

Alibaba's Macroeconomic Research

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ABSTRACT. *With the acceleration of the globalization of scientific and technological innovation, innovation ability is of more and more significance to an enterprise. In the world environment, e-commerce based on the Internet is also developing rapidly. At present, some e-commerce enterprises in China gradually use cloud computing. This paper uses the knowledge of strategic management and technological innovation to analyze the current state of the Internet industry with Alibaba cloud computing Co., Ltd. as an example. This paper analyzes the advantages and disadvantages of Alibaba cloud through profitability analysis and market profitability analysis, and analyzes the reasons why Alibaba cloud computing chooses differentiation strategy and the impact of this strategy on Alibaba cloud and even Alibaba group.*

KEYWORDS: *Profitability, Market, Macro economy, Differentiation strategy*

1. Introduction

Alibaba is a leading cloud service provider in China, and is expanding its market worldwide. It combines its e-commerce platform with cloud computing to establish Alibaba cloud [1]. "Ali cloud" is the eighth subsidiary company of Alibaba group after Alibaba, Taobao, Alipay, Ali software and Alibaba YAHOO. It is wholly owned by Alibaba group. It was founded in September 2009. It is a data centric advanced cloud computing service developer. Its goal is to build a data centric advanced cloud computing service platform, [2]. Alibaba cloud computing is committed to providing complete Internet Computing Services, including e-commerce data collection, rapid processing of massive voice control data, and customized e-commerce data services to help Alibaba group and the whole e-commerce ecological chain grow.

2. Profitability Analysis

This paper selects Alibaba's business profitability in terms of sales gross profit rate, sales profit rate, sales net interest rate, return on total assets and return on shareholders' equity from 2015 to 2017. As shown in the following table:

Table 1 Business Profitability Index

Index	Years	2015	2016	2017
Gross margin on sales		36.86%	37.48%	38.62%
Sales profit margin		13.78%	13.94%	15.14%
Net sales interest rate		12.35%	13.23%	14.48%
Return on total assets		11.02%	10.38%	10.72%
Return on total assets		14.74%	13.16%	12.97%

(1) Gross margin on sales

Gross profit on sales is the amount of operating revenue exceeding operating cost. Gross profit on sales reflects the ability of an enterprise to create revenue due to the profitability of its products. High gross profit on sales indicates strong profitability of a unit product, low gross profit on sales, and weak profitability of a unit product. From the data in the table above, Alibaba's sales gross profit margin rose in 2015-2017, indicating that the enterprise's profitability has increased.

(2) Net sales interest rate

The net sales interest rate reflects the ability of an enterprise to make final profits through its business

activities, and reflects the ability of its shareholders to make after tax profits from its business activities. Generally speaking, the higher the net sales interest rate, the stronger the ability of the enterprise's products or services to bring the final profit. From the data in the above table, Alibaba's sales net interest rate in 2015-2017 is from 12.35% Up to 14.48% , indicating that the enterprise's products or services have the ability to bring ultimate profits.

(3) Return on equity

Return on equity, also known as return on equity, reflects the ability of enterprises to create return on investment for shareholders. The higher the return on equity is, the more return on investment enterprises create for shareholders. In 2015-2017, Alibaba's return on shareholders' equity continued to decline, indicating that the company's ability to create returns for shareholders decreased. According to Alibaba's financial statements in the past three years, the asset liability ratio of the company has declined significantly in the past three years, and the equity multiplier has continued to decline, which has led to a certain decline in the return on equity of shareholders.

3. Analysis of Market Profitability

Table 2 Market Profitability Index

Index Years	2015	2016	2017
Earnings per share	1.11	0.65	0.41
net asset value per share	7.90	6.00	3.22
P / E ratio	50.4	44.4	30
Market to net ratio	7.7	4.6	3.9

(1) Earnings per share

Earnings per share, also known as earnings per share or profit per share, is the profit (or loss) that the shareholders of an enterprise can obtain when they hold one share of equity. In the case of no change in the shares of an enterprise, earnings per share reflects the profitability of the enterprise. According to the data in the table above, Alibaba's earnings per share in 2015-2017 showed a downward trend, which is likely to cause a decline in the stock price. This situation may be caused by the continuous rise of the company's share capital in these three years.

(2) Net assets per share

Net assets per share refers to the ratio of shareholders' equity to total shares. This indicator reflects the present value of assets owned by each share. The higher the net assets per share, the more the value of assets per share owned by shareholders; the less the net assets per share, the less the value of assets per share owned by shareholders. Usually the higher the net asset per share, the better. From the data in the table above, Alibaba's net assets per share decreased significantly in 2015-2017, which may be related to the substantial increase of the company's equity.

4. The Significance of Differentiation Strategy

(1) Alibaba cloud's cloud computing will become Alibaba's main business in the future. Alibaba has realized multi-level business integration, innovation and development, digital transformation of enterprises and expansion of more business types. It can provide cloud computing platform for ecological partners, manage equipment efficiently, and make partners apply Internet with lower cost and higher efficiency.

(2) Alibaba cloud has become the No. 1 cloud computing manufacturer in China, and is also known as the global "3A" cloud computing manufacturer along with Amazon AWS and Microsoft azure.

(3) Alibaba cloud's "lot partner" plan has realized the interaction between enterprises and scientific and technological talents, alleviated the rigid demand for talents in the Internet industry, and promoted the development of the ecological construction of the Internet industry.

(4) Through the differentiation strategy, Alibaba cloud has enhanced the innovation of technology products, constantly encountered difficulties, and constantly improved its own technology in the difficulties. In the long run, Alibaba cloud has promoted the skilled use of cloud computing technology from enterprises to customers,

increased its own experience, and become more competitive in the international cloud computing market.

5. Conclusion

From the above data, it can be seen that enterprises participating in cloud computing competition must not only have core value and infrastructure, but also independent research and development. If Alibaba cloud wants to increase its market share and enhance its competitiveness in the world, it must enhance the innovation of its products, highlight its product features and improve the construction of platform infrastructure. Choose the differentiation strategy, focus on the development of technology differentiation and talent differentiation, build their own brand, and improve brand awareness. This is completely in line with the internal and external environment that Alibaba cloud is currently facing.

References

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