Research on the Synergy Effect of Chinese Internet Enterprise M&A

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Abstract

This paper takes the M&A between Alibaba and ELEME Takeout as a case to study the influencing factors of Alibaba's adoption of this M&A measure. The core of this study is to study the motivation of this M&A case and the synergy effect of M&A. It has carried out a detailed study on Alibaba's pursuit of new strategic development and its response to fierce competition in the external market. Evaluate Alibaba's performance by means of financial indicator research method, balanced scorecard and event research method. Comprehensively evaluate the M&A performance of this event, explore appropriate M&A performance evaluation methods, point out the matters needing attention in the process of M&A, effectively avoid the risk of M&A and the losses arising therefrom, analyze the synergistic effect of this purchase, and comprehensively carry out identification and inspection.

Keywords: enterprise merger and acquisition, synergistic effect, Internet enterprises, Alibaba

1. Introduction

1.1 General Background

According to statistics, as of December 2021, the number of Internet users in China reached 1.032 billion, the Internet penetration rate reached 73%, and the online takeout users reached 52.7%, an increase of 125 million over the same period in 2020. It can be seen that the Internet has strongly participated in people's lives and has a great impact on the shopping and catering consumption habits of Chinese residents. Online retail and online take out have become an important driving force for China's economic consumption growth.

With the increasing number of Internet companies and the fierce competition in each market segment, the newly entered enterprises are under great pressure for survival. The Internet industry giants are also selectively conducting mergers and acquisitions aimed at building an ecosystem. The main characteristic of the development of the Internet industry is that it is highly dependent on user data. Internet enterprises mastering advanced technologies such as big data can use users' browsing and purchase records to accurately promote products and services and prevent the situation of supply exceeding demand. After the merger and acquisition, the enterprises enjoy the advantages of resource sharing and strategic coordination.

In the context of the rapid development of Internet enterprises, the growth space of domestic timely delivery market and the continuous emergence of M&A boom, in April 2018, "ELEME Takeout" was wholly purchased by "Alibaba" and "ant financial" for us $9.5 billion. Through this case, we study and analyze the motivation of "Alibaba" M&A "ELEME Takeout" and the degree of synergy after "Alibaba" M&A, hoping to provide reference for relevant M&A events.

1.2 Research Aim and Objectives

The aim of this paper is to use Alibaba, a domestic Internet company with extensive M&A experience, as a case study and analyze the M&A motivation, M&A process, and M&A performance of Alibaba's M&A "ELEME Takeout" to determine whether the M&A has benefited Alibaba and to identify the factors influencing the M&A

performance.

1.3 Research Approach

Based on the study and arrangement of relevant theories and research methods, the following research methods are reasonably adopted in this paper:

Case analysis. By naturally integrating typical scenarios with related challenges, the case study technique focuses on finding answers to specific difficulties. The feasibility analysis is followed by the selection of Alibaba's M&A "ELEME Takeout" as the case study object. The paper then focuses on analyzing the M&A motivation and M&A performance of the case event and performs a thorough and objective M&A performance evaluation on this M&A to identify the real-world issues in the M&A and offer suitable solutions.

Event-study approach. The event research method uses statistics to analyze the market's response before and following a merger or acquisition to determine whether the event was positive or negative. It is based on the efficient market hypothesis. The market response to the M&A event is examined overall, and the M&A's short-term performance is assessed, using calculations and analyses of the daily average abnormal rate of return and the cumulative average abnormal rate of return across the event period for Alibaba.

Balanced Scorecard. On the basis of financial indicators, the Balanced Scorecard introduces customer factors, internal management factors, learning and growth factors, etc., reveals the company's performance and performance through the financial level, and comprehensively judges the success of M&A through non-financial data combined with M&A motivation, which helps to make the evaluation of M&A performance more objective and comprehensive.

1.4 Dissertation Outline

This paper is divided into five chapters, the main contents are as follows.

The first chapter is introduction, including four parts: general background, research aim and objectives, and research approach.

The second chapter is the literature review, which introduces the definition, motivation and performance analysis methods of M&A. Then it expounds several theories related to M&A motivation, such as synergy effect theory, scale economy theory, market power theory, etc. Finally, it introduces some viewpoints of scholars on Internet enterprise M&A.

The third chapter is methodology. This part introduces the event analysis method and balanced scorecard, and expounds the regression model, sample selection, data collection process and measurement.

The fourth chapter introduces the results and analysis of the event research regression model, the analysis of the ratio of the financial dimension under the balanced scorecard, and the qualitative and quantitative analysis of the customer dimension, the internal operation dimension and the learning growth dimension.

Finally, the fifth chapter draws a conclusion, expounds the practical significance of the study, and points out the limitations and future of this study.

2. Literature Review

2.1 Motivation of M&A

From the perspective of self-development, M&A can achieve synergy. When the company manages resources independently and merges to obtain greater profits, it can produce modular synergy effect; when the company completes the task and shares the results to another M&A participant to do its best, it can generate sequential synergy; when the company realizes close cooperation and strategy through iterative knowledge sharing process, it can generate mutual synergy (Dyer et al, 2005).

