

# **DEVELOPMENT CONDITIONS AND PROBLEMS OF ALIBABA IN CHINESE E- COMMERCE MARKET**

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<p>Abstract</p> <p>As the new model of the commercial activities of new era, E-commerce has been used by an increasing number of consumers, with the development of network technology. From the beginning of 21st century, a great deal of e-commerce companies have been set up to battle this emerging market as soon as possible. One of the typical cases is Alibaba Corporation, which is the largest network company in China and the second largest internet company worldwide. In the May of 2003, Alibaba spent 100 million Yuan, around 12.5 million euros, on establishing their main personal online trade platform-taobao, which became the primary object of study.</p> <p>The aim of thesis report as to focus on analyzing the e-commerce market development situation, its shortcomings and threats, particularly the trade security problems of case enterprise Alibaba Corporation.</p> <p>Fundamentally, this thesis starts with an introduction, it includes the objectives and structure of research. Then is the theoretical part, development situation analysis, environment analysis, BCG Matrix analysis and other research methods are used in this chapter. After the analysis part, writer will try to find some new understandings according to the successful and unsuccessful experiences of Alibaba and give them some small proposals. There are several tables and charts which were found on the internet or books, the references are enclosed.</p>			
Keywords China, e-commerce, Alibaba, taobao.com			

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## 1 INTRODUCTION

The research on electronic commerce started in the late 1970s on a global scale. The implementation of e-commerce can be divided into two steps, the EDI (Electronic Data Interchange) step originated in the middle of 1980s and the Internet commerce started in the beginning of the 21<sup>st</sup> Century. Compared with other western developed countries, China has a late start developing the domestic electronic commerce market, fortunately, the huge potential of internet market and the great deal of target customers make the EC industry have a very nice development trend in last 20 years in China. (MBAlib, 2014)

Customers gradually accept this type of no-physical-substance trade due to its characteristics of convenience and economic efficiency, they were beginning to love the feeling shopping at home and get no matter what they want just by clicking the mouse. While, nowadays, e-commerce swindles happen from time to time, even in some mainstream B2C websites, for this reason, the security problems of electronic commerce has been pushed in the teeth of the storm. At the same time, registered members of the Chinese biggest shopping website—taobao.com, which was established by Alibaba in the year of 2003 have break through 500 million. The mind-boggling speed of development make many big multi-country companies have to put their eyes on this huge emerging market. (Baidu. Baike.a, 2013)

This thesis will put the focus on **analysing the e-commerce development trend of China and the problems, in another word, threats of the case company, Alibaba**. As for the objects, remind the online transaction users of their security recognition in trade process for reducing their risks and loss, then give several small proposals according to the problems of case company will be the start point of this thesis.

## **Structure of the research**

This thesis is composed by 6 chapters, the thesis introduction, e-commerce market analysis, case company introduction, financial statistics analysis, threats analysis, related laws, regulation, the suggestions and the conclusion part.

The chapter 2 is the content about the environment of Chinese e-commerce market, current situation with growth trend and the introduction of Alibaba. Analysis cannot be made about e-commerce and Network Company without the introduction about its background, for this reason, the chapter 2 will be the very crucial part for the thesis.

Next part is the majority of the thesis, it illustrates the financial report and tries to get the deeper information under the complicate statistics, charts and tables. SWOT analysis always helps a lot in the process of dealing with financial and market problems of enterprise, the SWOT analysis about Alibaba will tell the readers what are the advantages and disadvantages of Alibaba, and the threats part will occupy the largest space cause its significance in later thesis.

Early 21<sup>st</sup> Century, Chinese government has established many laws and norms to regulate and control the e-commerce market, generally speaking, some of the canons really do great works in reducing the commercial swindles and restricting the EC misdeeds. Later on, this thesis will spend some time on introducing related laws, then give several proposals. The latest part is the conclusion about the thesis, and the references and appendix have been enclosed. (MBAlib, 2014)

## 2 E-COMMERCE MARKET

Electronic commerce, which also called EC for short, refers to that people make the deal and related service activity on internet, intranet and VAN (Value Added Network). It is the networking and electronization of traditional business activity. According to the concept of IT.People, in the safe and open internet environment, electronic commerce generally refers to the global range of business activity which realized by online browsers and servers applications. Electronization of operation process can be accomplished between company internal departments, providers or cooperation partners by using e-commerce. (IT.People.cn, 2013)

The two parties of transaction can do many sorts of business activities without a face or identity. E-commerce always help a lot in sharing information and improving the efficiency and convenience of enterprises' producing, stock and capital circulation links. (IT.People.cn, 2013)

As for the definition of electronic commerce, different country and organization hold the different understanding about it because they may involve the distinct fields of EC. While most of them agree that the key point should be focused on the online transaction under the help of electronic device and network technology. There are many things e-commerce can do, sometimes even beyond people's imagination, for example, make the electronically currency exchange, provide the supply chain management and collect information for auto data system. With the rapid development of e-commerce, till now, the concept of EC has not include the entire process of online shopping, but also contain the related services like network marketing, EDI(Electronic Data Interchange), logistics shipping and so on. (Sogou.2014)

EDI is the abbreviation of Electronic Data Interchange which is a business processing way used by computer. Before global application of internet e-commerce, it used to be the main mode of electronic commerce. EDI can inte-

grate the trade, transport, insurance, bank and custom information of the business activity then make the data exchanging and processing among the internal enterprises. (Esnai. EDI, 2014)

Third party transactions platform, operators of websites and sellers play the most critical roles in the process of electronic commerce. E-Bay, Alibaba and Amazon are the biggest third party transaction platforms in the worldwide. The main duties of these trade websites are providing the trade service to the buyers and sellers and helping the deal involvers to solve several after-sale issues. (Ecommercetimes, 2014)

As for the platform operators, in China, the practitioners have to get the permission of the Department of Administration for Industry and Commerce before they start their business. They need to register their scale of business and get the business license, only in these ways, the operators of platform can establish their online shopping website and provide service to customers. The interior operators, in another word, the sellers on websites, can be the juridical persons or some organizations who have the willing to take part in the online transaction activity. (Baidu. baike. a, 2014.)

## **2.1 Electronic Commerce Framework**

Figure 1 illustrates the framework of electronic commerce, people, public policy marketing and advertisement, support services and business partnership form the basic model of EC (Turban, 2008, 7). Analysing and researching the model of e-commerce will do the practitioners a lot of good in finding new field of EC, making the specific e-commerce strategy and implementation measures, providing the new road to realize model innovation.

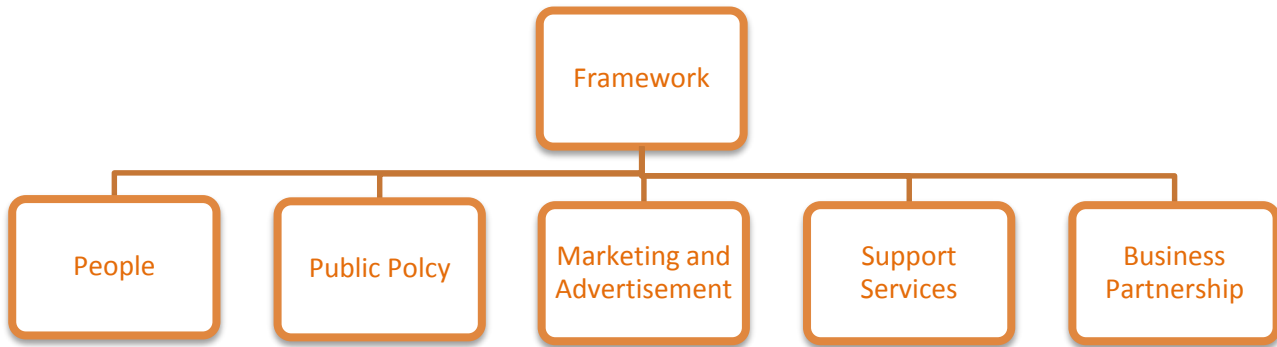


Figure 1. A Framework of E-commerce. (Turban, 2008, 7)

The framework of e-commerce is a diverse topic, because it includes many aspects, activities and organizational units. As can be seen from former exhibit, there are many types of elements under the general framework, some of which have been used for a large amount of consumers due to its efficiency and convenience. (Turban, 2008, 7) The support services and infrastructure for e-commerce, like railway for train. The building of infrastructure and support services are of great concern, if the E-commerce high speed train wants to drive on the economy railway quickly and smoothly.

The online transaction is a seemingly simple activity, while it does build on the complex infrastructure of e-commerce. Other forums, such as online recruitment and online advertising, also cannot be accomplished without the supports of the network technology. In generally, the framework of e-commerce can be divided into the network layer, release layer, transport layer, service layer and application layer. Technology norms, related laws, regulations and standards have been the pillars to guide and restrict the problems appear on the technical level. (EC21.cn, 2014)

The network level is the underlying hardware infrastructure of e-commerce, it provides the basic guarantee of information transmission. On the basis of existing techs, the remote communication network (telecom), the cable television network (cable TV), the wireless network (wireless) and the computer internet are the main applications of the network layer. Currently, these networks are

still essentially independent, while the trend of “multi-play” will be development direction in the future, the various ways of transmission will achieve the information integration, in the true sense. Among the diverse types of communication networks, the computer network is the most significant communication measure of e-commerce. In summary, the emergency and improvement of internet and its application in the public domain make the large-scale development of electronic commerce as possible. (nbtvu.net, 2013)

From the perspective of technology, the process of e-commerce system is surrounded by the information release and transmission, it entire depends on the digital control of information flow. The release layer located above the network layer, the major duty of that is solving the release issues of the multi-media. HTML (Hypertext Mark-up Language) is the most common network information release method. (EC21.cn, 2014) Developed on the basis of HTML, XML (Extensible Mark-up Language) is a sort of metalanguage which used for describing the mark-up language, it provides the firm and common platform for the users to establish their own mark-up language. This versatile, flexible and scalable method does open the infinite using range of XML, from the perspectives of word process, e-commerce and data backup storage, the impact and applications of XML are really great. (nbtvu.net, 2013)

As for the transmission level, it consist of two measures. The non-formatted data transmission, it primarily aimed at normal users, for example, FAX and Email. The other method is formatted data transmission, EDI is the most typical case of this transmission way, this transmission and operation process primarily aimed at the machine, no interventions from human are necessary for this. (nbtvu.net.2014) Orders, invoices and shipping documents are pretty suitable for this data transmission approach. On internet, HTTP almost is the most popular protocol, it displays the non-formatted multi-media information by the unified modes. People can find the information they need with the browser software which use the HTTP protocols according to the Uniform Resource Locator (URL) under. (Baidu.baik. a, 2014)

The service layer can provide the common business service for customers to surf the internet more convenient, it includes the security service, certification service and electronic payment service. Compared with the traditional information transmission method, the digital information have many differences, under the environment of electronization. It is of less difficulty for the digital information to be tampered without any mark, once the conflict happens, that is not quite easy to find the related evidences to prove. Therefore, the enterprise need to provide the security and identity certification to make sure that the information they transfer is reliable, non-tampered and overwhelming if they want to use the e-commerce to spread business information. (EC21.cn, 2014)

People can do many kinds of practical applications with the help of communication infrastructure, information release and transmission of multi-media and other related services. The suppliers, distributors, corporation partners, customers and governmental departments can realize the interaction of business activities with the target enterprise on the service layer, including supply chain management, enterprise resource plan and customer's relationship management etc. (EC21.cn, 2014)

## **2.2 Electronic Commerce Classifications**

Business to Business (**B2B**) commerce describes transactions between businesses, such as manufacturer and wholesaler. They accomplish the products, service and information exchange by Internet and third party transaction platform. (Baidu.baikē. a, 2014) These process are included: release supply-demand information, confirm the orders, payment, issue the bills, transport and receiving and supervisory shipping process. (Sogou.2014)

Business to Customer (**B2C**) commerce, this is a type of commercial retail, which aims at the target customers to sale their products and service directly. Theoretically speaking, B2C mode was first appeared in China in the year of 2004 with the establishment of 8848 online shopping mall. (Sogou.2014)Till now, an increasing number of B2C commerce transaction websites have been set up in Chinese e-commerce market, like T-mall which is the high-level website owned by taobao.com.

