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The shallows: Development of Alibaba in Chinese domestic logistics system

A Case Study Based Analysis

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Tutkimuksen tarkoitus on kriittisesti analysoida Alibaban vaikutusta 3PL service provider:na kiinalaisten yritysten tarpeisiin ja kotimaiseen logistiikkaan. Tutkimuksen kohteena on Alibaba. Tämän tutkimuksen kohteena on Alibaba.

Useita tutkimusmenetelmiä on on hyödynnetty. Tutkimuksessa yhdityvät ensisijainen tieto (primary data) ja toissijainen tieto (secondary data). Ensisijainen tieto kerättiin kuluttajakyselyllä, jossa kuluttajilta kysytiin kuinka tehoskas on Alibaban ja sen kuluttajien välinen kanssakäyminen. Toissijainen tieto sen sijaan saatiin analysoimalla yritystä käytävällä SWOT-analyysia.

Analyysin tulokset viittaavat siihen, että Alibaban tulevaisuus 3PL service provider:na on valoisa kiinalaisille yrityksille. Alibaban logistiikka ja järjestelmä tarjoaa erilaisia logistisia vaihtoehtoja eri asiakkaille esimerkkinä Alimama, Alipay, Alibaba.com ja monia muita vastaavia. Yrityksen aikainen verkkovähittäiskaupan perustaminen antoi sillalle varman pohjan ja jalansijan alalla. Kerätyn ensijaisen tiedon mukaan Alibaballa on hyvä äsuhde niin sen asiakkaisiin kuin kuluttajiinkin. Nämä avahvuksia hyödyntäen Alibaba voi estää mahdollisia uhkia ja heikkouksia, jotka se saattaa kohdata.

Yhteenvetona 3PL service provider:t ovat vähittäjät, jotka voidaan korvata sellaisilla yrityksillä, jotka voivat itsenäisesti hoitaa logistiikkansa. Mutta Alibaba ei kuitenkaan ole pelkkä B2B yritys, se tarjoaa myös B2C palveluita ja mahdollistaa sen asiakkaille mahdollisuuden muun muassa arvostella tuotteita ja jakaa mielipiedettä ääniin äkoskien. Alibaban vahvuudet ja mahdollisuudet, jotka ilmenevät SWOT-analyysissä, yrityksen olisi hyvä hyödyntää, jotta se voisi olla entistä vakaampi tulevaisuudessa.

Avainsanat : Alibaba ryhmä, Kolmannen osapuolen logistiikka, B2B, B2C

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ABSTRACT

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The aim of the research is to critically analyse the influence of Alibaba as 3PL service providers for Chinese businesses needs and Domestic Logistics. Alibaba is the case study selected for discussion here.

Mixed research methods are used, the research is a mix of both primary data and secondary data. A primary data collection method has been used where consumers were queried on how efficient their interaction with Alibaba services has been. Secondary research collected on Alibaba has been analysed with the help of a SWOT framework.

The results of the analysis indicate that Alibaba does have a good future as a 3PL service provider for Chinese business needs. Alibaba has a much modulated structure where it provides different logistics to different clients, such as Alimama, Alipay, Alibaba.com and more. Its early inception when the online retail momentum was still in the making has given it a set of loyal clients. The primary research also indicates that Alibaba has a good exposure in the end clients-the customers of the business to which Alibaba provides the service logistics. These strengths of Alibaba are recommended to be used to circumvent the threats and weaknesses identified.

As a conclusion, 3PL service providers are intermediaries providing a service that could either be substituted with another 3PL service provider or could be abandoned altogether by a company that decides to carry on business logistics on its own. However Alibaba is not just a B2B company, it also provides B2C services in the way it allows the customers forums to discuss a product, view it and more. In addition there are other strengths and opportunities of Alibaba such as identified in the SWOT which it should make use of in order to become more sustainable in the future.

Key words: Alibaba Group, Third-party Logistics, B2B, B2C

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Chapter 1: Introduction

In this chapter the significance of the business logistics system analysis will be discussed. Business Logistics is the backbone of any business operation. Understanding logistics can help in tweaking for efficiency and increasing productivity for the company. The necessity of understanding local logistics will help in the context of international competition (IBIS, 2015). Companies like Alibaba are successful because they understand the opportunities in the Chinese domestic logistics system, so discussing how they influence and take advantage of opportunities will be useful for other companies-local and international.

1.1. Research Background

The Alibaba Group is a leading business services provider on the internet worldwide (Wolf, 2010). The Headquarters of Alibaba are in Hangzhou. A wide range of services are provided by this company ranging from consumer e-commerce services to online payment services, cloud computing and other business market services online. The Alibaba Group holds many famous subsidiaries such as that of Alibaba.com, Taobao, Yahoo! China, Alipay, Alisoft and Alimama. Each of these services provisions are seen to be much useful for other businesses that are both local and international and that prefer sourcing from China. The reasoning behind such preferences is that the businesses need to understand the logistics and the way they work in a country. These are extra tasks especially for an international business and that which would actually take time away from the core activities of the businesses (IBIS, 2015). Logistics are viewed in research as the activities that most affect the business expansions either locally or internationally as the businesses are often not able to meet the demands. Here the use of a third party logistics system is advocated for as being a good choice.

