

THE CONTRIBUTION OF THE DIGITAL B2C MARKETPLACES OF THE ALIBABA GROUP TO THE EUROPEAN ECONOMY AND THE INTERNATIONAL SUSTAINABLE DEVELOPMENT OF SMEs

Research project commissioned by Alibaba Group

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EXECUTIVE SUMMARY

The research describes the contribution Alibaba Group's cross border B2C activities make to the economy of the European Union (EU) as a whole, the economies of France, Germany, Italy and Spain (the EU4) and the United Kingdom (UK). This report also looks at how small and medium-sized enterprises (SMEs) in these countries experience "going abroad" to get new business. More broadly, we look at Alibaba's economic impact and contribution in two ways:

- at the **macro level** (in terms of output, gross domestic product (GDP), tax revenue and the number of persons employed),
- and at a **micro level** (with a focus on SMEs), offering guidelines of "data-driven policies" for decision makers and European authorities.

The analysis takes into consideration the last four years (2019-2022) and the following Alibaba platforms, all of which are focused on marketing and selling European products to Chinese consumers: Taobao Global, Tmall, Tmall Global, Freshippo, and Kaola.

In short, Alibaba's contribution to major European economies is as follows:

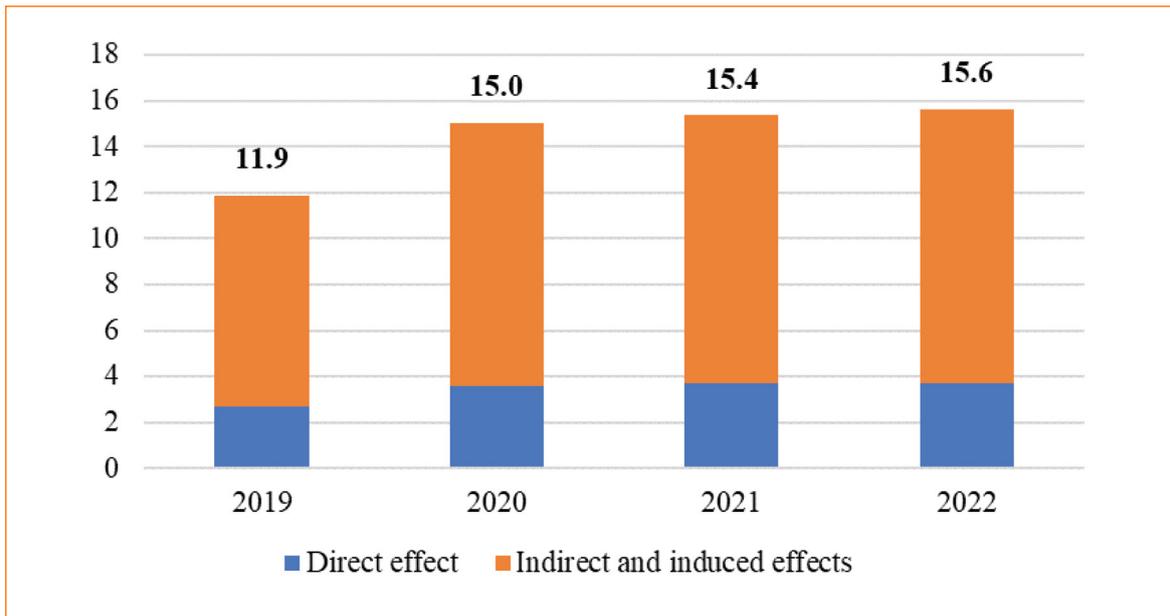
B2C sales in China on Alibaba's platforms

- From 2019-2022, EU27 companies exported a total of EUR 121.4 billion to China. In 2022, the value of those sales was EUR 32.3 billion, which represents a 33% increase compared to the sales in 2019.
- During the same four-year period, German, French, Italian and Spanish companies exported a total of EUR 96.5 billion to China. In 2022, the value of those sales was EUR 26.2 billion, which represents a 40% increase compared to 2019.
 - France - In 2022, French companies sold EUR 12.69 billion worth of products to consumers in China across Alibaba's platforms. From 2019 to 2022, sales value increased by 144%.
 - Germany - In 2022, German companies sold EUR 7.21 billion worth of products to consumers in China across Alibaba's platforms. From 2019 to 2022, sales value decreased by 28%
 - Italy - In 2022, Italian companies sold EUR 5.42 billion worth of products to consumers in China across Alibaba's platforms. From 2019 to 2022, sales value increased by 140%.
 - Spain - In 2022, Spanish companies sold EUR 840 million worth of products to Chinese consumers on Alibaba's platforms. From 2019 to 2022, sales value decreased by 31%.
- Alibaba's platforms have emerged as a strategic export channel for European SMEs, especially for those active in the beauty/care and fashion industries. In 2022, 38% of total sales from Germany, France, Italy and Spain were for perfumes, beauty, personal care and make-up products and 31% for textiles, apparel, and leather products.
- Furthermore, over the same period of 2019-2022, British companies sold GBP 13.35 billion worth of products to Chinese consumers on Alibaba's platforms (3.7 billion in 2022). From 2019 to 2022, sales value increased by 54%.

The impact of sales on Alibaba's platforms on the GDP

- Alibaba's total contribution to the GDP of Germany, France, Spain and Italy amounts to EUR 57.9 billion in the 2019-2022 period, averaging more than EUR 15 billion annually in the last three years.
- Coming out of the pandemic, we saw significant increases in exports to Chinese consumers: Out of EUR 211 million of total GDP growth in Germany, France, Spain and Italy in 2021, the impact of Alibaba's platforms amounted to EUR 30 million, equal to 14% of the nominal GDP growth in those four countries from 2019 to 2022.

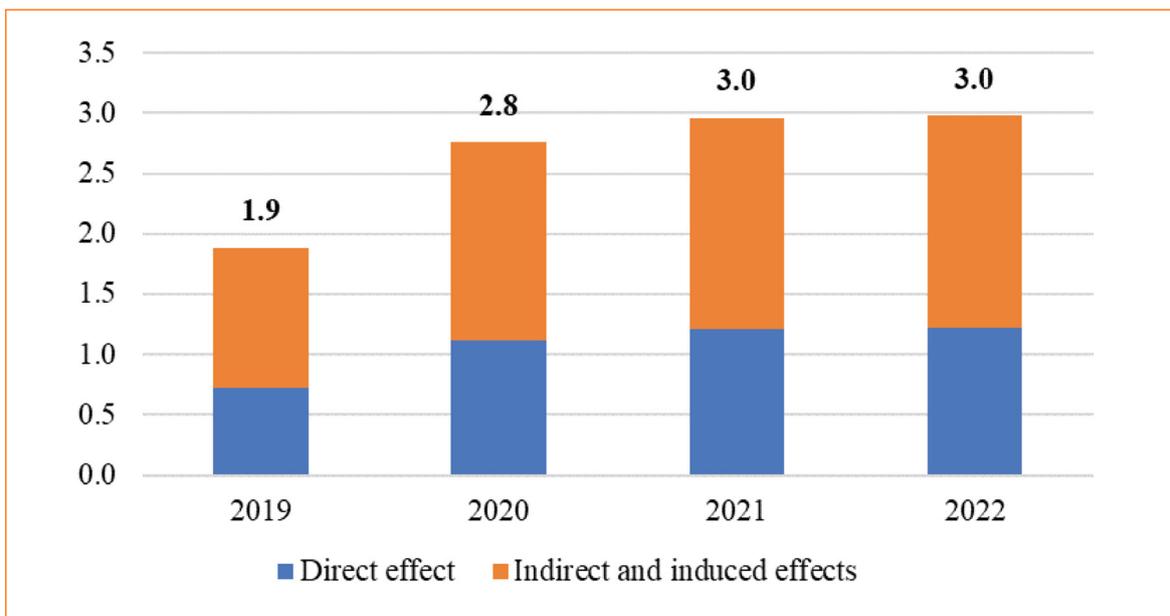
GDP produced by sales on Alibaba's platforms in Germany, Spain, France, Italy (EUR billion)



Source: Authors' analysis of data provided by Alibaba Group and Eurostat

- Alibaba's total contribution to the GDP of the United Kingdom (UK) amounts to more than GBP 10 billion (GBP 10.6 billion) in the 2019-2022 period, averaging ca. GBP 2.9 billion annually in the last three years.

GDP produced by sales on Alibaba's platforms in the United Kingdom (GBP billion)



Source: Authors' analysis of data provided by Alibaba Group and Eurostat

The impact of sales on Alibaba's platforms on local tax revenues and employment

- The sales on Alibaba's platforms contribute to the coffers of European countries: The total contribution in terms of tax revenue for the four major EU economies exceeded EUR 24 billion over the last four years (2019-2022), with nearly EUR 7 billion last year.
- The sales on Alibaba's platforms had a remarkable impact on European jobs: In the last three years (2020-2022), the total number of persons who were working in or for businesses involved in sales on Alibaba's platforms averaged 180k in EU4.

Tax revenues and employment generated by sales on Alibaba platforms in EU4

	2019	2020	2021	2022
Tax revenues (EUR million)	4,805	6,280	6,512	6,637
Persons employed	140,461	186,524	181,404	172,609

- The sales on Alibaba's platforms contributed to the tax revenue of the UK by nearly GBP 3.4 billion over the last four years (2019-2022), with nearly GBP 1 billion last year (GBP 956 million).
- The sales on Alibaba's platforms had a remarkable impact on jobs in the UK. In the last three years (2020-2022), the total number of persons who were working in or for businesses involved in sales on Alibaba's platforms averaged ca. 36k.

Tax revenues and employment generated by sales on Alibaba platforms in the UK

	2019	2020	2021	2022
Tax revenues (GBP million)	606	886	951	956
Persons employed	24,006	37,237	36,293	33,357

At the microeconomic level, significant mid-term effects could be expected from the improvement of skills and competencies by European SMEs operating on Alibaba's platforms, especially with reference to marketing tools, data analytics and customer segmentation and targeting, supporting possible positive spill overs for productivity and export potential in global markets.

Additional Notes:

- The economic impact in this research is calculated according to the so-called Leontief's Type II multipliers and it is the sum of three effects: direct, i.e., the increase in output due to the initial expenditure; indirect, i.e., the increase in output of the suppliers that are part of the value chain of the product benefiting from the direct effect; induced, i.e., the increase in output driven by the higher purchasing power of workers who benefit from the direct and the indirect effects.
- The figures of the economic impact of sales on Alibaba's platforms in Germany, France, Spain and Italy are limited to the national level. They do not take into account any cross-border effect (e.g., the impact on Italy's economy due to sales to Germany).

1. ALIBABA'S PLATFORMS

Alibaba was originally established in 1999. Since its founding and the establishment of its first digital marketplace which continues to support small- and medium-sized enterprises in China to sell online, Alibaba Group has grown to comprise businesses including international commerce, local consumer services, digital media and entertainment, and other technology solutions¹. Alibaba offers multiple e-commerce platforms around the globe.

While Alibaba does provide local and cross border B2C services to European consumers, Alibaba's marketplaces constitute a very relevant economic platform for European brands, SMEs and companies of all sizes to sell European products to Chinese consumers in the China market and consumers in other global destinations around the world. The specific Alibaba platforms covered and studied in this research report include Taobao Global, Tmall, Tmall Global, Freshippo, and Kaola². This is a focus only on those Alibaba platforms that specifically sell from Europe into the Chinese market. In March³ and May⁴ of 2023, the company announced a corporate restructuring to enhance efficiency and the value of services to its customers and will continue to offer e-commerce solutions for European enterprises to sell to Chinese consumers.

Taobao Global

Launched in 2003, Taobao provides Chinese consumers from both large cities and less developed areas with an engaging, personalized shopping experience, optimized by digital technology. Through specific content and interactive formats with real-time updates from merchants, consumers can learn about products and new trends.

They can also interact with each other and their favourite merchants and Key Opinion Leaders (KOLs) among Chinese consumers in the market through a broad range of interactive features such as livestreaming and short-form videos. Merchants on Taobao are primarily individuals and small businesses. In 2007, Alibaba extended the platform creating Taobao Global. As part of Taobao, Taobao Global is a shopping platform for overseas small businesses selling to China. It has become a destination for increasingly

sophisticated Chinese consumers looking for high-quality international goods.

Tmall

Launched in 2008, Tmall caters to consumers' ever-growing demand for high-quality products and premium shopping experience. It serves as a platform for consumers in China to buy both domestic and international branded products as well as products not available in traditional retail outlets. A large number of international and Chinese brands and retailers have established storefronts on Tmall.

Tmall Global

In 2014, Alibaba launched Tmall Global which focuses on imports into China. It is a leading e-commerce platform in China that addresses the increasing demand of Chinese consumers for international products and brands. It serves as an effective channel through which overseas brands and retailers reach consumers in China, build brand awareness and gain consumer insights in forming their overall China strategies, without the need for physical operations in China. More than 80% of international brands on Tmall Global made their China debut on the platform.

