

Alibaba.com improves supply chain efficiency with Inbound Tracking tool



Adam Smith Awards Asia *Winner - Harnessing the Power of Technology*

About

Alibaba.com - the founding entity of Chinese tech conglomerate Alibaba Group - is the world's leading online marketplace for wholesale trading, connecting the 150,000 suppliers on its platform with 12 million registered members across more than 200 markets globally.

The challenge

With geopolitical trade tensions and the COVID-19 pandemic disrupting supply chains and taking a financial toll on suppliers around the world, Alibaba.com's small-and-medium-sized (SME) suppliers faced record high working capital, cost fluctuations and counter-party risk.

To mitigate the challenges faced by suppliers, Alibaba.com has been exploring the means to track incoming cross-border payments. The lack of visibility over incoming payments presented a number of challenges for Alibaba.com and its suppliers including:

- Lack of certainty over whether payments have been made, impacting the ability of suppliers to forecast liquidity and working capital.
- Inefficient trading processes as the material purchasing and manufacturing of goods typically happen only after payments are received.
- Potential disputes over FX and bank fees due to the lack of clarity on deductions.

The solution

Alibaba.com turned to banking provider J.P. Morgan for help, and in May 2020 successfully implemented the SWIFT gpi for Corporates (g4C) Inbound Tracking service - a market leading standardized and automated messaging service that tracks incoming payments for corporates.

The solution efficiently tracks the incoming payments made to the 150,000 suppliers on Alibaba.com's global trading platform. This enables them to detect and monitor inbound transactions in real time before the proceeds are credited to their bank accounts, dramatically improving certainty of payment, the efficiency of the order cycles, and the experience of both the suppliers and their buyers.

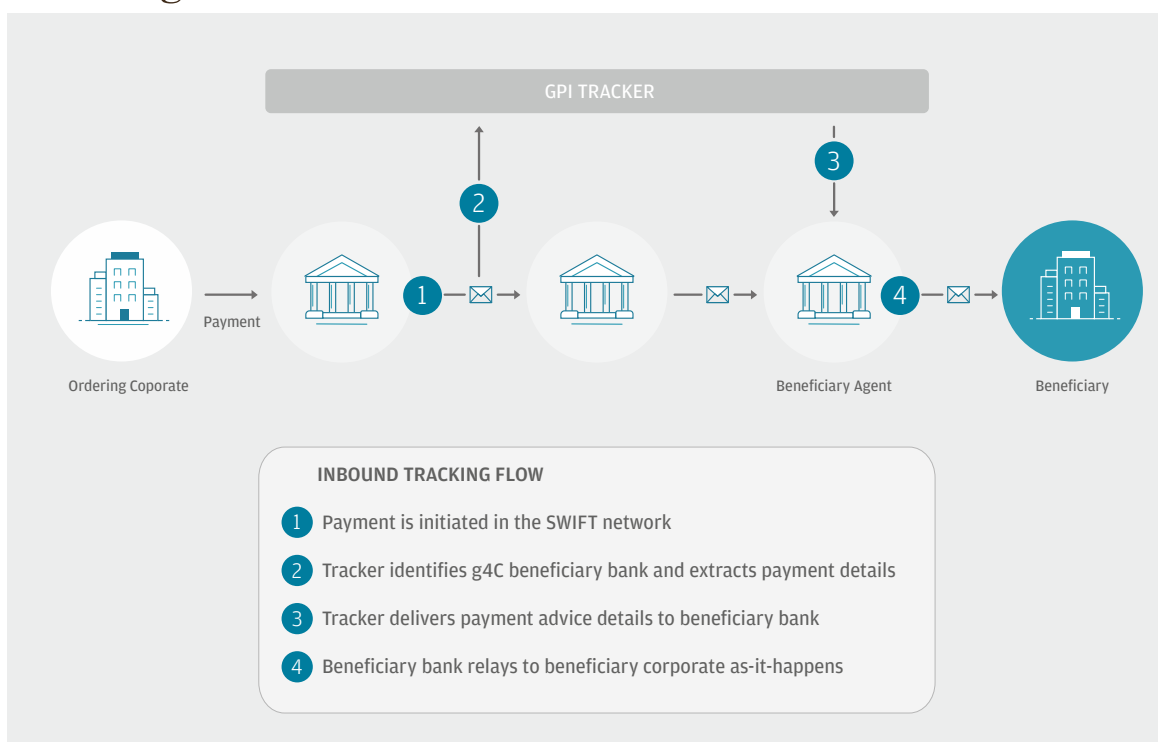
J.P.Morgan



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The Inbound Tracking tool is able to trace the key hops along the path of a payment the moment it enters the SWIFT network, including when it's been initiated, delivered and credited to the beneficiary bank, if it has been held during intermediary processing for more than six hours, and if it has been rejected. These status updates are relayed from SWIFT to J.P. Morgan in real time leveraging application programming interface (API) technology, where the bank in turn notifies Alibaba.com through a second set of APIs. Alibaba.com will then extend the same information to its suppliers.

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“The ability to have end-to-end visibility over transactions has significantly lowered the barrier of entry for suppliers to do business online; with the Inbound Tracking tool, our suppliers are now able to detect and monitor payments, and, based on the data collected, recommend the quickest or most cost-effective payment routes as well as flag unusual payment behaviour. The service has truly transformed our suppliers’ payment experience and we thank J.P. Morgan for their collaboration in making this happen for us seamlessly.”

- Kuo Zhang, CEO, Alibaba.com.

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The results

- Improved supply chain efficiency and working capital management as the certainty of the incoming payments gives suppliers the confidence to begin manufacturing the goods before the payments are credited, improving their cash conversion cycles and reducing liquidity risks.
- Enhanced visibility with access to routing information and status of payments in real time to eliminate uncertainties.
- Optimized payments and improved exception management through data. With insights on payment patterns, Alibaba.com can recommend optimized payment routes based on payer's condition or identify unusual payment activities and take action appropriately.
- Reduced disputes between the suppliers and their customers as applied banking fees and FX rates are fully transparent.
- Build trust between suppliers and buyers especially when supply chains are disrupted, and buyers are sourcing for alternative suppliers and forming new relationships.
- Instant cross-border payment thanks to the visibility and certainty provided by SWIFT gpi.

“Ensuring full visibility of payments is paramount for a leading global marketplace like Alibaba.com that transacts thousands of payments on a daily basis. The speedy implementation of the Inbound Tracking solution was made possible by the strong collaboration between Alibaba.com, J.P. Morgan and SWIFT.”

– Oliver Brinkmann, Head of Corporate Banking, Asia Pacific, J.P. Morgan



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