

Alibaba Group's Business Strategy Impact Research

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Abstract. In recent years, China's Internet industry has developed rapidly, with the emergence of many e-commerce platforms and Internet giants with large user scale, such as Alibaba Group. It has created several e-commerce platforms and has many subsidiaries. A subsidiary is a company in which Alibaba Group owns shares and actually controls. Alibaba's e-commerce platforms mainly implement Business to business and consumer to consumer model. It changed the way people shop and live. Alibaba Group is also linked to a number of businesses, and it has changed the way people pay. This paper mainly studies the impact of Alibaba Group's business strategy, firstly understanding the background of Alibaba Group, secondly, analyzing Alibaba Group's business strategy, in addition, a brief study of the drawbacks of Alibaba Group's business strategy, and put forward suggestions for improvement. Alibaba Group has a good business model and international vision, so the study of Alibaba Group's business strategy has important reference significance for the global Internet industry.

Keywords: Business; commerce platforms; strategy.

1. Introduction

Alibaba Group is a large Chinese Internet company, it is a Sino-foreign joint venture. It was set up in 1999 by 18 people, the main founder is Chinese Jack Ma. Its head office is in Hangzhou, China. The largest shareholder is Japan's SoftBank Group. Alibaba Group has created several e-commerce platforms, including Taobao, Juhuasuan, Tmall, Alibaba1688. These e-commerce platforms provide sales platforms for brands and businesses. They changed the Chinese way of shopping. Alibaba's 1688 website is business to business (B2B) e-commerce platform, it is aimed at small and medium-sized enterprises. Alibaba 1688 carries out business and business transaction model, it occupies a large market share in the B2B market. Alibaba offers resources and solutions to assist middle and small-sized enterprises to make it in the digital economy. Taobao is a consumer-to-consumer (C2C) e-commerce platform, it carries out consumer to consumer transaction model. Alibaba is relevant to a number of companies, including Ant Financial Services Group, Alipay, Yahoo, Cainiao Network, Alibaba Cloud, Dingding and others. Alibaba Cloud, a subsidiary corporation of Alibaba. It has advanced cloud computing technology that can store data and provide artificial intelligence services. In the past year, Alibaba Cloud and 12,000 partners served more than 450,000 customers, more than 300 partners in Alibaba Cloud last year sales of more than 10 million, more than 900 partners growth rate of more than 100%. In the past five years, the performance scale of Alibaba Cloud partners has increased from 2.58 billion to 19.2 billion, an increase of more than 7 times in five years. [1] Ant Financial is actually controlled by the main founder of Alibaba Group, Jack Ma. So the parent company of Ant Financial Services Group is Alibaba. The parent company of Alipay is Ant Financial Services Group. Alibaba Group is also the parent company of Alipay, and Alipay can solve the payment problems of Alibaba Group's e-commerce platforms. Alipay is simple to operate. It is time saving. It's not as complex as bank transfer, Alibaba Group has started new type of payment method. In 2005, Alibaba Group acquired China Ya-hoo and became the parent company of China Yahoo, with Yahoo owning a 40 percent stake in Alibaba. Yahoo is a search engine platform, and its search engine capability has a significant impact on the search function of e-commerce platforms. Yahoo's search engine talents flood into Alibaba, and the search technology on Alibaba Group's Taobao has improved so that users can accurately find the goods they want. At the same time, Alibaba's acquisition of Yahoo helps Alibaba Group to have sufficient funds to compete. Alibaba's decided to make Taobao free for three years, it helped Taobao capture a bigger market share and beat rival eBay.

