

The alibaba group company analysis



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Emerging from a single apartment unit in Hangzhou, China, the Alibaba Group burst onto the global e-commerce scene with Alibaba.com – a web service which expedites B2B trade all over the world – to become one of China's first online businesses. Alibaba.com has grown admirably from its initial beginning as a general e-market to a giant e-marketplace.

Most buyers and suppliers consider Alibaba.com as a “grand B2B dating site”. Businesses that are looking for specific products can upload their requirements in the hope of a “match” with potential suppliers. They can effectively search Alibaba.com for business customers who have already registered their searches.

This report has analyzed the factors that have contributed to the success of Alibaba.com in business to business market. The four Ps of the marketing strategies are among the factors that have contributed to the success of Alibaba.com. Product/ service is one of the marketing strategy that has led to the success of Alibaba.com. The services offered are such as online payments, listing solutions, protection and authentication, instant messaging, member reputation and after sales services such as warranty programs. All these services have accelerated the company's success. Pricing is another strategy that led to the success of Alibaba.com; the company has adopted a number of pricing strategies such as; product line pricing, penetration pricing and discounts. These pricing methods used are fair to the business to business customers and have increased the sales of the company.

During its rapid growth, it has incurred challenges and became more exposed to greater competition. Promotion is also one of the marketing strategies that led to the success of Alibaba. com. The company promotes its services through the use of internet promotion strategy, media advertising and sponsoring of events. Last but not least is the distribution strategy where by Alibaba. com uses the internet as its intermediary whereby it has several websites, it also uses direct distribution channel; Alibaba Groups has 40 outlets in china.

Other factors that contributed to the success are such as; strong brand, providing customers with outstanding value and superior shopping experience, massive sales volume and realizing economies of scale.

INTRODUCTION

Alibaba . com Limited is the global leader in business-to-business (B2B) e-commerce and the flagship company of Alibaba Group. Which was found in 1999, Alibaba. com is the largest online marketplace for both international and domestic. Product and services suppliers in business to business guided with good distribution channels. David Wei (2007)

Alibaba Groups provides three online B2B marketplaces that connect buyers and sellers from around the world- English- language marketplace (alibaba. com), a Chinese- language marketplace (alibaba. com. cn) and a Japanese- language marketplace (alibaba. co. jp).

Apart from Alibaba. com, the Alibaba Group has diversified its efforts with other e-commerce sites such as Taobao. com, Alipay, Alimama, Alisoft and

Yahoo Koubei!, an online classified service collaboration between Yahoo! China and Alibaba Group. These web services expand the Alibaba Group's business portfolio to include services like retail websites, and business management solutions, making it one of the largest and most comprehensive providers of internet retail and B2B services. On these sites Chinese and foreign firms trade everything from automobiles, building materials to iPods, TVs and stationery

The key benefits of using alibaba. com are such as Low cost, Access to many suppliers/buyers, Quick transaction time, More transparency in transaction, Lower risk of fraud, Easy to make contacts with SMEs. Piet Walraven (2009).

The initial business model of Alibaba was simple; facilitate a 24/7 meeting platform for suppliers and buyers around the world. From the start Alibaba did not just connect Chinese suppliers with international buyers, but it had the goal of connecting all importers and exporters around the world to each other . David Wei (2007)

Both marketplaces are segmented into over 40 industry verticals covering major consumer categories such as apparel, electronics, gifts, beauty, security products and office supplies.

Without a doubt Alibaba is the leading international Chinese Internet company. Its English language B2B website is accessed by suppliers and buyers from anywhere across the globe.

EXAMPLE OF ALIBABA. COM CHANNEL SALES PARTINERS /STRATEGIC PARTINERS:

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THE VALUE PROPOSITION/KEY BENEFIT

Alibaba. com was one of the few companies in China that did not copy existing business models in the US or Europe

———It provides a platform for buyers and sellers, and proposes news, analysis and timely price lists, and development team works research new technologies and functions to support their website which help to enhance their service and reduce operation cost and obtain large profit.

———Its business model aims to structure an efficient, flexible and responsive structure in front of a demanding customer demand and information society opportunities.

———Under a business model, its network of partners for creating, marketing and delivering value and relationship capital to one or several segments of customers under B2B in order to generate profitable and sustainable revenue streams. Piet Walraven (2009)

MARKETING OBJECTIVE AND STRATEGIES

-Based on initial business model as a long-term model to build a solid foundation for B2B:

- Presenting a database,

- Aiming to gain revenue from transaction commissions,

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- Following up services provided on e-commerce platform,
- And providing value-added services.

