

These days Chinese internet giants Alibaba Group and Tencent Holdings are synonymous with each other. The two companies had very different starting points but now increasingly find their paths merging as they aim to arrive at the same destination: the ultimate online goliath. Alibaba, the titan of e-commerce in China, has the lead with a market capitalization of around USD 207bn as at end-March 2015. Tencent, the titan of instant messaging, is hot on its heels with a market capitalization of USD 177bn.

David Wu

Researcher

david.wu@capitalprofile.com

Sze Toh Yui Munn

Research Editor

yuinmunn.szetoh@capitalprofile.com


Tencent is known for its online games platform which contributes to over 50% of its revenue. It is also known for its web portal, instant messaging and social media platforms, which it has leveraged on in recent years to make a big push into e-commerce as users grow. Its first instant messaging platform QQ, which was launched way back in 1999, boasts over 815 million monthly active users as at 4Q2014. The 2011 launched WeChat (Weixin in Chinese), akin to mobile messaging app WhatsApp Messenger, launched had 500 million. Tencent also made use of its expertise and forged alliances with the likes of China's second largest e-commerce company JD.com and China's largest online marketplace 58.com in 2014 to grow its e-commerce market share.

Alibaba has been no slouch of course and launched its own instant messaging mobile app Laiwang in 2013 to protect its lion's share of the e-commerce market. It had over 80% market share of the entire online shopping market in China, according to iResearch in August 2014. Alibaba then also entered the online games business in 2014 when it launched three games via its mobile apps, and also bought around a 10% stake in US-based mobile game developer Kabam Inc in the same year.

The jostle for market share also continued beyond Alibaba's and Tencent's core businesses as each grew either organically or through mergers and acquisitions (M&A) of other products and services. In the past 12 months, Tencent and Alibaba have been involved in around USD 6bn and USD 7.5bn worth of M&A deals, respectively, according to Capital Profile data.

Alibaba and Tencent are expected to continue to be acquisitive going forward as there are products and services both companies are not involved in. Tencent has no stake in the business-to-business e-commerce space, which is a huge part of Alibaba's offering, while Alibaba is not part of the online literature business that one of Tencent's more meaningful offerings. Tencent Literature recently merged with Shanda Cloudary to form China's biggest e-book and online publisher Yuewen Group. Tencent president Martin Lau said at the company's FY14 results briefing in March 2015 that the online literature business may be spun-off in the future.

Despite the rivalry, Alibaba and Tencent have shown they are also not opposed to strategic collaboration, most recently with the merger of the two dominant taxi hailing apps in China: Alibaba-backed Kuaidi Dache and Tencent-backed Didi Dache. Another significant joint investment was in September 2013 when Tencent, Alibaba and Ping An Insurance Group, jointly set up China's first online insurance company Zhong An Online Property Insurance with a 15%, 19.9% and 15% stake, respectively. Pony Ma said at Tencent's FY14 results that co-opetition, the co-operation of competing companies, with Alibaba was in Tencent's interest as both shared similar goals.

For now, here is a brief look at some of the business spaces that both Alibaba and Tencent compete in, based on public information. 

CAPITAL PROFILE Special Report: Alibaba, Tencent Playbook

News and analysis on business families and controlling shareholders in Asia. [Subscribe](#) for full access.

