

# Analysis of the Business Models of Alibaba

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**Abstract:** In the era of the burgeoning network economy, Alibaba, the most successful e-commerce company in China, has emerged as a pivotal player, shaping the landscape of e-commerce with its innovative business model and expansive global footprint. This paper presents a comprehensive analysis of Alibaba's strategic evolution, technology integration, operational dynamics, and global market expansion. Founded in 1999 by Jack Ma and associates, Alibaba has grown from its roots as a business-to-business (B2B) platform to a multifaceted conglomerate encompassing business-to-consumer (B2C), consumer-to-consumer (C2C), and cloud computing services. At its core, Alibaba's corporate strategy emphasizes long-term vision, customer-centricity, and global dominance, positioning itself as the foremost e-commerce service provider. Alibaba's technological prowess is evident in its seamless integration of advanced communication, computing, and financial technologies, facilitating secure transactions and enhancing user experience. The company's operational model emphasizes customer segmentation, revenue diversification, and robust logistics management, driving sustainable growth and market leadership. Furthermore, Alibaba's strategic expansion into international markets, including Russia, Southeast Asia, India, the Middle East, Australia, and Africa, underscores its commitment to global commerce and economic empowerment. Through strategic investments and partnerships, Alibaba continues to redefine the contours of e-commerce, fostering innovation, connectivity, and inclusive growth on a global scale.

**Keywords:** Alibaba, Analysis, Business model.

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## 1. Introduction

Nowadays, with the rise of the network economy, it can be said that e-commerce has developed enormously in various fields. Especially in the retail sector, which is close to the masses, the development is rapid and has a great impact. There is fierce competition among e-commerce companies in the Internet era. Business models have achieved great success in order to help companies to position, but they also have their own shortcomings. They must actively solve existing problems to achieve greater value for companies. Thus, in this work, the business model of Alibaba, the most successful e-commerce platform in China, will be analyzed from the aspects of development history, business model, technology model, management model and financial. Primary sources have been used, such as the annual accounts and reports of the companies included in the project and reports from official entities. In addition, sources such as data and news obtained from web pages have been used.

Alibaba Group is a private Chinese consortium with 18 subsidiaries based in Hangzhou dedicated to Internet e-commerce, including business-to-business, retail, and consumer-to-consumer sales portals; It also offers online payment services, a price comparison search engine, and cloud data storage services [1]. In 1999, the Alibaba website was founded by entrepreneur Jack Ma and 17 others. During that year, its objective was to connect Chinese manufacturers with international buyers. Jack Ma founded the website Alibaba.com, it has nearly one billion products and is one of the 20 most visited websites worldwide. Alibaba Group sites are responsible for more than 60% of packages delivered in China. Alipay, an online payment escrow service, accounts for approximately half of all online payment transactions in China. The vast majority of these payments occur after using Alibaba services. In 2010, the Alibaba Group founded AliExpress, a low-cost product sales site that directly

connected Chinese manufacturers with individual buyers. It differed from Taobao in that its target audience was mostly outside China itself, especially in countries such as the United States, Russia, Brazil or Spain. The company sought a public offering for sale in the United States after a failed deal with Hong Kong regulators. In September 2014 it went public on Wall Street, becoming the largest IPO in history and raising about \$25 billion.

Due to the early occupation of China, Alibaba has established a good reputation and image. Alibaba has also done a good job in overseas markets [2]. Russia and Southeast Asia also have a large proportion. In Africa, Alibaba has achieved great success. However, Alibaba does not have its own logistics center, but is a third-party delivery and supply platform, and cannot provide services to consumers for the first time. In the European market, Alibaba needs to make more efforts because of its dominant position and how to fully enter the European market.

## 2. Business Model of Alibaba

### 2.1. Corporate Strategy

Alibaba's corporate strategy encompasses several key elements aimed at shaping its long-term trajectory and market position.

Strategic objectives drive Alibaba's overarching vision. The company aspires to transcend temporal boundaries, aiming to evolve into a corporate entity with a 102-year legacy. Moreover, Alibaba sets its sights on becoming the premier global e-commerce service provider, striving to surpass competitors and assert its dominance in the industry. Emphatically, Alibaba perceives no challenges as insurmountable, exhibiting a steadfast determination to overcome obstacles.

