**Daniel Zhang** -- *Chairman and Chief Executive Officer*

Thank you, Rob. Hello, everyone. Thank you for joining our earnings call today. We completed a solid fiscal year amid the macroeconomic challenges in China due to the resurgence of COVID and tremendous uncertainties in the global geopolitical landscape.

During the fiscal year, we achieved a target of 1 billion AACs in China with annual net increase of 113 million. Globally, we reached 1.31 billion AACs with annual net increase of 177 million. And we achieved a total GMV of RMB 8.3 trillion with close to RMB 8 trillion in China and RMB 341 billion outside of China. Our cloud computing business completed its first profitable fiscal year while maintaining market leadership in China.

Now I would like to share a bit more about the latest situation in China with the recent resurgence of COVID. As you all know, omicron started to spread in China in March and has impacted several major consumption and manufacturing centers such as River Delta, including Shenzhen, the Yangtze River Delta, including Shanghai, and Beijing. During the second half of April, over 80 cities in China reported confirmed COVID cases, and most are national economic centers. Such widespread impact has brought significant uncertainties to the China economy.

We saw the national retail sales reporting negative year-over-year growth in March and April, and online sales of physical goods also reported a historical decline year over year. The resurgence of COVID has also impacted our business to varying degrees. Overall speaking, we saw a low single-digit decline in revenue growth in April compared to the same period last year. Online physical goods GMV of our China retail marketplaces, excluding unpaid orders, saw a year-over-year decline in the low teens percentage in April.

To give you a sense of the scope of impact, based on our consumer address, cities with new COVID cases in April represented more than half of our China retail marketplaces GMV. These cities also included major merchant hubs such as Shanghai, Shenzhen, and their nearby cities, where supply chain and logistic disruptions have resulted in widespread impacts. During the same period, while our user traffic and engagement have remained resilient, patterns of consumption across categories on our platforms have shifted. Fashions and electronics consumption decreased.

Demand for essential supplies such as food and FMCG products increased significantly with more consumers stockpiling at home. Emerging categories such as healthcare, activewear, and outdoor products also grow rapidly. We have seen a major recovery in local logistic capacity compared to April. We believe operating stability and sustainability during this period is the primary concern of all businesses.

Ensuring stability of supply chain and logistics aimed the uncertainties is the best way to improve consumption sentiment and foster a more positive environment for business operations. We are also facing uncertainties in the macro environment outside of China. During the quarter, Lazada order growth slowed down to 32% year over year as off-line consumption gradually recovered post-pandemic in Southeast Asia with Malaysia, Vietnam, and Thailand achieved higher than regional average order growth rates. Trendyol continued its market leadership in Turkey with quarterly order volume growing by 48% year over year.

The order volume of AliExpress decreased year over year this quarter mainly due to the impact of European Union's policy change in VAT exemption. Recovery of local supply chain and off-line consumption post-pandemic as well as international logistics disruptions due to the original conflict. Despite geopolitical conflicts and uncertainties, we will continue efforts to develop our globalization strategy in consumption. We will serve international consumers through a combination of cross-border and local commerce models and proactively invest in our global logistics networks as part of our overseas digital commerce infrastructure buildup.

Facing the challenges of geopolitical and macroeconomic uncertainties, many companies started to focus on high-quality growth with cost control and loss cutting. For Alibaba, high-quality growth has been a principle for years. Especially during the pandemic, we see the benefits of a solid foundation that we have built over time carrying out this principle: number one, the high-quality consumer that we serve; number two, the high-quality infrastructure we are building for digital commerce; and number three, the high-quality technology innovations that drive the vast potential of our cloud computing business. I will elaborate more in the following sections.

First of all, the high-quality consumer base. We serve the largest and highest-quality consumer base in China by Taobao and Tmall. Among our 1 billion AACs in China, 124 million consumers spend more than RMB 10,000 annually on Taobao and Tmall, and 98% of those consumers continue to stay active in the following years. Looking ahead, we will continue to strengthen our comprehensive consumer application portfolio with clearly officiated user value propositions and address the diversified needs of different consumer segments in accordance with their consumption power and mindset, especially those of our core customers.

What does it mean? In pre-purchase stage, it means establish a clear consumer mindset, stimulating consumer interest through increasing user engagement and time spent on consumption-related contents, and influencing consumer decision. In post-purchase stage, it means an enhanced fulfillment and customer service experience. I believe this is a winning formula for earning consumer mind share and wallet share in a highly competitive landscape. Secondly, the high-quality infrastructure for digital commerce.

Over the years, Alibaba has established a comprehensive infrastructure for digital commerce based on a hybrid model combining intercity and intracity fulfillment. Through digital user outreach, effective organization of product and services supply as well as fulfillment service capabilities covering cities and communities, our infrastructure has become an important way for consumers to obtain daily necessities during the pandemic. In particular, over the last few years, we have created our location-based commerce business by building core capabilities in supply chain and fulfillment and online-offline integrated distribution networks on top of a pre-existing marketplace model. Based on our data in March and April, an average order value of customers in our location-based commerce business has increased significantly as consumers in COVID-affected areas rush to stock up.