ALIBABA GROUP HOLDINGS	BUSINESS AREA	TENCENT HOLDINGS	
<p>Taobao</p> <ul style="list-style-type: none"> Alibaba launched C2C platform Taobao in 2003. It had 95% market share in China, according to Wall Street Journal in December 2014. C2C transaction accounted for over half of the country's online shopping market in 2014, according to iResearch in March 2015. 	<p>Consumer-to-Consumer (C2C)</p>	<p>Paipai.com</p> <ul style="list-style-type: none"> Tencent launched C2C platform paipai.com in 2006, which it sold to NASDAQ-listed JD.com in 2014 as part of a strategic partnership agreement, where it also first bought a pre-IPO stake in China's second largest e-commerce company after Alibaba. 	
<p>Tmall</p> <ul style="list-style-type: none"> Taobao launched B2C platform Tmall in 2008. It is China's largest B2C player with 61.4% market share in 2014, based on gross merchandise value (GMV) transacted of over CNY 790bn (USD 127bn), according to iResearch in March 2015. 		<p>Business-to-Consumer (B2C)</p>	<p>JD.com</p> <ul style="list-style-type: none"> Tencent first bought a pre-IPO stake in NASDAQ-listed JD.com in March 2014. It held almost 20% JD.com post a May 2014 IPO. JD.com saw GMV of CNY 236bn (USD 38bn) in 2014, representing 18.6% market share, according to iResearch in March 2015.
<p>Intime Retail</p> <ul style="list-style-type: none"> Alibaba invested HKD 1.7bn (USD 219m) for a 9.9% stake in HKEX-listed retail chain Intime Retail in March 2014 to boost its O2O presence. It also subscribed to a HKD 3.7bn convertible bond that could take its stake to above 25% if fully converted. 		<p>Online-to-Offline (O2O)</p>	<p>58.com</p> <ul style="list-style-type: none"> Tencent bought a stake in NASDAQ-listed 58.com, China's largest online market place described as similar to Craigslist, in June 2014 to boost its O2O presence. It held 24.6% (15.91% voting power) of 58.com, according to an October 2014 SEC filing.
<p>Additional comments:</p> <p>Alibaba is the dominant e-commerce company in China with over 80% market share of the entire online shopping market, according to iResearch in August 2014. The market grew over 40% in 2014 and is expected to continue rapid growth in coming years, according to iResearch in its March 2015 report.</p> <p>Tencent appears to have fine-tuned its strategy in 2014 by opting to team up with significant players instead of going in on its own. Tencent sold its loss-making e-commerce businesses including C2C platform Paipai.com, B2C platform QQ Wanggou, and a 10% stake in B2C website Yixun.com, to JD.com in 2014 as part of a strategic partnership agreement.</p> <p>Alibaba and Tencent have investments in other business that also support their O2O businesses. Tencent in 2014 entered into a e-commerce joint venture led by China's largest commercial property company and the world's largest cinema chain operator Dalian Wanda Group worth around USD 3.22bn. The JV is expected to come online by end-June 2015.</p>			
<p>Auto Navi</p> <ul style="list-style-type: none"> Alibaba bought 28% NASDAQ-listed AutoNavi in 2013 and subsequently took it private in a USD 1.5bn deal in July 2014. AutoNavi had 20.7% market share in Q1 2014, according to China IT Research Centre in March 2014. 	<p>Maps</p>	<p>Tencent Maps</p> <ul style="list-style-type: none"> Tencent established Tencent Maps in 2012. It had 4.3% market share in Q12014, according to China IT Research Centre in March 2014. <p>NavInfo</p> <ul style="list-style-type: none"> Tencent bought a 11.28% stake in Shenzhen-listed NavInfo in May 2014. It is the second largest shareholder in the provider of digital maps. 	
<p>Additional comments:</p> <p>Auto Navi chief Yu Yongfu said in November 2014 that it would not have revenue/profit targets for the next three years but instead focus on enhancing its offerings.</p>			

ALIBABA GROUP HOLDINGS	BUSINESS AREA	TENCENT HOLDINGS
<p>Laiwang</p> <ul style="list-style-type: none"> Alibaba introduced instant messaging mobile app Laiwang (meaning "interaction") in 2013. However, the service failed to take off and had minimal user traffic. The only available user statistics for Laiwang is from November 2013, when Alibaba announced the user number for Laiwang surpassed 10m. <p>Weibo</p> <ul style="list-style-type: none"> Alibaba first bought an 18% stake in NASDAQ-listed Weibo Corp, China's Twitter-equivalent, in 2013. It increased its stake to 30% April 2014, when China's most popular microblogging platform went public. Weibo had monthly active users (MAU) of 167m 3Q 2014, according to Weibo's financial results. 	<p>Instant Messaging/ Social Media</p>	<p>QQ</p> <ul style="list-style-type: none"> Tencent launched instant messaging service QQ in 1999 QQ is the most widely used instant messaging platform on both PC and mobile. It had MAU of 815m as at end 2014, of which 576m were on mobile devices, according to Tencent's 2014 earnings report. <p>WeChat</p> <ul style="list-style-type: none"> Tencent launched WeChat or Weixin in Chinese, akin to WhatsApp Messenger, in 2011. WeChat has a built-in feature similar to that of a microblog. WeChat had MAU of 500m at end-2014, according to its 2014 earnings report. <p>Qzone</p> <ul style="list-style-type: none"> Tencent launched social networking platform Qzone in 2005 for QQ users. Qzone had MAU of 654m in 2014, according to Tencent's earnings report.