The same as **B2B** and **B2C**, **C2C** (customers to customers) is also a sort of e-commerce mode. No business company involves and no strong brand, they need nothing but an online transaction platform website, buyers can bid for the products, that sellers sell at auction online. Among the registered numbers of taobao.com, individual sellers has taken a considerable proportion, some of which even become a small but well-known brand in their field. (Sogou.2014)

**B2B2C** (Business to Business to Customers) is the emerging network communication selling way, the first B refers to manufacturers who provide commodities, semi-finished products or raw materials, and the second B means trade platforms, in another word, information communication website, nowadays, some of them, like specl.com, try to provide quality value-add-service to 2 parties. Comparing with B2B and B2C, most of B2B2C website do not hold the advantages of high-quality standard service as B2C and the commodities richness as C2C, while it still can be regarded as the improvement mode of traditional e-commerce, because of its irreplaceable superiority in benefits making. (Sogou.2014)

### **2.3 Electronic Commerce in Chinese Market**

In the year of 1996, maybe even MaYun, who is not only the founder and predecessor CEO of Alibaba, but also the pioneer of Chinese e-commerce, also did not expect e-commerce would get such an incredible flourishing condition today after the ever-growing development of many years. During these past years, online shopping has gradually become a part of lifestyle of most Chinese, which maybe explain why e-commerce has such a large improvement potential and wide space to develop in China. (Sina.tech.2013)

According to the statistics from QianZhan Website, during the 12<sup>th</sup>-Five- Years-plan of China, the scale of domestic e-commerce industry got a rapid expansion. Different types of enterprises, for instance, information service companies,

transaction service companies and technology service companies emerged constantly. (Qian Zhan, 2014)

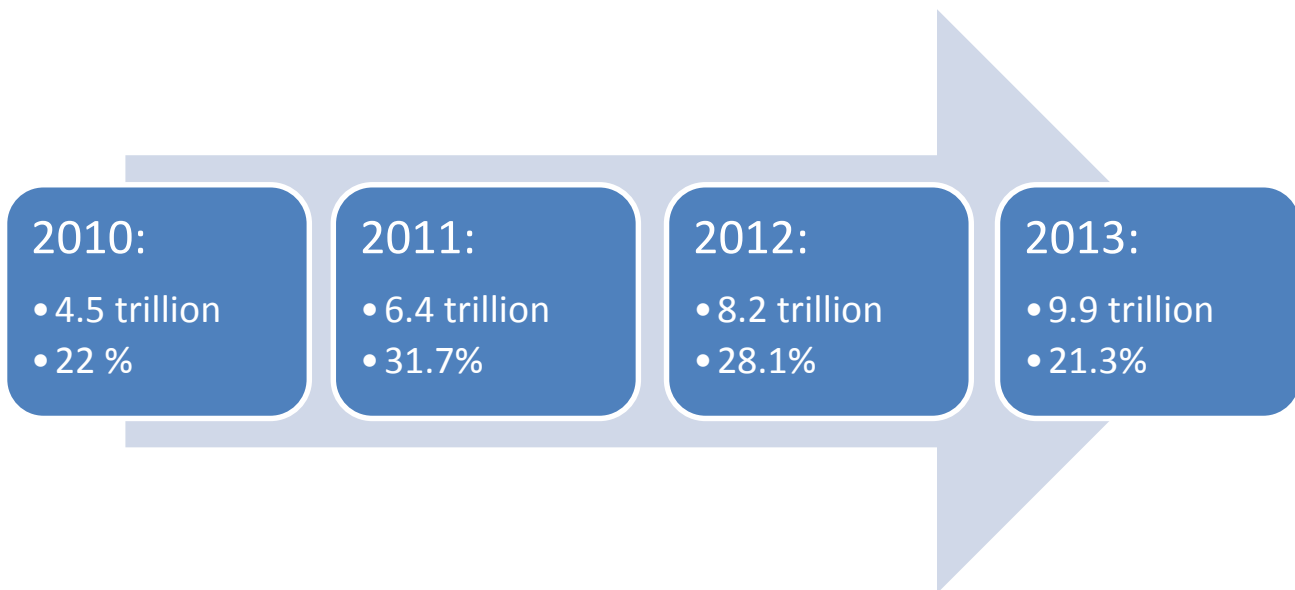


Figure 2: Marketing Scale and Annual Increase of E-commerce in China (iResearch, 2014)

In the year of 2010, the total turnover of Chinese e-commerce market reached 4, 5 trillion Yuan, with an annual increase of 22%, comparing with former year. Only 3 year later, in 2013, the amount hit new high, even up to 9, 9 trillion Yuan. What should be pointed out here is that the proportion which owned by SME has reached over 50 percent. (iResearch, 2014)

Both of the internal and external factors maintain the fast development conditions of e-commerce market. There are 3 primary reasons which lead to the occurrence of this phenomenon.

#### a) Government Policy Support and Guide

On 21 November, 2013, Department of Commerce of China published *the suggestion for improving the application of e-commerce*, and issued 10 ways to promote the development of electronic companies. The enactment of electronic commerce law not only tries to restrict the subject of e-commerce transaction, but also aim for protecting the benefits of consumers. By regulating the

network shopping environment, the Department wants to create the healthy development of the field. (MBAlib, 2014)

### **b) Rapid Transformation of EC Enterprises**

Recently years, from the key point of EC enterprise's sustainable development, most of the companies all focus on opening platform to ease the huge pressure which given by supply-chain management and decrease the operation cost coming from the high self-management rate, like JinDong. (MBAlib, 2014) On the other hand, these enterprises can get a great deal of supplements on commodity classifications and products to meet the demands of customers. From the prospective of B2B enterprises, till now, they usually highlight the platform transaction to increase value add service and get the ever-growing development in the area of platform data information. (IRResearch, 2014)

### **c) Enhancement of Online Shopping Permeability**

The online shopping penetration continue to rise for many years, according to the data from iResearch, the proportion of e-commerce turnover has accounted for 7.8% of total social commodity retail, 1.6% higher than the data in 2013. (IRResearch, 2014)

### **The Stability of EC Structure**

In the market segment structure of EC table 2013, which has been enclosed later, B2B e-commerce accounts for more than 51.7% of SMEs, and large scale B2B accounts for 26.2%. The share of online travel, which means using the network to search and order travel products, reaches 2.3%, there are also 1.2% for O2O(Online To Offline). (IRResearch, 2014)

After the year of 2013, the internal and external environment of e-commerce take a turn for the better place, in next 3 or 4 years, SMEs' B2B e-commerce

operators will deepen the reform and continue development in the field of platform transaction, value add service and big data. (IRResearch, 2014)

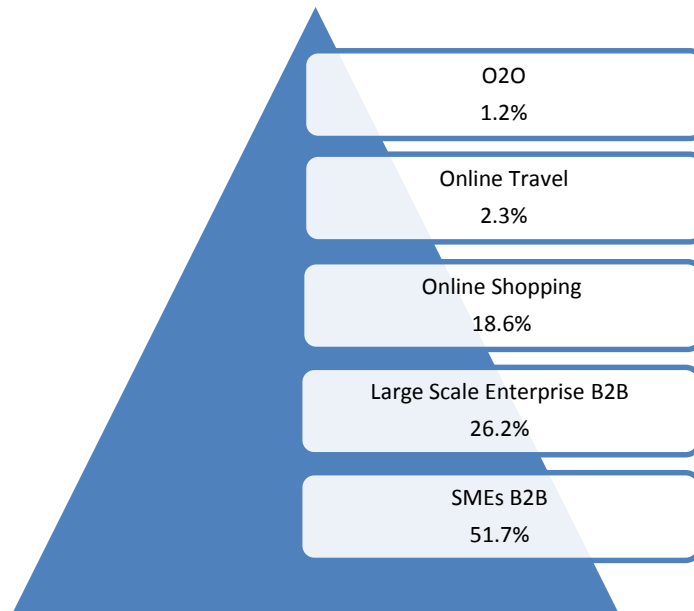


Figure 3: 2013 Chinese e-commerce market shares (E-commerce, 2014)

Comparing the data of former year, in 2013, the share of Chinese e-commerce market get a nice promotion, one of the most crucial reasons is that, the market has gradually come to maturity, and customers now choose to believe the online shopping also really help a lot of the development these years. (MBAlib, 2014) Another interesting phenomenon is that, although the share of online travel is not very high, because of its products and area limitation, it still maintain the over 30% annual improvement every year, which mainly driving by flight tickets, hotels and travel segment markets, till now, it has been an important part of e-commerce market. As for O2O, by the mixture of online and offline shopping, speeds up the process of traditional enterprises electronization to accomplishes the diversified development, has been their duty today. With the zoom of service market, like other emerging mode of e-commerce, the development potential of O2O is almost limitless. (IRResearch, 2014)

## 2.4 Related Laws and Regulation

The fifth part of the thesis will analyse the current e-commerce legislation situation and related regulations protection of e-commerce. Theoretically speaking, e-commerce is a complex systemic engineering, so the realization of e-commerce really depend on the solving and improving of different sorts of social problems and technology problems. There is no doubt that the risks are the fundamental problems of online transaction because the essence of Internet is opening. These security problems would not only lead to the great economic loss, but also destroy customers' confidence of shopping online seriously. For this reason, how to find and solve the e-commerce problems have become the key point of its healthy advancement in the future.

