Analysis of the Internationalization Strategy of Cross-Border E-Commerce Enterprises: The Case of Alibaba Group

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Abstract

In recent years, the development of China’s e-commerce industry has been in full swing and has had an important impact on economic development. Taking Alibaba Group as an example, this paper firstly introduces the overview and development history of Alibaba Group, which is a leading e-commerce company; secondly, it analyzes Alibaba’s internationalization strategy from three aspects: international market selection strategy, international market entry strategy and international marketing strategy; it concludes that Alibaba adopts a diversification strategy in internationalization, and the location selection and entry mode of internationalization can be summarized as “dual-track”. It is concluded that Alibaba adopts a diversification strategy and its internationalization strategy can be summarized as a “dual-track system”; it expands abroad with e-commerce as its core in overseas acquisitions; and its organizational structure, human resources and business structure are adjusted in line with its internationalization development. Lastly, we propose some rationalization suggestions for China’s e-commerce enterprises in light of Alibaba Group’s successful experience in international development: strengthening brand building, optimizing organizational structure, strengthening talent introduction and retention, and enhancing core competitiveness, so as to promote China’s e-commerce enterprises’ international development strategies and march into the international market.

Keywords

Alibaba Group, Internationalization Strategy, Diversification Strategy

1. Introduction

In recent years, China’s e-commerce market has been developing rapidly, and
cross-border e-commerce has also shown rapid development. Customs statistics show that the scale of cross-border e-commerce transactions in China reached 1.98 trillion in 2021, an increase of 15% over the previous year. Alibaba Group, as the leader of cross-border e-commerce industry, was established in 1999 and entered the international market as the wave of globalization swept through. In September 2014, Alibaba Group was officially listed on the New York Stock Exchange in the U.S., successfully opening the road to international business. In 2016, Alibaba became the world’s largest retail trading platform, providing over 200 countries and regions from more than in 2021, the Alibaba ecosystem will reach approximately 1.280 billion active consumers worldwide, of which 301 million will be from overseas.

For internationalization strategy, previous scholars have already had sufficient research. Yu Y.F. (2012) cited the case of Alibaba’s merger and acquisition enterprise UC to analyze and summarize the path and rhythm of internationalization of Chinese Internet enterprises, while pointing out the new response to the internationalization of Chinese enterprises in the mobile Internet era. Ma M. and Wang Q. (2014) analyze the current situation and development trend analysis of mobile Internet in China, and provide better reference for Chinese companies to develop internationalization with the help of mobile Internet through the analysis of development trend. Micheli J. and Carrillo J. (2016) take Huawei as an example of winning customers’ trust through innovation, cost reduction, faster delivery and a close commitment to customers, which in turn accelerates the internationalization process.

Based on previous studies, this paper chooses to take Alibaba Group as an example to analyze its internationalization strategy in a specific and complete way from a temporal perspective. The article is organized as follows: first, read and analyze Alibaba Group’s official website and annual reports to provide an overall overview of the current state of Alibaba Group’s operations, its development history, and its current state of development, and secondly, it analyzes its internationalization strategy in terms of three major strategies: location selection, entry and marketing in international markets, and draws conclusions and makes recommendations.

2. Overview of Alibaba Group
2.1. Alibaba Group’s Business Status
Alibaba Group has had an outstanding growth period. In 2015, Alibaba won the highest award of the World Retail Congress, “Retailer of the Year”, and in 2017, it entered the world’s top 500 rankings, ranking 462nd, and in 2021, Alibaba Group ranked 63rd with US$105.866 billion in revenue (Figure 1), up nearly in 2021, Alibaba Group ranked 63rd with US$105.866 billion in revenue (Figure 1), up nearly 400 spots in five years, showing how rapidly its strength is growing. The fever of the Double Eleven shopping festival swept the country, with merchandise turnover (GMV) reaching RMB 540.3 billion in 2021, according to Alibaba’s official website, fully driving the growth of the Internet.
Alibaba Group’s businesses mainly include China Business, International Business, Local Living Services, Cainiao, Cloud Business, Digital Media & Entertainment, Innovation, and other businesses. According to the content, it can be divided into three parts: First, e-commerce, which contains production organization, production, finance, logistics, information flow services and online sales. Second is e-commerce services, which covers information platform, third-party payment, third-party credit evaluation, partner e-commerce guidance and networked distributed logistics services. The third is cross-border e-commerce, i.e. cross-border commerce activities.

