



Transforming Alibaba

Understanding Alibaba's most radical changes in history

Jan 2024



About Momentum Works

Momentum Works is a **venture outfit** headquartered in Singapore. It connects and empowers the digital and new economy ecosystem in emerging markets through well-researched **insights, community,** and **venture-building** experience.



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Momentum Works' coverage on ecommerce ecosystem & key companies

Local coverage



Ecosystem development



Regional coverage



Global disruptors



Join Momentum Works Live Commerce Immersion to China in March 2024



This curated, focused immersion programme will include visits to the most relevant companies in **China's live commerce ecosystem**, real **experiences in live commerce and retail operations**, and **networking with decision makers**. The key takeaways are:

- An understanding about the live commerce ecosystem and industry trends;
- An appreciation (and learning) of operational strategies, execution and new supporting technologies;
- Networking with decision makers & potential partners.

Daily briefings and debriefings led by Jianggan Li, CEO of Momentum Works to link all the experiences and exposure to your home region and organisation.

[Find out more](#)

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1. What happened in 2023?



In March 2023, Alibaba announced its biggest restructuring in history



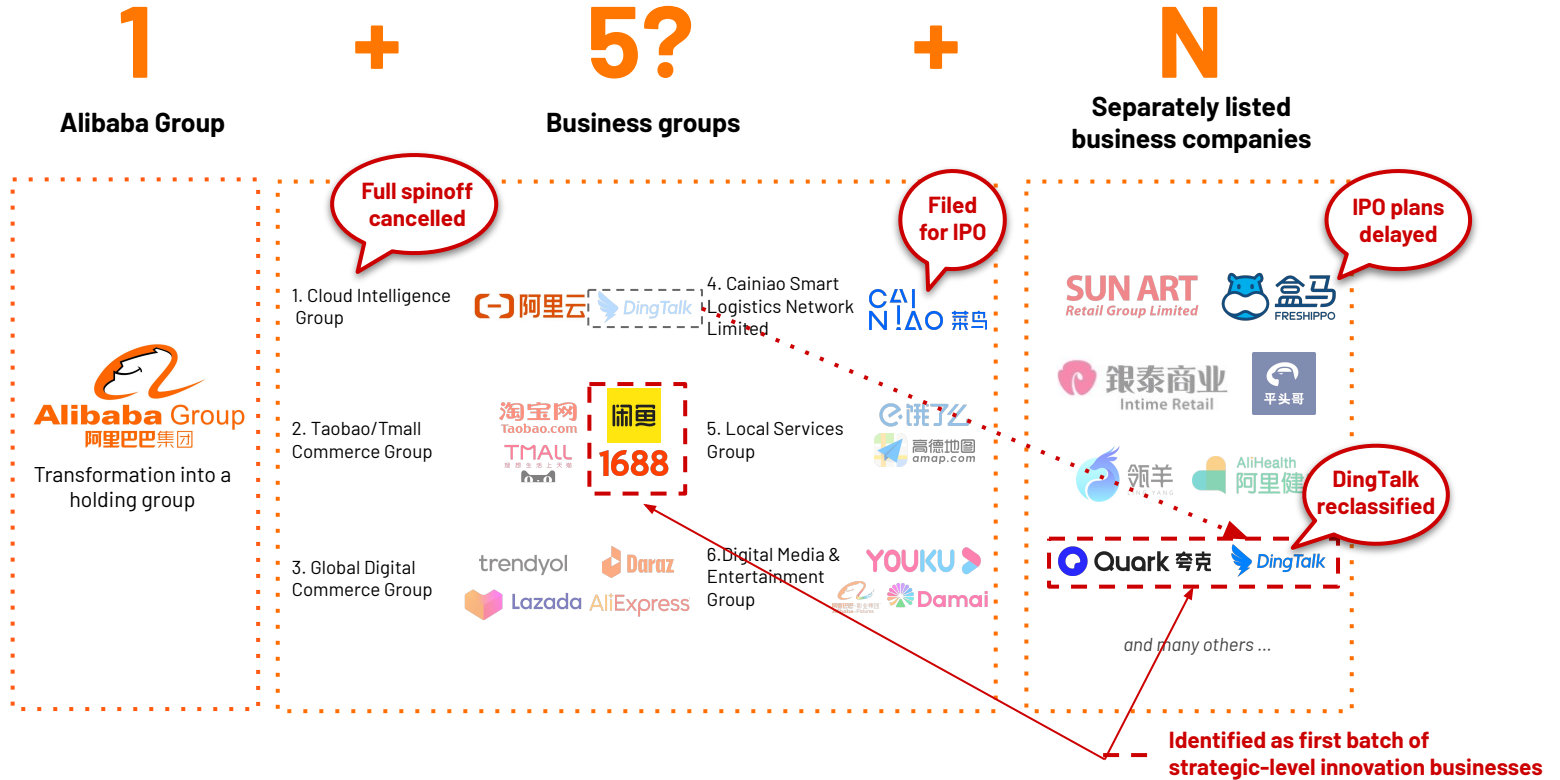
The group will be “split” into six units with the following structure



Where are we now?



