Joseph Tsai -- *Executive Vice Chairman*

Thanks, Rob. Thank you all for joining us. We had a great quarter, with operations, revenues, and profits beating expectations. This shows the resilience of our business in the face of complex geopolitical and economic conditions. Before Daniel and Maggie take you through our exciting quarter, I want to address the elephant in the room, which everyone calls the trade war. Let's distill the complexity of U.S.-China relations to what it means for Alibaba.

In short, the trade talks put Alibaba on the right side of all the issues on the table. First, the reduction of the U.S. trade deficit: China's commitment to purchase more American products means China will, over the next several years, become a net importing country. Consumers in China will benefit from the availability of quality imported products from all over the world, including from American farmers, brands, and small businesses. Alibaba is set up to benefit from this secular trend of growing imports into China. We are the platform of choice for global producers, products, and brands selling into China because we have the reach and deep insights on over 650 million active Chinese consumers on our platform.

The scale and effectiveness of our access to Chinese consumers is simply unrivaled. In cross-border commerce, our Tmall Global platform is China's No. 1 platform for overseas brands and merchants to sell to Chinese consumers directly without physical operations in China. Well-established global retailers and brands that have built an online presence on Tmall Global include nutritional supplement vendors Chemist Warehouse and Blackmores, baby products brand Pampers, and apparels brand Emporio Armani.

Second, the trade negotiations will lead to China opening its markets to more foreign businesses in order to satisfy the massively growing demands of domestic consumers. We're not concerned about slowing China exports affecting GDP growth because the Chinese economy is shifting from an export economy to a domestic consumption economy. Job expansion is continuing in China. Over the last five years, while China lost 14 million manufacturing jobs, the economy added 70 million service jobs that drove real disposable income growth and consumption.

The middle class in China has reached critical mass of over 300 million, almost as large as the entire U.S. population. The middle class will double in the next 10 years, especially from the lesser developed Chinese cities. While total Chinese domestic consumption is $5.5 trillion today, consumption from these third-, fourth-, and fifth-tier cities, with a combined population of 500 million people, will triple from $2.3 trillion to nearly $7 trillion in the next 10 years.

Third, intellectual property protection: In recent years, China has made significant improvements in reducing IP infringement, as China moves closer to global norms in protecting and paying for foreign IP. China also recognizes the need to protect its own innovators, as well as being focused on Chinese consumers, who demand genuine products of high quality. Alibaba is at the forefront of protecting intellectual property. Leveraging on our cutting-edge technology, we take proactive and aggressive steps to crack down on counterfeits in our marketplaces because the customers who trust our platforms demand it. Alibaba is the only e-commerce company that is validated by global brands as having the highest commitment to IP protection.

The Alibaba Anti-Counterfeiting Alliance, which we initiated in 2017, has grown to 132 global brand companies from 16 countries in 12 industries. The Alliance members collaborate in six key areas: 1). Proactive online monitoring and protection, 2). Product test-buy programs, 3). Offline investigations, 4). Assisting law enforcement, 5). Litigation against infringers, and 6). Public awareness campaigns.

Fourth, reforming the structure of the Chinese economy: The model of state-dominated influence in traditional industries is being complemented by private-sector initiatives to digitize the economy, from manufacturing, supply chain, distribution, product development, and marketing. Through our new retail strategy and support from our intelligent cloud computing solutions for enterprises, Alibaba is playing a leading role in building a new commerce infrastructure in an increasingly digitized economy.

Our partnership with Starbucks is a case in point. Starbucks in China has established a prominent brand presence and customer engagement platform within our mobile-ready China retail marketplaces. This has already resulted in Starbucks acquiring millions of new loyalty members online. We are also enabling Starbucks to expand their offering from store-based operations to on-demand delivery to customers. Through these initiatives, Starbucks has added an online dimension to its customer acquisition and engagement, as well as fulfilling customer demand outside of its stores. This would not have been possible without the support of Alibaba's business operating system, data technology, and on-demand logistics infrastructure.