Research studies also proves that there has been an increase in the third party logistics (3PL) service providers. The International 2012 Third Party Logistics Study for the year 2012 indicates that around two-third of the international distributors aim to use 3PL services. They want to make use of outsourcing to control costs and the 3PL logistics and service provisions are working to their

advantage. So 3PL providers are seen to have good business opportunities. However research studies on 3PL providers are also replete with the competition that is generated. Any business opportunity is also accompanied by similar service providers. Hence even 3PL providers like the Alibaba group have to strategize in order to present a good competitive standpoint to its competitors. The differential advantage that Alibaba Group and other service providers can attempt to bring in so as to attract and retain customers are costs/ price cuts for the customers. The second advantage that they can bring to the business customers that they work with are by bringing uniqueness in their service. These are the competitive advantages that Porter's competitive framework advocates for and this will be applicable for 3PL service providers such as Alibaba.

The logistics process advantage that 3PL or any business providers might give in the form of costs will need to be taken into consideration from two important aspects. One is that of the cost difference that the customers' companies might get when partnering up with the 3PL service providers. This can be viewed more commonly as a normal transaction. The second cost advantage that is provided is that of the use of the product itself. This is not discussed under the costing strategy of the Porter's competitive framework. In addition to the cost advantage provided by means of the product-which here is the 3PL service provisions, the cost advantage should also be provided by companies like Alibaba, in the form of reduced operational and distributions costs. After all, the reason that a company might chose in order to cost as an aspect for making a choice on 3PL would be more than just of cost focus. Cost focus as shown below gives the company only a very narrow distinction. On the other hand if it is able to use chosen services so as to reduce its operational and distributor costs, then the company will be able to pass on the competitive advantage that it gains onto its other customers and hence increase the value system. For instance Alibaba's providing a very cost effective solution as to the distribution concerns for a business client/company. Alibaba provides the needed services for the client and also gives a quotation for the client that is more economical to the client than other 3PL service providers. Here the client will analyse whether the quotation costs are low, and will also analyze different 3PL providers on how much savings their implementations can bring

additionally. Based on these two cost parameters the client company will make a choice and this choice will also enable the client company to effectively control its own internal costs, so that it can now provide much economical products to its own clients. So the cost advantage is hence passed on. The role of 3PL becomes even more complex given this form of chain feedbacks into the system. Here to understand the efficacy of the 3PL service providers like that of Alibaba it becomes imperative that some form of a primary research has to be conducted. A primary research will indicate how aware customers are of the involvement of Alibaba as a tool to reach them online, and this awareness can be interpolated as the success of Alibaba in the Chinese domestic logistics system.



Figure 1: Porter's Competitive Advantage Framework, Source: Mind tools, 2014

The second element of competition is the differential advantage that is provided to the business client or to the end consumer. In the context of the 3PL it is necessary to understand that the differential advantage between business clients for a 3PL could be less. Most 3PL systems are seen to have a warehouse management system. Using this system they would contact with other business

clients. A normal warehouse management system will be custom made for a single company. So the details that are more advantageous for the company, customization and more are possible. However, in the case of a WMS for a 3PL, the WMS will actually support many companies. So in this context research indicates that that WMS would not be that customized. The WMS customization at an abstract level might not affect the customers of the business that recruits the services of Alibaba. This is because customers have some basic set of packaging and invoicing requirements, and this might not change. However even here, there can be research evidence provided on how some customers might have very specific requirements when it comes to invoicing services. Here then the issue of how efficient the 3PL system is needs to be analysed. So although a difference based advantage in service is not rendered, it is necessary that the service caters to the full needs of the businesses and their end customers.

1.2. Aim and Objectives

Aim: The aim of the research is to critically analyse the influence of Alibaba as 3PL service provider for Chinese businesses and domestic logistics needs.

The key objectives of the research are:

- to analyse and present the opportunities and threats for Chinese 3PL service providers in the contemporary market
- to analyse and present the strengths and weaknesses of Alibaba towards meeting the above classified opportunities and threats
- to present a consumer opinion on how efficiently Alibaba manages to deliver services to them
- to recommend improvement for the efficiency and sustainability of Alibaba as a 3PL in the context of growing changes in the demands of Chinese business with respect to logistics services.

1.3. Structure

The research is divided into three main chapters. Next chapter presents a brief discussion on the 3PL system. It presents how the 3PL system works and how it

adds to the strengths of businesses in general. This chapter also includes a case study of the Alibaba's 3PL system. The third chapter presents a comprehensive SWOT of Alibaba's 3PL system and is hence a continuation of the Case Study from the previous chapter. The fourth chapter is a brief presentation on the research methods used in the research. The fifth chapter is a critical discussion using primary research data and the elements of the case study and SWOT analysis. The conclusion section presents the final summary of the critical analysis and makes recommendations based on the substantiated aim and objectives of the research.

Chapter 2: 3PL

2.1. Definition of 3PL

A 3PL system is a short form of third-party logistics system. This could be a system which is created for a set of businesses as an integrated service provider but which is outside the realm of the business setup (Rouse, 2015). It was initially a reference to the IT and software related services that will be provided for a business, some claim that the 3PL was basically a short form derived from military aspects.

Usually the 3PL service is not a single service. It is be a bundle of services that is useful for mapping entire supply chain. Businesses might prefer the bundle of services over others given that it is both cost efficient for them and they can also delegate all their business services and focus on their products.

2.2. Case Study: Alibaba 3PL System

2.2.1. Introduction

The Alibaba Group was launched in the year 1999 by 18 people (Alibaba Group, 2015b). The leadership for the Group establishment was Jack Ma, from the Hangzhou province of China. The core mission of the Alibaba group was to bring renovation in the online and mobile commerce in the Chinese Market. The renovation that Alibaba attempted to bring was in the underlying logistics that small and medium scale local businesses needed to propagate their business.

