

# Research on College Students' Consumption Behavior of Cross-border Imported Cosmetic Products under the surge of Domestic Products

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## Abstract

In recent years, the progressive advancements in internet technology, coupled with supportive national policies for cross-border e-commerce, have facilitated a gradual expansion of China's cross-border import e-commerce market. Notably, imported beauty makeup products have emerged as a prominent representative, with the volume of cross-border imported goods continuously surging. During this period, the dynamic evolution of marketing models in the new media era, combined with the escalating consumer expectations, has created a landscape of abundant products. Among these, domestic cosmetics brands such as Perfect Diary and Mao Geping have distinguished themselves significantly by leveraging their embrace of "National Trend" and implementing advantageous pricing strategies. In this paper, whether the rise of domestic beauty makeup impacts the purchasing decisions of college students towards imported beauty makeup were discussed, by examining various factors such as price, quality of the products, customer loyalty, and trust. Furthermore, suggestions were provided for the future development of imported beauty products.

**Keywords:** Domestic beauty makeup; imported beauty makeup; cross-border e-commerce; consumer behavior analysis.

## 1. Introduction

In recent years, the progression of internet technology and the acceleration of globalization have fueled the robust growth of China's cross-border e-commerce industry, making it a vital engine driving the expansion of China's foreign trade economy. This surge in cross-border commerce has coincided with a rise in luxury consumption and an increase in disposable income among Chinese consumers, transforming the imported beauty products industry into a market with immense potential. By leveraging cross-border e-commerce, the sales volume and performance of imported beauty products have seen substantial growth, making them the preferred choice for many when purchasing cosmetics.

However, with the rapid development of domestic consumption upgrading and the digital economy, some domestic beauty brands have seized the opportunity to re-enter the public's vision through celebrity

endorsements. Influenced by cultural trends like "National Trend" or "Chinese style," these brands have become a fashion trend sought after by the younger generation. Consequently, this paper embarks on an exploration of the impact of domestic beauty makeup on imported beauty products by analyzing the cross-border import beauty environment and assessing college students' demands for beauty makeup through a questionnaire survey. Furthermore, it seeks to identify effective strategies for the further development of imported beauty makeup within this context.

In recent times, the cross-border e-commerce industry in China has witnessed substantial growth, prompting the government to assign it greater significance. Consequently, a surge of policies have been rolled out to bolster its support, marking the advent of a policy explosion phase. In the Government Work Reports of the State Council for both 2019 and 2020, there were explicit proposals to reform and enhance the support policies for emerging industries such as cross-border e-commerce, with the aim of accelerating their development. Furthermore, in January 2023, the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation jointly issued the "Announcement on Tax Policies for Export Returns of Cross-border E-commerce Commodities." For cross-border e-commerce export returned goods that meet the regulations, no import tariffs, value-added tax or consumption tax on import links are charged, and any previously collected export tariffs will be returned. In conclusion, these initiatives have offered potent support for the progress of cross-border e-commerce and laid a policy foundation for the importation of foreign beauty products.

As consumption levels have risen and the pursuit of beauty has intensified, the beauty industry has progressively transformed into a colossal sector, with beauty products emerging as a market with boundless potential. Between 1998 and 2016, this beauty industry underwent a period of accelerated growth, welcoming international brands into the Chinese market, and establishing their presence in the mid-to-high end segments. In 2020, China took a pivotal step for the development of this industry by promulgating the "Regulations on the Supervision and Administration of Cosmetics," which aimed to standardize and reform the cosmetics industry through legal and regulatory frameworks.

In the existing literature, there is a wealth of research focusing on imported beauty products. Based on the consumption characteristics of imported beauty products, it was proposed that customer experience exerts an influence on customer loyalty [1, 2]. Through data analysis and research, it is concluded that service experience has the greatest impact on customer trust, product experience has the most significant influence on customer loyalty, and customer trust notably affects customer loyalty. Additionally, recommendations for the future development of the beauty industry were offered [3, 4]. With the proliferation of B2C import cross-border e-commerce platforms specializing in beauty products, the imported beauty market has become fiercely competitive, accompanied by issues of homogenization. The internal competition exist among the beauty product sector, effective strategies were suggested for beauty products to tackle homogenization, so as to adequately solve the problem of homogenization of B2C imported cross-border e-commerce in the imported beauty and makeup market [5, 6].

