiz abgeholt wird ob wir als Marke das Produkt bis nach China liefern. Das ist immer die Frage, wer zahlt die Lieferkosten und wer übernimmt das Risiko vom Produkt, wir haben terms, dass das Produkt in der Schweiz abgeholt wird und dann in China hineingebracht wird. Dementsprechend muss der Import passieren da muss es durch CIQ, (Chinese Inspection Quarantine) also Import Quarantine, also ist es dieser ganzer Import Durchlauf, der passieren muss. Wenns dann in China ist, geht es ins ein zentrales Warehouse und von dort aus geht es dann raus in die einzelnen Partner und Kanälen. Patente Protection, also wir haben Trademarks für das ganze Land und für alle Kanäle, es ist ganz egal ob es Werbung ist oder Verkauf ist. Gewisse Patente und Trademarks für Marke, Produkte aber auch für gewisse Qualität
D.C.	Frau Wu Sie hatten erwähnt dass in China, es diese Free Trade Zones gibt, hat das einen EInfluss auf Ricola? Oder wo ist das zentrale Warehouse von euch?
S.H.	Free zones, braucht man nur wenn man A eine eigene Tochtergesellschaft hat, wo man dann auch gewisse Aktivitäten machen will, sprich man betreibt das Lager selber oder man konfektioniert, also Co-Packing macht man in der Free zone oder man regionalisiert das Warehouse und schickt es in weitere Länder oder Regionen. In unserem Fall, zurzeit nicht relevant, da wir kein Co-Packing in China machen, oder regionalisierung in anderen Länder, deshalb zurzeit kein Thema.
D.C.	Also der Distributionsprozess macht ihr eigentlich nur durch euren exclusive Partner, korrekt?
S.H.	Ja, das ist korrekt.
D.C.	Vielleicht noch: What is the revenue split ratio of B2B and/or B2C?
S.H.	Also noch schnell als Erklärung B2B, meinst du eher Plattformen à la Amazon Marketplace, wo weiterverkauft wird und B2C, das kann TMall sein, JD sein, wo das Produkt direkt an Konsumenten verkauft wird. Es gibt immer unterschiedliche Dinge nur um fair schnell zu Erklärung. Weil B2B, kann man auch als JD oder TMall bezeichnen, wenn man an JD oder TMall verkauft. Darum nur als Erklärung, B2C direkt and den Endkonsumenten via JD oder ein Supermarkt TMall oder VIP, ist der ganz grosser Teil. B2B wo wir auf Amazon Marketplace vertreiben ist ganz klein, sehr Promotions getrieben ist und für uns nicht so interessant ist. Jedoch ist dies eine Definitionssache, weil viele Firmen definieren dann zum Beispiel B2C als TMall Flagship Store, wo die Marke dann eine eigene Marke haben auf TMall Flagship Store, das ist für uns nicht B2C, das ist für uns auch eine normale Lieferung an TMall. Ja es wird gekauft auf Ricola TMall, aber es ist weiterhin TMall, den den Laden betreibt.

D.C.	Das heisst eigentlich, also generell kann man sagen, es gibt nur im B2B, da das trotzdem über TMall, JD etc. beliefert wird, statt über einen Ricola Online Store.
S.H.	Genau, also der Ricola store, den du auf TMall siehst, der ganzer Backbone wird von TMall betrieben.
D.H.	Du hast vorher noch gesagt, das digital immer wichtiger wird, wie sieht das jetzt aus mit physical sales vs. online sales?
S.H.	Online Verkäufe sind unter 10% aber wir möchten auf über 10% kommen in den nächsten 2 Jahren.
J.W.	Sprechen Sie selber Chinesisch?
S.H:	Genügen um im Taxi und im Laden zurechtzukommen, aber sehr wenig.
J.W.	Können Sie uns auch erzählen was ist der Hauptgrund so eine Entscheidung getroffen haben, auf dieser Art und Weise nach China zu kommen und Business zu betreiben. Und warum sind Sie davon überzeugt, hat Ihnen jemand geholfen?
S.H.	Also eben China ist ein Land wie ein anderes Land Indonesien und Philippinen, wir wollen ein globales oder zumindest internationales Unternehmen sein. Entsprechend war auch China auch auf dem Radar, vor 20 Jahren, als Land das interessant sein könnte. Weil wir ein Distributionsmodell haben, war es uns klar wir suchen einen Distributionspartner, das war in der Vergangenheit DKSH, das ist ein Schweizer Unternehmen, jetzt sind wir bei einem anderen Distributionspartner in China. Dementsprechend, haben Sie uns geholfen, das Produkt in China zu vertreiben. Aber wenn man das zusammanfassen will, ist es das kommerzielle Interesse. Wir sind nicht nur für Charity in China tätig, sondern wollen auch verdienen. Wir denken, dass das Produkt für den Endkonsumenten in China interessant ist.
J.W.	Ich finde es trotzdem sehr mutig, weil wir haben auch mehrere KMU’s kontaktiert, es ist schon sehr besonders und mutig, dass man als KMU so einen weiten Schritt macht.
S.H.	Ja also ich denke, Ricola macht mehr als 90% vom Umsatz ausserhalb der Schweiz. Wir waren schon immer sehr international tätig und ich glaube Asien immerhin schon seit vielen Jahren präsent, dementsprechend war es schon immer klar, dass wir in China sein wollen. Die Schwierigkeit ist eher die, dass es sehr viele Unternehmen, auch sehr viele Luxusunternehmen in China, das man das China-Geschäft profitabel betreiben kann. Weil, das Route to Marketing nicht billig ist und man auch viel Geld verlieren kann. Ich glaube, das ist die Schwierigkeit auch für KMU’s, wenn es man aus der Schweiz betreiben

	will, hat man nur ein sehr oberflächliches Bild und kratzt an der Oberfläche und muss viele Informationen blind weitermachen. Wenn man sich entscheidet und eine gewisse Grösse hat, das Geschäft voranzutreiben, dann braucht es Leute vor Ort, die unterstützen, die die Positionierung definieren oder die Positionierung der Marke etablieren können. Das hängt davon ab, wie gross die Marke ist, welche finanzielle Mittel zur Verfügung stehen und was die Ziele sind.
D.C.	Vielleicht können wir zu der Frage: What are the biggest challenges and risks when setting up a business in China. What are the risks associated with e-commerce? gehen.
S.H.	Es gibt viele Punkte, es hat sich aber auch vieles in den letzten Jahren verbessert. Es ist immer noch ein Land das wachst, es ist dementsprechend nicht mehr 10% Wachstum wie früher aber doch 5-6% Wachstum, aber der Kuchen ist viel grösser, von einem grossen Kuchen 5% zu wachsen ist immer noch sehr viel. Risiko ist immer noch, dass das Land sehr stark kontrolliert ist von der Kommunistischen Partei, sprich es gibt sehr viele Richtlinien, die einzuhalten sind. Es gibt dadurch auch gewisse Änderungen, die kurzfristig bekannt gemacht werden können, die man einhalten muss. Es gibt Risiken im Sinn von kulturellen Unterschieden, wenn Leute hier vor Ort kommen, mit Hauptsitz in der Schweiz, muss das Verständnis und Vertrauen vorhanden sein, es muss viel Kommunikation gemacht werden, die Unterschiede vom Doing Business muss verstanden werden können. Risiken sind auch, dass in China eine grosse Risikiokultur herrscht, es ist mehr als move and improve, alles ist durchdacht und bottom-up forecast schon herrscht. Es ist mehr man probiert einmal und schaut dann was passiert. Ich glaube es ist auch weniger Stabilität, es gibt grundsätzlich viele Geschäfte, die öffnen aber schliessen wieder nach 6 Monaten. Du hast Inflation, Kosten, die ständig steigen, Löhne, die viel stärker steigen als in Europa, dementsprechend ist die Konstanten, die wir uns es in Europa gewohnt sind, in China weniger.
D.C.	Wie viele Mitarbeiter seid in Ricola in China?
S.H.	In China sind wir 6 Leute, dementsprechend klein aber beim Aufbau sind wir eher vorsichtig. Wir bauen China auf, aber Schritt für Schritt. Wir stellen nicht 25 Leute ein und erwarten Wachstum von 25%, es gibt Firmen, die das so machen, aber wir wachsen unsere Organisation, mit dem Wachstum von unserem Umsatz.
G.A.	Bezüglich den Risiken, gibt es schlechte Erfahrung vom Staat oder mit Partner?
S.H.	Die Regeln sind bekannt, sie wechseln, es gibt viel packaging, label changes auch in Taiwan, Korea, Hong Kong etc. Wo es heisst die Deklaration für, natürliche Duftstoffe oder flavorings wird das neu gehandhabt oder auch was das ganze Packaging anbelangt. Diese

