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ANALYSIS OF JINGDONG MALL'S INTERNATIONALIZATION STRATEGY

Abstract: *Jingdong, as China's top-ranked e-commerce platform, is gradually moving towards the internationalization route. Its internationalization strategy is mainly to develop overseas markets through investment and M&A and self-construction. Jingdong has expanded the influence of its brands in Southeast Asia through investment and M&A, while in Europe and the United States, it is fully committed to self-construction. Jingdong also enhances brand awareness in overseas markets by cooperating with multinational brands and launching co-branded products. Although Jingdong has achieved some success, there are still some problems. Brand awareness overseas is not enough, the proportion of overseas sales is low, the scope of overseas expansion is small, as well as Jingdong's brand public relations ability to be examined. It is suggested that the brand's competitiveness in the overseas market can be enhanced by increasing brand publicity to improve brand awareness overseas; increasing the proportion of overseas sales and expanding the scope of overseas expansion, as well as strengthening the brand's public relations ability.*

Keywords: *Internationalization Strategy; Jingdong; PEST*

I. Introduction

With the internationalization of the Internet and the continuous development of economic informatization, e-commerce is gradually entering people's lives and influencing their lifestyles. Jingdong, a comprehensive e-commerce company ranking first in China, is following the economic trend of the times towards internationalization. But what kind of internationalization strategy has made it grow so fast and achieve success. Han Jie (2018)¹ believed that the layout of Amazon's internationalization strategy, which is mainly globalized by investing in and acquiring other overseas companies. Huang Manjia (2017)² analyzed Alibaba's development strategy of taking the internationalization path, and proposed that Alibaba is expanding by taking the multi-country strategy as the core direction and then replicating the model to export globally. With Japan as the benchmark of buyer market model and India as the representative of seller market model, the right model is exported and replicated to the world after doing well in these two markets. From the literature, it is found that some scholars analyzes the internationalization strategy of the e-commerce platform a lot, and the internationalization strategy of the previous e-commerce platform is generally the way of cross-border mergers and acquisitions, gradually achieve globalization. However, Jingdong's internationalization strategy is special and

¹ Han Jie.(2018). Study on the international development of cross-border e-commerce in China. *Capital University of Economics and Trade*,2018.

² Huang Manjia.(2017). Research on the internationalization strategy of Chinese e-commerce enterprises. *Chongqing University*,2017.

the analysis of its internationalization strategy is more representative. This paper aims to analyze the current internationalization development strategy of Jingdong Mall and makes additional suggestions for its internationalization strategy. With the start of analyzing the current situation of Jingdong's internationalization, the environment of Jingdong's internationalization by using PEST analysis, and briefly discusses Jingdong's internationalization strategy and problems, finally, it puts forward corresponding internationalization development suggestions.

II. Current status of brand internationalization in Jingdong Mall

1. Rapid increase in brand value but low total value

According to the brandz global brand value report, we can see that Jingdong is the fastest increasing brand value in the world, at 174%, which is much higher than the average change of the top 100 brands, but the brand value is still much lower than older brands like Google and Amazon. Jingdong's three years of such rapid brand value improvement is mainly due to its logistics experience, which is greatly differentiated from consumers due to its ability to better control the quality and authenticity of its goods through self-operated logistics. Rarely, Jingdong uses a lot of drones, which is very helpful for entering the low-end market; when delivering luxury goods, Jingdong couriers have to wear white gloves, etc., which makes the brand "meaningful", "differentiated" and "prominent". The brand's "meaningfulness," "differentiation" and "prominence" are all increasing very quickly.

Jingdong Three-year Brand Value Change Index

	2015	2018	changes	Average change of top 100 brands
Brand Value	\$7649 million	\$20933 million	+174%	+34%
Brand Power	132	174	+42	-3
Brand Premium	107	107	0	0
Brand Potential	106	144	+38	+2
Meaningfulness	114	175	+61	+1
Differentiation	132	160	+28	+2
Prominence	93	151	+58	+3

Source: BrandZ/Kantar Millward Brown³

2. Small geographical area for brand diffusion

Jingdong and Amazon benchmarking analysis——Geographic level.

