Alibaba as the Amazon of China

Posted on September 21, 2018

Introduction

Alibaba has often been called the “Amazon of China,” but the comparison is useful only as a starting point. Both companies use digital technology to connect consumers, merchants, logistics, payments, advertising, cloud services, and other business activities. Their models developed differently. Amazon built a large first-party retail and fulfillment operation alongside its marketplace, while Alibaba historically emphasized platforms that enable third-party merchants to transact. The original case correctly identifies Jack Ma’s vision, marketplace scale, and the absence of a traditional distribution-center model in Alibaba’s early development. It relies on outdated revenue targets, treats gross merchandise value as company sales, and presents Alibaba as one unified retail website. By fiscal year 2026, Alibaba describes itself as a global technology company focused on consumption and “AI + Cloud.” A modern analysis should examine the platform model, Taobao and Tmall, cloud computing, Cainiao logistics, international commerce, network effects, data, governance, regulation, and the risks of comparing transaction volume with revenue. (Alibaba Group, 2026a; Laudon & Traver, 2023)

Origins

Alibaba was founded in Hangzhou in 1999 by Jack Ma and a group of colleagues. Its early business, Alibaba.com, connected Chinese suppliers with business buyers. The company later built consumer-facing and merchant-facing platforms for domestic commerce, payments, logistics, and cloud services. Alibaba grew during China’s rapid internet adoption, urbanization, manufacturing expansion, and development of digital payments. Its success was not simply the result of copying a foreign company. It addressed local problems involving trust, fragmented retail, merchant access, payment, and delivery. (Alibaba Group, 2025; Alibaba Group, 2026b)

Why “Amazon of China” Is Incomplete

The nickname helps an international reader understand Alibaba’s scale and importance in e-commerce. It can also conceal strategic differences. Amazon frequently sells goods as a retailer and owns substantial fulfillment infrastructure. Alibaba’s core domestic marketplaces have generally enabled merchants to list and sell while the platform earns from advertising, services, commissions, and technology. Alibaba does not record the full value of every item transacted as revenue. Gross merchandise value measures value moving through a platform, while revenue reflects the company’s recognized income under accounting rules. Confusing the two exaggerates direct sales. (Eisenmann et al., 2006)

Taobao

Taobao developed as a broad consumer marketplace with large numbers of smaller merchants and individual sellers. The platform's value comes from product variety, traffic, merchant tools, search, recommendations, and trust mechanisms. Many sellers can enter without building a standalone digital store or marketing system. Taobao benefits from network effects: more merchants attract more consumers, and more consumers attract more merchants. The same scale creates governance challenges involving counterfeit goods, misleading listings, quality variation, and intense competition for visibility.

Tmall

Tmall provides a more brand-oriented environment in which established companies and authorized merchants can operate official stores. It allows brands to reach Chinese consumers while using Alibaba's marketing, data, and commerce tools. Tmall differs from a conventional department store because the brand may control inventory and fulfillment while paying for platform services and exposure. The platform must balance merchant interests, consumer trust, and its own advertising incentives. If paid visibility overwhelms relevance or product quality, short-term monetization can weaken the marketplace.

Customer Management Revenue

Alibaba's domestic commerce economics have depended heavily on services that help merchants obtain traffic and convert customers. Merchants may pay for advertising, recommendation placement, store tools, data insights, or commissions. This model aligns Alibaba with transaction growth without requiring ownership of every product. It also creates dependence on merchant return on investment. If advertising becomes too expensive or consumer growth slows, merchants may reduce spending or move to competing channels. Alibaba must demonstrate that its tools create incremental value rather than merely charge sellers for access to customers already on the platform.

Trust and Payment

Early Chinese e-commerce faced distrust between buyers and distant sellers. Escrow-based payment helped reduce this barrier by holding funds until buyers confirmed receipt. Alipay developed within Alibaba's ecosystem and later became part of Ant Group, a legally and organizationally distinct company with continuing strategic connections. Payment data and convenience supported commerce, but finance also introduced regulatory, consumer-protection, credit, and privacy concerns. The history shows that a marketplace grows not only through listings but by solving the institutional problems that prevent strangers from transacting.

Cainiao and Logistics

The original case states that Alibaba had no distribution centers, implying that logistics was absent. Alibaba instead developed a network approach through Cainiao, integrating data, warehouses, carriers, merchants, and delivery partners. Cainiao has also owned or operated selected logistics assets. The objective is visibility and coordination across packages rather than copying every part of Amazon's vertically integrated fulfillment system. Network logistics can scale through partners, but service quality depends on many organizations. Alibaba must manage delivery speed, rural coverage, worker conditions, cross-border customs, emissions, and package security.