	Dinge passieren sicher öfters in Asien. In China gibt es ein Gesetz, dass der Konsument melden darf wenn es nicht konforme Packaging gibt. Das führt dazu, dass es diese professionellen Konsumenten gibt, die im Laden stehen Produkte anschauen und melden, das könnte nicht konform sein. Das gibt öfters interruptions, da man öfters angefragt wird ob das nicht konform ist, und dementsprechend ist viel Kommunikation und Administration mit den Behörden, was eigentlich nur Packaging Compliance anbelangt.
G.A.	Ok, und da kommt es direkt zu einem Stopp von der Geschäftstätigkeit?
S.H.	Nein, es ist kein Stopp aber interruption im Sinn von Frage Antwort, das braucht dann meistens auch Klärung. Aber das heisst nicht, dass wir da schon Penalties bezahlt haben oder dass wir das Produkt nicht verkaufen können, aber es wird oftmals geprüft ob alles 100% wasserdicht ist.
G.A.	Alles klar, ok danke.
D.C.	Wir haben schon verschiedene KMU's in der Schweiz getroffen, haben auch gesehen, dass zum Teil die Produkte auf TaoBao auftreten, wahrscheinlich von Konsumenten, die in der Schweiz eingekauft haben und in China wieder verkauft haben. Wahrscheinlich hat Ricola das Problem auch, mit counterfeit goods oder Produkte, die nicht aus der Schweiz stammen. Wie geht ihr da vor.
S.H.	Für uns ist das weniger relevant für das Gesamtgeschäft, da wir ein Importprodukt sind, sprich ja es gibt Produkte aus den USA, Korea, Hong Kong, die man in China kaufen kann aber ich glaube eben wir sind ein Produkt, wo sehr viel mit einem impuls geschieht. Das heisst, wenn jemand dort einkauft, A kann er nicht in grossen Mengen kaufen und B hat es für das Gesamtgeschäft keinen grossen Einfluss Umsatzmässig. Aber ja wir sind bestrebt, dass das nicht Übermacht kriegt, wir haben einmal einen Fall gehabt, wo es im Süden von China ein Produkt gab, was sehr ähnlich wie unser Produkt aussah aber anders hiess. Wir haben rechtliche Schritte unternommen oder angedroht, da kann man auch ziemlich schnell diese Probleme beseitigen. Die Rechtssicherheit in China ist nicht ähnlich hoch oder gleich wie in Europa, aber wenn man ein Trademark hat, und diese tangiert sind, kann man sich natürlich gut wehren. Es gibt da genügend Fälle von Lindt, die letztes Jahr eine Bäckerei verklagt hatte in Shanghai, die sich Christian Lindt nann, aber sehr stark auf Lindt betont und recht gekriegt hat da musste die Bäckerei den Namen ändern. Da gibt es sehr viele Beispiele von solchen Fällen.
D.C.	Die letzte Frage is Outlook, wie China für dich aussehen wird, wie wird die Zukunft von Ricola aussehen?
S.H.	Wir sind immer noch sehr positiv was China anbelangt, sehr Vorsicht in allem, dass wir keine Risiken eingehen aber wir sind uns bewusst wo wir

	hin wollen, was unsere Prioritäten sind, wir sind auch glaube ich in einem Geschäft wo, CVS (Convenience Stores), sehr wichtig für uns sind, mit der Urbanisierung in Städten wie Shanghai, Guangzhou, Chengdu oder Beijing, hat es mehr CVS Läden und das spricht für uns. Es kommt hinzu, dass der ganze Trend für natürliche Produkte oder schweizer Produkte immer noch sehr relevant ist und Natürlichkeit in der Zukunft noch wichtiger wird und das auch so für uns passt, dementsprechend sind wir sehr positiv, was der Markt anbelangt. Wenn wir den Markt insgesamt anschauen würde ich sagen, CVS wird sicher weiter wachsen, E-Commerce wird weiter wachsen, ob das zu 50% von Umsatz sein wird, für gewisse Marken definitiv, das heisst bulky product, wie Wasser, Milch, Pampers, ob es auch für unser Produkt so wichtig sein wird, glaube ich nicht, für uns wird es vielleicht 10%-20% ausmachen, aber E-Commerce sehr relevant. Die letzten Trends und Prognosen wie diese grossen Alibaba, die ins Offline-Geschäft reingehen und dort gibt es auch mehr und mehr Stores, die mit Alibaba zusammenarbeiten und dank Alibaba Zugang kriegen zu einer Logisitk Chain, die sie sonst nicht haben können. Dementsprechend ist es die Frage ob man das als Offline oder Online Verkauf anschaut, aber ich glaube die Informatik, die ganz kleine Läden, die nicht grosse Ketten sind durch Alibaba eine Zukunft haben werden oder bereits eine Zukunft haben, wird das noch viel digitaler werden.
D.C.	Was erwartest du in den nächsten 5 Jahren, an Wachstum von Ricola in China?
S.H.	Double-digit, also wir werden weiterhin mehr als 10% wachsen pro Jahr.
D.C.	OK. Das waren eigentlich alle Fragen, wenn die Gruppe sonst noch Fragen hat, können wir diese stellen oder sonst auch sammeln und dir das in einem E-Mail zukommen lassen.
J.W.	Vielen Dank wirklich, ich habe jetzt viele Information auch von Ihnen bekommen und das ist sehr wertvoll. Vor allem im Auge wie ein Schweizer KMU in China bis jetzt alles erreicht hat, das schätzen wir wirklich sehr.

8.4 Business Model Canvas Moluk

<table>
<tr>
<td rowspan="2">KEY PARTNERS

PRODUCTION PARTNERS:
• Producers in China
• Material suppliers (plastics, silicon, packaging)

SALES PARTNERS:
• Online Shops (which ones)
• Physical Shops (which ones

DISTRIBUTION PARTNERS:
• Past: Wisdom Warehouse http://www.wide-west.com)

PR MARKETING PARTNERS:
• Micro bloggers/influencers e.g. The Dad Lab
• Afilii (Platform for design)</td>
<td>KEY ACTIVITIES

Innovative and Educative Toys
• Design
• Development
• Production
• Sales & Marketing
• Logistics</td>
<td rowspan="2">VALUE PROPOSITIONS

• Led by designers, not primarily profit focused
• Innovative and creative concepts
• Enriching children’s life through inspiring and educational toys
• Steering against the trend of digitization, focus on manual toys which engage the imagination of children
• Play value through open-ended and multifunctional toys
• Working across different ages and not gender-specific</td>
<td>CUSTOMER RELATIONSHIPS

B2C
• E-mail and social media customer assistance
B2B
• Direct
• Close relationships (personal, e-mail, phone, trade shows)</td>
<td rowspan="2">CUSTOMER SEGMENTS

NICHE MARKET SEGMENTED

• Higher educated families
• Urban families
• Educational channels
• Professionals working with kids (e.g. occupational therapists)</td>
</tr>
<tr>
<td>KEY RESOURCES

HUMAN
• Product Designer, Marketing and Communication, IT support
PHYSICAL
• Storage, Computers, Social Media channels
FINANCIAL
• Own Capital
INTELLECTUAL
• Know-how, Brand, Product Design (copyrights, trademarks, patents)</td>
<td>CHANNELS

B2B
• Toys fairs

B2C
• Online design shops (e.g. Kidly.com)
• Offline stores (e.g. Uniqum)
• Kindergarten / Schools
• Museum shops (e.g. MoMA Store)</td>
</tr>
<tr>
<td colspan="3">COST STRUCTURE
FIX COSTS

IT
• Web, Software, Domain, Dropbox, E-Mail, Server, Computer
STAFF COSTS
• 2 Founders
• 1 Bookkeeper
• 1 Social media coordinator
ADMINISRATION
• Taxes, Customs, Bank account, Insurance
RENT
• Office, Storage

VARIABLE COSTS

MARKETING
• Ads (FB, Google), Influencers, Design Trade Fairs
• Social media channels
EXTERNAL
• Accountant, Legal
TRAVEL EXPENSES
• Meetings with distributors, Production visit, Photo shooting, Trade fair
PRODUCTION
• Production costs
• Tooling
• Development
• Safety testing
BRANDING
• Packaging, Labels, Photo shooting, Business cards, Flyers / postcards
• Presentation at trade shows
• Social media channels
SHIPPING COSTS
• Production, B2B, B2C</td>
<td colspan="2">REVENUE STREAMS

B2B
Product sales</td>
</tr>
</table>

Figure 29: Business Model of Moluk

8.5 Moluk Questions Answered by Alex Hochstrasser

1. Do you have a business plan / strategic plan? Could you explain us the key contents of it?

   MOLUK is not a traditional company that is primarily profit oriented. Led by designers, the driving force is an ambition to innovate and create products that enrich the lives of children and help them grow up in a happy and healthy way. Obviously, we have to generate enough revenue to stay alive but there is no business plan in the traditional sense. We believe in organic, long-term growth driven by excellent products and good word of mouth. By keeping the overhead as small as possible, we remove the pressure for growth at any cost.

