Joseph Tsai -- *Executive Vice Chairman*

Thank you, Rob. Thank you all for joining us. Alibaba's business continues to do well in an uncertain economic environment characterized by slower global growth and the trade war. In the last quarter, I explained why Alibaba is on the right side of all the solutions that can help us address issues in the trade war. If you haven't, please go back and read my speech from the last quarter.

In this quarter, our core commerce business, comprised of China retail, wholesale, international commerce, logistics, and local consumer services performed exceptionally well, with overall year-on-year revenue growth of 44% in this segment. The question that is invariably asked is how does Alibaba's business, which is consumption-driven, continue to deliver robust growth despite challenges in the broader economy?

I want to offer two reasons. Both are big secular trends happening in China that we have taken advantage of. First is demographics, and the second is the rapid pace of digitization. On demographics, China's $5.5 trillion domestic consumption market is driven by two massive demographic forces. First is the emergence of the middle class of over 300 million people living in large cities. This affluent middle-class population is almost as large as the entire U.S. population, and their consumption needs and wants are approaching developed market levels. We have talked about the desire by these consumers to upgrade the quality of products they buy, especially the pursuit of brands and imported products. Alibaba's Tmall platform benefits tremendously from this ongoing trend, and we believe it will continue to be the leading choice for consumers looking for quality and consumption upgrade.

The second massive demographic trend is the rise of urbanization affecting third-, fourth-, and fifth-tier cities. Other than the major metropolitan areas like Shanghai, Beijing, and Shenzhen, China has more than 150 cities with a population of at least 1 million people. In aggregate, these lower-tier cities and the surrounding townships have more than 500 million people, with a consumption economy of $2.3 trillion. What is happening is the lower-tier cities are urbanizing very fast, with a projected 300 million people that will move from rural areas into these cities in the next 10 years. The economy of these smaller cities will grow faster than the major metropolitan areas. We've seen projections that retail consumption from the lower-tier cities and townships will triple from $2.3 trillion today to nearly $7 trillion by the year 2030. That is a compounded annual growth of more than 10% over a long period of time.

In the current quarter, we grew annual active consumers of our China retail marketplaces to 674 million, of which more than 70% come from lower-tier cities. Alibaba's China retail platforms, especially Taobao Marketplace, is very well positioned to capture the consumption demand from the lower-tier cities. Alibaba is uniquely positioned, with the capability to capture opportunities of both the growing middle class in metropolitan areas and urbanization of lower-tier cities. This unrivaled capability is enabled by our multiple retail platforms that are highly trusted by consumers, extensive ecosystem of brands, merchants, and manufacturers, and AI-driven personalization technology.

The second big secular trend I want to talk about is the rapid pace of digitization. Over the past 10 years, digitization of the Chinese economy has been driven by smartphones. Because of the convenient and always-connected nature of mobile devices, more and more users are spending more and more time connected to the internet. This is giving the digital service providers like ourselves a great feedback loop to understand user trends so that they can rapidly and continuously improve their services.

Under our all-in mobile strategy, Alibaba has become the leading player in digitizing commerce. We have developed the most sophisticated AI algorithms to serve consumers on our platform, which results in ever-improving user experience as well as increasing monetization opportunities. In the next 10 years, digitization of the economy will be further accelerated by the advent of 5G connection and proliferation of IoT devices. This will have far-reaching implications for all industries and processes, including public services, manufacturing, supply chain, distribution, product development, and marketing. By developing these essential technologies of a more digitized world, such as data technology, cloud infrastructure, and machine intelligence, Alibaba is very well positioned to help businesses succeed through our new infrastructure for commerce. 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 had an outstanding quarter, with excellent business performance and sound execution against our overall strategy. We enjoyed exceptional revenue growth of 42% year on year, outpacing industry peers even though we adopted a conservative approach in monetization to support SME in this uncertain macroeconomic environment. We also delivered solid profit growth, benefiting from measures to improve operating efficiency.

