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Plan to increase sales of Company T on the Chinese Market by using the Tmall Global Platform

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Master in Applied Management

Supervisor:
Professor Doctor Rui Vinhas da Silva, Full Professor
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BUSINESS SCHOOL

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Abstract

The Chinese cross-border e-commerce market has experienced significant growth in recent years, with Tmall Global leading the sector with a 37.6% market share. Policy support and rising consumer demand provide opportunities for overseas brands. New entrants face multiple challenges, including competition from top brands, high supply chain costs, consumer trust issues, and compliance risks. In this context, the China-Japan joint venture Company T plans to enter the Chinese market through Tmall Global. The company aims to develop a differentiated strategy, balance quality and cost, establish trust mechanism. The long-term goal is to rank among the top 10 health product brands on Tmall Global.

This thesis uses the PESTEL framework to analyze the external environment. Key strategies include focusing on niche markets, leveraging platform traffic and logistics systems, expanding product lines to attract consumers of all ages. Financial projections indicate an initial investment of 3 million CNY, with 20% reserved for market fluctuations. The target for the first year is to achieve monthly sales of over 3,000 orders and long-term annual sales of 100 million CNY. The thesis recommends optimizing the membership points system to increase customer retention and continuously monitoring supply chain efficiency. Future efforts should focus on improving live-streaming e-commerce and content marketing conversion rates for sustainable growth.

This research aims to provide Company T with a scientific and systematic market entry strategy to address key challenges, including inaccurate grasp of target market demand, intense competition in the market, insufficient brand awareness, low consumer trust for new brands.

Keywords:
Cross-border E-commerce, Tmall Global, Market Entry Strategy

JEL Classification:
A23, M13

Resumo

O mercado de e-commerce transfronteiriço da China cresceu muito nos últimos anos, com a Tmall Global liderando o setor com 37,6% de participação. O apoio do governo e o aumento da demanda dos consumidores criam oportunidades para marcas estrangeiras. No entanto, novos entrantes enfrentam desafios, como concorrência de grandes marcas, altos custos na cadeia de suprimentos, falta de confiança dos consumidores e riscos regulatórios. Nesse cenário, a joint venture China-Japão, Empresa T, pretende entrar no mercado chinês por meio da Tmall Global. A empresa busca desenvolver uma estratégia diferenciada, equilibrar qualidade e custo e construir um mecanismo de confiança. O objetivo a longo prazo é estar entre as 10 principais marcas de produtos de saúde na Tmall Global.

Esta pesquisa usa a análise PESTEL para entender o ambiente externo. As principais estratégias incluem focar em nichos de mercado, aproveitar o tráfego e a logística da plataforma e expandir a linha de produtos para atrair consumidores de todas as idades. A previsão financeira indica um investimento inicial de 3 milhões de CNY, com 20% reservado para oscilações do mercado. A meta do primeiro ano é vender mais de 3.000 pedidos por mês e, no longo prazo, atingir 100 milhões de CNY em vendas anuais. A pesquisa recomenda otimizar o sistema de pontos para fidelizar clientes e monitorar a eficiência da cadeia de suprimentos. No futuro, a empresa deve melhorar a conversão de vendas por meio de live streaming e marketing de conteúdo para garantir um crescimento sustentável.

Este estudo tem como objetivo fornecer à Empresa T uma estratégia clara e científica para entrar no mercado, ajudando a enfrentar desafios como dificuldade em entender a demanda do público-alvo, forte concorrência, baixa visibilidade da marca e falta de confiança dos consumidores em novas marcas.

Palavras-Chave:
Comércio eletrónico transfronteiriço, Tmall Global, Estratégia de entrada no mercado

JEL Classification:
A23, M13

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Glossary

CNY	The Chinese Yuan
EUR	The Euro
GDP	Gross Domestic Product
GMP	Good Manufacturing Practice
KOL	Key Opinion Leader
OEM	Original Equipment Manufacturer
SKU	Stock Keeping Unit

1. Introduction

In recent years, China's cross-border e-commerce market has experienced explosive growth. As one of the largest consumer markets in the world, Chinese consumers' demand for high-quality overseas products has been steadily rising, particularly in sectors such as health and beauty. Tmall Global, a platform under Alibaba Group, has become the top choice for foreign brands to enter the Chinese market, based on its mature operating model, efficient cross-border logistics network, and large user base. However, with increasing market competition and changes in the policy environment, companies need to formulate a scientific business plan to tackle these complex challenges.

This thesis focuses on the Chinese-Japanese joint venture "Company T" and aims to provide systematic strategic planning for its market entry into China based on Tmall Global. The research addresses the following core issues: How can Company T leverage Tmall Global's traffic advantages and policy benefits to quickly penetrate the market? How can it establish brand barriers in the whitening and anti-aging niche through differentiation strategies? How can it optimize its supply chain and cost structure to cope with cross-border logistics and compliance risks?

The significance of this research lies in both theoretical and practical aspects. From a theoretical perspective, the thesis uses the PESTEL model and competitive analysis framework to deeply analyze the key elements of cross-border e-commerce platform operations, offering theoretical insights for market entry strategies for cross-border companies. From a practical standpoint, the research uses data modeling, supply chain interviews, and financial forecasting to help companies create actionable business plans, aiding their sustainable growth in the Chinese market.

In terms of research methods, the thesis employs literature analysis to review the development of cross-border e-commerce and Tmall Global, and builds the research framework based on Tmall Global's consumer trend reports. It also uses data modeling to integrate supply chain costs, logistics fees, and platform commissions to predict short-term pricing goals and promotional inventory needs. Additionally, interview methods are used to survey Company T's existing and potential supply chain partners to assess production cycles and quality control capabilities, providing a basis for supply chain optimization.

The structure of the thesis is as follows: Chapter 1 introduces the overall structure of this thesis. Chapter 2 uses the literature review of cross-border e-commerce, Tmall Global's development history, and its core competitive advantages. Analyzes Tmall Global's operating model, store setup requirements, and mechanisms for building consumer trust. Chapter 3 presents the research methodology. Chapter 4 outlines the core business plan, including PESTEL analysis, competitor strategies, marketing mix design, and supply chain management solutions; Chapter 5 summarizes the research findings and offers suggestions for future development challenges and responses.

Through this research, Company T can systematically grasp the opportunities and risks in the Chinese cross-border e-commerce market, utilize Tmall Global's platform resources for rapid brand penetration, and establish a differentiated advantage in the face of fierce competition, laying the foundation for long-term development.

2. Literature Review

2.1. Overview of the Development of Tmall Global Cross-border E-commerce

2.1.1. Definition of cross-border e-commerce

According to Gao (2019), cross-border e-commerce refers to an international business model in which trading entities from different countries or regions complete the flow of commodity information, transactions, payments, and finally the delivery of products through cross-border logistics through the e-commerce platform. Giuffrida et al. (2021) pointed out that cross-border e-commerce is one of the fastest-growing business models over the past few years, including the electronic transaction process, cross-border logistics and distribution as well as the internationalization of payment. As an emerging form of trade, the core feature of cross-border e-commerce is that it breaks through the limitations of national borders and uses Internet technology to globalize commodity transactions. Li et al. (2020) argued that cross-border e-commerce is the act of completing the trading activities between trading parties of different national borders on the Internet platform. In addition, Cheng (2021) argued that the COVID-19 has accelerated the global shift to online transactions, especially for the Chinese market, where e-commerce has promoted China's import and export trade. Alibaba has also been expanding its cross-border e-commerce business, mainly through its Tmall Global platform and Cainiao Logistics Division. From the definitional point of view, there is some commonality among different studies in characterizing cross-border e-commerce, such as globalized markets, electronic transaction processes, and internationalization of logistics.

In the context of global economic integration, the rapid development of cross-border e-commerce cannot be separated from policy support and market promotion. Qi (2024) analyzed the role of cross-border e-commerce in promoting the growth of China's foreign trade, and puts forward specific proposals to promote the development of the industry, such as optimizing tax policies and improving the international logistics system. Li et al. (2024) argued that the government is the key force in promoting the digital economy to drive the export of goods cross-border. The government should improve the construction of the standard system of export cross-border e-commerce, improve the construction of digital infrastructure and encourage the research and development of emerging digital technologies, and improve the laws and regulations related to export cross-border e-commerce. Li (2025) analyzed the competitive advantages of cross-border e-commerce in global trade from the perspective of international trade. He pointed out that cross-border e-commerce, characterized by low cost and high efficiency, breaks many barriers in the traditional international trade model, while providing SMEs with opportunities to participate in the global market. However, its development also faced challenges such as high logistics costs and cultural differences. Company T should take advantage of the opportunities of a globalized market, fully leverage policy support and technological advantages, while paying attention to challenges such as logistics and cultural differences, in order to achieve better international development.

2.1.2. Tmall Global Development History and Main Components

Wang (2024) pointed out that since the official launch of Tmall Global in February 2014, the number of overseas brands on Tmall Global has exceeded 46,000 from more than 90 countries and regions, covering more than 7,000 categories, and serving more than 100 million consumer groups. Gao (2019) argued that the main components of Tmall Global include product flow, promotion marketing, cross-border payment, logistics and distribution and profitability. Product flow is mainly the selection of goods and supply strategy; promotion marketing includes search engine marketing, precision marketing and social streaming media marketing; cross-border payment involves electronic remittance, credit cards and third-party payment platforms; logistics and distribution mainly includes domestic express delivery, international express delivery and overseas warehousing; and profitability includes commission profit, value-added service profit and sales finance profit.

2.1.3. Tmall Global's Position and Competitive Advantages in the Chinese Market

According to "A Brief Analysis of the Consumption Characteristics of Cross-border Imported E-commerce Users in 2023" published by Yiguan Analysys, Chen (2024) pointed out that the data in the report shows that the overall market size of China's cross-border imported e-commerce in 2023 was 551.77 billion CNY, with a year-on-year growth of 4.6%. The top three e-commerce platforms in terms of transaction share are Tmall Global (37.6%), Global JD (18.7%), and Douyin Global Shopping (12.3%). According to Econometrics, consumers are more concentrated in their platform choices for imported e-commerce. It also pointed out that consumers' own health and entertainment have become an important driving force for them to buy imported goods today. The data shows that the growth of health, personal care, home, sports and outdoor and other related categories of Tmall Global in 2023 was grows rapid, and during the double 11 period, the year-on-year growth of health care meals, scalp care, pets, sports and outdoor and other categories exceeded more than 100%.

2.2. The Operation Mode of Tmall Global

Gao and Zhou (2021) argued that the B2C model is dominant in cross-border e-commerce. Tmall Global establishes the direct merchandising channel by aggregating overseas brands and Chinese consumers. This model reduces the middle link, improves transaction efficiency, and provides companies with an all-channel path to reach consumers. At the same time, the Tmall Global platform has a strong information collection capability, which allows it to keep abreast of the supply and demand information of each commodity and access consumers' preferences. The shopping process of Tmall Global is basically the same as that of Taobao, which is the most commonly used platform by Chinese consumers, and the operation of Tmall Global on the basis of Taobao shopping makes consumers more comfortable. The Taobao platform has also accumulated a large number of consumers for Tmall Global, making Tmall Global the main platform used by Chinese consumers since its launch.

In general, the Tmall Global platform has a vast market, effective operation mode and strong user base that provided Company T with a valuable opportunity to enter the Chinese market, while leveraging the flow and brand effect of the Tmall platform to quickly attract Chinese consumers, increase initial exposure and sales, and enhance market competitiveness.

2.3. The Core Elements of Tmall Global Store Opening

2.3.1. Store Opening Mode Selection and Platform Policies

Yuguo (2022) pointed out that Tmall Global's operational policy focuses on strict entry standards and qualification audits to ensure the quality and reputation of the platform. Meanwhile, Tmall Global can apply for deposit reductions, marketing resource additions and incubation during daily operations and activities for newly-entered brand parties. In addition, Lian (2024) pointed out that Tmall Global's store opening mode is mainly divided into three categories: flagship stores, franchised stores and specialty stores. Flagship stores are suitable for brand owners to enter and mainly sell goods under the brand. Brand flagship stores represent the official image of the brand and have strict control over the quality of goods. This is also the store opening mode currently chosen by Company T. Franchise stores are suitable for multi-brand operations, and this type of store provides consumers with a wider variety of choices, as well as merchants with a broader space for development. While specialty stores allow authorized agents of specific brands, mainly selling goods of authorized brands. When Company T enters the Tmall Global platform, entering as a flagship store could be a better choice that indicating the official and genuine image of its own brand.