Additional comments:

Tencent's instant messaging services are a key growth driver for the company. It begun monetizing WeChat with the introduction of advertisements in 2014. A Wall Street Journal blog in December 2014 commented that WeChat has achieved "critical mass" as an early mover in that space in China, which makes it difficult for users to switch to an alternative service.

<p>Ali Pictures</p> <ul style="list-style-type: none"> Alibaba in March 2014 bought 60% of HKEX-listed ChinaVision Media Group, which was renamed Ali Pictures. <p>Youku Tudou</p> <ul style="list-style-type: none"> In May 2014, Alibaba, along with Jack Ma's investment fund Yunfeng Capital, invested USD 1.22bn in NASDAQ-listed video streaming service provider Youku Tudou Inc. <p>Beijing Enlight Media</p> <ul style="list-style-type: none"> Alibaba in March 2015 purchased a USD 383m stake in Shenzhen-listed TV and film production company Beijing Enlight Media. <p>Huayi Brothers</p> <ul style="list-style-type: none"> Alibaba executives bought more stake in Shenzhen-listed Huayi Brothers in November 2014 to become its second largest shareholder with 8.08% stake, alongside Tencent executives. Alibaba may also invest and co-produce films with Huayi Brothers. 	<p>Movie Entertainment</p>	<p>Movie Plus</p> <ul style="list-style-type: none"> Tencent established Movie Plus in September 2014 with aims to produce four to five movies annually based on Tencent's own intellectual property, such as characters or stories from certain Tencent games. <p>Huayi Brothers</p> <ul style="list-style-type: none"> Tencent executives bought more stake in Shenzhen-listed Huayi Brothers in November 2014 to become its second largest shareholder with 8.08% stake, alongside Alibaba executives. Tencent may develop games based on Huayi Brothers' movies, while it may also invest and co-produce films with Huayi Brothers.
---	---------------------------------------	--

Additional comments:

Alibaba dived into the movie entertainment business in 2014. It also formed partnerships including a deal with NYSE-listed Lions Gate Entertainment to offer its hit television and movies shows on Alibaba set-top boxes. Tencent appears to be leveraging on its core gaming business to expand into the entertainment business.