Freshippo

Launched in 2016, Freshippo is Alibaba Group's retail chain for groceries and fresh goods. It exemplifies the creation of a new shopping experience through the convergence of online and offline activities by using retail stores to warehouse and fulfil online orders, in addition to offering a customized experience to customers who shop in-store. Freshippo's fulfillment system enables 30-minute delivery to customers living within a three-kilometre radius of a Freshippo store. Chinese consumers are able to buy fresh and packaged goods from domestic and international producers.

Kaola

Kaola was acquired by Alibaba in 2019 and is positioned as mid-to high-end shopping platform. The platform is specialized in the distribution of foreign fashion, cosmetic and electronic products in China.⁵

1 Source: <https://www.alibabagroup.com/en-US/document-1595215205757878272>

2 Source: Alibaba Group: alibabagroup.com

3 Source: Alibaba Group: alibabagroup.com, alizila.com

4 Source: <https://www.alibabagroup.com/en-US/document-1577749947841773568>

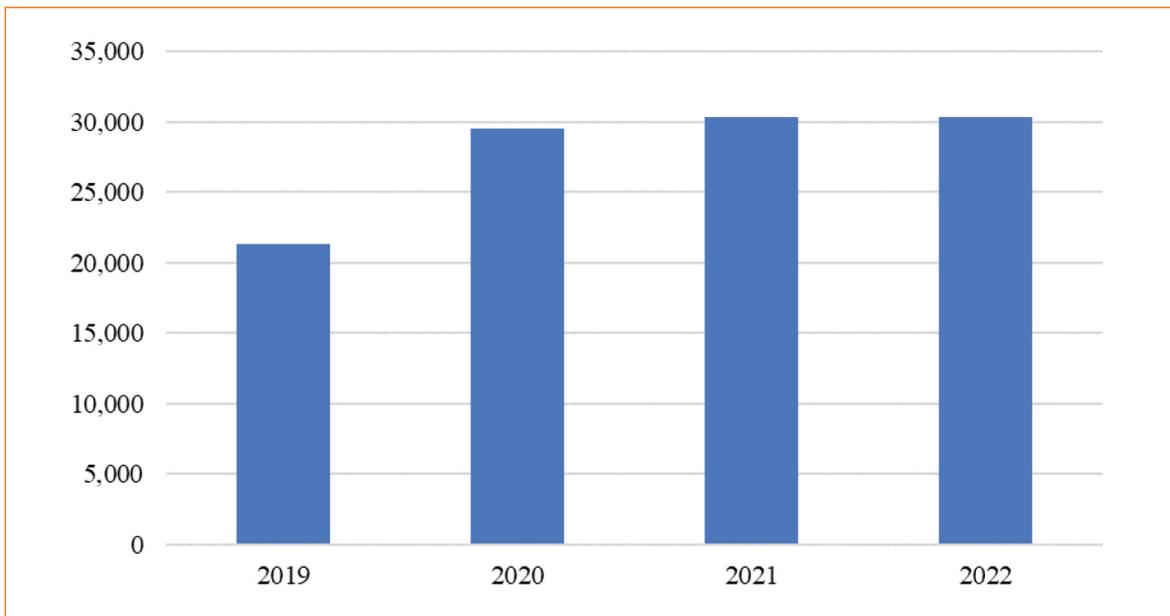
5 Sources: Mds, The Global Fashion Business Journal, 2019 available at: <https://www.themds.com/companies/alibaba-acquires-luxury-pur-re-player-kaola-for-2-billion.html>; Bof The Business of Fashion, 2022 available at: <https://www.businessoffashion.com/news/china/alibabas-kaola-haigou-launches-luxury-channel/>

2. THE ECONOMIC CONTRIBUTION OF ALIBABA'S PLATFORMS TO THE EUROPEAN ECONOMY: A SAMPLE OF FIVE COUNTRIES

In 2022, firms of France, Germany, Italy, Spain and the United Kingdom ("E5" henceforth) sold ca. 30.3 billion euros worth of products to Chinese consumers on Alibaba's platforms (Figure 1). From 2019 to 2022 the sales value increased by

42.0%. Gross merchandise value (GMV) refers to the value of goods sold via e-commerce platforms and it is calculated prior to the deduction of any fees or expenses.

Figure 1 - Gross Merchandise Value in E5 (million EUR)



Source: Alibaba Group

In 2022, 35.4% of total sales were for products belonging to the category "Chemicals and chemical products" (CPA_C20), such as perfumes, beauty, personal care and make-up products, and 31.1% for "Textiles, wearing apparel, leather and related products" (CPA_C13-15) (Table 1).

Classification of Products by Activity (CPA) is the product classification used in the input-output tables published by Eurostat and by the EU and by the Office for National Statistics (ONS)⁶ and it is based on the principal products of the industries grouped according to NACE classification.

Table 1 – Gross merchandise value by product category in E5 (2022)

Chemicals and chemical products	35.4%
Textiles, wearing apparel, leather and related products	31.1%
Food, beverages and tobacco products	8.3%
Furniture and other manufactured goods	7.3%
Electrical equipment	6.3%
Computer, electronic and optical products	3.7%
Others	7.9%

Source: Research Authors' elaboration on data provided by Alibaba Group

⁶ CPA classification is based on the principal products of the industries grouped according to NACE, the classification of economic activities in the EU; the term NACE is derived from the French *Nomenclature statistique des activités économiques dans la Communauté européenne*.

2.1 Impacts on Economic Output and GDP

The output produced by European firms' activity on Alibaba's platforms is based on sales calculated by subtracting the retail margins paid abroad from the gross merchandise value for each platform, business unit, store type, and product category. The E5 average margin on total sales was 27.5% in 2020 and 28.3% in 2021; these estimates are close to the estimates provided by Aswath Damodaran⁷ on online retailers' gross margin in Emerging Markets: 27.7% in 2020 and 25.5% in 2021.

For each of the four years from 2019 to 2022, we estimate the **impact on output** using the latest Input-Output table released by Eurostat (2019 for France, Germany and Italy, and 2016 for Spain) and by the ONS (2019 for the United Kingdom). In estimating the economic impact of E5 firms on

Alibaba's platforms, we sum the impacts at the national level of the five countries in the sample. Therefore, those estimates are conservative as they do not consider any cross-border effect between those countries; e.g., Italian firms' output triggered by sales of German firms on Alibaba's platforms is not included in the impact on Italy's output and GDP.

As far as the direct effect is concerned, E5 firms made 21,812 million euros from selling their products to Chinese consumers on Alibaba's platforms in 2022. As far as output is concerned, the economic impact of those sales goes beyond that revenue and the indirect and induced effects amounted to 39,034 million euros so the total impact is 60,845 million euros (Table 2).

Table 2 – Impact on output in E5 (million EUR)

	2019	2020	2021	2022
Direct	15,863.5	21,440.8	21,734.3	21,811.7
Indirect and induced	27,672.7	36,760.2	38,296.8	39,033.6
Total	43,536.2	58,200.9	60,031.1	60,845.3

Source: Research authors' elaboration on data provided by Alibaba Group, ONS and Eurostat

To estimate the **impact on gross domestic product (GDP)** we use the value-added of each product category for each E5 country. For example, for "Textiles, wearing apparel, leather and related products" the value-added as a percentage of the output is 10% in France, 8% in Germany, 23% in Italy, 20% in Spain and 53% in the United Kingdom.

In 2022, sales of products by E5 firms on Alibaba's platforms directly contributed 5,114 million euros to their national GDPs and created an additional 13,857 million euros in indirect and induced effects. In total, sales of products on Alibaba added 18,972 million euros to the GDP of the E5 in 2022 (Table 3).

Table 3 – Impact on Gross Domestic Product in E5 (million EUR)

	2019	2020	2021	2022
Direct	3,514.6	4,835.7	5,062.1	5,114.3
Indirect and induced	10,477.6	13,290.3	13,642.4	13,857.2
Total	13,992.3	18,126.0	18,704.5	18,971.5

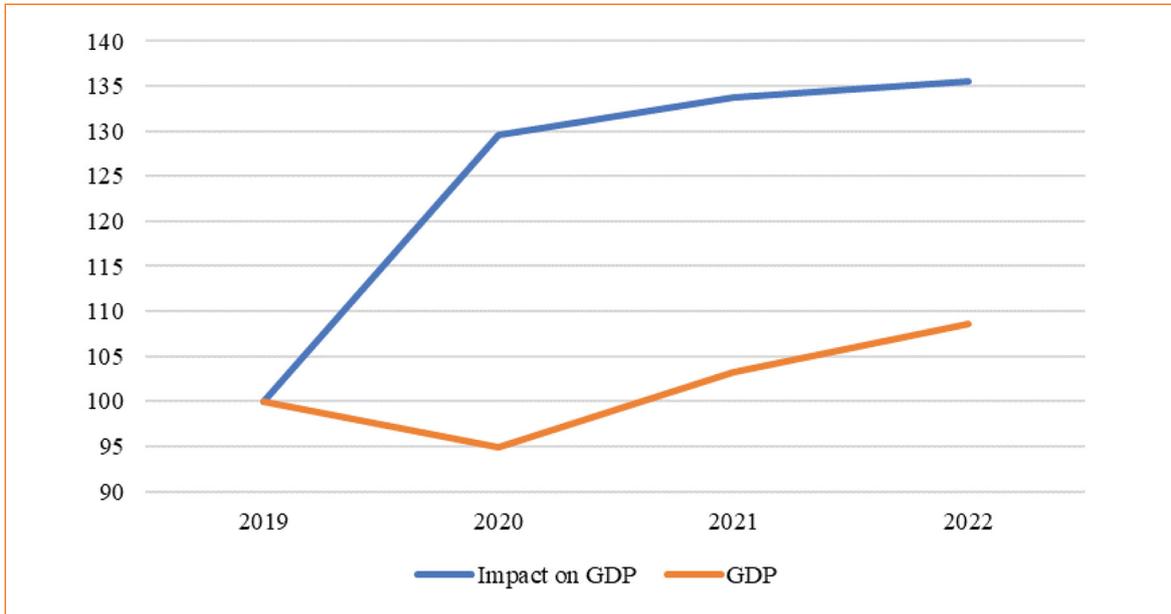
Source: Research authors' elaboration on data provided by Alibaba Group, ONS and Eurostat

⁷ See Cash Flow Estimation / Operating and Net Margins by Industry / Retail (Online) available at https://pages.stern.nyu.edu/~adamodar/New_Home_Page/dataarchived.html#region

The trend of GDP created by overseas sales of products by E5 firms on Alibaba's platforms

and the GDP of the E5 (Figure 2) shows how the former counterbalanced the drop in GDP in 2020.

Figure 2 - E5: Impact on GDP and GDP (2019 = 100)

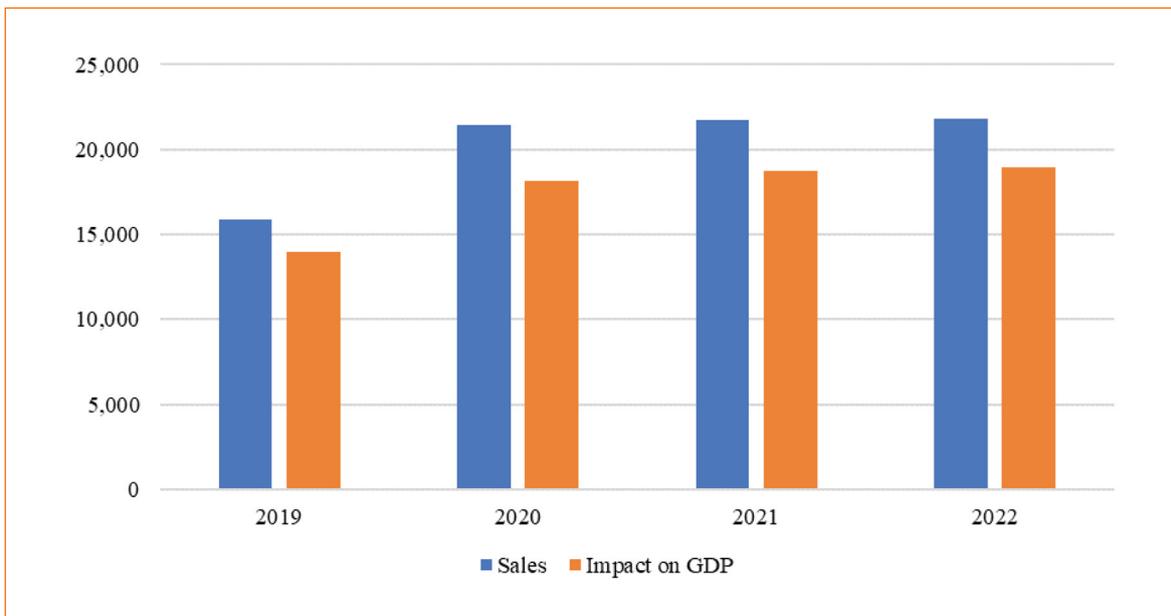


Source: Authors' elaboration on data provided by Alibaba Group and Eurostat

Figure 3 shows the sales on Alibaba's platforms and their total impact on GDP in E5. In 2022, 100 euros of sales created, in E5, a total output of

279 euros and a contribution to the GDP of the five countries of 87 euros (Table 4).