2.3.2. Logistics System and Cost Control

Zou (2024) argued that the integration and optimization of the cross-border e-commerce supply chain is of great significance in enhancing the competitiveness of cross-border e-commerce under the perspective of the global value chain. Tmall Global has established an information sharing system, using big data, cloud computing and other technologies to optimize information processing and strengthen the information docking between the cross-border e-commerce platform and each link in the supply chain. This model achieves a better balance between logistics costs, time efficiency and commodity quality assurance. Dai (2024) pointed out that cross-border logistics plays a significant role in the operation of Tmall Global, which provides diversified choices for enterprises and consumers through the three modes of bonded warehouses, overseas direct mail and domestic spot. Bonded warehouse mode is the main logistics mode of Tmall Global. This mode is the cross-border goods centralized and sent to China's warehouse in advance. It can effectively shorten the delivery time, while reducing the cost of tariffs, for the development of the Chinese market for enterprises that want to provide more convenient and fast logistics methods. The bonded warehouse model is also preferred by Company T which allows for quicker delivery of goods to consumers and enhances the image of fast logistics in the minds of consumers.

2.4. Key Factors Affecting the Opening of a Store on Tmall Global

2.4.1. Platform Policy and Tax Compliance

Tmall Global strictly enforces tax and customs policies for imported goods, which puts high requirements on the compliance of enterprises. Lü and Du (2020) argued that with the booming development of cross-border e-commerce, enterprises face increasing tax risks. The e-commerce industry as an emerging industry, the relevant laws and regulations have yet to be improved, which brings challenges to tax management. Cross-border e-commerce enterprises have complex operating characteristics, involving a wide range of types and regions, and features such as collection and payment mechanisms and tax returns have increased the difficulty of accurately accounting for the amount of tax paid. Tax risk management is an important consideration for merchants to open stores and one of the challenges of merchant operations, requiring a comprehensive assessment of the impact of policy changes on costs and profits.

2.4.2. Consumer Trust and Branding

Definition of Trust

Trust originated in sociology and gradually developed into a broad concept at different levels. Deustch (1962) concluded that through the experiment of Prisoner's Dilemma, summarized from the psychological perspective that interpersonal trust is the belief that one party will act in the agreed way towards the other party under the stimulation of a certain situation. Bromiley and Larry (1995) pointed out that trust in economics is the existence of risk and the willingness to deal with the other party's willingness to engage in a transaction. McKinght et al. (2000) suggested that in e-commerce, trust begins when a consumer first contacts a merchant, and e-commerce merchants that are trusted by consumers can achieve higher sales after the initial phase of trust is established. According to Zhou and Yang (2024), with the continuous development of global cross-border trade, how to accurately assess the credit of cross-border e-commerce suppliers has become an urgent problem. Traditional credit assessment methods have problems such as long data collection periods and low accuracy, which are difficult to meet the rapid development needs of cross-border e-commerce.

Evolution of Consumer Trust in Tmall Global

Zhang (2019) argued that consumer trust is a key factor in the success of cross-border e-commerce. Consumers' initial trust in Tmall Global is established mainly through design, services, variety and quality. Tmall Global initially established consumer trust by optimizing page design, providing detailed consumer guides, establishing an evaluation system and launching special services. In the trust reinforcement stage, Tmall Global further improved transaction efficiency and user stickiness by improving the product search function and building a recommendation-guide type section. As consumers' repeat transactions with Tmall Global increased, the trust relationship between the platform and consumers was gradually reinforced and loyalty beliefs were formed. Tmall Global has further consolidated consumers' trust and gradually built up a good platform image by providing secure payment methods, perfect privacy policies and positive policy orientation.

Influencing Factors of Tmall Global Consumers' Purchase Intention

Zhu (2021) argued that the variety of goods and quality assurance affects consumers' willingness to buy, and consumers' operation experience also affects shopping experience. Easy and fast operation is more likely to enhance consumers' willingness to buy. At the same time, Tmall Global consumers' desire to buy mostly focuses on high-priced goods and well-known foreign brands, and it is a good choice to develop targeted marketing strategies in this area. According to Zhou (2022), commodity factor, shopping experience factor, and the e-commerce platform factor have a positive effect on consumers' perceived usefulness as well as perceived ease of use, and have a negative effect on perceived risk. Consumers' perceived trust in the e-commerce platform positively affects their purchase intention. Company T can optimize product recommendations and advertising by regularly analyzing user behavior data to increase consumer engagement and conversion rates on the Tmall platform.

In summary, cross-border e-commerce companies must pay attention to tax compliance, consumer trust and branding in their operations. Company T should comply with the Tmall platform's policies, as well as increase consumers' willingness to buy and enhance market competitiveness by providing quality goods and shopping experiences and building strong brand trust.

2.5. Practical Significance of Tmall Global Business Plan

2.5.1. The Application of Big Data Analysis in Tmall Global Platform

The emergence of big data provides new opportunities and ideas for Tmall Global. Li (2024) pointed out that the main application of big data analytics in e-commerce is to analyze user behavior, enhance consumer experience, improve data security, and with precision marketing. Su (2024) argued that merchants on the Tmall Global platform can analyze the massive amount of data with big data analytics to deeply understand consumer behavior, thus realizing precision marketing. They can more accurately locate target user groups, release personalized products, improve marketing efficiency, and reduce the waste of resources. However, while big data brings convenience, it also brings challenges such as information overload, privacy leakage and data bias. Merchants need to carefully weigh the pros and cons and increase their awareness of data protection to avoid potential risks and fully utilize the potential of big data technology in precision marketing.

Wang and Cai (2024) argued that big data technology in cross-border e-commerce precision marketing is the use of big data for product selection, product innovation, optimization of logistics and data sharing. According to Liu (2024), the big data analytics can optimize the logistics efficiency of cross-border e-commerce, and the specific applications are to achieve real-time logistics tracking using big data, predicting the market demand and inventory management, as well as evaluating logistics risks and legal risks. Chen (2024) argued that by optimizing inventory management through big data analytics, Tmall Global merchants can reduce inventory backlogs, improve supply chain efficiency, reduce costs, speed up delivery, and improve customer satisfaction.

2.5.2. Analysis of Successful Cases of Cross-border E-commerce and Implications for Company T

According to Qin et al. (2024), 'S' Overseas Flagship store as an example, by analyzing the store's operation data on the Tmall Global platform, she proposed the optimal operation strategy for imported health care products by applying the cost-plus pricing method and the coefficient of price elasticity of demand. The study proves that store sales can be effectively enhanced through the optimization of products, pricing and promotion strategies.

The cross-border e-commerce platform SHEIN is a good research object for Tmall Global platform merchants, Peng (2024) pointed out that SHEIN was founded in 2008, focusing on fast-fashion women's clothing, with a business covering more than 230 countries and regions. In 2023, the revenue of SHEIN exceeded 30 billion U.S. dollars. The case of SHEIN provides a cross-border e-commerce marketing reference for domestic enterprises, especially in product development, channel management, marketing promotion and pricing strategy. Enterprises should combine their own situation and develop suitable marketing strategies to enhance the brand's international influence. Chen (2024) pointed out that SHEIN's model, as a typical case of cross-border e-commerce, has had a far-reaching impact on the apparel manufacturing industry with its highly efficient supply chain management and digitalized operation system. SHEIN's model is mainly designed to guide the design and production of products by analyzing the market demand in real time through big data technology. It realizes the production mode of "small batch, multi-frequency" and reduces the risk of inventory. By learning from SHEIN's experience in product development, channel management and pricing strategy, Company T can better develop marketing programs adapted to the global market and promote the brand's international influence.

2.5.3. Future Development Trend

With the continuous development of cross-border e-commerce, Tmall Global should focus on digital transformation and international business strategies to gain a sustained competitive advantage in the global market. Gao (2019) pointed out that Tmall Global optimizes the overseas commodity system, develops a systematic marketing and promotion strategy, enhances the platform's credit construction, manages and improves the third-party payment, effectively controls the platform's logistics system, strengthening e-commerce platform talent construction, optimizing the cost structure and innovating the profit model. It can effectively respond to these challenges and promote the continuous optimization of the cross-border e-commerce platform business model. Managing and improving the logistics system of cross-border e-commerce platforms as well as strengthening the platform's credit building are also areas that Company T T need to focus on, as they have a direct impact on consumer trust and shopping experience.

2.6. Conclusion

As an imported cross-border e-commerce platform under Alibaba, Tmall Global has established its leading position in the cross-border e-commerce industry through its flexible business model, strict quality control and efficient logistics network. Combined with the analysis of related literature, it focuses on Tmall Global's operation mode, core elements and its competitive advantages in the market. By sorting out the definition and characteristics of cross-border e-commerce, the study reveals the unique positioning and competitiveness of Tmall Global in global trade. The overview covers the practical experience of various logistics modes, such as bonded warehouse, direct mail, and domestic spot, and analyzes the key roles of consumer trust building, platform policy and big data application. It provides a theoretical support base for the company T to develop a business plan to enter the Chinese market.

3. Methodology

Literature Review

By systematically reviewing domestic and international academic thesis, industry reports, and policy documents on cross-border e-commerce, Tmall Global's business model, and consumer behavior, this study identifies the theoretical foundation of the research. The main references include Gao (2019), Li et al. (2024), and other scholars' discussions on the definition and development trends of cross-border e-commerce. The study also uses data from Tmall Global's "2024 Import Consumption Trend Report" to build the knowledge framework. The literature review provides theoretical support for building the PESTEL framework and formulating competitive strategies, as well as helps to identify policy opportunities and regulatory restrictions in the Chinese market.

Data Analysis

Through integrating data on supply chain production costs, logistics expenses (such as shipping, customs clearance, warehousing, etc.), and platform commissions to establish a dynamic financial forecasting model and calculate short-term pricing targets (which set the products price to 398 CNY). It also predicts inventory demand and sales during promotional events like 618 and Double 11 to optimize stocking strategies. The analysis looks at the cooperation model between Company T and Japanese manufacturers, focusing on production cycles and bottleneck issues. By conducting a cost-benefit analysis, the study proposes optimization strategies to ensure supply chain efficiency and quality control.

Interview Method

In order to optimize the selection of supply chain partners, this thesis uses the interview method to conduct an in-depth investigation of Company T's existing and potential supply chain factories. The interview subjects cover Company T's current Japanese suppliers (AFC, Sunsho Pharmaceutical) and 3 potential suppliers (TOYO Shinyaku, Ariment, Kyowa Yakuhin), a total of 5 interviews (see Appendix A). Through the interview recordings to extract key texts. The interview content revolved around production capacity, quality control, and cooperation model. The analysis results support the supply chain optimization strategy in Chapter 4 (see Section 4.7.1)

4. Business Plan

4.1. Executive Summary

The cross-border e-commerce market in China has maintained rapid growth in recent years, and the government offers strong support and tax incentives for this sector. Additionally, there is a large consumer base on platforms like Tmall Global. Company T plans to prioritize the sale of whitening and anti-aging products through the Tmall Global platform to penetrate into the female and beauty-loving population, so that the products can be rapidly exposed and achieve market share growth, thus achieving sustainable business expansion and development. The goal of Company T is to exceed annual sales of 100 million yuan (about 13.08 million euros) and rank among the Tmall Global Top 10 in the health care category.

To achieve these goals, Company T uses the PESTEL analysis method to study the impact of factors like political, economic, social, cultural, technological, environmental and legal on cross-border e-commerce companies in China. This helps to better understand the external changes Company T faces. Based on the characteristics of Company T's products, an analysis of product costs and income forecasts is conducted. The plan focuses on two initial products and the main actions to achieve the goals.