2. What is your annual revenue?

   approx. 800’000-1’000’000 USD

a. Revenue split by countries

b. Revenue split by region

   approx. 40% North America, 40% Europe, 20% Asia/Oceania

3. What is the profit?

   The company has been breaking even for the last 5 years

4. What is the margin on your products?

   Typically a product that costs about 1$ to manufacture is sold to our distributors for 2$. The margin also has to cover costs for development, tooling, IP protection, insurance, safety testing etc.

5. Could you show us your balance sheet and your profit and lost statement?

6. Which product is most successful in Europe?

   Bilibo, Pluï Rain Cloud

7. Which product is most successful in China?

   Oogi

8. What the operations cost of your E-commerce in Europe?

   We don’t run our own E-commerce. All sales are handled by our distribution partners.

9. How is the recent distribution of your products in China? Who is your partner? Can you describe the whole process? How about the cost? How about the revenue split ratio due to B2B and/or B2C?
   Since 2014 we have been working with the Chinese distributor Wisdom Warehouse who is part of the Searainbow Group. They buy directly ex-factory in China and distribute through their channels both online and offline. We don't have information about the split between B2B and B2C. Since Searainbow also manufactures other products, they took charge of CCC certification

10. Compare with other similar products (or competitors), what's the unique selling proposition of your products?
    MOLUK is one of the very few companies developing open-ended, educational toys that work across different ages and are not gender-specific. Our toys have won numerous international awards for their design and play value. There is no direct competition as we always strive to develop new concepts that are different from existing solutions on the market.

11. In Europe, which kind of clients do you have? Customer segmentation (Gender, age, hobby, occupation, other characteristics)
    We work primarily with high-end toy and gift stores, museum shops and vendors for the educational market both for kindergartens/school as well as professionals working in OT and with special needs children. Target customers are urban, higher education families.

12. Why do you design toys like this? Where does inspiration come from?
    As a designer, my ambition is to create innovative toys and push the envelope of what toys can and should be. I observe how kids play and interact with objects in their environment but I also draw heavily from memories of my own childhood and how we played. (see also attached interview.)

13. What prize has been awarded to the design of your toys in Europe?
    9x spiel gut in Germany, 2x Science Toy Award in UK, 1x Good Toy Award in UK, Swiss Federal Award for Design, Shortlisted for das Goldene Schaukelpferd in Germany

14. Could we make a few short movies for advertisement together?
    Sure, if time allows

15. What is the link between “Swissness” and your product?
    Our toys are multi-functional and reduced to their essence, which are two very Swiss attributes.

8.6 Business Model Canvas Park

KEY PARTNERS

PRODUCTION PARTNERS:
- Producers in Greece
- Material suppliers (leather, metal, fittings)

SALE PARTNERS:
- Online shops (f.e. monoqui, clomes, mooris)
- Physical retailers

PR MARKETING PARTNERS:
- Photographers
- Influencers, Bloggers, Press, Stylists

KEY ACTIVITIES

LEATHER BAGS & Small Goods
- Design
- Development
- Production
- Sales & Marketing
- Logistics

KEY RESOURCES

HUMAN
- Product Designer, Art / creative director, Communication officer, Marketing, IT support

PHYSICAL
- Storage, Atelier / showroom, Computers, Webshop, Social Media channels

FINANCIAL
- Own Capital

INTELLECTUAL
- Know-how, Brand

VALUE PROPOSITIONS
- Design and social innovation
- Sustainable business model
- For design affluent who are willing to pay more for a quality product with compelling story, who are dissatisfied with mainstream brands and are looking for a simple sustainable design for everyday use
- PARK BAGS emphasises the essential, offering a minimalist alternative to accessories and bags in functional and timeless forms

PARK BAGS
- Everyday design
- Simple, functional
- Utilitarian
- Produced under fair conditions
- Made in Greece
- Made in Europe

CUSTOMER RELATIONSHIPS

B2C
- Automatized online shop
- E-mail and social media customer assistance

B2B
- Direct
- Close relationships (personal, e-mail, phone)
- Bond with brand
- Dedicated personal assistance

CHANNELS

B2C
- Online shop www.thisispark.com
  - Website
  - Instagram
  - Facebook shop

B2B
- Online design shops (Clomes, Monoqi, Mooris, etc)
- Offline stores
- Design trade fairs
- Christmas market (Zurich, Montreux)
- Pop-up shops (Swiss Designm Market)

CUSTOMER SEGMENTS

NICHE MARKET SEGMENTED

B2B
OFFLINE

COST STRUCTURE

FIX COSTS

IT
- Web, Software, Domain, Dropbox, E-Mail, Server, Computer

STAFF COSTS
- Director salary, Designer salary, M&C salary, Intern salary

ADMINISRATION
- Taxes, Customs, Bank account, Insurance

RENT
- Office, Storage

VARIABLE COSTS

MARKETING
- Ads (FB, Google), Influencers, Design Trade Fairs

EXTERNAL
- Accountant, Legal

TRAVEL EXPENSES
- Meetings in CH, Production visit, Photo shooting, Trade fair

PRODUCTION
- Leather, Metal fittings, Production cost

BRANDING
- Packaging, Labels, Photo shooting, Business cards, Flyers / postcards

SHIPPING COSTS
- Production, B2B, B2C

REVENUE STREAMS

B2C

Figure 30: Business Model Canvas Park

8.7 Park Questions Answered by Matthias Hachen

Question for Park

1. Do you have a business plan / strategic plan? Could you explain us the key contents of it?

PARK BAGS is a socially innovative leather bags brand, combining the sustainable production conditions with handcraft's revival and contemporary design. Driven by our creative background, we established PARK BAGS with a clear goal: to design unique, handcrafted bags for people to enjoy in their daily routine.

Our aim was to innovate not only within the design field but also to bring in a socially innovative, business model. The idea of blending contemporary Swiss design with traditional leather craftsmanship, made us look for ideal production-partners. During holidays in Greece, we discovered the hidden workshops of Chalepa in Crete. We understood that without an innovative approach these workshops that have existed for centuries, were about to perish, in the current economic turmoil and due to the extended production outsourcing to Asia (especially China and India). Believing that the best design is created in collaboration and respect for the manufacturing process we have embarked on the adventure to create a truly socially responsible brand, enjoying the cultural value Greece offers, as well unlimited possibilities for leather craftsmanship.

In the course of 4 years PARK established itself as a brand in Switzerland, with vast net of retailers and a successful web-shop (direct online sales constitute 25% of our yearly revenues).

Business model canvas is attached.

2. What is your annual revenue?

    a. Revenue split by countries

75% Switzerland

25% EU

    b. Revenue split by region

See above

3. What is the profit?

Why is this information important for you at this stage?

4. What is the margin on your products?

Why is this information important for you at this stage?

5. Could you show us your balance sheet and your profit and lost statement?

Why is this information important for you at this stage?

6. Which of your product is most successful in Europe?

Our Weekender WK02 in Brown.

7. How about your online presence now in Europe? Via B2B or B2C? How are the sales generation via B2B and/or B2C?

B2B and B2C, direct online sales constitute 25% of our yearly revenues.

8. Who is your online distributions partner? What are the costs associated with it?

We have our own webshop.

9. Compare with other similar products (or brands), what's the unique selling proposition of your products?

   See point 1.

8.8 Online Survey of Chinese Consumers (English and Chinese)

English

The purpose of this study is to research the e-commerce potential of Swiss SMEs in China. This study is conducted by Mrs. Debby Chau, supervised by Mrs. Juan Wu as part of a bachelor thesis from the ZHAW of Management and Law in Switzerland. The survey is completely anonymous, thanks for your time and participation.

1. Where do you shop for foreign goods?

   □ TMall

   □ JD

   □ Tencent

   □ Suning

   □ Amazon China

   □ Any other ones? Comment.

2. How often do you shop online?

   □ Two or three times in January

   □ Once a month

   □ Less than once a month

   □ Indicate yourself

3. What foreign products do you usually buy online?

□ Clothing	□ Shoes	□ Jewellery	□ Skincare	□ Handbags	□ Fresh products
□ Packaged Healthy Foods	□ Trendy Snacks	□ Juice	□ Wine or Liqueur	□ Baby Food	□ Breastfeeding products
□ Maternity Wear	□ Baby Accessories	□ Natural Cleaning Products	□ Sporting Goods	□ Gadgets	□ Beauty accessories

4. How old are you?

□ Below 18

□ 18 – 25

□ 26 – 30

□ 31 – 40

□ 41 – 50

□ 51 – 60

□ Above 60

5. What is your annual income in (RMB)?

□ Less than 60,000 RMB

□ 60,000 – 120,000 RMB

□ 120,000 – 300,000 RMB

□ 300,000 – 500,000 RMB

□ 500,000 – 1,000,000 RMB

□ Above 1,000,000 RMB

6. Would you be ready to pay a premium for a Swiss Designed / Swiss Made product over a Chinese Designed / Chinese Made product?