Vanita Tripathi and Ashu Lamba (2016) used a large number of statistical analysis methods in the research process, found the relationship between the performance of enterprise M&A and value creation, and believed that the essence of performance improvement was the result of value creation. At the same time, they found that the value creation of enterprise M&A includes five motives, namely, improving efficiency, occupying the market, promoting marketing, strategic planning and collaborative development.

Abdul Rashid (2016) enriched the research on M&A motivation of brajesh Kumar. He proposed that the key to achieving synergy is to clarify the M&A motivation. In the competitive pressure of the industry, the premise to achieve synergy is to accurately judge and master the M&A motivation. Neelam Rani (2016) investigated 32 M&A cases of Indian companies from 2003 to 2015, the trend and motivation of M&A activities, and found that the main motivation of M&A was to achieve business synergy. The M&A enterprises have significantly positive excess earnings of shareholders, and the wealth of shareholders has been greatly increased.

Puvanard (2018) pointed out that when the global market competition is fierce, the active party strengthens

business diversification through M&A to reduce competition, while the target enterprise hopes to overcome the resource limitation through M&A.

2.2 Synergistic Effect Theory

The synergy effect was first created in the company's strategic management by Ansof (1964), an American strategic management scientist. Its explanation is that after the company recognizes the resources and development capabilities it has, it will promote the development of new businesses together with the opportunities brought by the environment. Different businesses among enterprises are strategically and efficiently combined to play a synergistic role. For example, the company can provide the company with the opportunity to develop new businesses from marketing, operation Under the arrangement of venture capital and management, the resources owned by the company are redistributed, and the synergy achieved can play a series of positive returns, so the company's development prospects will be better and better. Ansof (1964) believes that enterprises can achieve synergy by identifying their own strengths and weaknesses and using external opportunities to promote enterprise development. For example, the tie can connect the diversified businesses of the company and effectively allocate resources to achieve synergy. This laid a foundation for future research.

After Japanese scientist Hiroyuki ITO (1980) put forward the idea in Ansof (1964), put forward "complementary effect" and in the concept of synergy effect, resources are divided into tangible resources and intangible resources, and it is claimed that the complementary effect can be realized under the condition of tangible resources: if the tangible resources and intangible resources are used synergistically, the synergy effect can be realized on the basis of the complementary effect, and the use of intangible resources can create unique competitiveness for enterprises; for example, the brand effect of enterprises, loyal users and other intangible resources It is difficult for external competitors to imitate and form competitiveness.

2.3 Market Power Theory

M&A can create market forces and achieve economies of scale. According to several academics, mergers and acquisitions can boost market power, enhance user size, increase market share, and lower the cost of competition. According to the academics Mullin (1995) represented, M&A can quickly increase its market strength and steadily increase its market share. Additionally, horizontal mergers and acquisitions can successfully lessen industry rivalry, continuously strengthen the negotiating position, and achieve monopoly profits.

2.4 M&A of Internet Enterprises

The motivation of M&A can be classified from three perspectives: the strategic motivation to increase market share, the economic motivation to expand the sales scale of enterprises and the personal motivation of managers to enhance their rights. The motivation of Internet enterprise M&A for increasing market share is stronger (brouthers et al., 2003).

According to Bryson (2003), the sensible allocation of superior resources to achieve economic optimization forms the basis of business mergers and acquisitions. Enterprises lower production costs regardless of the M&A approach used, which is also the driving force behind enterprise M&A activity. According to Ran (2013), the complexity and multifarious nature of M&A have an impact on the payment method for Internet firm M&A, thus it's important to take these and other factors into account when conducting an M&A.

3. Methodology

3.1 Introduction

We use M&A performance evaluation methods mainly including case analysis, event study and balanced Scorecard to study the synergy effect of M&A by analyzing the performance of M&A. This chapter mainly introduces the reasons for choosing these research methods, the sources of data collection, and the role and effect.

3.2 Research Design

3.2.1 Main Research Steps of Event Research Method

The event research method is used to examine the market performance of Alibaba's M&A "ELEME Takeout" and judge the market response. These are the precise steps:

The first step is to specify the event's date, time frame, and estimating window. The event date is typically chosen to coincide with the first time the financial market is made publicly aware of the occurrence. The event period is often chosen by using the event day as the intermediate time node, removing the effects of any other significant interference events, and picking a period of time that is between two and four hours long. The estimating period often includes the time before and after the occurrence.

Step 2: Compute the real rate of return of specific stocks and the market index by factoring in the stock price and market index throughout the event period and estimation period established in step 1 of the process. The

continuous compound interest rate of return calculation formula is used for this computation.

Step 3: Determine the projected return using the market model. The market model presupposes that the returns on individual stocks and market indices have a specific linear connection. The regression equation is obtained through the regression analysis of the data from the estimation period in order to further determine the expected return rate of each stock in the absence of this occurrence.

Calculate the excess return in step four. Daily excess return and cumulative excess return are both parts of the excess return. The difference between the daily expected return and the actual return for the event period can be used to compute the daily excess return. The daily excess returns during the event time are added up to provide the cumulative excess return. Combining the two abnormal rate of return indicators allows one to assess the market's level of response to merger and acquisition activity.