Cloud Computing

Alibaba Cloud provides computing, storage, databases, networking, security, analytics, and artificial-intelligence services. Cloud infrastructure supports Alibaba's own high-volume events and serves external customers. It diversifies the company beyond commerce and creates recurring enterprise relationships. The business faces competition, geopolitical restrictions, cybersecurity obligations, and customer concerns about data location. Cloud success depends on reliability, developer ecosystems, cost, compliance, and trusted AI services rather than consumer traffic alone.

AI + Cloud Strategy

Alibaba's fiscal 2025 and 2026 communications emphasize e-commerce and AI + Cloud as core growth engines. The Qwen family of language and multimodal models supports enterprise and consumer applications. Artificial intelligence can improve product search, advertising, customer service, merchant content, supply planning, and cloud demand. It also creates risks involving inaccurate output, intellectual property, bias, privacy, energy use, and concentrated computing investment. Alibaba should measure AI through useful customer outcomes and responsible governance, not only model releases.

Data and Personalization

Alibaba platforms generate information about search, purchase, merchant performance, location, and engagement. Data can improve recommendations and reduce search cost. It can also create privacy and competition concerns when one platform sees both market-wide behavior and individual merchant performance. Governance should limit access, define purpose, protect security, and give users meaningful controls. Personalization should not become manipulation through addictive design, discriminatory pricing, or hidden ranking practices.

Singles' Day

The 11.11 shopping festival became a demonstration of Alibaba's ability to coordinate merchants, advertising, payments, logistics, and technology at extraordinary scale. Gross merchandise value during the event attracted global attention, but one promotional period is not a complete measure of health. Deep discounts may shift purchases in time, pressure merchants, increase returns, and create waste. More sustainable evaluation considers profitable merchant participation, customer retention, service quality, and environmental cost.

International Commerce

Alibaba's international operations include platforms and businesses serving cross-border and local-market commerce. These activities can help Chinese merchants reach overseas buyers and allow local merchants to use digital infrastructure. International growth is difficult because consumer habits, regulation, logistics, payments, languages, and competitors vary. A model successful in China cannot simply be copied. Local management, compliance, product quality, consumer protection, and geopolitical trust are essential.

Alibaba.com and Business-to-Business Trade

Alibaba.com remains connected to the company's original mission of helping businesses find suppliers and buyers. Digital B2B markets reduce search cost and make smaller manufacturers visible internationally. Risks include supplier verification, product compliance, intellectual-property disputes, fraud, and trade restrictions. Platform trust requires identity checks, transaction protection, dispute resolution, and transparent performance data. A large supplier directory is valuable only when buyers can evaluate reliability.

Network Effects

Alibaba's major advantage has been the interaction of consumers, merchants, payment, logistics, advertising, and cloud technology. Each side can reinforce the others. Network effects are not permanent. Users can multi-home across competing platforms, and merchants may divide inventory and advertising. Short-video and social-commerce companies can capture discovery before a consumer reaches a marketplace. Alibaba must therefore create genuine convenience and merchant value rather than depend on historical scale.

Competition in China

The Chinese commerce market has become more competitive through value-focused platforms, social commerce, livestreaming, instant retail, and strong logistics networks. Competitors can challenge Alibaba on price, entertainment, speed, or merchant terms. Alibaba’s response includes greater focus on user experience, value, content, and integration of Taobao and Tmall resources. Competition can benefit consumers but may also produce subsidy wars, supplier pressure, and manipulative engagement. Long-term advantage depends on trust and operational quality.

Corporate Organization

Alibaba has reorganized business groups and streamlined assets as strategy changed. Its leadership has emphasized focus on core commerce and AI + Cloud while divesting selected non-core holdings. Organizational separation can create accountability and entrepreneurial speed, but it may reduce synergies or produce overlapping investment. Leaders need clear capital-allocation criteria and transparent reporting so investors can understand which businesses generate cash and which require long-term investment.

The Alibaba Partnership

Alibaba’s partnership structure was designed to preserve culture and influence leadership selection. Supporters argue that experienced partners protect long-term mission against short-term market pressure. Critics may question accountability when insiders hold influence beyond ordinary share ownership. Good governance requires independent oversight, conflict management, succession planning, and protection of minority shareholders. Culture can support innovation, but no cultural claim should place leaders beyond challenge.

