



# Strategic Review: AliExpress

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MIM 22 – Group 3

Strategy – Prof. Daniel  
Simonovich

The AliExpress logo is displayed in a stylized font. The word "Ali" is in orange, with a small orange star above the dot of the 'i'. The word "Express" is in red. The entire logo is centered on the right side of the slide.

# Executive summary

## External Analysis

- The recent Pandemic has Accelerated Growth in the Ecommerce Industry and with new age technologies such as AI/AR and Big Data, players are expected to significantly enhance user experience.
- Customers in the industry value price as one of the most important factors when buying something online, with User Experience at the second place. Fast delivery is still an important factor but is not what customers want most in some cases.
- The Ecommerce industry is evolving fast and new competitors entering the market might threaten the existing companies, even though achieving the scale AliExpress has built is difficult and unlikely to happen
- Overall, AliExpress is in a good position in the ecommerce industry, but it has to achieve more customer loyalty to be safe from the competitors.
- The PESTEL analysis shows that the unstable political environment might put some obstacles in front of AliExpress in the long run. Another major risk comes from the legal environment since the Chinese government is threatening AliExpress with tougher regulations regarding counterfeit products and scams present on the platform.
- The 3Cs Competitor's Analysis shows that AliExpress has a sustainable competitive advantage on prices but doesn't catch up in other areas. Customer reviews show that AliExpress users are increasingly dissatisfied with scams and a poor and inefficient customer service.

## Internal Analysis

- Alibaba, is a Chinese multinational technology company, that provides C2C, B2C, B2B sales services via web portals.
- It owns and operates a diverse portfolio of companies around the world in numerous business sectors and AliExpress is an entity of this portfolio focused on international retail e-commerce.
- Consumers can access the marketplace through the AliExpress mobile app or its websites.
- AliExpress revenues and presence is growing intensively, being further intensified by the COVID-19 pandemic, and Alibaba's growth target for 2030 are highly ambitious, both in terms of revenue growth, and market penetration (expanding into new geographies and intensifying their presence in existing markets).
- AliExpress utilizes an end-to-end supply chain. This helps cut costs, increasing the firm's profitability margins. It also advocates for consumer protection, as when a consumer pays for commodities, the funds make a pit stop in the company's escrow account. AliExpress only forwards the payments to the seller after the buyer reports satisfaction, minimizing fraud.
- AliExpress also uses a distribution platform called CAINIAO Network, which uses automation, digital networks, and algorithms to enhance consumer service delivery.
- AliExpress focuses primarily on Operational Excellence, allowing customers to order as little as one item and still delivering for a low price.

# Executive summary

## Strategic Options

- We identified four areas where AliExpress can improve and gain sustainable competitive advantages over its competitors: Customer Intimacy, Supply Chain Localisation, Market Penetration Increase and Mobile App improvement
- Focusing on Customer Intimacy would mean on one hand improving the customer service department by hiring more employees and centralising the complaints coming from customers of different merchants. On the other hand it would mean controlling the high number of scams and counterfeit products present on the platform. This could be done by implementing a new merchant verification system
- Localising the supply chain would mean developing more partnerships with local sellers as well as using local delivery companies. This would require finding cheap local suppliers in the target countries but could reduce delivery time and improve the overall customer experience
- Improving the market penetration would mean either expanding by onboarding more merchants internationally or becoming market leader in at least one country or region (e.g. South-East Asia). Thailand and Indonesia represent potential and high-rewarding targets for AliExpress
- Improving the Mobile App by adding voice recognition or AR features could create new sustainable competitive advantages for AliExpress
- Based on the strategic options evaluation the best option seems to focus on Customer Intimacy

## Recommendations

- The restructure around customer experience could be implemented in three main dimensions: technology support, brand re-engineering and service enhancement.
- AliExpress is now doing segment restructure and executive changes to redirect it to be customer-centered.
- Data integration, fraud protection and personalization could be technological tools, while qualification for entry and traffic control would help reengineer its brand. Service is suggested to be enhanced through department combination, talents training and logistics network upgrade.
- The main risks for the restructure and customer experience improvements are that merchants might leave the platforms if the increased customer service costs are incurred to them and/or they won't get refunds. Other implementation risks are increased regulation and data privacy risks.
- AliExpress could tackle these by ensuring efficient cost planning and successful refunds policies and implementation. Other ways to deal with the risks are to ensure the ease of use of the suggested verification system for the merchants, holding data protection to the highest standards and equipping effective non-market strategies. It is also crucial for AliExpress to understand, plan and align the problem and the stakeholders and to motivate and communicate the new strategy effectively. Lastly, AliExpress should consolidate and implement and keep measuring the process

## Group Overview

Alibaba Group Holding Limited, also known as Alibaba, is a Chinese multinational technology company specializing in e-commerce, retail, Internet, and technology.

Founded on 28 June 1999 in Hangzhou, Zhejiang, Alibaba provides consumer-to-consumer (C2C), business-to-consumer (B2C), and business-to-business (B2B) sales services via web portals, as well as electronic payment services, shopping search engines and cloud computing services. It owns and operates a diverse portfolio of companies around the world in numerous business sectors.

Alibaba Ecosystem GMV  
**US\$1.2 trillion+**  
China Retail Marketplaces GMV  
**US\$1.1 trillion+**  
**Over 1 billion**  
Global AAC

**891 million**  
China AACs



**240 million**  
International AACs



### Corporate Social Responsibility Initiatives

#### Contributing to Environmental Sustainability

- Alibaba's data center's immersion cooling-system can save over 70% of the energy needed for cooling compared to traditional cooling systems.
- Over 300,000 tons carbon emissions reduced by using renewable energy, such as wind power or solar power.

