

Alibaba.com: A Case Study and Analysis of China's Cross-border E-commerce Industry

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Abstract—The essay explored the cross-border E-commerce industry in China, specifically analysed Alibaba.com to provide insights on how China cross-border E-commerce cope with the COVID-19 pandemic and how Alibaba.com achieved its success compared to other E-commerce platforms. It starts with providing background about the development and trends of global E-commerce industry. Next, it introduces cross-border E-commerce in China and its unique characteristics according to China's Cross-Border E-Commerce Market Data. Then the author analyses the advantages and limitations of Alibaba and its strategies to succeed in the global cross-border E-commerce industry. Especially during the COVID-19 pandemic, Alibaba seized the opportunity and developed several strategies to participate in the global cross-border e-commerce transformation process. The results show that as the fastest recovery country and the world factory, China has led its way in the cross-border E-commerce industry, and as the pioneer company of cross-border E-commerce platform in China, Alibaba actively embraced the challenges and opportunities, changed from a display website to a full-link cross-border trade website with payment, transaction, and settlement functions, and emerged as one of the leading cross-border E-commerce platforms worldwide.

Keywords: B2B E-commerce, Alibaba, COVID-19 Pandemic, Cross-order E-commerce

1 INTRODUCTION

Alibaba.com is regarded as one of the leading companies of cross-border E-commerce business organisations in China. Indeed, it has encountered several challenges during the unexpected pandemic. However, Alibaba.com has developed strategies to mitigate these challenges and embrace the opportunities to boost its growth during this critical period of time. Compared to other E-commerce platforms, Alibaba.com developed its unique characteristics to survive and thrive. Thus, it is worthwhile to examining how Alibaba.com develop and execute its strategies in order to provide insightful ideas for the E-commerce practitioners.

The COVID-19 pandemic is doubtless hurt the global economy with substantial impacts on the communities and individuals. The pandemic led to the world economy to transit to a new normal ultimately. With most industries been severely bashed by the pandemic, now the online cross-border E-commerce industry is seeing significant growth during the pandemic in 2020. With the government regulations and strict border control, social distance initiatives and lockdown to contain the pandemic, people are more conscious about going to public and avoiding the crowds. These combined measures have changed consumer behaviour to turn to online shopping.

According to the conference report (UNCTAD, 2020), many customers are pro to purchase online continuously and they are likely to expand the shopping item categories to which they have brought in store.

The significant increase in online shopping all over the world indicated a speeding shift of customer behaviour towards the online shopping model, online shopping often is their first choice during pandemics (UNCTAD, 2020). This trend continues even when the government lockdown policy being lifted, the offline stores being reopened which has suggested that offline retailing has been reshuffled and has forced many businesses to rethink and restructure their business models and strategies to go online. There are three common ways to carry out cross-border E-commerce activities including third-party e-commerce platforms such as Alibaba.com, AliExpress and Amazon; Dependent brand websites and social media selling such as Tiktok and Facebook. When traditional foreign trading companies decided to move online, it has several options as aforementioned. Alibaba.com is one of the few platforms provide B2B E-commerce services.

2 GLOBAL CROSS-BORDER E-COMMERCE INDUSTRY

2.1 Development of Global Cross-Border E-commerce

E-commerce has evolved as an industry in the world economy with the highest development speed, aiming to bridge the distance between buyers and merchants. According to Wang (2014), advanced information and communication technologies (ICT), it allows merchants and buyers to conduct online transactions in different countries and regions, this business has been described as cross-border E-commerce. According to Liu et.al (2020), similar to cross-border e-tailing business, cross-border E-commerce is an excellent developer of business towards either B2C or B2B, the developer of the process of integrating logistics activities into the value chain (Accenture, 2012).

Cross-border E-commerce is aiming to break the trade barriers and contribute to global trading growth. According to iMedia market research (2020), the global market of cross-border E-commerce both B2C and B2B has increased significantly. This market was expected to reach over \$ 240 billion in 2015 and continues to grow to reach \$ 1 trillion in 2020 (Erikson and Najberg, 2015). In the year 2019, nearly one billion people globally would be good proximity to cross-border online shopping and global transactions and take up for one-third of all transactions (AliResearch and Accenture, 2019). Cross-border E-commerce under the impact of the COVID-19 pandemic is still experiencing unexpected growth in 2020 with a total 21% growth rate globally (UNCTAD, 2020).

