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Author	陈, 砚元(Chen, Yanyuan) 砂原, 秀樹(Sunahara, Hideki)
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Master's Thesis
Academic Year 2020

Action Research on How Business Development
Process Contributes to Knowledge Acquisition for
Cross-Border Ventures: Taking A Japanese
Startup's Chinese Market Entry As An Example

Keio University
Graduate School of Media Design

Yanyuan Chen

A Master's Thesis
submitted to Keio University Graduate School of Media Design
in partial fulfillment of the requirements for the degree of
Master of Media Design

Yanyuan Chen

Master's Thesis Advisory Committee:
        Professor Hideki Sunahara   (Main Research Supervisor)
        Senior Assistant Professor
            Chihiro Sato   (Co-Advisor)

Master's Thesis Review Committee:
        Professor Hideki Sunahara   (Chair)
        Senior Assistant Professor
            Chihiro Sato   (Co-Reviewer)
        Professor Nanako Ishido   (Co-Reviewer)

Abstract of Master's Thesis of Academic Year 2020

Action Research on How Business Development Process Contributes to Knowledge Acquisition for Cross-Border Ventures: Taking A Japanese Startup's Chinese Market Entry As An Example

Category: Action Research

Summary

Globalization pushes companies to expand beyond the local market. However, it is hard for startups to enter a new market due to the fact that, compared to established enterprises, startups have limited resources not only in terms of capital but also from the perspective of human resources. Market entry as a series of processes of strategic decision-making that heavily replies on knowledge also becomes difficult due to such lack of resources.

This paper mainly focuses on proposing an action solution for entrepreneurs especially from small or medium-sized companies to gain and validate knowledge of the target market and based on which, to improve their market strategies in order to reach better performance in the target market from its potential partners through the business development process besides gaining knowledge through other channels.

The action cycle concept is proposed based on a market entry project for Company A, a Japanese start-up company which previously failed in a market entry attempt and aims to enter Chinese market again with the skincare brand it owns. In this project, the author and his peer team members managed to obtain knowledge through business development process with potential partners and modify the company's market strategies based on the knowledge with the supplement of traditional research methods like desk research and expert consultation/interview. With implementing such an action cycle, the action cycle itself has been modified

and improved and has become a tool at hand that everyone can use in order to gain with relatively low cost compared to other knowledge acquisition methods.

Keywords:

Market entry, Action cycle, Startup, Market strategy, Knowledge gaining

Keio University Graduate School of Media Design

Yanyuan Chen

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List of Abbreviations

B2C Business-to-customer. 21

FMCG Fast moving consumer goods. 15

GDP Gross domestic product. 2, 3

GMV Gross merchandise value. 21

KOL Key opinion leader. 46

PPP Purchasing power parities. 3

R&D Research and development. 25

SME Small and medium-sized enterprises. 18

TP Taobao/Tmall Partner. 28

TSE Tokyo Stock Exchange. 4

VC Venture capital. 1

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Chapter 1
Introduction

1.1. Research Background

1.1.1 Booming Startup Culture in Japan

Startups are becoming more and more influential players in the business world and are gaining attention in media all over the world: startups like ByteDance, SpaceX and AirBnb have constantly been featured on the headlines.

By October 2020, there are 494 unicorns (private companies which value more than 1 billion US dollar) worldwide of which the total valuation has reached more than 1.56 trillion US dollar (CBInsights 2020). Although Japan has lagged behind its peers in the startup competition: out of the 494 unicorn startups, only 4 have Japanese origin, the Japanese government, universities and entrepreneurs in Japan are working hard jointly to make Tokyo one of the world's leading startup ecosystem: the Tokyo Metropolitan Area is ranked by Startup Genome as No.15 best startup ecosystem in the world which valued around 25 billion US dollar, way above world's average (Startup Genome 2020). It is also noteworthy that although Tokyo did not enter the ranking until this year, it is also ranked 3rd best in Asia, following Beijing as No.4 worldwide and Shanghai No.8, which indicates that despite the relatively late launch of startup activities, Tokyo is rapidly developing with high quality into an international startup ecosystem. The VC funds in Japan are also getting larger to help the ecosystem thrive rapidly and healthily (Ikeda 2020). As a result, the number of ventures in Japan, which have raised funds, has been on increase for years: from 896 in 2009 to 1652 in 2018 (Forbes Japan 2020).
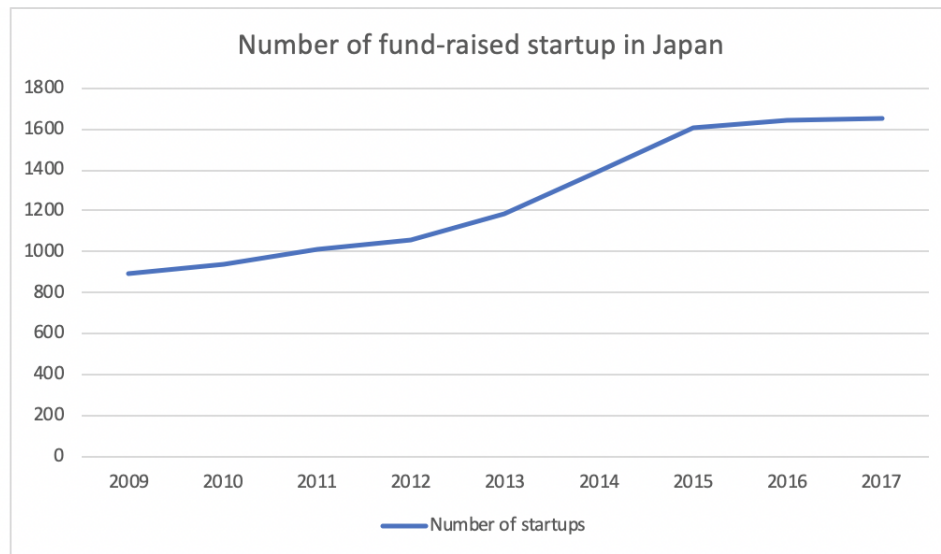
Figure 1.1 Number of fund-raised startup in Japan

1.1.2 Going Global: An Imperative for Japanese Businesses

On the other hand, Japanese companies are actively seeking global expansion as the domestic economy has been growing slowly for decades: the annual GDP growth rate has been constantly below 1 per cent since 2014 except for 2017 (World Bank 2020a). What's more, the consumer base is expected to shrink due to the ageing society: the total population is to fall from 127 million around 88 million by 2065, a nearly 30 % decrease compared to population in 2015 (Otake 2017). Labor shortage is another issue for Japanese companies to grow accompanied by the ageing society issue (Solomon 2019). Besides, according to McKinsey, Japanese companies have turned less global than peers in other countries, with fewer and fewer players in the Fortune Global 500 chart (McKinsey & Company 2011).

All these factors have made global expansion a matter of survival for Japanese companies. It is reasonable to draw the conclusion that going global has become a necessity for Japanese businesses to survive the future.

1.1.3 China as A Destination: A Close Partner with Increasingly Strong Purchasing Power
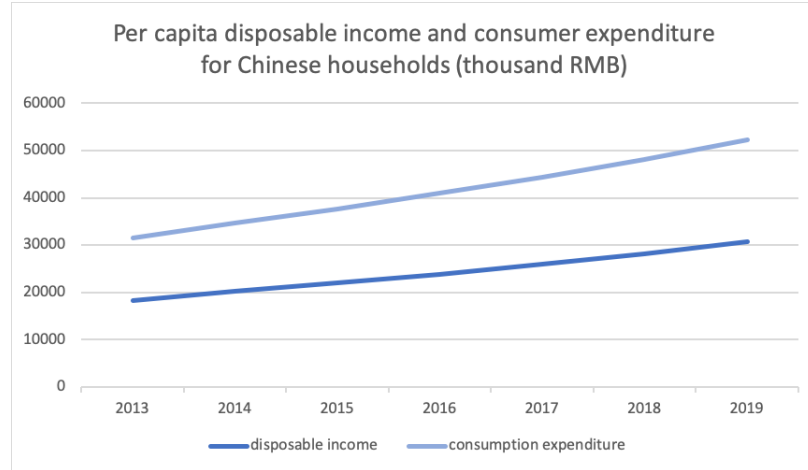
(Source:Adapted from China Statistical Year Book 2019 (National Bureau of Statistics of China 2019))

Figure 1.2 Per capita disposable income and consumer expenditure for Chinese households (thousand RMB)

China has been a close partner with Japan economically for a long time, especially since the launch of China's "Reform and Opening-Up" policy. Nowadays, China has become Japan's largest trading partner worldwide, and trade has increased from 1 billion US dollar to around 317 billion US Dollar over the past 45 years. The economic and political relationship between China and Japan has remained steady while constructive recently (West 2020).

China has become one of the largest markets in the world with its rapidly growing GDP which is ranked second worldwide. Since 1978 when China initiated its reforms and opening-up, more than 850 million people have been lifted out of poverty. In 2017, China overtook the United States and became the country with the strongest purchasing power in the world. The PPP-based GDP of the country reached 19.617 trillion US dollar, slightly higher than the United States' 19.519 trillion US dollar (Tang 2020). It is now acknowledged as an upper-middle-income country although a significant proportion of the population are still struggling with incomes modestly above the poverty line (World Bank 2020b). Despite the

unbalanced development of the market, both disposable income and consumer expenditure of Chinese households have been on increase steadily since the end of the 20th century (Hancock 2019).

On one hand, a close Sino-Japanese relationship provides a steady context for Japanese businesses to grow in the market. On the other hand, growing market size and increasing strong purchasing power also serve as a strong motivation for many Japanese companies to explore the Chinese market.

1.2. Action Cycle Overview

1.2.1 The Context of the Action Cycle

The action cycle concept proposed in this paper is based on a business project initiated at the end of 2019 for Japanese company A, a biotech startup listed in TSE Mothers. It owns a skincare brand under its Consumer Business Department. The business has been growing rapidly in Japan and aims to grow globally.

Its leadership reached a strategic decision that China will be the first destination for global expansion due to the above-mentioned trends in the business world while several challenges lie ahead:

1. Lack of business partners who have the capability to conduct international communications and have adequate knowledge of China as the target market;

2. Due to the pandemic, it is hard for the company to mobilize trustworthy business partner from Japan to China;

3. The Covid-19 also raises business risks for startups to initiate new cross-border ventures.

What's more, before this attempt, the company had tried once to enter China through an e-commerce platform, while failed due to the ill-designed market strategy, which further makes the company put emphasis over avoiding unnecessary risks and take a more conservative approach to re-initiate its business in China, especially in terms of funding.

Therefore the leadership partnered up with Mr. B, who is a native Japanese professional with strong industrial experience both in consulting and venture capital to establish Company A's Greater China Office with Mr. B serving as its representative. However, the budget is limited due to business risks listed above. Despite the potential risks and challenges, the project team has managed, within four months, to build up a partnership with a local leading agency and has initiated operate the business through e-commerce channel.

In retrospect, in order to reach out to Chinese customers, the market entry process consists of six processes, namely market research, entry channel selection, partnership development, business development with potential partners, due diligence research over potential partners, negotiation, and contract discussion. What is noteworthy is that market research, the first step of entering a new market in this project, is conducted by various methods and is done throughout the whole market entry process. The reason is that this step serves as a source of knowledge-gaining, based on which decisions are made. As every step in this process involves in decision-making, such a step is taken throughout the whole process. Therefore, we describe this step in the whole process an ongoing step constantly happens when other steps are being taken.