#### Supporting Charities and Serving Communities

- Approximately 2.5 million merchants and 500 million users participated in funding domestic and overseas charitable projects.
- Enabled charitable organizations to raise over RMB540 million through their China retail marketplaces.

#### Supporting Rural Development in China

Launched a dedicated livestreaming program to help less-developed counties sell agricultural and food products.

#### Creating Job Opportunities

Alibaba Ecosystem contributed to the creation of close to 70 million direct and indirect job opportunities in China.

Source: Alibaba Annual Report (2021), Team Analysis

## Group Overview

AliExpress is a global marketplace targeting consumers from around the world and enabling them to buy directly from manufacturers and distributors in China and around the world.

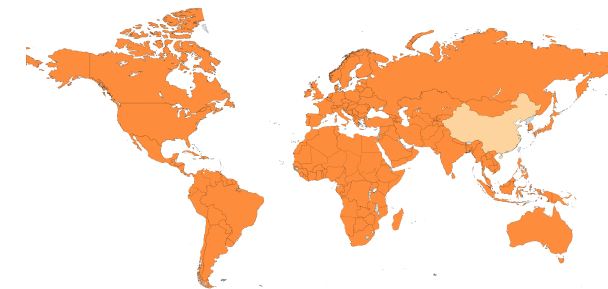
### AliExpress is The Leading Cross-Border B2C Export Platform...

<b>US\$10 bn+</b> Annual Paid GMV	<b>79M+</b> AAC	<b>150M+</b> Buyers as of 2020 Q4
<b>200+</b> Countries and Regions	<b>60%+</b> Age under 35 years old	

#### How do they work?

- Sellers on AliExpress are all located in China, Russia, Turkey, France, Spain or Italy and are each issued a unique store number on AliExpress.
- Unlike on the B2B website Alibaba.com, there is very limited information available about sellers and how they were verified. AliExpress has however implemented a store rating system.
- Customer service is not the focus on AliExpress and consumers who are used to no-questions-asked full refunds and humble apologies may need to adjust their expectations.
- AliExpress urges its customers to only make payments to sellers through their platform so they can offer a degree of customer protection. Although refunds can be applied for, the process can be very hit or miss.
- The order amount can be as low as one item and customers can pay safely using Buyer Protection service.

### ...with a Global Geographical Footprint



#### Where do they work?

- AliExpress continues to expand its regional merchant networks and supply chains to make available more localized products and services for consumers in their respective regions.
- In addition to the global English-language version, the AliExpress platform is also available in 17 other languages, including Russian, Portuguese, Spanish and French.
- Consumers can access the marketplace through the AliExpress mobile app or its websites. Top consumer markets where AliExpress is popular are Russia, the United States, Spain, France and Brazil.
- AliExpress' Russia business, an important part of AliExpress' business, is operated by AliExpress Russia Holding Pte. Ltd., an unconsolidated joint venture.

Source: Alibaba Annual Report (2021), AliExpress Website, Team Analysis

# Agenda

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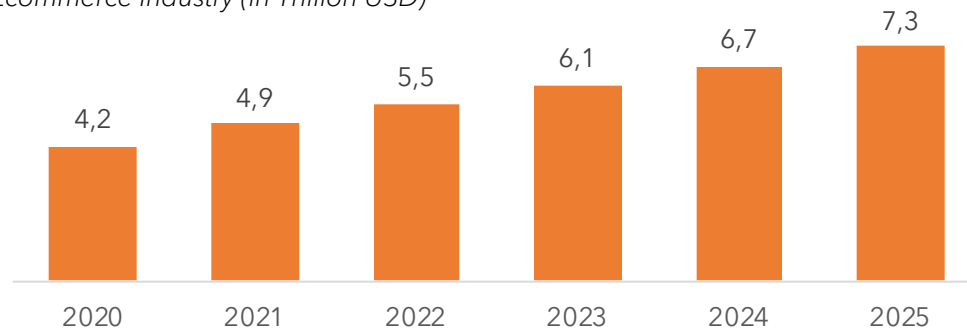
1. External Analysis
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## 1. External Analysis

While the Pandemic has Accelerated Growth in the Ecommerce Industry, with new age technologies such as AI/AR and Big Data, players are expected to significantly enhance user experience

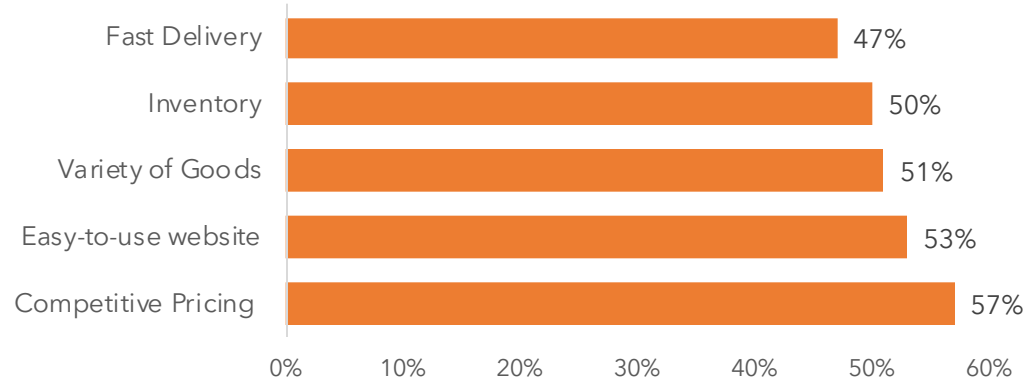
The ecommerce industry is growing rapidly and the pandemic has accelerated the need for online purchases

