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# Alibaba 和 Amazon 的全方位通路策略比較與分析

# Comparative Analysis of Omnichannel Strategy Differences between Alibaba and Amazon

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# 中文摘要

隨著互聯網設備的廣泛應用，現代零售業已逐漸轉向電子商務領域。阿里巴巴和亞馬遜分別是在北美和亞洲市場的電子商務龍頭，兩間企業現階段皆致力於國際市場擴張，因此在未來，兩間企業勢必會彼此競爭。我們使用個案研究方法分析阿里巴巴與亞馬遜兩間公司，在全方位通路策略之間的差異，以了解其各自的優勢與劣勢。

研究結果顯示，有關技術、運營、產品策略，亞馬遜採用內部開發，因此，亞馬遜在內部投資相當高，也為此舉債。相較之下，阿里巴巴只有在技術相關的策略採用內部開發，其他有關運營和產品策略的部分，則偏好採用與其他企業合作的模式達成。合夥的模式使的阿里巴巴能夠盡量減少對實體設施和庫存的投資，並保持更彈性、更健康的財務狀況。總結兩間公司目前的策略差異在於，阿里巴巴透過充分利用合夥來保持更加靈活的狀態，而亞馬遜則以長遠發展的能力為目標，全力投資於自身的全方位通路能力。

**關鍵字：**全方位通路 、零售策略、電子商務、電子市場、阿里巴巴、亞馬遜



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# ABSTRACT

In the modern retail industry, the widespread adoption of internet-capable devices brought the rapid growth of ecommerce markets and the establishment of large ecommerce marketplaces. Amazon and Alibaba are both ecommerce giants that are dominating the North American and Asian markets respectively. However, both are working towards expanding into multiple international markets and the possibility of direct competition between the two is inevitable. Case study research method is used to analyze the differences between Alibaba's and Amazon's omnichannel retail strategy using in order to understand each company's respective strengths and weaknesses.

The research in this paper concludes that Amazon favors in-house development of all technology, operation, and product strategies. The financial structure analysis suggests that Amazon has taken on a lot more debt than Alibaba, possibly to support the in-house development of these areas of focus. In contrast, Alibaba favors in-house development for technology related strategies while aligning operation and product strategies with partners. The partnerships allow Alibaba to minimize investments in physical facilities and inventory and to retain a better financial position.

Ultimately, Alibaba currently holds a more flexible position by fully utilizing partnerships, while Amazon is fully invested in developing their own omnichannel retail



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capabilities for the long run.

**Keywords:** Omnichannel retail strategy; ecommerce platform; online marketplace; Alibaba; Amazon



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# 1. Introduction

The online ecommerce retail industry has evolved and grown rapidly over the last two decades. Capitalizing the success of online marketplaces such as Ebay, new retailers and existing retailers have taken their market to the web with ecommerce channels. As the demand of online shoppers grew, large traditional brick-and-mortar retailers have been pressured to fully adopt a dual-channel strategy to seamlessly integrate online shopping with physical retail shopping. With the increased number of competitors leveraging both the ecommerce and physical retail channels, online marketplace giants such as Amazon and Alibaba are constantly seeking to find ways to increase their competitive advantage in order to keep customers on their platform.

One particular development from these ecommerce giants is the strategic focus on omnichannel retail shopping. In order for Amazon and Alibaba to compete with dual-channel retailers, the ecommerce giants align their core strategies to develop technology behind supporting multiple different types of retail channels. However, technology is not the only concern in omnichannel retail; in order for customers to perceive a smooth cross-platform shopping experience, these marketplaces must also focus on delivering on various key omnichannel retail factors. These key factors are the backbone to a successful omnichannel retail strategy.

This paper will provide an overall view on how the two ecommerce giants, Amazon



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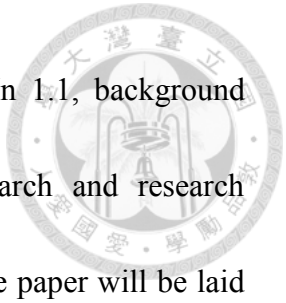

and Alibaba, have structured themselves for omnichannel retail. In 1.1, background information about the market is presented. Motivation for research and research objectives are discussed in 1.2 and 1.3. Lastly, the framework for the paper will be laid out in 1.4.

## 1.1 Background

This section discusses the progression of technologies that gave birth to the various channels of omnichannel retail. The mainstream availability of these technologies in the hands of the consumers stimulated the demand for a better shopping experience.

With the increased number of competitors in the ecommerce space, online marketplaces such as Amazon and Alibaba are constantly seeking to find ways to increase their competitive advantage in order to keep customers on their platform. In recent years, a large focus has been placed on omnichannel retail shopping. Consumers have grown accustom to being able to browse online and purchase instore or the vice versa. A number of different ways of browsing merchandise such as mobile shopping, VR shopping have been created to stimulate more demand and decrease the risks and costs associated with online shopping. Along with these new shopping channels, retailers also are constantly adding different processes for the customer to order and receive the goods. Implementations such as the Amazon Dash buttons and pick-up-instore delivery options



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are continuously decreasing the consumer efforts and fulfillment time.

## 1.2 Motivation

In the highly-contested space of ecommerce and physical retail, any successful strategy that gives a competitive advantage over the competitors is exceedingly favorable. In the case of Amazon and Alibaba, a clear effort is made on supporting the omnichannel retail shopping experience in order to stand out from the crowd of competitors. In order to be successful at omnichannel retail, companies must rely on a mixture of marketing, strategic, and operational strategies to ensure a smooth seamless operation throughout all channels.

First, this portfolio of omnichannel strategies might differ from company to company. It is important to analyze the which strategies a company is strong in and which it is weak in. This analysis puts the company's omnichannel strengths into perspective and gives insights to how the company can be successful in providing certain technologies or supporting certain channels in the omnichannel network. It will also be possible to understand the business decisions made by the company regarding the direction it utilizes to provide the omnichannel retail shopping experience for its customers.

Second, ecommerce retail giants such as Alibaba and Amazon have made distinctly diverse decisions in their financial structure. The financial structure of a company also greatly influences which combination of strategies can be implemented in the retail



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business.

With these key drivers in omnichannel strategy, we can make conclusions about which company structure and strategy implementations are designed to work best under which type of market situations.

## 1.3 Objective

Given the research motivation listed above, this paper's research will focus on identifying the key differences in omnichannel strategy and how the two companies structure themselves to support their different strategy focuses.

The objectives of this research are listed as follows:

(1). Compare and analyze the different implementations in omnichannel retail strategies by Alibaba and Amazon.

(2). Analyze the financial status of the two companies to draw observations into the differences in financial structure.

(3). Draw conclusions about which company can excel under different scenarios based on the differences in strategy implementation and financial structure.

## 1.4 Research Framework

The paper is organized into the sections outlined in Figure 1.1. In Chapter 2, literature



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review is provided to put current related research into perspective of the context in this paper. Chapter 3 states the methodology used to establish the analysis research in this paper. Chapter 4 and 5 performs the analysis methods on the strategy implementations of Alibaba and Amazon. At the end, Chapter 6 provides a summary of the analysis and draws conclusions on the possible strengths each company has under different retail scenarios given the difference in strategy focus and company financial structure.



