



Webscale Playbook: Alibaba
 Chinese e-commerce behemoth boosts network spending and R&D to cope with uncertainty in US-China trade relations

Authors: Matt Walker, Arun Menon
Contact: matt@mtnconsulting.biz
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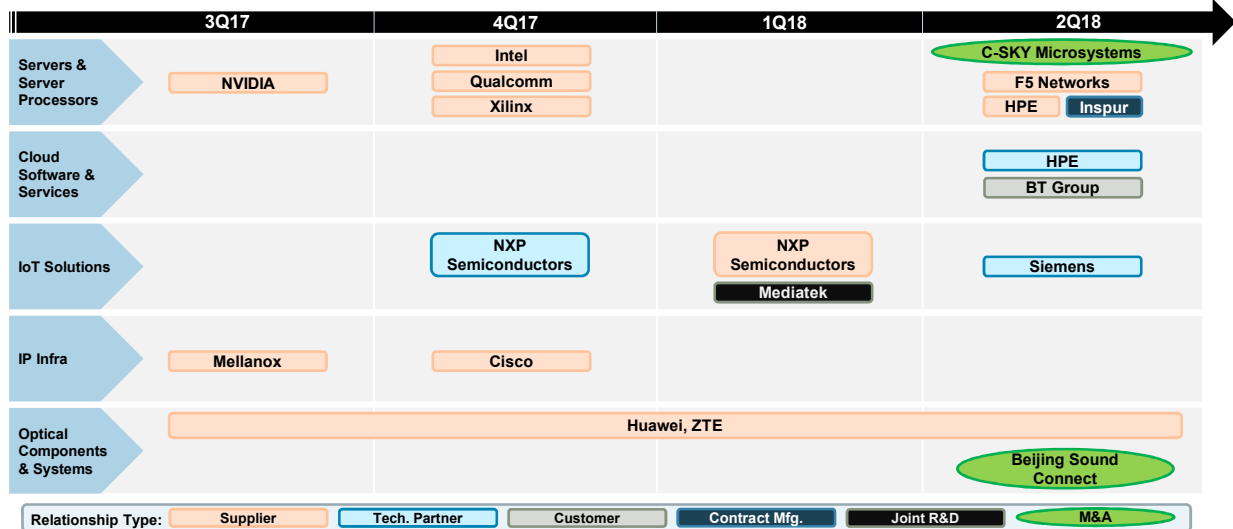
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<p>1 Latest earnings takeaways</p>	<p> About this report</p> <p>This report is the second in MTN Consulting's Webscale Playbook series, which analyze the "Super 8" webscale network operators, i.e. Alibaba, Alphabet, Amazon, Apple, Baidu, Facebook, Microsoft, and Tencent. The objective of this report is to assess Alibaba's:</p> <ul style="list-style-type: none"> - latest quarterly key performance indicators including revenues, capex, opex, R&D, etc. - top 3 spending-related (capex and R&D) priorities - network vendor relationships, M&A, and partnerships across different network product categories - network-related strategy - disruptive impact on the network infrastructure market
<p>2 Revenue analysis</p>	<p> Abstract</p> <p>Alibaba, once viewed as China's answer to Amazon, has grown into a giant since its inception in 1999. Though still just about a fifth of Amazon's size (by revenues), Alibaba has grown rapidly and outshines Amazon in some areas. Its scale in e-commerce is impressive: (i) Alibaba ships <u>12 million packages a day</u>, 4x of Amazon; and, (ii) Alibaba's "Singles Day" has become the <u>world's biggest shopping event</u>. Alibaba has invested heavily in network infrastructure to support its businesses, not just e-commerce but also cloud computing, audio/video streaming, and devices. As a result, Alibaba's network-related demand has soared in the recent times. It now accounts for over 5% of global webscale network/IT capex, from about 1% in 2012. Alibaba's network spend share will continue to grow, but will be reshaped by the ongoing US-China trade war.</p> <p>Below are a few highlights from the report:</p> <ul style="list-style-type: none"> ▪ As a percentage of revenues, Alibaba has been spending more on capex than R&D in the recent times, reflecting its efforts in building data centers to pursue its cloud unit's overseas goals ▪ With US-China trade relations hitting rock bottom, Alibaba is set to deploy in-house chips for its data centers, and eventually for the enterprise market, directly impacting the US-based vendors who currently dominate the network infrastructure market ▪ However, a complete discard of network vendors is not on the cards as Alibaba looks to disrupt different industries such as logistics (driverless delivery vehicles), infrastructure (smart cities solutions), and hospitality (robots for hotels). These all require high-end sensors and network components, many of which are supplied by US-based specialty vendors with networking expertise
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Alibaba's Key Technology Relationships* in Networks

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2Q18 witnessed most vendor deals along with two acquisitions; server processors category saw maximum activity reinforced by Alibaba's focus on expanding cloud unit



Relationship Type: Supplier Tech. Partner Customer Contract Mfg. Joint R&D M&A

*For a detailed analysis of Alibaba's technology relationships over a longer time series, refer to the latest edition of our WNO Technology Relationship Database