

## **Review Article**

# **Discuss the Similarities and Differences of Amazon and Alibaba with Respect to Cross-border E-commerce**

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**Abstract:** The purpose of this paper is to discuss the similarities and differences between Amazon and Alipay in their cross-border e-commerce. Nowadays, cross-border trade has become more and more frequently with the development of society and technological progress. Cross-border trade has been put on the top agenda by businesses when they set up their long-term plans in the contemporary business environment. At the same time, e-commerce has become a popular business model in the world with the maturity of information technology. The combination of these two, cross-border e-commerce, has become one of the most prominent industries in the world. This paper adopts the case study approach and chose the industry giants: Amazon and Alibaba as the case study objectives. These two giants are both attach importance to the cross-border trade to expand their market. This paper will discuss the similarities and differences in cross-border e-commerce between Amazon and Alibaba. Amazon and Alibaba both have their own shopping platform for global customers and the reason for Alibaba and Amazon choose their target market is similar. However, Amazon and Alibaba have differences in their market strategies, delivery methods and payment system. Among them, the political and economic both the main factors cause they have these differences. This essay will attempt to explain the differences and similarities between Amazon and Alibaba to help readers have cleaned understand about the cross-border e-commerce in the modern business environment.

**Keywords:** Cross-border Trade, E-commerce, Alibaba and Amazon

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## **1. Introduction**

With the development of society and technological progress, the interconnection between countries has become more and more frequently in 21<sup>st</sup> century. People are easily to go aboard for working or traveling and the cooperation between different countries has growing. Among them, business field is one of the fields which be influenced significantly. The barriers for entering international trade have been reduced, and more and more companies have engaged in cross-border trade. Cross-border trade has been put on the top agenda by businesses when developing the long-term plan in the contemporary business environment. The e-commerce also takes part in the cross-border trade because they have intention to capture more market share and earn more profits. As the industry giants, Amazon and Alibaba are both take the globalization strategy to expand their market. Due to the

differences in business models, their globalization strategies are different. This essay will use the e-commerce giants, Amazon and Alibaba as examples to discuss their similarities and differences in cross-border e-commerce. Firstly, this essay gives an overview of Amazon and Alibaba. Secondly, the essay will discuss the similarities and differences between Amazon and Alibaba with respect to cross-border e-commerce. Finally, this essay makes attempt to explain the differences and draws a conclusion.

## **2. Main Body**

Development of digital technologies has brought about significant changes to the contemporary business environment, especially for the retail industry. Internet technology facilitates cross-border trade. Therefore, a growing number of consumers prefer online shopping. In fact, E-commerce has become one of the most dynamic and important sectors in the

contemporary economy. Cross-border trade, referring to company's selling products to customers in other countries, is the latest trend in the e-commerce [1]. Due to the substantial growth of online shopping transactions, e-commerce has become one of the most prominent industries in the world. The sales volume of global e-commerce has reached \$2.842 trillion in 2018 [2] and its volume still will increase in the future (Figure 1). Among them, cross-border commerce has captured an important position. Due to the huge market potential, the e-commerce field has attracted much attention from investors and companies. The goal of existing companies is not limited to the domestic market, instead, they intend to get more profits from cross-border trade. In addition, with the further development of the global economy, cross-border e-commerce has become much more related to the future strategy of the enterprises. How to formulate the efficiency strategy has been put on the agenda. Amazon and Alibaba are the most representative firms, with outstanding performance in the cross-border e-commerce market. By entering into the cross-border market, they can get more market share and earn more profits.

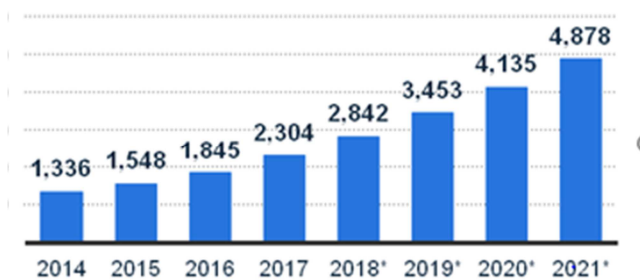


Figure 1. Global e-commerce market size in 2014-2021 (Source: 3).

## 2.1. Amazon & Alibaba Cross-border e-commerce

As the two largest e-commerce companies, Amazon and Alibaba have made significant achievements. Amazon is the pioneer in e-commerce and it was founded by Jeff Bezos in 1994 and it built the website in 1995 [4]. At the original stage, Amazon just focuses on how to utilize internet to sale books. After two-decade development, Amazon becomes the largest e-commerce firm in the world, and it offers millions of different products to customers. Now, Amazon has opened its website in more than a dozen countries in different continents. In addition to the e-commerce platform, Amazon also enters other industries where it has achieved success. For example, Amazon Web Services (AWS) has become the biggest company in the cloud services field, and AWS help Amazon becomes the fifth-largest provider of business software in the world, following Microsoft, IBM, Oracle and SAP [5]. Now, Amazon has become an international business empire involving many fields and its revenue has got 177.87 billion dollars in 2017 [6].