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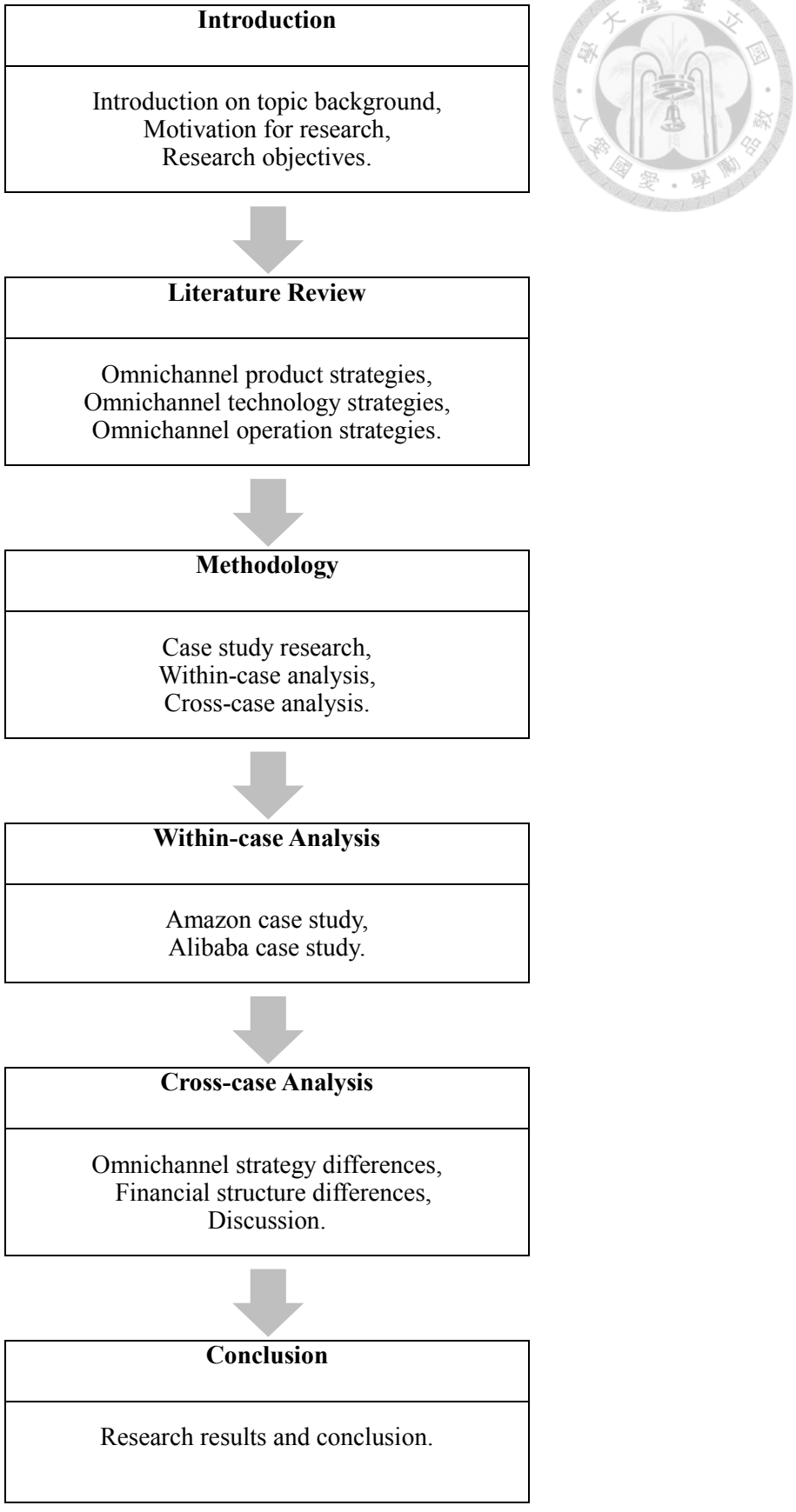


*Figure 1.1. Research Structure*



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# 2. Literature Review

In this chapter, we will categorize contemporary studies on ecommerce and omnichannel retail into three sections: (1) pricing strategies, (2) product strategies, (3) operation strategies. In addition to this categorization, we will also compare the literature to the framework proposed by Brynjolfsson et al. (2013) which illustrates 7 key omnichannel strategies for a successful omnichannel implementation. We have added two additional strategies to this framework that further reinforce omnichannel operations specific to large scale ecommerce companies. In Chapter 3, we will use this framework of 9 key strategies to analyze the differences between Amazon and Alibaba's implementation of omnichannel retail.

## 2.1 Omnichannel Strategy Framework

Brynjolfsson et al. (2013) analyzes the shifting landscape of retail as more and more retailers cross over to cover both physical and online retail channels with the help of technology. The article proposes 7 major success strategies for omnichannel retailing:

1. *Provide attractive pricing and curated content* – attractive pricing ensures consumers visit the retailer while curated merchandise and consumer-generated content and reviews encourage consumers to purchase with the retailer.



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2. *Harness the power of data and analytics* – omnichannel brings a wealth of data from various channels. The success of integrating these channels comes from analyzing data from across social channels, mobile channels, and local channels. With careful analysis, retailers can better understand the consumers' behavior and better tailor advertising to specific consumer groups.
3. *Avoid price comparisons* – consumers have learned to search online to find the best price available. Retailers have to focus on offering distinguishing their products or suffer from losing out on the sale to another retailer with a lower price. Ways to distinguish products include: (1) offering a distinctive version of a product with minor modifications from the manufacturer that cannot be directly comparable to the products from other retailers, (2) developing exclusive products through partnerships or innovation, (3) creating bundles of products that make it hard to directly compare the value of the bundle to products offered by competing retailers.
4. *Learn to sell niche products* – long-tail products that are not economical to carry in physical stores should be sold online exclusively. Mid-tail products with unpredictable and moderate demand should be sold as a mix through online and in physical store in order to maximize product availability reliability of after-sales service to the customers.



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5. *Emphasize product knowledge* – To minimize consumer frustration, product knowledge should be shared across platform to promote a smooth multi-channel shopping experience.
6. *Establishing switching costs* – To discourage customers from switching to a competitor, retailers should encourage loyalty by incentivizing consumers with membership discounts and exclusive user experiences.
7. *Embrace competition* – retailers should acknowledge the advantages offered by their competitors and strive to improve their own products, services, and prices.

In addition to the 7 strategies proposed by Brynjolfsson et al. (2013), our paper proposes two addition strategies to add to the framework:

8. *Invest in complementary services* – retailers should invest in services that would ultimately add value in supporting their main business either through added cash flow or better technology advancement. Services like 3rd party payment systems and cloud infrastructure services complement the daily operations of a omnichannel retailer very well.
9. Build scalable logistics network – in an omnichannel retail environment, companies must build a solid logistics network in order to support their daily



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operations. Companies must also ensure this network is easily scalable to accommodate larger operating scales and new multinational markets.

### 2.1.1 Product Strategies

Gallino and Moreno (2014) analyzes the effects of online and offline channel integration with "buy-online, pick-up-in-store". They show that the implementation results in a reduction in online sales and increase in in-store traffic and sales. They argue that this observation is due to two shifts in consumer behavior: consumers buying additional items when picking up their online orders in store, and the conversion of non-customers to in-store customers after online research. Gallino and Moreno argues that multichannel implementations brings these unanticipated shifts in consumer behavior that cannot be observed by independently analyzing the performance of each channel. Retailers must be aware of these shifts and redesign their inventory policies to effectively support the increase of sales in certain channels as dictated by the consumers.

### 2.1.2 Technology Strategies

Piotrowicz and Cuthbertson (2014) discusses the role of technology in the age of omnichannel retailing, new business models, and role of traditional retailers as ecommerce continues to take more market share. The article found that with the increased



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use of mobile devices and social media, the boundary between online and physical retail is no longer distinct but rather blurred by technology. Retailers who want to capitalize on this cross-channel integration must first implement an omnichannel strategy by (1) focusing on mobile and social channels, (2) find a balance between privacy and customization of the consumers' shopping experience, and (3) redesigning their supply channel network to support the omnichannel.

