Battle of the Ocean

A STUDY OF THE INTERNATIONALIZATION EFFORTS OF ALIEXPRESS

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Abstract

AliExpress is experiencing low customer ratings on 3rd party review sites compared to Western competitors; eBay and Amazon. This study sets out to find out what causes this difference as well as uncovering the underlying challenges associated with the successful facilitation of commerce between Chinese vendors and Western consumers.

Established theories of internationalization are applied to uncover missing aspects of successful internationalization. The findings are proceeded by a thorough comparative analysis of the Western-, and Chinese e-shopping environment to uncover the causes of perceived Psychological Contract Violation in Western consumers. This analysis concludes that the onsite feedback mechanism is unfit to bridge the gap in psychic distance and make up for the differences in online shopping behavior between Chinese and Western culture. This leads to the existence of misalignments between expectation and reality in relation to the boundaries of physical and psychological transaction contracts.

Introduction

> *"eBay is a shark in the ocean. We are a crocodile in the Yangtze River. If*
>
> *we fight in the ocean, we will lose. But if we fight in the river, we will win"*

This was the famous response of Alibaba Group founder; Jack Ma when asked about the competitiveness of Alibaba against global e-commerce giants entering the Chinese market in the early days of Chinese e-commerce. Ma's response proved to be more than mere words as eBay – despite initially establishing themselves as a market leader through acquisitions – were forced to admit defeat and leave the Chinese e-commerce market in 2006. Alibaba's domestic exchange MSPs (Multisided Platforms) since then grew to control dominating market shares in both the C2C and B2C sector. In 2015 Alibaba's platforms accounted for three quarters of China's combined online retail sales, a market of consisting of 710 million people with internet access, who have embraced the concept of online shopping to a far larger extent than most other countries. A glorious success for the crocodile of the Yangtze River.

Alibaba Group's mission is to "make it easy to do business anywhere" and in line with this mission Jack Ma revealed his vision of Alibaba to derive 50% of its revenue from international markets[1] - a figure that as of today still sits at around a total of 9% for retail and wholesale combined.[2] Compare this to the 70% revenue share generated from China retail commerce alone and it is easy to see that this vision is still ways off.

In 2010, Alibaba Group launched AliExpress, initially a C2C exchange marketplace platform featuring Chinese vendors (frequently, existing vendors from the Chinese

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[1] https://www.bloomberg.com/quicktake/alibaba
[2] http://www.alibabagroup.com/en/news/press_pdf/p161102.pdf

domestic platforms) on one end and a market of global buyers on the other – and as such the crocodile ventured into shark infested waters.

Right from the start it became obvious that AliExpress had issues concerning customer satisfaction, not least in Western markets[3], as ratings on big 3rd party review sites (such as Trustpilot.com, Sitejabber.com, and ResellerRatings.com to name but a few of them) were well below those of established Western competitors such as eBay and Amazon. Despite a major site overhaul in early 2014 aimed at improving the average quality of vendors and products, the relative ratings remain low today. This initial finding along with my own experiences with the platform was what initially sparked my interest in the topic.

How come such a large, and financially strong company with a long history of facilitation of platform based commerce and massive success in their domestic market is having such a hard time competing internationally? After all a lack of trust in a platform or a seller are the leading causes of customer flight (Hoffman et al, 1999; Grabner-Krauter and Kaluscha, 2003) and eventual marketplace collapse (Hagiu and Wright, 2013)[4] and as such should not be taken lightly. Reading through thousands of reviews of AliExpress, eBay and Amazon on 3rd party review sites gave me indications of the issues commonly leading to customer dissatisfaction but it was not enough on its own. Commercial exchange platforms in their very nature rely on the successful facilitation of commerce between multiple parties, in the case of AliExpress across large distances both geographically speaking as well as in terms of *psychic distance.*[5]This international aspect

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[3] i.e. North America and Western Europe.
[4] https://hbr.org/2013/03/do-you-really-want-to-be-an-ebay
[5] As defined by Johanson and Vahlne in their Uppsala model (1977), which I will return to later.

taking place through the platform means that the success of AliExpress is directly related to the successful internationalization of the Chinese vendors using the platform and as such I will first apply several prominent theories of internationalization in order to gain an overview of what is important for companies when internationalizing, which I can then apply to the case of the vendors on AliExpress to discover key differences.

Upon applying this initial round of theory I uncover the crucial importance that psychic distance relating to cultural and linguistic differences comes to play for vendors and as such a second round of theory is presented in order to dig deeper into these differences. I present Pavlou and Gefen's (2005) framework of Psychological Contract Violation, on which I will base a comparative analysis of the cultural and societal phenomena which shape the online shopping landscape in China and the West to uncover key differences which could lead to customer dissatisfaction. I compare these to certain structures implemented by AliExpress in order to facilitate customer satisfaction (an onsite feedback system identical to the one used on their domestic platforms) to uncover how and why this system is inept in ensuring international customer satisfaction.

Lastly, I present the assumptions and limitations of my study as well as give ideas for future research.

As such my research question for this study is as follows:

> *What are the challenges associated with the internationalization efforts of Alibaba Group when establishing a cross-cultural online marketplace platform featuring Chinese vendors and international buyers? Particularly the challenges associated with targeting Western buyers - the case of AliExpress.*

Methodology

Choice of Research Topic

I have always had a fascination with China – everything from the language to the culture to the food and everything in between. I have lived multiple places in China for over a year of my life and plan on moving back as soon as possible upon graduating. As such I have followed Alibaba's faring since 2007 when I was first introduced to their Taobao platform during my first visit to China. I have followed their development and for the past few years have been a sporadic user of AliExpress myself. It therefore naturally spurred my curiosity when I found that the platform evidently has such poor customer satisfaction compared to eBay and Amazon (of which I have never been a user).

Research Design

I use internationalization theories to abduct the reasons for the observed phenomenon and proceed to approach the case study in an investigative manner so as to understand the dynamics present within the specific setting (Eisenhardt, 1989). The design is flexible so as to allow new findings to direct the course of the thesis depending on new findings so long as these still work towards exploring and answering the research question. I use multiple sources of information such as observation of phenomena, theoretical frameworks and secondary data in the form of customer reviews for AliExpress, eBay and Amazon on 3rd party review sites (Excel sheet on USB). Lastly, I did some primary, quantitative data collection in the form of an online questionnaire in order to explore

certain attributes of Western e-shoppers as these are at the heart of the research question. The project, however, eventually go in a direction that leaves most of my primary data to be relevant mostly for future research purposes.

DATA COLLECTION

Secondary Qualitative and Quantitative Data Collection

The collection of secondary data in the form of customer reviews on the 3rd party review sites Trustpilot.com, Sitejabber.com and ResellerRatings.com. The sample consists of XXXX (edit once I have the total number) reviews of AliExpress, eBay and Amazon and was used firstly as an observation to spark my interest in the subject and secondly to uncover the intricacies and the most common causes of perceived psychological contract violation (PCV) in customers. The collection of this data was done between August 4th 2016 and XXX (edit once I stop adding).

Primary Quantitative Data Collection

In order to compliment the theoretical and academic findings throughout the paper I chose to collect empirical data through the distribution of a survey covering three primary areas that I believed would be central to the project at the time. The focus of the project has shifted slightly since the creation of the survey, however, and as such not all of the data collected ended up playing a big role in the project. None the less I shall present my findings, my reasoning for the content of the survey (and the

limitations I have since discovered) as well as describe my method of data collection in the following sections.

A copy of the survey response summary can be found as the last appendix.

Survey Content

The final sample size of my data collection is 130 respondents and was collected between August 22nd 2016 and November 26th 2016. The sample size is not large enough to be statistically significant and therefore will not serve as conclusive standalone evidence to any crucial points throughout the thesis. However, in conjunction with academic sources I believe that it is enough to at least give an indication of certain trends. Furthermore, as the focus of my thesis shifted over time the importance of much of my collected data became drastically reduced and as such, much of it will primarily serve as indications of potentially interesting future research. In the following I will present the questions as well as my reasoning for including them in the survey.

Questions 1-3 were standard demographic questions related to the age, gender and nationality of respondents. These questions were added as a way to check for that the sample was balanced and free of unnatural skews caused by an overrepresentation of certain demographics. Seeing as the focus of the project is on Western markets it also provided me a way to filter respondents from non-Western locations if needed. As can be seen there is a fairly even distribution between sexes and ages with a slightly higher representation of men and a somewhat higher

representation of "younger" respondents (at or below 34 years of age). However, I do not expect these to have any negative impact on the sample. In terms of nationalities the most frequent response was Danish with 62 respondents followed by American with 57. The rest of the respondents were primarily a mixture of European nationalities. The overrepresentation of respondents from a relatively small and uniform market such as Denmark is definitely a serious cause of bias in the sample and the data will therefore have to be considered as supporting indications more than actual stand-alone evidence.

Question 4 - An opening 'yes/no' question was asked to test the respondent's attitude towards the implication of assumed differences in production locations and company nationality based on the metrics of quality and trustworthiness. Respondents who answered 'yes' to this initial question would be given 4 additional fill-in-the-blank statements where they had to pull locations matching the perception of "high/low quality products" as well as "trustworthy/untrustworthy companies" from their own conscience. These questions were skippable if the respondent did not wish to answer. The statement in question 4 was agreed upon almost unanimously with 94% and the statements of high quality and high trustworthiness had similar answer – the most common of these being Europe, Germany, the U.S., Denmark and Japan. China was not mentioned a single time. As for low quality products 'China' was by far the most common answer followed by Asia and Africa. Around 90% of the answers in this category pointed to China or areas that include China (Asia, East Asia and Southeast Asia) and was furthermore the least skipped of the four fill-in-the-blank statements. This indicates that not only

is China considered low quality by an overwhelming amount of Western people, this connection was also relatively easy for people to make when presented with the concept of "low quality". The untrustworthiness statement was slightly more varied but still had China as the most frequent response followed by India and a number of African. Middle Eastern and Central American locations.

Most importantly here is the dominance of China as the most frequent answer in both of the negative categories as well as the dominance of Western economies in both of the positive categories. These findings are in full agreement with bigger studies about the perception of the "made in China" label in developed nations.[6] The high frequency of 'Denmark' as an answer in the positive categories was expected due to the nationality bias.

Questions 9-15 attempt to compare the respondents' perception of a selection of nationalities based on a number of metrics. Upon reviewing the data I believe that the 'price level' metric should be discarded as it has likely been misunderstood by a large amount of respondents. This is not of any importance to the thesis though. China once again scores the lowest on all remaining metrics, however, within a very slim margin of multiple other nationalities on most accounts. Only Germany, The United States and South Korea lifted themselves significantly above the rest.

Questions 16-19 explored the respondents' knowledge and attitude towards certain brand names and logos. Amazon, eBay and Huawei scored the highest across both familiarity and trustworthiness of both brand name and logo. Alibaba came in last

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[6] http://usa.chinadaily.com.cn/epaper/2013-01/30/content_16187545.htm

by a relatively large margin in the brand name trustworthiness test even behind two entirely fictitious brand names "Caraval" and "Aardmar" made up by me. Alibaba scored 42% on the brand name familiarity test indicating that the company is likely still fairly unknown in the West.

The AliExpress and Alibaba Group logos also came in last and second last respectively in the test of perceived trustworthiness of logos. Furthermore the AliExpress logo had a 33% recognition rate among respondents while Alibaba Group had only 19%.

Finally questions 20-23 explored people's perception of internet shopping safety and their means of determining the trustworthiness of vendors and sites when shopping online. Just under three quarters of respondents confirmed that they worry about the legitimacy of sellers and products when shopping online, however this number may be inflated due to the potentially leading nature of the question. In terms of means of determining legitimacy, 'experiences by friends and family' scored highest in terms of trustworthiness, which is fully in line with recent findings.[7] Lastly, 'onsite ratings/comments by previous customers' was the most commonly used mean of ensuring legitimacy with 76% usage. Every other option was around or below 50%.

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[7] https://www.nielsen.com/content/dam/nielsenglobal/apac/docs/reports/2015/nielsen-global-trust-in-advertising-report-september-2015.pdf

Survey Distribution

The survey was distributed primarily through Facebook and secondarily through certain survey response collecting sub-Reddits on Reddit.com. The vast majority of respondents responded through the Facebook invitation though. Since my ideal sample was a demographically balanced sample from Western countries, preferably with some experience with online marketplace shopping I find Facebook to be an ideal distribution channel. The Facebook upload was done by myself as well as by a number of acquaintances who I knew had large, varied Facebook networks in Western countries. The uploads stated nothing about the subject of the thesis or the goal of the survey, only that it was about online shopping. The only potential bias through this mode of distribution is a potentially slightly higher level of education than would be seen in a random sample. The primary source of bias remains the nationality-bias towards Danish respondents as well as the small sample size. These are, however, more than enough to caution these findings as being only supporting indicators and not self-supporting findings of strong statistical significance.

Literature Review – Internationalization Theory

The concept of international trade is one that has been invented and reinvented a multitude of times over the past several hundred years dating back to Adam Smith's iconic Absolute Cost Advantage theory in 1776. (Ingham, 2004)[8] Particularly within

the last half century, a number of academic theories have risen to try to explain how

firm internationalization works but even today there is no fully agreed-upon

definition of internationalization among scholars. (Susman., 2007)

Two of the most popular and debated internationalization theories today are the

(original and revised) Uppsala model of internationalization (Johanson & Vahlne,

2009) and the Born Global approach. These two theories are often considered to

represent two opposing views on internationalization with the Uppsala model

representing the traditional view and the Born Global concept representing a more

recent take on firm internationalization.

An exchange MSP has a basic business model, which creates value by matching

buyers with the right sellers and vice versa, and then enabling them to transact. The

value created usually grows through cross-side network effects (Hagiu & Wright,

2013). In the case of AliExpress it is a two sided C2C/B2C exchange MSP featuring

international customers and Chinese sellers and as such the success of the platform

in turn relies on the mutually successful international transactions taking place

between the parties. This creates a new and unique platform-based type of

internationalization for the vendors, which may not be able to be explained properly

by any of the existing theories alone. Hence, I shall use a combination of theories to

try to understand this unique multi-tier type of internationalization and use this as a

foundation to better understand the problems associated with the case at hand.

Upon identifying the problems I shall then, as mentioned, use theories on trust and

communication to explore them in more depth. Particularly I will employ Pavlou

and Gefen's framework of Psychological Contract Violation (PCV) in online

marketplaces (Pavlou & Gefen, 2005) to analyze and understand the factors at the heart of PCV in an online marketplace setting and how these relate to the issues observed in the case of AliExpress.

In the following sections I will present an overview of each of these theories of internationalization followed by the case presentation and the application of internationalization theory before I return to the presentation of the PCV framework.

The Uppsala Model of Internationalization

Initially developed in 1977 by J. Johanson and J.E. Vahlne at the University of Uppsala, the Uppsala model is a prescriptive model of internationalization.

The authors' research sought to explain the internationalization process of the firm by focusing on *"[...]the gradual acquisition, integration and use of knowledge about foreign markets and operations, and on the incrementally increasing commitment to foreign markets."* (Johanson & Vahlne, 1977)

Prominent research at the time pointed to cost advantages and market risk assessment in relation to the firm's own resources as the dominant forces in the internationalization process. (Hood & Young, 1979) Johanson and Vahlne's empirical research disagreed, however. Their research pointed to a typical pattern of internationalization. This pattern suggested the existence of an *establishment chain* which was commonly used in the internationalization efforts of Swedish companies. The establishment chain dictated that internationalization efforts most often started with a form of *ad hoc exporting (1),* which subsequently turned into

formal entries through *agents or sales intermediaries (2)*. With time and experience

the firms would establish their *own sales organization (3)* abroad and eventually

evolve into the final commitment level of *foreign market manufacturing (4)*.

Alongside the establishment chain, their research also indicated that the firms

tended to internationalize to markets that shared as many commonalities with their

domestic market as possible. The concept of large differences between markets was

dubbed *psychic distance* and was inspired by the existing concept of *liability of*

foreignness which states that foreign firms are at a disadvantage in unfamiliar

markets and therefore need a competitive advantage that more than offsets this

liability. (Hymer, 1976; Zaheer, 1995) Psychic distance was defined as all factors

that made the understanding of the foreign environment more difficult. Only after

having expanded to markets with a high degree of likeness did companies choose to

venture to markets that were more distant in terms of psychic distance. (Johanson &

Wiedersheim, 1975)

The original Uppsala model
includes a dynamic change
mechanism explaining their
empirical findings. This
mechanism is based on levels of
market knowledge and *market*

Figure 1
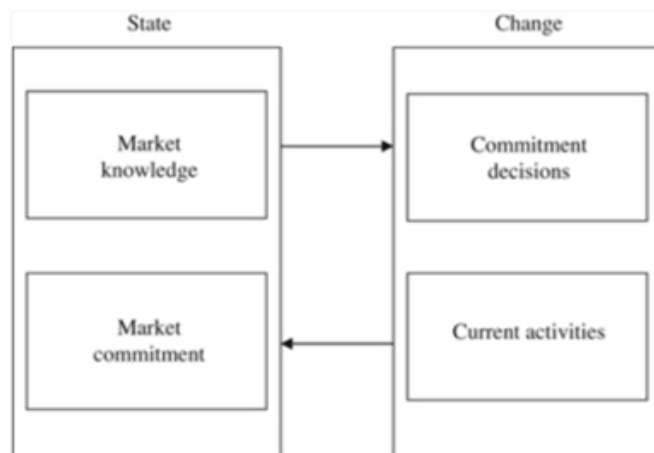
commitment (figure 1). With market commitment defined as the size of the

investment times its degree of inflexibility (the degree to which the investment has

value for an alternative use or liquidation), the mechanism suggested that the firms changed based on the following:

1. By learning from their personal, foreign operations experience and current activities in foreign markets.

2. Through their commitment decisions made to strengthen their position in the foreign market.

Market Knowledge includes all information concerning markets and operations and may be of both explicit and implicit nature. Market knowledge may be kept in the minds of employees and decision makers as well as electronically or in written form. Market operations knowledge such as marketing methods and market specific knowledge such as cultural patterns are both important forms of knowledge needed for international activities. While market operations knowledge is often explicit and transferable to a high degree - market specific knowledge is more implicit and is acquired through personal experience with foreign markets. This experiential knowledge is crucial for international activities, as it provides the framework through which to judge theoretical opportunities.

This *experiential knowledge* requirement leads to incremental commitment building (which eventually leads to more knowledge and so on) , which takes time and as such the model supports internationalization as a relatively slow process that happens incrementally, generally following a long initial period of domestic market operations. For these reasons the model is also sometimes referred to as the *stage*

model of internationalization because internationalization happens in stages rather than rapidly.