□ Yes

□ No

□ Maybe (please specify)

7. What do you associate Switzerland with?

□ High-quality

□ Positive country image

□ Fresh air and good environment

□ Innovation

□ Heritage and Craftsmanship

□ Any other?

Moluk questions

Moluk is a Swiss designed toy company. Led by designers, the driving force is an ambition to innovate and create products that enrich the lives of children and help them grow up in a happy and healthy way. Moluk develops, open-ended, educational, non-electronic toys that work across different ages and are not gender-specific. Their toys have won numerous international awards for their design and rich play value.

Integrate video on online survey:

http://v.youku.com/v_show/id_XMTc4MzYxNDYzNg==.html?from=s1.8-1-1.2&f=28572601

http://v.youku.com/v_show/id_XMTc5MjM4MjM0OA==.html?from=s1.8-1-1.2

8. Have you seen toys like this?

□ Yes

□ No

9. Have you heard about Moluk as a brand in connotation to these products?

□ Yes

□ No

10. If you would have a child, would you be interested to purchase a product like this?

□ Yes

□ No

11. What influences you when buying toys?

□ Your child's wants / desires / wishes

□ Longevity of toys

□ Educational value for children

□ Teachers, experts advice on toys

□ Price, promotions or sales

□ Online ratings and reviews

□ Social Media recommendations

□ Recommendation professionals

□ Any other?

12. How much would you spend for this set?

□ Less than 100 RMB

□ 100 RMB – 200 RMB

□ 200 RMB – 300 RMB

□ More than 300 RMB

□ Suggest a specific price:

Park Bags questions

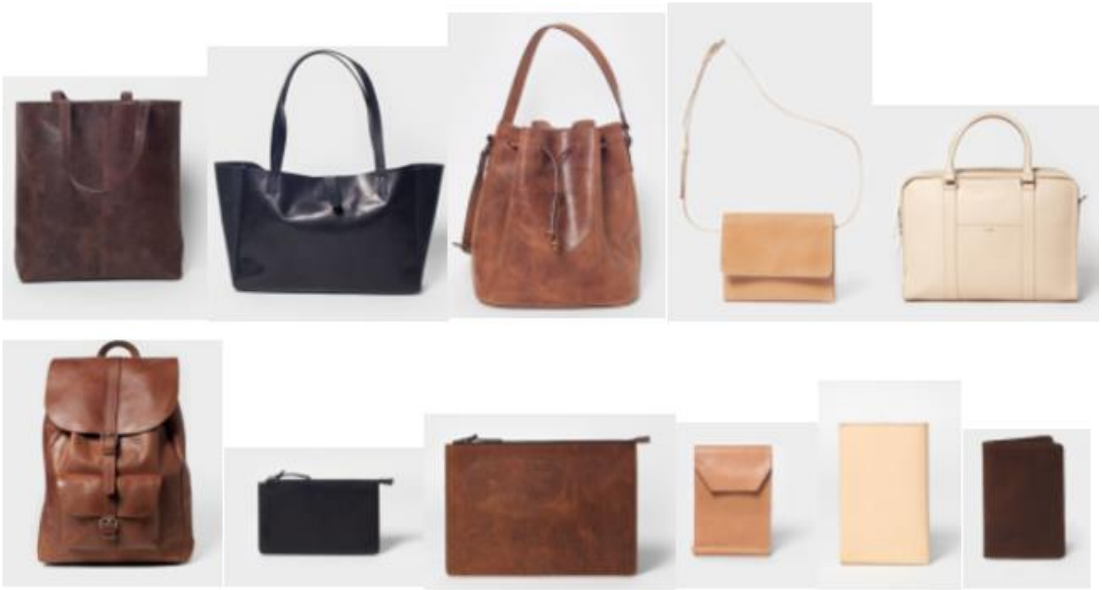
This is Park is a Swiss label producing leather goods including bags and wallets. The accessories are designed by Swiss designers and made of premium smooth lambskin leather sourced locally in the southern part of Greece. The lambs live completely free and in a non-polluted environment. The products are of high-quality and designed to be timeless and elegant pieces, which never go out of style. Each PARK bag is unique and use natural raw materials, giving each bag a special touch as the leather matures and develops over time

13. Do you like minimalistic design?

□ Yes

□ No

14. What product is most interesting for you from this Swiss label?



□ Handbags (bucket, tote, duffle bag, crossbody)

□ Backpack

□ Wallet (pouch and coin bags)

□ Laptop (Case / Bag)

□ Passport Case

□ Card case

15. What kind of colours do you prefer in a leather bag?

□ White

□ Nude

□ Light brown

□ Dark brown

□ Black

16. What do you seek for when buying leather goods?

□ Value for money

□ Heritage and craftsmanship

□ Brand recognition (reputable brands)

□ Quality of leather goods

□ Sustainability of sourcing

□ Functionality of leather good

17. How much would you spend for this backpack?

□ Less than 2,000 RMB

□ 2,000 RMB – 2,500 RMB

□ 2,500 RMB – 3,000 RMB

□ More than 3,000 RMB

□ Suggest a specific price:

18. How much would you spend for this bucket bag?

□ Less than 1,000 RMB

□ 1,000 RMB – 1,500 RMB

□ 1,500 RMB – 2,000 RMB

□ More than 2,000 RMB

□ Suggest a specific price:

Chinese

瑞士制造

1. 您一般在哪里购买进口产品？ [多选题] *

□天猫

□京东

□微信微商

□苏宁

□亚马逊

□其它的 ________________*

2. 你平时多久上网购物一次？ [单选题] *

○一周会购买多次 ________________ *

○一月两到三回

○一月一次

○少于一月一次

3. 您会买哪一类型的进口产品？ [多选题] *

□衣服

□鞋子

□护肤品

□包包

□新鲜产品

□健康食品

□时尚小吃

□果汁

□酒

□婴儿食品

□母乳喂养产品

□孕妇装

□婴儿用品

□天然洗护用品

□体育用品

□小工具

□美容产品

□其他还有 _________________*

4. 您的年龄：[单选题] *

○18岁以下

○18~25

○26~30

○31~40

○41~50

○51~60

○60以上

5. 您的收入状况：[单选题] *

○低于6万

○6-12万

○12-30万

○30-50万

○50-100万

○100万以上

6. 你会为因为产品是瑞士制造而愿意支付比中国制造更多的钱吗？[单选题] *

○会

○不会

○也许会，请说明 _________________ *

7. 提到瑞士制造你会联想到什么？[多选题] *

□高品质

□新鲜的空气和优美的环境

□创新

□百年传承和精湛的工艺

□还有 ________________*

moluk 是瑞士的玩具设计公司。在设计师的领导下，产品不断的创新，以远离电子产品被动刺激为设计初衷，创造出了富有想象力的玩具，并帮助儿童快乐健康的成长。moluk 不断开发适合幼儿的、开放式的、不分性别的、非电子并极富有教育意义的玩具，因其设计独特、产品激发创作性而赢得了许多国际大奖。

8. 您见过下面这样的玩具吗？

[单选题] *

○见过

○没有

9. 你知道这个玩具的牌子叫 moluk 吗？ [单选题] *

○是

○否

10. 您愿意为您的孩子买这样的玩具吗？ [单选题] *

○是

○否

11. 您买玩具时通常受到那些影响？ [多选题] *

□孩子喜欢想要

□可以玩很长时间的玩具

□玩具对儿童的教育价值

□教师的建议

□促销或销售人员的介绍

□在线评分和评论

□社交媒体推荐

□专业人士推荐

□其它 _________________*

12. 您认为这样的一套玩具应该标价多少钱？（请注意，是瑞士设计而且通过瑞士标准检测的复合儿童游戏的塑料橡胶制品）

[单选题] *

○少于100元

○100-200元

○200-300元

○300元以上

○建议价格：_________________ *

This is Park 是瑞士设计的皮革产品，包括箱包和钱包。产品是由瑞士设计师设计，优质光滑的小羊皮产自希腊南部，那里水草肥美，阳光充足，小羊完全自由的生活在蓝天下，没有任何污染，所有产品均由瑞士传统的手工作坊缝制完成。产品品质出众，设计款式优雅，永不过时，每款产品因为使用天然有机材料，都是独一无二的。

