The Review of Alibaba’s Online Business Marketing Strategies Which Navigate them to Present Success

By Rashad Yazdanifard & Merveen Tan Hunn Li

Help College of Arts and Technology, Malaysia

Abstract- Alibaba has become the largest online and mobile commerce company in the world in just a few years and barely anyone expected it to be so successful. It has provided numerous business opportunities for small and medium enterprises to leverage the innovative technology to compete more efficiently domestically and globally. This study does not attempt to describe Alibaba as a perfect business; rather it discuss the marketing strategies, promotion, distribution channels and some important lessons that were carried out by Jack Ma to achieve success in this complex world of online trading. In this literature review, we examine a few key factors of Alibaba’s success such as its specific marketing strategies, various challenges, its strong branding image, superior customer value proposition, better shopping experience, huge sales volume and economies of scale.

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I. Introduction

Alibaba.com is currently the hottest topic of discussion among investors because it has proven to be one of the world leading B2B e-Commerce corporations in China. It makes it simple for everyone to buy or sell anything online anywhere in the world. Alibaba Group was founded in 1999 at HangZhou by Yun Ma (Jack Ma), who aspired to help make the internet reachable, trustworthy and useful for everyone. Alibaba Group has total of seven business group namely Alibaba Small Business Operations, Taobao, Tmall, Alibaba International Business Operations, Juhuasuan, eTao and Alibaba Cloud Computing (Alibaba.com, 2014). Over the past decade, two of the subsidiaries include Taobao and Tmall have profoundly assisted Alibaba Group Holding Ltd in growing tremendously. Alibaba Group Holding Ltd is now the major global electronic marketplace (GEM) in the world in terms of its broadly participated users. Jack Ma was formerly just a teacher but due to the recent success of Alibaba Group is now the richest man in China. Alibaba operates a leading e-Commerce business and mobile marketplace in retail and wholesale trade as well as other services such as providing a platform which enables consumers, merchants and other participants to conduct business in their network. The key stakeholders in the company include Yahoo and Japan’s Softbank. According to latest Forbes news, Jack Ma is the first Mainland Chinese entrepreneur that manages to be on the cover of Forbes (Chen, Solomon & Mac, 2014). Alibaba now runs both markets domestically and internationally. The international marketplace (www.alibaba.com) focuses on global network for buyers and supplies for raw material, components, and finished goods whereas the domestic marketplace (www.alibaba.com.cn) focuses suppliers and buyers mainly in China. Together, its market consists of 30 over million active users from over 240 countries all over the world (Alibaba.com, 2014). According to Timothy Leong, Alibaba has only 18 employees in 1999 and their office was at Jack Ma’s apartment. However, it grew into more than 20,000 employees last year with offices in few countries. In 2004, Alipay was launch and it sets a record for the highest number of a single-day transaction in 2012 (Leong, 2013). Alibaba’s overall mission and goal is to build a strong and profitable customer connection. The marketing strategy of Alibaba plays an important role in achieving the overall strategic plan. How did Alibaba achieve its success? The answer is through market segmentation or target market, marketing mix that made up of factors under its control such as product, price, location, and promotion. Alibaba has put in marketing analysis and planning to find its best marketing mix. Through these activities, Alibaba has won a long-term relationship from its suppliers and buyers that profit to the company.

II. Alibaba’s History

Alibaba Group Holding Ltd’s development can be divided into 5 phases for the past 13 years. The first phase was started since 1998 until 2001. During this phase, Alibaba provides free information for suppliers to enter the market. At that moment, China’s trade market was still in the early stage where only information flowed on the Internet. Jack Ma looked into the needs of SMEs in China in entering the B2B e-market by providing them with free online services and information according to the different enterprises and the characteristics of the industries. In 2000, Porter Erisman, now the Vice
President of Alibaba was hired by CEO Jack Ma as a foreign expert to help the company into globalization. During that time, attracting foreign experts to run the company is essential because people in China had very little management experiences (Walraven, 2009).