A number of studies over the following 30 years criticized the model on a number of points such as failing to properly include the effects of *trust* and *opportunity development* as well as the role of inter-organizational networks on firm internationalization both in terms of the choice of market as well as the mode of entry (Coviello & Munro, 1995) (Martin, Swaminathan, & Mitchell, 1998)

In 2009, Johanson and Vahlne published an updated version of the Uppsala model in which they included responses to the changing international business environment as well as a lot of the criticism that had accumulated over the years. They agreed among other things that psychic distance was no longer observed to have as strong of a correlation with foreign market expansion, however, they argued that this was due to the increased international knowledge acquired by key decision makers prior to having to make internationalization decisions (Johanson & Vahlne, 2003) more so than the unimportance of the concept of psychic distance in itself.

The same paper included a revised version of the change mechanism now named "the business network internationalization process model" (figure 2) to account for the changed environment and new findings.

Figure 2
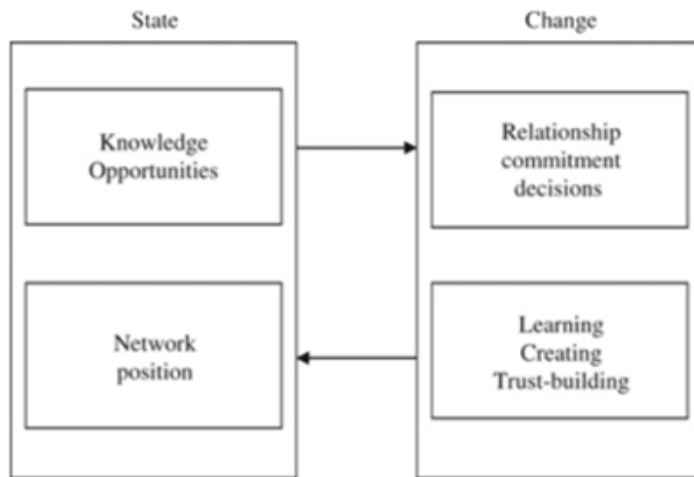
The basic structure of the model is the same as it was in the 1977 model but has undergone a number of tweaks.

The model is still a dynamic mechanism including two sets of interdependent variables, which make up the *"dynamic, cumulative processes of learning, as well as trust and commitment building"* (Johanson & Vahlne, 2009) Increasing levels of knowledge may therefore affect trust and commitment (and therefore also network position) both favorably and adversely. The firm (or part of its network) may therefore strengthen, reduce or even terminate the tie to each based on strategic opportunities gained through new knowledge.

International New Ventures/Born Globals

As computers and other technological advances soared, the 1990s and 2000s saw a great interest in the subject of internationalization and a multitude of new theories and publications contesting the views of established theories such as the Uppsala model, were born. Among these were Oviatt, Shane and McDougall's paper on

International New Ventures in 1994. Here the authors presented the idea of an International New Venture (INV) as *"[…]a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries".* (McDougall, Shane, & Oviatt, 1994) They went on to stress the importance of the knowledge and international experience of the founders of INVs. Generally these are entrepreneurs with a high degree of international knowledge and competencies as well as access to international networks developed through earlier personal experience. These entrepreneurs typically internationalize immediately to avoid path-dependency and domestic inertia and instead develop international competencies often in hybrid company structures such as strategic alliances or networks. (McDougall, Shane, & Oviatt, 1994)

In 2004 authors Knight and Cavusgil popularized the similar, albeit not identical, term - *born global.* Born global firms are identified as *"business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries".* (Knight & Cavusgil, 2004) Although the term is not identical to INV, Knight and Cavusgil's findings supported the notion that international knowledge and capabilities play a crucial role in the successful internationalization of these companies and that these capabilities typically stem from international knowledge gained by the entrepreneur through past experience. Also noted as greatly important is the establishment of international social networks among key persons within the firm as these unlock resources and tacit international market knowledge.

Many other authors echo the importance of the background and knowledge of the founder of a Born Global firm. Madsen and Servais (1997) stated education, experience from living abroad and experience from other internationally oriented jobs as factors that decrease psychic distance and lower barriers to entry by molding the mind of the future founder of a born global company (Madsen & Servais, 1997) while also allowing access to international networks which can lower the barriers to additional international opportunities - indicating that the foundation for a successful born global venture may be laid long before the firm even exists.

Knight and Cavusgil (2004) further proposed two recent key factors working to reduce the transaction costs associated with internationalization thereby allowing for the existence of rapid foreign market expansion. Firstly, they argued that globalization causing increased homogenization of global consumer preferences which reduces developmental costs. Secondly, technological advances specifically within the areas of international logistics and transportation, communication and information as well as production methods themselves helped reduce a range of costs traditionally associated with international trade and facilitated increased growth of international commerce.

Born-again Globals

Lastly, I wish to draw attention to Bell, McNaughton, and Young's contribution to the born global literature. In a study of firms in the United Kingdom the authors

observed the sudden, rapid internationalization of established firms that had previously not shown any signs of interest in foreign expansion – these became known as *Born-again Globals* (Bell, McNaughton, & Young, 2001). Born-again globals are otherwise identical to the conventional born global firms and the authors recognize many of the same key factors including the importance of international experiential expertise in key decision makers within the firm. The authors identified the source of the born-again global phenomenon to be the occurrence of one or more "critical incidents". These incidents generally fall within three varieties 1. Acquisition, 2. Change of ownership and 3. Client followership such as the international expansion of a domestic client or the domestic market entry of a foreign client.

Case Presentation

The Birth of Alibaba Group

The Alibaba Group had its humble beginnings in 1999 in Hangzhou, China - more specifically in the apartment of its founder – Jack Ma. At that time Alibaba consisted of a single website: Alibaba.com, an internationally oriented B2B exchange MSP (multisided platform) with the objective of connecting international wholesale buyers with Chinese manufacturers. The business grew and in 2003 Alibaba launched what would turn out to become its primary revenue generator "Taobao", an online C2C exchange MSP connecting Chinese buyers and sellers and allowing

virtually anyone to open their own storefront and for Chinese consumers anywhere to buy products from anywhere inside China.

Since then the Alibaba Group has grown into an enormous ecosystem of more or less related businesses. As mentioned, large Western competitors (most notably eBay) tried their luck on the Chinese market but despite large investments and high initial market shares they were unable to compete with Alibaba's superior market knowledge and product offering. In 2006 eBay admitted defeat and withdrew from the Chinese market. Today Alibaba's domestic e-commerce businesses dominate the Chinese market dwarfing competitors in both the C2C and B2C segment with an annual company GMV (gross merchandising value) easily exceeding that of eBay, Amazon and every other U.S. online retailer combined.[9]

So what is AliExpress?

In 2010 Alibaba launched AliExpress. At the time, primarily a C2C MSP featuring Chinese vendors but this time aimed exclusively at an audience of international buyers. AliExpress and the individual vendor each handle part of the value chain, the distribution of responsibilities can be found in the table below. Further explanation of key areas will follow later.

AliExpress	Vendor
• Payment options • Escrow service • Onsite messaging service	• Anything product-supply related • Inventory management • Product listings/Onsite marketing

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[9] https://www.internetretailer.com/2016/05/05/alibabas-annual-web-sales-easily-surpass-us-e-retail-sales

• Platform marketing	• Customer contact / customer service
• Onsite search mechanisms	• Returns
• Chinese language vendor side interface	• Product guarantees (with the exception of a few product categories where vendors have the option to join an official "Guaranteed Genuine" program.)
• Collaboration with delivery network	
• Customer feedback mechanism	
• Standardized storefront for vendors	
• Final decision making in cases of unsolvable disputes	

Since its inauguration the platform has seen continued growth year over year but despite nearly seven years of business activity, AliExpress still struggles to reach any type of success compared to Alibaba's two major Chinese market MSPs – Taobao (C2C) and Tmall (B2C). The growth that AliExpress does continues to undergo stems primarily from large amounts of success in a few specific markets. Most notably, in Russia (figure 3[10]) AliExpress has ranked as the number one most popular e-commerce platform for several years.[11] Also in Brazil has the platform managed to surpass both Amazon and eBay in terms of popularity.[12] In the West, however, AliExpress has yet to see much success - especially when compared to eBay and Amazon (ref. appendix 1 for comparison).
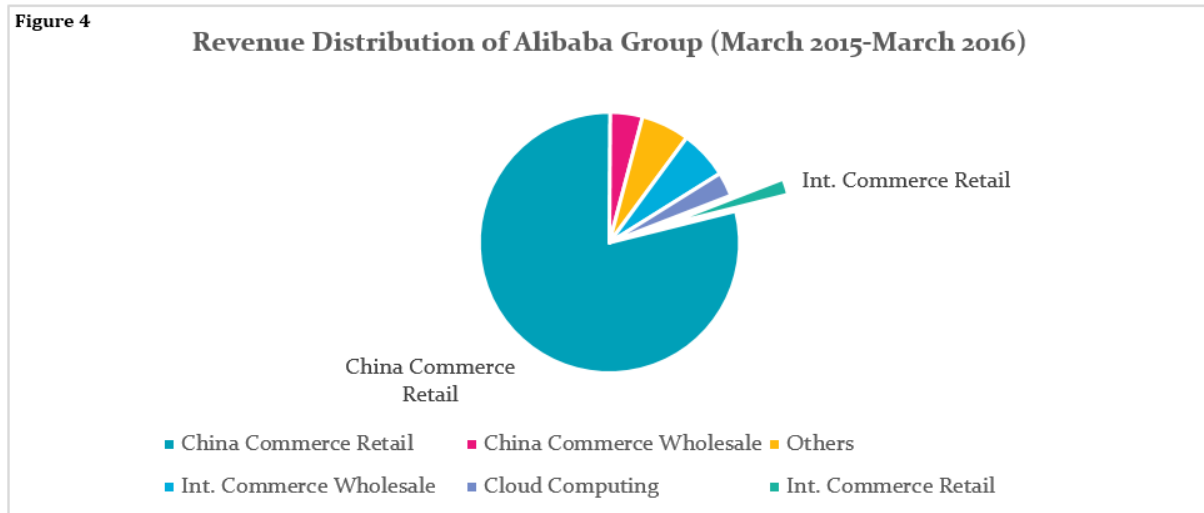
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[10] https://www.similarweb.com/website/aliexpress.com
[11] http://russiansearchmarketing.com/russian-online-shopping-top-10-eretailers/
[12] http://www.alexa.com/topsites/countries;0/BR

Figure 3

AliExpress Traffic by Country (desktop)
Total traffic (desktop + mobile)
May 2016 - Oct 2016
639M

Russia	28.10%	^ 7.46%
Brazil	5.19%	⌄ 5.50%
United States	4.76%	⌄ 11.50%
Ukraine	4.56%	⌄ 1.06%
Spain	4.15%	^ 9.63%

Despite AliExpress' success in certain markets the international retail commerce of which AliExpress is a part still only represents roughly 2% of the Alibaba Group's total revenue stream[13] compared to the 79% of their China retail e-commerce business in March 2016[14] (Figure 4).

Figure 4

Revenue Distribution of Alibaba Group (March 2015-March 2016)

Int. Commerce Retail

China Commerce Retail

- China Commerce Retail
- China Commerce Wholesale
- Others
- Int. Commerce Wholesale
- Cloud Computing
- Int. Commerce Retail

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[13] http://www.alibabagroup.com/en/news/press_pdf/p160505.pdf

[14] The numbers from March 2016 are being used here in place of the newest available numbers as commercial revenue is simply stated in Alibaba Group's financial reports in four categories. These are "domestic/international wholesale/retail". Up until April 2016 AliExpress constituted the majority of the revenue from the International Retail section but since Alibaba has since then acquired the controlling stake in Southeast Asian e-shopping platform; Lazada, this is no longer the case for later reports.

Image Problems

The Alibaba Group has found itself at the receiving end of various potentially brand damaging accusations more than a few times, ranging anywhere from extremely poor online customer ratings to the facilitation of sales of counterfeited goods and even large-scale systematic corruption.[15]

In 2008 both Alibaba.com and Taobao were put on the United States Trade Representative's (USTR) "Notorious Markets" list for the facilitation of sales of counterfeit and pirated goods to consumers and businesses.[16] It seems, however, that as long as the Alibaba Group had no real international B2C or C2C operations this was of limited concern to the company. With the launch of AliExpress the company claimed to start implementing more serious measures to limit the distribution of counterfeit goods and in 2012 their platforms were once again taken off of the notorious markets list.

Despite the delisting from the USTR's notorious markets list counterfeit goods and poor business practices continue to run rampant on Alibaba's platforms which has led to multiple lawsuits by large, international brand owners such as Kering[17] (owner of Gucci, Yves Saint Laurent etc.). The American Apparel and Footwear Association (AAFA) relisted Alibaba on their own notorious markets list following a 2015 white paper by the Chinese government. This publication included serious

[15] http://www.economist.com/blogs/newsbook/2011/02/online-fraud_scandal_china
[16] https://ustr.gov/sites/default/files/USTR-2015-Out-of-Cycle-Review-Notorious-Markets-Final.pdf
[17] http://money.cnn.com/2015/05/17/investing/alibaba-lawsuit-fakes/

accusations such as that more than two thirds of listings on Taobao were considered counterfeit goods, that company officials did nothing to prevent bad business practice and false and misleading advertising and that the problems had grown to become the company's "greatest credibility crisis" ever.[18]

The credibility crisis did not go entirely unnoticed in the West, particularly among wholesalers and retailers who did business through Alibaba's international B2B platform Alibaba.com, which received the brunt of the criticism.

The Western Eye Opener

Despite their massive size and enormous popularity in China it was not until late 2014 that many westerners started hearing about the company "Alibaba". In September of 2014 the Alibaba Group went live on the New York stock exchange raising a total of $25bn – the largest IPO in history.[19]

This event naturally came with a lot of Western media coverage and with this came also an inflow of new customers to their international consumer platform. AliExpress posted a record setting increase in revenue from international retail of 110% in its December 2014 quarter compared to the same quarter the year before. This increase was driven mainly by increased GMV on AliExpress.[20] The leap was

[18] http://www.wsj.com/articles/chinas-saic-criticizes-alibaba-over-fake-goods-1422425378?mg=id-wsj

[19] http://www.forbes.com/sites/ryanmac/2014/09/22/alibaba-claims-title-for-largest-global-ipo-ever-with-extra-share-sales/#42fbe70c7c26

[20] http://www.alibabagroup.com/en/news/press_pdf/p150129.pdf

further propelled by AliExpress' first participation in Alibaba's annual November 11th ("11.11" or "singles day") shopping festival.

However, as western interest and platform usage grew, so did the amount of reviews on big, Western, 3rd party consumer trust rating sites such as Sitejabber.com, Trustpilot.com and ResellerRatings.com. The pictures painted of AliExpress on these review sites were – and still are - ones of significantly lower customer satisfaction than those of major western e-shopping alternatives such as eBay and Amazon as can be seen in figure 5. The figure shows the relative customer satisfaction ratings on Sitejabber at a given point in time (August 4th 2016) and was chosen because it had the highest average number of reviews per company (Amazon, eBay and AliExpress). The same conclusion was shared by Trustpilot and ResellerRatings, however, and can be found in appendix 2.
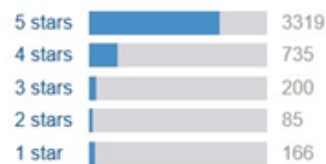
Figure 5

Sitejabber.com Relative Ratings August 4th 2016

Amazon
4,505 Reviews From Our Community

Rating Distribution

5 stars	3319
4 stars	735
3 stars	200
2 stars	85
1 star	166

eBay
2,226 Reviews From Our Community

Rating Distribution

5 stars	1362
4 stars	203
3 stars	114
2 stars	91
1 star	456

AliExpress
1,642 Reviews From Our Community

Rating Distribution

5 stars	225
4 stars	141
3 stars	74
2 stars	89
1 star	1113

While AliExpress does differ from Amazon and eBay in various ways - from a buyer's perspective considering only the e-shopping aspect the three can easily be considered as close substitutes to one another.

AliExpress' Recent Changes

As mentioned, AliExpress started out with a C2C business model very similar to that of Taobao or eBay. That is, any Chinese person could set up a store on the platform for free using only a personal ID card as verification. AliExpress then – much like most other successful e-marketplaces – charged a flat commission on sales (5%) as well as sold various other related services.

As with any MSP, network effects are crucial to the success of online marketplaces[21] – without buyers there is no value for sellers and without sellers there is no value for buyers. Despite still lagging behind eBay and Amazon, AliExpress has managed to reach a considerable amount of user traffic particularly due to its strong presence in Russia and Brazil.

From January - April 2016 this business model received a major overhaul to now more closely resemble Alibaba's Chinese B2C platform - TMall. Following this announcement the average amount of product listings across all categories on AliExpress dropped around 30% due to the voluntary or forced departure of primarily smaller vendors who could no longer live up to-, or compete under the new guidelines.[22]

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[21] http://platformed.info/online-marketplace-metrics/
[22] http://ourtrade.net/753.html

Most importantly rather than needing only a personal ID card (of which fakes can easily be obtained) AliExpress now requires vendors to provide an official government issued business license[23] and additionally charges vendors an annual fee of 3.000 – 30.000RMB[24] depending on the product category within which they conduct their business. Furthermore, AliExpress set certain thresholds that reward more successful vendors and punish smaller ones. First of all each product listing has a minimum turnover threshold that must be met every period, otherwise the listing will be removed. Secondly, every store has two total category thresholds depending on its product category. If the first category threshold ($12.000 - $60.000) is met the vendor will receive 50% of his annual fee back. If the second threshold ($24.000 - $120.000) is met the vendor will receive her annual fee back in its entirety.[25] Finally, AliExpress claimed to increase platform quality monitoring through monthly quality assessments based on vendor transaction history, which could lead to product or vendor termination. In order to help facilitate the shift in vendor quality AliExpress cross-invited 2000 handpicked sellers from TMall.[26] These changes are summarized in figure 6.

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[23] http://seller.aliexpress.com/notices/article-2141.html?spm=5261.8110209.2333.2.JRi1rf
[24] $435 and $4350 (Nov 20th 2016 prices)
[25] http://sale.aliexpress.com/seller/nianfei.htm?spm=5261.8148964.1998835294.3.dca1jy
[26] http://0urtrade.net/756.html

These changes obviously benefit
bigger and more successful
vendors who can spread out or
even nullify the overhead cost of
the annual fee while punishing
smaller and less successful
vendors. Temporary stores that
vendors may previously have
purposely conducted fraudulent

Figure 6

Before Early 2016
- C2C - Personal ID card required
- No minimum turnover requirements
- No up-front costs
- Many small vendors
- Little regulation with product listings
- Similar to Taobao

After April 2016
- B2C - Government issued business license required
- Periodical min. turnover requirements per product listing
- Annual category fee ($435 - 4350)
- 50% annual fee rebate at category threshold # 1 ($12-60k/year)
- 100% annual fee rebate at category threshold # 2 ($24-120k/year)
- Adopting more similarities to TMall
- Cross-invitation of vendors from the TMall platform
- Periodical vendor quality assessment

- The amount of product listings across all categories fell an average of ~30%

business through and then abandoned in favor of new identical ones if the original
store was removed by AliExpress or simply when it received too many negative
reviews, were affected more than anyone else. This type of blatant scamming is far
more difficult, and likely in most cases even unprofitable, on AliExpress as of April
2016.

