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# A Knowledge-based View of Cross Border E-Commerce on Tmall Global in the context of New Zealand Natural Health Product SMEs

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*A thesis submitted in partial fulfilment of the requirements for the degree of Master of Bioscience Enterprise. The University of Auckland, 2020*

## **Abstract**

The demand for natural health products in China has grown drastically in the past two decades, making it a lucrative market for New Zealand's small and medium sized enterprises (SMEs) in the natural health products industry. However, these SMEs face a unique set of challenges which may hinder them from expanding into the Chinese market. The advent of Cross Border E-Commerce (CBEC) holds promising potential for these SMEs, lowering the barriers of cost, distance, and regulation. Despite the significant changes to SME internationalisation brought about by the development of CBEC, there have been no studies conducted from a knowledge-based perspective. Understanding CBEC from the lens of knowledge will further enable SMEs' internationalisation process.

This study aims to investigate the knowledge required by New Zealand natural health product SMEs when engaging in CBEC via Tmall Global in the Chinese Market. A qualitative exploratory approach was used to allow for an in-depth, multi-faceted exploration of the CBEC phenomenon in the context of the New Zealand natural health product SMEs. Primary data collection consisted of semi-structured interviews with SME managers and industry advisors to gain a comprehensive overview of the industry.

The main findings drawn from this research illustrate the complexities of CBEC via Tmall Global and the heightened need for knowledge. SMEs that partake in CBEC are required to have an intimate knowledge of the CBEC ecosystem to have a holistic understanding of Tmall Global. This knowledge allows SMEs to identify opportunities and strategies for effective CBEC internationalisation. Internationalisation via Tmall Global is a gradual process that involves the incremental accumulation of knowledge through experience and networks. SMEs who want to engage in CBEC via Tmall Global need to possess strong network knowledge, brand awareness, and partnerships with relevant actors in the CBEC ecosystem.

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# Chapter 1. Introduction

## 1.1 Overview

The demand for natural health products in China has grown drastically in the past two decades, securing its position as the second-largest natural health products market in the world (BCC, 2018). This growth can be attributed to the increasing health awareness, growing disposable incomes and concerns about domestic food safety and environmental pollution of the affluent demographics in China (BCC, 2018). Existing in a nation renowned for its wealth of unique resources and trusted 'clean, green and safe' reputation, the New Zealand natural health products industry is well positioned to respond to this market opportunity and capitalise on the rising demand for high-quality natural health products (Austrade, 2017; Stuff, 2019).

Worth NZ\$2.3 billion annually and growing, the natural health products industry is allegedly the 'quiet achiever' of the New Zealand economy. The industry is predominantly made up of small and medium sized enterprises (SMEs) (Natural Health Products NZ, 2020; Scoop, 2012). This poses a problem as New Zealand SMEs in the natural health products industry have unique challenges which may hinder them from expanding into the Chinese market. Firstly, New Zealand SMEs are restricted by their limited resources and distance from overseas markets (Kennel, 2013; Simmons, 2002; Stachowski, 2012). Furthermore, SMEs in this industry face an array of regulatory demands. In particular, the registration of natural health products in the Chinese market is strictly regulated, time consuming and expensive to comprehend and comply with (BCC, 2018).

Given these constraints, the advent of Cross Border E-Commerce (CBEC) holds promising potential for New Zealand SMEs in the natural health products industry. CBEC refers to an online import channel through which products can be directly sold between different countries via the Internet (Gomez et al., 2013; Qi et al., 2020). The exponential rise of CBEC's popularity in China lowers the barriers of distance and provides New Zealand SMEs with a cost-effective way to access the Chinese market (Fan, 2019; Vrazalic et al., 2003). Notably, natural health products entering the Chinese market through CBEC do not need to go through the registration processes normally required for traditional trade (BCC, 2018). Currently, Tmall Global, one of Alibaba Group's e-commerce platforms, is the most premium online retail platform in China. It provides a channel for established overseas firms to sell directly to Chinese consumers (NZ Herald, 2020). With access to over 230 million users every day, the opportunities presented by CBEC via Tmall Global create an exciting proposition, albeit not well understood by New Zealand SMEs (Alizila, 2020).



Finally, the importance of knowledge in SME internationalisation is widely accepted in the literature (Denicolai et al., 2014). Knowledge is a key competitive resource that enables SMEs to seek opportunities in overseas markets and cope with the inherent uncertainties associated with internationalisation (Denicolai et al., 2014; Durst and Runar-Edvardsson, 2012; Wach et al., 2018). Therefore, knowledge is assumed to be a crucial factor in the survival and growth of SMEs (Durst and Runar-Edvardsson, 2012; Wach et al., 2018).

Despite the significant changes to SME internationalisation brought about by the development of CBEC, there have been no studies conducted from a knowledge-based perspective. Furthermore, there are no studies focused specifically on the natural health products industry despite the industry's unique export requirements. It is important to understand how the role of knowledge in internationalisation changes with advancements in technology. It is also vital for New Zealand SMEs in the natural health products industry to be able to build and acquire the relevant knowledge needed for their CBEC initiatives with China in order to maximise the opportunities presented and succeed in the Chinese market. Therefore, this study aims to investigate the knowledge required by New Zealand natural health product SMEs when engaging in CBEC via Tmall Global in the Chinese Market.

## **1.2 Research Question**

This study seeks to investigate the evolving and increasingly prevalent use of CBEC for internationalisation in the context of New Zealand natural health products SMEs and Tmall Global. The overarching question for this thesis is:

- What types of knowledge do New Zealand Natural Health Product SMEs need when engaging in Cross Border E-Commerce (CBEC) via Tmall Global in the Chinese Market?

## **1.3 Research Design and Methodology**

A qualitative exploratory approach was used to address the research question. The rationale behind adopting this research approach was to allow for an in-depth, multi-faceted exploration of the CBEC phenomenon in the context of the New Zealand natural health product SMEs. Primary data collection consisted of semi-structured interviews with two groups of participants that had experience in the New Zealand natural health products industry: 1) managers of SMEs and 2) external advisors. This allowed for a more comprehensive understanding of SME internationalisation via CBEC. Primary findings were supplemented by secondary data analysis of peer-reviewed journal articles, industry reports, news articles, government websites, company websites, and press releases. Transcripts of the interviews were uploaded

into Nvivo12, qualitative data analysis software. Common themes related to the research question were discovered which informed the findings and discussions.

## **1.4 Contribution**

This study makes several theoretical contributions to the existing literature. First it contributes to the current international business literature on SME internationalisation and CBEC in the context of New Zealand, China, and the natural health products industry. Second, it contributes to the research on the knowledge-based view of the firm by exploration through a knowledge-based view. Finally, the research addresses the gap in the literature, integrating all three components of SME internationalisation, CBEC, and knowledge. This study also makes important contributions to industry by identifying the knowledge types required by natural health product SMEs for CBEC via Tmall Global. Insights from managers and advisors may inform more effective practices and strategies for SMEs' and firms in the natural health products industries' expansion into the Chinese Tmall Global market.

## **1.5 Thesis Structure**

This thesis will be structured as follows: Chapter 2 reviews the literature on SME internationalisation, CBEC, and knowledge in internationalisation. Chapter 3 presents the justified methodology and the associated limitations of this research. Chapter 4 outlines the findings of the research. Chapter 5 discusses the findings in relation to extant literature and research question. Lastly, Chapter 6 concludes this thesis by reviewing the key findings, the industry and academic implications, the limitations of the study, and future avenues of research.

## Chapter 2. Literature Review

This chapter assesses the preceding theoretical and empirical research to inform the research question and design of the study. The literature review will be broken down into four sections, facilitating a comprehensive understanding of Small and Medium-sized Enterprise (SME) internationalisation in the context of New Zealand, Cross Border E-Commerce (CBEC), and knowledge. The first section will identify and explore the importance of SMEs in New Zealand and the drivers and barriers they face when internationalising. The second section will review the research on CBEC and the opportunities and challenges they present to SME internationalisation. The third section will explore the role of knowledge in internationalisation, outline the critical theories associated with internationalisation and identify the key types of knowledge required by SMEs during the internationalisation process. Lastly, the research will be analysed to provide a brief overview of the aforementioned areas and identify gaps in the literature.

### 2.1 New Zealand SMEs

SMEs play a key role in supporting the national economy of many countries, as they support regional economic growth and supply larger exporting firms (H. Zaied, 2012; MBIE, 2018). This case is no different for New Zealand, where SMEs comprise approximately 97% of all New Zealand firms. SMEs make a significant contribution to the New Zealand labour market, employing 30% of the New Zealand workforce and contributing to 28% of New Zealand's GDP. SMEs are regarded as the backbone of the New Zealand economy and also contribute to New Zealand's innovative activity and technological change (MBIE, 2014; Lin et al., 2013). SMEs have become the subject of increasing research in the literature due to their significant contributions to the global economy, growing operations in global markets, and accelerated pace of internationalisation (McDougall and Oviatt, 2000; Ruzzier et al., 2006). Although the term internationalisation is ambiguous and varies across the literature, it can generally be described as the process of increasing involvement of firms in international markets (Susman, 2007).

SMEs can generally be considered as non-subsidiary, independent firms which employ fewer than a certain number of employees. The definition for SMEs varies across countries and may be based on the number of employees or the financial assets of the firm (OECD, 2000). For example, the European Union defines 250 employees as the upper limit, the United States defines 500 employees as the upper limit while Australia defines 200 employees as the upper

limit (OECD, 2000). For the purposes of this study, SMEs will be categorised using the definition provided by the New Zealand Ministry of Business, Innovation and Employment (MBIE) (MBIE, 2014, p. 10) where:

*'Small' represents businesses with 6 to 19 employees, 'Small to medium' (20 to 49 employees), 'medium' businesses (50 to 99 employees) and 'large' businesses (100+ employees).*

The MBIE is the government led department that is charged with New Zealand's economic and business growth. This definition is considered the most appropriate given the national context of this study.

Despite SMEs having a significant impact on the economy, they are traditionally focused on domestic markets to avoid the uncertainties and inherent unknowns of competing in overseas markets (OECD, 2000; Ratten et al., 2007). A 2014 report by the MBIE shows that only 25% of New Zealand firms partake in export activities while the majority focus solely on the domestic market. This estimate is further skewed by the inclusion of larger firms, which means that the percentage of New Zealand SMEs engaging in export activities is presumably lower. It is widely accepted that firms with access to international markets can attain more growth and long-term profitability (Jaeger and Rudzki, 2007; Ratten et al., 2007). Although the dominant focus of internationalisation literature is based on large multinational firms (Coviello and McAuley, 1999), there is growing evidence that internationalisation has become a key requirement for SMEs as it enables them to gain competitive advantages (Dutot et al., 2014). SMEs that internationalise are found to have more success in terms of profitability, production and sales volumes than those that do not internationalise (Bernard and Jensen 1997; Isgut, 2001). Being able to enter international markets is especially important in the current era of increased globalisation, as it has given rise to trade liberalisation, increased competition, market instability, and the emergence of international marketing opportunities, all of which can affect the performance of the SME (Knight, 2000). Therefore, as a country that is mainly made up of SMEs and few large firms, it is vitally important that New Zealand SMEs can expand into overseas markets to boost economic growth and reduce unemployment (Matlay et al., 2006).

Continuing with the SMEs' topic, the next section will highlight the key drivers and barriers for New Zealand SME internationalisation.

### 2.1.1 Drivers and Barriers of SME Internationalisation

The drivers and barriers of New Zealand SME internationalisation can be categorised under country specific and firm specific factors. The main country specific factors include New Zealand's small domestic market size (Simmons, 2002), distance from major overseas markets (Deakins et al., 2013; Simmons, 2002), and open economy (Kennel, 2013). Firm specific factors for SMEs include access to resources such as finance, human resources, knowledge, and capabilities (Kennel, 2013; Lu and Beamish, 2006). A summary of the key country specific and firm specific factors is presented in Figure 1.

#### *New Zealand Specific Factors*

New Zealand's isolated geographic location and distance from overseas markets acts as a major barrier to internationalisation. It is recognised that NZ SMEs are faced with two types of distance. One is the physical distance which poses challenges for logistics such as lead times and costs involved in transport and freight (Kennel, 2013). The other is psychic distance, which refers to “factors that prevent or disturb the flow of information between the firm and the market” (Johanson and Wiedersheim-Paul, 1975, p. 308). This consists of aspects such as differences in political systems, culture, and language between markets which may hinder the firm's international operations (Jin and Hurd, 2018). Furthermore, psychic distance is often positively correlated to geographic distance (Johanson and Wiedersheim-Paul, 1975) and is seen as a bigger barrier if the domestic market is heterogeneous to the target market (Lu and Beamish, 2006). Firms have been found to favour nearby nations within a short physical distance when they begin internationalising, and gradually expand to more distant markets (Kontinen and Ojala, 2010). These compounded barriers of distance are unique to New Zealand and pose many challenges that firms must take into consideration when they decide to internationalise (Kennel, 2013; Deakins et al., 2013).