Woods (2016) compares the respective efforts made by Amazon and Alibaba in their logistics networks as the ecommerce giants vie for competitive advantage in this fast-evolving retail landscape. In the crusade to be the lowest-cost provider in ecommerce, Amazon is taking a competitive stand against its current logistics partners and developing its own forwarding capabilities. Alibaba on the other hand is taking a more partnered approach with the Cainiao Network, providing its logistics partners the IT structure they need to integrate and build a singular cooperative logistics network for China. Woods shows that ecommerce giants are focused on investing in their logistics and forwarding network for their global strategy going forward.

### 2.1.3 Operation Strategies

Rigby (2011) argues that in the world of evolving retail industry, retailers should adopt a omnichannel strategy and fully take advantage of both physical and digital channels in



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order to be positioned for success. Modern day consumers have access to limitless number of retailers through the internet and their demand for a good omnichannel shopping experience is constantly increasing. Rigby explores that consumers want both the advantages of physical stores and the advantages from digital channels; demand for cross-channel services are also on the rise. Retailers that cannot offer innovation to keep up with these demands risk losing market leadership and scale.

Benedicktus et al. (2010) study how pure etailors can avoid losing market share as more and more brick-and-mortar stores start to sell products online. They propose that etailors must convey trustworthiness to the consumers to offset the general suspicion that is associated with a retailer having no physical presence. The study studies how trustworthiness can be conveyed through a combination of three factors: (1) improving retailer reputation through brand familiarity, (2) providing consumer access on consensus information on products with rating and feedback systems, and (3) increasing physical presence for the etailor. Benedicktus et al. concludes that all three factors positively influence the consumers' intent to purchase, with consensus information being the broadest cue to signaling trustworthiness. However, if physical presence is missing, a combination of consensus information and brand familiarity is necessary to combat active general suspicion.



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*Table 1: Summary of literature with respect to the omnichannel strategy framework*

| | 1. Attractive pricing and curated content | 2. Harness data and analytics | 3. Avoid price comparison | 4. Sell niche products | 5. Emphasize product knowledge | 6. Establish switching costs | 7. Embrace competition | 8. Invest in complementary services | 9. Build scalable logistics network |
|---|---|---|---|---|---|---|---|---|---|
| Gallino and Moreno (2014) | | x | | | x | x | x | | x |
| Rigby (2011) | | | | | x | x | x | x | x |
| Benedicktus et al. (2010) | x | | | | x | | x | x | x |
| Brynjolfsson et al. (2013) | x | x | x | x | x | x | x | | |
| Piotrowicz and Cuthbertson (2014) | | x | | | x | x | | x | x |
| Woods (2016) | x | x | | | | | | x | x |



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# 3. Methodology

This chapter presents the methodologies utilized in this research paper. The main structure will take form as a comparative case study research. The scope of the analysis in the case study research will contain a within-case study on Alibaba and Amazon. The within-case analysis will use the omnichannel strategy framework proposed by Brynjolfsson et al. (2013) with a few additional points to place more emphasis on the operations part of omnichannel. Second part of the case study research is a cross-case analysis to study the differences in omnichannel strategy found in the within-case analysis. In addition, we will also analyze the differences in financial structure to augment our comparison.

## 3.1 Case Study Research

Case study research as described by Yin (2003) is a research strategy using both qualitative evidence as well as quantitative evidence. This type of research is especially adept at answering the How and Why questions in research. There are two specific criteria to consider when choosing to use case study as the primary form for research:

1. Does the research require control of behavior events?
2. Does the research focus on contemporary events?

Below is a chart proposed by Yin on the classification of each type of research based on the answer to the above two criteria:



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*Table 2: Classification of different research methods*

| Method | Form of Research Question | Requires Control of Behavior Events? | Focusses on Contemporary Events? |
|---|---|---|---|
| Experiment | How, why? | Yes | Yes |
| Survey | Who, what, where, how many, how much? | No | Yes |
| Archival Analysis | Who, what, where, how many, how much | No | Yes/no |
| History | How, why? | No | No |
| Case Study | How, why? | No | Yes |

For case study research to be used, the research must be focused on contemporary events and does not require control of behavior events. If these two criteria then case study research will optimally be able to answer the How and Why questions set out by the research.

In this paper, indeed we are exploring the contemporary events faced by two contemporary companies, Alibaba and Amazon. As well, this research does not require certain control of behavior events to make observations; the research in this paper will primarily be aligned towards studying the contemporary findings from academic studies and literature about omnichannel strategy and the two companies.

Through the research and analysis presented in this paper, we set out to explore:

1. How do Amazon and Alibaba support their omnichannel strategies?



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2. Why does Amazon or Alibaba excel in certain scenarios and retail aspects given their omnichannel strategy mix?

1. How should Amazon and Alibaba respectively focus their efforts in omnichannel retail in order to fully utilize their strengths?

We will be answering these research questions by the combination of qualitative and quantitative analysis. In the qualitative analysis, we will utilize a within-case analysis comparison on the two companies' omnichannel strategy implementation. In the quantitative analysis part, we will present the two companies' financial structure and analyze the differences.

### 3.1.1 Within-case Analysis

The framework as discussed in section 2.1 will be used as our basis for investigation in our within-case analysis. A brief summary of the points is listed in Table 3. Our case study analysis will determine whether Alibaba or Amazon has implemented these practices. Each practice will be evaluated to be either not implemented, partially implemented, or fully implemented based on the degree of completeness.



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*Table 3: Omnichannel Strategy Framework*

| **Strategy** | **Practice** |
|---|---|
| 1. Provide attractive pricing and curated content | 1. Attractive pricing |
| | 2. Consumer-generated content and reviews |
| 2. Harness the power of data and analytics | 1. Data from social channels |
| | 2. Data from mobile channels |
| | 3. Data from local channels. |
| 3. Avoid price comparisons | 1. Distinctive features |
| | 2. Exclusive products |
| | 3. Product bundles |
| 4. Learn to sell niche products | 1. Long-tail products sold online exclusively. |
| | 2. Mid-tail products sold as a mix through online and in physical store |
| 5. Emphasize product knowledge | 1. Sharing product knowledge across platforms |
| 6. Establishing switching costs | 1. Membership discounts |
| | 2. Exclusive user experiences |
| 7. Embrace competition | 1. Improve products |
| | 2. Improve services |
| | 3. Improve prices. |
| 8. Invest in complementary services | 1. 3rd party payment |
| | 2. Cloud infrastructure |
| 9. Build scalable logistics network | 1. Fulfillment warehouse infrastructure |
| | 2. Logistics network |
| | 3. Global distribution |

### 3.1.2 Cross-case Analysis

In this section's analysis, we will cross examine the main differences between Alibaba and Amazon in their omnichannel strategies. We anticipate many of the differences in implementation will be between whether the company chooses an in-house



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implementation (vertical-integration) or an outsource implementation (virtual-enterprise). We will also compare our findings about the different implementations to the companies' financial structure. Financial ratio analysis shows evidence of whether a company is more heavily invested in in-house implementation or has less debt from utilizing strategic alliances to outsource the omnichannel practices.

Lastly, we will discuss whether a strategy is intended for systemic innovation and autonomous innovation. Chesbrough and Teece (2002) suggested that strategies that achieve systemic innovation are better suited for an in-house implementation, while strategies that target autonomous innovation is more efficiently achieved with outsouce implementation. Based on the classification, we can then conclude which company has the better mix of strategy and position to achieve omnichannel retail innovation.



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# 4. Within-case Analysis

In this chapter, we will perform within-case analysis on Amazon and Alibaba using the framework of 9 key strategies for successful omnichannel retail as detailed in section 3.1.1. For each of the strategies and associated implementation, we will present the qualitative data regarding each company's related efforts to measure each's strength in that strategy. However, the within-case analysis only serves as a precursor and analytic data for the cross-case analysis. Any conclusions about the comparative strengths between the two companies' omnichannel strategy should be made with the cross-case analysis.