Figure 3 - E5: Sales on Alibaba's platforms and impact on GDP (million EUR)



Source: Authors' elaboration on data provided by Alibaba Group, ONS and Eurostat

Table 4 – Contribution of 100 EUR of sales on Alibaba’s platforms to E5 output and GDP

	2019	2020	2021	2022
Output	274.4	271.4	276.2	279.0
GDP	88.2	84.5	86.1	87.0

Source: Authors’ elaboration on data provided by Alibaba Group, ONS and Eurostat

2.2 Impacts on Tax Revenue and Employment

To estimate **the impact on tax revenues** we use the total tax revenue as a percentage of GDP provided by the OECD for each of the five E5 countries. We extend the data for the last year

available, 2020, to 2021 and 2022. In 2022, the total contribution to the five E5 governments tax revenue of sales on Alibaba’s platforms was 7,716 million euros (Table 5).

Table 5 – Impact on tax revenue in E5 (million EUR)

	2019	2020	2021	2022
Direct	1,358.6	1,906.8	2,010.2	2,036.6
Indirect and induced	4,130.8	5,373.1	5,575.6	5,679.3
Total	5,489.3	7,279.9	7,585.8	7,715.9

Source: Authors’ elaboration on data provided by Alibaba Group, ONS, Eurostat and OECD

To estimate **the impact on employment** we use the GDP per person employed provided by the OECD for each of the five E5 countries. In

2022, the total number of persons employed in E5 thanks to sales on Alibaba platforms was 205,965 (Table 6).

Table 6 – Impact on persons employed in E5

	2019	2020	2021	2022
Direct	40,869	58,722	57,592	54,167
Indirect and induced	123,598	165,039	160,105	151,798
Total	164,466	223,761	217,697	205,965

Source: Authors’ elaboration on data provided by Alibaba Group, ONS, Eurostat and OECD

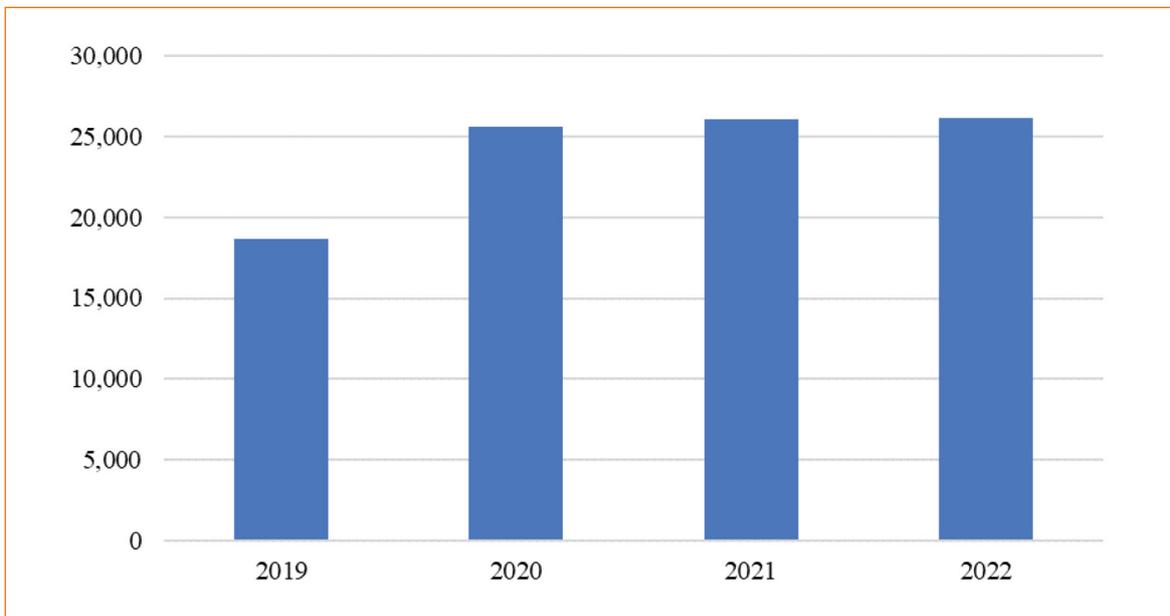
3. THE ECONOMIC CONTRIBUTION OF ALIBABA'S PLATFORMS TO THE EUROPEAN ECONOMY: A SAMPLE OF FOUR EU COUNTRIES

3.1 Alibaba's Export

In 2022, firms of France, Germany, Italy and Spain (EU4 henceforth) sold ca. 26.2 billion euros worth of products to Chinese consumers on Alibaba's platforms (Figure 4). From 2019 to 2022 sales

value increased by 40.2%. Still in 2022, the sales of firms of EU-27 on Alibaba's platforms reached ca. 32.3 billion euros, with an increase of 33% from 2019.

Figure 4 - Gross Merchandise Value in EU4 (million EUR)



Source: Alibaba Group

In 2022, 38.1% of total sales were for products belonging to the category "Chemicals and chemical products" such as makeup and

perfumes and 31.3% for "Textiles, wearing apparel, leather and related products" (Table 7).

Table 7 – Sales by product category in EU4 (2022)

Chemicals and chemical products	38.1%
Textiles, wearing apparel, leather and related products	31.3%
Food, beverages and tobacco products	8.0%
Furniture and other manufactured goods	5.7%
Electrical equipment	5.6%
Computer, electronic and optical products	3.5%
Others	7.8%

Source: Authors' elaboration on data provided by Alibaba Group

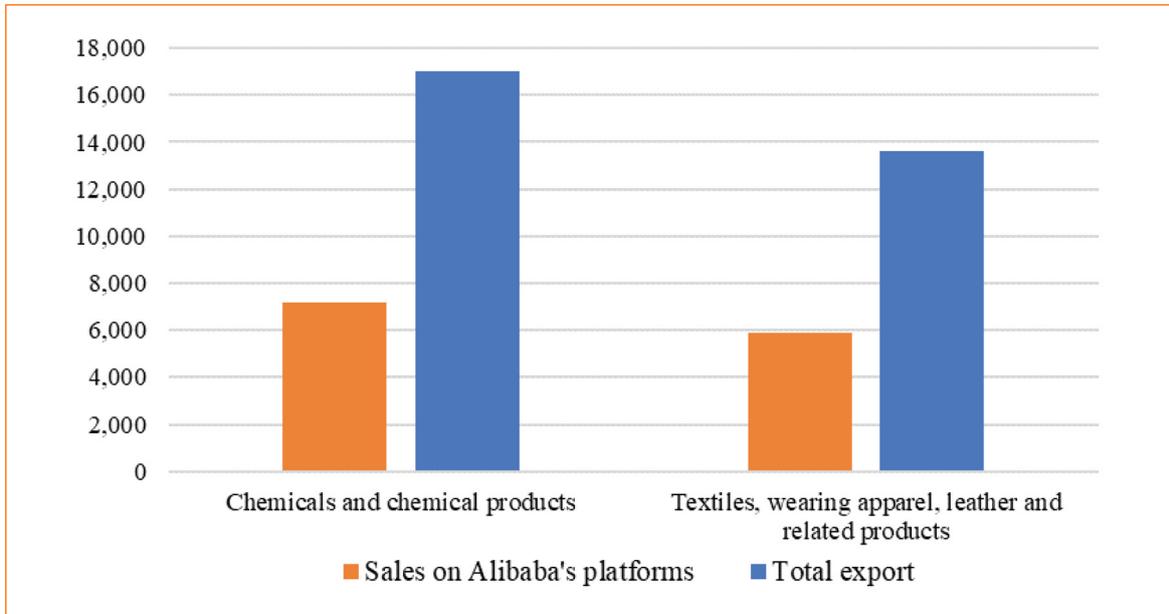
In 2022, EU4 exported 71.7% of the euro area (EA20) and 65.3% of the European Union (EU27). For "Chemicals and chemical products" exported to China, EU4 exported 77.4% of the EA20 and

73.0% of the EU27, while for "Textiles, wearing apparel, leather and related products" exported to China, EU4 exported 92.9% of the EA20 and 91.3% of the EU27.

Figure 5 compares sales on Alibaba’s platforms and total export for the two major product categories. Sales are calculated by subtracting the retail margins paid abroad from the gross merchandise value for each platform, business unit, store type, and product category. The EU4 average margin on total sales was 27.3% in 2020 and 28.3% in 2021. As far as “Chemicals

and chemical products” are concerned, in 2022 EU4’s total export to China was 17,007 million euros while sales on Alibaba’s platforms were 7,168 million euros. As far as “Textiles, wearing apparel, leather and related products” are concerned, in 2022 EU4’s total export to China was 13,604 million euros while sales on Alibaba’s platforms were 5,882 million euros.

Figure 5 - EU4: Sales on Alibaba’s platforms and total export to China in 2022 (million EUR)



Source: Authors’ elaboration on data provided by Alibaba Group and Eurostat

3.2 Impacts on Output and GDP

The output produced by firms’ activity on Alibaba’s platforms is based on sales calculated by subtracting the retail margins paid abroad from the gross merchandise value for each platform, business unit, store type, and product category. For each of the four years from 2019 to 2022, we estimate the **impact on output** using the latest Input-Output table released by Eurostat: 2019 for France, Germany and Italy, and 2016 for Spain. In estimating the economic impact of EU4 firms leveraging the Alibaba platforms to make sales, we sum the impacts at the national level of the four countries in the sample. Therefore, those estimates are conservative, as they do not

consider any cross-border effect between those countries; e.g., Italian firms’ output triggered by sales of German firms on Alibaba’s platforms is not included in the impact on Italy’s output and GDP. Such sales, if included in the analysis, would represent increased impact.

As far as the direct effect is concerned, EU4 firms made 18,804 million euros from selling their products to Chinese consumers on Alibaba’s platforms in 2022. As far as output is concerned, the economic impact of those sales goes beyond that revenue and the indirect and induced effects amounted to 35,201 million euros so the total impact is 54,005 million euros (Table 8).

Table 8 – Impact on output in EU4 (million EUR)				
	2019	2020	2021	2022
Direct	13,920.0	18,612.0	18,720.5	18,804.4
Indirect and induced	25,151.0	33,159.8	34,475.1	35,200.8
Total	39,070.9	51,771.8	53,195.6	54,005.2

Source: Authors’ elaboration on data provided by Alibaba Group and Eurostat

To estimate the **impact on gross domestic product (GDP)** we use the value-added of each product category for each EU4 country. For example, for “Textiles, wearing apparel, leather and related products” the value-added as a percentage of the output is 10% in France, 8% in Germany, 23% in Italy and 20% in Spain.

In 2022, sales of products by EU4 firms on Alibaba’s platforms directly contributed 3,733 million euros to their national GDPs and created an additional 11,880 million euros in indirect and induced effects. In total, sales of products on Alibaba added 15,612 million euros to the GDP of EU4 in 2022 (Table 9).

Table 9 – Impact on Gross Domestic Product in EU4 (million EUR)

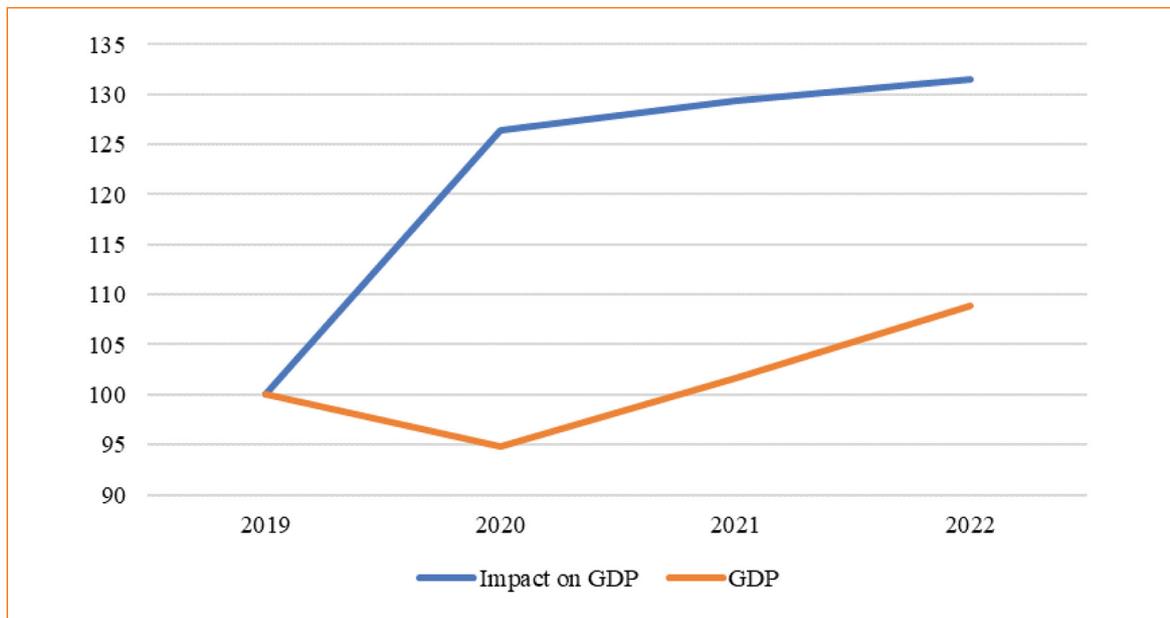
	2019	2020	2021	2022
Direct	2,690.8	3,578.3	3,691.4	3,732.8
Indirect and induced	9,177.6	11,432.5	11,669.8	11,879.5
Total	11,868.5	15,010.8	15,361.2	15,612.3

Source: Authors’ elaboration on data provided by Alibaba Group and Eurostat

The trend of GDP created by sales of products by EU4 firms on Alibaba’s platforms and the

GDP of EU4 (Figure 6) shows how the former counterbalanced the drop in GDP in 2020.