Step 5: Use the t test to determine the results' significance and carry out a thorough study.

3.2.2 Research Steps of Balanced Scorecard

When the Balanced Scorecard theory is used in the M&A performance evaluation system, analysis must typically be done from four perspectives: finance, customer, internal process, learning, and growth. High levels of agreement exist between the four-dimensional evaluation system and the M&A synergy. Key indicators are used to assess the enterprise's profitability, debt repayment, operation, and growth in the financial dimension evaluation, including return on total assets, current ratio, total asset turnover rate, and operating income growth rate. In addition, the internal process dimension is reflected by business integration and period cost change, and the effect of learning and growth dimension is reflected by student training, business innovation, and investment in scientific research. The customer dimension is evaluated by user growth rate, brand image, and other data.

3.3 Sample Selection and Size

3.3.1 Event Study Method

3.3.1.1 Basic Data Selection

This chapter's basic data analysis is mostly used to data on particular stock market indices and stock price movements. Due to Alibaba Group's listing on the New York Stock Exchange, the daily trading index data of Alibaba on the New York Stock Exchange and the comprehensive index of the New York Stock Exchange were chosen as the primary data sources to examine how the merger and acquisition event would affect Alibaba's market value and shareholder wealth.

3.3.1.2 Define Event Period and Estimation Period

The event day of the study event must be established initially, in accordance with the analytical procedures of the event study methodology. Alibaba Group and "ant finance" made the announcement that they had successfully acquired "ELEME Takeout" for US $9.5 billion on April 2, 2018. The capital market rapidly became quite popular with this news. As a result, the event date was established as April 2, 2018. Alibaba Group announced on March 19, 2018, that it will increase its investment to Lazada, the largest e-commerce platform in Southeast Asia, by US $2 billion after analyzing the business characteristics before and after the Alibaba Group event. Peng Lei, one of the company's founders, will serve as CEO of the Lazada Group as well. This capital increase event, which happens immediately after Alibaba combines with and acquires "ELEME Takeout," will have an impact on the market. In order to more accurately depict the stock price movement associated with the M&A event, the event period is chosen to include the five trading days before to and following the event date. The event period is therefore calculated to be from March 23, 2018, to April 9, 2018, after eliminating holidays and suspension days. Additionally, the estimation period's duration ought to be reasonable. When the capital operation prior to Alibaba's merger and purchase of "e-commerce" was investigated, it was discovered that on June 29, 2017, the Alibaba Group will invest nearly US $1 billion to boost its ownership of Lazada, the largest e-commerce platform in Southeast Asia. The event estimation period was chosen to be 150 trading days prior to the event period in order to minimize the impact of specific enterprise events while also ensuring the length of the estimation period. After excluding holidays and suspension days, the event estimation period is from August 17, 2017 to March 22, 2018.

3.3.2 Balanced Scorecard

3.3.2.1 Evaluation of Financial Dimension Indicators

This chapter is based on the quarterly financial data of Alibaba for a certain period of time around the first quarter of fiscal year 2019. The basic financial indicators will be selected from the four aspects of profitability, solvency, operating capacity and growth capacity to analyze the financial dimension before and after the merger.

3.3.2.2 Customer Dimension Indicator Evaluation

Customers are the main source of profits for enterprises. Alibaba has always adhered to the customer-centered

principle and provided professional and high-quality services for customers. We will select two indicators, market share and brand focus, to evaluate the performance of the customer dimension after Alibaba's M&A.

3.3.2.3 Internal Process Dimension Indicator Evaluation

We first make a descriptive analysis of the business integration of enterprises after M&A, and then conduct a specific study on the relevant financial data of the internal expenses of enterprises before and after M&A to comprehensively evaluate the M&A performance of the internal process dimension.

3.3.2.4 Evaluation of Learning and Growth Dimension Indicators

The learning and growth dimension mainly analyzes people, systems and organizational procedures, and is the driving force for the development of the first three dimensions. This section evaluates Alibaba's learning and growth from the aspects of attaching importance to employee training, strengthening scientific research investment and advanced concept innovation.

3.4 Instrument Protocol

3.4.1 Data Collection Process

The data is mainly collected from EIKON, and the data of event research method is mainly the closing price of Alibaba stock on a specific date and the closing price of the New York Stock Exchange Composite Index on a specific date. The data of the Balanced Scorecard research method is mainly the second level indicator profitability of the financial dimension, which mainly collects Alibaba's return on total assets, return on net assets and operating profit rate; In terms of solvency, the current ratio and asset liability ratio are collected; In terms of operating capacity, the total asset turnover rate and net asset turnover rate are collected; In terms of growth capacity, the operating revenue and profit are collected and the growth rate of operating revenue, the growth rate of main business and the growth rate of net profit are calculated. In addition, the data of customer dimension, internal process dimension and learning growth dimension are mainly from secondary data such as Alibaba's financial report.

3.4.2 Measurements

The closing prices of the Alibaba Group stock and the New York Stock Exchange Composite Index during the event period and the estimation period are selected for comparison in the event study method in order to observe the consistency between the stock price of the sample company and the trend of the market index.