In terms of international revenue, i.e., cross-border e-commerce, Alibaba’s revenue in cross-border and global retail and wholesale commerce is gradually increasing, which shows the huge potential of cross-border e-commerce market development. Thanks to revenue from lazada, speedy sale and cloud computing in overseas markets, Ali’s cross-border and global retail commerce revenue in 2021 is US$5.259 billion, up 42% year-on-year, and cross-border and global wholesale commerce revenue is US$2.197 billion, up 50% year-on-year. Ali’s cross-border e-commerce continues to maintain positive growth under the epidemic.

2.2. History of Alibaba Group

Since Alibaba Group was founded in 1999, its development can be roughly divided into three phases.

Phase 1: 1999-2002 was the growth phase of Alibaba Group, in which its initial positioning was to design networks and provide trade services for SMEs. At this stage, Alibaba was only a platform for providing information, focusing on business-to-business services, i.e. B2B platform, where one company posted “demand information or available services” on Ali’s network, and another company also obtained information on Ali’s network, and both companies completed
transactions. At that time, Alibaba Network Ltd. had three online marketplaces: International, Japan and China. Millions of buyers and suppliers around the world traded online on these three marketplaces. In 2001, Alibaba registered more than one million users.

Phase 2: 2003-2010 (Figure 2) was the full-scale development phase of Alibaba Group, with the launch of software and platforms such as Taobao, Alipay, and Selling.com, and the wholly-owned acquisitions of Yahoo China, Koubei, China Wanwang, Vendio USA, and Shrimp. 2003 saw an upward trend in profits driven by Alibaba’s B2B profitability model, while at the same time the Internet was booming in China and Domestic e-commerce was gradually taking off. Alibaba Group needed to find new growth points. Alibaba’s Taobao was born when Jack Ma visited Yahoo Japan and found that it was beating eBay Japan in the Japanese C2C market with its localization strategy. Essentially, Taobao is an integrated B2C and C2C online trading platform. Alibaba Group puts the focus on each consumer. Their demand drives the production of the company, while allowing the company’s products to be consumed by each individual through Taobao. Fully satisfying the needs of both supply and demand. Taobao then evolved from a B2C model to a C2C model. Alibaba found that it is not only the production of enterprises that can meet the needs of consumers, but also the production or services of an individual, so it launched the “Ali Store”.

Phase 3: 2010 to present (Figure 3) is the internationalization phase of Alibaba Group. Alibaba launched Global Selling Platform in 2010, starting the road to internationalization. During this phase, Ali split and integrated its existing businesses, adjusted and optimized its corporate structure, carried out industrial integration up and down the value chain, and continuously expanded overseas to

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**Figure 2.** Development history of Alibaba group from 2003-2009 (Data source: Compiled by Alibaba group official website).

**Figure 3.** Development history of Alibaba group from 2010-2021 (Data source: Compiled by Alibaba group official website).
form the Alibaba Group ecosystem. In 2014, Alibaba listed on the New York Stock Exchange, and its internationalization process accelerated. In 2017, Alibaba established Tmall Taobao Overseas to enter the overseas markets. At this stage, Alibaba’s international diversification strategy system was basically formed.

2.3. Alibaba International Development Status

In 2010, after Alibaba entered the international development stage, it started a series of overseas investment and M & A. According to the company’s official website and public information, a total of 85 investment, M & A and strategic cooperation events have been collated from 2010 to the present (Figure 4). According to the distribution of Alibaba’s overseas M & A and investment time, it can be seen that the process of Alibaba's internationalization was relatively slow at the early stage of conducting internationalization. The listing of Alibaba on the New York Stock Exchange in September 2014 can be regarded as an important node of Alibaba’s internationalization, which has a great degree of promotion for Alibaba’s internationalization. From 2015 to 2018, the number of Alibaba’s foreign investment projects showed an inverted “V” shape, with the number of investment projects and announced amount reaching a peak in 2015, with as many as 19 investment and M & A events, both dropping in 2016 and 2017, and active again in 2018, and most investment projects announced amounting to more than USD 100 million. Overall, Alibaba’s investment scale has shown a fluctuating growth. Alibaba’s international layout has now spread across five continents: North America, South America, Asia, Europe, and Oceania (Figure 5), which shows its extensive nationalization layout.