To summarize, the vexing issues in the trade negotiations will resolve themselves, as the Chinese economy is already evolving to close the gap between the interests of the United States and China. This means in the future, there will be bigger Chinese domestic consumption, more foreign imports, continuing focus on enhanced IP protection, and further digitization of industries driven by participation of the private sector. As we look at the evolution of the Chinese economy, Alibaba is on the right side of all of these issues. I cannot think of another company that is better equipped to drive these secular changes and participate in the ensuing long-term benefits. Now, I turn to Daniel for his remarks.

Daniel Zhang -- *Chief Executive Officer*

Thanks, Joe. Hello, everyone, and thank you for joining our earnings call today. We enjoyed an outstanding quarter and fiscal year. Over the past year, we achieved many important milestones across our entire business. We enjoyed exceptional revenue growth in our core commerce business while successfully expanding our product and service offerings from physical goods to local consumer services and to digital entertainment contents.

In the past 12 months, we had phenomenal user growth. Our China retail marketplaces had 654 million annual active consumers, representing an annual net increase of 102 million. Our GMV reached over RMB 5.7 trillion, with an annual net increase of approximately RMB 1 trillion, demonstrating the unrivaled prosperity and vitality of our Alibaba digital economy.

We have a proven track record of execution and delivering long-term growth. We are on track to achieve our $1 trillion total GMV target by fiscal year 2020, which was set five years ago.

Looking ahead, in the new fiscal year, we will continue to focus on expanding our user base and gaining more wallet share from both existing and new consumers on our platforms. Our user acquisition strategies worked successfully in the past year. By cooperating with Alipay, we have been able to acquire, engage, and retain our consumers effectively.

In the past year, over 70% of the increase in annual active consumers on our China retail marketplaces came from less developed areas. In fiscal year 2020, we will continue to have new initiatives that cater toward a broad base of users and expand into products and services that will increase purchase frequencies, enhance user stickiness, and increase our wallet share.

In our core commerce business, Tmall continued to strengthen its market leadership in the B2C market. Tmall physical goods GMV grew 33% year on year in this quarter and 31% year on year in the fiscal year, while China's overall online physical goods respectively grew 21% and 23%. Tmall not only developed a suite of distribution channel solutions to support merchants to sell effectively in China, but also evolved to be the platform for new product launches. In fiscal year '19, Pay Box, our product debut marking solution, helped over 5,000 brands drive successful new product launches.

In addition, Tmall used proprietary consumer insight technology and advanced marketing solutions to help brands and merchants acquire, engage, and retain their customers. In the past year, more than 1,200 brands each acquired over 1 million new customers on our platforms. Furthermore, Tmall also helped brands better manage their entire product lifecycle and marketing plans on our China retail marketplaces. Tmall Super Brand Day has become a customized November 11 type of festival for every brand. Last year, about 100 brands established their own brand day to engage with consumers on our platform.

During this quarter, our customer management revenue grew by 31% year on year. The robust revenue growth was driven by an expanding user base, better conversion rates from improving algorithms, and the new trend of brands and merchants choosing us as their top pick for new product launches and new customer acquisition efforts.

We are also seeing positive results from the monetization of recommendation fees. However, currently, we are not planning on expanding the monetization of recommendation fees in the coming fiscal year. We plan to invest aggressively to expand users in Tier 3 and below cities and provide them with better user experience, supported by broader product selections.

On new retail, our self-owned and -operated fresh goods and grocery retail chain Hema continued to achieve robust same-store sales growth, expand footprint, optimize stores, and introduce new initiatives to improve customer experiences. As of March 31st, 2019, we had 135 self-operated Hema stores in China, primarily located in Tier 1 and 2 cities. Also, Tmall Supermarket is transforming from a purely online grocery shopping destination to an online/offline model, integrating inventory with our offline retail partners such as Sun Art. Under this model, Tmall Supermarket is able to reduce fulfillment costs and improve delivery speed through our on-demand network.

In fiscal year 2019, Ele.me experienced strong user growth by leveraging traffic from Alipay and Taobao apps. In addition, we integrated Ele.me, our on-demand food delivery platform, with Koubei, our restaurant and local service guide platform, and created a business that's called "local consumer services." In fiscal year '20, we will continue to expand Ele.me and Koubei's operations into low-tier cities and expand local service offerings. Moreover, we will penetrate into low-tier cities as the entire Alibaba digital economy, not just from the local consumer service sector, to meet the growing consumer needs across China.

