



Alibaba.com Limited

Company Profile

Publication Date: 10 Dec 2010

www.datamonitor.com

Europe, Middle East & Africa

119 Farringdon Road
London
EC1R 3DA
United Kingdom

t: +44 20 7551 9000
f: +44 20 7551 9090
e: euinfo@datamonitor.com

Americas

245 5th Avenue
4th Floor
New York, NY 10016
USA

t: +1 212 686 7400
f: +1 212 686 2626
e: usinfo@datamonitor.com

Asia Pacific

Level 46
2 Park Street
Sydney, NSW 2000
Australia

t: +61 2 8705 6900
f: +61 2 8088 7405
e: apinfo@datamonitor.com

ABOUT DATAMONITOR

Datamonitor is a leading business information company specializing in industry analysis.

Through its proprietary databases and wealth of expertise, Datamonitor provides clients with unbiased expert analysis and in depth forecasts for six industry sectors: Healthcare, Technology, Automotive, Energy, Consumer Markets, and Financial Services.

The company also advises clients on the impact that new technology and eCommerce will have on their businesses. Datamonitor maintains its headquarters in London, and regional offices in New York, Frankfurt, and Hong Kong. The company serves the world's largest 5000 companies.

Datamonitor's premium reports are based on primary research with industry panels and consumers. We gather information on market segmentation, market growth and pricing, competitors and products. Our experts then interpret this data to produce detailed forecasts and actionable recommendations, helping you create new business opportunities and ideas.

Our series of company, industry and country profiles complements our premium products, providing top-level information on 10,000 companies, 2,500 industries and 50 countries. While they do not contain the highly detailed breakdowns found in premium reports, profiles give you the most important qualitative and quantitative summary information you need - including predictions and forecasts.

All Rights Reserved.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher, Datamonitor plc.

The facts of this profile are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that Datamonitor delivers will be based on information gathered in good faith from both primary and secondary sources, whose accuracy we are not always in a position to guarantee. As such Datamonitor can accept no liability whatever for actions taken based on any information that may subsequently prove to be incorrect.

TABLE OF CONTENTS

Company Overview.....	4
Key Facts.....	4
SWOT Analysis.....	5

COMPANY OVERVIEW

Alibaba.com (or “the company”), a member of Alibaba Group, is engaged in providing e-commerce solutions for small and medium businesses. The company offers three marketplaces for online business: a global trade platform (www.alibaba.com) for importers and exporters; a Chinese platform (www.1688.com) for domestic trade in China; and, through an associated company, a Japanese platform (www.alibaba.co.jp) facilitating trade to and from Japan. In addition, Alibaba.com offers a wholesale platform on the global site (www.aliexpress.com) for smaller buyers seeking fast shipment of small quantities of goods. The company primarily operates in China, Japan, Korea, Europe and the US. It is headquartered in Hangzhou, China and employs 11,716 people.

The company recorded revenues of CNY3,874.7 million (\$568.1 million) during the financial year ended December 2009 (FY2009), an increase of 29% over 2008. The operating profit of the company was CNY1,073 million (\$157.3 million) in FY2009, a decrease of 6% over 2008. Its net profit was CNY1,013 million (\$148.5 million) in FY2009, a decrease of 12.3% over 2008.

KEY FACTS

Head Office	Alibaba.com Limited 699 Wang Shang Road Binjiang District Hangzhou 310052 CHN
Phone	86 571 8502 2088
Fax	86 571 8981 5505
Web Address	http://www.alibaba.com
Revenue / turnover (CNY Mn)	3,874.7
Financial Year End	December
Employees	11,716
Hong Kong Stock Exchange Ticker	1688

SWOT ANALYSIS

Alibaba.com (or “the company”), a member of Alibaba Group, is an investment holding company. The company’s subsidiaries are primarily engaged in the provision of software, technology and other services on its online business-to-business (B2B) marketplaces with the uniform resource locators: www.alibaba.com; www.1688.com; and www.alibaba.co.jp under the trade name “Alibaba”. Alibaba.com's business model has given it flexibility and cost efficiency that helps it to continuously increase the number of members without adding significantly to its cost structure and hence increase the company's revenue base. However, increasing competition may negatively impact the traffic on the company’s websites thereby decreasing its revenues and market share in the coming years.

Strengths	Weaknesses
Efficient business model driving customer base and revenue Strong market position Strategic partnerships	Inability to counter the sale of counterfeit products
Opportunities	Threats
Strategic acquisitions to strengthen the US operations Increased focus on India Expanding Chinese e-commerce market Acquisitions to enhance its portfolio of offerings	Increasing competition Increasing internet fraud and the subsequent problem of litigation

Strengths

Efficient business model driving customer base and revenue

Alibaba.com operates on a unique business model which unites buyers and sellers in an online marketplace. The company provides a platform to facilitate business between two parties but has no products of its own to offer. It maintains a searchable database of information for buyers and seller to connect, and helps in facilitating payment between both parties. In addition, suppliers and buyers use the company’s tools to manage customer relationships and trade information. This business model overcomes the inefficiencies of traditional marketplaces, which tend to be fragmented and offer a relatively limited variety of goods. This business model also saves on the transaction costs per sale, due to absence of intermediaries.