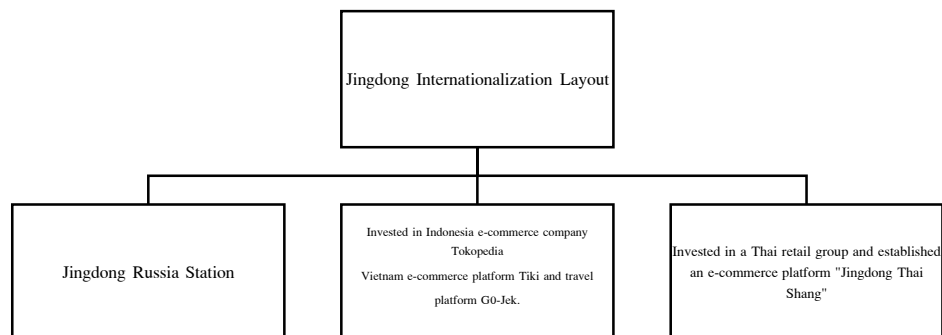
Amazon has spread widely, with layouts in North America (Canada, the United States, Mexico); South America (Brazil); Europe (Britain, France, Germany, Italy, Spain, Turkey and 50 other countries); Asia (China, India, Japan); Australia (Australia), etc., with a large degree of branding.



Jingdong currently spreads a relatively small range, mainly concentrated in

³ <https://www.kantar.com/>

the Asian segment, so it is a regional brand, less influential than the Amazon brand.



3. Good prospects for diverse brand models

Jingdong has invested in some foreign companies, but since these companies have limited influence internationally, they are of limited help to enhance Jingdong's brand value. At present, Jingdong is still in the stage of creating its own brand, which is slow to appreciate, but has good strategic prospects. With its excellent global intelligent supply chain system, it is bound to enhance its international influence and brand value through the "golden sign" of Jingdong Logistics.

III Analysis of Jingdong brand internationalization environment

1. Southeast Asia Environmental Analysis

The Southeast Asia region has the advantages of stable political environment, sound legal system and good economic environment, but inevitably, there are also risks such as changing policies, territorial disputes and "China threat theory". With the establishment of the Sino-ASEAN Free Trade Area Cooperation, the whole big market will be opened up and the space for Chinese investment development will be widened, so that Chinese brand enterprises can

further "go out".

Southeast Asia has a fast economic growth rate and a large market potential. At present, the Southeast Asian market is a process of economic upturn, with an average GDP growth rate of about 5%. Nielsen forecasts that the number of middle-class consumers in ASEAN countries (including 10 Southeast Asian countries) will grow from 190 million in 2012 to 400 million by 2020; Internet users in the region are growing, with 130 million users owning smartphones and 200 million Internet users, the number of Internet users is expected to reach 600 million by 2025; According to Google and Temasek Holdings research, overall e-commerce sales in Southeast Asia are projected to grow to \$88 billion by 2025, which would represent 6 percent of total retail sales in Southeast Asia.

In the 600 million population of Southeast Asia, the number of young people accounts for about 60% of the total population. Google and Temasek Holdings have conducted field research, which indicates that there are about 260 million Internet users in Southeast Asia, with more than 3.8 million monthly active users, and at this trend, the number of Internet users is expected to increase to 480 million by 2020. This represents a good prospect for the development of the "Internet economy" in Southeast Asia, which is expected to grow from \$31 billion in 2015 to \$200 billion by 2025. Despite its low e-commerce penetration rate of 3%, the Southeast Asian market is an incremental market that is already favored by the world's major e-commerce platforms. Geographically bordering China's borders and geographically very similar to China's language and culture,

the Belt and Road art effect is very obvious. There are nearly 50-60 million Chinese overseas Chinese in the world, and they already account for 70-75% of the total in Southeast Asia, and they play a leading role in the economy of Southeast Asia.