After 2010, in order to adapt to the international development, the company made strategic adjustments and re-planning on major matters such as organizational structure and business structure, constantly adjusting the direction and adapting to the situation. In 2012, Alibaba adjusted its organizational structure

![Figure 4](http://example.com/figure4.png)

**Figure 4.** Timing distribution of Alibaba group’s overseas investments and M & A (Number) (Data source: Alibaba group official website, annual reports, and public press materials).
Figure 5. Alibaba Internationalization target market selection, 2010-2021 (Data source: Alibaba group official website, annual reports, and public press materials).

according to the current internationalization process, from the original subsidiary system to the business group system, divided into 7 business groups, and split the original B2B business division into foreign and domestic divisions, laying the foundation for the overseas investment and mergers and acquisitions starting in 2013. 2015, as an important point, Alibaba again made a major adjustment of its organizational structure. In 2015, Alibaba made another major organizational restructuring and creatively set up a middle desk business group, transforming the organizational structure from a tree to a more flexible “big middle desk, small front desk” network structure, which is more conducive to Alibaba’s flexible management of domestic and international affairs.

3. Analysis of Alibaba Group’s Internationalization Strategy

Alibaba Group adopts a diversification strategy in its internationalization, including its business diversification, product diversification, market diversification, and investment region diversification. This chapter analyzes Alibaba Group’s diversification strategy in terms of its international market selection strategy, international market entry strategy, and international marketing strategy.
3.1. International Market Selection Strategy

According to Kiyoshi Kojima’s marginal expansion theory, when choosing target markets for international expansion, enterprises advocate investing in developing countries and starting from technologies with small gaps and easy to transfer; moreover, the geographical distance between the host country and the home country has an important influence on the choice of target markets and entry methods. In combination with the internationalization practice of Chinese enterprises, they often adopt the strategy of “encircling cities in rural areas”, i.e., at the initial stage of internationalization, they are attracted by the low-cost advantage, and their main location choices will be in emerging economies such as Asia, Africa and Latin America; later, they will enter mature markets such as Europe, America and Japan after they have technological advantages and established their brands. It can be seen that Alibaba Group has chosen a multi-country strategy as the basis, and gradually shifted to a global strategy for international market expansion.

According to this paper, Alibaba has made as many as 85 overseas M & A, investment and strategic cooperation events after 2010, with target markets in 26 countries and regions (Figure 5), of which the largest is the U.S. market accounting for nearly 1/3, which shows that Alibaba’s strategic focus is still in the U.S. and its ambition for the U.S. market. India and Israel also account for about 10% of Alibaba’s international target markets. The reason for choosing these two countries is that the Internet and technology in India and Israel have developed rapidly in recent years, and the Internet and technology aspects are also the focus of Alibaba’s investment. Southeast Asia is another investment focus of Alibaba in recent years, in view of the geopolitical factors have certain advantages compared with the United States, and in 2015 or so belong to the emerging market, at this time to enter can get the first mover advantage, in mutual benefit to the development of enterprises. In addition, the EU countries are also involved, but the number of obvious sharp decline, the market entry difficulties still remain for the degree of distrust of the brand and the protection of green barriers, etc., but in the last two years in the EU countries have also significantly increased investment, Alibaba is also gradually able to be among the mature market. Japan and South Korea, as our neighbors, have the advantage of cultural exchange facilitated by Alibaba’s geographical proximity.

Alibaba’s international location choice can be summarized as a “dual-track system”, i.e., two tracks, namely emerging markets and mature markets, in parallel. Firstly, it takes advantage of geography and culture to enter the emerging markets and more open markets. Southeast Asia, with its large population, certain foundation, and insufficient business development, is a good opportunity. Secondly, it keeps expanding its penetration into mature markets, gradually going deeper and deeper, with an all-round layout, with a certain focus on the selection of international markets and concentrating on opening a certain market, because the entry and expansion of mature markets requires more effort.


