

## Alibaba: The next Information Giant in Market Research, Consumer and Commercial Credit Information?

The Economist highlighted in a recent article the fact that through its various subsidiaries, the Alibaba Group holds a highly valuable, but as of yet, largely untapped resource: data covering the online buying behavior and credit histories of millions of individuals and small- and medium-sized enterprises in China.

Alibaba now has a “live data monitoring room” at its headquarters in Hangzhou which offers real-time figures on the millions of users trading on the company’s various e-commerce platforms. The company’s B2C arm, Taobao, boasts 300 million registered users and facilitated transactions valued at US\$29 billion in 2009 alone.

Earlier this month, Alibaba pulled back the curtain a bit to provide a glimpse into the level of information it has at its disposal. In Beijing, the company held what it calls its “inaugural Taobao e-commerce data sharing event.” At this event Alibaba released a wide variety of metrics and user trends related to online spending habits - based on its aggregated consumer data.

Alibaba reported that on average on Taobao, 48,000 items were sold per minute in 2010 and Alibaba demonstrated that it can, for example, map the number of mobile phones sold in Shandong Province by age, gender and method of payment. And as Alibaba builds its’ recently announced US\$4.6 billion logistics infrastructure across China, the company will have even greater insight into exactly who is buying and where the buyer and seller live.

Alibaba’s records are an unrivalled database of the spending habits of China’s emerging middle class. The company is understandably cautious about how it will utilize this data – typically citing privacy protection issues. It is also a particularly sensitive issue given that the central government in China tends to cast a wary eye towards companies in the private sector with control over that much data. Alibaba does, however, enjoy a very cordial working relationship with the Chinese government at all levels.

Those risks aside, it is clear that Alibaba is sitting on a mountain of data treasure which is growing by the minute and the company has ample opportunities to cash in on this asset. For example, Alibaba could leverage the information to better target buyers and sellers on its platform or it could potentially aggregate and package the data to sell it to a wide variety of players such as financial institutions looking for better credit data in China or manufacturers looking to identify opportunities to sell to Chinese consumers. No matter how you look at it, this is a growing information asset and Alibaba is just getting started. *Courtesy Business Strategies Group (BSG Asia) Hong Kong, a co-founder of BIIA*

*To read more go to page 2*

**Business Information Industry Association Asia Pacific – Middle East Limited**

1101 Wilson House, 19-27 Wyndham Street, Central, Hong Kong

Telephone: +852 2525 6120; Fax: +852 2525 6171;

E-mail: [info@biiap.com](mailto:info@biiap.com); [www.biiap.com](http://www.biiap.com)

**BIIA Comment:** The Economist's and BSG's assessment does not come as a surprise. BIIA has indicated on numerous occasions that Alibaba is on its way to becoming the next information giant in e-commerce transaction information, perhaps in the form of a combination of a Nielsen, Experian and D&B; and most likely in that order.

As an e-commerce provider Alibaba sits comfortably between sellers and buyers and is therefore able to capture performance data on the buying behavior, trading & payment patterns of consumers and businesses. With 300 million registered consumers and 52 million plus commercial users this is by no means a small playing field. So far Alibaba has not shown its hand about their strategy. They declined an invitation to present at the BIIA Business Information Forum 2011 about the information needs of their users, therefore it is believed that Alibaba will keep data matters close to their chest for the time being.

There are other factors to consider: China's policy makers are keen to create an indigenous information industry, simply because major information companies are foreign owned and having foreigners in control of consumer and business information is not in China's interest. However information about consumers is a highly sensitive issue. This is one of the reasons as to why the People's Bank of China (PBC) as a regulator also operates the world's largest credit bureau as a state owned monopoly. Such policy keeps foreign companies out of the consumer credit information segment (banks are not permitted to share data with private sector information companies). Whether policy makers will allow Alibaba to enter consumer credit information has yet to be seen.

Indications are that regulations are getting tougher rather than easier. The PBC has recently started to set up its own payment system operation and in its dual role of being a regulator is tightening the screws on the payment system industry to retain control over this activity. This means that Alipay will have its wings clipped. For Mr. Ma, Alibaba's founder probably just a minor inconvenience. This however may prompt Mr. Ma to turn his focus on his data assets, perhaps creating a new powerhouse of information services medium term. Remember, Alibaba did not exist 12 years ago. For Mr. Ma nothing seems to be impossible.

There is also the issue of Alibaba's potential size. China's new antitrust laws are strict and could be applied once Alibaba becomes a too dominant e-commerce provider. Given the incredible track record of its founder Mr. Ma, Alibaba most likely will find a way around such potential impediments.