Due to its superior infrastructure and E-commerce strict regulation, cross-border E-commerce in Europe has maintained a fast-developed shopping tradition. According to the report conducted by PRN Newswire (2015), over 25% of online shoppers from the European Union (EU) have made multiple purchases from other store countries/regions outside the EU. In 2018, B2C Cross-Border E-commerce sales in Europe reached 120,000 million euros (Jędrzejczak-Gas, Barska and Siničáková, 2019). In the short term, Cross-Border E-commerce revenues will be more focused in developed countries (UNCTAD, 2015), but in the long term, to overcome some of the limitations of information technology, developing countries should scale up. For

example, in China, the most excellent commodity volume (GMV) in 2017 is expected to represent more than 20% of the total volume of foreign trade. By 2020, China will become the largest Cross-Border E-commerce market (AliResearch and Accenture, 2015). According to the data provided by Global-e (2021), the market of cross-border will continue the growing trend post-pandemic, though the growth rate will be decreased (See figure 1). The following figure illustrated the market growth trend of the major countries Alibaba.com have operated in. China will lead ahead in the following years.



Figure 1. Market Growth

2.2 Trends of Cross-Border E-commerce Development

In the initial development stage of cross-border E-commerce, merchants were mainly competing over products. With advancements in technology and the internet itself in the supply chain, this competition is shifting to service levels (Sleuwaegen and Smith, 2020). The merchants need to provide responsive and convenient services to achieve a long-term competitive advantage and win over the consumers' loyalty. For large E-commerce companies, often invested in facilities such as secure payment, transactions and customer management systems. However, for SMEs, there is a need for integrated digital solutions to establish a complete global online marketplace (Zatonatska and Melnychuk, 2017). For the third-party E-commerce platform, it is essential that they could develop a range of tools and functions to help SMEs to make doing business easier (UNCTAD, 2018). In addition to pure online retailers, traditional retailers, manufacturers and have also expressed interest in the development of people online. Mobile commerce will grow and of course mass with another cross-country shopping platform (Cardona, Duch-Brown and Martens, 2015).

3 CHINA CROSS-BORDER E-COMMERCE INDUSTRY

As the largest commodity trading country in the world, China has become the one of the biggest trading partners of more than 150 countries and regions, with its manufacturing industry accounting for 25% of the global market (Alizila, 2016). The sudden appearance of a normal manufacturing company interrupted this process. With the improvement of the internet infrastructure and the completion of global logistics networks, cross-border E-commerce

continues to grow rapidly and the scope of transactions continues to grow. In 2020, according to Statista (2020), cross-border E-commerce has attracted more than 2 billion\$ of investment. At the same time, coupled with the deterioration situation of international trade relationships and the continued weakening of demand in the market of Japan and Europe, the growth rate of Chinese exports slowed down (iMedia, 2020). Many traditional businesses have recognised the new opportunities in E-commerce and turned to cross-border E-commerce.

According to the "Tracking Report of the First Part of China's Cross-Border E-Commerce Market Data in 2019" published by E-Commerce Research Centre (2019), the total transactions of cross-border E-commerce in 2019 was equal to 15.5 trillion CNY with a year increasing of 25%. The scope of imported E-commerce transactions reached 1.04 trillion CNY, with a year-on year increase of 19.4%. China has the largest market share of cross-border e-commerce globally which accounts 39% of the global market share (See figure 2). From the point of view of the structure of imports and exports, exports accounted for 77.1% and imports 22.9%, the export share of cross-border E-commerce will for a long time be higher than the share of imports. The development of cross-border E-commerce in China will always be focused on exports and complemented by imports. As a global factory, China has developed the most competent and responsive industrial system. It is difficult to change the status of "Made in China" in the short term and "Made in China" still has the upper hand in the world (Hu and Qiao, 2017). At the same time, as the global economy grows and the Chinese economy grows vigorously, China's cross-border E-commerce will serve the entire "global village" and provide services to 7 billion consumers around the world. Meanwhile, the Chinese government helps small and micro enterprises to engage in cross-border E-commerce.



Figure 2. Cross-border Ecommerce Global Market Share

In the first quarter of 2020, hit by the epidemic, all cross-border E-commerce transactions were severely affected in regard to logistics and commodities supply. However, consumption patterns in major markets such as Europe and the United States have changed and a number of policies have been introduced to encourage the development of cross-border E-commerce. It also promotes the development of cross-border import and export transactions in E-commerce in China. In 2019, the total value of Chinese imports and exports in cross-border retailing reached 186.21 billion yuan, up 38.3% year-on-year (China General Administration of Customs, 2020).