Embedded within Alibaba's business philosophy lies a distinct ethos prioritizing stakeholders in a hierarchical order.

Founder Jack Ma articulates a paradigm where customers reign supreme, followed by employees, with shareholders occupying a secondary role. Rejecting conventional wisdom, Ma underscores the primacy of long-term vision over short-term gains, delineating profit as a byproduct of pursuing optimal outcomes.

Alibaba's customer segmentation strategy embodies inclusivity, catering to a diverse clientele spanning small and medium-sized manufacturers in China to global buyers and sellers. Alibaba.com, the primary conduit for Chinese businesses, offers a suite of services including the B2B TrustPass, complemented by platforms like Taobao and Alipay, which cater to consumer needs and facilitate secure transactions.

Revenue generation hinges on a multifaceted approach, leveraging localized website development, membership perks, consumer protection mechanisms such as Taobao's deposit system, and the expansive reach of Alipay, Alibaba's third-party payment platform. Furthermore, Alibaba cultivates a thriving ecosystem of value-added services, bolstering its competitive edge in the market.

Alibaba's competitive capabilities are underpinned by its pioneering B2B model, which revolutionizes traditional business processes, democratizing access for small and medium enterprises. Anchored by a cohesive corporate culture, Alibaba espouses a mission to alleviate global challenges, fostering a values-driven environment conducive to innovation and collaboration. Augmenting this ethos is a robust management team, spearheaded by Jack Ma, which embodies the ethos of collective effort and excellence, galvanizing a cadre of top-tier talent towards common objectives.

## 2.2. Technology Model

Attracted by the rise of the global Internet economy, Alibaba was founded in 1999 in Hangzhou, China, initially in the form of B2B e-commerce. Under the conditions of computer and communication technology in China, Alibaba has developed advanced communication and computing technologies compatible with e-commerce, such as servers and operating systems, from developed countries.

According to the technical advantages and related experience formed by the B2B model, Alibaba became the C2C model. In 2003, Alibaba established Taobao, adopting the C2C model, but found that the personal and personal communication in C2C model has low communication efficiency and low trust. In order to solve this problem, Alipay and Aliwangwang were launched as soon as possible, and drastically improved communication efficiency and trust. The solution to this problem has allowed Alibaba to quickly lie about important technologies such as SOA technology platform and caching technology.

Before the year of 2008, Alibaba used IBM as a server, ORACLE's traditional database and EMC's high storage system led to high costs. In 2008, Alibaba already had a certain technical foundation, a relatively complete innovation system, and a large number of cutting-edge technologies, consequently Alibaba proposed "IOE (IBM, ORACLE, EMC) less" and start the "cloud plan" [3]. In the same year Due to the maturity of technology and the existence of domestic counterfeit products at this time, Alibaba established the B2C business module one day in 2008. With the support of the appropriate R&D and localization technology transformation team, Alibaba has realized the evolution process from the

introduction of overseas e-commerce technology to the coexistence of B2B, B2C and C2C modes. Founded in 2009, Alibaba Cloud is the world's leading cloud computing and artificial intelligence technology company, providing secure and reliable computing and data processing capabilities in a public online service.

Alibaba also provide online loan service. "Ant-Micro-Loan" provides sustainable e-commerce and SGP financial services for small and micro businesses and individual entrepreneurs on e-commerce platforms such as Alibaba, Taobao and Tmall through Internet data operation mode. Provide a pure credit microcredit service with "small amount, short term and payable loan".

Alibaba constantly innovates, improves work efficiency, promotes business integration, and better serves consumers. Relying on continuous innovation of R&D system, Alibaba has become the industry leader in the Internet industry step by step.

## 2.3. Operating Model

Alibaba has e-commerce of almost all types, Business to Consumer (B2C), Business to Business (B2B), Customer to Consumer (C2C), Consumer to Business (C2B). The initial form was B2B e-commerce. According to the technical advantages and related experience formed by the B2B model, Alibaba became the C2C model. In 2003, Alibaba established Taobao and adopted the C2C model. In 2008, Alibaba established the B2C business module: Tmall.

Business to Business (B2B) is one of the electronic business models in which all its participants are companies. This modality represents 80% of electronic commerce in recent years. Seeking advantages of e-commerce, associations have been carried out between buyers and sellers, through electronic schemes, the reduction of costs per transaction, and the reduction of time, that is, the efficiency in operations can increase, in addition to the range of supply sources.