The second phases was during the year 2002 whereby Alibaba invented a trustworthy credit certification named Trustpass in order for consumers to purchase without any concern over fraud and deceit as the credit has been the biggest problem in China’s e-trading development. This method for credit authentication has helped Alibaba in generating more and more profits because many SMEs started to use Trustpass services in the e-trade market. During this period, the Internet penetration in China started to increase and the total export volume grow vastly. Buyers from all over the world lined up to profit from the low cost products (Walraven, 2009).

The third phase occurred around 2004 when Alibaba started to develop overseas market to expand the market of e-trade. China suppliers help international enterprises to construct their own websites and independent accounts in order for consumers to access their business information more rapidly. This helped enterprises to create more business opportunities and higher profit income. Moreover, Alibaba launched Taobao which now became the largest online shopping marketplace, overtaking US eBay. Alibaba has also launched Alimama, the largest online advertising platform for business purpose and Alipay, China’s leading online payment service, which was approved by the China government (Walraven, 2009).

The fourth stage occurs between 2005 and 2007. Yahoo China was taken over by Alibaba whereby all the transaction operations are controlled by Alibaba solely. This creates a new e-trade search engine after Alibaba established its own system at www.yahoo.com.cn. Alibaba has started to grow broader and provide larger communication space for e-trade business all over the world (Walraven, 2009).

The fifth phases happened since 2008 until now. Alibaba opened up an office respectively in Taiwan and Switzerland (Walraven, 2009). In this period, B2C ("business to customer") market was lagging far behind B2B("business to business") and C2C(customer to customer"). Therefore, Alibaba adjusted its marketing strategy to enter B2C e-trade market more easily. Now, the total number of registered users has grown significantly, revenue and profits raise rapidly. According to Alibaba’s annual report, in 2010 the total users, revenue and paying members risen to 61.8 million, RMB ¥5.5576 billion and 809,362 respectively (Alibaba group.com, 2014). Furthermore, the mobile application for Taobao was launched in 2010. In fact, Alibaba also officially launches the AliExpress for exporters in China to directly reach out to their consumers around the world.

### III. Alibaba's Products and Partnership

Alibaba has few virtual products that develop a convenient and prompt management for exporters to update or upload important information freely into the database in order to contact buyers directly from overseas. Alibaba also provides multi-functional management system such as products display descriptions and photos according to the categories, which are available in many other e-trade marketplaces. In other words, they practically own a “mini website” which carries their company profiles, contact information, and a virtual showroom of their products and services. On the other hand, buyers can search any products they want via the search engine of an extensive database that gives a variety of products ranging from electronics to computers and automobiles. Almost every possible segment is included (Chen, Solomon & Mac, 2014). Above and beyond, registered users have the privilege to subscribe to trade alerts send to buyers on their selected suppliers.

Alibaba’s has such support from its biggest shareholders-Softbank Corp, a Japanese mobile company that holds 36.7% of shares while Yahoo Inc. holds a 24% stake. Softbank Corp has started to invest in Alibaba since 2000 when they saw potential in them. Yahoo was once the largest shareholder in Alibaba but shortly after that Alibaba bought backs some of its own share (Osawa, 2013).

### IV. Easy to do Business Everywhere

Clearly, Alibaba’s Group mission is to make it easy to do business everywhere. Before this company came along, sales channels are very inadequate for local SMEs in China. Trade exhibitions that are conducted to introduce and demonstrate the latest products for more opportunities were very costly. There are very limited customers that the sales team could reach out at that moment. However, many SMEs are seeking for business opportunities and growth since the economic reform of Reform and Open policy that opens up the investment to foreign country (Tisdell, 2009). Therefore, the technology provided by Alibaba has given SMEs in China huge advantages and benefits. First of all, China has no geographical constraint that gives China SMEs a huge market of e-commerce. Next, the well set up e-commerce environment helped the transaction cost to go down sharply. On the other hand, the e-commerce business platform is also incorporate into the regular business cycle and give suppliers and buyers more accurate and relevant information that ever before. In a nutshell, Alibaba’s e-commerce technology has made it so much convenient to SMEs to conduct their business anywhere in the world efficiently.
According to BBC, the total value of merchandise sold in Alibaba in 2013 was far more than Amazon and eBay combined. Alibaba has a clear mission which is to make it easier to do business across the world because it insists that customers come first, company second and shareholder third. Today, customer is far more powerful than others (McGovern, 2014). Besides providing free of charge online e-commerce platform to both clients and consumers, Alibaba also brings in pay-per-click (PPC) ad campaign in order for suppliers to build their business (Yang, 2010). By adding up together all the interested suppliers in various TradeFair, Alibaba has largely reduced the cost of each supplier. At the same time, Alibaba also helped evaluate market data for suppliers to better forecast their own business demand. This allows them to charge a small fee to the suppliers that are more than willing to pay at a discount price as the need for marketing and sales from millions of suppliers together. This has made Alibaba successfully in capture the value shaped to the sellers who are price sensitive but less demanding of the service quality. Alibaba also argues that developing a good strategy is not easy as we think especially in such a fast changing world. Therefore, its mission is about making business easy for everyone (McGovern, 2014).

