China government agency 'bombs' Alibaba over management

SHANGHAI, CHINA: A powerful Chinese regulator on Wednesday blasted e-commerce giant Alibaba for allowin "illegal" actions on its multi-billion-dollar online shopping platform, accusing executives of narcissism in an unusu government dressing down of a major domestic company.

Shanghai: The public dressing-down of such a prominent Chinese firm is unprecedented. (Image: Public Domain)

The State Administration for Industry & Commerce (SAIC), charged with maintaining market order in China, said in an official report that Alibaba's platforms had hosted "long-standing" violations of online business laws and regulations.

It took aim at Taobao, Alibaba's consumer-to-consumer platform which is estimated to hold more than 90% of the Chinese market, and Tmall.com, believed to command over half the market in China for business-to-consumer transactions.

"Alibaba has not paid enough attention to illegal operations on its online trading platforms or taken effective measures to tackle them... placing itself in the biggest credibility crisis since its establishment," the SAIC said.

A first 'bombshell' for a Chinese company

The SAIC has become known for its crackdowns on foreign companies accused of violating China's anti-monopoly law. B its public dressing-down of such a prominent Chinese firm is unprecedented.

The regulator accused Alibaba of poor oversight of its employees as well as merchants and products on its platforms, disorganised sales management and a flawed rating system for users. Business magazine *Caixin* described the SAIC document as a "bombshell aimed at Alibaba".

Alibaba, founded by Jack Ma in 1999, is China's biggest e-commerce company. It listed on the New York Stock Exchang last year in the world's largest public offering to date, which made Ma China's richest person.

The regulator revealed for the first time that SAIC gave Alibaba what it called "administrative guidance", a form of official censure, in July last year ahead of the IPO. It also explicitly stated that the meeting was held privately "in order to avoid impacting the progress of work before Alibaba's listing".

In one of its requests to the e-commerce giant, the SAIC ordered executives to "overcome arrogance". "In the eyes of the law, there is no special market entity," it said.

Taobao blinks

"The holding of the administrative guidance session has... awakened them (executives) from narcissism," the document sa It did not say whether Ma himself attended.

Taobao let unregistered merchants sell on its platforms, allowed trade in fake goods and failed to manage misleading advertising, the SAIC said.

In a separate survey published last week, the SAIC said Taobao had the lowest rate of authentic goods among a group of e-commerce companies, with only 37.25% of 51 products sampled found to be genuine.

Taobao responded on Tuesday, accusing the regulator of improper sampling for the survey in a microblog post, which wa later removed.

On Wednesday, Alibaba said it would take responsibility for cracking down on fake goods, but added it would file a compl against an SAIC official for "procedural misconduct" in the survey process.

Source: AFP, via I-Net Bridge