The Application of Internationalization Theory

As an exchange MSP the success of AliExpress is directly related to the value created
through the successful enabling of transactions between the two involved parties –
namely the Chinese vendors and the international buyers. Despite having reached
the so-called *critical mass* of users on both sides creating cross-side network effects
for each other it is entirely possible for a marketplace to collapse. According to
authors Hagiu and Wright, the most obvious cause of a market failure is uncertainty

about product quality or about the reliability of sellers or suppliers (Hagiu & Wright, 2013) and as such it is enormously important for AliExpress to identify the underlying cause of the dissatisfaction of buyers on their platform. Therefore I shall compare the internationalization process of AliExpress as well as its vendors in relation to the theories presented in the literature review. In this I mean to uncover any significant differences between successful internationalization as illustrated by theory - and the case at hand.

Alibaba Group and AliExpress

Alibaba Group is an odd example of a company that started its life as an International New Venture only to turn around 180 degrees and become almost entirely dependent on its domestic market. The success of the international birth of Alibaba Group through Alibaba.com despite limited international experience and a total disregard for psychic distance may be partially explained by great timing. Alibaba.com launched during a time where "outsourcing" and "overseas manufacturing cost advantages" were big buzzwords in the world of business, especially in association with China. This created a huge natural interest from both sides in a platform that established a connection between international wholesale buyers and Chinese manufacturers (although the site later came to include manufacturers from all over the world).

Alibaba Group later refocused itself inwards on its domestic market with a range of new platforms only to once again commit heavy investments into international expansion a number of years later through AliExpress.

Barring its international birth the history of the Alibaba Group seems to be best explained by the Uppsala model. Once again the launch of AliExpress disregards the importance of psychic distance as that would have dictated an initial expansion into surrounding Southeast Asian countries. These markets were, however, dominated by the e-commerce platform Lazada.com, which Alibaba Group acquired the controlling stake over, in April of 2016 to gain the dominating market share in these markets as well.

The creation of AliExpress was, however, not entirely without thought as Alibaba Group prior to-, and alongside with the launch of AliExpress made several gradual investments into foreign companies and markets with increasing levels of commitment. Most of these initial investments (such as small American based B2C platform 11main.com focusing primarily on the sale of high-quality niche products) were later shut down or otherwise divested and as such may be considered as experimental knowledge projects to help Alibaba Group gain the market knowledge needed for successful investment and commitment to AliExpress.

It is hard to analyze MSPs in the context of networks as an MSP in and of itself constitutes a network of its own. One stream of network ties that AliExpress enjoys is with the other units in Alibaba Group's so-called "ecosystem". These not only support AliExpress financially but also handle almost all aspects of the internationalization process, which would otherwise have required cooperation with local firms. These are things such as AliPay, Alibaba's payment handling and escrow service platform, Cainiao, Alibaba's logistics handling platform and AliYun, Alibaba's cloud computing unit.

As such, AliExpress constitutes an international market commitment by Alibaba in the form of a new, separate venture. In itself, AliExpress could be considered an INV or a born global company built on extensive market experience and knowledge of decision makers within the company lowering the barriers to entry in markets with high psychic distance. Unlike most INVs and born globals however, AliExpress has enjoyed a solid financial backing from the Alibaba Group as well as strong preferential network ties as mentioned before. These strong ties to the other entities of the Alibaba Group also come with a set of dangers, however. The possibility of routine rigidity is a danger that contrasts the average, smaller and more flexible INV. Although AliExpress is an entirely new business entity the decision makers are managers who have been working on other Alibaba platforms such as Taobao in the past. Hence there is a danger associated with the implementation of existing structures out of habitual convenience and to simplify the flow of information between units rather than being reinvented from scratch to best fit the market situation of the new entity.

AliExpress' Platform Vendors

As noted earlier, the success of AliExpress as a platform is directly dependent on the success of the internationalization of the vendors that use the platform. AliExpress was initially open to anyone willing to create a storefront and there was very minimal control with the type of products being sold. These vendors were typically similar to those on Taobao – a mixture of small manufacturing or retailing companies as well many individual retailers running their store as an additional

income source. In fact Alibaba group purposely did cross-platform marketing to try to attract vendors from Taobao to open a store on AliExpress. The campaign includes promises of great growth prospects with tempting phrases such as "don't miss AliExpress like you missed Taobao in 2003". Even today AliExpress' cross-platform marketing downplays the role of linguistic and cultural (psychic) distance by highlighting facts such as that 80% of orders are made without pre-purchase communication.[27] Furthermore Alibaba developed the "Tai Dao Xiao" application, which helps vendors translate their Taobao listings directly from Chinese into English so they can be used on AliExpress with very little effort and without any linguistic abilities. As such the AliExpress platform allows small vendors with limited or no market knowledge to engage in internationalization with very little market commitment.

Their small size and quick expansion categorize these individual vendors much more as born globals and born-again globals. These are vendors who typically had stores on the purely domestic platforms and often have product listings identical or very similar to those used on these. Although some of these vendors undoubtedly had aspirations of international expansion eventually, many did not but were lured in by the prospects of great growth potential with minimum commitment. This particular phenomenon stands in stark contrast to the observations which laid grounds to the born global theories. Here deep international knowledge based in

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[27] http://sell.aliexpress.com/introductionae.htm?spm=5261.8110209.2336.1.QCX0lR

prior experience was what allowed the flexible born globals to take advantage of cross-market opportunities and provide quality service to their customers. According to Hagui and Wright there are multiple ways for a platform to circumvent the dangers associated with misalignment between the two sides of the platform. (Hagiu & Wright, 2013) One solution would be to – not unlike Amazon – become a reseller of some or all of the goods sold through its platform so as to fully control the value chain and customer service. Amazon's model is to be a mixture of reseller and platform provider whereas eBay, which relies a lot on one-of auctions, has implemented a trust ensuring feedback system to allow customers and vendors transparency as to the past behavior of each other. As one of the main selling points of products on AliExpress is the cost advantage of purchasing straight from the manufacturers, AliExpress has chosen to go the way of eBay and implemented an onsite customer feedback mechanism to reduce the impact of the individual vendor's lack of market knowledge and exceptionally high psychic distance without incurring any large additional costs. This means however that AliExpress still only handles part of the value chain while the rest is handled by the individual vendor. Although AliExpress' 2014 operational overhaul has pushed the platform to more of a B2C model, which has outcompeted many of the smaller, "unprofessional" vendors, online reviews seem to indicate that this has not been sufficient in resolving the problems associated with customer satisfaction on the platform. This leads me to believe that there are complications associated not so much associated with the size and intentions of the vendor but with the expectation of the customer vs. reality. This gap may in turn be created by the parts of the value chain handled

by the vendor – a gap that is not being fixed by AliExpress' feedback mechanism as intended. This leads me to believe that there might be a domestic inertia in the mindset of the vendor (and of the customers) when using the platform, which may be causing a misalignment of expectations. This is supported by theory, which once again underscores the crucial importance of international experience and market knowledge in reducing psychic distance and leading to internationalization success for both INVs, born globals and born again globals.

Having identified these issues I now focus my attention on the differences in buying behavior of Chinese consumers, which the vendors successfully service through Alibaba's domestic platforms and the international audience that is being serviced through AliExpress (with a special focus on Western customers). Additionally I will look at the shortcomings of AliExpress' review system as a tool to ensure a successful transaction and customer satisfaction. However, in order to understand the main causes of customer dissatisfaction and provide a framework on which to analyze these differences I will first introduce Pavlou and Gefen's framework of Psychological Contract Violation.

Psychological Contract Violation (PCV)

Psychological contracts are broader and more complex in their nature than purely legal contracts. Psychological contracts include perceptual, tacit and implicit terms that cannot be properly incorporated in a written or spoken contract (Argyris, 1960). The large gap in psychic distance, particularly in terms of cultural

differences, creates a high likelihood of differences in perceptions and expectations towards psychological contracts. In an online marketplace setting a buyer may perceive PCV if a vendor fails to adequately fulfill the perceived contractual obligations as a seller. (Pate & Malone, 2000) The most common causes of PCV with vendors in an online marketplace as found by a range of researchers (Ba & Pavlou, 2002; Koh, Ang, & Straub, 2004; Resnick, Kuwabara, Zeckhauser, & Friedman, 2000; Snyder, 2000) can be seen in figure 7. (Pavlou & Gefen, 2005)

Figure 7

Common Sources of Contract Violation with Individual Sellers in Online Marketplaces

1. *Fraud*: Failure to deliver the product purchased (e.g., actual quality deception, selling counterfeit products).
2. *Product misrepresentation*: Delivery of an item that is different from the one described in the product advertisement.
3. *Contract default*: Refusal to accept payment and to send the product.
4. *Product delivery delay*: Failure to use the shipping method promised and to send the product in a timely manner.
5. *Product guarantees*: Offering a return or a refund policy and then failing to acknowledge product guarantees.
6. *Payment policy*: Refusal to follow the payment policy and accept certain forms of payment.

These six cases may therefore be considered as the six leading causes of buyer PCV in online marketplaces. Furthermore it is important to note that there are two basic types of situations that can lead to PCV: *reneging* and *incongruence.* Reneging occurs when there is an undisputed violation of the contract and as such may be considered intentional. Incongruence on the other hand, occurs when differences in expectations or understandings about the agreed-upon obligations causes dissatisfaction, even when there is no explicit contract violation. (Pavlou & Gefen, 2005)

The immediate question now becomes, how does PCV affect other vendors and how

does it affect AliExpress?

In their 2005 study of PCV in online marketplaces Pavlou and Gefen investigated the

hidden correlations between the PCV caused by a single vendor in a marketplace

and a number of factors throughout the marketplace starting with the buyer's

perception of the community of sellers as a whole. Figure 8 presents a depiction of

the relationships suggested by Pavlou and Gefen. Green arrows indicate a positive

relationship with the factor in the box while a red arrow indicates a negative

relationship with the factor in the box. Notice that the six boxes positively affecting

(increasing) PCV with an individual seller are the ones presented in figure 7.

Figure 8
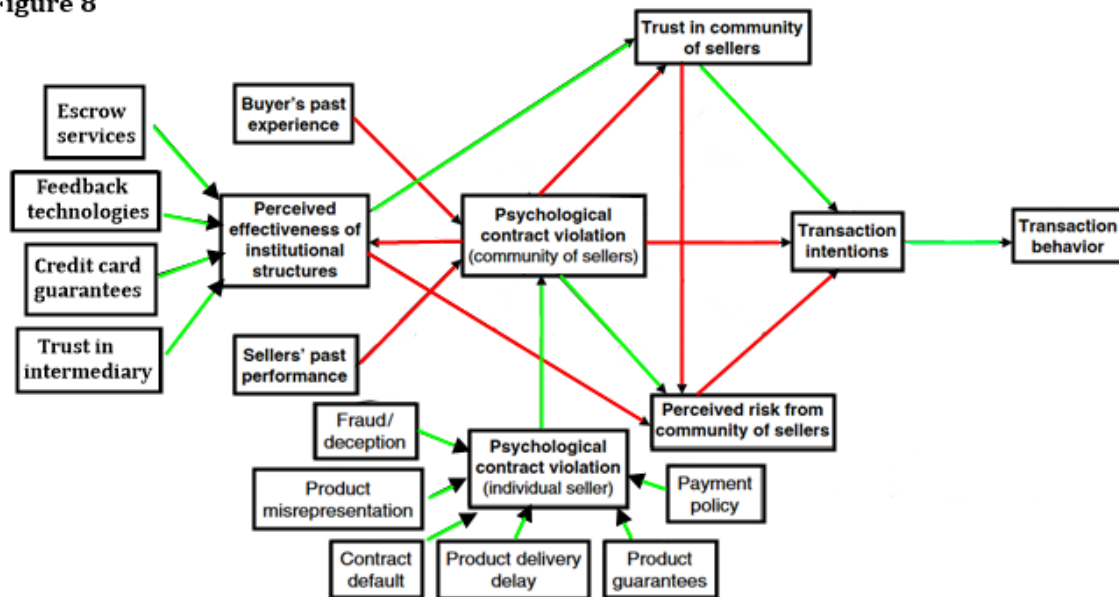
The perceived effectiveness of the institutional structures of the platform influences

both the perceived risk of purchasing from the site as well as trust in the community

of sellers – both of which are direct influencers of transaction intentions. This

perceived effectiveness in turn is affected by four key institutional structures –

namely escrow services, feedback technology, credit card guarantees and trust in the intermediary (the platform owner) (Pavlou & Gefen, 2004). Not all of these factors are equally important to this thesis but feedback technologies in particular will play a big role later on in the analysis. The perceived effectiveness of institutional structures is also negatively influenced by the buyer's perception of PCV with the community of sellers, which is in turn directly influenced by the perceived PCV of a single vendor within the platform.

The importance of these findings is further amplified by the findings of Pate and Malone who found that PCV influences people's attitude and emotions towards not just the individual who caused the PCV but also towards unrelated parties who are perceived as sharing similar traits or belonging to similar groups as the initial offender (Pate & Malone, 2000) - a condition that is at the very core of human survival instincts as well as a primary cause of phenomena such as racism and bigotry. This connection is of crucial importance to Alibaba and AliExpress as they share more obviously identical traits with their vendors than is the case for either of their Western competitors. Most importantly is the shared nationality among AliExpress and all of its vendors. The importance of this shared nationality may in fact be even further amplified by the fact that it is specifically *Chinese* nationality. Studies have found that beliefs and rumors are more likely to be fortified and spread if they resonate with people's existing beliefs (DiFonzo, 2008) – and as indicated by my survey findings, Westerners do often have predefined negative beliefs about China, Chinese companies and Chinese products.

This web of perceived PCV correlation means that AliExpress (and by extension Alibaba Group) should greatly respect the power of individual vendors in benefiting or damaging the image of the entire platform and all of its users which further underscores the strong correlation between the successful internationalization of AliExpress and the successful internationalization of the vendors on the platform. Lastly, I wish to argue for psychic distance in relation to communication as a large amplifying factor to the framework by Pavlou and Gefen. Their study and the studies on which they base their research did not span large gaps of psychic distance and as such there were generally little or no cultural or linguistic issues between the individual buyer and seller to be considered. This is not the case for the customers and vendors on AliExpress however and seeing as customer contact is completely in the hands of the individual vendor until the severe escalation of a transaction dispute will involve AliExpress, I will consider the impact of this additional factor in my analysis as well.

High Context vs. Low Context

In order to understand the cultural differences particularly associated with the communication of the two transacting parties in my case, I wish to include the concepts of high vs. low context cultures.

In the table below we find an outline of key cultural differences between high-, and low context cultures as originally described by Edward Hall (Kakabadse, 2001). High-, and low context communication refers to people's tendency to rely on indirect and non-spoken cues to convey meaning. Hall states that in each culture,

members have been supplied with specific "filters" allowing them to encode and decode messages in accordance with societal and cultural norms. In general, cultures that favor low context communication focus on the literal meanings of words while high context cultures put meaning in the context surrounding them.[28]

High-Context Communication

- Knowledge is situational, relational
- Less is verbally explicit or written or formally expressed
- Relationships depend on trust, build up slowly, and are stable.
- High use of nonverbal elements; voice tone, facial expression, gestures, and eye movement carry significant parts of conversation.
- Verbal message is indirect; one talks around the point and embellishes it.
- Communication is seen as an art form-a way of engaging someone.
- Disagreement is personalized. One is sensitive to conflict expressed in another's nonverbal communication. Conflict either must be solved before work can progress or must be avoided.
- Multiple sources of information are used. Thinking is deductive, proceeds from general to specific.

Low Context Communication

- Rule oriented
- More knowledge is public, external, and accessible.
- Shorter duration of communications
- Knowledge is transferable
- Task-centered. Decisions and activities focus around what needs to be done and the division of responsibilities.
- Things get done by following procedures and paying attention to the goal.
- Message is carried more by words than by nonverbal means.
- Verbal message is direct; one spells things out exactly.
- Communication is seen as a way of exchanging information, ideas, and opinions.
- Disagreement is depersonalized. One withdraws from conflict with another and gets on with the task. Focus is on rational solutions, not personal ones.

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[28] https://toughnickel.com/business/High-Context-vs-Low-Context-Communication

These contrasting differences influence the flow of communication between participants who act in accordance with their experience based in their familiar culture when encoding and decoding messages. This mechanism of differences in encoding and decoding based on cultural differences was one of the main concept of Schramm's 1954 model of communication. (Schramm, 1954) This concept is illustrated in figure 9 below. Differences in fields of experience (psychic distance) presents cultural barriers to communication, which cause noise to complicate the decoding of the intended message. In the case of communication between high-, and low context individuals this may come in the form of overlooked contextual communication or misperceptions in the emotional tone of a message.

Figure 9
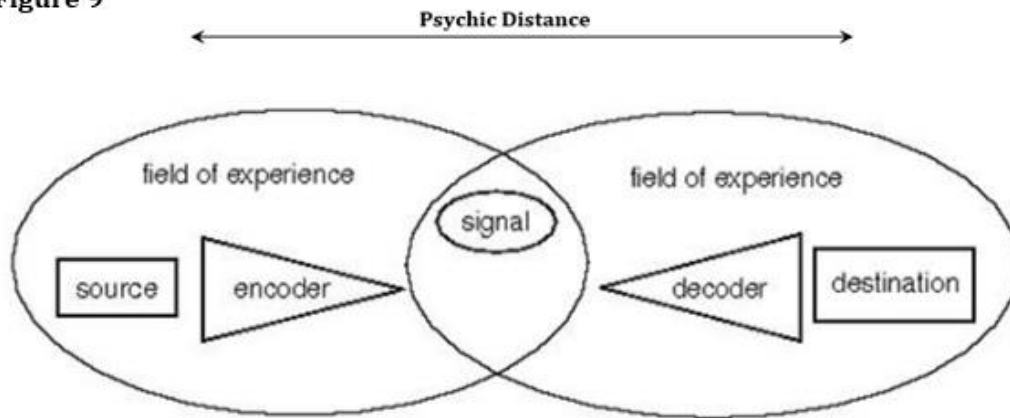
Western economies largely gravitate towards the low context end of the spectrum while China finds itself at the very high context end. As we will see in the coming sections this plays a huge part in shaping the e-shopping cultures of China vs. the West respectively.

