Overview of Alibaba Global Value Chain

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Abstract
Based on global value chain theory and The Eclectic Paradigm of International Production, this paper concludes the current status of China’s cross-border e-commerce development. Using Alibaba as a representative, this paper analyzes the content, process and success factors of Alibaba’s global value chain construction. Aiming to benefit going out strategy of Chinese companies.

Keywords
Alibaba; Global Value Chain.

1. INTRODUCTION
The background of economic globalization has strengthened the trade exchanges between countries in the world. From a global perspective, more than 2/3 of world trade takes place through global value chains [5]. Compared with developed countries such as the United States and Japan, China, as the world’s largest trading nation, is currently still at the low-end of GVC [4]. How companies can gain competitive advantages under the background of globalization and enhance China’s position in GVC is a topic of widespread concern in academic and business circles. This article selects Alibaba, the world’s top 500 and China’s leading Internet company, as the research object. Alibaba is adhering to the mission of making the world not difficult to do business and embodying its value on the road to globalization. Inclusiveness, sharing and empowerment of small and medium-sized enterprises are Alibaba’s core ideas in building a global value chain. This article will analyze the content, process and success factors of Alibaba’s global value chain, and provide a certain reference for Chinese companies to go global.

2. THEORETICAL BASIS
2.1. Global Value Chain Theory
The global value chain theory is rooted in the value chain theory proposed and developed by international business researchers in the 1980s, among which Porter’s value chain is the most popular [7]. Michael E. Porter believes that the various production and operation activities of the enterprise are carried out with the goal of maximizing the value created by the enterprise.

All the production links of the enterprise together constitute the value chain of the enterprise [6]. Global value chain refers to a global cross-enterprise network organization that connects production, sales, recycling and other processes in order to realize the value of goods or services. It involves the entire process from raw material collection and transportation of semi-finished and finished products to the production and distribution of final consumption and recycling. Including all participants and the organization of production and sales activities and the value and profit distribution [7].

Under the structure of the global value chain, there are inequalities in the division of value between regions. The most profitable ends of the value chain are downstream marketing and
upstream key components, while the intermediate production part is in a state of being squeezed. Therefore, the global value chain can be divided into production and circulation links according to its value formation process. The production link mainly refers to the process of production and processing, product design, etc., which is the process of value formation;

The circulation link mainly refers to the process of brand promotion, market sales, logistics distribution, after-sales service, etc. It is the process of value realization [2].

2.2. Eclectic Theory of International Production

The eclectic theory of international production was first proposed by Professor Deng Ning of the University of Reading in the United Kingdom [1]. The eclectic theory of international production believes that multinational companies that carry out foreign direct investment must meet three advantages: ownership advantage, internalization advantage and location advantage. Ownership advantage refers to the advantages that a country's enterprises have but foreign enterprises do not. The advantage of internalization is to internalize the assets it owns in order to avoid the impact of the incomplete market on the enterprise and maintain the advantages of the enterprise. Location advantage refers to the advantages of the investment country or region for investors in terms of investment environment. The eclectic theory of international production believes that multinational companies must combine ownership advantages, internalization advantages, and location advantages when developing foreign direct investment (Dunning, 1981) [1].

3. CONTENT AND PROCESS OF ALIBABA GLOBAL VALUE CHAIN

3.1. Content of Alibaba Building the Global Value Chain

The globalization of Alibaba mentioned by Jack Ma in his speech includes five aspects: global buying, global selling, global shipping, global payment, and global travel. Among them, cross-border e-commerce is the core of Alibaba's global value chain. Cainiao Network provides smart supply chain and logistics services for the development of cross-border e-commerce, Alipay provides cross-border payment services. In addition to the five globalizations of Alibaba mentioned by Jack Ma, Alibaba Cloud and eWTP platforms are indispensable in Alibaba's global value chain. Alibaba Cloud provides data services and solutions for Alibaba's global business. The eWTP platform creates a more effective and efficient policy and business environment for the development of Alibaba's cross-border e-commerce.