Figure 6 - EU4: Impact on GDP and GDP (2019 = 100)



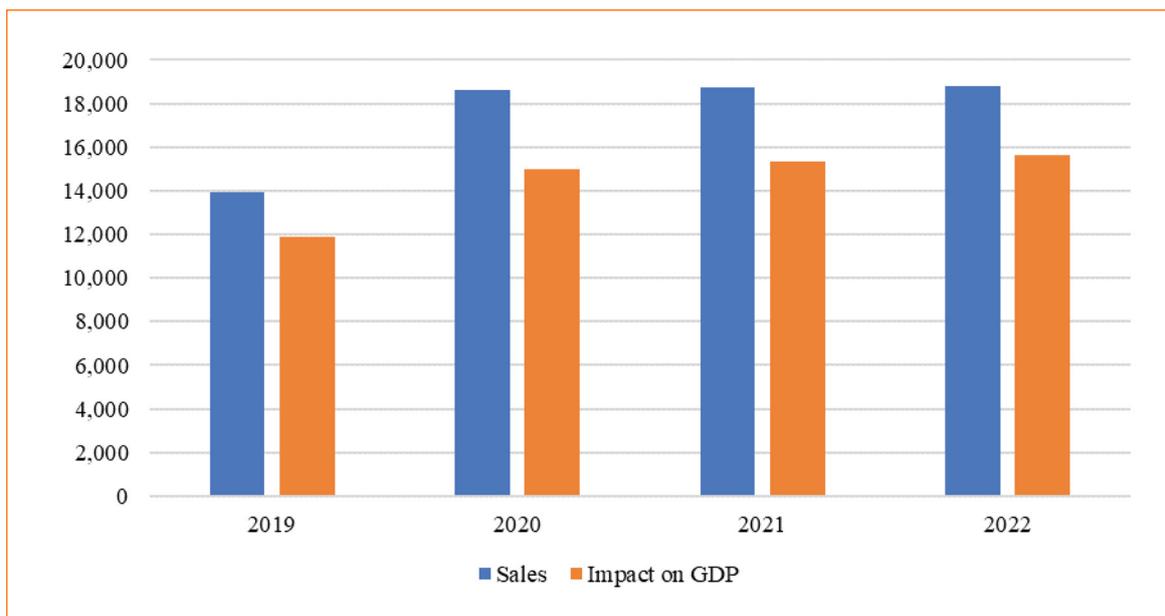
Source: Authors’ elaboration on data provided by Alibaba Group and Eurostat

The total (direct, indirect and induced) contribution of Alibaba’s platforms to the recovery of GDP levels after the pandemic in EU4 has been quite significant; out of 210,296 million euros of total GDP growth (at market prices) in EU4 in 2021 with respect to 2019, Alibaba channels added impact in the amount of 30,372 million euros, equal to 14.4%

of EU4 nominal GDP growth for the same period (Source: Alibaba Group and Eurostat).

Figure 7 shows the sales on Alibaba’s platforms and their total impact on GDP in EU4. In 2022, 100 euros of sales created, in EU4, a total output of 287.2 euros and a contribution to the GDP of the four countries of 83.0 euros (Table 10).

Figure 7 - EU4: Sales on Alibaba's platforms and impact on GDP (million EUR)



Source: Authors' elaboration on data provided by Alibaba Group and Eurostat

Table 10 – Contribution of 100 EUR of sales on Alibaba's platforms to EU4 output and GDP

	2019	2020	2021	2022
Output	280.7	278.2	284.2	287.2
GDP	85.3	80.7	82.1	83.0

Source: Authors' elaboration on data provided by Alibaba Group and Eurostat

3.3 Impact on Tax Revenue and Employment

To estimate **the impact on tax revenues**, we use the total tax revenue as a percentage of GDP provided by the OECD for each of the four EU4 countries. We extend the data for the last year

available, 2020, to 2021 and 2022. In 2022, the total contribution to the four EU4 governments' tax revenue due to sales on Alibaba platforms was 6,637 million euros (Table 11).

Table 11 – Impact on tax revenue in EU4 (million EUR)

	2019	2020	2021	2022
Direct	1,093.1	1,503.1	1,570.1	1,593.0
Indirect and induced	3,711.9	4,776.6	4,942.2	5,044.3
Total	4,805.0	6,279.7	6,512.3	6,637.3

Source: Authors' elaboration on data provided by Alibaba Group, Eurostat and OECD

To estimate **the impact on employment**, we use the GDP per person employed provided by the OECD for each of the four EU4 countries. In

2022, the total number of persons employed in EU4 due to their employers' sales on Alibaba's platforms was 172,609 (Table 12).

Table 12 – Impact on persons employed in EU4

	2019	2020	2021	2022
Direct	31,557	43,692	42,713	40,448
Indirect and induced	108,904	142,832	138,691	132,160
Total	140,461	186,524	181,404	172,609

Source: Authors' elaboration on data provided by Alibaba Group, Eurostat and OECD

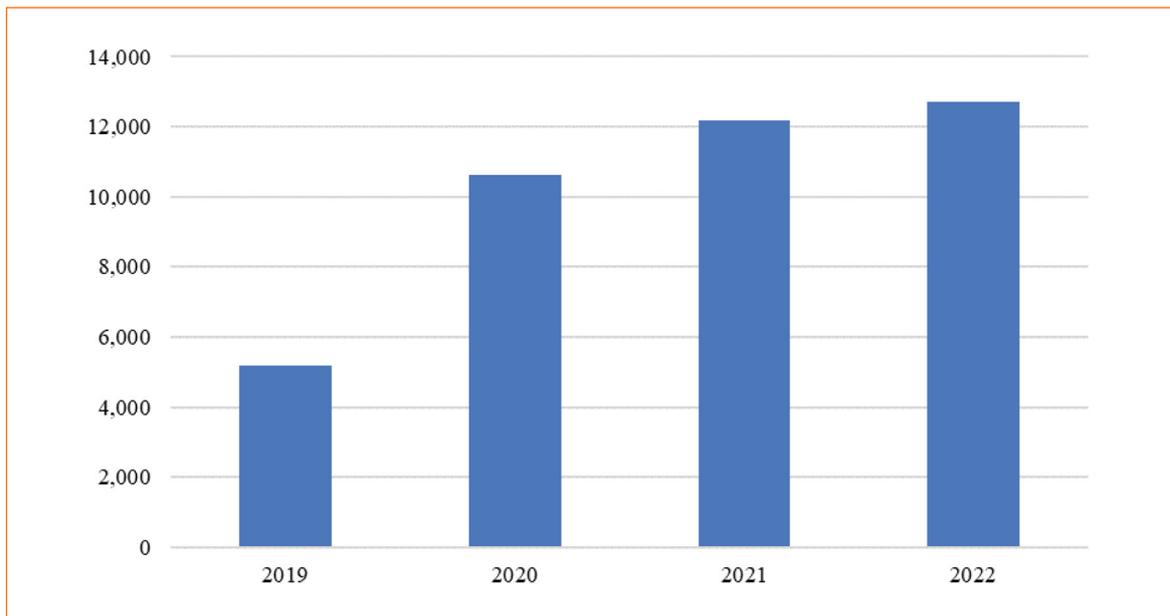
3.4 Impact in France, Germany, Italy and Spain

3.4.1 FRANCE

In 2022, French firms sold ca. 12.69 billion euros worth of products to consumers in China across

Alibaba's platforms (Figure 8). From 2019 to 2022 the sales value increased by 144%.

Figure 8 - Gross Merchandise Value in France (million EUR)



Source: Alibaba Group

In 2022, 65.8% of total sales were for products belonging to the category “Chemicals and

chemical products” such as makeup, perfume and makeup tools (Table 13).

Table 13 – Sales by product category in France (2022)

Chemicals and chemical products	65.8%
Textiles, wearing apparel, leather and related products	16.6%
Food, beverages and tobacco products	5.5%
Furniture and other manufactured goods	5.2%
Computer, electronic and optical products	2.9%
Others	4.0%

Source: Research authors' elaboration on data provided by Alibaba Group

For each of the four years from 2019 to 2022 we estimated **the impact on output** using the latest Input-Output table released by Eurostat on February 14th 2023 that refers to 2019. The output created by national firms' activity on Alibaba' exporting platforms is calculated by subtracting the retail margins paid abroad from the gross merchandise value for each platform, business unit, store type, and product category; in 2022 the margin

on total sales was 28.0% in France (see Annex). As far as the direct economic effect is concerned, French firms created 9,143 million euros from selling their products to consumers in China across Alibaba's platforms in 2022. Furthermore, the indirect economic impact and the further induced economic effects provides another 17,889 million euros in positive impact for France (Table 14).

Table 14 – Impact on output in France (million EUR)

	2019	2020	2021	2022
Direct	3,621.5	7,645.0	8,748.6	9,143.2
Indirect and induced	7,336.0	14,889.5	17,169.2	17,889.4
Total	10,957.5	22,534.5	25,917.9	27,032.6

Source: Research authors' elaboration on data provided by Alibaba Group and Eurostat

To estimate **the impact on France's gross domestic product (GDP)**, we use the value-added of each product category. For example, for the product category "Textiles, wearing apparel, leather and related products," the gross value added as a percentage of the output is 10%.

In 2022, sales of products by French firms on Alibaba's platforms directly contributed ca. 1,879 million euros to the GDP and supported

an additional 4,829 million euros in indirect and induced contributions. In total, sales of products on Alibaba added 6,709 million euros to France's GDP in 2022 (Table 15).

The weight produced by Alibaba sales on France's GDP increased from 0.115% in 2019 to 0.254% in 2022. In 2022, 100 euros of sales on Alibaba's platforms created, in France, a total output of 295.7 euros and a contribution to the GDP of 73.4 euros (see Annex).

Table 15 – Impact on Gross Domestic Product in France (million EUR)

	2019	2020	2021	2022
Direct	765.7	1,569.0	1,802.9	1,879.2
Indirect and induced	2,042.2	4,032.2	4,624.6	4,829.4
Total	2,807.9	5,601.2	6,427.5	6,708.6

Source: Research authors' elaboration on data provided by Alibaba Group and Eurostat

To estimate **the impact on tax revenues**, we use the OECD total tax revenue as a percentage of GDP: 44.9% in 2019 and 45.3% in 2020. We extend the data for the last year available, 2020,

to 2021 and 2022. In 2022, the total contribution to France's tax collection due to French firm's sales across Alibaba's platforms was 3,042 million euros (Table 16).

Table 16 – Impact on tax revenue in France (million EUR)

	2019	2020	2021	2022
Direct	343.7	711.4	817.4	852.0
Indirect and induced	916.7	1,828.2	2,096.8	2,189.7
Total	1,260.3	2,539.6	2,914.2	3,041.7

Source: Research authors' elaboration on data provided by Alibaba Group, Eurostat and OECD

To estimate **the impact on employment in France**, we use the OECD's GDP per person employed. In 2022, the total number of French

persons employed due to sales across Alibaba's platforms was 68,059 (Table 17).