The group is still "split", but with some changes and perhaps more caveats ...



2023 was a year of continuous reshuffling



Alibaba announced restructuring

Joe Tsai and Eddie Wu officially took over

Daniel Zhang resigned; Wu took over as CEO of Alibaba Cloud Intelligence Group



PDD's market cap overtook Alibaba's



Alibaba Cloud CCO Cai Yinghua stepped down



Layoffs at Lazada, including C-suites of multiple markets

Mar

...

Jun

...

Sep

...

Nov

Dec

2024 Jan

Jack Ma returned to China



Joe Tsai and Eddie Wu announced to replace Daniel Zhang as Group Chairman and CEO respectively in September; Zhang to transition to Chairman/CEO of Alibaba Cloud Intelligence Group



Joe Tsai



Eddie Wu



Daniel Zhang



Alibaba Cloud underwent reshuffling, new business units created

Eddie Wu replaced Trudy Dai as CEO of Taobao/Tmall Commerce Group



Trudy Dai

给热爱运动的每个人

2. Challenges Alibaba faced

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Alibaba faced 4 key challenges



Having bet on the wrong horse



Failing to stop Pinduoduo and Douyin



Organisation becoming too heavy

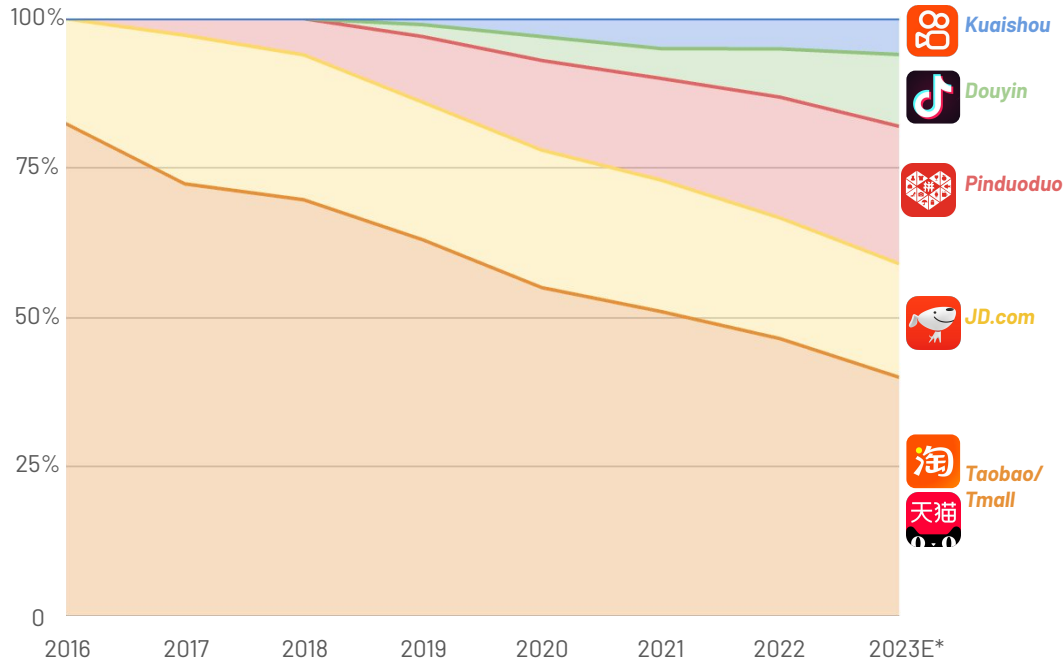


Victim of its own success

1. Having bet on the wrong horse



Taobao/Tmall's declining market share since 2018



After Daniel Zhang succeeded Jack Ma as Chairman & CEO, Alibaba made a bet that **consumers would become more affluent and upgrade their consumption habits**. This resulted in a **pivot in focus and resource allocation** from Taobao (sellers / SMEs-focused) to Tmall (brand-focused).