The infrastructure development in Southeast Asia is uneven. General infrastructure development includes the stability of electricity supply, water supply, convenience of communication, developed transportation, and convenient storage services. In general, in the whole Southeast Asia region, Singapore has the best infrastructure, followed by Malaysia and Thailand, while other countries are relatively backward. Therefore, we need to consider the overall environment of investment and make policies according to local conditions.

2.Euro-American Environment Analysis

The political environment in Europe and the United States is politically stable, and the laws and regulations are more sound and complete than those in other regions, but the trade policies are complicated and changeable, also the "China threat theory" makes European and American countries implement trade protectionist policies, so it is difficult for Chinese enterprises to enter.

The European and American markets are large in capacity and have the world's largest consumer goods market. Market acceptance in Europe and the United States is strong, the gap between rich and poor in Europe and the United States market is large, different income classes constitute different consumer

market segments with large scale. Goods from all over the world can receive the love of the European and American markets. It is not limited to the quality of the product itself, but also has certain requirements for the packaging, product description and after-sales quality. The European and American markets are basically monopolized by the Amazon platform, and it is difficult to enter this mature market. With strong consumption power, the European and American markets have high per capita income, with an annual per capita income of more than \$30,000. The per capita consumption awareness is strong, less savings, overspending way is preferred by them, many people have credit cards, or even have several. The consumption is relatively fast to replace, not because the old one is broken. They like to pursue new things, and have a strong ability to accept the speed of environmental change.

Besides that, Europe and America have the best universities in the world and the best technical talents, which are of great help to Jingdong's R&D. Europe and America have perfect infrastructure and very good network services, which are beneficial to the development of e-commerce.

IV. Jingdong Brand Internationalization Strategy

Jingdong's brand internationalization strategy has chosen a middle way approach, investing in the acquisition of Southeast Asian markets while making every effort to build its own European and American markets to expand the global influence of its own brand. The internationalization model of Jingdong brand is mainly a combination of the acquisition brand model and the

self-created brand model. Due to the special nature of e-commerce enterprises, they cannot use the labeling model, use the distributor model less, as well as a comprehensive consideration of the current situation of Jingdong, concluded that Jingdong has not yet grown into a well-known brand, lack of recognition, need to quickly enter the market, Jingdong more suitable model is based on the acquisition of brand path and the combination of self-created brand model.

1. Investment and M&A in Southeast Asia market

Southeast Asia is the "next windfall" for cross-border e-commerce because of its stable political situation, fast economic development and high market potential. Under the background of "One Belt, One Road" policy, Jingdong has implemented mergers and acquisitions and invested in Southeast Asian markets, including Thailand, Indonesia and Vietnam, and exported successful e-commerce models proven in the domestic market. For example, at the end of 2017, Jingdong invested in Tiki, a Vietnamese e-commerce platform, and made it clear that it would cooperate with Tiki in two-way cooperation on sales, cross-border trade, logistics, finance, technology, and operation in the future. A few years ago, Jingdong began to layout in Indonesia, investing in Indonesian e-commerce Tokopedia, and in 2018, it set up a joint venture with Thailand's Shangtai Group, trying to work together to build an emerging Southeast Asian online retail platform. it also invested in GO-Jek, a travel and life service platform and Traveloka, a travel e-commerce platform in November 2017.

Since there is no super giant like "Amazon" in Southeast Asia, M&A is a

very quick way to enter the market faster than other e-commerce platforms. On the one hand, it saves a lot of time and cost to grab market share, and on the other hand, it can better understand consumers through host companies, design e-commerce products that meet the consumption habits of Southeast Asian market, customize and push products, and prepare for the localization of regional brands by Jingdong.

2.To Build its own European and American Markets

Since the European and American markets already have such e-commerce giants as Amazon firmly in place, it is unrealistic to think and enter the Southeast Asian market by quickly occupying the market, so Jingdong should go all out to build itself, by playing to its strengths, in order to win consumers. Jingdong and Google and others to form an ecological alliance, so that it can be through the big data platform of Google's search technology. It is more intuitive to understand consumers and save costs.

