

The Role of Digital Transformation in Driving Enterprise Revenue Growth - A Case Study of Alibaba

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Abstract. Many enterprises face challenges such as long investment return cycles after digital transformation and operational difficulties caused by capital shortages. This paper selects Alibaba as the research object, integrates literature from the past five years and Alibaba's financial report data from the past three years, and adopts a method integrating literature review and case data analysis to explore the strategies adopted by this company to successfully achieve revenue growth during its digital transformation process, thereby providing insights for other enterprises. The research results indicate that Alibaba's core strategies fall into two categories. Firstly, it sells digital infrastructure in the form of cloud services, launching multiple hierarchical products including Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS), and leverages business endorsements from large enterprises to expand market reach. This approach enables the long-term high-profit performance of computing power commoditization. Second, Alibaba uses its "Central Platform Strategy" to predict customer needs and address their key pain points, while utilizing visual dashboards to enhance merchants' psychological satisfaction with services, thereby improving the unit traffic conversion rate. However, both approaches heavily rely on Alibaba's early technological accumulation and market niche. Additionally, the company faces challenges in both legal and customer-related aspects. Based on these findings, this paper suggests that the government should link the intensity of digital transformation subsidies to enterprises' post-transformation revenue growth. This measure will help enterprises overcome early financial pressures and encourage them to explore more optimal transformation paths.

Keywords: Enterprise Digitalization, Revenue Increment, Alibaba Group.

1. Introduction

Digital transformation has become a frequent highlight in media coverage and a key component of government policies. Technologies such as Artificial Intelligence (AI), big data, and cloud computing continue to enhance enterprises' productivity, driving dramatic shifts in industrial structures. Currently, both academia and industry generally recognize the potential of digital transformation to boost enterprise revenue, but there remain disagreements and gaps regarding the role of profits, strategy implementation, and policy support. In recent years, most enterprises have encountered excessively long investment return cycles during digitalization, leading to significant cash flow pressures and trapping them in development dilemmas.

However, previous studies lack practical experience of large enterprises facing transformation challenges. This research focuses on literature from the past five years and Alibaba's revenue data in China over the past two years, with the core research question being the identification of optimal strategies for digital transformation. Methodologically, this study employs a fundamental research approach that combines literature review and case data analysis. This paper's aim is to provide insights for subsequent enterprises embarking on their own digital transformation paths.

2. Outline of Subsequent Sections

The remainder of this paper is organized as follows. The research unfolds in three layers. First, it systematically illustrates how Alibaba has developed new businesses during its digital transformation. Second, it uses official data from Alibaba's 2025 financial report and its March quarterly report to

verify whether these new businesses have driven sustained and significant revenue growth, excluding the interference of other random factors [1,2]. Finally, it analyzes whether Alibaba's success is a unique case, with a focus on the company's foundational strengths and historical opportunities at the time. This aims to prevent other enterprises from blindly imitating due to insufficient understanding, which could lead to excessively long cost recovery cycles for digital transformation and turn development opportunities into corporate crisis.

3. Literature Review

Digital transformation generally refers to the practice of leveraging digital technologies—including AI, big data, and cloud computing—to drive systematic transformation of an enterprise's existing business models, operational structures, and resource mobilization capabilities, thereby achieving higher enterprise value creation [3].

Existing studies by Toutaou and Benlian demonstrate that the organic integration of digital business models and traditional business models can generate synergies, creating additional revenue without disrupting the original models [4]. Correani and her cooperators further argue that the alignment between strategy formulation and execution capabilities is a key prerequisite for maintaining revenue growth during digital transformation. They validated this conclusion using three companies—ABB, CNH Industrial, and Vodafone—from different countries, industries, and operating conditions, ensuring the universality of the results [5]. In their research report on China's "Smart Pipe" digital transformation, Yang and Ma pointed out a flaw in Correani's paper: while revenue may increase when the aforementioned prerequisites are met, profits do not necessarily grow simultaneously [5]. For enterprises that intend to digitalize but worry about declining profits, Chen and his cooperators demonstrated that the government can help small enterprises overcome financial hardships in the early stages of digital transformation [6].

