

# Top Alibaba executives resign after fraud probe

February 21 2011, By ELAINE KURTENBACH , AP Business Writer

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(AP) -- Chinese e-commerce giant Alibaba says two of its top executives are resigning to take responsibility after a probe discovered more than 2,000 suppliers had defrauded customers, sometimes with the alleged collusion of its sales staff.

Alibaba said in a notice Monday to the [Hong Kong Stock Exchange](#) that its chief executive and chief operating officers, who were not implicated by the investigation, were resigning to take responsibility for the company's "breakdown in integrity."

The company said 100 sales representatives, out of a total workforce of 14,000, allegedly involved in defrauding customers were fired. Some supervisors and sales managers had either intentionally or negligently allowed the creation of fraudulent "storefronts" by letting some 2,326 suppliers evade authentication and verification measures, it said.

Most purchases involved offerings of popular consumer electronics at bargain prices with low required minimum orders. "The methods of the perpetrators suggest that they have engineered an organized and systemic attack on the integrity of the Alibaba.com platform for illegal gains," the company said.

"The investigation concluded that the pursuit of short-term financial gain at all cost had tainted parts of our sales organization, risking serious damage to our company's core values," it said.

Jack Ma, the entrepreneurial whiz and former English teacher who founded Alibaba in 1999, said he was sending a strong message meant to reinforce trust in his company, which has thrived in this age of online commerce and outsourcing.

"One of our most important values is integrity. That means the integrity of our employees and the integrity of our online marketplaces as trusted and safe places for our small business customers," Ma said in a statement.

Jonathan Lu Zhaoxi, CEO of affiliated Chinese e-commerce company Taobao, will replace David Wei Zhe as Alibaba's CEO, the notice said. It did not say who would replace resigning COO Elvis Lee Shi-Huei.

Alibaba, based in the eastern Chinese city of Hangzhou, claims more than 56 million registered users in more than 240 countries and regions.

The company says it investigated after noticing an increase in complaints of fraud by buyers using its websites in late 2009. The probe found that 1,219 of its "Gold Supplier" customers who joined in 2009 and 1,107 that joined in 2010 had engaged in fraud against buyers.

Alibaba terminated the "storefronts" of those allegedly fraudulent customers and will collaborate with authorities to seek redress, said company spokeswoman Linda Kozlowski.

But such efforts would depend partly on buyers deciding to take legal action, she said.

The average amount of fraud involved in the cases was less than \$1,200, the company said. It gave no total amount involved. But Kozlowski said the company has paid out \$1.7 million since 2009 from a fund set up to redistribute to buyers any revenues from companies found to be engaged

in fraud.

"We decided we did not want to take revenue from fraud," she said.

[Alibaba](#), whose shares are traded in Hong Kong, says the cases would not have an impact on its overall finances.

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Citation: Top Alibaba executives resign after fraud probe (2011, February 21) retrieved 16 August 2024 from <https://phys.org/news/2011-02-alibaba-resign-fraud-probe.html>

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