Having explored the intricacies of cultural differences and trust as well as the way in which a perceived breach of trust can have negative effects reaching far beyond the

initial offender, I will now explore differences between the Western and the Chinese

shopping environment influenced by the phenomenon of trust from a Chinese

societal perspective. This will allow us to better understand the actions and motives

of vendors and buyers as they likely adhere to the norms of their respective

domestic surroundings and therefore give us an idea as to where, how and why

problems are likely to arise.

Analysis & Discussion

While some companies can draw large amounts of profit even from single sales,

AliExpress features a plethora of goods covering almost every customer need.

Products are mostly relatively cheap and represent a rather modest amount of

profit for the individual vendor. AliExpress therefore benefits greatly from repeat

purchasing by customers, likely across multiple categories to suit a variety of needs

while suffering large potential losses from failing to establish initial trust.

In order for customers to engage in repeat purchasing they need to feel that their

previous shopping experiences on the site were successful. The development of a

trusting, long-term relationship between buyer and seller is something that takes

time in the best of cases and the time needed for such a relationship to successfully

form increases in an online setting, increases further in a marketplace setting and

even further in a marketplace setting across large psychic distance. As stated by

(Ratnasingam, 2008):

"[...] it takes a long time for new online customers to gain enough trust and satisfaction to evolve from a mode where they are learning how to conduct online transactions with a firm, to a collaborative mode focused on the relational components of the interaction with the firm that develop trust and lead to long-term business relationships. Customers can quickly become discouraged on the other hand after only a few unsuccessful purchase attempts and distance themselves from the firm and discontinue any business relationship with it".

In the following I wish to identify the general differences in buying behavior between Westerners and Chinese people so as to better understand where the primary cause(s) of buyer dissatisfaction may emanate from and therefore identify the underlying mechanisms of dissatisfaction, which can then be compared to AliExpress' current efforts to deal with them. I will give particular attention to the feedback technology put in place by AliExpress as - additionally to having suspected previously that this mechanism may be faulty in terms of aligning the expectation and reality of buyers – the establishment of trust in and of itself is a highly important part of the success of an online business and one that is counteracted by customer PCV. Trust is widely considered the most important factor in building reliability in a platform, which is crucial in attracting and satisfying a mainstream audience in the long term.[29] Furthermore, a number of researchers have observed strong correlation between trust in a website and the intent and willingness to commit to purchases (McKnight et al, 2002) - a correlation also supported by Pavlou

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[29] http://platformed.info/how-disruptive-platforms-get-mainstream-adoption/

and Gefen's PCV framework. Hence, trust is often noted as the very key to e-commerce (Keen, Balance, Chan, & Schrump, 2000). Secondly, I will explore the intricacies of buyer-seller communication as it is one of the parts of the value chain currently handled by the individual vendors as well as one that is highly impacted by psychic distance. Also it is reasonable to suspect a high amount of issues in this area due to Alibaba's own focus on the lack of pre-purchase communication as a key selling point in their cross-platform vendor recruitment campaign.[30] Furthermore, I previously mentioned that I believe this to be a factor affected strongly by psychic distance and one that is not covered by the PCV framework. Failures in communication may result in a range of issues from misunderstandings and confusion to frustration and anger.

The Chinese Shopping Environment

Many Westerners who have spent an extended period of time in China will probably have recognized that there are many cultural differences compared to back home. Some are small, others very large and the same goes for online shopping.

In the words of Jack Ma:

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[30] http://sell.aliexpress.com/introductionae.htm?spm=5261.8110209.2336.1.QCX0IR

"In the U.S. e-commerce is simply online shopping. In China e-commerce

is a lifestyle. If you go to Amazon you go to buy an exact product "this is

the thing. I want this" you get it and you feel happy. In China it is

different, the things you order and the things you get may not be the

things you [thought that you] wanted and people love it!"[31]

In the West the shopping infrastructure with brick and mortar stores was well developed long before the birth of e-commerce. As such, online shopping started as a strange and unfamiliar alternative to the normal buying process and consequently developed as a complimentary sidearm to the main offline business. In China, due to the poor physical shopping infrastructure e-commerce in many places developed as the primary shopping channel.[32] A 2014 survey by PricewaterhouseCoopers revealed that 75% of Chinese respondents shopped online weekly compared with a global average of just 21% - 14% even claimed to shop online on a daily basis.[33] Infamously known across the West is China's historical disregard for intellectual property law and product safety regulations. Even today no city is without a plethora of unregulated street vendors, counterfeit markets and even at times what would appear to be fully branded stores but which are in fact nothing but outlets for cheap imitations of branded goods.[34] According to a 2016 report by the US Chamber of Commerce as much as 86% of the world's counterfeit goods originate from China

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[31] https://www.youtube.com/watch?v=3OcNdxPhAUk 4:45

[32] http://www.alizila.com/in-chinas-bricks-v-clicks-war-online-shopping-is-winning/

[33] https://www.chinainternetwatch.com/7107/14-percent-chinese-shopping-online-everyday/

[34] http://www.businessinsider.com/china-fake-stores-2011-8?r=US&IR=T&IR=T

with the closest following nation being Ukraine contributing just 0.43%.[35] Shoddy and counterfeit products are - and long have been - part of the Chinese shopping landscape and as such, Chinese shoppers are not only aware and respectful of their existence but also far more experienced in navigating them than their Western counterparts.

The Concept of Trust

Given the wide and opaque spectrum of product quality and safety in China compared to the West it is no surprise that *trust* operates differently in these markets. In their 2007 study of Chinese consumer's trust in online websites authors Yaobin and Tao noted a market's low *social trust* as an indicator of low *trust propensity* (Yaobin & Tao, 2007) (the general tendency of a person towards trusting another person or institution given equal information (Matthew & Lee, 2001)). Trust propensity has in turn been found to increase trust in an online context (Gefen, 2000) as well as in online marketplaces (Pavlou & Gefen, 2004). Trust and reputation were furthermore found to be the primary influencers of behavioral intentions and risk perception in McKnight et al. trust building model from 2002 (McKnight et al, 2002).

Just as a high amount of trust can be a powerful tool if managed correctly a lack of trust has also been found to have devastating effects in an online shopping environment. Multiple studies have shown a lack of trust to be the leading cause for

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[35] http://www.worldtrademarkreview.com/Blog/detail.aspx?g=b524e0e3-088c-478d-802b-438d0e533542

people to switch to other outlets or even giving up online shopping altogether (Grabner-Kräuter & Kaluscha, 2003) as well as the primary reason for platform collapse in a marketplace (Hagiu & Wright, 2013).

Having established the importance of trust in relation the success of an e-marketplace, let us look beyond the concept itself and explore it from a Chinese perspective.

Trust – a Chinese Perspective

The concept of trust works much differently in China than it does in the West. Not only are Chinese consumers more used to navigating a complicated landscape of wildly varying product quality including counterfeit-, and potentially harmful products - they also have a long history of mistrust in strangers. Dating back thousands of years to the time of famed Chinese philosopher Confucius the concept of collectivism and a strong perception of in-groups and out-groups has persisted in China - and is still very much alive today.[36] Although glimpses of more individualistic behavior has appeared with the inflow of large amounts of money in recent history, China is a traditionally collectivist society where familism, favoritism and strong distinctions between in-group and out-group networks play the primary role in determining bonds and trust (Tong, 2014). This cultural disposition is reflected in a the survey findings of Chinese state owned newspaper *People's Daily* in 2014, which found three of the top four concerns regarding social behavior in China to be related to mistrust towards strangers.[37] The four top concerns were: (1) A

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[36] https://geert-hofstede.com/china.html
[37] http://www.theworldofchinese.com/2014/09/ten-problems-facing-chinese-society/

general lack of morals, (2) "Bystander attitude" (the unwillingness to help or trust out-group members even if they are clearly in need of help), (3) Anxiety over work and social life and (4) General habitual distrust. These findings were almost identical to the observations of Arthur H. Smith who lived in China during the late Qing dynasty (early to mid-1900s). Smith noted that mutual suspicion and a lack of sincerity were two major characteristics of the Chinese people (Hamilton, 1996). Most recently during China's Cultural Revolution in the 1960 and 70s social trust suffered an additional blow as the Maoist rule encouraged the public to inform the government of rule breaking peers.

All of these factors have created a unique environment of low social trust where concepts such as *guanxi (*personal relationships) and *xinyong* (personal trust) play a vital role in establishing familiarity and trust among transacting parties (Leung & Lai, 2005). Jack Ma ingeniously managed to facilitate online trade between out-group members by creating trust through two supporting applications, namely AliPay (Alibaba's online escrow service) and AliWangWang (instant messaging service associated with Alibaba's domestic marketplace platforms). These applications played a huge role not only in Alibaba's own surge to success on the Chinese markets but in the very development of the e-commerce industry in China. Having established the general environment of trust in China let us now consider its impact on online shopping so as to understand the ways in which vendors on Alibaba's domestic platforms service this difficult market so successfully.

Online Shopping – An East-West Comparison

The low trust propensity and untrustworthy-, and varied product market has led

Chinese shoppers to develop a marketplace shopping routine very unlike that in the

West. First of all, marketplace shopping is hugely popular in China making up about

90% of the Chinese ecommerce market as of March 2013.[38] Contrarily, in the West,

the bulk of e-commerce is done on either websites established by traditional

retailers ("clicks and bricks") or on pure-play platforms that handle their own

inventory.[39] Secondly, the high-context culture as well as the low trust propensity

towards out-group members lead online shoppers to be much less likely to accept

immediate information such as listed pictures and product descriptions as sufficient

material on which to base a buying decision. A 2015 study by TNS revealed that

88% of Chinese e-shoppers utilize various channels of gaining additional product or

vendor information before making a decision. The study furthermore showed that

Chinese shoppers do not limit their product research to big-ticket items but also do

extensive product research on everyday products.[40] These findings were supported

by a 2014 report by Millward Brown, which found that the average Chinese

consumer is far more involved in the shopping process in terms of pre-purchase

product research than their Western counterparts.[41] This multi-pronged product

research covers various aspects of product information including quality, products

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[38] http://www.mckinsey.com/global-themes/asia-pacific/china-e-tailing
[39] http://multichannelmerchant.com/blog/7-key-differences-chinese-western-consumers-28102014/#
[40] http://www.tnsglobal.com/node/115321
[41] https://www.millwardbrown.com/docs/default-source/insight-documents/articles-and-reports/millward-brown_chinese-dream_02-2014.pdf

features, materials and price and happens through a variety of channels both online

and offline. In fact, nearly 70% of Chinese online shoppers claim to check out

products in a physical store before making a purchasing decision when possible.[42]

Comparatively, strict commercial regulations and a low-context cultural perspective

lead Western shoppers to expect any important information to be listed directly and

almost take it for granted that the sites they patronize are trustworthy and that the

products they buy are of the expected quality matching or surpassing that in the

pictures or product description.[43] This leads Western consumers to do

comparatively little external product research, especially on smaller, everyday

items.[44] My own data collection did, however, indicate a significant use of onsite

feedback mechanisms such as reviews from previous customers as an additional

source of product knowledge among Western online shoppers but as I will show

shortly, this very fact may currently work out disadvantageously for AliExpress.

The Chinese collectivist mindset and cultural disposition towards in-groups and out-

groups has led to a strong dependence on peer opinion when making purchasing

decisions. This dependence manifests itself not only in terms of approval of style

and brands but also in terms of trust. Peter Stein, former CEO of global web analytics

company Razorfish, noted in 2014 that Chinese consumers put far greater effort into

posting online feedback for their peers on social media and ecommerce forums with

75% of Chinese internet users posting purchasing feedback for their peers at least

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[42] http://www.bain.com/Images/BAIN_BRIEF_Chinas_e-commerce_prize.pdf
[43] http://multichannelmerchant.com/blog/7-key-differences-chinese-western-consumers-28102014/#_
[44] http://store.mintel.com/online-shopping-us-june-2015

once every month (and often a lot more) compared to less than 20% in the United States.[45] These reviews frequently feature thorough descriptions as well as pictures of the goods and the perceived shopping experience.[46] Demonstrating the strong collectivist mindset and reliance on trusted networks, there are now more than 300 million people who often only move forward with their purchasing decision upon receiving confirmation from their peers via social media and ecommerce forums.[47] Lastly, Chinese web shoppers employ one final and highly important mechanism in order to make an informed purchasing decision – pre-purchase communication. In fact, almost 90% of Chinese e-shoppers say personalized online service tailored to the needs of the individual shopper is a necessity when shopping online. The strong prevalence of shopping from mobile devices in China further enables the facilitation of continuous buyer-seller communication beyond regular working hours.[48] This belief is very different from the behavior of Western consumers, who are more accustomed to self-service and a relatively fast, standardized online shopping experience and who tend to contact merchants only when things go wrong.[49] This cultural disposition is at the core of the fact that 80% of transactions on AliExpress happen without any pre-purchase communication.[50] This exact aspect of Chinese online shopping mentality is one of the key factors that propelled Alibaba's Taobao

[45] http://www.forbes.com/sites/onmarketing/2014/08/07/what-us-marketers-can-learn-from-social-commerce-in-china/#25633f0d5add

[46] http://www.alizila.com/chinas-taobao-shoppers-like-surprises-sales-2/

[47] http://www.forbes.com/sites/onmarketing/2014/08/07/what-us-marketers-can-learn-from-social-commerce-in-china/#25633f0d5add

[48] http://www.alizila.com/chinas-taobao-shoppers-like-surprises-sales-2/

[49] http://multichannelmerchant.com/blog/7-key-differences-chinese-western-consumers-28102014/#_

[50] http://sell.aliexpress.com/introductionae.htm?spm=5261.8110209.2336.1.QCX0IR

ahead of the competition in the early days of the Chinese ecommerce market.

Alibaba launched the instant messaging application AliWangWang (阿里旺旺) along

with Taobao allowing customers and vendors to communicate back and forth in real

time in order to establish trust and hash out any questions or uncertainties the

prospective buyer may have about the product or the vendor prior to making a

purchasing decision. In this way Alibaba created a tool that allowed the transacting

parties to mimic a typical Chinese market setting allowing for the establishment of

trust and the transfer of high context communication. Conversations usually center

on questions of convenience or questions related to the increased product

knowledge from the external product research. The conversation importantly also

seeks to establish trust between parties and offers the customer a chance to get a

feel of the vendor's service mindedness and trustworthiness.[51] As Chinese culture

heavily favors high context communications vendors often put on an open, friendly-,

and at times even flirtatious tone to indicate a closer bond similar to that shared

between in-group members.[52] Furthermore communication is often frequent or

extended even if no apparent pressing question is asked to indicate personal

attention and dedication. Questions range anywhere from asking for help in

choosing the right size of garments to questions about materials, production

methods, discounts and guarantees, delivery methods or additional product

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[51] http://www.alizila.com/shop-taobao-it-helps-talk-talk
[52] http://www.alizila.com/shop-taobao-it-helps-talk-talk (this original link no longer works but the following article shares a similar albeit shorter sentiment) http://www.alizila.com/chinas-taobao-shoppers-like-surprises-sales-2/

pictures.[53] Not only does this help to establish a sense of trust it also works to align the buyer's expectations with reality by uncovering product features that may not be explicitly visible from the listing, which can then be compared to the knowledge gathered externally. Conversations also provide written proof between buyer and seller which emphasize the psychological contract expectations on both sides in a more explicit manner and can be used as evidence in a fair settlement between the parties post-purchase in case of problems or in a potential dispute case if necessary. This multi-pronged approach to ensuring product knowledge and transaction safety has meant that product listings are often used by vendors as more of an attention grabbing tool and are therefore frequently exaggerated far beyond Western standards through digitally altered pictures or pictures of prototypes of a product tailored to the specific fit of the model or incomplete product descriptions. In some cases pictures are even taken from original copyrights owners and used to market a similar copycat product.[54] In essence, information is often communicated contextually rather than explicitly, which greatly increases the odds of misunderstandings when decoded by individuals from low-context cultures.

The following table summarizes the key differences in culture and buying behavior between Chinese and Western e-shoppers.

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[53] http://www.alizila.com/shop-taobao-it-helps-talk-talk
[54] https://www.buzzfeed.com/sapna/say-no-to-the-dress?utm_term=.jb53wxvA6N#.tmW8xnQ4vy

Chinese Cultural Factors	Western Cultural Factors
• Inclined to mistrust out-group members • Communication is high context – much is implicit	• High propensity to trust • Communication is low context – meaning is communicated explicitly and efficiently
Chinese E-shopping Behavior	**Western E-shopping Behavior**
• Primarily marketplace shopping • Shoppers are more experienced at navigating low quality/fake products • Do not expect 100% likeness between listing and reality • Multi-pronged approach to pre-purchase product research even for smaller, everyday items. • High average product knowledge • Frequently leaves thorough reviews increasing the available product information for future customers. • Heavy focus on a personalized shopping experience • Pre-purchase communication is extremely important and leads to better alignment between expectation and reality. • Pre-purchase communication expands on physical contract boundaries and aligns psychological contract expectations • Chat conversation can be used to settle disagreements later either with or	• Primarily brick & click or pure play shopping • Less used to navigating low quality, dangerous and counterfeit products • Expects full information disclosing in product listing • Expects complete likeness between listing pictures and reality • Accustomed to standardized, self-serve online shopping • Less likely to leave thorough reviews for future customers • Little external product information search – especially on smaller products • Uses onsite feedback mechanism as the only product information channel*[55]

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[55] * This point is based on my own data collection and should therefore be taken as a possible indication rather than a fact

without the platform intermediary getting involved.	

Relating back to the PCV framework these differences likely strongly increases the chances of customer dissatisfaction across large psychic distance primarily by causing partial lack of information, perceived misrepresentations of products or even perceived fraud to a Western audience. As such, these differences work to blur the line between perceived reneging and incongruence as the vendor is not necessarily intentionally seeking to break the psychological contract but is simply acting in an ethnocentric manner as he is accustomed to from his domestic market. Depending on perspective and background, one's attitude towards this type of business practice (and therefore one's likelihood of PCV when confronted with it) varies wildly. In the end, opinions about what is or is not acceptable quality for a given product or service at a given price in a given situation is completely subjective and the boundaries of product misrepresentation is therefore often impossible to decide objectively. Hence I argue misalignments in contractual expectations due to psychic distance leading to PCV with an individual vendor (and by extension also the community) as a primary problem on AliExpress. As previously mentioned there are ways for a platform to work around issues with non-controlled parts of the value chain such as this. We therefore now look at AliExpress' mechanism of ensuring customer pre-purchase knowledge – the onsite feedback mechanism.