During the quarter, we saw solid execution and operational improvement in multiple areas that I will address, including 1). Successful penetration into less developed areas, 2). Positive momentum in adopting our new retail technology among consumers and retail partners, 3). Efficient and innovative last-mile solutions offered by Cainiao, 4). Sustained improvement of our Lazada business in Southeast Asia, 5). Robust revenue growth of our cloud computing business, and 6). Repositioning our digital entertainment segment that ensures healthy long-term growth.

For our China retail marketplace, we continue to demonstrate our ability to grow our customer base at scale. In June 2019, our China retail marketplaces had 755 million mobile MAUs, a quarterly net increase of 34 million. Annual active consumers grew 20 million to 674 million, reflecting strong user acquisition programs and another record-breaking June 18th shopping festival.

During the quarter, over 70% of the increase in annual active consumers was from less developed areas, which demonstrated the success of our initiatives to touch a broader base of users. In our core commerce business, Tmall continues to strengthen its market leadership in the B2C market, growing faster than the sector average. Tmall physical goods paid GMV grew 34% in this quarter, mainly driven by increases in the number of users and average spending. In June, we achieved the largest ever June 18 shopping festival in business scale and customer reach. The promotional event saw robust consumption demand that supported solid sales and a greater penetration into less developed areas for brands and merchants, as over 120 brands generated more than 100 million RMB a day in GMV.

During the 18-day promotion period, Tmall physical goods paid GMV was up 38%, driven by increases in consumers and higher average spending. Mobile Taobao app DAUs were up close to 30%, reflecting successful promotional strategies. And, about 65% of the buyers were from less developed areas. The success of the event was mainly due to successful promotional strategy that kept consumers engaged and willing to spend, more effective user acquisition programs, catalyzed by better reactivation of dormant users leveraging on our data technology, a diversified selection of value-for-money products to attract more buyers in less developed areas, and continuing efforts to address growing demand from our middle-class consumers.

For local consumer services, we achieved strong growth in daily on-demand GMV, driven by robust order growth and increasing average order size during the quarter. We have also extended the coverage of products and services in targeted low-tier cities where we saw improved market share. We will continue to focus on delivering value to restaurants and other local service merchants through our data technology.

Our new retail business consists of two major directions, reforming old and creating new, both of which enlarge the addressable market. We are making good progress in digitalizing our retail partners and enabling their new retail transformation. We offer multiple new retail solutions for traditional supermarket chains that include Taoxianda and the digital POS machines. Taoxianda allows consumers to place orders in a nearby supermarket through the Taobao app and secure delivery through our on-demand delivery network. Digital POS machines capture the insight from local consumers' in-store purchases. These new retail technologies have started to deliver positive impacts to our retail partners, like Sanar.

Freshippo, also known as "Hema" in Chinese, has achieved robust same-store sales growth. It will continue to expand its footprint, optimizing its source and introducing differentiated product selections. Hema is consolidating the supply chain to bring the products directly from the farm to table to improve customer experience.

Cainiao Network has developed robust import fulfillment solutions, utilizing a combination of bonded warehouses in China and direct shipment from overseas. The bonded warehouse network operated by Cainiao covers all the major ports in China. As part of Cainiao's comprehensive last-mile solution, Cainiao's Guoguo app offers on-demand pickup and delivery services that allow consumers to send packages from their homes, thereby facilitating returns. As of June 2019, Cainiao Guoguo's speedy, on-demand pickup service -- within two hours -- has covered substantially all of the districts and counties in China. In general, one out of every three returning packages generated on our platform was generated from Cainiao Guoguo platform.

On the globalization front, Lazada showed solid operational improvement after strengthening its third-party marketplace business, management team, and technology infrastructure. For the third consecutive quarter, Lazada achieved over 100% year-on-year order growth, reflecting strong consumption demand. During the quarter, it executed effective user acquisition programs, with mobile DAUs doubling year on year. Lazada's key priority is to maintain strong user growth and user engagement in the coming years.