The determination of the normal return regression function comes first. The predicted return is determined in this study using the market model method. The market model presupposes that the returns on individual stocks and market indices have some sort of linear relationship. First, figure out the individual stock rate of return Rit and the market index rate of return Rmt for the estimation period. To get the actual rate of return Rmt and the actual rate of return Rit of the stock throughout the event estimation period, which is from August 17, 2017, to March 22, 2018, enter the daily closing prices of Alibaba stock and the New York Stock Exchange composite index into the two formulas below.

$$R_{it} = (P_{it} - P_{it-1}) / P_{it-1}$$
(1)

$$R_{mt} = (P_{mt} - P_{mt-1}) / P_{mt-1}$$
(2)

P_{it} is the closing price of Alibaba's stock on day t;

P_{it-1} is the closing price of Alibaba's stock on day t-1;

P_{mt} is the closing price of NYSE composite index on day t;

P_{mt-1} is the closing price of the New York Stock Exchange Composite Index on day t-1.

Bring the market rate of return Rmt and the stock rate of return Rit in the event estimation period into the following formula and use Excel analysis tool to perform linear regression to obtain α and β.

$$R_{it} = \alpha + \beta R_{mt} + \varepsilon_{it}$$
(3)

R_{it} represents the rate of return of Alibaba's stock on day t in the estimation period;

R_{mt} represents the return rate of the New York Stock Exchange Composite Index on day t during the estimation

period;

α represents the intercept term;

β represents the regression coefficient between Alibaba's individual stock return and the New York Stock Exchange's comprehensive index return;

ε_{it} represents the regression residual.

Next, figure out the excess return for the event period. The influence of the M&A event on Alibaba's stock price and the market's perception and response to the M&A event can both be immediately observed by comparing the actual return and expected return of Alibaba's stock during the event period. The formula below is used to determine the daily AR, taking into account the discrepancy between the stock's actual and predicted rates of return throughout the event period:

$$AR = R_{it} - \alpha - \beta R_{mt}$$
(4)

Use the following formula to sum up the daily excess return rate within the event period to obtain the cumulative abnormal return rate (CAR),

$$CAR = \sum_{-5}^{5} AR_t$$
(5)

Finally, the significance test was carried out. In order to test whether the cumulative abnormal return is caused by the random fluctuation of stock price, a single sample t-test is conducted on the cumulative abnormal return results during the event period of Alibaba's M&A "ELEME Takeout" to test the difference between CAR and 0.

4. Findings

4.1 Introduction

This chapter mainly focuses on the case of Alibaba's merger and acquisition of ELEME Takeout. It analyzes the results and analysis of the regression model of the event research method, the ratio of the financial dimension under the balanced scorecard, and the qualitative and quantitative analysis of the customer dimension, the internal operation dimension and the learning growth dimension. The synergistic effect is analyzed and summarized.

4.2 Descriptive Findings

4.2.1 Event Study Method

The chart below shows how closely the daily closing price of Alibaba's stock during the estimation period tracked the broad index movement of the New York Stock Exchange. Although there is a correlation between individual stock prices and market indexes, Alibaba Yibao's M&A "thirst" on April 2, 2018, resulted in a weak daily closing price of Alibaba's stock that does not follow the trend of the comprehensive index of the New York Stock Exchange. The M&A event, however, significantly affected the price of Alibaba's stock.
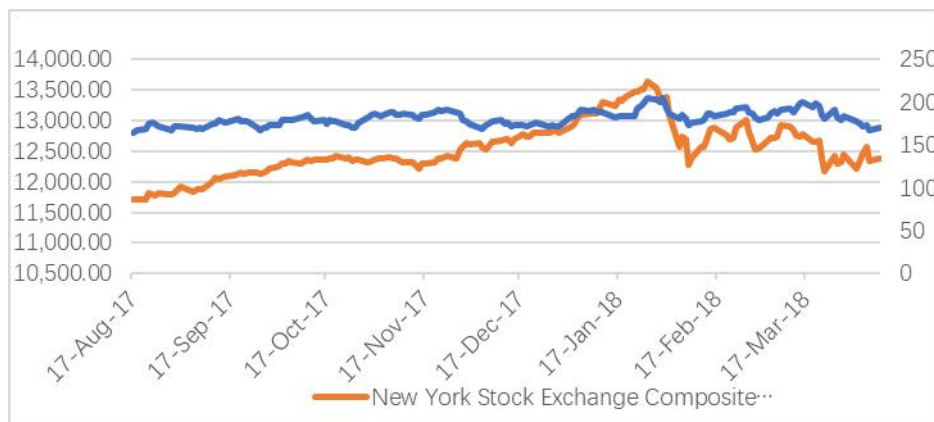

Figure 1. Trend chart of Alibaba's closing price and New York Stock Exchange Composite Index during the estimation period and the event period

The predicted return is determined in this study using the market model method. The market model presupposes that the returns on individual stocks and market indices have some sort of linear relationship.

Utilizing the Excel analysis tool, run linear regression to obtain and using the market rate of return RMT and stock rate of return RIT in the event estimation period.