2.2.2. Demand for an Efficient Logistics System-The beginning of Alibaba 3PL

The Chinese domestic e-commerce boomed in the mid 2000's. Small and medium sized local companies in the market were facing stiff competition towards trading their products online because of the aggressive and smart marketing tactics that were used by big players (Lee, 2014). Offline retail trade was lagging, while online retailers who were able to efficiently market their products started facing much competition from international retailers. It was in this context that there was

a need for an E-commerce services system in China that could handle all the underlying businesses logistics and leave companies more freedom towards making and marketing their products. Alibaba was formed because there was a rising demand for an efficient logistics system (Millward, 2013). Online retailers needed Business to consumer services and so did traditional offline retailers. Offline retailers furthermore trying to enter online retail and here some of the more small and medium scale retailers needed help with the logistics. In the marketplace, businesses also collaborated with one another, and hence there were business to business services and consumer to consumer service needs.



Figure 2: Online to Offline Logistics, Source: Read Write, 2010

In 2003, the beginning for a third party logistics providers successful entry into the Chinese market was established with Alipay. Alipay services fell under the business to consumer services. It was a service that an online retailer would be able to provide to their client so that their clients could pay for the products. With the Chinese internet industry's growth it was necessary that the consumers pay services become as flexible as most of the existing 3PL service providers like that of PayPal (Lee, 2014). This formed the opportunity for Alipay. This was in essence Alibaba's version of PayPal. It provided secure online payment services.

2.2.3. 3PL System Modules of Alibaba

The service provisions of Alibaba are based on multiple needs for the companies. It helps the small enterprises to present their products competitively. It also helps the Chinese manufacturers and exporters to present their business in international economies. The 3PL services that are provided include the following:

- Retail online marketplace services enabling consumers to view the product to the final placement of delivery. Services here include inventory management updates to show the product is available with a certain business, the real time price updates and the needed secure payment services.
- Provides advertising and marketing services for Internet-based businesses. Some of its websites helps increase awareness of product offerings of businesses.
- It offers electronic payment services, and online virtual cash services
- It offers end to end network services and also cloud-based computing services.
- Alibaba Group has tied up with some of the most prominent mobile service providers in the market and hence works to provide mobile solutions for businesses.

Alibaba.com



Alibaba.com was one of the first 3PL modules which were launched by Alibaba with the purpose of increasing global and local trade. This logistics platform basically integrated with global and local buyers and suppliers (Alibaba Group, 2015a). Small businesses or raw material suppliers could directly interact with both businesses and consumer direct with the help of Alibaba. Alibaba in serving as the connection logistics for suppliers, manufacturers and distributors was able to simplify businesses. The sellers and the manufacturers were mainly nations like China, India, Pakistan and the United States. Buyers were from these countries and more.

Taobao Marketplace

The Taobao marketplace is one such 3PL service provisions for businesses as offered by Alibaba Group. As of 2013, since its inception in 2003, the Taobao has been one of the highest valued online shopping destinations for businesses (Alibaba Group, 2015a). The service that is offered here is both business to business and business to consumer service. The B2B service works allowing businesses to interact with Taobao and post their business products, product information and pricing online, the virtual space of Taobao is such that consumers interact with the site and place their orders online-this is B2C service. Two 3PL advantages are offered here.

- The customer has an advantage in that they can shop from a wide range of businesses and will be able to compare across different products from both local and international retailers that work with Taobao, so they get a better cost advantage. Secondly shoppers have the multiple advantages that come with shopping in an online retail space; Taobao also provides mobile services adding to the customer convenience even more. These are the advantages in the B2C segment.
- In the context of the B2B segment, there are advantages in that the small scale businesses would not have to invest in the logistics end, and hence would save much operational costs. They can let some of their logistics or all of it to be handled by Alibaba. In addition they also get better marketing exposure, consumer awareness and more. The mobile Taobao App that was set to launch in 2012 further increased the awareness that was created for with the retail logistics set up of Alibaba.

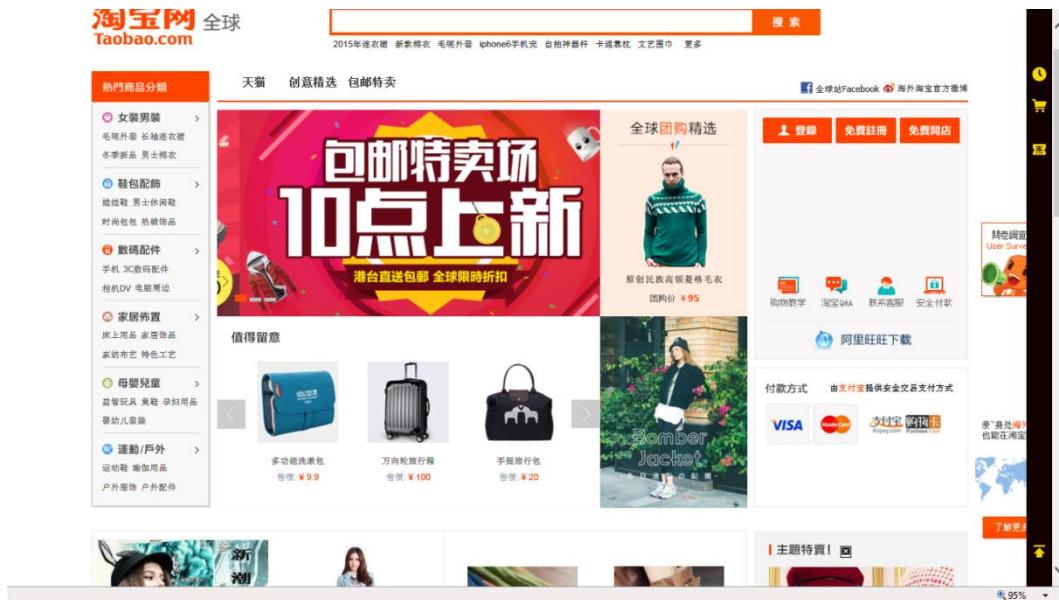


Figure 3: Taobao Webpage, Source:
http://www.taobao.com/market/global/index_new.php

