

CHINA -

AMAZON GIVES UP



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#1 - What happened ?

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In mid-2019, Amazon partially withdrew from the Chinese market.

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Competition from *Alibaba* and *JD.com* was too strong for the American firm, which was unable to really break into the market.

Several factors explain the reason for this failure,
we will address them in this presentation.

#2 – Where the mistakes were made

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Just as McKinsey expected to successfully establish itself in Europe in the 1950s thanks to its reputation, Amazon expected to harness its power in Western markets in China. But Amazon suffered from the **liability of foreignness**, and remained a **"stranger in a strange land"**...

Amazon has **no major competitive advantage** in China over its domestic competitors. Unless someone is looking for a very specific imported product that cannot be found elsewhere, there is no reason for a consumer to choose Amazon because they will not be able to ship things as quickly or as cheap as Alibaba (Tmall) or JD.com already does.

#3 – According to the theory

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Not all firms can internationalize.

Only companies with a real and significant competitive advantage on their product(s)/service(s) can hope to break into a foreign market.

1. Cultural Factors Tastes Attitudes Behavior Social Norms	2. Commercial Factors Distribution Customization Responsiveness
3. Technical Factors Standards Spatial Presence Transportation Language	4. Legal Factors Regulation National Security Issues

In addition, many factors can make implementation difficult.
Many of these are listed on the table above.

#4 – What we can learn from it

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Putting aside the economic climate, China is not an easy target, and many large Western companies are experiencing difficulties there. For example, Walmart sold its Chinese online shopping platform to JD.com in 2016 (in exchange for a stake in JD.com). In the same idea, the American internet majors - Google, Facebook, Netflix - are establishing themselves there with greater difficulty than elsewhere.

The difficulty of setting up in a new country without a significant comparative advantage is quite common, but very pronounced in a country such as China, which **already has very powerful industry leaders** and a **very different culture** from Western culture.

The willingness to export internationally is not enough, a **strategy is needed** to maximize the chances of success.