Regulation and Antitrust

Large platforms can influence merchants, consumers, payments, and information. Chinese regulators have examined exclusivity, competition, financial risk, data, and platform conduct. Regulation can reduce abusive practices and systemic risk, but uncertainty can also discourage investment. Alibaba should build compliance into product and commercial design rather than treat enforcement as an external interruption. Fair merchant access, transparent ranking, consumer redress, and data governance are strategic capabilities.

Counterfeit Goods and Intellectual Property

Marketplace scale makes counterfeit and infringing goods difficult to eliminate. Alibaba has invested in detection, rights-holder cooperation, seller verification, and enforcement. Automated systems can identify patterns, while human review is needed for context and appeals. Over-removal can harm legitimate sellers, and under-removal damages consumers and brands. A credible system publishes procedures, response times, repeat-offender measures, and safeguards against false claims.

Merchant Dependence

Small businesses can gain access to millions of customers through Alibaba, but dependence on one platform creates risk. A change in search ranking, advertising cost, fee, or enforcement can affect survival. Platform governance should provide notice, explanations, appeal, and reasonable transition for major changes. Merchants also need the ability to build direct customer relationships within privacy and competition rules. Empowerment is weakened when the platform becomes an unavoidable toll gate.

Customer Experience

Consumers evaluate price, authenticity, delivery, returns, service, and privacy. Large selection has little value when quality is unpredictable. Alibaba can improve experience through verified stores, clear reviews, responsive refunds, and logistics visibility. Review systems require protection against manipulation. Customer service should resolve disputes without placing impossible proof burdens on buyers or presuming every complaint against a merchant is valid.

Social and Environmental Responsibility

E-commerce creates packaging, transport, warehouse energy use, and pressure for rapid delivery. Alibaba can reduce impact through efficient routing, reusable or lighter packaging, renewable energy, and merchant standards. It also affects platform workers, couriers, warehouse staff, and small sellers. Responsibility should include fair working conditions, accessible grievance processes, and support during automation or business-model change. Digital platforms are not environmentally or socially weightless.

Strengths

Alibaba’s strengths include large commerce networks, merchant services, strong consumer recognition, logistics coordination, cloud infrastructure, data capability, and a history of adapting products to Chinese market needs. Its platform model can achieve broad selection without owning all inventory. Commerce activity generates demand for advertising, logistics, and technology. The company also has the capital and engineering base to invest in artificial intelligence.

Weaknesses and Risks

Its scale creates regulatory exposure, organizational complexity, data responsibility, and reputational risk. Domestic growth can be affected by consumption trends and intense competition. International activity faces geopolitical and localization challenges. Cloud requires sustained capital and trust. Platform quality depends on merchants and partners that Alibaba does not fully control. Governance structures and strategic reorganizations may create uncertainty. These risks do not negate the model, but they require focused execution.

Answer to the Case Comparison

Alibaba resembles Amazon in its broad digital ecosystem, but it should not be analyzed as a Chinese copy. Alibaba's early advantage came from enabling third-party transactions, solving trust and payment problems, coordinating logistics through networks, and monetizing merchant access to consumers. Amazon developed a larger direct-retail and owned-fulfillment role. Both expanded into cloud computing, advertising, media, devices, and logistics, but the sequence and balance differ. The nickname is helpful for scale and category; it is misleading for accounting, operations, and governance.

Conclusion

Alibaba became a global technology company by building infrastructure around commerce rather than simply selling goods from its own warehouses. Taobao and Tmall connect consumers and merchants; Cainiao coordinates logistics; Alibaba Cloud supplies digital infrastructure; and AI increasingly supports search, advertising, enterprise services, and operations. The company's platform model produces network effects and scale, but it also creates obligations involving competition, counterfeits, merchant dependence, privacy, labor, and environmental impact. Its current focus on consumption and AI + Cloud reflects a shift from the older ambition to be merely the world's largest transaction platform. Alibaba is best understood not as the Amazon of China, but as a distinct ecosystem whose future depends on turning scale into trusted, efficient, and responsibly governed value.

References

Alibaba Group. (2026a). *Annual Report for the Fiscal Year Ended March 31, 2026*.

Alibaba Group. (2025). *Letter from Our Chairman and Our CEO*.

Alibaba Group. (2026b). *Alibaba Partnership*.

Laudon, K. C., & Traver, C. G. (2023). *E-Commerce: Business, Technology, Society*. Pearson.

Eisenmann, T., Parker, G., & Van Alstyne, M. (2006). Strategies for two-sided markets. *Harvard Business Review, 84*(10), 92–101.