As a result, while our order volumes were negatively impacted by the fulfillment capacity constrain during the pandemic, GMV of these location-based commerce business have shown robust year-on-year growth. Taking Shanghai as an example, while Ele.me's food delivery business has been significantly impacted, deliveries of retail categories have grown rapidly. In particular, demand for groceries and pharmaceuticals are extremely strong with year-on-year growth above 100%. As Ele.me continued to enhance its operations and reduce unit cost -- unique logistic cost, its unit economics also improved significantly to almost breakeven during the quarter.

Our infrastructure is playing an important role during the panic. For example, our different businesses including Freshippo, Taoxianda, Tmall Supermarket, Ele.me, etc., are providing essential supplies in cities impacted by COVID in China. Through these efforts, we hope to integrate business capabilities with social responsibility leveraging the power of digital commerce and technology in the fight against COVID and providing essential supply support for local communities. Let me name a few examples.

Sun Art, Freshippo, and other business units supported the supply and delivery of essentials to the residents by dispatching thousands of couriers and frontline workers from various regions in China to Shanghai. Ele.me delivered more than 2.5 million pharmaceutical medicine orders to homes in Shanghai in April 2022. It also launched emergency delivery services for vulnerable groups in the city and addresses nearly 70,000 emergency requests during the month. China logistics build an emergency logistics system that encompass disaster preparedness management, emergency transportation, transit, and distribution to deal with contingencies.

Amap, our map navigation tool launched the map of PCR test sites, which cover more than 350 cities in China by mid-May. Users can easily search for locations and opening hours of nearby test sites. Taobao and Tmall have launched a series of targeted relief measures that would help merchants in Shanghai and those participating in our June 18th Shopping Festival after cash flow -- to ease their cash flow pressure, reduce operating costs and speed up the consumption, resumption of work and production to the largest extent possible. Thirdly, the high-quality technology innovations that drive the vast potential of our cloud computing business.

Alibaba Cloud's competitive advantage is its world-class perpetual technology and products that support the highly demanding and complex business across Alibaba Group while serving customers across a wide range -- a wide variety of vertical globally. In fiscal year 2022, Alibaba Cloud continues to be the leader in terms of market share in China and achieved the full year profitability for the first time. GAAP revenue reached RMB 74.6 billion during the year with 23% year-on-year growth. Before intersegment elimination, cloud revenue for the fiscal year has exceeded RMB 100 billion.

During the past quarter, Alibaba Cloud's revenue increased by 12% year on year. The growth deceleration was a result of several factors, including the decline in corporate activities and a delay in project delivery due to the impact of COVID restrictions, slowdown in the growth of Internet industry customers, and the gradual termination of contracts by a top customer for our public cloud services outside of China. We believe these impacts are temporary. While China's Internet industry customers show a deceleration in cloud service demand as the entire sector faced a challenge of growth ceiling in user traffic and time spent.

Digitization of other industries is just starting, and we see plenty of opportunities. Cloud computing and data intelligence services are fundamental to every business in every sector undergoing digital transformation. According to the industry estimates, China's cloud market size will reach RMB 1 trillion by 2025. Alibaba Cloud will continue to elevate its core technology and products to maintain its leadership in its highly potential market.

The cumulative results of Alibaba's strong management and operations over the years has produced a high-quality customer base, a sophisticated digital commerce infrastructure, and world-class technology innovation. We also have a multi-engine growth strategy, robust financial conditions and a profitable business, and a strong cash flow. These provide important assurance in the face of a macro uncertainty and, more importantly, a source of confidence as we continue to pursue healthy and sustainable development for the future. In the new fiscal year, we will focus even more on cost control and continue to improve our operating efficiency.

This includes streamlining unprofitable businesses, improving cash cycles, and enhancing investment efficiency in personnel, fixed assets, and other areas to maintain financial flexibility amid uncertainties. Recently, the Chinese government has released important policy signals on its commitment to stabilize the economy and the job market in response to COVID impacts. They have also issued clear statements on promoting the development of Internet platform economy through a healthy regulatory environment. Yesterday, the state council held a national meeting to mobilize the implementation of several economic policies.

As one of the representative companies of China Internet platform economy, Alibaba is committed to supporting China's development through the combination of technology innovation and commercial innovation. We aim to serve Chinese consumers' pursuit for better life as well as the digital transformation needs of different industries. We also will be on the front lines in the fight against COVID and ensuring the availability of food and other essential supplies to community in need. We look forward to the introduction and implementation of policies that will enable the Internet platform companies to contribute more toward stabilizing the market, creating jobs, and furthering high-quality development of China economy.

