Alibaba Solidifies Brick-and-Mortar Retail Push with Bailian Supermarket Partnership

1) On February 20, Alibaba announced the formation of a strategic partnership with Chinese retailer Bailian Group to explore new forms of retail opportunities across the brick-and-mortar and e-commerce ecosystems.

2) The strategic cooperation between the two companies includes: a) developing retail technology that leverages artificial intelligence, the Internet of Things (IoT) and big data; b) improving efficiency in logistic and supply-chain management; c) increasing the visibility of inventory management at traditional retailers; and d) enhancing more seamless and functional membership programs via geolocation, facial recognition and other systems.

3) In our view, this partnership lies in the embodiment of Alibaba's long-term vision of "New Retail", which depicts a world where physical and virtual commerce are seamlessly integrated. Alibaba will continue to revolutionize the old ways of traditional retail.

Our Take

We value this partnership between Alibaba and Bailian, and view it as another significant step (others include the privatization of Intime Retail and investments in Sunning and Haier) in Alibaba's quest to revamp the operations of brick-and-mortar retailers as well as strengthen its position in e-commerce. The scale of the cooperation—which includes outlet design, technology R&D, customer relationships, supply-chain management, payment and logistics—suggests that Alibaba views this "New Retail" paradigm shift as a gradual and long-term strategy, as the company works its way through the learning curve to revolutionize traditional retail.

For details of our view on "New Retail", please refer to our recent publication, "Alibaba's Big Bet: Physical Retail and E-Commerce are a Winning Combination."

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Details of the Partnership Agreement

Alibaba and Bailian will develop new technology and leverage each other's user data to integrate offline stores, logistics and payment to boost efficiency.

- **New retail outlet design:** Jointly design cross-channel store operation and ordering systems to enable real-time service solutions for customers at physical stores.

- **New retail technology R&D:** Joint R&D in new retail technology in areas such as artificial intelligence (AI), IoT and big data.

- **Customer-relationship management:** Integrate their membership base to enhance their customer-service capability through technologies such as geolocation, facial recognition and big-data driven sales- and customer-management systems.

- **Supply-chain management:** The companies will combine resources in terms of customer insight and supplier channels to help improve merchandise selection and reduce costs.

- **Payment:** Alipay will be made available at all Bailian stores, while Bailian's payment tools—Safepass and Bailian OK Card—will be integrated with Alipay to provide a unified third-party payment solution for consumers.

- **Logistics:** Bailian Logistics will work with Alibaba on Cainiao's logistics platform and codevelop logistics rules to enhance services for both consumers and merchants.

Background Information on Bailian Group

Headquartered in Shanghai, Bailian has 4,700 stores in 200 cities, including supermarkets, convenience stores and pharmacies, more than double the number of stores owned by Suning, Intime and Sanjiang combined. Bailian has integrated everything from customer relations and payment to logistics in a manner similar to its tie-ups with other players such as electronics chain Suning.

FLASH REPORT

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