To achieve α is 0.000778, β is 1.279217, and the regression result function expression, Rit = 1.279217, Rmt -0.000778 in Excel, substitute the appropriate data for the event estimation period.
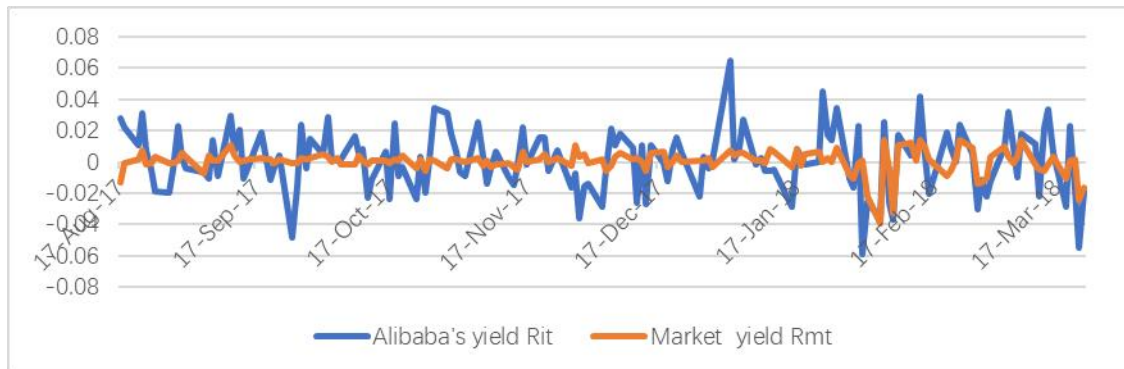
Figure 2. Trend chart of Alibaba's yield and market yield during the estimated period

During the event period, determine the excess return. The table below compares the actual and anticipated returns for each of Alibaba's different stocks during the course of the event. The chart shows that before the M&A event, Alibaba's actual return and expected return were essentially equal, but following the M&A event, the real return was much lower than the expected return. Calculate AR and CAR using the formula to account for the discrepancy between the actual return and the predicted return during the event period.
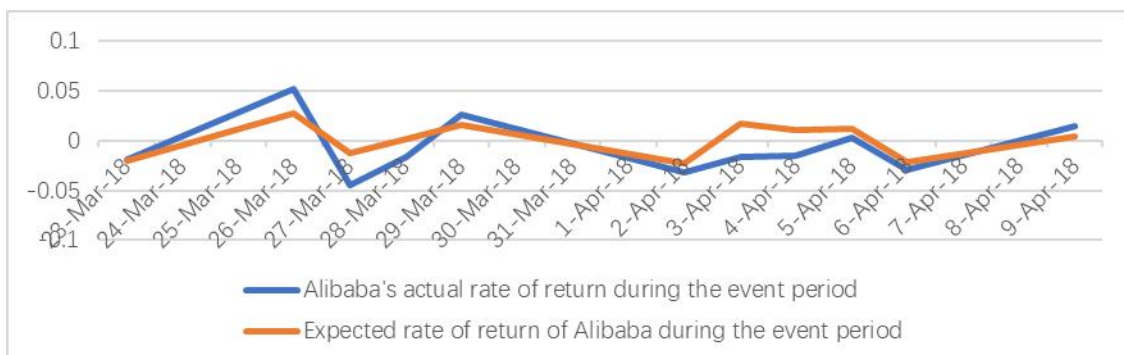

Figure 3. Alibaba's actual rate of return and expected rate of return during the event period

Table 1. Sample t-test

Date	Event date	Alibaba's actual rate of return	Alibaba's expected rate of return	AR	CAR
2018/3/23	-5	-1.87%	-2.14%	0.27%	0.27%
2018/3/26	-4	5.13%	2.61%	2.53%	2.80%
2018/3/27	-3	-4.52%	-1.42%	-3.10%	-0.30%
2018/3/28	-2	-1.64%	-0.01%	-1.63%	-1.92%
2018/3/29	-1	2.59%	1.41%	1.18%	-0.75%
2018/4/2	0	-3.23%	-2.50%	-0.74%	-1.48%
2018/4/3	1	-1.66%	1.50%	-3.15%	-4.63%
2018/4/4	2	-1.49%	0.95%	-2.44%	-7.07%

2018/4/5	3	0.29%	1.00%	-0.71%	-7.79%
2018/4/6	4	-2.93%	-2.35%	-0.58%	-8.37%
2018/4/9	5	1.40%	0.25%	1.15%	-7.21%

A single sample t-test is run on the results of the cumulative abnormal return during the event period of Alibaba's M&A "ELEME Takeout" to determine the difference between vehicle and 0. This is done to determine if the cumulative abnormal return is caused by the random volatility of the stock price. The test result is significant since the p value is 0.017, which is less than 0.05, according to the result. The accumulated excess income in this M&A case was -7.21% over the event period, and the M&A resulted in a drop in the value of the company's shareholders.