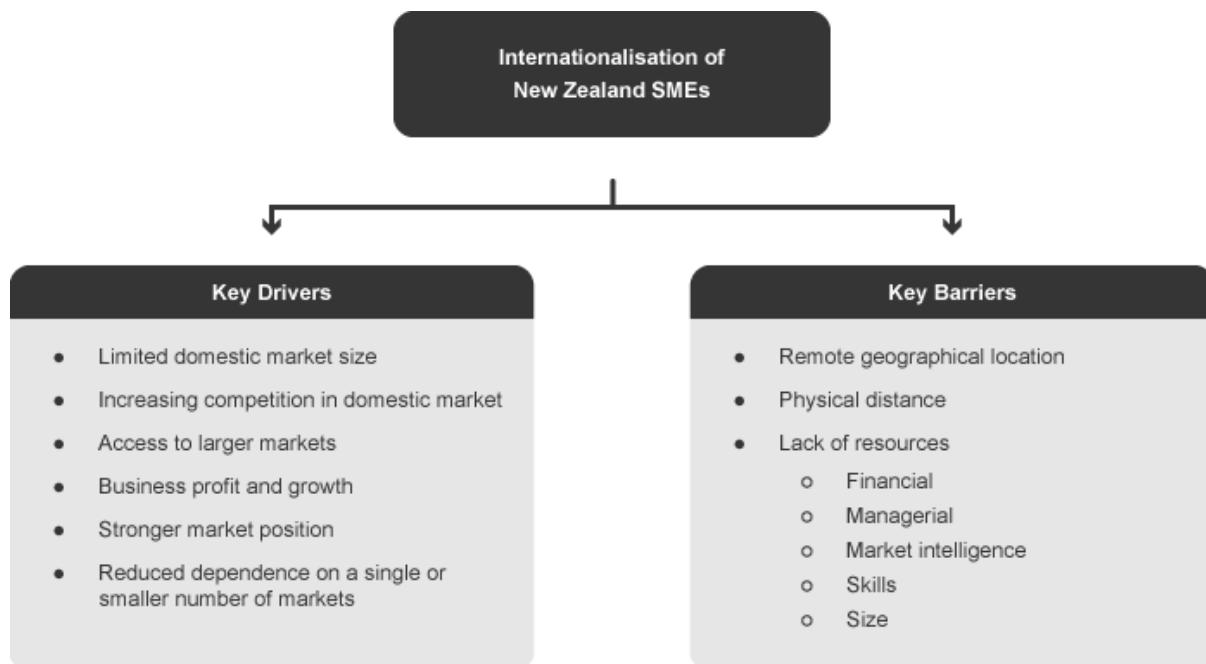
Increased globalisation and liberalisation of trade can act as a driver and a barrier for SME internationalisation. On the one hand, it has opened new markets for NZ SMEs to pursue further growth and expansion (Deakins et al., 2013), but it has also exposed the domestic market to international competition (Ratten et al., 2007). New Zealand has become one of the most open markets in the world, a trend that has led to a high level of competition in New Zealand's domestic market (Hamilton and Dana, 2003; MBIE, 2014). Rising competition coupled with New Zealand's limited domestic market size poses constraints for SMEs to grow domestically. This is a key driver of internationalisation as overseas markets provide SMEs with access to larger markets, more customers, and greater opportunities (MBIE, 2014).

### *SME Specific Factors*

Firms are motivated to internationalise by a need to attain business and profit growth, a stronger position in the market, and to reduce dependence on a single market. Additionally, firms also internationalise to pursue innovation, knowledge, networks and skills (Kennel, 2013). However, SMEs are faced with a magnitude of barriers that hinder their ability to internationalise as they often lack the resources and capabilities needed to capture business opportunities (Korsakienė and Tvaronavičienė, 2012).

There have been extensive studies focusing on the barriers to internationalisation by exporters and/or non-exporters which categorise the main barriers to be financial, managerial, lack of market knowledge, and other firm specific factors (Leonidou, 1995; Katsikeas and Morgan, 1994; Shaw and Darroch, 2004). Financial barriers include the high cost of operating overseas and difficulties in gaining access to capital and credit (Rhee, 2002; Shaw and Darroch, 2004). Managerial barriers include managerial attitudes and decision making, lack of international experience and skills, tendencies to be risk averse and partnership difficulties (Rhee, 2002; Zahra et al., 2000). Limited market intelligence and limited experience in expanding overseas are the most common barriers to SME internationalisation. The unfamiliarity of operating in a different market is often cited as a barrier to in the literature (MBIE 2014; Musteen et al., 2010; Sternad et al., 2013). Finally, some firm specific barriers include a lack of resources and the small size of the firm (Shaw and Darroch, 2004). Regarding the latter, small firms in New Zealand tend to have difficulties finding employees with the right skills and experience compared to larger firms (MBIE 2014).

As discussed above, New Zealand SMEs are presented with numerous barriers that prevent them from internationalising. The development of CBEC holds promising potential for SME internationalisation, the opportunities and challenges associated with CBEC will be presented in the next section.



**Figure 1: Drivers and barriers faced by New Zealand SMEs when internationalising**

## 2.2 Development of Information Communication Technologies

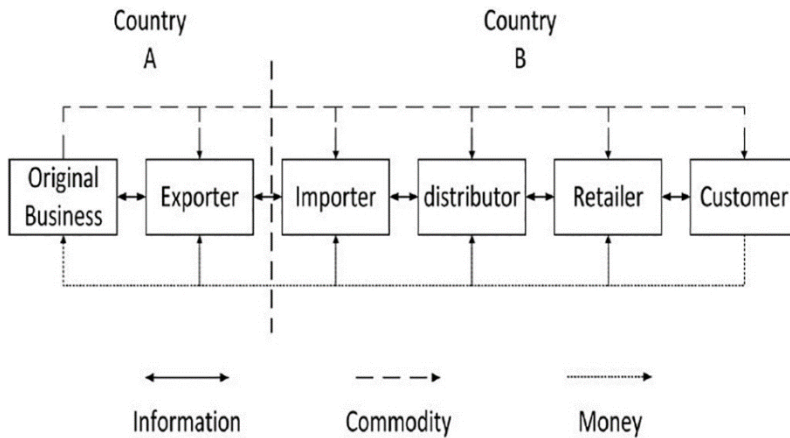
The development of Information Communication Technologies (ICTs) and the internet has transformed traditional business practices and internationalisation norms (Jin and Hurd, 2018). ICTs have changed and influenced the ways and the speed at which firms internationalise and has often been referred to by scholars as the “death of distance”. (Gomez et al., 2014; Valarezo et al., 2017). This is especially the case for SMEs due to their limited resources and the barriers they face when internationalising as discussed in section 2.1.1. ICTs have provided SMEs with new ways to conduct business, access markets, and improve efficiency on an international scale. (Loane et al., 2009; OECD, 2000; Ross et al., 2002). Research shows that the internet has made internationalisation more viable and cost-effective (Sinkovics et al., 2013; Sinkovics and Penz, 2005); and, as Kobrin (2001) argues, the internet and e-commerce are intrinsically international. The literature surrounding ICTs in internationalisation is still fragmented as studies focus on varying aspects of internet utilisation and different industry sectors. Firms may choose to use the internet for online sourcing of products and/or supporting existing international activities for marketing uses, or they may actively use the internet as a path for internationalisation. This form of online internationalisation is commonly known as CBEC, which will be discussed in the following sections.

### 2.2.1 Cross Border E-Commerce Opportunities for SMEs

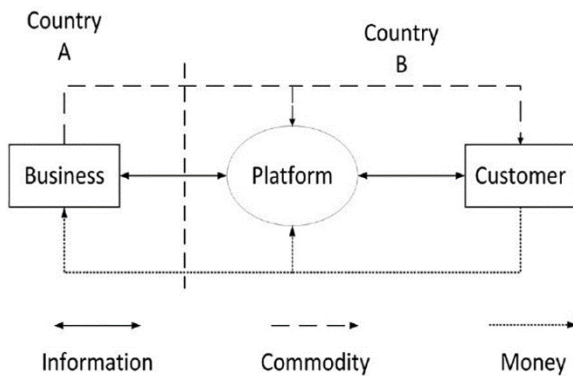
The development of CBEC is one of the major enablers of SMEs' access to overseas market opportunities (Fan, 2019). CBEC refers to an online import channel through which products can be directly sold between different countries via the Internet (Gomez et al., 2013; Qi et al., 2020). The development of CBEC has provided SMEs with a new entry mode into overseas markets that integrates both international trade and e-commerce (Xue et al., 2016). CBEC has opened a new and more efficient way to connect firms directly to customers around the world as it removes the need for firms to have a physical presence in the target market (Fan, 2019). All transactions are made online either via the company's own website or within a third-party marketplace platform (Jin and Hurd, 2018). Furthermore, CBEC provides a channel for consumers to access a wider range of products at a lower price as this channel normally has lower barriers of entry in terms of tariffs and regulations which apply to traditional export channels (Fan, 2019). Therefore, CBEC can provide cost effective ways of accessing customers globally, help alleviate the barriers of distance, and allows SMEs to compete on par with large businesses (Vrazalic et al., 2003). The result of a recent study by the World SME Forum also revealed that CBEC increases the productivity, revenue, and innovation of SMEs as they are exposed to advanced technologies, competition, and best business practice (Sahbaz, 2017). In line with these key trends, researchers have begun to investigate the impact of the CBEC on firm internationalisation.

CBEC boosts international trade and improves efficiency of trade processes (Qi et al., 2020). Qi et al.(2020) argues that CBEC plays an important role in transforming international trade and has a positive impact on the economy. In traditional cross-border trade, customers purchase overseas products using a prolonged chain of distribution which involves several intermediaries (Figure 2). Intermediaries have a vital role to play in connecting individuals and businesses that would otherwise not be associated (Giuffrida et al., 2019). Intermediaries become even more important in cross border trade as they must bridge the gap of physical and psychic distance between the parties involved. CBEC can shorten this distribution pattern with the involvement of CBEC platforms acting as the intermediaries instead (Figure 3). Additionally, CBEC helps to reduce customer-service processes and costs related to international payments, logistics as well as language and it can therefore facilitate exporting processes (Qi et al., 2020).





**Figure 2: A traditional cross-border trade distribution chain (Qi et al., 2020)**



**Figure 3: A CBEC distribution chain (Qi et al., 2020)**

According to Jin and Hurd (2018), digital platforms may help alleviate barriers to entry for SMEs aiming to engage in CBEC by allowing firms a channel to enter foreign markets at relatively low costs. Gomez et al. (2013) also note that distance-related trade costs such as physical transport costs and costs associated import tariffs and regulatory barriers were greatly reduced in online trade when compared to offline trade. Digital platforms can also reduce the costs of information-intensive activities such as communication management as well as sales and marketing (Fan, 2019). Arenius et al. (2005) contends that the internet provides an international sales channel that helps firms overcome resource barriers and hastens the internationalisation process. As such, SMEs can connect directly with consumers and suppliers on a global scale using digital platforms and internationalise despite their firm specific barriers of size and limited resources. Therefore, digital platforms and online trade offers an avenue for SMEs to internationalise despite their resource constraints. Moreover, digital platforms also reduce the costs of market research and enable firms to obtain market knowledge and experience through business networks (Jin and Hurd, 2018).

CBEC can also significantly change the traditional term of distance. The internet eliminates the need for the SME to have any physical presence in the target market. Johanson and Vahlne (1977) state that psychic distance is not constant and could be influenced by the development of trade and communication systems. This is demonstrated by Yamin and Sinkovics (2006), who assert that online business activity helps firms to understand consumer behaviour, preferences and the environmental differences inherent to foreign markets, thus reducing psychic distance. Thus, the opportunities provided by CBEC support the internationalisation activities of SMEs by downsizing some of their historical shortcomings.

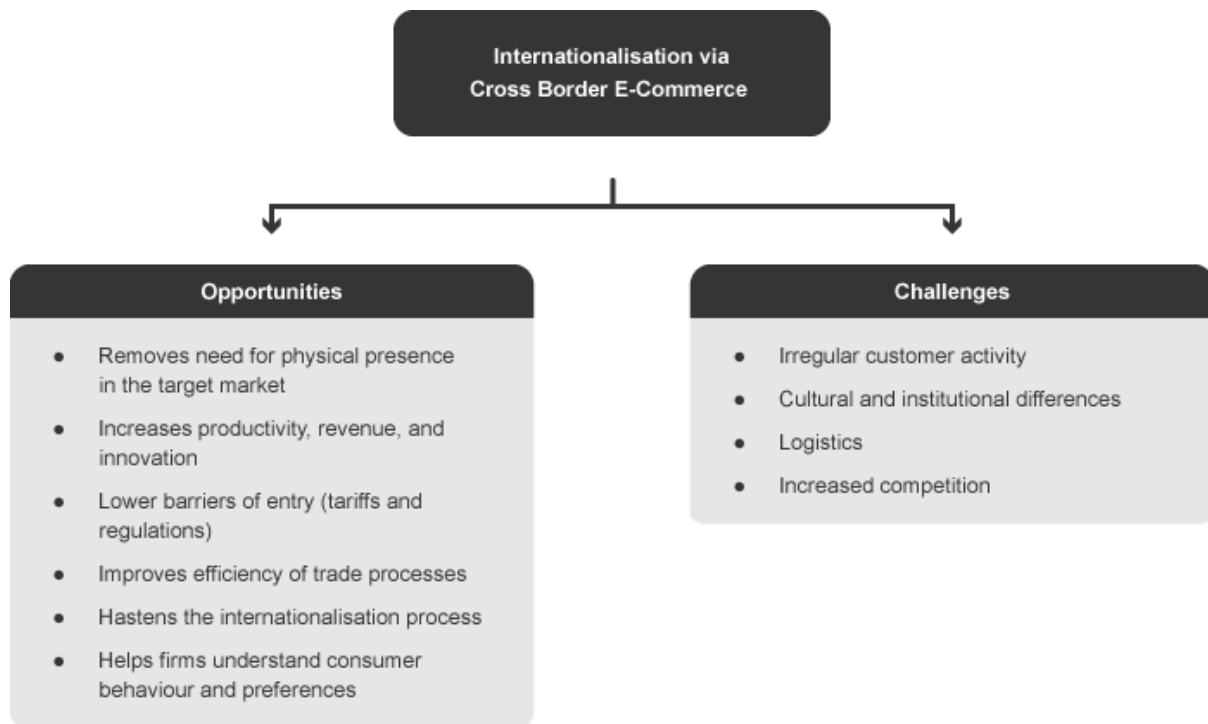
### **2.2.2 Cross Border E-Commerce Challenges for SMEs**

It is important to note that despite the opportunities presented by CBEC, there are also uncertainties and challenges that need to be taken into consideration when internationalising via CBEC. These include irregular customer activity, cultural and institutional factors, as well as varying control guidelines and protocols (Elia et al., 2019; Gomez et al., 2014). For instance, Gomez et al. (2014) stresses the importance of logistics on the outcomes of CBEC. CBEC trading for physical goods need specific infrastructure, such as efficient delivery systems and flexible online payment methods. Gomez et al. (2014) states that while distance may no longer be an issue for solely digital products and services, goods still need to be physically transported across borders between the domestic and target market. The costs associated with shipping is usually high, and this cost increases with increasing distance between the local market and target market (Gomez et al., 2014). Successful CBEC requires fast and reliable logistics which is currently expensive for both the consumers and the businesses involved (Gomez et al., 2014). Therefore, even though CBEC reduces some distance-related trade costs, the relative importance of other costs may increase (Gomez et al., 2014).

Market competition and cultural factors are further important issues to consider as they are crucial for effective CBEC (Axinn and Matthyssens, 2002; Lee, 2019). Axinn and Matthyssens (2002) acknowledges that the increasing use of the internet in business for firm internationalisation leads to greater market saturation. Online trade opens a much larger geographical catchment area for both suppliers and consumers. This increases the variety of products available and leads to higher competition (Gomez et al., 2014). Elia et al. (2019) implores that this impacts SMEs the most as they do not have the resources to compete with large companies that possess the advantages of economies of scale. Furthermore, Gessner and Snodgrass (2015) reveals that firms engaging in CBEC often face substantial barriers due to differences in cultural and institutional factors of the target market, such as language,

trademarks, and the regulations. As cultural differences tend to increase with physical distance, firms must understand their target market and continuously create new products and strategies that appeal to target customers to gain an advantage over the competition (Lee, 2019).