Ongoing market research and consultation

| Channel selection | Partnership mode review | Business Development | Due Diligence | Negotiation and Contract Discussion |
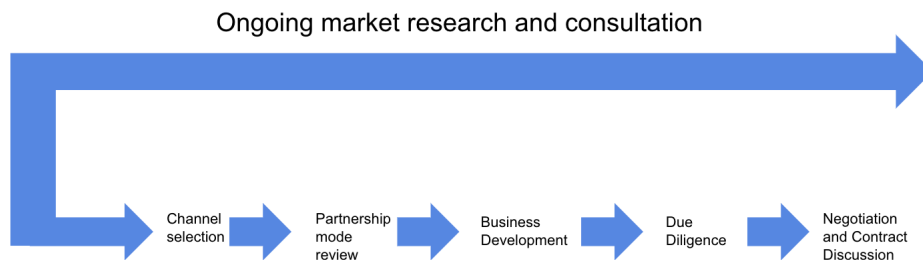
Figure 1.3 Market Entry Process in the Business Project

The action cycle happens in the fourth step of the whole process, serving as an important source of gaining knowledge of the target market in the process of market entry besides the traditional market research methods like desk research,

expert interview et cetera.

1.2.2 The Proposed Action Cycle Concept

Based on the human action cycle model proposed by Don Norman (Norman 2002), the author proposes an action cycle through which individuals or teams could gain knowledge of a specific insight. Such an action cycle exists in the business development process and is taken repetitively in order to achieve the goal to accumulate knowledge and evaluate the validity of knowledge gained through interactions.
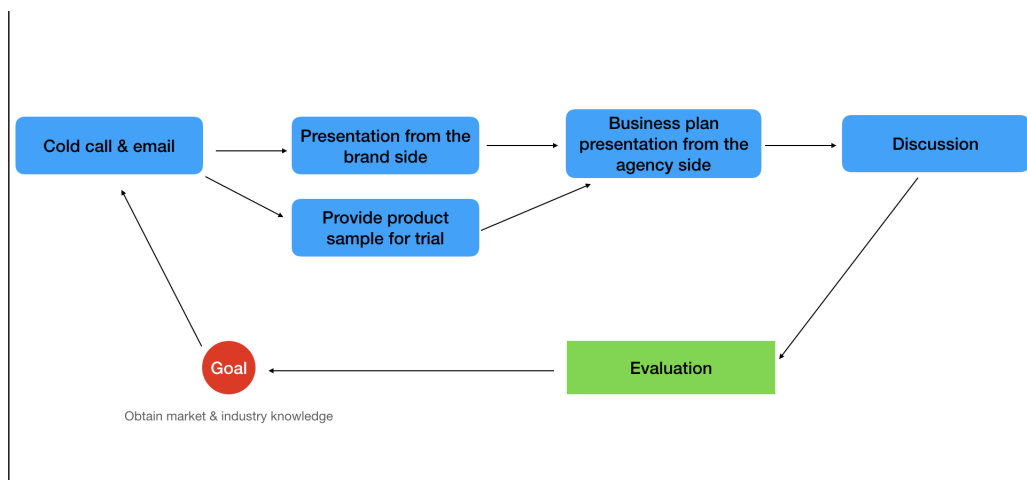
Figure 1.4 The action cycle of gaining and validating market knowledge based on Don Norman's Human Action Cycle theory

The action cycle can be divided into three stages and seven steps according to Norman's model:

1. Goal formation stage:

   (a) Goal formation: the goal of the cycle is to accumulate knowledge of a specific market in the process of market entry;

2. Execution stage:

   (a) Translations of the goals into tasks:interacting with agencies through various channels.

(b) Sequencing the tasks: Taking the following tasks: conducting business development presentation from the brand side, evaluating business plan presentation from the agency side, and discussions.

(c) Execute the tasks: executing the above-mentioned task sequence.

3. Evaluation Stage:

(a) Perceiving the results after execution: reflecting on the knowledge gained through the execution stage

(b) Evaluating outcomes compared to the expectations: communicating with agencies, and industry experts and conducting desk research in order to evaluate the validity of knowledge gained.

(c) Comparing what happened with what is expected to happen: receive feedback on whether the knowledge is valid from different parties.

1.3. Significance

Given the increasingly close trade relationships among countries and the rapid development of globalization, internationalization has become an imperative not only for established enterprises but also for startups that aim to take a share of the cake in the market. This research, therefore, proposes a tool that empowers startups, which are lacking in both tangible and intangible resources, in terms of knowledge acquisition in a foreign market.

It is also proposing a new way of making the most of the business development process during the attempt to enter a new market, which is originally more focus on building up trustworthy relationships with potential partners to operate business in the target market. The process can also become a rich resource of market knowledge if implemented in a proper way with with the help of other tools.

The action cycle, as a new way of generating and sharing knowledge, is not a one-way knowledge acquiring process. Instead, during implementing the action cycle, both parties (the company and the agency) could work together to gain new knowledge and such a mutually beneficial way of knowledge sharing could in return enhance the trust among the company and the agency.

1.4. Organization of the Thesis

The thesis is structure into five parts:

- Chapter 1 introduces the macro-context of the business activities and explains why the business project is of significance. It provides the overview of the action research, outlining the proposed action cycle and the context it resides in.

- Chapter 2 reviews related academic works in three realms: market entry studies, action research in business and management, and human action studies, which lays the academic foundation for the discussions and analysis in this thesis.

- Chapter 3 lays out the the process of market entry, which serves as the context of the proposed action cycle. The author proposes the first version of the action cycle which exists in the given context. In this chapter, the author also evaluates other ways of gaining knowledge in the project in comparison to the proposed action cycle.

- In Chapter 4, the author observes the implementation of the action cycle and evaluates the results. The author reflects over the action cycle for further modifying the proposed action cycle. The author also does short interviews to prove the validity of the action cycle.

- Chapter 5 draws a conclusion from the analysis and evaluation, reflects over the limitations of the research and proposes a direction for future research work.

Chapter 2
Related Works

2.1. Market Entry in China

Dr. Christiane Prange, Professor at the School of Economics and Management, Tongji University elaborated her insights into market entry in the Chinese market not only based on the theoretical framework of market entry but also with the help of several real-world cases in different industries.

The work(Prange 2016) is divided into two sections: the first section serves as an introduction chapter which mainly focuses on outlining the China's macroeconomic context, identifying potential challenges and pitfalls lying ahead, providing insights into how to make marketing decisions in China. On the other hand, the second part consists of several detailed case studies on how businesses from different industry sectors successfully made their way into the emerging market.

In the first part of the paper, Prange starts by reviewing China's economic history since 1979, the year when China opened its gate to foreign businesses, to help the audience understand the context of the paper. On China's way to rising as an economic giant, the government has endeavored to rejuvenate the economy through policies and laws regarding economic restructuring, vibrating the private sector, social equality enhancement, and environment protection. She draws a conclusion that China is a promised land for foreign companies to grow and thrive. This part endorses the conclusion drawn in the first part of the thesis.

She then identifies several existing challenges and pitfalls for businesses to enter China. Before digging into this topic, she holds that analysis over the external environment using tools like PESTLE (political, economic, social, technological, legal and environmental) and the internal environment of the company should be conducted as a process of feasibility validation. She analyzes the challenges from three aspects: namely industry, entry mode, and culture. Industry-wise, she

clarifies on the fact that the Chinese government categorizes industry sectors into 4 types in the Catalogue for Guiding Foreign Investment in Industries:

- encouraged sectors

- permitted sectors

- restricted sectors

- prohibited sectors

This official classification over industry sectors could serve as a difficulty indicator for businesses to enter China. Consumer goods as a business sector falls into the first type under the category of "Foreign funded projects that directly exports all of their products" (LehmanBrown 2015). In terms of entry modes, she points out 4 ways (Representative Offices, Wholly Foreign-Owned Enterprises, Foreign-Invested Commercial Enterprises, and Joint Ventures) for companies to start operating in China and their pros and cons respectively. Culture-wise, Prange emphasizes that it is essential to acknowledge differences lying in Western and Chinese culture, and brings about cultural terms like Guanxi, Mianzi and etc., which are unique to the society.

Table 2.1: Examples of industry sectors in different categories according to *Catalogue for Guiding Foreign Investment in Industries.*

Encouraged industries	- Water conservation technology - Certain agriculture, forestry, and animal husbandry - Mining - Manufacturing - Transportation - Warehousing - Real estate for ordinary apartments - Sanitation, fitness, and social welfare industries - Scientific research - Education, culture, art, radio, film, and television industries - Foreign funded projects that directly export all of their products
Restricted industries	- Certain agricultural, forestry, animal husbandry and fisheries - Mining of precious metal and certain ores - Certain manufacturing (tobacco, certain textiles) - Electricity (adoption of low capacity generator) - Certain telecommunications - Certain wholesale and retail trade - Electricity, gas, and water production - Wholesale and retail of certain products - Banking and insurance industries - Real estate in high end property - Public utilities - Medical institutions - Golf courses - Production and distribution of radio and TV programming - Land surveying - Asset certification and appraisal - Other industries restricted by the Chinese government

Prohibited industries	• Breeding and growing of precious, high quality breeds of animals • Development of certain types of plant seeds • Mining of radioactive materials • Arms and ammunition manufacturing • Construction and operation of power grids • Air traffic control • Postal Services • Futures trading • Social research • Gambling • Pornography • Publication of books, magazines, and newspaper

(Source:Adapted from LehmanBrown (LehmanBrown 2015))

Based on the above-mentioned knowledge, Prange goes further to form an insight into how to conduct marketing decisions while taking positioning, branding, and marketing into consideration after companies enter the target market through a specific channel.

She has evaluated the characteristics of Chinese consumers:

1. the market is mainly composed of a huge mass market with lower purchasing power and an emerging upper-middle-class market with increasingly strong purchasing power.

2. The market is rebalancing, reforming itself from a market where resources and population are highly-centralized in tier-1 to -2 cities to a more equally distributed one. She also points out that China is a collection of diverse sub-markets than one single market where people in different areas have different lifestyles, consumption behavior, and cultures.

3. The emerging trend in consumption is increasing discretionary spending, which refers to people's increasing purchases of items out of fondness instead of daily needs.

Regarding positioning and branding, she points out that willingness to pay more for high-quality goods is on increase. Chinese customers also prefer foreign luxury brands to domestic ones to fulfill Mianzi and high-end consumption behavior only appears in some specific item categories. What's more, she emphasizes the significance of brand positioning by giving examples of vaguely-positioned brands' struggles in the market compared to its properly-positioned competitors. She also brings about the importance of localization, stating that foreign brands which are "disguised" as local brands tend to win the market share with well-designed localization strategies like adopting a Chinese-style brand name and adding local images to its marketing and PR materials.

In terms of marketing, strategies have transformed from standardized marketing approaches to approaches that are more adaptive to the market due to the fact that a large number of foreign products have fully penetrated in the market and the increasingly fierce competition has driven brands to be as flexible as possible in order to survive. Prange analyzes marketing strategy from four perspectives: product policy, pricing policy, distribution policy, and communication policy.

In the second sections, Prange establishes several cases which aim to present different market entry scenarios from diverse industry sectors (automotive, retail, Fashion, Luxury & Play, and Beverage & Food). Stories behind the companies and brands' entry into the Chinese market are elaborated in detail to help the audience understand the process of market entry and designing strategies of positioning, branding and marketing. She suggests that all the product be accurately examined before entering Chinese market.