Next, Alibaba Cloud continued to achieve substantial growth in the enterprise service sector. As China marches into the era of digital economy, all industry sectors have come to embrace digital technologies. Alibaba Cloud not only provides enterprise customers with cloud-based IT infrastructures, but more importantly, enables them with advanced data-processing and analytic code strength and artificial intelligence capabilities. Our cloud-based data technology capabilities, together with our expertise in commerce, financial services, and logistics, form the core of Alibaba business operating systems. This system will empower the digital transformation of enterprises.

On the globalization front, Lazada has successfully shifted from 1P to 3P marketplace model in Southeast Asia. AliExpress has huge growth potential in the eastern and southern European markets, such as Russia and Spain. In the 12 months ended March 31st, 2019, Lazada and AliExpress had a total of more than 120 million annual active consumers.

The recent U.S.-China trade negotiations have attracted worldwide attention. I believe this is both a challenge and an opportunity for the Chinese economy. Looking into the future, China will expedite its journey to transform from an export-driven economy to a consumption-driven economy. We believe consumption and the service sector will become new benchmarks to bring new growth potential to China.

We believe there are two engines to drive Alibaba's long-term sustainable growth. First is consumption. China's evolving economic structure and leading developments are being accompanied by strong consumption demand. As the largest e-commerce platform, Alibaba is becoming synonymous with everyday consumption in China. We are well positioned to continuously grow consumer's mind share and wallet share in various areas of their lives, from physical goods, local consumer services, and digital content.

Second is digital transformation of all businesses. As China marches into the digital era, Chinese enterprises will need core technology innovations, integrated data processing capability, and digitization of their businesses and entire value chain. In the past 20 years, we have built a broad range of platform services, including retail marketing, financial services, logistics, and cloud computing services, all of which are enabled by our advanced data technology and form the core of Alibaba's business operating system. This system will allow our enterprise customers to achieve digital transformations and allow us to become the leading partner for enterprises in China and around the world. Now, I turn the call over to Maggie, who will walk you through the details of our financial results.

Maggie Wu -- *Chief Financial Officer*

Thank you, Daniel. Thank you, all, for joining us. I lost my voice yesterday. Please bear with me. We had another strong quarter and delivered a strong set of annual results. For today's call, I will begin with a review of key financials for the March quarter, I will then recap the key financial highlights of fiscal year 2019, and finally, I will conclude with our outlook.

In the March quarter, major operating and financial metrics continued to report very strong results. As Daniel mentioned, we delivered another quarter of strong user growth, with 721 million mobile MAU and 654 million annual active consumers on our China retail marketplaces, reflecting successful user acquisition programs. At the same time, we have also been successful in penetrating into less developed cities in China. More than 70% of our new annual active consumers added were from less developed cities this year. Our large and actively engaged user base continues to exhibit strong growth, which provides the foundation to expand our revenue generation in the future. As I will address later in my remarks, we are committed to delivering sustainable long-term growth.

In the March quarter, our total revenue grew 51% to RMB 93.5 billion. The increase was mainly driven by the strong growth of our China commerce retail businesses, the consolidation of Ele.me, as well as robust revenue growth of Alibaba Cloud. Talking about the quarter's cost trends, all the costs and expenditures have been well controlled. When you look at the segments, our core commerce segment had a very strong quarter, with revenue growth of 54% to RMB 78.9 billion.

The fundamentals of our China retail businesses continued to be strong. The combined customer management revenue and commission revenue showed healthy growth of 31% for the quarter. Customer management revenue increased 31% in the quarter. The number of paying merchants that generate customer management revenue increased during the quarter, which we believe reflects improved merchant confidence in allocating marketing spend. We're making progress on the monetization of recommendation fees and enhancing recommendation algorithms. During the quarter, we allocated more traffic for testing of recommendation monetization, which generated incremental customer management revenue in the quarter, with seasonally lower revenue. Commission revenue increased 30%, primarily due to strong growth in Tmall's paid physical goods GMV, which is 33% in the quarter.

Performance for other segments, like cloud computing, digital media, entertainment, and innovation initiatives remained healthy. When you look at quarterly adjusted EBITDA, we continue to generate solid market-based core commerce adjusted EBITA, which increased 38% to RMB 34.7 billion. Our solid profit generation capability within China retail marketplace allows us to invest in strategic areas within core commerce, as well as in the other strategic initiative areas.