According to the information from Alibaba website [7], Alibaba was set up by Jack Ma and his team in 1999. When Jack Ma established Alibaba, it is a B2B platform for firms to make global wholesale trade market. This means that Alibaba was created for cross-border e-commerce when it was born. In

2003, Alibaba established its C2C platform, Taobao, which allows Chinese customers to purchase online. Alibaba later becomes the empire of online shopping. Taobao and Tmall (B2C platform) have become the main online shopping businesses of Alibaba, and they have become the e-commerce industry giant. In addition, Alibaba also gets involved in many different industries like technology, financial, entertainment and other industries. In 2017, the revenue of Alibaba had got 250.27 billion RMB [8].

## 2.2. Similarities & Differences in Cross-border E-commerce

### 2.2.1. Similarities

#### *Similar global shopping platform*

The first similarity for Amazon and Alibaba with respect to cross-border e-commerce is they have similar platform for customers to make cross-border shopping. Alibaba launched Aliexpress for global customers to make cross-border e-commerce in 2010 [9]. Now, customers from over 200 countries and regions can use Aliexpress to shop across border. Meanwhile, Amazon also launched the international shopping service in both its mobile APP and its mobile website in 2018 [10]. Customers could utilize this function to pick products from other countries and Amazon is ready for delivering products consumers over 100 countries. The foundation of Alibaba and Amazon businesses lie in the mature shopping system and a large customer base. The cross-border system not only helps them attract more customers but also help them consolidate the established markets.

#### *Similar target market selection reason*

The other similarity is the reason for Alibaba and Amazon choose the target market. When determining the overseas market to enter for the first time, both Amazon and Alibaba selected countries that are closely related to their home countries. America has closed connection with European countries because of the similar culture and business environment. Therefore, Amazon prefers to make cross-border e-commerce with these countries. In 1998, Amazon acquired Bookpages Ltd., Telebook Inc. and Internet Movie Database Ltd. [11]. By these acquisitions, Amazon not only enriched its own book categories, but also began its cross-border e-commerce business. Now, Amazon has developed its website in more than a dozen countries and occupied a large market share in North American and European e-commerce markets.

Comparing with Amazon strategy, Alibaba also has similar target market selection reason. Some Southeast Asia countries have close links with China because of history. In addition, Southeast Asia countries including China have experienced great economic development in recent years. Thus, Southeast Asia area has become an idealized market for Alibaba. Through investment, Alibaba has controlled stakes of Lazada in 2016, the biggest e-commerce company in Southeast Asia, and this will help Chinese merchants to make cross-border e-commerce in Southeast Asia. In addition, Alibaba also becomes the most popular e-commerce company in Russia. Now, Alibaba is shifting its focus to India, another neighboring country as well as one of the largest emerging

economies with the intention of perfecting its cross-border e-commerce and achieving a better development opportunity in the international market.

### 2.2.2. Differences

#### *Different marketing strategies*

Although Amazon and Alibaba are both begin to implement the globalization strategy, there are many differences in cross-border e-commerce strategies due to differences in managerial concepts and business models. Firstly, the two companies conduct their cross-border e-commerce in different ways. For Alibaba, it insists on providing the best shopping platform for customers in the context of cross-border e-commerce. Alibaba does not have its owned- brand products but it just allows merchants to open their flagship stores on the shopping platform to sell products. In the case of cooperating with foreign companies, Alibaba also adopts this model to make cross-border e-commerce. In order to meet different customer groups' need, Alibaba builds up different platforms for them. For Chinese customers, Alibaba has Tmall Global to help consumers access the products overseas directly. For global customers, Aliexpress allows them to select their goods from other countries.

Comparing Alibaba, Amazon attaches importance to the private label brands development after Jeff Bezos established it. Amazon has a large number of proprietary products on its platform and all the products have been marked 'Ships from and sold by Amazon.com' to help consumers make judgement. In this sense, Amazon is more like an online distributor. In addition, Amazon owns a publishing arm and a film and television studio. It also has produced consumer electronics lines like Kindle e-readers, Fire tablets, Fire TV, and Echo devices. Publishing arm, online book sales platform and Kindle e-readers allow Amazon to establish a completed supply chain for online book sales business. In addition, Amazon also devotes lots of resources to new products development such as echo and kindle. In fact, one of Amazon's significant breakthroughs is that it provided Kindle e-readers to download its e-books.

#### *Different delivery strategies*

Logistics system is very important for cross-border e-commerce companies. Alibaba and Amazon have different delivery strategies in their cross-border e-commerce. Amazon has its own delivery department called Fulfilment by Amazon (FBA). It has its own warehouse and delivery employees. In fact, when Amazon enters a new market, the FAB will also enter this market. This means Amazon still has a completed distribution system for cross-border e-commerce. Therefore, customers still can enjoy Amazon delivery service when they make cross-border trade.