Chinese government has a pretty positive attitude on e-commerce legislation. The 15th Party Congress propounded some proposals for pushing the informatization of domestic economy forward rapidly. In the year of 1998, Jiang-Zeming, the former chairman of China, clearly aired his opinion about e-commerce issues when he attended the 6<sup>th</sup> APEC informal leadership meeting. "E-commerce represents the future direction of trade, the applications and promotion of EC will bring more trade opportunities to the involvers". "We should not only pay great attention to the soaring effect of privately-owned enterprises and commercial enterprises, in the meanwhile, government departments need to strengthen the macro planning and guidance about the development of e-commerce, and provide a good legal environment for their improvement", he said.(101 Laws Consulting Website, 2014)

Since the year of 2013, China still doesn't own the specific law of electronic transaction, but the government has promulgated a series of related legal norms to regulate the macro network environment. Here are several legislation efforts of them. As for online payment, in 1994, the People's Bank of China published *Some Notifications about Altering the Processing Modes of Electronic Interbank System*. Concerning data transport, in the year of 1999, the Customs Head Office of China promulgated *Management Methods of*

*Customs Shipping Bills Data Transport*. Then is the aspect of network management, the State Council issued the *Interim Provisions on Information Internet Management and Its Measures for The Implementation*, in 1998. Besides, Fujian, Henan and Shanghai also published their own related rules off and on. (101 Laws Consulting Website, 2014)

In the year of 2012 and 2013, NPC (National People's Congress) frequently introduced many Internet laws, like *Electronic Information Rules of PRC, Decisions on Maintaining Internet security* and *Internet Information Service Management Methods*. These series of regulations make the development of Chinese internet environment security embark to the new level. Based on the legislation experience and practice, the internet laws and norms still put the emphasis on websites operation and communication controlling. As for the operation environment and behaviour of e-commerce and e-transaction, there is hardly any tangible regulations published, so it still has a long way to go. (Baidu. Baike.a,2014)

What should be specially pointed out here is that, on March 15<sup>th</sup> 1999, NPC passed *the Law of Contract*, it has noticed that the rapidly advancement situation of electronic transactions which supervised by the new legal norms. *The Law of Contract* makes several provisions according to the data content of a telegram (e.g. Article 11: 16, 26, 33, 34 strips), it stipulates many fundamental issues on electronic transactions and writes them in Black and White. On the aspect of Penal Code, the 285th, 286th and 287th clause make the clearly provisions about the punishment of destroying network transactions infrastructures and the computer internet system. Furthermore, on the 9th National People's Congress, there are some representatives made the draft resolutions of e-commerce legislation, and list them on the 1<sup>st</sup> bill in the later meeting to prove the significance of these motions. As can be seen from the former information, e-commerce legislation has already been mentioned on the agenda of the National People's Congress, and NPC is trying to show their attention on e-commerce legislation by material efforts. (Baidu. baike.a, 2014)

By now, the focal point of electronic transactions legislation may mainly be focused on the below aspects:

**a. The legal identity certification of E-commerce participants.**

Every enterprises, organizations and individuals can publish the information on internet cause its openness and multi-country characteristics, so it is of great difficulty that authority institutions can effectively manage and supervise the real ID and creditworthiness of both sides in electronic commerce.

Some of the B2B and B2C platform websites are trying to publish the redemption scheme of creditworthiness. But another problem is that --how to distinguish the facticity of register materials. The bad credit owners can register another account and change the user name whenever they want. While, if the real identity of both sides cannot be certificated, the trade will be finished without the security. (Wenku.a, 2013)

**b. The legal process certification of E-commerce trade**

Under the frame of traditional legal norms, the form of contract, evidence, location, effective time, issues all have their clearly legal regulations. While, if the deal is finished in the network environment, all of these factors will become ambiguous and indistinct, sometime even conflict deal to the change of network technology and environment. For these reasons, how to make the current laws and regulations provide the support for electronic transactions has become the most urgent problems of Chinese authority. (101 Laws Consulting Website, 2014)

**c. The legal guarantee measures of products and services on online commercial activities**

It always happens that sellers who participate in the online transactions cannot provide the high quality products on time to their customer, sometimes even sell seconds at the best quality prices. So, that may be not easy to avoid the chaos situation of the online transactions and dissatisfaction of

customers. If things always go on like that, it will be difficult for the existing and potential online customers to build the sense of trust for e-commerce. The legal-helping measures which based on the former problems will become the significant guarantee for electronic transactions activities. (Wenku.a, 2013)

**d. The protection of customer's right of privacy.**

When doing the electronic trade, the personal identity status, credits, shopping records, shopping favours even the personal financial materials will be all auto kept by computers. Supposing that some enterprises exchange these crucial personal data with the same industry companies and sale that for money; it really makes huge inroads on the customers' right of privacy and leads to the confidence loss of consumers on online shopping directly. (Wenku.a, 2013)

**e. The protection of intellectual property right**

Computer technology make the cost of copy other's intellectual property right become very low, for this reason, the rights of original authors will be harder and harder to protect. In the year of 1999, 'Online Beijing' website used the articles of WangMeng and other 5 writers without their authorization; website visitors can browse and download these articles all for free. For protecting their own intellectual property right, these 6 writers sued 'Online Beijing' on the court of justice in Haidian District and asked the website to stopped tort, apologized to them on their website and paid for the compensation. Finally, this case ended with the triumph of WangMeng and other 5 writers. (101 Laws Consulting Website, 2014)

**f. The security of online shopping**

Internet really brings infinite commercial opportunities to the participants. But there are some institutions still worry about the subterranean flow under this seemingly peaceful river. The problem main focused on the security of online trade's information. In recent years, Hacker activity on the network has posed some serious threats to electronic transactions. In the West, there

are a great deal of legitimate hacker organizations. They often organize the technical exchanging meetings to provide free hacking tools for their users and try to introduce hack techniques so that the ordinary people can easily grasp network attacks technology. According to the statistics, the annual loss of information and network security problems of America has reached 7.5 billion dollars. The invaded proportion of enterprises' computer system has increased to 54% from 49% in 1997. (101 Laws Consulting Website, 2014)

As the emerging and ever-growing transaction method, electronic trade brings the huge impact on traditional commercial trade. In the meanwhile, it also brings many challenges and research theme for traditional laws and regulations. Generally speaking, some of the norms of China legislation has become the blocks on the development road of e-commerce. The e-commerce legislation experience of many developed countries has proved that it is an international trend to draw up the specific law for e-commerce. (101 Laws Consulting Website, 2014)

## **2.5 The Security Threats of Electronic Commerce**

**The confidentiality of information:** Online transaction requires a lot about the confidentiality of the information in transactions. If the user's name and password of the credit card be disclosed for the unruly reasons; consumers may easy to sink into the sales traps. Not only the account may be usurped, all of the order and payment information will be known by the opponents, the business opportunities just slip away. Therefore, the dissemination process of e-commerce should be encrypt to meet the security demand of users and prevent the illegal information saving and stealing during the transmission. (Kala-kota and Robinson, 2001)

**False personation:** As everyone know that, the realization of e-commerce can depends the virtual online platform, so it is of no need to meet each other for getting what they want in this trade. While it also brings many uncertainties

of their real identity. Theoretically speaking, these uncertainties are the great menace to customers. So the invaders can pass their selves off as the users, then cheat the legal customers by releasing orders or picking up documents to read. (Kalakota and Robinson, 2001)

**The non-repudiation of electronic trade:** Differ from the traditional face-to-face trade method, e-commerce cannot identify the buyer and sellers by manuscript signature and seal, EC accomplished the transactions only by internet. How to make sure that the trader is whom the other sider expect has been the key point to guarantee the trade can be made successfully. So the individual, organization and enterprise should be given the reliable identification on the dissemination process of trade information. Once the deal accomplished, both the original data sender and the information cannot deny. (Kalakota and Robinson, 2001)

**Forging e-mails:** During the online transaction, all of the information, like the receiver, sender, time, theme and content of the e-mail can be effortlessly forged by the criminals, they used to use the e-mail they make up to cheat other online users, which really bring a seriously threat to e-commerce. (Kalakota and Robinson, 2001)

**Intercepting and tempering information:** The criminal may use these methods to intercept and temper information. Getting the secretary information by setting the receiver device on internet, public telephone web and the scale of electromagnetic radiation. Then is the professional analysis on information flow, direction and length for intercept the useful information. There is another network misdeed which named the order and content change of information flow, like tempering the shipment place or insert other information on the flow to misguide the receivers. What's more, some of them even partly or entirely delete the e-mail and send a totally fake one to make their profit. (Wenku.a 2013)

### **3 ANALYSIS OF ALIBABA**

This chapter will put the key point on the introduction of the subject of this thesis, Alibaba Corporation, then analyse its current development situation and future improvement trend in the foreseeable future. This part will be focused on the different analysis of Alibaba. It includes environment analysis, BCG Matrix analysis, SWOT analysis and CRM analysis. All of these research methods are really useful and necessary when analysing the corporate conditions. Most of the data comes from books and internet, the writer tried hard to prove them around 2 months ago then write them in this report.

#### **3.1 ALIBABA Co., Ltd**

Alibaba (The Stock Exchange of Hong Kong Ltd: 1688) is a world-leading electronic business company, established in Hangzhou city, in the year of 1999. (1688, 2014) Alibaba helps millions of buyers and providers from all of the world with their online business, by three transaction markets: the international transaction market for global import and export firm, Chinese transaction market for domestic trade and a market which only serviced for Japanese firms, operated by a joint company. (Baidu. Baike. b, 2014)

In 2003 May, Alibaba spent 100 million RMB on establishing the online transaction market—taobao.com, since then, taobao gradually becomes the main business and platform of them. In the October of next year, Alibaba found the Alipay Corporation to provide security transaction service to Chinese e-commerce market, Alipay is just a function of taobao website which used for reducing online shopping risk in the first instance. (Baidu.baike, 2014) Buyer pays money to their Alipay account, Alipay notices the sellers to deliver goods, after buyer receives the goods and gives the evaluation, Alipay transfer the money to sellers to accomplish this deal. As another B2C e-commerce website of Alibaba Corporation, T-mall integrates thousands of global well-known brands

and manufacturers to provide 100% high quality commodity to their customers. (Sogou, 2013)

As a myth of Chinese e-commerce, the legendary development of Alibaba started from the year of 1998. Dating back to that time, DaiShan, one of the 18 initial founders of Alibaba, was used to stayed at MaYun's home, answered the questions from American buyers every night. No one knows that is a Chinese girl, at that time, the business of transaction information website Alibaba just rise, but it has connected some small Chinese manufactures with potential buyers, like these oversea buyers DaiShan served. MaYun has a big dream at that time, "Americans are good at hardware and system, but in the field of information and software, we are as good as them". (Baidu.baikē, 2014)

Since then, Alibaba gradually leads the retail of Chinese e-commerce, and accomplished the transformation from a B2B transaction enterprise to the company, which sales products to their target customers directly, like T-mall and provides service as a third party trade platform to registered members. For instance, taobao.com. (Sina.tech, 2013) In the year of 2013, the turnover of taobao.com and T-mall reached 1.1 trillion Yuan, about 170 billion dollars, more than the sum of Amazon and eBay. (Economist, 2013)

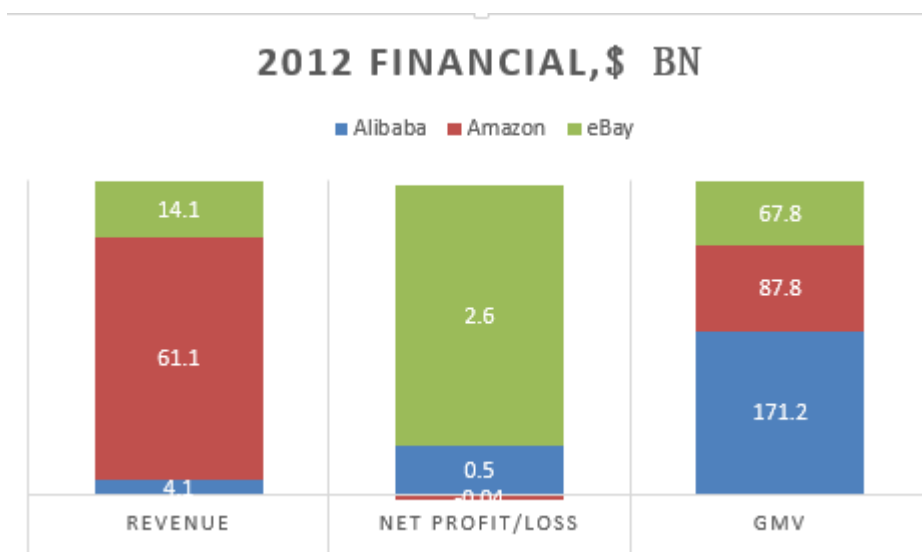


Figure 4: Three Ways to Win. (Economist, 2013)

### 3.2 Market Regulation

Gordon Orr, a senior partner from multinational consulting firm, thought that a healthy IPO (Initial Public Offerings) is just a start, if Alibaba could maintain its current market share, and join the competition of financial, supply-chain management and related service field. “Alibaba would become the most valuable firm in 5 years, and its turnover would reach 1 trillion Yuan”. (Economist, 2013)