Table 17 – Impact on persons employed in France

	2019	2020	2021	2022
Direct	8,273	17,762	19,328	19,064
Indirect and induced	22,065	45,646	49,578	48,995
Total	30,338	63,408	68,906	68,059

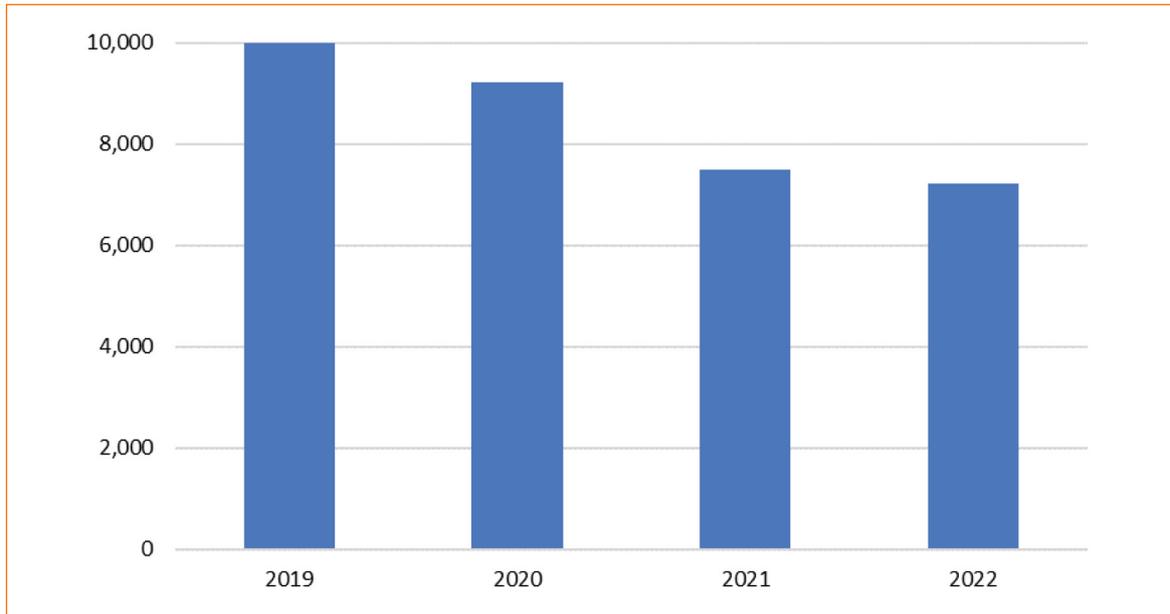
Source: Research authors' elaboration on data provided by Alibaba Group, Eurostat and OECD

3.4.2 GERMANY

In 2022, German firms sold more than 7.21 billion euros worth of products to consumers in China

across Alibaba’s platforms (Figure 9). From 2019 to 2022, sales value decreased by 28%.

Figure 9 - Gross Merchandise Value in Germany (million EUR)



Source: Alibaba Group

In 2022, 28.7% of total sales were for products belonging to the category “Textiles, wearing

apparel, leather and related products” (Table 18).

Table 18 – Sales by product category in Germany (2022)

Textiles, wearing apparel, leather and related products	28.7%
Electrical equipment	17.1%
Food, beverages and tobacco products	15.0%
Chemicals and chemical products	10.7%
Furniture and other manufactured goods	6.2%
Other non-metallic mineral products	4.7%
Motor vehicles, trailers and semi-trailers	4.2%
Fabricated metal products, except machinery and equipment	4.0%
Computer, electronic and optical products	3.3%
Others	6.1%

Source: Research authors’ elaboration on data provided by Alibaba Group

For each of the four years from 2019 to 2022, we estimated **the impact on output** using the latest Input-Output table released by Eurostat on February 14th 2023 that refers to 2019.

The output produced by national firms’ activity on Alibaba’s platforms is calculated by subtracting the retail margins paid abroad from the gross merchandise value for each platform, business unit,

storetype, and product category. In 2022, the margin on total sales was 28.4% in Germany (see Annex). As far as the direct economic effect is concerned, German firms generated 5,163 million euros from selling their products to consumers in China across Alibaba’s platforms in 2022. The economic impact goes beyond those revenues, and the indirect and induced economic effects amounted to 6,815 million euros (Table 19).

Table 19 – Impact on output in Germany (million EUR)

	2019	2020	2021	2022
Direct	7,861.2	6,815.9	5,352.7	5,162.8
Indirect and induced	12,765.3	9,253.9	6,884.6	6,815.2
Total	20,626.5	16,069.8	12,237.3	11,978.0

Source: Research authors' elaboration on data provided by Alibaba Group and Eurostat

To estimate the **impact on the gross domestic product (GDP) of Germany**, we use the value-added of each product category. For example, for the product category "Textiles, wearing apparel, leather and related products" the gross value added as a percentage of the output is 8%. In 2022, sales of products by German firms across Alibaba's platforms selling products to consumers in China directly contributed ca. 908 million euros to the GDP and supported an additional 2,719 million euros in indirect and

induced contributions. In total, sales of German products on Alibaba added 3,627 million euros to Germany's GDP in 2022 (Table 20).

The weight produced by sales on Alibaba's platforms on Germany's GDP decreased from 0.186% in 2019 to 0.094% in 2022. In 2022, 100 euros of sales on Alibaba's platforms produced, in Germany, produced a total output of 232.0 euros and a contribution to the GDP of 70.2 euros (see Annex).

Table 20 – Impact on Gross Domestic Product in Germany (million EUR)

	2019	2020	2021	2022
Direct	1,429.7	1,158.3	931.9	908.1
Indirect and induced	5,029.7	3,668.9	2,744.3	2,718.7
Total	6,459.4	4,827.2	3,676.2	3,626.8

Source: Research authors' elaboration on data provided by Alibaba Group and Eurostat

To estimate **the impact on German tax revenues**, we use OECD's total tax revenue as a percentage of GDP: 38.6% in 2019 and 37.9% in 2020. We extend the data for the last year

available, 2020, to 2021 and 2022. In 2022, the total contribution to Germany's tax collection due to sales on Alibaba's platforms was 1,375 million euros (Table 21).

Table 21 – Impact on tax revenue in Germany (million EUR)

	2019	2020	2021	2022
Direct	552.1	439.1	353.3	344.3
Indirect and induced	1,942.4	1,391.0	1,040.4	1,030.7
Total	2,494.5	1,830.1	1,393.7	1,375.0

Source: Research authors' elaboration on data provided by Alibaba Group, Eurostat and OECD

To estimate **the impact on German employment**, we use the OECD's GDP per person employed. In 2022, the total number of

persons employed due to their employers' sales on Alibaba's platforms was 37,080 (Table 22).

Table 22 – Impact on persons employed in Germany

	2019	2020	2021	2022
Direct	16,382	13,428	10,229	9,284
Indirect and induced	57,630	42,534	30,124	27,796
Total	74,012	55,961	40,353	37,080

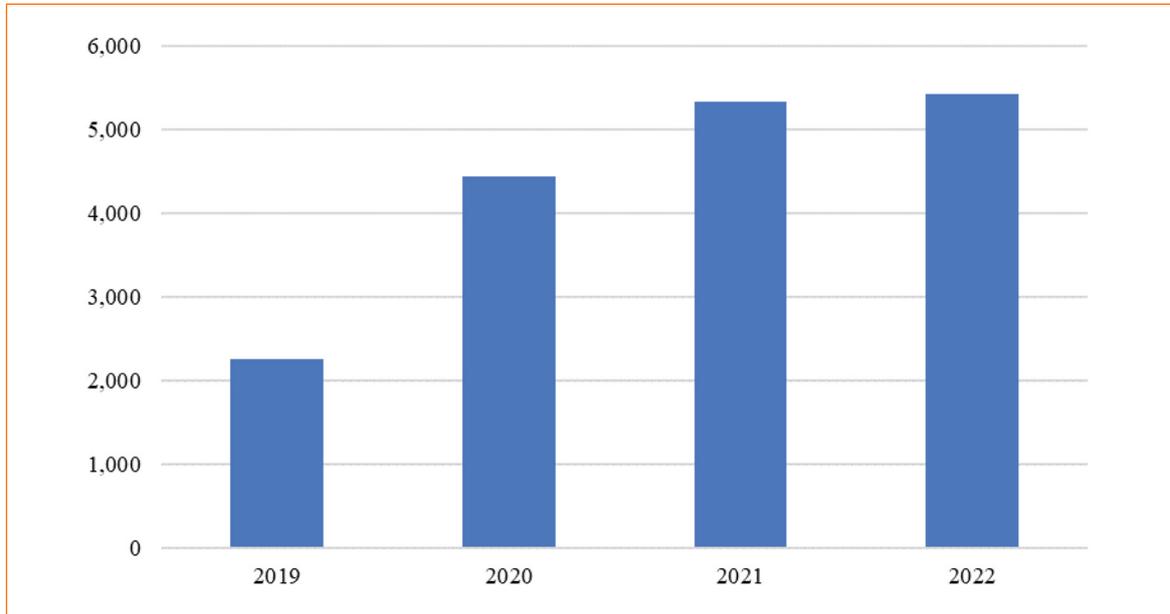
Source: Research authors' elaboration on data provided by Alibaba Group, Eurostat and OECD

3.4.3 ITALY

In 2022, Italian firms sold 5.42 billion euros worth of products to consumers in China across

Alibaba's platforms (Figure 10). From 2019 to 2022, the sales value increased by 140%.

Figure 10 - Gross Merchandise Value in Italy (million EUR)



Source: Alibaba Group

In 2022, 64.1% of total sales were for products belonging to the category "Textiles, wearing

apparel, leather and related products" (Table 23).

Table 23 – Sales by product category in Italy (2022)

Textiles, wearing apparel, leather and related products	64.1%
Chemicals and chemical products	13.2%
Computer, electronic and optical products	5.2%
Food, beverages and tobacco products	4.3%
Furniture and other manufactured goods	3.9%
Electrical equipment	3.6%
Others	5.7%

Source: Research authors' elaboration on data provided by Alibaba Group

For each of the four years from 2019 to 2022, we estimate the economic **impact on output** using the latest Input-Output table released by Eurostat on February 14th 2023 that refers to 2019.

The output produced by Italian firms' actively selling to consumers in China across Alibaba's platforms is calculated by subtracting the retail margins paid abroad from the gross merchandise value for each platform, business unit, store type,

and product category; in 2022 the margin on total sales was 28.1% in Italy (see Annex).

As far as the direct effect is concerned, Italian firms generated 3,896 million euros from selling their products to consumers in China across Alibaba's platforms in 2022. The economic impact goes beyond those revenues, and the indirect and induced effects amounted to 9,589 million euros (Table 24).

Table 24 – Impact on output in Italy (million EUR)

	2019	2020	2021	2022
Direct	1,589.7	3,209.9	3,835.1	3,895.9
Indirect and induced	3,920.0	7,696.2	9,282.9	9,589.3
Total	5,509.8	10,906.1	13,118.0	13,485.3

Source: Research authors' elaboration on data provided by Alibaba Group and Eurostat

To estimate **the impact on Italy's gross domestic product (GDP)**, we use the value-added of each product category; for example, for the product category "Textiles, wearing apparel, leather and related products" the gross value added as a percentage of the output is 23%.

In 2022, sales of products by Italian firms on Alibaba's platforms directly contributed 834 million euros to the GDP and supported an additional 3,935 million euros in indirect and

induced economic contributions. In total, sales of Italian firms' products across Alibaba's platforms added 4,769 million euros to Italy's GDP in 2022 (Table 25).

The weight produced by Alibaba sales on total Italy's GDP increased from 0.108% in 2019 to 0.250% in 2022. In 2022, 100 euros of sales on Alibaba's platforms created, in Italy, a total economic output of 346.1 euros and a contribution to the GDP of 122.4 euros (see Annex).

Table 25 – Impact on Gross Domestic Product in Italy (million EUR)

	2019	2020	2021	2022
Direct	335.4	675.5	810.6	834.3
Indirect and induced	1,613.8	3,156.2	3,804.3	3,935.0
Total	1,949.2	3,831.7	4,614.9	4,769.3

Source: Research authors' elaboration on data provided by Alibaba Group and Eurostat

To estimate **the impact on the tax revenues of Italy**, we use OECD's total tax revenue as a percentage of GDP: 42.3% in 2019 and 42.7% in 2020. We extend the data for the last year

available, 2020, to 2021 and 2022. In 2022, the total contribution to Italy's tax collection due to sales on Alibaba's platforms was 2,034 million euros (Table 26).

Table 26 – Impact on tax revenue in Italy (million EUR)

	2019	2020	2021	2022
Direct	141.8	288.1	345.7	355.9
Indirect and induced	682.2	1,346.2	1,622.6	1,678.4
Total	823.9	1,634.3	1,968.4	2,034.2

Source: Research authors' elaboration on data provided by Alibaba Group, Eurostat and OECD

To estimate the impact on the employment of Italy, we use the OECD's GDP per person employed. In 2022, the total number of persons

employed in Italy as a result of sales across Alibaba's platforms to consumers in China was 60,750 (Table 27).