4.2.2 Balanced Scorecard

4.2.2.1 Financial Dimension

The profitability has been improved rapidly. This chapter selects three indicators, namely, return on total assets, return on net assets and operating profit rate, to evaluate the profitability of Alibaba after its merger and acquisition of "ELEME Takeout".
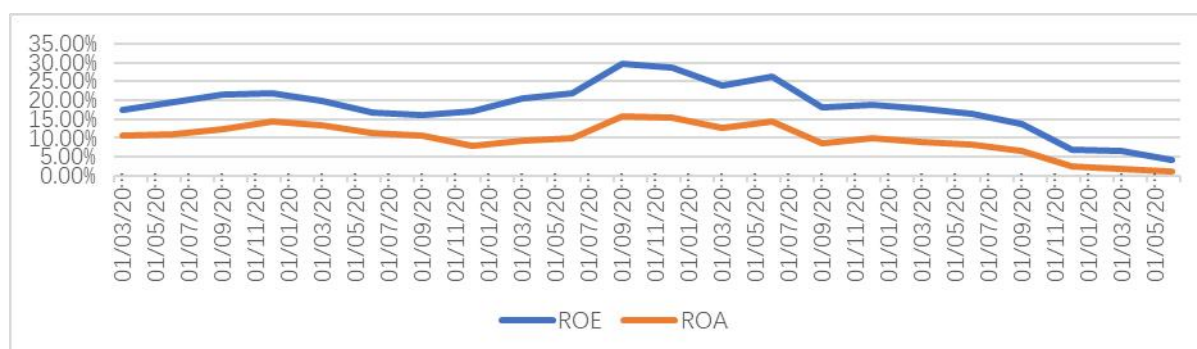

Figure 4. Comparison of Alibaba's profitability before and after M&A

In general, Alibaba's return on total assets showed a rapid downward trend before M&A. Observing Alibaba's financial statements, it was found that the main reason for the sharp decrease in the total assets return in the first quarter of 2018 was the decrease in the net profit of the quarter. The enterprise explained this in the notes to the income statement. The year-on-year decrease in profit was caused by the one-time loss caused by asset disposal. In April 2018, Alibaba signed an acquisition agreement with "ELEME Takeout" to complete the wholly-owned acquisition with us $9.5 billion. In the third quarter of the same year, Alibaba's return on total assets significantly increased, and in the subsequent quarters, the fluctuation increased, indicating that the enterprise's capital utilization efficiency was enhanced, and the enterprise's overall profitability was improved.

The level of return on shareholders' equity and the ability of the company to use its own capital for profit are both reflected in the return on net assets. The quarterly return on net assets of businesses following M&A has increased quickly, following a similar change trend to the return on total assets. This shows that Alibaba's own capital profitability is excellent and high in the short term.

However, since the outbreak of COVID-19, Alibaba's profitability has shown a downward trend. However, it cannot be denied that the profitability was significantly improved before the outbreak of COVID-19.

In general, after Alibaba's merger and acquisition of "ELEME Takeout", the two indicators of return on total assets and return on net assets showed a growth trend. The "ELEME Takeout" with low gross profit rate did not have a great impact on the overall profitability of the enterprise's capital. The rapid integration produced a good business synergy effect and the enterprise's profitability was enhanced.

The paying ability of short-term debt has decreased. Solvency can reflect the financial status and operating ability of an enterprise and is an important indicator of whether an enterprise can develop healthily. The liquidity ratio is selected to measure Alibaba's solvency before and after the merger and acquisition. The current ratio reflects the liquidity of the enterprise's assets and reflects the ability of the enterprise's current assets to be converted into cash to repay short-term liabilities.

From the first quarter of 2017 to the first quarter of 2019, Alibaba's current ratio continued to decline, indicating that the enterprise's ability to convert short-term debt into cash for debt repayment was weakened. In the first quarter of 2017, Alibaba's current ratio was 1.95, but in the third quarter of 2018, the enterprise level current ratio decreased to 1.42. In order to explore the main reasons for the decrease of this indicator, after looking up the relevant quarterly financial data, it was found that the continuous decline of the enterprise's current ratio was mainly caused by the substantial decrease in cash and cash equivalents.

Based on the above analysis, Alibaba's current ratio decreased significantly after the merger and acquisition of "ELEME Takeout". In particular, the huge cash payment method led to the reduction of the enterprise's short-term solvency. However, the enterprise's asset liability ratio did not change significantly before and after the merger and acquisition, and the long-term solvency was stable. After 2020, the short-term solvency will gradually return to the level before the acquisition.
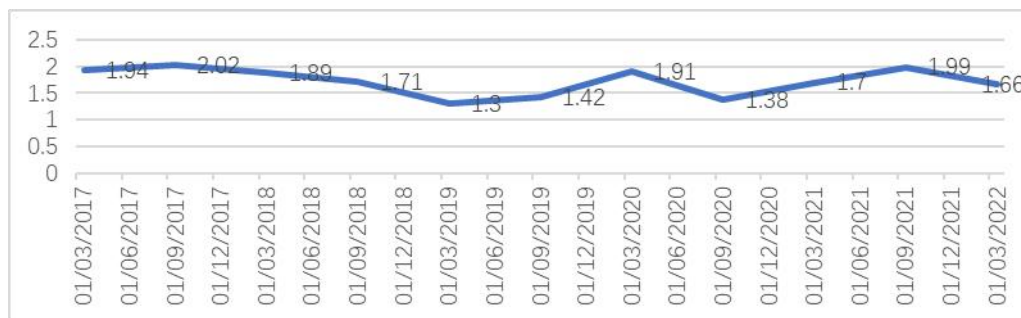