Continuing with the topic of SME internationalisation, the next section will review the role of knowledge in SME internationalisation.



**Figure 4: Opportunities and challenges associated with internationalisation via CBEC**

### 2.3 Knowledge in Internationalisation

The primary challenges firms face during the internationalisation process include decisions on which global market to enter, the time to do so, the entry scale, and the method of entry (Hill, 2007). In this regard, several internationalisation theories and models have been developed to explain internationalisation and help firms expand into new markets. The extant literature on internationalisation initially focused on large multinational corporations and exporting (Coviello and McAuley, 1999), but has recently shifted to focus on SMEs as they become increasingly active in international markets (Oviatt and McDougall, 1994; Lu and Beamish,

2001, p. 565). Arguments also presented that exporting is just one way out of several alternatives for firms to venture into international markets as international trade evolves and technological advancements disrupt traditional methods of internationalisation (Jin and Hurd, 2018; Stoian et al., 2018).

A factor that has been constant in the internationalisation literature is the role of knowledge, as decisions made during the internationalisation process can be seen as the result of the acquisition, assimilation and interpretation of knowledge (Knight and Liesch, 2002). For the purposes of this study, the definition of knowledge will be understood as the interpretation of information and beliefs which are developed through the experiences of individuals (Casillas et al., 2010). The importance of knowledge is observed in the internationalisation literature for large multinational firms and SMEs alike (Denicolai et al., 2014). Knowledge enables firms to cope with the inherent uncertainty associated with the internationalisation process and guides the decision-making processes on market selection. Knowledge also plays a key role in a firm's motivation to expand and enables firms to seek opportunities in foreign markets (Wach et al., 2018). Researchers have indicated that firms should be in a position of developing, managing and utilizing their knowledge-based assets, as knowledge is a key competitive resource, and this is particularly important for SMEs that have limited resources at their disposal compared to larger corporations (Denicolai et al., 2014; Durst and Runar-Edvardsson, 2012; Yli-Renko et al., 2002). Therefore, knowledge is assumed to be the key factor in the internationalisation process of SMEs and plays an important role in their survival and growth (Durst and Runar-Edvardsson, 2012; Wach et al., 2018). A lack of knowledge is found to be one of the main obstacles for SMEs that want to expand into new international markets (Zucchella and Servais, 2012).

### **2.3.1 Internationalisation Theories**

Knowledge is an important component in both the Uppsala Internationalisation model and the International New Ventures theory, which will be outlined below to provide a detailed overview of the knowledge presented.

#### ***Uppsala Internationalisation Model***

The Uppsala model was proposed by Johanson and Vahlne (1977) and is a well-known theory of behaviour in internationalisation, as it can be applied to a variety of firms and diverse events (Pedersen and Petersen, 1998). The research applying the model suggests that internationalisation is an incremental strategy in which firms gradually enhance their

commitment and involvement levels in global markets (Johanson and Vahlne, 1977). The Uppsala model has played a key role in building a theoretical basis for the process of internationalisation, as well as contributing to the development of a framework used by firms engaging in international markets. The Uppsala model frames the expansion of individual firms, wherein a firm progressively enhances its international participation by acquiring, integrating, and utilising knowledge about global markets and functionality. As such, the firm's commitment to international markets increases in stages (Johanson and Vahlne, 2017), and the appropriate expertise is obtained primarily through global operations. The Uppsala model thus indicates that the differentiation is usually between change and state factors and that market commitment and market knowledge impact current activities and commitment decisions (Johanson and Vahlne, 1977).

The Uppsala model recognises knowledge to be the basis of the decision of a firm's commitment in a market. According to Johanson and Vahlne (1977), knowledge is founded on the measures in which knowledge is attained. The model suggests that growing knowledge leads to a reduction of risk and uncertainty and higher engagement of resources (Wach, 2018). In this approach, knowledge refers mainly to market-specific knowledge such as insights of market challenges and opportunities (Johanson, 1990; Wach, 2018). Experiential knowledge is the primary driver for firm internationalisation, which can only be gained through experience, while objective knowledge includes knowledge that can be taught. Johanson and Vahlne (1977) argue that the absence of such knowledge represents a critical challenge for the internationalisation process of a company and the advancement of international operations.

### ***Theory of International New Ventures***

A different approach was presented by Oviatt and McDougall in the 1990s in response to the changing economic, technological, and social conditions which enabled firms to internationalise early on (Gulanowski, 2018; Porter, 1990). Oviatt and McDougall (1994) argue that these international new ventures (INV) are firms that have an international strategy from the very beginning. These firms are not focused on asset ownership, but focus instead on leveraging relationship networks, and utilising knowledge and innovation to access foreign markets (Gulanowski, 2018). Oviatt and McDougall (1994) emphasise the importance of the technological intensity of the knowledge that comes from the experience of the entrepreneur, and that this knowledge is the asset that enables the firm to offer their products to international markets. In this approach, knowledge is considered to be integral to the internationalisation process and has an impact on the speed of internationalisation (Oviatt and McDougall, 1994). This theory pays attention to the modes of knowledge acquisition, which can be classified as

direct or indirect (Gulanowski, 2018). Direct knowledge refers to the knowledge gained through the activities undertaken by the firm while indirect knowledge refers to the knowledge the firm gained through the activities of other entities. Both types of knowledge change the behaviour of the firm (Bingham and Davis, 2012). The contrast between knowledge in this theory compared to the Uppsala model, which emphasises the importance of the experiential knowledge through personal experience, is that knowledge can be derived indirectly from the experiences of other entities. Indirect knowledge is assumed to speed up the internationalisation process as it can be gained more quickly than direct knowledge, placing firms in an advantageous position (Hutzschenreuter et al., 2016).

### **2.3.2 Towards an Integrated Model of Internationalisation**

The two dominant internationalisation theories described above both acknowledge knowledge as a central resource in the firm's internationalisation process, which adds value and enables the firm to expand into foreign markets. However, the theories assign different roles for knowledge. Knowledge in the Uppsala model is seen as a key regulator of the firm's commitments to foreign markets (Johanson and Vahlne, 1990), where a lack of knowledge about foreign markets is seen as a barrier which restricts firms to the markets in which they have prior knowledge. While the theory of International New Ventures (Oviatt and McDougall, 1997) views knowledge as a driving resource for the firm's internationalisation process. Due to the complex and changing nature of internationalisation, many scholars have attempted to build upon and integrate existing theories in order to explain the firm's internationalisation from a new knowledge-based perspective (Mejri and Umemoto 2010).

#### ***Knowledge-Based View***

This research adopts the theoretical framework based on the knowledge-based view of the firm that has emerged in the recent literature; developed to relate the key notions of knowledge from the disparate internationalisation literature. The knowledge-based view of the firm has been evident in the literature on strategic management. While there are a variety of proposed models in the literature, the concept builds on Penrose's (1959) resource-based theory of the firm. This notion posits that a firm's ability to utilise knowledge and productively integrate resources will determine its growth. The knowledge is included and adopted in several entities that entail institutional systems, routines, documents, culture and identity, and policies, as well as personal employees.

The knowledge-based view is an extension of the resource-based view because it considers organisations as heterogeneous entities laden with knowledge (Curado and Bontis, 2006). The knowledge-based view is not a model in the formal sense, but a set of ideas about the nature and existence of the firm that focuses on the role of knowledge (Grant, 1996). The knowledge-based view considers knowledge to be a strategic resource that is socially complex, difficult to imitate, and a source of long-term competitive advantage that does not depreciate. A useful outline of the knowledge-based view is also provided by Grant (1996) with the assumptions that 1) Knowledge is the most important resource and determines the firm's performance, 2) Knowledge costs more to create than replicate, 3) Explicit knowledge, also known as codified knowledge, can be detected and transferred easily compared to tacit knowledge, which is difficult to transfer. Tacit knowledge, also referred to as experiential knowledge, includes knowledge that is acquired from experience embedded in individuals and processes of the firm (Denicolai et al., 2014).

### **2.3.3 Knowledge in SME Internationalisation**

Given the increasingly important role of knowledge in SME performance and internationalisation, multiple scholars have begun to try and explain the influence of knowledge on SME internationalisation. The current literature on knowledge in SME internationalisation primary focuses on the knowledge required for exporting (e.g. Casillas et al., 2010; Villar et al., 2014; Zhou, 2007), but there is a lack of understanding when it comes to the knowledge types required for internationalisation using channels besides exporting. Several studies have identified knowledge possessed by managers, founders and their networks are vital for the success of SME internationalisation (Andersson, 2011; Nordman and Melen, 2008; Stoian et al., 2016; Stoian et al., 2018; Yli-Renko et al, 2001; Yli-Renko et al, 2002; Zhou, 2017).

Stoian et al. (2018) aimed at elucidating the knowledge types required by SMEs that take part in international activities beyond the normal strategy of exportation. The findings from this study enhanced the knowledge-based literature on SME internationalisation on two fronts. Firstly, the researchers developed a framework illustrating that the internationalisation of SMEs is predominantly driven by tacit knowledge embedded within the management of the firm and further facilitated by functional knowledge external to the firm. Tacit knowledge included knowledge related to product distinctiveness, foreign opportunities, foreign collaborations, foreign customers, and foreign markets while functional knowledge included knowledge provided by advisors external to the firm. These findings complement and build on findings from previous literature on knowledge types required for exporting. Second, the researchers argued that the knowledge types identified enabled SMEs to internationalise

sustainably as knowledge helps SMEs overcome their limited resources and aided value-added activities internationally. These findings were similar to Stoian et al. (2016), which also emphasised that the international performance of SMEs was enhanced when management within the SME had knowledge of foreign markets and networks.

Nordman and Melen (2008) carried out a study to explore how different types of knowledge impacted the internationalisation process of biotech SMEs. The research findings suggest that founders and managers with high levels of international and technological knowledge were driven by proactive behaviour and exploited foreign market opportunities more rapidly. In contrast, founders and managers with a high level of technological knowledge but a low level of international knowledge exhibited reactive behaviour, generally exploiting foreign market opportunities in a more incremental pattern. The researchers concluded that SMEs structure their internationalisation strategies based on the extensive level of international knowledge, and that the possession of international knowledge increased the speed of internationalisation. This corresponded to the findings in the review by Brennan and Garvey (2009) who aimed to establish the role of knowledge in the internationalisation of firms. The perspective that emerged was that the knowledge accumulation and intensity of the firm impacts the pattern and pace of the firm's internationalisation. Furthermore, Andersson (2011) and Zhou (2007) also stress the importance of knowledge (network knowledge and foreign market knowledge respectively) for the fast-international expansion and growth of SMEs.

Yli-Renko et al. (2002) examined the role of knowledge and social networks in the internationalisation of young technology-based firms. The researchers stressed the importance of knowledge as a key resource in the international growth of young firms. The research found that the personal networks of founders and employees had a positive effect on the knowledge intensity and resulted in higher accumulation of knowledge within the firm. The networks provided the firms with foreign market knowledge about market trends and developments as well as links to new customers, marketplaces, and suitable business partners. The findings also showed that increased foreign market knowledge and knowledge intensity led to an increase in the international growth of firms. Furthermore, Yli-Renko et al. (2001) posit that young technology-based firms were able to acquire new external knowledge through key customer relationships. The researchers claim that relationships with key customers lead to a greater level of technological innovation of products, as knowledge acquired through key customers is an essential element for new product development (NPD). The importance of knowledge in NPD is further highlighted by Martínez-Román et al. (2019) who sought to identify the impact of knowledge in relation to product innovation and SME internationalisation. The findings of the study demonstrated that knowledge enhanced the innovation and internationalisation of SMEs by reducing the primary risks associated with



internationalisation, and that the effects of knowledge and innovation is more pronounced in high technology sectors.

Mejri and Umemoto (2010) contend that existing models only provide a partial and sometimes fallacious explanation of the SME internationalisation process which limits the theoretical advancement in the discipline of international business. The researchers claim that the knowledge-based view should be used to explain the recent phenomenon of SME internationalisation as it is a more integrative model that combines multiple theoretical perspectives through the lens of knowledge. The researchers argue that the knowledge-based view serves to better understand SME internationalisation as SMEs have limited tangible resources that must be compensated for by an intangible resource such as knowledge. Knowledge is seen as vital for the growth, survival, and competitive advantage of SMEs. The researchers also assert that knowledge has always been the core of human achievement, therefore, internationalisation is a result of knowledge. Lastly, the importance of knowledge for understanding SME internationalisation is supported by the literature. The model proposed consists of four knowledge types considered to be crucial for SME internationalisation and will be discussed in greater detail in section 2.3.4.

#### **2.3.4 Categorisation of Internationalisation Knowledge**

The role of knowledge in internationalisation has been studied extensively but is difficult to systematise due to the complexity and dynamic nature of both issues. There are several studies that try to identify the types of knowledge which are considered fundamental for internationalisation. However, as there is no set framework, many researchers adopt different terms to describe similar types of knowledge. Therefore, to create a more coherent structure for the analysis of this study, the example used will be the taxonomy provided by Mejri and Umemoto (2010) who based their knowledge model on the internationalisation process of SMEs. Mejri and Umemoto (2010) established a holistic overview of the models and theories based on knowledge. The knowledge-based concepts that were proposed in the study drew upon several knowledge theories such as transaction, management, and social capital theory. The model included knowledge aspects such as market knowledge and experiential knowledge, which include entrepreneurial, cultural, and network knowledge. Different intensities of acquisition and use of knowledge apply depending on each stage of the internationalisation process, this can be seen in Figure 5.

### *Market Knowledge*

Market knowledge refers to explicit or objective information about global markets. It entails information about regulations, competitors, and market size. According to several researchers, market knowledge is needed during the pre-internationalisation stage and is vital for the first phase of the internationalisation process. Firms need to obtain market knowledge before venturing into global markets, due to the high risk associated with the initial entry. Wiedersheim-Paul et al. (1978) also indicated that pre-export information should come before the export stage. The intensity and use of market knowledge decreases with increasing engagement in the internationalisation process as experiential knowledge becomes more important (Mejri and Umemoto, 2010).