## 4.1 Amazon Case Study

### 4.1.1 Provide attractive pricing and curated content

For the first practice regarding attractive pricing, Amazon has a long history of providing very competitive pricing over their competition. Due to the focus on inventory technology and efficient fulfillment process, Amazon has always been able to offer cheaper prices than its ecommerce competitors and brick-and-mortar competitors. For this reason, many competitors have been forced to offer price match guarantees specifically for Amazon. Furthermore, competitors also enlist price detection programs so they can be notified whenever Amazon offers sales and to decide whether to follow suite or not. In 2017



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however, Amazon has actively blocked these types of programs from accessing its website, effectively making it harder for competitors to match its pricing.

Beyond providing attractive pricing on the products, they were also one of the first ecommerce sites to offer free shipping for orders over $25. In 2004 Amazon launched the Prime membership that offered free shipping regardless of order size for a simple annual subscription fee of $99. This simplification of shipping fees lowers the cost per order and attracts customers to continually return to Amazon to make additional orders. According to Amazon, customers that previously only made a few purchases a year now makes multiple orders per month on the Prime membership.

In the second practice of user generated content, Amazon has very well organized layout featuring product selection that is curated specific for the visiting user. The algorithm behind suggested products provides a degree of accessibility to so that the user will always know what to shop for on Amazon. Furthermore, Amazon also showcase consumer reviews for each individual product, allowing other consumers to access reliable product information and to buy with confidence.

### 4.1.2 Harness the power of data and analytics

With regards to the first practice of gathering data from social media channels, Amazon is very actively managing their social media platforms. The method they use social media



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data is to drive consumer engagement and ultimately more sales on their platform. They analyze data relating to the reactions and interactions to various ads or deals they post through their social media to understand more about their consumers. However, since Amazon does not directly control these social media outlets, their data analysis will only be confined to the reactions to their social media posts. Therefore, they cannot directly analyze their target market unless the market interacts with the posts; hence we specify that Amazon has only partially implemented this practice.

In the second practice of analyzing data from mobile channels, Amazon is able to fully implement this practice through gathering data from their mobile website as well as Amazon apps. Amazon is able to build detailed individual customer profiles from browsing history and better market products for that user. In recent years, Amazon has introduced a voice assistant software called Alexa which is designed to help consumers with their daily tasks. Through Alexa, Amazon is able to collect even more data from the user to understand their daily preferences.

When it comes to the third practice, gathering consumer data from local channels, Amazon has only a small sample to work from. As of early 2017, Amazon has only opened 6 bookstores and one grocery store. However, this number will soon grow exponentially due to Amazon's acquisition of Wholefoods, which will bring onboard more than 460 stores. This injection of new data sources will help Amazon fast-track its



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consumer data mining efforts. In this practice, Amazon is only currently partially implementing of gathering local channel data.

### 4.1.3 Avoid price comparisons

The first and second practice of selling products with distinctive features and exclusive products, Amazon has fully implemented these two approaches in its retail strategy. For example, the Prime membership allows customers to purchase smartphones at a cheaper than market price. These Prime exclusive phones have distinctive features of being able to provide a personalized shopping interface from the lockscreen.

Amazon also sell exclusive products that they manufacture such as the Kindle e-book. This e-book also taps into the biggest e-book marketplace that Amazon has created which is exclusive to the Kindle devices. Aside from products manufactured by Amazon, there are also Amazon Exclusive products that features products that other manufacturers make exclusive to the Amazon platform.

Further discouraging customers from trying to price compare, Amazon implements the third practice by frequently combines products on their platform into bundles. Customers are able to save on the bundle as well as be eligible for the free shipping. These bundle suggestions often appear in the individual product page that the customer is looking.



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### 4.1.4 Learn to sell niche products

For the first practice of selling long-tail products exclusively online, Amazon has fully implemented this practice. As a business that is online first, Amazon sells everything online. When it comes to selling long-tail and mid-tail products online, Amazon makes an interesting distinction: long-tail products are usually sold exclusively via independent sellers while mid-tail products are placed into the Fulfilled by Amazon program.

For the second practice of selling mid-tail products as a mix through online and physical stores, Amazon only has a partial implementation. Currently Amazon only has a small number physical stores for books and groceries. Other genres of mid-tail products have not yet made its way into physical channels from Amazon. However, with the acquisition of Wholefoods groceries chain, the mix of online and physical store channels will be more of a focus for Amazon in the near future.

### 4.1.5 Emphasize product knowledge

For the practice under this strategy, sharing product knowledge across platforms, Amazon has fully implemented the practice. Not only has Amazon unified product knowledge across its website and mobile platforms, it has done the same for its physical bookstores as well. In the bookstores, instead of a price tag, each book has a displayed Amazon



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customer review. This allows for a uniform shopping experience for customers, regardless whether or not they choose to shop in-store or to shop through the website or app.

### 4.1.6 Establishing switching costs

The first practice of providing discounts for members is fully reflected in the Amazon Prime program. Customers under the Prime membership has access to free shipping regardless of order size. Prime members also get early access to special limited-time deals. In addition to discounts, members are also eligible to apply for a Prime credit card that offers additional cash back when shopping at Amazon.

For the second practice of offering exclusive user experiences, Amazon has also fully implemented this practice through various services exclusive to Prime members. Members have unlimited access to video and music streaming in Amazon's vast library of video and audio content. Also, Amazon offers members unlimited access to its e-book and audible tape library. These services and experiences combined presents a compelling case for members to keep staying as Prime members.

### 4.1.7 Embrace competition

With the first practice of constantly improving products, Amazon has is utilizing the full powers of data analytics to accomplish that. Amazon continually monitors the products



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that are sold on the platform. When there is a particular product that is selling very well on the platform, Amazon will source a similar product and release it on the platform under the AmazonBasics brand. The intention of the AmazonBasics is creating basic necessity products that customers are just looking for more value at a cheap price. In this practice, Amazon maintains competitiveness and improves their product selection for their customers.

In the second practice of improving services, Amazon is constantly improving its services to give consumers more value. One good example of this is the amount of services Amazon has added to the Prime membership. In the beginning, Prime is only intended to give members free shipping on all their orders. However, over the years, Amazon has added various services that are all free to access by the Prime members. Members have unlimited access to video and music streaming in Amazon's vast library of video and audio content. To keep contents competitive over other video streaming services, Amazon also produces a number of shows for streaming exclusively on Prime. Also, Amazon offers members unlimited access to its large e-book library and to Audibles.com, a subsidiary of Amazon, for unlimited access to their audible tape library.

Amazon also implements fully the third practice of improving prices. In providing the best price for consumers, Amazon constantly look to technology to cut down their costs. This is especially evident in their efforts in fulfillment. In fulfillment technology, a



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subsidiary of Amazon, Amazon Robotics, continues to pioneer its technology in fulfillment automation. Amazon Robotics has produced systems of robotic machines that can automate the manual labour of fulfillment employees and reduce the cost and space required for fulfillment. The reduced cost translates to an overall lower price for the consumers at the end of the supply chain.

### 4.1.8 Invest in complementary services

In the first practice of investing in 3rd party payment service, Amazon is only partially implemented this practice. Amazon Pay is a 3rd party payment system that can be used by merchants in their own ecommerce sites to allow customers to pay via their Amazon account. However, as of 2017, only a small number of merchants that have adopted this system. Furthermore, there is no direct evidence from Amazon to suggest that Amazon Pay is a main focus for the company.

Amazon has been one of the leading companies in developing cloud services. In 2000, Amazon Web Services (AWS) began as a need for robust cloud infrastructure to host the growing Amazon platform. The scope of AWS quickly expanded in 2003 to be a cloud infrastructure service provider to any companies looking for a robust and scalable cloud service and data center. The continual investment in this complementary service enabled AWS to become to top cloud service provider in the world. As of Q4 2016,



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Amazon owns about 40% of the cloud service provider market, which is almost double of the next three providers' market share combined.

