

THE BIG STORY

Alibaba has set its

The Chinese ecommerce giant has signalled ambitions for European expansion by hiring the first boss of its UK business. **Matthew Chapman** asks whether Alibaba will be a friend or competitive force to fear in British retail

Alibaba is something of an unknown quantity in Britain, but that is likely to change now that the retailer has hired its first UK boss.

The Chinese eetail giant appointed former Tesco executive Amee Chande as managing director of its UK business in September, as it turned its attention to European expansion.

Alibaba dominates the ecommerce market in China and is now gearing up for global domination, meaning that UK companies need to sit up and take notice of the retail Goliath.

"For many retailers in the UK, Alibaba is either the biggest retailer nobody has ever heard of or they aren't quite sure of what it does or how it fits in," says Michael Ross, founder of digital consultancy DynamicAction and former boss of Figleaves.

Alibaba, through its core businesses – Alibaba.com, Taobao, Tmall and Alipay – is a hybrid of Amazon, PayPal and eBay. Most UK retailers know it best for Tmall, which has enabled British retailers such as Sainsbury's, Mountain Warehouse and Marks & Spencer to begin selling online in China.

A threat to British business?

While until now Alibaba has been a good thing for UK businesses because it offers a way into the Chinese market, things could soon be about to change.

Planet Retail ecommerce analyst Gaurav Sawhney says: "In the short term I definitely think that Alibaba is a friend, but long term it is a foe."

The group is already making in-roads into international markets through AliExpress, which allows small Chinese businesses to sell to those outside their home country.

Now Alibaba is preparing for a more concerted push outside its core market. Along with hiring Chande to run its UK arm, Alibaba is opening offices in the core European markets of France, Italy and Germany.

Alibaba's previous experiments abroad have

met with mixed results. It sold US-based boutique marketplace 11 Main in June to social shopping site OpenSky, just a year after its official launch.

Acquisition targets

Ross believes the key to Alibaba's success in Europe and the US will be through using its enormous cash pile to acquire an established Western eetailer. In September last year, Alibaba launched the world's biggest IPO, raising \$25bn.

"It would be very surprising if it tried to build something from scratch in the UK, because it would not move the needle for them," says Ross. "But there are plenty of interesting businesses it could acquire."

Natural targets would be those that would align with the Alibaba marketplace model such as Farfetch, Lyst or NotOnTheHighStreet.com.

Any acquisition must be chosen wisely if Alibaba is to avoid the mistakes of Japanese ecommerce titan Rakuten.

"Play.com was probably not the right platform for Rakuten to acquire to come into the UK," says Ross. "It will be interesting to see who or what Alibaba will acquire."

Despite Alibaba's deep pockets, Sawhney doubts that Alibaba will achieve overnight success in Europe because of the mature nature of the market.

"I think it will take Alibaba some time to establish itself in the UK and European market because of the presence of Amazon as well as the services that Amazon is

"In the short term I think Alibaba is a friend, but long term it is a foe"

Gaurav Sawhney, Planet Retail



Alibaba founder Jack Ma

now providing, such as Dash and Prime membership," says Sawhney.

While marketplace businesses such as Amazon and eBay are the most likely to be threatened by Alibaba's expansion, any fashion or related general merchandiser should be especially wary of Alibaba, according to Ross.

"What these big new competitors do is increase customer acquisition costs and reduce customer retention," says Ross.

Intensifying competition will only be a good thing for shoppers, though, and a strong Alibaba will probably raise the bar once again in UK retail.

"It gives you more competitive pricing, more services and more choices to shop," says Sawhney. "From a consumer standpoint, it is a win-win situation."

Why now?