Onsite Feedback Mechanism

As we have seen, the very nature of an e-marketplace calls for a feedback mechanism, especially one that spans over a large psychic distance. Furthermore both Western and Chinese e-shoppers put great trust and utilization in peer feedback. In order to provide a nuanced product picture and ensure customer satisfaction, AliExpress has gone the way of eBay (and many others) and implemented an onsite, post-purchase customer feedback mechanism. The dominant design for such systems is a numeric rating scale system and is designed to give customers a quick and accurate depiction of the trustworthiness and quality of a seller or a product based on past performance as reported by previous customers. A vendor's positive past performance contributes to a willingness to transact among buyers (Reichheld and Schefter 2000), increases trust in the community of sellers (Pavlou and Gefen, 2005), and reduces the perceived risk associated with the transaction (Gefen 2002). However, this trust and perceived risk reduction is rooted in a sense of security increasing the buyer's expectation of the products likeness to the pictures and product description – a factor which will prove to have an adverse effect discussed in the following section.

Once a buyer commits to a purchase on AliExpress she will be able to track the open transaction under her AliExpress account. Once the item has arrived she then has a set number of days to mark the transaction as finalized after which the transacting parties may review each other based on the transaction experience. The vendor is

rated on overall satisfaction as well as on three separate metrics as seen in figure 10 below.

Figure 10 Details	Ratings (5 Stars to 1 Star)				
	5 Stars	4 Stars	3 Stars	2 Stars	1 Star
Item as Described How accurate was the product description?	Very Accurate	Accurate	Neutral	Inaccurate	Very Inaccurate
Communication How satisfied were you with the seller's communication?	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
Shipping Speed How quickly did the seller ship the item?	Very Fast	Fast	Moderate	Slow	Very Slow

[56]. The buyer also has the additional option of leaving a written review as well as uploading pictures. If the customer fails to finalize the transaction manually or open a dispute it will close automatically and award the vendor a perfect score. If the buyer is dissatisfied with her purchase and therefore unwilling to finalize the deal, AliExpress guidelines encourage the transacting parties to sort out a solution among themselves through the AliExpress Message Center integrated into the AliExpress website and mobile application (an aspect that we shall return to later). If the transacting parties are unable to come to a mutually agreeable solution the customer can open a dispute and involve AliExpress as the final decision maker.

This type of feedback mechanism was developed well before Alibaba ever needed it and is widely used in a variety of review instances such as large, established e-commerce platforms including Alibaba's own domestic platforms. A big benefit of using an established system is its familiarity to vendors as well as existing-, and potential future buyers, which means that you do not have to teach users how to

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[56] http://activities.aliexpress.com/adcms/help-aliexpress-com/detail_seller_ratings/index.php?spm=a2g01.8173721.bp-wrapper.6.6aaCb4
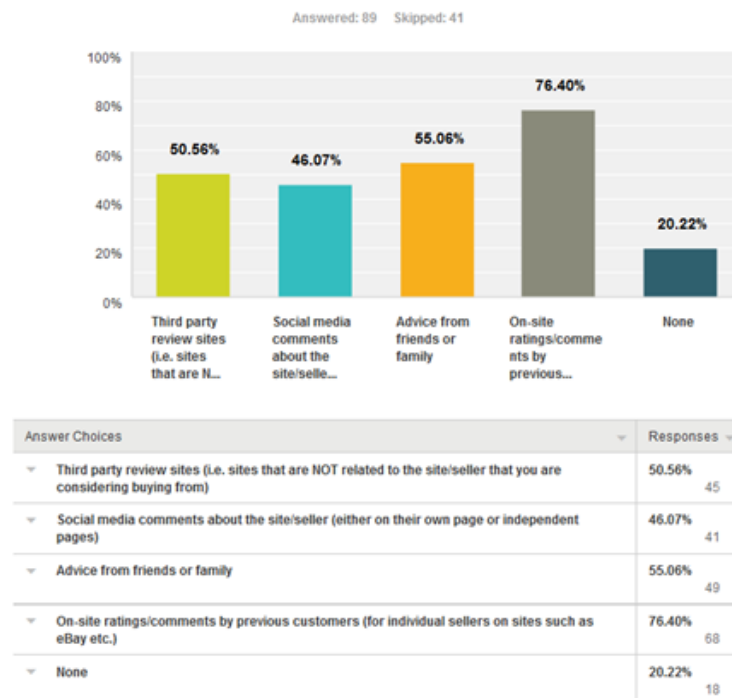
decode your system before they can utilize it. According to my data more than 88%

of respondents find onsite ratings by previous customers either *trustworthy* or *very*

trustworthy as a means of ensuring the legitimacy of a vendor on an e-marketplace.

(figure 11)

Figure 11	Very untrustworthy	Untrustworthy	Trustworthy	Very trustworthy	Total
On-site ratings/comments by previous customers	3.53% 3	8.24% 7	31.76% 27	56.47% 48	85
Experiences by friends/family	2.35% 2	1.18% 1	30.59% 26	65.88% 56	85

Furthermore my data shows that it is by far the most utilized means of ensuring

legitimacy when shopping online with more than 76% of respondents claiming to

use the resource when it is available. (figure 12)

Figure 12 Which of the following means (if any) do you use to ensure the legitimacy of a site/seller when shopping online? (It is possible to give multiple answers)

Answered: 89   Skipped: 41

Answer Choices	Responses	
Third party review sites (i.e. sites that are NOT related to the site/seller that you are considering buying from)	50.56%	45
Social media comments about the site/seller (either on their own page or independent pages)	46.07%	41
Advice from friends or family	55.06%	49
On-site ratings/comments by previous customers (for individual sellers on sites such as eBay etc.)	76.40%	68
None	20.22%	18

However as I will show next, although the systems may look identical on the surface it may operate very differently across cultures.
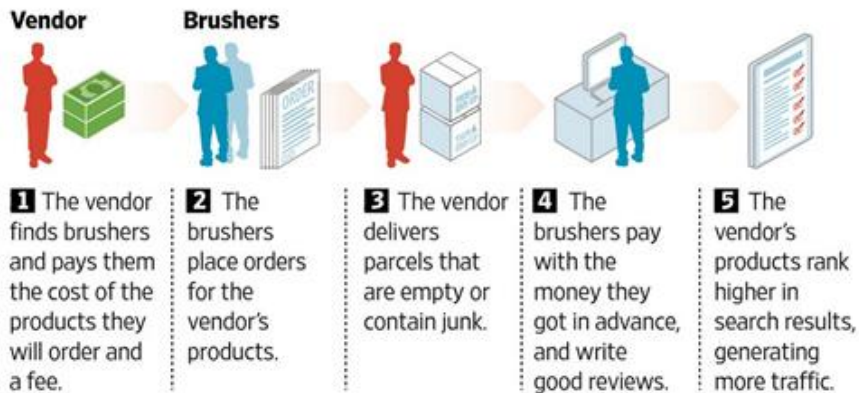
Brushing

While the numeric rating scale is used to great success in a variety of review instances, the system does not come without its flaws and loopholes that can be taken advantage of. In the past few decades China's regulatory system has acquired an infamous status in the West for loopholes and judicial gray areas leading the way for phenomena such as rampant counterfeiting due to limp IP rights protection. Counterfeiting is, however, not the only blossoming industry grown from these judicial and moral gray areas. The enormously successful but wildly competitive market for Chinese e-marketplaces has birthed an industry of fake onsite buyer reviews to help sellers gain visibility by boosting their search rankings on the most popular marketplaces which favor vendors with higher sales volumes and good review records. The details of the basic process are outlined in figure 13

Figure 13

How Fake Orders Work

High sales volume and good reviews help vendors move up in search results and attract shoppers. Some vendors turn to 'brushers' who place fake orders for products. Here's how it works:

Vendor **Brushers**

1 The vendor finds brushers and pays them the cost of the products they will order and a fee.

2 The brushers place orders for the vendor's products.

3 The vendor delivers parcels that are empty or contain junk.

4 The brushers pay with the money they got in advance, and write good reviews.

5 The vendor's products rank higher in search results, generating more traffic.

Source: staff reports

THE WALL STREET JOURNAL.

Unsurprisingly, mediators have jumped in to profit from the development of this industry. These mediators place themselves between the vendor and the individual brushers by creating a large private network of individual brushers (typically students, housewives, low income individuals or simply regular people looking to make some extra money on the side). The vendor now pays the mediator who in turn manages the rest of the brushing value chain facilitating as many fake reviews as the individual vendor wants.[57] While brushing estimates for AliExpress are hard to come by a 2013 statement by the (then) vice president of Alibaba admitted the discovery of 500 million fake reviews spread over 1.2 million vendors on Taobao (17% of all vendors on the site) and that those numbers likely represented only the tip of the iceberg.[58]

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[57] Example of such a mediating site: www.178winwin.com
[58] http://www.wsj.com/articles/inside-alibaba-the-sharp-elbowed-world-of-chinese-e-commerce-1425332447

Although the feedback mechanism in the case of AliExpress has not lost its effectiveness in increasing customer trust in the vendor, the trustworthiness of the mechanism has been drastically reduced and has become a liability as it camouflages the truth while increasing the buyer's expectations of a high quality product with great similarity to the product listing.

While the brushing practice is not exclusive to Chinese sites it is estimated that the problem is far greater on Chinese e-marketplaces than on Western counterparts such as eBay and Amazon.[59] However, the multi-layered approach to knowledge acquisition and transaction safety along with the differences in mindset and experiential knowledge of a highly diverse product market allows Chinese consumers to be far less affected by the faults of the system. Furthermore, the purely domestic nature of Taobao and TMall means that culture and communication as well as product returns are relatively cheap, quick and easy. AliExpress on the other hand currently finds itself in a situation where parties have to transact across large psychic distances and incur lengthy and/or expensive deliveries making unsuccessful transactions more costly on average than is the case for their competitors. Furthermore, as we just discovered, the feedback mechanism put in place to facilitate successful transactions is less trustworthy when compared to the competition making it harder yet for customers to find the optimal seller or product. Lastly, the lower traffic and low propensity of actual buyers towards leaving thorough reviews makes for less feedback contrasting the distorted truth, which in

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[59] http://www.wsj.com/articles/inside-alibaba-the-sharp-elbowed-world-of-chinese-e-commerce-1425332447

turn makes it even harder for potential new customers to get an impression of

products that aligns with reality.

Platform theory indicates that problems of misalignment between the two

transacting parties may be addressed by implementing aligning measures (such as

the feedback mechanism is supposed to be) or alternatively including the cause of

the misalignment into the platform system thereby overtaking the problematic part

of the value chain (Hagiu & Wright, 2013). The nature of brushing forces AliExpress

to always be reactive in finding ways in which to uncover this malpractice. This

means that the brushers will always be at least one step ahead and as such a

different approach to fighting the brushing practice is likely needed. Whether this

constitutes somehow absorbing customer contact or product presentation into

AliExpress or creating barriers to brushing the fact remains that the current

feedback mechanism has serious adverse effects on the success of AliExpress. By

driving many smaller vendors out of business with the 2014 platform changes,

AliExpress likely hoped to reduce the incentive to need brushing for visibility

purposes. Although that aspect may have been successful they also created an

economic incentive to participate in brushing through the 50-100% rebate for

sellers who reach certain thresholds. In fact they have created a situation where it

can be profitable for vendors to engage in brushing simply as a way to reach these

thresholds. A simple anti-brushing barrier that would be easy to implement would

be to increase the flat percentage-based cut that AliExpress currently takes on every

sale in order to increase the immediate cost of brushing in a way that is

uncontrollable to brushers. This would however, also punish legitimate vendors

who may already have slim profit margins, forcing these to increase the price thereby undermining AliExpress' primary advantage over eBay and Amazon – price.

Buyer-Seller Communication

Having explored the faults associated with the feedback mechanism I now wish to return to the aspect of communication. To reiterate – when a customer is dissatisfied with a given transaction AliExpress' guidelines dictate that buyer and seller should attempt to work out the issue among themselves before involving AliExpress through an official dispute.[60] As previously mentioned AliExpress recruits a large number of vendors directly from its Chinese platforms into AliExpress by making this transition easy. In the primary vendor recruitment material the problem of communication is addressed as it is a natural part of the way the Chinese vendors do business on a daily basis. It is stated that 80% of purchases are made without pre-purchase communication.[61] Hereby AliExpress is indicating that poor –or even a complete lack of - language and cultural skills should not be a deterrent to becoming a vendor on AliExpress. This of course plays a role in relation to the proposed direct buyer-seller communication in case of buyer dissatisfaction. On the other hand it provides accessibility to a greater selection of products at the best possible prices for customers to choose from thereby adding to the cross-sided platform network effect. Sometimes, however, this means that communication is borderline impossible, in which case the buyer has to open a

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[60] http://sale.aliexpress.com/buyerprotection-seller_guaranteed.htm?spm=a2g01.8173721.bp-wrapper.5.6aaCb4#2

[61] http://sell.aliexpress.com/introductionae.htm?spm=5261.8110209.2336.1.IZbqWU

dispute and the AliExpress dispute team has to serve as a mediator. As no pre-purchase communication will have occurred it is up to the buyer to provide evidence that the product received was of significantly inferior state than advertised in the product listing and based on this evidence AliExpress will make a decision on whether to side with the vendor or the buyer. Even when communication is not barred entirely it is often at least partly impaired due to linguistic differences and the high psychic distance between the parties. Negative 3rd party site reviews, blogs and YouTube alike are full of dissatisfied Western buyers describing vendors as having rude, unhelpful, unprofessional or even mocking attitudes towards customer complaints on AliExpress. Likewise, AliExpress vendor forums features frequent discussions on the amount of *fraudulent* buyers who claim full or partial refunds from vendors without any contact.[62] Buyer complaints often feature frustration over a high frequency of communication when dealing with vendors, a lack of responsibility and problem solving on the site of the vendor and a lack of professionalism in the tone of the communication.

A highly frequent and simple complaint illustrates the interference of semantic noise in the decoding process due to ethnocentricity and linguistic differences on both ends of the transaction. This complaint concerns the use of the word "dear" by many vendors. This is a perfect example of psychic distance and a lack of cross-cultural-, and linguistic knowledge interfering with the process of communication thereby skewing the focus and tone of the communication in an unconstructive

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[62] Example: https://www.zhihu.com/question/21759417

manner. In China, particularly in an online setting where out-group members have to develop trust relatively quickly certain pronouns or nicknames are often used as a high context indicator of a friendly attitude. The most common of these in the online setting is "亲" (qin) which has no single direct translation in English but is used as an indicator of an open, friendly and service minded attitude. The closest direct translation however, is "dear", which comes with its own set of cultural connotations in Western cultures and is therefore often decoded by Western customers as unprofessional or creepy – particularly in situations where the customer is already dissatisfied with the product or service.

Another common buyer-side complaint features an unreasonable frequency of communication. Whereas Chinese shoppers are used to a market of varying quality and trustworthiness, many Western economies have adopted the classic axiom "the customer is always right" to a high degree. This means that the buyer expects the vendor to assume full responsibility of solving the issue in cases of dissatisfaction. Due to the high context culture of Chinese society, however, vendors are accustomed to working out issues with the buyer without assigning blame. Frequent communication is seen as a high context sign of service mindedness towards reaching a resolution but may often be misinterpreted as unprofessionalism, diversion or even harassment by Western buyers who are used to fast and direct problem solving.

What Does This Mean for AliExpress then?

Having now explored and analyzed the differences in shopping behavior I now look back on our combined findings in order to summarize the sources of customer dissatisfaction on AliExpress.

Based on the lack of international knowledge and experience of most vendors on the site, and backed by data in the form of 3rd party review site feedback (ref. excel sheet on memory stick for an overview of all the comments from 3rd party review sites) - I argue misalignments in contractual expectations due to psychic distance leading to PCV with an individual vendor (and by extension also the community) as the primary problem of AliExpress. Particularly points 1, 2, 4 and 5 of the six leading causes of PCV in buyers on online marketplaces (figure 7) resonate well with the most common complaints. The complaints associated with point number 4 were primarily directed at the delivery of items over large distances in itself or in combination with cases of dissatisfaction about the product. Less frequently were actual vendor-errors in the delivery process alone cause for PCV, which indicates that it constitutes a minor issue on its own. These may however, escalate feelings of PCV in cases of multiple issues. This is consistent with the findings of Niehoff and Paul who found that only salient problems result in PCV while minor issues on their own do not (Niehoff & Paul, 2001). Consequently, I focus primarily on the other three factors.

Differences in culture such as high-, vs low context communication cause issues in the decoding of information whether it be product listings or direct buyer-seller

communication. External pre-purchase product research by consumers is commonplace in China – even for smaller, everyday items. This is due to a number of reasons such as a preference for marketplace shopping, low social trust and trust propensity towards out-group members and strong reliance on the opinions of in-group members. Product listings are therefore often made to present themselves as well as possible without directly lying, leaving some information to be derived contextually rather than explicitly. In the West strict business regulations, high trust propensity, a preference for clicks & bricks shopping, and low-context communication cultures have led to the expectation that all information should be stated explicitly and truthfully in the listing. Furthermore, Chinese customers value a personalized shopping experience and engage in pre-purchase communication to establish familiarity and trust with the vendor. While successfully establishing trust this communication also works to hash out any questions or insecurities regarding the products – hence aligning expectation and reality. Finally pre-purchase communication works to mark the boundaries of the formal and psychological contract expectations between parties. Pre-purchase communication is not typical in Western societies who typically lean towards a standardized, self-service shopping experience, mostly without vendor contact unless something goes wrong. Even in cases where pre-purchase communication does occur between buyer and vendor on AliExpress the two sides face issues of cultural barriers to communication due to different fields of experience. These barriers can cause messages to be misinterpreted as perceived breach of privacy (overdoing communication as a sign of service mindedness and dedication), rudeness (friendly,

familiar tone rather than professional to indicate closeness) and untrustworthiness (explaining things through context rather than explicitly or failing to explain something directly to avoid conflict and a loss of face). On top of this comes issues of semantic noise from linguistic differences, potentially leading to further frustration and misunderstandings – particularly in cases of post-purchase communication where a buyer already perceives PCV. The onsite feedback mechanism attempts to make up for differences in culture and language by allowing previous consumers to leave reviews. This system works in China (and in the West) because Chinese shoppers use a multi-pronged approach to information search and as such only relies partly on the onsite feedback mechanism. In the cross-cultural setting of AliExpress, however, this system often works to mislead customers and cause further misalignments in cases of heavy brushing. This creates a high perception of fraudulence which leaves AliExpress with dispute cases where they have to choose between two parties who both perceive themselves as being right because they both intended to fulfill their end of the bargain but have done so in an unaligned ethnocentric manner. Even when the feedback mechanism does work as intended (e.g. with vendors who don't use brushing or vendors who already satisfy customers but also use brushing for visibility or to reach turnover thresholds) these positive experiences create trust in the perceived effectiveness of an institutional structure (and thereby in the community of sellers) that is untrustworthy in the instances where it actually matters most (cases of vendors who either purposely (reneging) or inadvertently (incongruence) fail to live up to customer expectations but use brushing for visibility, refund thresholds or to avoid having their listing removed).

