



Although management mentioned on multiple occasions throughout the quarterly results call that it has no intention of prioritizing one retail e-commerce platform over the other, we expect a significant amount of innovation around the Tmall platform this year.

#### New Tmall mobile app planned

We for instance expect Alibaba to release a new Tmall mobile app later this year. The app is being designed to "give a separate shopping journey" to the mobile consumer. When looking back over the last couple of years, development and optimization of the Taobao mobile app instead seemed to be a top priority.

#### Constructive spin on tighter Tmall criteria

Management reflected positively on the impact of new merchant entry standards, which it rolled out in early-March in order to improve the quality of merchants on the Tmall platform. Related to this, the company claims that its focus is not on growing the number of merchants, but on growing same-merchant GMV. Improving consumer confidence around merchant pedigree as a result of tightened storefront criteria should support the aim of increasing same-store growth.

#### Mgmt bullish on mobile monetization longer term

Management expects mobile monetization rates (1.73% in Mar Q) to eventually overtake desktop take rates (2.63% in Mar Q.) Leadership predicates this view on three main factors:

- More consumers are shifting to mobile than the company had anticipated (as evidenced by 77% YoY MAU growth to 289m.)
- Mobile boasts demonstrably higher engagement. Smartphone owners tend to use their devices more frequently, and access, for instance Taobao Mobile, more frequently than they do the desktop version. The company has specifically noticed a much higher incidence of impulse purchases, which drives up the frequency of purchase.
- There is "higher value" associated with buying, and selling, on mobile. By incorporating location-based (LBS) data, and more extensive buyer behavior data, mobile shopping can be more lucrative than desktop-based e-commerce.

The company on the call also made reference to a set of new features offered to the seller. An Alibaba seller now can manage his/her entire storefront through mobile, thus deepening his/her embrace of mobile commerce.

#### The other side of the coin: PC disappoints

As mentioned elsewhere, PC GMV of RMB296b in the Q missed DBe by 7%. PC-derived revenues of RMB7.8b meanwhile fell short of DBe by 0.4%. The implied take-rate thus fell to 2.63% in the quarter, down from 3.23% in the Dec Q, and 2.63% in March, 2014. While desktop monetization actually surprised us on the upside mildly, largely due to the aforementioned strength in the (higher take-rate) Tmall side of the business, merchants have clearly seen the shift toward mobile, and are porting their bidding budgets for keywords, purchases of banner ads and other spend, to mobile.

Management mentioned that PC-based CPC's declined, while search traffic on PC evidently went flat. Marketing revenues from PC were thus down.