Ecommerce Industry (in Trillion USD)



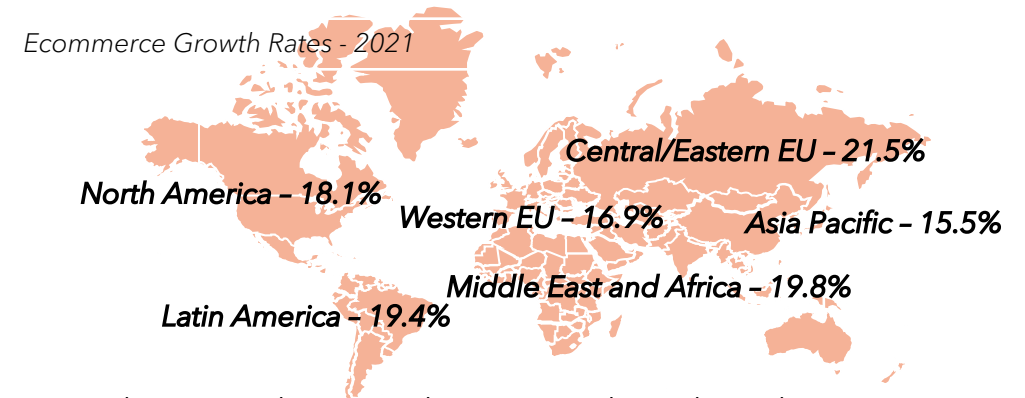
Competitive pricing, variety of goods, and fast delivery windows remain important for consumers...

Factors (% importance) that influence users to switch websites



Source: JP Morgan Ecommerce Outlook, Anodot Research

...with growth expected across regions



...with certain key trends expected to play a large part in the growth in coming years

- ✓ Augmented Reality experiences are expected to enhance customer experience, giving a more hands-on feel to online shopping
- ✓ Big Data and AI will help in achieving increased levels of personalization and eventually increase ticket sizes by generating more accurate recommendations
- ✓ Customer service is critical, however companies are trying to route queries through chat-bots and reduce the human capital required
- ✓ API integration to enhance marketplace integration with several additional features is critical

# 1. External Analysis

The political and legal environment might raise some issues to AliExpress business, while the general economic, social, and technological trends are in favor of a further expansion of the e-commerce industry globally.



## PESTEL Analysis

While the **political environment** might be the biggest risk factor because of geopolitical tensions and trade regulations uncertainties, the general PESTEL external analysis looks favorable for the e-commerce industry.

An increasing number of people uses e-commerce and online platforms as their primary way of shopping, leading to a constant market and revenues increase in the industry that doesn't seem to stop. While In 2021 retail e-commerce sales amounted to approximately **4.9 trillion U.S. dollars** worldwide, this figure is forecast to **grow by 50 percent** over the next four years, reaching about **7.4 trillion dollars by 2025**.

The **technical and software advances** in operations will make the industry decrease their costs and improve customer experience by providing high personalisation, voice search options, AR rooms to try the items to buy.

More **threats** could come from the legal department since both Chinese government and customers complain about the high number of counterfeit products sold on Aliexpress.

Source: Statista, Team Analysis



## 1. External Analysis

The Ecommerce Industry is evolving rapidly with firms facing tremendous competition from large players, thus requiring clear points of differentiation to stand out



### Threat of New Entrants

- Low switching costs, coupled with high price sensitivity and limited negative effects of transferring from one provider to another make it possible for new entrants to enter the market
- However, achieving scale is difficult given the high cost of brand development, the extensive logistic network, and the large upfront investment and can create barriers



### Supplier Power

- Depending on the market, there are several suppliers of products. Ecommerce companies can choose from different sellers, thus bargaining power of suppliers remains low
- However, for niche products, or for markets where suppliers are limited, these entities can claim higher power



### Competitive Rivalry

- Large players such as Amazon, eBay, DHGate have large operations across the world leading to increased competition in the global ecommerce space
- Firms often struggle to find sustained differentiating factors and end up competing on prices, given that price reductions prompt customers to switch
- AliExpress aims to offer high product variety at low prices, however regional competitors and other large drop-shipping players often beat it on delivery time, reliability, and quality control
- Intense competition to grab a share of the growing market makes growth challenging in the current environment



### Buyer Power

- Buyers command a high bargaining power and as per several surveys over 57% of the users would switch sites that offer a more competitive prices
- AliExpress has a global user base, however, with increasing localization, and low customer intimacy (as a result of poor reliability and long delivery times), this user base does not exhibit any loyalty



### Substitution

- Over 61% people prefer trying an item before buying it. Thus, retail stores still pose a threat to ecommerce giants given the lack of hands-on experience in ecommerce
- For AliExpress, key substitutes are hawker shops/thrift stores, which provide more reliability
- Increasing traction in the digital space with web3, metaverse, can also hinder progress of traditional ecommerce companies if they do not innovate

Source: Statista, Alibaba annual report (2021)



Favourable



Unfavourable



Neutral

## 1. External Analysis

AliExpress competitive advantage on price is not enough to make customers choose this platform: customer service and reliability of the merchants must be improved to be compared to the main competitors

### Customer Judgment

	<div><div><div></div><div></div><div></div><div></div></div><div>BEST → WORST</div></div>			AliExpress	Ebay	Amazon
Brand name						
Product Price						
Product Selection						
Product Quality						
Delivery Time						
Customer Service						
Reliability						

- Surveys show that **customers** around the world are **generally satisfied with Aliexpress**. In Brazil, 91% of customers report to be 'Very satisfied' or 'Rather satisfied', while in most other countries this percentage reaches 60 to 65%.
- The **low prices** are the main **sustained competitive advantage** that customers report to be decisive when they choose AliExpress over its competitors.