Alibaba is the parent company of Cainiao, a logistics and Internet company, Cainiao, which provides logistics services for Alibaba's e-commerce platforms, has improved logistics efficiency. Dingding is a mobile office platform developed by Alibaba Group. Alibaba Group has also been ranked among the world's top 500 enterprises and China's top 500 enterprises for many years. In the eight years since Alibaba was founded, 70% of its employees have received equity awards, and 50% of the 12,000 employees who came in later have received equity awards, so that there are a total of 11,000 people who own equity and share \$20 billion.[2] In 2014, Alibaba is listed on the Nasdaq exchange in the US. The Group's business strategy has a significant impact on Alibaba's annual profit, Ali has revealed the results of its fiscal year and the first quarter of 2023, during the period of April 1, 2022, to March 31, 2023, Alibaba's revenue increased by 2% to 868.687 billion yuan, its net profit increased by 39% to 65.573 billion yuan, and its net profit, excluding GAAP, increased by 4%, it's important to note that Ali China business experienced negative growth for the first time, with sales falling by 1% to \$5827 from the prior fiscal year.[3] This is the good effect of Alibaba Group's good business strategy. The research of this paper has implications for studying the business strategy of large Internet companies with e-commerce platforms in the world. Alibaba Group's positive business strategies provide replicable samples for other large Internet companies in the world. Alibaba Group's business strategy impact research, can help other large Internet companies determine their own business strategies, and then recruit employees, improve employment rate and help economic growth. This paper can also analyze the negative business strategies of Alibaba Group and provide negative lessons for other Internet companies in the world. Understand the business strategy and business model of Alibaba Group, analyze the advantages and disadvantages of Alibaba Group's business strategy, and predict the future development of Alibaba Group.

2. Business Strategy

2.1. E-commerce Platform Advertising Revenue

Alibaba's Taobao and other e-commerce platforms can provide merchants with hard advertisements in the home page, and merchants need to pay Taobao advertising fees, which Alibaba can obtain revenue. Alibaba Group also earns revenue from merchants bidding to pay promotional fees. The higher the merchants pay promotional fees, their products are more likely to appear in search results at the front, then resulting in higher click-through and purchase rates. Whether the product is in the front of the search results also depends on whether the keywords of the products are accurate and whether the quality of the product link is high. The quality of product links is also related to the clarity of the product picture and the degree of restoration, the higher the clarity of the picture, the higher the quality of the product link. Bid the same promotion costs, the higher the quality of the link and the more accurate the keywords of the product, the product is in the front of the search results. Therefore, the bidding to charge the promotion fee has a disadvantage, a business investment in the promotion cost is high, from the side of promotion costs, its products should be in the front of the search results, but the product keywords are not accurate, as a result, the product is placed lower in the search results, and the business loses promotion costs.

2.2. E-commerce Platform Service Fee

Merchants entering e-commerce platforms such as Taobao need to pay a deposit, and the amount of deposit varies according to the type of merchant store. Taobao will take a certain percentage of commission from each order form of the merchant. The size of the commission depends on the size of the price of each order and the type of goods. The amount paid for freight insurance also generates revenue for Alibaba Group. Alibaba Group's Taobao unit acts as an intermediary, working with insurance companies. Taobao take a percentage of freight insurance revenue by consumers. Insurance companies offer freight insurance to consumers on Taobao, which requires consumers to check the freight insurance option in the seven-day order for no reason to return or exchange goods. When consumers return the goods, the insurance companies will pay the freight to the consumer. Alibaba

can also take a percentage of the revenue of freight insurance by merchants. It means that merchants buy freight insurance, and when consumers apply for returns, Alibaba partners with insurance companies to pay for the merchant's return shipping. The freight insurance business has no risk to Alibaba Group, and Alibaba Group only receives an intermediary fee for each freight insurance order. Alibaba can also earn income through processing fees. If the merchant does not open the credit card payment function, the buyer pays the order with the credit card, and Taobao and Tmall will take a certain percentage of the processing fees from the buyer. If the merchant opens the credit card payment function, the buyer pays with the credit card, and the processing fees will be obtained through the merchant.