### *Experiential Knowledge*

Experiential knowledge of global markets has been identified to be significant for firm internationalisation. This type of knowledge can only be obtained through practice and personal experience in international markets (Johanson and Vahlne, 1977). Past research on internationalisation has suggested that experiential knowledge has been found to consist of network, cultural and entrepreneur knowledge. Experiential knowledge is likely to be used in the later stages of internationalisation when the firm has had more experience in the market (Mejri and Umemoto, 2010).

### *Network knowledge*

There is growing evidence to support that network knowledge has a significant impact on the internationalisation of SMEs. Network knowledge facilitates SME internationalisation by reducing the internal resources needed by SMEs as they are able to gain access to new resources and skills with their network partners (Kaur and Sandhu, 2013). The network knowledge entails both business and social networks that enable firm internationalisation and has been utilised in various stages of internalisation. There is increasing evidence to support that firms are enhancing their participation in global markets, and how their utilisation of network knowledge is expanding (Mejri and Umemoto, 2010). According to Blomstermo et al. (2004), several experienced firms that have internationalised into international markets have depended heavily on knowledge that was obtained from their networks.

### Cultural Knowledge

Cultural knowledge of the international market entails the understanding of manners, values, as well as how individuals think in the market. There is low utilisation of cultural knowledge during the novice internationalisation stage, but the intensity grows as the firm progresses through internationalisation. The firm progressively acquires cultural knowledge through experience with partners in the global market (Mejri and Umemoto, 2010).

### Entrepreneurial Knowledge

Entrepreneurial knowledge entails the knowledge of the existing opportunities and ways to exploit them. Identification of opportunities is vital in the growth and survival of the firm. According to Shane (2004), entrepreneurial opportunity refers to the event where an individual is in a position of developing new means-ends systems for integrating resources that the entrepreneur thinks will bring about profits. Recognition and exploitation of opportunity in many cases is the motivation factor that results in firm internationalisation. Entrepreneurial knowledge is acquired from pre-internationalisation and is constantly used after foreign market entry. According to Mejri and Umemoto (2010), the use of entrepreneurial knowledge will grow as the firm gains more experience in the international market.

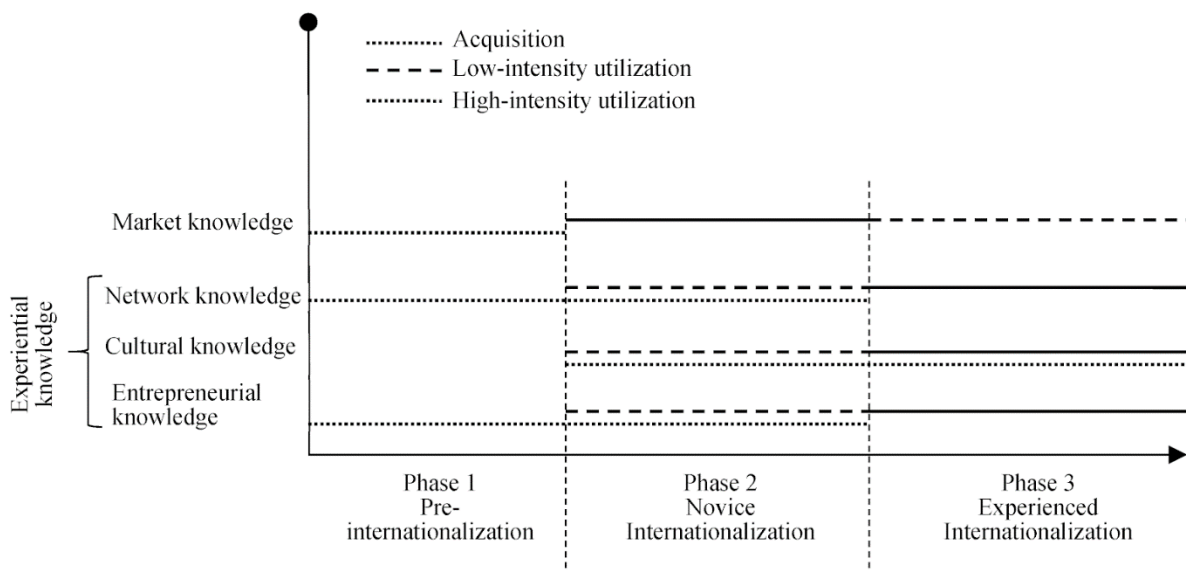


Figure 5: The knowledge-based model of SME internationalisation (Mejri and Umemoto, 2010)

## 2.4 Chapter Summary

This chapter provided a review on the literature that underpins the theoretical background of this study. The literature on SME internationalisation reveals that New Zealand SMEs need to internationalise in order to survive and grow in the face of globalisation, but they are constrained by challenges that are unique for a small developed economy that is an OECD member. However, recent changes in technological, economic, and social conditions have led to new methods of internationalisation. The advent of CBEC offers considerable opportunities for New Zealand SMEs looking to penetrate overseas markets. The current literature argues that CBEC and the internet are an invaluable resource for SME internationalisation. CBEC allows SMEs access to international markets which were traditionally dominated by large multinationals with substantial resources. This is especially significant to SMEs in geographically isolated areas such as New Zealand. However, there are also challenges associated with CBEC that firms must overcome to successfully utilise this method of internationalisation. The literature review highlights that the phenomenon of CBEC is still in its infancy compared to the literature focusing on the internationalisation of firms in the offline economy. While studies have investigated specific elements such as logistics, and entry modes, there is limited understanding of various aspects of CBEC and a generally over positive view of the outcomes. Finally, the review of existing literature on knowledge in internationalisation shows the significant role of knowledge in SME internationalisation. However, while many studies recognise the importance of knowledge for SME internationalisation, they do not base their findings from the tenets of a knowledge-based view. Those that do so tend to focus on the context of exporting, which leaves a gap in the literature for further exploration into other entry modes such as CBEC. Furthermore, it is important to note that each researcher places different emphasis on the sources, types, and roles of knowledge.

While research regarding CBEC for SME internationalisation is gaining popularity, there has yet to be any studies conducted from a knowledge-based perspective, despite both components playing an important role in the internationalisation of SMEs. There is limited literature focusing on the use of CBEC for SME internationalisation in the context of New Zealand and China, and to the best of the researcher's knowledge, there is no research focused specifically on the natural health products industry despite the industries unique export requirements. This shows that there is a gap in the literature that needs to be explored. It is important to understand how the role of knowledge in internationalisation changes with advancements in ICTs that present a significantly different context to traditional internationalisation. It is also vital for New Zealand SMEs in the natural health products industry to be able to build and acquire the relevant knowledge needed for their CBEC

initiatives with China in order to maximise the opportunities presented by CBEC and tap into the large Chinese consumer market. Therefore, the focus of this study will aim to link all three variables in order to investigate the knowledge types that New Zealand Natural Health Product SMEs require when engaging in CBEC via Tmall Global in the Chinese Market.

## Chapter 3. Methodology

The previous chapters have addressed the significance of the research topic, the literature underpinning the study and the research context. The objective of this chapter is to provide the rationale and explanation of the methodological approach adopted by the researcher in order to answer the overarching research question:

*What types of knowledge do New Zealand Natural Health Product SMEs need when engaging in Cross Border E-Commerce (CBEC) via Tmall Global in the Chinese Market?*

The research design and research paradigm, data collection, procedures, and data analysis will be described. Following this, research design considerations including credibility, transferability, dependability, confirmability, and limitations will be discussed. Lastly, ethical considerations will be addressed.

### 3.1 Research Design

A qualitative, exploratory design was selected for this study, to investigate the knowledge types required by New Zealand Natural Health Product SMEs when engaging in CBEC via Tmall Global in the Chinese Market. The rationale behind adopting this research design was to allow for an in-depth, multi-faceted exploration of the CBEC phenomenon in the context of the New Zealand SMEs (Patton, 2005). This design is appropriate due to the highly complex and context specific nature of New Zealand SMEs in the natural health products industry. It is also important to investigate the issue in a contemporary and real-life context approach due to the ever-changing nature of international trade and regulations on natural health products and CBEC.

Qualitative research is often implemented to understand a phenomenon in terms of the underlying processes and meanings (Sale et al., 2002). Qualitative research involves the collection and analysis of nonnumerical data with the intention of understanding people and their social world in the context given (Ritchie et al., 2013). This research design therefore enabled the perceptions and insights of managers and advisors in the natural health products industry who have experience in CBEC, to be captured by the researcher. This enables the ability to expose emerging concepts and allows the researcher to explore the knowledge types required.

An exploratory approach was chosen as the area of knowledge and CBEC is still under-researched and preliminary. To date, there are no studies which focus solely on the knowledge types required in CBEC. Therefore, an exploratory method is appropriate as it allows for flexibility, greater insight for further research, and can be used to answer the “what” type research question addressed in this study (Babbie, 2007).

## **3.2 Research Paradigm**

The research paradigm is an all-encompassing system of interdependent thinking and practice that defines the research design and methodology (Eriksson et al., 2008). An interpretivist epistemological approach is taken in this study, which “is guided by the researcher’s set of beliefs about the world and how it should be understood and studied” (Denzin and Lincoln, 2005, p. 22). An interpretivist methodology conceptualises knowledge as context specific and existing in multiple forms as interpretations by individuals (Levers, 2013). This approach is suitable when exploring knowledge as it is dynamic and embedded in the subjective experiences and intuitions of individuals (Stoian et al., 2018). Knowledge is heterogeneous in nature and hard to define and measure using positivist approaches (Denicolai et al., 2014). Furthermore, embracing this approach is appropriate as the nature of the natural health products industry, and the knowledge required when engaging in CBEC, is highly context specific.

## **3.3 Data Collection**

Two methods of data collection were used in the study to allow the researcher to secure an in-depth understanding of the phenomena under investigation and to contribute to the completeness of the research findings (Fenech-Adami and Kiger, 2005). This included secondary data collection and primary data collection in the form of semi structured interviews.

### **3.3.1 Secondary Data**

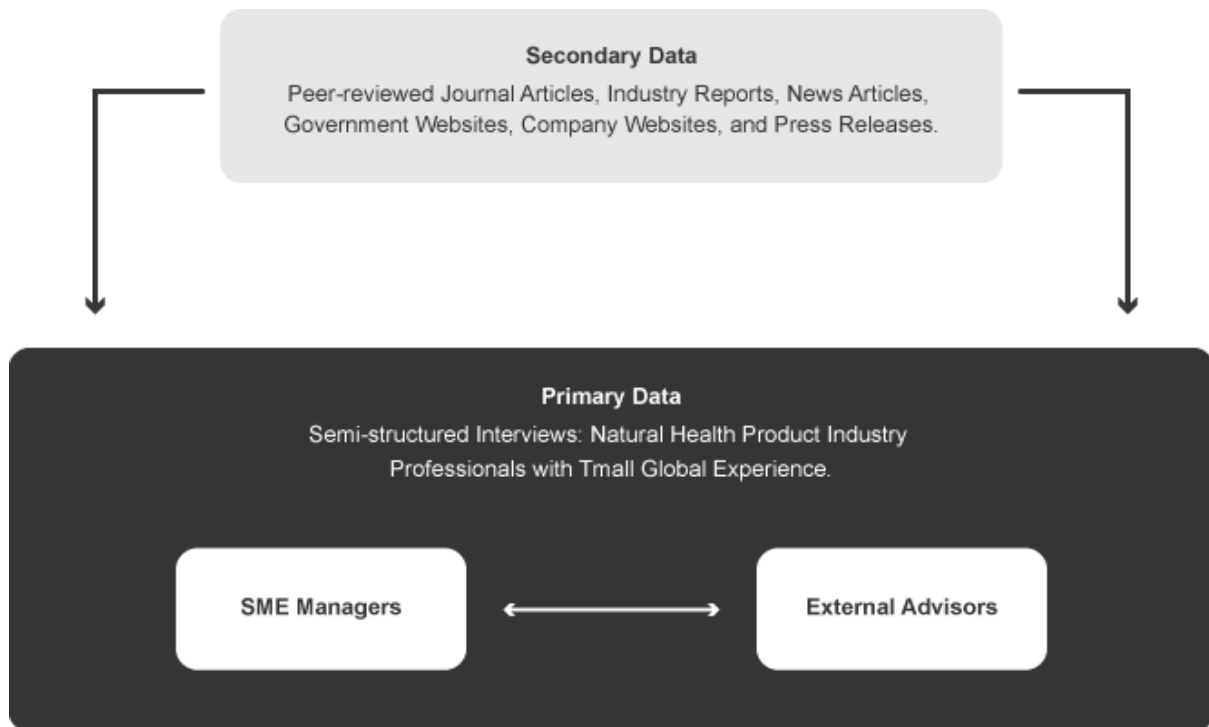
Secondary data is data relating to a case which already exists and is more accessible compared to primary data (Sorensen et al., 1996). Secondary data was collected prior to the field interviews and throughout the entire study. Secondary research was primarily focused on information pertaining to the natural health products industry in New Zealand, CBEC and knowledge in internationalisation. The sources used include peer-reviewed journal articles, industry reports, news articles, government websites, company websites, and press releases.

This provided the researcher with a more detailed and comprehensive understanding of the study and a foundation for questioning prior to the semi structured interviews.

### **3.3.2 Semi Structured Interviews**

For this study, primary data was collected in the form of qualitative, semi-structured interviews. Semi-structured interviews allow for the questions to be prepared ahead of time, ensuring consistency in the data collected and that questions relate to the study objective. Interview schedules were prepared by the researcher with multiple open-ended questions and prompts. This gave the researcher control over the line of questioning, but still allowed for the views and opinions of participants to be explored and for emphasis to be placed on ideas that the participants believed to be important (Bryman and Bell, 2015). Semi structured interviews were appropriate as they offer a great deal of flexibility and allow the researcher to follow up on points to gain a deeper understanding around the interesting ideas or themes that come up during the interview (Bryman and Bell, 2015; Kallio et al., 2016). It was important to gain the perceptions of participants in the natural health products industry, who were well informed about CBEC operations on Tmall Global to extract valuable insights into the knowledge types required (Fossey et al., 2002). Semi-structured interviews were carried out with two groups of participants with experience in the New Zealand natural health products industry. This included 1) managers of SMEs and 2) external advisors, to allow the interviewer to gain a more comprehensive understanding of SME internationalisation via CBEC.





**Figure 6: Triangulation of secondary and primary data sources**

### *Sampling Procedure*

Participants were identified and selected using purposive convenience sampling. Purposive sampling is a technique commonly used in qualitative research as research questions can impose requirements around the category of people that need to be sampled (Bryman and Bell, 2015). Purposive sampling involves the identification and selection of information-rich participants in order to gain a representative sample. This representative sample ensures the validity of the data gathered on the subject of interest and is an appropriate method if there are limited primary data sources who can contribute to the study (Palinkas et al., 2013). Although this method is non-random, it is an appropriate sampling technique as it allows the recruitment of individuals with experience and knowledge in a very niche setting.