Previous literature has revealed various positive effects of digital transformation on enterprise operations, but it lacks in-depth analysis of the specific implementation behaviors of different enterprises. Conclusions mostly remain at the strategic level, failing to provide practical experience for subsequent enterprises. Furthermore, most companies mentioned in case studies specialize in a single field, offering little reference for cross-sector, multi-business enterprises like Alibaba. To address these gaps, this paper explores how digitalization implementation impacts revenue in cross-sector enterprises, aiming to provide clearer guidance for other enterprises [7].

4. Case Analysis: Alibaba's Digital Transformation

4.1. Selling Computing Power through Cloud Services

Similar to other major corporations, Alibaba has made substantial investments in digital infrastructure. The difference lies in Alibaba's efforts to package and commercialize this infrastructure through cloud services [2, 8]. First, Alibaba categorizes its cloud offerings into three tiers: Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS). This multi-tiered product portfolio can meet the diverse computing power needs of different industries, allowing enterprises to avoid heavy upfront investments and the need for high-skilled talents for daily maintenance [9-11]. Compared with other enterprises that adopt rigid annual or monthly standardized pricing, Alibaba's solutions are more flexible [12].

While the tiered product design reflects advanced product development, the government and high-profile corporate endorsements in Alibaba's sales strategy are the keys to achieving large-scale delivery and monetization of digital services [13]. For example, Didi Chuxing faced dual challenges: real-time dispatching and governance of massive, high-concurrency data streams. To address the first challenge, Alibaba Cloud used its mature Flink real-time computing technology to transform the need for extensive basic code development into reusable workflows, significantly shortening the computing cycle and achieving millisecond-level dispatching [1, 2]. For the second challenge—

Didi's need for massive time-series and hot data storage—Didi's attempt at independent NoSQL development yielded poor results. Alibaba's MaxCompute and other big data and object storage services, which offer PB-level data stream processing capabilities, acted like an "exoskeleton" to ease Didi's operational burden [10, 14, 15, 16]. Through this collaboration between two major Chinese enterprises, Alibaba demonstrated its capabilities in payment processing, risk control, and real-time data streaming, addressing the concerns of numerous potential clients and significantly reducing their transaction costs. From Didi's case, it is evident that Alibaba Cloud has evolved from simply selling computing resources to providing integrated solutions for scenarios requiring extreme digital capabilities. Didi's scenario-specific needs can be replicated for other clients, forming a reusable solution template for customer scenarios [15, 16].

All data used in this research can be verified in the company's financial reports, and all descriptions of Alibaba's business are supported by authoritative news sources and corporate business plans.

According to Alibaba's March 2025 quarterly report, the company's consolidated revenue from January 1 to March 31 was 235.454 billion yuan. During the same timeframe, the Cloud Intelligence Group contributed RMB 30.127 billion in revenue, accounting for 12.7% of Alibaba's total revenue—proving that Alibaba Cloud has become a crucial revenue stream for Alibaba [1]. Expanding the time horizon, Alibaba Cloud's EBITA (Earnings Before Interest, Taxes, and Amortization) in March 2025 reached RMB 2.42 billion, representing a 24% increase compared to the RMB 1.432 billion recorded in the same quarter of 2024 [2]. For context, the 2024 figure itself had grown by 45% from RMB 987 million in 2023. This consistent growth over multiple years cannot be simply attributed to industry trends; it is more a result of Alibaba's strong business capabilities. In summary, it is an established fact that Alibaba Cloud's computing power monetization through cloud services has driven significant revenue growth for Alibaba. More importantly, Alibaba Cloud's healthy and sustainable operations have made the market more willing to form long-term dependencies on its infrastructure, which will undoubtedly bring immeasurable future earnings.

4.2. Tapping the Potential of Customer Repeat Consumption

Most enterprises pursue digitalization to improve operational efficiency and reduce costs, but they often overlook that the digital systems built with significant investment can be used to collect customer data, analyze consumption patterns, and drive voluntary consumption upgrading. This is regarded as evidence in digital performance research that customer experience plays an intermediary role in performance improvement [17-19]. Compared with acquiring more traffic through advertising investments, the profit model of enhancing existing customer management services to improve monetization rates is cheaper and delivers more stable sales.