The history of economic development has always been filled with twists and turns. In the long run, we strongly believe in the resilience and the potential of the China economy. We will strengthen our fundamentals during this unique period focused on innovation and customer value creation and continue investing and planning for Alibaba's long-term growth. Thank you, everyone, for your time.

I will now turn the mic over to Toby, who will walk you through the details of our financial results.

**Toby Xu** -- *Chief Financial Officer*

Thank you, Daniel. Hello, everyone. Let me walk you through the details of our financial results. For the quarter ended March 31st, 2022, total revenue was RMB 204 billion, an increase of 9%.

That was primarily driven by the revenue growth of China commerce segment by 8% to RMB 140 billion, local consumer services segment by 29% to RMB 10 billion, and cloud segment by 12% to RMB 19 billion. Income from operations for the quarter was RMB 16.7, billion compared to a loss from operations of RMB 7.7 billion in the same quarter of last year. The year-over-year change of RMB 24.4 billion was primarily due to RMB 18 billion antimonopoly fine levered in the March 2021 quarter in a mark to market adjustment of SBC expenses of RMB 13 billion in the March 2022 quarter. Excluding these impacts, income from operations would have decreased by RMB 7 billion primarily due to changes in adjusted EBITA.

Adjusted EBITA decreased by RMB 6.8 billion to RMB 15.8 billion year over year in the quarter. The decrease was primarily due to RMB 7.4 billion decrease in China commerce segment EBITA that mainly reflected investments in Taocaicai and Taobao Deals, impact from COVID as well as losses incurred by Sun Art. However, it's important to note that the combined losses of Taobao Deals and Taocaicai declined quarter over quarter as we focus on driving high-quality growth for our China commerce segment. Importantly, during the March 2022 quarter, we are also making progress in improving operating efficiency and instill cost discipline through the company.

This has resulted in narrowing losses year over year of RMB 1.2 billion for local consumer services, narrowing losses of RMB 732 million for DME segment, and improving profitability of RMB 618 million for cloud segment. Cost of revenue ratio excluding SBC increased to 68% in the quarter ended March 31st, 2022. The increase was primarily due to, firstly, higher proportion of direct sales businesses such as Freshippo and Tmall Supermarket that increased the cost of inventory as a percentage of revenue; and secondly, growth of Taocaicai and Cainiao businesses that led to an increase in logistics costs as a revenue -- as a percentage of revenue. Excluding SBC, product development expenses as a percentage of revenue slightly increased to 6% in the quarter ended March 31st, 2022, reflecting our continued investments in talent to drive technology and product innovation.

Sales and marketing expenses excluding SBC,as a percentage of revenue remained stable at 13% in the March quarter compared to the same quarter of last year. Excluding SBC and the impact from antimonopoly fine, general and administrative expenses as a percentage of revenue will be flattish in the quarter. Non-GAAP net income attributable to ordinary shareholders in the quarter was RMB 21.5 billion, a decline of RMB 6.9 billion primarily due to decrease in adjusted EBITA. GAAP net losses attributable to ordinary shares was RMB 16.2 billion.

The difference between GAAP net losses and non-GAAP net income was primarily due to increase in the market prices -- a decrease in the market prices of our equity investments in publicly traded companies. As of March 31st, 2022, we continue to maintain a strong net cash position of RMB 343 billion or $54 billion. Our strong net cash position is supported by robust cash flow generation. In fiscal year 2022, net cash flow from operation and free cash flow were RMB 142.8 billion and RMB 98.9 billion, respectively.

Majority of the difference is operating capex spending at RMB 42 billion, reflecting our investment in cloud business and logistics fulfillment infrastructure. Free cash flow in March quarter 2022 was an outflow of RMB 15 billion mainly due to the payment of final settlement -- installment in the amount of RMB 9.1 billion of RMB 18.2 billion, the anti-monopoly fine and a decrease in profit. Importantly, we have continued to enhance returns to shareholders through share repurchases given our strong balance sheet and free cash flow generation capability. In fiscal year '22, we repurchased approximately 60 million of our ADS for approximately $9.6 billion under our share repurchase program.

On March '22, our company's board has authorized an increase of our share repurchase program for $15 billion to $25 billion. Since April 1st to May 25th, we have repurchased another $3.4 billion in ADS. As of May 25th, we still have an unused amount of $12 billion under the share repurchase program. Before I start with our segment results.

I'd like to highlight something in the December 2021 quarter financial results. In the December quarter, the net income attributable to ordinary shareholders was understated by RMB 7.3 billion. This was caused by a goodwill impairment charge that should have been partially attributed to noncontrolling interest but was fully recorded in net income attributable to ordinary shareholders. This does not impact our non-GAAP measures and does not impact revenue, income from operations or total net income for the December quarter.

The attribution has been rectified and properly reflected in the full year consolidated financial information for fiscal year 2022. This attribution has no impact on the consolidated financial information for the March 2022 quarter. Now let's look at our segment results. Revenue from our China commerce segment in March quarter was RMB 140 billion, an increase of 8% year over year.

