Impact of Cross-border M&A on China's Technological Financial Ecosystem: Alibaba's Acquisition of Gaode Maps

Sirui Guo[1, *]

[1] School of Government, Sun Yat-Sen University, Guangzhou, China
*Corresponding author: guosr@mail2.sysu.edu.cn

Abstract:

Contemporarily, cross-border M&A becomes a trend for giant corporations. This study focuses on Alibaba Group's acquisition of Amap, and discusses the impact of this strategic move on the value of Alibaba company and its development in the mobile Internet field. The research background section describes the global economic environment and the trend of the Internet industry when the acquisition occurred, especially under the background of mobile positioning and mapping services increasingly becoming an important support for e-commerce and O2O business. The research topics focus on the rationality of the acquisition decision, the process, and how the expected goals affect Alibaba's long-term development. Based on SWOT model, this study analyzed the market environment, competitive advantage, and potential risks before and after acquisition. The results show that the acquisition has significantly enhanced Alibaba's competitiveness in mobile user acquisition and service personalization, helped the vertical integration of its e-commerce platform, and laid a foundation for Alibaba's future development in artificial intelligence, big data analysis and location services. However, acquisitions also pose challenges, including barriers to cultural integration and changes in market competition patterns. The study concluded that despite the risks, in the long term, Alibaba could consolidate its leadership position in the Internet industry and provide new impetus for its continued innovation and development.

Keywords: Alibaba Group; acquisition; Amap; SWOT model.

1. Introduction

Alibaba Group Holding Limited, a pioneering Chinese multinational conglomerate, dominates e-commerce, retail, internet, and technology. Established in 1999 by Jack Ma and headquartered in Hangzhou, China, Alibaba boasts a diverse portfolio including Taobao Marketplace, Tmall, Alibaba.com, and AliExpress. Venturing boldly into finance, Alibaba birthed Ant Group, formerly Ant Financial, offering a wide range of financial technology services such as digital payments, banking, wealth management, and insurance. Notably, Ant Group's Alipay is one of the world's largest mobile and online payment platforms, playing a pivotal role in facilitating online transactions and driving the digital economy forward [1-3].

Autonavi Map Co., Ltd., founded in 2001 and headquartered in mainland China, is a leading provider of navigation, electronic mapping, content, and location-based services. Its flagship product, Amap, is a mobile navigation app offering real-time traffic updates, route planning, and various location-based services [4, 5]. Amap ingeniously integrates financial services into its navigation platform, allowing users to seamlessly locate nearby ATMs, banks, and financial institutions. Moreover, Amap provides mobile payment support and location-based advertising for financial entities, enabling them to engage potential customers based on their geographic proximity [6].

In conclusion, by accessing financial statements and other information from the official websites of the two companies, it becomes evident that Alibaba Group's strength is more robust. This study focuses on Alibaba Group's acquisition of Amap, and discusses the impact of this strategic move on the value of Alibaba company and its development in the mobile Internet field. The research background section describes the global economic environment and the trend of the Internet industry when the acquisition occurred, especially under the background of mobile positioning and mapping services increasingly becoming an important support for e-commerce and O2O business.

2. Theoretical Framework

2.1 Business and Revenue Model

With the advent of the digital economy era, geographic information services (GIS) have become a key tool for connecting users with the physical world. In this context, Alibaba Group's acquisition of Autonavi Map is not only an important commercial acquisition case, but also a significant event that affects the market structure of digital map services in China and even the world. This part of the report will comprehensively analyze the business and revenue models of this transaction [7].

Before exploring the impact of Alibaba's acquisition of Amap, it is necessary to first understand the existing business models of both parties. As a globally renowned e-commerce company, Alibaba Group's revenue mainly comes from various fields such as transaction commissions in online markets, advertising services, cloud computing, and digital entertainment. This diversified income portfolio enables Alibaba to maintain stable revenue streams under different market conditions. On the other hand, as a leading digital map service provider in China, Autonavi Map mainly achieves profitability by providing geographic location data, customized map solutions, and location-based advertising services. Autonavi Map's services not only provide consumers with convenient travel guides, but also provide business intelligence related to geographic information for corporate customers [8-11].