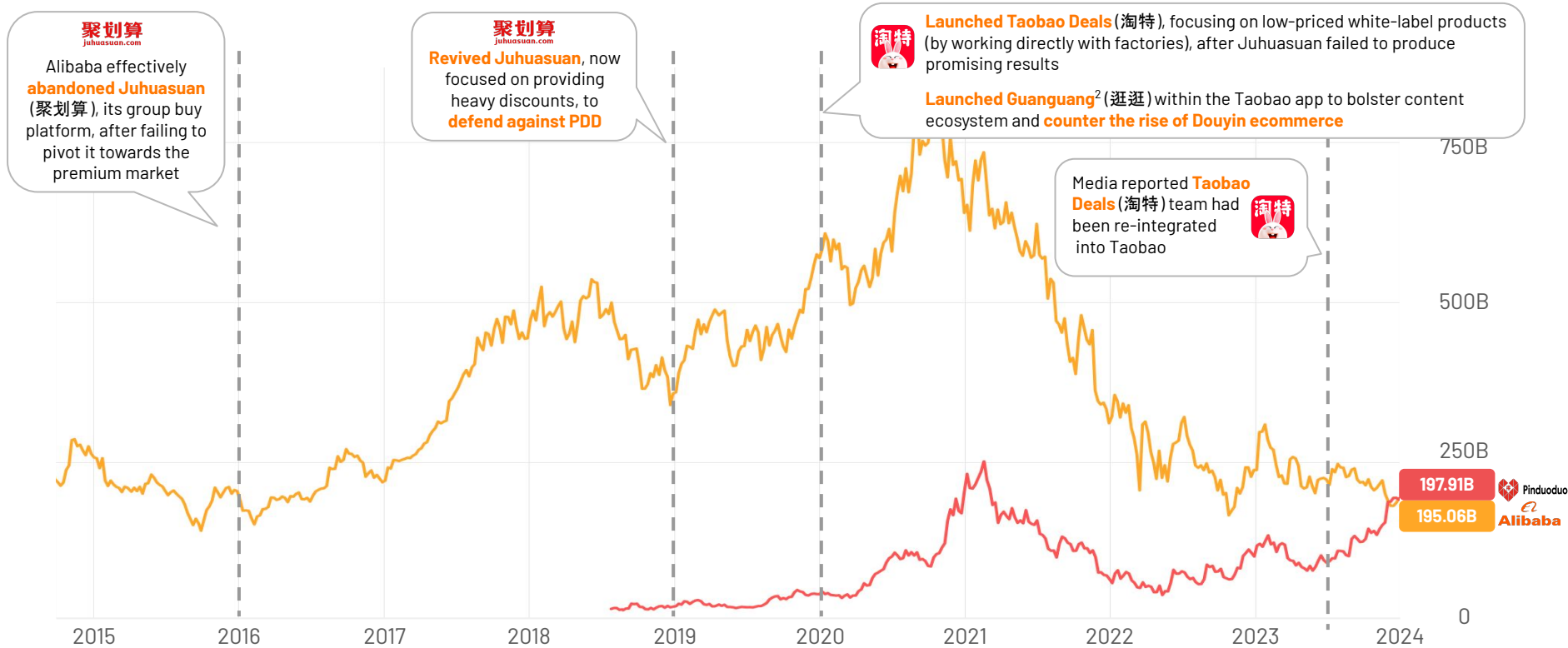
The **ensuing gap in the market of mass, unbranded goods** was captured by Pinduoduo. Post-COVID, when consumer preference conspicuously shifted towards **value-for-money goods** (exactly Pinduoduo's strength), the initial **bet by Alibaba's leadership** has led to an erosion of its long-standing dominance in China's ecommerce market.

* 2023 numbers are estimated based on the companies' 2023 Q1 - Q3 results
Source: Momentum Works Insights

2. Failing to stop Pinduoduo and Douyin



Alibaba's market capitalisation has been on the decline since 2021



1. Guangguang (逛逛), which is now known as Videos 视频, is a content channel within Taobao that provides entertainment content and product recommendations in the form of short videos and photos.

Source: YCharts; Momentum Works Insights

3. Organisation becoming too heavy



Pinduoduo +



Company headcount	560,000 (or 260,000 excl. logistics)	224,000	13,000
Market cap per employee ¹	\$0.08M	\$0.87M	\$15.2M
No. of businesses under the group	10	> 30	3

Alibaba's size resulted in complexities in communications, decision making & resource allocation

1. Market cap is taken on 4 January 2024; Source: Momentum Works Insights

4. Victim of its own success (1/2)



"eBay is a shark in the ocean. We are a crocodile* in the Yangtze River.
If we fight in the ocean, we will lose. But if we fight in the river, we will win."
- Jack Ma, 2003



"Through 24 years of development, **Alibaba has grown into a group** that spans e-commerce, cloud computing... and many innovative new businesses ... Today, Alibaba must contend with **fast-evolving** new technologies, as well as new changes in the market. **No matter how successful our business models have been in the past**, we need to **turn over a new page and start afresh.**