So, in core commerce, we have these areas that we invested: Local consumer service, Lazada, new retail, and direct import, as well as Cainiao. The combined losses generated from these businesses was RMB 7.2 billion. After incorporating the losses, our core commerce adjusted EBITA grew 24% to RMB 27.5 billion during the quarter.

Cloud computing revenue increased 76% to RMB 7.7 billion, primarily driven by increasing average spending per customer. Alibaba Cloud continues to be the leading cloud service provider in China and Asia/Pacific, according to Gartner. Adjusted EBITA margin for cloud computing segment was negative 2%, improving from negative 8% from the same quarter last year. Digital media entertainment adjusted EBITA was a loss of RMB 2.8 billion. Total adjusted EBITA was RMB 20.8 billion, representing 24% year-over-year growth.

Let's look at the fiscal year financial highlights. We had a very solid fiscal 2019. Total revenue grew 51% to RMB 376.8 billion. Excluding acquisitions, organic revenue grew 39% in the fiscal year and continued to outperform all of the global technology peers. We expect the proportion of revenue from our direct sales business will continue to increase as we further implement our new retail strategy. We're on track to achieve our $1 trillion total GMV target by March 2020.

In fiscal year 2019, GMV of our China retail marketplace increased 19% to RMB 5.7 trillion, primarily driven by an increase in the number of annual active consumers. Total paid physical goods GMV showed strong growth, and we have been reporting physical Tmall GMV growth, which is 31% for the full year.

Market-based core commerce adjusted EBITA increased 31% to RMB 162 billion. Core commerce adjusted EBITA increased 19% to RMB 136 billion. Our cloud computing segment maintained strong growth in fiscal 2019. Our computing top priority right now still remains expanding our market leadership and upselling of higher-value IT services. We're seeing significant traction and diversification of customers and revenue, and in fiscal 2019, Alibaba Cloud served over half of the listed companies in China.

Let's talk about the free cash flow and capital expenditures. Our business has shown strong profitability and cash flow generation capability. For fiscal '19, we generated RMB 104 billion in free cash flow, slightly higher than last year. During the year, technology-related capex accounted for more than half of the incremental change in operating capex, as we continued to invest in our cloud computing business and other innovation initiatives.

As of March 31st, 2019, cash, cash equivalents, and short-term investments were RMB 193 billion, approximately $28.8 billion. We're committed to increase value for our shareholders through share repurchases. We purchased about 10.9 million of our shares for a total purchase price of $1.6 billion in the fiscal year. Looking ahead, in fiscal year 2020, we expect to generate over RMB 500 billion in total revenue. We believe that our revenue growth will continue to outperform our global peers.

Now, let me elaborate on how we think about customer management revenue. In the case of monetization of recommendation fees, although we saw moderate positive impact in the past quarter when we tested the monetization of fee traffic, currently, we do not plan on expanding the monetization of recommendation fees in the current fiscal year.

Here is the reason: Similar to how we invested in the past year to expand our B2C market leadership, we plan to invest aggressively to further expand our user base in less developed cities. This past fiscal year, we added over 100 million annual active consumers, with more than 70% from these less developed cities. Given the enormous consumption potential of these newly acquired consumers, being conservative on monetizing the traffic generated by new users will improve user experience and provide incentives for merchants to develop merchandising to cater to those users.

Having said that, revenues from China retail marketplaces generated the highest profitability and strong cash flow. In the past fiscal year, adjusted EBITA from marketplace-based core commerce business was nearly $24 billion. We expect the strong profitability and positive cash flow characteristics of this revenue base to continue into fiscal 2020. This would allow us to invest in strategic businesses, including local services, digital entertainment, international markets, new retail, logistics, and cloud computing. These strategic businesses are what we believe to be big growth areas that will substantially increase our total addressable market. We will continue to be disciplined, patient, and innovative in our approach to growth of strategically important businesses. That adds long-term value to the customers in Alibaba digital e-commerce. That concludes our prepared remarks. We'll open for Q&A.