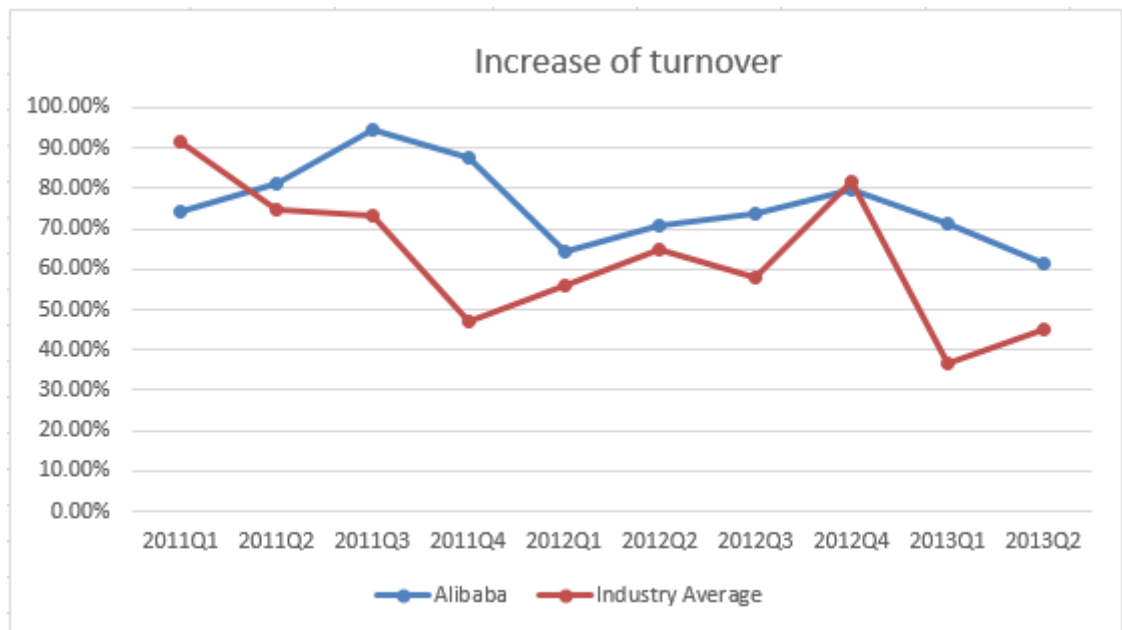


Figure 5: Increase of Turnover (Economist, 2013)

The former exhibit illustrates the GMV (Gross Merchandise Volume) and huge market share of Alibaba, the amount comes from deals completed on Alibaba platform, not the sales volume of Alibaba. Latest data from think-tank of the McKinsey Global Institute shows that, in America, the amount of customers purchasing on independent proprietary retailer's shopping accounts for 76% of total online retail sales. While in China, the proportion is 10% only, the rest comes from the deal buyers and sellers accomplished on online shopping mall, in other words, C2C e-commerce. (Eburn, 2013)

The field-leading status of Alibaba takes the advantages for them. In the West, customers usually search products by Google, then they may get the advertisement link to Amazon or other retail website, these ads are the mainly incomes of Google. But in China, the size of taobao means that it can definitely shield search engines such as Baidu and Google, due to Chinese customers always find what they want on taobao directly. So in this way, the advertisement value of taobao becomes much higher, some of them come from search engines. (Economist, 2013)

That is one aspect of collective model is better than self-support model. More buyers usually means more sellers, no matter JinDong, DangDang, SuNing or Gome, the model of Taobao made their domestic and foreign competitors feel headache all the time. (Baidu. Baike.b, 2014)

### **3.3 Consumption Trend**

Global most value brands, like Adidas and Samsung, keep on investing on T-mall these years, and some of them even choose T-mall be their exclusive network selling channel. Günther Hake from Disney claims that, Disney feels very satisfied about the advertising effect on T-mall. While T-mall cannot always get anything they want, as the potential competitor of T-mall, Tencent could get financial support to promote e-commerce service from their other business, like game. Alibaba may need more investment to maintain their market status, which explain why they need to financing 8 billion dollars. The CFO of Alibaba Cai said that, *“Most of the loan will be used for the repayment, we will use the rest 3 billion for purchasing.”* (Baidu. Baike.b, 2014)

How is the prospect of Alibaba? Generally speaking, it may depend on the market environment, a report from McKinsey illustrates that, since 2003, Chinese e-commerce market gets the rapidly development with 120% decrease per year. The number of online shopping customer rise 2 times more than 3 years ago and still have a huge potential. In the year of 2012, the network penetration rate of China is 43%, is far below other developed countries, the rate of online shopping users is lower than other countries as well. (Eburn, 2013)

The variation of Chinese economy improvement property takes high possibility to Alibaba. The reason why B2B e-commerce platform of Alibaba can get such a flourishing growth, the first instance, is they help buyers and sellers solved the critical problem of information lack and high search cost. (Baidu. Baike.b, 2014) This perfect location makes Alibaba gain great harvest in the tidal wave of China first time integrates into global economy. Till now, they has been preparing long and hard for the tide next time. "The increase of Chinese customers, tourists and multi-countries enterprises will provide many new opportunities to Alibaba." Peter Williamson from the University of Cambridge said that. (Sogou, 2013)

The insight of Alibaba never just follows the tide of Chinese economy, they have a bigger ambition already. One of the company strategy is to expand other domain by the e-commerce information they collect before. Three years ago, Alibaba started to provide petty loan for small business owner (the average amount of \$8000). By the end of 2013, the accumulative total loan has reached 2 billion with only 2% non-performing loan rate. The CFO of Alibaba Cai claims that "We mainly provide the loan to some SMEs which most of banks may never care about". (Sogou, 2013)

### **3.4 Enterprise Culture**

Alibaba always pays great attention to corporate culture, integrity and team cooperation test will occupy 50% of employee's working performance examination. Alibaba Corporation has 6 core senses of worth, which domain all the company's behaviour and has been the indispensable part of Alibaba's DNA. The top managers are doing the great efforts to create a big and cozy family to all the employees. (Doc88, 2014)

In recently years, Alibaba gradually realize the great importance of the building of their enterprise culture, and then they try to integrate that into the later 5 parts:

- **Customers are always right:** In Alibaba Group, the staff need to show others their respect and maintain Alibaba's image no matter when and where. Alibaba want that every employees of Customer Department can keep on smile to face the grumbles from customers and help them with their problems actively. That will be good if you don't try to slough off the responsibility, even if that is not yours during the process of communication with customers. Their employee should always stand on the spot of customers to considerate problems and nip the work problems in the bud. (Doc88, 2014)
- **Team cooperation:** As for the tea cooperation, the employees need to be more activity to participate in teamwork, willing to help others and cooperate with their teammates to accomplish the goals of work. Everyone need to join the group discussion before the idea made and share the working experience with their colleagues, because the managers want that their staff can hold the sense of ownership to affect their team more positively and then try to learn how to use the power of teamwork to solve working problems. (Doc88, 2014)
- **Hugging changes:** It can be very useful for them to treat the changes more rational and have the foresight in the daily work to find more new thoughts. Only in this way, they will know how to create changes in the work and get the ground-breaking improvement of their working performance. (Doc88, 2014)
- **Integrity:** About integrity, Alibaba doesn't need the employees without integrity because that should be the basic moral character of everyone. If you made some mistakes, the correct way is to realize that then modify not just deny. Your deeds should accord with your words. (Doc88, 2014)
- **Working enthusiasm:** Alibaba holds the understanding that their employees need to take more care about the interest of whole company. It will help a lot if they can set a higher aim every day and motivate themselves constantly. Never give up. The employees need to know how to arrange

the works by the priority and never put off the works they can finish today to tomorrow. (Doc88, 2014)

### **3.5 External Environment Analysis**

As the leader in the domain of global e-commerce and the largest e-commerce company in China, since its reception in 1999, Alibaba Group gained the robust growth for many years. Till the year of 2014, there are seven subsidiaries consisting of the whole system of Alibaba Group, Alibaba.com, Alipay, taobao.com, Ali software, Alimama, Yahoo China and Ali institute. The operational headquarter of Alibaba is located in a beautiful eastern city of China—Hangzhou. (Baidu. baike. b, 2014)

The external environment of enterprise analysis will be composed by two mainly parts, PEST analysis (Political, Economic, Social and Technological environment analysis) and Five Forces Model analysis.

#### **3.5.1 PEST Analysis**

PEST analysis, which is sometimes be known as STEP, DESTEP, STEEP, PESTE and PESTEL analysis is the crucial analysis method in marketing principles. This method always be used by enterprise to analyse the external environment they are operating in or planning to launch a new project/product/service etc. In the eyes of many enterprises' strategy consultant, PEST analysis is the way they can use for researching the external environment of company. The external environment, in another word, general environment refers to all of the micro force which can affect company's operation. (Businessballs. a, 2014)

This so-called PEST analysis mode means the political (P), economic (E), social(S) and technological (T) effects of company's outside environment. All of these aspects, in most case, are uncontrollable for the company. So it is common to get the bad influence from them, which may explain why these factors

also been dubbed the "pest (hazardous materials)". PEST requires the managers own the related expertise and a pretty high analysis capability. (pestleanalysis, 2014)

Before doing the PEST analysis, there are certain questions should be asked. They are: (pestleanalysis, 2014)

- What is the political situation of the country and how can it affect the industry?
- What are the prevalent economic factors?
- How much importance does culture has in the market and what are its determinants?
- What technological innovations are likely to pop up and affect the market structure?
- Are there any current legislations that regulate the industry or can there be any change in the legislations for the industry?
- What are the environmental concerns for the industry?

#### **a) The Political-Legal Factors**

Political-legal environment refers to some powerful aspects that companies should pay attention to during the business like country laws, governmental policies and authorizes. These factors will influence companies or individuals performance to some extent. But if political-legal environment is taken good care of, it will create new opportunities to businesses. (Kotler & Keller 2012, 106)

The political-legal environment contains the factors, for example, social system of country, property of court party, regulations, norms and laws. Different country has the different social system and different social system has the different claims on company. Governmental guidelines, political inclination and organizational attitude will change in the different time period even the consistent social system country. (Businessballs. a, 2014)

There is no doubt that legislation is the most significant aspect of the political environment, which can be divided into current legislation in domestic market,

future legislation, international legislation, government term and changes. Companies have to operation in the macroeconomic environment and obey all of the laws. That is why every change of political factor will affect the business operation of company so enormously. (Businessballs. a, 2014)

All of the former factors determine the extent to which a government can influence the economy and given industry. For the international trade company, trade policy will have the huge impact on their daily operation. While for the SMEs, financing and support are the policies what they concern.