The 2014 changes to AliExpress may have worked partly to drive temporary, reneging vendors and small part-time retailers off of the platform – thereby reducing the number of fraudulent listings. However, seeing as cultural difference and a lack of international knowledge is still problem with the remaining vendors (and even with AliExpress own customer service and dispute handling teams) issues of culture and communication have not changed drastically, which could explain the lack of improvement in 3rd party review site ratings. Furthermore the issue of brushing was affected both positively and negatively and without specific data on the actual use of brushing on AliExpress it is hard to say if the problem has improve, worsened or remained unchanged. On one hand the average amount of product listings dropped substantially, primarily due to the departure of uncompetitive vendors, which allowed better visibility for the remaining vendors. Adversely however, the implementation of minimum turnover thresholds and annual fee rebate thresholds and has given new economic incentive to participate in brushing.

It is hard to gist at be best plan of action for AliExpress. As with Amazon and eBay, localized versions of the AliExpress website exist for certain markets. However, these sites are little more than translated front ends (Russian, Portuguese and Spanish) with different advertising and sales. The backend listings are identical, however, and as such helps little in terms of bridging the cultural gaps particularly for Western consumers. Internalization of communication and/or product supply or product presentation would put AliExpress in direct competition with Amazon and comes with a long list of challenges that fall beyond the scope of this project.

Minor, more cost efficient, changes could pertain to the education of vendors. Tacit

knowledge would by definition be hard to teach properly to each individual vendor

but even a better understanding of the explicit cultural and linguistic differences

could be a step in the right direction. These could be in the form of training videos

or tutorials on basic cultural aspects of different parts of the world.

Another idea could be to manually check product listings who utilize the automatic

listing translation service Tai Dao Xiao as these likely more often come from

vendors with low international knowledge.

A feature that I have not investigated in depth is AliExpress' own customer service.

As mentioned the buyer can choose to involve AliExpress' dispute team if the parties

are unable to come to a mutually acceptable agreement. According to theory, and as

also covered in the PCV framework, the satisfactory resolution of disputes can

counteract the effects of initial PCV with vendors by instilling a sense of trust in the

intermediary (Pavlou & Gefen, 2005). The exact distribution of negativity between

the failure of the vendor to live up to the perceived transactional contract

expectations and AliExpress' dispute teams failing to live up to the perceived buyer

protection and customer service contracts remains unknown. It is possible that a

rework of the buyer protection guidelines to better adopt the Western "the

customer is always right" axiom would be enough to counteract the PCV caused by

the psychic distance and lack of cross-cultural, and linguistic capabilities of the

vendors. This raises new questions of whether vendors would then even be able to

find profit through AliExpress at all. Likely it would at least mean a lot fewer

vendors would be able to remain profitable thereby lowering the selection of goods

and the cross-side network effects on the platform. Also even if customer service always sided with the buyer - buying products on AliExpress as a Westerner would still be a gamble compared to eBay and Amazon, which the buyer could easily switch to with little to no cost.

What I can say with certainty, however, is that if issues related to a lack of international market knowledge within the individual vendors were addressed then issues related to the untrustworthiness of the feedback system would automatically be reduced (as the average listing would better suit the average consumer's style of shopping). AliExpress' own customer service issues would likewise be of reduced importance as there would logically be a lower amount of disputes. Furthermore, the remaining disputes would be easier to judge in a fair manner as they would gravitate more towards singular instances of product failures rather than misunderstandings regarding the average product. As it is now, the AliExpress dispute team is often stuck choosing sides between two sides who are both *right-* but who simply act based on their respective domestic inertia.

The negative effects of the corrupt feedback system would be impossible to eliminate entirely without first eliminating the cause of the corruption. As such it should be a prime concern for AliExpress to minimize the effectiveness of brushing as this would help buyers get a more clear idea of the quality of a product thereby aligning expectation and reality. Furthermore, this would help AliExpress identify vendors who struggle to keep a high level of customer satisfaction. This would in turn allow AliExpress to judge vendors and product listings on a case-by-case basis

deciding whether to eliminate certain products or force the vendor to remake the listing in a manner better suited to the audience.

ASSUMPTIONS AND LIMITATIONS

A big assumption I make throughout the project is that despite the heavy accusations of fraudulent vendors on 3rd party review sites, the amount of reneging scammers on AliExpress after the 2014 changes is not significantly different from that of any other site. I assume that vendors are attempting to satisfy customer needs and fulfill their perceived transactional contract obligations but that misunderstandings and a lack of international knowledge leads to large amounts of incongruence relative to eBay and Amazon. This is supported by the high amount of vendor-side forum threads discussing the subject of fraudulent buyers.[63] It is entirely possible, however, that some unconsidered mechanism is causing AliExpress to attract a large amount of reneging fraudulent vendors who seek only to maximize their own personal profits. If that were the case, however, I believe that we would have seen a significant increase in customer satisfaction after the 2014 changes for two reasons (1) As previously described, some of these fraudulent buyers would be unable to compete. (2) The newly cross-platform-invited vendors from TMall are largely long standing, trusted vendors including small and medium sized Chinese brand owners and manufacturers who are far more invested in not hurting their existing brand. This shift should have caused at least a lower

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[63] Example: https://www.zhihu.com/question/21759417

concentration of fraudulent vendors, which in turn should have caused an increase in customer satisfaction. However, since this change was not observed I argue that the argument of incongruence due to large psychic distance is more likely. Another large assumption that I make throughout this study is that the primary causes of customer dissatisfaction lie within the parts of the value chain that are not controlled by AliExpress (except for the feedback mechanism) or another large service provider. I base this assumption on a number of factors. Things such as credit card guarantees and the money escrow service are identical or similar to features found with the competitors and have been largely invisible in the 3rd party review complaints (with the exception of money being released from escrow despite customer dissatisfaction, but once again I argue that this complaint is an effect of an underlying problem of misalignment between expectation and reality due to psychic distance). Secondly, although delivery times and fees are frequently mentioned, they tend to appear in conjunction with other underlying problems rather than an isolated criticism.

Issues of communication associated with high vs low context cultural differences are assumed to adhere to the standard theoretical differences as presented in the 'high context vs. low context section'. It is possible that there are other explanations for these issues and that a considerable amount of vendors do have at least some understanding of foreign language or culture. However, seeing as many vendors are acquired through cross-platform marketing and that one of the top selling points of the cross-platform campaign is the absence of pre-purchase communication – I find

it reasonable to believe that linguistic and cultural differences are important enough to merit using the average "high context vs. low context" features when comparing. Lastly, the assumption at the very core of the project is that psychic distance has a negative impact and causes PCV. This assumption is based on (1) the theoretical importance of psychic distance as described by internationalization theory (since strong international knowledge is missing). (2) my view that the effect of all six common causes of PCV are reduced by Chinese experience and mentality towards product quality and more importantly by the multi-pronged approach to pre-purchase information gathering and communication, which works to help align expectation and reality. And (3) since vendors are used to operating in a purely domestic market issues related to culture, communication as well as delivery and returns are all greatly reduced. This means that vendors are used to operating within a relatively uniform system that has relatively less disposition towards customer PCV. Vendors are therefore inexperienced in handling causes of PCV from a Western standpoint. Western customers are likewise victims of domestic inertia caused by stricter general business regulations causing the illusion that what you see is what you get (at least when buying stuff that is not second hand) and that businesses take full responsibility in cases of dissatisfaction.

UNEXPLORED VARIABLES FOR FURTHER RESEARCH

I wish to draw additional attention to three variables which could have implications for AliExpress but which have been largely unexplored in this study.

Number 1 – Chinese Nationality

Firstly, a very common feature of 3rd party review site critique was hateful outburst again Chinese companies, Chinese products and even Chinese people. This tendency along with the findings of my own data as described in the data collection section indicating a very low perception of trust and quality towards Chinese companies and products, merits further investigation into the subject. Furthermore many studies throughout the past decade by prominent research firms such as McKinsey (2013), Interbrand (2008 and 2014) and Edelman (2012) have pointed to China having a uniquely negative brand perception in the West – one that has yet to change despite the international success of multiple Chinese brands such as Lenovo, Haier and Huawei. This negative image in the West is of particular importance to a platform such as AliExpress, which has a shared nationality among all of its vendors. As covered by the PCV framework, it is possible for perceived PCV to move from a single seller to the community of sellers, but how does an obvious shared trait such as nationality among the community and the platform intermediary affect this interaction? Is it possible for a negative shared commonality to impact the trust in the platform more so than would otherwise be the case? Theories such as the Watercooler Effect by psychologist Nicholas DiFonzo suggest that rumors are more easily believed and spread if they resonate with existing beliefs (DiFonzo, 2008).

How does this translate into a platform setting? And would even cross-platform PCV be possible? Even Amazon and eBay had a fair share of negative reviews pertaining to "Chinese junk" or "Chinese scammers". How do these types of attitudes affect the chances of success for a Chinese platform featuring exclusively Chinese vendors? It is possible that people are quicker to perceive PCV when they have a bad experience through AliExpress compared to eBay and Amazon because of the preconceived notions towards Chinese nationality. If that is the case then it is hypothetically possible that AliExpress does not even have a greater dissatisfaction rate than the competition but that those who are dissatisfied are simply more likely to feel strongly enough about it to actually create a review on a 3rd party review site. This unexplored variable could have huge implications for this entire study as well as for the potential for future success among Western e-shoppers. As such I would highly recommend looking at this aspect in more detail.

Number 2 – Social Communities

Alibaba has recently launched the social platform *iTao*, as a community for people to show off their styles and treasures bought on Alibaba's platforms. Here fashion bloggers, YouTubers and regular people can show off their AliExpress experiences and give tips and tricks on how to successfully use AliExpress.

The idea of using sponsorships of fashion bloggers to attract attention through a pull mechanism rather than a paid push mechanism straight from the platform owner is good in theory. Recent studies show bloggers and other social media personalities as being highly trusted and influential members of the electronic shopping sphere

but what does it take to get people to use it? Will people learn how to use AliExpress simply from observing bloggers and if they do, will that be enough to make them try it? The concept of building trust and knowledge through collaboration with trusted individuals thereby closing the gap in psychic distance by educating the buyers rather than the sellers (or maybe along with the sellers) is an interesting take on the problem of misalignment and one that could have strategic implications for AliExpress in the future. The platform only launched very recently and as such does not have much of a following yet but studying the phenomenon of social platforms as supporting services and educational tools to an exchange platform is an interesting one.

Number 3 – Earned Advertising vs. Owned Advertising

Not entirely irrelevant to the previous two points is the concept of *earned* vs. *owned* advertising. A 2015 study by Nielsen[64] revealed that Western parts of the world are generally far less susceptible to owned advertising such as paid commercials. They did however, maintain the same high level of trust in earned advertisement such as recommendations from friends and family. This has implications for the cost of winning back a lost customer as well as the type of investment AliExpress should be making to try to boost the image of the platform. As evident in Pavlou and Gefen's framework, trust in the intermediary influences the perceived effectiveness of the institutional structures which in turn affects trust in the community of sellers. The

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[64] https://www.nielsen.com/content/dam/nielsenglobal/apac/docs/reports/2015/nielsen-global-trust-in-advertising-report-september-2015.pdf

establishment of iTao could be a way for AliExpress to try to establish a positive brand image which is not immediately related to the business conduct of the vendors who occupy the platform. The knowledge sharing going on through such a platform could become a positive feedback loop for further success.

Conclusions

Throughout this project I have sought to uncover the underlying mechanisms leading to AliExpress' relative lack of customer satisfaction as compared to Amazon and eBay. As an exchange platform facilitating transactions between two parties across borders, the success of AliExpress is directly related to the successful internationalization of the vendors who use the platform. Using established internationalization theories I uncovered a particular feature in these vendors that stood in stark contrast to the successful internationalization processes described in theory. These vendors have generally have a critical lack of international experience and foreign market knowledge. These small, born global or born-again global vendors should according to theory utilize strong international knowledge to make up for the liabilities of psychic distance to be able to successfully internationalize. However, AliExpress' lowering of the barriers to internationalization has allowed these vendors to internationalize despite of very little market knowledge and commitment. Having the opportunity to internationalize does not mean, however, that you are sufficiently equipped to satisfy the needs of foreign customers.

AliExpress and the individual vendors each share part of the value chain. Upon analyzing the differences in cultural-, and shopping behavior based on the leading causes of PCV with a vendor in an online marketplace - my conclusion becomes that the root of the dissatisfaction lies primarily in the part(s) controlled by the individual vendors as these include anything supply-, and customer contact related as well as onsite product presentation.

The primary challenges then become finding effective and efficient ways to bridge the gap in psychic distance to assure a satisfactory transaction experience on both sides of the platform while incurring as few extra costs as possible.

AliExpress initially implemented a feedback system similar to the one used domestically in China (as well as by foreign competition) but as I have showed, this system does not work to prevent dissatisfaction due to the prevalence of the brushing industry in China. AliExpress' 2014 platform transition towards a more B2C oriented model was also ineffective in bringing the average rating close to that of Amazon and eBay. First of all the changes had both positive and negative effects in terms of the attractiveness of brushing. Secondly, although the changes were likely efficient in combatting fraudulent and reneging vendors on the platform it did little to bring the remaining parties closer together in terms of psychic distance. The continuous stream of negative 3rd party review site ratings concerning perceived fraudulence among vendors as well as frequent discussions on fraudulent sellers on AliExpress vendor forums is a strong indication of the ineffectiveness of these changes. Instead it seems that misalignments between expectation and reality of Western buyers are causing PCV. I found these misalignments to likely stem from a

comparative lack of pre-purchase product research due to strict commercial regulations, a prevalence for bricks & clicks shopping, high trust propensity and low context communication – in Western buyers. These differences lead to the absence of another important feature in Chinese online shopping; pre-purchase communication. This communication in a Chinese setting helps to establish trust, establish the boundaries of the physical and psychological contract expectations as well as conveying high-context information about the products at hand. Seeing as both sides act based on domestic inertia with little knowledge of understanding of the perspective of the other the customer ends up disappointed. Communication is furthermore complicated by semantic noise and cultural barriers due to linguistic and cultural differences. A few initiatives have recently been launched by AliExpress to attempt to make up for the gap in psychic distance. The establishment of iTao – a social platform centered on fashion and online shopping, as well as collaboration with various social media celebrities may help AliExpress bridge the gap by teaching users how to use AliExpress through their favorite bloggers. Will people who need these teachings be coming to this platform however? And will the teachings even work? Could there be a way to help provide the vendors the knowledge needed to help become true born globals? Additionally, what might the effect of AliExpress and its vendors' shared Chinese nationality be? Time and further research will be needed to tell – as of now however, AliExpress likely has to find a quicker way to help bridge this cultural gap without ruining their existing success in Russia and Brazil.

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Appendices

Appendix 1: eBay Traffic by Country and Amazon Traffic by Country

eBay Traffic by Country (desktop)

Total Traffic (desktop + mobile)
May 2016 - Oct 2016
1.1Bn
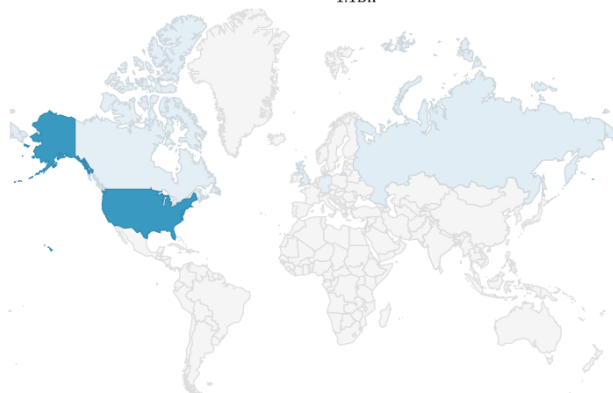
🇺🇸 United States	**60.29%**	⌄ 1.20%
🇷🇺 Russia	**2.96%**	⌃ 6.76%
🇬🇧 United Kingdom	**2.69%**	⌃ 6.59%
🇨🇦 Canada	**2.14%**	⌃ 1.93%
🇩🇪 Germany	**1.59%**	⌃ 13.25%

Amazon.com Traffic by Country (desktop)

Total Traffic (desktop + mobile)
May 2016 - Oct 2016
2.3Bn
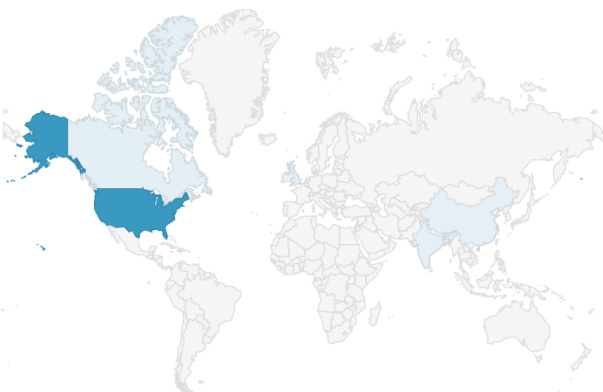
🇺🇸 United States	**71.23%**	⌃ 2.51%
🇬🇧 United Kingdom	**2.06%**	⌃ 2.83%
🇨🇦 Canada	**1.80%**	⌃ 0.51%
🇮🇳 India	**1.67%**	⌃ 10.60%
🇨🇳 China	**1.57%**	⌃ 8.93%

Appendix 2: Comparative ratings of AliExpress, eBay and Amazon from Trustpilot.com and ResellerRatings.com (August 4th, 2016)
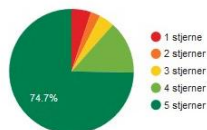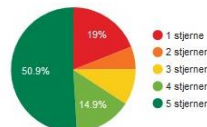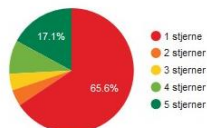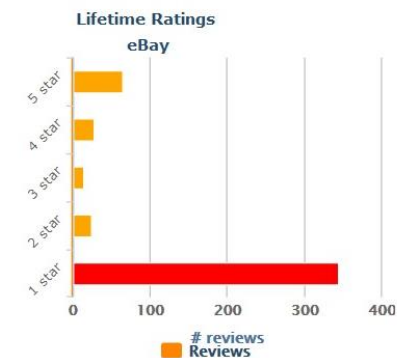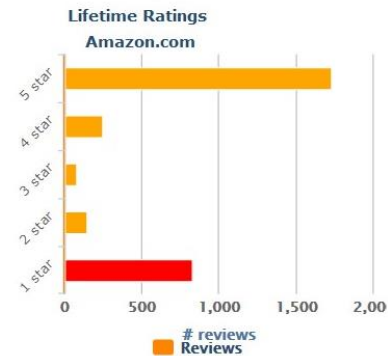
Q1 What is your age?

