**A Review of Alibaba’s SCM Strategy**

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**A Review of Alibaba’s SCM Strategy**

# **Introduction**

Supply Chain Management (SCM) is an important business practice that ensures profit-making institutions achieves their respective goals and objectives. The Organization Theory acknowledges the importance of SCM to ensure that profitability and market relevance is maintained in the involved industry. This essay analyses the SCM practices incorporated by Alibaba as a means of ensuring management leads to optimal profitability. This essay covers four key areas of supply chain system in the context of Alibaba Company. First, describe the supply chain strategy of Alibaba. Second, show how the company managed it is supply chain. Third, evaluate factors influencing Alibaba’s supply chain configuration now and in the future, and fourth, evaluate the strategic and operational implications of Alibaba’s supply chain system.

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**Delivery**

**Warehouses**

**Suppliers**

# **Alibaba’s Supply Chain Strategy**

## **Handheld-Devices Technology**

It would be prudent to acknowledge that Alibaba depends on the growth and development of smartphone technology which varies with reference to different viewpoints. For instance, technology development of the computational capacity of handheld devices determines the firm’s ability to attract a huge market audience (Huang, Tan and Ding 2015, p83). This is to state that a technology invented for these products as evidenced in iPhones, HTC, Huawei as well as Tecno and Infinix determines the market performance of Alibaba (Xiao et al. 2019, p125). The price affordability of technology devices in e-commerce markets contributes to the success of online retailing services. It is for this reason that Alibaba reaps high-profit margins due as a result of penetrating deep markets all over the globe.

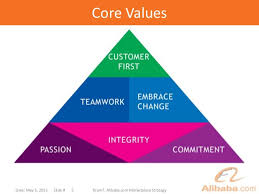
## **Internet Technology**

From a different angle, Alibaba’s supply chain strategy also depends on internet technology in terms of development in mobile applications. According to Jack Ma, most markets prefer retailing services that are timely and trustworthy to a given audience (Lixandroiu and Maican 2015 p57). This is similar to how Amazon has incorporated its online retailing services which capitalizes on an organizational image as a means of improving the firm’s public image. It is for this reason that Alibaba has captured a wide market audience which has a predetermined categorization (Wang, Min and Han 2016, p35). For instance, the firm’s official website ensures that most account holders access retailing services irrespective of geographical location.

## **Stakeholder Management**

Lastly, it would also be important to acknowledge stakeholder integration as a means if implementing Alibaba’s supply chain strategy. This firm is comprised of different business entities which play the supplying role of products to the market. For instance, Alibaba has entered into Partnership Contract whose terms detail the supply process of the firm's products to the warehouse (Simpson, et al. 2015, p89). According to the Management Theory, stakeholder cooperation and coordination determines a product’s availability and reliability to clients and consumers. Similarly, Alibaba has set up remote customer care centres which act as the first organization-client contact which addresses the needs of customers.

# **Supply Chain Management in Alibaba Company**

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## **Consumer Behaviour**

Alibaba has unique ways of managing its supply chain practices that have contributed to the organizational success of this firm. Alibaba capitalizes on understanding customer behaviour which is an essential distribution tool for any organization. Alibaba has set up an online review platform where clients are provided with an opportunity to rate various services and products of the firm (Huang, Tan and Ding 2015, p84). For instance, some clients complain of delayed delivery services for products which are shipped from overseas. Once Alibaba undertakes a Quality Assurance process on various services and products, it provides reflective recommendations which aim at understanding customer behaviour when making a purchase through its e-commerce platforms.

## **Service Delivery**

As noted above, Alibaba ensures that its SCM practices attract trustworthy from esteemed clients across all its markets. Service delivery is an important activity for e-commerce platforms which determines sales volumes and overall revenue generation margins (Paraschakis, Nilsson and Holländer 2015, p1026). According to the organization in context, service delivery is scheduled using a timeline that promotes customer patience despite geographical location. For instance, the firm delivers a product to a client in a duration not exceeding two months depending on its foreign market regions. Alibaba ensures that it maintains a consistent communication process which periodically informs the buyer of the delivery status of the product.

## **Management Efficiency**

From a different angle, Alibaba has adopted a management practice which ensures that employees integrate – positively - with other stakeholders of the organization. According to the Employment Law, Alibaba has ensured that employee professional needs are addressed in the most amicable manner (Simpson, et al. 2015, p90). Employment contracts of all employees stipulate that the organization should adhere to the wage standard rates as defined in Labour Acts of different countries. This ensures that a level of professionalism dictates the performance of e-commerce platforms (Shi, et al. 2015, p98). This is an important contribution to the SCM practices as employee management has ensured the firm attains a positive Organizational Culture which is defined by the quality of service delivery.

## **Talent Management among Employees**

Alibaba has adopted a leadership strategy which propels its SCM activities to high ranking standards in the e-commerce industry. Employee’s talent management should be developed in a way that promotes supply chain practices in a relevant and effective way (Lixandroiu and Maican 2015 p58). For instance, experienced drives are used to deliver products to long-distanced markets after a client places an order. Similarly, charismatic managers are provided with leadership roles that improve the professional levels of employees within the organization. With such leadership practices, Alibaba has maintained its market relevance via its quality delivery of services and products.