4.2. PESTEL Analysis

4.2.1. Political Context

From the Policy Opportunities, China has set up cross-border e-commerce pilot zones since 2015, and as of 2024, China has set up 165 of these zones that provide policy incentives and customs clearance convenience for inbound merchants, which effectively reduces the cost of customs clearance for enterprises and improves the efficiency of logistics. The core policy support provided by the comprehensive pilot zones is tax incentives and customs clearance facilitation. According to the "Notice on Improving the Tax Policy on Cross-border E-commerce Retail Imports issued by the People's Government of China", the single-transaction limit for cross-border e-commerce retail imports has been raised from 2,000 CNY to 5,000 CNY (around 261 EUR to 654 EUR). This exchange rate of this thesis is based on December 17, 2024. The exchange rate of the euro to the Chinese yuan is 1 EUR = 7.64 CNY.), and the annual transaction limit has been raised from 20,000 CNY to 26,000 CNY (around 2,618 EUR to 3,403 EUR). These pilot zones have become an important platform for the development of cross-border e-commerce, effectively reducing logistics costs for companies. As a new form of international trade, China's cross-border e-commerce industry is growing rapidly and has a significant impact on global trade. At the same time, it has also had a far-reaching impact on global international trade. Cross-border e-commerce has greatly integrated the global supply chain resources through the use of new technologies such as big data and artificial intelligence, and by means of digitization, it has helped traditional foreign trade enterprises to actively explore the international market and set up overseas operation centers for their brands, which has increased the influence and popularity of their brands.

However, China's cross-border e-commerce regulations and systems still need improvement. At the same time, China's cross-border e-commerce regulations and institutional system still needs to be perfected, and it has not yet formed a complete legal, regulatory and supervisory system matching the rapid development of e-commerce, and has different standards from those of the international community in key areas such as consumer rights protection and information security. Moreover, e-commerce platforms as the core carriers of cross-border e-commerce transactions, should ensure their authenticity, compliance and security. However, some cross-border e-commerce platforms are characterized by uneven quality of commodities, misleading publicity, non-transparent transactions, infringement of intellectual property rights and other chaotic issues, as well as the risk of data leakage, which need to be ensured through comprehensive laws and regulations to ensure that consumers' information is properly protected.

Health Product Regulation

According to China's "Food Safety Law" and "Administrative Measures for the Registration and Filing of Health Food", health care products need to meet the 'health food' certification, which has an application cycle of 3-5 years and requires a fee of 3 million RMB (around 392,670 EUR) to be paid to the National Medical Products Administration. In addition, manufacturers must submit their products for clinical trials at top-tier hospitals for up to one and a half years (including animal testing and human trials) to obtain an efficacy verification report. Furthermore, products that are not certified cannot claim effects like "enhancing immunity" or "delaying aging" and must only be labeled as "dietary supplements." This process consumes the benefits of the healthcare products. Furthermore, products that are not certified cannot claim effects like "enhancing immunity" or "delaying aging" and can only be labeled as "dietary supplements." This process consumes a lot of time and money to fulfill the requirements for listing in the Chinese market, and it is difficult for new companies to fulfill these conditions.

Cross-border e-commerce policies bring new companies a good way to waive these rules. Without entering the Chinese domestic market, cross-border products can be sold using a bonded warehouse model. Products sold in this way only need certification and sales qualifications from the product's origin country and can be sold on online platforms (such as Tmall Global, JD Global). The bonded warehouse model involves shipping products to a warehouse in a Chinese port, and when a customer places an order, the product goes through customs clearance and delivery. This way, consumers can greatly save time waiting for the delivery, and help the health care products enter the market more quickly.

Advertising Law Compliance Risks

According to China's "Advertising Law" and related regulations, the advertising and promotion of products sold on online platforms, including cross-border products, must comply with strict rules, especially regarding product descriptions and claims about the product's effectiveness. For example, it is prohibited to use exaggerated terms like "best quality," "cure," or "money-back guarantee," which could mislead consumers' expectations and violate the principles of truth, objectivity, and fairness in advertising law. To ensure compliance, the Tmall Global platform has adopted digital regulatory measures, using digital technology to monitor product titles and detailed descriptions in real time. The system automatically scans the advertising content of all goods on the platform everyday. And once goods containing inappropriate expressions are found, the system will issue a warning notice to the store to remind sellers to make changes. If the seller fails to rectify the problem within a specified period of time, the system will automatically take the relevant goods off the shelves until the seller completes the corrections and resubmits for review before the goods can be put back on the shelves for sale.

In the field of women's beauty care products, special attention should be paid to the wording and performance of product descriptions to avoid over-promising. For example, the term "whitening" can be changed to "brightening" or "even skin tone", and the term "anti-aging" can be changed to "improving skin condition" to make the language more moderate and in line with actual effects, avoiding misleading claims. In addition, if scientific data is referenced to support health claims, the source of the data must be stated, ensuring it is reliable and scientifically valid. All cited research data and clinical trial results must comply with relevant regulations to ensure transparency and accuracy without exaggeration.

4.2.2. Economic Context

GDP and Disposable Income

According to the latest data from the National Bureau of Statistics, China's GDP reached 134.9 trillion CNY (about 17.66 trillion EUR) in 2024, growing by 5% compared to the previous year. This growth not only reflects the continuous expansion of China's economy but also shows that the market remains strong and dynamic despite the complex international environment and slowing domestic demand. Along with the GDP growth, the economic level of urban residents has also been gradually improving. The per capital disposable income of urban residents reached 54,200 RMB (about 7,100 Euros) in 2024, with a year-on-year increase of 4.6%. This rise in income has boosted consumer purchasing power, especially in the high-end goods and services sectors, stimulating demand for quality products. As residents' incomes increase, consumer spending is also shifting, moving from basic needs to more diversified and quality-focused consumption. For example, the demand for health and personalized products is growing steadily. Chinese consumers are paying more attention to health, especially investing more in food safety, sports nutrition, and healthcare. This trend is driving the growing market demand for health supplements and high-end health products, which has become one of the key drivers of consumption growth. As China's economy continues to grow steadily and residents' living standards improve, there is a stronger pursuit of a healthy lifestyle, and the potential for development in related industries is enormous.

Cross-Border E-Commerce Market Size

In 2023, China's cross-border import e-commerce market reached a total size of 551.7 billion CNY (about 66.9 billion EUR), growing by 4.6% year-on-year. Among these, health products accounted for 18% of the market share in cross-border e-commerce, reflecting the strong demand for health products among consumers. As global consumers pay more attention to a quality lifestyle and personalized choices, cross-border e-commerce has become an important channel for importing goods into the Chinese market, especially health and beauty products. This trend is supported by the continuous improvement of e-commerce platforms and logistics networks, as well as the increasing awareness and acceptance of imported goods among Chinese consumers. According to the "Tmall Global 2024 Import Consumption Trend

Report" 52.89% of Chinese e-commerce consumers purchased cross-border goods through Tmall Global, and the platform's transaction volume is growing at a rate of 21%. This reflects the huge potential and market attractiveness of cross-border e-commerce. Especially in the health and skincare sector, Chinese consumers are increasingly focusing on targeted health and scientific skincare concepts. Consumers are more willing to choose products that suit their skin type, age, and lifestyle, which has driven the demand for customized products and high-tech skincare products.

Overall, as consumers' trust in cross-border e-commerce platforms grows, the habit of purchasing imported goods is becoming more widespread. The cross-border e-commerce market will continue to grow steadily, especially in the health product sector.

Supply Chain and Logistics Costs

According to data released by Japan's Ministry of Internal Affairs and Communications in 2024, the salary levels for employees in Japan's manufacturing sector are higher than those of similar workers in China. This salary gap means that Company T's production base in Japan will face higher labor costs, which will impact overall production costs. The higher wages may lead to increased spending on operating production lines and managing human resources in Japan, which will directly raise manufacturing costs. However, Japan's manufacturing industry has significant advantages in terms of technology and production efficiency. Japanese factories generally use highly automated production lines, which means that the reliance on manual labor is relatively low during production. Automated equipment can improve production efficiency, reduce human errors, and enhance the stability and output capacity of production lines. In addition, Japan's manufacturing sector typically has high standards for quality control, supported by strict quality management systems. This high standard of quality control helps reduce the cost of returns caused by quality issues, which further enhances the product's market competitiveness. Therefore, although direct labor costs are higher in Japan, Company T can offset some of the cost pressure in certain cases through highly automated production facilities and strict quality management.

Company T's products use a logistics model where goods are shipped by sea from Japan to the bonded warehouse in China. The goods are shipped to bonded warehouses in China first, and the goods go through customs clearance and are shipped only after the consumer has placed an order. The main logistics costs faced by Company T in this model include: shipping costs, bonded warehouse storage fees, customs clearance service fees, taxes, and the China domestic express delivery fees.

The shipping cost mainly covers the transportation of goods from Japan to the bonded warehouse in China. This cost is calculated based on container shipping, with an average shipping cost of about 50 yen (around 0.31 EUR) per item. Shipping costs depend on factors such as the transportation route, shipping company, and freight volume, but this is generally an unavoidable base cost in cross-border e-commerce logistics. The storage fee at the bonded warehouse is relatively low. The bonded warehouse is a temporary storage and customs clearance facility for goods entering China. The storage fee is calculated based on the product's volume, and is approximately 1 to 2 CNY (around 0.13 to 0.26 EUR) per month. Customs clearance service fees and taxes are also significant costs for cross-border e-commerce when entering the Chinese market. Customs clearance fees are usually calculated as a percentage of the product's sales price, with Company T's health products having a customs clearance service fee and taxes around 9.1% of the product's sales price. This fee covers the customs clearance process for imported goods in China, as well as the necessary duties and VAT. The taxes may fluctuate depending on the product category, value, and Chinese customs policies. Domestic delivery fees are the final shipping costs from the bonded warehouse to the consumer. Company T can work with Cainiao Logistics, a subsidiary of Tmall Global. The domestic delivery fee varies depending on the delivery area. For example, the logistics fee for the Yangtze River Delta (which mainly refers to the three major provinces of Shanghai, Zhejiang, and Jiangsu) region is 6 CNY (around 0.79 EUR) per order, while other regions have logistics fees of about 8 CNY (around 1.05 EUR) per order. This cost is mainly affected by the transportation distance and the express delivery network, so there is a clear difference in fees between regions. At the same time, Company T offers free shipping to consumers, so this logistics cost needs to be included in the company's overall expenses.

Platform Costs

When selling health products on Tmall Global, Company T needs to consider the fees charged by the platform, which are an important part of operating costs. According to the platform's fee policy, Tmall Global charges a fee of 4% of the product's sales price for health products. This fee includes the platform's service fee and commission, and it is one of the fixed costs Company T must pay once it enters the platform. Tmall Global's service fee typically covers various basic services provided by the platform, such as product listing, display, advertising, customer service, payment settlement, and more. These services are essential for Company T is not only to ensure their products are exposed and promoted to a large user base but also to ensure smooth transactions and provide consumer protection. The platform's commission is based on the transaction amount for each sale and is usually linked to the platform's operating costs. Therefore, when setting product prices and sales strategies, Company T must consider these platform fees to ensure they can cover the costs of the service fees and commissions while still making a reasonable profit. This is an important part of platform operating costs and a key factor that the Company T must take into account when controlling costs and estimating profits.

Considering Tmall Global's influence and reach, the relatively low platform fees provide businesses with a convenient cross-border e-commerce sales channel. Although Company T needs to pay certain fees, the platform's flow and sales opportunities still offer a good market return.

4.2.3. Socio-Cultural Context

Mainstream Consumers

The main consumer groups in China's e-commerce market include Gen Z, refined mothers, the middle class, and the elderly.