13. 您喜欢简约的设计风格吗？ [单选题] *

○是

○否

14. 您喜欢下列那个类型的设计？

[多选题] *

□手袋（水桶包，手提袋，大挎包、斜挎包）

□背包

□钱包（包括零钱包）

□笔记本电脑包

□证件包

□卡袋

15. 您喜欢什么颜色的皮包？ [多选题] *

□白色

□原色

□浅棕色

□深棕色

□黑色

16. 您购买皮革制品时最看重什么？ [多选题] *

□性价比

□工艺和传承

□品牌

□质量

□货源充分

□产品功能多

17. 这样的皮包您愿意花多少钱？（希腊南部小羊皮，纯手工缝制，瑞士设计）

[单选题] *

○少于2000

○2000-2500

○2500-3000

○3000以上

○您的心理价位是：________________*

18. 这样的手袋您愿意花多少钱？（希腊南部小羊皮，纯手工缝制，瑞士设计）

[单选题] *

○少于1000

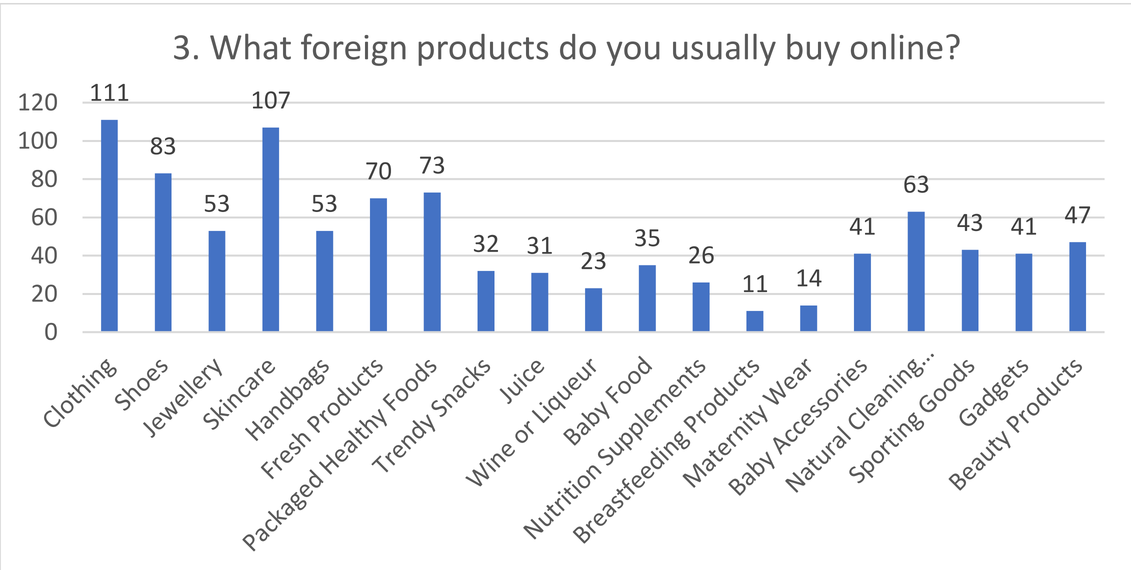
○1000-1500

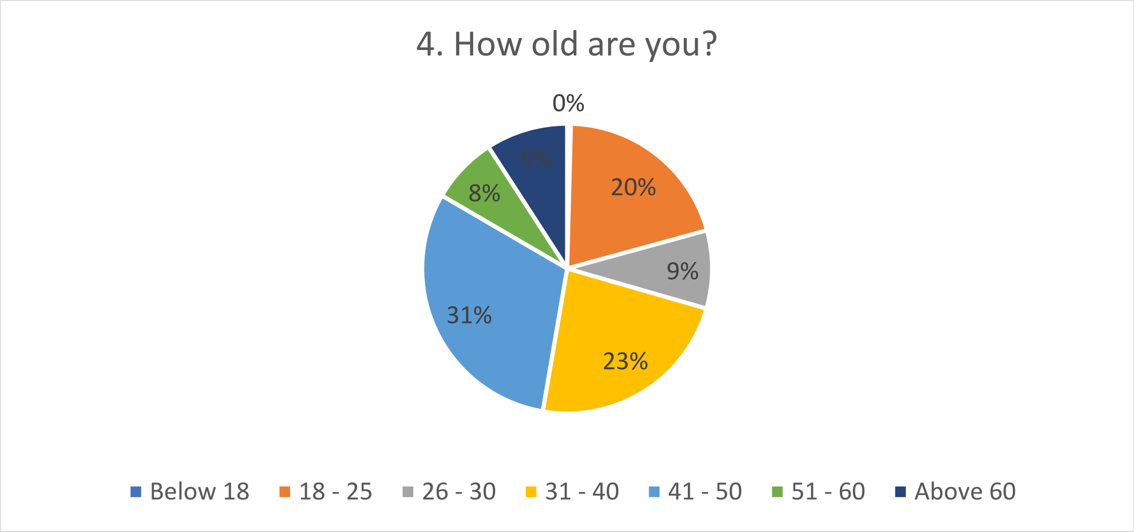
○1500-2000

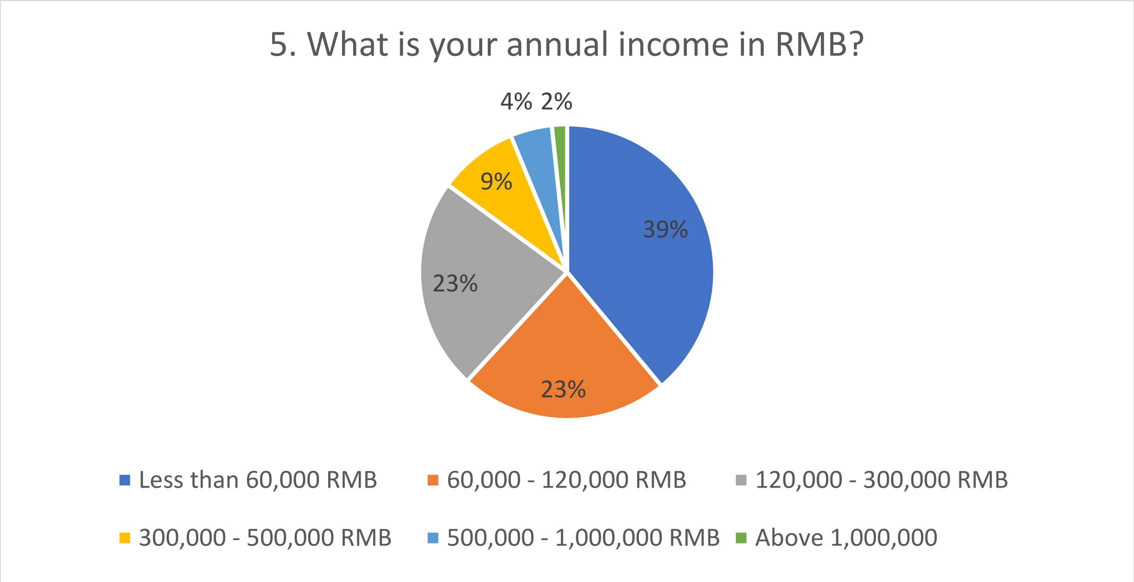
○2000以上