Figure 5. Current ratio of Alibaba

The operation capacity has steadily improved. The operating capacity reflects the efficiency of the enterprise's economic resource management. The total asset turnover rate is selected to measure the change of the operating capacity before and after Alibaba's M&A "ELEME Takeout". In the first quarter of 2018, the total asset turnover rate and current assets before Alibaba's merger and acquisition of "ELEME Takeout" were the lowest values in recent quarters. In the third quarter of 2018, the total asset turnover rate of the enterprise rapidly increased to 0.36, which indicates that the asset operation efficiency of the enterprise has been improved after the integration of well purchase, indicating that "ELEME Takeout" has rapidly integrated into Alibaba's strategic system and effectively strengthened its internal management.
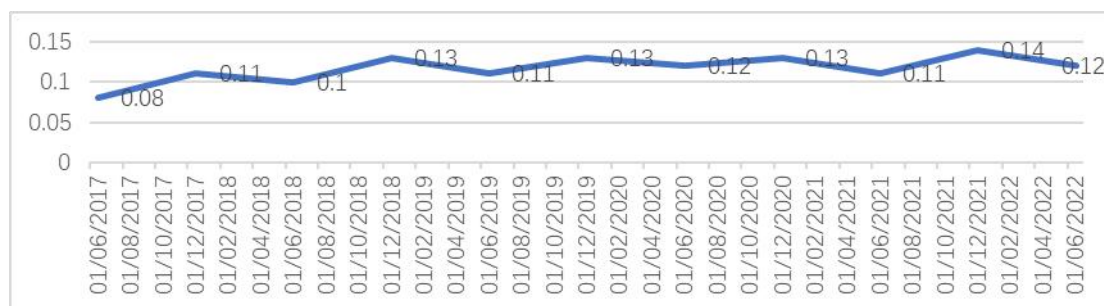

Figure 6. Total asset turnover of Alibaba

4.2.2.2 Customer Dimension

Compared with 2017, the monthly active users of Internet catering takeout in 2018 maintained an overall upward trend. By the end of 2018, the monthly active number of catering takeout reached 102.885 million. It is important to note that while the monthly active number of catering takeout users showed a negative trend from July to September 2017, the number of active users kept increasing from July to September 2018. During this time, "ELEME Takeout" has started to become a part of Alibaba's economic system, gradually having a good synergistic impact and increasing the number of monthly active users in the sector. In terms of industrial user competition, as of the end of 2018, the "ELEME Takeout" app's monthly active users reached 62.6893 million, surpassing Meituan takeaway. At the same time, it is clear that "ELEME Takeout" users have a growing

advantage. In the fourth quarter of 2018, compared with the same period in the fourth quarter of 2017, the user scale of "ELEME Takeout" increased by 72.5% year-on-year, and Meituan takeout increased by 53.4%. "ELEME Takeout" and Koubei have implemented many operational measures at key ecological nodes of Alibaba group.

Figure 7. In the fourth quarter of 2018 and the fourth quarter of 2017, the number of active users of the two major takeout platforms increased

4.2.2.3 Internal Process Dimension

For the analysis of the internal process dimension, this paper will continue to explore the changes of internal costs before and after Alibaba's M&A "ELEME Takeout" through the sales expense rate and management expense rate. The sales expense rate and the management expense rate measure the amount of expenses borne by each yuan of income. The smaller the number, the lower the management cost, and the higher the management efficiency. In the first quarter of 2018, Alibaba's sales and management expense rate was 13.76%. After the merger and acquisition, the sales and management expense rate continued to decrease, and fell to 12.69% in the first quarter of 2020.

On the whole, the sales expense management expense rate continues to decrease after the merger of Alibaba and "ELEME Takeout". With the deep integration of "ELEME Takeout" into Alibaba's ecosystem, greater synergy will be generated, and the internal expenses of the enterprise will be further reduced.
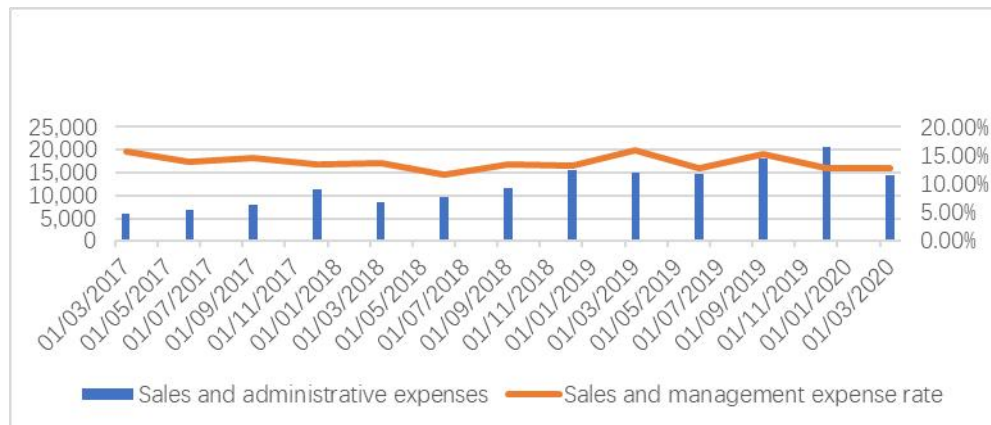

