

A Study on the Enhancement of AliExpress's Competitive Strength in the New Situation -Based on Porter's Five Forces Model

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Abstract. With the development of the Internet and the significant impact of the new era on traditional industries, the transformation of traditional export trade to cross-border e-commerce has become an inevitable choice for enterprises and has released great potential. As a leading third-party platform for export e-commerce in China, AliExpress has research value. Therefore, this paper focuses on AliExpress, a cross-border e-commerce platform under Alibaba, and utilizes Porter's Five Forces model to analyze the competitiveness and existing issues of AliExpress, global market share is uneven, platform differences are ignored, and focus on brand value and competitiveness needs to be improved. Put forward corresponding suggestions: develop targeted market expansion strategies, learn the advantages of other platforms, optimize the supply chain to form core competitiveness, and improve product quality and service. In all, the platform should determine the role positioning of the ecosystem, construct the brand mind, and actively respond to national policy support to ensure the sustained and healthy growth of China's cross-border e-commerce platform.

Keywords: Cross-border e-commerce; AliExpress; enhancement strategies.

1. Introduction

In recent years, cross-border e-commerce has matured significantly. Many experts consider that cross-border e-commerce represents an innovative practice to expand the import of high-quality products and promote consumption updating, which also enrich product offering while showcasing the cultural characteristics and lifestyle of different nations. However, the sustained economic downturn from 2019 to 2022 has profoundly impacted the global economy. The closure of physical stores and shifting people's shopping behaviors to online platforms have led to a surge in demand for cross-border e-commerce. Simultaneously, traditional enterprises are compelled to undergo digital transformation to meet customer demands, making cross-border e-commerce crucial in connecting the global supply chain and addressing diverse consumer needs. From the improvement of websites and apps to the application of data analysis and AI, the digital demand during this period requires cross-border e-commerce platforms to strengthen their market competitiveness through technological innovation, to meet challenges [1]. In addition to the transformation brought about by digital upgrades, these platforms must also confront supply chain pressures and changes in consumer habits before and after transactions. Issues such as raw material shortages, production line interruptions, and logistics delays impact the supply of goods. Moreover, challenges such as port closures and reduced international flights necessitate adjustments in procurement strategies for cross-border e-commerce platforms. This includes seeking alternative suppliers, launching more flexible and efficient international shipping solutions, and expediting the development of localized warehousing [1]. Over three years, there has been a noticeable shift in consumer habits, with more consumers adapting to and prioritizing online shopping. Therefore, cross-border e-commerce platforms not only need to adapt to the changes in demand during this period but also must face the enduring alterations in consumer behavior. It is this trend that will continue to influence cross-border e-commerce, making it an indispensable part of the global business landscape.

To mitigate the impact of the economic downturn, many countries and regions have chosen to open up and adjust policies to support the better development and adaptation of cross-border e-

commerce[2]. Measures include simplifying customs clearance processes, offering tariff incentives, facilitating cross-border payments, and promoting international cooperation. This has presented opportunities for e-commerce platforms, necessitating close attention to policy changes and the ability to make flexible adjustments.

Cross-border e-commerce platforms, having encountered both challenges and opportunities over the past three years, must find a balance between the two. Analyzing the current situation can aid these platforms in making accurate decisions and timely adjustments to adapt to the ever-changing environment, facilitating stable development.

This study takes AliExpress as an example, examining the challenges and opportunities it has faced over the past three years and analyzing its competitive landscape using Porter's Five Forces model. To delve deeper into the specifics of AliExpress, the study first provides a brief introduction, and combines it with an analysis of the company's performance over the last five years to identify its competitive advantages. Finally, utilizing Porter's Five Forces model, recommendations are provided to enhance AliExpress's competitiveness

2. Competitive Analysis of AliExpress

AliExpress's competitive advantages lie in innovative business models, technological advancements, and strategic decisions. In 2022, AliExpress transitioned from a platform-only model to a "platform + fully-managed" business model and introduced the "AliExpress Choice" channel in 55 countries worldwide. The fully-managed model means that sellers only need to provide products, while the platform takes care of operations, logistics, and after-sales services. Compared to competitors like Shein and Temu, AliExpress stands out for its collaborative pricing negotiations between sellers and the platform.

Within just a year, AliExpress innovated the "semi-managed" model, where sellers have more control over product pricing and sales compared to the fully-managed model [3]. This allows self-operated businesses to seamlessly integrate their products without the need to open a new store.