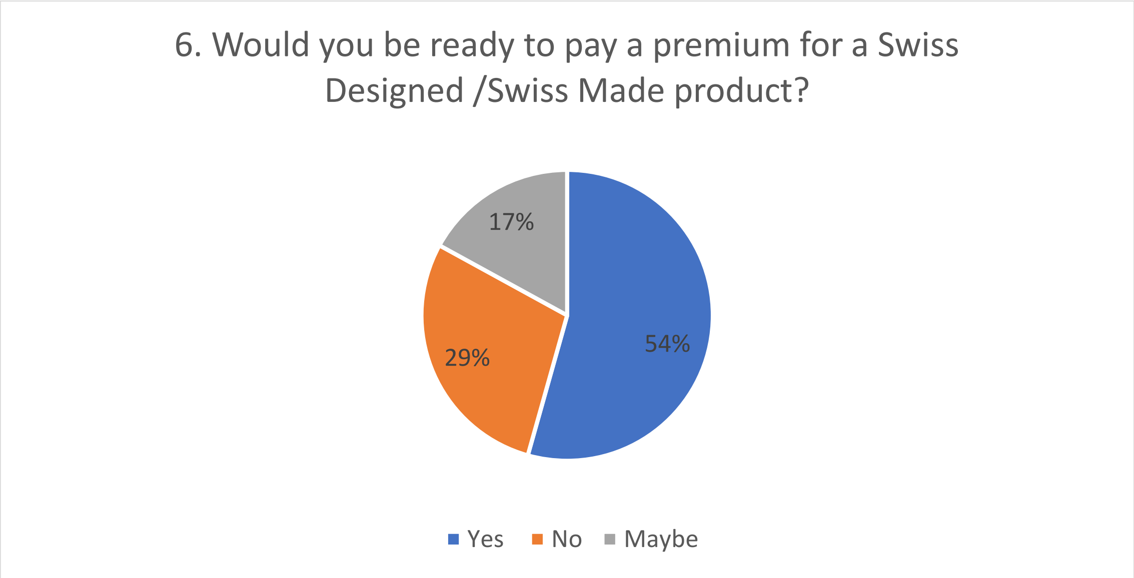
○您的心理价位是：________________*

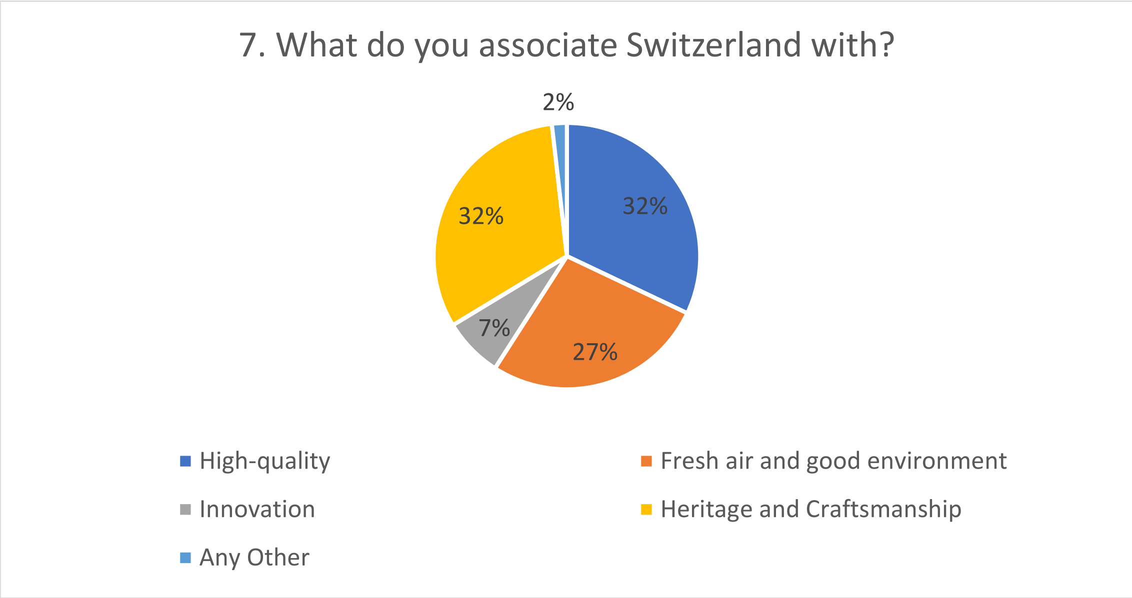
8.9 Visual Evaluation of Online Survey

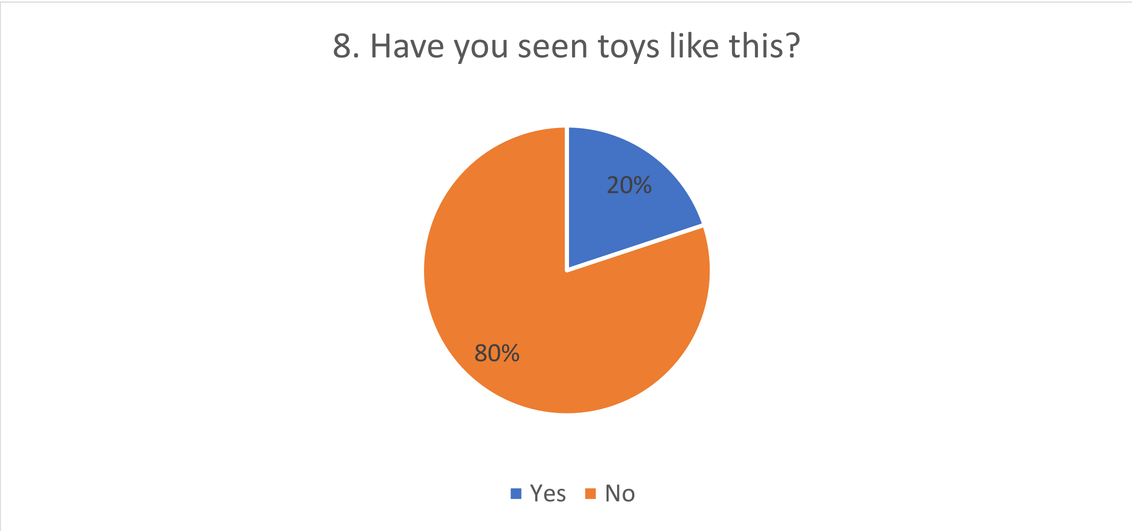


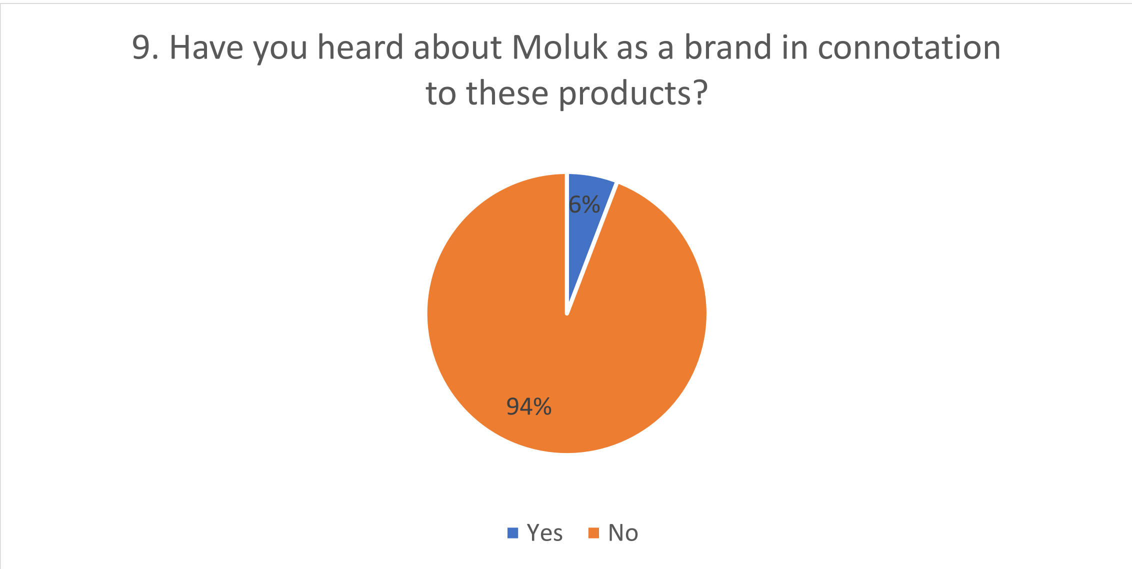

4. How old are you?
0%
9%
20%
8%
9%
31%
23%
Below 18
18 - 25
26 - 30
31 - 40
41 - 50
51 - 60
Above 60

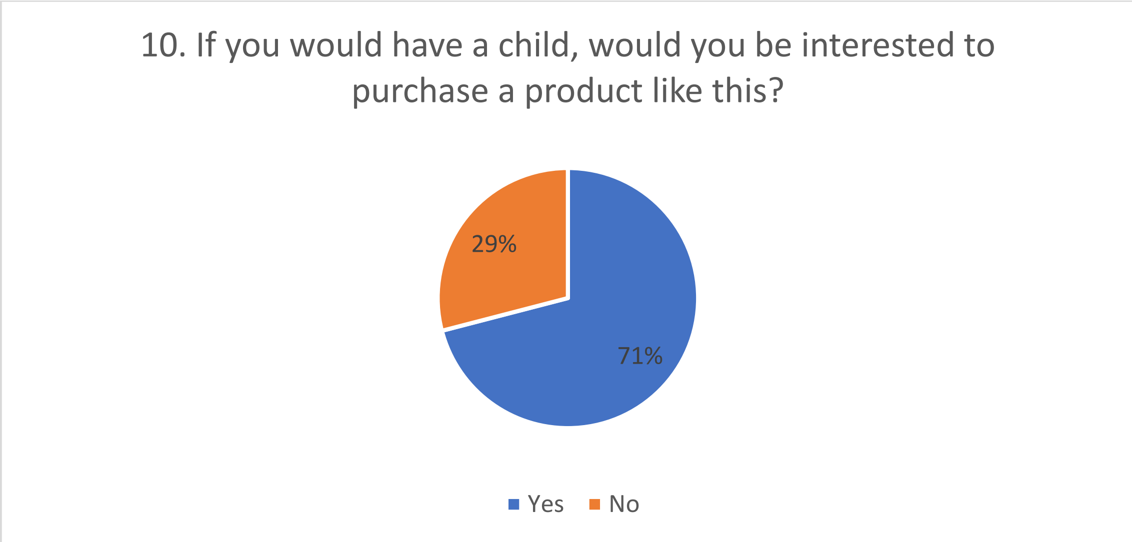

5. What is your annual income in RMB?
4%
2%
9%
39%
23%
23%
Less than 60,000 RMB
60,000 - 120,000 RMB
120,000 - 300,000 RMB
300,000 - 500,000 RMB
500,000 - 1,000,000 RMB
Above 1,000,000