Although the European and American markets have the advantages of mature economic development, strong market consumption capacity, and perfect laws and regulations. Also the European and American markets have been monopolized by Amazon which is a super giant. It is difficult for other platform-based companies to enter due to the lack of monopoly advantages. Therefore, Jingdong chooses the mode of building its own overseas warehouse with full force to win consumers and enhance its brand influence through the logistics supply chain advantage. The competitiveness of Jingdong's European

and American markets lies in its global intelligent supply chain management. We can see that the withdrawal of the United States from UPU and the "borderless retail" ecological alliance gives Jingdong a great opportunity. Amazon, ebay and other e-commerce companies that rely on UPU will see an increase in the overall operating costs of cross-border sellers due to the increase in logistics costs. On the contrary, Jingdong's overseas warehouse can attract a large number of consumers through the ultimate logistics experience, which is very helpful for brand internationalization. Backed by the significant policy benefits of imports, Jingdong has set up an overseas warehouse direct sourcing model, which can bring foreign goods into China and bring Chinese goods out with two-way brand nationalization in order to improve brand influence.

IV. Problems of Jingdong International Brand

1. Big pressure on capital chain of " overseas warehouse".

Jingdong logistics is an important weapon for Jingdong brand internationalization, and it has created an indelible contribution to its brand value enhancement with its ultimate customer experience, but it is undeniable that overseas warehouses are prone to unstable capital chain. Although Jingdong's advantage is its superior logistics provider capability, this advantage is also a disadvantage because overseas warehouses require a lot of expenses from construction to putting them into management operation. From the current salary level, the minimum salary requirement for overseas warehouse workers in the UK, Germany, Australia and other countries is \$3/hour, while the minimum

standard for warehouse workers in the U.S. is \$15/hour, compared to the domestic warehouse workers' wages, which are more than 5 times lower. In terms of warehouse leasing, rents are also high. In Germany, the cost of leasing overseas warehouses generally fluctuates between \$60 and \$100 per square meter per year; the rent of overseas warehouses in the United States is roughly in the range of \$100 to \$125; the rent of overseas warehouses in Australia is as high as \$130 per square meter per year, and if other expenses such as utilities are added, Jingdong is easily overwhelmed by the pressure of such a high capital chain, which is very risky.

2. Insufficient brand awareness overseas

Although Jingdong is already the second largest e-commerce platform in China, it lacks visibility and influence in the overseas market compared to older e-commerce platforms such as Amazon and Alibaba. The world-class cross-border e-commerce platforms have more competitive advantages in the global e-commerce market because they control more advanced technology and have strong capital. In recent years, Jingdong's brand competitiveness has increased extremely rapidly worldwide with its logistics advantages such as drone delivery and white glove high-end customization, with a 94% increase in brand value compared to last year, but there is still a huge gap compared to the world's leading e-commerce platform brands. In the field of domestic e-commerce platform, Alibaba has been the leader, rooted in the international market for many years, which is the biggest competitor of Jingdong, but there is

still an obvious gap between them.

3. Low percentage of overseas sales and small scope of overseas expansion

Jingdong's overseas sales ratio is still low compared to world-renowned e-commerce platforms. At present, Jingdong's sales mainly come from the domestic market, and its Hai Hoard Global has set up direct sourcing centers all over the world to bring good products from all over the world to China, and the audience is mainly Chinese consumers, while the overseas warehouse and investment layout are still in the initial stage, contributing limited sales. In contrast, Amazon has many years of experience in overseas brand development. After investing in and acquiring many enterprises to expand product categories, develop logistics, and improve AWS cloud services, overseas sales account for more than 60%, thus it has a very mature internationalization system strategy and has strong brand awareness around the world.

