

Alibaba group



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Alibaba Group.

Opening Summary

The case study of the entrepreneur will be based on Jack Ma, who is the founder of the Alibaba Group. Alibaba Group is the leading e-commerce company in China. Alibaba runs 3 main businesses. Alibaba.com for the business to business (B2B) platform for the SME in China; Taobao.com for the customers to customers (C2C) platform, an auction site which is similar to eBay; and Alipay for the online payment system, which is similar to the eBay Pay-pal system.

Alibaba was founded in 1999. Through 10 years, it becomes the world largest business to business website. E-commerce on B2B business is not a new business when Alibaba was founded. However, it is a new business opportunity in China. In 1999, the number of internet users in China is 2.1 million.[1] It increased to 59.1 million in 2003[2] and to 384 million in 2009[3]. Through the increase in the number of internet users in China, it provides a good platform for the development of e-commerce in China.

Alibaba creates the linkage between SMEs and buyers from different parts of China and also the rest of the world. It greatly reduces the distance between the SMEs and the buyers and creates opportunities for the SMEs through the Alibaba platform.

On the other hand, Taobao, the C2C website of the Alibaba group, also benefits from the increase in internet users in China. Although eBay started their business in China much earlier, Taobao overtook eBay's business in China in 2005.[4]

Simple Opportunities & Threats analysis of Alibaba Group:

Opportunities

Threats

Business Model of Alibaba

Business History of Jack Ma and the Alibaba Group

The founding of Alibaba. com

Jack Ma was born in Hang Zhou in 1964. When he was 12, he got interested in learning English. He acted as a free tour guide in the Hang Zhou West Lake district for foreigners in order to practice his English. The 8 years in the West Lake district help him broaden his mind on the world. He entered the Hang Zhou Teacher University after he had flunked for university entry exam. He becomes an English teacher after he graduated from University.

He didn't know about internet until he visited his friend in Seattle. He was inspired from the use of the internet. He search " beer' in the internet and found many results However, when he search " China", he got nothing on the search result. He discovered the business opportunities of the internet in China. Later on, He set up the web yellow pages in China in 1995. He competed with China Telecom for about a year and set up the joint venture with them. Later on he sold his business to China Telecom.

Jack starts the e-commerce company, the Alibaba. com in 1999. He gathered the support from the 17 staffs and started the business from US \$60, 000 capital. The main focus of the Alibaba is the helping the SME to make money.

[5] Alibaba. com is the online middleman which provide trade platform to allow the SME to trade online. SME can list their details, such as what they

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supply/produce, contact method etc and find the potential buyer for the products. The information of the SME is divided in to different categories of industry. User of the Alibaba. com can search through the platform to identify potential trading partner and interact each other online to conduct business. The listing of the information is initially free of charge. As the Alibaba. com marketplace develops, they launched the Gold Supplier membership scheme to secure trust between buyers and supplier. Gold Supplier need to be must complete an authentication and verification process by a third-party credit-reporting agency. Gold supplier enjoys higher priority of displaying the product and gain more exposure of buyer than the free members.

Alibaba is now operating three main marketplaces: the global trade marketplace (www. alibaba. com), the Chinese domestic place (www. alibaba. com. cn) and the Japanese marketplace (www. alibaba. co. jp). Alibaba become the best B2B e-commerce website with 1 million of registered user in 2001. Alibaba was chosen by Forbes Magazine as “ Best of the Web: B2B” in June 2000.[6] As of November 2009, Alibaba has 34. 8 million and 10. 5 million registered users for Chinese Domestic marketplace and international marketplace respectively.[7] The gross profit of Alibaba group rise from 359 million RMB (2004) to 3 billion RMB (2008).[8]

The founding of Taobao. com

After a few years of the operation of Alibaba. com, Jack started another business, the Taobao auction site in 2003. Taobao is the customers to customers (C2C) site, which are runs similar to the eBay. Taobao is an online

retail marketplace where users could post items for auctions or for direct sales.

Although Taobao was found during the outbreak of SARS, Taobao soon surged in front of eBay, the major competitor at that time, after 2 years. According to Alexa. com, as of 1 Aug 2005, Taobao was reaching 15, 800 out of every 1 million Internet users, compared with just below 10, 000 for eBay China. The Gross Merchandise Volume for Taobao was \$120 million vs. \$90 million for eBay for the first quarter of 2005.[9]

Taobao soon take up the market-share from eBay as Taobao is free of charge while eBay China charge for listing fees. On the other hand, the migration of database of eBay to USA, which greatly affect the access speed of eBay in China, helps Taobao to gain the market share[10].

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[2] China Internet Network Information Center(2003) 11th China Internet Development survey (In Chinese)[online] Available at: , P35

[3] China Internet Network Information Center(2010) 25th China Internet Development survey (In Chinese)[online] Available at:< [http://www. cnnic. cn/uploadfiles/pdf/2010/1/15/101600. pdf](http://www.cnnic.cn/uploadfiles/pdf/2010/1/15/101600.pdf)>, P3

[4]

[5] Fannin, Rebecca(2008) “ HOW I DID IT JACK MA ALIBABA. COM” Inc.; Jan2008, Vol. 30 Issue 1 [online] Available at:

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[6] "Alibaba.com: A Smiling Community with a Dream" Financial Times. 2005[online]available at

[7] "Alibaba Company overview" November 2009, [online] available at

[8] "Alibaba Annual Report 2008" 2009, page140, [online] available at

[9] Bill Powell and Jeffrey Ressler (2005) "Why eBay Must Win in China" Times. Aug 22 2005 [online] Available at:< <http://www.time.com/time/magazine/article/0,9171,1096554,00.html>>

[10] Sherman So and J. Christopher Westland (2005) "How eBay lost in China Market" Global Times. Aug 10 2009 [online] Available at:< <http://business.globaltimes.cn/editor-picks/2009-08/455954.html>>