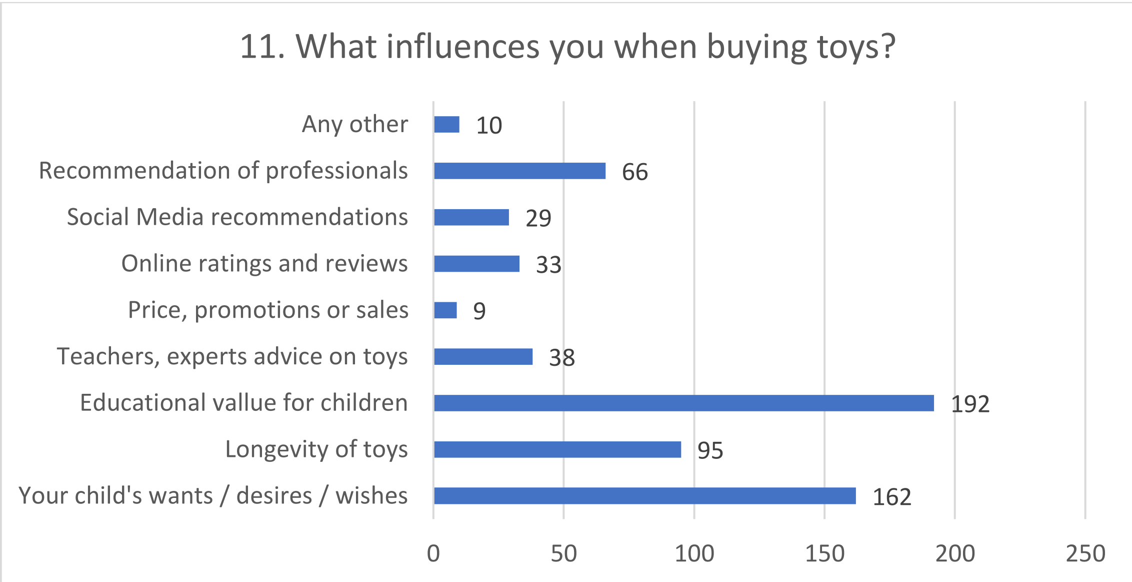

6. Would you be ready to pay a premium for a Swiss Designed /Swiss Made product?
17%
54%
29%
Yes
No
Maybe

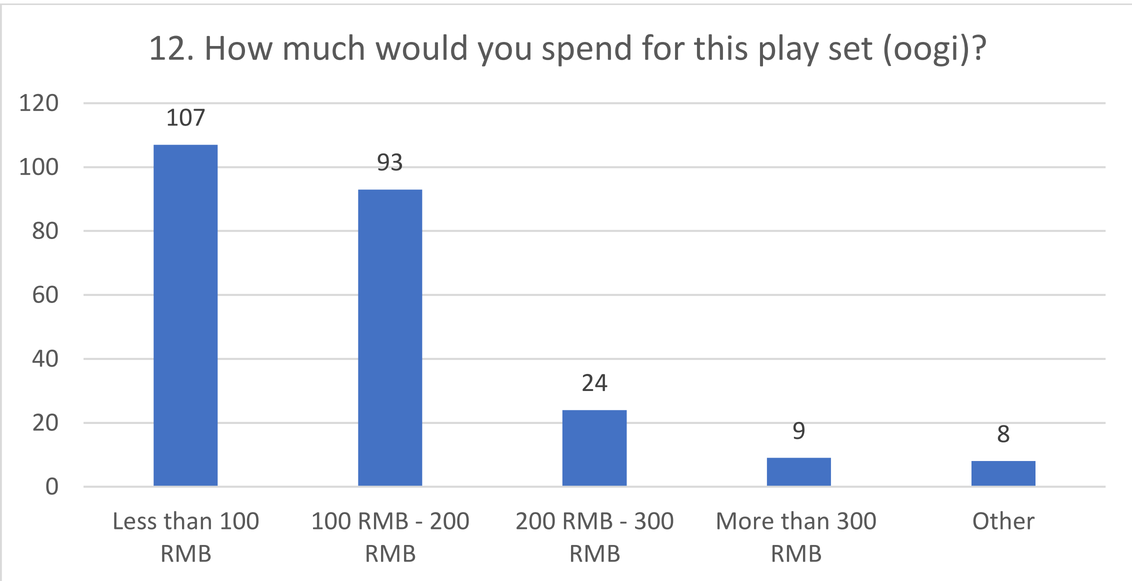

7. What do you associate Switzerland with?
2%
32%
32%
7%
27%
High-quality
Fresh air and good environment
Innovation
Heritage and Craftsmanship
Any Other

