

COMPANY PROFILE

Alibaba Group Holding Limited

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TABLE OF CONTENTS

Company Overview.....	3
Key Facts.....	3
SWOT Analysis.....	4

COMPANY OVERVIEW

Alibaba Group Holding Limited (Alibaba or “the company”) is a private entity engaged in internet based businesses enabling online buying and selling. The company operates in Greater China, India, Japan, Korea, the UK and the US. Alibaba is headquartered in Hangzhou, China and employs about 24,000 people.

Alibaba is a private company and is not obligated to release financial reports. Therefore, financials are not available.

KEY FACTS

Head Office	Alibaba Group Holding Limited 699 Wang Shang Road Binjiang District Hangzhou 310052 CHN
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Web Address	http://www.alibaba.com/
Employees	24,000

SWOT ANALYSIS

Alibaba Group Holding Limited (Alibaba or “the company”) is a private entity engaged in an internet based businesses enabling online buying and selling. The company enjoys strong market position which indicates the appeal the company’s services enjoy among its customers. However, deceleration of export growth will have a negative impact on Alibaba’s marketplaces.

Strengths	Weaknesses
Strong market position Presence across the e-commerce value chain Global player	Termination of Acer CloudMobile
Opportunities	Threats
Robust growth in Chinese e-commerce market Positive trends in cloud computing market Rising smartphone penetration	Trends indicate weakening of export growth Challenging environment for small and medium enterprises (SME) Macro economic headwinds in the US and the UK

Strengths

Strong market position

Alibaba enjoys significant market position. The company is the largest e-commerce company in China. Alibaba has a strong portfolio of internet assets. The company’s Taobao Marketplace has more than 800 million product listings and more than 500 million registered users as of June 2012. According to the company, Taobao Marketplace is among the world’s top 20 most visited websites. Furthermore, industry estimates also indicate that Taobao Marketplace (www.taobao.com) is the most popular consumer-to-consumer (C2C) online marketplace in China.

Furthermore, Tmall.com is the most visited B2C online retail website in China. The industry estimates indicate that Alibaba’s Tmall accounted for 45.1 % of the Chinese market by the third quarter of 2012. The company’s market share is well above the 360Buy’s 17.4% and Tencent’s 3.5%. The company’s Alipay is the most widely used third-party payment solution in China with more than 700 million registered accounts as of June 2012. Strong market position indicates the appeal the company’s services enjoy among the customers.

Presence across the e-commerce value chain

Since its inception, Alibaba developed one of the leading businesses in consumer e-commerce, online payment, business-to-business marketplaces and cloud computing. Among the internet giants, the company has a broad product offering and thereby has the ability to reach a wider audience. Additionally, the company is also equipped with cross selling opportunities. The integrated product offering enabled the company to effectively compete with large established competitors like Amazon and eBay. Both these companies have a strong market presence. However, according to Alibaba, it is likely to emerge as a larger player. Neither Amazon nor eBay have presence across the e-commerce value chain. Alibaba's product portfolio provided access to a large addressable market and enhanced scale.

Global player

Alibaba is a global player with presence in China, India, the US, the UK, Japan and Korea. The company reaches internet users in more than 240 countries and regions. Being a global player, Alibaba has a diversified base that ensures low business risk as the company is not vulnerable to country specific or client specific risks. Its international presence also enables it to leverage the opportunities provided by different countries. For instance, anticipating that China's export markets would become increasingly challenging and volatile over time, Alibaba.com allocated more resources to grow its China marketplace over the years. The company is therefore, poised to exploit the opportunities in many countries.

Weaknesses

Termination of Acer CloudMobile

In September 2012, a planned launch of a smartphone in collaboration with Acer and a unit of Alibaba was cancelled. Acer and Alibaba's cloud computing unit had planned to launch the Acer CloudMobile A800 smartphone, using Alibaba's mobile operating system (OS), Aliyun. According to the company, Acer was pressured by Google and therefore was forced to pull out of the launch event. Alibaba alleged that Acer received notification from Google that if the new product launch with Aliyun went ahead, Google would terminate Android product cooperation and related technical authorization with Acer. This instance highlights the obstacles that the company faces while competing with large entrenched players. Alibaba faces significant competition and being a relatively new entrant in the mobile OS space, the company faces unfavorable competitive environment.