In the study of the influencing factors of consumers' purchase intention of imported beauty, regression analysis can be used to find out the influence of incentive mechanism, high quality content, trust and love of KOL and other factors on customers' perceived functional value and perceived emotional value. The finding confirmed the significant role of these perceived values play in shaping consumers' willingness to purchase imported beauty products, which additionally offered valuable suggestions for the future development of beauty enterprises [7, 8].

Since 2016, the makeup industry has also entered a phase of high-quality development, witnessing the rise of domestic products and the increasing market influence of Chinese cosmetics brands. In particular, the trends of "National Trend" or "Chinese style" have emerged as key fashion pursuits among the younger generation. The interpretation of "National Trend" or Chinese style is listed as follows, "National Trend" signifies the inheritance of traditional Chinese aesthetics in a trendy manner, and the exploration of the commodity market through the development of cultural and creative products. The concept of "Chinese style" boasts with a long history, representing a style grounded in traditional Chinese culture. It integrates a rich array of Chinese elements and aligns with global fashion trends, manifesting as an artistic form or lifestyle [9]. Meanwhile, to propel the high-quality development of the cosmetics industry, the government encourages cosmetics companies to engage in technological innovation and research and development. To this end, it has established beauty technology research institutes and funded beauty research projects, thereby introducing more cosmetics professionals and advanced technologies into the field. Furthermore, the government has enhanced financial and tax support for innovative cosmetics enterprises, fostering the continuous upgrading of cosmetics products and driving the ongoing development of the cosmetics industry. Subsequently, the number of literatures concerning the development of domestic cosmetics surged, with a primary focus on their marketing and communication strategies. For example, an analysis of the brand marketing strategies was conducted on the domestic brand Colorkey during its developmental process [10, 11]. Given the evolving marketing models in the new media era and the increasingly fierce competition within the industry, a study focusing on marketing of domestic youth-oriented cosmetics brands was conducted, in order to promote sustained development within the cosmetics industry [12].

In the global beauty and personal care market, approximately 30% of sales are generated through online sales channels, with Asia serving as a significant consumption hub for such products. Within the Asia-Pacific region, Japan's cosmetics industry plays a pivotal role, accounting for over half of the market share and standing as one of the largest skin care markets in Asia. The Z-generation consumers represent a relatively active demographic in the region, while China's millennials also constitute a major consumer group for beauty and personal care products in China. A survey involving 1100 millennial consumers online, who participated in a study on brand building for four international brands—Nike, Kappa, Ferrero, and Meiji—revealed that both rational cognition and emotional experience play crucial roles in the brand-building process among Chinese consumers. Brand image and brand trust exert a vital influence on consumers' purchasing decisions [10]. Similarly, scholars abroad have also conducted research on factors affecting consumer purchasing behavior. Through a questionnaire survey and multiple regression analysis of 110 IndiHome users, the influence of value, price and perception on customers' purchase intention on IndiHome is studied, revealing that these factors positively influence customers' purchase intentions [13].

Brand loyalty is defined by the degree of affection, dedication, and commitment that customers hold towards a particular brand. Loyal customers are not merely repeat buyers. They are brand advocates, regardless of price or convenience, who will make a concerted effort to purchase the brand again. Consequently, brand loyalty will also affect customers' purchase of products. There are also foreign scholars who study brand loyalty, explore the impact of brand experience, brand personality and brand trust on brand loyalty. This research collected data from 150 individuals through a questionnaire survey and processed the data using regression analysis. The final research findings indicate a positive correlation between the superiority of brand experience and brand loyalty, brand personality and brand loyalty, as well as brand trust and brand loyalty [11].

To summarize, in recent years, Chinese scholars have carried out multi-dimensional and in-depth discussions and research on the consumption behaviors of imported beauty products and the development trajectory of domestic beauty brands, achieving notable results. Nevertheless, with the thriving of domestic beauty makeup brands, the market for cross-border imported beauty products has encountered challenges. The question of how to sustain and enhance the previous advantages of imported beauty products amidst the surge of domestic brands remains insufficiently addressed in related research.