2.3. Income from Membership Fees

Alibaba Group has developed a membership model for merchants. Different membership levels enjoy different treatment on Alibaba.com. Membership include Credit Pass members, free members, and Chinese suppliers. Credit Pass places a greater emphasis on domestic trade, and by displaying to registered members the third-party evaluations and the integrity record of transactions on Alibaba, it helps Credit Pass members acquire the trust of buyers.[4] Trustpass members and Chinese suppliers pay annual fees, which allows Alibaba to earn revenue. The annual fee paid is different, the membership level is different, and the treatment is different. The more annual fees paid, the more benefits businesses enjoy, such as giving priority to product display and providing business advice. Free membership does not require an annual fee. Chinese suppliers set up English websites, provide businesses their own accounts and passwords, and let approximately 420,000 professional buyers from 220 different nations to browse export company information online [5].

2.4. Pay Platform Service Fee

The group's Alipay platform is a third-party payment platform. It provides users with a value-added service, Yu 'e Bao. In order to get a return of high interest, users deposit money in Yu 'e Bao. Yu 'e Bao uses people's savings to invest and then can get a return. Alipay partners with hotels, airlines, railway companies, and many other merchants. It provides platforms for the purchase of air and train tickets, hotel reservations, and other goods, and Alipay takes a percentage of the profits from each order as agency fees. Alipay also has two small programs, Ant Credit Pay and Ant Borrow. Ant Credit Pay provides a platform for installment payment users. There are two main ways to make money: fees charged to users and commissions charged to merchants. In China, there are many users who may not have a lot of cash to make a one-time payment, so they choose the installment method. When the user's score on Zhima Credit reaches a certain level, Ant Credit Pay will take the place of users to pay the goods to the merchant in a one-time payment, and the user only needs to repay to Ant Credit Pay in installments. When users repay, Ant Credit Pay charge a certain percentage of service fees, also known as handling fees. The re-payment amount of each order is different, and the proportion of service fees charged by Ant Credit Pay also different. The larger the repayment amount, the larger the proportion of fees, and the more fee income. If the users make overdue repayment, Ant Credit Pay also charge a certain percentage of the overdue outstanding money as income. Ant Credit Pay helps merchants attract more consumers who do not have the ability to pay for goods in one time, taking the risk that users do not pay back the money. The opening of the installment payment service of Ant Credit Pay means merchants do not need to make the installment payment service themselves, and merchants not need to bear the risk of users not returning the money. Therefore, Ant Credit Pay charges merchants a certain percentage of commission in each order, so as to obtain income. Ant Borrow is a platform that provides only small loans to users who need a score of more than 600 in Zhima Credit. Borrowing will earn the interest of the loan, the higher the loan amount, the higher the interest ratio, the user can repay the loan in installments. The maximum amount borrowed is 300,000. Alipay can earn advertising revenue. It can provide advertisements for merchants' products on the home page. Merchants need to pay a certain amount of publicity fee to Alipay.

2.5. Alibaba Cloud Platform Revenue

Alibaba Cloud, a subsidiary of Alibaba Group. It has the world's top computing technology and storage services. Aliyun's cloud server, ECS, it can provide users with good computing technology, and users need to pay the leasing fee for Aliyun's Elastic Compute Service (ECS) technology.

Alibaba Cloud can also provide users with different types of storage services, and users pay the rent fee for cloud storage space to Alibaba Cloud. According to Internet Data Center (IDC) data on the second half of 2022 in China's public cloud service market, Alibaba Cloud placed first with a 31.9% share during that time. Its share was 33.5% during the first half of that year. Alibaba Cloud's market share was 37.9% in the first half of 2021 and above 40% in the second half of 2019.[6] Alibaba Cloud continues to hold the top spot in the Infrastructure as a Service (IaaS) or Infrastructure as a Service (IaaS) + Platform as a Service (PaaS) markets, but based on the growth trajectory, its market share will be 31.9% in the second half of 2022, 4.8 percentage points lower than it was during the same time in 2017.[7] Therefore, Alibaba Group has been carried out the strategy of price reduction to seize a larger market share. Then obtain more customers, and earn more revenue. In 2023, storage Operation Support Systems (OSS) deep cold archive is 50% less expensive than the previous lowest price, network load balancing Server Load Balancer (SLB) and Network Address Translation(NAT) gateway are 15% less expensive, database Relational Database Service (RDS) Egitian Edition is reduced by up to 40%, and video cloud and Content Delivery Network (CDN) are reduced by up to 20%. Elastic Compute 7 generation instances and Egitian instances are also discounted by up to 20%. Up to 30% less secure web application firewall [8].