Source: TrustPilot, Reviews.io, AliExpress reviews, Statista



### Customer Reviews

**Anonymous**

**Rate: 4/5**

"Obviously when you place an order from aliexpress you shouldn't always expect premium quality items but i'm always happy to receive my orders as its exactly what i paid for"

**Anonymous**

**Rate: 1/5**

"The worst ever experience. Understandable the long delivery time because the item came from China. However, the return process is very difficult. My item arrived damaged, I'm sure it was already damaged when it was shipped."

**Anonymous**

**Rate: 1/5**

"DO NOT BUY!!!! Waste of time and money. I order green glass roller balls. When I got my order it was not green glass. It was spray painted. Chipped all over the box before even opening. They would not refund or send a replacement after many emails back and forth."

**Anonymous**

**Rate: 4/5**

"When you order from Aliexpress, you have to be willing to wait a long time to receive your packages. I mostly order cheap items, under \$5. Most of my purchases have been wonderful, as long as I don't expect too much, don't risk too much with high priced items, and watch the closing dates"

**Anonymous**

**Rate: 1/5**

"Worst customer service, they post wrong items as available and then they say sorry we don't have it and make you change it, and hard to request a refund"

**Anonymous**

**Rate: 1/5**

"AliExpress should be banned! Three quarter of the goods they sell is infringing a copyright or fake items. Thousands of brands are copied using low end materials. This website is a giant pile of junks..."

- Long **shipping times and low quality** can be **frustrating but are tolerated** because of the extremely low prices
- The **biggest concern and negative reviews** come from the increasing number of **scammers and counterfeit products** present on the platform. AliExpress is being considered less and less reliable compared to its competitors

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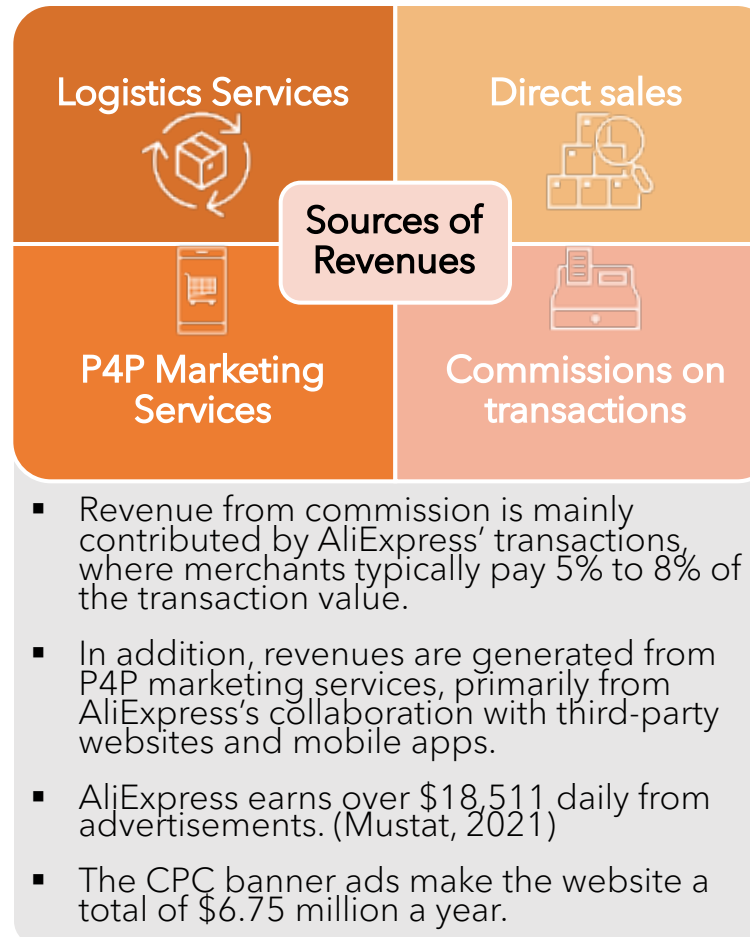
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## 2. Internal Analysis

AliExpress generates most of Alibaba's international commerce retail revenues, and primarily includes revenue from logistics services, customer management and sales of goods.

### Financials & Traffic

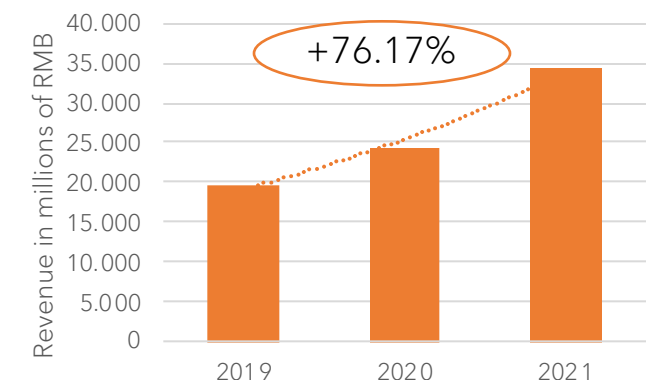
- AliExpress is worth **US\$3.63** billion as of February 2021. (Source: Worth of Web, µStat)
- As of February 2021, AliExpress analysis shows that the site ranks number **38 in traffic and engagement**. That's a significant improvement compared to its position in the last quarter of 2020, which was #40.
- AliExpress plans to increase its cross-border clientele to **30 million** by 2030.
- The new store opening rate on AliExpress increased by **132%** in 2020.
- There were **528 million visitors** on AliExpress as of January 2021.
- Direct traffic on AliExpress was **60%** as of January 2021