As for political environment of company, there is another important factor playing the irreplaceable role in western countries—lobbying. Political lobby behaviour is the representative political phenomenon, especially in USA. Many company organizations and unions hire the professional lobby group to claim their needs and wishes in congress. That is the legal connection between political right and financial demands. (Freedictionary, 2012)

Governmental policy has a pretty significant influence on corporation supervision, consumption capacity and other company related activities. The political institutions, laws and regulations can always restrict or influence company's operation behaviour, especially the long-term investment behaviour. (Freedictionary, 2012)

Chinese market has many differences, comparing with western country, government may not always let the company to operate in completely open and free market by themselves. Combining the *invisible hand* with governmental policies to regulate the market and ensure the development of company is what Chinese government usually do, in most cases. (Freedictionary, 2012)

Alibaba is regularly visited by officials from the government embodies the aspiration and concern for the enterprise in its development. MaYun chooses Hangzhou to locate the headquarters because Hangzhou is not only the hometown of him, but also the local government takes much count of the development of

e-commerce and internet trade, and has given them many political supports. CaiQi, the mayor of Hangzhou city, said that he totally agrees with MA Yun's word about "*Making Hangzhou become the city of e-commerce in China*" in the Third SMEs E-Commerce Application Conference in 2008 March. (Wenku. a, 2011)

## **b) Economic Environment**

Purchasing power is affected by salary and saving of a family, price of products and credit availability. As demonstrated that recent economic situation showed a clear decline, it will have a bad impact on consumers' purchasing power. For those companies who want to sell products to customers in high-income and sensitive to price, the current economic trend would be a disaster for them. (Kotler & Keller 2012, 99)

Economic factors means the general situation of national economy development, international economic status and the given industry' business environment. (Pestleanalysis, 2014) If a marketer wants to do the analysis of economic environment, it will be good to analyse the long-term and short-term economic and trade status. The main elements of economic environment can be divided into:

**Development level of economy:** It refers to the level which a country's economy development speed and scale can reach. GDP (Gross Domestic Products), national income, economic increase speed are the main standards of domestic economic level. (Encyclopedia2. 2014)

**Economic system:** Economic system means the organizational form of a country's economy. It regulates the relationships between country and enterprise and then uses several management methods to control and affect social economy's scale, content and methods. (Encyclopedia2, 2014)

General economy conditions and trend are also very important for a company's success. Salary, price changes which led by providers and governmental policy will affect product's producing cost and their selling condition. All of

these economic factors might result in the internal industry competition or make the company cannot catch the development speed of other companies. (Pestleanalysis, 2014)

The twenty-first century is a great opportunity to realize the transformation from labour intensive industry to knowledge technology industry, rapidly development of Chinese national economy brings a great chances to e-commerce. The improvement space of related domain and highly developed tech of foreign e-commerce profession are the extremely beneficial economic environment for e-commerce. (Esnai. E-commerce, 2014)

National Development and Reform Committee of China claimed that, in May 28<sup>th</sup> 2013, they would mobilize 13 departments to establish related policy measures for supporting the development of EC, from the aspects of convenience transaction, mobile payment, network electronic receipt, commerce circulation and logistic. (Esnai. E-commerce, 2014)

As for the convenience transaction, the State Administration of Industry and Commerce (SAIC) unit related departments are attempting to push the basic information regulation management and service of e-commerce subject, object and transaction process. On the other hand, the General Administration of Quality Supervision (AQSIQ) also focus on the researching about establish e-commerce standard management institution and quality information publicity institution which based on the unified production code system. Furthermore, the Department of Commerce are trying to promote the infrastructure building of credit monitoring system. (Esnai. E-commerce, 2014)

As for mobile payment, the People's Bank of China constantly formulated and published many mobile payment policies to provide more convenience remote payment service for customers. The purposes of the former policies are aim for regulating the domestic commercial banks and payment institutions to make sure that they can implement the industry standards PBC (People's

Bank of China) made. As for the network electronic receipt, the State Administration of Taxation also did many practical works to push electronic receipt works advance forwardly and perfect the electronic receipt management institutions. The efforts of the Ministry of Finance are mainly focus on the research about electronic records management works. (Esnai. E-commerce, 2014)

In the domain of commerce circulation, the Department of Commerce are trying to further improve and standardize the e-commerce application policy of transactions, shipping and logistics and online auction. (Baidu. Zhidao. b, 2014)

Logistics distribution is the primary duty of the State Post Bureau, since the beginning of 21<sup>st</sup> Century, they never stop their works on establishing express delivery notification mechanism of Area of Focus (AOF), improve the security level of e-commerce distribution guarantee measures and innovate the EC express delivery service mechanism. (Baidu. Zhidao. b, 2014)

### **c) Social Environment**

It is negative that a company's marketing activities go contrary with customers' expectations, therefore affect their lifestyles and decisions. Companies are burdened with customers' requirement to protect earth's physical environment nowadays. This is an example of external forces. (Dibb & Simkin 2001, 200)

Demographic factors including the residents' distribution density, their ages, educational level, nationality etc. Most of the large-scale companies usually use the demographic statistic data to locate their target customers then try to apply them in researching. Demographic factors have a significant impact on the making process of corporate's development strategy. For example, the amount of population affects the total size of social production; geographic distribution of the population affects the site selection of corporate; gender ratio and age structure of the population determines the demand structure of society, to some extent. (Businessdictionary, 2014)

On the other hand, social environment will also have the huge impact on social supplying structure and corporate producing structure. And the condition of company's human resource always affected by local educational level. As for consuming psychology, it has the irreplaceable influence on enterprise strategy as well. Customer changes whenever he wants. For example, some of consumers are fascinated by the novelty instead of the practical utilization, so it will help a lot of company have different types of products to meet the variable demands of customer. (Businessdictionary, 2014)

Then is the aspect of attitudes and values. It means the evaluation standard of people's behaviour. The values are diverse in different country and region. The employees in western countries pay more attention to the individual ability while most of the Asian countries' company take care about the harmony working atmosphere. (Businessdictionary, 2014)

As what has been talked about before, the head office of Alibaba are located in Hangzhou, where is the capital of Zhejiang province. In Chinese tradition, merchants from this area always have the characteristics of "Speed", "Good at innovating" and "have the special wealth made model". Under the influence of local business culture, the development of Alibaba has gained a rapid progress. (Zhidaa.a, 2014)

In China, it has become a popular phenomenon to start the business online, people gradually accept the online shopping model. Companies gradually increase their dependency on the internet to be their important distribution channel, some of which even regard the B2C platforms as their first choice. Since the year of 1978, China started to accept the market economy policy to regulate and guide the domestic market. There are a great deal of SMEs in Zhejiang area having the urgent needs to expand market and sale their products. Information asymmetry is one of the reason block the market expand successfully, and this phenomenon will continue, so Alibaba just capture this precious business opportunity to realize the self-promotion. (Zhidaa.a, 2014)

#### **d) Technological environment**

It is common that market progressed with the help of technology but some fundamental elements of market at the same time. Each appearance of a new technology will bring some destructiveness to the market. However, the contribution of technology to economic growth also cannot be ignored. (Kotler& Keller 2012, 105)

Technology is not only the driving force of globalization, but also the competition advantage of all the companies. The tech factor refers to the entire current level of technology and social trends, technological changes, technological breakthroughs impact on enterprises, as well as the mutual effect between technology and social environment. (History-society, 2014)

The advancement of basic producing tech helps enterprise with a more effective analysis of market and custom. For example, if a firm can use the data base and automatic system to collect the mass data, they will get the rather precise information for analysing. The emergence of new technologies and emerging industries increased social demand for the given industry's products and services, then make the company have more opportunities to enlarge their business operation scale and market. (History-society, 2014)

The coming of information era and the dissemination of internet bring a wider living space for e-commerce. People can surf the internet by their mobile phone and computer whenever they want, which means that e-commerce could have a bigger mass foundation than before. In the year of 2011, internet information fragmentation and the Cloud technology increasingly entered the mature stage, under this premise, Active Internet Marketing Model and i-Commerce (individual Commerce) appeared on the commerce market and has been accepted and used by more and more customers. (Zhidaao.a, 2014)

In the beginning of 21<sup>st</sup> Century, E-commerce has gradually gotten the rid of traditional internet selling model, and realized the deeper level communication

with their users by an interactive way. ICE (Interactive Connectivity Establishment —ICE) theory which advanced by MMUSIC group is the most representative example. (Wenku. b, 2011)

### **3.5.2 Five Forces Model analysis**

Porter five forces analysis is a framework for industry analysis and business strategy development formed by Michael E. Porter of Harvard Business School in 1979. These five forces can affect the competition scale and extent of given industry: entry barrier, substitution threat, buyer's negotiation capacity, seller's negotiation capacity and the competition between current competitors. (Answers, 2014)

#### **a) Threat of existing competitors**

For most industries, the intensity of competitive rivalry is the major determinant of the competitiveness of the industry. For example, sustainable competitive advantage through innovation, competition between online and offline companies, level of advertising expense, powerful competitive strategy and flexibility through customization, volume and variety (Answers, 2014)

In most cases, the interests between same industry competitors are closely linked, as a part of enterprise's integral strategy, the aim of competition strategy always focus on gaining the advantages which their competitors do not hold. Consequently, the impact and confrontation can be effortless found in the process of industry competition. Nowadays, the commerce competition between same industry enterprises always reflect in this mainly field, price, products advertisement and after-selling service. (Answers, 2014)

Globalsources.com possesses the very strong competitiveness in the domain of oversea registered members, while as for the domestic members, the

amount of Alibaba's registered users are much more than them. In the beginning of 21<sup>st</sup> century, Alibaba gets the strong financial supports from their other business to expand their oversea market, for this reason, the prospect of Alibaba is obviously better than their competitors due to the solid capital foundation. (Answers, 2014)

Hc360.com is another Chinese B2B e-commerce website, which has been regarded as the primary competitor of Alibaba Group for many years, but a huge mistake which made by themselves, in the year of 2004, let Hc360 gradually lose their former market status. MMT project has to responsible for this this bad error, the top managers of Hc360 meant to published the MMT project for providing the better e-commerce service to their customers, but the result of this effort is so unexpected. They put the central task on advertising instead of the servicer building and broadband speed improvement, according to the data from Hc360's official report, they spent over 10 million Yuan on advertising on CCTV. The data also proves that Hc360 totally wastes their advantages on magazines and newspapers propaganda which they has operated for a long time. (MBAlib, 2014)

Through the former analysis, the conclusion has been made that the threats coming from the same industry enterprise still not strong enough to shake Alibaba's field leader status, at least now.

### **b) Threat of substitute products or services**

Two enterprises from the different industries may produce the substitute products or provide the similar services to customers, which will lead to many sorts of competition between them. In generally, threat of substitute products or services refers to the cost performance of the substitute products and service, customer's preference and the transformation cost of customers etc. (Answers, 2014)

In the eyes of Alibaba's previous CEO MaYun, there is nothing should be worried about expect the threats from the searching engine providers, like Google, Baidu, Sohu etc. With the development of customers using habit and

network searching technology, these two have gotten a bigger cross area than before. (Sina. tech, 2013)

Badu, the biggest brother in searching engine field in China, occupies around 70% of the market share, which makes MaYun can always feel the huge pressure from this field-leader competitor. For this reason, in the year of 2005, Alibaba made a significant decision, they took over Yahoo China to enhance their competitiveness in searching engine field. Although Yahoo. China's new reforms are not as successful as they thought, many industry insiders still hold the understanding that they would have a bright future, cause their value of unreplacibility. (Wenku.a, 2011)

There is another big threat coming from Walmart, this retailer magnate integrates their entire supply chain to provide the concrete and real-products service to down-market customers. The effective management of supply chain makes Walmart masters bigger initiative, objectively speaking, their economic entity is more competitive than Alibaba, if Walmart could move their entitative shopping model to internet that will be a huge impact for Alibaba. (Sina. tech, 2013)

### **c) Threat of new entrants**

In most cases, new entrants will bring the industry new resources and new producing capability, in the meanwhile, they also want to get their own market share from the rate race. Sometimes, this kind of market competition from new entrants even result in the drop of company's profit level. The enter barrier, scale of economy and brand benefit can have the deep influence of the threat of new entrants. The high enter barrier industry will not be friendly enough for the entrants unless they have the sufficient capital for the huge input of early days. (Answers, 2014)

The B2B market share advantages of Alibaba primarily concentrate in some big cities, like Beijing and Shanghai, at present. While in some small and medium cities, even in rural areas, emerging small and medium e-commerce enterprise master the bigger fighting advantages, they may own a wider potential market because the awareness of e-commerce has been gradually awaked. (Zhidaao.a,2014)

#### **d) Bargaining power of customers (buyers)**

Buyers always affect the companies' profit level by asking the providers for better products and high-quality service. Buyer concentration to firm concentration ratio, bargaining leverage, total buyer volume, buyer information availability, availability of existing substitute products, buyer price sensitivity and price of total purchase are the main reasons why bargain power of customers can affect the external environment of enterprise. (Answers, 2014)

The essence of Alibaba is a network service company, so the value of them is providing service to SMEs, by this token, the impact on the bargaining power of buyers is relatively small for Alibaba.