V. CREDIT WORTHINESS

Alibaba develop a payment instrument named Alipay in China which contributed a part of the success of Alibaba. Before the emergence of Alipay, many sellers felt insecure to ship goods to the buyer due to many reasons until the buyers has clear off the payment. However, when Alipay has been introduced in Alibaba, this credit system has been very much lessens the risk of e-transactions and ease buyers and sellers concern upon failure of delivery or delivery of fake and damaged products. Alibaba has not only introduce Alipay but also focus very much on the sound evaluation system, in which both sellers and buyers can give feedbacks and comments on the business transactions that will appear on each other’s website, hence providing a better and clearer references for their next business partner (Junsheng, 2014). Feedbacks are very important in a business world because it helps to reduce dishonest business behavior and make transaction more transparent and reliable. Alibaba online payment is secured with Escrow for international SMEs, which protect the privacy of the buyers and buyers who are able to pay securely without exposing their personal details (UKessays.com, 2014).

VI. BRANDING AND IMAGE

When it comes to establishing strong image branding, many China companies face the same problem as foreigner partners find it hard to remember the name. Jack Ma chose the name Alibaba firstly because it is easily pronounced and spell in many languages. Because of its clear-cut syllables, it helped to raise the brand awareness. Secondly, it is because of the famous fairy tale named Ali Baba, a character from the movie of “One Thousand and One Nights” that uses the secret code “Open Sesame” to enter the cave overflowing with hidden treasures and gold. When it comes to business, it associates to Alibaba Company that opens a gateway for wealth. The success of Alibaba deciding the right name for one’s enterprise is important. (Doland, 2014).

VII. SERVICES

Alibaba provide services such as establishing forums, blogs, and user groups at its Alibaba website to offer a platform for customers to communicate and gather feedbacks according to their interest. Forums are established at alibaba.com and taobao.com. This service has made communication more effective and convenient to all consumers. Alibaba also provides its clients with communication tools such as Alitalk, Taobao Wangwang, and Yahoo Message for customers to conduct business discussions at anytime among themselves. Moreover, with these communication tools, clients are able to get hold of updated information of supply and demand right away. Users in Alibaba can also communicate with trading partners in real time via Trade Manager in Alibaba. This platform has made communication two-way and more genuine to consumers. In addition, Alibaba has different membership package which is appropriate for each users and the features and services they require (Sauling Lai, 2014).