This hands-on work familiarizes its audience with the target market from a macro-environmental level and provides a framework for potential international players to set up its market entry plan. Prange goes further with studies on positioning, branding and marketing strategies to make sure that businesses could not only follow the work to enter the market through a proper channel but also grow healthily in the market with detailed and successful examples from different industries.

2.2. Action Research in Business and Management

Action research as an academic term firstly coined by Kurt Lewin, Professor at Massachusetts Institute of Technology in 1944 and firstly mentioned in 1946 in his work named Action Research and Minority Problems. Action research is described by him "a comparative research on the conditions and effects of various forms of social action and research leading to social action" that uses "a spiral of steps, each of which is composed of a circle of planning, action, and fact-finding about the result of the action" (Lewin 1946). Such research methodology is widely adopted in a wide variety of fields such as education, business, and organization development.

In Action research in business and management: A reflective review, Shani and Coghlan look at related studies in the field of action research with a focus on business and management through a mode of interiority which requires researchers to pay close attention to the data both of sense and of consciousness (Shani and Coghlan 2019). These studies, through action researches taken across diverse industry sectors and business functions, are conducted to create actionable knowledge especially in the field of strategies, operations and organizational studies with a purpose to improve business processes and address challenges in multiple topics such as globalization, customer service, innovation and so on.

The first part of the paper serves as an introduction to action research and elaborates on how the authors approach the process of reflective review. The authors review the topic of action research based on the framework developed by Shani and Pasmore which is consisted of four factors (Shani and Pasmore 2016) :

1. Context: Action research highly replies on the context, which refers to both external environment and the internal environment within the organization, to generate knowledge.

2. Quality of relationships: the quality of relationships among members and between members and the researcher(s) within the organization are extremely significant in order to deliver a high-quality research. Therefore, relationship management within the network should be prioritized through building

trust, holding honest conversation, et cetera.

3. Quality of the action research itself : two factors are focused throughout the whole process of an action research, namely the action and the inquiry processes, which intertwine with one another. To maintain high quality of the action research, it is essential that inquiry processes are conducted in a systematic, rigorous and reflective style in order to improve the understanding of the issues to be addressed or problems to be solved.

4. Outcomes: the outcomes of the action research should be sustainable and be seen from two perspectives, namely competency development out of action and knowledge creation out of inquiry.

In the second part, Shani and Coghlan have further reviewed action research in industrial settings and state that it is conducted across different industries in diverse business functions. They mention, in this part, several noteworthy works by scholars focusing on industry sectors like manufacturing, agriculture, biopharma, business and information, construction, energy, fashion design, media, food, defense, health care, automotive, telecommunications, mining, pharmaceutical, electronics and so on. However, there is a lack of related action research in the sub-category of skin care and cosmetics under the category of FMCG. Shani and Coghlan review on the outcomes generated from different action research projects and come to the conclusion that although the outcomes come in different forms, such as the improvement of performance or productivity and so on, there are limited researches focusing on the outcome of the creation of new knowledge.

2.3. Human Action Cycle

In his world renowned work *The Design of Everyday Things*, Don Norman examines actions conducted by human beings and divided human action into seven stages.

He claims that four things should be taken into considering while assessing the process of human conducting an action:

- the goal,

- what is done to the world,

- the world itself,

- the check of the world.
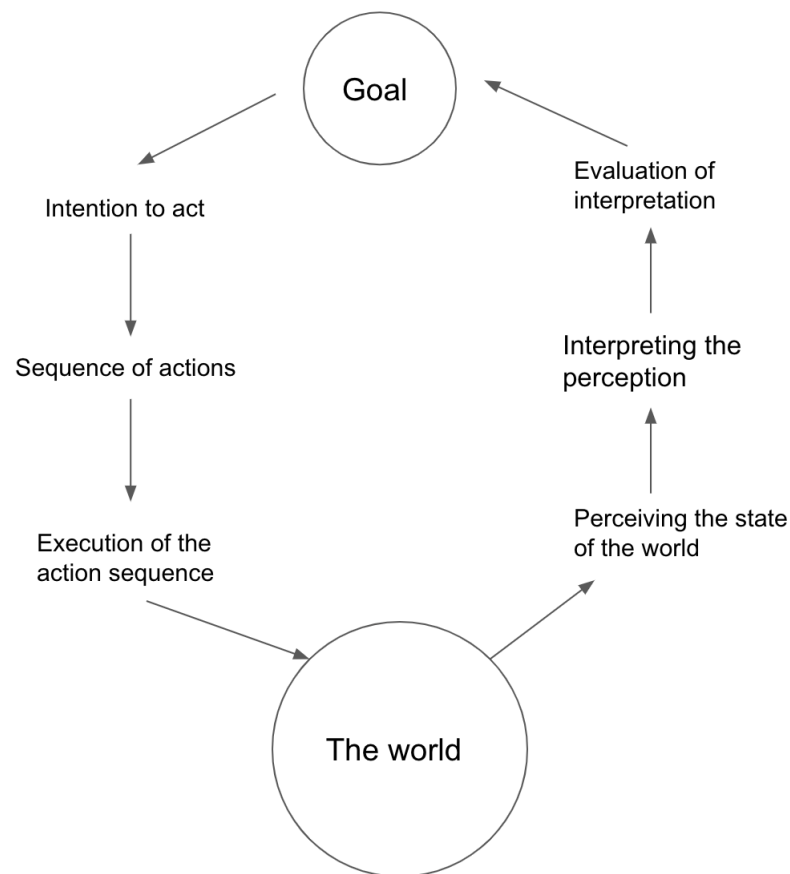
(Source: Adapted from *The Design of Everyday Things*(Norman 2002))

Figure 2.1 Human Action Cycle by Don Norman

The action itself, in order to achieve the goal, can be divided into two parts: execution and evaluation. The execution stage involves forming an intention to act in order to achieve the goal, forming the actual sequence of actions that we plan to do, and executing the sequenced actions physically. The evaluation stage consists of perceiving the state of the world, interpreting the perception according

to expectations, and evaluating the interpretations with what we expected to happen.

Therefore the seven stages of human action cycle is structured like the following:

- Goal formation stage

  - Forming the goal

- Execution stage

  - Translations of the goals into tasks

  - Sequencing the tasks

  - Executing the tasks

- Evaluation stage

  - Perceiving the results after execution

  - Evaluating outcomes compared to the expectationss

  - Comparing what happened with what is expectation to happen

This model designed by Don Norman provides an instructions for the author to develop the human action cycle out of the business context.

2.4. Conclusion

This paper contributes from four perspectives: Firstly, although existing works in the area of market entry and action research in business and management focus on diverse industries including consumer goods, limited research puts their emphasis over skincare and cosmetics industry. This paper focuses on delivering insights into the skincare industry, which is, as stated in the first chapter, a rapidly increasing and promising market in China.

What's more, Existing researches present a varied collection of real-world business cases to help the audience understand the process of market entry into China and equip readers with industry knowledge in the market, yet most of the selected companies are of Western origins. This paper enhances diversity in the research

field by adding a Japanese company to the case portfolio and profiles Japanese SME in order to set up an example for startups in Japan which aim to enter China and grow fast globally.

Thirdly, although Prange's work is published at a recent date in 2016, the market climate in China has changed so rapidly that this work missed out the newly-emerged trends in the market thanks to the unprecedentedly fast development of business technologies and platforms. For example, TikTok, one of the most successful social media platforms, did not appear until September 2016, which is nowadays widely adopted by both domestic and foreign brands in China to launch marketing campaigns through live streaming and short videos. The paper will contribute new insights especially to marketing strategy in China, highlighting the usage of new social media tools.

Last but not the least, as is mentioned by Shani and Coghlan in their work addressing action research in business and management, very few action research works focus on the outcome of the creation of new knowledge although they bring about other fruitful and practical outcomes. This work contributes to the topic of creating new business knowledge in term of outcomes.

Chapter 3

Concept Design

3.1. Context behind the Action Cycle

In this chapter, the author firstly introduces to the readers on the context where the proposed action cycle happens, which is the process of the company to enter the Chinese market through e-commerce channels. The following sub-section focuses on elaborating on how the action cycle is built according to Don Norman's Human Action Cycle Model, which is followed by briefing on traditional research methods that are widely utilized in market research in order to gain knowledge with an analysis over their pros and cons

3.1.1 Market Entry Process Overview

Reviewing the whole process of the project, in order to achieve the ultimate goal of helping the brand enter the Chinese market, the team has conducted the following steps:

1. Comprehensive research as a foundation

   As mentioned in the previous chapters, the team members had no relevant experience in the industry, thus comprehensive research regarding multiple facets of the serves a essential self-educating step for team members to better understand the business context and plays an important role in decision making.

   According to Prange's framework of market entry, research concerning external (using PESTLE analysis) and internal environment (utilizing SWOT analysis), entry mode, culture, and policy lays a foundation for designing

a proper position, brand and marketing strategy in order to reach out to customers.

What is noteworthy is that this step of researching is conducted throughout the whole market entry process and should not be seen as an independent step in the whole process. Besides laying the knowledge foundation for the project team members to see the big picture and build up the capability of conducting communication in the industry, the behavior of research itself serves as an essential resource to refer to when making strategic decisions, accompanied by expert interview or consultation.

2. Selection of entry channel

   In terms of channel for market entry, there are two ways for the brand to operate its business. The first is to enter through an off-line channel, which means to set up off-line stores, and the second is to enter through e-commerce, which means to set up online stores on major e-commerce platforms in China.

   When selecting a channel for market entry, two factors have been taken into consideration: firstly, the recent pandemic which broke out in early 2020 has brought a considerable damage to off-line shopping and the percentage of sales online channel has brought in is on increase. Secondly, if looking at a longer time span, the online channel is gaining popularity while offline channels are losing their advantage: the percentage of sales e-commerce channel has brought in takes up around 32 % in 2019 according to Euromonitor, increasing for 14 consecutive years and drastically rising from roughly 1 % in 2005. It is the channel that generates the most sales of all channels at present as well (Yu 2020).

   Therefore, the team has prioritized online e-commerce channels over other offline channels as the first channel selected for the brand to enter China.

3. Partnership mode review

   After selecting a proper channel to enter the market, the next step is to seek potential partnerships to build the business together in the market. Here the partnership is the parties which are to get involved in the business in order

to co-manage and operate the commercial activities and share the profits in the market (Kopp 2020). The partnership therefore is the integration of resources owned by two or more parties to reach the goals set in terms of operation and profit-sharing.

Reviewing the resources owned by Company A, it is mainly product research and development capability. Although the company operates and manages the brand in Japan and has received positive feedback, the above-mentioned failed entry attempt of the brand proves that the lack of knowledge about a certain market and experience in the target market could lead to a disastrous result for the business despite its strong product portfolio. Therefore, a partner who can bring in resources from this perspective is needed as the representative office of company has limited knowledge and capability in this sense.

As the selected channel is e-commerce channel, it is essential to build up partnership with e-commerce platform operation partner which is often referred to as TP (Taobao/Tmall Partner) in the industry due to the fact that Taobao/Tmall, owned by Alibaba, are the two largest B2C e-commerce platform in China(China Daily 2020). TPs operates in different modes depending on different demands from the brand side (Zhao and Li 2020):

- Dealership mode: such a partnership is an asset heavy business model for the TP. The TP will own the online e-commerce store and the goods. The profit is generated from the difference between purchasing price and selling price. The TP will be responsible for operating the online store and will jointly design branding, positioning and marketing strategy with the brand side.