2.6. Logistics Distribution Income

Cainiao Network bring revenue for Alibaba, it is owned by Alibaba Group. Cainiao Network has set up a number of stations across China, called Cain-iao Yi Station. Cainiao Yi station partners with a number of Courier companies so that Courier companies do not need to provide door-to-door service. The deliveries can be stored in the Cainiao Yi station. The storage time overtime charges, the longer the time, the more fees, Alibaba Group can obtain income. Cainiao Network has persisted in advancing the development of a worldwide intelligent backbone network during the past five years. An international logistics infrastructure network has been established, consisting of five major logistics hubs and an international storage area of more than 2 million square meters, Cainiao United Airlines, shipping enterprises, currently operate more than 500 international shipping routes and more than 900 international air routes, by 2020, Cainiao Network was handling 4 million cross-border packages every single day. [9] Cainiao provides shipping services to individuals and businesses, so it can receive shipping revenue. The size of the freight revenue of a single order depends on the size of the delivery volume and the size of the delivery weight. The larger the volume and weight of the deliveries, the higher the freight income. Cainiao Yi station provides shipping services to merchants, merchants usually send more, deliveries. So Cainiao Yi Station will get more freight income than individuals. Cainiao Yi Station also have a small supermarket to sell goods, it will help Alibaba Group make money. Cainiao will commit the next ten years to developing a top-tier intelligent logistics network that includes domestic commodities, terminal stations, logistics real estate, and logistics technology are three long chain logistics networks that include flow, cross-border logistics, and overseas local logistics.[10] The three short-chain companies offer competitive and top-notch logistical services. Cainiao offers deliveries insurance and other services. To guarantee the value of express deliveries, consumers need to pay the insurance fee, Cainiao Yi station and insurance companies cooperate, insurance companies and Cainiao Yi Station jointly obtain insurance income, Cainiao Yi Station will obtain a certain proportion of insurance income.

3. Conclusion

Through in-depth research, it becomes evident that Alibaba has established a robust business model and achieved commendable levels of management efficiency. This success has catapulted

Alibaba into the ranks of internet giants, garnering substantial profitability. However, even in its triumph, there exist certain imperfections and challenges that warrant attention. Alibaba's reliance on the continuous growth of its e-commerce platform, a cornerstone of the Alibaba Group, is an area of particular significance. The development of this platform is subject to numerous external influences, including the ever-evolving landscape of national policies and regulations. Consequently, Alibaba's fortunes are intertwined with the fluctuations and shifts within the e-commerce industry. Furthermore, Alibaba Group's e-commerce platforms host a multitude of merchants, intensifying competition among them. This heightened competition often results in reduced profit margins for many orders, translating into lower service fees for Alibaba from each transaction. To address this, Alibaba can consider initiatives aimed at assisting merchants in enhancing product differentiation and overall competitiveness. By doing so, Alibaba Group can facilitate a more favorable environment for its merchants to thrive. Moreover, it is imperative for Alibaba to explore opportunities on the global stage. Expanding its presence and seeking new avenues for growth at the international level can be a strategic imperative. By diversifying its geographic reach, Alibaba can mitigate risks associated with being overly reliant on a single market. This research not only sheds light on Alibaba's formidable business model and its strategic impact but also underscores the need for continuous evaluation and improvement. While this study has illuminated certain limitations in Alibaba Group's business model, there remains ample scope for further examination of the specific strategies that Alibaba should consider for future enhancement. In conclusion, Alibaba stands as a testament to the potential of innovative business models in the digital age. Yet, like any enterprise, it faces its own set of challenges and room for improvement. The insights garnered from this study not only provide valuable understanding of Alibaba's current position but also serve as a stepping stone for future strategic refinement.

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