3.2. International Market Entry Strategy

Alibaba Group, as an Internet e-commerce company, differs from traditional business models in that it rarely establishes subsidiaries in overseas markets when e-commerce companies engage in internationalization. When Alibaba Group undertakes international market expansion, its nationalization path is mainly in the following three ways.

1) Holding M & A

Holding M & A is a common way for companies to expand in international markets. On the one hand, Alibaba’s net profit and free cash are rising year by year, and its financial strength is sufficient to support high strategic M & A; on the other hand, M & A is much less risky than new construction for an Internet company like Alibaba when making foreign direct investments. In addition, countries in Southeast Asia and South Asia are the fastest growing economies in the world, and given the good development of Alibaba’s portfolio companies in these regions, Alibaba has increased its stakes in these companies several times.

According to statistics, Alibaba’s cross-border M & A business has only 7 cases as of December 2021 (Figure 6), which shows that Alibaba’s initial M & A was mainly to prepare for entering the U.S., Singapore and India markets, and Alibaba’s holding M & A was conducted with e-commerce as the core throughout. By acquiring Vendio, Alibaba has directly attracted more than 80,000 quality buyers and potential buyers in the U.S., which in turn has brought billions of dollars of procurement opportunities to small businesses in China, in a “global reverse buyer acquisition” model. In addition, with the docking of the Vendio platform, Alibaba is able to provide one-stop e-commerce solutions for domestic and international users through this platform, which is in line with internationalization. After Alibaba Group listed on the New York Stock Exchange, it acquired Trendyol, a Turkish e-commerce platform, in 2018, and DataArtisans, a German data service provider, and WorldFirst, a British cross-border payment company, in 2019, respectively.

![Figure 6. Alibaba’s internationalization layout from 2010-2021 (Number) (Data source: Alibaba group official website, annual reports, and public press materials).](image-url)
Alibaba’s mergers and acquisitions are mainly to pave the way for Alibaba to enter a certain market or develop its speedy sale, which are generally technology and service companies. In April 2016, Alibaba acquired Lazada, the largest e-commerce platform in Southeast Asia, and Alibaba successfully entered the emerging Southeast Asian market through the Lazada merger, further consolidating Alibaba’s diversification strategy.

2) Equity investment

The model of equity investment is relatively equal, without spending a lot of money to grasp the dominant position, but with a smaller share, to enter the niche industry, both to assist SMEs to improve their own strengths, and to obtain the data or platform needed from it to improve the ecosystem of Alibaba Group. Alibaba’s investment in equity participation accounts for about 62% of its overseas expansion. Alibaba’s investment has mainly started from 2013, covering everything from retail e-commerce to luxury e-commerce, from payment to logistics, from social to venture capital, covering all aspects of the industry chain and life (Figure 7), which also plays a good complementary improvement as well as innovation to its main business.

The main area of equity investment is still in Ali’s core business—e-commerce. Investment objects are mainly divided into two categories: One is closely linked to the company’s business and strategy, investing in TangoMe in the U.S. in 2014 to enter the overseas mobile e-commerce field with the help of social software. In 2015, Alibaba and Ant Financial jointly invested $680 million in One 97, the parent company of Indian e-commerce company Paytm, with a 41% stake, becoming the largest shareholder. Alibaba will help Paytm source Chinese products through Chinese sellers’ resources, with Paytm and Alibaba providing bonding, warehousing and payment services. At the same time, Paytm also opened a cross-border purchase segment, allowing Indian users to directly buy

![Figure 7](image-url)
Chinese sellers’ goods. Ali’s B2B business with low prices and a wide range of products gives it an advantage in developing markets with relatively low incomes. 2017 saw an additional $1 billion investment in Singapore’s Lazada to increase investment in Southeast Asian e-commerce markets. The other category is to supplement the shortcomings of the business, and for the industry profit source. 2015 through investment in India Micromax, with the smart phone to develop the Indian e-commerce market; through investment in Israel ThetaRay, with the Israeli outstanding field of network security services in e-commerce platform; through investment in the U.S. game console developer Ouya, to complement the game field; through investment in the U.S. Lyft Ali’s business in the field of shared transportation has been expanded through investment in Lyft. Overall, entertainment and corporate services are relatively leading businesses; hardware, games and auto transportation are continuous investment and breakthrough businesses.