- Service mode: under this mode, TP will be entrusted with the task of operating the brand's online e-commerce store. The profit comes from two parts: fixed management fee and commission based on GMV.

Table 3.1:   Comparison between different operation modes proposed by TPs

	Dealership Mode	Service Mode
Business Mode	Gaining the authorization of an exclusive dealership from the brand side, purchasing goods from the brand side and selling to customers	Entrusted with the operation task from the brand side
Profit Source	Price difference between purchasing price and selling price	Fixed management fee;Commission based on GMV
Customer Type	Customer	Business

(Source:Adapted from Huaxi Securities (Zhao and Li 2020))

Tmall Global, the international-brand-focused platform in Alibaba's e- commerce ecosystem where international brands conduct cross-border trade, issues a rating based on TPs' performance. The rating could serve as an important index when choosing a trustable e-commerce operation partner. By the end of the business project, the rating is issued every quarter and has three ranks, namely 5-star, 4-star and 3-star TP (Jiang).

4. Conduct business development with potential partners

This step of business development is the main focus of this thesis and is the process where the action cycle takes place . This sub-process in the whole market entry process serves as a medium through which the brand side could get in touch with its potential business partners. The main goals of this process is to:

(a) Understand each other (brand side and TP)'s background, business scope and business capabilities.

(b) Conduct conversations to align expectations with on another, aiming for building up a partnership
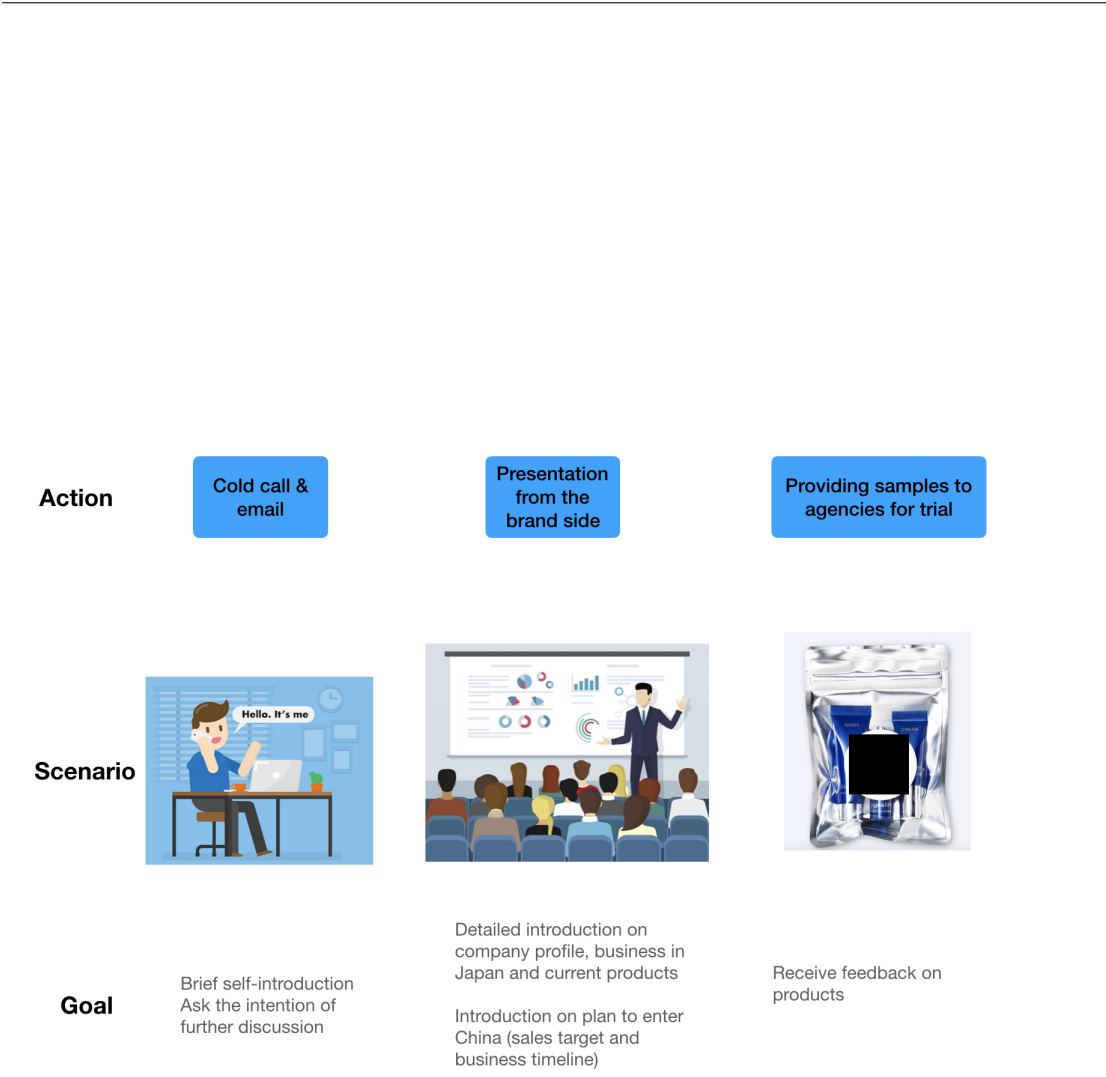
Figure 3.1 Business development process: cold call, presentation from the brand side, and sample presentation

Action

Business plan presentation from the agency side

Discussion

Scenario

Goal

Present e-commerce operation agency's business plan for the brand in China

Mutual Q&A session on the previous presentations
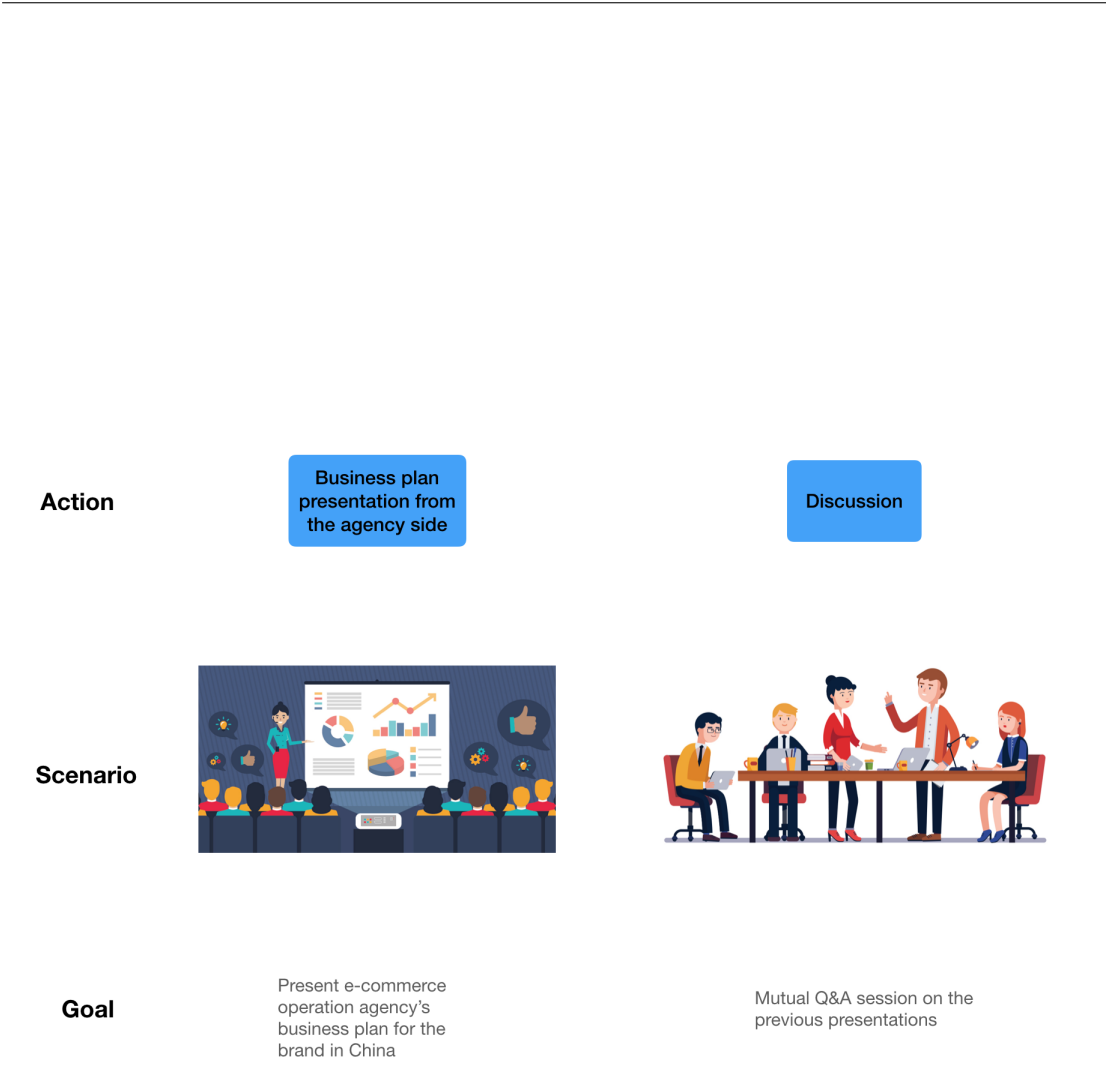
Figure 3.2 Business development process: presentation from the agency side and discussion

This process of business development consists of several sub-processes. In this business project for company A, the team has reached out to several TP agencies and conducted this business development process repetitively with different agencies. Although the process always starts from the same point but it ends at different stages depending on whether the brand side and the TP could reach consensus and align expectations with one another on different issues. The standard business development process appears as followed:

(a) Cold call: After longlisting the TPs based on past industry experience and the rating issued by Tmall Global, the team reaches out the potential partner via cold call to conduct a brief self-introduction and to convey the intention to cooperate.

(b) Business development presentation from the brand side: After confirming that the TP side intends to proceed with the brand side in terms of cooperation, the brand side will have a presentation session with the TP to have an overview over Company A's business, the brand and the products. The presentation comes in two forms:

  i. Slides presentation: the slides made by company mainly includes:

   A. Company A's business overview: it includes the company's basic information and its business scope. Such background information could present the company's image and its culture and help the TP understand the business context. Press coverage on the company, introduction on the company R&D capacity, and its partnership with prestigious institutions and government are also essential parts to show the company's credibility.

   B. Product portfolio introduction: Introduction of the brand's products are the key part in this business development process. Basic information about the product like product name, volume, pricing, sales performance, and functions could help the TP obtain a general idea of the image of the brand and serves as a reference for brand benchmarking and designing positioning, branding, and marketing strategies. Introduction on patents

obtained, partnerships with prestigious beauty salons, positive comments received at major e-commerce platforms could also increase the incredibility of the brand and the product.

C. Target customer: This part helps the TPs to understand the positioning of the brand.

D. Business plan and timetable: This part mainly serves as an indicator for the TP to understand the expectation from the brand side.

  ii. Sample presentation: the brand side will send samples of the products to the TP in order to help the TP better understand the image of the brand and to enable the staff at the TP to experience the products in person to understand the functions. The brand side, through providing product samples, also expects feedback on the products from the TP side.