AliExpress Live launched as early as 2017, gained significant traction in 2019 with the rise of live-streaming commerce in China. AliExpress Connect, the live-streaming task platform, officially launched, and the COVID-19 pandemic further boosted the popularity of AliExpress Live. The share of AliExpress Live in the total GMV of AliExpress grew tenfold. AliExpress also introduced the world's first real-time translation live-streaming service, backed by Alibaba's DAMO Academy AI translation technology. This service currently supports text translation in 18 languages, and during the Double 11 shopping festival, translation-enabled live streams achieved a 300% higher purchase conversion rate than non-translation streams. Currently, 65% of merchants rely on AliExpress's AI translation capabilities [4].

As Alibaba's cross-border e-commerce platform, AliExpress actively contributes to the "Belt and Road Initiative." In its six years of operation, Alibaba's Cross-Border E-commerce Service Center has become Xinjiang's largest cross-border e-commerce platform operator [5]. Unique products such as walnuts from Xinjiang and Mangbian products from Bobai County, Guangxi, have been exported to more than 60 countries and regions, including the United States and Germany. Additionally, AliExpress plays a vital role in rural revitalization. The platform organized domestic wig manufacturers to establish "community factories" in underdeveloped areas, creating employment opportunities for rural women.

3. Analysis of the Porter's Five Forces Model for AliExpress

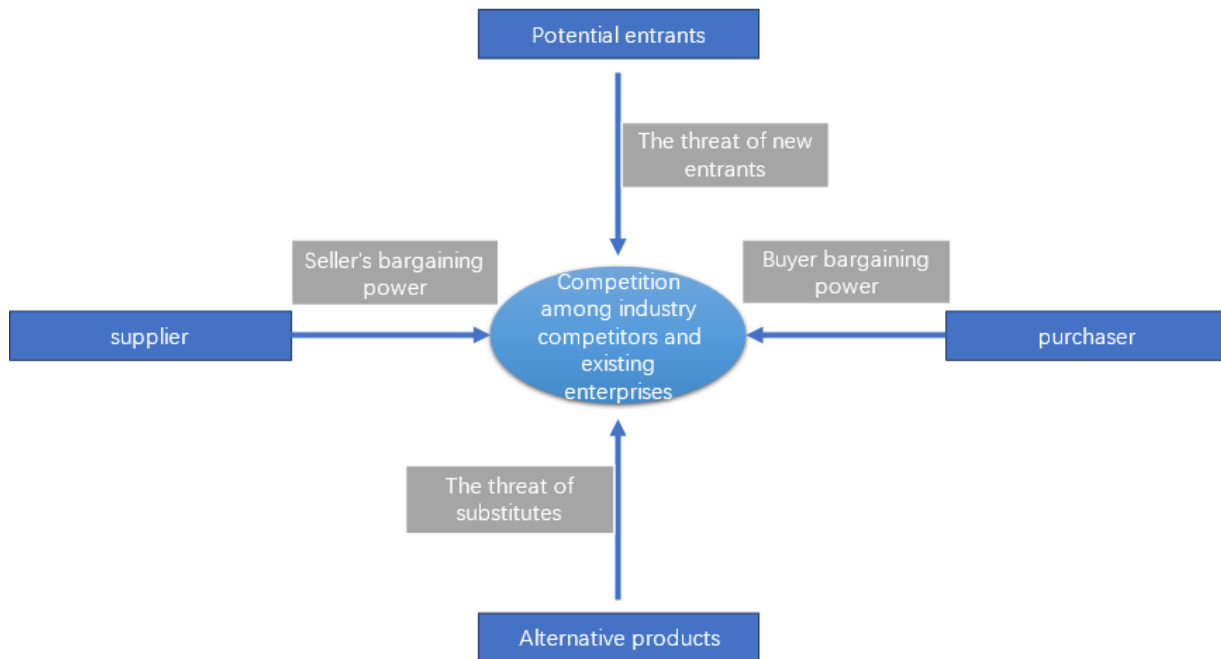


Figure. 1 Michael Porter's Five Forces Model

As shown figure 1, Porter's Five Forces model is a tool developed by Michael Porter for analyzing the competitive environment of businesses and formulating competitive strategies. According to Porter, five forces influence the profitability and competitive decisions of industry, including the threat of potential entrants, the threat of substitute products, the bargaining power of buyers, the bargaining power of suppliers, and the intensity of rivalry among existing firms within the industry. These five forces collectively determine the intensity of industry competition and the industry's attractiveness, playing a crucial role in the strategic development of companies.