Our cloud computing business continues to execute and exhibit strong growth. Revenue grew 66% year over year to 7.8 billion RMB, primarily driven by an increase in average revenue per customer. We are focusing on delivering high value-added services while rationalizing our offerings of commodity products and services. We will continue to execute a strategy of expanding our market leadership, increasing investments in talent and technology infrastructure and developing new value-added products. On top of robust growth in public cloud, we are capturing strong secular demand for private cloud, primarily driven by digital transformation of big enterprise clients in various industries. During the quarter, our private cloud revenue grew over 250% year over year.

Digital media and entertainment segment continues to be impacted by tighter content regulations and industry rationalization. Youku will continue to focus on investing in original content, delivering superior user experience, and driving increasing paying subscriptions. During the quarter, Youku's average daily subscribers increased 40% year over year. While we continue to invest in original content production capabilities, we are also taking consistent measures to ensure content cost efficiencies and return on investment. These measures have been reflected in reduced losses during the quarter.

Alibaba's digital economy continues to show resilient growth in the face of complex geopolitical and economic conditions. Recent geopolitical uncertainties have placed additional pressure to global growth. Looking into the future, we believe this is both a challenge and opportunity for the Chinese economy. Consumption and the service sector will become the new engine for China's growth. Consumption power in Alibaba's digital economy is strong, coming from two types of consumers: Those from less developed areas and the affluent middle class.

We estimate over half of the total addressable population in less developed areas are already consumers in Alibaba's digital economy. We continue to acquire new customers in a holistic approach in less developed areas. With such a large existing consumer base, we see great cross-sale opportunities within the Alibaba ecosystem that will drive up the purchase frequency and category expansion. For the affluent middle class, Alibaba is also well positioned to meet their consumption upgrading demands. We are well penetrated in top-tier cities and able to continuously grow the consumers' mindshare and wallet share in various areas of their lives.

Today's Alibaba digital economy is self-reinforcing, and it is as strong as ever. Fueled by consistent revenue growth and healthy financial performance, we are able to continue our investment in strategic areas, such as local consumer services, globalization, logistics, cloud computing, and digital content, which we believe will drive future sustainable growth for Alibaba's digital economy. 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. We had another strong quarter. For today's call, I will begin with a review of the key financials and end with how we view the coming quarters. So, in the June quarter, as Daniel mentioned, we delivered another quarter of strong user growth, with 755 million MAUs and 674 million annual active consumers, which means approximately one out of two Chinese are buying from our platform. We also continue to be successful in penetrating the less developed areas in China. Over 70% of the increase in annual active consumers during the quarter were from less developed areas.

Our large and active user base is a solid foundation for us to not only extend the market leadership of our China retail marketplaces, but also grow other consumer businesses within the Alibaba digital economy. Our total revenue grew 42% to 114.9 billion RMB in this quarter. Excluding the effect of consolidating acquired businesses, there is a much smaller impact starting from this year. The revenue would have increased by 38% year on year. So, these businesses include Ele.me, which we started consolidation from May last year -- Ele.me, Koubei, and Alipay.

The increase of our total revenue was mainly driven by the robust growth of our China commerce retail business and for Ele.me, strong revenue growth of Alibaba Cloud, as well as an increase in volume of orders fulfilled by Cainiao. This quarter's costs and expenses excluding SBCs have been tightly managed, leading to greater efficiency, especially in those businesses in the investment stage. So, the increase for cost of revenue was primarily due to increased inventory cost of our direct sales and new retail business, increase logistics cost of Ele.me driven by increased order volume, and partially offset by a decrease in content spending by Youku.

Let's turn to our business segment. Core commerce: Our core commerce segment had a strong quarter, with revenue growth of 44% to approximately 100 billion RMB this quarter. The fundamentals of our China retail business continue to be strong. The combined customer management revenue and commission revenue exhibited healthy growth of 26% for the quarter. Customer management revenue increased 27% in the quarter. The growth of customer management revenue was primarily the result of an increase in the volume of paid clicks due to user growth and more relevant listings driven by better algorithms, which resulted in better consumer experiences.