(c) Business plan proposal presentation from the agency side

After first contact through cold call, and understanding the company's business and product through presentations, TP, the potential partner for Company A, delivers one presentation (or several presentations) to the company based on the understanding established from the first two steps in the business development process.

This is considered the first important timing when agencies give feedback on the brand side's business strategy and products and shares market knowledge.

(d) Discussion and negotiation

After the two rounds of presentations, the company and the agency will hold a discussion or rounds of discussions to exchange opinions over diverse topics in order to align expectations with one another and achieve a partnership with each another.

Such a business development process, as is mentioned above, is a process that is expected to be a rich source of market and industry knowledge. The latter two steps, business plan presentations by the agency and discussions

will be documented in the form of meeting memo for further reference, which also serves as a resource of knowledge for future use.

5. Due diligence research over potential partnership

   Due diligence is an important step before establishing partnerships in order to avoid potential risks not only in terms of business but of regarding legal issues. According to Deloitte US(Deloitte Forensic Center 2012), three steps should be taken when establishing international business partnerships:

   (a) requiring information disclosure from the potential partner through questionnaires;

   (b) Verifying the disclosed information using a risk-based approach and identifying contents that may bring risks;

   (c) Taking actions on identified "red-flagged" pieces of information.

6. Negotiations and Contract Discussion

   This step consists of rounds of negotiation over strategy design and core items in the contracts such as collaboration modes (dealership mode or service mode),sales target,cost proposal et cetera.

3.1.2 Stakeholder Analysis

From Company A in Japan, the starting point of the market entry project, to customers in China, there are multiple stakeholders involved in the process:

1. Company A Japan

   Company A Japan is the Headquarter of the company. It owns two business lines: biomedical technology business and consumer goods business. Due to the strict rules imposed on the former business in China, which falls into the category of "restricted industries" according to the *Catalogue for Guiding Foreign In-vestment in Industries* (Prange 2016), it is hard for the company to enter China as a startup with nearly zero network in China.

   The company, therefore, decides to expand its consumer goods business to China, not only because of the policy restrictions over its biomedical
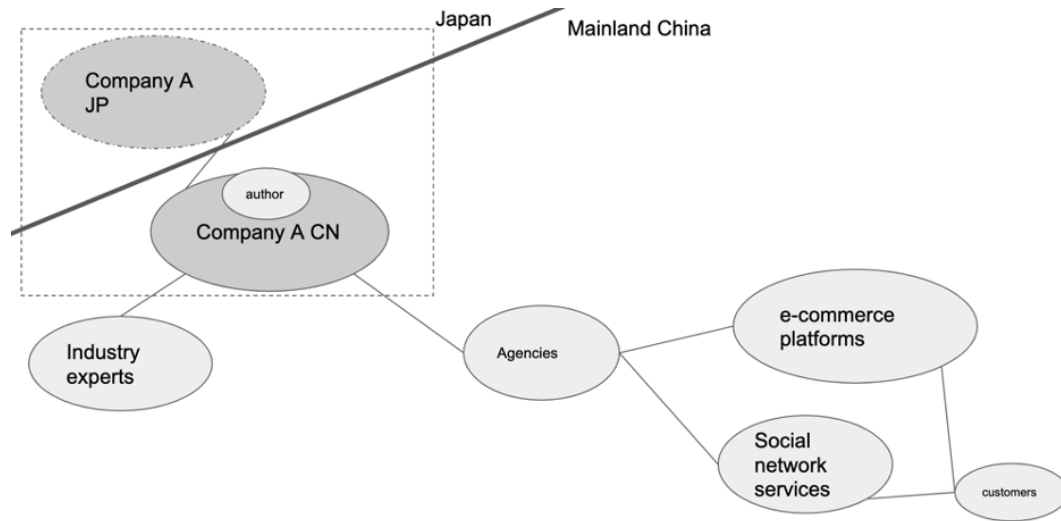
Figure 3.3 Stakeholders Involved in the Market Entry Business Project

technology business, but also because of the rapid growth in the skincare industry in China: the market is expected to reach a size of 14.18 billion US Dollar with a annual growth rate of 9% (CAGR 2020-2025)(Statista.com 2020a).

2. Company A China

   Company A China serves as a representative office in the Greater China Region for Company A.It is a boutique team consisting of five members with Mr.B as the head. The author, Ms.C, Ms.D, and Ms.E are the team members supporting the business development activities and other tasks involved in the market entry process.

3. Agencies Agencies are also known as Tmall Partner (or TP) as is mentioned in the previous sectors. They are the service providers which are experienced in both e-commerce and skincare industry in terms of marketing, public relationship management, e-commerce operation and sometimes even product development. It has strong network with both e-commerce platforms and social network services in China through which the company could reach

out to the Chinese customers.

4. E-commerce platform

   E-commerce platforms are online marketplaces where people could make purchases. Major e-commerce platforms in China include Taobao/Tmall under Alibaba, JD.com, VIP.com et cetera(China Daily 2020).

5. Social network services

   Social network services are important marketing tools for agencies or companies to conduct marketing campaigns or post advertisement in order to enhance the brand's market presence. The top 10 most popular social network services in China are Wechat, Sina Weibo, Baidu Tieba, RED, Tencent Weibo, Kwaishou, Douban, Douyu, LinkedIn and Meitu by the third quarter of 2019(Statista.com 2020b).
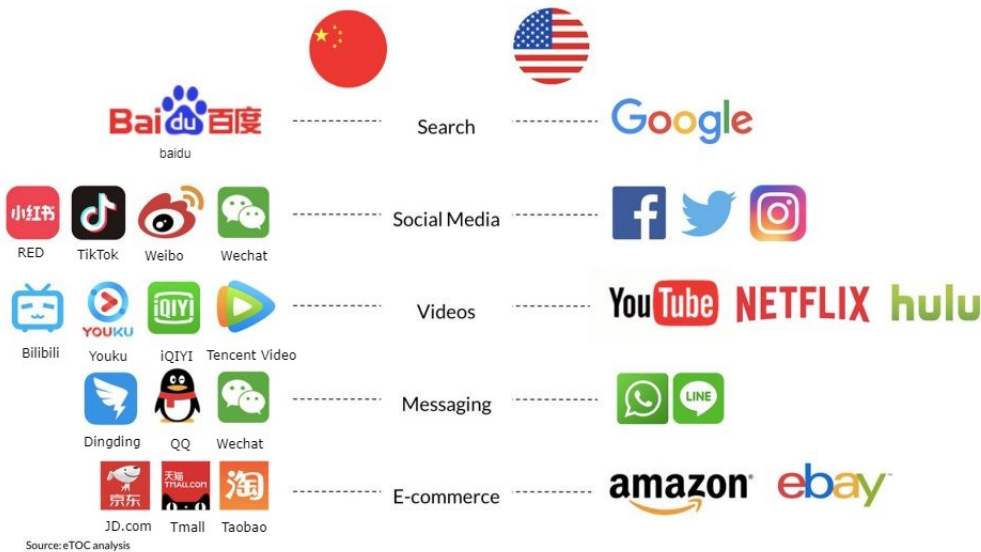
(Source: Adapted from eCommerceTOChina(eCommerceTOChina 2020))

Figure 3.4 Chinese and Western Digital Landscape Comparison

6. Customers

Customers are the group of people we would like to reach out to in the market. The goal of this market entry project is to find the overlapped space between the value Company A could propose and the customers who need the proposed value so that the business of Company A could sustain in the market.

7. Industry experts

   Industry expert is another source of market knowledge in the project although such way of gaining knowledge is normally not free of charge. In this project, through personal network of the team members, the team has access to the chance to consult Ms. F, who has worked for years at the E-Commerce Strategy Department at a major Korean skincare firm's China branch. Her opinions and insights serve as an important role in helping the team members make decisions.

Based on the analysis above, the conclusion can be drawn that the most important relationship to be built for Company A to enter the Chinese market is the connection between Company A's China office and the agency. The business development process, where the action cycle happens, is mainly conducted to build such a relationship. The action cycle, therefore, is a important method to acquire market knowledge and an important part of building the relationship between Company A and the agency which is of great significance in the market entry process.

3.2. Action Cycle Concept

According to the human action cycle proposed by Norman in Chapter 2, there are seven steps involved in human's actions which can be grouped into three stages. In the context of this business project, the action cycle can be developed in the following style:

1. Goal formation stage:

   (a) Goal formation: the goal of this action cycle is to gain knowledge about the market and industry in order to design an improved the company's strategy design for the target market.

2. Execution stage:

   (a) Translations of the goals into tasks: In order to reach the goal of gaining knowledge and improving the marketing strategy, the team needs to conduct communications with the potential partners through various methods in the process of business development.

   (b) Sequencing the tasks: In chapter 3.2.1, the author summarizes that the the latter two steps taken in the process of business development, namely business proposal presentation from the agency side and discussions, are expected to serve as a rich resource of knowledge gaining based on the assumption that the agency will evaluate and analyze Company's business strategy and products on which the agency will give feedback, and propose business plan.

   (c) Execute the tasks: the team members in the business project conduct such sequence of business development tasks with multiple potential partners (agencies).

3. Evaluation Stage:

   (a) Perceiving the results after execution: This step involves in the documentation of new knowledge gained through interactions between the two parties.

   (b) Evaluating outcomes compared to the expectations: This step is mainly about evaluating knowledge through conducting new rounds of communications with agencies. The team could evaluate the validity of knowledge through checking whether the knowledge is accepted by others like industry experts or whether it is consistent with results of desk research.

   (c) Comparing what happened with what is expected to happen: Through evaluation, the team members will receive feedback on whether the knowledge embedded into their opinions are valid from multiple parties such as agencies, experts et cetera.

3.3. Tradition Research Methods and Analysis

Given the challenges lying ahead of the company and the project team members stated in the Chapter one, the project team members, including the author, are taking an explorative and reflective process, integrating limited resources at hand, to fulfill the purpose of helping the brand enter the Chinese market.

The team, consisted of 5 members with different professional seniority levels, equipped with humble resources: limited funding from the parent company and team members' professional network in China and Japan, started approaching the problem mainly through desk research and industry expert interviews at the beginning stage.

Desk research

According to Prange's framework (Prange 2016) proposed in his 2016 work, several factors should be taken into consideration in a market entry initiative: external and internal environment of the business, entry mode, policy check regarding industry restriction, culture, positioning, branding and marketing. Such research lays the foundation for the project to help team members understand the macro-environment. What's more, desk research can be conducted in each realm in order to provide insights for decision making or to validate assumptions. However, due to the limited funding from the Japan side, the main resources for this approach are free articles and reports issued by investment institutions, business platforms and industry experts.

While the approach plays less and less important role as the project proceeds due to several reasons:

1. The insights generated by desk research is rather general, which serves the purpose of helping understand the macro-context of the industry and market but has less impact when making very specific decisions in a certain business scenario.

2. Due to the fact that the resources are mainly free of charge, the knowledge presented by such resources are relatively easy to have access to and do not contain highly confidential key insights which could enable players in the market to gain competition advantage over peer competitors.

Therefore, such a methodology, although essential throughout the whole process, mainly serves as a reference for project team members when making a decision and an implication for direction in order to validate the assumptions.

Expert interviews

Due to the Lack of related researches in the industry, industry expert interview serves as another important resource in order to gather insights not only regarding the general knowledge of the industry and market, but also with respect to detailed and hands-on guidance regarding a specific topic accompanied with real-life business cases. Moreover, expert interviews could serve as a supplement to the knowledge generated by desk research from another perspective and from individuals outside of the project who could evaluate the project from a more objective standing position.