#### **e) Bargaining power of suppliers**

The strength of bargain power of suppliers depends on the input elements they provide to the buyers. They usually get the bigger right to speak and negotiation right if they can provide the producing elements which buyers need badly. There are several factors having the large influence of the bargaining power of suppliers, the concentration ratio of suppliers, the proportion of raw material's price and the diversity ratio of raw materials. (Answers, 2014)

Alibaba needs to purchase a great deal of software and hardware products to establish their strong e-commerce platform. As for hardware, Alibaba always chooses to purchase or rent service devices, so they may have many providers for selecting. On the other hand, the core software of Alibaba are mainly

come from their own researching and development department or some related companies, so provider's negotiation capacity cannot be seen as a big threat. (Baidu. Baike. b,203)

### **3.6 Internal environment analysis**

The internal environment of enterprise consist of the physical environment and culture environment of them. It refers to the objective physical resource, working condition and the comprehensive capability of enterprise, for most of companies, the internal environment is the systemic base of company operation. The internal environment analysis of company can be separated into 3 parts, the resources analysis, core competitiveness analysis and the strategy analysis. (businessdictionary.2013)

First of all, the customer resource can help the enterprise to lock and develop the target customers. Capture the changes of market then meet the needs of their customers by establishing the professional and smooth inter group transaction channels. (businessdictionary.2013)

As the biggest B2B platform of the world, Alibaba has over 500 million registered users and more than 60 million fixed website visitors per day, furthermore, the number of online products which customers can buy whenever they want has exceeded 800 million, with an average of 48,000 goods sold per minute. As for human resources, the top managers of Alibaba, like predecessor CEO MaYun, LuZhaoXi and WeiZhe, are all the valuable acquisition of their manager team. These are all the necessary prerequisite to the ever-growing improvement of Alibaba. (Baidu. Baike. b, 2014)

Secondly, core competitiveness, namely the competition advantages and core capability difference, compared with other same industry enterprises. The extraordinary internet-based Alibaba-style B2B model, which has been spread to Chinese social system with the process of socialization is entirely original with Alibaba, they make the beautiful dream to simplify the office process of millions

of SMEs comes true. There is no doubt that the geography commerce limitation what has confused many enterprises for many years has been shrunk to nothing. (Wenku.a, 2011)

The property utilization efficiency of Alibaba Group is really high, and it does the great job in internal capital circulation. Still, what should be pointed out here is that, the weaknesses of Alibaba's capital dependences are so obviously as well. They don't get the successes in company's financing, risk venture management, research and development capability works. After the acquisition of Yahoo.China, Alibaba has been facing a great challenge because of its not outstanding ability of capital integration. (Wenku.a, 2011)

### **3.7 BCG Matrix analysis**

The growth–share matrix (aka the product portfolio, BCG-matrix, Boston matrix, Boston Consulting Group analysis, portfolio diagram) is a chart that was created by Bruce D. Henderson for the Boston Consulting Group in 1970 to help corporations to analyse their business units, that is, their product lines. This helps the company allocate resources and is used as an analytical tool in brand marketing, product management, strategic management, and portfolio analysis. Analysis of market performance by firms using its principles has called its usefulness into question, and it has been removed from some major marketing textbooks. (Businessdictionary, 2013)

Stars products are units with high market occupation rate and high improvement rate, these sort of products might be regarded as the cash cows of the company, it is of great significances that boosting investment for supporting the rapidly advancement of stars. The growth strategies of stars which has been accepted by a great deal of companies, are expanding the economy scale and market opportunities accord with the long-term profits, for a better competition status. (Businessdictionary, 2013)

The Stars services of Alibaba are their industry-leading C2C e-commerce business what mainly contributed by Taobao and the increasing improvement research service, but the fact is that, there are less possibilities to make these

two business become the cash flow because of relative low profits rate. As for the research service, Alibaba chose to merge their competitor from the same industry to strengthen their core competitiveness, and increase the propaganda costs to make further efforts for advancing research platform, finally, realize the intelligence and controllability of their research engine. Besides, merging competitors and propaganda, C2C e-commerce service can also try to open the rural market and exploit steady reliable payment platform by the association with China Post. Generally speaking, the ultimate aim of Alibaba is to realizing the transformation of the former two services from stars to cash cows then makes the great claims upon operators who should be the expert at both producing technology and marketing. (MBAlib, 2014)

Questions marks (also known as problem children) are businesses operating in high market growth, but having a low market share. High market growth means nice market opportunity and bright prospect, while the low market share illustrates that there must be several problems of the company's marketing. The financial characteristics of questions markets are low profit margin, high debt rate and lack of capital, sometimes, for example, if a sort of product be immersed in the entry phase of its life cycle, but cannot expand market status for a variety of reasons, this product would be regarded as the questions marks. (Businessdictionary, 2013)

However, for Alibaba, the instant messaging (IM) business doesn't has a considerable profits and market share, at least now, so they cannot be too careful in the choice of the IM investment. According to the development strategy in this field of Alibaba, putting the efforts into practice, like enhance sellers, increase advertisement costs then introduce some powerful sales promotions program are the most eager works nowadays. What should be appreciated is that Alibaba also realize the importance of providing more humanized researching service for domestic customers, one year ago, Laiwang, an emerging IM chatting application was pushed by them to meet the using demand of customers, which could support image, video and documents transformation. (Zhidaob,2013)

Cash cows business refers to the products or service with low market development rate and high market share, they has become the leaders of the mature marker and the main resource of enterprise's capital, although sometimes be regarded as staid and boring. However, the confusion of the company is that they has to withdraw the money from the other industries to maintain the field-leading status if the market environment changes make their cash cows' market share fall down suddenly, or the strong and profitable cow yesterday might become the dogs in the near future. (Businessdictionary, 2013)

The cash cows business of Alibaba is B2B e-commerce service, they has been gaining a great deal of capitals which has been used for the further development of their other business, still, just like most of other cash cows, limited prospect and increasing decline trend of market share are unescapable trend for everyone. As one of the earliest industry incomers, the B2B market of China has gradually matured, if Alibaba wants to get the further improvement from this domain they used to be familiar with, expanding the distribution and sales promotion access, strengthening public relations works, increasing the amount of distribution institutions in rural area and developing a more convenient logistic system and payment platform are all the feasible ways for them to try. (Zhidaob,2013)

### **3.8 SWOT analysis**

SWOT analysis (alternatively SWOT Matrix) is a structured planning method used for analysing the strengths, weaknesses, opportunities and threats condition of the company, in order to realize the organizational combination of strategy, internal resource and external environment of enterprise. Since the formation of SWOT analysis, it helps a lot in strategy researching and competition analysis, and it has gradually become the crucial way for strategy management and collecting competition information. (Businessball, 2014)

#### **Strengths:**

The strengths refer to the good internal factors among the organizations and companies, for example, good competition trend, sufficient financial resource,

god company reputation or the field-leading technology advantages. (Businessball, 2014)

### **1. The leading position of domestic e-commerce market**

Alibaba, HC and Global resource network are three biggest e-commerce websites in China, although HC still cannot achieve the financial balance between incomes and expenditures at present. As for the incomes situation, Global resource network really has something to compare with Alibaba. In fact, around two-third profits of Global resource comes from their business information publications and exhibitions, which has operated by them for over 30 years, so only the rest one-third profits made by online business. According to the data from “In the first quarter of 2012, Chinese B2B market quarterly monitoring report”, Alibaba, HC and Global resource network respectively occupy 52.4%、 8.1%、 3.7% market share of Chinese B2B market, so Alibaba still predominated in this field. (Wenku. b, 2011)

### **2. Nice brand popularity**

In China, it is difficult to find another B2B EC brand with such a huge brand influence power and brand popularity. For most of the B2B commerce websites, distributing and collecting information are the basic functions, so in this way, a well-known brand means the value. Alibaba has been starting to do the scientific marketing efforts for the global customers since the year of 2003, they used many years to establish a good reputation and brand popularity in their customer’s mind, which has become the core competitiveness of them, and that is hard for the later competitors to exceed. Coincidentally, most of the exports enterprises of China are located in Zhejiang area, as the head office and operational centre, Alibaba has the monopolistic corporation position and irreplaceable leading status in this area. (Zhidaob, 2013)

### 3. The overall arrangement

These five sub companies, Alibaba, Taobao, Alipay, Yahoo China and Ali software have accomplished the all-wave arrangement from B2B, B2C and researching to payment, SMEs management and related e-commerce domain. Generally speaking, the group of Ali has held the overwhelming superiority in the entirely productions circulation process, at least in China, that is the incomparable advantage of the other e-commerce websites. (Zhidaob, 2013)

Till now, by mastering the seller's materials and information (Alibaba and Taobao), payment mechanism (Alipay), instant message (Laiwang), contents (Yahoo China) and advertisements (Alimama), Alibaba group has involved the fields of business, advertisements and mass media industry, just like the collective body of Ariba+eBay+PayPal+MSN+Yahoo, such a grandiose arrangement is so infrequent even within the limits of the whole world. (Baidu. Baike. b, 2014)

### 4. Good understanding of Chinese customers

The orientation of Alibaba Corporation are SMEs groups, for this reason, they pushed some special services to the domestic providers, based on the Chinese circumstances, like Integrity Expert.(1688,2014)

It is effortless for customers to operate in the pages of Alibaba's website, they can find large amount of information under the categorical theme which really meet the appetite of businessmen. Besides, there is another business forum provided to customers who wants to communicate the information or find business opportunities in their own city. Alibaba constantly brings forth new ideas in the road of e-commerce with Chinese characteristics, it is the symbol that they has a thorough understanding of their target customers and adheres the conception of customers are gods. (1688,2014)

## 5. The strong internet enterprise union

Yahoo, Japanese Softbank and Alibaba has formed the stable international Internet Union by share relations, thus, Alibaba can get the advanced searching technology supports from Yahoo and the success experience from Japanese C2C market. After this corporation, Alibaba realized the information sharing in the domains of tech, business model and industry trend judgment with world-leading enterprises, which really provides a great deal of precious experience for company's further improvement. (Baidu. Baike. b, 2014)

### Weaknesses:

The weaknesses, namely the disadvantages during the business competition, like the disorganize management, lack of core producing technology, shortage of funds, products backlog or equip aging. (Businessball, 2014)

#### 1. Easy to imitate and replace

To be frank, this simple operation model of Alibaba is not so hard for others to simulate and replace, the intermediary pattern is not of the great unreplacibility, and the story of them even provides the sample for later competitors who want to enter this industry. Investigates its reasons, firstly, service industry don not have a high market access standard; secondly, there is no rigorous tech and capital restriction in this domain caused by the rapidly development of internet and communication technology these years. Notwithstanding the service scale of Alibaba is wide enough for an EC company, but it still leave a large market space, and there is nothing they can do to stop the imitation behaviour made by their competitors.