Merchant confidence remained healthy, reflected by strong growth in merchant spending and increases in the number of paying merchants. Commission revenue increased 23%, primarily due to strong 34% year-over-year growth of Tmall paid physical goods GMV. The primary reason of the gap between the commission revenue growth and the Tmall physical goods GMV growth is shift of Tmall Supermarket's revenue mix from commission to direct sales. So, revenue from Tmall Supermarket that used to be all in commission -- now, the revenue is coming from direct sales, as reflected under "other" with the China commerce retail business. Contribution from direct sale businesses, including Tmall Supermarket and Hema, resulted in other revenue growth of 134% to 16.7 billion RMB.

Local consumer services: Revenue from local consumer services was 6.2 billion RMB, primarily reflecting the strength of our food delivery platform, Ele.me. During the quarter, our food delivery business exhibited strong growth in daily on-demand GMV, and was driven by robust order growth and increasing average order size. Ongoing operational upgrades, coupled with a more targeted and disciplined approach in expanding market share, also improved operating efficiency during the quarter.

We remain focused on penetrating into less developed areas for the food delivery business, which we believe will add long-term value for Alibaba digital economy. We will be flexible and optimistic in our approach to investing in local consumer services in the later part of the year. Performance of other businesses under core commerce, such as new retail, Cainiao, international retail, and wholesale, remain healthy, as noted by Daniel earlier in his remarks.

Now, let's look at the drivers of the core commerce profitability. We continue to generate solid market-based core commerce adjusted EBITA. This is the *core* core, as we call. Compared to a year ago, we have increased adjusted EBITA by 9.8 billion RMB, while the combined losses from the four strategic investment areas only increased 1.6 billion RMB. So, this reflects our disciplined approach when managing this business, which led to strong profit growth. After incorporating the losses, our core commerce adjusted EBITDA grew 25% to 42 billion RMB during the quarter.

Cloud computing revenue increased 66% to 7.8 billion RMB, primarily driven by increasing average revenue per customer. We're improving our revenue mix by focusing on delivering high value-added services while rationalizing our offerings of commoditized products and services. Adjusted EBITA was a loss of 358 million RMB. Adjusted EBITA margin improved from negative 10% to negative 5% in the quarter. We will continue to execute a strategy of expanding our market leadership by creating value and flexibility for our customers, increasing investment in talent and technology infrastructures and developing new value-added products and features.

Revenue for digital media and entertainment business increased by 6% as the industry undergoes rationalization and tighter regulations on content. Adjusted EBITA was a loss of 2.2 billion RMB, and adjusted EBITA margin improved from negative 52% to negative 35% in the quarter, primarily due to the decrease of content spending and efficiency gains during our operation.

Revenue from innovation initiatives and others increased 21% to 1.3 billion RMB, mainly due to increasing revenue from Amap and modernization initiatives. Adjusted EBITA for innovation initiatives and others was a loss of 2 billion RMB. The increase in the loss was primarily due to investment in technology research and innovation, as well as some new business initiatives.

Our business has shown strong profitability and cash flow generation capability. For the June quarter, we generated 26.4 billion RMB in free cash flow. As compared to a year ago, the free cash flow has shown a slight growth -- not as big as the profit growth. The reasons are mainly 1). The net cash provided by operating activities includes the annual payment of royalty fees and software technology services from Ant Financial, so that settlement of the cash incurred in the quarter placed impact on the cash flows. The second thing is the payment of $250 million cash with a U.S. federal class action lawsuit related to the whitepaper.

As of the end of the quarter, cash, cash equivalents, and short-term investments were 212 billion RMB. In May 2019, our board of directors authorized to refresh our share repurchase program for an amount of up to $6 billion over a period of two years. I'll also talk about Altaba sales of our ADS. As publicly disclosed, Altaba started selling their Alibaba shares on May 20th, 2019, and so far, they have already sold 261 million ADS, only have 22 million left. These are based on the most recent publicly available information.

Looking ahead, the Alibaba digital economy continues to show resilience and steady growth in the face of complex geopolitical and economic conditions. We had a strong quarter to start our fiscal year, with revenue growing faster than our global technology peers. We are pleased to see sustained user engagement and consumer spending across our platforms. We continue to invest for longer-term growth, while at the same time gaining cost efficiencies in our investment areas.