### COVID-19 Trends

- The coronavirus pandemic is introducing new customers to the platform. In the first three months of 2020, AliExpress ranked among the most downloaded shopping apps in countries including Spain, France and Poland (FT, 2020)
- In Spain and Italy, traffic to the company's AliExpress platform, which connects Chinese merchants with shoppers around the world, increased by 20 per cent and 14 per cent respectively during the first quarter compared with the previous year (FT, 2020)

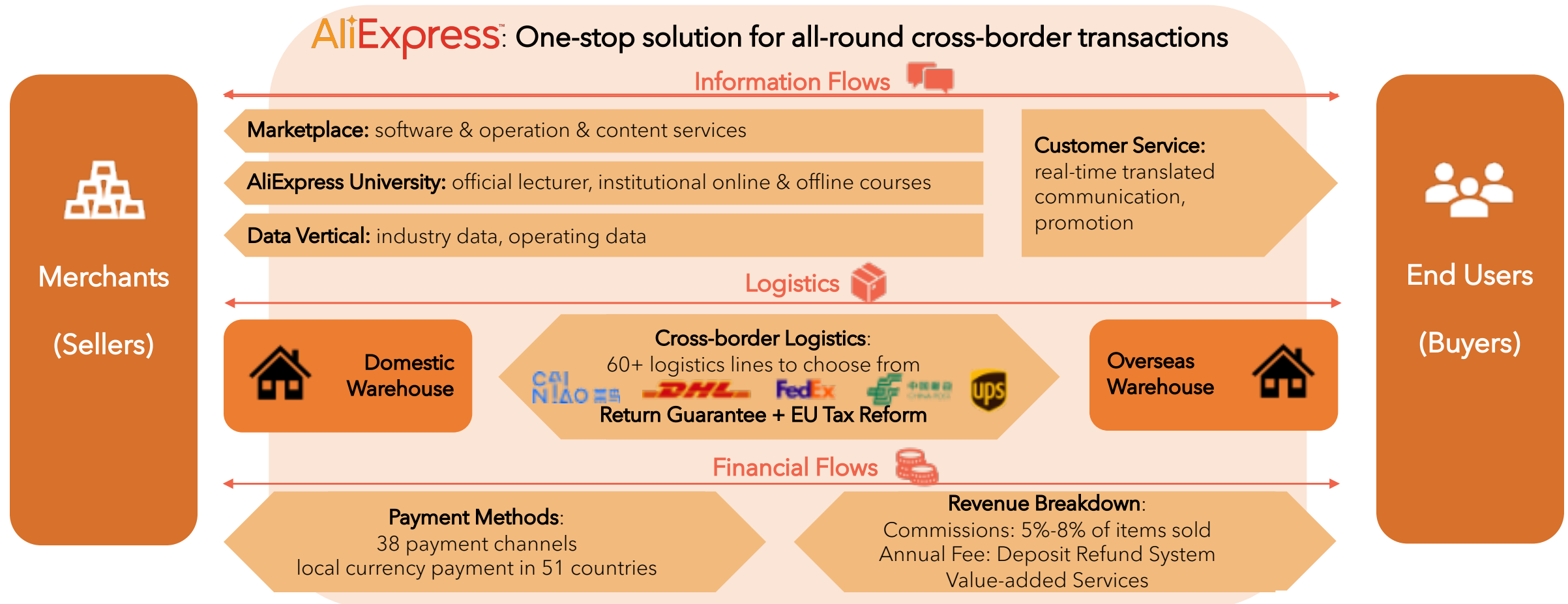
International Retail  
(Lazada & AliExpress)



Source: Alibaba Annual Report (2021), AliExpress Website, Team Analysis

## 2. Internal Analysis

On the operational side of the business, AliExpress has developed an end-to-end supply chain, managing its entire supply chain activities, keeping them in-house, initiating fast and convenient delivery for e-retailers.



Source: AliExpress Website, Team Analysis

## 2. Internal Analysis

AliExpress gains its competitive advantage on operational excellence from professional platform governance and advanced technology support.



- **Product Leadership:** The platform offers a wide range of products, however when it comes to product leadership it isn't as strong as their competitors. The low-price approach further limits quality control in products and services it lists. Reputation of selling counterfeit goods is hard to change.
- **Funniest Products on AliExpress:** 1. A lightsaber umbrella. 2. Donald Trump toilet brush. 3. Crying Kim Kardashian accessories
- **Customer Intimacy:** The platform aims to make superior customer experience by fast delivery and customer service. It made lots of progress on customer care, for example, customers can get refund if the goods are lost or unsatisfied. However, they are still not rated high on third-party websites because long-time and uncertain delivery.

Source: AliExpress Website, Team Analysis

## 2. Internal Analysis

With a strong supply chain network and synergies of Alibaba, AliExpress enjoys a sustainable competitive advantage globally.

	V Valuable	R Rare	I Inimitable	O Organized	Explanation
Supply Chain	✓	✓	✓	✓	<u>Sustained Competitive Advantage</u> : The robust network enables AliExpress to solve all problems in cross-border e-commerce in a one-stop platform.
Synergies	✓	✓	✓	✓	<u>Sustained Competitive Advantage</u> : Alibaba's diverse brand matrix, including Ali Cloud, Taobao and Cai Niao helps AliExpress enjoy synergies .
Service for merchants	✓	✓	✓	✗	<u>Unexploited Competitive Advantage</u> : The merchant empowerment solution is relatively complete, but not that accessible and systematic.
Finance	✓	✓	✗	✗	<u>Temporary Competitive Advantage</u> : Alibaba offers a superior financial strength, but not that irreplaceable.
Product	✓	✓	✗	✗	<u>Temporary Competitive Advantage</u> : AliExpress excels in product variability and low price, but competitors could copy that advantage.
Customer Care	✓	✗	✗	✗	<u>Competitive Parity</u> : AliExpress develops a buyer protection program, however uncertainty of long-time delivery makes customer unsatisfied.