## **2. Analysis of Cross-border Import Beauty Environment**

### **2.1. Current Status of Cross-Border E-commerce and Imported Beauty Products**

In recent years, with a globally stable and improving economic backdrop, the domestic economy of China has also exhibited a trend of steady development, leading to a continuous increase in the total volume of China's cross-border e-commerce trade. According to statistics of the General Administration of Customs, the scale of China's cross-border e-commerce imports and exports has consistently expanded since 2018. Specifically, in 2022, China's cross-border e-commerce surpassed 2 trillion Chinese yuan, with an increase of 7.1 % over 2021. Furthermore, during the first half of 2023, the scale of China's cross-border e-commerce imports and exports amounted to about 1.1 trillion yuan, with an increase of 16.6 % year-on-year. In addition, over more than a decade of development, China's cross-border export e-commerce industry has evolved from establishing information platforms, developing transaction services, refining ecological chains, to pursuing three-dimensional growth. Since 2019, China's cross-border e-commerce exports have entered a new stage of high-quality development, with continually enhanced resilience in the ecological system and an increasingly sophisticated legal framework for cross-border e-commerce, both providing detailed guidance throughout the entire transaction process. For instance, China issued a notice on "cross-border e-commerce retail import tax policy" in 2016. This policy shifted the postage tax on imported goods retailed by cross-border e-commerce into tariffs on goods, value-added tax on imports and consumption tax, aiming to ensure the fair and orderly transaction of cross-border import commodities.

With the rise of domestic income level in recent years, the proactive introduction of government policies encouraging the development of cross-border e-commerce, the diversification of trade partners, and the increase in the number of cross-border e-commerce platforms, consumers' demand for imported goods of beauty products has also risen accordingly. Statistically, in 2018, the cumulative transaction value of China's cross-border e-commerce in beauty makeup amounted to nearly 70 billion Chinese yuan, with an increase of 9.6 % year-on-year. This figure accounted for 15% of the total global cross-border beauty product transactions. Among these, the value of cross-border imported beauty products into China reached CNY 55.25 billion, with an increase of more than 80 %. In 2018, however, the year-on-year growth rate of cosmetics imports in China began to decline. By 2022, both the total import value and its year-on-year growth rate exhibited negative trends. Furthermore, in 2023, the import value of cosmetics experienced the lowest growth rate in a decade, as depicted in Fig.1.

Simultaneously, as the sole offspring in their families, Z-generation, the youth of today, have been burdened with expectations from a young age, leading them to endure pressure from older generations. To alleviate this stress, they not only utilize social media but also opt to purchase expensive luxury items, such as imported beauty products. Even in non-first-tier cities without cosmetics counters, they can still acquire these luxuries through online shopping or personal shoppers.

According to the data presented in Table 1, among the 164 valid questionnaires, the majority (32.93%) of respondents reported using imported beauty products within a range of 1% to 25% of their total beauty product usage. A further 17.07% used imported beauty products with a ratio of 26-50 %, while 31.71% used them for more than 50% of their beauty product needs. Notably, 11 consumers exclusively used imported beauty products in their daily life, indicating that imported beauty products are an indispensable part of college students ' daily cosmetics.

