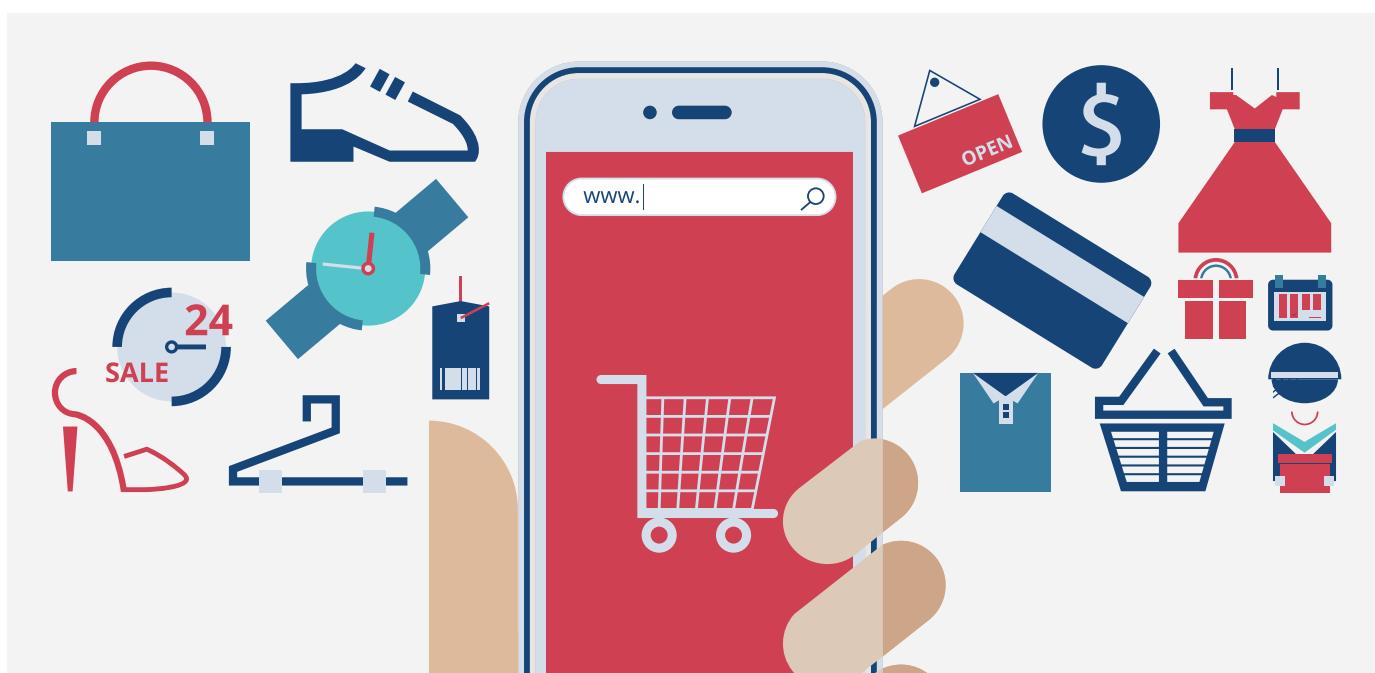


## Alibaba's 'Made-for-India' opportunity

Alibaba's experience in India will be a good model for the emerging world

SRA PERSPECTIVES

Ben Simpfendorfer



## Alibaba's experience in India will be a better model for the emerging world, in spite of the company's success in China.

The prospect of Alibaba competing directly with Amazon in India is a blockbuster. It's a battle of the online giants across India's vast consumer landscape. More practically though, it offers a test of whether Alibaba's Made-for-China model is relevant for another large emerging market country.

Alibaba unsurprisingly hopes that its experience selling to a billion-plus population in 250+ major cities will be a key competitive advantage.

Should Amazon be worried? Not yet. For all the similarities between China and India, there are also crucial differences, especially with respect to the size and number of the country's cities. Those differences will make India's online and offline retail sector a different proposition for any company.

In fact, it might just turn out that the Made-for-India model is the more appropriate one for other emerging markets.

### **Megacities are the focus. But are they the right focus?**

Let's start with the similarities. Mumbai and Shanghai attract much of the commercial world's attention, and rightly so. Their respective populations of 20 million and 24 million would rank them near the world's Top 50 countries, making them large markets in their own right.

But these megacities only account for a small share of the urban population. The greater share is found in both countries' many large- and medium-sized cities where incomes might be lower, but are rising fast and the shortage of retail infrastructure makes online shopping popular.

## INDIA'S E-COMMERCE



India's biggest e-commerce players include Flipkart, Amazon, and Snapdeal.

### AMAZON

India's second largest online marketplace with a rapidly rising market share of between 15% to 20%.

### ALIBABA

Alibaba currently holds 40% in Paytm, an Indian online payments firm, and 4% in Snapdeal.

**Alibaba is planning to enter India's e-commerce market in direct competition with Amazon.**

### **Where are India's one to five million urban giants?**

But what do we mean by a large- or medium-sized city? The answer is very different depending on whether you are in China or India.

China has over 85 cities with populations ranging between one to five million. At this size, cities are more likely to develop strong third-party logistics players, robust banking infrastructure, or attract investment in retail stores, even if it's just a shop window for a brand.

It's a different story in India; the country has a little more than 50 cities with one to five million, meaning that for every city such as Kochi, China has both a Hefei and a Qingdao.



The contrast is even greater when comparing cities with populations of 500k to one million persons. China has more than three times the number of such cities. It's a difference that illustrates why simply focusing on the countries' billion-plus populations and megacities is unhelpful.

#### **India's retail play will be very different from China**

That difference will be a key challenge for Alibaba as they assess whether to replicate their Made-for-China model in India. To Jack Ma's credit, Alibaba has already enjoyed success developing Taobao villages, or rural communities in which 10% of the population are selling online.

He has similarly ambitious plans in the logistics sector where Alibaba has co-founded a logistics alliance called Cainiao that coordinates a network of logistics providers and retailers in an attempt to work out the challenge of delivering product to China's growing number of shoppers.

But India's larger number of relatively smaller cities means the challenges for distribution and warehousing will be unique. The solutions will be equally striking whether that means picking up products from India's Kirana stores to working with local wholesalers.

The fact that India's urban landscape shares more in common with the rest of the world than does China, insofar as cities of one to five million aren't as common as many might assume, also suggests that the Made-for-India model will be the more appropriate one to replicate across the world.



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