3.1. The Competition Among Existing Firms in the Industry

In the theory of national competitive advantage, Porter points out that the driving force behind a company's continuous progress in international competition comes from the pressure exerted by competitors. According to statistics as of 2022, cross-border e-commerce has been rapidly developing, with 165 comprehensive e-commerce pilot zones established nationwide, forming a development pattern of interconnectedness between domestic and overseas markets, as well as mutual assistance between the eastern and western regions. In 2022, China's cross-border e-commerce transaction volume reached 3.8 trillion yuan, representing a growth of 74.3% compared to the previous year [6]. Survey data shows that among the four major cross-border e-commerce platforms in China: AliExpress, SHEIN, TikTok SHOP, and TEMU, there is intense competition. Among them, AliExpress, under the Alibaba Group, holds the leading position nationwide due to its wide coverage, high website traffic, frequent transactions, and comprehensive product categories. Additionally, TikTok SHOP, utilizing a B2B business model, excels in providing quick personalized content to each user, presenting videos based on recent interactions with other Prime Day tagged videos, thus enhancing personalized product exposure and promoting user consumption, thereby forming significant competitiveness and posing a competitive threat to AliExpress [7].

The analysis results indicate that AliExpress has achieved brand awareness exceeding 90% in the markets of Russia, Spain, and Brazil, but possesses a relatively smaller market share in Brazil, France, the United States, Australia, and other regions [8]. This implies that AliExpress still faces market share competition and competitive pressure in certain regions, necessitating the formulation of more targeted market expansion strategies.

3.2. Potential Entrant

Cross-border e-commerce is an essential market with tremendous profit potential, attracting many potential participants, including other e-commerce platforms, traditional retailers, and emerging technology companies. However, there are barriers to entry in this industry due to economies of scale in terms of funding, brand reputation, supply chain, logistics, technology, and talent. Small and medium-sized enterprises find it challenging to acquire substantial capital within a short period, making it difficult for them to establish a complete value chain advantage. Their primary value-adding activities and complementary value-adding activities do not pose a threat to large cross-border e-commerce enterprises. However, as more cross-border e-commerce platforms enter the market, they gradually erode the market share of large players [9].

The cross-border e-commerce market has many potential participants. Traditional retailers attempt to enter the field by establishing online stores to meet the growing demand for online shopping. Logistics and supply chain service providers offer more efficient global logistics services. Financial institutions can provide specific financial services to cross-border e-commerce, such as currency exchange and payment solutions. Platforms focusing on international trade can provide trade financing and risk management support. Manufacturers and brand owners can sell products directly to the international market through their platforms or partnerships. Additionally, social media platforms can provide shopping features, enabling users to make direct purchases on social platforms.

For AliExpress, it is crucial to recognize the increase in these potential participants and anticipate changes in the market landscape. AliExpress needs to remain vigilant, continuously improve its services, enhance its brand image, and maintain a competitive edge while mitigating the risk of market share erosion. Furthermore, they can consider establishing cooperative relationships with other participants to jointly explore the market and achieve mutual benefits.

3.3. Seller's Bargaining Power

It is well known that a platform with a stable position in the market and minimal impact from intense competition will have a weaker influence on individual buyers, making it difficult for consumers to find the unique products and services of that platform on other platforms. In such cases, sellers possess stronger bargaining power, and vice versa. According to market data, AliExpress holds a significant market share in countries like China, South Korea, and Russia. For example, in the South Korean user market, AliExpress surpasses the local e-commerce giant Coupang, with an average user spending 2.69 hours on AliExpress compared to 2.3 hours on Coupang [9]. However, AliExpress has a relatively smaller market share in countries like Brazil, France, the United States, and Australia.

Similar platforms with business models like AliExpress, such as SHEIN returning to the Indian market, TikTok Shop entering the UK and US markets, and Amazon expanding its national pilot operations, weaken AliExpress's bargaining power. Variations in AliExpress's market share across different regions, affect its bargaining power in each region. Therefore, AliExpress needs to carefully respond to market changes and continuously optimize its competitive strategies

3.4. Buyer Bargaining Power

Consumers' ability to access market information to a certain extent determines their bargaining power as buyers. With the development of the Internet, consumers have easier access to information regarding product prices, quality, and other aspects. Additionally, the differentiation of products and services is also an important criterion for assessing bargaining power.

Many e-commerce platforms have adopted a hybrid business model that combines online shopping with offline experiences, such as AliExpress Plaza. In recent years, the rapid advancement of technology and the internet has led to the widespread application of new retail formats like B2C and O2O. Consumer demand has made online shopping mainstream, and pure offline experiences can no longer satisfy convenience-seeking consumers. This has resulted in an increased bargaining power for buyers. Neglecting the development of offline experience stores may have adverse effects on the long-term growth of a company like AliExpress.

Therefore, as an e-commerce platform, AliExpress needs to continuously adapt to market changes, prioritize the integration of online and offline channels, and provide a better shopping experience to enhance consumer satisfaction and loyalty. Only by doing so can it maintain competitiveness and achieve long-term growth.