- Eddie Wu, 2023



**Has the Yangtze crocodile now "evolved" into a shark?
How would Alibaba avoid the fate of Sarcosuchus* ?**

Notes: Jack Ma's quote has actually been mistranslated - Yangtze river "crocodiles" are actually alligators;

*Check out more on Sarcosuchus and crocodylian palaeontology on page 33

Source: Momentum Works Insights, Alibaba Q3 2023 earnings call

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Tech leaders with Chinese characteristics - a report by Momentum Academy and POP-Leadership institute

4. Victim of its own success (2/2)



Case in point: complexities of Taobao's user buying journey vs. Pinduoduo's simplicity

淘宝 Taobao

会选食品店 康师傅康师傅方便面经典浙江袋装 v12s
口味:[80%人选择] 红烧牛肉面;
破损包退 | 急速退款 | 7天无理由退货

配送服务 快速 免邮
现货, 现在付款, 48小时内发货

订单备注 无备注

价格明细

Item price	¥12.80
Taobao coins	减 ¥0.38
First order discount	减 ¥2.00
Final price (in RMB)	¥10.42
Final price (in SGD)	SGD 1.96

共1件 合计:SGD1.96 约¥10.42 去支付

Voucher stacking

资产详情

资产优惠包括淘金币、猫超卡、购物金、天猫积分等

Taobao coins 减 ¥0.38

Don't use Taobao coins

优惠详情

First order discount 减 ¥2.00

Don't use discount



拼多多 Pinduoduo

康师傅方便五连包经典量贩袋装红烧卤香辣牛肉面拉煮泡... 坏了包赔

口味: 经典红烧牛肉面 组合: 3袋【尝鲜】

¥11.9

购买数量 1

Total discount provided -1元

微信支付

先用后付 (0元下单, 确认收货后付款)

多多支付 (可绑定 VISA 等银行卡)

支付宝

找微信好友支付

更多支付方式

Final price: ¥10.9 免运费 立即支付

Add to cart

Buy now

Consumers need to choose different combinations of vouchers to stack discounts

Buy now

Initiate group buy now

No shopping cart; direct price (no stacking) = easier & faster checkout

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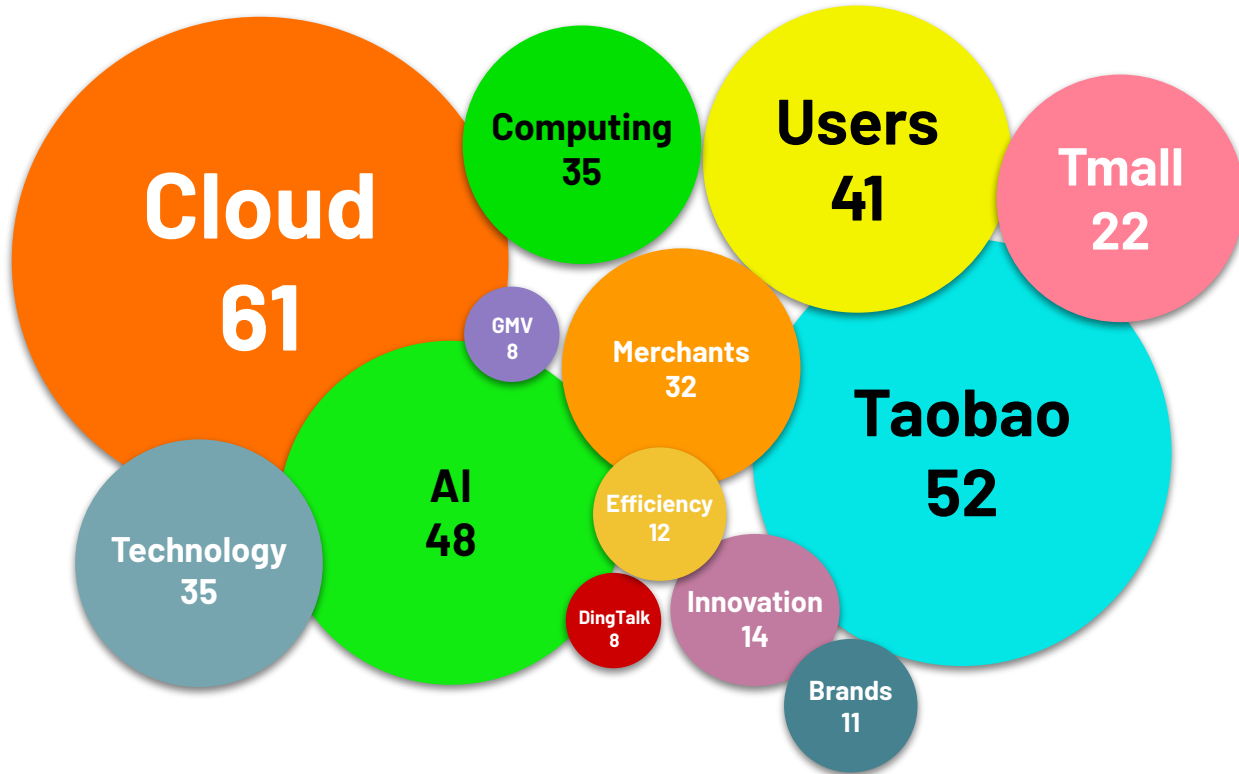
3. What is Alibaba doing?