Customer management revenue remained stable year over year at RMB 63 billion despite a low single-digit decline in Taobao and Tmall online physical goods GMV, excluding unpaid orders. For the March quarter, the combined GMV growth of January and February was flat but was offset by a decline in GMV in March driven by COVID-19 impacts. If we further break down customer management revenue growth into advertising and commission revenue, total advertising revenue delivered a positive growth during the quarter. Commission revenue recorded a high single-digit decline due to GMV decline and higher-order cancellation and delays as a result of logistics bottleneck from COVID-19 resurgence in March.

Direct sales and others revenue in March quarter was RMB 73 billion, an increase of 14% year over year primarily driven by robust revenue growth of Freshippo and Tmall Supermarket. China commerce segment adjusted EBITA decreased by RMB 7.4 billion year over year to RMB 32.1 billion in the March quarter. The decline reflected investments in Taocaicai, Taobao Deals as well as over RMB 1 billion losses incurred by Sun Art primarily due to one-off asset impairments and special provisions. We are making progress in our commitment to improve efficiency and narrow losses for Taobao Deals and Taocaicai that have been successful in acquiring new consumers in less developed areas.

During the quarter, Taobao Deals had over 300 million annual active consumers. More than 20% of the AAC of Taobao Deals were consumers that did not shop on Taobao or Tmall in fiscal year 2022. And Taocaicai had over 90 million AAC, of which more than 50% were first-time fresh producer buyers on our various platforms. At the same time, the combined losses of Taobao Deals and Taocaicai declined quarter over quarter.

We expect the combined Taobao Deals and Taocaicai losses to continue to narrow as we focus on driving high-quality growth for our China commerce segment. On to our major direct sales businesses, except for Cainiao, as mentioned, losses narrowed year over year for Freshippo, Tmall Global, and Tmall Supermarket. We have continued to expand our direct sales business to enrich product supply for our marketplaces, strengthen supply chain capabilities for various verticals and offer comprehensive high-frequency fulfillment services that seamlessly integrate with physical stores and pickup stations. These businesses delivered solid top-line growth during the quarter, and we expect them to contribute more to the overall segment revenue mix, which will continue to affect the China commerce EBITA margin.

Our international commerce segment revenue in March quarter was RMB 14.3 billion, an increase of 7% year over year. The increase was primarily driven by Lazada and Alibaba.com, our international wholesale business. Lazada delivered solid order growth of 32%, while Alibaba.com grew transaction value completed on its platform by 22%. The slower year-over-year growth rate as compared to previous quarters was mainly due to, firstly, revenue decline of Trendyol that was negatively impacted by the ongoing depreciation of Turkish lira against RMB; and secondly, orders declined for AliExpress, which was mainly driven by the ongoing impact from VAT rules as well as supply chain and logistics disruptions for parcels entering the Eurozone due to Russia and the Ukraine conflict and then slowing China export growth and supply chain disruptions from COVID-19 impacts.

International commerce segment adjusted EBITA losses was a loss of RMB 2.6 billion in March quarter. Losses slightly increased year over year mainly driven by Trendyol's investments in new businesses such as international businesses and local consumer services in Turkey partly offset by continued profit growth of Alibaba.com, narrowed losses of AliExpress, and narrowed losses of Lazada through optimization of opex and logistics costs. Revenue from local consumer services was RMB 10.4 billion in March quarter, an increase of 29% year over year driven by more efficient use of subsidies and higher average order value-driven resilient GMV growth for Ele.me. Local consumer service adjusted EBITA losses reduced by RMB 1.2 billion year over year to RMB 5.5 billion primarily due to the narrowed losses of our two home business driven by optimized user acquisition and reduced delivery costs.

Revenue from Cainiao after intersegment elimination was RMB 11.6 billion in March quarter, an increase of 16% year over year primarily contributed by the increase in revenue from consumer logistics services as a result of service upgrade for enhancing consumer experience partly offset by the decrease in international orders that was mainly impacted by the supply chain and logistics disruptions for parcels entering the Eurozone due to Russia and Ukraine conflict. During the fiscal year 2022, 69% of China's total revenue was generated from external customers. Cainiao adjusted EBITA loss was RMB 912 million, loss widened by RMB 327 million year over year primarily due to increase in operating cost from expansion of our global smart logistics infrastructure as well as the impacts from COVID-19 resurgence in China and Russia and Ukraine conflict. Going forward, we will continue our efforts in building comprehensive logistics and fulfillment infrastructure in China and internationally, laying the foundation for sustainable long-term growth for our digital commerce businesses.