3.5. The Threat of Substitutes

The threat of substitutes manifests as the risk posed to a platform's sustained profitability by products and services that are of the same degree of similarity and quality. When two or more products or services exhibit substitutability, they create competition among platforms, which is detrimental to each other. The higher the quality and lower the price of substitute products, the greater the threat to other platforms. Moreover, other cross-border e-commerce platforms such as Amazon, TikTok Shop, and SHEIN, possess advantages in certain regions or specific domains, thereby attracting users away from AliExpress. Consequently, AliExpress needs to closely monitor market dynamics, continuously improve, and innovate to maintain its competitive edge and meet consumer demands [10].

4. Recommendations for Enhancing AliExpress's Competitiveness

4.1. Strengthening Brand Differentiation

As platforms such as Pinduoduo's Temu, SHEIN, Lazada, Shopee, and others successively adopt the "fully-managed" model, attracting a large number of factories and integrated trade businesses, AliExpress has chosen to innovate its model with the "semi-managed" approach. This decision offsets intense competition and grants more autonomy to merchants for independent operations. The innovation of this model by AliExpress is particularly suitable for merchants with operational capabilities and differentiated products. From a value chain perspective, the semi-managed model reverts to a B2C model, allowing merchants to directly reach consumers and understand their needs while enjoying pricing and operational autonomy. According to Porter, the key to competition between businesses lies in differentiation. AliExpress can enhance brand differentiation through business models and technological innovations, enabling it to stand out in a fiercely competitive market, thereby increasing brand awareness and user loyalty.

4.2. Strengthening Global Market Expansion and Focus on Emerging Markets

As seen in figure 2, the number of overseas buyers on AliExpress has been increasing year by year. Despite having a significant market share in some regions, there is a need to strengthen global expansion, especially in markets such as Brazil, France, the United States, and Australia, to compete for increased market share. This can be achieved by gaining in-depth insights into local market demands, offering customized services, and enhancing attractiveness to local users. Simultaneously, in response to the rapid development of emerging markets, especially in India, Southeast Asia, etc., conducting thorough market research, adjusting strategies promptly, and seizing opportunities to increase market share is crucial.

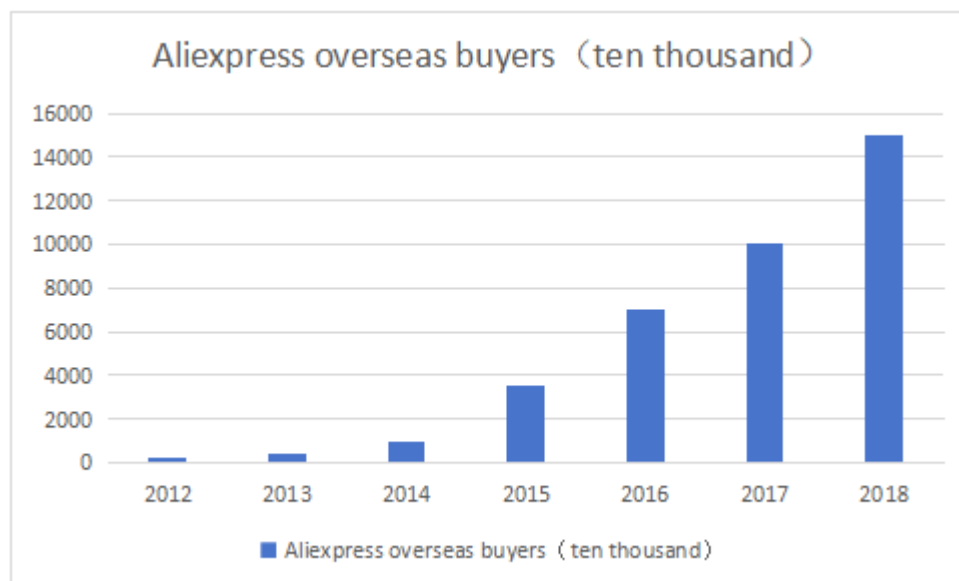


Figure 2. Aliexpress overseas buyers

5. Conclusion

In conclusion, for AliExpress to establish a strong presence in the international market, it not only needs to offer high-quality and unique products and services but also strengthen the integrated development of online and offline sales. Capitalizing on the transactional convenience brought about by e-commerce, achieving a synchronous sales model where online marketing complements offline operations is closely tied to the long-term business strategy of the company. Based on AliExpress's current business strategy, to maintain its competitive edge and attain sustainable growth, the platform needs to comprehensively integrate internet finance, logistics transportation, and information technology, and foster strong partnerships. This integration should enable a real-time, precise, and comprehensive understanding of user demands, ultimately enhancing users' technological experiences stemming from internet development.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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