Critical Analysis of Marketing Strategy of Alibaba

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**Executive Summary**

This report focuses on Alibaba, a leading company in the e-commerce industry. Specifically, the report delves into the marketing strategies used by the company. The report provides a brief overview of Alibaba and then proceeds to outline the external operating environment for the company. Next, the report outlines key issues facing the company's marketing strategies. In this regard, the analysis identifies the inability of the company to expand overseas as a limitation that the company needs to deal with. Further, the company is prone to the influence of the Chinese authorities, which can adversely affect its operations if the government interferes. The report recommends that Alibaba makes more efforts toward marketing overseas. Moreover, the company needs to take advantage of technology to innovate more products.

**The Firm**

Alibaba (Also known as Alibaba Group Holding Limited) is a Chinese multinational holding company. It specializes in e-commerce, retail, the Internet, and technology. It was founded in 1999 by Jack Ma in his apartment. The founders believed that Alibaba should champion small businesses hoping that the Internet would level the playing field by allowing small businesses to leverage technology and innovation to expand their operations locally and domestically (Alibaba Group, 2022). It became the first company in China to deal in online business. The company has grown to become a multinational business with subsidiaries, namely; Taobao, Alibaba, and Tmall. In September 2014, Alibaba made an initial public offering, the largest. Today, Alibaba is one of the largest retailers and e-commerce companies. The company serves clients in China and overseas.

The company has developed an ecosystem that consists of consumers, merchants, retailers, and third-party service providers. Alibaba offers digital marketplaces for both merchants and consumers. The largest business for Alibaba is its core e-commerce operations (Yazdanifard & Li, 2014). The company continues to work towards becoming the leader in developing the infrastructure of commerce. Alibaba also invests in research and development to create innovative solutions facing commerce. Alibaba serves a wide range of clients from B2B (Alibaba.com), C2C (Taobao), and B2C (Tmall). Through Alibaba.com, the site connects suppliers with buyers. The suppliers sell products to other businesses looking for inventory for the firms. Manufacturers and wholesalers worldwide can obtain the products they need to run their businesses. The company’s C2C (Taobao) is an enormous online store operating on the C2C model. The system permits random people to sell their products directly between themselves. The company’s B2C is done via Taobao Mall (TMall), a commercial website where an organization or legal entity provides goods and services to final consumers.

**External Operating Environment**

***(a) PESTLE Analysis***

Political factors are a major factor for Alibaba. The uncertain political situation in China creates an uncertain future for the business. For instance, since Alibaba decided to list its shares on the Hong Kong Stock Exchange, China's direct show of power in Hong Kong has made it challenging to thrive in the particular market. China is an authoritarian nation that can seize power and control it (Lake, 2017). Such a move would be disastrous to the investors, who are bound to lose if the Chinese government took over the operations of Alibaba. However, despite the threat of the government, Alibaba also enjoys government support in China, which has accelerated its growth to be the leading e-commerce platform in China. There is also a concern regarding the departure of the founder Jack Ma, which can shake investor confidence in the company.

 The economic factor affecting Alibaba is changing economic issues like inflation and exchange rates. An increase in the inflation rate in China and the economic slowdown led to poor results in the e-commerce sector. Further, the fluctuating exchange rate makes it challenging for the business to deal with its clients. As a result, Alibaba has to work harder to acquire new clients by investing heavily in advertising and cloud computing.

 Various social factors impact the way Alibaba undertakes its business. Firstly, growing populations in the target market provide a broader company market. In particular, an increase in a young population that embraces technological solutions is an opportunity for the company. Secondly, Alibaba engages in vigorous corporate social responsibility activities, which earns it a good reputation inside China and overseas. Thirdly, the Taobao mobile application allows people to interact with their sellers. The app has social media-like features that increase user engagement and spend more. Customers are also allowed to share their experiences and give opinions regarding products.

 One of the reasons for the thriving of Alibaba is the use of technological solutions. Alibaba employs technical solutions like artificial intelligence (AI), cloud computing, and machine learning. The use of big data and AI-driven user experience enhances users' experience on Alibaba’s platforms. For instance, the AI chatbot assists buyers and sellers in communicating by translating the other party’s text into their language. The company has also invested heavily in an AI-based logistics platform Clients can track and check the status of their imported products, allowing them to plan accordingly.

 Regarding legal factors, Alibaba faces lawsuits against counterfeits. American brands are the most affected by counterfeiting. Alibaba needs to enhance intellectual property protection to ensure sellers do not infringe on intellectual property rights. When approaching investors, the company needs to demonstrate its commitment to intellectual property protection. The move will build confidence in the products listed and expand its market overseas.

 Lastly, Alibaba faces environmental factors. The company is making more efforts toward environmental sustainability. Alibaba believes in the protection of the environment while undertaking its business. It argues its partners to protect the environment. Alibaba’s recent emphasis on water conservation is a significant step toward ensuring that businesses are conscious of their environment. Engaging in environmental protection efforts is critical in ensuring that Alibaba remains at the forefront in ensuring environmental sustainability.