The regional span of investments ranges from the U.S. and Europe to Southeast Asia (Figure 8.) So far in 2013, Alibaba’s outbound investment regions are concentrated in Asia (58.62%) and North America (34.48%), followed by Europe (6.9%). The host countries are mainly the United States, India and Singapore, which together attracted nearly 70% of Alibaba’s investment projects. The main reason for investment in the US is that the US e-commerce market is full of potential and Alibaba needs to establish ties with local companies, especially with startups, to realize its internationalization strategy and solve the problem of its Tmall and Taobao not adapting to foreign markets. Influenced by India’s internal market size and IT technology outsourcing advantages, capital entry is dominated by e-commerce and payment methods. In 2014, Alibaba invested $500 million in Paytm, India’s largest e-commerce and mobile payment platform, and

![Figure 8. The main target countries of Alibaba’s cross-border activities from 2010-2021 (Number) (Data source: Alibaba group official website, annual reports, and public press materials).]
another $500 million in Snapdeal in 2015. In addition to its geopolitical advantages and low country risk, the investment in Singapore is also used as a base for radiating the Southeast Asian market.

3) Strategic Cooperation

Strategic cooperation also accounts for a relatively large proportion of Alibaba’s overseas expansion. Instead of emphasizing control, strategic partnerships are targeted and simple, and do not require large amounts of capital, with many parties “helping” each other to get what they need. Alibaba’s strategic cooperation has been prevalent since 2014 and 2015, i.e., after Ali’s listing on the New York Stock Exchange. The cooperation targets are mostly foreign government agencies, traditional retail industry and upstream and downstream enterprises in the industry chain, involving mostly European and American powerhouses (Figure 8), mainly targeting mature markets with “difficult access and high threshold”.

Cross-border logistics is a major direction of Alibaba’s strategic cooperation. Alibaba is building its own cross-border logistics service network, Cainiao Network. In order to improve the international standard and level of Cainiao, Alibaba has carried out a series of investment acts in logistics. In 2014, it reached cooperation with Singapore Post, and then actively cooperated with many national postal services in Europe, America, South America and Central Asia to open up information channels and realize one-stop direct connection services. In addition, strategic cooperation with traditional retail companies and department stores has allowed some brands to stay in Tmall International and Speedy Sales to complement Alibaba’s cross-border e-commerce business.

3.3. International Marketing Strategy

Alibaba’s international marketing is mainly in terms of product and market diversification and consists of two main areas.

One is Alibaba’s e-commerce. E-commerce companies generally have five core components, namely technology, platform, logistics, payment and security, thus constituting an ecological closed loop of e-commerce as can be seen from Figure 9.

Alibaba also attaches great importance to the construction of these five aspects when expanding overseas, using the advantageous links of each country to help its own international development. In addition, Alibaba has also invested in some new industries, intelligent software and other innovative fields to bring new weather and development to its own products; there are also investments for traditional industries and life service industries, which also fully complement the construction of its e-commerce platform and give consumers a full range of services.

Second, are Alibaba’s product channels. Channel is an important link between products and consumers, and the product channels of e-commerce companies are different from traditional companies. Alibaba set up Sizzle in 2010 to establish a new platform for global services from its core business, which applies to 17
languages and 224 countries and regions around the world. When Alibaba launched its website in each country, it was localized according to its products, and different countries and regions with different cultures and languages launched different websites and set up different language versions. At the same time, multiple entrances were established to attract traffic and promote the products with the help of search engines and advertisements. In addition, at the early stage of entering the market, Ali is more likely to adopt local companies’ server channels for optimization to achieve its own purpose.

4. Alibaba Internationalization Conclusion

Through the analysis of Alibaba Group’s internationalization strategy, its international development and strategy are summarized as the following four points.