When Alibaba Group decided to acquire Amap, this move immediately opened up a new dimension of data resource library for it. By integrating the geographic information services of Autonavi Map, Alibaba is expected to further strengthen its capabilities in areas such as local living services, logistics optimization, and unmanned delivery technology. Specifically, Alibaba's e-commerce platforms can combine Gaode's geographic positioning function to more accurately push related advertisements, improve user experience, and increase advertising revenue. In addition, by utilizing real-time traffic data from Amap, Alibaba's logistics company Cainiao Network can optimize delivery routes, reduce logistics costs, and improve efficiency. This horizontal integration will help Alibaba further consolidate its leadership position in the e-commerce field and expand to other business areas related to geographic location services.

For Autonavi Map, joining the Alibaba Group means being able to access more resources and a wider user base. Alibaba's vast user base and powerful data analysis capabilities can directly translate into growth opportunities for Amap. For example, Autonavi Map can be combined with Alibaba's tourism, catering, and other local lifestyle service platforms to provide more personalized and accurate recommendation services. This not only increases user stickiness, but also creates new sources of advertising and promotion revenue for Autonavi Map. With the continuous integration and deepening of services, Autonavi Map will have a stronger voice and market share in competition with other map service providers such as Tencent Map.

In summary, Alibaba Group's acquisition of Autonavi Map is not only an asset integration, but also a strategic layout where both parties gain mutual benefits in their business and revenue models. Through this acquisition, Alibaba can not only strengthen its e-commerce and local service businesses, but also expand new revenue channels through Autonavi Map's geographic information services. Meanwhile, Autonavi Map will also benefit from the resources and user base of Alibaba Group, achieving sustained business growth and diversified revenue. However, the ultimate outcome of this acquisition still depends on how both parties can overcome the technical, cultural, and management challenges that may arise during the integration process, as well as how to maintain a leading position in fierce market competition.

2.2 Challenge Analysis

Market share is a vital metric indicating a company's position within its market. It's essentially the portion of both the quantity and quality of products that a company sells within its market niche. A higher market share signifies not only greater sales volume but also a perception of higher product quality, showcasing the company's dominance or control over its sector.For internet giants like Alibaba, market share assessment often involves evaluating either the sheer quantity of products sold or the percentage of the total market turnover they command. This measurement serves as a yardstick for assessing Alibaba's dominance within its realm.

Moreover, market share isn't just about bragging rights; it's a reflection of a company's competitive strength, its overall sales performance, and its standing within the market hierarchy. In Alibaba's case, these figures were crucially disclosed during its IPO prospectus, offering investors insights into the company's market penetration and competitive edge. Analyzing Alibaba's disclosed data, it's evident that the company experienced substantial growth between 2013 and 2014 (seen from Table 1). Over this period, there was a remarkable increase in business volume, with the total turnover soaring by an impressive 600 billion yuan. This growth underscores Alibaba's expanding influence and the increasing demand for its services [8]. Delving deeper, the specifics of turnover distribution reveal interesting trends. In 2013, Taobao, Alibaba's online marketplace, accounted for a significant 76.50%

of the turnover. However, by 2014, this proportion had slightly decreased to 69.90%. While this might seem like a decrease, it's essential to interpret it within the context of overall growth. Even with a slightly reduced share, the absolute turnover of Taobao likely increased substantially, reflecting Alibaba's overall expansion and adaptability in the dynamic market landscape.

Table 1. Alibaba's GMV

Year	2013	2014
Total GMV	10770.00	16780.00
Tmall GMV	2530.00	5050.00
Taobao GMV	8240.00	11730.00
Mobile GMV	790.00	3190.00

The company's growing market share is a result of its increasing total turnover, which also signifies a growth in the volume of customer and traffic flows. Traffic will expand as well. The number of vendors on Alibaba's retail platform increased by 33% to 8 million in the current year compared to the previous year, while consumption on the site increased by around 48% to 250 million people in 2014. Alibaba's primary business is e-commerce, and the amount of transactions it processes is rising steadily. The acquisition of Gao De Software is also intended to increase the share of its core business once again in the market, thereby enhancing the company's competitiveness in the market. The role of AutoNavi is to lead Alibaba into mobile portals and assist the company in getting more consumers. At the same time, the company's consumer turnover has increased significantly on the back of the stable user base of AutoNavi Maps and AutoNavi Navigation. The logical planning and organization of the corporation on mobile has also led to an increase in turnover. Following the software acquisition, the company also moved its computer division on a mobile platform. This accomplished the goal of the strategic shift in addition to first attending to the demands of the users. Due to all these factors, Alibaba's turnover has also expanded along with the volume of transactions on the platform.