Looking ahead, for the next few quarters, we expect our China retail marketplace to exhibit strong user growth and user engagement enhancement that supports healthy monetization and steady profit growth. The sizable profits generated from marketplace-based core commerce allow us to invest in strategic businesses, including local consumer services, digital entertainment, international marketplaces, new retail, logistics, and cloud computing. We will remain proactive in our approach to increase market leadership in strategically important businesses while also improving overall group operating efficiency. These strategic businesses have already become the clear market leaders in the past quarter. We believe there is still great potential in high-growth areas that will substantially increase our total addressable market.

I also want to give some information for our Investor Day this year. We would like to announce that our 2019 Investor Day will be held on September 23-24 in Hangzhou, China. We hope to provide an investor business update, as we did in previous

Investor Days. Details will be posted on the Investor Relations section of Alibaba Group's website. That concludes our prepared remarks. Let's open up for questions. Thank you.

Questions and Answers:

Robert Lin -- *Head, Investor Relations*

Operator, open for questions.

Operator

Thank you. Ladies and gentlemen, we'll now begin the question and answer session. To ask a question, please press *1 on your telephone and wait for your name to be announced. To cancel the request, please press #. And, to give more people the opportunity to ask questions, please keep yourselves to no more than one question at a time. Once again, to ask a question, please press *1 on your telephone keypad. Our first 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 questions, and congratulations on a good quarter. I have a question about the less-developed area strategy. Could you elaborate how you plan to differentiate from your competitors in the lower-tier cities? And then, just a follow-up -- do you feel that there is a high degree of overlapping of your new customers from the less developed areas with your other e-commerce companies, or do you think you are addressing a different user segment in those areas? Thank you.

Daniel Zhang -- *Chief Executive Officer*

This is Daniel. Thanks for your question. As we said in our script, we are making good progress in user engagement and new customer acquisition, and during this quarter, we net added 20 million annual active consumers, and over 70% of them are from less developed areas. Today, when we look at the consumer base we have, basically, we actually have two types of consumers. One is in top-tier cities, driven by the consumption upgrading and power and the growing demand from the middle-class families. The other is from the less developed areas.

What we see is that because of the penetration of the mobile internet, we see the citizens in low-tier cities becoming fluent internet users, and they are trying various new business applications. Obviously, shopping and consumption is one of the very important areas, and we [inaudible] they want to try. So, that's why we make a lot of effort to acquire these new customers, and today, we are very happy to see that over half of the population in less developed areas are already customers in the Alibaba ecosystem, but we will continue our efforts to acquire more customers from these areas.

But, at the same time, as I've said before, we will do everything we can to cross over the services in various categories, and to fully leverage the existing user base we have on our platform. One more important point is that today on our platform, we have very dynamic supplies from brand products and products from manufacturers, so the power of the platform is to enable the new customers we acquire in the low-tier cities to access the various dynamic product supplies, which also are not only meeting the existing demand, but also create new demand from them. So, I think that is a very important strategy for us to continue.

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

That's very helpful, Daniel. Thank you.

Joseph Tsai -- *Executive Vice Chairman*

I just want to supplement Daniel's point on the differentiated strategy in the less developed areas. He talked about the shopping context. We have broad product selection, a much broader platform, and also access to direct-to-factories, but also, if you look at the Alibaba ecosystem, beyond e-commerce, we have local services that we serve the lesser developed cities. We also have our sister company, Alipay, that provides the payment service as well as a bunch of daily services on their platform. So, this ecosystem is bringing in lots of synergies that enable us to capture more loyalty from each of the users in those lesser-developed areas.

Robert Lin -- *Head, Investor Relations*

Operator, next question.

Operator

Thank you. Next question is from the line of Piyush Mubayi of Goldman Sachs. Please go ahead.