First, Alibaba’s growing strength is an important cornerstone for internationalization layout. It has now entered the Fortune 500 ranking for five consecutive years, rising from 462nd place in 2017 to 63rd place in 2021, up nearly 400 places in five years; its business covers all aspects of the industrial chain and life, which shows the rapid growth of its strength and richness of its content.

Secondly, Alibaba adopts a diversification strategy when it conducts internationalization. The main ones are: business diversification with various product types including e-commerce, logistics and cloud business, market diversification involving 13 target industries, and regional diversification with investments in 26 countries and regions. The advantage of adopting this strategy is that it has a large number of customer resources, leading e-commerce service technology, and has formed a more complete network service platform.

Third, Alibaba’s choice of location and entry method in internationalization can be summarized as a “dual-track system”: Alibaba enters mature markets...
mostly by penetration, while emerging markets are entered in a more aggressive, cutting-edge way. These more flexible approaches are more suited to the volatility of the e-commerce environment and avoid the drawbacks of traditional M & A approaches.

Fourth, Alibaba takes e-commerce as the core of its overseas acquisitions to expand externally: acquiring companies to pave the way for Selling Point in the early stage, directly acquiring overseas e-commerce platforms in the middle stage, fully developing the acquired overseas e-commerce platforms in the later stage, and acquiring companies that complement Alibaba’s overseas e-commerce system.

Fifth, the adjustment of organizational structure, human resources and business structure is also in line with the international development of the enterprise. When Alibaba underwent international expansion, it made appropriate adjustments according to different strategies and different needs of the company, which led to its current international influence.

5. Suggestions for Internationalization of E-Commerce Enterprises

Through the analysis of Alibaba Group’s internationalization strategy, combined with the successful experience of Alibaba Group’s international development, China’s e-commerce enterprises should combine their own reality to adopt development strategies suitable for themselves and actively march to the international market.

First of all, we should strengthen the brand construction. Brand is the main factor for consumers to measure the product, and is also the main driving force for consumers to consume. For small and medium-sized enterprises, their influence in the international market is relatively small, if only by virtue of their own strength is difficult to obtain a place in the market. Therefore, you can start from brand building, the implementation of enterprise alliance means, relying on domestic brands, market expansion, to enhance their own influence.

Second, to optimize the organizational structure. In the progress and development of enterprises, the role played by their organizational structure is irreplaceable. In today’s fast-changing market environment, if the organizational structure of the enterprise remains unchanged, it will restrict the development of the enterprise and hinder its internationalization process. Therefore, it is necessary to adjust and optimize the organizational structure in a scientific and reasonable way to promote the development of the enterprise, taking into account the market development trend. The practice of Alibaba in this regard is worth learning, and it has improved and innovated the previous vertical organizational structure in its business expansion, which has led to its transformation into a divisional structure and its own good development.

Again, strengthen the introduction and retention of talents. All competition ultimately belongs to the talent competition. The international development of e-commerce enterprises cannot be achieved without the support of strong tal-
ents. Therefore, we should make every effort to do a good job of introducing and retaining talents. For young talents, relevant preferential policies, such as housing policies, can be implemented appropriately to retain and attract talents. For experienced employees, we should make the best use of them, so that they can realize their own value and make their contribution to the company at the same time. In addition, we should also start from equity incentive and career planning to optimize the talent structure in general. In terms of internal talent selection, we should learn from Alibaba’s talent selection mechanism and consider talents from multiple perspectives to promote reasonable allocation of human resources and maximize the role of talents. At the same time, we should also actively carry out talent training, so that employees can learn and master new technologies and new ideas to keep up with the times, so as not to be eliminated by the times.

Finally, enhance the core competitiveness construction. The continuous enhancement of core competitiveness is an important factor in the sustainable development of enterprises. In the process of international development of e-commerce enterprises, should focus on enhancing the core competitiveness construction. In order to achieve this goal, not only should we firmly grasp the new opportunities brought by the new era, but also need to explore and use our own advantages. In short, a scientific choice of development strategy should be made in order to improve their competitiveness, stand out in the fierce market environment and be invincible.

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**Conflicts of Interest**

The authors declare no conflicts of interest regarding the publication of this paper.

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