Revenue from our cloud segment after intersegment elimination was RMB 19 billion in March quarter, an increase of 12% year over year. Revenue growth was slower in March quarter compared to prior quarters, reflecting slowing economic activities, softening demand from customers in China Internet industry and delays in completing hybrid cloud projects due to COVID-19 impacts. Excluding revenue generated from a top customer in the Internet industry that gradually phased out using our cloud services for its international business, our cloud segment revenue after intersegment elimination would have grown 15% year over year during March quarter and 29% for fiscal year 2022. Excluding this customer, our customer base and industry coverage continues to diversify.

The next top 10 nonaffiliated customers contribute to less than 10% of Ali Cloud's revenue in fiscal year 2022. Importantly, revenue contribution from non-Internet industries continues to increase as well. During the March quarter, revenue growth was strong in telecommunications, financial services, and retail industries but declined in selected Internet verticals, including online education and entertainment. Adjusted EBITA of cloud segment, which comprises of Alibaba Cloud and DingTalk, was a profit of RMB 278 million in March quarter, which improved by RMB 618 million year over year.

This is primarily attributable to ongoing improvement in cloud profitability partly offset by increasing losses from DingTalk. In the new fiscal year, our cloud segment will focus on high-quality revenue growth, invest in talent and R&D and improve operating efficiency and expand internationally. Revenue from our digital media and entertainment segment in March quarter was RMB 8 billion, a decrease of 1% year over year. Adjusted EBITA was a loss of RMB 2 billion, narrowed by RMB 0.7 billion year over year.

Let me close with a short recap of last fiscal year and then our outlook. In fiscal year '22, we have faced with increasing challenges from many fronts. These have been brought about by slowing macro activities, increased competition, and COVID resurgence domestically as well as changes in geopolitical conditions internationally. But they also bring into focus the fact that there is much we can do to create value for our customers and key stakeholders.

During this past year, we have made a number of achievements that position us well for the future. First, we have reached a historical milestone of over 1 billion annual active consumers for all our consumer-facing businesses in China. This was made possible through the strong execution and growth of businesses such as Taobao Deals and Taocaicai. Our unique value proposition of having both e-commerce and location-based commerce businesses at scale positions us well to serve these 1 billion consumers in China.

Second, we are seeing increasing benefit from our development of an integrated intercity and interested logistics network that allow us to offer multiple delivery and fulfillment options to our consumers. This network also allow us to further increase penetration in categories such as grocery, FMCG, and consumer electronics in the future. Lastly, in fiscal '22, we had spent over RMB 120 billion in technology-related costs and expenses that continue to strengthen our leading position in China's cloud market, support to the sophisticated technological demands of our consumer-facing businesses, and advance our research and development in the next-generation technologies. Now in terms of guidance.

Since mid-March 2022, we have seen significant impacts to our domestic businesses from COVID-19 restrictions in China, particularly in Shanghai. Considering the risks and uncertainties arising from COVID-19 which we are not able to control and are difficult for us to predict, we believe it's prudent at this time not to give financial guidance that is typically provided at the start of the fiscal year. Looking forward in fiscal year '23, emphasizing what Daniel has mentioned, we will focus and execute several key operation, principles, and financial objectives, including, first, generally sustainable and high-quality revenue that reflects our ongoing commitment to developing high-quality consumers, high-quality digital commerce infrastructure and high-quality technology innovations, we believe these efforts will continue to build a strong and durable relationship with our consumers and customers. Second, we will focus on optimizing our overall cost structure.

We will control costs and improve returns for our major businesses that are already at significant scale compared to peers. For growth businesses, we were also optimizing spending and at the same time, identify increasing monetization opportunities that yield sustainable, high-quality revenue. The incremental revenue generated will be invested back to the respective businesses and create value for their customers, thereby creating a virtuous growth loop to achieve long-term profitability. At a high level, we will seek to improve gross margin of our direct sales businesses, optimize logistics and fulfillment costs for consumer-facing businesses, and control our overall sales and marketing spend.

Third, continue to build an energy-efficient cloud infrastructure and a global warehouse, and the logistics network that enhance our competitiveness in China and international markets. At the same time, we expect ongoing improvement in efficiency and utilization of these infrastructures can benefit both our customers and our own self-operated businesses. Lastly, we seek to maintain strong operating cash flow generation and a strong net cash position that gives us the financial flexibility to invest in businesses and capabilities that expand the pie and benefit all of our key stakeholders. We have a lot of work ahead of us, but by being steadfast and executing the key strategic and financial objectives that we have set out, we believe Alibaba will emerge stronger in the future.

Thank you. Now let's turn to Q&A.

**Rob Lin** -- *Head of Investor Relations*

Hi, everyone, for today's call. You are welcome to ask questions in Chinese or English. A third-party translator will provide consecutive interpretation of the Q&A session. And our management will address your questions in the language you asked.

Please note that the translation is for convenience only. In the case of any discrepancy, our management statement in the original language will prevail. If you are unable to hear the Chinese translation, bilingual transcript of this call will be available on our website within one week after the meeting. [Foreign language] Operator, please connect speaker and SI conference lines now and start the Q&A session.