Customer to Consumer (C2C) encompasses those transactions in which both the seller and the buyer are end consumers, generally these are associations of consumers with common interests, relying on existing infrastructures, they create environments that allow them to exchange ideas, knowledge. or products. Therefore, in C2C e-commerce, consumers act as both buyers and sellers through an exchange platform.

Consumer to Business (C2B) is a broader definition of C2B would be the e-commerce business system in which users provide services and products to companies, which will be responsible for paying them. It allows you to obtain better conditions in the offer presented by companies.

As the world's largest online commerce marketplace, Alibaba is a well-deserved representative of e-commerce. The general characteristics of Alibaba's model is "online commerce, offline delivery".

Business activities include four flows, namely information flow, business flow, capital flow and logistics. The e-commerce activities represented by Alibaba have obvious advantages over traditional business activities in these four aspects.

a. Specializing in information flow allows Alibaba gather a large amount of market supply and demand information. Information is updated quickly, and credit is high, which has attracted many businesses.

b. The website has been built locally and the local language

was adopted for different countries, making Alibaba simple, readable, and have sufficient affinity. Alibaba offers a variety of different languages, and users can choose different language formats to make it easier to understand, as this type of appropriate form attracts more users.

c. The website has a low threshold and attracts users to log in to the platform to register users for free, become a member, gather business flow and activate the market. The continuous flow of information creates unlimited business opportunities. As more and more people or companies register, information is continually updated and traffic increases, making Alibaba the largest B2B website in the world.

d. Alibaba's credit rating is very high, which has attracted a large number of companies to operate in the form of advertising. Because Alibaba has the characteristics of being difficult to imitate, it has attracted more users to register members.

e. Alibaba's logistics system and distribution system are getting better and better.

f. Multiple customer service and information outpost have been constructed to let users know and trust Alibaba in a deeper extent.

## 2.4. Management Model

### 2.4.1. Logistics management

Alibaba allows direct cooperation with the merchants. Merchants can sell directly on the Alibaba platform. However, Alibaba itself does not have logistics support services. Its logistics-related services are provided through third-party logistics. After sales, it is directly handed over to third-party logistics for distribution business. Precisely because Alibaba is not responsible for logistics and distribution, there is no need for warehouse management. Alibaba's logistics functions are constantly being improved toward globalization, informatization and integration. Distribution, loading, unloading, and inventory are getting better as well. The only thing missing is logistics personality and it is expected that Alibaba can implement customized logistics and distribution services as soon as possible.

### 2.4.2. Information Management

Alibaba has its own information system, which corresponds to the information system of the corresponding logistics company and is used for information tracking and synchronization to facilitate inquiry tracking between buyers and sellers. Alibaba's information flow is very symmetrical, smooth, and unobstructed. It responds very quickly and updates information quickly. However, Alibaba's information updates can be even faster and more accurate.

### 2.4.3. Customer relationship management

Alibaba provides a customer relationship management system that integrates past consumption records, customer preferences, customer reviews, customer visits, key customer issues, customer reminders, and important dates. Alibaba will improve customer churn, customer satisfaction, customer points, customer segmentation, customer segmentation and customer incident management. In addition, Alibaba will launch a customer magazine (promotional ideas, marketing training, sales, Alibaba customer retention) and customer events (such as online business meetings). In terms of customer experience, Alibaba has enhanced its status as a leader in shopping and customer experience.

Alibaba has done a good job in protecting consumers' privacy, right to know, right to choose, right to confirm, right to withdraw, etc. Therefore, Alibaba's credibility is very high,

but there is still room for improvement. It is necessary for Alibaba to establish an online and offline punishment mechanism for breach of trust as soon as possible. This is not only a necessary condition for the development of e-commerce, but also a requirement for building an honest society.

## 2.5. Overseas Sales Market

In 2014, Alibaba defined globalization as the company's basic strategy. In the first quarter of 2018, Alibaba's international retail business revenue reached 4.316 trillion CNY, an annual increase of 64%. At the same time, the 83 million active overseas buyers and 11% of international revenue prove that Alibaba has systematically entered the international market. Jack Ma has stated that in the future, Alibaba's business goal is to serve 2 billion consumers worldwide, 10 million SMEs, and achieve delivery of goods within 72 hours around the world. At present, Alibaba's online retail business has covered more than 220 countries and regions, and its business landscape continues to expand, in addition to the already ambitious grand vision as well as the keen sense of overseas business opportunities [4].

