



The Role of Market Segmentation and the Impact on Alibaba Company Online Business

Yang Ying¹, Mohamad Idrakisyah^{2*}

¹ Ms.BA, City University Malaysia, Malaysia.

² City Graduate School, City University Malaysia, Malaysia.

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Corresponding Author:

Mohamad Idrakisyah

idrakisyah.abdullah@city.edu.my

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Abstract: This study investigates the influence of market segmentation on Chinese internet companies, focusing on measurability, market demand, and entry barriers. It aims to fill a gap in the existing literature by analyzing how these factors affect segmentation methods, particularly in enterprises like Alibaba. Employing a quantitative approach, the research used surveys distributed to employees and senior managers from twenty randomly selected Chinese enterprises. The survey, developed with input from literature review and expert consultation, covered various aspects including measurement methodologies, market demand, entry barriers, and market segmentation. Data analysis involved statistical techniques such as Cronbach alpha, factor loading analysis, Pearson correlation analysis, and multiple linear regression analysis. Results indicated that market demand significantly influences segmentation strategies and decision-making, emphasizing the importance of understanding consumer preferences. Entry barriers were found to shape market segments and strategies, underscoring the need for firms to align their strategies with market demands to deliver tailored products. The study sheds light on the complexities of China's market dynamics and entry barriers, emphasizing the strategic importance of addressing these challenges and the impact of market demand on segmentation. These findings offer practical insights for navigating the Chinese market and contribute to academic understanding of the relationship between market segmentation, consumer behavior, and business strategy in Chinese online companies.

Keywords: Market segmentation; Chinese internet companies; Measurability; Market demand; Entry barriers

Introduction

The establishment of the Internet in 1969 signified a turning point in the technological landscape, facilitating global connectivity and fundamentally altering modes of communication and commerce inside cultures (Zhang & Wong, 2018). The rapid adoption of the digital revolution in North America, Europe, and select Asian countries stands in contrast to the historical and political obstacles that China encountered on its journey towards internet inclusion (Šaković Jovanović et al., 2020). The narrative surrounding China's efforts to integrate the internet into its socio-economic structure exemplifies the nation's perseverance, characterized by thorough preparation and consistent dedication from its scientific and technological sectors (Gajdošík, 2020).

Against the backdrop of a rapidly changing environment, this thesis explores the complex interplay between market segmentation and the operational strategies of Chinese internet companies. It specifically examines key factors such as measurability, market demand, and entry barriers that exert significant influence on this connection. This paper examines the historical development of market segmentation theory and its significance in modern consumer environments, with a specific focus on its application in the context of electronic commerce (Gong, 2020).

The company Alibaba, which operates in the digital realm, serves as a prominent example of this transformative process (Lin et al., 2020; Zhang & Wang, 2018). It has achieved long-term success by effectively catering to the urgent demands of a large client base through a diverse range of cost-effective products and

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services. Nevertheless, there has been a significant shift in the realm of consumption (Liao et al., 2020). Contemporary consumers have a need for not only tangible goods, but also immersive encounters. Contemporary consumer preferences are characterized by the prominence of quality control, great customer service, and customized participation (Neirotti & Pesce, 2018). The transition requires a reevaluation of marketing and service delivery strategies, incorporating the concepts of market segmentation in order to effectively address the varied and changing demands of customers.

This study employs a quantitative research approach to examine the intricate relationship between market segmentation and consumer behaviour in Chinese internet firms. The results shed light on the significant influence of market demand, which not only affects segmentation tactics but also impacts decision-making processes and product adoption endeavours. Moreover, the research explores the complex impact of entry barriers, which shape the formulation of segmentation strategies and market dynamics (Makrides et al., 2020).

Wendell Smith's market segmentation theory serves as a valuable framework, shedding light on the trajectory towards consumer satisfaction and sustained expansion (Neirotti & Pesce, 2018). The ongoing evolution of the digital landscape is of significant importance, as it represents a paradigm change and a critical turning point in the progression of commerce. The manuscript provides a comprehensive analysis of the intricacies surrounding China's internet revolution. It offers useful insights that can be beneficial for practitioners, policymakers, and regulators who are involved in shaping the trajectory of consumer-driven marketplaces in the digital era (Pullano et al., 2020).

Market segmentation theory, deeply rooted in consumer behavior and psychological research, plays a crucial role in Alibaba's online business strategy. The theoretical foundations of market segmentation delve into the intricate processes that govern consumer motives, preferences, and behaviors in the digital realm. Consumer behavior theories, such as Abraham Maslow's hierarchy of needs, provide a lens through which businesses like Alibaba can understand the complex interplay of customer needs and aspirations. Maslow's hierarchy offers a profound insight into the progression of human motivation from basic physiological requirements to self-actualization, guiding businesses in tailoring their offerings to resonate with consumers at various levels of motivation.