Gen Z

Gen Z typically refers to consumers aged 18-25, who are the most active consumer group in the current internet era. They tend to have strong social awareness and unique consumption preferences. Having grown up in a digital environment, they are skilled at using social media and online platforms to learn about products and are enthusiastic about sharing their shopping experiences and product reviews on these platforms. In terms of needs, Gen Z consumers focus on appearance and effectiveness, such as whitening, anti-aging, and skincare. Their purchasing decisions are often influenced by "internet celebrities" or "hot products." For example, on the platform "Xiaohongshu", there are more than 340,000 posts on the topic of "women's whitening health supplements," making it an important reference for this group when buying beauty and skincare products. Many consumers get firsthand product experiences through social media, especially by following recommendations from bloggers and KOLs who share similar interests or lifestyles, which helps them decide whether to buy a product.

Figure 4. 1 "Women's whitening health supplements" notes in Xiaohongshu.

Source: Screem shot from Xiaohongshu.com

The main channels to reach this group include Xiaohongshu shopping notes, Bilibili creator reviews, and other social platforms like Weibo. Users on Xiaohongshu share their shopping experiences and show before-and-after product results, helping other consumers make decisions. Bilibili creators present product performance and effects in a more entertaining and informative way, which fits the preferences of younger audiences. These platforms not only provide Gen Z with more ways to understand products but also offer brands a direct channel to communicate with young consumers.

Figure 4. 2 "Women's whitening health supplements" in Xiaohongshu, Bilibili, and Weibo.

Sources: Screem shot from Xiaohongshu.com, bilibili.com, Weibo.com

Refined mother

The refined mother group typically consists of women aged 30-40 who have strong purchasing power, especially focusing on their own and their family's health and quality of life. When choosing products, they pay more attention to the safety and naturalness of ingredients. This demand is reflected in the increasing search volume for keywords like "no additives" and "healthy anti-aging," particularly in the fields of maternity and nutritional products. This shows that they care about product ingredient transparency and safety. They tend to choose products without harmful chemicals or artificial colorants to ensure that their family's health is not compromised. In terms of marketing channels, WeChat official account articles and live streams by maternity KOLs are the most common ways to reach this group. Refined mothers often follow official accounts related to parenting, health, and home living, where they can find professional articles with product information, parenting tips, and health advice. At the same time, they also turn to live-streamed sales by maternity KOLs to learn about others' experiences and recommendations, especially when buying care products or family health items. The influence and persuasive power of these opinion leaders are high in this group.

Middle-class

The middle-class group mainly consists of consumers aged 30-50. This group typically has stable incomes, a higher level of consumption, and high demands for quality of life. Unlike Gen Z, middle-class consumers have a strong economic foundation and relatively high purchasing power, so their consumption preferences tend to focus on long-term value and functionality. They are willing to pay higher prices for high-quality products but also pay attention to the product's cost-performance ratio. When making purchasing decisions, they usually choose products from brands with a good reputation, guaranteed quality, and reliable after-sales service. Product reviews and brand reputation on e-commerce platforms significantly influence their decisions.

The elderly

With the growing global problem of population ageing., the elderly especially those aged 60 and above, are gradually becoming an important part of the e-commerce market. Although their shopping frequency is lower than younger generations, the growing awareness of health and the increasing use of smart devices have led to a recognition of their consumption potential, particularly for daily necessities and health products. With the improvement of living standards and the increase in internet access, more and more elderly consumers are starting to shop online for the products they need. In the health supplement sector, the demand from elderly consumers is particularly prominent. As people grow older, they are more and more concerned about health, they have a growing demand for products that enhance immunity, bone and joint protection, and so on. As a result, health supplements for the elderly have gradually become a significant consumer segment on e-commerce platforms. This trend is especially evident on platforms like Tmall Global, where more and more sellers are focusing on providing products suitable for senior consumers.

Trust-Building

To enhance consumer trust in the products and improve brand image, Company T can highlight the "Tmall Global Overseas Flagship Store" logo, further strengthening product authenticity and reliability. As one of the leading global cross-border e-commerce platforms, Tmall Global's official logo can effectively convey the legality of the product's origin and quality assurance, boosting consumer confidence in their purchase decisions. Additionally, Company T can place a customs traceability QR code on each product's packaging. Through this QR code, consumers can easily access detailed import information, including customs clearance records, bonded warehouse storage processes, and relevant quality certifications. This traceability mechanism not only ensures transparency but also allows consumers to clearly understand each step of the product's journey from storage to delivery, further enhancing trust in cross-border products.

Since health supplements typically have a longer effect cycle, and consumers often need time to experience the results, Company T can initiate interactive marketing campaigns like the "88-Day Skin Renewal Challenge" (88 is considered a lucky number in China) to encourage consumers to continue using the products and share their experiences. This campaign could invite users to check in, post pictures, and record their results, thereby increasing product engagement and user loyalty. During the campaign, participants can receive rewards such as gifts, discount coupons, or the opportunity to try out future products. This interactive and rewarding mechanism can effectively motivate consumers to continue using the products, while social sharing and word-of-mouth marketing help increase the brand's influence.

At the same time, due to the impact of the nuclear wastewater discharge incident in Japan, Chinese consumers' willingness to purchase Japanese products has decreased. This has resulted in a longer time required to build trust between consumers and the store.

4.2.4. Technological Context

Damo Pan is a powerful big data management platform built by Alibaba Group based on commercial scenarios. Its goal is to help brands and merchants precisely target their audience, expand their potential customer base, and provide detailed consumer profiles by analyzing data on consumer behavior, interests, and buying habits. Through Damo Pan, Company T can gain a deep understanding of consumer characteristics and needs, enabling more precise strategies in digital advertising and product promotion. For example, with the tagging function provided by Damo Pan, Company T can segment target groups into different categories, such as "health-conscious consumers," "loyal skincare product users," or "young people who love sports." By analyzing the profiles of these groups, the company can gain detailed insights into their interests, consumption habits, and buying behavior.

Based on the precise audience analysis from Damo Pan, Company T can develop more personalized marketing strategies and make precise ad placements. By pushing targeted advertising and product recommendations that align with the interests of the target group, Company T can increase the click-through and conversion rates of advertisements, improving marketing effectiveness and return on investment. Additionally, Damo Pan provides real-time data feedback, allowing Company T to monitor the performance of advertises and make adjustments quickly to ensure that marketing activities achieve the desired results.

On the Tmall Global's "Qian Niu" operation platform, Company T can monitor competitors' marketing strategies and sales performance in real-time, gaining operational data from similar stores for comparison and analysis. Through this platform, Company T can check competitors' product pricing, promotional strategies, advertising placements, and sales channels. This competitive analysis can provide valuable market insights, help identify industry trends, assess current market performance, and further optimize Company T's operational strategies. At the same time, Company T can use the "Qian Niu" platform to monitor best-selling products, hot promotional activities, and changes in consumer preferences among major competitors. This data can help Company T understand its position in the market and make timely adjustments to product pricing, marketing strategies, and promotion methods to ensure a competitive edge in the crowded cross-border e-commerce market.

Based on the historical sales data accumulated on the "Qian Niu" platform, Company T can also use data analysis tools to forecast future market demand. Especially before major promotional events (such as 618 and Double 11 which are the two largest China's online shopping events), Company T can analyze historical data to identify which SKUs performed well during previous sales periods, and predict that these products will still be best-sellers in the upcoming promotions. By analyzing this historical data, Company T can more accurately predict demand fluctuations for different products and prepare inventory in advance based on these predictions. For major promotional events like 618 and Double 11, Company T can predict the sales potential of specific products based on historical data and stock up on these best-selling products at the bonded warehouse in advance. This not only helps reduce sales losses caused by stockouts but also improves logistics efficiency, ensuring quick response to consumer demand and timely delivery during peak order volumes. At the same time, Company T can also use historical sales data to estimate the effectiveness of promotional activities, and develop marketing strategies that better align with market demand, such as discount promotions, gift strategies, and advertising placements, thereby maximizing sales performance.

4.2.5. Environmental Context

In recent years, awareness of green consumption and environmental protection has been continuously rising in China. Climate change and sustainable development have become global focal points. The goal of carbon neutrality is driving a transformation that spans multiple fields, including energy, technology, and consumption. As one of the world's largest consumer markets, China has a huge consumer base and is in the historical process of achieving high-quality development and transitioning to a green, low-carbon economy. Green consumption has become not only a policy direction but also a value that consumers are increasingly prioritizing.

In this process, Tmall launched the Green Merchant Alliance in 2021. The alliance aims to integrate the power of platform merchants to advocate for green and low-carbon consumption, promote green production and lifestyles, and help China achieve its carbon neutrality goal. Tmall's Green Merchant Alliance not only focuses on energy and power saving, but also launches four important initiatives on multiple levels. These initiatives include:

1. Advocating for simplicity and moderation, encouraging consumers to adopt green and low-carbon lifestyles in their daily lives to reduce resource waste.

2. Promoting the popularization of green production, green electricity, green data centers, and green logistics, supporting the use of green energy, and encouraging merchants to adopt low-carbon and environmentally-friendly production and transportation methods to enhance the green level of the entire supply chain.

3. Promoting the green, reduced, and recyclable development of product and packaging, reducing the use of single-use plastics and other non-degradable materials.

4. Advancing actions related to vegetation restoration, soil protection, solid waste management, and ocean protection, aiming to promote sustainable development from the perspective of ecosystem protection.

For Company T, joining Tmall's Green Merchant Alliance will bring many opportunities and advantages. Members of the alliance can enjoy flow rewards and exposure resources provided by the platform, enhancing the brand's social responsibility image and consumer recognition. Company T will not only reach a wider consumer base but can also leverage Tmall's policy support to further promote and sell green products.

In addition, according to the "Opinions of the National Development and Reform Commission and the Ministry of Ecology and Environment on Further Strengthening the Control of Plastic Pollution" China will continue to strengthen plastic pollution control and promote the use of green and environmentally friendly packaging. As part of responding to China's environmental protection policies, Company T can adopt more eco-friendly measures in product packaging, such as using biodegradable materials to replace traditional plastic packaging, reducing negative environmental impact. This approach not only aligns with policy guidance but also enhances the brand's eco-friendly image that wins consumers' favor. At the same time, Company T can optimize the design of product packaging by reducing unnecessary space and gaps, and using more compact and efficient packaging methods. This can reduce the space taken up during transportation and lower carbon emissions during the shipping process. Optimizing packaging helps save resources, reduces waste, and promotes sustainable development by cutting down on energy consumption in the transportation process, contributing to the company's green operations.

4.2.6. Legal Context

For Company T, selling products through the Tmall Global platform to enter the Chinese market comes with core compliance challenges which are particularly in tax and customs compliance. China's tax system is kind of complex, especially in the cross-border e-commerce field, where goods involved in cross-border trade must pay certain taxes upon import. The tax rate for health products is usually 9.1%. To avoid legal risks related to taxes, Company T needs to strictly adhere to China's tax regulations and ensure that all cross-border products follow the correct import procedures. In particular, when declaring goods, it's important to fill in the HS customs code accurately. The HS code is a globally recognized system used to classify goods based on their type and category. Accurate completion of the HS code is crucial when goods enter the bonded warehouse, as any errors in the code can lead to inconsistent customs classification, which could affect the tax rate and the clearance process. If the product category does not match the declared HS code, there could be additional tax demands from customs, along with the risk of fines. To ensure correct declarations, Company T should provide professional training for the relevant staff and collaborate with experienced customs agents or logistics companies to ensure smooth customs clearance and prompt market entry.

Additionally, Company T also needs to stay updated on other tax-related policies, especially regarding import VAT and consumption tax. As China's tax policies are constantly changing, Company T must regularly review and update its understanding of tax regulations and adjust its operations accordingly to maintain compliance and ensure long-term business development.

When selling products on cross-border e-commerce platforms, intellectual property protection is another key compliance issue to focus on. In China, trademark protection is strict, and the Tmall Global platform requires all sellers to have legal trademark rights when selling products on its platform, which is particularly important for Company T. Especially for health-related products, brand image and trademark protection directly affect consumer trust in the product and market competitiveness. To legally sell products on Tmall Global, Company T needs to ensure that it has dual protection for its trademark—both the original country trademark and the target sales country trademark. This means Company T must register trademarks in both Japan and China. This not only helps prevent the brand from being infringed upon by others but also ensures the company's legal right to sell in the Chinese market. If Company T fails to register a trademark in China, it could face infringement lawsuits and might not be able to continue selling on the platform, severely affecting its operations in the Chinese market.