Questions and Answers:

Operator

Thank you. Ladies and gentlemen, we'll now being the question and answer session. If you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. To cancel the request, press #. To give more people the opportunity to ask questions, please keep yourself to no more than one question at a time. Once again, please press *1 if you have a question. Our first question comes from the line of Alex Yao of J.P. Morgan. Please ask your question.

Alex Yao -- *J.P. Morgan Chase -- Analyst*

Hi. Good evening, management, and thank you for taking my question. I want to follow up on Maggie's comment regarding the investment strategy in lower-tier cities. I think you guys have been doing similar initiatives such as Suntao for a while, and given the current change in operating environment such as competitive landscape, penetration rate in different cities, disposable income across different demographics, et cetera, what do you think it takes to be competitive in the lower-tier cities in FY '20, and what kind of financial resources are you willing to invest in these cities and consumer demographics? Thank you.

Daniel Zhang -- *Chief Executive Officer*

Well, as you see, in fiscal year '19, we added over 100 million new customers in our China core marketplaces, and over 77% of these new customers are from lower-tier cities. As we addressed in our remarks, we will continue to invest in lower-tier cities and in the rural areas to acquire new customers, and we strongly believe that these new customers will -- actually, when they tap into our marketplaces, when they change their lifestyles, we will basically give them broader selections which will enlarge our addressable market. So, that's why we expect to continue to invest.

In terms of the marketing spending, in terms of the very well planned marketing solutions, and also, as we said in our remarks, we don't want to -- for these low-tier city customers and new customers, we want to give them better experiences with organic results of the search and recommendations, as well as to give them broader selections for their first few purchases.

Operator

Thank you. Our next question comes from the line of Grace Chen of Morgan Stanley. Please go ahead.

Grace Chen -- *Morgan Stanley -- Analyst*

Thank you very much for taking my question. Congratulations for the strong results. My question is about the guidance for fiscal year '20. Can you help -- can you walk us through the details of the sales guidance -- for example, the core revenue expectation and other segments? And also, under what kind of macro conditions have we baked into the sales guidance? Maggie just mentioned that we currently do not plan to monetize fees in fiscal '20. I'm wondering -- does that imply there could still be potential changes in the plan if the business and market conditions allow us to monetize recommendation fees in fiscal '20? Thank you.

Maggie Wu -- *Chief Financial Officer*

Sure. When we look at our RMB 500 billion revenue, it represents approximately 33% year-on-year growth. So, as you see from the previous years, our significant revenues are coming from our China retail businesses. This will also be the case for the fiscal 2020. One thing I would like to mention is that we do expect a proportion of revenue from our direct sales business will continue to increase as we further implement our new retail strategy.

Robert Lin -- *Head, Investor Relations*

The first is in the guidance in the breakdown. The second is what type of macro conditions have been baked into that guidance.

Maggie Wu -- *Chief Financial Officer*

Macro conditions -- Joe talked about the U.S.-China trade war. In fact, the U.S.-China-related business -- if you look at it as a percentage of our total revenue right now, it is relatively small. So, the business we're talking about is the cross-border, and particularly between China and the U.S. Actually, the impact wouldn't be that significant if we're talking about this year. So, RMB 500 billion revenue guidance has certain relevant...impact, but I should say not that big.

Joseph Tsai -- *Executive Vice Chairman*

I would just like to add that macro conditions that we look at are all long-term secular trends. Those are the more significant drivers of our business as opposed to quarter-by-quarter GDP growth, industrial production, and things like that. In fact, if you look at most of the markets looking at China's macro being too focused on the manufacturing sector -- and, I've just referred to the Chinese economy shifting toward a service-oriented economy with the last five years losing manufacturing jobs, but adding a lot more service jobs, and those kind of continuous job growth are the factors that are driving disposable income and continuous consumption. So, that's one big macro trend.

We've also referred to the shift toward a domestic consumption economy. That's a big macro trend that'll last for many years, as well as in the future, China importing a lot more. With a government commitment as well as reaction to the trade negotiations, China will make commitments to import more. So, these are all the macro factors that we actually factor into our business, and in fact, if you're looking at our business as swimming in a stream, if you will, or swimming -- flowing in the direction of the tide as opposed to going upstream against the tide, because all those long-term secular macro factors are actually providing the tailwind to push our business forward.

