
Alibaba: A Case Study on Building an International Imperium on Information and E-Commerce

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Abstract

The Alibaba Group is a group of internet based businesses with a mission to make it easy for anyone to buy or sell anything, anywhere in the world, but especially to make Chinese businesses more open and accessible for the world. The revenue of the Alibaba Group is running high, since they achieve more sales than their competitors Ebay and Amazon.com together. Alibaba is the first company to make market information and data available for free to all the users, all over the world. Customers/providers of goods can expand the reach of their business quickly. In addition, the connection system of Alibaba and how they connect business people with suppliers is fascinating. Their business strategy has made them both well-known and successful in Asia already. Alibaba's international interest is to get more access to popular Western brands, especially high-end and luxury brands, given the huge unmet demand among Chinese consumers for products that are not yet available in China. For that matter, it is likely that Alibaba will become a successful brand for retailers all over the world for selling their products and since the world is getting smaller, perhaps even for B2B or C2C markets.

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1 Introduction

Once upon a time there was a large and successful company in China called the Alibaba Group, a large internet and e-commerce company ready to conquer the world. The company is already well known in many countries all over the world and is getting more attention in every European country. This is especially true now that Alibaba has applied for its initial public offering (IPO) in the New York Stock exchange market, and it is expected that Alibaba will make history with the largest IPO ever and make a fairytale come true.

The Alibaba Group is a group of internet based businesses with a mission to make it easy for anyone to buy or sell anything, anywhere in the world, but especially to make Chinese businesses more open and accessible for the world. The Alibaba Group consists of many subsidiaries. One of them is Alibaba.com. By offering online web portals for the Business-to-Business market and online retailing, companies are able to purchase and contact the suppliers. The revenue of the Alibaba Group is running high, since they achieve more sales than their competitors Ebay and Amazon.com together.

Alibaba is the first company to make market information and data available for free to all the users, all over the world. Customers/providers of goods can expand the reach of their business quickly. In addition, the connection system of Alibaba and how they connect business people with suppliers is fascinating. Their business strategy has made them both well-known and successful in Asia already, and it is interesting to see how this was accomplished. It also raises the question if it is possible for Alibaba to become a successful player on the B2B, B2C or C2C world market.

2 Company Profile

2.1 History

In 1999, Jack Ma (Yun Ma) and 17 others founded Alibaba Group. Mr. Ma visited the city of San Francisco in 1999 and got the idea to set up a company named Alibaba. The name Alibaba comes from the story “Alibaba and the 40 thieves”. This online selling and buying place was set up to open an international business world. The name Alibaba can also be linked to the saying of Alibaba, “Open, Sesame”. Jack Ma used this saying to refer to the fact that the world would become open for China. The company started in the Business-to-Business market. However, in 2003, the consumer e-commerce website Taobao was founded, and Alibaba expanded with the online payment system Alipay. In 2002, Alibaba.com became profitable, but after 2005, Alibaba Group began to grow quickly. The strategic partnership with Yahoo Inc and taking over the operation of China Yahoo, seems to have been a successful strategy for generating growth. In 2006, the group makes a strategic investment in Koubei.com, and in June 2008, Koubei.com merges with China Yahoo to form Yahoo Koubei.

From 2007 onwards, many new services are generated. First, Alisoft, an internet-based business software company, is launched in January, followed by Alimama, an online advertising exchange company, in November. In this same month, Alibaba.com Limited is listed on the Hong Kong Stock Exchange. In April 2008, the Taobao Mail (currently known as Tmall.com) is introduced, and Alimama is integrated in Taobao in September of 2008. Alibaba groups continued to set up new services, including Alibaba group R&D Institute in September 2008 and Alibaba Cloud Computing in September 2009, thus making Alibaba a real virtual empire, serving business customers and private customers but also offering every imaginable multimedia service. Also in 2008, Alibaba.com Japan is founded as a joint venture between Alibaba.com and Softbank and its first international steps are taken.

Mergers then follow: Alisoft merges with Alibaba Group R&D Institute (July 2009); Alisoft's Business Management Software division is injected into Alibaba.com (August 2009); and Koubei.com is injected into Taobao as part of the "Big Taobao" strategy. The "Big Taobao" strategy positions Taobao as a one-stop e-commerce service provider to promote wider use of e-commerce among consumers. In March 2010, Alibaba Group creates a cross-business team comprising senior managers from Taobao, Alipay, Alibaba Cloud Computing and China Yahoo to execute a full scale roll-out of this "Big Taobao" strategy. In 2011, Alibaba Group expanded its consumer market and announces its plan to build a network of warehouses across China.

Alibaba takes a new direction in 2010 by wanting to contribute to society. This initiative started with the announcement that it will begin to earmark 0.3 % of annual revenues to fund efforts designed to spur environmental awareness and conservation in China and around the world (Alibaba 2014a).