Expert here refers to professionals who are experienced in the industry or researchers who have related research experience in the realm. There are two main ways to reach out to the experts: firstly, reaching out within team members' personal professional networks; Secondly, using expert network companies such as GLG, AlphaSights and so on.

However, such a method is not friendly to a small-scale venture or start-up project with only a small number of members, which means access to a relatively smaller-scale professional network compared to established enterprises, and with a limited funding budget, which makes it hard for the project to utilize expert network services.

Questionnaire

Questionnaire is one of the most common tools used in market research in order to gain knowledge in the market.

Questionnaire is a cost efficient way of gaining data from different group of people. With online survey tools, it is getting easier for questionnaires to be distributed to a large number of people.

The major issues (University of Leicester 2020) about this research method is that dishonest answers may exist to generate wrong insights. The answers input by the surveyed people may vary depending on change of their moods, feeling, and emotions. Misinterpretation over the questions and choices may also have effect overs people's decisions. Therefore, it is inevitable that lacking of accuracy

happens when the results of a survey is delivered.

Chapter 4
Evaluation

After developing the action cycle for knowledge gaining through business development activities. The team has implemented the cycle twice with Agency G and Agency H in order to evaluate the validity of the action cycle and make modifications to the action cycle for improvement based on the results. In each round of evaluation, every discussion was documented in the form of meeting memo (see appendix B), and every piece of information the author identified as "new knowledge" during all the presentations and discussions will be noted and categorized in the "knowledge bank" (see appendix A) for further reference and learning.After all the tasks being taken, a reflection chart will be drawn to reflect over whether any new knowledge has been obtain at each stage and which category the knowledge falls into.

4.1. Action Cycle Implementation 1 with Agency G

After reaching out via cold call on 28th July 2020, Company A's business development conducted presentation in the format that is mentioned above in the previous chapter. And on the 6th August, Agency G has conducted a business presentation and the two parties had held discussion over the business proposal afterwards.

4.1.1 Business Presentation by Agency G

The presentation has been divided into six parts, namely target setting, analysis over Chinese market, brand positioning, social media marketing strategy,

e-commerce operation strategy and team introduction.

- Sales target setting

  The company has proposed to achieve x million RMB Yuan, with 0.4x million as marketing budget for the first year with the mindset that the first year should be a period for laying down the foundations for future growth and for testing the effectiveness market strategy in the market. The sales target are set at 12x million and 27x million for the second year and third year if in the first year the market foundation for the brand is solidly built up.

- Market analysis

  The agency has performed comprehensive analysis over the target market and this part has become an important resource of knowledge gaining for Company A's team. The agency has proposed that 25-to-35-year-olds should be the main target audience of Company A's products in China, which is distinctly different from its target audience in the Japanese market: 40-59-year-olds due to the reason that in China the younger generation aging from 25 to 35 have stronger purchasing power that relatively more senior customers do. The agency also looked at the competition landscape and conducted competitor analysis, based on which the agency has summarized the product's selling points which can differentiate the brand from its competitors.

- Brand positioning

  In this part, the agency has proposal a branding plan for the company, including how the name should be translated into Chinese language, how to explain the technology behind the products, how the key technological terms should be promoted in order to increase the brand's credibility, which words should be included into the word bank which will be used to communicate with the customers.

- Social media marketing strategy

  When it comes to social media marketing strategy, Agency G has reviewed major social media marketing tools in Chinese market and has proposal

the social network marketing framework for Company A's brand.In this part, the agency also explained how the 0.4 million marketing budget will be used via presenting the fee breakdown. There are two ways to present the marketing fee breakdown. The first way is to present marketing fee breakdown month by month. The second way is to present marketing fee breakdown by marketing tool categories, that is to say, to present how much will be invest into which social media platform.

- E-commerce operation strategy

  The agency also introduces its plan for operating e-commerce store, especially the plan for operating Tmall store which is considered the most important platform for international brands. This includes elaborations over marketing tools embedded in the e-commerce platform, and presenting online store mock-up.

- Team introduction

  The team introduction is coupled with past successful cases built by the company. The team is consisted of experienced staff both from local and foreign markets and has strong connection with various stakeholders like e-commerce platform, celebrities, KOLs, and social media companies, offline channels et cetera.

4.1.2 Discussions on Agency G's presentation

After the presentation, discussion was held between the team and is centered on the following topics:

- The relation between the two presentations

  The agency mentioned in the discussion that it has formed its presentation based on the structure and contents of previous business development presentation conducted by company A. The agency claimed that it reviewed all the topics the business development presentation has covered and sees these topics such as product strategy, marketing strategy, sales plan, as the

topics Company A are concerned about the most. So it prioritised such information when designing the presentation and elaborated over these topics in details as a response.

The agency also brought about the fact that the business development presentation serves as an important source not only to understand the company, the brand and its products but to understand the industry in Japanese market.
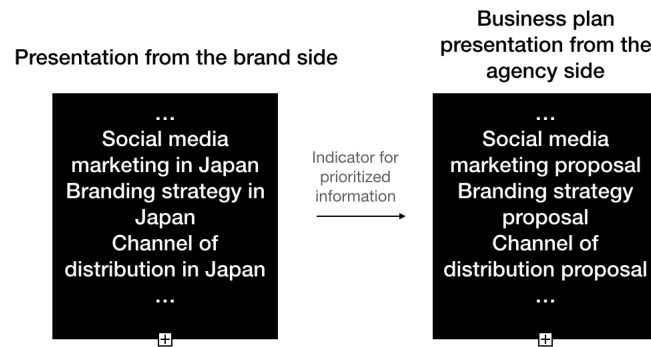
Figure 4.1 Relationship between the two presentations

- Marketing strategy

Agency G changed of target audience from 40-to-59-year-olds in Japan to 25-to-35-year-olds in China given the fact that in China customers aging from 25 to 35 years old have the strongest purchasing power in the category of skincare. However, the product line owned by the company is wholly dedicated to anti-aging function, therefore the company is concerned whether the product can be attractive to the such a young group of target audience. Agency G mentioned that nowadays, a new concept named "anti-early aging" is coined based on the reasoning that human skin starts to age from 25 years old therefore such a new concept is gaining popularity among young people. The agency also mentions that in order to sell products to a more larger group of target customers, more and more brands have started to educate its customers about ingredients and their functions and target different customer groups with different selling points existing in one product.

- Marketing fee breakdown

  The marketing fee is main cost for companies to enter China through online channels. The marketing fee's breakdown is presented through two perspectives in the presentation made by Agency G. As is presented in the last section, it is firstly divided month by month. The monthly marketing fee varies according to the changes of market rhythm in Chinese, so such a way could also help the team understand what are the key timings that the team pay attention to in the market. For example, the marketing fee tops in May 2021 due to the fact that in June there is a major e-commerce campaign called "6.18 shopping fest" in China and before that increasing marketing activities are expected. What's more, the fee breakdown is conducted by categories of marketing tool. For example, Agency G proposed that 58% of marketing fees will be spent on the social media platform RED. RED is a lifestyle social network platform where users could post notes to recommend good products and services to improve life quality. The more notes are posted, the more exposure the brand can get in the market. Therefore, it plays an important role in increasing brands' market presence. It is not hard to see that the key logic behind the agency's market behind is that in the first year, through social media, the agency is devoted to improving the brand's market presence through improving exposure to the public, that is to say, through making it seen by the public as often as possible.

- Feedback on products

  Company A also received feedback over the products. The agency also asked how the company collected feedback information on the products in China before it is launched in China. The team indicated that it was collecting feedback mainly through sending samples to the team members' friends and asking them to fill out a questionnaire after usage. Agency G held the view that such a way of collecting feedback information is not efficient and collecting feedback from friends will also lead to results that may not be very objective. Agency G proposed two ways to test the market acceptability: the first is to cooperate with KOLs whose followers are target audience of the products to do live-streaming sales on live-streaming social media platforms

like TikTok. Such a way could quickly get the products exposed to target customers and received usage feedback. Another way is to cooperate with buyers on e-commerce platform on Taobao or Tmall to do small-scale selling on their personal online store to collect feedback information.

4.1.3 Reflections

	Cold call & email	Presentation from the brand side	Provide product sample for trial	Business plan presentation	Discussion
New knowledge acquired?	N	N	N	Y	Y
Knowledge Category	–	–	–	• Chinese skincare market overview • Branding strategy • Marketing strategy • E-commerce operation strategy • Sales projection for new brand	• Sales projection for new brand • Cost projection for the project • Marketing strategy • Product strategy

Figure 4.2 Reflection chart (with Agency G)

The key finding from this round of interactions are as followed:

- The business development presentation should also be included into the action cycle due to fact that also it does not directly generate knowledge in this process, it serves as an indicator for the agency to understand what kind of knowledge or information the brand side wants to acquire during the business plan proposal presentation. The business development presentation also serves as a knowledge source for the agency to understand not only the brand itself but also Japanese market as a bigger context, which makes the knowledge-gaining process a mutual one.

- In Japan, the product mainly serves 40-59-year-olds while in China 25-35-year-olds, it is not hard to see that, using proper marketing strategy, the same products can be sold to different customer groups, and therefore marketing strategy is the key when entering a new market.

- Through marketing fee plan breakdown, it is easy to understand the market rhythm and the agency's marketing strategy focus. It is essential to not only

focus the knowledge directly presented but also pay attentions to knowledge generated through the data in the business plan.

- Feedback collection can also be conducted with the help of new technology like social media and e-commerce platforms besides traditional methods like questionnaires.

4.2. Action Cycle Implementation 2 with Agency H

The second round of the action cycle is done after the first one with Agency H. The team reached out via cold call and conducted business development presentation on 8th August. On the 27th August, Agency H delivered its business plan proposal presentation.

4.2.1 Business Presentation by Agency H

The business presentation can be divided into the following parts:

- Cooperation mode and sales target

  Unlike Agency G which proposed service mode, Agency H proposed to have the dealership mode, that is to say, to purchase a certain amount of products at discount from the brand side and be responsible for distribution of goods in the market. The agency sets the sales target at 2x million RMB Yuan for the first year, with 0.72x million marketing fee budget which will be shared both by Company A and Agency H. The sales target set for the second and third year are 9x million and 24x million respectively.

- Capability and resource presentation

  In this part, the agency mentioned about what kind of business capabilities and resources it has at hand in order to establish its credibility and build up trustworthy relationship with the brand side. Such presentation is also coupled with case studies which has gain positive impact for other brand's

business in China. Capabilities and resources include while are not limited to:

- core team members: members who have gained rich experience in the skincare industry or who are experts in the realm of e-commerce

- technological capabilities: the technologies which the TP is able to deploy to improve the performance of the business in the market, such as big data and digital marketing tools

- channel resources: rich experience in operating mainstream e-commerce platform and expanding offline channels, and strong connections with various e-commerce tech giants and offline marketplace

- social media resources: rich experience in marketing activities utilizing social media tools and strong cooperation with KOLs and celebrities

- Market and Industry analysis

In this part, the agency provided insights into the skincare industry from different perspectives, such as:

- the most popular product categories (and product functions) at the moment and the future trend: helping the brand identify hero product and the direction for future product development

- the top players in the market: helping the brand understand the competition landscape and identify potential competitors

- the main categories of customers in the market: helping the brand target a customer group to whom the brand could propose value

- market analysis from a geographical perspective: helping the brand understand the market difference between different regions or between urban areas and rural areas

- Company A's Chinese business status analysis

In this part, the TP does an overall analysis over the status quo of the brand side's business operation in the target market, which is, in this case, the Chinese market. The TP looks into:

– channels: whether the products are available in the market and through what kind of channel the products under the brand are distributed in the market;

– sales: whether the products are being sold in the market and the sales performance of different products in the market

– feedback: current feedback made by customers on the products on different e-commerce platforms

– marketing activities: whether the company has started to launch any marketing activities on the mainstream social media platforms to improve the market presence of the brand

The TP, through such an analysis, showed its market research capability to improve credibility and also tends to align with the brand side in terms of the understanding of the company's business.

