Alibaba as the Amazon of China

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Alibaba is often described as the "Amazon of China," but the comparison is only partially accurate. Both companies built enormous digital ecosystems around commerce and later expanded into cloud computing, logistics, advertising, entertainment, and artificial intelligence. Their economic structures, however, developed differently. Amazon became a large first-party retailer as well as a marketplace and built an extensive owned fulfillment network. Alibaba's domestic model has historically depended more heavily on third-party merchants using platforms such as Taobao and Tmall, while Alibaba monetizes traffic, advertising, commissions, technology, logistics coordination, and related services.

That distinction is especially important in 2026 because Alibaba increasingly describes itself as a technology company built around two major growth engines: consumer commerce and AI + Cloud. In fiscal 2026, Alibaba reported strong growth in Cloud Intelligence, and in the June 2026 quarter AI Cloud and Compute Services revenue increased 45 percent year over year while AI-related revenue continued triple-digit growth. Alibaba's current strategic identity is therefore broader than e-commerce and more technologically integrated than the older "Chinese Amazon" label suggests (Alibaba Group, 2026a, 2026b) (Laudon & Traver, 2023).

Platform Economics

Alibaba began in Hangzhou in 1999 with a business-to-business marketplace connecting Chinese suppliers with buyers. The model addressed a fundamental market problem: small and medium-sized businesses could reach distant customers without building their own international sales infrastructure. Alibaba later expanded into consumer commerce through Taobao and Tmall, creating a large two-sided platform in which merchants benefit from consumer traffic and consumers benefit from merchant variety.

Taobao became associated with a broad marketplace that enabled smaller sellers and individual merchants to reach consumers. Tmall developed as a more brand-oriented platform in which established companies and authorized merchants could operate official stores. These platforms benefit from network effects because additional merchants can increase product variety and price competition, which attracts more consumers; larger consumer traffic then attracts more merchants and advertising spending (Eisenmann et al., 2006).

Network effects create scale, but they do not eliminate competition. Consumers can use multiple platforms, merchants can split advertising and inventory across competing channels, and social or

livestream commerce can capture customer attention before a traditional marketplace search begins. Alibaba therefore has to continue earning traffic through product relevance, price, entertainment, trust, and service rather than assuming historical size guarantees future dominance.

The platform model also explains why gross merchandise value should not be confused with Alibaba's corporate revenue. GMV represents the value of transactions occurring across a marketplace, while revenue represents the income Alibaba recognizes from its own services and businesses. A merchant may sell a product worth RMB1,000 through Tmall, but Alibaba does not record the entire RMB1,000 as corporate revenue if the merchant owns the inventory. Instead, Alibaba may earn commission, advertising, technology, or service revenue.

This differs from first-party retail in which a company purchases inventory and records the sale value as revenue when the product is sold. Amazon combines first-party retail with a large marketplace, while Alibaba's early advantage depended more heavily on facilitating transactions. The nickname therefore exaggerates similarity if it implies that the two companies have identical accounting and inventory economics.

Trust infrastructure helped Alibaba's marketplaces grow. Early e-commerce in China faced concerns about whether distant buyers and sellers could trust each other. Escrow-based payment, merchant ratings, reviews, dispute resolution, and later sophisticated fraud controls reduced some of this uncertainty. Alipay originated within the Alibaba ecosystem before becoming part of Ant Group, which is legally separate from Alibaba but remains historically and strategically connected to the broader digital-commerce environment.

Commerce Infrastructure

Alibaba's commerce ecosystem extends beyond website listings. Merchant advertising, recommendation systems, customer-management tools, logistics coordination, data services, and payments all reduce friction between discovery and delivery. Alibaba can therefore influence a transaction even when it never physically owns the product.

Cainiao illustrates this infrastructure approach. The original Alibaba case suggested that the company avoided distribution centers entirely. That description is no longer accurate. Alibaba developed Cainiao as a logistics network connecting merchants, warehouses, carriers, data systems, cross-border services, and delivery partners. Cainiao has also operated and invested in physical logistics assets. Its model remains different from Amazon's highly vertically integrated fulfillment network, but it is not "asset free."

Logistics performance matters because marketplace trust can be damaged by late delivery, lost packages, poor tracking, damaged goods, or difficult returns even when the merchant rather than Alibaba packed the item. Alibaba therefore benefits from improving visibility and standards across partner networks. This creates a governance challenge: the platform must influence quality across

organizations it does not fully control.

Alibaba.com remains important as a business-to-business platform connecting global buyers and suppliers. B2B marketplaces reduce search costs and allow smaller manufacturers to reach foreign customers, but they also create risks involving supplier verification, product compliance, fraud, intellectual-property disputes, and trade restrictions. A large supplier directory creates value only when buyers can assess credibility and resolve disputes.

International commerce adds another layer of complexity. Consumer preferences, payment systems, regulation, logistics, languages, data laws, and competitive conditions differ substantially across countries. A platform designed around Chinese consumer behavior cannot simply be copied internationally. Cross-border growth requires local adaptation, reliable customs and logistics, consumer protection, and trust in the handling of personal and commercial data.

