Amazon vs Alibaba

[Name of the Writer]

[Name of the Institution]

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**About the Companies**

**Amazon Inc.**

Amazon is a US-Based multinational technology company that has operations in several countries and regions of the world. Amazon is based in Seattle, Washington focuses mainly on e-commerce, digital streaming, cloud computing, and artificial intelligence. The company is known and considered as one of the top technology companies in the world which are counted in the list of Google, Apple, and Facebook, etc. The company is highly known for the level of its presence in the world, its distribution to the customers and market place, as well as it is highly appreciated for its mass scale technological innovation.

Being a multinational company, Amazon is the world’s largest e-commerce platform that works as an artificial intelligence provider and cloud computing platform based on its financial performance and market capturing in the sectors. By revenue in the international market, Amazon is the largest and most successful internet company in the world while it is listed as the second-largest private employer in the state of America while one of the most valuable companies in the international marketplace. By revenue and in the overall international market (not only based on the e-commerce and internet), but Amazon is also the second-largest company in the world.

**Alibaba Group**

Alibaba Group Holding Limited is a Chinese is an international company that operates as a conglomerate entity in the global market place. The company is specialized in e-commerce, technology, retail, and the internet. Alibaba Group currently operates in more than a few markets in the world that provides consumer to consumer, business to consumer and business to business sales services through the web portal (Ming 2018).

Beyond that, the company is also specialized in offering services such as electronic payments through the internet, cloud computing, and shopping search engine to its customers around the globe. Alibaba Group also owns a number of the diverse array of businesses in different sectors of the international market place (Khammuang, 2019). The company is also named by the Fortune 500 as the most admired business entity in the world.

**Key Issues facing Amazon Management**

Being a successful and well-established company in the world, Amazon is a highly well-managed company in the industry in terms of its business operations and performance. But, it is a real fact that gaps exist almost everywhere. Hence some issues are facing the management of Amazon Inc in many ways. These issues are mainly associated with the management of the company as well as they have inverse impacts on the company in terms of its business, operations, performance, and growth, etc. In short, the issue facing the company and management is but not only listed below.

**International Performance (Weak Financial Planning)**

Being a multinational company, it is very important for Amazon Inc to have effective operations and performance on the international level. It means that the company has to put every possible and implementable step to ensure that they have a good performance on the international level.

But, Amazon’s performance on the international level had not been witnessed as impressive as they had to be in the recent time. The international performance of the company had not seen as it had to be because the onetime growth of the company had come to see 15% lower compared to the previous quarter. This issue facing the management because it is associated with the decisions made by the management regarding the Diwali holiday of India (Prachi, 2019). It means that this issue is the result of the decisions made by the company’s management.

**Rivalry in the Industry**

The company and management are facing the issue which the aggressive increase in the rivalry for the company in the industry and market. This issue of increased rivalry is facing the company because new competitors such as Walmart are aggressively capturing market share from Amazon in the market through strong promotion and pricings against the competitors (Nathaniel, 2017).

**Investment and Revenues**

One of the most critical issues face the management of Amazon in the current time is the balance of investment and revenues. The company management especially financial management have the issue that some investments made by the company in other sectors such as logistics do not ensure the expected results. The problem because of which the company faces this issue is not much involvement and implementation of technology as required (Prachi, 2019).

**Key Issues facing Alibaba Group**

Like Amazon, there are more than a couple of issues that face the management of Alibaba Group. The issues facing Alibaba Group are mostly high-level issues that also face the company on the international level. So some of the most critical issue facing Alibaba management are;

**Uncovered Gaps between the Markets**

Based on the findings of many analysts, the most critical and crucial issues facing the Alibaba Group is the problem of uncovered gaps between the international markets and Chinese markets. The company has problems in these areas because they consider and treat almost every customer of every market in a somehow similar way. Additionally, they also work to satisfy every customer’s (local and international) similarly. While it creates problems for the company instead (Ming 2018).

**Financial Performance and Results**

The financial issues in the last period of 2018 were not as impressive as the company expected. It means that the company had financial issues to face on the domestic and international levels. Here, the company had been hit by multiple headwinds at one time where the company was expected to generate $35 billion sales minimum while the sales have been seen only $30 billion as a result (Khammuang, 2019). But the reason behind this result (issue) is the ineffective financial planning of the company which also led to not ensuring the predicted dividends from the business expansion.

**Unimpressive Global Performance (up to an extent)**

Alibaba Group is an international company that operates beyond China and its markets. But, there is an issue facing the company’s management. The issue facing the management of the company is the unimpressive performance of the company in the global market while being a multinational company. This issue facing the management because the management is required to identify that why the company is still hugely relying on the revenues from the Chinese market as well as what are the reasons or problems behind (Khammuang, 2019).

**Impact on International Environment on the Issues**

**International Environment and Issues Facing Amazon**

Being an international entity, the international environment has huge impacts on each of the issues facing Amazon Management.

* Firstly, the international environment impacts the issue of the international performance of Amazon positively. It impacts positively because it enables the company to overcome its financial troubles faced in a particular market by performing well in the international market (Christmann, 2014).
* In terms of rivalry, the international environment impacts the issue by making it more difficult for the company to compete as new competitors are entering the global industry.
* While the issue of the investment and revenues in the logistics by the company can be empowered by the international environment. It could be empowered by the global environment because it (global environment) could enable the company to generate more revenues and implement the required technology so that better results can be ensured.

**International Environment and Issues Facing the Alibaba group**

The international environment or international business environment has a huge role in the business performance of Alibaba group. Hence, the company and issues facing it are hugely impacted by it (international environment) in many ways.