• Competitor benchmark

In this part, the TP looked at the competition landscape in the industry, and identified potential competitors that share similar brand image, pricing range, product portfolio and target customers, in order to identify potential challenges the brand may encounter in the process of market entry and also propose the space for the brand to differentiate itself from other brands.

• Product strategy proposal

The TP performed analysis over the product portfolio using SWOT analysis method, that is to say, analyses the products' strengths, weaknesses,the opportunities for the brand in the market to grow, and threats or challenges it may encounter from its competitors.

The TP further identified the hero product, which is the most promising product under the product portfolio to attract customers and establish the brand image. The TP will put great emphasis over the hero product due to the fact that it plays the most important role in all brand and marketing activities to establish a reputation for the brand and also it brings in the most sales. Selling points and reasons for selection will be presented to support the TP's product product theory.

Besides, every product will play a specific role in the product portfolio to achieve different goals, such as recruiting new customers, establish brand loyalty et cetera.

- Positioning Strategy proposal

  In this part, the TP proposed the positioning over the brand which fits with the brand's image the most based on the understanding gain through the previous presentation conducted by the brand side.

- Marketing strategy proposal In terms of marketing strategy, the TP proposed potential marketing activities the agency is capable of conducting both online and offline.

  Online-wise, marketing tools can be divided into two categories:

  - Marketing tools provided by e-commerce platforms: such tools are embedded within the e-commerce platforms in order to improve sales performance and increase brand exposure. For example, Taobao provides with the e-commerce store owners with a specific marketing tool which could enable the brand's name to show up when potential customers are searching using the search engine imbedded in the Taobao app.

  - social media platforms: such platforms include but are not limited to RED, TikTok, Zhihu.com, Wechat, Weibo et cetera. Different social media platforms, although functioning in different ways, could all be seemed as a marketing tool to promote products.

  Offline-wise, brand event is also another common way to improve the brand's market presence.

- E-commerce store operation strategy proposal

  In this part, the agency proposed over how the products will be priced at different timing, how to design promotion plan throughout the whole year according to the market rhythm, how to design e-commerce store's visual identity, what kind of logistic solutions it will use in order to get products delivered safely to the customers, how to design membership system in order

to form a strong bonding with the customers, how the operation team will be structured et cetera.

- Marketing fee breakdown

Similar to Agency G, marketing fee breakdown is also done month by month and by marketing tool category. Unlike Agency G whose marketing strategy is more focused more on laying foundations for the brand's to grow and getting the brand exposed as often as possible, Agency H takes live-streaming as the most important marketing method which takes up more than 20% of the total marketing fee proposal.

4.2.2 Discussions over Agency H's presentation

The discussion with Agency H is held after the presentation and are centered on the following topics:

- The relation between the two presentations

The agency indicated in the presentation that the credibility the company has built up in the first presentation done by Company A through showing its performance in Japan and strong technology background is one of the most important reasons why the agency is interested in working with the company in the future. The agency also referred to information about the company, the product, and Japanese market for many times in their presentation.

- Marketing fee breakdown and strategy

Unlike Agency G, the agency plans to spend nearly 40% (0.28x million) on live-streaming sales and marketing tools embedded inside the e-commerce platforms. The reasoning is that live-streaming could not only promote the brand and improve the brand's market presence but also it could bring in sales directly through cooperation with top tier KOLs. Through using marketing tools embedded inside the e-commerce platform, the brand can get exposed to the customers more often when they browsing the platform, and are highly likely to attracted to visit the product page and make a purchase due to the fact that the algorithm will help the products get exposed the

product's target customers. This method is likely to directly bring in sales as well.

It is easy to see that, unlike Agency G's strategy to prioritise building up the brand's presence and reputation in the target market, Agency H put more emphasis over bringing in sales directly.

- Market test plan

In the first round of action cycle, the company received recommendation from Agency G that feedback information collection should be done through live-streaming sales or cooperation with buyer stores on Taobao or Tmall, which will help receive a large amount of feedback in a relatively short time compared to traditional methods like questionnaire. Agency H agreed on the plan and brought about two suggestions:

1. While conducting live-streaming sales, it is better to cooperate with middle-tier influencers on TikTok than to cooperate with top-tier KOLs such as Austin Li who has more than 45 million followers on TikTok. Firstly, top-tier KOLs are quite selective when they choose items to promote. New brands which have not entered China might be too risky for them as they do not have market presence and credibility in the market. Secondly, even if the top-tier agrees to sell the product on the platforms, the brand could have the risk of getting "over-exposed" due to the cooperation, which means the product could get so popular if the live-stream sales worked well that the supply side cannot meet the needs from the market. Last but not the least, cooperation with middle-tier influencer is both relatively less costly and effective in results which means bringing in enough amount of feedback for reference.

2. In terms of collecting feedback via cooperation with buyers on Taobao, a potential risk is that the buyer could re-distribute the products to other channels and it may cause trouble in brand management and pricing management due to the fact that the company no longer has control over the products.

Another discussion is held between Company A and Ms. F to evaluate

the two presentations. Ms. F has indicated that According to the sales target set by the two agencies and their choices over cooperation mode, an assumption can be made is that Agency H has a strong capability of co-operating Company A's business in the market due to the fact that it is taking a more aggressive marketing strategy and also the willingness to cooperate with a new brand on dealership mode also shows the Agency H's confidence in its handling potential risks and in its operating capability.

4.2.3 Reflections

	Cold call & email	Presentation from the brand side	Provide product sample for trial	Business plan presentation	Discussion
New knowledge acquired?	N	N	N	Y	Y
knowledge Category	-	-	-	• Chinese skincare market overview • Competition landscape • Industry trend in China • Marketing strategy • Product strategy • E-commerce operation strategy • Sales projection for new brand • Cost projection for the project • Branding strategy	• Sales projection for new brand • Cost projection for the project • Marketing strategy • Operation strategy

Figure 4.3 Reflection chart (with Agency H)

Several findings can be summarized after this round of action cycle:

1. Trust and credibility are the key foundation for cooperation in the process. It is essential in the following ways: firstly, building up credibility with solid data and cases will increase the possibility of the two party to further its collaboration. secondly, strong credibility will enhance the reliability of the knowledge gained from one another based on which the business strategy will be designed.

2. Practice knowledge obtained through interactions with one agency can be embedded into the company opinions. The validity of such opinions can be
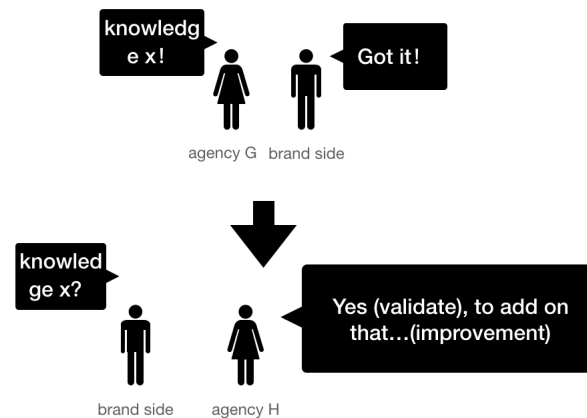
Figure 4.4 Validate knowledge through embedding knowledge obtained from before into interactions

> re-evaluated together with other agencies after interactions. Opinions could also get modified and improved after such interactions. Therefore, pieces of knowledge gained through different rounds of interactions with agencies could served as cross-reference information for one another.

3. The data in business proposal (sales target) and cooperation mode can also serve as an indicator of agency's operating capability in the market.

4.3. Interviews with Project Team members

After rounds of interactions with agencies, the author has conducted short interviews to see whether the team members hold the view that the action cycle was playing a key role in knowledge acquisition.

The interview results are shown in the figure. And as we can see, after interactions, the knowledge level of the team members has increased drastically from 1.75 to 7.5 by self-evaluation. All the team members find the action cycle helpful in knowledge acquisition and 75% of them find it the most cost-efficient knowledge acquiring method compared to others.

	On a range of 1-10, how well do you know about the market and industry? (Before)	On a range of 1-10, how well do you know about the market and industry? (After)	Do you find BD process helpful in obtaining market and industry knowledge?	What other channel(s) do you think contribute to knowledge gaining	Which is the most cost-efficient way of obtaining knowledge for startups?
B	3	8	Y	Desk research, expert interview, survey	BD method
C	2	7	Y	Questionnaire, Research, consulting service	desk research
D	0	7	Y	Survey, desk research	BD method
E	2	8	Y	Interview with users and experts, commercial reports, survey	BD method
Average	1.75	7.5	N/A	N/A	N/A

Figure 4.5 Interview Results

Therefore, the conclusion can be drawn that the action cycle does help in knowledge acquisition and is deemed as a cost-efficient way of obtaining market knowledge.

Chapter 5
Conclusion and Future Work

5.1. Conclusion

After two rounds of implementation of the action cycle, it is clearly to see that such an action cycle is functional when it comes to acquire knowledge over a certain market. Several modifications can also be made compared to the first version of the action cycle. The major modifications are as followed:

- Business development presentation should also be taken into the knowledge-acquiring action cycle despite the fact that it does not generate knowledge directly for the company in the cycle. The business development presentation serves as an indicator for the agency and informs the agency of which kind of topics should be prioritised in the presentation, which makes it more efficient for the company to acquire the knowledge it wants. What's more, although it does not generate knowledge for the brand side directly, it is providing knowledge to the agency, which makes the action cycle a process that is mutually beneficial. Also the agency will refer to the knowledge included in the business development presentation, based on the which the business proposal will be made.

- Knowledge obtained before could be validated through being integrated into the company's opinions and interacting with other agencies or parties. The knowledge cannot only be validated but also supplemented through such interactions.

The action cycle is therefore transformed into the following pattern:

1. Goal formation stage:
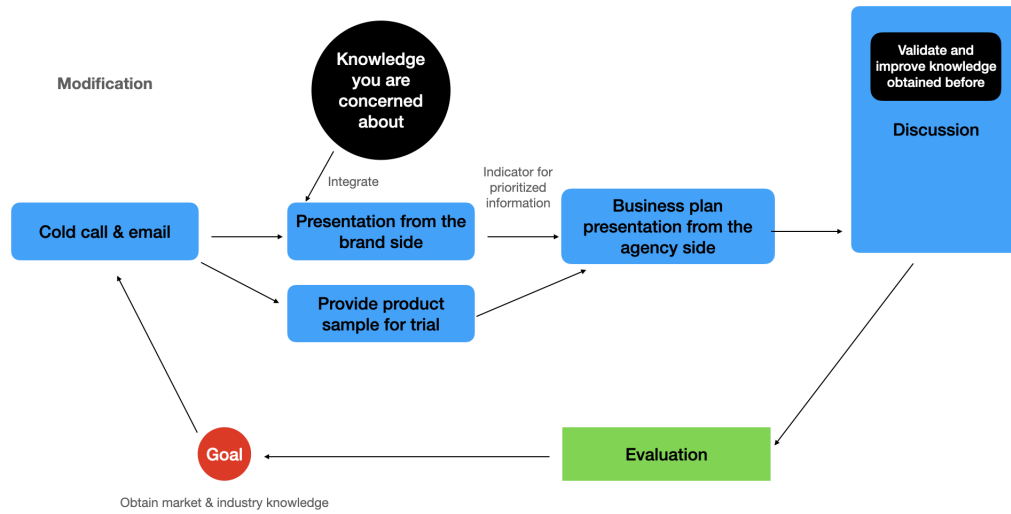
Figure 5.1 Modified knowledge-acquiring action cycle

(a) Goal formation: the goal of this action cycle is to gain knowledge about the market and industry in order to design an improved the company's strategy design for the target market.