Table 27 – Impact on persons employed in Italy

	2019	2020	2021	2022
Direct	4,600	9,807	11,026	10,627
Indirect and induced	22,132	45,821	51,751	50,123
Total	26,731	55,628	62,778	60,750

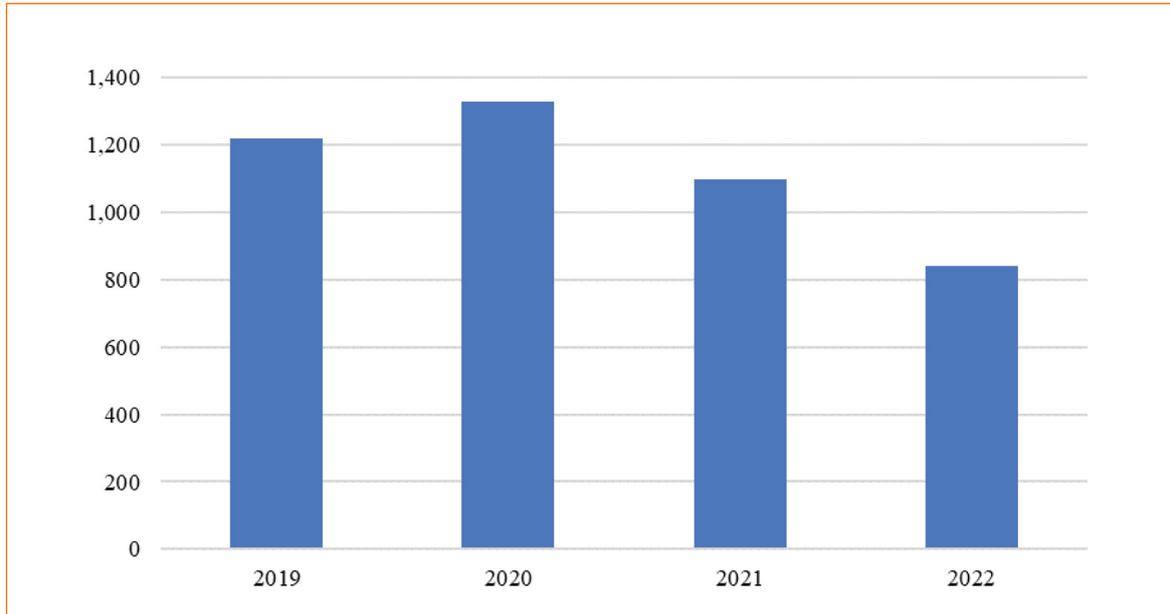
Source: Research authors' elaboration on data provided by Alibaba Group, Eurostat and OECD

3.4.4 SPAIN

In 2022, Spanish firms sold ca. 840 million euros worth of products to Chinese consumers on

Alibaba’s platforms (Figure 11). From 2019 to 2022 sales value decreased by 31%.

Figure 11 - Gross Merchandise Value in Spain (million EUR)



Source: Alibaba Group

In 2022, 63.8% of total sales was for products belonging to the category “Textiles, wearing

apparel, leather and related products” (Table 28).

Table 28 – Sales by product category in Spain (2022)

Textiles, wearing apparel, leather and related products	63.8%
Chemicals and chemical products	16.0%
Food, beverages and tobacco products	11.4%
Furniture and other manufactured goods	3.2%
Computer, electronic and optical products	1.6%
Others	4.0%

Source: Research authors’ elaboration on data provided by Alibaba Group

For each of the four years from 2019 to 2022, we estimate **the impact on output** using the latest Input-Output table released by Eurostat on February 14, 2023 that refers to 2016.

The output produced by national firms’ activity on Alibaba’s platforms is calculated by subtracting the retail margins paid abroad from the gross merchandise value for each platform, business unit, store type, and product category.

In 2022, the margin on total sales was 28.2% in Spain (see Annex).

As far as the direct effect is concerned, Spanish firms generated 602 million euros from selling their products to Chinese consumers on Alibaba’s platforms in 2022.

The economic impact goes beyond those revenues, and the indirect and induced effects amounted to 907 million euros (Table 29).

Table 29 – Impact on output in Spain (million EUR)

	2019	2020	2021	2022
Direct	847.5	941.2	784.1	602.4
Indirect and induced	1,129.6	1,320.3	1,138.4	906.9
Total	1,977.1	2,261.5	1,922.4	1,509.4

Source: Research authors' elaboration on data provided by Alibaba Group and Eurostat

To estimate **the impact on gross domestic product (GDP)**, we use the value-added of each product category. For example, for the product category “Textiles, wearing apparel, leather and related products” the gross value added as a percentage of the output is 20%.

In 2022, sales of products by Spanish firms on Alibaba’s platforms directly contributed 111 million euros to the GDP and supported an additional 396.4 million euros in indirect and

induced contributions. In total, sales of products on Alibaba added 508 million euros to Spain’s GDP in 2022 (Table 30).

The weight produced by Alibaba sales on total Spain’s GDP decreased from 0.052% in 2019 to 0.038% in 2022. In 2022, 100 euros of sales on Alibaba’s platforms created, in Spain, a total output of 250.5 euros and a contribution to the GDP of 84.3 euros (see Annex).

Table 30 – Impact on Gross Domestic Product in Spain (million EUR)

	2019	2020	2021	2022
Direct	160.0	175.5	146.1	111.3
Indirect and induced	491.9	575.1	496.6	396.4
Total	652.0	750.7	642.7	507.7

Source: Research authors' elaboration on data provided by Alibaba Group and Eurostat

To estimate **the impact on tax revenues**, we use OECD’s total tax revenue as a percentage of GDP: 34.7% in 2019 and 36.7% in 2020. We extend the data for the last year available,

2020, to 2021 and 2022. In 2022, the total contribution to Spain’s tax collection due to sales on Alibaba platforms was 186 million euros (Table 31).

Table 31 – Impact on tax revenue in Spain (million EUR)

	2019	2020	2021	2022
Direct	55.5	64.5	53.7	40.9
Indirect and induced	170.7	211.2	182.3	145.5
Total	226.2	275.6	236.0	186.4

Source: Research authors' elaboration on data provided by Alibaba Group, Eurostat and OECD

To estimate **the impact on employment**, we use OECD’s GDP per person employed. In 2022, the total number of persons employed due to

their employer’s sales on Alibaba’s platforms was 6,720 (Table 32).

Table 32 – Impact on persons employed in Spain

	2019	2020	2021	2022
Direct	2,302	2,695	2,130	1,473
Indirect and induced	7,077	8,832	7,238	5,247
Total	9,379	11,527	9,368	6,720

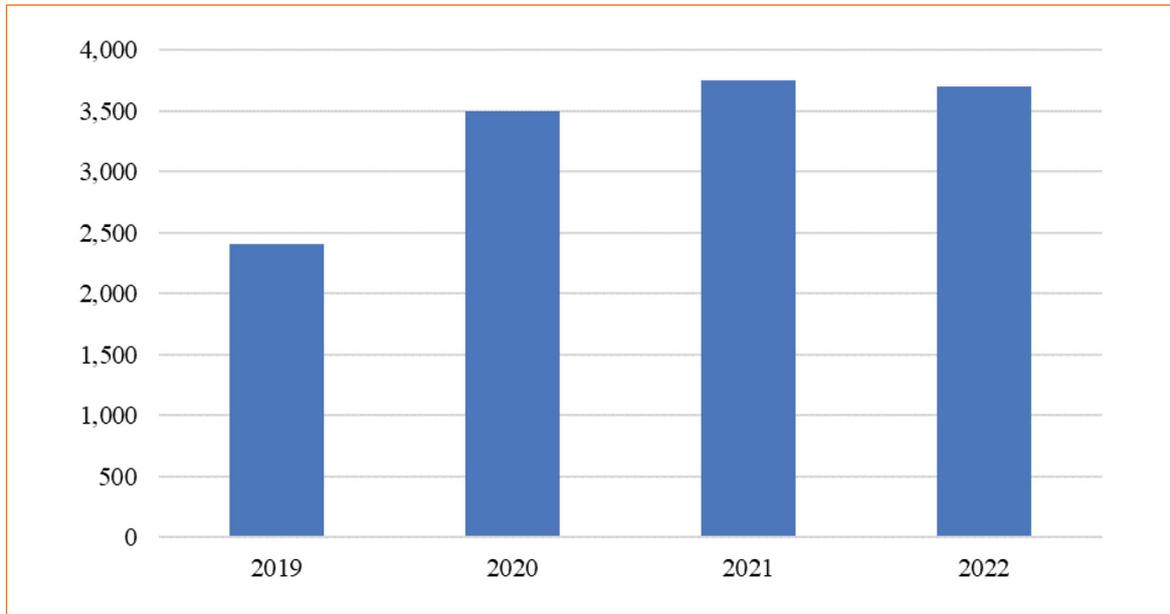
Source: Research authors' elaboration on data provided by Alibaba Group, Eurostat and OECD

4. THE ECONOMIC CONTRIBUTION OF ALIBABA'S PLATFORMS TO THE UK ECONOMY

In 2022, British firms sold ca. 3.70 billion pounds worth of products to Chinese consumers on

Alibaba platforms (Figure 12). From 2019 to 2022 sales value increased by 54%.

Figure 12 - Gross Merchandise Value in the UK (million GBP)



Source: Alibaba Group

In 2022, 30% of total sales was for products belonging to the category “Textiles, wearing

apparel, leather and related products” (Table 33).

Table 33 – Sales by product category in the UK (2022)

Textiles, wearing apparel, leather and related products	30.0%
Chemicals and chemical products	18.5%
Furniture and other manufactured goods	17.2%
Electrical equipment	10.7%
Food, beverages and tobacco products	10.1%
Computer, electronic and optical products	5.1%
Fabricated metal products, except machinery and equipment	1.8%
Others	6.6%

Source: Research authors' elaboration on data provided by Alibaba Group

For each of the four years from 2019 to 2022, we estimate the **impact on output** using the latest Input-Output table released by the Office for National Statistics (ONS) on March 27th 2023 that refers to 2019. The output produced by national firms' activity on Alibaba's platforms is calculated by subtracting the retail margins paid abroad from the gross merchandise value for each platform, business unit, store type,

and product category. In 2022, the margin on total sales was 28.0% in the UK (see Annex). As far as the direct effect is concerned, British firms generated 2,665 million pounds from selling their products to Chinese consumers on Alibaba's platforms in 2022. However, the economic impact goes beyond those revenues, and the indirect and induced effects amounted to 3,396 million pounds (Table 34).

Table 34 – Impact on output in the UK (million GBP)

	2019	2020	2021	2022
Direct	1,722.1	2,505.9	2,669.9	2,664.8
Indirect and induced	2,234.3	3,189.2	3,385.7	3,396.1
Total	3,956.4	5,695.0	6,055.7	6,061.0

Source: Research authors' elaboration on data provided by Alibaba Group and ONS

Table 35 – Impact on output in the UK (million EUR)

	2019	2020	2021	2022
Direct	1,943.5	2,828.7	3,013.8	3,007.3
Indirect and induced	2,521.7	3,600.4	3,821.6	3,832.8
Total	4,465.2	6,429.1	6,835.5	6,840.1

Source: Research authors' elaboration on data provided by Alibaba Group and ONS

To estimate the **impact on gross domestic product (GDP)** we use the value-added of each product category. For example, for the product category “textiles” the gross value added as a percentage of total output is 56%.

In 2022, sales of products by British firms on Alibaba’s platforms directly contributed ca. 1,224 million pounds to the GDP and supported an additional 1,752 million in indirect and induced

contributions. In total, sales of products on Alibaba added 2,977 million pounds to UK GDP in 2022 (Table 36).

The weight produced by Alibaba sales on the UK’s GDP increased from 0.084% in 2019, to 0.118% in 2022. In 2022, 100 pounds/euros of sales on Alibaba’s platforms generated, in the UK, a total output of 227.4 pounds and a contribution to the GDP of 111.7 pounds/euros (see Annex).

Table 36 – Impact on Gross Domestic Product in the UK (million GBP)

	2019	2020	2021	2022
Direct	730.1	1,113.8	1,214.2	1,224.3
Indirect and induced	1,151.9	1,645.6	1,747.6	1,752.4
Total	1,882.0	2,759.5	2,961.8	2,976.6

Source: Research authors' elaboration on data provided by Alibaba Group and ONS

Table 37 – Impact on Gross Domestic Product in the UK (million EUR)

	2019	2020	2021	2022
Direct	823.8	1,257.4	1,370.7	1,381.5
Indirect and induced	1,300.0	1,857.8	1,972.6	1,977.7
Total	2,123.8	3,115.1	3,343.3	3,359.1

Source: Research authors' elaboration on data provided by Alibaba Group and ONS

To estimate **the impact on tax revenues**, we use OECD's total tax revenue as a percentage of GDP: 32.2% in 2019 and 32.1% in 2020. We extend the data for the last year available, 2020,

to 2021 and 2022. In 2022, the total contribution to UK tax collection due to sales on Alibaba's platforms was 956 million pounds (Table 38).

Table 38 – Impact on tax revenue in the UK (million GBP)

	2019	2020	2021	2022
Direct	235.3	357.6	389.8	393.1
Indirect and induced	371.2	528.4	561.1	562.7
Total	606.4	886.0	951.0	955.7

Source: Research authors' elaboration on data provided by Alibaba Group, ONS and OECD

Table 39 – Impact on tax revenue in the UK (million EUR)

	2019	2020	2021	2022
Direct	265.4	403.7	440.1	443.6
Indirect and induced	418.9	596.5	633.4	635.0
Total	684.4	1,000.2	1,073.5	1,078.6

Source: Research authors' elaboration on data provided by Alibaba Group, ONS and OECD

To estimate the **impact on employment**, we use OECD's GDP per person employed. In 2022, the

total number of persons employed due to sales on Alibaba's platforms was 33,357 (Table 40).