An idea of Alibaba's future direction



Frequency of mentions of key words during Sept 2023 quarter earnings call



We have summarised 6 key areas of Alibaba's transformation



- 1 Returning to **Taobao**, returning to **users** and returning to the internet
- 2 Changes in **leadership and organisational structure**
- 3 Identifying & invigorating **existing businesses for future growth**
- 4 Changing **the top KPI**
- 5 Seizing the **transformative opportunities of AI**
- 6 **Remaining agile** during the transformation process

1. Returning to Taobao, returning to users and returning to the Internet



Early days: Alibaba's roots – Supporting SMEs



Alibaba's founding mission: **To make it easy to do business anywhere**

Alibaba was **created to assist SMEs** – founders believed that the Internet could create a fair environment to empower SMEs to expand and thrive in both domestic and global markets

Daniel Zhang's era: Pivot towards premiumisation



Business focus shifted from Taobao (SMEs) to Tmall (big brands) due to revenue potential from brands

Increasingly challenging for SMEs to do business with Alibaba, effectively **going against their initial mission** and giving opportunities to competitors

Return of co-founders: Bring back Alibaba's original mission



Realised the importance of (returning to) Taobao, users and SMEs:

1. Each purchase by **users** is a **vote of confidence** for the platform;
2. SMEs are the **backbone** of Alibaba's initial success, and still **add diversity to the marketplace** with broad range of product offerings

2. Changes in leadership and organisational structure



1 Bring back co-founders to board / executive management



Joe Tsai



Eddie Wu



Lucy Peng

2 Remove mid to senior ranks (P9 - P14)

Most junior rank ← → Most senior rank



Employees with these ranks are relegated to P8 (with a few exceptions of those in core management)

3 Promote promising young leaders



Wu Jia



Chen Weiye



Liu Yiman



Liu Bo



Wang
Tingxiang



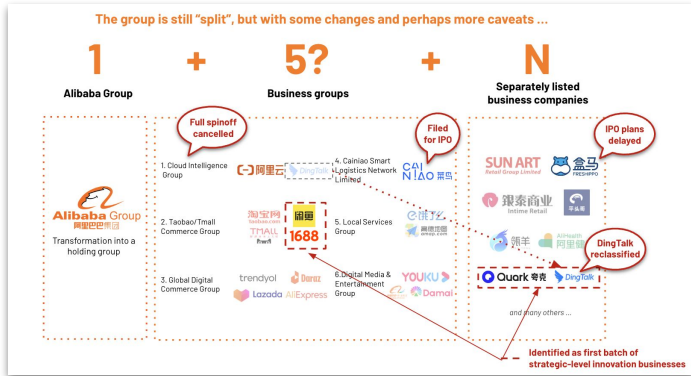
Cheng
Daofang

All 6 promoted to key management positions in Dec 2023 were born after 1980 - they were reissued with stock options for motivation. Eddie Wu vowed to make those born after 1985 and 1990 the majority of the core management within 4 years.

The co-founders, who had gone through the most difficult periods of Alibaba's history, will have a profound understanding of how to **rally people, distribute rewards, keep employees loyal and motivated** in the new regime.

The challenge will be **whether the leaders have the mental space and judgement** to continuously push through tough decisions in this new battlefield.

3. Identifying & invigorating existing businesses for future growth



The Group intends to invest in strategic-level innovative businesses for the future. Here is the 1st batch:



Xianyu: Secondhand marketplace popular among young Chinese users; potential to become a lifestyle platform



1688: Probably the largest B2B marketplace in the world, where 10s of millions of factories/suppliers interact with business (or sometimes individual) clients



"These strategic-level innovation businesses will ... operate as **independent subsidiaries** and will **not be constrained to their previous positioning** within the group, enabling them to **face the larger market with their own strategies.**"

- Eddie Wu



Quark 夸克 **Quark:** Extremely simple mobile-first browser and file storage platform that is popular with young Chinese users



DingTalk: All-in-one productivity tool for enterprise communication and collaboration. Competitor of ByteDance's Feishu/Lark & Tencent's WeChat Work.