### 4.1.9 Build scalable logistics network

Amazon has fully implemented the first practice of building a scalable fulfillment warehouse infrastructure. Its state-of-the-art fulfillment centers are filled with technology made by its subsidiary Amazon Robotics to automate most of the fulfillment process. This system of technology makes the fulfillment cost very low and very scalable without incurring extra labor costs with the increased merchandise.

In building a scalable logistics network, Amazon currently does not operate its own full logistics operations. Currently the majority of the logistics from Amazon is handled by FedEx and UPS. However, Amazon is currently starting to build its own logistics capability and logistics technology. AmazonFresh is a subsidiary under Amazon that is operating in select cities in the US and UK, delivering grocery merchandise to consumers on a same-day basis. The venture into logistics shows Amazon's resilient will to research ways to cut down on costs in every aspect in its supply chain. We find that Amazon is only partially implemented the practice of building its logistics network.

As for key partnerships and technology in global distribution, Amazon has only partially implemented this practice. As of 2017, Amazon operates in 14 different countries



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around the world. All of these countries have Amazon fulfillment centers established in the area. In order for sellers to reach multi-national markets, sellers must actively choose to have their product shipped to the specific country's Amazon fulfillment center. Another option is for sellers to ship their products independent of Amazon's support. This practice means Amazon does not currently hold the means to quickly enter the global market; instead Amazon relies on slowly establishing fulfillment centers in new countries one by one. However, Amazon is also recently looking into developing their own ocean and air freight capabilities. These added options could help Amazon establish a global distribution network in the future.



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## 4.2 Alibaba Case Study

### 4.2.1 Provide attractive pricing and curated content

For the first practice of providing attractive pricing, Alibaba is currently fully implementing this practice. Alibaba focuses on providing shared-revenue platform for merchants to list their products for sale, and to provide technologies that help merchants operate their business on Alibaba. This attractive service pricing to merchants in turn allows merchants to operate with a lower cost and to sell products at an attractive pricing.

In the second practice of providing consumer-generated content and reviews, Alibaba has fully implemented this practice into their ecommerce site. Customer reviews for products are easily found on product pages, providing an additional level of trust for the product quality. In addition, there are curated product promotions found throughout the platform regularly to promote a more personalized shopping experience. These curated promotions are especially visible during special holidays like the annual Singles Day created by Alibaba on November 11$^{th}$. Merchants are encouraged to offer products at steep discounts in order to gain exposure for their shops on the Singles Day curated sales.

### 4.2.2 Harness the power of data and analytics



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In the first and second practices, Alibaba is currently fully in control of the data from social channels and mobile channels. Aside from the usual social media marketing analytics, Alibaba also incorporate social aspects into their mobile applications. In Alibaba's B2C subsidiary, Taobao, Taobao's app enable customers to chat in interest specific groups and also read news specific to the users' interests. This social aspect encourages customers to actively check the app on a daily basis and promotes more possibility of buying items on Taobao. In the data perspective, the more users interact in the app the more data Alibaba collects on its customers and will be able to build a more complete profile to market to those customers.

For the practice of collecting data from local channels, Alibaba is fully implementing this practice. Since 2014, Alibaba has started focusing on strengthening their reach in the physical retail channels; Alibaba made a $692 million stake in Intime Retail, a department store chain with 30 outlets across China in April 2014. In August 2015, Alibaba purchased one-fifth of Suning.com, a retailer with 1600 stores across 298 Chinese cities. In 2016, Alibaba bought into a 32% stake of Sanjiang Retail, a high-end supermarket chain in east China. Also in 2016, Alibaba completed a deal worth $2.6 billion for 74% of Intime Retail. These series of acquisitions positions Alibaba to be able to influence data flow to the parent company for analysis of local channels' customers.



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### 4.2.3 Avoid price comparisons

In avoiding price comparisons, Alibaba does not directly employ the first two practices of sourcing products with distinctive features and exclusive produces to the platform. Alibaba also does not manufacture any products themselves and hence does not directly control any of the product selection on the site. The selection is mainly left in the hands of the merchants, who are likely to post the same items across various different ecommerce platforms. We conclude that the first two practices are not implemented by Alibaba.

In the third practice of using product bundles to avoid price comparisons, again Alibaba does not directly influence if bundles are being sold on the platform. However, merchants do regularly bundle popular items together for sale on Alibaba. Combined with automatic product suggestions, Alibaba only achieves a partial implementation on product bundles.

### 4.2.4 Learn to sell niche products

The practice of selling long-tail products online exclusively is fully implemented at Alibaba. Sellers that list products on Alibaba have a huge incentive to list long-tail products online since Alibaba operates with a shared revenue model. Sellers do not have



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to worry about listing fees that will eat away the revenue stream from items that take a long time to be sold.

With mid-tail products, Alibaba has partially implemented the practice of selling these products through a mix of online and offline. Along with the acquisitions and investments in various offline retailers, in early 2017 Alibaba also announced a new partnership with Bailian Group, a large retail conglomerate in China. This new partnership gives Alibaba access to the 5000 retail outlets owned by Bailian Group across 200 cities in China. Fully utilizing these physical channels will eventually allow Alibaba to fully implementing this practice of mixing online and physical channels for mid-tail products.

### 4.2.5 Emphasize product knowledge

Alibaba has exemplified the practice of sharing product knowledge across platforms. One of the key goals the company has is to redefine the way consumers view retail. This at a very simple level includes sharing the same product knowledge across different channels such as website, mobile site, and mobile app. In addition to this, the company plans on adding ordering systems and real time service solutions to the physical stores in the Bailian Group retail outlets. This augmentation of information systems in physical stores



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aims to unify product information online and offline in order to create a more seamless shopping experience for the consumers.

### 4.2.6 Establishing switching costs

For the first practice of establishing switching costs, Alibaba has fully implemented this practice on their consumer platforms, Taobao and Tmall. In these two platforms, consumers may rack up points through purchases and positive ratings to achieve different levels of VIP status. The higher the VIP status, the more discounts and perks the member can receive. Perks include guaranteed returns, instant fund reimbursements and special holiday discounts. Aside from discounts, members can use the accumulated points in place of cash to purchase items.

In the second practice of creating exclusive user experiences for members, Alibaba is currently fully implementing this practice. Aside from the membership perks and discounts mentioned above, Alibaba also offer a social aspect with their online shopping experience. Being able to chat and share interesting purchases with members of similar interest is something that keeps members visiting the site on a daily basis. Furthermore, Alibaba is aiming to break the barrier between offline-shopping and online-shopping by designing technology specific to aid omnichannel retail in outlets owned by the Bailian



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Group. When this redesign of retail is completed, it will further confirm Alibaba's commitment to providing an exclusive shopping experience.

### 4.2.7 Embrace competition

For the strategy of embracing the competition, Alibaba has only partially implemented the first practice of improving products. One of the main complaints about shopping on the platforms of Alibaba is the complaint of low quality items and merchants selling imitational goods in the place of brand name goods. To combat this widespread negative experience, in 2016 Alibaba has enlisted brands to open their own flagship online stores on Alibaba and Tmall to give consumers an official channel for authentic brand name products. In addition, Alibaba has also taken a zero-tolerance stance against companies selling counterfeit items and actively removing listings found to be illegitimate. However, due to the fact that Alibaba does not directly influence the products improvements, we deem this practice to be only partially implemented.

With the second practice of improving services, Alibaba is currently fully implementing this practice. Another complaint with the Alibaba platform is the reliability of being able to negotiate a return with individual sellers on the platform. To help with improve this process, Alibaba has introduced an exclusive return guarantee for their VIP members, effectively making sure the sellers follow through with their after-sales services.