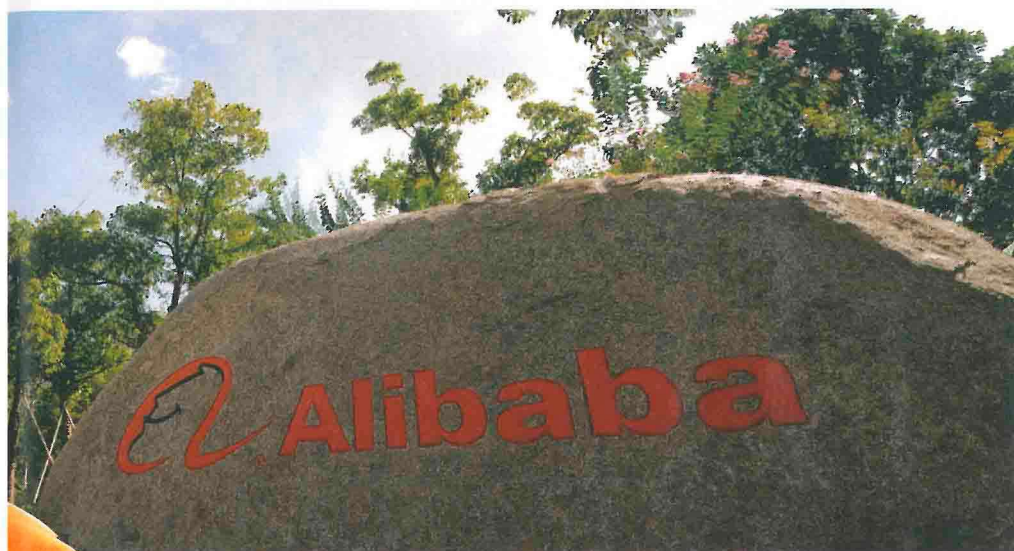
Alibaba has had staff in the UK for a number of years, but never a UK boss, and it is believed aggressive expansion plans are being driven by the economic slowdown in China.

"The relentless growth of China may be wobbling, and therefore as a business predicated on continued growth, Alibaba will probably say 'we need to be cautious about

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sights on Europe



OPERATIONAL HIGHLIGHTS

Significant growth in gross merchandise volume (GMV) through Alibaba marketplaces



34%
YOY

The GMV on Chinese retail marketplaces during the quarter ending June 30 was

\$109bn

Significant increase in active buyers

367 million
annual active buyers

32%
YOY

The average active buyer placed

58 orders

during the 12 months ending March 31, 2015 on Chinese retail marketplaces

SOURCE: ALIBABA GROUP

how much of our growth comes from China' and therefore has to look elsewhere for opportunities," says Ross.

Alibaba is not the only Chinese retailer that could soon be sending shockwaves through UK retail. This week, China's president Xi Jinping arrived in the UK on a state visit. He was accompanied by some of the biggest names in Chinese business, including Alibaba's founder Jack Ma, who was second on this year's *Retail Week* Etail Power List. And UK Trade and Investment is hosting an event called 'China – The Retail Opportunity' to promote exporting to China to UK firms. In attendance will be representatives from Alibaba's Tmall Global, as well as Chinese rivals JD Worldwide and VIP.com.

Chinese retailers could have an additionally disruptive effect on the UK retail sector because so many products consumed here are manufactured in China.

"There are a bunch of Chinese businesses that people have not heard of, but they are very large and have access to very low-cost technology and developers. Because so much product is manufactured in China, the opportunities to completely change the supply chain by shipping directly to Europe are very disruptive," says Ross.

The potential impact of Chinese retailers on the UK cannot be understated. Alibaba will no longer be described as the biggest retailer no one here has heard of.

Alibaba – remember the name.

Alibaba's UK MD Amee Chande

Amee Chande's life and career fits the profile of the increasingly international Alibaba business. She was born in London, grew up in Vancouver and studied in Canada, the UK and the US.

She has since worked in countries including Zimbabwe, Hong Kong and

Thailand. And although Chande does not have the highest profile in the UK – she only came to work here in 2011 – her credentials are what would be expected for the first UK boss of Alibaba.

Those skills were recognised by US retail giant Walmart – Chande was its youngest company officer.

She returned to the UK when Staples handed her the role of managing director of its UK business. She was hired by Tesco in August 2013 to take on the managing



Although Chande does not have the biggest profile in the UK, her credentials are what you would expect for Alibaba's first UK boss

director role at its Nutri Centre health business.

Her time at Tesco was relatively short after new boss Dave Lewis undertook a strategic review of the troubled business, which has involved the grocer pulling back on non-core activities.

That was only a temporary blip in her career, and did not stop Chande landing the top job at Alibaba's burgeoning UK operation.