AliExpress



In a global consumer marketplace, it is vital that businesses be able to interact directly with the international consumer. Interacting with international consumers usually requires logistics set up involving awareness of regulations and initial investments. On the other hand when partnering up with one company that is already pioneering in international logistics and partnerships, it becomes economical for the business. AliExpress is one such global retail marketplace service provision. It was launched in 2010, with its site address as www.aliexpress.com (Alibaba Group, 2015a). Most of the consumers for AliExpress are from Russia, Brazil and the United States. Consumers from all over the world are hence able to interact with wholesale retailers and manufacturers in China with the services of AliExpress.

Alimama



Alimama is an online marketing technology platform and a subsidiary of the Alibaba Group. Alimama was launched much later in the year 2007. It offers online marketing

services for the businesses that are registered with the Alibaba Group's marketing places such as Taobao or Alibaba.com. These businesses are small scale businesses that will have to expend both for traditional and non-traditional marketing practices. With Alimama, they can choose the type of marketing that they would want to be applied to their product (Alibaba Group, 2015a). In addition Alimama also works with 3PL applications on mobile phones and devices, the business can take advantage of these services also. Alimama also through Taobao Affiliate Network provides sellers services in affiliate marketing ventures.

China Smart Logistics



The China Smart Logistics of Alibaba.com is also called the Zhejiang Cainiao Supply Chain Management Co., Ltd. (Alibaba Group, 2015a). It is mainly created for the supply chain management and logistics services for the mobile commerce and the e-commerce sector. The advantage of the Cainiao is that it provides real time access connections between the supplier and the buyers. This service delivery reduces hassles for the customer and hence improves brand management. This is again an affiliate of the Alibaba Group.

Chapter 3: SWOT Analysis

3.1. Introduction

A SWOT analysis is conducted on the 3PL company-Alibaba. The main purpose of the SWOT is that it helps in presenting a detailed strategic analysis of the group with respect to its 3PL service provisions. The opportunities for the company are identified and based on its strengths the company can use as the opportunities. Similarly the weakness and threats are also identified for the company and more awareness of this will help Alibaba strategize for the future. The SWOT analysis is a comprehensive strategic analysis tool, however unlike other tools it might not consider the full range of elements in the external environment that could affect the business, and this could be a disadvantage of the SWOT.

3.2. Strengths

3.2.1. Comprehensive Set of 3PL Services:

The strength of the Alibaba Group is that it provides a very comprehensive set of services when compared to other local competitors. It offers services for both the local and the international consumers. Most of the service providers in China are focused only on local service provisions and hence would not have sufficient exposure to world standards (*Alibaba Group*, 2015). The comprehensive suite of services that Alibaba provides is all up to world standards.

3.2.2. Tapped Into Unique Customer Base:

The strength of the company is that it was founded and has been in existence for quite some time. Alibaba group is a successful B2B ecommerce company that was founded in 1999 and most of its core 3PL services were launched by 2003, this means that the company was able to offer 3PL services to most of the businesses thus gaining their loyalty.

3.2.3. Loyalty and Consumer Base:

This business has over 40 million customers with 5 million virtual storefronts (Euromonitor International, 2014). The site encompasses a wide array of merchandise. It has been able to garner a good brand image. There is a belief that exists among the people that Alibaba is a good brand. This is an intrinsic value that has raised the value of the company in the minds of the investors. In addition the company also focuses on continuous improvement that will be able to get more niche consumer segments in the future.

3.2.4. Networks and Human Resources:

They have skilled manpower that sets them apart from their competitors. They also use the latest technology, which makes them more efficient than other similar sites. They have a good security protocol that ensures the safety of the customer's information in the Internet. They have been effectively able to connect retailers and suppliers in many countries around the world. This company has their sites in Britain, China and Japan. Since their site operates in three countries they have the English, Chinese and the Japanese version. They have their sites defined in three different styles. This makes their customers develop a sense of ease while operating their sites. The sheer magnitude in which the do the business is really high and they have managed to become a global brand catering to many businesses (Yang, & Li, 2008). Since their merchandise is not concentrated in one arena they have been able to encompass a larger customer base. Based on all these factors the company has a huge potential for further growth. Their efficient internal management system has been the root cause for all this development.

3.3. Weaknesses

3.3.1. Intermediary:

Alibaba has a huge potential for growth however some factors seem to hinder their progress they are the following. This company serves as an intermediary company between many businesses. The very aspect of it being a third party logistics provider is by itself a weakness. The businesses can easily replace them

with cheaper substitutes. This also encourages a lot of new competition. This could ruin their sustenance in the future.

3.3.2. Charges:

This site charges a membership fee which initially was a free service. They were free because they wanted to penetrate into the markets. The act of charging a once free service can put off the businesses. This can make them less attractive to the potential consumers. The existing business will also lose interest in having transactions with the company. This will lead to a decline of profits. Alibaba must be able to balance between the service packages in 3PL that it offers for a price and the marketing amenities and site charges that it presents. Here Alibaba could either reduce for the customers or allow for free based on the 3PL packages they sign up for.