In addition, the company also offers financing support to small businesses in overcoming their difficulties in financing and management. In 2009, a loan-guarantee fund of CNY60 million (\$8.8 million) was established in Zhejiang Province, Hangzhou and Shanghai with capital from Alibaba Group, China Construction Bank and the government entities concerned to back up the loans granted to local companies. As of FY2009, the company's customers received more than CNY6 billion (\$0.9 billion) in principal amounts of loans under the Ali-Loan program. The company also offers e-commerce training programs for small businesses professionals through Ali-Institute. Further, the company offers value-added services to its members which enable them in addressing different customer needs in growing and managing their businesses. Some of the new VAS launched in FY2009 includes Mobile TrustPass, advanced Winport features and Traffic Analyzer.

The company experienced an increase in users of its services as a result of this business model. The number of registered users on the company's international marketplace reached 11.6 million in 2009, compared to 1.9 million in 2005, representing a growth of 56% every year since 2005. In particular, on international market place, Alibaba.com had a total of 96,110 China Gold Supplier members, representing an annual net addition of 53,082, or a 123.4% growth year-over-year. The number of storefronts on international marketplace increased to 965,747 in 2009 from 292,414 in 2005. Similarly, the company's registered users on China market place increased from nine million in 2005 to 36.2 million at the end of 2009, representing a year-on-year growth of 41% during 2005–09. Also, the number of storefronts on China marketplace increased from one million in 2005 to 5.4 million in 2009. As a result, Alibaba.com's revenue increased from CNY738.3 million (\$1,08.2 million) in 2005 to CNY3,874.7 million (\$568.1 million) in FY2009, representing a compounded annual growth rate (CAGR) of 51% for the period 2005–09.

Alibaba.com's efficient business model has given it flexibility and cost efficiency that helps it to continuously increase the number of members without adding significantly to its cost structure and hence increase the company's revenue base.

Strong market position

The company has a strong market position. It is one of the leading players in the global B2B e-commerce market. Alibaba.com is the market leader in the Chinese online e-commerce market. The company offers three marketplaces for online business: a global trade platform (www.alibaba.com) for importers and exporters; a Chinese platform (www.1688.com) for domestic trade in China; and, through an associated company, a Japanese platform (www.alibaba.co.jp) facilitating trade to and from Japan. In addition, Alibaba.com offers a wholesale platform on the global site (www.aliexpress.com) for smaller buyers seeking fast shipment of small quantities of goods. Together, these marketplaces form a community of more than 50 million registered users in more than 240 countries and regions. As of FY2009, the company's register users on international marketplace and domestic marketplace reached 11.6 million and 36.2 million, respectively. As of FY2009, Alibaba.com's registered users in the US reached 1.8 million, representing 15.8% of the total registered international users, followed by India with 1.3 million (11% of the total registered users on the international market place), European Union excluding the UK with 1 million (9%), the UK with 0.6 million (5.7%), and Pakistan with 0.3 million (2.6%).

Strong customer base and market position provides competitive advantage and gives Alibaba.com considerable bargaining power.

Strategic partnerships

Alibaba.com has formed many strategic partnerships with leading companies and government bodies to expand its reach. In April 2009, the company partnered with Jigsaw (www.jigsaw.com), a provider of business information and data services, to facilitate business connections worldwide. In May 2009, Alibaba.com formed a strategic alliance with Logo Group, one of the software developers and resellers in Turkey, to assist SMEs in Turkey to leverage the benefits of e-commerce and sell their goods and services around the world through Alibaba.com's global online marketing channel. In June 2009, Alibaba.com signed a MoU with the Vietnam Industry and Trade Information Center (VITIC), part of the Vietnam government's Ministry of Industry and Trade, to promote the development of e-commerce and to facilitate international trade for Vietnamese SMEs.

Further, in April 2010, the company launched AliExpress, which enables customers to tailor orders to the needs of their small businesses; offering smaller-quantity orders, instant online transactions, and an escrow service to protect buyers and sellers. In the same month, the company partnered with PayPal, an online secure payments provider, to offer its AliExpress platform (www.aliexpress.com) on PayPal. PayPal is one of the leading online payment platforms in the world with more than 84 million active accounts and more than 8 million merchants in 190 markets and 24 currencies around the world. The alliance between the company and PayPal will allow businesses to source goods through AliExpress using PayPal in their preferred local currency. In September 2010, Alibaba Group signed a MoU with the Korea Small and Medium Business Administration (SMBA) to promote Korean SMEs exports through e-commerce. Such strategic partnerships will enable the company to enhance its portfolio of offerings and expand its customer base.