Thank you.

# Questions & Answers:

**Operator**

Thank you. [Operator instructions] Our first question comes from the line of Ronald Keung with Goldman Sachs.

**Ronald Keung** -- *Goldman Sachs -- Analyst*

[Foreign language] Thank you, Daniel, Toby, and Rob, and congratulations on the resilience that we see in the results that you've just released. We did see that CMR revenues were flat, but there was nonetheless low single-digit growth in GMV. And Daniel also spoke about how advertising was performing well. Certainly from April onwards, with the impact of COVID, there's been an impact there including on CMR revenue.

But I'm wondering what we're seeing in May in terms of the performance of the parcel network and if things are picking up and what we're seeing currently in terms of GMV and orders in May. Thank you.

**Toby Xu** -- *Chief Financial Officer*

[Foreign language] Well, thanks for your question. In Daniel's speech earlier, he did give you a presentation on the situation in April. Overall, as Daniel said, GMV was down by around 10%. Typically, CMR does tend to move in line with GMV, but there can be a lag, and it's the case that many merchants may need to invest in order to grow their revenues.

Talking about the situation in May, the situation in May over the past couple of weeks, with the resumption of express deliveries and with the beginning of the normalization of the situation in Shanghai, certainly, we see things improving, but it will take time for all of the outstanding parcels to be delivered and also for merchants to make their preparations for the upcoming 6/18. In fact, preparations will be beginning tonight, but we certainly are seeing signs of improvement going into the month of May.

**Rob Lin** -- *Head of Investor Relations*

Operator, next question.

**Operator**

Our next question comes from the line of Eddie Leung with Bank of America.

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

Good evening, guys. Thank you for taking my question. I think Daniel started to mention about some of the longer-term initiatives because of the COVID lockdowns. So just looking ahead assuming a reopening, do you see in the long-term structural change in your operation, customer demand and product mix after these lockdowns? And what type of investment you need to make to handle the potential changes? Thank you.

[Foreign language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

Thank you for the question. I think during this, I mean, widespread COVID, I mean, in March and April, we do see a shift of the consumption pattern. And I think after this wave, I think what we see that actually consumers in China, they will tend to have some stocks at their home to prepare for the uncertain situation. So how to grow, for example, that supply by bulk and how to give an on-demand but not necessarily speedy delivery, but it's an on-demand and on-time delivery, I think, is very important.

And for us, I think we are -- actually, we are actually -- we believe we are very -- we are in a good position, which we have both our nationwide platform as well as the leverage by the delivery networks with major delivery partners. But at the same time, we have our intercity and instant delivery forces on the ground in all of these major cities. So how to leverage this infrastructure and enhance these capabilities and capacities is our priority in the future for -- to support the various needs of the products. So product-wise, I think it's more diversified to the bulk sales for the -- for preparation for the future and maybe for the small package just for the instant delivery and for the instant needs.

So it's about you need diversified retail formats as well as the delivery and the fulfillment network to support both of these. Thank you.

**Operator**

And our next question comes from the line of Thomas Chong with Jefferies.

**Rob Lin** -- *Head of Investor Relations*

One sec. The translator still needs to translate.

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

[Foreign language]

**Rob Lin** -- *Head of Investor Relations*

Operator, next question.

**Operator**

And our next question comes from the line of Thomas Chong with Jefferies.

**Thomas Chong** -- *Jefferies -- Analyst*

[Foreign language] Thank you and good evening, management. My question has to do with consumer spending. I'm wondering what changes you've seen in consumer spending within different segments of consumers' high income, middle income, and low-income consumers or low-income consumers perhaps tending to be more cautious during this recent period. Also, I'd like to know what KPIs you set for this year's 6/18 and how you see recovery in the second half of the year.

Do you think that once logistics capabilities have recovered, that will set the stage for recovery? Or will we have to wait a bit longer perhaps to see consumer sentiment also recover? Thank you.

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

[Foreign language] Thank you. Well, on Alibaba's retail platforms, we have a consumer base of 1 billion consumers who are highly diverse, spanning all those different tiers of spending. And so yes, we certainly do see different patterns there. But what I can tell you is during the special period of time, you really see a divergence between spending on essentials versus nonessentials in all those different tiers of consumers, demand for essentials has gone up, and there's been less price sensitivity.

Whereas with respect to nonessential purchases, there has been more price sensitivity. And this is also very relevant to the other part of your question about the trend for the coming half of the year because, in my view, for recovery and growth of consumption to occur, two things need to happen. First, as I mentioned in my script, merchants in order to be able to operate need to have a sustainable and robust supply chain and logistics in place. And at the same time, consumption demand needs to return.