3.3.3. Information Transparency:

Another factor that has been troubling the company is that the company does not provide enough information about their merchandise. The people who are about to buy a product must know their exact value and scope. The consumer must be provided more information according to marketing analysts. This would aid the consumers in making an informed choice of the merchandise. Since they deliver a wide array of merchandise there is no streamlined approach (Euromonitor International, 2014). There should be a more robust business process in the company. This streamlined systematic approach will make them more competitive. The company should invest more resources and time into creating a business platform that is more streamlined, focused and also is more transparent when it comes to sharing information. Several experts have pointed this out as a major weakness of the company.

3.4. Opportunities

3.4.1. Globalization and the Demand for Services:

Globalization has been a boon for this company. They have been able to reach wider markets owing to the advent of globalization. The development of e-commerce trade around the world will be an ideal factor for the growth of the company. Many countries are investing more and more in online transactions. A company like Alibaba that is already established will seem to be a very attractive company in the eyes of the businesses. If the company utilizes this intrinsic factor they can expect huge growth and capture larger markets around the world. They should focus more in the up and coming economies of Russia, India, Brazil, Vietnam, and south East Asian countries. In these countries the livelihood and the buying power of the people has increased dramatically. If this company invests in these unchartered territories they can increase their profit margins and have significant growth. The government of China has also been keenly interested in bringing in more business to the country.

3.4.2. Favourable Government Rules and Regulations:

The government of China has been revising their business rules and enforcing more streamlined process in order for easier business to happen in the country. This will prove to be very useful to the company. Alibaba is already an established brand if the Chinese government would help them they would garner a more prominent place.

3.4.3. Economical Partnerships:

The financial crisis that has been happening in the US and the European countries has actually been a factor for the growth of this Chinese company. The attractive factor of Alibaba is the low cost transactions (Qing, & Xue, 2009) that they are able to provide in times of financial crisis this will prove to be very beneficial to the companies hence they would prefer to invest in the online site. Businesses that are attempting to work with Chinese businesses or enter the Chinese market will need the help of 3PL services that help them control costs and all. Alibaba is

actually a good economical partner here that will help them in managing their costs. The use of the Alibaba market place tools could actually give them more exposure to the existing market segment of consumers that shop online. The new business will not need to find and manage the consumer segments and hence will be able to directly launch product to the required target consumer.

3.5. Threats

The company has an effective B2B model that has enabled its growth. However in the current modernized world if they do not adapt and change their business model they will be phased out by the competition. Globalization is actually a double-edged sword for this company. Globalization is a great opportunity and at the same a great threat to this company. There is a new breed of competition that emerges at a rapid rate unless they reinvent and change according to the needs of the consumers this company will not sustain. Since this company is an intermediary business it can be easily replaced as once business use Alibaba services to first reach the consumer segment, then they can go on to having dedicated services (Zhao, 2009). Then they will not longer need a third party logistics provider. The company should make changes internally and have a strong internal management in order to sustain in the globalized world. The global financial crisis can also make this company weak. This financial crisis has aided in the growth of the company in the past however they need to be aware of the potential risks involved when a financial crisis is happening in a country. They should have contingency plan in case of such a crisis. The company needs to make changes in their site and make them more informative and robust. Since they cater a wide array of merchandise they should adopt a streamlined methodology. This process is immediately needed if they want to thrive in the future. Also by becoming a global brand they need to plan according to the individual social and political ideologies of each country.

3.6. Summary of SWOT of Alibaba

The SWOT of Alibaba reveals that there are many opportunities for the company in the growing advent of global businesses entering the Chinese Market place. Alibaba could help these businesses bring down their costs in operation, however in the long run the businesses can easily substitute the service of Alibaba with their own dedicated services. They may no longer require 3PL if they have their own infrastructure launched. For a more sustainable 3PL business, Alibaba hence will have to diversify more. It might have to break down each of its current modules such as Alimama, Alibaba.com etc. to even more custom structures which will aid the businesses and might negate the need for business to form their own logistics and service infrastructure. Alibaba has strengths that are derived from the loyal client base that it has gathered over the years. Furthermore the company also has much client exposure. The company should use these strengths in order to build its future.

Chapter 4: Study Method

A mixed research method is used here. The mixed research method is necessary as the subject of investigation is a very comprehensive and hence the mixed research can help bring in a thorough investigation of the topic. Mixed research employs both primary data collection methods and secondary data collection.

4.1. Primary Research Technique

The Primary research technique that is employed here is the collection of data from the users of the Alibaba Group's different products. The primary research group was selected by means of random selection. No specific age restriction was laid on the group, nor were there any other restrictions placed, except for that the selected participant should have used some of the services of the Alibaba 3PL provisions. The primary research approach that was adopted was that of the survey questionnaire method. The survey questionnaire method has been adopted as this is a very convenient method when collecting data from huge sets of participants. The method is also very convenient for the participants in that they will be able to answer without many complications. The survey method is also the least extracting of the participants times.

The use of the primary data collection method has many advantages. The data that is collected is more current than that of data that can be observed in secondary research (Yin, 2014). Data on the 3PL market within China is changing based on demands, hence having a more current insight on consumer perceptions will be helpful to understand the validity of the SWOT conclusions that were presented in the earlier chapter. Primary data collection will also avoid research bias and hence will be more objective.

The questionnaire that is being used will gather some demographic details so as to be sustenance for future research. The gender, the age and the income per month of the participant is collected. The ways they know about online shopping as in the times they might do online shopping is collected. The frequency of online shopping and their use of Alibaba are queried for. Similarly the online searching

platform they use, the merchandise that they buy, their preferred time for delivery and more is calculated and is collected as primary data.