To ensure compliance, Company T can set up a local legal team in China responsible for reviewing and managing product labels, advertising copy, and contract terms. The team can regularly review the advertising content and promotional information of products on the platform to ensure no infringement of others' intellectual property, avoiding inappropriate wording or expressions in ads or product descriptions. The legal team should also regularly check product packaging and labels to ensure they comply with Chinese regulations, such as the "Advertising Law" and the "Consumer Protection Law." These regulations impose strict requirements on the truthfulness of advertising content, slogans, and product labels. Company T must avoid using absolute terms that could trigger disputes and ensure that it enhances its brand image while complying with the law.

4.3. Competitor Analysis

Whitening products

Pola White Shot is a leading brand in the whitening category on Tmall Global and holds an important position in the whitening health supplement market. The product is priced at the higher end of the market, with a one month supply costing 408 CNY (about 53.4 EUR), and a three month supply priced at 1,088 CNY (about 142.4 EUR). This pricing strategy targets consumers who have high expectations for whitening effects, especially middle to high-end consumers who care about health and beauty.

Figure 4. 3: The Pola White Shot in Tmall Global.

Source: Screem shot from tmall.hk

Advantages:

Natural Plant Ingredients: Pola White Shot primarily uses plant extracts, promoting pure and transparent ingredients, which is a key selling point for health-conscious and safety-focused consumers, especially for the refined mom demographic.

Patented Technical Barrier: The product utilizes exclusive MyoMG extract. With its unique patented technology, Pola White Shot has a high technical barrier in the market. This technology enhances the product's effectiveness and differentiation, providing stronger market protection for the brand.

Brand Reputation: As a well-known Japanese brand, Pola has established a strong global reputation and consumer trust, and its quality is highly regarded.

Disadvantages:

High Price: The price of Pola White Shot is relatively high, which may discourage the 18-25 age group, and Pola's high pricing may limit its appeal to the price-sensitive younger consumer segment.

Slow Results: The product has poor short-term feedback, with effects becoming visible after three months of continuous use. For many consumers, especially younger ones who are eager for quick results, this could be a significant disadvantage.

Anti-aging Products

Shiseido The Collagen is one of the leading products in the anti-aging category on Tmall Global. It is primarily sold through Tmall Global's official store and has a significant market share. The price for a one-month supply is 362 CNY (about 47.35 EUR), and it holds a notable position in the high-end anti-aging supplement market.

Figure 4. 4: The Collagen in Tmall Global official store.

Source: Screem shot from tmall.hk

Advantages:

High Brand Trust: As a well-known Japanese brand, Shiseido has high global recognition and reputation, particularly among middle-aged and older consumers. The brand has built strong trust and positive word-of-mouth over many years.

Strong Marketing Capabilities: Shiseido has greatly enhanced brand exposure and user engagement through social media marketing on platforms like Xiaohongshu. The Collagen has more than 10,000 notes on Xiaohongshu, and many of them are real user experiences and feedback, creating a powerful social proof effect.

High-End Market Positioning: The Collagen is positioned in the high-end market, using premium ingredients and advanced production techniques. Its high quality is widely acknowledged by consumers, particularly in the middle-aged and elderly demographic, who appreciate its ability to meet their high standards for anti-aging products.

Disadvantages:

Single Ingredient: The main ingredient of Shiseido The Collagen is collagen, with the product focusing primarily on anti-aging and improving skin elasticity. However, younger consumers are increasingly inclined to choose supplements with multiple functions. The single collagen component may not fully meet the market's demand for multifunctional health products.

Impact of the Nuclear Wastewater Incident: The release of Japan's nuclear wastewater has raised concerns about the safety of Japanese imports, causing some consumers to lose trust in Japanese brands like Shiseido. Despite Shiseido's strong product quality and R&D guarantees, this incident has had a negative impact on the brand's image, potentially influencing some consumers' purchasing decisions.

4.4. Mission, vision and values

Mission: Provide safe and effective Japanese oral healthcare solutions to Asian consumers.
Vision: To be the preferred Japanese brand in the health category of Tmall Global.
Values: Craftsmanship quality, data-driven, consumer first.

4.5. Objectives

Short-term goal within one year: monthly sales of Tmall Global stores exceed 5,000 orders, monthly sales of 2 million CNY (about 262,000 EUR)
Long-term goal: annual sales exceeding 100 million CNY (about 13.08 million EUR), among the Tmall Global health care category TOP 10.

4.6. Strategy

Company T plans to officially launch its products on Tmall Global in April 2025, with its main marketing strategy relying on platform flow support and targeted advertising. From April to October, the company will utilize Tmall Global's new product flow support policies and in-platform advertising resources for regular promotions to ensure the product gains quick exposure on the platform. In addition, the company plans to leverage social media platforms like Xiaohongshu and Douyin for content marketing, using short videos and social media activities to maintain product visibility and brand attention.

In June, Company T plans to strengthen partnerships with well-known industry anchors and collaborate with KOLs whose audiences align with the brand's target demographic. This will help increase brand awareness and build positive word-of-mouth. During the 618 shopping festival, Company T will fully capitalize on this major retail event by offering promotions such as product samples and giveaways to attract consumer attention, boosting product visibility and platform authority. During this period, the company will focus on multi-channel integrated marketing, concentrating resources on driving a single core search keyword to maximize brand exposure and improve keyword rankings, further increasing potential customer conversions.

In November, Company T expects to see the products reach their peak period. Based on the groundwork laid in June and October, the Double 11 shopping festival will be the key opportunity for Company T. To seize this massive market opportunity, the company should ramp up marketing investments, employing a comprehensive promotional strategy that includes increasing advertising budgets, targeting marketing content, offering limited-time flash sales, and providing significant discounts to maximize sales and revenue. Additionally, Company T will work closely with Tmall Global, leveraging the platform's precise data and market analysis tools for detailed customer profiling, refining its promotional strategies, and ensuring it secures a strong position during the highly competitive Double 11 period.

Through this three-phase marketing strategy: early stage buildup, mid stage expansion, and peak event push. Company T aims to quickly capture market share and establish a strong brand presence in China's vast cross-border e-commerce market, ensuring both initial success and sustained growth for the product.

4.7. Marketing-Mix

4.7.1. Product

Japan as the origin of the Company T's brand, has a rich history of scientific research and unique production techniques. Company T plans to leverage Japan's patented ingredients and manufacturing technologies, collaborating with top Japanese health supplement producers. By combining these with the preferences of Chinese consumers and the data tools provided by Tmall Global, Company T aims to create a differentiated oral beauty solution. The goal is to stand out in the competitive market, build strong brand recognition, and foster consumer loyalty.

In the early stages of entering the Chinese market, Company T decided to focus on launching two core products as the company's flagship items. These will be a whitening product and an anti-aging product, primarily targeting female consumers, especially those with high demands for skincare, anti-aging, and beauty supplements. These products will use Company T's patented ingredients developed in Japan, offering highly effective oral beauty formulas that help consumers achieve ideal results. This will quickly attract market attention. Whitening and anti-aging are currently two of the most sought-after segments in China's female health supplement market. With increasing awareness of skincare and anti-aging, oral beauty products are becoming an increasingly popular choice for women.

Figure 4. 5: Effectiveness charts for Company T's whitening and anti-aging products.

After Company T gradually establishes its brand influence and market share in China, its future expansion plans will address a wider range of consumer needs. Company T will expand its product line to appeal to a broader consumer base. Which introduces products for oil and sugar control, and hangover relief. These products will not only meet the diverse needs of female consumers but also be customized to address the daily health concerns of male consumers.

Oil and sugar control products aim to help consumers better manage their weight by reducing sugar and oil intake in their daily lives. These products target the growing obesity issue and health problems caused by unhealthy eating habits among modern consumers. Hangover relief products are targeted at Chinese consumers who face excessive alcohol intake, especially among the male population, due to social gatherings and work-related drinking. Company T expects these new products to further expand its market, extending the target consumer base from just females to all age groups and reaching male consumers as well. This will greatly enhance the market adaptability of Company T's products and provide additional growth opportunities for the brand's long-term development in the Chinese market.

Figure 4. 6: Effectiveness charts for Company T's hangover relief products.

4.7.2. Price

The pricing of the products takes into account a number of factors, such as logistics costs, customs and tax costs, platform costs, and product manufacturing costs. After analyzing all the costs (manufacturing costs will be shown in the subsequent supply chain), both products are priced at 398 CNY (about 52.1 EUR). The logistic cost is composed of shipping, warehousing, and the shipping within China, which is roughly: 2.5+2+8=12.5 CNY.

Customs tax cost is 9.1% of the selling price, roughly: 398*9.1%=36.218 CNY.

Platform cost is charged by Tmall Global platform, which is 4% of the selling price, roughly: 398*4%=15.92CNY.

The manufacturing cost of the product is about 114 CNY.

Under this pricing, the profit is about: $1-(114+15.92+36.218+12.5)/398=55.12\%$

So the profit of these two products is about 55.12%.

Supply Chain

Interview Analysis on Supply Chain Selection

Based on semi-structured interviews with five Japanese suppliers (AFC, Sunsho Pharmaceutical, TOYO Shinyaku, Ariment, and Kyowa Yakuhin), this study identifies three core factors influencing Company T's product strategy. Develop a differentiated supply chain collaboration plan.

Production Cycle and Market Responsiveness

AFC: Average production cycle is 8 months, but complex internal review processes lead to delays in new raw material procurement.

Sunsho Pharmaceutical: Production cycle is 6-7 months, with strict quality control and low defect rates, making it suitable for high-precision products.

TOYO Shinyaku: Average production cycle is 8 months. Long production cycles and low departmental coordination.

Ariment: Production cycle is 7-8 months, with long quotation and internal review processes.

Kyowa Yakuhin: Production cycle is 5-6 months, minimum order quantity of 500 pieces with a short production cycle, but its poultry-based raw materials pose regulatory risks in the Chinese market.

Strategic application is that the core whitening and anti-aging products will be handled by AFC (70% of the basic production capacity) and Sunsho (supplements 30% of the orders with fast delivery requirements) in a dual-track production plan to balance efficiency and quality.

Trial products (e.g., hangover relief products) will be produced by Kyowa to leverage its small-batch, fast-delivery advantage for market testing.

Cost Flexibility and Competitiveness

AFC: Low coordination efficiency and high communication costs lead to increased production cycles and costs. However, its production pricing remains competitive.

Sunsho Pharmaceutical: High departmental coordination allows for faster production at the same cost.

TOYO Shinyaku: Lower-than-average industry costs due to proprietary kudzu flower raw material, but high employee turnover risks quality fluctuations.

Ariment: Extensive experience with Chinese partners but complex quotation processes requiring board approval, increasing overall costs. Higher processing fees compared to competitors.

Kyowa Yakuhin: Low production costs due to small order requirements, making it cost-effective for small-batch production.

Strategic application is that affordable product lines (like oil and sugar control products) will be co-developed with TOYO to leverage its raw material cost advantage and lower factory prices, enhancing price competitiveness.

Quality Consistency and Brand Trust

AFC: One of Japan's top three OEM manufacturers, with experience in selling health supplements in Japan, China, and Southeast Asia. Fast quality inspection process. Registered in China.

Sunsho Pharmaceutical: Also one of Japan's top three OEM manufacturers, boasting Japan's largest capsule production line. Strict but lengthy quality inspection process. Registered in China but lacks experienced personnel.

TOYO Shinyaku: One of Japan's top three OEM manufacturers, known for its unique kudzu flower ingredient. Also produces medicated cosmetics. However, frequent staff turnover affects stability.

Ariment: A family business with extensive supplement formulation expertise. Strong familiarity with Chinese trade and employs Chinese staff experienced in general trade.