In navigating the complex landscape of mergers and acquisitions within the internet sector, it becomes evident that successful integration demands a holistic approach. Alibaba and AutoNavi, recognizing this imperative, are embarking on a strategic collaboration aimed at leveraging their respective strengths to create a synergistic ecosystem. This collaboration extends to the development of a robust big data service system, intricately woven into navigation maps and life service information, thereby heralding a new era of consumer-centric Online-to-Offline (O2O) business models.

Central to this endeavor is the symbiotic relationship between Gaode Software, AutoNavi, and Alibaba. Through seamless cooperation, they seek to harness the power of big data, with AutoNavi contributing geographic location data and real-time traffic insights, complemented by Alibaba's logistics prowess and rich user data. Gaode Maps emerges as a linchpin in this ecosystem, furnishing Alibaba with high-quality mapping services crucial for its operations in China. Yet, amidst these strides, challenges loom. The prevailing user inclination towards route searches over map-based life services poses a pertinent obstacle. Alibaba and AutoNavi are thus compelled to refine their offerings and shift user habits towards a more comprehensive engagement with their platforms.

Nonetheless, Alibaba's role transcends mere business integration. As a savvy investor in the mobile internet boom, Alibaba stands poised to capitalize on its significant capital investments, reaping rewards even in scenarios where integration deviates from the initial plan. Thus, amidst the dynamic landscape of digital innovation, Alibaba remains a stalwart force, navigating mergers, acquisitions, and investments with strategic foresight and adaptability.

2.3 Financial Indicators Analysis

The profitability of a business serves as a reliable predictor of its future profitability. firm appraisers usually utilise the achieved financial gains and potential earnings during the course of the firm to calculate the long-term profitability of a company. An important indicator for evaluating a business's profitability is return on total assets, which is determined by dividing the total operating profit by the total assets of the company. This number indicates the company's level of investment profitability. Alibaba's operational profit margin, return on net assets, and return on total assets are examined in this study covering the period from 2012 to 2015. In addition, it assesses the profitability of the business in the context of the corporate merger and the adjustments made to profitability measures prior to and following the merger. The operating profit margin, return on net assets, and return on total assets of Ariba

are examined in this research from 2012 to 2015. It offers a comprehensive examination of the profitability of the business based on how profitability indicators were altered

both before and after the merger. The specific situation is shown in Table 2.

Table 2. Profitability indicator

Year	2012	2013	2014	2015	2016
Asset margin	—	18.93	28.29	12.38	23.63
Capital gain rate	20.35	39.40	86.21	82.28	80.32
Operating Profit margin	62.27	71.84	74.54	68.72	70.48

Alibaba's total profitability has been rising since 2012, according to Table 2's data. However, there was a significant shift in profitability between 2013 and 2014, when AutoNavi sold its shares for the first time and then sold the rest of them to Alibaba. Comparing 2014 to 2013, Alibaba's percentage of mobile transaction share increased by 12.30 percent. Despite a decrease in turnover between 2014 and 2015, Alibaba's overall profitability rose, partly because of the several acquisitions the company completed during that time. Numerous M&A integration issues have arisen since the acquisition, which may negatively affect how profitable Alibaba is assessed. High-tech adoption will inevitably boost the company's profitability, and for Alibaba, it will mean more users and higher customer turnover, all of which will con tribute to the long-term growth of the e-commerce sector, which Alibaba is leading.

3. M&A Objective

On June 15, 2012, Alibaba was delisted from the Hong Kong Stock Exchange. Prior to this delisting, Alibaba had undertaken significant restructuring efforts, including the privatization of its business. In 2013, Alibaba officially announced the acquisition of a 28.0% stake in Autonavi Map for $294 million. This strategic investment aimed to bolster Alibaba's presence in the digital mapping and navigation sector, tapping into Autonavi's expertise and technology.On February 10, 2014, Alibaba formally submitted a sample offer letter as part of its acquisition proposal for Autonavi Map. The proposed acquisition aimed to strengthen Alibaba's capabilities in location-based services and digital mapping, further integrating these technologies into its e-commerce ecosystem.After signing an M&A (Merger and Acquisition) agreement, companies typically embark on a carefully planned reorganization of their organizational structure. This reorganization is essential to integrate the acquired company's operations, technologies, and personnel effectively into the acquiring company's existing framework.

