ALIBABA GROUP:
An ecosystem at the service of global digitization[1]

"To make it easy to do business anywhere."
Jack Ma. *Founder and Ex-Executive Chairman ALIBABA Group*

INTRODUCTION

The COVID-19 pandemic had brought to light the importance of connectivity and digital skills for the economy and society as a whole and had accelerated the development of e-commerce and the digitization of other value-creating processes.

ALIBABA Group was a technology company whose goal consisted in facilitating business for companies of any place, size, and sector. Its spectacular development in China and other Asian had some iconic concepts, as for example, the NEW RETAIL.

The Group's recent bet on Spain, a bridgehead for Europe and Latin America, was taking off the ground during turbulent times. ALIBABA wanted to be the technology company that helped companies leverage the "new normal" trends in Europe, too. The Group was well aware that the challenges ahead included defining and implementing a strategy to raise awareness in this market and make consumers choose ALIBABA and use its enormous technological and infrastructure potential.

ALIBABA, FROM A FLAT TO AN EMPIRE…. IN ASIA

Jack Ma was a "born entrepreneur, inclined to put himself in the customers' shoes and think like them to discover what they needed at any given moment." After failing at some embryonic digital projects (such as online English lessons and websites with different content), he decided to create a B2B website inspired and based on the business model of eBay, aiming to become an intermediary and connect Chinese companies among them. See History of Alibaba video and Exhibit 1: milestones and figures 2019.

Alibaba Group's mission was "to make it easy to do business anywhere." Its vision was to get customers, companies, and consumers "to meet, work, and live in Alibaba." To do this, the Group decided that it was also necessary to open the Chinese market to companies from around the world: "otherwise... they will lose the game with the future". See Investors Day 2019 presentation.

In September 2019, on the occasion of the company's 20th anniversary, it set goals for 2036: to continue the Group's globalization efforts, create 100 million jobs, and serve 2 billion consumers (50% of them in China, where only 55% of the population have Internet access, and 50% in the rest of the world).

> "The future of e-commerce is not for big brands and developed markets, it is for developing countries, young people, and small businesses," Jack Ma.

Alibaba was an ecosystem (Digital Economy) where consumers (200 million people per day) could access all platforms (30 business units): Tmall, Freshippo, Alipay, etc., using a single 'user ID' and a mobile device. See Exhibit 2: main platforms and sources of income. Alibaba Digital Economy reached 960 million consumers worldwide, 780 in China and 180 million outside China. (Data as of March 31st, 2020).

Alibaba did not buy and did not control storage or shipment. *What really makes us different is that when a company operates on one of our platforms, it takes responsibility for all its decisions (strategy, marketing, logistics, promotions, etc.), and we make it easy for them to do this.*

Programs like "A100" aimed to help large key brands (Starbucks and Nestlé were already onboard) to accelerate their own digital transformation and offered a new service package that included tools for 11 areas[2] and could be managed through a single point of contact.

The "revolutionary" concept of New Retail, the "perfect integration of online and offline commerce," was spreading through many industries and companies; see Exhibit 3: examples of digitization and Alibaba New Retail video. FRESHIPPO's 200 grocery stores were a good example of its use of technology in trade[3] integrating retail and food service and creating different store formats. See Hema Supermarket and Freshippo, concept evolution videos.

In the face of China's slowing growth and the trade war with the US, Ma had announced at the World Economic Forum in January 2015 that he intended Alibaba to "*become a platform that would serve 10 million small businesses outside of China (global sourcing, global sales, global payments, global travel, and global logistics) and transfer to other*

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[2] These 11 areas are branding, product development, sales, marketing, channel management, customer services, finance, supply chain, organizational structure, and communication.
[3] The technologies that visitors can use include: AI, self-scan, RFID, pay with a mobile camera, voice recognition, and blockchain.

markets all the experience the Group had gained over 20 years of rapid growth and development in a vast market and multiple fields and disciplines".

On September 10th, 2019, Teacher's Day in China, Jack Ma stepped down as Chairman at 55 and devoted himself "to philanthropy and education." His successor, Daniel Zhang, stated at his inauguration that ALIBABA "was going to invest time to understand the habits, cultural differences, and various ways of thinking of new markets." [4]

COVID-19 VS. DIGITIZATION: THE "POINT OF NO RETURN"

The state of digitization Pre-COVID-19

The worldwide spread of digitization and electronic device use was unstoppable. However, this was taking place at different speeds in different parts of the world. In 2019, Asia was in the lead and increasingly likely to hold its strong position. Analyzed by country, the situation was very disparate, and some were at risk of being left behind in the digital race. See Exhibit 4: digital competitiveness by continent and country.

Asia, North America, and Europe were in a race for digital leadership. These regions had assumed that Asia had won the battle for consumer data[5]. See Exhibit 5: digitization of the population.

Analyzing consumer product e-commerce as an indicator of digitization, we see that online had been the fastest-growing sales format in 2018, with a global ratio of over 20% and exceeding the +15% of the previous year despite the worldwide apparent slowdown in consumption[6]. This growth was based on the so-called "hybrid retail" (entry of brick & mortar operators into the online world and vice versa), whose leading players were Amazon, Alibaba, and Wal-Mart.

However, growth was uneven across markets. In Asia, China[7] had a market share of 14% and South Korea of 19% (primarily in big cities) compared to a meager 4% in Europe and

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[4] Follow the Group and find out what is new: https://www.alizila.com/

[5] In February 2020, the European Union announced an ambitious project on the "Digital Fight against the USA and China," with which it intends to impose itself in the fields of industry and Artificial Intelligence, making personal and non-personal data available to the public sector and companies. There are three different models in this competition: the American model, which regulates little and is led by a few private corporations; the Chinese one, where the (single) state controls everything, and, finally, the European model by which everything can be regulated in an attempt "to make everyone happy." EUROBLOG, February 24th, 2020.

[6] While the GDP has remained stable in recent years at an average growth of +3.5%, expenditure on consumer products has been slowing down since 2012, from 6% to 2%. (Kantar 2019).

[7] China was already ahead in terms of technology maturity, thanks to pre-existing conditions including technological infrastructures and the widespread use of the Internet and mobile devices (904 million Internet users and 897 million mobile Internet users in April 2020, according to Statista), notably in large cities, where e-commerce sales exceed those of the next 10 markets on the planet combined (according to iReserarch).