Due to the study's highly context specific research question, the number of eligible participants was restricted. The inclusion criteria required the participant to have prior knowledge and experience in selling New Zealand natural health products into the Chinese market via Tmall Global CBEC. Participants also needed to be directly involved in the internationalisation strategies of these SMEs. Participants fulfilling the criteria were identified using Tmall Global searches to identify firms already active on the platform, and LinkedIn. The researcher sent e-mails to potential participants with an introduction of the research topic along with a participation information sheet (Appendix I) and consent form (Appendix II). Participants were given the chance to decide on whether or not they consented to take part in the study, along

with the opportunity to ask any questions pertaining to the study. Interviews were scheduled at a mutually agreed upon time and venue upon receipt of the signed concept form.

### *Participant Information*

In total, 7 individuals were interviewed. These consisted of 3 New Zealand natural health product SME managers directly involved in the implementation of CBEC via Tmall Global for their respective firms, and 4 advisors in the natural health products industry with prior experience in aiding SMEs' Tmall Global internationalisation strategies. A table summarising the interviewees is shown in Table 1, the participants are assigned a code only identifiable by the researcher to maintain confidentiality.

**Table 1: Summary of participants**

Interviewee Code	Role of interviewee	Interview schedule
A1	Managing Director of Marketing Firm	Advisor
M1	Manager of Natural Health Product SME	Manager
A2	Manager of Distribution Firm for CBEC	Advisor
A3	Export Manager of Natural Health Product Firm	Advisor
M2	Head of Digital Marketing of Natural Health Product SME	Manager
A4	Marketing Specialist of Distribution Firm	Advisor
M3	E-commerce Manager of Natural Health Product SME	Manager

### ***Interview Procedure***

Data Collection took place between September 2019 and January 2020. Due to the researcher being based in Wellington, while participants were based in other cities throughout New Zealand, Australia and China, all seven semi structured interviews were completed by Skype video calling, Zoom video conferencing, or phone calls depending on the participant's convenience and preference. All interviews were conducted by the researcher in private to maintain participant confidentiality and ranged from 30-60 minutes in duration.

During each interview, the researcher referred to the interview guide based on the participants' role as a manager (Appendix III) or advisor (Appendix IV), which was developed prior to the interview using insights gained through the literature review and secondary data collection. These interview questions were centered on the knowledge required for CBEC via Tmall Global and were reviewed by the academic supervisor prior to data collection to ensure that the questions are clear and could answer the research objectives. The first three interview questions were designed to build rapport in order to make the participants more comfortable and gain background knowledge. During the interview, verbal prompts were used to focus the flow of conversation or to delve further into a topic of interest.

All interviews were audio recorded with participant consent and stored on a password protected computer that was only accessible by the researcher. The audio recordings of the interviews were transcribed by the researcher. The interview transcripts captured the interviews as accurately as possible but excluded emotional and nonverbal cues such as stutters and pauses which were not expected to enhance the quality of data (Halcomb and Davidson, 2006). All names were removed from the transcripts and replaced with numbers only identifiable to the researcher, to ensure confidentiality. Audio recordings were deleted after transcription of the data.

### **3.4 Qualitative Data Analysis**

All finalised interview transcripts were thematically analysed using NVivo 12 qualitative data analysis software. Thematic analysis was applied to identify, analyse and report themes within the data to organise and describe the qualitative data in rich detail (Braun and Clark, 2006). Although thematic analysis is commonly used, strategies often differ as there is no agreed upon way to analyse the data (Braun and Clark, 2006).

The transcript was first skim read and broadly coded with the research question in mind, to become familiar with the data and identify possible patterns prior to more in-depth analysis (Zhang and Wildemuth, 2009). The next stage involved the generation of initial codes, coding

interesting features and grouping similar codes together. A combination of deductive and inductive coding was used during this stage. Deductive coding was based on the data obtained during the literature review process and secondary data collection, while inductive coding allowed for unanticipated themes to emerge from the primary data (Saunders et al., 2012). To ensure the validity and preserve the context of the findings, codes were only grouped together when the true meaning of the participants were able to be maintained. Lastly, relevant codes were grouped together to identify overarching themes that related to the research question (Braun, and Clarke, 2006).

### **3.5 Considerations of the Research Design**

Validity and reliability are important considerations in the evaluation of research rigour and design (Creswell and Miller, 2000). Validity in qualitative research refers to the extent to which the findings accurately depict the phenomenon under investigation (Creswell and Miller, 2000). While reliability in qualitative research refers to the consistency and reproducibility of the research procedures (Creswell and Miller, 2000). However, the literature suggests validity and reliability are less appropriate for the evaluation of qualitative research due to the differences in underlying philosophical positions and purpose compared to quantitative research (Sinkovics et al., 2008). Lincoln and Guba offer an alternative approach, advocating the concepts of credibility, transferability, dependability and confirmability which will be applied to assess the quality of this research (Lincoln and Guba, 2011).

#### **3.5.1 Credibility**

Credibility refers to the confidence that can be placed in the truth of the research findings. Triangulation and member checking strategies were implemented by the researcher to ensure that the results, from the perspective of the participants, were true, credible, and believable (Lincoln and Guba, 2011).

Triangulation was used throughout the research process to enhance the credibility of the study (Creswell and Miller, 2000). This was achieved through the collection of data from multiple sources throughout the study, which allowed for the identification and correction of inconsistencies in the findings (Flick, 2007). These sources included primary data collection from semi-structured interviews, as well as secondary data collection. Furthermore, triangulation was also used in the semi-structured interviews as participants were separated into two groups, managers, and advisors to maintain a more comprehensive understanding from both internal and external actors involved in the industry of interest. This combination of

sources allowed for greater insight of the research phenomenon and supported the confidence of the research findings (Houghton et al., 2013).

Member checking was also used to enhance the credibility of the study (Creswell and Miller, 2000). This involved the feedback of the data to participants after the interviews were transcribed. Participants were given 14 days to check the completed transcripts and make changes where necessary. This ensured that the data collected was an accurate representation of their perspectives and strengthened the data as participants looked at the data with different perspectives to the researcher (Korstjens and Moser, A, 2017).

### **3.5.2 Transferability**

Transferability refers to the degree of which the results of the qualitative research can be transferred to other contexts or settings (Lincoln and Guba, 2011). The researcher facilitated transferability by providing a thick description of the participants and research process to enable the reader to make informed decisions about whether the findings can be extrapolated outside the research context (Korstjens and Moser, A, 2017). The transferability of this study is limited due to the highly context and industry specific nature of this research. This is a qualitative, exploratory study which takes an interpretivist epistemological approach. The participants were selected using purposive convenience sampling which further reduced the generalisability of the research findings i.e. to New Zealand SMEs in the natural health products industry in the process of exploring CBEC opportunities in China (Creswell and Miller, 2000). However, this study was an exploratory study to provide insights for further study and the findings were not intended to be generalised beyond the specific context.

### **3.5.3 Dependability and Confirmability**

Dependability and confirmability are closely connected concepts. Dependability refers to the stability of the findings if the research were to be repeated following the same procedures (Lincoln and Guba, 2011). Confirmability refers to the neutrality and accuracy of the findings (Lincoln and Guba, 2011). Audit trail and reflexivity strategies were implemented by the researcher to ensure the stability and neutrality of the research findings.

The audit trail helps to establish the credibility and rigor of qualitative studies (Creswell and Miller, 2000). The researcher has been transparent in the description of steps taken throughout the research process, and in the reporting of the findings. All audio recordings were deleted after transcription of the interviews, while consent forms, transcripts and other

electronic information will be kept in electronic files on a secure network on a University of Auckland server and deleted after six years.

Researcher reflexivity involves the researchers' disclosure of their assumptions, beliefs and biases that may influence the research outcomes and is used as a procedure to enhance the validity of qualitative research (Creswell and Miller, 2000). The researcher has a background in Nutrition and is undertaking this research as part of the Master of Bioscience Enterprise programme at the University of Auckland. The researcher was an intern at an SME in the health products sector during the year which the study was conducted, exposing the researcher preconceived ideas on the health products industry and the use of digital platforms. It was impossible to remain objective and unbiased while working in the industry setting of interest, but the researcher implemented reflexivity during the research process to minimise these biases. The interview schedules were reviewed by the academic supervisor prior to interviews to ensure that they were relevant to the study objective, and devoid of emotive or leading questions that may lead to bias in findings.

#### **3.5.4 Limitations**

The limitations in the transferability and confirmability have been outlined above. The main limitation that needs to be addressed in this section concerns the sample size of the study. The sample size was relatively small, with 7 participants in total. However, the participants were purposefully selected based on their experience and knowledge in a highly niche setting, and were able to offer rich insights into the phenomenon of interest. The recruitment of both external advisors as well as managers of SMEs in the natural health products industry increased the representation of the industry and enabled the researcher to capture a wider industry outlook. Data saturation is defined by Glaser and Strauss (1967, p.61) as the point in data collection and analysis when new information produces little or no change in the codebook. Even though the study only consisted of 7 interviews, the information that emerged from the interviews were similar in theme. Therefore, the researcher believes that there would be little change to the study findings even if more interviews were conducted.

#### **3.6 Ethical Considerations**

The ethics for the proposed study was covered by a course wide ethics approval from The University of Auckland Human Participants Ethics Committee (UAHPEC) on the 16th April 2019, for a three-year period. The ethics protocol reference number is 022768. Four online modules; introduction to human ethics, anonymity and confidentiality, informed consent,

conflict of interest were completed in order to ensure that the researcher had a firm grasp of human ethics prior to making contact with potential participants and scheduling any interviews.

UAHPEC ethical standards were considered throughout the research process to ensure that minimal physical, psychological or any other harm comes to the participant during the data collection process. All participants were sent a participant information sheet prior to scheduling the interview which informed them on the purpose of the research, project procedures, and how the data will be collected, recorded and handled. To protect the participants further, no sensitive information was collected during the interviews which could affect their employment, and all participants were assigned a code to keep the identities of participants confidential. This study had no conflict of interest as the company employing the researcher had no access to or influence over the data collected. Additionally, signed consent forms which outlined the participants rights were obtained prior to scheduling any interviews.

All data was stored on a password protected computer, only accessible to the researcher. The recordings were deleted after transcription of the interviews. The completed transcript was sent to the participant so they could make changes if necessary. Participants were given the right to withdraw from participation at any time of the interview and to withdraw any information provided up to 2 weeks after the interview without giving a reason.

## Chapter 4. Findings

This chapter presents the key findings gathered from the semi-structured interviews to address the research question and gaps in the literature outlined in the previous chapters. Perceptions of CBEC via Tmall Global by advisors and SME managers in New Zealand's natural health products industry are aggregated into this chapter. The themes that emerged from the findings include CBEC ecosystem knowledge, incremental knowledge, and the heightened need for knowledge.

### 4.1 CBEC Ecosystem Knowledge

Despite the studies' explicit focus on Tmall Global, all the interviewees stressed the importance of other platforms and channels into China that work synergistically alongside Tmall Global. This was a recurring theme throughout the interviews as all the interviewees agreed that if SMEs wanted to understand Tmall Global, they had to first understand the CBEC ecosystem. Ecosystem knowledge was considered integral for SMEs to successfully implement CBEC on Tmall Global.

#### 4.1.1 Evolution of Tmall Global

When questioned about what they considered to be the most important things to know about Tmall Global, six interviewees acknowledged significant changes in the platform since its launch in 2014. The most pronounced change observed by interviewees was the increase in international competition, which has made growth increasingly difficult for firms on the platform:

*At that time, because Tmall just started their Tmall global business, they want to recruit top brands from overseas to open flagship stores on their website, so they provide lots of support. Nowadays the competition has become quite severe, very high competition there. If you draw a graph, it starts from a very low bottom and keeps going up at a very high speed for all those Tmall global businesses. I think for 2018 and 19, especially 2019, business has gone down. And the competition just becomes higher because everyone wants to survive and the only way is to take other people's share. But by everyone doing that, it's kind of like game theory. So no one's really getting the benefits. A1*



*Five years ago, it's Tmall Global trying to recruit good brands. Four years ago, it's a lot of big retailers holding lots of brand opening stores on Tmall Global. Three years ago, more brands were actively going on Tmall Global to do their business. Two years ago, all the major brands had already established their stores on Tmall Global, so the market became quite overwhelming, which caused a higher competition on the platform. And I think it is just this year, it's about live streaming. That market keeps evolving, continuously evolving. So it's quite essential to keep an eye on that and I would just say if you have the experience of these five years you definitely know a lot about what's going on and it will be quite interesting to look at the future and what will happen. **A3***

It was also pointed out by M3 that Tmall Global has become increasingly strict with their criteria, only accepting SMEs with a proven track record of sales and performance:

*At first, I thought we could just apply to open a store on Tmall Global but currently, Tmall Global just invites companies themselves. You can just email them and say, we are interested in opening a store on your platform, but they will examine your documents and information and then if they think your company has potential, they will invite you. If they don't invite you, you can't open a store. **M3***

However, as A1 and M3 point out, SMEs still want to be on Tmall Global because of its credibility and reputation amongst Chinese consumers:

*Chinese consumers, if you look at the data when they buy products, especially overseas products, they go to their trusted platform to buy the products. They seldom go to an overseas ecommerce platform to buy the products.” **A1***

*Just from a user point of view, when we do purchases on Tmall Global, we focus on what we would like to buy just like, we make a purchase decision “we'd like to buy a product” and we will search it on Tmall Global and choose a store to buy it on. **M3***

#### **4.1.2 CBEC Ecosystem**

Interviewees viewed Tmall Global as a component of a large and dynamic CBEC ecosystem that consisted of local markets, daigous, distributors, and other CBEC platforms. Daigous act as an intermediary between the local New Zealand market and the consumers in China. This is sometimes referred to as the grey market as this form of cross border exporting is exempt from tariffs. The consensus amongst interviewees was that understanding the ecosystem is a complex but fundamental part of operating on Tmall Global and CBEC in China. It was stated

that SMEs could only grow and sustain long term success in China if they possessed knowledge of the ecosystem and knew how to utilise the knowledge:

*Tmall Global is just a channel, it's not a business model. There are so many different components that have to work together in this industry and Tmall Global is just one of the actors. Companies need to be able to look at the bigger picture. A1*

*It's really understanding that there's an ecosystem at play in this whole market. There's the Alibaba ecosystem which is crucial and gives great insight into what an ecosystem is for cross border e commerce, and then you've got the wider ecosystem that exists from your local market, your Daigou, your gift stores, your traders, pick and pack markets and everything that happens here locally, the cross border ecommerce platforms in China and then working through from the C2C platforms right up to the to the b2c platforms and the s2b2c platforms... Even while it evolves and people's roles change, there is no doubt that the ecosystem will always remain, so every brand needs to think about this as an ecosystem not as a single channel play. A2*

*They need to know the knowledge because if they want to do the sales forecast, they will need to estimate the market size and also including Tmall Global and also other platforms, they will need to use multiple channels, instead of using Tmall Global alone. So, for our brand, they use Tmall Global, Kaola and some other channels like VIP, the other channels together to maximize the sales. A4*

*If you touch your product on one platform, then you find that it affects all the other different mediums and channels that you might be selling the product into. M1*

Interviewees stressed that SMEs who wanted to operate or were operating on Tmall Global had to understand how each medium in the ecosystem affected one another. This is a relevant topic as SMEs that sell products on Tmall Global are established in reputation and have other sales channels within the CBEC ecosystem.