In the first half of 2020, Chinese imports and exports via the customs platform for cross-border E-commerce management increased by 26.2% (China General Administration of Customs, 2020). In the first half of 2020, cross-border e-commerce imports and exports continued at a rapid pace, mainly due to the fact that, during the epidemic period, cross-border E-commerce companies played an "independent" advantage, favoring the growth of markets such as Europe and the United States.

4 CASE STUDY-ALIBABA.COM

4.1 Introduction

Alibaba.com is under the umbrella of the Alibaba group and it is one of its earliest businesses. Alibaba was launched in 1999 and it has evolved as one of the leading B2B platforms globally for the wholesale trading business. After two decades of development, Alibaba.com has served a substantial number of suppliers and buyers from all over the world and it has been the top visited B2B platform for global buyers (Alexa, 2020). Alibaba.com is aiming to simplify the process to do business for all its customers and clients. In order to achieve this goal, Alibaba.com provides various tools to merchants via its platform to reach the potential customers of their products globally. Alibaba.com integrated with advanced analytic tools, custom digital tools to manage customer data and customs clearing services. Meanwhile, Alibaba provides targeted advertising services to help buyers to find products and lead the traffic to the merchants' store more efficiently and accurately. Has accumulated years of experience and customers, Alibaba.com possesses a large customer pool and as a leading platform, it naturally attracts much traffic to the enormous products pool with more than 40 various categories including but not limited to apparels, electronics, machinery, and pets. In order to achieve business success, Alibaba is committed to constantly develop new services and digital tools to help the merchants to land new business opportunities. For instance, Alibaba supports language translation to customers' local languages in real-time which supports efficient and quick information exchange. Furthermore, with its huge success of domestic e-commerce, Alibaba.com employs Tmall operation team to operate the cross-border online trading business. All of these resources that Alibaba possesses and the facilities it developed assisted the fast development in these two decades.

4.2 Advantages

Been regarded as the world's largest online trading business, Alibaba has high visibility and it enjoys a high reputation in the B2B E-commerce industry globally. In 2020, during the pandemic, it is the fastest rising of the three major domestic B2B foreign trade platforms and the most controversial one, especially when the latest news reveals that Alibaba opened its first store in Alibaba.com. On the one hand, Alibaba.com is providing its services to Chinese domestic small and medium-sized enterprises (SME), its large flux could be beneficial for these SMEs. Alibaba.com owns a significant amount of daily searching traffic. According to the data provided by Alexa (2021), a website that specialises in publishing website ranking in the world, the pageview rankings of Alibaba is rather impressive with an average of 10:49 minutes on the website and ranked the 97th in global internet engagement. For a starting business, if the SMEs are not backing with a strong website with large flux, it needs to allocate extra financial

resources to conduct other advertising activities to attract customers, such as Google Ads, social media advertisement and search engine. This extra financial spending could add a burden to SMEs, as they are not financially strong.

The second leading advantage of Alibaba.com is that it has a complete value chain and it developed corresponding digital tools to help its business partners to help customers find useful business information and make efficient decisions, establish a brand for corporate products, provide customers with instant communication tools. Furthermore, Alibaba.com allocated an experienced IT team to constantly optimise the functions and tools of the website so that to ensure its clients enjoy one-stop services.

The third advantage is that Alibaba.com is capable to provide customers high-quality services and sales services system. Alibaba.com has established a customer service centre in almost every tier 1 and tier 2 city so that they could provide on-site training together with online training. The training content includes providing website training, store operation training, business analysis, and marketing analysis, in order to give SMEs both practical knowledges about e-commerce as well as enthusiasm that beyond imagination (AliResearch, 2020). The membership training system is also very mature, with two types of offline training and online training.

The fourth advantage of doing business via Alibaba is that it increases the channels of contact with potential customers, thereby increasing the opportunities for developing customers. For instance, it developed an online exhibition and shopping festival and provided allowances and bonuses for both suppliers and buyers. With the impacts of the pandemic, it is essential for merchants to understand the market information, with these training and provisions, it could help merchants to understand the market needs from both customers' inquiry and the market projection (Xiao and Zhang, 2020). Indeed, the online exhibition has an inferior effect compared to the traditional exhibition, however, due to the pandemic, the online exhibition is giving the merchants who cannot cross the border a new opportunity to showcase their products and manufactory. Meanwhile, the live-streaming provides another opportunity for both suppliers and buyers to interact with each other and exchange information. Another advantage of Alibaba is that it has the strongest comprehensive resources and capabilities. It has evolved and developed as an e-commerce ecological chain that provides all the services and products related to E-commerce. This means that if a merchant starts a business via Alibaba.com, it could enjoy one-stop services without outsourcing the tools to other companies. Furthermore, the development potential of small-value platforms is huge: AliExpress, the transformation of Alibaba, is an important direction for E-commerce development.