Piyush Mubayi -- *Goldman Sachs -- Analyst*

Thank you. If we think of the overall China commerce retail business as one, what percentage of GMV is moving from 3P to 1P, and how should we think of this transformation in the business in terms of the impact on margins? That's a question to you, Maggie. Joe, if I could ask you to elaborate on how you think IoT and 5G could prove to be transformative to Ali. Thank you.

Robert Lin -- *Head, Investor Relations*

Sorry, Piyush. You might want to repeat the second question.

Piyush Mubayi -- *Goldman Sachs -- Analyst*

The question for Joe -- could you elaborate briefly on how IoT and 5G could prove to be transformative?

Robert Lin -- *Head, Investor Relations*

Thank you.

Maggie Wu -- *Chief Financial Officer*

Thank you, Piyush. So, regarding your first question, 1P versus 3P, if you take a look at GMV, we reported 7.58 trillion RMB GMV for the last fiscal year, and we're tipping toward $1 trillion. So, the 1P business accounts for a very small portion in that total GMV. When you look at Hema and Tmall Supermarket, these businesses count for less than 100 billion RMB GMV, so just to give you a sense, it's not a big portion.

In terms of -- people talk about margin impact, et cetera. Like we said many times, rather than looking at the margin, we look at the profit growth, so actually, these businesses contribute to revenue growth and eventually are going to contribute to our profit growth. Let's look at this quarter's revenue. Very strong growth -- 42% year on year. There is some contribution count from 1P business that even if you take that portion out, the revenue would still be the highest amount of global tiers. But, to us, we see that as one piece of the business, and we should really be looking at it together, and when you look at the revenue growth, the profit also shows you very strong growth. So, the core providing cash flows -- at the same time, all these investment areas, including the new retail, are not only disciplined, but also show growth in revenue as well as improvement in profitability.

Robert Lin -- *Head, Investor Relations*

Thank you.

Joseph Tsai -- *Executive Vice Chairman*

Hi, Piyush. To answer the question on IoT and 5G, look, we're in the very early innings of this really transformational technology overhaul, with 5G potentially coming online in the next year or two years. What that means is faster connections will enable more and more devices to be connected to each other, and also to the cloud. So, you can imagine in a world where faster connection enables millions and millions of devices, what are these devices doing? They're sensors, they're other devices that could be collecting lots of data.

So, for service providers that are using an IoT strategy to provide services to consumers as well as to enterprises in manufacturing and supply chain, the end result of faster connection and millions and millions of devices is the need to manage huge amounts of data -- massive amounts of data that will need to be collected, stored, cleansed, managed, and I think if you look at our Alibaba Cloud business, our expertise is rooted in data management and data technology. Our Apsara operating system is a distributed data computing platform that sits at the core of our cloud computing technology, and we're providing that service to our customers, so it will ultimately benefit our cloud business. That's just an example, but as I said, we're in the very early innings, and there could be endless possibilities beyond my own imagination.

Piyush Mubayi -- *Goldman Sachs -- Analyst*

Thanks, Joe.

Robert Lin -- *Head, Investor Relations*

Next question.

Operator

Thank you. Next question is from Alicia Yap of Citigroup. Please go ahead.

Alicia Yap -- *Citigroup -- Managing Director*

Hi. Good evening, management. Congratulations on the strong quarter. Thanks for taking my questions. I have a question related to your recent Tmall flagship store 2.0 upgrade. In addition to potentially driving higher conversions and better user experience, could you help us understand what could be the additional outcome or monetization opportunity we could get from the storefront upgrade? Would that be any incremental service fee or take rate opportunity? And, on the broader scope, how should we relate and compare the personalization upgrade on the storefront versus the recommended fee features on the main Taobao app? Thank you.

Daniel Zhang -- *Chief Executive Officer*

Thank you. That's a very good question in operating strategy. I think that we recently launched our Tmall flagship store 2.0 version. The purpose of this new version is to upgrade the storefront to enable our brand partners who operate on Tmall not only to sell their products to manage their customers, but also give them a vehicle to manage their fan base they have across platforms. Also, this fan base management and customer management are not isolated customer management efforts and marketing efforts. We want to provide them a vehicle to lend to other marketing campaigns the brands have to promote their brands across channels.