Traditional customers evaluate enterprise service quality mostly based on vague perceptions, with their assessments depending more on the gap between psychological expectations and actual experience rather than objective business results. Alibaba addresses this by first centralizing data from multiple sources, including customer transaction records, reviews, and after-sales interactions. Alibaba regards this unified data platform as the core of its "Central Platform Strategy," forming a flexible operational mechanism featuring a "centralized platform and decentralized frontends" [20]. Next, using this data and its AliGraph technology, Alibaba constructs and analyzes large-scale heterogeneous graphs incorporating key data such as customer reviews, after-sales needs, and purchase preferences [21]. This enables the creation of detailed customer profiles and resolves the data silo issue, laying the foundation for improving customer service quality. To predict customer needs in real time, Alibaba Cloud uses sequence models or a real-time recall + ranking pipeline model based on users' latest behavioral data—these technical means are the fundamental reason why Alibaba can convert subjective perceptions into quantifiable, traceable data [22].

Alibaba not only excels at using data to anticipate customer needs but also at leveraging data to demonstrate its service quality to merchants. It provides each platform merchant with a service data dashboard featuring a range of quantifiable metrics. For example, it compares a merchant's Gross Merchandise Volume (GMV) with the non-promotional industry average of the past 30 days. If a

merchant's GMV falls 10% below this average, Alibaba's alert system is triggered. The dashboard then provides template-based improvement suggestions and specifies that merchants should monitor changes in GMV growth and the Return on Advertising Spend (ROAS) of their campaigns within 7–14 days to assess the effectiveness of the improvement strategies. This "hands-on" support in boosting revenue builds strong trust among merchants. Once merchants experience profit growth, Alibaba explicitly promotes its services by highlighting promotion hit rates, comparing performance across organic and advertising traffic channels. For example, when merchants purchase advertising traffic, they can see professional data such as a 28% increase in personalized recommendation conversion rates and a 15% reduction in customer repurchase cycles. By converting subjective customer experiences into traceable data, Alibaba makes its services quantifiable and verifiable—an advantage that far surpasses the verbal commitments of other enterprises.

These digital efforts enable price-sensitive existing customers to more intuitively perceive improved service quality and build trust in Alibaba, thereby increasing their willingness to pay a premium. Against the backdrop of an overall economic downturn and slowing traffic growth, this has become the optimal way to enhance sustainable monetization capabilities per unit of traffic.

All data used in this research can be verified in the company's financial reports, and all descriptions of Alibaba's business are supported by authoritative news sources and corporate business plans.

According to Alibaba's 2025 fiscal report, revenue from the "Customer Management (Customer Operation Services)" segment reached 424.877 billion yuan. With the group's total revenue for 2025 standing at RMB 996.347 billion, this segment accounted for approximately 42.6% of the total [14]. This nearly 50% share stems from Alibaba's offerings such as Cost Per Click (CPC), Cost Per Mile (CPM), and software services. The core of these customer operation services is the aforementioned visual data dashboard—strong evidence that customer services are the lifeline of Alibaba's business. Additionally, a 2% increase in take-rate (revenue share rate) was clearly observed in 2025. Take-rate refers to the revenue Alibaba earns per yuan of merchant transaction volume. This increase was not due to simple price hikes on Taobao; its true driver lies in merchants' active recognition of the platform's service value and their willingness to pay for it. This proves that Alibaba has pricing power instead of being constrained by market-recognized "fair prices," which is the best indication of its market influence. Academically, Alibaba Cloud's use of visual dashboards to enhance merchants' perceptions and form a traceable improvement loop aligns with previous research conclusions that customer experience is a key intermediary factor in digital transformation-driven performance improvement [17]. This modest 2% increase drove the company's operating profit from 1.350 billion yuan to 140.905 billion yuan, representing a growth rate of 24.31%. Alibaba's official financial report explicitly attributes the take-rate increase to the adoption of software services and platform tools [2]. For rigor, after excluding one-time or non-core revenue and expenses, Alibaba's EBITA stood at 173.064 billion yuan, and its non-GAAP net profit was 157.940 billion yuan—both figures ranking high in the industry. In summary, Alibaba's business model of achieving premium pricing through customer demand prediction and visual data has been converted into high net profits. More notably, this high-profit model also demonstrates strong risk resistance.