And in order for consumer demand to recover, it's very important that there'll be strong expectations for the future because only when people have strong expectations for the future and, in particular, in their ongoing ability to grow their disposable income will they be able to grow their consumption, so going beyond essentials but getting back also to increase spending on the nonessentials, which should be very important for also growing the economy in terms of stimulating GDP growth.

**Thomas Chong** -- *Jefferies -- Analyst*

[Foreign language] The expectations there?

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

[Foreign language] Yes. And the other part of the question was about this year's 6/18, which is just getting started, this is an important midyear event. And coming out of this recent challenging period, merchants are indeed excited. They're looking at it as a good opportunity to recover those losses and achieve good sales.

So for us, we're making active preparations to do that. And we're seeing a lot of enthusiasm and a strong trend this year compared -- against last year in terms of merchant enrollment in terms of the product offerings. So this is coming up into the holiday season. There's a lot of consumer enthusiasm.

And as a platform, we intend to be strongly supportive. As was mentioned, for 6/18, we've already put in place many policies to support and help our merchants as well as to ensure that logistics are functioning effectively to help those merchants be able to achieve good sales. So these really are joint objectives for our merchants and for us as a platform. And of course, we do very much hope to see pandemic control measures continue to be effective, which will put in place the necessary conditions to make this a success.

**Rob Lin** -- *Head of Investor Relations*

Thank you. Next question.

**Operator**

Our next question comes from the line of Jerry Liu with UBS.

**Jerry Liu** -- *UBS -- Analyst*

[Foreign language] Thank you, management. My question has to do with cost optimization, cost control, which you mentioned will be implemented across a lot of businesses. Should we understand that as part of this cost optimization strategy that in the coming fiscal year, the objective is to achieve faster profit growth than revenue growth? And we've certainly seen a significant improvement in [Inaudible] and Ele.me and elsewhere. But what will be the major focuses and priorities for cost optimization in the coming fiscal year?

**Toby Xu** -- *Chief Financial Officer*

[Foreign language] Thank you. This is Toby. I'll take that question. I think for the group as a whole, it's very clear that our strategy in the next few quarters or year as a whole is going to focus on cost optimization and cost control.

And that will involve a couple of things. First of all, for the parts of the business that aren't generating long-term value, we'll find ways to make them more efficient or scale them down with consolidation. Secondly, we do have a lot of different businesses that are different in nature. And therefore, we'll be taking different approaches and putting in place different requirements to achieving better cost efficiency.

But to give you an example around our direct sales businesses, and here, it's very clear, on the one hand, in terms of gross margin, we're looking to drive higher efficiency. And at the same time, we'll also be looking to achieve more cost control, better efficiency in logistics. And it will be the combination of those two things that will drive cost optimization. And more broadly at the groupwide level, another example would be marketing costs.

And here, we will be taking a more disciplined approach with specific measures. And in many cases, spending will be cut back. So we don't have a specific figure to share with you on the other part of your question that's about a ratio. But as I mentioned in my script, as CFO for the group, a big priority for us is driving higher operational efficiency, lowering cost, achieving higher efficiency in order to ensure that we have a strong balance sheet and strong cash flow generation capability.

Thank you.

**Rob Lin** -- *Head of Investor Relations*

Operator, next question.

**Operator**

And our next question comes from the line of Alex Yao with J.P. Morgan.

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

[Foreign language] Thank you, management. Daniel, in your script, I believe you talked about incentives or stimuli that may be forthcoming from the government to help support the business of Internet platforms and drive consumer spending. I'm wondering if you could tell us what kinds of businesses do you think will benefit from these kinds of incentives and what kind of stimulus we can expect to see and how Alibaba can position itself to capture the benefit of this policy.

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

[Foreign language] Thank you. Well, we've seen that the government has been coming out with various policies lately aimed at stabilizing the economy stabilizing employment, ensuring the provision of essentials to people, including yesterday, a very important national meeting convened by the state council to implement measures in six different areas, several of which are highly relevant to the business of Alibaba, including stimulating consumption, ensuring the provision of essentials and achieving supply chain recovery. So that's all highly relevant to us. As a responsible representative of the platform economy and also as a constituent of China's real economy, Alibaba is, of course, keen to make our due contribution to driving progress in all of these areas.

And a very important part of this, of course, is SMEs. These small businesses, because of their scale, have been the most vulnerable to the impacts of the pandemic, and we very much want to help them recover. Only when SMEs have recovered can more market-based jobs and employment be generated. For Alibaba, this is where we can have a very unique role to play leveraging on our resources as a responsible company in society and as the operator of a digital economy, and we see this as a basic responsibility.

We've been doing everything in our power to provide support and assistance to merchants. And as mentioned, with the upcoming 6/18 festival, we have 20 initiatives in five major categories. And recently, during the very difficult period in Shanghai, we had 20 special measures to support merchants during that period. We hope very much to be able to support merchants in these ways to facilitate their recovery and success.

**Rob Lin** -- *Head of Investor Relations*

Operator, next question, please.