4. Jingdong's brand PR ability needs to be examined

Although Jingdong's management's personal problems (not excluding malicious attacks from competitors) and the bad impact on the company's image, Jingdong's PR team has not effectively curbed the spread of rumors about related information. With the economic cycle, there will inevitably be an Internet winter, and how to effectively and warmly reassure the company's employees is also something that internal PR needs to do. The PR team is an important guard to maintain the image of the company. Once some negative

news unfavorable to the company occurs, it should quickly and effectively guide the public speech to avoid the rapid expansion of the situation. Accordingly, the PR team should also try its best to promote positive corporate matters, establish a good brand image, and promote cross-cultural communication and integration of the company.

V. Suggestions for Jingdong's international brand

1. In response to the pressure of capital chain, make full use of the ecological alliance of "retail without borders" to reduce the cost of overseas warehouse. Learn from Wal-Mart's offline management system, optimize the process and reduce unnecessary expenses. At present, Jingdong's cooperation with borderless retailing is not deep enough, so we should strengthen the connection and increase the exposure of the company through Google's traffic search recommendation, improve the visibility of Jingdong and increase the brand value. The way of "cross-border e-commerce + new retail" is popular among consumers, so we can build a Jingdong-Walmart cooperative store, experience offline and place orders online, and retain customers through the ultimate logistics experience.

2. To address the problem of insufficient overseas awareness of Jingdong brand, we should promote brand awareness through new marketing methods. Emerging marketing methods, such as "social marketing", "video marketing", "Netflix marketing", etc., can help to attract consumers' attention, perceive shopping information and increase the desire to buy. Therefore, brand loyalty

can be increased. In the age of information explosion, social media has become indispensable in people's daily life, so Jingdong should increase the investment in advertising, video production and Netflix promotion, so as to increase the exposure of the platform and expand brand awareness.

3. Jingdong should try its best to polish the Southeast Asian market and the U.S. market, continuously learn from the experience and lessons learned, establish the Southeast Asian market and the U.S. as a model, and export and replicate the successful model in more countries, so that it can continuously increase the proportion of overseas sales and expand the number of target countries. We will continue to increase the proportion of overseas sales and expand the number of target countries, and march from the establishment of regional branding to global branding efforts.

4. To address the problem of Jingdong's public relations ability, they should build a good internal and external public relations team. Internal PR also should be guided by values to effectively convey the concept of PR to each department, to form a unanimous recognition, so that the whole team to establish a good brand marketing awareness. Internal PR should be guided by values to effectively convincingly convey the concept of PR to each department, so that the whole team can establish a good brand marketing awareness. The purpose of external PR is to improve the brand image and treat consumers, media and government with frank and transparent attitude and actions when a crisis occurs. In addition, it should do everything possible to recover the losses caused to

consumers and the brand; at the same time, it should pay attention to the promotion of positive corporate events to enhance consumers' good association with the brand in order to increase brand awareness.

VI. Conclusion

In conclusion, Jingdong has a good environment for international development, and the overall potential of the e-commerce market is huge and conducive to Jingdong's development. Jingdong's internationalization strategy takes into account its own situation with specific measures, and it has been put into practice with a better result of internationalization, however, it still has a strong potential for development and improvement. Focusing on brand internationalization perspective, this paper explores the current situation of Jingdong's brand internationalization found: Jingdong's brand value is growing fast but low in value; the current situation of small scope of brand internationalization. Through PEST environment analysis, the strategic path selection of Jingdong's brand internationalization and the problems in Jingdong's brand internationalization are analyzed. And based on this, the suggestions for brand internationalization are proposed. In the end, some important limitations need to be considered. First, due to the data collection, the research paper can analyze the current situation and environment of internationalization from a broader perspective. Second, due to the analysis method, the strengths and weaknesses of Jingdong's internationalization strategy are not analyzed. Therefore, in future research, more data need to be collected to analyze the

current situation and environment from different data perspectives, which is a better presentation of the analysis of the current situation of the company. In addition, the SWOT analysis method is needed to analyze Jingdong's internationalization strategy more comprehensively.

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