Weaknesses

Inability to counter the sale of counterfeit products

On one hand online retail has proved a boon for many retailers by increasing their revenue and lowering their cost but on the other hand it has also resulted in the growth of online sales on counterfeit products. Sales of counterfeit products through online commerce platforms have become easy because it is very difficult to trace the identity of the seller of these goods. Over the years, alibaba.com has been fighting against the sale of counterfeit products over its website. For example, in 2009, Pfizer, the world's largest pharmaceutical company, reported the sale of counterfeit Pfizer products on Alibaba.com.

The company has been taking many measures to combat the sale counterfeit goods. In 2008, Alibaba.com set up its online security department to help resolve problems between buyers and sellers using the company's platform. In late 2009, its legal department began collaborating with Pfizer to help fight the rising tide of counterfeit medications that are available over the internet. In

addition, in early 2010, the company established the Fair Play Fund to cover some of the losses suffered by Alibaba.com users due to fraud. Although, the company has been employing various measures to restrict the sale of counterfeit goods, there is no guarantee that it will stop the problem permanently.

Failure on the company's part to curb the sale of counterfeit goods will negatively affect its image in media. It can also affect Alibaba.com's reliability as the customers and public may form a negative perception. Inability to counter the sale of counterfeit products can have a serious bearing on the company's brand image and also affect its sales.

Opportunities

Strategic acquisitions to strengthen the US operations

Alibaba.com has completed many strategic acquisitions in recent times to strengthen its US operations. In July 2010, the company acquired Vendio Services, a multi-channel e-commerce company providing a one-stop solution for small businesses that are selling online across multiple channels. Through this acquisition, Alibaba.com integrated its AliExpress (www.aliexpress.com), a wholesale transaction platform, and Vendio e-commerce services into a complete solution for small businesses in the US. From the Vendio Platform, merchants can source products from Alibaba.com's trusted supplier network and sell through channels such as eBay, Amazon, and their own Vendio-supported store. This platform is offered on software-as-a-service (SaaS) cloud-computing model to help businesses increase their sales while managing costs to enhance their profit margin.

Through this acquisition, Alibaba.com can access more than 80,000 targeted small businesses in the US with potential sourcing needs from suppliers on Alibaba.com's sourcing platform and AliExpress. In addition, the acquisition will provide access to e-commerce storefronts and multi-channel selling services for AliExpress customers planning to reach consumers online through the Vendio Platform.

Further, in August 2010, the company acquired Auctiva, the leading third-party developer of tools for eBay sellers. Auctiva provides a range of listing, marketing and management tools as well as image hosting and online storefronts for small businesses to sell successfully through e-commerce on sites like eBay and has more than 170,000 active users. Alibaba.com's acquisition of Auctiva and Vendio combined with its strength in sourcing will create a significant source of tools and resources for US small businesses looking to leverage e-commerce. The combination of both the Auctiva and Vendio acquisitions brings more than 250,000 new customers to the Alibaba.com family of products, and significantly expands the size of Alibaba.com's US operations.

These acquisitions strengthen Alibaba.com's US operations and also enable it in building the global e-commerce supply chain, thereby enabling small businesses to effectively source from suppliers all over the world and sell those products through popular online channels.

Increased focus on India

The company has been increasing its focus on India in recent times. In July 2009, Alibaba.com opened its Gold Supplier membership to suppliers in India. Gold Supplier International Edition is the company's highest level of membership for Indian exporters enabling them to maximize their exposure to overseas buyers. The number of registered users in India on the company's international market place increased from 0.5 million in May 2008 to 1.3 million at the end of 2009, representing 11% of its total registered users on the international market place.

In September 2010, the company launched customer service operations in India to support the growing demand. Through a service office in Mumbai, Alibaba.com will primarily focus on providing customer service to its Indian Gold Supplier members. This team will then grow and expand to multiple offices across India to provide local, hands-on support to Alibaba.com's growing member-base. Further, from November 2010, Alibaba.com began managing all direct membership sales and support for the Indian market. Previously, Infomedia 18 used to serve Indian SME's on behalf of Alibaba.com.

India's large SME population coupled with strong domestic market and a growing export sector makes it an important market for Alibaba.com. The company also experienced strong growth in the Indian market with an average of more than 30,000 new users having registered per month in the first half of 2010. As of June 2010, more than 1.5 million users from small businesses in India used Alibaba.com's services to reach out to more than 13.6 million registered buyers and suppliers on its international marketplace.