4. Changing the top KPI



GMV

(Pre-2023)



Purchase frequency

(now)



From the operational perspective, we will adopt **user purchase frequency** as the **highest-priority KPI** for platform operations, **above GMV**, as purchase frequency is the **most direct measure of users' recognition** of an internet consumption platform.

- **Eddie Wu**, CEO, Alibaba Group


5. Seizing the transformative opportunities of AI – AI is more than just a buzzword



Common tasks handled by ecommerce operators (from platform, sellers or enablers) include: select goods to sell, set price (and discounts), discuss with platforms about campaign schedule, re-discuss with platforms after the platforms suddenly change their campaign schedule, plan sales campaigns, design product and campaign posters, write product descriptions, rewrite product descriptions (3rd time lucky ..), film product videos, record voice over for product video, realise the mic did not work... re-record voice over for product video, edit product video, add subtitles to product video, upload product details to product page, upload campaign posters before the campaign starts, remove campaign posters after the campaign ends, host live product demos, chat with customers, check delivery status with logistics providers, check delivery status with logistics providers again after 6 hours, check delivery status with logistics provider again after 12 hours, analyse campaign data to figure out what went wrong, translate information into other languages for cross-border sales, and many more ...

Imagine when
all these are
handled by AI ...

“The era of AI e-commerce has just begun, it’s an opportunity and a challenge for everyone”
- Jack Ma, 2023



6. Remaining agile during the transformation process



POP-Leadership is a strategy framework created by Guoli Chen, professor of strategy at INSEAD, and Jianggan Li, CEO of Momentum Works

It is natural for a large growing organisation to increase rules and structures, and make these rules more and more explicit. The objective was to make decision making faster and more efficient. However, it often also makes the organisation more rigid, bureaucratic and less adaptable to change.

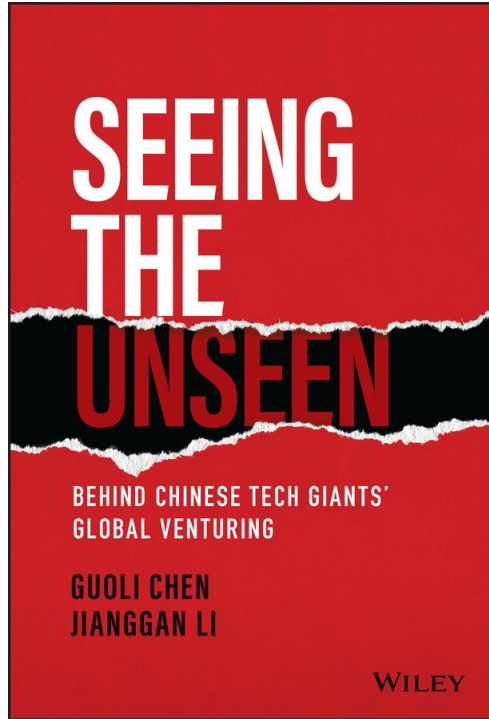
In the fast-changing tech world, such rigidity could become fatal.

Therefore, **how to keep their organisations agile and adaptable** is always at the top of the agenda of Chinese tech leaders.

This has been **made even more urgent** with the rise of competitors and changes in the external environment.

Our book **"Seeing the unseen - behind Chinese tech giants' global venturing"** analyses experiences, challenges and lessons learnt by Chinese tech companies.





The book vividly illustrates the **distinct strategies, practices and leadership** styles behind their global success. It is thought-provoking and is filled with **insightful lessons and interesting examples**. The book is **a must-read**.



- **W. Chan Kim**,
The BCG Chair Professor,
INSEAD; co-director, INSEAD
Blue Ocean Strategy Institute;
world's #1 management
thinker, Thinkers 50



This book **connects the unique experiences of Chinese entrepreneurs** from different generations and brings to life real insights and **practical lessons for explorers, investors and other stakeholders**.



- **Eddie Wu**,
Chairman,
Vision Plus Capital;
co-founder,
Alibaba Group

Available on



and major bookstores in your country

Case in point: Lazada layoffs in January 2024



Lazada, the Southeast Asia-focused ecommerce platform under Alibaba International Digital Commerce Group (AIDC), conducted swift and far-reaching layoffs during the first week of 2024.

Behind these layoffs, we could see a few strategic agendas: **centralising key operational functions and resource allocation, improving the organisational efficiency, and making the group easier to steer.**

There are still many questions that Lazada needs to answer to itself:

- **What would be Lazada's best strategy** in this new environment?
- Will **Lazada's attention on "Choice"** jeopardise its existing relationships with brands?
- **How does Lazada's strategy fit into that of AIDC** or Alibaba Group as a whole?

The market will probably continue to change and the entire ecommerce ecosystem is watching this space.

