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# Virtual trees in the real world

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*Ant Forest made reforestation fun in China. Can the carbon reduction effort go global? How should it?*

It is a simple idea: Reduce your carbon footprint, and earn some virtual credit; once you've done enough, we will plant a tree on your behalf.

That concept by Ant Forest, which started life in 2016 as a mini-app within the Alipay application, has translated to roughly seven percent of the world's population owning trees in China's deserts and Inner Mongolia. In 2018 alone Ant Forest planted 55.5 million trees, reducing some 3 million tons of carbon emissions.

While Ant's planting efforts has grown in tandem with its burgeoning user base, the firm has developed impressive capabilities for organising mass scale reforestation. Now, if Ant Forest followed Alipay into foreign markets, should the team invest energies developing capabilities to plant trees in foreign countries? Second, if Ant Forest grew overseas, should the team remain open to collaborations with planting partners from other countries?

## GROWING FROM A SAPLING...

"Originally, we set out to devise a 'carbon account' for Alipay users, to encourage people to pay attention to environmental protection and adopt low-carbon activities on a daily basis, like taking the bus or walking to work instead of driving," explains **Di Xu**, founder and Team Leader of Ant Forest. "But after early discussions, we realised that the idea of a 'carbon account' was too abstract for most users, and that the market was not mature enough for carbon trading. So, we resolved to change direction, to create something more fun."

The energy points earned from reducing their carbon footprints could be spent on planting virtual trees, which Ant Forest matched by planting a real tree of the same species. This commitment to the real world created what Xu calls a "closed loop".

"We realised early that users need an incentive to keep leading an environmentally friendly lifestyle," elaborates Xu, who is also Head of Social Good Department at Ant Financial. "Without a closed loop, few users are willing to continue low carbon activities: enthusiasm can decline and Ant Forest can lose long-term impact."

"This inspired our idea of planting real trees. With a real tree, we can quantify each low-carbon behaviour and materialise the progress. Carbon emission falls in the cities, while real trees flourish in the desert, closing the loop."

As "an internet company totally unfamiliar with planting trees," Xu understood from the start the need to find the right partners. Leading Chinese conservation group SEE Foundation was brought in to help with the planting. To ensure transparency and a robust sense of ownership and further "close the loop", the company partnered with satellite company Jiage to take aerial photos of the desert areas before and after tree-planting.

## ...INTO A GLOBAL FOREST?

Meanwhile, Ant Financial was forming strategic partnerships around the world to serve both local users and Chinese overseas travellers and lay the groundwork for a global expansion. By linking Alipay with offline merchants in popular destinations, Ant Financial was extending Alipay's in-store payment service to Chinese tourists traveling in over 50 countries across the world.

What about offering Alipay users the opportunity to plant a tree outside of China?

“Planting is a very complicated issue involving land tenure, ownership of seedlings, objective factors of acceptance criteria, and fund disbursement,” comments **Qin Liu**, Ant Forest Partnership Manager. “So, at this stage, we have yet to start planting trees outside China because we need a plan for addressing these problems. The overwhelming majority of tree planting funds come from Ant Financial, plus some amount from a number of companies who have joined us to do charity.”

In March 2018, Eric Jing, then CEO and current Chairman and CEO of Ant Financial, committed to investing US\$79 million to protect the environment - a serious commitment from the boardroom. The funds were calibrated to sustain Ant’s commitments to fulfil the energy point accumulation and tree planting of hundreds of millions of users.

The funds also represented a deep recognition on the part of the Ant’s leadership regarding the importance of the Ant Forest initiative and community to the spirit and strategic future of the Alipay brand.

But big decisions remain: Should it go global? If so, what goals and principles should guide its effort? Second, if Ant Financial elected to promote Ant Forest in foreign markets, should it expand tree planting in tandem?

How else might Ant tailor its efforts to address important environmental challenges in new contexts? What would be the key criteria to select strategic partners?

*This is an adapted version of the SMU Case, “[Growing a Global Forest: Ant Financial, Alipay, and the Ant Forest](https://cmp.smu.edu.sg/case/4076)”, part of the SMU case collection. To see the full case, please click on the following link: <https://cmp.smu.edu.sg/case/4076>*

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