Alibaba's digital ecosystem serves as a canvas where Maslow's hierarchy acquires new dimensions, catering to consumers' diverse needs and aspirations. By

aligning products with customers' desires for convenience, security, belonging, and self-esteem, Alibaba enhances the shopping experience and fosters a sense of fulfillment. The fusion of consumer behavior theories with the e-commerce landscape underscores the importance of personalization and resonant connections with consumers. This strategic approach not only enriches the marketplace with products that fulfill various needs but also promotes a sense of self-worth and fulfillment among consumers.

Alibaba's success stems from their deep understanding of what motivates customers. They achieve this by combining market segmentation strategies with insights from psychology, like Maslow's hierarchy of needs. This allows them to tailor experiences and product offerings to meet a wide range of consumer desires. By going beyond simply selling products, Alibaba positions itself as a platform that helps people achieve their goals and aspirations in the digital world. This focus on understanding customer needs and translating that knowledge into action puts Alibaba at the cutting edge of e-commerce, creating a marketplace that resonates with consumers and fosters satisfaction in today's dynamic digital environment.

In the home furnishing industry, applying market segmentation is crucial. This approach allows businesses to gain valuable insights into customer behavior, refine their marketing strategies, and achieve long-term success. This theory helps navigate the complexities of product attributes, consumer preferences, and market dynamics, offering insights into crafting living spaces that reflect individual identities and values. Market segmentation theory delves into psychological and behavioral dimensions, shedding light on consumer motivations and behaviors within the home furnishings sector.

The amalgamation of online and offline marketing strategies is crucial in the home furnishings industry, providing opportunities for tangible engagement and immersive experiences for consumers. Offline interactions enhance trust and conversion rates, while online platforms, especially through live streaming, offer real-time insights into consumer preferences. By aligning marketing strategies with distinct market segments, businesses can create resonance, foster loyalty, and build trust, leading to long-term success and sustainable growth in the home furnishings market. Market segmentation theory serves as a strategic guidepost, orchestrating marketing strategies that resonate, engage, and succeed, ultimately paving the way for enduring prosperity in this dynamic industry.

Method

Population

To ensure the applicability and trustworthiness of the research results, this study employed a large and diverse sample (300 participants) from twenty randomly chosen Chinese internet companies. The sample included both senior managers and employees in equal proportions, offering a well-balanced perspective that reflects the various voices within these organizations. To minimize memory bias and encourage thoughtful responses, participants completed two sets of questionnaires at carefully chosen intervals of 15 days. This strategic timing acknowledges the need for participants to have sufficient time for reflection, leading to more insightful contributions.

Sampling Size

A sample size of 300 individuals to be used in this study was determined using the Yamane's formula. At the time, an average of 100,000 employees and senior managers were working across the twenty random internet companies in China. Thus, it is important an adequate sample size is used to ensure the margin of error is kept low. A desired degree of precision (e) of 5% was picked, which indicates a margin of error of 5%. The sample size (n) calculated by Yamane's formula is as follows:

Figure 1: Yamane's Formula

$$n = N / (1 + (N \times e^2)) = 1000 / (1 + (1000 \times 0.05^2))$$

Source: Developed for this research.

The sample size was approximated to 300. When taking into account the resources at hand, time limitations, and the overall extent of study goals, the sample size guarantees a suitable degree of accuracy. Utilizing an appropriate sample size enhances the precision of statistical analysis, hence increasing the reliability of the study's conclusions.

Data Collection Methods

An online questionnaire was utilized in order to collect data from the people involved in this study. The questions presented in the survey remained highly relevant to the broad objectives of our study and held the potential to generate significant and enlightening findings. This study conducted a comprehensive evaluation of the questionnaire's validity, which involved extensive discussions with renowned experts in the respective subject. The contributions made by the individuals in question significantly enhanced the credibility of our research in a manner that was unmatched. Moreover, ensuring the transparency of our validation procedure was of utmost significance. By actively engaging these experts, we have emphasized

our dedication to providing outcomes of the highest quality. The participants were primarily contacted via email to distribute the questionnaire. The participants were provided with a comprehensive overview of the study's aims, and they were assured that their responses would be treated with complete confidentiality.