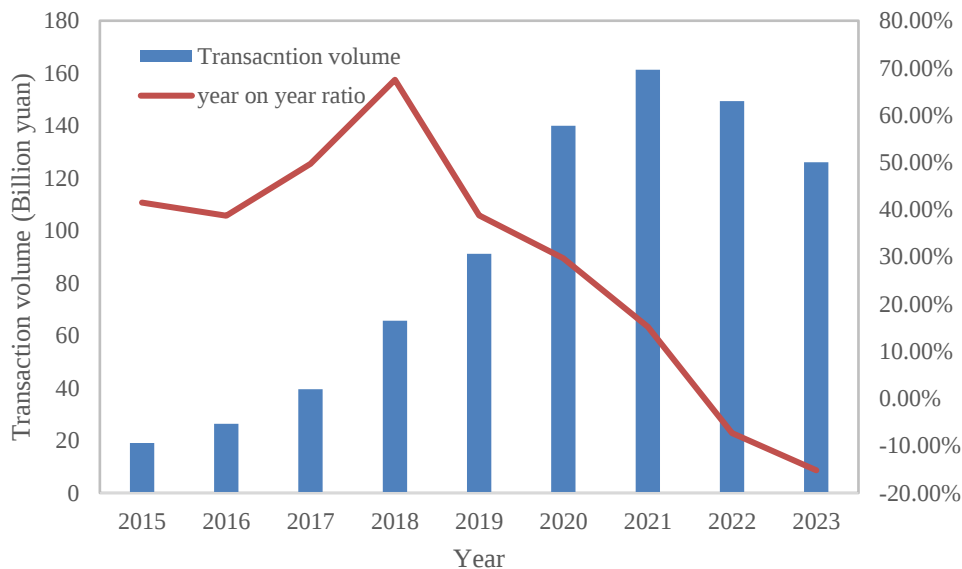


Figure 1. Total imports and year-on-year growth of cosmetics in China from 2015 to 2023

Data source: General Administration of Customs

Table 1. The proportion of imported beauty makeup in daily cosmetics

| Range   | Numbers of interviewee | ratio  |
|---------|------------------------|--------|
| 0%      | 26                     | 16.88% |
| 1 %-25% | 50                     | 32.47% |
| 26%-50% | 27                     | 17.53% |
| 51%-75% | 20                     | 12.99% |
| 76%-99% | 20                     | 12.99% |
| 100%    | 11                     | 7.14%  |

## 2.2. The Current Status of Domestic Beauty Products

According to the 52nd "Statistical Report on Internet Development in China" released by the China Internet Network Information Center (CNNIC), as shown in Fig. 2, by June 2023, the number of internet users in China reached 1.079 billion, with an increase of 11.09 million compared to December of the previous year. The internet penetration rate stood at 76.4%, with the number of online shopping users reaching 884 million, an increase of 38.8 million from December 2022 was gained. The development of the e-commerce industry reduced the cost by eliminating the intermediate links. Compared with the low product sales price and convenient logistics channels of traditional shopping forms, it changed consumers'

consumption habits, extended and innovated new consumption methods, and brought infinite possibilities for brand development. The domestic beauty makeup also relies on the development of e-commerce to open up its own track. The scale of Internet users in China and the increase of Internet penetration rate made online shopping popular in the daily life of residents, which indirectly promoted the development of online shopping, traditional e-commerce and live e-commerce. The growth of the e-commerce industry reduced intermediate costs compared to traditional shopping modes. This transformation has altered consumers' consumption habits, fostered new consumption patterns, and presented boundless opportunities for brand development. The domestic beauty makeup also relies on the development of e-commerce to open up its own track.

Furthermore, the burgeoning popularity of the "National Trend" culture has further fueled the ascent of domestic beauty brands. Against the backdrop of internet development, young users have become the main force in online shopping. Possessing their own unique values and consumption perspectives, they are experiencing a heightened sense of "National Trend" cultural confidence and consumer awareness. This awakening has sparked their pursuit of the "Chinese Style" culture and progressively elevated their demand for domestic brands.