Kyowa Yakuhin: A small-to-medium-sized enterprise with GMP certification. Offers flexible quality control, allowing customers to choose raw material suppliers, but this may result in inconsistencies in ingredient levels.

Strategic application is to add the customs traceability QR codes to product packaging, allowing consumers to access full quality inspection reports and strengthen trust.

Table 4. 1: Supply Chain Decisions

	Production cycle	Cost and competitiveness	Quality consistency and brand trust
AFC	8 months	High, low pricing, fast quality inspection	High, one of the top three OEM companies, rich experience in China trade, and registered in China.
Sunsho Pharmaceutical	6-7 months	Medium, fast production process, but high quality inspection cost	High, one of the top three OEM companies, with the largest capsule production line and production volume in Japan.
TOYO Shinyaku	8 months	Medium, production cost is lower than the industry average, but frequent staff changes and poor stability.	Medium, one of the top three OEM companies, with independent raw materials, can produce health food and medical external cosmetics.
Ariment	7-8 months	Low, complex quotation process, high communication time cost.	Medium, has rich health product formulas, friendly to the Chinese market, but high processing fees.
Kyowa Yakuhin	5-6 months	High, small minimum order quantity, low production cost.	Low, the company has GMP qualifications, but loose quality control, there may be hidden dangers of inconsistent raw material additions.

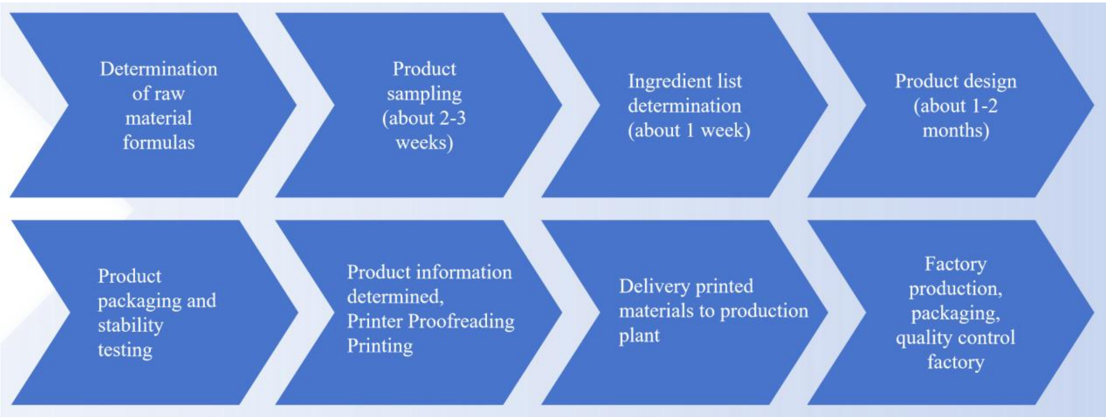
The interview reveals that supply chain selection is not just a balance between cost and quality but also a strategic decision involving brand positioning and risk management. Through a supplier capability matrix analysis, Company T precisely matches production resources with segmented product demands. Based on the interview findings, Company T has chosen AFC and Sunsho Pharmaceutical as its primary partners for whitening and anti-aging core products. A dual-track production strategy will be implemented: AFC will handle 70% of the base production capacity, while Sunsho will take on 30% of orders requiring fast delivery.

At the same time, Kyowa will be used for trial products (e.g., new hangover relief products), leveraging its small-batch, fast-delivery advantage to seize market testing opportunities. TOYO is selected as an alternative supplier for oil and sugar control products, utilizing its raw material cost advantage to lower production prices and enhance product competitiveness.

By partnering with these suppliers, Company T aims to expand its market presence and establish brand reputation through a dual-track strategy. This approach lays the foundation for a resilient supply chain as the company enters Tmall Global.

Supply Chain Production Process

Figure 4. 7: Product Production Process.



In this process, the production cycle for new products typically takes about 6-8 months. The main time-consuming factors usually occur during the final stages of formula confirmation and packaging design.

The product's formula needs to be gradually finalized. This includes selecting ingredients and ensuring that the content of each ingredient meets relevant regulations and product efficacy requirements. This process involves multiple rounds of testing and adjustments, so it may take a considerable amount of time to ensure the final product's effectiveness and safety.

At the same time, due to Japan's printing requirements, the formula and ingredient list must be confirmed first before the final design of the product's packaging, including the ingredient list and usage instructions, can be completed. It is crucial to ensure that the formula, dosage, and precautions are accurate before the design team can begin the final design draft. After that is to proofread and order placement follow. The external packaging design for

Company T is handled by a Chinese design team, but due to cultural and aesthetic differences with the Japanese market, the design draft is handed over to a Japanese team for modifications and adjustments. This stage involves cross-country communication and multiple rounds of revisions. The revised design draft is then submitted to the production factory and printing company for confirmation. These two stages usually require 1-2 months for communication and confirmation with various supply chain partners, resulting in relatively high time costs.

Production costs of major products

Table 4. 2: Factory Cost Price List

		JPY Price	CNY Price	EUR Price	JPY Price	CNY Price	EUR Price
Japan production price (excluding tax)		Whitening Product			Anti-Aging Product		
Ex-factory cost	Raw material formula	2,050	98.62	12.91	2,190	105.36	13.79
	Packaging materials	140	6.74	0.88	126	6.06	0.79
	Aluminum-plastic bags	600,000	28,877.98	3,779.84	516,000	24,824.29	3,249.25
	Packaging	240,000	11,551.22	1,511.94	240,000	11,546.18	1,511.28
Ex-factory unit price of products (including tax)		2,368.00	113.92	14.91	2,503.80	120.46	15.77

In the future operations, Company T will implement a series of measures to optimize production costs, ensuring profitability and market competitiveness. In terms of production costs, Company T can compare quotes from different manufacturers for the current formula to see if it can reduce costs by negotiating with various suppliers. Additionally, as future production demand increases, there is still room for further price reductions. Considering the volatility of raw material and production costs in Japan, especially due to fluctuations in the yen exchange rate, Company T can sign forward foreign exchange contracts with banks to lock in the exchange rate for the next six months, thus avoiding the uncertainty brought about by exchange rate fluctuations.

Once the product is launched, Company T will continue to optimize its supply chain based on market feedback, gaining a deeper understanding of other suppliers' internal operations and looking for factories that best match the product's needs. By selecting the right production partners, Company T aims to further optimize the shipping cycle, with a goal of completing the entire process from production to shipment within five months. This target will help Company T respond more efficiently to market demand and improve the flexibility and responsiveness of the supply chain. Furthermore, Company T will reassess its packaging options, comparing the costs of printing and producing the outer packaging locally in China and then shipping it to a Japanese factory for final packaging, versus producing the paper boxes directly in Japan. By comparing the cost-effectiveness of both options, Company T will choose the more cost-efficient and higher-efficiency solution, further reducing production and logistics costs without compromising product quality and consumer experience.

4.7.3. Place

Company T will focus on Tmall Global as its primary sales and profit channel, fully leveraging the platform's advantages in cross-border e-commerce to expand the brand's market share and visibility. In addition to the Tmall Global flagship store, Company T also plans to launch official accounts on Xiaohongshu and Douyin, using the social and content marketing features of these platforms to increase brand exposure and boost sales conversions. The Xiaohongshu's user base values personalization and experience, so Company T can post authentic user feedback, product reviews, and KOL collaborations to spark potential customers' interest in purchasing. On Douyin, Company T will create short videos and live-streamed sales events to establish an emotional connection with young consumers, accelerating product sales conversions.

Moreover, Company T will actively participate in offline product selection events and industry exhibitions, using these opportunities to expand its network with potential partners and increase brand influence. At these offline events, Company T can set up experience counters, offering on-site product trials and consultations to build consumer trust in the products. Additionally, they can provide free skin type tests, helping consumers find the beauty products that best suit their needs, thus enhancing the overall shopping experience. Through this offline to online flow strategy, Company T will create a closer connection between the experience counters and the online Tmall store. After having their skin type tested at the counter, consumers can directly scan a QR code to quickly jump to the Tmall online store and complete their purchase. This integration of online and offline strategies will not only effectively improve user conversion rates but also help the brand accumulate more potential customer data, providing strong support for future marketing decisions.

4.7.4. Promotion

Table 4. 3: Company T's 2025 expected sales

Date in 2025	April	May	June	July	August	September	October	November	December	Total
Sales volume (pieces)	225	340	900	800	1200	1500	2000	3000	3000	12965
Unit price (per piece)	398	398	398	398	398	398	398	398	398	398
Sales	89,550	135,300	358,200	318,400	477,600	597,000	796,000	1,194,000	1,194,000	5,160,100
Profit (in CNY)	49,253	74,415	197,010	175,120	262,680	328,350	437,800	656,700	656,700	2,838,055
Profit (in EUR)	6,447	9,740	25,787	22,921	34,382	42,978	57,304	85,955	85,955	371,473

Company T is expected to launch its store on Tmall Global in April. From April to October, it will carry out regular promotions using new product flow support and in-platform advertisements. At the same time, the company will also run content marketing campaigns on other platforms such as Xiaohongshu and Douyin to maintain product visibility. Starting in June, Company T plans to collaborate with influencers, and during the 618 shopping festival, it will work to increase product exposure and platform ranking by focusing on one core search keyword through multi-channel marketing. November will mark the product's peak sales period, as the company will leverage the previous months' efforts and intensify promotions and marketing investments during the Double 11 shopping festival, aiming to maximize sales and revenue.

Company T will build a membership system on Tmall Global to enhance user stickiness, loyalty, and encourage repeat purchases. The core of the membership system is an incentive mechanism based on points, where every 1 RMB spent equals 1 point. With each purchase, members can earn points, which can be redeemed for coupons or used to participate in lottery draws, further increasing user engagement and purchase motivation.

Specifically, after accumulating a certain number of points, users can exchange them for different value coupons. For example, 500 points can be redeemed for a 10 RMB coupon, and 1000 points can be redeemed for a 25 RMB coupon. This redemption system not only effectively boosts users' desire to purchase, but also encourages consumers to spend more per transaction, increasing the average order value. Additionally, points can be used to participate in a lottery, where, for example, 300 points grants one chance to win prizes. The prizes can include 5 RMB coupons, product samples, and even more attractive grand prizes, such as a special health tourism trip to Japan. The grand prize is limited to one winner per year, and the lucky winner will have the opportunity to experience health consultations and check-ups in Japan, provided by Company T.

This unique reward system not only attracts users to actively participate, but also enhances the brand's visibility and strengthens user loyalty. The membership system encourages repeat purchases while offering an engaging experience through point exchanges and lotteries, allowing users to enjoy not only discounts but also the added value of the brand. By implementing this precise and attractive incentive mechanism, Company T can significantly increase user stickiness, improve repurchase rates, and use membership data analysis to further optimize products and marketing strategies, laying a solid foundation for future business growth.

4.8. Economic and Financial Analysis

Company T was established in July 2024 and due to February 2025, it has a total expenditure of 580,100 CNY (approximately 759,300 EUR). In the initial stages of setting up the store, the main expenses were the Tmall Global store deposit and personnel salaries. The store deposit is a fixed cost for entering the cross-border e-commerce market, while the personnel salaries indicate that the company has made significant investments in human resources. During this period, there have been no revenue streams, so there is a need to further expand the profitability potential. However, the company's account balance remains relatively sufficient, providing a solid foundation for future business expansion and market investment.