To better adapt to China's fast growing e-commerce environment, Alibaba Group reorganizes the company in 2011 with lots of new business groups. As of now and beginning in 2013, the company is divided into 25 business units. New business initiatives, such as mobile platforms and financing small businesses, show that Alibaba envisions changes in the e-commerce world and the broader international business world. They know how to pool market information, how to identify future opportunities, and how to develop innovative projects.

Recently, Alibaba bought stakes in four major online media giants in China, the Chinese Twitter lookalike Sina Weibo (2013), ChinaVision (March 2014), Wasu Media and the Chinese Youtube lookalike Youku Tudou (April 2014), to boost their consumer-facing non-e-commerce business.

Investments have been made to improve their position in the international e-commerce market by purchasing ShopRunner in September 2013, which is the biggest competitor of Amazon.

2.2 The Founders

The main founder Jack Ma (Yun Ma) founded Alibaba Group with 17 other people in 1999. Jack Ma is a Chinese internet entrepreneur, the first Mainland Chinese

entrepreneur to appear on the world's billionaires ranking list. Jack Ma was born in Hangzhou, China. In 1988, Ma graduated with a bachelor's degree in English from the Teacher's Institute. He failed twice for the entrance exam. After graduating, Ma became a Teacher in English and International Business.

In 1995, Ma founded China Pages, China's first internet-based company. It was his first time to get in touch with the internet and he found that there was astonishingly little online information about Chinese businesses. He decided that this should change and he put some information about Chinese companies online, which became a real success: Ma founded The Alibaba Group. Previously, he was leading an information technology company in a department of Ministry of Foreign Trade and Economic Cooperation. Now, Ma is one of the "Top 10 most-valued entrepreneurs of China", as the American Business magazine *Business Week* published in 2009. In 2010, *Forbes* depicted him as being one of the "heroes in philanthropy".

2.3 Employees

With more than 25,000 employees, the company has grown to be one of the largest companies in China. All of these employees work in different departments for the company all over the world. The company has more than 70 offices in cities in China, Singapore, India, Japan, Europe and the USA.

When new employees join the Alibaba group, they attend a heavy team-building program in the headquarters. This program is based on the strong focus of the mission and vision of the company: the market and the clients. It is expected that employees should be deeply committed to Alibaba's culture of trust, teamwork, dedication, and professionalism. Both the training exercises and company events create a strong company culture. In addition, there is a degree of competition between the business units where the managers are rewarded (through autonomy/decision rights) to achieve "the best in their business". At the same time, compensation systems (incentive design) are geared to achieving coordination across business units (Wulf 2012). Every business unit has its own board of directors. The business units, especially Taobao, are very effective at communicating with users and responding quickly to market developments. Jack Ma uses a corporate center to encourage its business units to share best practices and information, and in this way Alibaba controls some of the group's internal competition and encourages cooperation. Alibaba's manager rotation program is a tool used to broaden the experience of its leaders and build group-wide social networks. Group-level meetings, annual retreats and management training programs provide some benefits to the managers (Fig. 1, Table 1).

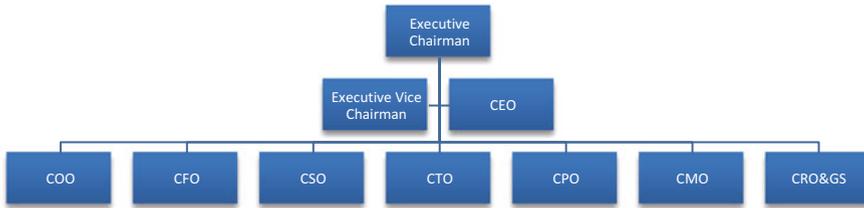


Fig. 1 Hierarchic structure of Alibaba Group (Alibaba 2014b)

Table 1 Alibaba Group’s major businesses and affiliated entities (Alibaba 2014c)

Company name	Description
Tao Bao	China’s most popular C2C marketplace
Tmall.com	China’s leading B2C shopping destination for quality, brand-name goods
Juhuasuan	Comprehensive group shopping platform in China
Etao	Comprehensive shopping search engine in China
Alibaba.com	Leading global e-commerce platform for small businesses
Aliexpress	Leading global e-marketplace for consumers
Alibaba Cloud Computing	Developer of platforms for cloud computing and data management
AliPay	Most widely used third-party online payment platform in China
1688.com	Leading e-commerce platform for domestic China trade among small businesses

2.4 Product Range

Alibaba doesn’t sell any physical products themselves, but instead offers many kinds of services. Alibaba.com provides services for businesses in more than 240 countries all over the world to easily get in contact with each other and trade with each other. For buyers, it’s possible to buy almost everything on Alibaba.com.

Besides Alibaba.com (international B2B and national B2B) and Taobao (C2C), there’s a third platform called Tmall. Tmall is a business to consumer (B2C) platform where companies and brands can set up an online store (storefront). Tmall is so popular now amongst consumers that even competitors from Alibaba opened a digital shop on it (Sander 2013). Originally, Tmall was set up for Chinese companies but recently also foreign companies are allowed to step in, as long as they offer customer care in Mandarin and are able to offer a return service within China. Aliexpress is an international version of Taobao.

