

Alibaba: China's giant online shopping 'crocodile'

September 14 2014, by Bill Savadove

Alibaba has become by far the dominant e-commerce company in China, a country with the world's greatest number of Internet users, in only 15 years.

The Hangzhou-based company is largely unknown outside Greater China but one of the biggest-ever listings on the New York Stock Exchange and a newly launched US shopping website, 11 Main, will expand its global stature.

The flotation will see the firm valued between \$148 billion and \$162.7 billion, according to the \$60 to \$66 per share price range it filed with regulators.

With ambitions beyond online retailing, the company is guided by Jack Ma, a diminutive yet charismatic figure who has gone from an English teacher to a billionaire entrepreneur.

"Fifteen years ago, Alibaba's 18 founders were determined to set up a global Internet company originated by Chinese people, with hopes it would become one of the world's top 10 Internet companies, a company which will exist for 102 years," Ma said in May, meaning the company would span three different centuries.

Ma and other top executives spent last week in the United States pitching the offer to potential investors, and media reports say it is already oversubscribed.

Alibaba had originally planned to list in Hong Kong, thereby staying on Chinese soil, but talks between the company and the exchange broke down last year because listing rules prevented Ma and top management from retaining control over the board of directors.

The controversial structure has proved to be an issue even with a US listing, prompting Alibaba to disclose the identities of more than 20 partners who have the power to appoint a majority of the corporate board.

"Unlike dual-class ownership structures that employ a high-vote class of shares to concentrate control in a few founders, our approach is designed to embody the vision of a large group of management partners," it argued in a filing with US regulators.

Ma chose the name Alibaba from "1,001 Nights" because it is easily pronounced in both Chinese and English and the literary work's "open sesame" catchphrase signifies the company can "open a doorway to fortune for small businesses".

'Taobao Girls'

Alibaba is often described as the Chinese version of eBay, and like the US company has its own payments system, though it puts less emphasis on online auctions in favour of instant transactions.

Alibaba bested eBay in China over a decade ago, essentially forcing it to retreat.

"EBay may be a shark in the ocean, but I'm a crocodile in the Yangtze River. If we fight in the ocean, we lose, but if we fight in the river, we win," Ma is famously quoted as saying.

Unlike another US online retailing giant, Amazon, Alibaba has no product stocks itself, instead connecting buyers and sellers.

Its consumer-to-consumer platform, Taobao, is estimated to hold more than 90 percent of the Chinese market with over 800 million product listings and around 500 million registered users.

Taobao's presence is so pervasive in a country with more than half a billion Internet users that it has entered the lexicon: "Taobao Villages" are settlements of sellers while "Taobao Girls" are young women who model clothes on the site.

Another Alibaba platform, Tmall.com, is estimated to hold over half the market in China for business-to-consumer transactions.

Domestic competitors include JD.com, which listed on the US Nasdaq market in May, and a newly created upstart backed by property conglomerate Wanda Group—the company of China's richest man, Wang Jianlin, who is worth \$16 billion according to publisher Forbes.

The IPO could see Ma challenge him, with the founder set to make \$800 million from the sale while retaining a 7.8 percent stake in the [company](#) worth \$12.8 billion at the top of the listing price range.

Ahead of the flotation, Alibaba has embarked on an acquisition frenzy aimed at expanding beyond its traditional online commerce business, though critics say it is already spending the money it will raise.

Recent deals include buying a 50 percent stake in China's top football club Guangzhou Evergrande, purchasing domestic mobile browser developer UCWeb and paying \$1.22 billion for a stake in top Chinese online video platform Youku Tudou.

Alibaba said it recorded profits of nearly \$2 billion on revenue of \$2.5 billion for the quarter ending June 30.

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