

A Case Study: Alibaba

Based on a Bloomberg's report

October 29, 2018

In recent months ...

- Alibaba has
 - Helped Mars Inc create a candy bar
 - Given Unilever NV valuable data for a new line of pollution-fighting cosmetics
 - Then advised both companies how to market the products



“Nobody else has this ecosystem where one player has all the pieces together and can put together a single profile of you. Alibaba has the ability to use this to get their seller base to create their product, which is a holy grail in e-commerce.”

– e-commerce industry expert Ken Leaver

Alibaba = Google + Netflix + Amazon?

- Operates the world's biggest e-commerce platform with 600 million monthly active users
- Operates China's biggest online ads business
- Also controls the Chinese versions of YouTube and Netflix (Youku)
- Also controls a supermarket chain and department store franchise
- Hosts a financial transactions platform called Alipay
 - Alipay's dominance in mobile payment systems + Alibaba's retail-management software (Ling Shou Tong)
 - Track consumer behavior offline in brick-and-mortar retail locations and ferret out insights

Unilever

- Earlier this year, Alibaba data researchers **noticed growing demand** from urbanites for pollution-fighting, “deep-cleansing” personal care products
- Some premium brands already sold cleansers and shampoos designed to strip off pollutants, but **there weren’t many mid-priced options**

Unilever

- **Product Development**

- Unilever acted on this insight and came up with a line of affordable anti-pollution products, starting with a skin cleanser
- Developed 48 different prototypes of the cleaners at different price ranges

- **Customer Market Testing**

- Prototypes were shown to users, such as young mothers, on Alibaba's online malls Taobao and Tmall
- When someone tried to buy a prototype, a pop-up message informed them that they were participating in a consumer testing exercise and offered them a voucher for taking part

Unilever

- **New Line Launch**

- Last month, Unilever launched the Purifi line, starting with a skin cleanser based on the purchasing decisions of tens of thousands of those young mothers

- **Faster Process**

- The entire process of conception, design and testing took Unilever just 6 months with Alibaba's help, down from the usual 18 months to two years for a new product

“Alibaba gives us a real environment to test new products. Because consumers have no idea that they are taking part in a survey or study, their reactions and purchasing decisions are real. It makes the feedback real, which is a huge advantage in an industry where product innovation is essential, but costly and risky.”

— Susan Ren, Director of data and digital development, Unilever

Mars

- **Turns out the same people who buy a lot of chocolate also like spicy snacks**
- That prompted the creation of the Spicy Snickers candy bar
 - incorporates the Sichuan peppercorn, the source of China's famous "mala" (numb and spicy) taste
- **Faster Process**
 - Typically Mars spends two to three years developing a new product; the Spicy Snickers came together in less than one
 - Alibaba's **cross-platform harvesting of data reduces guesswork in marketing**

“The age-old tradition is that 90% of innovation fails. This helps us bring the rate of failure down.”

— Ian Burton, China president of
Mars Wrigley Confectionary

“I believe that within 12 months we will be able to see not just by consumer, but by store type and location, what is the perfect product mix for any one store to stock. This is not a level of consumer insight we can get anywhere else because it does not exist anywhere else.”

— Ian Burton, China president of Mars Wrigley Confectionary

Potential Issues 1

- Alibaba is able to collect user data with relative impunity because privacy is less of an issue in China than elsewhere
- While the data is anonymous, users can't opt out if they want to use the company's platforms and agree to terms and conditions
 - much the way people using Facebook or Amazon do
- Still, Chinese consumers are starting to wake up to – and even resent – Alibaba's omnipresence

Potential Issues 2

- Alibaba's dominance is also giving some consumer products companies pause
- Earlier this year, the Associated Press reported complaints from five major brands that Alibaba had made it harder to find their online storefronts after they refused to sign exclusive partnerships
 - Unilever and Mars both say Alibaba hasn't insisted that they cease partnerships with rival JD.com
 - A spokesperson for Alibaba says the company gives brands "full autonomy" to choose their distribution platform

Potential Issues 3

- All the consumer insights in the world do *not* guarantee a blockbuster
- Consumer products that have changed the world are often the result of **intuition**

**“No one told Steve Jobs they need an iPhone.
Consumers can only tell you their problems and
needs, but you still need creativity.”**

— Pedro Yip, a retail and consumer goods
partner at consultancy Oliver Wyman