Table 40 – Impact on persons employed in the UK

	2019	2020	2021	2022
Direct	9,312	15,030	14,879	13,719
Indirect and induced	14,693	22,207	21,414	19,638
Total	24,006	37,237	36,293	33,357

Source: Research authors' elaboration on data provided by Alibaba Group, ONS and OECD

5. THE CONTRIBUTION OF ALIBABA'S PLATFORMS TO SMEs

This section focuses on the actual microeconomic and social impacts of digital platforms on SMEs. The microeconomic impacts reviewed include the following:

1. internationalization and organizational effects;
2. drivers of innovation and product/process improvements;
3. training activities;

The microeconomic and social impacts are analysed through empirical evidence provided by Alibaba Group and direct interviews with Alibaba customer companies for the construction of practical business cases (Dr. Vranjes, Italy; Holland & Barrett, UK; Lauenstein Confiserie, Germany; Plameca, Spain; Repetto Paris, France; Vitabiotics, UK), with the support of literature review.⁸

⁸ Companies selected by Alibaba Group

The business case: Dr. Vranjes Firenze

Italian lifestyle fragrances

The fragrance company, Dr. Vranjes Firenze, was born in Florence in 1983 out of a passion to create unique fragrances that capture the elegance of Florence and its traditions with craftsmanship reflective of the Italian lifestyle.

The company's founder, Dr. Paolo Vranjes, has been pursuing his vision of precious and evocative home and personal beauty perfumery experiences for more than 40 years. The refined collection of perfumes (Home Fragrances, Eau De Parfum & Scented Body Care), has a presence in more than 75 countries with 30% of its sales in the Italian market and 70% from the export market. Chinese consumers are a strong market for luxury and niche perfumes and fragrances.

The market's transition toward digitization and the **collaboration with Alibaba** have been a great opportunity for the company to grow especially in the past two years.

The partnership with Alibaba, in fact, allows access to the Chinese market and in a relatively short time, especially for those companies that do not have the go-to-market structure and the power of multinationals. Moreover, the partnership with Alibaba is useful for the company to better **understand** the Chinese consumer's **culture and habits and how to best approach the market with this type of product** – in particular during special and traditional events (e.g., Traditional Chinese New Year). The collaboration is helpful to test and learn approaches to establishing and improving **brand awareness**. In parallel, a broader brand building approach is highly recommended for a sustainable and organic brand growth.

Sources: corporate brochure, direct interview

Authors are grateful to Dr. Vranjes and to Barbara Del Neri, CMO, for the interview, for authorizing the business case and providing "quoted comments".

The business case: Holland & Barrett

The British Culture of Health and Wellness

Founded in 1870 and based in the UK, Holland & Barrett is a health and wellness retailer (e.g., healthy food, sports nutrition, clean beauty products), with over 1,600 stores in 19 countries across the world, including company-owned and franchised stores. Holland & Barrett has franchise partnerships in 12 countries, covering Asia, Europe, India and the Middle East.

They started the collaboration with Alibaba in 2020, on Tmall Global, to increase their international business in the Chinese market **in a more agile way**.

This collaboration gave the company a deeper understanding of the habits of Chinese customers in a "**test and learn**" way. The Chinese market can be a very big opportunity for growth and increased sales for the business. In addition, the collaboration with Alibaba **reduces investment risks**. In fact, it makes it possible to **adapt strategies and marketing activities** to the Chinese market without heavy capital costs.

Having a collaboration with a partner like Alibaba which knows the market and provides the tools to better understand it is very helpful. For example, the collaboration with Alibaba helps the company understand the market through data and other decision-making tools. With this kind of information, the company is able to **take action quickly to better serve its consumers**.

Sources: www.hollandandbarrettcorporate.com, direct interview

Authors are grateful to Holland & Barrett and to Nick Parker, International Development Director, for the interview, for authorizing the business case and providing "quoted comments".

The business case: Lauenstein Confiserie

German tradition and passion for chocolate

Lauenstein Confiserie, specialised in chocolate, truffles and pralines, is located in the heart of Germany's Franconian Forest. What began in 1964 as a small family-owned business has flourished over the years, becoming a brand known for its craftsmanship and mastery. Lauenstein Confiserie's commitment to quality and innovation has solidified its position in the confectionery world. The company believes that every piece of chocolate should evoke a sense of delight; they strive to create memorable experiences with their products.

They started the partnership with Alibaba in 2018 with a shop on Tmall Global International Supermarket, they continued the collaboration adding a shop on the general Tmall platform. The most relevant factors for the company in the collaboration with Alibaba are **access to the Alibaba infrastructure** (i.e. logistics) and **access to key opinion leaders** (KOL) and other promotional offers by Alibaba. Alibaba, in fact, gives the possibility to participate in joint KOL and other **marketing activities**.

Therefore, it reduces the overall individual cost for SME's and, at the same time, it allows to use the upselling potential of renowned influencers. Moreover, the approach of "trial and error" gave the **opportunity** to Lauenstein Confiserie to select the best-selling products, discontinue the rest and supplement the cancelled products with new ones. It was useful for the company to build a "market tested" product portfolio for the Chinese market.

Sources: www.lauensteiner.de, direct interview

Authors are grateful to Confiserie Burg Lauenstein GmbH and to Maximilian Kaub, Managing Partner, for the interview, for authorizing the business case and providing "quoted comments".

The business case: Plameca

Spanish Commitment to Natural Well-being

Founded in 1984, Plameca is a Spanish company that specializes in the development and manufacturing of natural products and food supplements. Its core focus is on phytotherapy, aiming to bring innovation and precision to the utilization of natural ingredients in order to enhance health and beauty. Offering contract manufacturing services and private labelling, the company utilizes medicinal herbs and food supplements.

Plameca's headquarter is located in Barcelona, with additional commercial offices in Madrid and Shanghai. Through a network of partners and distributors, the company distributes its products in over 30 countries. Since december 2020, Plameca started the cooperation with Alibaba through its local third party, establishing a presence on the Tmall platform.

This collaboration with Alibaba presents a strategic opportunity for Plameca to penetrate the Chinese market and expand its business. By **providing useful data and tools**, Alibaba aids in **understanding the Chinese market**, customer demands, and customer segmentation. This partnership is a significant asset for Plameca's growth in the Chinese market and offers useful insights for small and medium-sized enterprises (SMEs) in general. By fostering ongoing **cooperation and coordination**, the alliance with Alibaba contributes to advantageous sales positioning and facilitates the innovation of products to meet customers' needs.

Sources: www.plameca.com, www.linkedin.com/company/plameca, direct interview

Authors are grateful to Plameca and to Juan M. Desvals, Export Manager, for the interview, for authorizing the business case and providing "quoted comments".

The business case: Repetto Paris

The heritage of French ballet shoes

Repetto Paris is a French ballet shoe company founded by Rose Repetto in 1947 on the advice of her son and choreographer Roland Petit. Today Repetto reflects the French luxury universe, and derives their strength from a strong ballet heritage and the attention to quality of its team based in Saint-Médard d'Excideuil in France. Beyond ballet, Repetto offers collections of shoes, leather goods and athleisure products.

Repetto started the partnership with Alibaba in early 2022. The collaboration with Alibaba was a turning point for the Chinese expansion and international ambition of Repetto. As an SME, its presence on Tmall and, in particular, the Tmall Luxury Pavillon is strategic as it gives the opportunity to have full **access to the Chinese consumer market** through a major online presence. Additionally, the collaboration with Alibaba helps Repetto with the **use of technology** to better understand its position in the market and consumer trends. As Repetto is focused on providing personalized experience to Tmall shoppers, they can rely on a network of agencies or partners advised by Alibaba teams to help in Repetto's success.

Sources: www.repetto.com, direct interview, www.linkedin.com/company/repetto

Authors are grateful to Repetto Paris for authorizing the business case.

The business case: Vitabiotics

A British Vitamin Company Committed to Human Health and Research

Vitabiotics is a family-run British business and it has pioneered advances in nutritional healthcare for over 50 years. As UK's vitamin company, Vitabiotics has created a portfolio of products at the forefront of scientific developments in key sectors, including Pregnacare, Wellman and Wellwoman. The company has been recognised the Queen's Awards four times, both for Innovation and for International Trade. Vitabiotics sells in over 100 countries.

Vitabiotics started a collaboration with Alibaba in 2014. The cooperation began with the opening of Tmall Mother Baby Store. The company established a strong brand equity in the mother baby category initially, before expanding later into healthcare & beauty, opening more specific category focused stores in the process. Finally Vitabiotics opened dedicated sub-brand stores for Wellman & Wellwoman.

The **partnership** with Alibaba is **strategic** for the company: Alibaba helped them with an initial **market opportunity analysis**, with the store opening and finding a trade partner to operate on Tmall. The main advantage for the company – and for SME's - is to be featured in a vast, online shopping mall: it **adds great credibility** to overseas brands, it fosters brand awareness and brand reputation in the Chinese market. More in general, collaborating with Alibaba, SME's may receive **support** from connection with authorised trade partners **on pricing, product offerings, market segmentation and the profiling of customers through data**.

Sources: www.vitabiotics.com, www.linkedin.com/company/vitabiotics-ltd, direct interview

Authors are grateful to Vitabiotics and to Robert Taylor, Senior Vice President, for the interview, for authorizing the business case and to Tej Lavani, CEO, for providing "quoted comments

5.1 Internationalization and organizational effect for SMEs

Research (Deng et. Al, 2022) has found that digital platforms create new cross-border opportunities. that can be particularly helpful for small and medium-sized enterprises (SMEs) (Jin & Jurd, 2018; Manyika, Lund, & Bughin, McKinsey, 2016). More in details, with the use of digital platforms SMEs, for example, can connect with consumers, suppliers and stakeholders in different countries and start internationalization process quickly and effectively despite their company size (Jin & Jurd, 2018, Manyika, Lund & Bughin, McKinsey, 2016).

Cross-border e-commerce allows firms to better understand consumer behaviours and preferences. As a consequence, for SMEs this reduces the burdens of geographic distance and the challenges of doing commerce abroad (Jin & Jurd, 2018; Yamin and Sinkovics, 2006; Arenius, Sasi, and Gabrielsson, 2006).

Alibaba supports SMEs in their growth process through its platforms and offers firms some useful tools, especially in approaching the Chinese market: Alibaba's platforms have opened new market opportunities for European companies by simplifying the sales process and improving the visibility of European products among Chinese consumers. For example, Alibaba provides insights on the consumption demands in the Chinese market and among Chinese consumers which helps European and companies better understand the competitive environment, customer segments and brand positioning. Also marketing and promotion activities are enabled by Alibaba. KOLs (Key Opinion Leaders), for example, are often associated with platforms like Tmall⁹ for events and promotions.

"As SMEs it would be impossible to have the market knowledge, the resources, and the logistical ability to expand into new markets

without support. Alibaba offers support for all aspects of the supply chain, ranging from customising a storefront, advertising, customer data, support and logistics." (Maximilian Kaub, Managing Partner, Confiserie Burg Lauenstein GmbH).

"One of the advantages of collaborating with Alibaba is to understand better and better the Chinese consumer, to create your own audience, to grow in brand awareness" (Barbara Del Neri, CMO - Dr. Vranjes).

For example, companies in the European countries analysed in this report opened brand stores on Tmall and Tmall Global to reach consumers in China. In the analysed countries, the most popular sectors among consumers were in the areas of fashion and beauty¹⁰. However, the research found that there are many other popular categories as well (i.e., Health, Food, Personal Care, and Home) with varying degrees of popularity among consumers in China which reflects the variety of cultural heritage and brands offered from the individual European countries.

"Alibaba and Tmall has been critical to our market success and growth in China and guiding our entry into new categories, with extremely supportive teams around the world." (Prof Tej Lalvani, CEO, Vitabiotics Ltd).

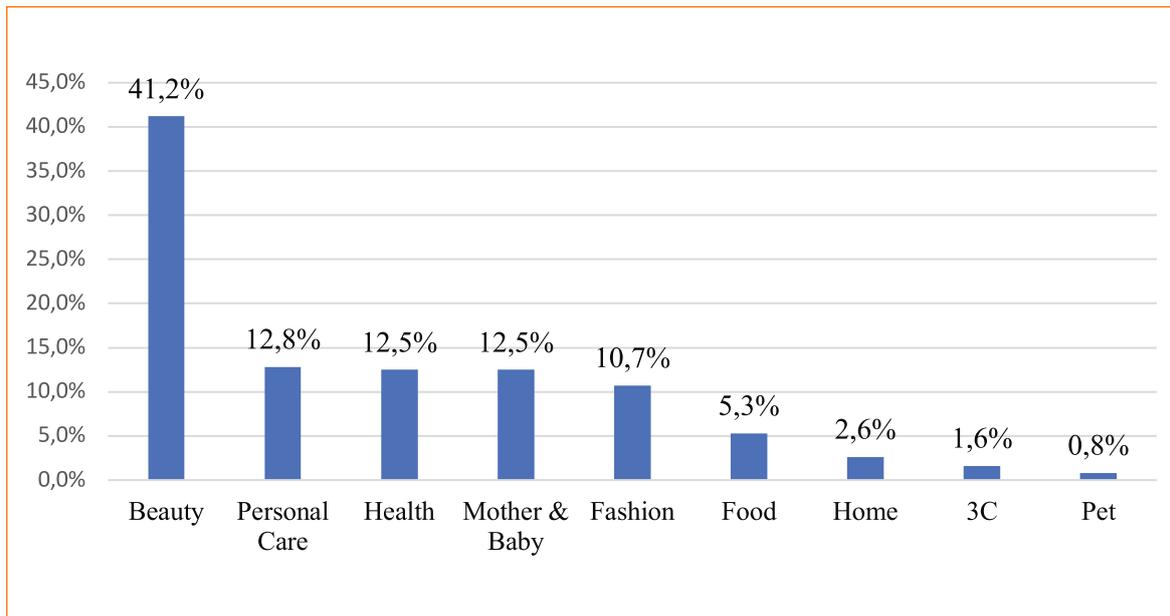
For example, in France, Alibaba's European teams have contributed to the opening of 495 stores on Tmall Global and 106 stores and brands on the Tmall & Luxury Pavilion platforms for European brands. The focus on Beauty brands (41% of the total new stores for European brands opened on Tmall Global, Figure 13) and Luxury brands (with Tmall & Luxury Pavilion) demonstrates how Alibaba has enabled SMEs to leverage Chinese consumer interest in European cultures and products from countries like France¹¹.

