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What Alibaba Group's big breakup means for retail and luxury

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Jack Ma's sprawling conglomerate Alibaba just announced it is splitting into six entities, which is the largest restructuring in its 24-year history. Image credit: Shutterstock

By Sadie Bargeron

On March 28, Chinese ecommerce giant Alibaba Group Holding Ltd. announced it will be splitting its businesses into six separate units the largest restructuring of the group since its founding in 1999.

Current businesses will be divided into: the Cloud Intelligence Group; Taobao Tmall Commerce Group; Local Services Group; Cainiao Smart Logistics Group; Global Digital Commerce Group; and Digital Media and Entertainment Group.

Each will be allocated its own chief executive and board of directors. All units, except Taobao Tmall Commerce Group, will be able to apply to list on the stock market.

The reasons for the shake-up include making individual businesses run smoother and speeding up decision-making, while also easing pressure on the group's founder, Jack Ma despite his having retired from the company in 2019.

Observers have painted the move as Mr. Ma's attempt to redeem the ecommerce conglomerate.

In 2020, he publicly criticized the approach mainland China's financial regulator took to policing tech companies, following which the government scuppered the planned public offering of Alibaba affiliate company Ant Group, formerly known as Ant Financial, on the Hong Kong Stock Exchange.

News of the six-way split propelled Alibaba's share price up 14 percent in New York on March 28 and up 13 percent in Hong Kong by Wednesday. The uptick followed a share price decline of 70 percent from late 2020.

The Jing Take: In recent years, Mr. Ma's sprawling Alibaba Group has become a target for governmental regulation.

Back in 2021, Alibaba was fined a record $2.75 billion for anti-monopoly violations, and in January, Mr. Ma ceded control of fintech giant Ant Group as a result of regulatory measures.

With his voting rights plummeting from more than 50 percent to just 6.2 percent, Mr. Ma's loss of decision-making powers over the group was a consequence of Chinese regulators aborting Ant's $37 billion IPO and ordering the company to restructure in November 2020.

Taking that into account, it is clear that Mr. Ma is hoping to save any similar moves happening in the future, and to further loosen his grip on the multifaceted ecommerce powerhouse. After all, this is the businessman who was reported to be hiding out in Tokyo during Beijing's crackdown on the mainland's tech sector.

Mr. Ma's recent return to China and the restructuring indicate that the risk of further regulatory measures against the tech industry has decreased. This should give international luxury brands increased confidence in China's tech companies. And given the objective of the restructuring is to improve operations and make the business more responsive to market dynamics, luxury brands could be set to receive an improved service offering.

However, much of the move's impact is as yet unclear. For now, the rising share price suggests investors see a brighter future for Alibaba's platforms.

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