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Another area of improvement is Alibaba's dedication to changing the retail experience. Their pioneering of technology to merge online and offline shopping experience will be soon seen in the outlets in China as part of the deal with the Bailian Group.

As for the third practice of embracing competition through improving prices, Alibaba has always been fully implementing this practice. From the beginning, Alibaba has focused on developing technology to help merchants easily manage their business online. Through making their platform service easy to use and accessible to merchants of all sizes, Alibaba encourages a high level of competition and massive number of active merchants on their ecommerce platforms. With the increased number of competitors and practices to encourage lower prices for better visibility, Alibaba has continued to push lower prices for the consumers.

### 4.2.8 Invest in complementary services

In the first practice of investing in complementary services such as 3rd party payment, Alibaba currently implements this fully with Alipay. With 400 million users and just under half of China's online payment market, Alipay is the largest 3rd party payment system used in China. Alipay not only helps Alibaba inject cash flow into operations, but it is also one of the reasons Alibaba and online shopping became prevalent in China. Due to the counterfeit culture in China, there is a great deal of wariness from consumers in the



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Chinese online ecommerce industry. Alipay solved this dilemma with its transaction process where Alipay only releases the funds to the seller when the buyer confirms the products are satisfactory. This escrow-like process generates even more cash flow compared to other 3rd party payment systems that transfers funds immediately.

For cloud infrastructure investments, Alibaba has also been heavily investing in their cloud services arm, Aliyun in the last few years. Alibaba announced a one-billion-dollar investment into building up the Aliyun business in the US back in 2015. Although Aliyun is a new comer to the cloud service provider industry, Alibaba has made a number of partnership deals that will allow Aliyun to quickly expand to new regions and markets. For example, an agreement was announced in June 2015 with Equinix, an internet service provider, to provide access to Aliyun in Hong Kong, China, Silicon Valley, and California. A joint venture was also announced in December 2016 between Alibaba and Softbank, a Japanese telecom conglomerate, to launch Aliyun in Japan. For these partnerships and aligned strategy behind Aliyun, we conclude that this practice of investing in cloud infrastructure is fully implemented at Alibaba.

### 4.2.9 Build scalable logistics network

Although Alibaba does not directly operate the fulfillment and logistics part of their supply chain process, they have various investments and partnerships in companies that



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take care of those processes. In China, the logistics industry is very fragmented by the enormous geographical area that the country covers. Launched in 2013, Cainiao Network, the logistics technology company under Alibaba, aimed to consolidate the various different logistics providers and fulfillment centers together to form a singular unified service. Through providing these providers with a data platform and end-to-end logistics solutions, Cainiao Network is able to support logistics operation across 12 major Chinese cities, and support rural areas in China through 1200 village-based service centers and more than 100,000 delivery stations. In this practice of building a scalable fulfillment warehouse infrastructure and logistics network, Alibaba has fully implemented both these two practices.

For building key partnerships for global distribution, Alibaba has been hard at work signing agreements with various logistics providers of the international markets they seek to enter. For example, in 2014 Alibaba bought 10% stake in SingPost, the national postal service provider of Singapore for $249 million. Additionally, in 2015 Cainiao Network partners with U.S. Postal Service to develop shipping solutions specific for cross-border ecommerce orders. Partnerships and investments like these strengthen Alibaba's global distribution network and their position in an ecommerce market moving towards globalization. We find that Alibaba has fully implemented the practice of building key partnerships for global distribution.



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# 5. Cross-case Analysis

In this section, we will conduct a cross-case analysis on Alibaba and Amazon. The analysis will be broken down to analyzing the financial structure differences and omnichannel strategy differences between the two companies. For each company, we will also highlight which omnichannel practice is completed in-house and which is outsourced to partners. The last part of this analysis is a discussion on the practices that Amazon and Alibaba implements differently, if these practices support systemic innovation or autonomous innovation, and which company chose the better implementation.

## 5.1 Financial Structure Differences

The first financial ratio we will use for the financial analysis comparison between the two companies is working capital ratio. Working capital measures whether or not a company has enough short term assets that can cover its short-term debt. In figure 2, we find that Alibaba has a much higher working capital ratio than Amazon. Amazon's ratio is hovering just above 1, showing a positive working capital and an efficient investing of excess cash. Alibaba's ratio ranges from 2 to 3.5, showing also a positive working capital but a possibility of excess cash not being invested. The analysis suggests that Alibaba can cover their short-term debt much easier than Amazon, while Amazon might be better at investing their excess cash.



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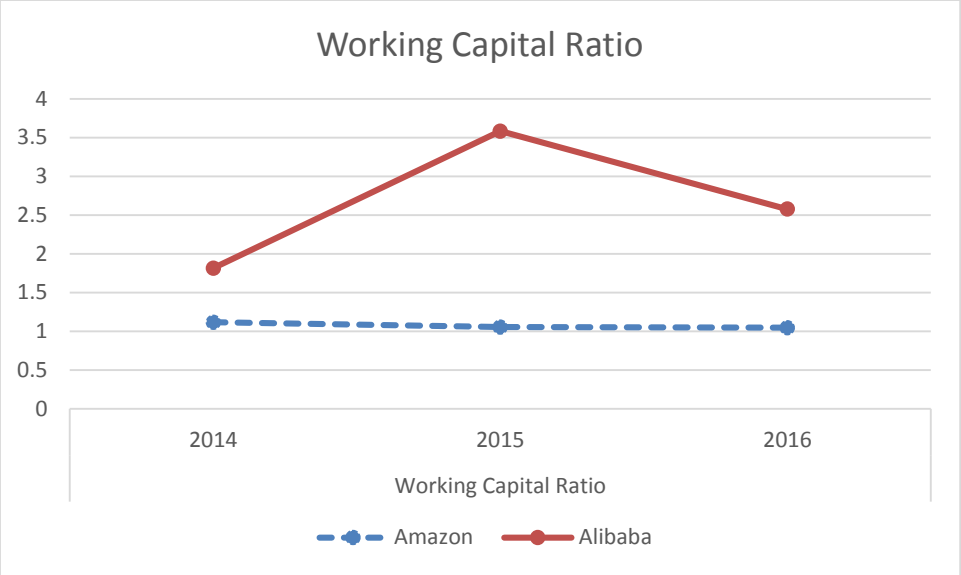


*Figure 2: Working capital ratio of Amazon and Alibaba*

The second ratio we will analyze is the debt ratio. Debt ratio illustrates the balance of a company's short term and long term debt to its total assets. This ratio can show what percentage of the company's assets are financed by debt. In our analysis shown in figure 3, from 2011 to 2016 Amazon showed a debt ratio ranging from 0.7 to 0.8. In the same period, Alibaba's debt ratio ranges from 0.25 to 0.4 with the exception of 2013 which peaked to 0.83 due to a repurchasing of ordinary shares back from Yahoo. This analysis shows that Amazon has financed their assets using more debt compared to Alibaba. When compared with Amazon, Alibaba is also in a better position and has more financial leverage to take on more debt in the near future.