2. Execution stage:

(a) Translations of the goals into tasks: In order to reach the goal of gaining knowledge and improving the marketing strategy, the team needs to conduct communications with the potential partners through various methods in the process of business development.

(b) Sequencing the tasks: The three main steps taken in the business development process, namely business development presentation from the company side, business proposal presentation from the agency side and discussions, are serving as a rich resource of knowledge. The first step, business development presentation, does not only indicate imply the framework for knowledge the company wants to gain from the agency, but also serves as a knowledge sharing session for the agency side to know more about the brand, the market it comes from and the context

of the business, which makes the knowledge sharing process mutually beneficial.

(c) Execute the tasks: the team members in the business project conduct such sequence of business development tasks with multiple potential partners (agencies).

3. Evaluation Stage:

(a) Perceiving the results after execution: This step involves in the documentation of new knowledge gained through interactions between the two parties.

(b) Evaluating outcomes compared to the expectations: This step is mainly about evaluating knowledge through conducting new rounds of communications through various channels. The company could validate the knowledge gained from previous communications with industry experts or through checking whether it is consistent with the desk research results. Also, previously gained knowledge can be embedded into the company team's opinions, and through conversations the team could evaluate whether the knowledge is accepted by other agencies to check the validity.

(c) Comparing what happened with what is expected to happen: Through evaluation, the team members will receive feedback on whether the knowledge embedded into their opinions are valid from multiple parties such as agencies, experts et cetera.

5.2. Limitations and Future Work

There are limitations on this work due to the fact that the work aims to propose a solution for startups, which are specialized in FMCG, that aim to enter Chinese market through online channel. Startups are lacking in resources not only in funding, but also in human resources.

Such a solution provides a new way to gain market knowledge with a small startup team with limited budgets. Enterprises are normally granted with relatively more abundant funding with a more experienced team in the target market

if they aim to enter a foreign market. Such a way, for them, may not be the best solution to bring in market knowledge.

Also such a proposal is designed for FMCG companies that are to enter Chinese market through e-commerce channel. The knowledge-acquiring action cycle is dependent upon the interactions between the company and the e-commerce operation agency, the two major stakeholders in the stakeholder ecosystem. If the company enters through other channels in other countries or the company is not mainly focus on selling consumer goods in the market, the stakeholders involved in the process may vary to a great extent and such an action cycle may be not applicable.

There is still a huge space for the proposed action cycle to be improved in the future as there are always new findings in a new round of implementations. One of the key findings include the fact that such an action cycle is a mutually beneficial knowledge sharing session rather than a one-way agency-to-company knowledge sharing process. Such a value of mutual benefit that the action cycle proposes is not mainly presented in the execution stage of the cycle. In the future, the attempt to expand the value to other two stages, the goal formation stage and the evaluation stage could be expect in order to make the action cycle a more valuable tool.

What's more, in essence, such an action cycle is interactions between a foreign company and a local agency with competency in a certain area. Therefore, the action cycle could be conducted, not only with e-commerce operation agency, but also with different institutions that could have such a competence, professional service firms such as consulting firms, marketing firms et cetera to add a new perspective to the knowledge bank.

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Appendices

A. Knowledge Bank Sample

category	knowledge	source
cost	For a new brand that aims to grow in a China as a foreign market. Marketing fee might take up 25%-50% of the total sales	agency
marketing strategy	The top tools used by agency to do marketing activities are TikTok (short video), RED (lifestyle sharing community), Zhihu (China's Quora), WecChat(instant message tool) and Taobao (ecommerce platform) itself in China	agency
marketing strategy	On TikTok, the normal practice to conduct social media marketing is through 1) advertisement; 2) colleborating with influencers or celebrities to produce short video where ads are embedded. 3) colleborating with influencers or celebrities to do live stream sales	agency
marketing strategy	the people group that ages from 25-35 years old has the strong purchasing power. For anti-aging products which targets at middle-age customer from 40 years old and above, in marketing campagins, the concept of "anti-early-aging" should be highlighted.	agency

Figure A.1 Knowledge bank as a tool for storing new knowledge gained from interactions

B. Meeting Memo Samples

<u>**2020.08.06**</u>

Date: 2020/08/06 16:00-16:30

Location:Tencent Meeting

Participants:

Agency G

Company A: B,C,D,E

【To-do】

1. Agency G to elaborate on business plan;

2. Company A to confirm the estimated number of marketing expense;

3. Company A to confirm operation team structure;

_____

1. Marketing Plan

- Marketing fee breakdown

  ➢ Marketing fees for the first year is settled at 36% instead of 48% due to the cancellation on the

    celebrity cooperation part. It is not necessary to hire celebrity due to the fact that

      ✓ when the brand has not made a name for itself it is hard to seek cooperation with

    celebrities

      ✓ It is risky for the brand as it will take a significant share of the marketing fee (20% of

    the sales amount)

  ➢ Marketing fees for the second and third year is around 30%.

- Social network marketing strategy

  ➢ RED

      ✓ Cooperating with KOC and small KOLs to do seeding in order to gain branding
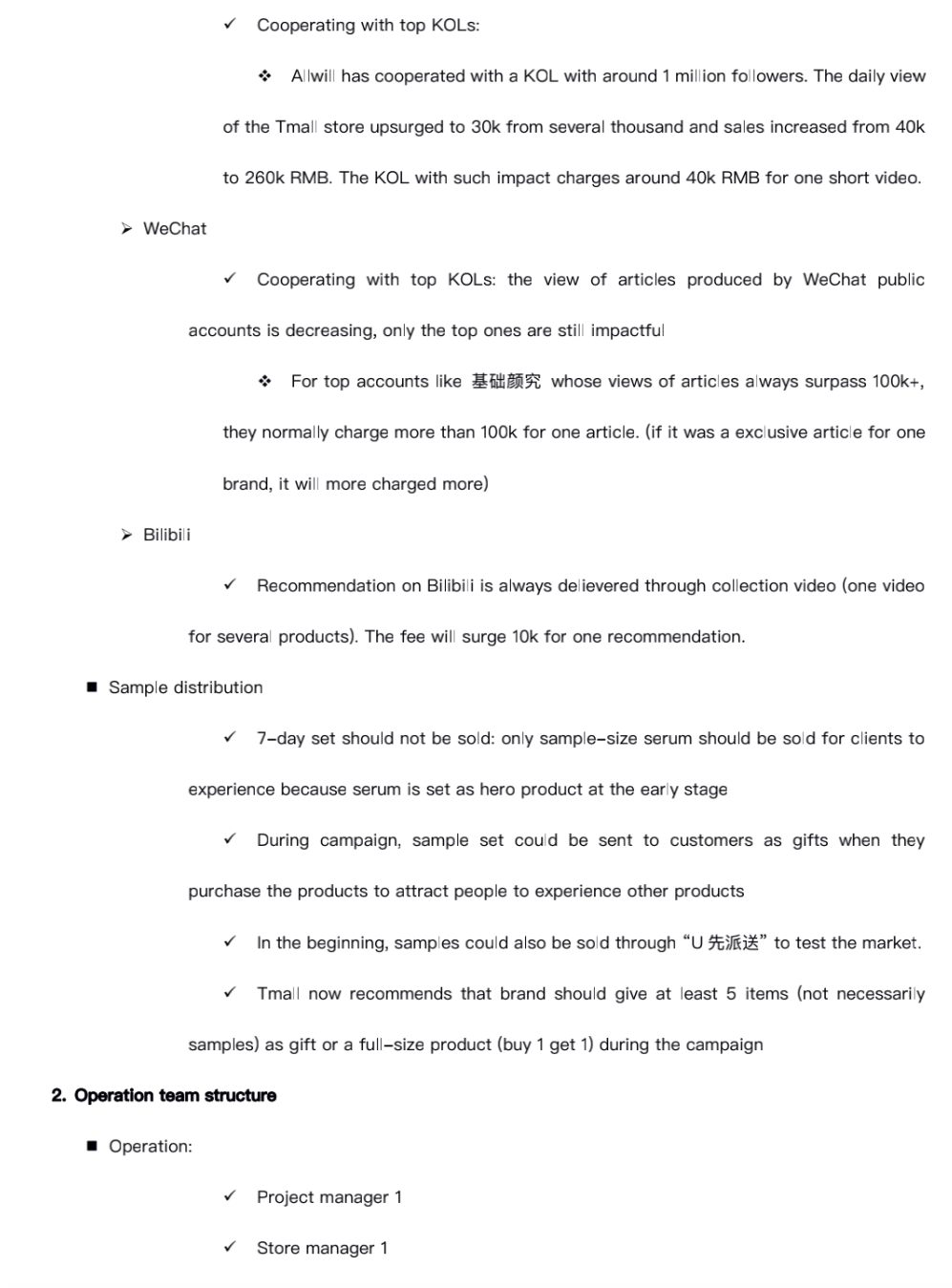
    exposure;

  ➢ Tik Tok

Figure B.1 Meeting memo 1

    ✓ Cooperating with top KOLs:

      ❖ Allwill has cooperated with a KOL with around 1 million followers. The daily view of the Tmall store upsurged to 30k from several thousand and sales increased from 40k to 260k RMB. The KOL with such impact charges around 40k RMB for one short video.

  ➢ WeChat

    ✓ Cooperating with top KOLs: the view of articles produced by WeChat public accounts is decreasing, only the top ones are still impactful

      ❖ For top accounts like 基础颜究 whose views of articles always surpass 100k+, they normally charge more than 100k for one article. (if it was a exclusive article for one brand, it will more charged more)

  ➢ Bilibili

    ✓ Recommendation on Bilibili is always delievered through collection video (one video for several products). The fee will surge 10k for one recommendation.

■ Sample distribution

    ✓ 7-day set should not be sold: only sample-size serum should be sold for clients to experience because serum is set as hero product at the early stage

    ✓ During campaign, sample set could be sent to customers as gifts when they purchase the products to attract people to experience other products

    ✓ In the beginning, samples could also be sold through "U 先派送" to test the market.

    ✓ Tmall now recommends that brand should give at least 5 items (not necessarily samples) as gift or a full-size product (buy 1 get 1) during the campaign

2. Operation team structure

■ Operation:

    ✓ Project manager 1

    ✓ Store manager 1

Figure B.2 Meeting memo 2

✓ Store assistant 1

■ Designer 1

■ Marketing

    ✓ Copywriter 0.5

    ✓ Event planning 0.5

    ✓ Marketing specialist 1

■ Customer service 5

Figure B.3 Meeting memo 3