

Alibaba notes essay



**ASSIGN
BUSTER**

1. How does Alibaba create a competitive advantage? Is this advantage sustainable?

a) Alibaba hoped to pool enough stable transaction volume to negotiate bulk discounts from service providers and capture part of that discount for itself.

As Ma put it, “ If one million users are transacting daily, Citibank and UPS will come to me. We can offer a discount to customers in exchange for a commission.

b) It also helped that Alibaba Group offered a host of services promoting online trade including: an international B2B marketplace that helped match China’s small businesses with foreign trading partners (Alibaba. com), A domestic B2B marketplace (Alibaba. com. cn), China’s largest online shopping website providing a platform for both retailers and individuals to sell virtually anything (Taobao), Online payment services (Alipay), Internet-based business management solutions (Alisoft), Online advertising exchange (Alimama), and an entertainment portal (China Yahoo!).

b. 1. This brand and line extension of products helped designate Alibaba as the primary E-commerce corporation for China, and helped as an isolating mechanism keeping other smaller startup tech firms out of the market (If all the website ideas are taken, there is nowhere to introduce one’s brand/product).

c) Experienced incredible growth in 2008 as operating profit increased by 48% to 1. 2B RMB (\$172 million), booked revenues increased to 3B RMB (\$432 million), and added 10. 5 million registered users and 1. 7 million storefronts. c. 1. At the end of 2008, 7. 9 million registered users and 970,

000 storefronts encapsulated the international marketplace, and 30.2 million registered users and 3.6 million storefronts encapsulated the domestic marketplace.

d) Jack Ma was notorious for saying that we have no revenue model. The most important thing is to have critical mass. It gives you time to figure out what customers want. Let people make money. Let them use Taobao before we make money. d. 1. In 4 years from 2003-2007 Ebay went from having 85% of the online market, Due to their acquisition of EachNet, to having 7%, while Taobao emerged victorious from having 0% and just starting off in 2003, to having 82% in 2007.

d. 2. Ecosystem of products and websites helped instill trust in the Chinese consumers, and helped create an incredibly strong brand image with Alibaba.

2. Is the current degree of competition among business units appropriate? Do you think Jack Ma should encourage more cooperation? If so, how?

a) Ma explained, “ Business unit presidents must have the freedom to do what is right for their business. I want business units to compete with each other ... and focus on being the best in their businesses.

b) Followed Jack Welch’s example from GE and did not dictate an overall “ theme” or strategy for GE, but allowed each subsidiary to be the best that they can be.

c) To encourage competition, Ma assigned each of Alibaba's subsidiaries its own board of directors and executive team, including a president, a CFO and operating managers.

d) When internal competitive conflicts arose, the firm's culture tended to favor individual subsidiaries over the Group. Ma made subsidiary heads aware that if internal competition created tangible disadvantages, then the relevant subsidiary presidents were responsible for resolving the issues amongst themselves. This decentralized approach encouraged subsidiary management to proactively come up with commercial solutions to internal conflict.

3. As Alibaba develops new businesses, how should the firm incorporate them into the organizational structure? What are the costs and benefits of having new businesses report directly to Jack Ma?

a) Same thing they have been doing

b) Get more people to help Jack review since his span of control is getting out of hand.

b. 1. There is a breaking point with any man, and Jack Ma is probably reaching that soon. He needs more managers to delegate to, since he does not have enough time in the day to review so many facts and figures.