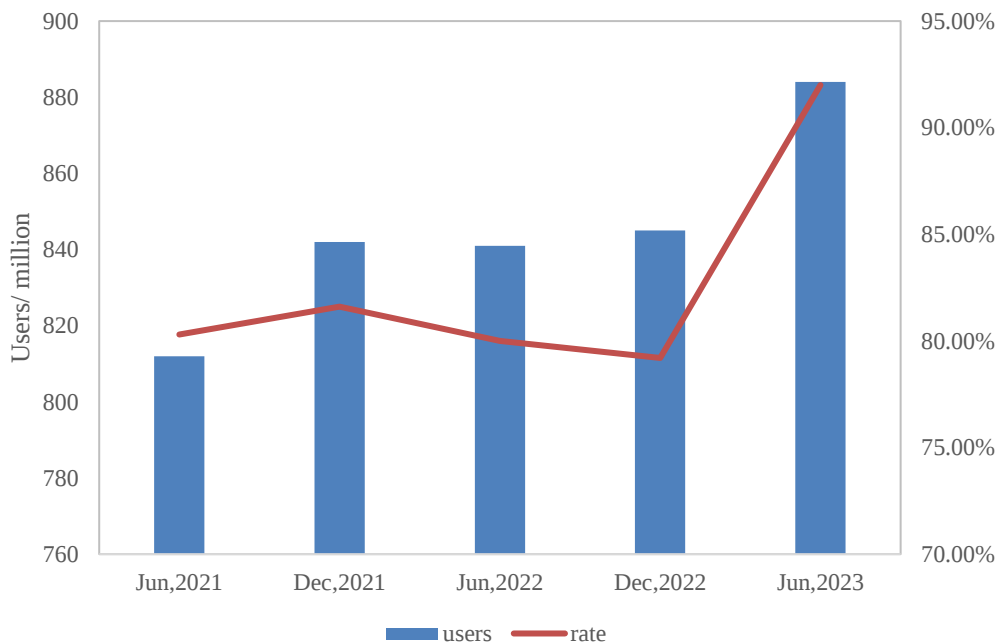


Figure 2. Online shopping user scale (million people) and the usage rate (2021.6-2023.6)

Data source: China Internet Network Information Center

Domestic beauty makeup has effectively integrated elements of Chinese culture into their cosmetics, capturing the current aesthetic trends and attracting consumers. For example, the collaborative makeup series between Maogeping and the Forbidden City utilizes relief craftsmanship to exude Oriental elegance. Meanwhile, many beauty brands formulate brand marketing strategies for diverse consumer needs of young consumers by formulating youthful marketing strategies, such as live broadcast + video combination with goods, so as to promote their sustainable growth and development.

According to statistical data "2023 China Cosmetics Almanac," as illustrated in Table 2, the domestic beauty market reached a scale of 797.2 billion yuan last year, which makes a year-on-year growth rate of

5.2%. Notably, the annual sales of domestic beauty products increased by 9.96% compared to the previous year, capturing a market share of 50.4%. This represents the first time that domestic beauty products have surpassed foreign brands in market share. Throughout the entire year of 2023, Proya's Gross Merchandise Volume (GMV) increased by 44.49% year-on-year, reaching 7.541 billion yuan. During last year's Singles' Day (November 11) sales event, its GMV exceeded that of French beauty brand L'Oréal for the first time. Another domestic brand, Hanshu, witnessed a year-on-year growth of 120.91% in 2023, ranking first on the best-selling brand of Tick Tok's beauty and skincare category, with sales of 3.325 billion yuan.

Table 2. Year-on-year growth of sales and market share of beauty products in various countries

| Origin of Country    | Year-on-year growth | Market share |
|----------------------|---------------------|--------------|
| China                | 21.2%               | 50.4%        |
| Korea                | -26.1%              | 6.6%         |
| Europe-United States | -0.6%               | 30.9%        |
| Japan                | -17%                | 9.7%         |
| Others               | 35.6%               | 2.6%         |

Data source: Internet

### 3. SWOT Analysis of Imported Beauty Makeup under the Background of the Rise of Domestic Products

#### 3.1. Advantages

The imported beauty makeup industry has a robust dealer network. Internationally renowned beauty companies have built a robust dealer network, accompanied by a clear market positioning and a well-defined target consumer demographic for their brands. Through extensive research and analysis, these brands can more precisely cater to consumer needs and undertake product development. By offering superior quality products, they foster consumer trust and loyalty in the brand, thereby securing market share. For instance, Chanel has established branches and dealers across various provinces in China, complemented by numerous counters offline. Consequently, compared to domestic beauty brands, consumers have ample opportunities to experience the products they intend to purchase offline.