Answered: 130   Skipped: 0
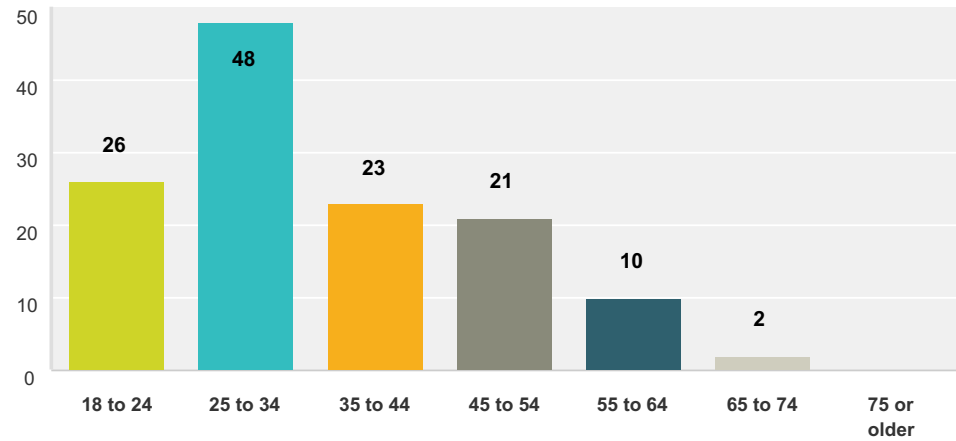
Answer Choices	Responses	
18 to 24	**20.00%**	26
25 to 34	**36.92%**	48
35 to 44	**17.69%**	23
45 to 54	**16.15%**	21
55 to 64	**7.69%**	10
65 to 74	**1.54%**	2
75 or older	**0.00%**	0
Total		**130**

Q2 What is your gender?

Answered: 130   Skipped: 0
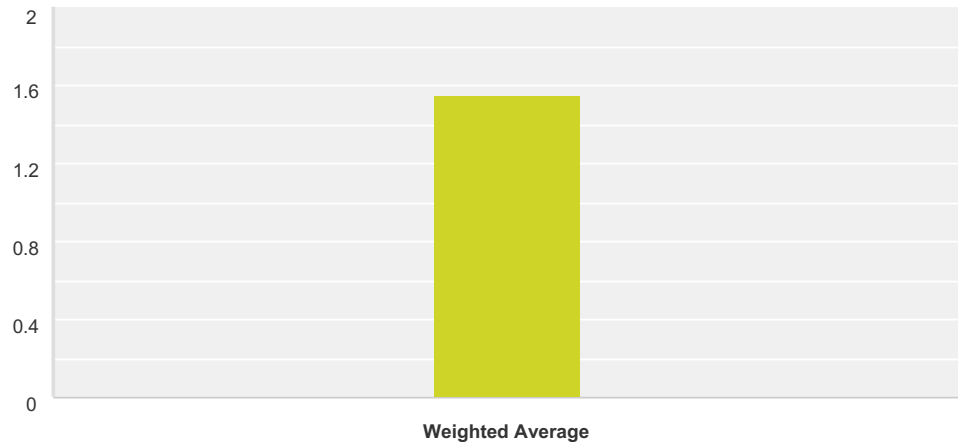
Answer Choices	Responses	
Female	**44.62%**	58
Male	**55.38%**	72
Total		**130**

Q3 What is your nationality?

Answered: 57   Skipped: 73

Weighted Average
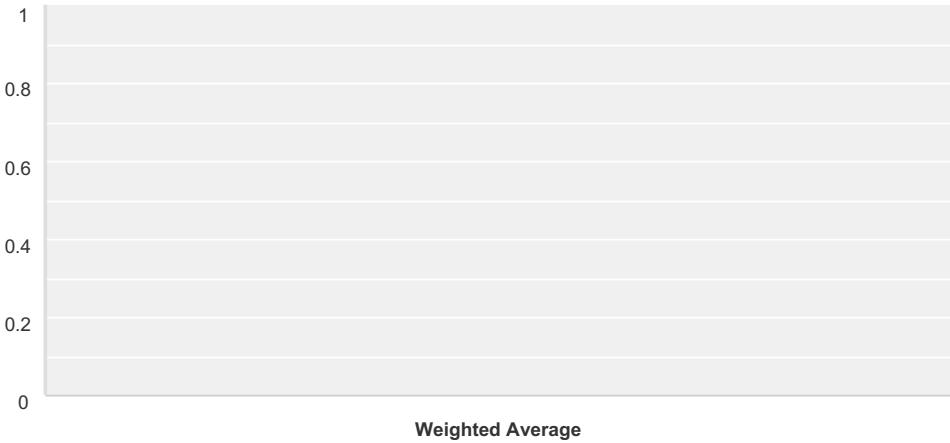
Answer Choices	Responses	
American	**100.00%**	57
Total		**57**

Q4 I consider products produced in certain countries to generally be of higher/lower quality than similar products produced in other countries

Answered: 126   Skipped: 4

Weighted Average
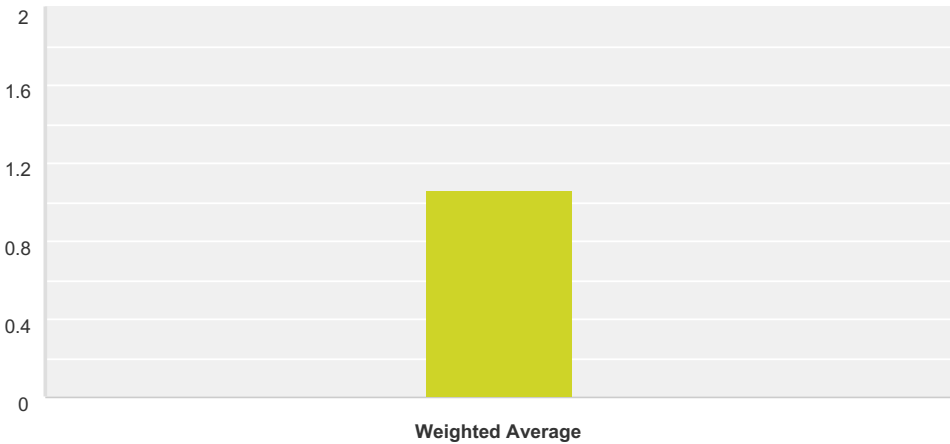
Answer Choices	Responses	
True	**93.65%**	118
False	**6.35%**	8
Total		**126**

Q5 I consider products produced in _____ to generally be of high quality.

Answered: 101   Skipped: 29

**Q6 I consider products produced in
_____ to generally be of low quality.**

Answered: 102   Skipped: 28

Q7 I consider companies from _____ to generally be trustworthy

Answered: 99   Skipped: 31

Q8 I consider companies from _____ to generally be untrustworthy

Answered: 92   Skipped: 38

Q9 Germany

Answered: 97   Skipped: 33
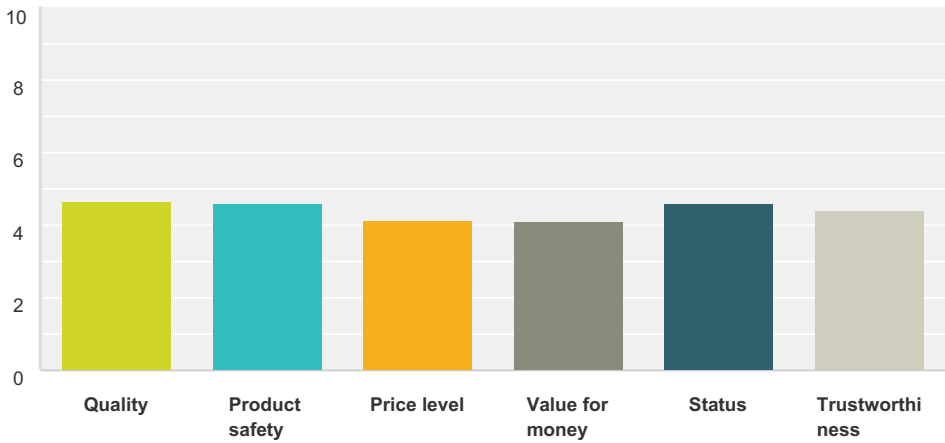
	1	2	3	4	5	N/A	Total	Weighted Average
Quality	3.09% 3	0.00% 0	0.00% 0	23.71% 23	71.13% 69	2.06% 2	97	4.63
Product safety	3.09% 3	0.00% 0	1.03% 1	25.77% 25	68.04% 66	2.06% 2	97	4.59
Price level	1.03% 1	9.28% 9	10.31% 10	27.84% 27	45.36% 44	6.19% 6	97	4.14
Value for money	0.00% 0	5.15% 5	13.40% 13	43.30% 42	35.05% 34	3.09% 3	97	4.12
Status	2.06% 2	1.03% 1	1.03% 1	23.71% 23	65.98% 64	6.19% 6	97	4.60
Trustworthiness	3.09% 3	2.06% 2	5.15% 5	29.90% 29	57.73% 56	2.06% 2	97	4.40

Q10 The United States
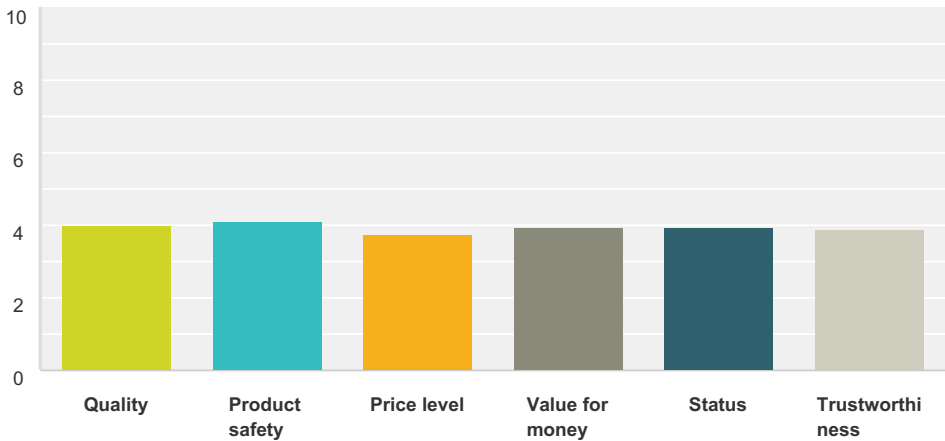
	1	2	3	4	5	N/A	Total	Weighted Average
Quality	0.00% 0	3.09% 3	24.74% 24	38.14% 37	32.99% 32	1.03% 1	97	4.02
Product safety	1.03% 1	4.12% 4	20.62% 20	30.93% 30	41.24% 40	2.06% 2	97	4.09
Price level	1.03% 1	5.15% 5	36.08% 35	29.90% 29	24.74% 24	3.09% 3	97	3.74
Value for money	0.00% 0	6.19% 6	23.71% 23	35.05% 34	32.99% 32	2.06% 2	97	3.97
Status	1.03% 1	2.06% 2	24.74% 24	40.21% 39	26.80% 26	5.15% 5	97	3.95
Trustworthiness	1.03% 1	6.19% 6	27.84% 27	28.87% 28	34.02% 33	2.06% 2	97	3.91

Q11 **Russia**

Answered: 97   Skipped: 33
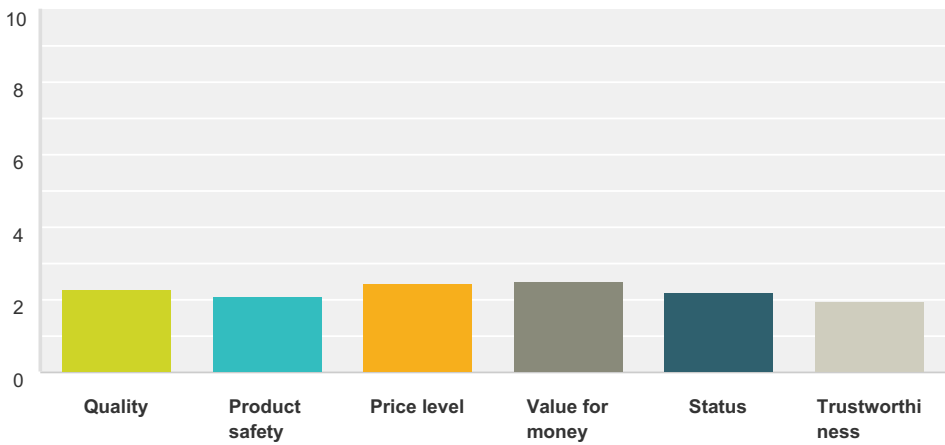
	1	2	3	4	5	N/A	Total	Weighted Average
Quality	**15.46%** 15	**35.05%** 34	**27.84%** 27	**7.22%** 7	**0.00%** 0	**14.43%** 14	97	2.31
Product safety	**25.77%** 25	**30.93%** 30	**20.62%** 20	**3.09%** 3	**2.06%** 2	**17.53%** 17	97	2.09
Price level	**11.34%** 11	**27.84%** 27	**21.65%** 21	**7.22%** 7	**2.06%** 2	**29.90%** 29	97	2.44
Value for money	**13.40%** 13	**22.68%** 22	**26.80%** 26	**10.31%** 10	**1.03%** 1	**25.77%** 25	97	2.50
Status	**22.68%** 22	**34.02%** 33	**18.56%** 18	**8.25%** 8	**2.06%** 2	**14.43%** 14	97	2.22
Trustworthiness	**27.84%** 27	**40.21%** 39	**14.43%** 14	**1.03%** 1	**2.06%** 2	**14.43%** 14	97	1.94

Q12 China

Answered: 97   Skipped: 33
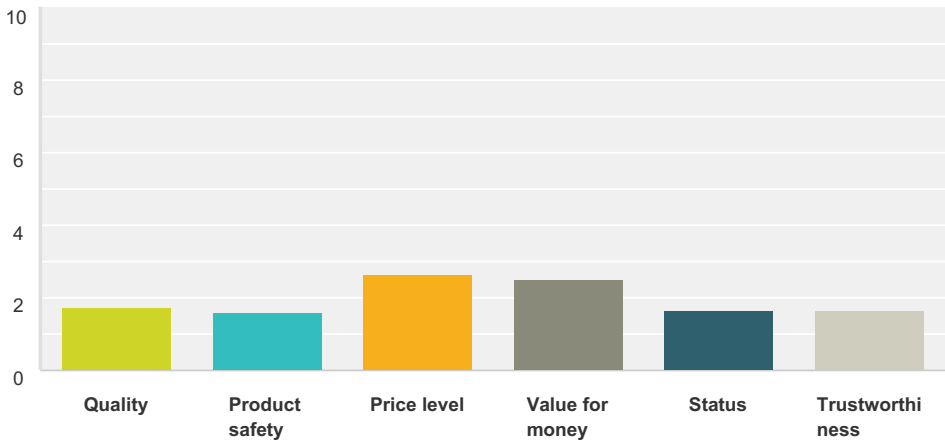
	1	2	3	4	5	N/A	Total	Weighted Average
Quality	**56.70%** 55	**21.65%** 21	**12.37%** 12	**4.12%** 4	**3.09%** 3	**2.06%** 2	97	1.73
Product safety	**61.86%** 60	**20.62%** 20	**10.31%** 10	**1.03%** 1	**3.09%** 3	**3.09%** 3	97	1.59
Price level	**44.33%** 43	**8.25%** 8	**8.25%** 8	**8.25%** 8	**26.80%** 26	**4.12%** 4	97	2.63
Value for money	**28.87%** 28	**20.62%** 20	**26.80%** 26	**14.43%** 14	**7.22%** 7	**2.06%** 2	97	2.49
Status	**57.73%** 56	**19.59%** 19	**11.34%** 11	**3.09%** 3	**2.06%** 2	**6.19%** 6	97	1.64
Trustworthiness	**56.70%** 55	**22.68%** 22	**14.43%** 14	**3.09%** 3	**1.03%** 1	**2.06%** 2	97	1.66

Q13 India

Answered: 97   Skipped: 33
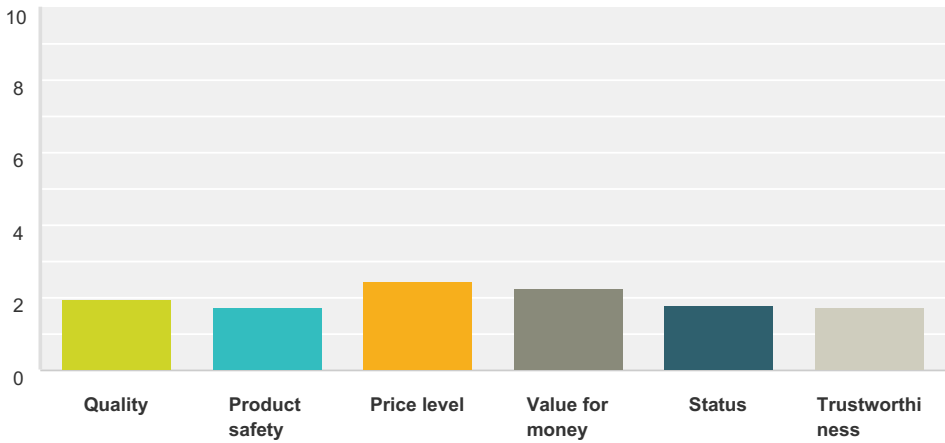
	1	2	3	4	5	N/A	Total	Weighted Average
Quality	**28.87%** 28	**41.24%** 40	**17.53%** 17	**3.09%** 3	**0.00%** 0	**9.28%** 9	97	1.94
Product safety	**37.11%** 36	**41.24%** 40	**8.25%** 8	**3.09%** 3	**0.00%** 0	**10.31%** 10	97	1.75
Price level	**26.80%** 26	**27.84%** 27	**11.34%** 11	**12.37%** 12	**10.31%** 10	**11.34%** 11	97	2.45
Value for money	**21.65%** 21	**31.96%** 31	**28.87%** 28	**5.15%** 5	**2.06%** 2	**10.31%** 10	97	2.26
Status	**35.05%** 34	**39.18%** 38	**13.40%** 13	**2.06%** 2	**0.00%** 0	**10.31%** 10	97	1.80
Trustworthiness	**40.21%** 39	**36.08%** 35	**13.40%** 13	**2.06%** 2	**0.00%** 0	**8.25%** 8	97	1.75