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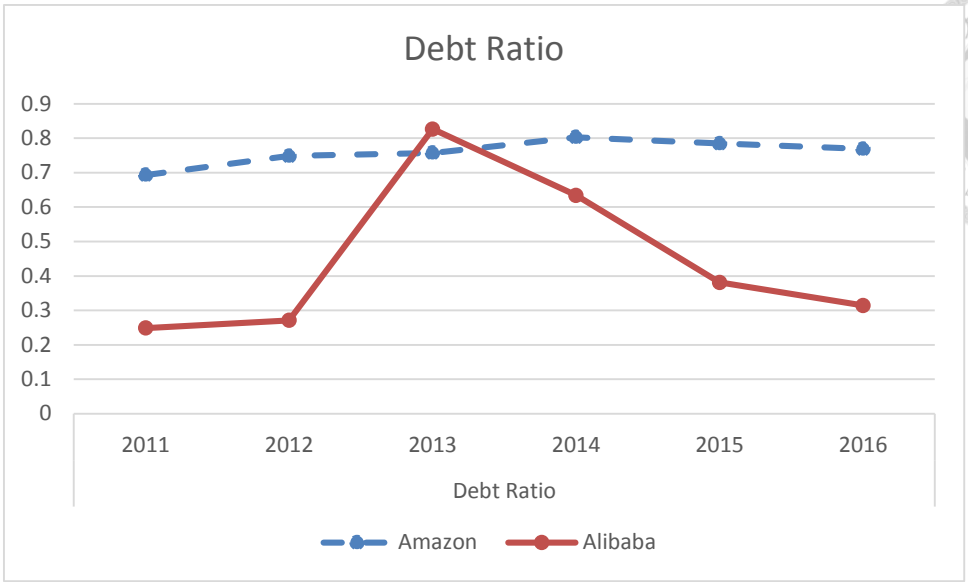


*Figure 3: Debt ratio of Amazon and Alibaba*

The third ratio we will analyze is ROA. Knowing the working capital and debt structure of the two companies, we analyze ROA to see how efficiently these two different structures are affecting the efficiency in using assets to generate earnings. Shown in figure 4, we observe that for the period between 2011 to 2016, Alibaba's ROA is higher, ranging from 0.05 to 0.2, than Amazon's ROA, which ranges from 0 to 0.03. In this analysis, we see Amazon's ROA is maintained low, possibly signifying a significant investment into research and development in technology that does not see any short term return. Note that Alibaba's ROA dropped significantly in 2015 due to increased total assets from going IPO on NYSE. However, even with that drop, the ROA quickly returned to pre-IPO levels in 2016, possibly signifying that the company is under greater pressure from investors to show a good investment return on the financial statements.



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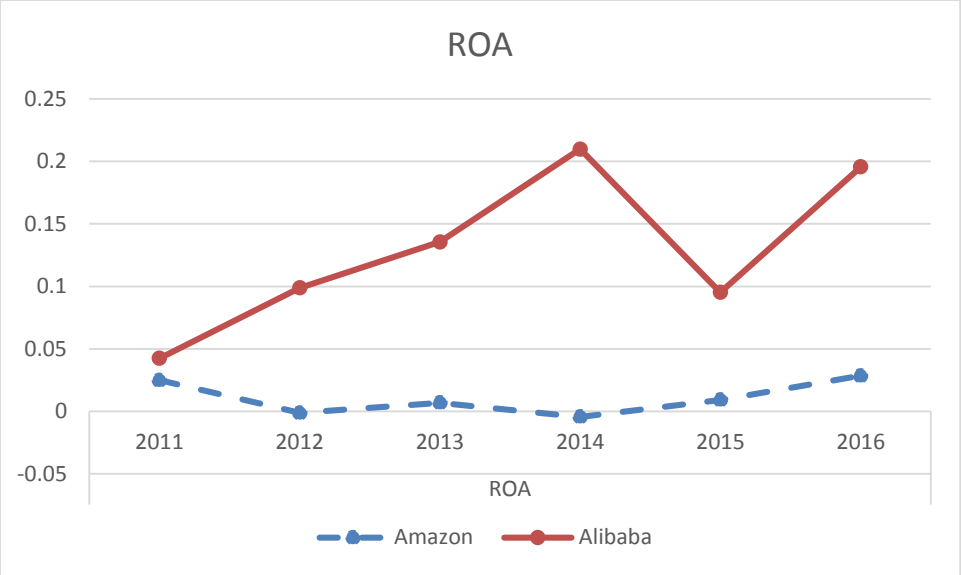


*Figure 4: ROA of Amazon and Alibaba*

## 5.2 Omnichannel Strategy Differences

On the omnichannel strategy differences between Alibaba and Amazon, Table 4 summarizes our findings from the within-case analysis.

*Table 4: Summary of case study findings*

| **Strategy** | **Practice** | **Alibaba** | **Amazon** |
|---|---|---|---|
| 1. Provide attractive pricing and curated content | 1. Attractive pricing | Fully Implemented | Fully Implemented |
| | 2. Consumer-generated content and reviews | Fully Implemented | Fully Implemented |
| 2. Harness the power of data and analytics | 1. Data from social channels | Fully Implemented | Partially Implemented |
| | 2. Data from mobile channels | Fully Implemented | Fully Implemented |
| | 3. Data from local channels. | Fully Implemented | Partially Implemented |



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| | | | |
|---|---|---|---|
| 3. Avoid price comparisons | 1. Distinctive features | Not Implemented | Fully Implemented |
| | 2. Exclusive products | Not Implemented | Fully Implemented |
| | 3. Product bundles | Partially Implemented | Fully Implemented |
| 4. Learn to sell niche products | 1. Long-tail products sold online exclusively. | Fully Implemented | Fully Implemented |
| | 2. Mid-tail products sold as a mix through online and in physical store | Partially Implemented | Partially Implemented |
| 5. Emphasize product knowledge | 1. Sharing product knowledge across platforms | Fully Implemented | Fully Implemented |
| 6. Establishing switching costs | 1. Membership discounts | Fully Implemented | Fully Implemented |
| | 2. Exclusive user experiences | Fully Implemented | Fully Implemented |
| 7. Embrace competition | 1. Improve products | Partially Implemented | Fully Implemented |
| | 2. Improve services | Fully Implemented | Fully Implemented |
| | 3. Improve prices. | Fully Implemented | Fully Implemented |
| 8. Invest in complementary services | 1. 3rd party payment | Fully Implemented | Partially Implemented |
| | 2. Cloud infrastructure | Fully Implemented | Fully Implemented |
| 9. Build scalable logistics network | 1. Fulfillment warehouse infrastructure | Fully Implemented | Fully Implemented |
| | 2. Logistics network | Fully Implemented | Partially Implemented |
| | 3. Global distribution | Fully Implemented | Partially Implemented |

As shown in the table, the differences between the two companies mainly revolves around 5 different strategies: *harness the power of data and analytics, avoid price comparisons, embrace competition, invest in complementary services, build scalable logistics network.*



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For *harness the power of data and analytics*, Alibaba has fully implemented an in-house technology solution while Amazon has only a partial implementation in the social and local channels. This indicates that Alibaba is more focused on working on mining data from all of the omnichannel retail sources than Amazon. Alibaba has made more partnerships in local channels and developed technology to integrate data flow specifically to link up offline and online channels. Amazon on the other hand is more focused on gathering data mainly from its own directly managed retail sources and not from partnered sources. The difference in this strategy direction shows that Alibaba is more willing to invest in developing long term partnerships while Amazon prefers developing technology for their own channels.

On the other hand, for the strategies *avoid price comparisons* and *embrace competition*, the differences lie with practices involving product improvement and produce exclusiveness. Amazon has fully implemented these two strategies in-house through managing their own private-label line of products, while Alibaba has a partial implementation of these strategies. This shows Amazon is fully committed to beating the competition through in-house product development and to offering their customer the best value possible. In comparison, Alibaba's approach to not do any product development themselves seem to suggest that they value the partnership with their merchants more than the competitive edge obtainable from products produced exclusively by Alibaba.



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In the strategy of *invest in complementary services*, Alibaba has been successful in the practice of supporting and developing in-house technology for a 3rd party payment while Amazon has only partially implemented this strategy. The popularity of Alipay has helped Alibaba inject a significant amount of cash flow into the company. With Amazon, there has not been enough drive behind popularizing their version of the 3rd party payment. The disparity in this practice between the two companies could explain why the working capital ratio is much higher for Alibaba when compared to Amazon. We could even go one step further in saying the full implementation of this practice has had a positive effect in helping Alibaba achieve the higher ROA than Amazon's ROA.