The company's increased focus on India will enable it enhance its revenues in the coming years.

Expanding Chinese e-commerce market

The e-commerce market in China is expected to grow in the coming years. In 2009, China's e-commerce market reached CNY263 billion (approximately \$38.5 billion), representing a year-on-year growth rate of about 105%. China's e-commerce transaction volume went up to 1.02 trillion RMB in the first quarter of 2010. At present, the consumer-to-consumer (C2C) represents the largest segment of China's e-commerce market. The Chinese B2B market will continue to grow rapidly in the next few years with the nation's economic growth and rising e-commerce penetration. According to the industry sources, the Chinese e-commerce market is expected to reach CNY1.5 trillion (approximately \$220 billion) by 2014. Internet penetration is expected to grow by 59.3% to 812 million individual users.

Alibaba.com is one of the leading players in the Chinese e-commerce market. The company's strong market position will enable it gain from the growing market.

Acquisitions to enhance its portfolio of offerings

The company has completed many acquisitions in recent times to enhance its portfolio of offerings. In September 2009, Alibaba.com acquired business management software (BMS) division of Alisoft

Holding (Alisoft), a wholly-owned subsidiary of Alibaba Group). As part of this acquisition, major application software product lines for small business and related assets of Alisoft, as well as all customer contracts are injected into the company. The software products offered by the BMS division are provided to customers through the internet under the SaaS model, thereby providing small businesses with enterprise and financial management tools that help them leverage technology to manage their operations. In December 2009, Alibaba.com acquired China Civilink (Cayman), which operates in China as HiChina Web Solutions, a provider of internet infrastructure services in China, including domain name services, web and server hosting services, email hosting services and website design and development services. With this acquisition, Alibaba.com gained more than 200,000 new customers, value-added applications, and advanced “do-it-yourself” website technology. The acquisition will further enhance the company’s ability to provide additional internet infrastructure services to small businesses in China.

In addition, Alibaba.com signed an agreement to acquire Shenzhen One-Touch Enterprise Service (One-Touch), a provider of services for exporters in China, in November 2010. One-Touch offers export-related services targeting the needs of small businesses in China, including customs clearance, logistics, cargo insurance, currency exchange, tax refund, financing and certification, among others. With the acquisition of One-Touch, Alibaba.com intends to provide a range of export-related VAS to its members. The company plans to introduce services including One-Touch through the China Gold Supplier 2011 edition. The acquisition of One-Touch will enable the company’s China Gold Supplier members to effectively conduct export business.

Such strategic acquisitions will further enhance the company’s portfolio of offerings thereby enabling it to effectively cater to the needs of its customers.

Threats

Increasing competition

Alibaba.com operates in an increasingly competitive e-commerce market. The company faces competition from business to business (B2B) players operating in marketplace model. Alibaba.com’s primary competitors include Global Sources, HC360.com, Myekoo.com, ChinaChemNet, e-Bay, DHgate.com, eSources.co.uk, and NetEase.com. In addition, Yahoo! which owns 40% of Alibaba Group (which owns Alibaba.com) plans to enter Chinese online advertising market. Although, Yahoo! has no direct presence in China, it conducts its own direct business in Hong Kong through its Hong Kong subsidiary, Yahoo Hong Kong. In recent times, Yahoo! intends to attract SMEs from China through its Yahoo Hong Kong. If Yahoo! implements its plan, then Alibaba.com may face significant competition in attracting SME customers in China.

Increasing competition may negatively impact the traffic on the company’s websites thereby decreasing its revenues and market share in the coming years.

Increasing internet fraud and the subsequent problem of litigation

The company is exposed to the problems of internet fraud, which will increase costs and affect customer confidence adversely. Internet fraud has been a growing problem for many years for the companies operating in the e-commerce industry. The companies operating in the online marketplaces have a high exposure to different types of fraud, including sale of fake or counterfeit products, credit card fraud or non delivery of goods, among others. According to the industry sources, 65% of internet users globally have fallen victim to cybercrimes, including online credit card fraud and identity theft, among others. In particular, China and India are the most affected countries due to this problem.

Alibaba.com has constantly been involved in problems related to various internet frauds. Internet frauds are difficult to curb as they are often obscure and place the company in a vulnerable position. Effectively eliminating frauds is costly as the company has to incur large recurring expenses to monitor and prevent such frauds. In case the company gets involved in any litigation then it would have to incur legal expenses and there is a possibility of heavy penalty or compensation. Internet frauds may also affect the brand image of Alibaba.com adversely and might dissuade online shoppers. These factors may prove to be unfavorable for Alibaba.com's business and will affect both revenues and bottom line negatively.

Copyright of Alibaba.com Limited SWOT Analysis is the property of Datamonitor Plc and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.