Unlike Amazon, Alibaba does not have its own distribution company. Therefore, the sellers have to use different logistics companies for delivery service. With the increase in online transactions, customers' complaints about delivery problem also increase. In order to improve delivery service, Alibaba cooperates with many logistics companies to establish a new smart logistics platform, known as Cainiao, in 2013. Alibaba

uses this platform to cooperate with other distribution companies to deal with the delivery problem. By investing in or cooperating with logistics companies in other countries, Cainiao platform has created a cross-border distribution system. Now, Cainiao has opened 16 special cross-border routes, 74 cross-border warehouses, over 90 logistics partners in about 220 countries and regions [12]. This logistics platform help Alibaba achieve higher efficiency when customers make cross-border trade.

#### *Different payment systems*

In addition, the two companies have different payment systems. Alibaba has its mature third payment system called Alipay. In 2003, in order to resolve trust issues between buyers and sellers, Alibaba launched Alipay to facilitate payment. Now, Alipay has become a huge international company, relevant to payment, financial and charity fields. Alipay has become the first choice when consumers purchase on Alibaba. Alipay has developed its business in more than 200 countries and regions. This means customers could utilize Alipay easily to make payment when they make cross-border trade on Alibaba platform.

Different from Alibaba, credit card is the main payment method for consumers on Amazon. Although Amazon has already launched its payment service Amazon Pay, it is not widely used. According to news from Sohu [13], Amazon Pay has about 33 million users, accounting about 10% of total Amazon users (300 million). Most of Amazon's customers prefer to use credit card as the payment methods.

### 2.3. Reasons for Similarities & Differences

Company's strategy can be affected by many factors. PEST is good to analyze company strategy. It consists of mainly four factors, Political, Economic, Social and Technological. For Amazon and Alibaba, political environment is an important factor which that cannot be ignored. Amazon and Alibaba prefer to develop their cross-border e-commerce in the country with good relationship with their home countries. For example, Chinese government are cooperating with other countries to make 'the Belt and Road' policy and these policies will help companies to make cross-border trade easily. Due to the 'the Belt and Road' policy, many governments issue a lot of favorable policies to provide convenience and help Alibaba to promote the development of its cross-border e-commerce [12]. In addition, Alibaba signed a strategic cooperation agreement with the Thai government in terms of cooperation in e-commerce and other fields. This is the effect of political factor bring to companies.

The economic environment is also an important factor to consider when developing cross-border e-commerce strategies. The core of cross-border e-commerce is trade. Different economic environments will lead to different develop directions in cross-border e-commerce. At the beginning of 21<sup>st</sup> century, Chinese does not have perfect credit system and people do not have the habit of paying by card. In order to deal with the trust issues between buyers and sellers, Alibaba had to launch a third-party payment to resolve it. However, America has matured credit system and

people prefer to pay by card rather than the third-party payment platform. After 15 years, the helplessness action of the beginning became a crucial factor in the success of Alibaba. Although Amazon also launched Amazon pay, it still has a huge gap with Alipay.

When a country's economic development is good, it can promote the development of cross-border e-commerce. This mean business and individual will have stronger purchasing power for cross-border transaction. China has good economic development and it is the most populous country worldwide. It has a huge market for cross-border e-commerce. Amazon has entered into the Chinese market by acquiring Joyo website in 2004. Although Amazon just has a limited market share in China, the market potential and opportunities for cross-border e-commerce business cannot be ignored. In addition, the economic factor also explains why Amazon and Alibaba both shift their expansion to India in recent years.

Another reason for the difference is Amazon and Alibaba have different mission. Amazon wants to be 'the Earth's most customer-centric company' [4] and Alibaba wants to make it easy to do business anywhere [14]. Thus, Alibaba insists on the platform role with a focus on using technology to facilitate transaction. Conversely, Amazon keeps providing more products and better service for customers.

The birth of the Internet has changed many things. Cross-border trade has become the latest trend in e-commerce. In order to occupy more market share and earn more profits, Amazon and Alibaba should pay attention to cross-border e-commerce and take better service to attract more customers. Otherwise, they may be defeated by local e-commerce firms.

### 3. Conclusion

In general, as the biggest e-commerce business, both Amazon and Alibaba have attached importance to the cross-border e-commerce. They take into account similar factors when they determining what market to enter. Both of Amazon and Alibaba launch related cross-border e-commerce platform. Although customers may come from the country which does not have Amazon and Alibaba site, they still can use these platforms to buy the items from other countries. Amazon acts as an online distributor with a lot of proprietary products and its brand products like kindle and echo on its platform. In addition, Amazon has its own delivery department, FBA, to support its cross-border e-commerce. Alibaba insists on the platform role and it just builds the bridges between customers and merchants. Alibaba does not have its own logistics company. However, it builds up a logistics platform to cooperate with other logistics companies to deal with the delivery problem in cross-border e-commerce. Amazon's customers prefer to pay by card and customers of Alibaba prefer to use Alipay. Although Amazon wants to build its own payment system, Alipay obviously far surpasses Amazon Pay. Both political and economic factors cause Amazon and Alibaba account for similarities and differences of the two companies in the

cross-border e-commerce. Besides, differences in mission also result in different strategies adopted by Amazon and Alibaba. Cross-border e-commerce is the latest trend and Amazon and Alibaba should attach importance to this field.

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