4. Motivation Analysis

4.1 Generating M&A Synergies

The final acquisition of AutoNavi by Alibaba indicates that BAT still faces significant competition in the geolocation and navigation services sector. Over the next few years, the mapping sector, which serves as a conduit to local life services, is probably going to be the main target of rivalry for mobile payments and Internet behemoths. The market for geolocation data is quite substantial, and its worth extends beyond a straightforward navigational function. Rather, its utilization in the construction of an entire O2O ecosystem is crucial. The market as a whole will benefit greatly from Alibaba's complete acquisition of AutoNavi, and maps' value as the entry point to mobile terminals will have more growth potential.

After the merger and acquisition of Alibaba and AutoNavi, Alibaba has taken over the technology of AutoNavi from all aspects and gained access to the terminal traffic entrance of AutoNavi.AutoNavi Maps' precise positioning technology can help Alibaba's e-commerce services by offering users navigation, data analysis, and accurate positioning. AutoNavi Maps also plays a part in supporting Alibaba's internal structural optimization process. In the end, these auxiliary activities and inter-enterprise interactions will translate into real operational benefits.

After the merger of AutoNavi and Alibaba, AutoNavi can be influenced by Alibaba's great influence and competitiveness, so as to make use of Alibaba's customer source, information system and business information to promote its own development in the transformation of resources and technology. The most important thing for AutoNavi is that Alibaba will bring in a huge amount of capital and investment, and once there is no problem in financing, it will not be difficult to realise internal innovation.

4.2 Integration of Online and Offline Industries

In the current environment of prevalent mobile Internet,

various applications on mobile phones need to obtain the user's location information, location services not only provide users with service entrances, but also spawned more mobile phone applications to provide convenience for the common people, so that many fixed offline customers have begun to turn to brick-and-mortar shops. Consumers use smart phones to select hotels, supermarkets and other services near their destinations by sharing location information, and it must be said that the sharing of location information makes our daily travelling life very convenient. Selecting online through the mobile client saves more time than going to the physical shop to experience. The acquisition of AutoNavi Maps will undoubtedly add more favourable factors for Alibaba and help it create an ecological map of „financial payment, e-commerce, maps and offline services". Geo-location information service is the core part of the O2O industrial chain, and the map itself is another high-frequency application, which is difficult to be replaced by other high-frequency applications (e.g., WeChat) except for the accumulation of data and product functions required for social networking and maps. Alibaba's O2O continues to push, and in order to promote its geographic data, mapping engine, product development and commercialisation business, it will need AutoNavi even more to deliver results as soon as possible.

4.3 Expanding Market Share

Alibaba's acquisition of AutoNavi helped Alibaba expand its market share and put it in a leading position to compete with Tencent and Baidu.After Baidu set up its LBS business unit in October 2012, Baidu not only invested a lot of resources in support of the rapid development of its mapping business in order to grow its map business, but also acquired Wanfang in September 2013 for the same purpose as Alibaba, and has been using maps as its main expansion business since then. Since then, Baidu has undoubtedly made maps its main business.

Baidu acquired Nuomi in January 2014, and 2013 data shows that AutoNavi alone accounted for 31.3 per cent of the smart terminal market, nearly a third of the market, with Baidu accounting for 26.6 per cent. On the eve of the news release, AutoNavi released free maps, and Baidu Maps suddenly sent out free SMS. This is the result of competition within the smart terminal market. Baidu said that they decided to use their acquisition of Navigation Technologies to develop more potential in the group-buying market, and that the main way to achieve this goal was to integrate Baidu Maps into all stages of the business, and ultimately to maximise the advantages of the „LBS + purchase" model.

5. Conclusion

To sum up, Alibaba's acquisition of Gaode Maps is a case with far-reaching implications. Through this M&A, Alibaba has successfully expanded its business scope and enhanced its influence in the Internet industry. It also provides more possibilities for Alibaba's future development. From the performance point of view, Alibaba has achieved remarkable results in terms of market share, financial indicators and customer satisfaction after the acquisition of Gaode Maps. This merger and acquisition has undoubtedly injected new vigour into Alibaba's development and brought new variables to the development of China's Internet industry.

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