#### **4.1.3 Protecting Supply Chains**

A key discussion point throughout the interviews was the importance of understanding the CBEC ecosystem to protect the pricing and performance of SMEs on Tmall Global. Interviewees explained that pricing has to be set correctly on Tmall Global in order to protect the SMEs supply chain and sales performance. This finding was unique to e-commerce, as interviewees pointed out the need for balance and transparency on online trading:

*But online, everything is quite transparent, information transfers quite quickly. So, for e-commerce business, you need to look after the pricing stability a bit more than general trade. A3*

Four interviewees discussed the complexity of the CBEC ecosystem compared to traditional trade, with the latter deemed simple as it only consisted of one margin between the supplier and distributor:

*Chinese gift stores, you've got the daigou purchasing from there that also needs to make a margin and their margins determined by the difference in price that they can offer it for compared to what it might be on a platform. So, then you start to get this understanding of an ecosystem as a value chain. We need to sell to a gift store at a price that allows them to give a margin to a daigou, to allow the daigou to still make a margin at the price on a platform in China.... Once you've kind of agreed on that pricing strategy, then the question is how do you protect that? How do you maintain that pricing strategy without somebody leaking stock at a lower price? You know, and that's what this whole industry is really about. A2*

*If your online price is very cheap, it makes the offline channels harder to operate. You need to keep a proper margin for every single different level of your customers so that everyone can earn money and keep your business afloat. A3*

Advisor 3 stated that firms who do not understand the ecosystem and pricing structure will inherently limit their own business:

*It ultimately comes from pricing, one thing that can happen is that because you can't make the price right, it's not just one channel performing, one channel not performing. It's likely that you will breach the confidence of another side of the business, your wholesalers won't be happy with the situation and they won't want to promote the brand anymore. When they just can't earn enough margin on your brand, they will probably choose to promote other brands which have similar products. A3*

An interesting point brought up by one manager and three advisors was that Tmall Global's role within the ecosystem has changed as the CBEC ecosystem developed and became more sophisticated. Originally designed to be the main sales platform, Tmall Global is now viewed by interviewees as a benchmarking platform that sets the standard, as it is considered the most premium platform in China:

*In the beginning Tmall Global was sort of the best thing to be on and people would always go there, and it was a good selling opportunity. But now, we basically look at*

*Tmall Global, for our brand, as being... it sets the price and then everybody else sort of falls underneath it in regard to their pricing structure. So, it's a very key point of our business in regards to setting pricing in the market. M1*

*...the role that they must play is benchmarking your price to the Chinese consumer. You should have your highest RRP in China set on your most premium platform that you work on. A2*

*Most New Zealand brands will use Tmall Global as the pricing platform so everyone is able to see the price on Tmall Global and that should be the RRP. A4*

Overall, interviewees stated that the changes observed in Tmall Global cannot be thought of as having a single cause, but rather as a phenomenon brought about by the interaction of multiple players in the wider CBEC ecosystem. Interviewees state that the digital era of business and the rapid pace CBEC has changed the way firms internationalise and the knowledge required for internationalisation.

## 4.2 Incremental Knowledge

A sentiment expressed by all the interviewees was that getting onto Tmall Global is not an instantaneous process, but an incremental one. CBEC via Tmall Global requires a series of steps to achieve recognition and success in the long run. From the Interviewees perspectives, Tmall Global is the most premium platform in Chinese CBEC. Interviewees viewed Tmall Global as highly competitive, expensive and explicitly cited that Tmall Global should not be the first step for a SME, but a goal to build towards:

*Why have a Tmall global flagship store? You've got one, it has a higher cost element than a lot of other platform stores and it's the most premium shopping experience in terms of CBEC platforms. And where are you positioning your brand by going onto this platform? Is this the one that you should start with, or are there other platforms that you should look at first? A2*

*I would not recommend brands to go to Tmall Global directly, especially at the very beginning. Because in the past, Tmall Global only had hundreds of brands and nowadays, it's like tens of thousands of brands, and Tmall Global doesn't have enough traffic to share with everyone. A3*

Advisor 2 terms the steps as an “established process”. This is reflected in the rest of the interviews, as the interviewees all expressed a similar opinion on the steps, and the orders they were required in:

*Natural health product companies in New Zealand need to know that success in CBEC may not be about opening up on Tmall Global as a first step. Brands that are successful on Tmall Global have usually gone through a lot of incubation and brand building before launching on to Tmall Global...you can't look at CBEC and take thin slices that make sense for you, there is an established process in this market now to grow your brand and gain traction which is a requirement in most cases for large platforms to take notice. **A2***

Furthermore, Advisor 1 points out that firms who internationalise into China via Tmall Global without prior knowledge of the steps involved do not tend to succeed:

*More and more companies understand that China is not an easy market and some of them have abandoned it. I think it is still a good thing for New Zealand brands because some of them are not ready. **A1***

The implication was that the risks associated with launching on Tmall Global are high, especially for SMEs. Interviewees agreed that SMEs needed to acquire knowledge before launching on Tmall Global to mitigate these risks. All the interviewees mentioned the importance of having trustworthy partners to help SMEs along each step of the process as it was agreed that Tmall Global and the CBEC ecosystem was too complex to navigate alone.

#### **4.2.1 Opportunity Recognition**

When asked what they found to be the most important things to know before launching on Tmall Global, the consensus amongst the interviewees was that SMEs needed to have a good grasp of the Chinese market and customers first. Most interviewees agreed that this was an important step as it allowed natural health product SMEs to identify opportunities, create a niche for themselves, and add value so they are not just competing with price on a heavily saturated market:

*For healthcare brands, the first thing is, you first look at the market, look at the China market. Who is going to buy your product? Then you need to think about your own positioning of your brands. Think about a niche market, look at the target consumers in China, and then you have your own positioning of your brand and your products. **A1***

*You have to find things that the Chinese community wants and needs and fits the purpose in China. Yeah, it's different. Just because something's popular New Zealand doesn't mean it's going to be popular in China. So, you must understand which market you're developing products for. It's about really understanding what the people and the consumers in China are looking for. What are the demands in their lives and creating products to fit with that. **A2***

*From an SME point of view, for new brands or smaller brands which haven't really had a lot of experience with the Chinese market before, they need to find their niche market. Because basically today, all the big brands have already occupied the picture everywhere. **A3***

*There are so many brands right now. So, they have to clearly identify their opportunity and the target population, their market. I think that's quite important. **A4***

Likewise, when reflecting on her SMEs journey onto Tmall Global, Manager 2 states that Tmall Global is not an easy platform and requires ample market preparation beforehand:

*It looks exciting, you're like ah we can go up on Tmall Global, you know, you pay 10,000 US dollars, you can be up there. You can have access to this huge market, but it just doesn't work like that. You gotta do your homework, you gotta understand the consumers you are targeting and know what you're doing. **M2***

Advisor 1 also states that partnerships and first-hand experience is required for this process:

*Relations are always changing so try to keep an eye on what's happening in China, Work with a trusted partner in China, or a partner here in NZ, they understand the market and constantly keep up to date with the Chinese market. Work with a trusted partner, not only one partner, there's a lot of partners, trademark partners, marketing partners, distributing partners, always talk to those people in the industry... or you need to go to China In person to participate in some of the events so you will know what's happening in China. **A1***

#### **4.2.2 Understanding Regulations**

The importance of understanding the regulations was discussed by all the interviewees. Given the contextual industry setting, there are three sets of regulations that NZ natural health product SMES operating on Tmall Global must understand before launching on Tmall Global. This consisted of the regulations of the Chinese market, the CBEC market, and the natural

health product industry market. Interviewees considered this knowledge as compulsory as it enabled SMEs to enter the Chinese market and to protect their brand:

*Be aware that you need to follow the rules of advertising laws in China. You cannot do a lot of claiming about health care benefits. You have to be careful. A healthcare brand is not medicine, be careful to not cross the line... Think about the positioning of your brand, the message you want to deliver first, and then other things like the business model and who you work with, these all matters after that. **A1***

*China released some e-commerce regulations back in 2016. Saying that only certain kinds of products can be imported. It's called the positive list. Everything on the list can be imported through the e-commerce model. But at the same time there are certain products which are not on the positive list. So, it will be a challenge for these kinds of products to be able to comply with the model. So, people will need to know whether their products can be compliant or not. **A3***

*SMEs need to understand the legislation and intellectual property. They have to know the IP to protect their brand or even the price on Tmall Global. **A4***

#### **4.2.3 Building Brand Awareness**

A key talking point amongst interviewees was the need for New Zealand natural health product SMEs to gain brand awareness in both domestic and Chinese markets before stepping onto Tmall Global. All seven interviewees mentioned the role of the 'daigou', emphasizing the importance placed on daigous in New Zealand's natural health products industry. It was an interesting finding that SMEs required an established offline presence before they could create an online one. Interviewees suggested multiple strategies that SMEs could choose from to increase their brand awareness.

*You really need to build up the brand quite a lot and get recognized in a whole lot of different places. Alibaba looks for brands with a share of voice or recognition through social media, through presence in the daigou channels, through Taobao merchants picking them up and doing a bit of selling, through key opinion leader activity. **A2***

*For smaller brands, it's easier to find a distributor to help you to put your products in the right places and try to list your products as much as possible in different stores, helping you to get more exposure... Or the daigou channel. So once your product is sold in all those offline health stores, the daigous will be able to see your brand and*

*help you to distribute your products individually by small parcels back to China. So that can also be one of the routes, rather than to just walk straight into Tmall Global. **A3***

*For the New Zealand domestic market of course, we will suggest for the brands to make some appearance because Chinese consumers are quite smart right now because there are so many foreign brands and different products in the China market. So they will search on the internet to check whether it's a New Zealand brand, if it can be purchased in the New Zealand market. So we will suggest for the companies to partner with local pharmacies or health stores and launch their products there first. **A4***

In line with the advisors, the managers of SMEs currently on Tmall Global discussed how they built up their brand awareness and recognised the role that it played in their ability to sustain a position on Tmall Global:

*We'd already been selling our products into this Chinese gift store and to the different overseas markets. We had quite a reasonable presence in the market at that stage. So, I think one of the number one reasons why we were successful was that we were already known and trusted in the community. There was a bit of a relationship already created between the owner and some of these stores. We were in a perfect position to be able to expand our products and get it out into places. **M1***

*We did embrace the whole daigou market. We started our wechat, weibo, social media. We have a PR company in Shanghai that we've been working with for a long time now as well. I would fly to China on a regular basis and have events and talk to KOLs and influencers about our products. And then of course, it was like we need to be on the flagship store on Tmall Global. So, we did a lot of background work before and built it up first. **M2***

Interviewees also pointed out the difficulties SMEs may face if they launched onto Tmall Global before building enough brand awareness:

*If it's not successful for the platform, you won't be around on that platform for very long. Platforms are driven by sales. You have to have a brand that's going to sell. And you have to constantly sell it. And the risk is with platforms, if you just jump on them without having the share of voice, without people promoting it, without the marketing angle, without people recognizing your brand... then it's going to come to just being about price. And that's what you want to avoid. **A2***

*You really need to make sure that your brand is already established before you go to Tmall Global or else it will be quite a hard situation, especially for small*



*companies...they're probably not going to buy your brand unless you're playing very hard on pricing, which will limit your future potential. Because basically, it's easier to put the price down but it's quite hard to make the price rise again. A3*

*If Chinese consumers are not familiar with the brand it will just waste all your money for having a store on Tmall Global. M3*

#### **4.2.4 Understanding the CBEC ecosystem**

As discussed in section 4.1, Tmall Global plays a role in a CBEC ecosystem and understanding this ecosystem is critical to enabling SMEs to transfer CBEC success into Tmall Global. Knowledge of the CBEC ecosystem allows SMEs to protect their brand, maintain their value, and manage control channels and partnerships efficiently. Interviewees state that SMEs need to have a clear understanding of the CBEC ecosystem dynamics to have a clear strategy in place before they enter the Tmall Global market:

*And at that time when you go on there, they need to be very clear about why you are on Tmall Global. Is this going to be a sales channel for you? Is it going to be a benchmarking process that sets your top RRP in China to allow the value chain to exist underneath it? It's about understanding that there are ways to utilize platforms and making sure that you're very clear on your strategic reasoning as to why you're putting your brand on any platform at that part of your journey. A2*

### **4.3 Heightened Need for Knowledge**

Consistent with the findings above, interviewees frequently discussed the need for partners to help SMEs navigate the complex Tmall Global market and ecosystem. Interviewees implied that the knowledge accumulated before entering Tmall Global is further intensified upon and after entry as it gets harder for SMEs to sustain their position in an increasingly competitive market. The main topics of discussion included a lack of consumer engagement, the rapid pace of change, and the knowledge required for the logistics behind Tmall Global.