Q14 Saudi Arabia

Answered: 97   Skipped: 33
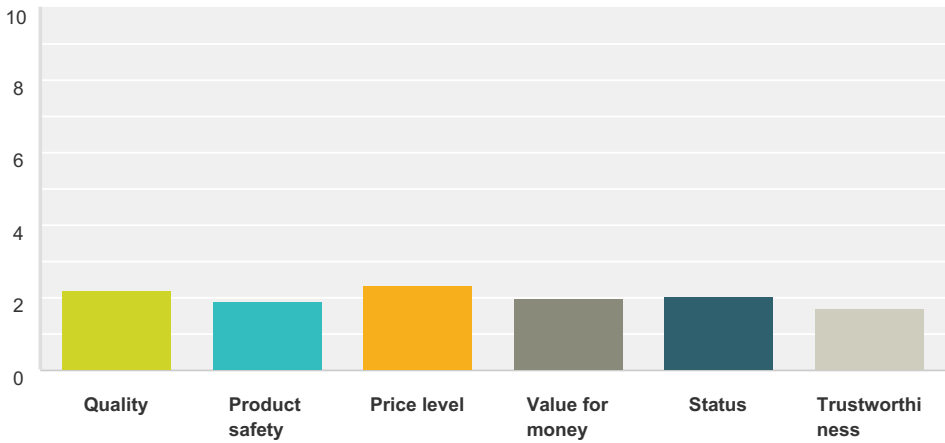
	1	2	3	4	5	N/A	Total	Weighted Average
Quality	**19.59%** 19	**19.59%** 19	**17.53%** 17	**7.22%** 7	**0.00%** 0	**36.08%** 35	97	2.19
Product safety	**30.93%** 30	**16.49%** 16	**9.28%** 9	**7.22%** 7	**0.00%** 0	**36.08%** 35	97	1.89
Price level	**19.59%** 19	**10.31%** 10	**15.46%** 15	**8.25%** 8	**2.06%** 2	**44.33%** 43	97	2.33
Value for money	**22.68%** 22	**16.49%** 16	**13.40%** 13	**5.15%** 5	**0.00%** 0	**42.27%** 41	97	2.02
Status	**27.84%** 27	**21.65%** 21	**13.40%** 13	**9.28%** 9	**0.00%** 0	**27.84%** 27	97	2.06
Trustworthiness	**42.27%** 41	**12.37%** 12	**14.43%** 14	**3.09%** 3	**0.00%** 0	**27.84%** 27	97	1.70

Q15 South Korea

Answered: 97   Skipped: 33
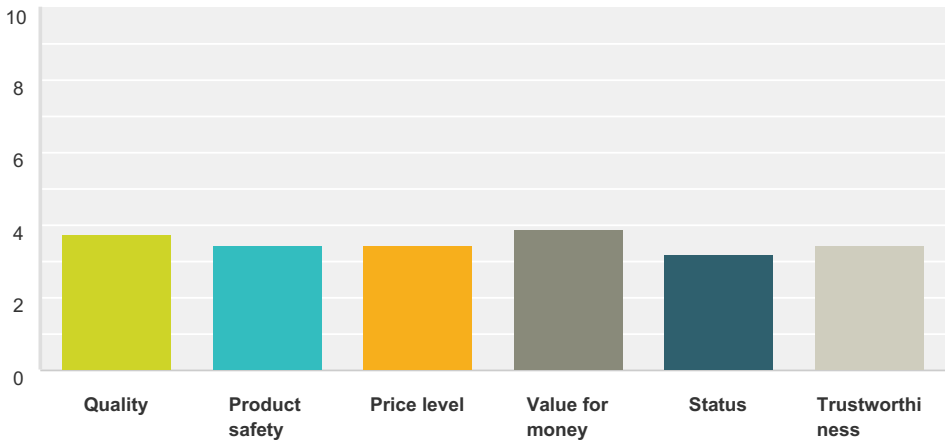
	1	2	3	4	5	N/A	Total	Weighted Average
Quality	3.09% 3	3.09% 3	22.68% 22	46.39% 45	14.43% 14	10.31% 10	97	3.74
Product safety	3.09% 3	7.22% 7	34.02% 33	36.08% 35	8.25% 8	11.34% 11	97	3.44
Price level	1.03% 1	4.12% 4	42.27% 41	28.87% 28	8.25% 8	15.46% 15	97	3.46
Value for money	3.09% 3	3.09% 3	15.46% 15	44.33% 43	22.68% 22	11.34% 11	97	3.91
Status	4.12% 4	9.28% 9	48.45% 47	23.71% 23	5.15% 5	9.28% 9	97	3.18
Trustworthiness	4.12% 4	6.19% 6	29.90% 29	42.27% 41	6.19% 6	11.34% 11	97	3.45

Q16 Please rank the following brand names in order of trustworthiness (1 being the best). If you are unfamiliar with a name simply go by gut-feeling.

Answered: 90   Skipped: 40
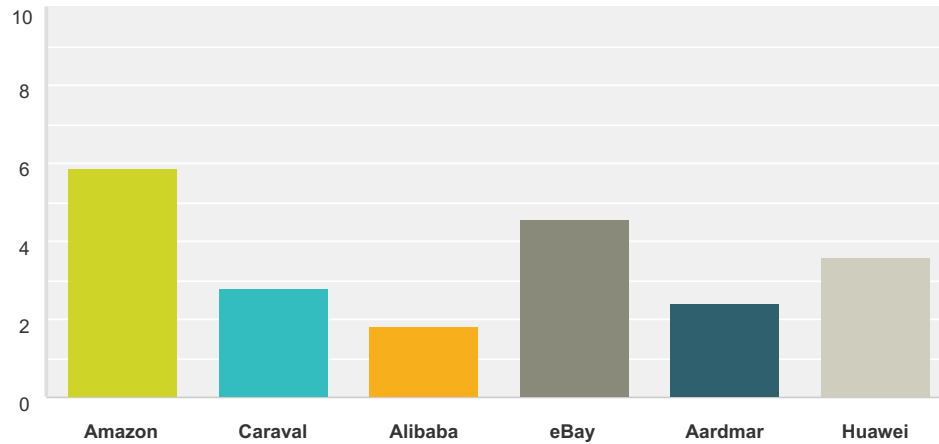
	1	2	3	4	5	6	Total	Score
Amazon	90.00% 81	7.78% 7	1.11% 1	0.00% 0	1.11% 1	0.00% 0	90	5.86
Caraval	0.00% 0	10.00% 9	18.89% 17	23.33% 21	34.44% 31	13.33% 12	90	2.78
Alibaba	0.00% 0	0.00% 0	6.67% 6	21.11% 19	17.78% 16	54.44% 49	90	1.80
eBay	4.44% 4	65.56% 59	15.56% 14	12.22% 11	1.11% 1	1.11% 1	90	4.57
Aardmar	1.11% 1	1.11% 1	13.33% 12	31.11% 28	28.89% 26	24.44% 22	90	2.41
Huawei	4.44% 4	15.56% 14	44.44% 40	12.22% 11	16.67% 15	6.67% 6	90	3.59

Q17 Which of these brand names were you familiar with prior to participating in this survey?
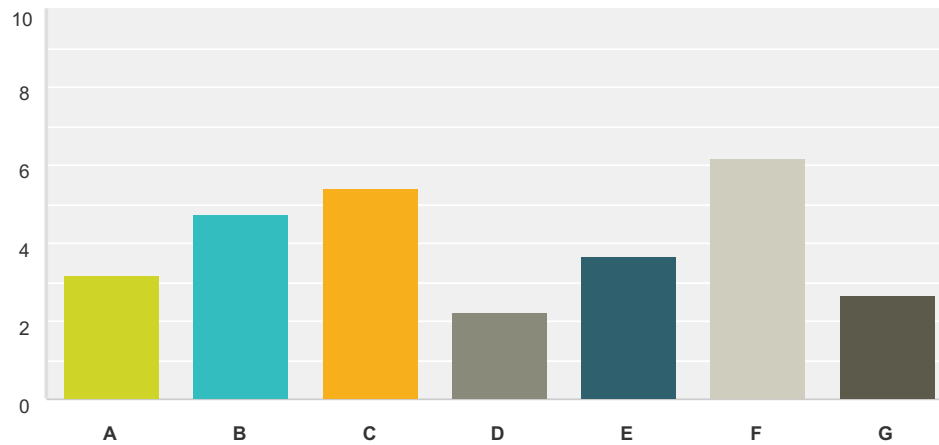
Answered: 90   Skipped: 40
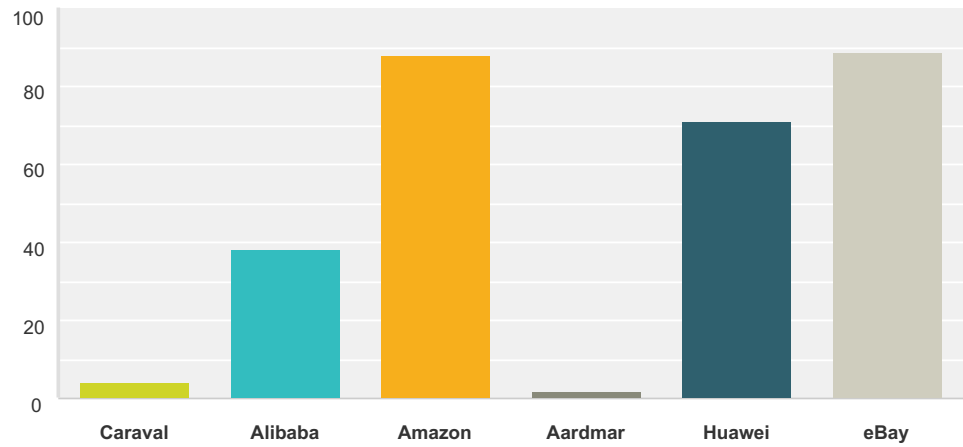
Answer Choices	Responses	
Caraval	**4.44%**	4
Alibaba	**42.22%**	38
Amazon	**97.78%**	88
Aardmar	**2.22%**	2
Huawei	**78.89%**	71
eBay	**98.89%**	89
Total Respondents: 90		

Q18 Please rank the logos in the picture above in order of perceived trustworthiness with 1 being the highest rank (if you are unfamiliar with a logo, simply go by gut-feeling)
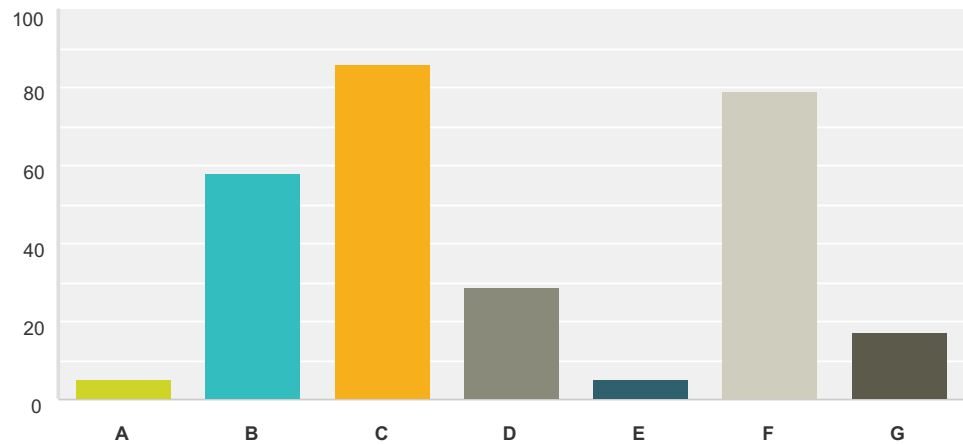
Answered: 90   Skipped: 40

	1	2	3	4	5	6	7	Total	Score
A	5.56% 5	4.44% 4	10.00% 9	18.89% 17	16.67% 15	28.89% 26	15.56% 14	90	3.14
B	7.78% 7	22.22% 20	33.33% 30	20.00% 18	8.89% 8	6.67% 6	1.11% 1	90	4.76
C	6.67% 6	46.67% 42	31.11% 28	11.11% 10	3.33% 3	1.11% 1	0.00% 0	90	5.39
D	0.00% 0	4.44% 4	2.22% 2	12.22% 11	20.00% 18	14.44% 13	46.67% 42	90	2.22
E	5.56% 5	7.78% 7	11.11% 10	28.89% 26	25.56% 23	14.44% 13	6.67% 6	90	3.69
F	66.67% 60	14.44% 13	7.78% 7	0.00% 0	3.33% 3	6.67% 6	1.11% 1	90	6.17
G	7.78% 7	0.00% 0	4.44% 4	8.89% 8	22.22% 20	27.78% 25	28.89% 26	90	2.63

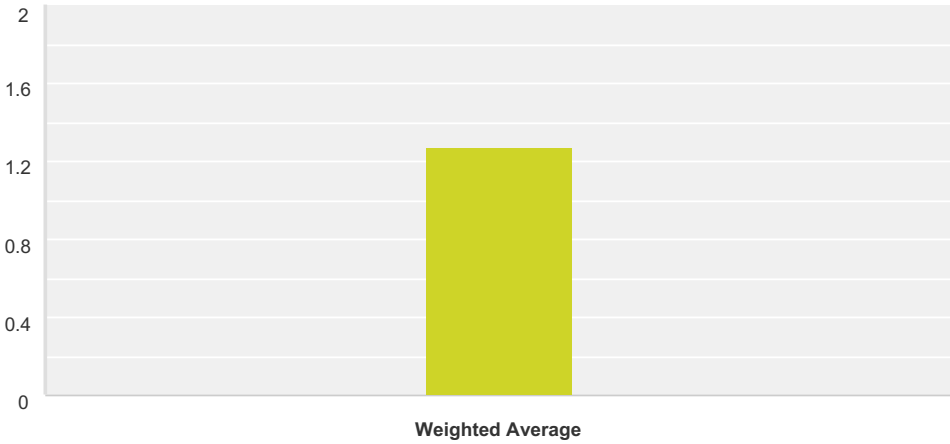## Q19 Which of these logos were you familiar with prior to participating in this survey?

Answered: 88   Skipped: 42

Answer Choices	Responses	
A	**5.68%**	5
B	**65.91%**	58
C	**97.73%**	86
D	**32.95%**	29
E	**5.68%**	5
F	**89.77%**	79
G	**19.32%**	17
Total Respondents: 88		

Q20 Do you worry about the legitimacy of sellers/products when buying products online?

Weighted Average

Answer Choices	Responses	
Yes	**72.22%**	65
No	**27.78%**	25
Total		**90**

Q21 Which of the following means (if any) do you use to ensure the legitimacy of a site/seller when shopping online? (It is possible to give multiple answers)

Answered: 89   Skipped: 41

Answer Choices	Responses	
Third party review sites (i.e. sites that are NOT related to the site/seller that you are considering buying from)	50.56%	45
Social media comments about the site/seller (either on their own page or independent pages)	46.07%	41
Advice from friends or family	55.06%	49
On-site ratings/comments by previous customers (for individual sellers on sites such as eBay etc.)	76.40%	68
None	20.22%	18
Total Respondents: 89		

## Q22 According to you, please rate the following means of ensuring the legitimacy of a website when shopping online:

Answered: 89 Skipped: 41
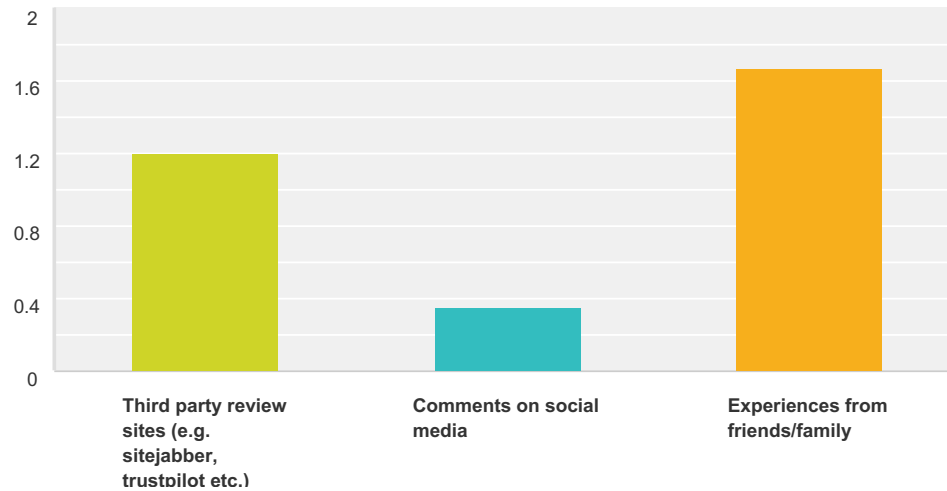
	Very untrustworthy	Untrustworthy	Trustworthy	Very trustworthy	Total	Weighted Average
Third party review sites (e.g. sitejabber, trustpilot etc.)	0.00% 0	5.62% 5	62.92% 56	31.46% 28	89	1.20
Comments on social media	5.62% 5	31.46% 28	48.31% 43	14.61% 13	89	0.35
Experiences from friends/family	0.00% 0	2.25% 2	25.84% 23	71.91% 64	89	1.67

Q23 Please rate the following means of ensuring the legitimacy of a seller/product when shopping online: (on sites such as eBay, Amazon, AliExpress etc.)

Answered: 89   Skipped: 41
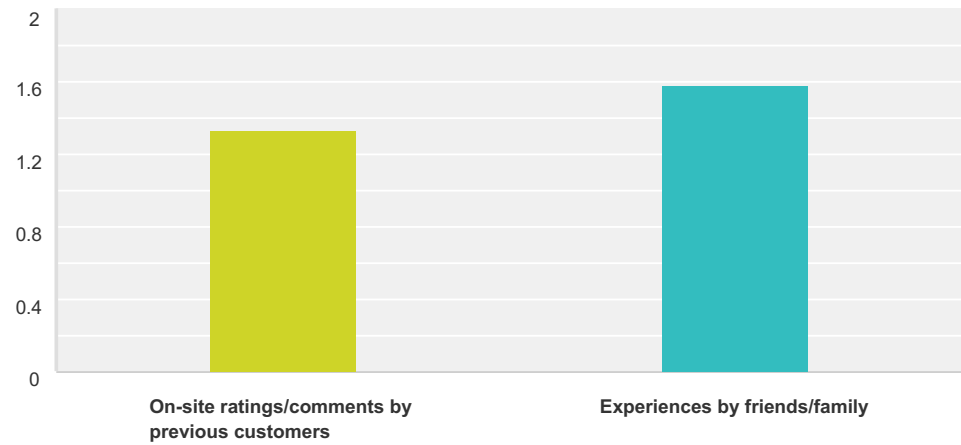
	Very untrustworthy	Untrustworthy	Trustworthy	Very trustworthy	Total	Weighted Average
On-site ratings/comments by previous customers	**3.37%** 3	**7.87%** 7	**30.34%** 27	**58.43%** 52	89	1.33
Experiences by friends/family	**2.25%** 2	**1.12%** 1	**29.21%** 26	**67.42%** 60	89	1.58