Find out more about our thoughts on what's behind Lazada's layoffs at [The Low Down by Momentum Works](#) and [The Impulso Podcast \(ep 49 & ep 51\)](#)

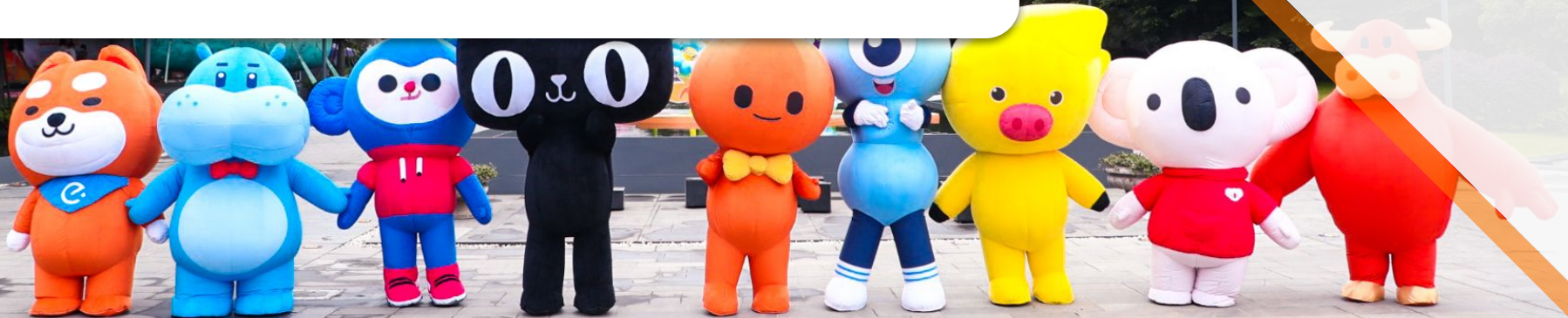
Source: Momentum Works Insights

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With big layoffs, Lazada is digging in
- a TLD article by Momentum Works

4. Conclusion and perspectives



Conclusion and perspectives



Most of the time, change is tough and difficult to execute. In the shoes of Alibaba, a large and highly complex organisation, this transformation would be **a hugely challenging but necessary step** to regain its vigour (and market share) amid a new environment.

Alibaba is not completely helpless this time around. The company has gone through a lot since 1999, including **multiple near-death experiences during its early years** (e.g. dotcom bubble crash, competition from eBay during founding years, SARS pandemic, fraud scandal, spin off Alipay, delisting from Hong Kong Exchange etc.). The co-founders have been through all these.

With **annual free cash flow of US\$27B** and the **return of the co-founders (and Jack Ma)**, the organisation now have resources, resilience and experience to navigate through yet another difficult period, especially when the returning co-founders are fully committed to protecting the legacy they had built.

The company has put in place multiple solutions **to arrest market dynamics shifts** while simultaneously trying to re-strategise and restructure. And sometimes this involves **going head-to-head against competitors** Pinduoduo and Douyin. However, these are only **short-term tactical measures** because ultimately, Alibaba cannot beat Pinduoduo by targeting Pinduoduo's strength.

Whether or not Alibaba will succeed in this major transformation would really depend on its ability to **leverage existing capabilities and deploy the resources in the right way**. **AI might present a huge new playing field** for the company and it is up to Alibaba to seize this opportunity effectively. The **organisational changes**, especially the **promotion of young, motivated leaders**, and **removing comfortable mid to senior people blocking their way**, are **bold and necessary**, if not risky.

Ultimately, for any organisation, **change is the only constant**. Alibaba has pulled through multiple rounds of changes and challenges before, and they will definitely try to do it again.

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TheLowDown blog

Candid, unfiltered perspectives from our team and our community



Fintech

Seeing the upside being in China's fintech growth from the CCTV New Year Gala?

- Did you see the CCTV New Year Gala on 2 Jan?
- Does Shopee's investment in fintech and banking make sense? (Part 2 of 2)
- When does Weibo's 210th anniversary have to do with Tencent's 210th anniversary?
- Did you see the news regarding the merger - will this make it real?

Southeast Asia

Our thoughts on Grab's 2023 Q1 results

- Our thoughts on the company 2023 Q1 results
- Do Shopee, Lazada, and Tokopedia have investment 2023? (Part 1 of 2)
- Do Shopee, Lazada, and Tokopedia have investment 2023? (Part 2 of 2)
- Do Shopee, Lazada, and Tokopedia have investment 2023? (Part 3 of 2) - forgotten topic
- Do Shopee, Lazada, and Tokopedia have investment 2023? (Part 4 of 2) - when the party...