**Operator**

Our next question comes from the line of Jiong Shao with Barclays.

**Jiong Shao** -- *Barclays -- Analyst*

Thank you very much for taking my question. You mentioned you just paid the fine for the antimonopoly sort of new regulation last year. Last year was a year there were a lot of government regulations that were introduced to the Internet industry. Lately, as you know, some of the senior leaders from the government have made some comments about any further regulation.

I was just wondering, could you share with us your latest thoughts about government regulation for the industry for this year? Thank you. [Foreign language] Sorry, Rob, I was not very clear, my bad. My point was that, for example, one of the vice-premier, Liu He, said about actually some of the regulations last year, many investors were very discouraged by it. Probably government went a bit overboard.

I think Liu He mentioned that perhaps Chinese government should wrap up the regulation or any new regulation and move on and let the industry grow as it should. Sorry if I wasn't clear before. [Foreign language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

Well, I think we all know that recently, Chinese government and the Chinese leaders, they shared a very clear message to the market that they want to -- they want the platform economy play an important role in the economic development and encourage the healthy development of platform economy. And I think this is the -- the message is clear. And as part of this platform economy in China, Alibaba is committed to fulfill our responsibilities in terms of helping the development, achieve a better life for the consumers, to help the merchants as well, especially in the technology innovation, I think, in the core areas. So I think this is what we committed.

And we will do work hard to make substantial progress in all of these aspects. But at the same time, we are closely watching the policy development and to make sure we are fully compliant with all the regulatory requirements. Thank you. [Foreign language]

**Rob Lin** -- *Head of Investor Relations*

Last question.

**Operator**

And our next question comes from the line of Alicia Yap with Citigroup.

**Alicia Yap** -- *Citi -- Analyst*

Hello. Thank you. [Foreign language] Thank you, management. My question has to do with the cloud segment and the short-term and long-term prospects for the cloud business.

Starting with the short term, I'd like to know, apart from the recent impact of the pandemic and the slowdown of the Internet sector as a whole, what other factors are there that may be impacting the cloud business? And then in the longer term, when the Chinese economy has returned to normalcy, what's your view about how the cloud business will develop? What kind of growth do you expect Alibaba Cloud to achieve? And then finally, recently, we've heard some news about some restructuring and some personnel changes in the cloud space. Could you tell us, please, about the impact that those are likely to have in the short and longer term? Thank you.

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

[Foreign language] Thank you. Well, talking about the performance of the cloud business in the short term, I've already spoken about the factors that led to the slowdown in revenue growth in Alibaba Cloud recently, so I won't repeat here what I already said earlier. But I think when it comes to economic development and the important role that the cloud can play there, the key thing is that all industries are digitalizing and need to digitalize the cloud and big data are an important kind of infrastructure driving that upgrading of industry. And therefore, all industries present important opportunities for us at Alibaba to serve.

And that really represents a huge market opportunity. In fact, as I mentioned in my script earlier, the forecast is for the cloud market in China to reach RMB 1 trillion by 2025. So that potentially means that over the next few years, we have the potential to grow at two times or three times kind of multiple. So it's going to be a very big and exciting opportunity.

Secondly, in order to be able to fully capitalize on that opportunity, you need to take an industry-specific approach. Because when we talk about cloud, there are many different definitions out there. The only part of that definition that everybody will agree on is the IaaS layer, which seeks to replace traditional IT infrastructure. But to me, the more important opportunity is beyond that.

It's when you start bringing in the big data, AI as well as the ability to digitalize the overall operations of different enterprises and enable all of that through the cloud. And to do that, this requires an industry or vertical-specific approach with products that are custom-tailored for different applications in different vertical segments. And I think this is very important for the cloud business. And it's imperative that Alibaba be working with these different industries, different verticals, especially the major ones, in-depth with SaaS and with our ecosystem partners in order to be able to deliver that value capitalize on all of those opportunities going forward.

Thirdly, apart from that vertical-oriented approach, it's also incumbent upon us, given our market leadership position, to continue to innovate also in the IaaS layer and also the core PaaS layer so that we can continue to reap the dividends of technological innovation through economies of scale. In particular, the IaaS layer is all about economies of scale. So if we can continue to improve the technology and lower the cost, there's a huge advantage that can be effectively reaped there. And then finally, to address your question about the team upgrade that has been implemented, as you saw last year, in the previous fiscal year, the revenues of Alibaba Cloud, if you include services provided within the group to Alibaba, has already exceeded RMB 100 billion.

So it's a very complex system. So looking for ways to make the operations of the cloud business more efficient, and very much in line with what Toby was earlier, looking for ways to drive more cost efficiency and achieve more cost optimization as well as to position ourselves to better provide the next generation of enterprise services to get us from the scale we're at today of RMB 100 billion to a future of RMB 300 billion or even RMB 500 billion, that was the thinking underlying the way we've gone about reorganizing the team.