4.2. Secondary Research Approach

The secondary research approach that has been used here is that of a Case Study and a SWOT analysis technique applied on the case study. Data collected for building the case study and then the SWOT analysis will be of two different types. The first type of data is that of the 3PL services in general, the opportunities and threats that exist for a business in the Chinese market and the second set of data is more specifically about Alibaba group and the strengths of the company that will help them make use of the opportunities and circumvent the threats.

The Case Study method is a useful method to understand multiple data sourcing on a subject (Kothari, 2004). Here the subject under investigation is that of the 3PL system of Alibaba and the future of such a system, the way it is received by people and hence is useful for businesses is the core investigation. The use of a case study system will be helpful for studying this as a phenomenon with multiple variables. Furthermore the use of the SWOT on the case study will help in drawing out the specific strengths and opportunities for the company. The strengths of Alibaba Group can be recommended as some areas of development that all 3PL service providers should need to concentrate on in future. Similarly the opportunities, weaknesses and threats would be helpful to present some of the contemporary issues for 3PL companies in the Chinese Market.

4.3. Limitations

Some of the research limitations are that the primary research was not comprehensive. The primary research only utilized consumer opinions; the opinions of the different people at different logistics levels would have provided a much broader view. However, given the time for the research, and its scope, the research limits itself to only end client-consumer opinions. The restrictions imposed on the scope of the primary research is more than rectified by the use of adequate secondary research on 3PL and Alibaba's 3PL systems.

Chapter 5: Discussions

5.1. Data Collection

These data are based on the questionnaire that were sending and finished in China. The number of participants that answered the questionnaire was around 200 people. The people selected were Chinese, this was not a choice per se, and it was done because of convenience. There are about 139 female and 61 male participants; of this the age groups are divided as around 22% of the participants are between the age group of 16-20. Around 30 percent of the age group is above 30 and the majority of more than 48% are between the age group of 21-30. Their income levels are also divided and it is seen that more than 70 percent earn in the range of 3,001-4,000 RMB, 29% earn in the range of 4,001-5,000 RMB and only about 1% earns lesser than 2,000 RMB

Almost all the consumers stated that they do online shopping and that they know much about online shopping. In this around 4% stated that they do online shopping more than or equal to 6 times a week and the rest of them stated that they do online shopping at least 2-3times a week. Almost 80% buy clothes and food online and in terms of delivery time 20 percent state that non-perishables are delivered in 1 to 3 days, 44 percent stated that these take an approximate time of 4-7days and around 36% state that the delivery takes something more than a week (Julia, n.d.). Here however the product procurement considerations have to be given leeway. Yet the consumer opinion at this point seems to suggest that there is scope for improvement of Alibaba. Alibaba should improve the logistics, due to the amount of logistics companies that work under the Alibaba platform, and the quality of different companies is different. 90% feel satisfied with the goods online, 6% feel that they are just passable and about 4% feel that something has to be done to improve Alibaba. 76% of them are preferred online shopping and the rest are seen to prefer real stores.

5.2. Data Analysis

5.2.1. Demographic Data:

Previous researches on the topic of the relation of age to online shopping reveals that it is the Generation Y and Z that will be more tech savvy and hence will be using online shopping more than others (Lester, et al., 2006). In this context of the user of Alibaba, a similar trend is proved. The users of Alibaba and the related the 3PL solutions that the sites offer are hence being used more by the Generation Y and Z consumers. This is both an opportunity and a threat for a 3PL service provider such as Alibaba and the company that collaborates with Alibaba. The opportunities that are unravelled are that Alibaba can provide more tech savvy solutions to attract certain segments of customers. This will be good for the business. However, there is also a threat introduced in that customers who are not tech savvy might opt to do their purchases in offline stores, or might use online retail channels that do not have much complex technicality. This research is limited in scope, as it has not attempted to find whether the different consumer segments might have different levels of Appreciation for the 3PL service that service providers such as Alibaba provide for end customers. This is recommended for future research.

The second demographic data that would be taken into consideration is that of the income levels, it is seen that of the consumers surveyed more than 70 percent earn in the range of 3,001-4,000 RMB which puts them in a very comfortable range in terms of spending on the business sites for which Alibaba provides 3PL services., 29% earn in the range of 4,001-5,000 RMB and only about 1% earns less than 2,000 RMB. This shows that the opportunity for Alibaba to develop its sites so as to help build them better for consumers would actually be a good investment. 3PL companies often have to worry about how they could improve investments for their companies, because the service logistics that they provide is wholly dependent on other companies. So in this context they have to analyse their investments and make appropriate choices. Here they will be helped by researching data on spending capability of the consumers by mapping consumer purchase price, product and others.

5.2.2. Consumer Purchase Behaviour:

All the consumers stated that they do online shopping and that they know much about online shopping which is a good thing for 3PL companies like Alibaba, which means their services will have a better demand and will also ensure that their business is very sustainable. However, even in this context Alibaba will have to ensure to improve its performance logistics. In international grounds especially Alibaba might have to face strong competition, because of the growing demand for retail services. This is also seen in the survey where the 98 percent people state that they do online shopping at-least 2-3 times in a week and this percentage is further increased by the 2 percent that state they shop more than 6 times a week.