Intermediary service is always the focus of Alibaba's business, it is predestined that they really have less opportunities to extend and expand the ser-

vice in multi-way. The market leadership status of Alibaba might make it become the benchmark for existing opponents and later incomers. Everyone knows that IT industry developed at top speed after the third technical revolution, human resources and technology are flowing fast among the competitive market, the subdivision of market demand make it possible to ruin a IT company, like Alibaba, in a short time. (1688,2014)

## **2. Mixed and disorderly business platform**

In the beginning period, Alibaba's website owns over 27 industry classifications, these 800-900 business categories and such a great deal of information have become the biggest obstacle for them to optimize their business platform. These information all come from the registered members, which is both the advantage and disadvantage of Alibaba. The visitors could browse massive trade information on website, while the low quality of information will be adverse for its improvement, even bring some needless business reputation problems. Unfortunately, their opponent has taken this issues into consideration, Global Resource Network pushed the message authentication to deal with the low quality information, and Alibaba should pay attention to that. (MBAlib, 2014)

## **3. Lack the deep-seated consideration for customers' demand**

Alibaba established an online B2B platform for domestic enterprises. Still, from the consideration of costs, B2B platform only provides the users companies some websites to use, actually only several pages, but the lack of diversity and otherness make it hard for them to stand out from the opponents. It is difficult to image that an emerging SME can survive from such tumbling business tide without the industry analysis, competitors analysis and one-to-one guild on marketing breakthrough, say nothing of their own marketing strategy, which should all provided by a B2B e-commerce platform. Overall, the service of Alibaba haven't met the deep-seated demands for customers, and they really have a long way to go. (1688,2014)

## **Opportunities:**

The competition opportunities can be the emerging market, new customers, new demands, the mistakes of competitors, and the removing of foreign market barrier, all of these will bring some good opportunities for enterprise to expand market and increase the channels to sale products. (Businessballs, 2014)

### **1. Large development potential of B2B market**

Most of the capitalized banks and credit companies have full participated in the domain of e-commerce, and it opens the way for further EC development. The shares of B2B market has been highly concentrated, the competition between comprehensive B2B e-commerce platform and vertical B2B e-commerce platform is so intense. (1688,2014)

Alibaba occupies over 70% of the market share, and have an absolutely leading status. The survival and improvement of a large amount of SMEs and Alibaba have be closely bound up, for this reasons, Chinese government shaped a slew of policies to foster and support the development of these emerging industries. (MBAlib, 2014)

### **2. The financing problems of SMEs.**

SMEs only have a narrow channel to financing, in most cases, the development capital of them majorly depends on the internal accumulation, which leads to the exorbitant endogenesis financing rate. It is a common phenomenon that SMEs lack the long-term stable funding sources and credit supports, and the asset size is the decisive factors in deciding whether the company can obtain the capital loans from banks. Based on this, Alibaba launches the joint guarantee loans and it will brings the large development opportunities for companies, and help them to deal with the financing problems in the future. (Baidu. Baike.b, 2014)

**Threats:**

The threats of company will come from these factors: new entrants, increase of substitutions, shrinkage of market, the changes of governmental policy, economy recession etc. (Businessballs, 2014)

**1. The singleness of earning objects**

From the point of view of Alibaba's earnings, it mainly comes from SMEs members' collect fees. In recently years, Chinese government gradually attaches importance to the advancement of SMEs, but the urgent need of sophisticated system for regulating network transaction still have not been entirely realized. This imperfect market mechanism really adds the difficulties for Alibaba's marketing operation, to a great extent. (Wenku. a, 2011)

As everyone knows, China has a great deal of internet users, but only 1% of them have attempted e-commerce activities, which reflects that the overall informatization level of Chinese enterprises is relatively low. According to the data from the researching informatization construction status of 3000 Chinese large scale firms, only around 3.7% of them have entered the mature stage. (Wenku. a, 2011)

**2. E-commerce union**

By now, an increasingly number of online transaction websites prefer the new way to resist the huge impacts from the industry magnate—EC alliance, in another word, merging and corporation model. Almost every website is playing the acquisitions card on the poker table because they would like to play for a longer time. This evitable trend is causing the concern of Alibaba, because the complementary effect of alliance gives their opponents a bigger right to speech, it may even lead to nothing remained of their competition advantages, for instance, the business coverage area and users foundation. (Wenku. a, 2011)

### 3.9 Customer Relationship Management Analysis

Customer relationship management (CRM) means the integration and coordination of the front-line activities in a supply chain, for example, sales, market information collection and customer service. The traditional supply chain management system only pays attention to the basic operation functions, and ignore the driving function of customer demand for the pull type supply chain. Whether the sales and customer service departments can collect the useful marketing information and create the effective link with the upstream departments, like producing and sales distribution departments, have become a significant evaluation standard of customers satisfaction. (InvestorWord, 2014)

With the implementation of CRM, how to evaluate the performance of CRM strategy has confused the managers for a long time. As everyone knows that, providing higher customers values can bring the company higher benefits, while it also means they have to invest more in early days. So, for the enterprises which want to know the real value of customer and adjust their CRM strategy to maximum company benefits, it will be of great necessity to analyse the key dimension of customer evaluation and its influence for CRM performance, then distribute the limited resources in a more scientific way. (InvestorWord, 2014)

Some enterprises just maintain the customer relationship in a low level and they only regard buyers as the objects who can meet their transaction purpose. Companies seldom organize the employee contact with customers so they cannot gain the god popularity in the public. From the perspective of CRM, Alibaba publishes many kinds of products to meet the different needs of different customers, furthermore, all of these products are close relates to their efforts of CRM. (1688, 2014)

The main duty of CRM is customer acquisition, for this reason, Alibaba provides the service like, yellow pages, co-location, website ranking and network traffic statistics to transfer their website visitors to the customers as soon as

possible. By providing the Yahoo mailbox service, they gradually create the customer track sales management system. According to the data of CRM, Alibaba really takes much counts of their customer's consumption records, preferences, and evaluations, and then organize the return visit to consumers to know their opinions of the service regularly. (InvestorWord, 2014)

On the process of improving customer relationship, Alibaba makes the detailed training plans for their employee. The new entrants cannot become the formal staff until they pass the CRM examination. Alibaba also sets a 'Gold Idea Award' for the employee who can give the good proposals to optimize the customer relationship process and improve the management system. As for the customer experience, Alibaba hires some shopping guides and attempts the 3D products exhibition to teach their website visitors how to start the online stores on Alibaba.com. (1688, 2014)

The new version of website service mechanism and the considerate artificial service attract many buyers and customers, and most of them are the small and medium enterprises from all of China. It is very cost-effective for these SMEs to invest in such a platform, so Alibaba has a pretty high renewal rate. (1688, 2014)

## 4. MAIN FINDINGS AND PROPOSALS

The 6<sup>th</sup> part will focus on the main findings of this thesis. Many types of analysis have been done before and now it is the time for summarizing all of these complex data and finding out the reasons and problems of Alibaba Group. No one could establish another great company just by coping others' model and idea. While the leading experiences can be summed up and used in the business of the later comer to make them go in this way smoothly. These inspirations which given by the success and mistakes of Alibaba might be the biggest findings of the thesis. (Baidu. Baike. b 2014)

### 4.1 Revelations of Alibaba

The B2B model of Alibaba has many differentials, compared with other foreign B2B sites. **The B2B platforms of foreign countries are trying their best to save time and money for large enterprise, while the start point of Alibaba is serving the SMEs.** Experience has proved that this is a proper development goal in China. Most of the domestic companies are SMEs and they need a connection to do the business with other companies urgently. Like the shark (large companies) and tiny fish (SMEs), you have the opportunity to catch shark, while you may also loss your life. So why not stop wasting time and seek the group of fishes firstly? Till now 95% of the customers of Alibaba are small and medium companies. As the information and platform provider, Alibaba use their strong information flow to make customers easy to find everything they want to buy. (Alibaba, 2014)

Alibaba cannot accomplish such a success without the contribution of the management team. It will be so hard to realize the programme no matter how good they are if you don't have an efficient team. Fortunately, Alibaba also give the learners many aspirations by their brilliant practice. First of all, **the common goals and values are the direction of every team.** Secondly, **it is of great necessity to establish a mutual respect communication mechanism.** Only

in way, company can gather more intelligence and complete the goals more efficient. (Zhidaob, 2013)

Thirdly, **the good management team need the good execution ability.** A good company always has their own given purpose to provide the guidance for the members, everyone should know the direction of them and how to get there. The team will be of no meaning if they don't have the goal. Furthermore, the big purpose can be separated into server small work plans and then distribute them. In the year of 1999, the aim of Ma Yun and his team is being the best B2B website of the world. And they are trying to accomplish this goal step by step. In the sales management of Alibaba, managers even make a plan post to motivate the group members to work actively. (Baidu. Baike. b 2014)

The so-called team spirit, is the integration of overall situation, collaboration spirit and service spirit. **The personal interests and its achievements are the foundation of teamwork spirit.** The centripetal force and cohesion are the highest level of teamwork, it reflects the gathering of personal interest and organization interest, and thus ensure efficient operation of the organization. Alibaba Group never ask their employees to sacrifice themselves, on the contrary, show their own characteristic and capability to make sure the realization of common goal is what Alibaba really need them to do. (Zhidaob, 2013)

**A good management team, like Alibaba, can distribute employees on the suitable positions** by the good organizational form to make them full play their talents and ability. Without the right management culture, the members in the group will lack of the good attitude and dedication spirit. Every groups and organization need their cohesive force, the traditional management measures are the administrative commend from top to bottom by the organizational system. This type of management method cannot reflect the demands of personal emotion and social psychology. So Alibaba Group encourage employees to communicate with other member's minds and guide them to create the common sense of mission, belonging and self-identity by customs, faith, motives and preferences.

Many managers take various measures to avoid conflicts of the team, because they are afraid of losing the control of the whole team and some members may lose their esteem during the conflict process. Some of the managers even regard this kind of conflict as time-wasting and they prefer to shorten the time of meeting and team discussion to make the decision by themselves. That is incorrect, because **the works with frustration and conflict are the real advancement**. No one can get rid of these problems appearing on the process of working, what the manager should lead their members to do is how they can deal with that faster and better. It is said that Alibaba always encourages their staff to provide constructive ideas and they even set the award for these employees. Everyone has the different thinking method. If a company has the generosity on accepting other voices, they will have a longer way for development. (Wenku. a, 2011)

#### **4.2 Problems of Alibaba**

In the beginning of the 21<sup>st</sup> Century, Alibaba has been regarded as the success representative of Chinese B2B EC firms, while, it is of the patency that this development model of Alibaba contains a number of problems which have become the stumbling blocks in the improvement road of them. These problems are mainly manifested in the following aspects.

The kernel of the problems is **lack of sufficient attention to the large-scale enterprises market**, the fact is that, most of the B2B websites are trying their best to provide service with commodity release and transaction platform. This approach is definitely suitable for SMEs, because they have the urgent need to expand market and spread the productions. But for big-scale companies, their demands are completely different from the former, they usually have fixed customers and selling channels. In the meanwhile, they have to face the confusion of strategy adjustment. It is a crucial reality that the entirely Chinese market environment is mainly led by a number of state-owned enterprises or monopolies, therefore, how to meet the advancement need of big-scale companies will be an urgent problem for Alibaba. (Zhidaob, 2013)

Subsequently, Alibaba **seldom has the enterprise interactions based on information flow**. The growth of Chinese economy brings many beneficial prerequisites for the dissemination of e-commerce, but the dissemination condition is still not optimistic. Many companies lack of the comprehensive and systematic understanding about e-commerce, some of them even jump into the EC mine field in the transaction process. Many enterprises hold the over-simple cognition about B2B platform, like Alibaba, and let alone mastering the correct way to use the EC website.