***(b) Industry Analysis***

Alibaba faces numerous competitors in the eCommerce sector. In China, Alibaba faces competition from Global sources and Made Made-inChina.com. The competitors challenge Alibaba because of their experience and being in the market more often than Alibaba. However, Alibaba continues to lead in e-commerce in China because of its brand image. Alibaba is the market leader in China, with its subsidiaries accounting for more than 80% of the market share. On the international front, the main competitors are eBay and Amazon. The two American e-commerce companies have established themselves in the US and other countries. There is a need for Alibaba to focus on expanding globally. While it has captured the Chinese market, it needs to venture more deeply into other countries and compete with eBay and Amazon. Despite its enormous presence in China, Alibaba is not a well-known brand to most Americans.

**Key Issues Analys**is

***(a) Internal resources capabilities***

The analysis of Alibaba’s available resources can be done via VRIN analysis to establish how one particular resource leads to a unique standing and a competitive advantage. VRIN analysis measures Value, Rareness, Imitability, and Non-substitutable. The table below shows the VRIN analysis of Alibaba.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Resource** | **Valuable** | **Rare** | **Imitable** | **Non Substitutable** | **Competitive advantage** |
| **Financial capabilities** | Yes | Yes | No | No | Yes |
| **Human resource** | Yes | Yes  | No | No | Yes |
| **Innovation** | Yes | Yes | No | No | Yes |
| **Supply chain management** | Yes | Yes | No  | No | Yes |
| **Brand image** | Yes | Yes | No  | Yes | Yes |

Alibaba takes advantage of both tangible and intangible resources to gain a competitive advantage. For instance, the company has established a brand image with a competitive advantage, especially in China. The company has established itself as a trustworthy online retailer, which has increased the number of clients using its platform. At the same time, the company employs innovation to remain ahead of its competitors. Because of innovation, Alibaba has employed cutting-edge technology to improve its supply chain. The innovation has come up because it uses highly qualified staff and invests in their training. The company can hire qualified staff and invest in research because of its financial capabilities.

***(b) Key resources/capabilities and competitive advantage***

i) Cost leadership

It entails gaining a competitive advantage through lowering costs (Roy, 2019). The main aim of employing this strategy is to preserve the market leadership position. Alibaba uses the strategy to expand to more markets with the middle class. The middle class is price sensitive and is more likely to make decisions based on the cost involved. Alibaba ensures the affordability of its products hence increasing the sales volume. At the same time, Alibaba offers discounts to clients to encourage more purchases.

(ii) Differentiation

A differentiation strategy allows businesses to provide their clients with something unique from what the competitors offer (Islami, Mustafa & Topuzovska Latkovikj, 2020). Alibaba uses this strategy by positioning its product offerings to stand out from its competitors. The company invests heavily in advertising and celebrity endorsement to ensure its products are more visible.

(iii) Focus strategy

 A focus strategy entails narrowing focus on a targeted market segment (Akintokunbo, 2018). The company serves the needs of a niche market using the lowest cost possible. The company identifies the needs of a particular population and works towards meeting the requirements.

***(c) New product/service innovation***

Alibaba values innovation as an effective way of dealing with competition. The e-commerce market is competitive, with more companies offering the same products. Alibaba has invested in research and development to come up with new products. The company has continuously made improvements on its platforms to enhance user experience. Navigating through the website and mobile applications is seamless. At the same time, Alibaba has brought new innovative products. The company continues to venture into other areas, including entertainment and AI. Because of its innovative products, Alibaba has remained ahead of its competitors, especially in China. Innovation has allowed Alibaba to gain a competitive advantage over its competitors and remain a market leader locally (Schmuck & Benke, 2020).

***(d) Competitive strategies***

In China, Alibaba is the market leader in the e-commerce sector. The company has become the leading e-commerce company controlling the most significant percentage of the market. Alibaba’s position as the market leader has given it an advantage over its competitors. Controlling a larger portion of the market has allowed Alibaba to understand better the tastes and preferences of the consumers. The company has employed AI to analyze the big data gathered from consumers. Because of the large volume of data available, Alibaba can predict trends and provide what the clients want. Additionally, being a market leader has provided Alibaba with a vast financial capability. Because of its vast sales, Alibaba makes more profits than any other e-commerce in China (Pusparajan *et al.,* 2020). Hence, the company's financial capabilities have allowed investing in research and development. The move has enabled the retailer to develop innovative products and services that have given it a competitive edge. Further, the financial capabilities permit Alibaba to hire the most skilled and experienced employees. With such a workforce, Alibaba maintains a high level of standards challenging its competitors.