Data Analysis Methods

During this investigation, the utilization of SPSS and WPS software proved to be quite valuable, significantly enhancing the quality and comprehensiveness of our data analysis and processing efforts. The core of SPSS encompasses a wide range of functions, each carefully crafted to fulfil a distinct role in the process of data analysis. Descriptive analysis emerged as a valuable tool in our endeavour to comprehend the fundamental tendencies and variability present within our dataset. The concepts of mean, median, standard deviation, and frequency distributions have developed as illustrations of statistical analysis, enabling us to gain a comprehensive comprehension of the underlying patterns hidden within the complexities of our data. By employing statistical procedures such as t-tests, ANOVA, chi-square tests, and other hypothesis testing methods, we were able to identify complex patterns and disparities that may have gone unnoticed without the use of a more advanced analytical tool (Amirrudin et al., 2021). The utilization of these methodologies facilitated the comprehensive analysis of our dataset, thereby unveiling the intricate interconnections, patterns, and deviations that constituted the fundamental underpinnings of our research. A multiple regression model was constructed in order to examine the association between independent variables and dependent variables.



Figure 1: Research Framework

Result and Discussion

Descriptive Analysis

Table 1 presents the descriptive analysis of the independent and dependent variables in the study. The

table contains information on the number of respondents (N), the mean scores, the standard deviations, and the mean index for each set of variables. The initial set of characteristics pertains to the influence of market segmentation on product purchase and comprises five subcategories: purchase Influence, identifying tailored choices, targeted product relevance, personalized offerings, and perceived relevance. The mean scores for these variables are 4.10, 4.64, 4.15, 4.13, and 4.27, respectively. The findings suggest that the participants exhibited a moderate degree of agreement regarding the impact of market segmentation on product purchase. Based on the standard deviations provided by the respondents, it can be observed that there exists a certain level of variability in their evaluations of these dimensions (0.38, 0.58, 0.47, 0.51, and 0.52, respectively).

The subsequent set of factors pertains to the hypothesis that market demand has an impact on market segmentation. The framework comprises five distinct subcategories, namely demand influence, demand-driven segmentation, demand-driven targeting, demand impact, and customization impact. The mean scores of these three factors are 4.40, 4.44, 4.24, 4.15, and 4.21, respectively. The findings indicate that the participants exhibited a moderate

degree of agreement regarding the proposition that market demand influences market segmentation. The perceptions of the participants appear to exhibit some degree of variation, as indicated by the standard deviations (0.55, 0.58, 0.57, 0.68, and 0.51) presented as evidence.

The third set of factors pertains to the theoretical perspective that barriers to entry influence the process of market segmentation. The framework has five distinct subcategories, including influence on market segmentation, identifying customer segments, product customization impact, identifying competition, and size of competition. The average score of 4.28 indicates a high level of agreement among respondents regarding the theory that barriers to entry impact the process of market segmentation. The fourth set of factors pertains to the hypothesis that market segmentation has influence on internet companies. The framework has five distinct subcategories, including growth of internet companies, improve customer targeting, improved marketing strategy, ability to create personalized product or services, and customer acquisition. The data indicates that the respondents generally agree with the hypothesis that market segmentation has a significant influence on online companies, as seen by the average score of 4.28.

Table 1. Descriptive statistics for the current study

Influence of market segmentation on product purchase	N	Mean	Std. Deviation
Purchase influence	152	4.10	0.38
Identifying tailored choices	152	4.64	0.58
Targeted product relevance	152	4.15	0.47
Personalized offerings	152	4.13	0.51
Perceived relevance	152	4.27	0.52
Market demand has an impact on market segmentation			
Demand influence	152	4.40	0.55
Demand-driven segmentation	152	4.44	0.58
Demand-driven targeting	152	4.24	0.57
Demand impact	152	4.15	0.68
Customization impact	152	4.21	0.51
Barriers to entry influence the process of market segmentation			
Influence on market segmentation	152	4.30	0.51
Identifying customer segments	152	4.46	0.57
Product customization impact	152	4.22	0.58
Identifying competition	152	4.22	0.68
Size of competition	152	4.23	0.47
Market segmentation has influence on internet companies			
Growth of internet companies	152	4.34	0.58
Improve customer targeting	152	4.44	0.57
Improved marketing strategy	152	4.22	0.54
Ability to create personalized product	152	4.21	0.59
Customer acquisition	152	4.22	0.47

Source: Developed for this Research.

Pearson Correlation Analysis

Table 2 displays the Pearson correlation coefficient matrix, which assesses the relationships across variables like market segmentation, measurability, market demand, and barriers to entry. The correlation coefficients provide a measure of the strength of the linear associations between these variables, as well as the direction in which they are aligned. Based on the available data, significant adverse associations may be observed among all of the parameters.

The variable of market segmentation exhibits a weak positive correlation with Measurability ($r = 0.278$), Market Demand ($r = 0.277$), and Barriers to Entry ($r = 0.373$). The results of the analysis, as depicted in table 2,

demonstrate that the significance levels for all variables range between 0.000 and 0.001. This implies a substantial influence of factors like measurability, market demand, and barriers to entry on market segmentation. In summary, the Pearson Correlation test highlights that the independent variable "barrier to entry" has the most pronounced impact on market segmentation. Specifically, the observed correlation coefficient of 0.373 between market segmentation and barriers to entry suggests a robust positive relationship, surpassing that of the other two independent variables. Although the distinction between the last two variables is nuanced, it remains perceptible.