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### 3. SWOT

Ali Express stands out by providing greater product variety at cheaper prices; however, it suffers from reliability and quality control issues and needs to leverage technology and foster partnerships to capture a larger pie of the ecommerce market and increase customer satisfaction



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## 4. Strategic Options

From a strategic point of view AliExpress can focus on areas such as customer intimacy, supply chain localisation, market penetration and mobile App: all the options have high impact though some might be more costly and more difficult to implement

### Options

1

**Focus on Customer Intimacy:** centralise and improve customer service department, create and expand product and merchant verification system



- Company improvement and restructure
- Focus on Customer requests and reviews
- Implement an entire new control system
- Find external parties to supervise merchants

2

**Localisation:** onboard local sellers in existing countries to make supply chain more localized; improve delivery time by partnering with local existing providers and/or align them to CAINIAO to smooth delivery process



- Organic and inorganic growth
- Need Chinese merchants in different countries
- Partnership development with new merchants
- Coordination of new delivery systems

3

**Increase market penetration:** onboard more sellers internationally and expand product mix through larger base of sellers, focus more on South-East Asian countries with high potential growth (eg. Thailand)



- Organic growth
- AliExpress is not market leader in any country
- Focus on local rather than global area
- Increase in revenues and operations

4

**Improve Mobile App:** utilise advanced software and AI algorithms to provide customers better recommendations. Implement new voice recognition and AR features for customers to try products



- Software department improvement
- Better UX for the customer
- High investment required
- Data-driven approach

## 4.1 Customer Intimacy

First, focusing on creating a better customer service and implementing a scam control system could be costly at the beginning but would solve most of the customer issues AliExpress is currently facing

### Centralise customer service

### Implement verification system

Action	<ul style="list-style-type: none"><li>Expand customer service department by hiring more employees and train them on specific producers</li><li>Connect merchants customer service with AliExpress</li></ul>	<ul style="list-style-type: none"><li>Create and implement a scam verification system to track fraudulent merchants and products</li><li>Use past customer reviews and merchant research</li></ul>
Strategic objective	<ul style="list-style-type: none"><li>Reduce customer complaints and provide better customer service experience</li><li>Increase customer satisfaction rate on refunds</li></ul>	<ul style="list-style-type: none"><li>Reduce customer issues regarding scams and refund requests</li><li>Increase AliExpress reliability and reputation</li></ul>
Costs	<ul style="list-style-type: none"><li>Medium cost necessary to hire and train more employees</li><li>More costs on successful refunds</li></ul>	<ul style="list-style-type: none"><li>High cost, creation of a whole new department, team and process to implement the idea</li><li>Benefits in reducing number of refund requests</li></ul>
Risks	<ul style="list-style-type: none"><li>Merchants leaving platform if they don't get refunds</li><li>Increasing costs, data privacy and regulatory constraints</li></ul>	<ul style="list-style-type: none"><li>Implementation time and duration before results</li><li>High number of merchants leaving the platform and decreasing product selection</li></ul>
Success Indicators	<ul style="list-style-type: none"><li>Increase in average review score, NPS score</li><li>Number of refunds successfully processed</li><li>Merchant churn rate</li></ul>	<ul style="list-style-type: none"><li>Decrease in number of complaints for counterfeit products and scams</li><li>Increase in positive customer reviews</li></ul>

## 4.2 Localization

Second, developing a more integrated supply chain might be different from what AliExpress has done until now but could reduce delivery delays and customer complains

### Onboard local sellers

### Use global delivery network

Action	<ul style="list-style-type: none"><li>▪ Develop and market AliExpress to local chinese sellers in target countries</li><li>▪ Favor local manufacturers compared to chinese</li></ul>	<ul style="list-style-type: none"><li>▪ Find and contact affordable delivery companies in target countries</li><li>▪ Align external delivery companies to Alibaba's CAINIAO</li></ul>
Strategic objective	<ul style="list-style-type: none"><li>▪ Increase company localisation to reduce shipping time</li><li>▪ Expand and provide better service to international customers</li></ul>	<ul style="list-style-type: none"><li>▪ Reduce shipping time and improve customer satisfaction</li><li>▪ Step toward reaching a delivery standard</li></ul>
Costs	<ul style="list-style-type: none"><li>▪ Low cost to onboard new merchants</li><li>▪ Marketing expenses on different countries</li></ul>	<ul style="list-style-type: none"><li>▪ Medium cost to find and contact delivery companies</li><li>▪ Medium cost to align delivery companies to CAINIAO and provide slightly faster delivery</li></ul>
Risks	<ul style="list-style-type: none"><li>▪ Slight change in business model and Chinese products centricity</li><li>▪ Higher complexity and operations fragmentation</li></ul>	<ul style="list-style-type: none"><li>▪ Underperforming delivery companies could hinder more AliExpress reputation</li><li>▪ Creation of different standards across countries</li></ul>
Success Indicators	<ul style="list-style-type: none"><li>▪ Number of new merchants onboarderd</li><li>▪ Number of orders processed on new merchants</li></ul>	<ul style="list-style-type: none"><li>▪ Reduced days of order delivery</li><li>▪ Higher customer reviews regarding delivery</li></ul>

### 4.3. Increase market penetration

Increasing international merchants and focusing on target countries in South-East Asia could make AliExpress increase its global market share and make it a market leader in APAC