China

Richardson and Temu founder: my life lessons and reflections (Part 2 of 2)

- Richardson and Temu founder: my life lessons and reflections (Part 1 of 2)
- Quality Control: China CEO's early career label
- China: living the dream
- Do thoughts on Daily 1st annual report after reading
- Do Chinese tech companies still practice "HR" marketing?

Ecommerce

Temu now tops B2B's across Europe, North America and J&C

- What exactly is B2B, Shopee, Lazada of being to say for Temu?
- Can Temu challenge Amazon or become the next Amazon?
- Shaping the future: What did Jack Ma say in his first TV interview?
- Shaping the future: What did Jack Ma say in his first TV interview?

Logistics

After acquiring GoDaddy, will GoPro make it?

- Does Shopee's investment in fintech and banking make sense? (Part 2 of 2)
- What does the future hold for cross-border investment? Off the board with Momentum Works
- Momentum Works - QCC discussion: Development of digital currencies in Southeast Asia (Part 1)
- Momentum Works - QCC discussion: Development

India

Shouldn't QCC be the Done?

- Consensus in the Chinese Research Team
- Shopee finally made the right decision to pull out of India
- Temu's growing Sea Group shares should be seen as a good sign
- Is Shopee similar to Temu?

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The Impulso Podcast

Weekly commentary on latest events, and in-depth commentaries on trending topics



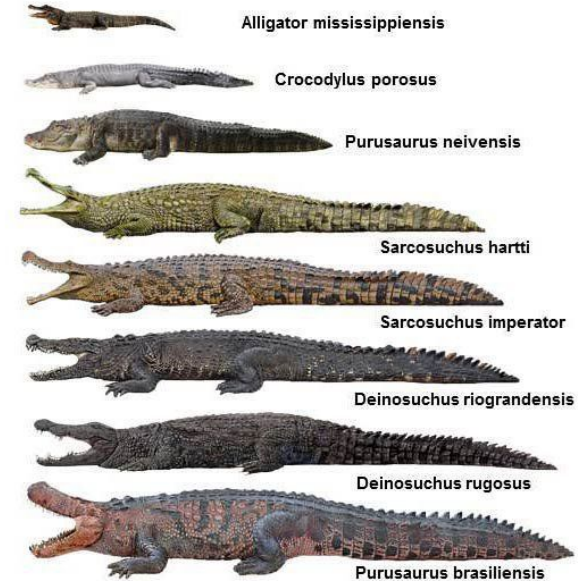
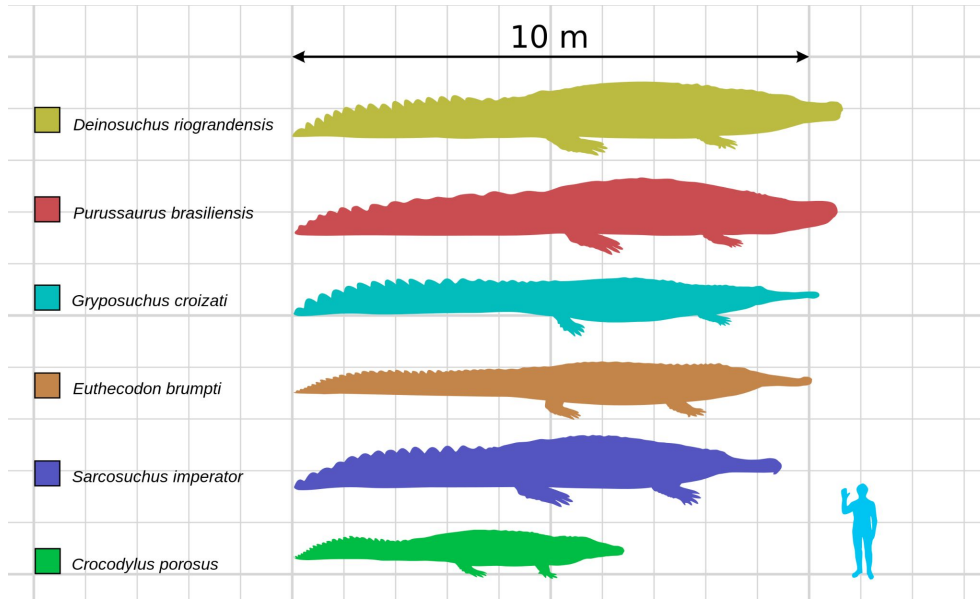
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MOMENTUM WORKS

A brief history of Sarcosuchus and the evolution of crocodilians



Crocodiles were around before their close relatives, the dinosaurs. Like many other reptiles (and mammals), many ancient crocodile species were much larger than our contemporaries. Sarcosuchus, for example, could be as long as 9.5 meters and weigh more than 4 tonnes. Like many other giant reptiles (and giant mammals), sarcosuchus went extinct, probably because they failed to adapt to environment changes.



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