Dimension	Alibaba	Amazon
Early core model	Third-party platform and merchant services	First-party retail plus marketplace
Domestic commerce	Taobao and Tmall ecosystem	Amazon retail and third-party marketplace
Logistics	Cainiao network plus owned/partner assets	Large vertically integrated fulfillment network
Cloud	Alibaba Cloud	Amazon Web Services
Current technology emphasis	AI + Cloud integrated with commerce	Cloud, AI, advertising, retail, logistics

The comparison shows why Alibaba should not be analyzed as a copy. Both companies built ecosystems in which commerce supports adjacent services, but the balance of owned inventory, logistics, merchant dependence, and corporate structure differs. These differences affect margins, capital intensity, regulatory exposure, and customer experience.

AI and Cloud

Cloud computing has become one of Alibaba’s most strategically important businesses because it moves the company beyond transaction platforms into enterprise infrastructure. Alibaba Cloud

provides computing, storage, databases, networking, security, analytics, and artificial-intelligence services. Its scale also supports Alibaba's own commerce systems, especially during periods of high transaction volume.

Alibaba's 2026 results show that AI demand is now materially changing the cloud business. For the March 2026 quarter, Cloud Intelligence Group external revenue increased 40 percent year over year. Alibaba stated that AI-related products accounted for 30 percent of external cloud revenue in that quarter. In the June 2026 quarter, AI Cloud and Compute Services revenue grew 45 percent, the fastest cloud growth in 22 quarters, while AI-related revenue recorded triple-digit growth for a twelfth consecutive quarter (Alibaba Group, 2026a, 2026b).

The company's Qwen model family is central to this strategy. Alibaba is combining foundation models, cloud infrastructure, proprietary chips, developer services, and consumer applications. AI can improve product search, merchant content generation, customer service, advertising, recommendation, supply planning, coding, office productivity, and enterprise workloads. The strategic value lies in integration: commerce creates user and merchant demand, while cloud provides computing infrastructure and models.

This integration also creates risk. AI systems can generate inaccurate content, reinforce bias, expose confidential information, infringe intellectual property, or encourage automated decisions that are difficult to explain. Cloud infrastructure also faces cybersecurity, data-localization, energy, capital-expenditure, and geopolitical constraints. Growth should therefore be evaluated through reliability, enterprise retention, developer adoption, profitability, and responsible governance rather than the number of models released.

AI investment changes Alibaba's capital profile as well. Large-scale model training and inference require data centers, chips, networking, energy, and engineering talent. The company can no longer be understood only through the relatively asset-light economics of marketplace advertising. Its technology strategy increasingly depends on infrastructure investment that resembles the capital intensity of global cloud competitors.

Alibaba's data position can strengthen personalization and merchant services, but it also increases responsibility. Search, transaction, advertising, location, and engagement data can improve recommendations, yet platform operators must establish rules for access, purpose limitation, security, retention, and user control. A platform that simultaneously observes consumers and merchants can create concerns about whether data are used neutrally or to advantage the platform's own priorities.

Competitive Position

Alibaba's core strengths remain scale, consumer recognition, merchant networks, cloud infrastructure, logistics coordination, data capability, and a history of adapting digital products to Chinese market conditions. The company can create synergies when commerce generates demand

for advertising, logistics, and cloud, while AI improves the efficiency of the broader ecosystem.

The same scale produces regulatory and governance exposure. Large platforms can influence merchant visibility, consumer choice, payments, data flows, and market access. Competition authorities have examined exclusivity and platform conduct, while data and financial regulators have imposed stricter requirements across China's digital economy. Compliance therefore needs to be designed into products and commercial practices rather than treated only as a response after enforcement.

Counterfeit and infringing products remain another marketplace risk. Automated detection, rights-holder cooperation, merchant verification, and repeat-offender policies can reduce abuse, but enforcement must also protect legitimate sellers from false complaints. Marketplace trust depends on the platform being neither indifferent to infringement nor arbitrary in removing merchants.

Merchant dependence creates a related governance issue. Small businesses can reach enormous audiences through Alibaba, but changes in ranking, advertising price, commission, or enforcement can strongly affect their revenue. Transparent rules, notice, appeals, and reasonable transition periods can reduce the risk that platform power becomes unpredictable for merchants.

Consumer experience ultimately determines whether ecosystem scale remains valuable. Selection alone is insufficient when product authenticity, returns, delivery, customer service, reviews, or privacy are unreliable. Alibaba must therefore balance monetization with relevance. Paid traffic can increase short-term merchant spending, but if search results become less useful or consumers lose trust, the platform weakens the very network effects it depends upon.

International competition creates further pressure. Alibaba competes not only with traditional marketplaces but with value-focused commerce platforms, short-video ecosystems, instant retail, specialized verticals, and international technology companies. The company's future position depends on whether it can integrate shopping, entertainment, payments, logistics, and AI without creating an overly complex experience.

The label "Amazon of China" remains useful as a quick description of Alibaba's scale and importance, but it is strategically incomplete. Alibaba became powerful by building market infrastructure around third-party commerce rather than by reproducing Amazon's exact retail model. Its current evolution makes the label even less complete because AI and Cloud are becoming central to growth. Alibaba is best understood as a platform-and-infrastructure ecosystem whose competitive advantage depends on connecting merchants, consumers, logistics, cloud computing, and artificial intelligence while maintaining trust among all of them.

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