Cross border e-commerce refers to an international business activity in which the transaction subjects belonging to different customs areas reach a transaction, make payment and settlement through e-commerce platform, and deliver goods and complete the transaction through cross-border logistics. In 2017, China's cross-border e-commerce transactions amounted to 7.5 trillion yuan, ranking the first in the world. In the past decade, cross-border e-commerce has been developing continuously, with the total volume of import and export increasing year by year. The scale of export transaction is far larger than that of import transaction. Export is dominant, and import is growing rapidly. The "going out" effect of China's cross-border e-commerce is significant.

Alibaba plays a crucial role in the field of cross-border e-commerce in China, On May 22, 2020, Alibaba Group announced the fourth quarter and annual financial report of the fiscal year 2020 up to March 31, 2020.

According to the financial report, Alibaba's annual revenue in fiscal year 2020 was 509.711 billion yuan, a year-on-year increase of 35.3%, its net profit was 140.350 billion yuan, a year-on-year increase of 74.9%, and its revenue in the fourth quarter was 114.31 billion yuan, a year-on-year increase of 22%. The report also shows that Alibaba's global active consumers have reached 960 million, of which 780 million are from China and 180 million are from overseas.
Overseas consumers mainly come from cross-border e-commerce platforms lazada, Aliexpress and other international retail businesses. Alibaba’s global business revenue mainly comes from cross-border e-commerce (24.323 billion yuan), Alibaba cloud (40.016 billion yuan) and Cainiao network (22.233 billion yuan). From this, we can see the strong trend of Alibaba’s globalization development.

3.1.1 Global shopping

The import module of Alibaba’s cross-border e-commerce, mainly including koala shopping, Tmall global and Taobao global.

Tmall global (B2C) is a direct supplier of imported goods from overseas for domestic consumers.

Taobao global shopping (C2C) has built a platform between global buyers and domestic consumers. There are more than 120000 overseas brands from 116 countries, with a year-on-year growth rate of 42% in 2018.

3.1.2 Global sales

The export modules of Alibaba cross-border e-commerce mainly include Alibaba international station, global express and lazada.

Alibaba international station (B2B) is the world’s leading B2B e-commerce platform for cross-border trade. The products have covered 200+ countries and regions around the world, 5900+ product categories, and have more than 20 million active and high-quality overseas buyers.

Global fast sell through (B2C) is China’s largest export B2C e-commerce platform, covering 220 countries and regions around the world. Russia, Spain and the United States are the most important overseas markets of the company. It supports 18 language sites in the world. Aliexpress app has been listed in top 10 of the global application list.

Lazada (B2C) is an e-commerce platform in Southeast Asia under Ali, with users concentrated in Indonesia, Malaysia, Philippines and Thailand.

3.1.3 Global transportation

Cainiao network: provide intelligent supply chain services, 89 cross-border logistics partners, covering 224 countries / regions, 231 cross-border warehouses, more than 1500 sea, land and air routes, with an average time of 2.4 days.

3.1.4 Global payment

Ant Financial: Alipay, Yu’EBao, Ant Credit Pay and so on. Rely on mobile Internet, big data and cloud computing to provide inclusive financial services for small and micro businesses and individuals.

3.1.5 Global travel

Flying Pig travel is a comprehensive travel service platform, providing air tickets, hotels, travel routes and other goods. “Feizhugou” has carried out strategic cooperation with “Zhongmian” group to realize the o2o mode of online flagship store appointment + offline pick-up.

In addition, in the process of building the global value chain, it is also inseparable from the support of “Alimama (value realization, digital marketing platform), Alibaba cloud (providing a whole set of cloud services) and ewtp (World e-commerce platform).

3.2 Alibaba’s Process of Building Global Value Chain

Alibaba’s process of building a global value chain is mainly through the establishment of its own business, investment and M & A, and strategic cooperation. In terms of its own business, represented by global express and Tmall global, global express helps more Chinese enterprises
sell globally by enabling SMEs; Tmall global attracts small and medium-sized enterprises and global brand enterprises to settle in, which facilitates domestic consumers to buy all over the world; In terms of investment and M & A, represented by kaola and Cainiao network, the acquisition of kaola makes Alibaba be the largest cross-border e-commerce in domestic market share, while the investment in Cainiao network provides cross-border logistics services extending in all directions for Alibaba’s cross-border e-commerce.