The products that are brought online are both perishables and non-perishables. Research suggests that the perishables online retail is sometimes lagging because perishables need more timely delivery, these are challenges to logistics. Alibaba does not seem to have any segment that specifically addresses retail logistics for perishables, however with almost 80 percent buying both perishables and non-perishables Alibaba will have to work to introduce a more custom layer work for the perishables. Even with the non-perishables it is seen that around an approximate time of 4-7 days is taken. This would seem to be less timely for consumers. Most competitors also provide the same time for the delivery services as China has a very competitive market with respect to logistics services (Lihua, et al., 2009); however these are operational logistics that would have to be handled. At present there is not much data on how these operational logistics would tie up with the service provisions of Alibaba. However, faster paced services might be required. Furthermore the consumer opinion at this point seems to suggest that there is not much improvement elements identified for Alibaba. This however could not be interpreted as such. Customers might not be aware of the needed logistics and all; it is the business clients that Alibaba works with who will be aware of the needed improvements.

Almost 90% of the customers state that they are satisfied with the online shopping experience that is provided by Alibaba and only a small percentage seems to indicate that Alibaba would require more improvement. This again cannot be

taken to mean that Alibaba is perfect and might not require improvements. Alibaba being a 3PL company shares its name and reputation with the brands that it works with in the form of a business partnership. Alibaba as such does not produce a product and sell it to the customer; it only works as a 3PL logistics provider. In such a case it is necessary for Alibaba to work on improvement strategies constantly so that it does not get substituted with another 3PL service logistics business.

There are numerous advantages of having third party online vendors. All these are opportunities for Alibaba. Some of the most notable features can be explained as follows: The third party vendors primarily are easy to access; they can be easy to implement. They can integrate into any existing business process model. They aid in making the process modernized and efficient. Usually the third party vendors use the latest technology and business model that is available in the markets. They study the markets for newer technology and take many efforts in integrating in their process model. The third party vendors are concentrated on developing a standardized approach for a certain task. This streamlining of tasks can make the company more efficient and valuable to the investors of the company (Julia, n.d.). By utilizing these tasks the companies can be immensely benefited. In the globalized age, third party vendor's help in making the companies thrive in the business world. They are time and cost effective. The companies need not spend time on hiring new personnel training them. By simply hiring a third party vendor the company can save time and money. The third party vendors provide a deeper insight into the market trends. They help companies in maintaining a competitive edge in the business world. The companies can focus on certain deliverables and deliver quality deliverables to the consumers. The company need not be side tracked from their core business process and tasks. There is also an element of risk sharing when the companies employing a third vendor. This can be invaluable to the companies. It can be summarized that the third party online vendors are mandatory for development in today's business world.

However there are also disadvantages of having third party vendors which are some of the threats that Alibaba has to sway from. When the company employs a

third party vendor there are some potential risks involved. The companies should be aware of these risks before proceeding further. The first and largest risk is that confidential information is given to the third party vendors. Proprietary information is the key for sustenance of any company once they share this information they become forever vulnerable (Euromonitor International, 2014). They can misuse the information for their gain. The companies must sign proper contracts and ensure that this does not happen. The third party vendors should not undermine the original business source. It has been found that the third party vendors include a lot of hidden costs. This could affect the profit margins of the company if they are not aware of these hidden costs. When third party vendors undertake some of the tasks of the company there could be a difference in the quality of the deliverables given to the customer. The companies should discuss amongst themselves and create uniformity in the deliverables. There should not be any potential quality issues. By hiring third party vendors it has been found that the original parent company starts to lose focus in many cases. The companies cannot maintain a check on the everyday activities of the project. This regular monitoring and analysis is essential to make the final product efficient. The companies loose this key advantage when they choose third party vendors. They can only see their deliverables in the end. They cannot maintain control of the actions of the third party vendors. This could create potential problems to the parent company. This will affect the company in the long run. The company should never lose focus in their key deliverable to the consumer. The employees in the parent company also feel morally down when the company hires third party vendors. Unless there are clearly mandated rules and regulations defined in the beginning there could be a lot of issues in the future when the final product is delivered to the consumer.

Chapter 6: Conclusion and Recommendations

Conclusion

From the research and analysis done it can be said conclusively said that the 3PL business has immense potential in the current times. The businesses around the world are looking to invest in 3PL ventures. The 3PL ventures are emerging ventures that are able to develop businesses and increase profit margins of the companies significantly. Alibaba has successfully created a niche for itself in the global markets by being a successful 3PL provider. They have been able to function as an efficient intermediary company between businesses. They have saved time and money for the businesses. They also have easy payment options and they price their services lower than their competitors. This has aided in the growth of the company. The financial crisis that happened in the Europe and North America has further aided in the growth of the company as the companies in North America and Europe was looking for low-cost efficient business solutions. The logistic analysis of Alibaba group has been done thoroughly in this research. The Alibaba group consists of Alibaba.com, Taobao, Yahoo! China, Alipay, Alisoft and Alimama. Each subsidiary has been able to successfully create a niche for itself in the markets. Each of these ventures has been successful in the past. It has made impressive strides and has many successful business ventures. The aim of this study has been to understand the major driving principles and the business logistics of this Alibaba group. From this research an analysis was done on how to make 3PL ventures more lucrative and how to overcome the hurdles they face while implementing the business logistics. The company Alibaba has been a successful venture a comprehensive analysis was done to understand the success factors and the threats this company faces in the markets. Alibaba group has efficiently been able to bring in latest technology in supply chain, been able to provide cost effective services to the businesses. They have been able to tie up the different businesses and have emerged as a global brand. They have easy payment options they connect the businesses around the world. Owing to their skilled manpower they have been able to deliver the deliverables effectively. They have created an intrinsic business value that will aid them to thrive in the future. This

