

Alibaba is the latest Big Tech giant to decentralize

Article

The news: Alibaba announced Tuesday that it would divide into six business groups, each with the ability to raise outside funding and go public. It's the most dramatic restructuring for Alibaba in 25 years, per [CNN](#).

Alibaba's US-listed shares rose 12% Tuesday in reaction to the news.

Alibaba's Alphabet moment: Alibaba essentially becomes a holding company, similar to how Google became one component under Alphabet in 2015. The pivot allowed for smaller companies under Alphabet's purview to become leaner and more accountable.

Six business units emerge: Each of Alibaba's units will be allowed to seek outside capital with an eye toward eventual IPOs. The six groups are:

- **Ecommerce China:** This includes **Taobao Tmall Commerce Group**, which operates one of China's leading online shopping platforms.
- **Ecommerce International:** This includes cross-border and global retailers such as **AliExpress**, **Lazada**, **Trendyol**, and **Daraz**.
- **Digital Media and Entertainment:** This group will include video content streaming platform **Youku Tudou**, music streaming platform **Xiami Music** (which was shuttered in 2021, but could be spun off), online ticketing platform **Damai**, and online literature platform **Alibaba Literature**.
- **Local Consumer Services:** This group will include on-demand delivery and local services platforms such as **Ele.me** and **Koube**.
- **Cainiao:** This group will include a logistics data platform and global fulfillment network **Cainiao Network**.
- **Cloud:** This group will include cloud computing services such as **Alibaba Cloud**.

Key takeaways:

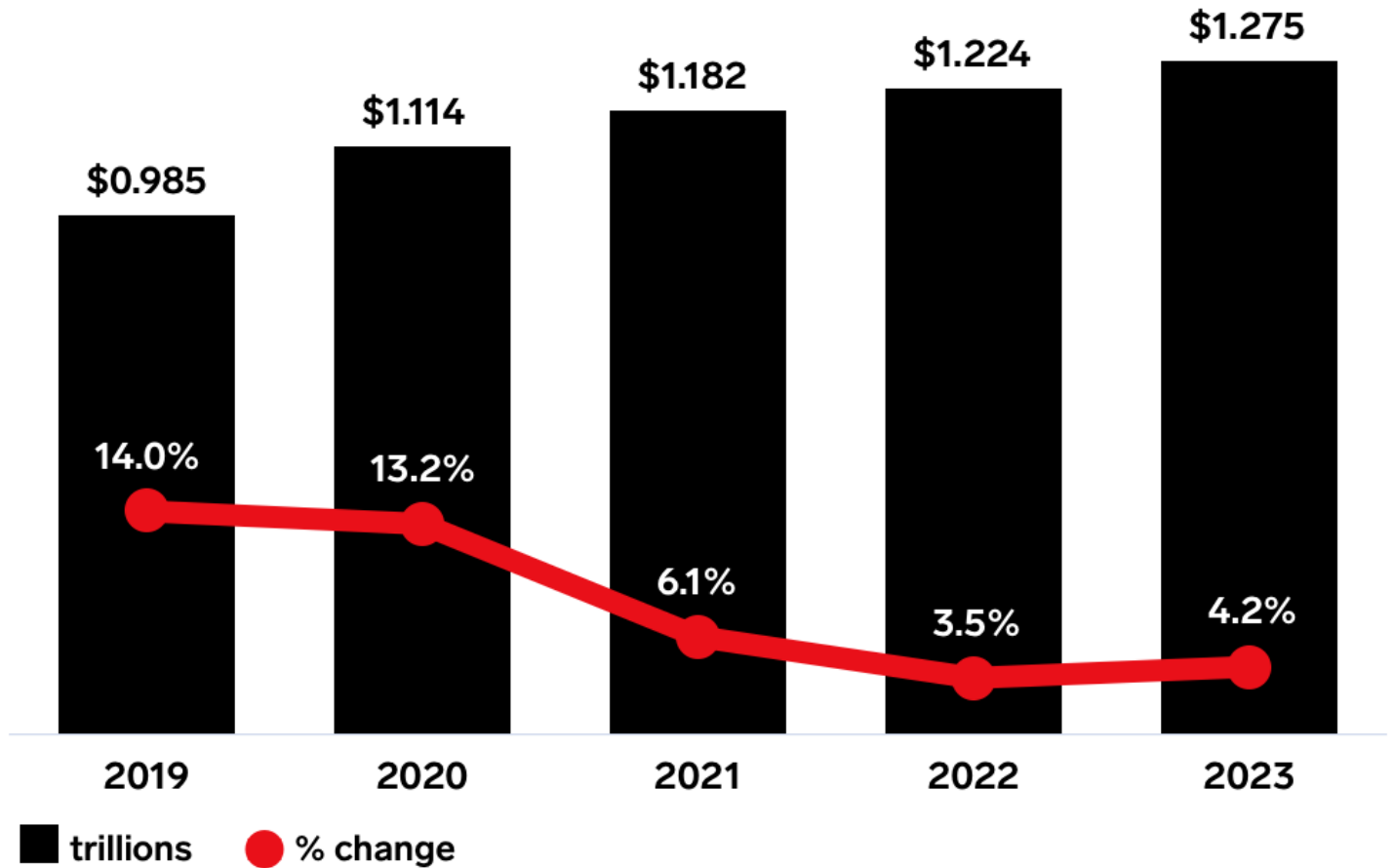
- **Splitting up Big Tech giants makes them less susceptible to regulatory scrutiny.** It also flattens management and enables its independent units to react quickly to market opportunities and headwinds.
- **Divesting and selling individual business units will also be easier** and require less regulatory oversight. Conversely, Big Tech holding companies acquiring new assets could become easier.

Why this could succeed: Unleashing six semi-independent companies gives Alibaba the opportunity to pursue growth in diversified businesses.

The restructuring allows jobs to be cut as part of the natural order rather than because businesses are performing poorly.

Alibaba Retail Ecommerce Sales

China, 2019-2023



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales; excludes Hong Kong

Source: eMarketer, December 2022

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