4.3 Limitations

Regardless of the advantages discussed above, there are multiple limitations that should be noted as well. The merchants could be involved in a price war. Most merchants registered in Alibaba.com purchased memberships which lead to dozens or even hundreds of pages of search results for a product are paid members of Alibaba.com and vicious competition is fierce, and it is inevitable to adopt the price war strategy to sell the products.

The second limitation is that the merchants have to pay for extra services, for SMEs who have to carefully plan their budget, this spending could be enormous. For instance, for the golden products and trustworthy supplier certification, the enterprise has to pay 11000\$. If the merchant needs to attract more traffic, it has to pay for P4P advertisement every day with almost 50\$ cost,

as whoever pays the higher unit price will be allocated the traffic, regardless of the user experience of the member's website and the visual effects (Alibaba.com, 2020). Meanwhile, P4P (Pay for Performance) advertising and key words advertising requires professional operators. For the small suppliers who lack operating talent and skills will lead to inaccurate advertising and promote the products to the wrong audience.

The third limitation is that the merchants have to play by Alibaba.com's rule which has constrained the long-term development and restricted to build of their own brand. Furthermore, orders tend to be fragmented. This is because domestic foreign trade B2B platforms both large and small have sprung up since the last decade, and the competition has become even more fierce. Also, the competition among peer merchants is fierce as well, even they are paid members. The rapid increase in raw material and labour costs, overcapacity, and the rising trend of international trade protectionism increased trade risks and other factors, compared with more than 10 years ago, buyers are more cautious in placing large orders, and fragmented orders are the norm (GlobeNewswire, 2020). Compared to the investment which has been put into Alibaba.com, the return of investment is undesirable. At the same time, there is a fixed route for the merchants to attract more traffic and realise profits. It has to follow the "exposure-click-inquiry" principle. This means the suppliers have to attract traffic or purchase traffic service from Alibaba.com to gain exposure, then the buyers see the front displayed products and click, if the products fit their expectation then they place an order directly or sent their inquiry. This process either takes money or takes time.

5 ANALYSIS

Alibaba.com accumulated years' experience in cross-border E-commerce and it is constantly evolving to adapt to the new changes. During the pandemic, despite its limitation, Alibaba seized the opportunity and developed several strategies to participate in the global cross-border e-commerce transformation process to mitigate its limitations.

Alibaba's Strategy to Move Forward in the Cross-Border Ecommerce

The macro-environment is favorable for Alibaba.com, though with recent news on the COVID-19 pandemic deteriorating this winter, the world still facing serious challenges brought by the pandemic, even with the successful research on vaccines. Traditional cross-border trading business has to make its decision to innovate to adapt to the situation and post-pandemic trend (Pantano, Pizzi, Scarpi and Dennis, 2020). It should be noted that China as the fastest country that recovered from the pandemic, the Chinese factories still have an advantageous position to meet the global needs, as, in the early March of 2020, nearly all business is getting back to normal. When the global demand gradually recovers, the world suppliers were not yet fully recovered to pre-pandemic yield. This means an opportunity for Chinese cross-border trading. Moving online to e-commerce is an inevitable trend even for post-pandemic. According to the CEO of Alibaba.com Kuo Zhang (2020), the demand will grow rapidly. According to the data revealed by Alibaba.com (2020), the demand for overseas buyers is continuously increasing. Although the customs data in the first quarter is declining, according to Alibaba's "New Trade Festival" in March, online transactions have reached a 160% increase year-on-year (Alibaba.com, 2020). By April, sales almost reached triple-digit growth. In the longer term, global demand is predicted to increase (Statista, 2020). Meanwhile, the digital penetration rate

of the domestic e-commerce market exceeds 30%, while the digital penetration rate of foreign trade is less than 10% (Hou, 2020). In the future, the volume and speed of digital penetration of foreign trade should be faster than domestic trade. Because on the one hand, all buyers, big or small, under the epidemic, the only way to do business is via the Internet. It is equivalent to that after this epidemic, all businesses have carried out digital education. The second reason is that domestic retail also has offline consumption scenarios, and the online and offline experience is different. But for cross-border business, is separated by borders, and digital methods can greatly improve efficiency. Therefore, even the pandemic goes over, the digitisation is irreversible, and it is a more thorough process for the replacement of offline foreign trade business (Koetsier, 2020). Therefore, selling products and grabbing buyers through digital methods is the top priority for rapid transformation and innovation for the new foreign trade business model. This is the digital direction that the epidemic will spawn in the next 10 years. Thus, utilising the Internet and digital infrastructure to reconstruct traditional foreign trader's customer acquisition methods and reconstruct their own contract performance methods is essential for success in the next round of changes. To respond to this trend, Alibaba.com developed several strategies to optimise the user experiences in its platform.