But finally, all the marketing campaign data and the fans can be accumulated and learned in this flagship store. Then, we can create a very unique end-to-end customer management journey. In terms of monetization, we do intend to charge an additional fee based on the storefront upgrading, but obviously, if more and more brands are using the Tmall flagship 2.0 framework, they will have more marketing campaigns integrated into our platform, which obviously will lead to more marketing spending on the Alibaba ecosystem.

Alicia Yap -- *Citigroup -- Managing Director*

Thank you.

Robert Lin -- *Head, Investor Relations*

Next question.

Operator

Thank you. Next question is from Grace Chen of Morgan Stanley. Please go ahead.

Grace Chen -- *Morgan Stanley -- Analyst*

Thank you. Thank you very much for taking my call. In this call, it's very encouraging to see Alibaba's strong margin performance, so it would be great if management could elaborate a bit more about what efforts management has done to help improve the margin performance, especially in core commerce and digital media and entertainment, and where we're going to see the strong margin performance will continue in the following quarters. Congratulations. Thank you.

Maggie Wu -- *Chief Financial Officer*

Thank you, Grace, for the question. Let me elaborate on what we have done to bring out operating efficiency. First of all, the revenue growth is very strong. That's obviously coming from -- driven by user growth, and also, all of our efforts on user experience enhancement have paid off. Now, when you look at the costs and expenditures, we started late last year emphasizing on all of the efficiency of this spending, not only on the marketing, but also on the headcount, the accountants, et cetera. So, we do have specific measures to the team to review and measure the ROI of this spending. That's No. 1.

No. 2 is that we have seen so much synergy coming out of not only Alibaba Group, but also a synergy with our sister company. So, things like marketing spending -- we're targeting another 200-300 million of potential users -- consumers -- coming to our platform. So, this is also the target of Ant Financial, and this is where we can work together. They are good at acquiring consumers in the lower-tier cities, and Taobao is good at retaining these consumers so that we don't have to spend it twice. It's a very effective way of doing the marketing on the core users. I hope that helps.

Oh, DME -- you see the negative margins get narrowed, so, 65% negative margin from last year and 35%. Actually, there was a one-off last year, which was the World Cup spending, so if you take that out, last year's negative EBITA margin would have been somewhere around 42%, but still down by a lot. I think the DME negative margin narrowing is mainly coming from our discipline on the spending, particularly in the content spending.

Grace Chen -- *Morgan Stanley -- Analyst*

Next question.

Robert Lin -- *Head, Investor Relations*

Thank you.

Operator

Next question is from the line of Binnie Wong of HSBC. Please go ahead.

Binnie Wong -- *HSBC -- Analyst*

Good evening, management. Congrats on the set of very upbeat results. So, my question is for local consumer services on your delivery business. We see the strong top-line growth along with loss margin narrowing down from 9% to 5% this quarter, and very strong top-line growth. So, we want to understand the major driver. Is it efficiency improvement or less subsidy? Also, can we get clarity on your priorities going forward? Is it still gaining market share, especially in lower-tier cities, and also synergies in your retail system, along with Hema? And also, building B2B digitalization transformation -- basically, tapping into merchants' IT projects as well. And, lastly, along with this --

Robert Lin -- *Head, Investor Relations*

There's a lot of noise. I do want to clarify your question. So, you were asking about local consumer service.

Binnie Wong -- *HSBC -- Analyst*

Yes, the efficiency improvement and the priorities. Thank you, Rob.

Daniel Zhang -- *Chief Executive Officer*

This quarter, we are making good process in local services, especially in particular low-tier cities. We are gaining market share in these particular cities, but at the same time, we are very happy to see the operating efficiency is also improved, and with our continued efforts, and we will continue to work on this to grow our user base in these delivery and local service businesses by leveraging the synergies in Alibaba ecosystem. As I said, I think we have a unique advantage that we have 720 million mobile active users in Alibaba by various consumer platforms.