The imported beauty makeup industry often has their own high-end beauty line, and tell a good brand story. Imported beauty brands possessed advanced formulations, technologies and ingredients, while integrating brand narratives into their product marketing strategies to attract consumers with their quality and innovation. For instance, within the LVMH Group, there are numerous esteemed brands such as Dior, Guerlain, and Givenchy, among which that encompass high-end skincare and makeup products. For example, Guerlain's Orchidée Impériale line, utilizes precious black orchid extracts and proprietary black orchid technology to achieve nourishing, anti-aging, firming, and lifting effects. Concurrently, to fully convey the consumers with the sense of technology, efficacy, and luxury inherent in their products, the brand incorporates scientific terminology into the promotion process, seamlessly integrating the foundational concept of the brand's inception. They forge emotional connections with consumers, fostering a sense of resonance towards the brand and inspiring them to make orders.

#### 3.2. Disadvantages

The problems of homogenization exist among imported beauty products, and can be divided into three aspects. The first is platform marketing homogenization. In terms of marketing endeavors, the majority of renowned international beauty brands typically recruit celebrities as their brand ambassadors. When selecting these internet celebrities for endorsement, they might primarily evaluate their suitability based on metrics such as their online traffic and the extent of their fan following, often neglecting to thoroughly assess whether the celebrity's inherent temperament and character resonate with the core values and essence of the brand. This results in a single celebrity being endorsed by numerous brands, and may make the consumers feel aesthetic fatigue, rendering it difficult for them to ascertain whether a particular product is suitable for their needs. In addition, in the realm of beauty brand marketing, there emerges a problem of homogenization in strategies. Brands usually resort to bundling best seller products with those unsalable ones as a means to propel overall sales. However, this marketing approach falls short in adequately addressing the genuine demands of consumers. Consequently, during the actual transaction, consumers continue to select only the products they personally require, rendering this marketing strategy largely ineffective in achieving its intended impact.

The second is product homogenization. As beauty product development necessitates a keen consideration of consumer demands, beauty enterprises design their offerings in accordance with the prevalent trends of the year. Consequently, if a particular shade, such as the trendy "bean paste" color, gains popularity in a given year, numerous beauty companies will endeavor to create both moisturizing and matte lipstick formulations, resulting in a pressing issue of severe product homogenization. For instance, the colors and textures of lipsticks such as YSL 302, Dior 772, and TOM FORD 100 exhibit minimal distinction. However, prominent multinational cosmetics companies like Procter & Gamble, L'Oréal, and Unilever, still pursue their outstanding expertise in product development and marketing strategies, continue to push forward in creating differentiated product marketing environments. The pricing of cross-border imported products is influenced by factors such as production costs and operational expenses. Renowned international beauty companies possess distinctive patented formulas for their cosmetics; for instance, Chanel's brick powder base liquid is a skincare-infused foundation that encapsulates instantaneous active ingredients derived from vanilla pods, utilizing advanced extraction technology to achieve its skincare benefits. The incorporation of such cutting-edge technology and unique formulations contributes to an increase in production costs. Furthermore, the importation of foreign beauty products into China incurs tariffs and logistics costs. The fluctuating tariffs and logistics expenses contribute to the constant variation in prices of imported beauty brands, with some even experiencing annual price hikes. Consequently, in comparison to domestic beauty products, which are spared from tariffs and the logistics costs associated with long-distance transportation, the prices of imported beauty products tend to be higher.

### **3.3. Opportunity**

With the proliferation of the Internet and the surging number of Internet users, online shoppers have been continuously increasing, making cross-border shopping a widespread phenomenon. China stands as one of the largest consumption markets globally, and the market for beauty products in China has been steadily expanding. During the pandemic, as people worked at home, the offline real economy suffered, giving rise to live e-commerce—a zero-contact and convenient shopping mode. In the process of the development of the Chinese market, imported beauty brands can ride the market trend by live streaming to gain exposure for their brands. Through live streaming, they can promote and introduce the usage

methods and suitable skin types of their beauty products, actively engage with customers, and consolidate their fan base. By proactively addressing the new market demands arising from the pandemic, these brands demonstrate their robust vitality and propel their growth at a high speed. Concurrently, during their future development, imported beauty brands can also collaborate with domestic beauty brands to create exclusive beauty products tailored to the demands of the Chinese market, thereby ensuring sustained growth and prosperity.