9 "KOL", "Key Opinion Leader" is a widely used term in the field of marketing and digital influence, both in China and other parts of the world. KOLs are individuals or recognized experts in specific fields such as fashion, beauty, food, fitness, travel, or any other area of interest. KOLs are known for creating original content, reviews, tutorials, and actively participating in online discussions about the products and services they represent. In China, KOLs hold particular influence due to the extensive use of social media and e-commerce platforms.

10 Source: data provided by Alibaba Group (categories for Germany are not available)

11 Source: data provided by Alibaba Group

Figure 13 - Stores' Categories in France



Source: Research authors' elaboration on data provided by Alibaba Group

5.2 Innovation for SMEs

Recent research has highlighted the role of digital platforms in promoting business model innovation among SMEs. Digital platforms enable SMEs to leverage technologies, as well as adapt their business processes to meet stakeholder needs (Xie et. al. 2022, Cenamor et al., 2019; Li, Qiu, Sha, Dou, 2020; Li et. al. 2018; Liu, Soroka, Han, Jian, & Tang, 2020; Warner & Wager, 2019, Pauli, Fieft, & Matzner, 2021). Within Alibaba's innovation strategy, technology and innovation play a central role. They have built an ecosystem supported by a robust technology infrastructure that enables participants to generate and distribute value across their platforms¹².

"The collaboration with Alibaba and the presence in the Chinese market helps the company to learn a lot about how to use marketplace digital tools and allows us to adopt agile ways of working" (Nick Parker - International Development Director, Holland & Barrett).

With technological tools and access to Chinese consumer data trends, European companies, either directly or through local third parties, can segment their target markets and address their needs and expectations more precisely.

Alibaba's platforms serve as a useful resource for small and medium-sized European businesses looking to enhance their marketing and customer engagement processes.

"The collaboration with Alibaba is helpful in particular for data sharing. Data helps us to understand better consumers' demand and market requirements. In this way, we are able to better serve our customers and to innovate" (Juan M. Desvals, Export Manager, Plameca).

Tmall Partners, often referred to as "TPs,"¹³ for example, aid international brands in effectively establishing and thriving on the Tmall e-commerce platform. TPs play a pivotal role in facilitating the entry of foreign brands, and SMEs in particular, into the intricate and distinctive Chinese market. Their key responsibilities encompass tasks such as store registration, daily store management, marketing and promotion, logistics and delivery management, customer service and data analysis. They assume a multifaceted role in supporting foreign brands. This analytical insight empowers brands to make informed decisions and refine their presence on Tmall for maximum effectiveness¹⁴.

¹² Sources: 2022 Alibaba Group Environmental, Social and Governance (ESG) Report; Alibaba Group: www.alibabagroup.com/en-US/about-alibaba

¹³ To find the right Partner for their needs, companies are supported by Alibaba representatives, who make their knowledge and network of contacts available to connect brands with the Tmall Partners best suited to their needs.

¹⁴ Source: data provided by Alibaba Group

5.3 Training for SMEs

Some researchers have investigated how digital platforms can enable SMEs to promote their business model innovation in terms of adapting their processes and methods for training employees and instilling and inspiring new digital capabilities to assist in the development and expansion of cross border ecommerce (Xie et. al. 2022; Li et al., 2020).

Alibaba promotes and supports continuing education, for example, through its Alibaba Global Initiatives (AGI) program. AGI's goal is to share the positive impact of the new business paradigm in promoting inclusive development and inspiring and empowering entrepreneurs, youth and women¹⁵.

One of the important training programs supported by Alibaba is "The Alibaba Net-preneur Training program". It brings digital entrepreneurs and business leaders together to explore how to

harness digital technology to positively transform their businesses and the local economy¹⁶.

During the Alibaba Net-preneur Masterclass, topics related to Alibaba Digital Ecosystem or insights into the Chinese Digital Economy story are covered, as well as topics such as Organization, Strategy and Mission, Vision and Values in Business. For example, in the European region, the Alibaba Net-preneur Masterclass (with AGI in China)¹⁷ has trained, to date, a significant number of companies, with the following results:

- 556 entrepreneurs trained in total (Italy + Spain + Germany + UK)
- 281 certificates¹⁸ issued (Italy + Spain + Germany + UK)
- 111 net-preneurs eligible for offline course in Xixi Campus (Italy + Spain + Germany + UK + Portugal)

¹⁵ Sources: Alibaba Global Initiatives www.agi.alibaba.com

¹⁶ Sources: Alibaba Global Initiatives www.agi.alibaba.com

¹⁷ Source: data provided by Alibaba Group

¹⁸ Certificates are issued to participants who successfully complete the entire course based on factors such as their attendance, assessment results, depending on a specific score achieved, etc. (data provided by Alibaba Group).

6. POLICY RECOMMENDATIONS AND CONCLUSIONS

Based on the results of the analysis, a brief set of high-level policy recommendations can be suggested for supporting EU SMEs in their export strategies, with a focus on Chinese consumers, and, more in general, in the adoption of digital platforms to foster increased productivity, access to international markets and sustainable growth:

1. Supporting Adoption of Digital Technologies by SMEs:

- Reinforce funding programs specifically targeting SMEs to encourage the adoption of digital technologies, digital marketing tools, and export promotion programs so that European SMEs can access any e-commerce platform of their choice to make cross-border sales.
- Provide tailored advisory services and training programs to educate SMEs on the benefits and implementation of digital technologies.
- Foster partnerships between technology providers and SMEs to facilitate access to affordable and user-friendly digital solutions.

2. Training for New Competencies:

- Develop training programs and initiatives to upskill SMEs in cybersecurity, data governance and analytics, artificial intelligence (AI), and related technologies, in order to gain independence and control in managing data sources from any digital platform and reinforce digital sovereignty of European businesses.
- Collaborate with educational institutions and industry experts to design specialized courses and workshops focused on data-driven decision-making, AI integration, and emerging technologies, to support export capabilities of European SMEs through digital platforms of their choice.
- Establish partnerships with technology companies to provide SMEs with access to training resources, tools, and platforms for practical learning and experimentation.

3. Intellectual Property Protection:

- Strengthen education for SMEs about

intellectual property (IP) protection to safeguard the brands related rights of EU SMEs in the Chinese and other overseas markets.

- Enhance efforts to streamline IP registration processes, improve information sharing among law enforcement agencies to better combat counterfeiting and IP infringement.
- Facilitate access to legal support and advisory services for SMEs to navigate the IP protection and enforcement processes in China and other overseas markets.
- Support EU SMEs through market intelligence services, including information on market entry requirements, regulatory changes, and emerging trends in China and other cross-border markets.

4. Data Strategy:

- Promote the development of technological initiatives that facilitate access to relevant data for SMEs seeking to export their products to new markets, providing appropriate tools and infrastructures for cybersecurity and IP protection.
- Encourage collaboration between public and private sectors to share non-sensitive data, market insights, and trade-related information.
- Establish data-sharing frameworks and platforms that enable SMEs to leverage open data for market research, product development, and informed decision-making.

These policy recommendations aim to support EU SMEs in their export endeavors to China, Asia more broadly, and worldwide by promoting the adoption of digital technologies, enhancing capabilities in consumer market trend analysis, ensuring intellectual property protection, building market research data catalogues, and strengthening cooperation. By implementing these measures, European institutions can create an enabling environment for SMEs to seize the opportunities presented by the Chinese and broader cross-border markets and drive their export growth.

7. METHODOLOGY

To estimate the economic impact of sales transacted on Alibaba platforms, the methodology adopted in this research study is the so-called input-output (I-O) devised by Wassily Leontief. An I-O matrix is a representation of national economic accounting that records the way industries trade with one another and produce products and services. The I-O matrix provides the multipliers that are used to estimate national effects by quantifying the total demand-side consequences of changes in exogenous demand, like sales conducted on Alibaba's platforms.

The economic impact goes beyond the revenues due to purchased products, as increased production, operations, and investments create a ripple effect along the supply chain that generates additional economic benefits for companies and the overall economy. The impact is the sum of three different effects:

- The **direct effect**: the increase in output due to the initial change in expenditure.
- The **indirect effect**: the increase in output of the suppliers that are part of the supply chain of the product benefiting from the direct effect.
- The **induced effect**: the increase in output resulting from the workers of suppliers purchasing more goods and services for personal consumption. These induced effects reflect the adjustment to household income that accompanies the direct and indirect changes in economic activity.

The **impact on output** is estimated with the so-called Type II multipliers that, along with the indirect effect (calculated by the Type I multipliers) include the induced effects of changes in household consumption. I-O multipliers can be assumed stable during a certain period unless the country's economy has changed significantly. This research uses the I-O tables at basic prices (product by product) provided by Eurostat (for France, Germany, Italy and Spain) and by the

Office for National Statistics (ONS). For our estimates, the output generated from European national firms' activity on Alibaba platforms is calculated by subtracting the retail margins paid abroad from the gross merchandise value for each platform (e.g., Tmall), store type (e.g., exclusive store), and product category (e.g., apparel accessories).

The impact on GDP is the gross value added driven by the impact on output for each product category. Based on the impact on GDP, it is possible to estimate the impact on tax revenue and employment. **The impact on tax revenue** is estimated with the 'Total tax revenue as % of GDP' provided by the OECD (dataset: Global Revenue Statistics). **The impact on employment** is estimated with the 'GDP per person employed' provided by the OECD (dataset: Level of GDP per capita and productivity).

This research utilized the sales data provided by the Alibaba Group, in particular: gross merchandise value (GMV) and its platforms' retail margins.

The estimates of economic impacts vary significantly among countries as exemplified by the effects of 100 euros of sales on Alibaba's platforms in terms of both output and contribution to the national GDP. Differences in estimates among countries are mainly due to: i) different mix of products sold on Alibaba platforms and, ii) different 'design' of the national supply chains for every product category. Though the supply chains for each product tend to be similar from the technological point of view, every country has a different combination of domestic production/imports and different levels of productivity.

The estimates of economic impacts are conservative as they do not consider any cross-border effect, e.g., Italian firms' output triggered by sales of German firms on Alibaba platforms is not included in the impact on Italy's output and GDP.

8. ANNEX

Table 41 – Retail margins on Gross Merchandise Value

	2019	2020	2021	2022
France	30.2%	28.1%	28.1%	28.0%
Germany	21.3%	26.0%	28.6%	28.4%
Italy	29.7%	27.7%	28.1%	28.1%
Spain	30.5%	29.1%	28.7%	28.2%
United Kingdom	28.3%	28.4%	28.8%	28.0%

Table 42 - Weight of GDP generated by Alibaba sales on national GDP

	2019	2020	2021	2022
France	0.115%	0.242%	0.257%	0.254%
Germany	0.186%	0.142%	0.102%	0.094%
Italy	0.108%	0.231%	0.258%	0.250%
Spain	0.052%	0.067%	0.053%	0.038%
United Kingdom	0.084%	0.130%	0.131%	0.118%

Table 43 – Contribution of 100 EUR (or 100 GBP for the UK) of sales on Alibaba platforms to the national output

	2019	2020	2021	2022
France	302.6	294.8	296.3	295.7
Germany	262.4	235.8	228.6	232.0
Italy	346.6	339.8	342.1	346.1
Spain	233.3	240.3	245.2	250.5
United Kingdom	229.8	227.3	226.8	227.4

Table 44 – Contribution of 100 EUR (or 100 GBP for the UK) of sales on Alibaba platforms to the national GDP

	2019	2020	2021	2022
France	77.5	73.3	73.5	73.4
Germany	82.2	70.8	68.7	70.2
Italy	122.6	119.4	120.3	122.4
Spain	76.9	79.8	82.0	84.3
United Kingdom	109.3	110.1	110.9	111.7

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