#### **4.3.1 Lack of Consumer Engagement**

The managers state that business on Tmall Global is more challenging, as online commerce takes away the engagement and customer services that offline SMEs can leverage off. It was surprising to find that managers considered cultural knowledge to be more important on Tmall

Global, as the literature tends to suggest that online trade reduces the barriers associated with distance. Furthermore, M1 states that a lack of consumer engagement results in price being the main purchasing decision:

*A lot of these websites, especially on e-commerce, the only way they know how to market a product is by price. So, it's always discounted, it's always cheaper or it's always something free with it, or something like that. There's no other way to basically offer a product that provides good service. There's so many other ways like in the offline world where we offer so many other sorts of customer services that basically people look at as an opportunity and a good reason to buy. Whereas now, when it's e-commerce, that part of it really is as long as you're getting a good price, that's all they care about. **M1***

*You definitely need to understand the culture more. With e-commerce, you're not engaging with people, right? If you really want to do good business with people, you need to learn about who they are. And meet them face to face. **M2***

The managers then stated the necessity of maintaining relationships, possessing first-hand experience and staff with existing knowledge of the Chinese market to compensate for the lack of engagement:

*We work with a third party based in China. They're basically sitting right next to the Tmall Global head office and the girls and guys at that third party company have coffee with them every day. So they are an important part of the whole equation to be able to work with China. We've got Chinese staff, I've got a couple of girls that are Chinese in New Zealand but it's and they ring them up all the time on WeChat, but it's not the same as being able to be right there in front of them. So we go to Tmall Global to visit and also to visit our third party as much as we can, but we're on a constant conversation with them on a day to day basis. **M1***

*They definitely need to know the culture, where it's coming from. They need to go there. I think it's really easy to start an e-commerce site online and think that you're going to sell to the Chinese people, wherever it is, whatever market it is, but I think you physically need to actually go there. You need to build up relationships with people, that's really important. You need to understand the purchasing, the way that they purchase, how do they purchase? What do they purchase? It's just completely different to us. You need to have people who understand the language, not just to translate it, but actually understand. **M2***

### 4.3.2 Rapid Pace of the Market

Another point that was often brought up by interviewees was the overwhelming pace of the Tmall Global market:

*It's difficult to manage when you're doing it by yourself and even working with a third party. It's just an ongoing changing environment. Trying to do it here in New Zealand was impossible, you just needed someone to be able to be up there talking to that Tmall Global account management and Tmall Global. Also just trying to organize promotional and marketing opportunities within that page, it all comes down to a lot of work involved for everybody to make it work. It looks very seamless on the page, but there's a lot that goes on behind the scenes for them to get it to where it is. **M1***

*You really need to have a good relationship with Tmall Global account managers because they know what kind of resources they can allocate to you on a day or they will keep you updated with the latest trends, promotion, or cycles, promotional themes. It matters a lot whether you get the official resource or not get the official resource. It will impact on your sales quite a lot. So not just looking at the numbers and data, you also need to get some insights from the people who're really working at Tmall Global or watching the industry to understand a better picture. **A3***

It was unanimous amongst the interviewees that keeping up to date with the constant changes associated with Tmall Global required the knowledge of partners and networks. It was also stated by the managers that SMEs needed to innovate to keep up in the market, and be able to compete through value, indeed of price:

*We're having to innovate all the time to try and keep our product number one. **M1***

*Everything's a lot, lot faster. But I also think it's harder for... so bricks and mortar is obviously dying. That's without a doubt. Everything's going digital. The world is changing. And I think that because things are fast and the internet is changing, the biggest thing for a company like us and for myself is, you need to be seeing what the next thing is and being on it and doing it. You need to be innovative, whereas that was not as important before. **M2***

### 4.3.3 Understanding Logistics

SMEs operating on Tmall Global also need to have knowledge of the logistics; as, multiple advisors pointed out, logistics and forecasting are essential:

*If you're a brand who has your product sitting in New Zealand, how are you going to sell your products to China and reduce the risk of just sending products into this country that you never sent them into before? What happens if it doesn't work and you need to get them out? Because you can't take your products out of the free trade zone, you have to destroy them. So, managing all of that risk, in terms of the supply chain side, comes down to your partnerships. **A2***

*Tmall Global has a set of rules to determine how much warehouse space they can give to you. They only allow you to stock say two months turnover rate and won't accept more stock. So you need to plan all the promotions in advance just in case it's out of stock. Or sometimes you end up over forecasting and then you send too many products to the bonded warehouse, you pay for the storage, but your products shelf life decreases forcing you to sell at a discount. So if you want to keep selling your products at a proper price or premium price you need to manage your supply chain very well... Once you're out of stock, your monthly sales go down, and your position also goes down. So by the time you go back into stock, probably you're not in the previous position, so your average monthly sales will go down which will create other issues for you. So accurate or smart forecasting is quite essential. **A3***

## **4.4 Summary of Findings**

### **4.4.1 CBEC Ecosystem Knowledge**

From the perspectives of interviewees, Tmall Global is not a standalone entity, but one that interacts constantly with other channels and platforms within a complex ecosystem. SMEs that engaged in Tmall Global needed to possess intimate knowledge of the CBEC ecosystem, to identify opportunities, strategies and see the market from a holistic perspective. It was stated that SMEs could only grow and sustain long term success in China if they possessed knowledge of the ecosystem and knew how to utilise the knowledge.

### **4.4.2 Incremental Knowledge**

Interviewees viewed Tmall Global as a highly competitive, expensive, and risky platform for SMEs. The consensus amongst interviewees was that getting onto Tmall Global is not an instantaneous process, but a gradual one. CBEC via Tmall Global requires the incremental accumulation of knowledge. Firms who internationalised into China via Tmall Global without

gaining sufficient knowledge did not tend to succeed. Furthermore, interviewees emphasised the importance of having trustworthy partners to help SMEs along the process.

#### **4.4.3 Heightened Need for Knowledge**

Interviewees all posit that Tmall Global is a challenging platform to operate on, with ongoing competition, lack of consumer engagement, constant change, and complicated logistics. Interviewees state the important role of cultural, experiential and network knowledge in overcoming these challenges.

## Chapter 5. Discussion

This chapter integrates empirical findings with the existing literature on SME internationalisation, Cross Border E-Commerce, and knowledge in internationalisation. This discussion is structured by the main themes of knowledge that emerged from the findings.

### 5.1 CBEC Ecosystem Knowledge

The findings showed that Tmall Global has become an increasingly competitive platform which has led to difficulties in growth and entry for SMEs. This is a common theme observed in CBEC as CBEC internationalisation alleviates barriers to entry and allows firms to enter international markets at relatively lower costs compared to traditional export methods (Jin and Hurd, 2018). Therefore, it makes sense that more firms would choose this method of entry, leading to greater market saturation and competitiveness (Axinn and Matthyssens, 2002; Gomez et al., 2014). This shows that even though Tmall Global reduces barriers to market entry, the barriers to reaching consumers may increase. Furthermore, findings showed that Tmall Global has become increasingly strict with their requirements, making it difficult for SMEs to enter the platform.

Considering this, interviewees stated that the changes observed in Tmall Global cannot be thought of as a singular phenomenon but brought about by the interaction of multiple players in the wider CBEC ecosystem. The need for SMEs engaging in CBEC via Tmall to possess intimate knowledge of the CBEC ecosystem was unanimous. Based on the findings, CBEC ecosystem knowledge is one developed specifically for firms participating in CBEC in the Chinese market. CBEC ecosystem knowledge is acquired through experience and networks and entails the need for firms to understand the intricate relationships between Tmall Global, local markets, daigous, distributors and other CBEC platforms. This knowledge allows SMEs have a holistic understanding of the CBEC market to identify opportunities and strategies for effective CBEC internationalisation.

Daigous are third parties that buy overseas products on behalf of consumers in China when particular goods are not available or more expensive in the Chinese market. They present an alternate channel of cross border exporting to China and are exempt from tariffs. Daigous have become an integral part of the CBEC ecosystem and are a core resource for natural health product SMEs in New Zealand as they possess the networks and experiential knowledge required for SMEs to gain brand awareness and popularity amongst Chinese consumers. Although the importance of the Daigou channel is well known amongst natural

health product industry professionals, there is yet to be any literature explaining the important role they play in facilitating the internationalisation of SMEs.

Interviewees often brought up the importance of protecting product pricing when engaging in CBEC, as SMEs on Tmall Global, or CBEC in China, were often active on multiple platforms and channels. Interviewees stated that SMEs needed to have CBEC ecosystem knowledge to understand the complicated supply chains involved, protect their product pricing, and maintain good business relationships with suppliers. Interviewees further explained that firms who do not set their prices consistently could end up limiting their own business, as the platforms interact with each other, inadvertently affects the pricing on other channels. Additionally, SMEs also need to consider the offline channels used to distribute their products and factor in margins required for daigous. This is due to offline channels and online channels interacting and impacting one another. The importance of price structuring can be observed as Tmall Global's role in the CBEC ecosystem has changed from a sales platform to a benchmarking platform for the rest of the channels. Overall, the findings show that the distribution chains and networks involved in CBEC are complex and require a holistic understanding of the CBEC ecosystem. However, the complexities behind CBEC have not been observed in the literature. Research concerning CBEC seems to take on a one-dimensional approach. For example, Qi et al. (2020) argues that CBEC simplifies and improves the efficiency of trade processes as CBEC platforms act as the only intermediary between the consumer and supplier. This is contradictory to the findings as interviewees express that CBEC distribution chains are far more complex, with multiple components and channels to look after.

## **5.2 Incremental Knowledge**

There was a consensus amongst interviewees that getting onto Tmall Global was not an instantaneous process, but an incremental one. CBEC via Tmall Global requires a series of steps, including the accumulation of market knowledge, cultural knowledge, regulatory knowledge, network knowledge and CBEC ecosystem knowledge unique to the natural health products industry. This was an unexpected finding as it contradicts the literature which suggests that CBEC is a fast and efficient method to connect SMEs to overseas markets (Arenius et al., 2005; Fan, 2019; Vrazalic et al., 2003). However, it should be noted that the study was highly context specific, focusing solely on Tmall Global, which is considered the most premium platform in the Chinese CBEC market. Therefore, it is unreasonable to presume it is representative of the other CBEC platforms in China.

Interviewees stated that Tmall Global should not be the first step for SMEs who wanted to expand into China via CBEC, but a goal to build towards. Given that SMEs are characterised by a lack of resources, all of the interviewees suggested other platforms which might be more suitable as Tmall Global is highly competitive with high entry costs and criteria (Leonidou, 1995; Katsikeas and Morgan, 1994; Shaw and Darrock, 2004). Interviewees perceived the risks associated with launching on Tmall Global to be high, especially for SMEs. Therefore, interviewees agreed that SMEs needed to acquire knowledge before launching on Tmall Global as knowledge reduces the inherent uncertainty associated with the internationalisation process (Wach et al., 2018).

Interviewees suggested opportunity recognition as the first step. This requires SMEs to have knowledge of the Chinese market and consumers to identify opportunities and niche markets. The need for opportunity recognition and market knowledge prior to internationalisation aligns with the taxonomy provided by Mejri and Umemoto (2010). Interviewees also specified the importance of regulatory knowledge prior to internationalisation via Tmall Global. Given their highly specific industry setting, SMEs need to understand the regulations of the Chinese market, the CBEC market, and the natural health product industry market. Therefore, it is crucial for SMEs to understand the claiming and labelling requirements of the Chinese market, the e-commerce laws of China, and intellectual property laws before engaging in CBEC via Tmall Global.

The interviewees considered building brand awareness to be the most crucial step. As mentioned in the previous section, Tmall Global has become increasingly strict in the firms that they accept onto the platform. It is a requirement for the firm to have an established reputation before they can launch on Tmall Global. Additionally, interviewees pointed out that companies who went onto Tmall before building enough brand awareness would not survive on the platform for long. It is an interesting finding that SMEs need to have an established offline presence before they could create an online one. The reasoning behind this was due to a combination of Chinese consumers purchasing preferences and the role of the daigou, who purchase products through offline channels in the local New Zealand market. Daigous were mentioned by multiple interviewees, as New Zealand brands have come to embrace this channel of exporting. Interviewees also mentioned the importance of industry networks, which will be discussed in the following section.

The above finding shows that internationalising via Tmall Global is not a quick process, but a gradual one that requires a great deal of knowledge, time, and effort. It is an unexpected finding as it aligns closely with the Uppsala internationalisation model, which suggests that internationalisation is an incremental process in which firms gradually enhance their



commitment and involvement in global markets (Johanson and Vahlne, 1977). This suggests that even though CBEC is thought to be disruptive and new, the internationalisation process may still be similar to those of traditional export trade.

### 5.3 Heightened Need for Knowledge

Although it was apparent that knowledge is crucial for the successful execution of Tmall Global, interviewees implied that the need for knowledge is further intensified after entry into Tmall Global. The managers state that business on Tmall Global is more challenging than offline business, as CBEC makes it harder to understand the culture and engage with consumers. Furthermore, interviewees acknowledged that it was impossible to keep up with the constant changes associated with CBEC and the pace at which the online market developed. This was contradictory to the literature which suggests that CBEC eliminates the physical distance and reduces the psychic between suppliers and consumers (Yamin and Sinkovics, 2006). In addition, although the literature states the CBEC removes the need for firms to have a physical presence in the target market, all interviewees stated the need to physically go to China, as firms need experiential knowledge to understand the complex market (Fan, 2019). The disparities seen between the findings and the literature could be due to the highly context specific nature of the study. The opportunities and barriers associated with CBEC may be different depending on the markets of interest, and the industries and products involved.

An important point made by managers was the need for SMEs to be innovative on Tmall Global, as CBEC exposes SMEs to advanced technologies and competition (Sahbaz, 2017). Approached from the knowledge-based perspective, innovation can be thought of as the implementation of an idea that produces value (Hall et al., 2007). The current literature suggests that innovation is heavily dependent on knowledge and that relationships with key customers lead to a greater level of technological innovation in products. (Tatiana and Kianto, 2011; Yli-Renko et al., 2001). This was consistent with the findings as managers acknowledged the importance of partnerships in keeping up to date with the market. It should also be noted that product innovation is important for CBEC as interviewees stated that the lack of consumer engagement means the final purchasing decision usually comes down to price. This makes it even more imperative for SMEs to be innovative to compete with larger firms on Tmall Global through the value of their product offering, because they cannot compete solely through economies of scale and price (Elia et al., 2019; Lee, 2019).

Finally, Tmall Global's operations and logistics can be challenging for SMEs. Advisors explain that logistics need to be very well prepared as there is a lot of risk involved for SMEs if they cannot accurately forecast sales and promotions. This is further complicated since New Zealand SMEs are geographically isolated, which imposes more logistical challenges in terms of increased lead times and costs (Kennel, 2013). A common theme was pointed out by interviewees throughout each step of the Tmall Global process, from pre-internationalisation to post-internationalisation. That is the need for partnerships and networks within the CBEC ecosystem to help SMEs navigate the complex Tmall Global and Chinese market. Networks provide SMEs with insights and experiential knowledge, leading to the acquisition of new knowledge and credibility. Furthermore, networks are an important source of knowledge for SMEs as they help facilitate internationalisation by reducing the internal resources needed by SMEs (Kaur and Sandhu, 2013).