Figure 8. Alibaba sales and administrative expenses and sales and administrative expense rate

4.2.2.4 Learning Growth Dimension

Alibaba Group attaches importance to the cultivation of corporate culture and has established a rich staff training system. It provides professional guidance for all kinds of professional talents through "operation University" and "product university", builds an internal learning platform, and provides communication and discussion opportunities for all Alibaba people. When it comes to employee satisfaction, Alibaba's young employees lead all Internet companies. The long-term growth of the business is sustained by the increase in employee happiness at the company.

As early as 2008, Alibaba began to implement the strategy of "cloud computing" and "big data" and moved towards independent research and development, invest a large amount of research and development costs to

independently develop the large-scale distributed computing operating system "Feitian". Alibaba has provided good conditions for the exclusive use of Alipay, the group's business, in its investment in a series of new retail businesses such as "ELEME Takeout" and so on. The purpose is to use the sesame credit behind "ELEME Takeout" and other new retail businesses to comprehensively collect users' consumption and payment data, so as to empower merchants to improve their competitive advantages. "ELEME Takeout" gathers 300 million users, 2 million merchants and 3 million delivery personnel, which brings a large amount of basic data to Alibaba big data cloud platform, with great research value and strong guiding significance. Alibaba's strong R & D investment has fed back Alibaba's "new service" strategy and provided momentum for the sustainable development of the enterprise.

5. Summary Conclusion and discussion

5.1 Summary of the Dissertation

Based on extensive reference and absorption of various theoretical achievements on M&A, this paper studies the management coordination and market coordination effects of Alibaba's M&A. In terms of M&A related theories, this paper draws on the theories of resource allocation, economies of scale and M&A effects.

This paper analyzes the reasons for Alibaba's M&A of "ELEME Takeout" and analyzes the synergy effect of M&A, and then draws the Enlightenment of Alibaba's M&A of "ELEME Takeout" to other M&A enterprises. Through the verification of the event research method and the balanced Scorecard, it can be seen that Alibaba's M&A of not only reflects the capital cost effect and saves the enterprise management cost, but also realizes the complementarity and integration of resources in the market and talents, helping enterprises better solve management problems and improve the comprehensive management level and competitive strength. It can be said that Alibaba's M&A has achieved synergy as a whole. At the same time, Alibaba's merger and acquisition of ELEME Takeout also has certain negative effects. This is because Alibaba has paid too much cash flow in the merger and acquisition, which has a negative impact on its net asset growth.

5.2 Research Contributions

This paper has some implications for decision makers and investors of Internet enterprises.

Before M&A, select appropriate target enterprises. In order to avoid blind M&A, Internet enterprises should carefully select and analyze the target object before M&A. In M&A, the enterprises of both sides should weigh the advantages and disadvantages, integrate and develop. From the motives and negative effects of M&A, it can be found that M&A must be based on its own development strategy, and it is necessary to fully understand whether the enterprise can bear the consequences of the fatal blow caused by the failure of M&A. In the fierce market competition environment, every step is related to the future development of the enterprise.

After the merger and acquisition, resources will be efficiently integrated. The primary task of the enterprise after the merger and acquisition is to integrate with the resources of the merged party, focusing on platform integration, business integration, cultural integration and technology integration, of which the most important are two aspects: first, business operation; second, cultural integration. The acquirer and the acquiree complement each other in terms of advantages, make effective use of the remaining resources, reduce the operating costs, and realize new operating income. This is not only conducive to improving the business connectivity, but also can improve the core competitiveness.

Internet enterprises select target enterprises based on the strategic development of their own enterprises, and then fully investigate and understand the merged enterprises, and finally determine the final M&A decision. One of the main purposes of Alibaba Group's acquisition of ELEME Takeout is to explore new retail markets. ELEME Takeout can provide Alibaba with good offline resources, which is in line with Alibaba's long-term development strategy. In addition, the acquirer should comprehensively consider the impact of the target enterprise's merger on the competitiveness of the main enterprise and the long-term development ability of the enterprise and make a full risk prevention plan.

5.3 Limitations and Future Research and Development

Although this paper studies a series of financial indicators and non-financial indicators, and draws some enlightenment for Internet enterprises and enterprise M&A, there are still the following shortcomings: first, this paper mainly adopts the case analysis method, and the materials and data required for the case are from the official website of "Alibaba" and the news materials published by it, as well as the data and materials searched from Eikon; Second, Alibaba's M&A is a long-term business strategy, so the research conclusion needs to be improved in the process of changes in the business environment. In the future, "Alibaba" The financial indicators after the merger and acquisition need to be followed up, investigated and explored. More data and materials need to be collected to supplement the research conclusions of this paper. The long-term business strategic objectives after the merger and acquisition are also worthy of further consideration. This is also where this article needs to

be further improved.

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