In terms of strategic cooperation, represented by the ewtp platform, Alibaba has actively signed memoranda of cooperation with governments of various countries to make unremitting efforts to build a globally inclusive e-commerce platform.

Taking Alibaba's acquisition of Lazada as an example, a Southeast Asian e-commerce platform, as an example, this paper analyzes in detail the process of Alibaba building a global value chain. With the development of economic globalization, more and more enterprises carry out foreign direct investment, including participation in capital, joint venture, acquisition, establishment of subsidiaries, etc. In 2016, Alibaba Group acquired about 54% of lazada's equity with us $1.02 billion in cash. After the completion of the transaction, lazada became a subsidiary of Alibaba group. From 2017 to 2018, Alibaba continued to increase its stake in lazada and make additional investment, eventually holding about 91% of lazada. Based on Dengning’s eclectic theory of international production, enterprises will consider the advantages of ownership, internalization and location. First of all, in terms of ownership advantages, Alibaba has advantages in capital and technology, which lazada lacks. Lazada is too quick to make quick gains in the process of market expansion, facing the difficulties of fund chain disconnection and financing. Alibaba relies on a strong Alibaba ecosystem to realize scale economy. With the support of Alibaba’s realization platform, Alibaba has sufficient funds sources for direct investment abroad. In terms of technology, Alibaba has the first-class organization and management ability in the world, and has the R & D technical support of Alibaba cloud platform, so Alibaba has the ownership advantage. In terms of internalization advantage, internalization advantage is to avoid the impact of incomplete market on enterprises, internalize the assets owned by enterprises and maintain the advantages owned by enterprises. The acquisition of lazada is a trinity embodiment of Alibaba’s business expansion in Southeast Asia market, reduction of transaction cost and establishment of competitive advantage, Lazada has an independent logistics system LGS and a local language terminal system, As of 2015, lazada's revenue has nearly doubled year-on-year, covering Southeast Asian markets, Alibaba internallization it by acquiring lazada, With the help of relatively mature lazada, it entered the Southeast Asian market. It overcomes the previous defects of Alibaba in the external market of Southeast Asia, Therefore, Alibaba has the advantage of internalization. In terms of location advantage and market potential, Southeast Asia has a population of 600 million, with more than 250 million smartphone users, which has huge market potential. In terms of labor cost, Southeast Asia has a dense and cheap labor force, and the labor cost advantage is obvious. "One belt, one road” policy supports the establishment of a multi-level financial guarantee system between China and the countries along the line, and provides financial support for the implementation of the project and provides a good business environment. Therefore, Alibaba has location advantages. Alibaba's financial report in 2018 shows that through the acquisition of lazada, Alibaba operates an e-commerce platform across Southeast Asia, which is an important area of globalization strategy. Although Alibaba and lazada reported strong year-on-year growth in 2020, it still showed a negative impact in some countries. Facts have proved that lazada occupies a very important position in Alibaba’s global value chain and is an important strategic supplement to Alibaba’s global value chain in Southeast Asia.
4. ALIBABA'S SUCCESS FACTORS IN BUILDING GLOBAL VALUE CHAIN

4.1. “One Belt, One Road” Favorable Trade Environment and Favorable Policy Support

General secretary Xi Jinping proposed at the BRICs summit in Xiamen in 2017 to "cultivate value chain and big market of shared interests, and work together to create a new global value chain, and promote the optimization of international division of labor and global value chain remodeling"[9]. The "one belt, one road" includes the "Silk Road Economic Belt" and "twenty-first Century Maritime Silk Road". It has a wide geographical extension, and it is accessible to Central Asia, Northeast Asia, Southeast Asia, South Asia, Western Asia, Central Europe and North Africa. "One belt, one road" participates in the exchanges and cooperation in various dimensions such as economy, diplomacy and culture. It provides an inclusive, open and shared international trade environment for the development of cross-border electricity suppliers of Alibaba. For example, "one belt, one road" was acquired by Alibaba, Lazada, Russia and Spain as the main European market in global express. Alibaba acquired South Asia's Daraz, eWTP successfully launched in Malaysia and signed a cooperation agreement with Ethiopia, Belgium and Rwanda government. Ali Yun set up data centers in Indonesia and Malaysia, and all of them used the "one belt, one road" Business environment of communication and cooperation.