So, how to cross-promote the local services within this existing user base, especially in the low-tier cities? I think that's our big advantage. We will continue to work on this. At the same time, because of these local services, we build a very efficient on-demand delivery network, which is also leveraged by our new retail initiatives, and today, these on-demand delivery networks help our local retail partners to do on-demand delivery for the orders away from stores. I think by doing so, we also improve the operating efficiencies of these last-mile services because all these capacities can be fully utilized on serving the various business cases.

Binnie Wong -- *HSBC -- Analyst*

Thank you. I just wanted to follow up on the priorities going forward within this segment.

Daniel Zhang -- *Chief Executive Officer*

Well, as I said, we will continue to invest and grow our local business, especially in the low-tier cities, and the priority is to leverage the user base we have, and also, we continue to improve our operating efficiency as well.

Binnie Wong -- *HSBC -- Analyst*

Thank you.

Robert Lin -- *Head, Investor Relations*

Next question.

Operator

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

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

Hi, management. Thanks for taking my question. Very impressive result. So, my question is about recommendation fees. So, I just wanted to check the recent progress of your monetization on the recommendation fees and what is the contribution to your customer management revenues. And also, I want to understand if there is any seasonality of the business, such as less monetization during the 618 and Double 11 promotion to push your keyword search advertising. And also, quick follow-up on lower-tier city expansion -- I think you talk a lot about the opportunity in lower-tier cities, and we also know you prioritized the strategic position of Juhuasuan during the quarter, so I just wanted to understand how you will differentiate your lower-tier city expansion strategy with your peers. Thank you.

Maggie Wu -- *Chief Financial Officer*

Okay, Greg. I'll talk about customer management revenue and the recommendation fees' monetization. First of all, you've seen that our customer management revenue grew 27% year on year. The reason for the growth or the driver is mainly bigger user base and better user experience so that the merchants are satisfied and willing to pay more. We said that for recommendation fees, we do not plan to roll out the monetization, particularly in the current uncertain macro environment. This is one way of helping our SME customers. So, from the competition point of view, we also won't be aggressively targeting the revenue growth by rolling out the recommendation fees.

Daniel Zhang -- *Chief Executive Officer*

In terms of our strategies in the low-tier cities, as I said before, today, over half of the population in the less developed areas are already our customers, so I think very importantly, we will continue to leverage the user base we have in our ecosystem to provide them various supplies, and as you said, we have various promotional initiatives, including Juhuasuan, daily deals, so on, and so forth. These are very effective and efficient promotion platforms, and for new customers from lower-tier cities, it's very easy to find product value for money.

So, by these efforts, we effectively increase the user buying frequency and stickiness. In terms of new customer acquisitions, we still see a big opportunity, and by leveraging the power of Alibaba ecosystem together with Alipay and local services, we further penetrate this new customer base. The digital checkout of the new customers can also give us a new opportunity to check them into our shopping and consumption platforms, so we will continue to work on this.

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

Thank you.

Robert Lin -- *Head, Investor Relations*

Operator, last question.

Operator

Thank you. Our last question comes from the line of Jerry Liu of UBS. Please go ahead.

Jerry Liu -- *UBS -- Executive Director*

Hi. Thank you. My question is about our comments on the call so far about the rationalization and optimization, especially in a lot of our investments that we've done so far this year. If I look at EBITA growth this quarter, the year-over-year growth is actually better than either the revenue or EBITA growth of the core core, which is the first time in over a year. So, I'm wondering if there's more rationalization we can continue to do to continue this trend. Thanks.

Maggie Wu -- *Chief Financial Officer*

As I said, I think first of all, the revenue growth is very strong -- so, 42% if you compare with all the other peers, where most of them are in the 20s. At the same time, we talked about the disciplined cost, operating efficiency, and all these efforts in getting the synergy out of the group and the Alibaba economy. So, we're going to continue to do so. We do see great potential in the market, so while we are talking about discipline, we are also flexible and optimistic in our approach to investing in all these business initiatives because just like how we did in the past 20 years, investing in these new areas and investing in innovation brings sustainable growth for the longer term.