### 2.5.1. Russian Market

Although the Internet penetration rate is as high as 71%, Russia's e-commerce transaction volume only accounts for 3% of the total domestic retail sales, which undoubtedly shows that Russia is still a big cake of e-commerce.

According to "European E-Commerce News", Alibaba's cross-border e-commerce platform "Express AliExpress" has become the dominant platform in the Russian e-commerce market, accounting for 69%. Given the popularity of AliExpress in Russia, Alibaba also launched the Tmall Russia station for consumers last year.

Although it has already taken an absolute lead in the Russian market, Alibaba's hype has not stopped.

Alibaba is reportedly currently interested in establishing a partnership with Russian internet company Mail.ru and the Russian Sovereign Wealth Fund Russian Direct Investment Fund (RDIF). RDIF's involvement indicates that the joint venture plan has received support from the Russian government. This move also responds to China's vision of building the "Digital Silk Road."

### 2.5.2. Southeast Asia Market

In March 2018, Alibaba announced a continue investment \$2 billion to Lazada, Southeast Asia's largest e-commerce platform. Already in 2016, Alibaba had invested around \$1 billion and was already holding Lazada. In June 2017, Alibaba invested around \$1 billion to induce the growth of Lazada. Behind the multiple rounds of additional investment is Alibaba's optimism about Lazada's future development and his confidence in the growth prospects of the Southeast Asian market. In 2023, the investment even increased to \$1.8 billion.

By investing in Lazada, Alibaba has further locked down 600 million consumers in Southeast Asia, including Singapore, Malaysia, Indonesia, Thailand, Vietnam and the Philippines. According to a recent report by Google-Temasek, online retail sales in the region represent less than 5% and the market potential is enormous. At the same time, Alibaba also invested in Tokopedia, Indonesia's leading e-commerce platform, for \$1.1 billion last year.

In addition, Alibaba's deployment pace in Southeast Asia is also logistics oriented. In March 2018, the eWTP (Global E-Commerce Platform) was established in Malaysia. Malaysia Digital Economy Development Agency and Alibaba

Group achieved strategic cooperation. The two parties will jointly create Malaysia's first eWTP "pilot zone", the digital free trade zone. The following October, the fledgling Kuala Lumpur eHub went live.

The updated B2B logistics was launched at three major ports in Malaysia, covering 174 ports in 55 countries. Two airports provide air transport services, covering 189 airports in 48 countries. On the other hand, progress is being made in using logistics facilities such as newly built warehouses and GFC (Global Order Compliance Center) to help export Malaysian goods to the Chinese market, and is expected to be operational in the near future.

### **2.5.3. Indian Market**

According to a recent study by Statista, the number of online shopping users in India has reached 185 million, and this number is expected to expand to 425 million by 2027. What's more, this represents only a quarter of the total number of Internet users in India. The significant demographic dividend and consumption potential have made the Indian market highly attractive.

Currently, Alibaba has made various investments in India. It has invested in Indian retailers such as BigBasket and Snapdeal and has acquired a majority stake in the mobile payment platform Paytm. Additionally, Alibaba has invested in the restaurant review app Zomato, the online ticketing app TicketNew, and other companies. Moreover, Alibaba has entered India's movie market and has been promoting the UC Browser to mobile phone users in India. Alibaba is expected to invest \$17 billion in the Indian market.

Alibaba Cloud's business performance in the Indian market is another bright spot. According to relevant sources, Alibaba is currently focusing on areas where Amazon AWS cannot provide services. In the Indian market, hundreds of startups need cloud service support, but for them, migrating servers entails a considerable cost. The cloud computing solutions provided by AWS evidently do not offer a price advantage in this regard. Presently, Alibaba Cloud offers packaged solutions and services to better meet the needs of enterprises. The strong performance of Alibaba Cloud's business in the Indian market has also facilitated Alibaba's launch of a new retail business in India.

Furthermore, Alibaba can collaborate with other industry giants to jointly develop the Indian market. It was reported recently that Google will cooperate with Alibaba and form a consortium with its Paytm Mall to invest 35 to 40 billion rupees to acquire a 7% to 10% stake in the largest retail company in India, Future Retail.