Table 4. 4: Company T Chinese Segment Revenue and Expense Statement

Company T Chinese Segment Revenue and Expense Statement (July,2024-February, 2025)			
		CNY	EUR
Revenue	Capital	3,000,000.00	392,670.16
Expenses	Tmall Global Store Opening Deposit	150,000.00	19,633.51
	Station Promotion Channel Test Fee	20,000.00	2,617.80
	Overseas Alipay Deposit Recharge	30,000.00	3,926.70
	Platform Software Fee	1,629.00	213.22
	Office Comprehensive Fee	37,805.00	4,948.30
	Product Design & Proofing Fee	31,750.00	4,155.76
	Labor Salary Expenses	304,734.00	39,886.65
	Trademark Expenses	4,200.00	549.74
	Product Orders (15,000 pieces)	1,800,000.00	235,602.09
	Total	2,380,118.00	311,533.77
Assets remaining		619,882.00	81,136.39

As Company T continues to expand, future expenses will mainly focus on labor costs and the construction of operational infrastructure. In the early stages, the company will face high human resource investments, especially as the team grows, new positions are added, and the management structure becomes more refined. To support the long-term development of the company, labor costs are expected to rise. Although sales revenue is expected to gradually increase, considering the high operational costs during the initial stage, the sales profits are likely to fall short of covering the growing labor expenses and other costs. One of the biggest challenges Company T will face in this situation is how to balance the gap between income and expenses, ensuring the sustainability of profits.

Therefore, during the initial operational phase, Company T will have to rely on its own funds to cover the gap between income and expenditure, ensuring smooth operations and expansion plans. Particularly in 2025, when the sales pace is still in the growth phase and profits are not yet fully covering operational costs, Company T will need to ensure enough funds are available to support daily expenses and prepare for rapid expansion in the future. This will require strict control over cash flow and fine-tuned management of operational costs in the coming months to ensure proper allocation of funds, in order to manage the financial pressure that may arise during the company's rapid growth.

Table 4. 5: Company T's 2025 Running Costs Forecast

2025 Company Running Costs Forecast										
		APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
Staffing Overview	New Positions	Public Sphere Operator, Artworker	Customer service personnel	Anchor, Live Streaming Operator	Business Development		Anchor, Live Streaming Controller				
	Total number of employees	9	10	12	13	13	15	15	15	15	
Company Operating Expenses	External Marketing Costs	20,000		60,000					60,000		
	Labor Costs	115,500	125,000	152,000	152,000	152,000	167,500	167,500	167,500	167,500	
	Consolidated Office Costs	86,500	139,000	159,000	159,000	159,000	183,000	183,000	183,000	183,000	Total cost
Total cost (CNY)		222,000	264,000	371,000	311,000	311,000	350,500	350,500	410,500	350,500	2,941,000
Total cost (EUR)		29,057.59	34,554.97	48,560.21	40,706.81	40,706.81	45,876.96	45,876.96	53,730.37	45,876.96	384,947.64

5. Conclusions

This thesis is based on the rapid development trend of China's cross-border e-commerce market, combined with Company T's business goals and resources. It systematically analyzes the feasibility and implementation path of Company T entering the Chinese market through the Tmall Global platform. The PESTEL analysis shows that China's policies supporting cross-border e-commerce (such as tax incentives and bonded warehouse models) help reduce compliance costs for Company T, while the high demand from consumers for health and beauty products provides opportunities for market expansion. Meanwhile, interviews with Japanese supply chain companies reveal that leveraging Japan's technical advantages and Tmall Global's big data tools will become the core support for Company T's differentiated competition.

In terms of competitive strategy, Company T should focus on the whitening and anti-aging niches, attracting discerning mothers and young consumers through patented ingredients and high cost-effectiveness pricing. In supply chain management, optimizing the production cycle (targeting a reduction to five months), controlling packaging costs, and locking in exchange rate risks are key factors. Financial analysis indicates that although the initial operating costs are high, with explosive growth during key promotional periods like Double 11, Company T is expected to achieve 3,000 orders per month within the first year and achieve pure profit by the second year, with the long-term goal of reaching sales of 100 million CNY.

Additionally, the study highlights potential challenges, such as the decline in consumer trust in Japanese brands due to the nuclear wastewater incident, strict regulations on health product advertisements, and fluctuations in cross-border logistics costs. These challenges can be addressed by strengthening product traceability, compliant marketing, and supply chain flexibility. In the future, Company T plans to further expand its product line and enhance its brand image by joining green business alliances to achieve sustainable development.

Research Limitations

This study also has several limitations in its design and execution, including data timeliness, sample bias, and insufficient control of dynamic variables.

Data timeliness: The financial forecast is based on 2024 cross-border e-commerce tax policies and exchange rates. However, China's policies change frequently. If stricter regulations are introduced in 2025 or the Japanese yen depreciates significantly, cost predictions may become inaccurate and require recalibration. For example, if whitening products are removed from the import/export list, it could directly reduce gross profit margins by 50%.

Sample bias: The supply chain interviews cover only five Japanese OEM factories, without including Chinese OEM enterprises. This geographical bias may underestimate the feasibility of local supply chain alternatives and ignore the cost advantages of Chinese raw materials. Additionally, the study primarily focuses on Tmall Global while excluding other platforms such as JD International and Douyin Global Shopping.

Insufficient control of dynamic variables: The long-term impact of Japan's nuclear wastewater discharge on consumer trust in Japanese brands remains uncertain. This study assumes that the short-term risk is controllable but does not simulate extreme scenarios, such as a second wastewater release leading to a trust crisis, need more comprehensive risk warning model.

Future Research Directions

To address these limitations and enhance both theoretical and practical value, future studies should explore the following areas:

Longitudinal analysis: Investigate the synergy between live-stream e-commerce conversion rates and loyalty programs. For example, analyze the marginal impact of an 88-day check-in activity on repurchase rates. A randomized controlled experiment could divide 100,000 users into four groups (one control group + three incentive schemes) and track their repurchase behavior over six months. A Cox Proportional Hazards model can be used to identify the key incentive points for high-value users.

Cross-sectional comparison: Compare the cost differences between bonded warehouse and direct shipping models in China. A regional supply chain strategy could be developed, where high-value and bulky products are shipped directly, while other products are sold through bonded warehouses, aiming to reduce total costs by 15%.

Technology-driven optimization: Use AI-powered demand forecasting models to predict seasonal inventory needs. By integrating historical sales data and social media trends, SKU sales predictions can be refined to achieve a forecasting error rate of less than 5%. AI can also be used for live-stream simulations, where product information and potential frequently asked questions are pre-loaded into the system, enabling AI-driven live streams to reduce labor costs.

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Appendices

Appendix A – Interview

1. Interview Transcript Excerpt

Interviewee:	Mr. Yamada, Supply Chain Manager at AFC
Interview Date:	November 20, 2024
Interview Location:	Online meeting
Interviewer:	Cheng, Hao
Accompanying Translator:	Zhang, Qi
Topic:	Supply Chain Outsourcing Services

Cheng: Mr. Yamada, thank you for taking the time to join our interview. Could you tell us about your company's unique advantages in the supply chain, especially regarding outsourcing services?

Mr. Yamada: Mr. Cheng and Mr. Zhang, thank you for the invitation. We are a listed company with a sales presence in Japan, China, and Southeast Asia, mainly providing outsourcing services in the health supplement sector. Our biggest advantage is our extensive trade experience in the Chinese market, and we have the necessary product filings to meet Chinese market requirements. We offer one-stop services from product development, production to logistics. Especially for products sold in China, we have a mature filing system and deep understanding of local policies and market demands.

Cheng: It sounds like your company is well adapted to the Chinese market. How about the production requirements and timelines for your outsourcing services?

Mr. Yamada: Our company has strict requirements for product quality and compliance, but we are also able to quickly complete production and quality inspection. The typical production cycle for products made in our factories is around 8 months.

Cheng: We noticed that AFC's production cycle is about 8 months, while the average cycle in the industry is around 6-7 months. Is this related to your quality control process?

Mr. Yamada: You are right about the time difference. Last year, we lost an urgent order from a European client due to delays in raw material procurement. This prompted us to launch an optimization plan. We are currently working on shortening the cycle by improving internal communication, streamlining processes, and integrating better information management. We are also strengthening communication with external partners to build more stable relationships, which will help us respond more quickly in cases where raw material or technical support is needed. Our goal is to shorten the production cycle to 6 months by mid-2025.

Cheng: Speaking of quality control and the inspection process, I understand that your company's quality control and factory requirements for products sold in China are relatively more relaxed. Could you explain this in more detail?

Mr. Yamada: This is because the regulations and quality standards in the Chinese market are different from those in Japan. We have made some appropriate adjustments to the quality inspection standards to better meet local market needs. For example, when selecting auxiliary materials, we adjust according to Chinese regulations to ensure compliance while also meeting local consumer demand. However, this relaxation does not mean compromising on quality. We maintain high production standards, but compared to the Japanese market, our processes and inspection details are adjusted to fit the different market environments.

Cheng: Apart from quality control, has your company faced other difficulties in supply chain management, especially in communication with partners in China and Southeast Asia?

Mr. Yamada: Cultural differences sometimes make it challenging to fully understand the needs of our partners in other regions. Additionally, local suppliers may not follow the same strict processes and standards as those in Japan, which introduces some instability in the production process. To address these challenges, we regularly send management personnel to these regions for face-to-face communication, helping local suppliers understand our requirements, and improving cooperation through joint training and technical support.

Cheng: It's great to hear about these positive improvements. Mr. Yamada, what is your outlook on the future trends in supply chain management? How will your company adapt to future changes in outsourcing services?

Mr. Yamada: The future of supply chain management will increasingly rely on digital and automated technologies. I believe that by incorporating more data analysis and intelligent systems, we can better predict demand, optimize inventory, and improve production efficiency. In outsourcing services, customer demand will become more personalized and customized, so we need to work harder on flexibility and responsiveness. Our company plans to increase investment in digital supply chain management in the next few years, exploring more intelligent solutions, especially in production processes and quality control. Additionally, we will focus more on collaboration with upstream and downstream supply chain partners to ensure smoother and more efficient industry chains.

Cheng: Thank you very much for sharing your insights today, Mr. Yamada. Your views are extremely valuable and will greatly help us understand supply chain strategies.

Mr. Yamada: You're welcome, I'm also happy to share our experience. I hope we can continue to communicate in the future.

2. Interview Transcript Excerpt

Interviewee:	Mr. Sato, Supply Chain Manager at Sunsho Pharmaceutical
Interview Date:	November 20, 2024
Interview Location:	Online meeting
Interviewer:	Cheng, Hao
Accompanying Translator:	Zhang, Qi
Topic:	Supply Chain Outsourcing Services

Cheng: Mr. Sato, thank you for taking the time to join our interview. First, could you introduce the advantages of your company's outsourcing services, and what are the key features of your cooperation with other businesses?

Mr. Sato: Thank you for the invitation. Sunsho was originally a U.S.-based company, but later it was acquired by a Japanese pharmaceutical company, becoming its wholly-owned subsidiary. We currently have the top capsule production line in Japan, with high production capacity, and we are among the top in the OEM outsourcing industry. These hardware advantages give us very strong production capabilities. Our production lines are highly efficient, and we have solid guarantees in terms of technology and quality control.

Moreover, our internal departments coordinate very well, with seamless communication between R&D, production, quality inspection, and other departments. This efficient collaboration ensures that our production cycles are completed on time and that we maintain strict quality control.

Cheng: It sounds like your company has significant advantages in production capacity and internal coordination. What about your relationships with external partners?

Mr. Sato: Our advantage in working with external partners primarily lies in our long-term relationships with raw material suppliers. We have established stable partnerships with several suppliers, which helps us reduce costs in procurement while ensuring the quality and stability of raw material supply. This is very important to ensure that our production lines run smoothly.

In addition, our relationships with customers are also very strong. We have maintained long-term cooperation with many companies, and the trust between us is solid.

Cheng: Could you introduce your team?

Mr. Sato: Our team has extensive experience and expertise, which allows us to understand customer needs in depth and implement them precisely in production. Customers often provide feedback on our professionalism and responsiveness in project execution, which is one of our major competitive strengths.

Cheng: It's great to hear about your advantages in managing partnerships. So, in the outsourcing service process, are there any challenges or areas that need improvement?

Mr. Sato: Indeed, we do face some challenges in outsourcing services, mainly in the requirements for factory inspections. Because we have very strict control standards for product quality, this means we must go through multiple rounds of inspection and review to ensure that all product indicators meet the requirements. Although this can consume time, it guarantees the stability of our outsourced products.