VIII. REVENUE AND PRICE STRATEGY

Alibaba provides free membership from the beginning to attract clients its way to e-trade market that became the core competency and contributing to more business opportunity in Alibaba. After a big number of registered clients at Alibaba, it began to charge membership fees. Alibaba earn profits by two major aspects. The primary revenue came from advertising fees from Alibaba. The second source of revenue comes from customers for value-added services, listing fees as well as membership fees. Furthermore, Alipay also began to collect technical service charge from business transaction that take place outside of Taobao and Alibaba (You Fei, 2012). Alibaba uses a competition pricing in setting the price of a product in comparison with its competitors. It uses the price that does not have extreme differences with its competitors and provides the cheapest prices with good quality to attract its target market. Due to Alibaba’s dominant market position in e-commerce, Alipay has emerged as the online payment-processing leader in China and it clears 80 million transactions per day, including 45 million transactions.
through its Alipay Wallet mobile app (Shih, 2014). Next, Alibaba provides products within the same range with different prices depending on the suppliers to offer buyers a wider choice of variety. Penetration pricing is one of the marketing strategies that Alibaba implies to set a low price in order to increase sales and market share. Furthermore, Alibaba also bring into play discount to stimulate the sales as well as retaining their customers. Discounts are given provided that the customers buy products in bulk or during festival. Buy one free one is the best method used by suppliers to attract customers. Last but not least, value-added services are applied whereby product is offered at a cheap price but services such as shipping, instant delivery, guarantees, warranties and many more are added up to make sure that the total cost of the products with added services is higher than the production cost in order to make profit (UKessays.com, 2014). By December 31, 2013, Alibaba has generated revenue of RMB40.5 billion and net income of RMB17.7 billion. Its fiscal year ends on March 3 (J. Puglisi, 2014).

IX. Target Market

Alibaba target two marketplaces which include the global marketplace based in English Language that cater to international exporters and importers and the China marketplaces whose aim is to focus on suppliers and buyers trading locally in China. China is by far the largest Internet marketplace in the world with double the size of U.S market. There are 560 million Internet users spending 20 hours a week online. Notably, China is skipping with the traditional retailing and in favor of the e-retailing (Mourdoukoutas, 2014). These two marketplaces are collectively the most-visited B2B website on the Internet. Alibaba also target on small and medium-sized private enterprises and individual businessmen, which have great potential in succeeding in the e-trade. In order to get a huge portion of market share, Alibaba has localized the e-trade services by developing websites that locate to different languages and modify their design and layouts, which suits the local cultural in overseas. For example, English website is target to buyers from oversea in general while Chinese website targets China traders and Japanese website aims at the Japanese market. Alibaba has also creates Korean and Spanish language website in order to expand its market in different regions and to achieve highest profit and goals. All these play an important role in Alibaba’s global success (Sau-ling Lai, 2014).

X. Promotion Strategy

Alibaba expands its new market through freebies. They offer freebies to attract more clients and customer to use Alibaba as an online marketing platform. For example, Alisoft is giving out free copies of Shopkeeper TM, a package that consist of accounting, stock management, and consumer resource management tools for registered users. The company also promotes its services via internet promotion strategy such as public relations, direct marketing, and discounts for certain items during special days such as festivals, media advertising and sponsoring of events to attract awareness of Alibaba (UKessays.com, 2014)

XI. Information Technology

In the e-trading marketplace, Alibaba provides a communication platform for trading partner to communicate in real time through Alibaba’s Trade Manager tool. Alibaba also has a team of dedicated experts that are always motivated to search for better and innovative technology platforms to catch up with the changing of the generations. Alibaba is continuously trying to develop highly complex system to improve the online transaction for the consumers by setting ample security actions. For example, Trustpass has given online customers a strong trust and security of online transactions. Moreover, Alibaba also has the latest technology for anti-fraud and anti-spam that is able to detect any fraudulent activities and filter unwanted messages. Alibaba’s IT team is constantly working on improving the accuracy and protection of their customer because customers are their main source of the entire business (Sau-ling Lai, 2014).

XII. Expected Market Growth

Alibaba is a “Collective Entrepreneurship” between company and thousands of merchants that join this network. It offers the platform whereas the merchants provide the products. The Alibaba model, which relies on profits sharing rather than listing fees has attracted many merchants to participate in the network. The larger the network is, the greater the benefits for both company and merchants as it draw a large volume of sale. Likewise, Alibaba has a good relationship with the Chinese government, which is important in China where government acts as a gatekeeper of the economy. Alibaba has been chosen by the government as one of the five companies to enter the Internet banking where banks are owned by the government (Mourdoukoutas, 2014). Alibaba has also taken over Yahoo in China and thus Yahoo is the largest shareholder of Alibaba. The two companies will work together in an exclusive partnership to grow Yahoo brand in China.