***(e) Marketing mix strategy***

***4Ps for products***

Product: Alibaba has a wide range of products (Kwak, Zhang & Yu, 2019). For instance, Alibaba.com is a B2-B platform for small businesses. Alipay is a payment platform that processes online transactions without any fees. Further, the company has Ali health which has pharmaceutical products.

 Price: Alibaba uses a brilliant pricing strategy where it offers lower prices to clients to gain new markets (Ee & Yazdanifard, 2015). Through discounts, Alibaba manages to capture and retain price-sensitive customers.

Place: The Company leverages the Internet as the intermediary. The products are distributed through websites and mobile applications (Wu & Gereffi, 2018).

 Promotion: Alibaba advertises its products on traditional and social media (Hu & Zhao, 2010). The adverts have catchy tags to attract the attention of the consumers. The company also pays celebrities to endorse its products.

***7Ps for services***

Product (service): Has highly differentiated products so that consumers have a variety of products

Price: Alibaba employs a competitive based pricing strategy to attract clients

 Place (distribution): Uses its platforms to promote its products

Promotion: Alibaba uses multiple media channels to promote its products. It combines both social media and traditional channels like TV to promote the products

People: The people working in the sales department are critical in getting new clients

Physical evidence: Alibaba needs to set up its physical stores to encourage its clients to purchase its products

Process: Alibaba should consider more ways to innovate its processes to facilitate the movement of products.

***(f) Customer management strategies***

Alibaba employs technology to enhance the experience of users. The use of technology allows the company to serve the clients' needs. For instance, Alibaba’s AI Chatbot ensures smooth communication between individuals who speak different languages. Further, Alibaba leverages data to improve productivity. Data mining helps demonstrate the tastes and preferences of consumers on its platforms. Using the data generated, the company analyzes it to establish the most effective way of serving clients. Additionally, Alibaba maintains good relations with its clients (Amit & Zott, 2012). If customers have concerns or complaints, they can easily reach out to the assignee. The company sorts issues that arise in business to ensure that the parties involved are happy.

***(g) Strategic alliances and networks***

Alibaba believes strongly in forming strategic alliances and networks (Falcone, Kent & Fugate, 2019). In the areas where the company does not have the expertise and experience, it enters into strategic partnerships with other companies. For instance, Alibaba has partnered with BMW, Sunning Commerce, SINA, InfoMedia, and Accor. Because of the strategic alliances, Alibaba has increased its influence in more areas. For instance, the strategic alliance with SINA Corporation is critical in allowing the two companies to cooperate in account connectivity, data exchange, and online payments and marketing. Through partnerships, Alibaba saves on the costs of developing new products. Instead, it leverages what other companies have created to improve its operations.

***(h) CSR and environmental and social responsibility***

Alibaba believes in CSR, the environment, and social responsibility. The company has invested a lot towards effects meant to protect the environment. For instance, since 2008, Alibaba has been actively protecting endangered animals. It has also been preserving the environment by encouraging the adoption of methods that allow for environmental sustainability. Alibaba advocates for environmentally friendly practices in the manufacture of products. It also encourages individuals to recycle products purchased from its platforms. Further, Alibaba engages in social responsibility. The company employs ethics in its operations. The managers deal with employees, shareholders, and clients ethically. Alibaba has avoided government interference with its core operations in authoritarian China. For instance, the company protects its clients' data and does not get into unauthorized third parties.

**Observations and Recommendations**

 Despite Alibaba’s successful marketing strategies, it needs to improve to become more competitive. Firstly, the company needs to ensure that counterfeit products do not get into the platform. The increase in the number of counterfeit products in Alibaba is worrying and hurts the company's reputation (Sui, 2015). When consumers purchase products and then discover that they are counterfeited, they will likely lose confidence and move on to their competitors. Alibaba needs to put on more measures to combat counterfeit products. When users raise the alarm over some products on the platform, the company should take action immediately. Secondly, Alibaba needs to be more aggressive in attracting consumers overseas, especially in the US. While the company has been successful in China, most US online consumers do not use e-commerce. Alibaba has done more to capture the Chinese market and neglected other fierce competition markets. Alibaba needs to consider competing with American e-commerce platforms like eBay and Amazon by offering more attractive products cost-effectively. It needs to prove to American consumers that it is a credible platform to purchase and sell products. The overdependence on the Chinese market limits the business from venturing into other lucrative markets. At the same time, such dependence means that if the Chinese market is slow, the company will make fewer sales. Thirdly, Alibaba needs to take advantage of big data and analytics to predict consumer preferences. The company has massive data to analyze to predict what its clients want (Yue, 2022). While Amazon has done well in the area of AI, it needs to continue innovating products to enhance the experience of its users. Lastly, Alibaba needs to establish more physical stores, especially overseas. Individuals outside China will feel more confident ordering products from retailers with physical stores. At the same time, physical stores will allow consumers to engage with Alibaba’s employees one on one and form good relations.

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