In the fact, massive firms believe that what they only need to do is putting their home page and commodity content on the web, then the orders from customers will surge round. As the prolongation of traditional transaction methods, B2B e-commerce just means information release, even the out-date information, if they do not have sufficient interaction based on information flow, what's more, some enterprises even lost the interests on B2B commerce using if things go on like this. Alibaba needs to attach great importance to the information their customers published and try to establish a more creative and active support company interaction mechanism, spread the correct using methods among their target customers, only in this way, they could get wider space for further market prolongation. (Zhidaao. a, 2014)

Thirdly, Alibaba doesn't have the **enough attention about management model improvement**. As the common falling of many e-commerce companies, Alibaba excessive emphasis on technology and providing new product to draw the sight of the masses. It has to be admitted that they have been putting a large amount of manpower and capital efforts on B2B platform tech elements. But sometimes, they ignore the significances of improving the management level and regrouping business operation flow path in order to meet the new requirements of management and operation model in the new e-commerce macro environment. Here is an example, in the year of 2011, the "Chinese Providers Scandal" led to the resignation the COO LiXu and CEO WeiZhe of Alibaba's B2B Company. On February 21, 1688.hk released the report that the internal investigation found over 2300 website registered members were suspected of being involved in business fraud. Some victim enter-

prises got the connection with these illegal providers on Alibaba, after the payment of front money, the swindle companies just disappeared. Lack of internal management and supervision make such a large number of fraud events happened on Alibaba's B2B platform and it also led to the serious integrity crisis to their customers. (Zhida. a, 2014)

The next problem related to **the security condition of e-commerce**. E-commerce is a new field with both challenges and opportunities, these challenges not only come from traditional transaction habit and the conflict between systems of planning with system of market, but also come from the dependence of available security technology. Despite the E-commerce environment has been improved, to a certain extent, the customers companies of Alibaba still lack of the sufficient security sense because the virus, Trojan flush, make the number that computer gets charge ceaseless grow in quantity. At the same time, some website members companies' network infrastructure construction are pretty under-developed, they do not have the regulatory security management system and professional maintenance personnel, all of these will led to the network information flaw and these issues will greatly affect the further development of the B2B e-commerce. (1688, 2014)

Then is the **enterprise constraint problem**. The aim of Alibaba is to provide transaction platform for users companies, but from the user's point of view, most of them would blame the B2B website for their misconduct if they meet any trade problem in the trade process. The core reason of this phenomenon is that all of the enterprises only realize the interaction with B2B platform by network, therefore, the B2B website owner may lack the efficient evaluation about their capital condition, ability and reputation of their customers. Using the relative loose enter policy to attract customers is a common phenomenon for an emerging B2B e-commerce platform. With the grandness of trade platform and the growth of its influence power, if a B2B website, like Alibaba, has entered the mature stage but still cannot impactful restrict and monitor their users will be destined lose the business reliability in the members' mind. (1688, 2014)

### 4.3 PROPOSALS FOR ALIBABA GROUP

By now, the thesis has analyzed the development status and problems of Alibaba Group. When face the security threats of electronic commerce, if the ever-growing demand of E-commerce wants to be met, some effective measures from the aspects of policy regulations, management and technology have to be done.

#### 1. Strengthening the information service

The essence of B2B commerce is the information service which provided by the buyers and sellers, for this reason, Alibaba need to make their information service step forward. Although Alibaba updates the information on their web pages fast, abundant and reliable, these large amount of information still need to be more flexible than now, because these information cannot be conducted to the given enterprises automatically, which means that the customers company has to always search the information they need buy their own. (1688, 2014)

Frankly speaking, Alibaba has done many efforts about this problems, like the *Business Opportunity Express* for the registered member every day, while it is of much difficulties for the members to find out the really useful news from the overlapping and jumbled information. Furthermore, till now, Alibaba still doesn't own their independent resource of new, all of the data and information on Alibaba's home page are copied from other news website. So, from now on, it will of much benefits if Alibaba strengthens the service of information, expands the investment on building their own news resource and refuses the completely homogenization information service. (cxt.1688, 2013)

#### 2. Expanding the integrity supervision of registered members

It is said that the Integrity Express product of Alibaba gradually become a non-faithful one, some enterprise try to give some nice integrity ratio evaluation to other firms they may never had business before, in exchange, they will get the same good evaluation later on. The things goes on like that for a pretty long

time. As known by anyone, integrity for businessman like what beauty for Venus, these companies has stopped as nothing to get the nice integrity evaluation. To some extent, the realistic of online transactions has brought the great credit pressure for electronic commerce. The key point is that, as the mainly problem of the riot product of Alibaba, they still cannot to provide a useful and feasible method to deal with this, the fact is that, the integrity dilemma has made the users' information, especially the integrity ratio of company, hard and hard to believe. (cxt.1688, 2013)

It is really an urgent thing for Alibaba to expand the integrity supervision and ban completely stop this sort of mutual-favorable-comment behavior between registered members. That might be help if the company can only give the service and product service for the firms they had trade before, and none of them could give the 5 stars evaluation for other company, which means completely perfect, without ample reasons, at least 200 words. (Kalakota and Robinson, 2001)

### **3. Offering the humanization and individuation service to customers**

Before join the family of Alibaba, enterprises need to pay 2300 Yuan, around 300€, to buy the Integrity Express product. Once they enter Alibaba online commerce platform, the fact is that they have to face other 4.8 million companies which are totally similar with them, same page, same products and no characteristics at all. All of the companies decorate their pages provided by Alibaba then show the products to customers, some companies complaint that the challenge and competition they meet even keener than the real markets, which lost their original intention. (cxt.1688, 2013)

According to this problem and the intense marketing desire of enterprises, Alibaba also pushed another charge service named Key Word Searching to make the customers find the target providers faster. Till now, the contradiction between Alibaba and enterprises appears obviously, companies really don't understand why they need to buy another charged service after paid the high

member's fee, while it is almost of less possibilities for them to stand out from other providers without the Key Word Searching. The extra service has become the not small burden for these emerging companies, after the online platform operation cost increased, no one knows that what they may get in this complex and competitive market. (cxt.1688, 2013)

Like what has been discussed before, Alibaba need to provide some different service according different domain of industry. As for the page decoration, it may help a lot if Alibaba provides many diverse models for companies, they can all ornament the pages in the way they like and show the information they consider important. These humanization and individual service make the providers who have really nice originality and high quality products stand out from the normal one. Then is the sorting problem, in the largest class, companies would be better if they can be classified by different industry and sub branches in order to that the target industry companies can be found by customers quickly. About the same industry classification, companies can be sorted by the sales and city. (MBAlib, 2014)

Some customers need to cooperate with the providers with nice goodwill and high quality products, the product plays a crucial role in this transaction, so sales sort might be regard as a convictive way, it will also lead to a good competition among same industry competitors, the only way they can be sorted on the front is increase their sale volume and do the business integrity. As for the city sort way, some service providers, for example, door-open service and pipes-fix service, it will be very convenience if customers can find these providers in their city. Supposing that, if you are locked out of home and you want to call for a door-open service company, is that any meaning of you if this company located in the city 500 miles away from your home? (Kalakota and Robinson, 2001)

#### **4. Utilizing the network resource in a more effective way**

The value of B2B commerce website, in essence, comes from the network marketing resource which can be utilize effectively, including customers resource, business information resource and website page views. There is no

doubt that the website page views of Alibaba is pretty high and they also own the abundant supply-demand information, according to the business they made. But the lack of information utilizing capability directly leads to the value of electronic commerce platform decreased badly. (MBAlib, 2014)

This outcome also restrict the development of Alibaba. One of the typical case is that, the business information which issued by enterprise is hard to be noticed by customers, make the meaning of information publishing shrink to zero. On the other hand, as a B2B platform website, they ignore the self-business marketing when they try to marketing the business of their customers, Alibaba cannot provides the service what others cannot give. What leads to the occurrence of this phenomenon—the non-deep understanding of B2B website operation ideology. For solving this problem, that will better if Alibaba can deeper the corporation with other EC B2B or B2C trade website, like Jin-Dong, eBay and Global resource, try to share more business information and think about how to provide more valuable information to their customer. (MBAlib, 2014)

Generally speaking, Alibaba need to change their mind that do not only be platform passively for everyone to publish and receive information. They need to know how to make these information play a more important role in the competition. As for self-advertising, it may help a lot if Alibaba can pay more attention to make knowledge of themselves not only on Alibaba, but also on other mainstream media, increase exposure rate and attend more large-scale activity, all of these will attract the public's eyes on this emerging but ever-growing fast domain and notice how great amount of information and customers they have, how nice does the service they can provide. (MBAlib, 2014)

## 5 CONCLUSION

With the improvement of network technology, electronic commerce gradually become popular in China, while it is also the field with both challenges and opportunities. The challenges do not only come from traditional customers, and the impact between planned economy system and market economy system, but also come from the dependence of the available security technology. Alibaba Group has become the leader of global e-commerce market after its 16 years development. Since its establishment in the year of 1999, till now, Alibaba has own 7 sub companies in different fields. (Baidu. Baike. a, 2014)

This article has discussed the introduction, development status and problems of this example company, then try to provide some small proposals for Alibaba Group. The biggest advantage and resource is their larger amount of registered members and personal members, while later on, with the growth of other B2B websites, this advantages might be shrink because Alibaba cannot expand their market infinitely. (Baidu. Baike. a, 2014)

So the key point of competition in the future should focus on information and service they provide to customers. Using the B2B business to be the breakthrough point, then establish the electronic commerce ecosphere by integrating B2B, B2C, software service, online payment, research engineer and network advertisement, Alibaba is going to accomplish their improvement strategy step by step. Among the electronic commerce ecosphere, affect and support mutually to realize the industry chain corporation by the utilization of information resource will be significant work later on. (Dibb, S. & Simkin, L. 2001)

China has a great deal of users of electronic commerce, so mobile electronic business will have the huge development potential here. Owing to the objective constrains in user's consumption habits, 3G Internet access charges, mobile payment security, the remote e-commerce market is still in the training and developing stage at present. While, as the development of traditional

commerce, electronic commerce will be the effective implemented as the commerce channel and provide more convenient service to the users from all over the world. (Dibb, S. & Simkin, L. 2001)

It takes researcher around two months to finish the thesis report. Before writing this article, researcher made the idea of thesis in last summer and try to learn some expertise from library. To be frank, that is not easy for a beginner to study these professional knowledge so the thesis process went slowly at first. Researcher has to collect the theory information from different books and websites and then try hard to explain them in the own way. As for the validity of this thesis report, the writer has confirmed the most of the information's reliability on related book and websites.

Then with the help of thesis's supervisor and other thesis writers, things became much better now. Thanks for all the efforts and helps from everyone who has gave the researcher their precious help. Researcher has made many mistakes before, like the chaos of reference and the misunderstanding of others. While every cloud has a silver lining. Researcher also learn a lot from this thesis, for example, persistence and self-studying ability.

The target of the thesis is Alibaba Corporation. The advantages and disadvantages in Alibaba's business operation process have been summarized. Then researcher try to find out their problems according to their current operation status then give them several small proposals. It is hope that this small advices can be useful in the future for Alibaba.

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