XIII. Future Strategic Actions

Alibaba’s future strategic actions include sustaining domestic Chinese market. It is essential for Alibaba to maintain its domestic market first in order to success globally. Without China market, Alibaba would not be able to survive without the economic of scale. Alibaba is attempting to expand its business in
developing countries such as India, which is the second fastest developing country after China. India has significant potential growth and profit. Besides that, Alibaba is also enhancing its technology and R&D development for advance Internet infrastructure to give the fastest speed and accuracy for online marketing (You Fei, 2012). Meanwhile, Alibaba has been trying to invest in smart phone users. Forrester Research analyst says that there’s high potential of integrating other services into WeChat because many people are using it to communicate with friends and family in China. It could develop into a foremost e-commerce rival in the long run (Osawa, 2013).

**XIV. Discussion**

As mentioned by Forbes, Alibaba is not only the largest IPO in U.S. history but has also risen more than the three largest IPOs by American Internet companies combined. Alibaba broke records as the biggest IPO, pricing its offering at $68 per share this year. The IPO is expected to raise $21.8 billion, which values the company at $167.6 billion overtaking Visa and Facebook (Chen, Solomon & Mac, 2014). In my opinion, Alibaba became so successful in e-commerce is because of its numerous advantages and it have great potential to boost up business for all small and medium enterprise which attracted many suppliers to invest in them. To enhance my study on Alibaba, I went through Alibaba.com to understand more on how Alibaba system works and what makes it so successful. To my surprise, I love many features that Alibaba.com has to offer that inspired me to promote my future company and products effectively. In fact, the real time communication and offline message was reply promptly by the supplier immediately after I posted my questions to them. This is one of the reasons why many suppliers are investing into Alibaba because of it efficiency and effectiveness. Above all, I also suggest that Alibaba should take this into consideration in their promotional strategy. In fact, more advertising, publication, brand awareness, and public relations will help Alibaba pump up their popularity and awareness all around the world. In addition, founder, Jack Ma speaks great English whilst many other Chinese entrepreneurs could not communicate well in English. This is one of his underrated advantages. Jack Ma is also good in unifying everyone’s believe through common goal. He is also a good leader that encourages his employee to achieve higher without limitation. He works together with them and guide them through the entire success of Alibaba. I believe in two principles: Attitude is more important than capabilities. Similarly, decision is also more important than capabilities. The right decision comes with the right attitude and the worst failure is giving up (Pris, 2014).

**XV. Conclusion**

In conclusion, Alibaba’s e-commerce marketing strategies have made it so successful in just a short period that there is no other company that can overtake them at the moment. Planning to be a company like Alibaba is easy but becoming like Alibaba is another thing. In this study, we learned very much that the determination of the founder, Jack Ma has profoundly influenced the success of Alibaba. Jack Ma once said it’s not about the list of privilege but the story of opportunity that has made him a successful person even though he doesn’t know much about technology. As one of the China pioneer e-trade service platform, Alibaba has built a strong connection between SMEs in China and oversea buyers with a boundless marketplace by providing the high quality services at a reasonable price with various business marketing channels and promotions. Alibaba has significantly attracted large base of consumer with the help of the large population in China. Online business is not new to everyone since years ago, but Jack Ma has created a miracle that gives China a huge impact until today, the e-marketing in the 21st century has become the largest online e-trade platform in the world. However, there are still some improvements for the Chinese e-market in terms of the protection of intellectual property rights in China and the reinforcement of supervision over e-transation are still in a hard nut to crack for the China law enforcement and authorities. Alibaba may be seen as a successful company, but there are also bumpy roads that Alibaba has gone through such as cultural clash. When Jack Ma started to hire foreigners into the company to manage the business, the Western cultural of work producing very detailed and critical analysis was not suitable in the Chinese market because Internet entrepreneurs would jump into the market and do it without spending much time in analyzing it. Without doubt, Alibaba is now the leading international Chinese Internet company. However, it is still struggling in expanding globally as the major revenue still comes from suppliers in China. Alibaba has been trying to make its way internationally because of its biggest threat, which is Baidu who has announced its plan to compete with Alibaba’s Taobao. All in all, Jack Ma was just an ordinary person that had a vision, and it was the perseverance and dedication that raise him into his current position in Aliababa.
Alibaba is raising more than Google, Facebook, and Twitter combined: [²³] 8

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