#### Increase worldwide merchants

#### Become leader in target countries

##### Action

- Increase marketing to attract more merchants in existing high revenue countries (Russia, Brazil)
- Expand onboarding and integration teams

- Concentrate expansion efforts on target South-Asian countries with high potential (Thailand, Indonesia)

##### Strategic objective

- Increase company presence in different target countries
- Increase revenues

- Become market leader in at least one country or region
- Increase brand and reputation

##### Costs

- Low cost for marketing because of AliExpress existing popularity
- Medium cost to hire and expand onboarding team

- Medium cost to perform market research and establish online and advertising presence

##### Risks

- Overflow of new merchants

- Not checking reliability of new merchants could worsen AliExpress overall reputation
- Excessive localisation of AliExpress

##### Success Indicators

- Number of new merchants onboarded
- Increase in revenues

- Increased market share in target countries
- Higher revenues coming from target countries

3

## 4.4 Improve mobile App

Adding voice recognition and AR features combined with stronger marketing regarding AliExpress mobile App could create new sustainable competitive advantages over the competitors

### Develop new App Features

### Market App to acquire new users

#### Action

- Hire new developers and tech specialists to implement voice recognition and AR features on the app
- Expand onboarding and integration teams

- Develop AliExpress marketing by concentrating efforts on the App rather than on the website

#### Strategic objective

- Create a new sustainable competitive advantage on AliExpress App compared to competitors

- Shift toward a mobile use rather than website traffic
- Shift towards an intensive data driven approach
- Make UX faster and easier

#### Costs

- High cost to find and hire tech managers and mobile ecommerce specialists
- High cost to develop and deploy new features

- Low to medium cost to increase marketing regarding AliExpress App

#### Risks

- High costs with not clear benefits in the short term

- Consumers might not need more App features and would continue using website as primary media

#### Success Indicators

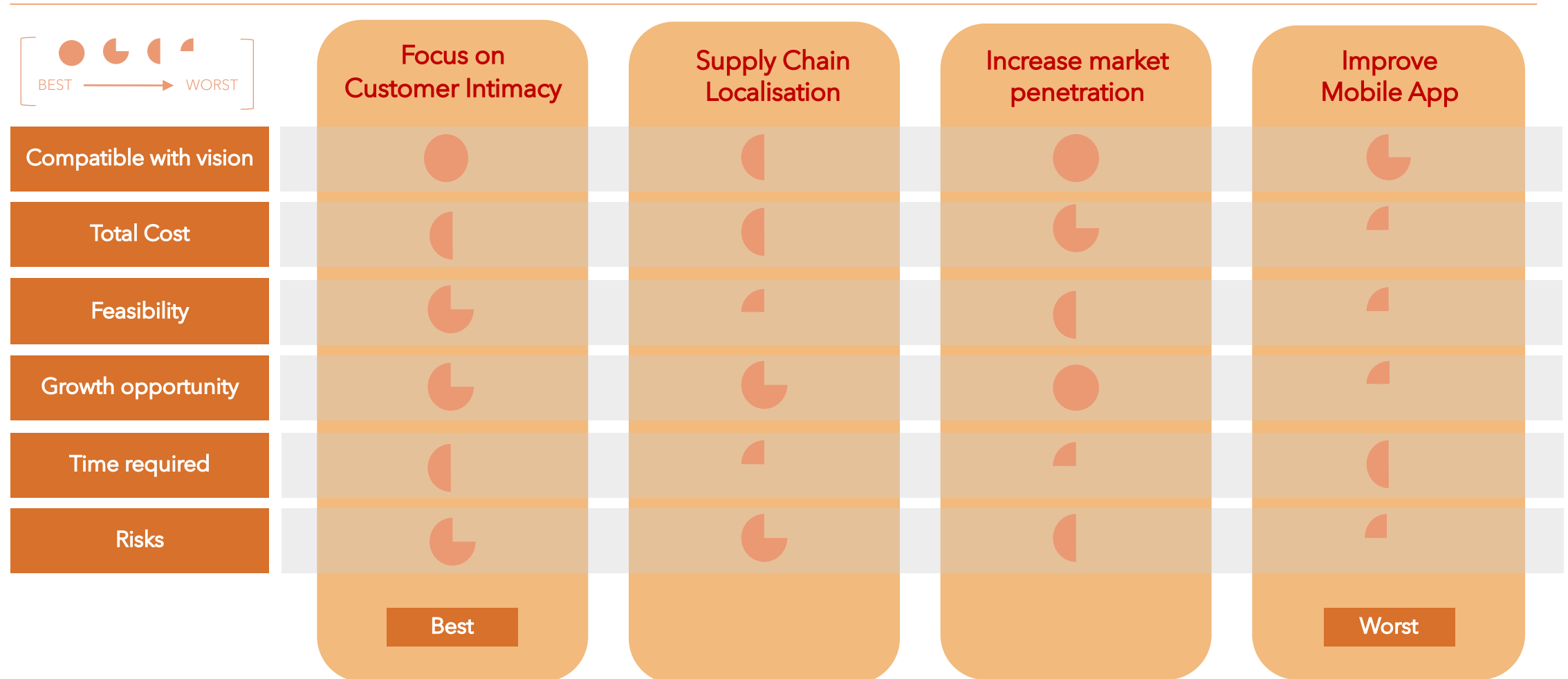
- Number of new features implemented
- Number of users using new features
- Customer reviews on mobile app

- Number of users using mobile app compared to website

4

## 4. Strategic Options

Looking at the summary of all 4 options analysis , we suggest focusing on customer intimacy since the results of our analysis indicated that AliExpress suffers most from negative customer experience and reviews





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## 5. Recommendations

The restructure around customer experience could be implemented in three main dimensions: technology support, brand re-engineering and service enhancement.