corporation also covers a wide range of businesses. They have been able to create a place for themselves in the minds of the potential customers. In this research a survey was done in order to comprehend the views of the people. It was found from this data collected that the major percentage of the people preferred online sales. It was found that the people used the Internet to make purchases of both perishables and non-perishable items. There has been a huge demand for online retail service. This proves that the company has a huge potential for growth in the markets around the world. Their innovative marketing has also aided in their growth. They have also been able to advertise via the mobile service providers. Owing to this they have been able to penetrate in the mobile businesses as well. It was found that the weakness of the companies lies with it being an intermediary corporation. In such cases they can be replaced easily in spite of it being efficient in many cases. Since they function as an intermediary company many companies know their business processes. This makes them particularly vulnerable. Another potential weakness that could lead to downfall of the company is that they do not have a streamlined process for businesses. They cover a wide range of business but they do not have a proper logistic process. This could hinder and halt the growth of the company if it is not addressed immediately. They must constantly innovate and come up with new ideas to sustain in the global markets. The company has also started to charge their customers a membership fee. This was previously a free service. Owing to this the company stands to lose many business transactions. New customers will also hesitate to try this service.

Countries like Russia, India, Brazil, South Asian countries all have developing economies. If Alibaba is able to tap these uncharted territories they will definitely sustain in the future. Thus it can be inherently understood that the company can profit from globalization but also needs to compete with new businesses and competitors. The trends and the needs of the people are changing and the company needs to have plans to be on track with the latest innovations and technologies. They need to address some of their internal management vulnerabilities if they want to succeed in the future. The financial crisis has also been a cause for the growth of the company. However in the long run this could lead to the company losing businesses simply because of the monitory position of

the economies of the countries. Third party vendor companies like Alibaba could increase efficiency of the companies and help the parent companies to focus in key areas. This is the ultimate benefit of using a third party company. It can be summarized that Alibaba is a successful business venture and if they address their vulnerabilities they can thrive as 3PL market leaders. They also need to constantly re-invent themselves if they want to survive in the modern world.

Recommendations

A main recommendation that is made for future research is that research in this field must be mindful of how the 3PL logistics would affect usage for the consumers. End to end logistics provisions will definitely benefit a growing segment of customers but it could phase out other existing segments also. It is hence necessary for research to gauge the popularity and usage based on these elements. Also this research did not consider how different retailers may opt to use logistics services. Not all retailers or dealer operators might prefer to use a full suite of services such as which Alibaba offers. They may expect to use a reduced suite, and in such cases their preference for a 3PL provider might be based on the reduced or customized packages that are available, cost settings etc. This is yet another element that will have to be considered in research. This is also a recommendation made to the 3PL service providers. Alibaba does fairly well in this sector by managing to differentiate its products, such as providing a full range of market services using Taobao but providing other range of services with Alipay etc. However even within these particular services, service differentiation would still be expected and Alibaba, as in custom packages. There would be a certain amount of satisfaction gap in what the client believes he gets from Alibaba packages and what the client will want specifically. In incorporating these particular elements, Alibaba will be able to custom 3PL and hence would be an even more sustainable success.

Another recommendation that is made in the context of observations is that it would be necessary for Alibaba to research into its customer purchase behavior, or it could do it directly by inviting customers to participate in surveys and more. This would help Alibaba in improving its 3PL system. Alibaba's system is at

present more structured, if it were to incorporate the recommendations made above on custom services offered to its business clients, then it will be able to do it better when it knows the type of customers that are present for a business. A clothing retail business might have weekly to monthly purchases than a business that sells antique jewellery, the logistics service infrastructure that is hence created for such businesses should also be done by keeping this in mind. So Alibaba incorporating data on consumer purchases for business would be able to serve them better and hence this interaction with the consumer is recommended. Also the data gathered indicates that all the current consumers do online shopping and are very much aware of it. This form of awareness and demand would mean that people would start to expect more from the business, and hence Alibaba must ensure that its business is constantly improving.

APPENDIX 1.

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APPENDIX 2.

Layout of the questionnaire



Questionnaire About Online shopping.

Thank you for attend this research, please fill the following questions below if possible.

*必填

Gender? *

- Male
- Female

Age? *

- <15
- 16-20
- 21-30
- >30

Income per month?

- <2000
- 2001-3000
- 3001-4000
- 4001-5000
- >5001

How do you know about online shopping? *

- I do not heard about it, and i never do online shopping
- I know about it, but i never do online shopping
- I know how to deal with it, and sometimes I do online shopping
- I know it very much, and i do online shopping very often

How often do you purchase online? *

- less than once a week
- once a week
- 2-3 times a week
- 4-5 times a week
- >6 times a week

Do you know about Alibaba? *

- No, I use other online searching engines.
- Yes, I use it to buy goods

Which online searching platform do you use under Alibaba? *

- Tmall
- YITao
- Taobao

Which merchandises you have ever bought are from online shop? *

- Clothes, trousers, shoes, etc.
- Living goods
- Foods and snacks
- Electronics
- Furniture
- Luxury
- Books
- Medicine
- Others

How long time do you accept as delivery? *

- 1-3 days
- 4-7 days
- more than one week
- more than three week
- more than one month

The reason why you chose to shop online? *

- Cheap price
- Acceptable quality
- Considerable delivery time
- Comparable merchandise
- Diversity goods

Do you feel satisfied with the things you have bought online? *

1 2 3 4 5

Not at all Yes, indeed**Which way do you prefer to buy things? ***

1 2 3 4 5

Prefer real store Prefer online store**Do you have any individual thoughts for online shopping?****提交**

切勿通过 Google 表单提交密码。