### **2.5.4. Middle Eastern Market**

As a region along the Belt and Road, the Middle East market holds unique strategic significance. Currently, the Middle East has a population of around 490 million, including 120 million young consumers. Younger groups are more likely to accept new forms of shopping, such as online shopping. In recent years, the number of people shopping online in the Middle East has increased year on year, with currently more than 29% of Middle Eastern consumers shopping online each month. Due to climatic reasons, most resources in the Middle East are scarce, and the main products depend on imports. However, the higher per capita disposable income and purchasing power in the Middle East have made it a potential e-commerce market.

Alibaba will reportedly acquire Trendyol, the largest and fastest-growing mobile e-commerce platform in the Middle

East, with over 2,000 merchants and 16 million users, for US\$750 million. At the same time, Alibaba Group also acquired the e-commerce platform Daraz, founded by Rocket Internet (a European Internet Incubator Company), in Pakistan in May of this year to increase its influence in the region. Previously, Ant Financial bought a 45% stake in Telenor Microfinance Bank (a microfinance bank) in Pakistan for \$18.45 million and plans to further develop mobile payment and digital financial services in Pakistan, which has a population of 200 million.

### **2.5.5. Australian Market**

The potential of the Australian market lies in the huge demand for Australian products in the Chinese market. It was reported that as of 2016, the value of Chinese imports from Australia exceeded 55 billion Australian dollars (about 36.1 billion US dollars).

To promote and maintain strong business relationships, Alibaba will host an e-commerce fair in Australia to connect Australian and New Zealand brands and small businesses with the growing Chinese market. At the same time, to accelerate the development of the Australia-China trade market, Alibaba has established several partnerships. In late 2016, Alibaba launched its cloud service and Alipay in Australia. Today, more than 8,000 merchants support Alipay payments. In 2017, Alibaba announced cooperation with Australia Post. The goal of the partnership is to streamline the logistics process between Australia and Southeast Asia by developing the first Australian marketplace platform within the Lazada e-commerce network on Alibaba. Australian pharmacy chain Chemist Warehouse has also signed an exclusive cooperation agreement with Alibaba's cross-border e-commerce website Tmall International. At the same time, Australia has also become an important player in Alibaba's global fresh food business. Currently, Alibaba has established a global fresh produce collection center in Australia.

Additionally, Alibaba is expanding its logistics network between Australia and China to facilitate transactions between SMEs.

### **2.5.6. African Market**

In recent years, the African economy has continued to grow steadily. In three of Africa's 54 countries, the GDP per capita is higher than that of China, and the purchasing power of Africans has gradually increased. By 2021, Africa's annual consumer spending exceeded \$1.93 trillion; and by 2025, the network will cover 50% of Africa's population, local online sales will exceed 75 billion dollars, that is, the next few years will be the period of rapid development of African e-commerce.

Alibaba's current strategic design in Africa focuses on helping Africa's digital transformation. Alibaba has reportedly reached a preliminary cooperation intention with the Rwandan government to build Africa's first eWTP pilot in Rwanda to help small and medium-sized businesses in Africa.

Through platforms such as Alibaba International Station and Tmall International, Alibaba is building a platform and access to African markets for African businesses. At present, Tmall International has imported products from nearly 100 brands in African countries such as Morocco, Egypt, Algeria, Mauritius and South Africa, including African drums, Moroccan hair care essential oils, African black tea soaps, football uniforms Algerians, hair from African elephants. Cashmere and other toys popular with Chinese consumers.

### 3. Conclusion

Alibaba continually adjusts its development strategy to provide small and medium-sized manufacturers with a sales product trading platform, aiming to become the world's leading online trading marketplace. It seeks out potential internet business partners among small and medium-sized companies worldwide. Through communication and agreements, Alibaba focuses on providing an efficient and reliable trading platform for SME buyers and sellers from China and around the world, establishing the Alibaba business ecosystem.

In light of diversification trends and converging technologies, Alibaba believes it should not be limited to B2B, B2C, and C2C e-commerce businesses. It also provides transportation at reasonable prices to meet customer needs. Customers can continue shopping on the site because Alibaba can help them save a significant amount on shipping costs compared to other online retailers. This commitment instills a

good reputation and builds customer trust in Alibaba, encouraging customers to buy more and contributing to its current success.

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