The key success factors for this business models are to build critical mass quickly to generate value and then, to audit the members: build trust by creating a transparent environment

STRATEGIES EMPLOYED BY THE COMPANY IN THE PRESENT MARKET SCENARIO FOR THEIR SUCCESS

The term marketing mix refers to the primary elements that must be attended to in order to properly market for understanding the fundamentals of what makes a good marketing campaign. Here is a brief description of each component of the 4 Ps of the marketing mix.

MARKETING STRATEGIES

Effective marketing is a key element in any business enterprise. Companies/ business enterprises which do not have experience in marketing a service/product will often overlook its importance. Part of marketing is identifying the mix of the four “ Ps” that makes a service/product unique. (Armstrong, 2004) The four “ Ps”

are product, price, promotion, and place/distribution. The four “ Ps” are among the factors that have contributed to the success of Alibaba. com on business to business marketing.

PRODUCT/SERVICE STRATEGIES

“ Product strategy is like a roadmap, and like a roadmap it’s useful only when you know where you are and where you want to go”. (McGrath 2001)

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-----Product is anything that can be offered to a market to satisfy a need or want. The products, which can be marketed, include physical goods, services, persons, places, organizations, and ideas. In deeper sense, the product is not a physical item but a perception of the consumer or the user. Product means satisfaction of the customer rather than a physical good.

-----Alibaba. com offers variety of services such as trust and safety, online payment, listing solutions, protection and authentication, instant messaging, member reputation and after sales services such as warranty programs.

-----An online marketplace does not connect the buyer and seller physically, therefore so as to ensure the safety of the buyer and seller Alibaba. com offers trust and safety; it offers account protection tutorials to both the buyers and the sellers, it also helps customers on how to identify a genuine supplier, alibaba. com also enables its buyers/suppliers to be able to report disputes that may arise. Alibaba. com also offers ID verifications, whereby verified and certified members will have an ID verify icon such as Gold supplier.

-----Alibaba. com customers online payment is secured with Escrow, with Escrow the privacy of the buyer is guaranteed, buyers are able to pay securely without exposing their details and payment is only released upon delivery conformation. Alibaba. com also offers a members reputation forum whereby buyers are able to track record of the suppliers before conducting a trade.

—————It also offers an about me page, where as suppliers can express themselves through their own personal page.

—————Listing solutions, listings displayed on Alibaba. com online marketplaces cover a range of products and services in various industries including apparel, chemicals, telecommunication and many more

—————Moreover, Alibaba. com has a trade manager whereas buyers and suppliers can chat and trade instantly. Suppliers using the trade manager can send product photos or file of any size in an instant. Alibaba. com has after sales services such as a warranty program whereby buyers get up to a one year warranty in case of a breakdown, this mostly refers to the electronic products.

PRICING STRATEGIES

Determining a product's price is a critical marketing tactic. A product's price has to be high enough to cover the total cost of producing the product yet not too high so that it discourages potential customers from purchasing the product. (Edward, 2008) Alibaba Groups has adopted a number of pricing strategies such as;

——-Competition pricing is setting a price in comparison with competitors. Alibaba Groups uses competitive pricing so that the price they offer does not have an extreme difference with its competitors. The company gives low prices and yet good quality product so that it can attract the targeted market.

—Product line pricing involves pricing of different products within the same product range at different price points. Alibaba Groups has variety of similar products at different prices depending on the suppliers. Suppliers offer a range of similar products at a competitive price. Buyers can have a wide choice when they want to purchase products.

—Penetration pricing is when an organization sets a low price to increase sales and market share. Alibaba Groups emerged as a leading B2B company due to the price they offered to the customers. It used a penetration pricing by imposing low prices to the range of products the suppliers offer.

—Discount is another way of pricing used by Alibaba Groups. The company chose this method because it stimulates sales as well as retaining customers. Discounts by Alibaba, are given to customers when they buy products in bulky and during festival seasons. Some suppliers apply the BOGOF (buy one get one free) method.

—Value-added services is also one of the pricing approach that Alibaba Groups has applied; whereby the product is offered at a lower price but the services money add up the price such services include shipping charges, fast delivery, guarantees, warranties, custom design and many more. Alibaba Groups uses this method to ensure that the total cost of the products together with the value added services is more than the production cost so that the company can earn profit.

PROMOTION STRATEGIES

Promotion is a term used to describe the advertising, promotion, publicity and selling of a product or service. Promotion aims at creating awareness

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about the organization's products or services to the target market.

Promotion can be broken down into two distinct categories; face to face selling and advertising, promotion and publicity. (Kotler, 2004)

—————Alibaba. com uses the internet promotion strategy because internet is the best cost effective and fastest promotion tool in the export/import market place. The presence of alibaba. com company profile and product/services in major search engines like yahoo gives the company a global exposure and creates awareness among buyers/importers effectively. The availability of internet banners about alibaba. com that take the searchers direct to their main website.