### Ongoing Reformation

- **Segment Restructure:** In December 2021, Alibaba split its long-standing 2C-2B business structure and reorganized it into two segments: domestic business and global business. This restructuring means that Alibaba's overseas business is now truly "equivalent" and "equal" to its domestic businesses and has the same strategic importance.
- **Executive Changes:** In January 2022, Fan Jiang, former head of Taobao Digital Reform, became the head of Ali overseas digital commerce segment (including AliExpress), and former Taobao executives Chou Ping and Kev became CTO and cross-border business manager of AliExpress. It is expected to achieve overseas growth through technology-driven growth.



#### Technology Support

- **Data Integration:** build an integrated database of merchants and consumer based on Ali's big data and Taobao's CRM system
- **Fraud Protection:** create and implement a scam tracking system based on consumer reviews and merchant research
- **Personalization:** analyze consumer behavioral preferences and generate user profiles for personalized product recommendations and marketing promotions



#### Brand Re-engineering

- **Qualifications for Entry:** set annual sales assessment for established merchants; raise entry threshold for new merchants; close entry portal for individual businesses; limit the number of posted products
- **Traffic Control:** prohibit attracting traffic through low price variants; provide traffic priority to certified merchants; launch high quality, fast delivery self-labeled product lines to attract customers



#### Service Enhancement

- **Department Combination:** combine merchant service center and customer care team to improve efficiency
- **Talents Training:** conduct employee training program and attract new talents to improve customer service quality.
- **Logistics Network Upgrade:** Relying on the advantages of Cainiao's global logistics network, set up additional border warehouses and build own overseas warehouses

### Restructure around customer experience

Source: Alibaba Interim Report (2022)

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1. External Analysis
2. Internal Analysis
3. SWOT
4. Strategic Perspectives
5. Recommendations
6. Strategy Implementation

## 6. Strategy Implementation

The main risks are that Merchants might leave the platform, requiring mitigating actions such as effective testing, change justification and prototyping before launching the scam verification and the customer service initiatives

### Risks and Barriers

### Description

### Mitigating Actions

#### Regulatory Constraints

- GDPR in Europe and PRC Personal Information Protection Law (PIPL) in China already pose certain constraints to AliExpress. As digital products and E-commerce develop, and as AliExpress aims to improve its customer intimacy its likely to operate under even more regulatory constraints in the future

- Maintain healthy governmental relationships and equip effective non-market strategies by regulations that align with the new scam verification system and the customer service initiatives

#### Data Privacy and Leakage

- By connecting merchants with AliExpress customer services and focusing more on customer intimacy AliExpress will also become more prone to increased data leakage risks as it will deal with more customer data

- Hold data protection up to the highest standards and ensure that customer data is secured, integrate Ali's big data and Taobao's CRM system
- Train employees internally to comply with data privacy and focus on the importance of it

#### Merchants Leaving Platform

- Merchants might leave platform if the increased customer intimacy costs are incurred to them
- The scam verification system might also drive valid merchants away if the system is hard to use
- Merchants might also leave the platform if they don't get refunds

- Conduct thorough research on the customer intimacy specifics. Ensure employee knowledge on specific products, test the market before launching, launch and keep measuring
- Train employees and attract talent
- Ensure effective cost planning
- Ensure successful refund policies and refund implementation
- Ensure merchant's ease of use for the verification system

Source: Alibaba Annual Report (2021, AliExpress Website)

## 6. Strategy Implementation

The implementation will consist of three main phases: 1. Understanding, planning and aligning 2. Motivating & Communicating to stakeholders and 3. Implementation & Consolidation., with the main objective of the strategy implementation being to secure the success of the project and minimize risks

### 1. Understand, Plan & Align

(6-12 weeks)

- Understand the need for change (customer intimacy + scam verification, understand internal and external environment)
- Plan and prepare the objectives for the project
- Create plans that are supported by key organizational players (employees, customers, other business units and partners)
- Align key stakeholders

### 2. Motivate & Communicate

(8 weeks)

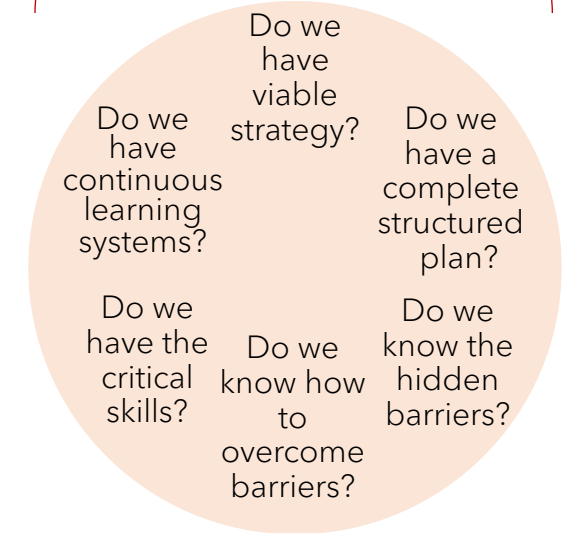
- Motivate people on an emotional level
- Share confidential information and build trust
- Organize presentations, seminars & workshops
- Communicate the vision
- Keep repeating the vision
- Consistence messaging across channels

### 3. Implement & Consolidate

(10 weeks)

- Train people according to the needs of the new objectives (customer intimacy + scam verification)
- Align structures with the new vision and strategies
- Fill key positions with the right people
- Integrate functional units
- Follow quick wins with the new strategy

### Keep Measuring



Source: Alibaba Annual Report (2021), Adapted from Q. Huy and M. Jarrett