* First, the international environment impacts the issue of gaps between the markets in the way that it is going to be made more difficult for the company to overcome this issue. The international environment impacts it and makes it difficult to manage because the international business environment is becoming complex day by day.
* The financial results or issue of weak financial planning can be impacted by the international environment in both a positive and negative manner. The issue can be impacted in a positive way because it enables the company to hire highly competent financial analysts and planners from the international labor market (Christmann, 2014). While it can impact inversely because being an international company, it becomes more difficult for Alibaba to overcome the issues in a simple manner as local companies could do.
* The international environment affects unimpressive global performance in a credible way. This can be done so by the international environment because the environment provides a wider and widely ranging market and a huge number of customers to the company to target and become stable. So that the company could improve its performance and would not be relied on the Chinese market a lot.

**Strategies for Management**

**Strategies for Amazon to overcome the Issues**

Several strategies are there which can be used by Amazon Inc for the purpose to overcome the above-explained issues. But some of the highly credible and most appropriate ones are below;

1. **Geographic Expansion**

As the company has a strong presence on the international level, it may not be difficult for the company to expand its business operations and market borders. But it could be a bit risky and taking risks is not a new manner. Hence, it could be a fine strategy for the company to look for further expansion in terms of expanding its geographic. In this, the company would have two benefits, one is they would have the opportunity to approach more sales which would lead to better financial results while the second is that the company would have wider labor market to recruit the best talent for the positions of financial planners and analysts (Nathaniel, 2017).

1. **Product Development**

The company can use the strategy of product development to enhance its basis of competitiveness. The company could do so because product development will enable Amazon to offer better products and services which could not be offered by new entrants to the industry such as Walmart (Prachi, 2019). So as a result, the company would have a grip on meeting the international rivalry.

1. **Supply Chain Improvement**

Being a multinational company, working on improving and enhancing the supply chain and its operations would be a fine strategy to adapt. In this, the company would have access and better delivery systems to every market and customer (Rizea, 2015). Hence, there would be more possibility of higher sales and better customer services so that better financial outcomes.

**Strategies for Alibaba Group to overcome the Issues**

For the purpose to overcome the issues facing Alibaba Group management, some credible strategies are;

1. **Diversification**

Alibaba Group is currently facing the issue of the unimpressive global performance in some aspects of its business operation on the international level. So for the purpose to overcome the issue, it is recommended that the company should adopt a diversification strategy. In this strategy, the company should introduce a new product to the market place as well as they have to develop a new market for the new product while not ignoring to improve the existing market (Ming 2018). For this, the company should look for business acquisition.

1. **Market Development**

As the company has gaps in managing and differentiating global markets from the Chinese market, the strategy of Market Development can be a good strategy to adopt and implement. For overcoming the issue of gaps between the international and Chinese markets, Market Development would enable Alibaba Group to develop each of its target markets with having the current product at hand (Rizea, 2015). So in this case, the company would be able to target every market with relevant strategies once they develop the target markets for its products.

1. **Market Penetration**

One of the finest strategies that Alibaba Group can use to overcome the issue of weak financial performance is market Penetration. This strategy would overcome the issue of financial performance because it allows businesses and companies to generate more revenues from markets where the company like Alibaba Group currently operates.

As Alibaba Group is dependent on the customers, the company growth is associated with customers’ growth. So the company could have better results if they increase customers’ interest in online retailing or shopping (Christmann, 2014). For this, Alibaba Group has to conduct an aggressive marketing campaign.

**Costs and Risk of Strategies**

**Amazon Inc**

1. **Geographic Expansion**

There are costs in different shapes that global expansion would have for Amazon as well as some critical risks would also be there. In terms of costs, the geographic expansion would lead the company to have more budget than the normal to expand the business operations. While on the other hand, it may create the risk of increased regulatory obligations, risks of unknown tariff and license, risks of socio-political uncertainties and other reputational changes (Prachi, 2019).

1. **Product Development**

Product development would lead to higher budgets with the increased operating income while I would enhance the current expenses for the company. But the main risk that it could create for the company is, it may not bring the results as expected by the company and management such as product failure may happen (Rizea, 2015).

1. **Supply Chain Improvement**

The costs of supply chain management and its improvement could be found a productive investment even it is higher in amount. But, in terms of associated risk, this strategy may not get succeed because the size of supplier may be larger relative to the buyers. It means that it would lead to extra costs for the company which is a financial risk associated with this strategy (Rizea, 2015).

**Alibaba Group**

1. **Diversification**

The cost of diversification would be higher for the company because the Alibaba group would introduce new products and develop a new market for it but it would be a good step (if succeed). While the risk for the company in implementing this strategy would include not generating desired results, and may increase operational stress and brand damage (Christmann, 2014).

1. **Market Development**

Market development would create additional costs for the company in the shape of increasing its operational budget by the percentage of the company's investment which is not a new phenomenon. But, the risk it may lead to for the Alibaba Group is it might not develop competitiveness as expected or may not ensure gaining new customers for the company (Khammuang, 2019). This means that the investment may be a loss.

1. **Market Penetration**

The implementation of market Penetration Strategy, Alibaba Group’s would cost for higher production costs as the company would be looking for generating more revenues from the current market (Khammuang, 2019). While it is possible only through higher sales of more products and services. While the risk(s) of this newly developed strategy for the company would be; 1) harm the company's image, 2) inversely impact product quality, 3) and increase the risk of a pricing war.

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