### **3.4. Threat**

The threats for the imported beauty products can be divided into three aspects. The first is the rise of local beauty brands. With the prevalence of Chinese cultural trends, some Chinese consumers have begun to re-recognize local brands, and their support for domestic brands has fueled the rise of Chinese beauty products. Domestic beauty products have a deeper understanding of consumer needs and can tailor suitable products for local consumers. Additionally, they capitalize on consumers' emotional attachment to domestic brands to firmly seize their attention. For example, in 2018, the domestic beauty brand Maxam partnered with White Rabbit Creamy Candy, linking its lipstick to the iconic White Rabbit IP, evoking consumers' nostalgia and stimulating their desire to purchase.

The second is the differences in culture and consumption habits. Due to the differences in aesthetic preferences and makeup habits between Chinese consumers and those in Western countries, Chinese consumers may have a stronger preference for natural and sheer makeup effects, whereas Western consumers tend to favor European and American makeup styles. Hence, there exist distinct biases in the choice of beauty products between the two markets. In the process of research and development, brands must take into account the specific needs for base makeup products in different countries and the suitability of such products for individuals with varying skin types. Domestic beauty brands, in this regard, may conduct more thorough research than international beauty companies. Chinese festivals and traditional customs can potentially impact consumers' shopping behaviors and product demand, necessitating imported beauty brands to implement targeted marketing strategies that align with local cultural.

The third is Impact of Policy. The tax policies governing cross-border e-commerce are subject to continuous change in tandem with its development, presenting both opportunities and challenges. Under the influence of tax reform, the commodity structure, industry structure, warehousing and logistics mode, the improvement of cross-border business and consumer behavior of cross-border e-commerce have changed to a certain extent, which has become an important driving factor to promote the standardization, scale and innovative advancement of the industry. This has added numerous additional variables for imported beauty product enterprises seeking to enter the Chinese market. Failure to meet policy requirements will adversely impact their import business, hindering their development in the Chinese market.

## **4. Factors Affecting Consumers' Purchase of Cosmetic Products**

### **4.1. Product Price**

When purchasing beauty products, consumers' buying behavior is influenced by product pricing. Firstly, when confronted with similar prices, consumers may be more inclined to spend a high-priced foundation product. Given that foundation products are in direct contact with the skin, consumers tend to prioritize shelling out a higher unit price in exchange for safe and healthy ingredients in their foundation.

When it comes to color cosmetics, such as lipstick, consumers often aim to purchase a greater quantity of lower-priced items, like Colorkey, with the same amount of money. Secondly, high-income consumers possess the financial means to acquire high-priced beauty products, for instance, La Mer. On the other hand, lower-income groups, such as college students, tend to select beauty products that offer better value for money, like Judydoll. Therefore, beauty companies should thoroughly consider the impact of product pricing on consumers' purchasing intentions when setting prices, so as to boost their product sales.

#### **4.2. Product Quality**

First of all, the quality of products exerts a favorable influence on a brand's reputation and credibility [14]. Substandard product quality can erode consumer trust in the brand, thereby impacting their purchasing decisions negatively. Secondly, word-of-mouth marketing represents the most direct form of brand communication among customers. If consumers encounter product quality issues during their purchase, the brand's reputation is likely to suffer through negative evaluation, which damages the brand image and influences the purchasing decisions of others.

#### **4.3. Product Brand**

Brand image and brand experience both have positive impact on consumer purchasing behavior. Brand experience encompasses the perceptions and emotional responses that consumers develop during the process of acquiring and utilizing a brand's products or services. During the purchasing process, consumers typically seek out cosmetics of superior quality and anticipate a satisfactory after-sales experience following their purchase. Additionally, Brand experience transcends the mere purchasing process; it also involves the interactions customers have with a brand before making a purchase, such as through brand promotions and advertisements [15]. These interactions contribute to customers' overall brand experience. In general, unique promotional strategies can effectively attract customers and stimulate purchasing behavior.

#### **5. Conclusion**

The imported beauty makeup industry often has their own high-end beauty line, and tell a good brand story. Brand image and brand experience both have positive impact on consumer purchasing behavior. College students, tend to select beauty products that offer better value for money. Therefore, beauty companies should thoroughly consider the impact of product pricing on consumers' purchasing intentions when setting prices, so as to boost their product sales.

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