—————Media advertising is very helpful to large number of companies that are familiar to the rising competition in the present market. Alilbaba. com uses the media advertising strategy to promote its products and services through newspapers, TV and print ads and also car ads. Alibaba. com uses various campaign taglines during their promotions. Example of taglines used are such as; " Find it. Make it. Sell it," " Draw up your business plan. Lock down your prototype.

—————Get on Alibaba. com to make it happen." these taglines encourages struggling entrepreneurs and they tend to reach a large number of potential customers. Media advertising is mostly practiced when the company wants to enhance promotional prices or launch new services/products.

—————Alibaba. com has also promoted its product/services through sponsoring of events. Alibaba. com has sponsored events such as Australia-
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China Business Week, this was a high profile business event and it was Alibaba's first sponsorship deal in Australia. Alibaba.com has also sponsored other events like Beijing Olympics and ping-pong.

PLACE/DISTRIBUTION STRATEGIES

Place refers to a general concept describing how the product will get to consumers. Place includes all of the targeted market outlets and distribution tactics needed to deliver the product for sale to consumers. The channel of distribution involves the logistics, wholesalers and other intermediaries. Efficient distribution is very essential in achieving the company's marketing objective. (Hutt, 1997)

There are various types of channel intermediaries; Alibaba Groups uses the internet as its intermediary. The internet has a geographically disperse market therefore niche products will be able to reach a wider audience. Alibaba Groups has several online B2B marketplaces that potential buyers and suppliers from around the world can obtain its products and services. The following are websites offered by Alibaba Groups as its main distributing channels;

www.alibaba.com – An English- language marketplace which is the global trade market for exporters and importers thus reaching the whole world.,

www.alibaba.com.cn -A Chinese local marketplace for China. It is mainly for Chinese speaking customers., www.alibaba.com.jp -A Japanese- language marketplace which facilitates trade to and from Japan.

Other B2B sites offered by Alibaba Groups in 6 non- English language versions which can help native traders source products online easily are;

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Spanish: <http://spanish.alibaba.com/>, German: http://german.alibaba.com
Italian: <http://italian.alibaba.com/> French: <http://french.alibaba.com/>
Portuguese: <http://portuguese.alibaba.com/> Russian: <http://russian.alibaba.com/>

Alibaba Groups also uses the direct distribution channel to deliver its products and services. It has a number of outlets in countries like China, U. S. A and UK. Services like gold membership, customer complaints and so many more are handled in these outlets

Distribution is one of Alibaba. Com function which include company activities that make the product available to the target market . Alibaba use different channels to make sure that product is available where is needed Alibaba focus on distribution channels like inventory , locations like supermarkets and hypermarket , logistics and transportation also warehousing . ————

The best of Alibaba. com distribution: is a web site that facilitates transactions between importers and exporters around the world

ALIBABA’S TOMORROW OPPORTUNITIES:

Increased sales and profits: Selling goods and services to a market the company never had before boost sales and increases revenue

Enhanced domestic competitiveness : Alibaba companies become competitive in the domestic market before they venture in the international area. Being competitive in the domestic market helps companies to acquire some strategies that can help them in the international markets.

Gain global market shares: By going international, companies will participate in the global market and gain a piece of the huge international marketplace.

Lower Per Unit Costs and Sell excess production capacity: Alibaba capturing an additional foreign market will usually expand production to meet foreign demand. Increased production can often lower per unit cost

Recommendation :

——— Alibaba should find information on foreign markets to reduce difficult and time-consuming than finding information and analyzing domestic markets. In less developed countries, because reliable information on business practices, market characteristics may be unavailable or very limited.

——— So it's better Alibaba to find information on the foreign market to get easy information about the market and reduce time consuming .

——— For the promotion Alibaba should use other promotion tools like public relation and other advertisement media to increase high awareness of their product instead of focusing on online because online can communicate information about Alibaba but majority cannot get the information so using public relation Alibaba will have high performance than the current situation

CONCLUSION

The four Ps of the marketing strategies have contributed to the success of Alibaba. com. The company has implemented all the four strategies in-order to move to the right direction. Alibaba. com has been able to emerge as a grand business to business site where customers can easily obtain products

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and services from the wide range of products available. Using the marketing strategies Alibaba.com has been able to reach the targeted customers and fulfilling their needs/wants accordingly.

However the author would recommend that Alibaba.com should improve its buyer's protection level by identifying unreliable suppliers who scam customers. Alibaba.com should emphasize more on safe payment methods such as Escrow and letter of credit whereby the risk is evenly shared between the buyer and the supplier. According to Jack Ma "customers are everything", therefore in order to improve the service levels customer satisfaction should be achieved by providing customers with the best services.

Generally Alibaba.com is still on the right way more a head of its competitors because Alibaba.com has effective marketing strategies