Currently, Alibaba.com accumulated 200,000 sellers and more than 20 million buyers in more than 200 countries and regions around the world (Alibaba Group, 2020). Beginning in 2016, Alibaba.com has changed from a display website to a full-link cross-border trade website with payment, transaction, and settlement functions, where buyers and sellers can complete secured transactions. Alibaba.com has allocated 30 warehouses in the major cities in China, covering more than 20 or 20 lines worldwide (Alibaba Annual Report, 2020). During the epidemic, when the logistics of many businesses were facing significant uncertainties that posed harm to their business, as the suppliers cannot guarantee the delivery date (Chen, Qian and Wen, 2020). In addition, different types of businesses may require different logistics methods. Alibaba.com provides differentiated logistics methods. If the air carrier cost is higher than its budget, and express ship carrier is available. The strategic planning of the complete supply chain of Alibaba.com can help these businesses provide one-stop services.

Alibaba.com also develops a comprehensive foreign trade service system. When an enterprise wants to export to foreign countries, it will face substantial regulatory works including customs clearance, foreign exchange settlement, and tax rebate. Alibaba.com has digitise these services since 2016 and it is constantly adding new services into its service system (Alibaba.com, 2021). This means the suppliers registered in Alibaba.com could conduct these regulatory works online. As Alibaba.com puts "We want to try our best to make foreign trade as simple as domestic trade". For instance, Alibaba.com provides factory inspection services for all factories, the size of the manufacturer, and inspect certifications of the factories, so that the buyers can distinguish powerful merchants from ordinary merchants. It will also fully digitise the goods in the sample room through a 360-degree panoramic view to help buyers understand the strength of the factory via live streaming and short video shooting.

For the B2B business, one of the most difficult issues that need to be resolved is trust issues, and when it goes online, the trust between merchants and buyers is even harder to build. Once there is a credit problem, both buyers and merchants will have to bear the cost (Hu and Luo, 2018). Therefore, in order to help the merchants and buyers to quickly close a deal and build trust, Alibaba.com used a set of rules to protect everyone's integrity on the platform. For example, Ant Financial, and overseas banks will open up some credit systems so that buyers

can quickly find trusted sellers as soon as they come in (Jin, Lu, Zhou and Li, 2020). Alibaba.com developed "new customer open source", and is to help foreign trade businesses put their products online and open source through digitalisation. "Cargo Global" is another credit-building tool for buyers. When the buyer placed an order, Alibaba.com could help the merchants to deliver the goods to the buyer accurately and efficiently through the payment network, logistics network, and supply chain network under the epidemic situation. All the transaction process is transparent which allows buyers to check every process and ensure the products received are what they ordered (Jin, Lu, Zhou and Li, 2020). The third strategy Alibaba adopted is called "Worry-free Set Sail". For example, some businesses, even if they are willing to transform online, but there are no talents to do this, Alibaba.com will give these merchants a promise that if they sign a contract, all their products will be digitised for the merchants within 30 days, Alibaba will help foreign trade merchants complete a cold start. In the first 2 to 3 months, the rights of all merchants' traffic can reach the requirements of star-rated merchants in Alibaba.com.

6 CONCLUSION

In conclusion, China, as the fastest recovery country and the world factory, has led its way in the cross-border E-commerce industry. Alibaba.com, as one of the pioneers B2B platform, took the opportunity and constantly develop new strategies to embrace the challenges brought by the pandemic and become many traditional foreign trader's choices to go online. Digitalisation is an inevitable trend for traditional foreign trade business in the following years. Currently, the pandemic is yet not over and uncertainties exist. Alibaba.com's success in 2020 demonstrated that it is essential to embrace the challenges and quickly respond to transfer the challenges into opportunities. Meanwhile, it is critical for the organisations to efficiently manage the corporate resources and effectively allocate the resources to implement the strategies that could contribute to the success of cross-border E-commerce business.

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