ALIBABA GROUP HOLDINGS	BUSINESS AREA	TENCENT HOLDINGS
<p>Ant Financial</p> <ul style="list-style-type: none"> • Ant Financial, which houses Alipay and money market fund Yu'e Bao, is also a micro-lender and lent a cumulative CNY 190bn as at the end of 2014, according to Ant's website. <p>Alipay</p> <ul style="list-style-type: none"> • Alibaba established third-party payment platform Alipay in 2004. • Alipay was spun out of the group in 2011 to circumvent ownership regulations on payment services in China, and is now under Zhejiang Ant Small & Micro Financial Services Group (Ant Financial), controlled by Jack Ma and other Alibaba employees. • Alipay had almost 300m user accounts as at end-2013, according to its website. • It had just under 50% market share in China as at 2014 with CNY 4tn in transactions, according to iResearch in March 2015. It had 82.6% market share in mobile transactions in 2014. <p>Yu'e Bao</p> <ul style="list-style-type: none"> • Alipay and Tianhong Asset Management Co launched money market fund Yu'e Bao in June 2013. The idea behind the fund was for investors to put money at better interest rates compared to the banks and also for use on Alipay. • Yu'e Bao grew to become China's largest money market fund with CNY 574.4bn (USD 92bn) assets-under-management (AUM) as at June 2014, according to Alizila, Alibaba Group's news services website. <p>Zhejiang Internet Commerce Bank</p> <ul style="list-style-type: none"> • Alibaba received government approval in 2014 to set up a private online bank, to cater to SMEs and individuals, as part of China's blueprint to reform the heavily regulated sector. • Alibaba teamed up several partners including with Guo Guangchang's Fosun Group and Lu Guangqiu's Wanxiang Group to establish Zhejiang Internet Commerce Bank. • Media reports say the bank should start operations in mid-2015. 	<p>Financial Services</p> <p>(including third-party payment)</p>	<p>Tenpay</p> <ul style="list-style-type: none"> • Tencent established third-party payment Tenpay in 2006. Tenpay is also integrated into Tencent's mobile messaging app WeChat. • It had 200m individual user accounts and 400,000 business accounts as at, according to its website last updated in 2015. • Tenpay had just under 20% market share in China in 2014, based on CNY 1.6tn in transactions, according to iResearch in March 2015. It has 10.6% market share in mobile transactions in 2014. <p>Licaitong</p> <ul style="list-style-type: none"> • Tencent and several funds including China Asset Management Co took a leaf from Yu'e Bao and launched money market fund Licaitong in January 2014. • Licaitong is ported on Tencent's WeChat. China Asset Management, the largest of Licaitong's fund partners, had CNY 60bn (USD 9.6bn) AUM under Licaitong as at end 3Q2014, according to Securities Times in January 2015. <p>WeBank</p> <ul style="list-style-type: none"> • Tencent received government approval in 2014 to set up a private online bank, to cater to SMEs and individuals, as part of China's blueprint to reform the heavily regulated sector. • Tencent teamed up with several partners to establish WeBank. Its 30%-held bank was the first to open and made the inaugural transaction in January 2015, presided by Chinese Premier Li Keqiang.

Additional comments:

Ant Financial is poised for an IPO within the next two years. In the event of Ant Financial's listing, Alibaba would receive an amount equivalent to 37.5% of its equity value, with a floor of USD 2bn and ceiling of USD 6bn, according to Alibaba's 2014 IPO prospectus. Tencent does not appear to have any plans to monetize its financial services at the moment. Tencent's president Martin Lau said March 2015 that WeBank is not a traditional bank but instead would act as an intermediary between traditional banks and loan applicants.

ALIBABA GROUP HOLDINGS	BUSINESS AREA	TENCENT HOLDINGS
<p>Alibaba Games</p> <ul style="list-style-type: none"> Alibaba in 2014 launched three games built into the mobile apps of Taobao and Laiwang. Users were enticed to play the games with Taobao credit as reward. <p>Kabam</p> <ul style="list-style-type: none"> Alibaba in August 2014 invested USD 120m for a 10% stake in US-based gaming company Kabam, which is known for developing games for movies including Dragons of Atlantis, Fast and the Furious: Legacy, and Marvel Conquest of Champions. <p>Ouya</p> <ul style="list-style-type: none"> Alibaba reportedly invested USD 10m in US gaming console startup Ouya in early 2015. Alibaba spokesperson Samantha Verdile said the investment in Ouya is part of Alibaba's broader strategy to enhance its digital content offering. Ouya content will be integrated with Alibaba's set-top box, which is sold on Tmall, according to Re/code, an independently tech-focused news website. 	<p>Gaming</p>	<p>Tencent Games</p> <ul style="list-style-type: none"> Tencent entered the online game business in 2003 and has grown into one of the largest game developers and publishers in China. It also hosts massive multiplayer online (MMO) games. <p>Riot Games</p> <ul style="list-style-type: none"> Tencent in 2011 acquired a majority stake in US-based Riot Games, the developer League of Legends that was the world's largest MMO game in 9M 2014 by revenue of USD 946m, according to Superdataresearch, a New York-based virtual gaming-focused consultancy. <p>Epic Games</p> <ul style="list-style-type: none"> Tencent in 2013 bought a substantial stake in US-based Epic Games for USD 330m.
<p>Additional comments:</p> <p>Tencent's online game business accounted for over 50% of total revenue of CNY 78.9bn (USD 12bn) for 2014. It is now China's largest mobile games publisher. Other notable investments in this business include a substantial stake in Activision Blizzard, one of the world's largest game developers, a stake in Singapore-based Garena and the takeover of Philippines-based Level Up.</p>		
<p>UC Browser</p> <ul style="list-style-type: none"> Alibaba first invested in UCWeb, the developer of UC Browser, in 2009 and acquired the remaining shares in June 2014. According to CNZZ, a data provider under Alibaba, UC Browser had 2.13% desktop market share in China in terms of unique user in August 2014. In the same month, UC Browser accounted for 14% of the mobile browser market. 	<p>Web Browsers (Mobile/PC)</p>	<p>Tencent Traveler</p> <ul style="list-style-type: none"> Tencent rolled out its first web browser Tencent Explorer in 2000, which was renamed Tencent Traveler in 2003. <p>QQ Browser</p> <ul style="list-style-type: none"> It launched the QQ browser in 2009, which has grown into China's largest. According to CNZZ, a data provider under Alibaba, QQ browsers had 5.83% desktop market share in China in terms of unique user in August 2014. In the same month, QQ browsers accounted for 8.92% of the mobile browser market.
<p>Additional comments:</p> <p>Alibaba bought UCWeb to grow its mobile browser and search offerings. It aims to reach 1 billion users in three years, with half from outside China, Bloomberg reported in June 2014.</p>		