## Chapter 6. Conclusions and Implications

This chapter summarises the main findings of the study in relation to the research question, outlines the potential academic and industry implications, addresses the limitations of this study, and suggests avenues for future research.

### 6.1 Conclusion

The overarching research question for this study was:

*What types of knowledge do New Zealand Natural Health Product SMEs need when engaging in Cross Border E-Commerce (CBEC) via Tmall Global in the Chinese Market?*

Interviewees stated that SMEs cannot understand Tmall Global unless they understood the wider CBEC ecosystem first. This is because Tmall Global is part of a complex ecosystem. This knowledge was considered fundamental for SMEs if they wanted to succeed on Tmall Global. CBEC ecosystem knowledge is a knowledge developed specifically for firms that partake in CBEC in the Chinese market, as they must be able to see the bigger picture to balance complex CBEC supply chains and utilise resources. These complexities behind CBEC however, have not been observed in the literature.

The internationalisation of firms on Tmall Global is a gradual process that involves the incremental accumulation of knowledge. Interviewees identified the importance of market knowledge, cultural knowledge, regulatory knowledge, network knowledge and CBEC ecosystem knowledge unique to the natural health products industry. It was found that SMEs had to gain an offline presence first, before being able to gain an online one on Tmall Global. This finding was unexpected as it aligned closely with the Uppsala model of the firm. This may suggest that CBEC does not impact the internationalisation process as much as the literature suggests.

Finally, the need for knowledge is intensified after SMEs enter Tmall Global. This is due to the competitive nature of Tmall Global, the lack of consumer engagement, the rapid pace of change, and the logistics involved in Tmall Global operations. It was revealed that SMEs who wanted to engage in CBEC via Tmall Global needed to possess strong network knowledge and partnerships with relevant actors in the CBEC ecosystem.

## 6.2 Academic Implications

This thesis adds to the body of literature on SME internationalisation through CBEC and provides insight from a New Zealand perspective. This is important given the unique barriers New Zealand SMEs are faced with when internationalising. The findings from the research updates the limited literature available from a natural health products industry perspective. This research also adds to the body of literature on knowledge-based models of internationalisation. The findings highlight the importance of knowledge as a critical asset for SME internationalisation, and that knowledge needed for traditional forms of exporting are still relevant for CBEC. Furthermore, the findings show the importance of network knowledge in SME CBEC internationalisation. Finally, this research fills the gaps in the literature by exploring the phenomenon of interested from a knowledge-based perspective. The findings suggest that the CBEC internationalisation process may follow the trends of traditional internationalisation theories. The findings also highlight the key knowledge types required and the changes observed in knowledge with advancements in technology.

## 6.3 Industry Implications

This thesis identifies the knowledge required by New Zealand natural health product SMEs when internationalising via CBEC on Tmall Global. This information may be important for managers, SMEs, and firms in the natural health products industry who are considering expanding into the Chinese market via CBEC. The findings may also be relevant to other industry groups who want to internationalise via Tmall Global to support their pre-internationalisation strategies and choices.

The practical considerations are as follows:

- SMEs should aim to acquire knowledge through networks and industry professionals with experiential knowledge in the field.
- SMEs should aim to find suitable partners to help them navigate the complexities of CBEC in China.
- SMEs should aim to better understand the CBEC ecosystem before deciding to launch onto Tmall.
- SMEs should aim to work with other channels of distribution and gain brand awareness in their local markets before internationalising into China.
- SMEs in the natural health products industry should aim to understand and comply with the regulatory requirements before internationalising into foreign markets.

## 6.4 Limitations

This study was highly context and industry specific (i.e. to New Zealand SMEs in the natural health products industry in the process of exploring CBEC opportunities in China.) Being a qualitative, exploratory study, which takes an interpretivist epistemological approach. The participants were selected using purposive convenience sampling which further reduced the generalisability of the research findings. However, this study was an exploratory study to provide insights for further study and the findings were not intended to be generalised beyond the specific context.

Another limitation is the relatively small sample size of the study. However, the participants were purposefully selected based on their experience and knowledge in a highly niche setting and were able to offer rich insights into the phenomenon of interest. The recruitment of both external advisors as well as managers of SMEs in the natural health products industry increased the representation of the industry and enabled the researcher to capture a wider industry outlook. Even though the study only consisted of a small sample, the information that emerged from the interviews were similar in theme. Therefore, the researcher believes that there would be little change to the study findings even if more interviews were conducted.

## 6.5 Future Research

Whilst this study focused on identifying the types of knowledge required by New Zealand Natural Health Product SMEs engaging in CBEC via Tmall Global, there are other avenues of research that could be explored. Tmall partners and third parties were often brought up by participants during interviews as people who had insights into the operations of Tmall Global in China. There could be value in focusing on these partners to gain more insight into Tmall Global. Another potential avenue may be to focus on the knowledge required for CBEC in another industry setting, as the natural health products industry is highly context specific. Furthermore, the role of networks was found to be very important in this research, therefore it may be worthwhile to consider CBEC via Tmall Global from a network view of the firm.

# Appendix I: Participant Information Sheet (PIS)



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## PATICIPANT INFORMATION SHEET

**Project title:** A knowledge-based view of B2C Cross Border E-Commerce (Tmall Global platform) in the context of New Zealand Natural Health SMEs

**Student Researcher:** Yao Xiao

**Principal Investigator:** Dr. Mia Jüllig

**Academic Research Supervisor:** Benjamin Fath

### Researcher introduction

My name is Carrie (Yao), a Masters' student at the University of Auckland pursuing my Master of Bioscience Enterprise. Dr. Mia Jüllig will be the Principal Investigator of this study and is also the program coordinator of the Master of Bioscience Enterprise program at the School of Biological Sciences. Throughout the course of the study, I will be guided by my academic research supervisor Benjamin Fath, who is a Senior Lecturer from the Department of Business and Economics of the University of Auckland Graduate School of Management.

### Project description and invitation

You are invited to participate in this research project, which is designed to investigate the knowledge types required by New Zealand Natural Health Product SMEs when engaging in Cross Border E-Commerce (CBEC) on Tmall Global in the Chinese Market.

As the industry professional with experience in areas relevant to my thesis, I invite you and your company to take part in interviews for my project. Your opinion, experiences, and knowledge on this topic will add something new to this research area, and would make a valuable contribution to my project. For the purposes of this study, I would like to interview up to three individuals from your company. As the CEO, you may be one of these three individuals. Please note that your company's participation is voluntary and can be withdrawn without giving reason up to 14 days from when the interviews are conducted.

We anticipate that the results of this study will add to the literature on the internationalisation of New Zealand SMEs, particularly in the context of New Zealand and China. This study will also hopefully provide a better understanding of what knowledge factors are required in the digital era of business.

### **Project procedures**

Participation in this study is voluntary, and will involve a maximum of two interviews which are expected to take approximately one hour each. This process may interfere with the discharge of their duties if this is on company time. If I need to clarify anything from the interviews this will be done through a follow-up email and/or a phone call. If you are willing to have your employees participate, please sign the attached consent form and return it to me.

During the interview, audio recording will be used to ensure that accurate information is obtained. Your employee may ask to have the recorder turned off at any point during the interview. I will transcribe the interview material, then summarise and analyse it for my study. Your employees should be given assurance that their participation or non-participation in this research will not affect their employment at your company.

At the interview, I am interested in understanding what knowledge is required by New Zealand Natural Health Product SMEs when engaging in Cross Border E-Commerce(CBEC) in the Chinese Market. The questions asked will mainly deal with the role of knowledge in internationalisation and Tmall Global.

Confidential information on the operations of your company is not expected to be revealed during these interviews. A copy of the interview transcript will be provided to your employee(s) for them to edit and review as needed to ensure that the right information has been collected. They will have two weeks after receiving the transcript to return any changes to me. Your employee's name/your company's name will not be revealed in any written report of the findings.

### **Data storage/retention/destruction/future use**

Data collected in this project will be owned by us and used for analysis, reporting, and publication purposes. All information will be kept in electronic files on a secure network and deleted after six years. Should there be any physical storage, such as CDs, it will also be destroyed after six years of the project.

### **Right to withdraw from participation**

You have the right to withdraw from participation at any time of the interview, without giving a reason. You also have the right to withdraw any information you provide up to 14 working days after the interview without giving a reason.

### **Anonymity and confidentiality**

Any information you provide will be transcribed by me, and you will not be identifiable to a third party. If information collected is reported or published, this will be done in a way that does not identify you as a source. For both interviews and questionnaires, the information that you provide will be assigned a code and your name and the name of your organisation will not be recorded in the transcripts or final report/s.

### **Conflict of interest**

It is a requirement of the programme that my project has an academic perspective and also brings value for the hosting company, Deliveon Health. Although Deliveon Health is my host company, the MBioEnt research project has been developed by myself and Benjamin Fath. Jennifer Anderson at Deliveon Health will not have access to and will not influence the data or conclusions made. Therefore, there is no conflict of interest.

### **Contact details and approval wording**

Thank you very much for your time and help in making this project possible. If you have any queries regarding this project and your role, please feel free to contact us.

If you agree to participate, please let me know by filling in the attached Consent Form.

#### **Student Researcher:**

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For any concerns regarding ethical issues you may contact the Chair, the University of Auckland Human Participants Ethics Committee, at the University of Auckland, Research Office, Private Bag 92019, Auckland 1142. Telephone 09 373-7599 ext. 83711. Email: roethics@auckland.ac.nz

APPROVED BY THE UNIVERSITY OF AUCKLAND HUMAN PARTICIPANTS ETHICS COMMITTEE ON 16<sup>TH</sup> APRIL 2019 FOR THREE (3) YEARS. REFERENCE 022768

## Appendix II: Consent Form (CF)



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### CONSENT FORM

(Participant)

**THIS FORM WILL BE HELD FOR A PERIOD OF 6 YEARS**

**Project title:** A knowledge-based view of B2C Cross Border E-Commerce on Tmall Global in the context of New Zealand Natural Health SMEs

**Researcher:** Yao Xiao

- I have read the Participant Information Sheet, have understood the nature of the research and why I have been selected. I have had the opportunity to ask questions and have them answered to my satisfaction.
- I agree to take part in this research.
- I understand that my participation is voluntary.
- I understand that the time needed for this interview is no more than 90 minutes.
- I understand that I am free to withdraw participation at any time, without giving a reason.
- I understand that I am free to withdraw any information that I provide up to 14 days of the interview(s), without giving a reason.
- I understand that if the information I provide is reported or published, it will be done in a way that does not identify me as its source.

- I understand that audio recordings will be made of the interviews, and that at any time I can request that the recording devices be turned off and records be deleted.
- I understand that any information provided by me during the interviews will be transcribed by the researchers, and my identity is protected. Following transcription of the audio recording, I understand that I will be given the opportunity to edit my transcript. If I should choose to do so, I must return the edited transcript to the researcher within 14 days of receipt of the transcript.
- I understand that the information collected in the project is owned by the researchers and will be used for their analysis, reporting, and related publications.
- I understand that all information I provide will be kept in electronic files on a secure network and deleted after six years by the researchers.
- I wish / do not wish to have my transcripts returned to me for review after the interview.
- I understand that transcripts will be deleted directly after submission of the thesis by the researcher. Data and consent forms will be stored separately and securely for six years, after which they will be destroyed.

Name \_\_\_\_\_

Organisation \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

Email address for correspondence:

\_\_\_\_\_

APPROVED BY THE UNIVERSITY OF AUCKLAND HUMAN PARTICIPANTS ETHICS COMMITTEE ON 16<sup>TH</sup> APRIL 2019 FOR THREE (3) YEARS. REFERENCE 022768

## Appendix III: Manager Interview Schedule

*Can you please tell me:*

1. A bit about the company? (products/people/history/story)
2. What is your role in regard to the company's internationalisation strategy and engagement with Tmall Global? (duties and key responsibilities)
3. What do you think is most important for companies in the NZ NHP industry to know when they are trying to internationalise? (unique to this sector)
4. Did you have any prior internationalisation experience or online business experience before using Tmall Global?

If **YES** then -

- What do you think was most important for companies to know when they engaged in internationalisation and/or online business back then? (before the emergence of Tmall Global)
  - Has this changed? And how has it changed?
5. What did you think were the most important things the company needed to know or had to prepare for before it started using Tmall Global? (and why?)
  6. Has this changed since the company started using Tmall Global? (what turned out to be true and what did not?)
  7. Did you encounter any unexpected difficulties or surprises when you started using Tmall Global? (i.e. what do you think your company lacked when implementing CBEC on Tmall Global).
    - How did your company deal with this and what have you learnt from it?
  8. From your experience, what do you think NZ NHP companies need to know in order to successfully implement CBEC on Tmall Global?
  9. Do you, or did also sell to China offline?
    - If yes - what usually came first and why?
      - How do you maintain a balance between online and offline channels?
      - Have there been conflicts between online and offline channels? How did you deal with these?
    - If no – do you see the company expanding into offline sales in the future?
  10. Where do you see the company in 5 years' time in regard to internationalisation and e-commerce?
  11. Lastly, is there anything you'd like to add that you think might be important/relevant to this study?

## Appendix IV: Advisor Interview Schedule

*Can you please tell me:*

1. A bit about your company?
2. What is your role in internationalisation strategy and engagement with Tmall Global?
3. What do you think is most important for companies in the NZ NHP industry to know when they are trying to internationalise?
4. Did you have any prior internationalisation experience or online business experience before the emergence of these b2b/b2c e-commerce platforms?  
  
If **YES** then -
  - What do you think was most important for companies to know when they engaged in internationalisation and/or online business back then? (before the emergence of Tmall Global)
  - Has this changed? And how has it changed?
5. From your experience, what do you think are the most important things for companies to know or prepare for before they started using Tmall Global? (and why?)
  - Have these things changed over time? And why have they then changed?
6. From your experience, what do you think NZ NHP SMEs need to know in order to successfully implement CBEC on Tmall Global?
7. Did you encounter any unexpected difficulties or surprises when using Tmall Global as an online platform? How did your company deal with this and what have you learnt from it?
8. Do you, or did you also have experience selling to China offline?
  - If yes - what usually came first and why?
  - How do you help companies maintain a balance between online and offline channels?
  - Have there been conflicts between online and offline channels? How did you deal with these?
  - If no - do you see the company expanding into offline sales/marketing in the future?
9. How has this area evolved since you first started and where do you see this area in 5 years' time in regard to internationalisation and e-commerce?
10. Lastly, is there anything you'd like to add that you think might be important/relevant to this study?

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