Table 2. Table of Pearson Correlation Coefficient Matrix

		Market segmentation	Measurability	Market demand	Barriers to entry
Market segmentation	Pearson Correlation	1	0.278**	0.277**	
	Sig. (2-tailed)		0.001	0.001	
	N	152	152	152	
Measurability	Pearson Correlation	0.278**	1		
	Sig. (2-tailed)	0.001			
	N	152	152		
Market demand	Pearson Correlation	0.277**		1	
	Sig. (2-tailed)	0.001			
	N	152		152	
Barriers to entry	Pearson Correlation	0.373**			1
	Sig. (2-tailed)	0.000			
	N	152			152

****.** Correlation is significant at the 0.01 level (2-tailed).

Source: Developed for this Research.

Pearson Correlation Analysis

The framework utilized for this study is detailed in Table 3, presenting an assessment of the extent to which the employed regression model corresponds with the observed data. The primary objective of such a model is to either predict or provide rationale for a dependent variable through the utilization of one or more independent variables. The coefficient of determination, often denoted as "R," serves as the initial column's representative value in the table. With a coefficient of 0.382 observed in this instance, it is deduced that there exists a relatively feeble correlation between the independent and dependent variables, indicating that the independent variables incorporated in the model

explain approximately 38.2% of the variability observed in the dependent variable. The squared coefficient of determination, referred to as "R square" in the second column, signifies the proportion of variance in the dependent variable explained by the independent variables. The study's R square value of 0.146 suggests that the independent factors account for approximately 14.6% of the variability witnessed in the dependent variable.

The Adjusted R square value, depicted in the third column, is a refined iteration of the R square value, considering both the total number of independent variables and the sample size in its calculation. This adjustment, designed to mitigate potential overfitting

concerns, yields an adjusted R square value of 0.129 in the present analysis, indicating that roughly 12.9% of the variability in the dependent variable is attributable to the independent variables, while factoring in the model's complexity. The "Standard Error of the Estimate" column presents the standard deviation of the residuals, offering an estimation of the typical deviation between observed and predicted values by the regression model. In this specific case, the standard error of the estimate stands at 1.476, underscoring the degree to which projected values diverge from actual values, with an average disparity of approximately 1.476 units. Although the regression model in this research project exhibited a notable R square value and adjusted R square value, indicative of an overall fit, these outcomes were not replicated in the current study's findings.

Table 3. Model Summary of Multiple Regression Analysis of this Study

R	R Square	Adjusted R Square	Standard Error of the Estimate
0.382	0.146	0.129	1.476

Conclusion

In summary, the primary objective of this research endeavour was to gain insights into the significance of market segmentation and its impact on Chinese internet enterprises. The study specifically examined relevant elements, including measurability, market demand, and entry barriers. These results enhance our understanding of the drivers that impact market segmentation and the significance of market segmentation for online companies in China. The study's findings suggest a notable and favourable correlation between Chinese internet enterprises and market segmentation. This study has thoroughly examined the intricate landscape of Chinese internet firms, methodically analysing the multifaceted structure of market segmentation. The research has specifically concentrated on the significant determinants of measurability, market demand, and entry constraints (Fotiadis et al., 2018). The latest findings shed light on an in-depth understanding of how these factors integrally influence market segmentation strategies, particularly within organizations such as Alibaba. The results of this study highlight the crucial significance of market demand in creating segmentation strategies, underlining its significant impact on decision-making processes and strategic decisions. The acknowledgment by participants of the significant association between comprehending customer preferences and implementing effective segmentation

techniques contributes to the advancement of our comprehension of consumer behaviour inside segmented markets. Furthermore, the research revealed the catalytic influence of entry limitations, which strategically shape segmentation strategies by delineating market segments and exerting an impact on market dynamics. This nuanced perspective underscores the necessity for firms to adjust and synchronize their strategies with current market requirements, facilitating customized product offers that effectively address a wide range of client wants (Feng et al., 2019). This study not only makes a substantial contribution to the existing academic knowledge but also provides helpful information for practitioners who are dealing with the intricate dynamics of the Chinese market. This study offers valuable insights for firms seeking success in a dynamic landscape by emphasizing the strategic significance of responding to entry constraints and comprehending the various intricacies of market demand. Nevertheless, it is imperative to recognize the constraints inherent in this study. Although our research findings offer a complete basis, it is important to acknowledge the dynamic nature of consumer behaviour and market dynamics, which requires ongoing inquiry and adaptation. Further investigation is warranted to explore specific industry sectors, consumer demographics, and new market trends in order to enhance and broaden the findings reported in this study.

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