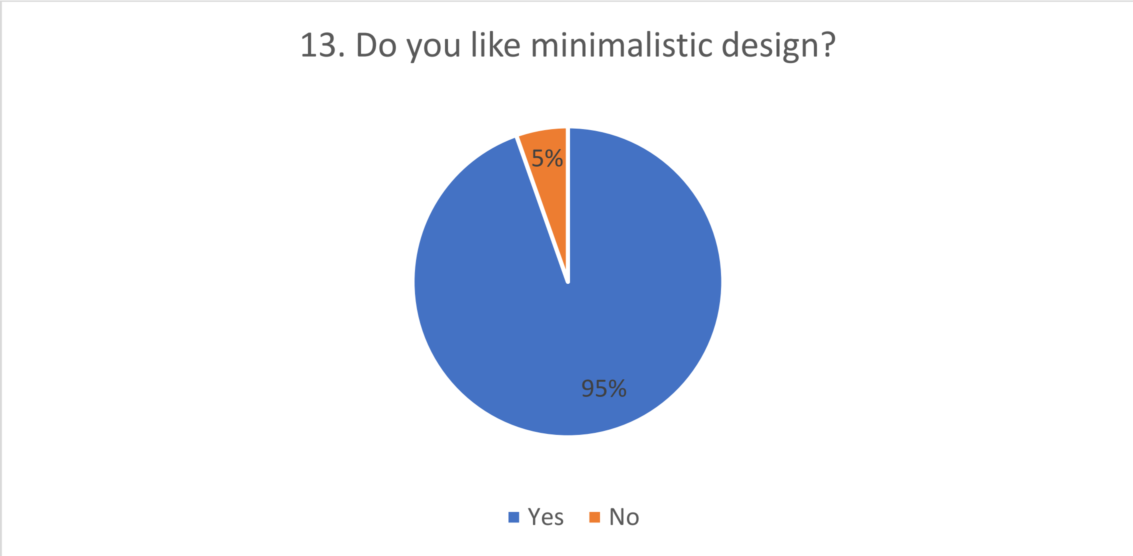

8. Have you seen toys like this?
20%
80%
Yes
No

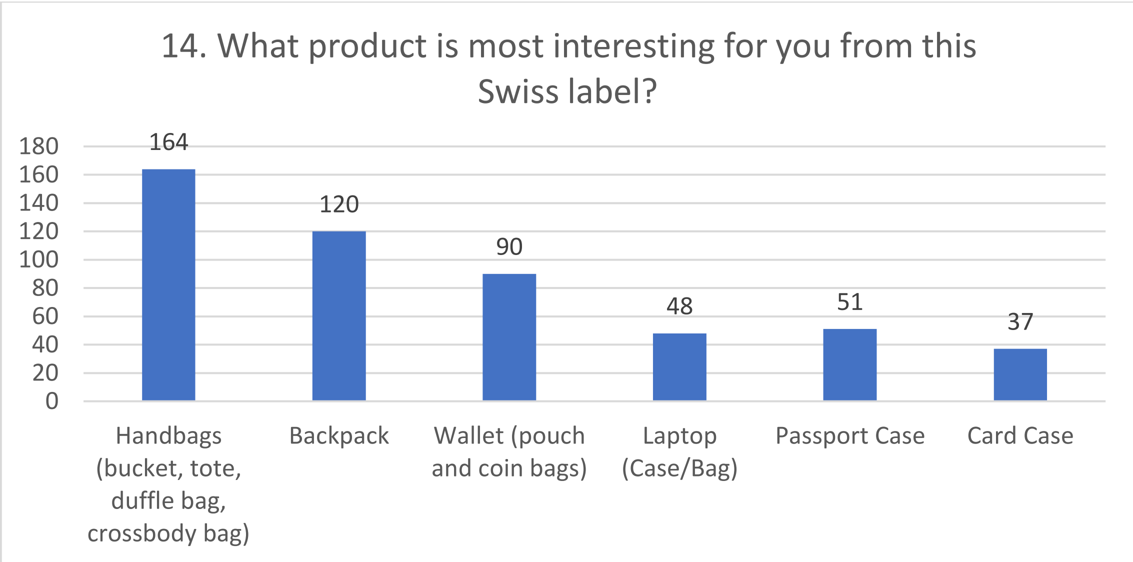

9. Have you heard about Moluk as a brand in connotation to these products?
6%
94%
Yes
No

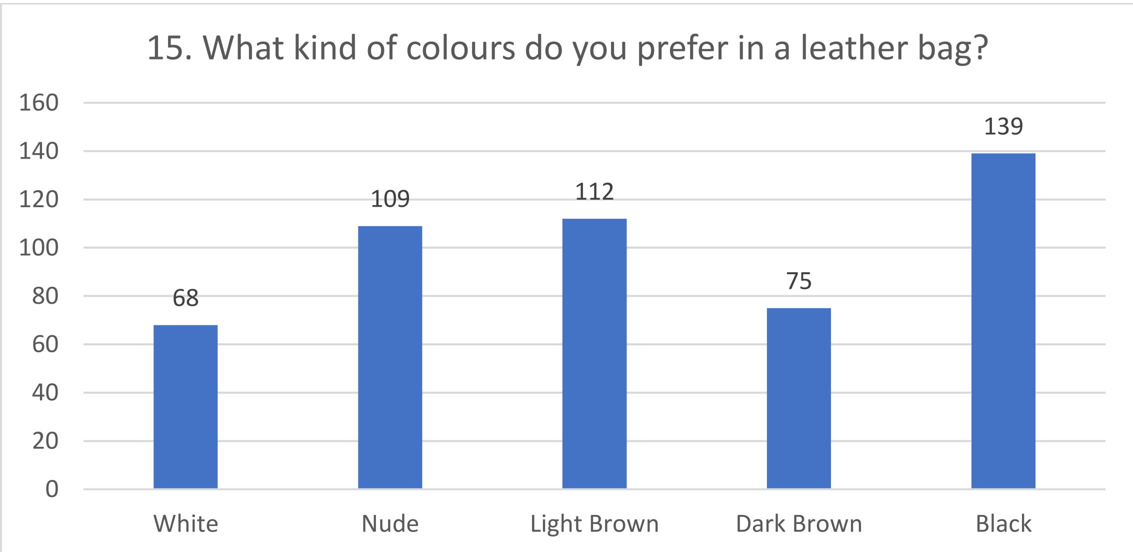

10. If you would have a child, would you be interested to purchase a product like this?
29%
71%
Yes
No


11. What influences you when buying toys?
Any other
10
Recommendation of professionals
66
Social Media recommendations
29
Online ratings and reviews
33
Price, promotions or sales
9
Teachers, experts advice on toys
38
Educational vallue for children
192
Longevity of toys
95
Your child's wants / desires / wishes
162
0
50
100
150
200
250

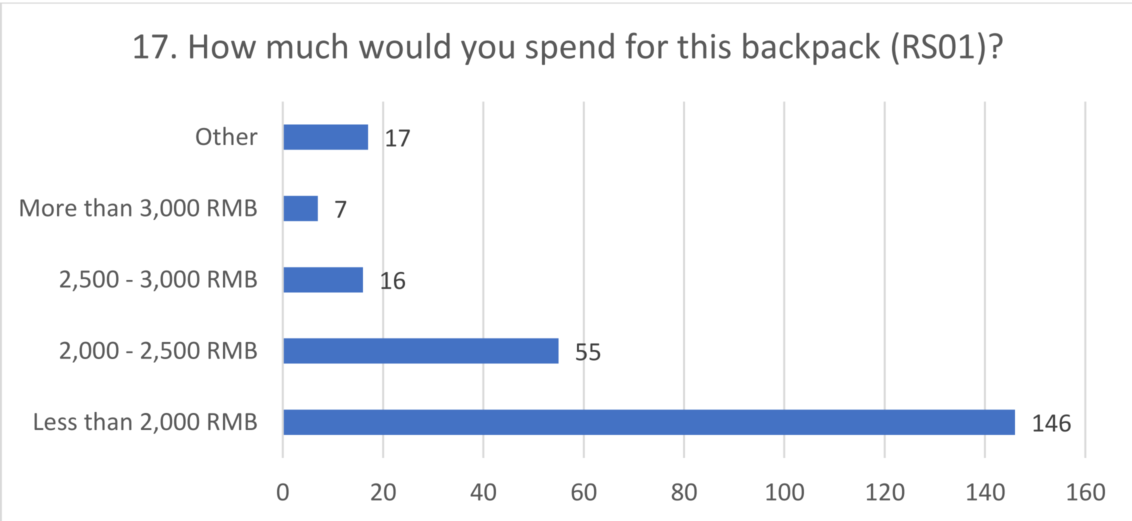

12. How much would you spend for this play set (oogi)?
120
100
80
60
40
20
0
107
93
24
9
8
Less than 100 RMB
100 RMB - 200 RMB
200 RMB - 300 RMB
More than 300 RMB
Other

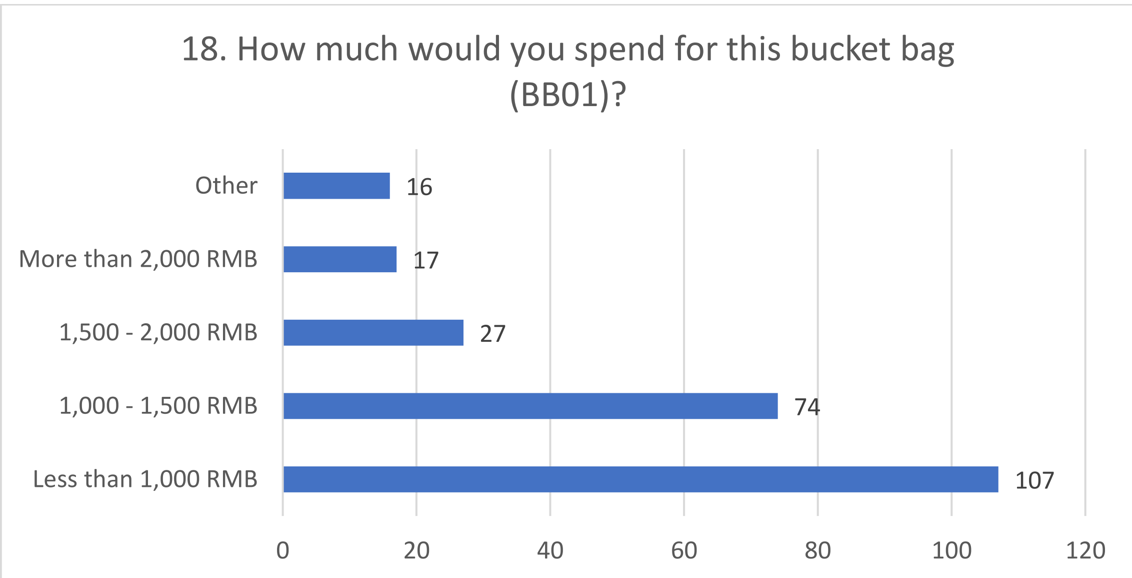

13. Do you like minimalistic design?
5%
95%
Yes
No


14. What product is most interesting for you from this Swiss label?
180
160
140
120
100
80
60
40
20
0
164
120
90
48
51
37
Handbags (bucket, tote, duffle bag, crossbody bag)
Backpack
Wallet (pouch and coin bags)
Laptop (Case/Bag)
Passport Case
Card Case


15. What kind of colours do you prefer in a leather bag?
160
140
120
100
80
60
40
20
0
68
109
112
75
139
White
Nude
Light Brown
Dark Brown
Black


16. What do you seek for when buying leather goods?
200
180
160
140
120
100
80
60
40
20
0
152
105
77
180
1
58
Value for money
Heritage and craftsmanship
Brand recognition
Quality of leather goods
Sustainability of sourcing
Functionality of leather goods


17. How much would you spend for this backpack (RS01)?
Other
17
More than 3,000 RMB
7
2,500 - 3,000 RMB
16
2,000 - 2,500 RMB
55
Less than 2,000 RMB
146
0
20
40
60
80
100
120
140
160


18. How much would you spend for this bucket bag (BB01)?
Other
16
More than 2,000 RMB
17
1,500 - 2,000 RMB
27
1,000 - 1,500 RMB
74
Less than 1,000 RMB
107
0
20
40
60
80
100
120