Cheng: Does your company have any advantages in the Chinese market?

Mr. Sato: We are fully licensed to sell in the Chinese market, and we are actively recruiting employees who are familiar with the local market to deal with the specific regulations and dynamics of the Chinese market. We have also sent several team members with experience in the Chinese market to conduct research and study local regulations and consumer needs. We hope to gradually accumulate experience and eventually build a more complete team and operational system in China.

Cheng: Regarding the quality inspection issue, you mentioned the extended production cycle, which could be a challenge for urgent orders. How does your company balance quality and delivery time?

Mr. Sato: We place great importance on balancing quality and delivery time, and this is one of our goals for continuous process optimization. While our inspections are strict, we aim to shorten the overall production cycle through precise production planning and efficient interdepartmental coordination. For example, during production, our quality control department works closely with the production team to avoid large-scale rework in the later stages of production. Our production process has also been modularized, allowing certain steps to be completed earlier, reducing the time needed for final inspections and handling.

If we do encounter urgent orders, we also communicate with clients to find solutions, such as working overtime or adjusting the order of certain production steps.

Cheng: These are very targeted improvements. Finally, Mr. Sato, what is your outlook for your company's future supply chain management and outsourcing services? Are there any new plans or directions for development?

Mr. Sato: In the future, we will continue to rely on technology and innovation to improve efficiency, particularly in digital transformation. We plan to introduce IoT technology to improve inventory management and production monitoring accuracy. In addition, we will strengthen our data analysis capabilities to optimize production processes and supply chain decisions, ensuring quicker responses while maintaining quality.

In terms of outsourcing services, we will continue to expand our partnerships with domestic and international clients. We hope to become the preferred partner for more global clients by improving production efficiency and quality control standards.

Cheng: Thank you very much for your detailed insights, Mr. Sato. Your company's expertise and depth in supply chain management have been very enlightening. I look forward to continuing our cooperation and exploring more development opportunities together.

Mr. Sato: Thank you for the interview. We also look forward to maintaining a good working relationship with your company. I hope we can continue to make progress and achieve even better results in the future.

3. Interview Transcript Excerpt

Interviewee:	Mr. Tanaka, Supply Chain Manager at TOYO Shinyaku
Interview Date:	November 26, 2024
Interview Location:	Online meeting
Interviewer:	Cheng, Hao
Accompanying Translator:	Zhang, Qi
Topic:	Supply Chain Outsourcing Services

Cheng: Mr. Tanaka, thank you for taking the time for this interview. First, could you briefly introduce the advantages and characteristics of TOYO Shinyaku in outsourcing services?

Mr. Tanaka: Thank you for the invitation, Mr. Cheng and Mr. Zhang. TOYO is one of the leading companies in Japan's OEM industry, especially in the health supplement sector. We have our own unique raw material—Kudzu flower—which gives our products a significant price advantage. Our production lines are quite diversified, allowing us to handle not only health supplements but also cosmetics and pharmaceutical-grade cosmetics outsourcing.

We have always focused on providing stable raw material supply and flexible production capacity to meet the diverse needs of our clients.

Cheng: It sounds like your company has a clear advantage in raw material supply and production diversity. What are the advantages or special management measures you have in place during production?

Mr. Tanaka: We have a strong uniqueness when it comes to raw materials, especially Kudzu flower, as no other company can offer the same low-cost raw materials. This gives us a clear price advantage. Additionally, our production lines cover various fields, which allows us to offer flexible production plans to our clients.

We also make sure to refine every production process to ensure that product quality adheres to the basic standards.

Cheng: While your company has advantages in raw materials and production diversity, I understand there are also some challenges, particularly in production cycles and internal management. Could you talk about these challenges and how your company is addressing them?

Mr. Tanaka: Yes, this is one of our major challenges. Since we handle multiple types of products, the production process involves many steps, and our production lines are heavily loaded. This leads to longer production cycles compared to companies that focus on a single product category.

Additionally, we have experienced a relatively high turnover in recent times, which has impacted collaboration and work efficiency between departments. We are working hard to address this issue by strengthening employee training and talent recruitment.

Cheng: Indeed, employee turnover and production cycle issues could affect project stability and on-time delivery. What improvements are being made to address these problems?

Mr. Tanaka: Our current strategy is to optimize production planning and improve the automation level of our production lines to shorten the cycle. We have started gradually introducing advanced production equipment to enhance production efficiency.

In terms of internal management and employee retention, we are improving in two key areas. First, we are focusing on talent recruitment and training to ensure that new employees can quickly adapt to their roles. Second, we are trying to improve the work environment and increase employee satisfaction to reduce turnover. We believe that by stabilizing our team, we can improve overall work efficiency and collaboration.

Cheng: It sounds like your company has already taken some proactive measures to improve production efficiency and management stability. Regarding new product development, particularly in outsourcing production, do you have any suggestions?

Mr. Tanaka: For new product development, we tend to be cautious. If the products are relatively stable and mature, we are very open to collaborating with clients, especially those involving our unique raw materials like Kudzu flower. We can offer competitive prices and stable production capacity.

For clients whose needs involve mature products and they have a longer production cycle to accommodate, we are a very suitable partner.

Cheng: Thank you very much for your candid insights. Your suggestions on new product development are very helpful. Finally, could you give us an outlook on TOYO's future direction in supply chain management and outsourcing services?

Mr. Tanaka: We plan to continue diversifying and automating our production lines to meet increasingly complex and diverse market demands. We will also intensify the integration of our raw material supply chain to ensure stable material supply during production, and continue improving product quality. We are also focused on optimizing our team structure and processes to reduce employee turnover and improve team stability, ensuring we can better serve our clients.

Cheng: Thank you for sharing, Mr. Tanaka. Your company's unique advantages in product diversity and raw materials, as well as your efforts in production management, have left a deep impression on us. We hope we have the opportunity to collaborate further in the future.

Mr. Tanaka: Thank you for the interview. We also look forward to more cooperation opportunities with your company in the future, and we hope to grow together and create more value.

4. Interview Transcript Excerpt

Interviewee:	Mr. Fujita, Supply Chain Manager at Ariment
Interview Date:	November 28, 2024
Interview Location:	Online meeting
Interviewer:	Cheng, Hao
Accompanying Translator:	Zhang, Qi
Topic:	Supply Chain Outsourcing Services

Cheng: Mr. Fujita, thank you for accepting our invitation. First, could you briefly introduce the advantages and features of Ariment in outsourcing services?

Mr. Fujita: Thank you for inviting me. We are a family-owned business, which helps us focus on team collaboration and employee stability, creating a harmonious internal atmosphere. Our advantage lies in our highly efficient and flexible decision-making process, allowing us to respond quickly to customer needs.

Cheng: It sounds like your company has many advantages in employee relations and market adaptation. So, in your cooperation with clients, do you have any unique advantages, especially in outsourcing services?

Mr. Fujita: Yes, aside from the cultural strengths we just mentioned, our team is very familiar with the Chinese market, enabling us to quickly understand the needs and characteristics of Chinese clients. Our Chinese employees play a key role in communication and coordination, helping us build trust and strong partnerships with Chinese clients.

In outsourcing, we have flexible production lines and a high degree of customization. We can adjust according to our clients' needs and provide personalized production solutions. While we understand that cost sensitivity is important to our clients, we firmly believe that the overall value of product quality and service is the main reason why clients choose us.

Cheng: I understand. What is your typical production cycle for outsourcing?

Mr. Fujita: Our outsourcing production cycle is about 7 to 8 months. At the same time, we are working on optimizing our internal processes, especially in the quotation stage. We plan to introduce some automation tools to speed up the quoting process and reduce the time spent on manual review. This will simultaneously shorten our production cycle and improve service efficiency.

Cheng: Your response is very detailed, and it helps me better understand your company's model. Lastly, Mr. Fujita, what is your outlook on the future development of your company's supply chain management and outsourcing services?

Mr. Fujita: We plan to further strengthen our presence in the Chinese market, especially in raw material procurement and product customization, to increase our competitiveness. Additionally, we will invest more in new technologies, such as automated production and digital management, to improve production efficiency and reduce costs. In the coming years, we aim to continue expanding our market share in the health supplement and cosmetics sectors and become the preferred partner for more clients.

Cheng: Thank you, Mr. Fujita, for today's insightful sharing. Your company has left a deep impression on us. We hope there will be more opportunities for cooperation in the future.

Mr. Fujita: Thank you for the interview. We also look forward to future cooperation with your company and achieving better development together.

5. Interview Transcript Excerpt

Interviewee:	Mr. Sasagawa, Supply Chain Manager at Kyowa Yakuhin
Interview Date:	November 28, 2024
Interview Location:	Online meeting
Interviewer:	Cheng, Hao
Accompanying Translator:	Zhang, Qi
Topic:	Supply Chain Outsourcing Services

Cheng: Mr. Sasagawa, thank you for taking the time to participate in our interview. Could you please briefly introduce Kyowa's advantages and characteristics in outsourcing services?

Mr. Sasagawa: Thank you for inviting me. We are a company with a 50-year history and GMP certification, which gives us a solid foundation in quality control. Our production scale is flexible, and we can offer small minimum order quantities. For example, we can start production with just 3,000 units, which is very suitable for many small and medium-sized enterprises, especially those that need to test the market or produce small batches.

Additionally, we have our own proprietary formulas, which gives us more autonomy in customizing certain products. We can provide unique formulas and product designs based on customer needs.

Cheng: It seems that your company has significant advantages in minimum order quantities and flexibility. Are there any other notable characteristics when working with clients?

Mr. Sasagawa: Yes, our small minimum order quantity is one of our biggest advantages, especially for clients who need to do market testing or initial sales. The 3,000-unit minimum order is very suitable for these situations. Many clients want to conduct small-scale tests during the market promotion phase and adjust their product strategy based on market feedback, and we can perfectly meet that need.

Moreover, if clients choose to use our proprietary formulas, the minimum order can be as low as 500 units. Compared to companies that have a minimum order quantity of 10,000 units, our company offers a very strong competitive advantage.

Cheng: I've heard that your company faces some challenges regarding raw materials. Could you please elaborate on that?

Mr. Sasagawa: Yes, most of our product ingredients come from poultry and marine resources, which presents some challenges for exports, especially to the Chinese market. We may need to make more adjustments to meet China's export standards.

Cheng: Indeed, raw materials are key factors that influence market acceptance. For clients who need to quickly produce low-cost, fast-moving consumer goods, how does your company ensure product quality and fast delivery?

Mr. Sasagawa: For low-cost, fast-moving consumer goods, our production process is relatively flexible, allowing us to quickly respond to market demand. Since our minimum order quantity is small, the production cycle is relatively short, which enables us to provide timely supply to clients. If clients' needs are based on market testing or large-scale production of low-cost, fast-moving consumer goods, our production capacity and flexibility will perfectly match their requirements.

Cheng: I understand that your company has significant competitiveness in the low-cost, fast-moving consumer goods market. So, what type of clients do you think your company is most suited to collaborate with?

Mr. Sasagawa: The most suitable clients for us are those who need quick production, low costs, and small minimum order quantities. For example, in the market testing phase, clients often need to produce small batches of products for trial sales. We can provide very flexible and efficient production services for these clients. Furthermore, since our minimum order quantity is only 3,000 units, many clients can test the market without the pressure of excess inventory, which is another of our advantages.

Cheng: Lastly, Mr. Sasagawa, what are your outlook and plans for your company's future development and improvement?

Mr. Sasagawa: We plan to further improve our quality control standards, especially in terms of ingredient addition and formula control. We will gradually strengthen our internal quality control processes to ensure that our products are more stable and safe while meeting market demand. At the same time, we also hope to gradually optimize our existing formulas, particularly for the Chinese market. We aim to adjust ingredients and formulas to better meet local standards.

Cheng: Thank you, Mr. Sasagawa, for your detailed insights. We look forward to more opportunities for cooperation in the future and wish your company continued success in its development.

Mr. Sasagawa: Thank you for the interview. We also look forward to more opportunities for cooperation in the future and hope to support your company as we grow together.