Operator

Thank you. Our next question comes from the line of Piyush Mubayi of Goldman Sachs. Please go ahead.

Piyush Mubayi -- *Goldman Sachs -- Analyst*

Thank you for taking my questions, and congratulations on a clean beat. Could I ask -- of the RMB 900 billion increase in GMV you've seen in the last year, how much has come from the 100 million new annual active consumers on your platform, and what is the sort of continued increase you've seen in your existing buyer base? This is basically an extension of the data you shared with us, Maggie, at the Investor Day. That's my first question. And second, again, Maggie, I realize you mentioned that Alibaba will continue to invest in local services, digital entertainment, logistics, and cloud services. Can you give us a sense of -- going down the P&L into FY '20 -- whether the magnitude of spend that we saw in 2019 will likely come down for margin improvement? Thank you.

Maggie Wu -- *Chief Financial Officer*

Right. So, Piyush, I can share that if you look at the core, of these 100 million new adds, the majority are from the lower-tier cities. So, if you look at these first-year consumers, their spending levels are lower than the same age group in previous years, but not significantly lower. I think I should say it's comparable to those first-year consumers in the past. That gives you a sense of the spending level of these less-developed-area consumers.

And, to talk about the margins, I would say you're more interested to get to know the spending in those businesses which are still in a loss situation. I think for digital entertainment and local services, these are the two biggest loss-making business units. As I said, we're going to continue to be disciplined. However, at the same time, we do prepare to fight for competition to expand our market share. So, I think we -- during the business plan, we have a quite balanced approach to achieve our business goals with efficient spending.

Operator

Thank you. Our next question comes from the line of Eddie Leung of Bank of America Merrill Lynch. Please go ahead.

Eddie Leung -- *Bank of America Merrill Lynch -- Analyst*

Good evening. Thank you for taking my question, and I hope Maggie gets well soon. We've seen Taobao and Tmall coming under the same president recently, so could you talk about if there is any new idea or new strategy on the positioning of Taobao and Tmall going forward? Any possible differentiation, and how could it be different than in the past? Thank you.

Daniel Zhang -- *Chief Executive Officer*

Actually, recently, we have put Jiang Fan in charge of both Taobao and Tmall, and I think the reason why we made this change is because actually, Taobao and Tmall substantially are two highly integrated marketplaces, and mobile Taobao is a very important entrance point for consumers to navigate both -- to explore both Taobao and Tmall products. So, we need a very integrated product architecture to serve the different consumer purposes. So, I think Jiang Fan as the new leader of both Taobao and Tmall businesses -- he has a very strong product interface background, and I think he will serve as the chief architect of these two integrated marketplaces, and to enhance and differentiate the positions for both Taobao and Tmall.

I think Taobao is still positioned as a consumer community, and the value proposition is in depth of selection, discovery, and the fun of discovery, while Tmall tries to give people a very high-quality product and service with a high degree of certainty. So, I think in both marketplaces, Taobao's interface and Tmall's supply are also very critical to enrich the Taobao selections. So, I think that this organization change will enhance the positions of both Taobao and Tmall.

Operator

Thank you. Our next question comes from the line of Gregory Zhao of Barclays. Please go ahead.

Gregory Zhao -- *Barclays Capital -- Vice President*

Hi. Good evening, Joe, Daniel, Maggie, and Rob. Congrats on a strong quarter, and thanks for taking my question. So, my question is about your investment plan in nine e-commerce businesses such as food delivery, digital media, logistics, and implication to margin and EBITA growth trend in next year. And also, a quick follow-up on Alex's question -- so, we know you have some of your affiliate companies and investment companies such as Ant Financial and Chutotiao [inaudible], so you have a pretty strong presence in the lower-tier cities. I just want to understand how you utilize these resources to expand your user growth in the lower-tier cities. Thank you.

Maggie Wu -- *Chief Financial Officer*

In terms of the investment, I really care about whether the law is going to be expanded, et cetera. As I said, what we can ensure is that our spending will be more efficient and effective, and we're very committed to expand the market share and market leadership in those new business initiative areas, like local service as well as digital media entertainment.