In China, the government has also provided many favorable policy supports for the development of cross-border e-commerce in China, including expanding the import pilot of cross-border e-commerce, establishing a comprehensive pilot zone for cross-border e-commerce, improving tax policies and providing preferential tax policies, which have also become the driving force for the continuous support and promotion of the development of Alibaba’s cross-border e-commerce module.

4.2. Jack Ma's Emphasis on Talent Construction Helps Alibaba to Enhance Its Global Influence

Jack Ma attaches great importance to Alibaba’s talent construction. He once mentioned in his public speech that he spent 70% of his time in discovering talent cultivation, talent echelon construction and organizational culture construction. Jack Ma believes in the power of the team and knows how to make good use of people. In 2016, the talent development project of “Alibaba Group Global Leadership College” was launched to cultivate future global business leaders for the company, which can be seen from the cultivation of Zhang Yong, the current CEO of Alibaba, as the successor of Alibaba. Ma Yun attaches great importance to human resources. Alibaba’s three axes management tool has become a model for domestic Internet enterprises to learn from. Ma Yun mentioned that “strategically, the three axes are mission, vision and values, while the next three axes are organization, talent and KPI”. Jack Ma’s emphasis on talent construction, thinking and practice of human resource management have enabled the ecosystem carrying more than 100000 employees to work together efficiently.

Jack Ma represents Alibaba, and the improvement of Alibaba’s global influence is closely related to Jack Ma. Jack Ma is the keynote speaker and guest of Davos forum, holding talks with international politicians such as Obama, Trump and Merkel. He is the co chairman of the global Internet governance alliance and the special adviser of the United Nations. At the Davos forum, Jack Ma exchanged views with US reporters, responded to the Western doubts about Alibaba, conveyed the different business models of Alibaba and Amazon to the world, and conveyed the idea of Alibaba’s inclusive and enabling, so as to make the world understand Alibaba more clearly, enhance Alibaba’s international influence, and provide reference for Alibaba’s subsequent global development. It has laid a foundation for the expansion of business and the construction of value chain. At the 2016 G20 summit, Jack Ma put forward the concept of ewtp. In 2017, Jack Ma spent at least 1000 hours on the plane to visit politicians and entrepreneurs around the world and promote the ewtp project; At the same time, Jack Ma attaches great
importance to Alibaba’s digital transformation. Jack Ma points out that Alibaba is not only an e-commerce company, but also a digital company. Every year, he invests $1 billion in research and development in Alibaba cloud. At present, Alibaba cloud has ranked among the top three in the global cloud service field. Jack Ma’s proposal of ewtp, his emphasis on Alibaba cloud and his assistance in Alibaba’s digitalization are innovative links in Alibaba’s global value chain.

5. THE IMPACT ON CHINA AND CHINESE ENTERPRISES’ GOING OUT

5.1. The Impact on China’s Economy

Alibaba’s global value chain promotes China’s economic growth, employment and taxation. Take Hangzhou as an example. In 2018, Hangzhou’s GDP was 1346.778 billion yuan, while Alibaba’s revenue was 250.266 billion yuan and tax was 51.6 billion yuan in fiscal year 2018. In China, Alibaba has driven the employment of 2.1 million people in China’s express delivery industry, and the number of e-commerce employees is even more numerous.

Alibaba’s cross-border e-commerce has driven the development of China’s retail industry, logistics industry and financial industry. The financial times (2017) pointed out that Alibaba is the perfect embodiment of globalization version 2.0. In China, Alibaba contributes one tenth of China’s retail sales and owns the largest Monetary Fund (Yu’EBao manages 1.14 trillion yuan). First of all, Alibaba empowers domestic small and medium-sized enterprises to help them sell globally. At the same time, through the analysis of Alibaba’s e-commerce data and payment data, we can understand consumers’ purchase habits, user portraits, etc., and feed back the development of China’s retail industry. Secondly, Alibaba has integrated Cainiao network, and each e-commerce platform of Alibaba has provided order sources for the development of express logistics industry. Finally, the Ant Financial, relying on the source of Alibaba’s electricity supplier and Alipay’s capital, has developed financial, investment and insurance business, and has promoted the development of China’s financial industry.