For *building scalable logistics network*, Amazon and Alibaba took two different approaches. For the practices under this strategy, Amazon is taking mixed approach. For fulfillment warehouse infrastructure, Amazon fully implements this practice with an in-house approach to the operations and technology. Although Amazon currently outsources the logistics network and global distribution for a partial implementation, they are heading towards a fully in-house implementation. For Alibaba, the practices under this strategy are fully implemented. However, the technology and operations behind these practices are separated respectively into an in-house implementation and an virtual implementation. Again, the approach difference is that Alibaba favors partnerships in the in-house development for technology and partnerships for practices involving physical



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operations, while Amazon prefers to develop everything in-house. The dissimilarity could imply why Amazon has a much higher debt ratio and a lower working capital ratio than Alibaba since Amazon would need to take on more debt to invest in more fields of research and development.

In this section, we summarized and compared the differences in omnichannel strategies from Alibaba and Amazon. These differences offer some further insights to why the two companies have distinctive financial structures from one another. Amazon tends to invest more in the in-house research and development of omnichannel strategy practices; they are also actively exploring fields they currently have partners in to see if it is possible to create more value by bringing those fields in-house. Alibaba on the other hand favors building long term partnerships and forgoes practices that might jeopardize those relationships. The partnerships in turn allow Alibaba to hold a more favorable financial position by not having to invest in physical facilities and inventory.

## 5.3 Discussion on Innovation Capabilities

In section 5.2 we showed how Alibaba and Amazon varied in strengths of implementation for each strategy. In this section, we set to discuss how well each company has positioned themselves using the definitions by Chesbrough and Teece (2002) about which types of innovation is better for virtual implementation or vertical integration.



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To discuss these strategies in terms of types of innovation, we will further classify the differentiating strategies into three categories: product strategies, technology strategies, operation strategies. Based on the definitions given by Chesbrough and Teece (2002), we mapped out each of the 3 categories of strategies with respect to their type of innovation and capability. Strategies related to products should be achieved through allying or bringing in-house due to products strategies being autonomous innovations but these capabilities must be created. We find that technology related strategies should be brought in-house as and technology is a systemic innovation and these capabilities must be created. Lastly, strategies related to operation should be achieved through allying with caution since operation strategies being systemic innovations but these capabilities exist outside.

In Figure 5, we mapped the entire implementation differences from both companies in the respective capability and type of innovation. As we can see, although Alibaba currently is weaker in implementation with product strategies, Alibaba should be able to quickly catch up with Amazon if it takes an allied approach and virtualize implementations in this field. An interesting finding is that although operation strategies are found to be better implemented through allying with caution, Amazon has chosen to bring this capability in-house. Table 5 further breaks down the mapping and indicates that



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Amazon might not have positioned this strategy to be able to optimally bring innovation when compared to Alibaba.

| | | **Type of Innovation** | |
|---|---|---|---|
| | | **Autonomous** | **Systemic** |
| **Capabilities** | **Exist Outside** | Go Virtual | Ally with caution<br>(Operations)<br>• Build operations for scalable logistics network<br>*(Alibaba: fully implemented)* |
| | **Must be Created** | Ally or bring in-house<br>(Products)<br>• Avoid price comparisons<br>*(Alibaba: not implemented, Amazon: fully implemented)*<br>• Embrace competition through improve products<br>*(Alibaba: partially implemented, Amazon: fully implemented)* | Bring in-house<br>(Technology)<br>• Harness the power of data and analytics<br>*(Alibaba: fully implemented, Amazon: partially implemented)*<br>• Invest in 3rd party payment for complementary services<br>*(Alibaba: fully implemented, Amazon: partially implemented)*<br>• Build technology for scalable logistics network<br>*(Alibaba: fully implemented)*<br>• Build operations for scalable logistics network<br>*(Amazon: partially implemented)* |

*Figure 5: Types of innovation mapping*

When using the financial structure found in section 5.1, we reason that Amazon might be taking on too much debt bringing the logistics network in-house when it can be



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developed through allying with existing logistics and fulfillment providers. Due to this choice, Amazon also has less financial leverage and less financial freedom to pursue other new venues of new innovation.

*Table 5: Innovation Choice Mapping*

| **Strategy** | **Choice for Innovation** | **Alibaba's Choice** | **Amazon's Choice** |
|---|---|---|---|
| Harness the power of data and analytics | Bring in-house | In-house | In-house |
| Avoid price comparisons | Ally or bring in-house | Ally | In-house |
| Embrace competition through improving products | Ally or bring in-house | In-house | In-house |
| Invest in 3rd party payment for complementary services | Bring in-house | In-house | In-house |
| Build technology for scalable logistics network | Bring in-house | In-house | In-house |
| Build operations for scalable logistics network | Ally with caution | Ally | In-house |

In our mapping in Table 5, Alibaba has the correct mix of in-house and allied innovation. This gives Alibaba a better advantage in the short term to be able to introduce innovations in the omnichannel retail industry. However, perhaps Amazon's long term investments may pay off in earning core competencies with distinct advantages so that they can copy and ultimately beat Alibaba's implementations and with a dominant design.



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# 6. Conclusions

Amazon is in a strong position to offer better products and prices in a region they enter. However, since their operation strategies requires them to heavily invest in each region they enter, they can only focus on one new region to expand to at a time. Combined with an already debt-heavy financial structure, Amazon is not in the optimal position to innovate quickly for the omnichannel retail industry.

Although Amazon is not in the optimal position to innovate quickly for the omnichannel retail industry due to its debt-heavy financial structure, their strategy is focused on dominating each region that they enter one at a time. The heavy investment in facilities and regional technology have proven to be a core competency in being able to out compete their competitors on operating costs. Amazon has a strong long-term omnichannel retail strategy which could aid Amazon position themselves for eventually iterating on a proven omnichannel innovation to become the dominant player in the long run.

Alibaba is in a better position to enter and disrupt new regions. Its partnerships with local vendors and other brick-and-mortar stores means it can quickly establish physical channels and distribution networks in new regions on a tighter budget. Alibaba also has the technology specific to integrating different sources of supply chain information together in order to fully utilize the benefits having different partners onboard. Alibaba



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also has a better mix of in-house and allied implementations when it comes to omnichannel strategies. Combined with their better financial leverage and ability to raise more funds through debt, Alibaba is in the optimal position to innovate on new concepts in the omnichannel retail industry.

For a company in the retail industry that are looking to succeed in omnichannel retail, there are some insights that can be drawn from Amazon and Alibaba. These insights can be applied to both companies who are primarily brick-and-mortar and companies who are primarily ecommerce retail. The strategy is to identify weak areas of operation and to develop capabilities in those areas according to the financial support available.

The first insights which Amazon and Alibaba do very well is to build strong partnerships in channels and operations that cannot be integrated in-house in the short-term. Next, if the company is in a good financial position to raise funds enough funds, the company should slowly expand their capability into those areas for the eventuality of integrating those areas of operation back in-house. If the company does not have the necessary long-term financial capability, the company can focus on developing technology to better integrate those partnered channels and operation into the company's operations. The partnerships will be further strengthened if the technology can also benefit and add value for the partners. These partnerships will allow the company to expand into more channels without having to invest heavily into the physical assets to



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support these channels.

Both Amazon and Alibaba has done well in their implementation of omnichannel strategy. Should a competing company wish to realize their own omnichannel retail, they should not directly model their strategy after any one of the two. Rather, they should use the insights learned from Amazon and Alibaba to adapt their operations according to their own financial and competitive position.



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