Daniel Zhang -- *Chief Executive Officer*

For the second question, yes, we are working very closely with our partners, including media partners like Chutotiao and other people, to penetrate the customers in low-tier areas. As people can imagine, I think for the new internet users, they will start with the social network, start with the consumption of the very basic internet content, while going forward, they start the first trial of shopping, and are spending money on internet. So, I think it's good for us to navigate with our media partners, especially who have very broad user bases in the low-tier areas, to help us to grow new customers in that area.

Maggie Wu -- *Chief Financial Officer*

To talk about efficiency of spending, maybe I can give you an example to explain. For example, like local service, right now, we see these local -- first of all, the total orders from the lower-tier cities are approximately 20% of our total orders, which means there is a high potential for us to grow in these less developed cities. When we look at our spending for top-tier cities, the spending efficiency is pretty much the same as our peers, but we haven't really gotten into the lower-tier cities. When we get into it, it could enhance -- give us a chance to increase the efficiency.

Another thing is that that leverage -- the synergy among our group companies such as user and traffic acquisition efforts -- we'll see the efficiency come out. Total orders from Taobao and Alipay for Ele.me now represents around 30% of Ele.me orders, so this is our strategy uniqueness compared to peers in this business. We really utilize the assets from our other group companies to cross-sell.

Operator

Thank you. Our next question comes from the line of Alicia Yap of Citigroup. Please go ahead.

Alicia Yap -- *Citigroup -- Managing Director*

Hi. Thank you. Good evening, management. Thanks for taking my questions. Congrats on the strong result. So, Maggie, I wanted to make sure I heard it correctly and did not hear it wrong. I think you mentioned a little bit that during the March quarter, you guys have been allocating more traffic to testing on the monetization of the recommendation fees, which contributed to the incremental CMR revenue growth this quarter. Is that correct, or did I hear it wrong? And then, you also mentioned you have no plan to extend the recommendation fee testing to 2020 fiscal, so does that mean we should expect to see some potential decelerated growth in the coming quarters, or is it depending on if you continue to test out the recommended fees from quarter to quarter, we may see some fluctuations of the CMR growth in fiscal 2020? Thank you.

Maggie Wu -- *Chief Financial Officer*

Alicia, you heard it correctly. Yes, we did allocate more traffic for the monetization test for recommendation fees. I also said that we do not have a plan to extend the monetization of recommendation fees in the coming fiscal year. So, to translate it, when you see the customer management revenue growth for this quarter, it's very high -- 31% -- versus 26-27% in previous quarters. So, this is partially because we allocated more traffic for the recommendation fees test.

For the reason that we're not going to extend that monetization test, it's just similar how we invested in the B2C market share expansion. So, what we're telling people is that if we want to monetize this, we can increase the revenue and extend CMR quickly, but we're targeting for long-term growth. We want to acquire users from less developed cities first and provide them with that user experience and also attract merchants to come and develop merchandising to cater to these users for longer-term growth. So, that's the plan.

Operator

Thank you. Our next question comes from the line of Binnie Wong of HSBC. Please ask your question.

Binnie Wong -- *HSBC -- Analyst*

Thank you, management, for taking my questions, and hi, Maggie. I hope you also get some more rest. In terms of the delivery strategy of Ele.me, since we are over one year now since we acquired Ele.me, can you give some update as to how we see the competitive landscape has changed and our market share has evolved? Also, as we looked at this quarter, revenue of this segment seems relatively flat, but losses here -- is it also narrowed? How should we be thinking about it? And, in the longer term, can you also share with us how you think this will add value to our ecosystem and our logistics strategy? Thank you.

Daniel Zhang -- *Chief Executive Officer*

Yes. Actually, this April, we just celebrated our one-year anniversary of Ele.me joining Alibaba's big family. When we look at what we experienced in the past year, all of us believe that this is the right decision to have Ele.me in Alibaba's economy. First, it's about category expansion. Today, food delivery is a necessity of all the consumers' lifestyle in China, and it will depend on the frequency, but at least you have to try. You need food as a resource. So, I think this is part of consumers' lives today, so I think it is very important to make sure we can meet all the demands of our customers.