5.2. The Platform for Chinese Small and Medium Sized Enterprises to “Go Out”

Jack Ma has formulated a strategic vision for Alibaba’s globalization, and has personally implemented it: Jack Ma is committed to the globalization of Chinese small enterprises all over the world, conveying the idea of inclusive, sharing and enabling small and medium-sized enterprises to the world. Based on the theory of global value chain, the upstream of value chain, such as parts, product design and downstream, such as marketing, are the core of profit, while the small and medium-sized enterprises are mostly concentrated in the intermediate production link, with low profit, It is difficult for small and medium-sized enterprises to establish their own brand advantages in the international environment of competitive incentives. Alibaba can enable small and medium-sized enterprises to make profits to the downstream of the value chain, The Alibaba uses its ecosystem to provide payment systems for small and medium-sized enterprises (Alipay), logistics and distribution services (Cainiao network), marketing platform (Alimama), and overseas sales channels (including overseas enterprises such as Alibaba international station, including overseas consumer groups such as global express). At the same time, Alibaba’s ewtp platform can better help small and medium-sized enterprises carry out digital transformation, so that small and medium-sized enterprises can break through the lock of global value chain to a certain extent, greatly reduce the cost of small and medium-sized enterprises to go out and establish brand advantages, and improve the profits of small and medium-sized enterprises. Therefore, when small and medium-sized enterprises enter the international market, they can rely on Alibaba’s cross-border e-commerce platform and ecosystem to carry out dislocation competition with foreign enterprises to gain competitive advantage.
5.3. The Model of Investment and Acquisition of Chinese Enterprises

Ali Baba is building its global value chain, which includes investment and acquisition of foreign enterprises in addition to its own business. Ali Baba pays attention to the integration of enterprises after M & A, which is often the key to failure of merger and acquisition ignored by many enterprises. Take Ali Baba's acquisition of lazada as an example, after completing the acquisition of lazada, Ali Baba sent Peng Lei, the former chairman of Ant financial, as CEO of lazada in 2018 to help Ali Baba build an excellent team familiar with policies, laws and cultural customs in Southeast Asia. In addition, Ali Baba has promoted the integration of Cainiao network and Lazada's original free logistics LGS, and has promoted the integration of Alipay's business with Lazada's Hellopay. Today, Lazada has become a strong member of Ali Baba's cross-border electricity supplier. Therefore, Chinese enterprises should not only consider the capital, location selection and other factors, but also pay attention to the transnational operation and management after M & A, including cultural integration, business integration, personnel allocation and so on.

6. CONCLUSION

Based on the global value chain theory and international production trade-off theory, this paper analyzes the contents of Ali Baba's global value chain, that is, global shopping, global sales, global transportation, global payment and global travel. At the same time, Alimama, ewtp and Ali Baba cloud are indispensable. Ali Baba's global value chain construction process focuses on the analysis of Ali Baba's comprehensive ownership advantages, internalization advantages and location advantages. The acquisition of lazada, a Southeast Asian e-commerce platform, is an important strategic layout of Ali Baba in Southeast Asia. "One belt, one road" for Ali Baba, is the successful factor in building global value chain. China's supporting policies for cross-border e-commerce provide policy support; Jack Ma is also very important in the construction of Ali Baba's global value chain. Jack Ma attaches great importance to Ali Baba's talent construction and consolidates Ali Baba's talent management. Jcak Ma's advocacy of inclusive, sharing and enabling SMEs is the core idea of Ali Baba's global value chain, and Jack Ma's contribution to enhancing Ali Baba's global influence and digital going overseas is even more important. Finally, the construction of Ali Baba's global value chain has effectively promoted China's economic growth, employment and industry development, providing a platform for Chinese SMEs to go out, and providing a reference for Chinese enterprises' cross-border mergers and acquisitions.

REFERENCES


