

Despite COVID and government crackdowns, Alibaba posts strong retail revenue growth

Article

The news: Alibaba's quarterly earnings showed especially strong growth in its retail ecommerce and global businesses—though we expect its share of China's total ecommerce

sales will dip slightly this year. The earnings come in the wake of COVID and government crackdown on various areas of its business.

Here are our four takeaways from its earnings:

- 1. Strong retail revenue growth in spite of COVID and regulatory crackdown:** Revenue from Alibaba's China retail business grew **34%** year over year (YoY) to **RMB 135.81 billion (\$19.68 billion)**, accounting for **66%** of total revenue, in the quarter ended June. While this marks a slowdown from its COVID-supercharged growth rate of **74%** in the March 2021 quarter, **overall growth has been relatively resilient:** The growth rate in the quarter ended in June 2020 was an identical **34%**. Additionally, the Chinese government has been on an antitrust-busting spree as of late, which includes the [banning of the "choosing one from two" scheme](#) in April that forced brands to sell exclusively on one ecommerce platform. It has also been cracking down on fake online shopping reviews.
- 2. "New retail" strategy continues to shape the future of retail:** Alibaba has continued to invest in "new retail" formats, which target lower-tier cities and rural areas, as well as price-sensitive consumers. These formats include online grocery, discount shopping apps, local on-demand services, and online and offline retail, including **RT-Mart** and **Freshippo**, and local community marketplaces in select cities where consumers pick up their orders the next day.
- 3. New milestones in global expansion:** In the past, Alibaba has been criticized for being too China-centric in its business approach. Now, thanks to the strong growth of its ecommerce companies **Lazada** in Southeast Asia and **AliExpress** in Europe in particular, **more than a fifth of its buyers are based overseas.** Furthermore, during the June quarter, "active consumers" worldwide in Alibaba's ecosystem grew by **45 million** from the previous quarter to **1.18 billion—77.2%** (912 million) of whom are based in China. This growth has emboldened Alibaba to make significant international investments, including the recently announced [partnership](#) between **Best**, a smart supply-chain solutions and logistics service provider, and **Cainiao**, a Alibaba logistical affiliate company. The partnership aims to better serve marketers in Cambodia, Thailand, and Vietnam.
- 4. Local lifestyle services businesses are still growing strong:** The pandemic drove more people in China to seek out local services online, and this shift in consumption behavior appears to be sticking around. Alibaba's local lifestyle business sales climbed

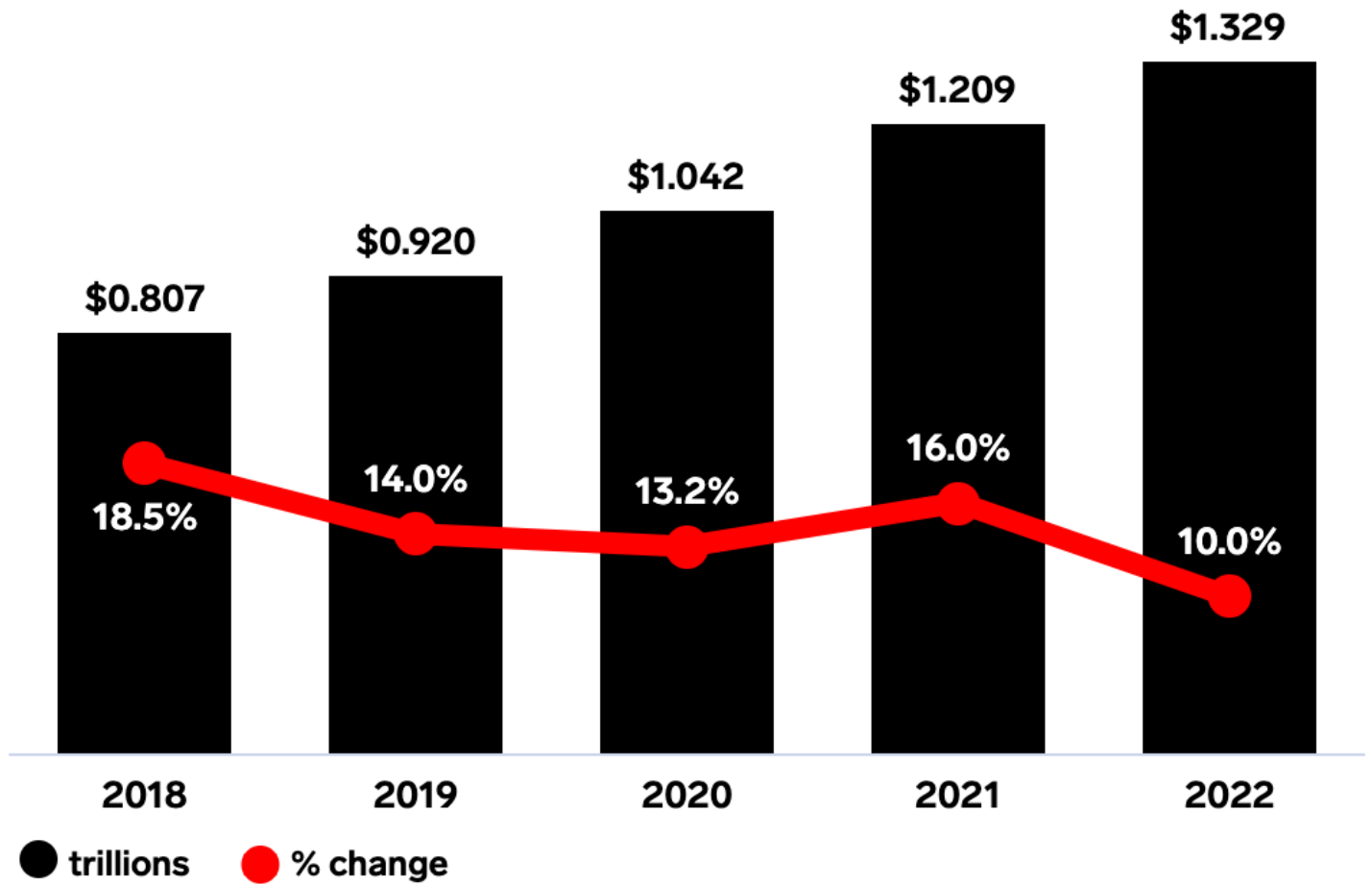
23% to RMB 8.76 billion (\$1.27 billion) in the June quarter with food-delivery giant **Ele.me** seeing a YoY increase in orders of over **50%**.

Our full-year outlook:

- We estimate that Alibaba retail ecommerce sales will grow **16.0%** to **\$1.209 trillion** in 2021 (January to December) and account for **47.1%** of total retail ecommerce sales in China, down from **48.1%** in 2020.
- We estimate that retail ecommerce sales in China will climb **18.5%** to reach **\$2.564 trillion** in 2021 for a **52.1%** of the global total.

Alibaba Retail Ecommerce Sales

China, 2018-2022



Source: eMarketer, May 2021

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