Second, Ele.me also brings us a very important on-demand delivery network, which today not only serves Ele.me's business, but also serves as a business in Alibaba's ecosystem, including our recent collaboration with Starbucks. So, I think Ele.me actually plays a very important role, and two roles in Alibaba. First, it's a new category killer. Second, it's on-demand logistics infrastructure. If we review what we did in the past year, I think we've already integrated Ele.me's technology platform with Alibaba's technology, and in the new year, we'll continue to invest to expand our coverage across China on the food delivery business.

Today, most of our Ele.me operations are focused on major cities, but we will continue to move ahead to cover more cities, especially low-tier cities, where we see growing demand and market needs. So, we are well prepared to move forward to win the battle in this sector.

Operator

Thank you. Our next question comes from the line of Zachary Schwartzman of RBC Capital Markets. Please go ahead.

Zachary Schwartzman *-- RBC Capital Markets -- Analyst*

Hey, thanks for taking my question. A little expansion on that previous question with Ele.me -- clearly, core business very healthy, 7-point sequential acceleration in marketplace core commerce adjusted EBITA growth that allows you to invest more in the strategic businesses. But, two questions here: How much do you see core commerce initiatives becoming as a percentage of the total commerce revenues for the upcoming fiscal year?

And then, I know you don't manage business on a margin basis, but gross margins were notably down this quarter in fiscal year. How much is this due to seasonality this quarter, if any, and if not, how much do you expect this to continue as you invest in gaining market share over peers? Specifically, I'm just trying to get a better sense of how much you are using incentives for drivers and maybe even consumers for local consumer services, and if they're temporary or permanent as you expand into Tier 3 cities and below. Thank you.

Maggie Wu -- *Chief Financial Officer*

In our IR guide -- the PowerPoint that was put on the website -- it shows where the spending is and how our EBITA profitability grew for core core as well as for the core, and also for the overall HEH. So, that could give you a better sense on where the money goes. That's on page 12 of the materials.

So, rather than talking about margins, yes, we talk about profitability growth. In the past year, you could tell from the presentation I just mentioned that we did spend or invest in the areas not only in those cloud computing and digital media entertainment, but also within core. We have several areas that we have invested, and they also showed very positive business progress. These areas include local service and international business with Lazada, new retail, and logistics.

So, I think overall, we're looking at this business for three to five years as our next milestone rather than the next quarter or next year. As I said, although we committed to invest, at the same time, we're also committed to enhance the efficiency of the investments, which means that for every dollar we spend, we look at ROI internally. So, that's how we decided whether we're going to expand spending on certain businesses.

Marketplace -- the question on the marketplace revenue as total revenue -- it's still going to contribute. If you look at core commerce, first of all, core commerce is still going to contribute a significant part of the total revenue. I think in previous years, we have shown somewhere around 88%. In the coming year, the percentage wouldn't change significantly. The percentage would pretty much stay in the same range.

Operator

Thank you. Our last question comes from the line of Han Joon Kim of Deutsche Bank. Please go ahead.

Han Joon Kim -- *Deutsche Bank -- Director*

Great. Thank you for the chance to ask a question. I just wanted to round up with a question on the guidance. So, based on everything that you guys have said and based on the fourth-quarter numbers, which were running at a pretty high rate, it would seem to me that the 33% rate would be more of a minimum number that we start off with that we want to work north of. Would that be a fair assessment?

Robert Lin -- *Head, Investor Relations*

Could you repeat the question? You were breaking up in the middle. I assume you were asking a question about revenue guidance being the minimum. Is that right?

Han Joon Kim -- *Deutsche Bank -- Director*

Yeah. You guys sound pretty confident as to this fiscal year -- fiscal '20 -- and we exited last year north of 50%, so, just on that cadence, I feel like a 33% YOY reflects more of a minimum threshold that we set, and try to move up from that throughout the course of the year.

Maggie Wu -- *Chief Financial Officer*

Let me explain on that. So, if you look at fiscal 2019, our overall revenue year-on-year growth is 51%. However, we did have some newly acquired businesses added in this fiscal year, which means that there was zero base for fiscal 2018. For example, Ele.me and Cainiao were added in late 2018. So, if you take those out, our revenue growth -- the organic revenue growth would have to be 39%. So, this has been a starting point, and then we're talking about RMB 500 billion plus, which is 33%. I believe this is comparable to last year's organic growth. The key is that 33% -- we believe this growth will continue to outperform all of our global peers. I hope that helps.