Opportunities

Robust growth in Chinese e-commerce market

Alibaba is poised to exploit the Chinese e-commerce market as it is set to become the biggest online marketplace in the world within the next few years, according to industry estimates. Online retail generated \$121 billion in sales in China in 2011, up 66% from 2010. China's e-commerce market

is expected to more than triple over the next three years, with sales reaching \$420 billion by 2015. By 2015, Chinese e-commerce market will be 20% bigger than the US' e-commerce market. By 2012, China is estimated to have 193 million online shoppers, more than any other country. Furthermore, these consumers are expected to spend \$1,000 per year online. These estimates indicate a robust growth in Chinese e-commerce market. Alibaba being a prominent player in the market is well positioned to drive top line growth.

Positive trends in cloud computing market

The cloud computing market in China experienced rapid growth during the past few years. Chinese cloud computing market is estimated to have a 3% share in the global market by 2011. The industry estimates indicate that China's cloud computing market will CNY17.4 billion (\$18.6 billion) in 2013, up from CNY16.7 billion (\$2.6 billion) in 2010. This indicates a compound annual growth rate (CAGR) of 91.5%. The Chinese government is implementing National Cloud Computing Industry Development Plan which will include a number of cloud strategies, their development, fundamental tasks and a technology plan for the industry from 2011 to 2015. China's Ministry of Industry and Information Technology is also promoting cloud services through development guidelines and plans. Alibaba Cloud Computing is a developer of platforms for cloud computing, data management and mobile services and is exposed to strong revenue generation potential as the Chinese cloud computing market grows at a robust pace.

Rising smartphone penetration

The smartphone penetration in China is growing at a fast pace. According to industry estimates, smartphone shipments increased by two fold in August 2012 compared to the same period in 2011. Chinese market has 27% share in the global smartphone market, higher than 16% market share of the US. To effectively tap into this growth, the company has spun off its mobile OS business from the cloud computing and is investing \$200 million in the Aliyun OS. The company will be able to drive growth in the mobile OS by tapping into the smartphone growth.

Threats

Trends indicate weakening of export growth

Weak global economy is negatively impacting the Chinese export market. According to the recent data, the growth in overseas shipments from China had ground to a near halt in July 2012, with exports up just 1% from the same month in 2011. This growth is well beneath the 11.3% in June 2012. Overseas buyers have become less active as evidenced by a decline in China's export growth rate. Deceleration of export growth will have a negative impact on the company's marketplaces.

Challenging environment for small and medium enterprises (SME)

Alibaba's primary customer base, small and medium enterprises face significant challenges. China's SMEs are exposed to slowing domestic and overseas market demands and soaring consumer costs. This has been particularly difficult for labor intensive industries such as small suppliers for iron and steel firms and automobile producers. According to industry estimates, about 8.6% of the SMEs that needed bank loans got money they applied for in the first quarter, which was down by one percentage point from the same period in 2011. Furthermore, a large number of SMEs are expected to shut down during China's on-going economic restructuring, eliminating high energy-consumption and pollution-yielding firms. Any adverse impact on the core customer base will impact the demand for Alibaba's services.

Macro economic headwinds in the US and the UK

Alibaba's international business, in short to medium term, will operate in an environment characterized by adverse macro economic headwinds. The US economy recovered sluggishly after the economic recession and is likely to witness adverse growth due to the fiscal cliff phenomenon. The fiscal cliff is a term used to explain the challenges faced by the US economy as it aims to reduce the fiscal deficit. Mounting fiscal deficit forced the US government to implement the terms of the Budget Control Act of 2011 which is scheduled to go into effect starting January 2013. Budget Control Act of 2011 indicates a series of spending cuts and tax increases which make up the fiscal cliff and are deemed necessary to reduce the fiscal deficit in the US. Consequently, about \$7 trillion worth of tax increases and spending cuts are likely to take effect over the next decade. Although these measures are meant to revive the US economy by reducing the fiscal deficit, the measures are likely to pull out several trillion dollars out of the economy. The adverse affects include a possibility that the economy will go back into recession and shrink by about 0.5% in 2013. The fiscal cliff conundrum highlights the structural problems in the US economy where high fiscal deficit is forcing the government to cut spending and increase taxes, the impact of which is also adverse. The UK economy also faces significant macro economic headwinds as the implications to reduce public debt set in. Alibaba.com International's growth prospects in these regions will be negatively impacted by the adverse macro economic headwinds.

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