ALIBABA GROUP HOLDINGS	BUSINESS AREA	TENCENT HOLDINGS
<p>Cainiao Network (China Smart Logistics)</p> <ul style="list-style-type: none"> Alibaba and eight partners including delivery companies and retailers formed logistics information provider Cainiao Network In 2013. Alibaba invested CNY 2.4bn and is the largest shareholder with a 48% stake. <p>Singapore Post</p> <ul style="list-style-type: none"> Alibaba invested USD 249m for a 10% stake in Singapore Post in 2014 to built its access in Southeast Asia. <p>KXTX</p> <ul style="list-style-type: none"> Cainiao became the second largest shareholder in KXTX, a China-based road logistics company in 2014 , according to 21st Century Business Herald. 	<p>Logistics</p>	<p>China South City</p> <ul style="list-style-type: none"> Tencent in January 2014 invested USD 195m for a 9.9% stake in HKEX-listed in China South City, a developer and operator of logistics warehouses and wholesale centres, in January 2014. The investment was made to strengthen Tencent's O2O platform. It has since increased its stake in CSC to 11.55% with an additional investment of USD 106m in September 2014. <p>JD.com</p> <ul style="list-style-type: none"> JD.com has a complete in-house logistics network, with delivery and pickup stations, warehouses, and a delivery team in China.
<p>Additional comments:</p> <p>Alibaba Chief Strategy Officer Zeng Ming said the biggest bottleneck for eCommerce was logistics, which was "impossible" to build, according to the Wall Street Journal in 2012. However, Cainiao has since acquired land in several cities including Shanghai, Guangzhou, and Tianjin to built warehouses, which defers from its mandate of being a logistics information provider.</p>		
<p>Aliyun</p> <ul style="list-style-type: none"> Alibaba's cloud division Aliyun, which caters to (mostly small) corporate clients, was established in 2009, according to the service's website. Aliyun in 1H 2014 had a 22.8% market share in the IaaS (Infrastructure as a service) segment of the cloud computing market, according to data provider IDC. IaaS is the largest segment of the cloud computing market, which also includes Platform as a Service (PaaS) and Software as a Service (SaaS) cloud services. <p>Kanbox</p> <ul style="list-style-type: none"> Alibaba in 2013 acquired personal cloud storage provider Kanbox. 	<p>Cloud Services</p>	<p>Weiyun</p> <ul style="list-style-type: none"> Tencent launched its cloud service with 10TB of free storage in July 2012. It had 300m users as of January 2014, according to a Tencent press release. In November 2014, Tencent announced a partnership with IBM to provide SaaS cloud services.
<p>Additional comments:</p> <p>Alibaba and Tencent embarked on cloud computing capacity for internal use before offering their services to third parties. Aliyun is offered to businesses, while Tencent Cloud is offered to individual users as well.</p>		