# **Factors influencing the Supply Chain Configuration**

## **Cultural Diversity**

Alibaba operates in different market regions that have a wide range of cultural backgrounds among all stakeholders. For instance, the nature of cultural diversity in a South American market ranges from a similar one in Africa and Asia (Simpson, et al. 2015, p93). Cultural diversity describes an important business factor which describes the globalization efforts of any multinational corporation (Paraschakis, Nilsson and Holländer 2015, p1027). For instance, different religious backgrounds enable the HR department of Alibaba to determine appropriate leave schedules for employees. This has been important in conflict mitigation process whenever there are internal wrangles between the management and employees. Internal wrangles would include a worker’s strike agitating for between wages and appropriate working condition.

## **Business Management**

In modern times, politics play an important role in determining the success of any multinational corporation. For instance, the murder of a Saudi journalist – Jamal Khashoggi – sparked international politics that barred the establishment of business entities and Foreign Direct Investments (FDIs) in Riyadh, Saudi Arabia’s capital city (Huang, Tan and Ding 2015, p87). Similarly, Alibaba has experienced a series of political interference that affects the SCM practices of most Chinese organization. This includes the recent arrest of a high ranking official of Huawei on diplomatic grounds of breaching international trade. The US-China trade war has affected the business performance of Alibaba and the politics around the war has deteriorated the situation in different ways. For instance, product quantity has fallen significantly as a result of high import taxes for products entering the US.

## **Emerging Practices**

It is also critical to acknowledge the importance of emerging practices in describing the SCM practices of multinational corporations. Alibaba, a globalized organization, ensures that it obliges to international laws described in different trade treaties (Yu et al. 2016, p180). For instance, the World Trade Organization stipulates that multinational corporations should adhere to gender rules that bar discrimination of women in senior management positions Ge, T., Liu, Z. and (Ma 2016, p597). Similarly, the European Union states that member countries state that free movement of goods and people should behave insurance covers that protect against devastating risks.

# **Strategic and Operational Implications of the Supply Chain Approach**

## **Functional Competence of E-Commerce Platforms**

One of the operational implications of Alibaba’s SCM strategy could be described using the functional competence of e-commerce platforms. In simpler terms, ease-of-use and friendly user interface have ensured that audience capacity as most markets attracts new clients to its services (Simpson, et al. 2015, p95). This is measured using the online popularity of Alibaba’s products which vary in terms of rating and number of reviews. Audience capacity has been an instrumental ensuring that the organization achieves its primary marketing objective of gaining popularity across the entire globe. It is through this strategic implication of SCM practices that have made Alibaba attain a stronger competitive advantage over Amazon.

## **Implementation Cost**

The implementation cost of Alibaba’s SCM approach is a strategic way of cutting on expenses as most of the activities are based on online platforms including the website and desktop application. The strategic importance is realized during the communication and advertisement practices which ensure that stakeholder management and revenue generation lead to high-profit margins (Simpson, et al. 2015, p97). For instance, social media advertising has enabled Alibaba to penetrate remote markets in places such as Australia and South Africa which are far away from the firm’s headquarters in China. This growth has reduced the operational and production cost in significant ways that lead proper utilization of available resources across the entire globe.

## **Management Accountability**

From a different angle, it would also be critical to acknowledge that Alibaba has adopted management accountability practices against online malpractices such as cybercrime. The Dark Net, where personal details of online account holders are exchanged in an informal setup, has been mitigated using Privacy Protection Policies that promote ethical practices in the e-commerce platforms (Lixandroiu and Maican 2015 p59). Similarly, the use of account-password technology has ensured that Alibaba protects its account holders from online money laundry schemes. For instance, account users are encouraged to develop long passwords as a means of ensuring that hackers are unable to access information as part of cybercrime.

# **Rival Company – Amazon.com, Inc.**

SCM integration is a vital lifeline for e-commerce platforms as it determines product success among globalized firms. For instance, it is through a combination of social media advertisements and mass media in marketing practices that Amazon has capitalized on profit generation activities (Yu et al. 2017, p2265). This integration has been critical in ensuring that a coordinated advertisement campaign results in high-profit margins for Amazon, for instance, advertisement of products in other mobile application which operates with the same industry. This is aided by Google – as well as other search engines such as yahoo – which facilitate access to Alibaba’s e-commerce platforms.

When keenly perceived, it is vital to state that Amazon.com SCM strategy has a wide range of strategic and operational implications with respect to market developments. International growth of firms is being barred by cultural diversities as seen in many economies. (Hu et al. 2014, p326). Nevertheless, market coverage describes one of the strategic implications of this firm’s SCM practice. For instance, Amazon.com capitalizes on social media platforms to advertise different products which are offered on its e-commerce platforms. Moreover, this firm also ensures that it capitalizes on social media platforms to communicate important information to its market composed of new clinics and existing customers.

# **Conclusion**

According to this analysis, it is important to acknowledge that the supply chain strategy adopted by a firm determines its organizational success. As described by different Organizational and Management Theories that support SCM practice in different market environments. As highlighted in the analysis, the success of an entity relies on a positive public image built on efforts that need to support customer satisfaction and trust (Ngai, Tao and Moon 2015, p36). Alibaba presents an appropriate case scenario in which modern SCM practices are taking a transformational direction with respect to traditional retailing practices. Consequently, it would be fundamental to state that globalization and international diplomacy is taking a heavy toll which is barring the establishment of FDIs by imposing heavy import duties that increase the overall production cost in Alibaba’s SCM strategy.

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