5. Discussion and Constraints

5.1. Discussion about Alibaba's Driving Forces for Technological R&D and Its Market Penetration Conclusion

Alibaba Cloud's success is not only due to excellent business strategies in recent years but also heavily relies on advanced technologies developed by Alibaba in its early stages [23,24]. For instance, during Taobao's Double 11 shopping spree, daily transaction volumes peaked at the billion-level—far exceeding the capacity of traditional centralized architectures. Alibaba invested heavily to develop advanced technologies to address this pressure, creating entry barriers for later competitors [2]. Most other large enterprises lack the motivation to develop low-latency, high-peak traffic technologies, thus having to cede part of the market share. Unlike other enterprises that merely sell computing

resources, Alibaba Cloud has evolved to provide integrated solutions for scenarios requiring extreme digital capabilities. Meanwhile, Alibaba has leveraged its sales network to build an extensive cooperation system covering developer communities and Independent Software Vendors (ISVs). By positioning itself as a key player in alliances with authoritative institutions across the industrial chain, Alibaba secures orders from large enterprises [12]. Additionally, through flexible price negotiations and preferential policies, Alibaba's products can penetrate small and medium-sized enterprises (SMEs) within the ecosystem of large enterprises. For other enterprises seeking to follow Alibaba's path, they must pay special attention to their own resource integration capabilities and whether they can directly replicate this path mechanically.

5.2. Discussion about Legal Compliance and Customer Acceptance

In fact, Alibaba's approach of enhancing service quality through digitalization to increase revenue is not entirely flawless. In practice, it faces two types of constraints: one related to legal regulations and the other to the diversity of customer behavior patterns. Regarding legal constraints, creating accurate customer profiles to predict needs requires in-depth mining of personal data—this clearly crosses the red line of personal privacy leakage and conflicts with increasingly stringent personal information protection frameworks and growing public awareness of self-protection [25-28]. During digital transformation, enterprises must pay attention to the tension between data privacy protection and customer trust, requiring careful design. Modern laws focus on two key aspects: whether users have provided genuine consent for data collection, and whether data is being misused. If data management is improper and leaks occur, the consequences go far beyond administrative penalties such as fines; it will also result in the loss of customer trust. This would reduce the appeal of algorithm-driven customized services, and customers would no longer be willing to pay a premium. Additionally, Alibaba has overlooked whether customers are willing to accept personalized recommendations. There have been repeated instances of reversing the logical order: instead of analyzing customer preferences based on their behaviors, Alibaba first presets preferences and then attempts to reshape customer behaviors. Customers' instinctive resistance to data control often translates into dissatisfaction with the enterprise's services. Therefore, from these two perspectives, for Alibaba to improve service quality through digital transformation, it must first address two points: researchers need to know how to make data collection more transparent and acceptable to users. Researchers need to know how to ensure that recommended suggestions align with the actual needs of customers in specific scenarios.

6. Conclusion

First, the profit-driven effect of Alibaba Cloud's commercialization is already undeniable, making it a powerful revenue growth engine for Alibaba. Second, Alibaba's ability to achieve more stable and sustainable monetization per unit of traffic by analyzing customer needs through digitalization has matured as a business model. These two factors are like the two tires of a motorcycle, driving the enterprise to achieve steady revenue growth through digital transformation against the trend of economic downturn. Regarding government supervision and policies, this research suggests that policy formulation should not be excessively rigid but should align with enterprises' self-driven development awareness. Specifically, the government could determine the intensity of digital transformation subsidies based on the magnitude of enterprises' post-transformation revenue growth—a fair evaluation provided by the market itself. This system aligns with the profit-seeking nature of capitalists, who will explore more efficient transformation approaches to secure higher subsidies. In this way, government policies will no longer be rigid rules on paper but active participants in market adjustment.

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