



Year-on-year revenue growth at ecommerce giant Alibaba has slowed to a disappointing 28%

CHINA

Alibaba struggles to live up to high expectations

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EXPECTATIONS WERE HIGH for Alibaba's latest results but the eetail giant fell short, growing at the slowest rate in three years. Revenue up 28% year on year would be a fantastic result for most, but for Alibaba it is not good enough.

Although profits were predicted to take a hit, even here Alibaba's \$1.7bn first-quarter profit failed to meet forecasts.

While its margins are enviably high, investors will want to see a return on their spending. For now, living up to the hype will be tough.

Alibaba is funding a broader strategy to push into the hotly contested space of connecting online users to offline services through mobile technology.

As with rival JD.com, such services are important in attracting China's 500 million smartphone users to mobile payment services.

Alibaba is well placed to weather concerns about how the sluggish growth in the Chinese economy might affect consumer demand and its core ecommerce businesses.

It is building an ecommerce ecosystem that is becoming part of the Chinese consumers' everyday shopping experience. This includes deals that blend online and in-store, such as the tie-up with consumer electronics retailer Suning.

The rapid growth of ecommerce and m-commerce in China is encouraging such partnerships

as internet firms and traditional retailers leverage their respective strengths to introduce mobile tech-enabled shopping experiences.

Binding online with offline through mobile technology grants more sales opportunities and creates seamless experiences that cater for China's on-demand economy.

Positively, Alibaba reported gross merchandise volume at its Chinese marketplaces increased 34% and annual active buyers rose 32% year on year. Mobile transactions continued to grow, and revenue topped desktop for the first time.

Investments in monetising mobile are paying off, but this is a double-edged sword – mobile transactions have a lower monetisation rate, meaning Alibaba made less in revenue than previously in terms of the percentage value of transactions.

The company's monetisation rate – a measure of how much transaction value transmutes to revenue – fell to 2.33% from 2.52% a year ago.

While Alibaba is facing strong headwinds, the strength of its ecosystem will help mitigate pressures and enable it to fully exploit the potential in emerging markets – notably in Southeast Asia.

Although it is not living up to the lofty expectations of the stock market, in making shrewd investments it will only strengthen its formidable position moving forward.

34%

Year-on-year growth of active buyers at Chinese marketplaces