The services of Alibaba extend to more than platforms for e-commerce only. They offer also AliFinance (low rent “kickstarter” loans to entrepreneurs who like to do business on the platforms and have difficulties getting loans from Chinese banks); Aliyun (cloud computing, mobile OS and e-commerce data mining); Juhuasuan (Taobao’s daily deals); eTao (search engine for products); and Yuebao (personal finance).

The Alibaba Group also offers a payment service called Alipay. It's a well-known payment service in Asia, but it's small in the Western world. Alipay provides a user-friendly and transaction-guaranty model for business partners to make and receive online payments.

2.5 Revenues

The revenues are mainly derived from the payments of suppliers. Every single supplier needs a membership to take part in the Alibaba website. The vendors come to alibaba.com for their licenses, which are in the form of a member card. There are two different kind of memberships: "Gold Supplier Lite Package" and "Gold Supplier Standard Package". The costs for a Lite Package for small businesses, are 299 US\$ each year. For the Standard Package, vendors pay a total amount of 2999 US\$ each year. Other revenues are generated from advertising income, from games, and from offering extra services for clients such as web design and translations.

When comparing the revenue streams of Alibaba.com from 2006 through 2010, one sees a steady increase. In 2006, the revenue of Alibaba.com was only 1,363,863 RMB, but in 2007, they achieved revenues of 2,162,757 RMB which amounts to a doubling within 1 year. In 2010, Alibaba.com has generated revenues of 5,557,600 RMB.

Sales for 2014 are estimated at 420 billion US\$. In 2012, sales were 170 billion US\$. This dwarfs Amazon, its closest competitor, with reported sales of 74.4 billion US\$ for fiscal 2013 while EBay reported sales for fiscal 2013 of 16 billion US\$, less than one-tenth of Alibaba's 2012 sales (Forbes 2014).

2.6 Business Strategies

Alibaba is a company with a unique selling point of sharing a massive amount of market information and data. They are the first company to make market information and data available for free to all users, all over the world. Customers can expand the reach of their business very quickly.

Besides sharing market information, the Alibaba group strives to be the company with the highest employee satisfaction. The company established a strong company culture based on their mission and vision. Their business success and quick growth is built on the spirit of entrepreneurship, innovation, and an unwavering focus on meeting the needs of their customers. New and current employees join the Alibaba team-building training program which is based on communication, mission, and vision. In this way, the company creates a common company culture and community system (Slideshare 2014).

Big Bao Strategy. In order to meet the needs of the customers in the whole e-commerce market, Alibaba Group expanded by buying competitors and integrating them in their own system. Alibaba has been using the "Big Taobao

strategy” for this. This strategy focuses on positioning Taobao as a central e-commerce platform, providing consumers and businesses with a broad range of e-commerce services. This strategy was the starting point for not only establishing Alibaba in the field of B2B, but also in the fields of B2C and C2C, enabling them to become a large player in the e-commerce scene (Wu 2013).

The Gold Supplier Strategy. The Gold Supplier strategy is Alibaba’s main strategy for its international market on alibaba.com. The service was introduced in 2000 and with it the suppliers could buy a premium membership offering them a large range of services. In 2007 and 2008, the service was also made available to suppliers in Hong Kong and Taiwan. On the website, Gold Suppliers are displayed with a golden icon, demonstrating their authenticity and trustworthiness for the buyers and allowing them to be ranked higher in the search results. This kind of “seal of approval” helped expand the trust of their suppliers and thus generated growth in the Asian market.

2.7 Quality and Innovation of the Product Range

As Alibaba states on its website: “Alibaba will continue to develop the quality of products.” The company indicates it will remain open if there are questions or complaints. They made rules to control the quality of services and goods rendered (Alibaba 2014d). After a fraud incident in 2011, Alibaba is very keen to authenticate its members. Alibaba is trying to solve the problems by performing factory audits for Chinese suppliers, or by providing a safe-trading class on one of its websites providing the readers with information on how to distinguish genuine traders from scammers. The C2C marketplace is still prone to fraud due to lack of control over the credibility of sellers.

Alibaba Group will expand their product range by offering a service for game developers. The company will ensure that the games are distributed and become famous. Twenty percent of sales are for the company and an additional 10 % will be spent on charity. The remaining 70 % is for the game developers (South China Morning Post 2014).

The latest development is the purchase of Autonavi. This enables Alibaba to become a huge player in navigation systems, but also gives them the possibility to advertise locally all over the world. Alibaba already has 28 % of the market shares, and recently (April, 2014) bought this mapping and navigation system company for 1.5 billion US\$ (NRC 2014a).

3 The Rise of the Company

3.1 Growth Development

By the end of December 2013, China had a total of 302 million online shoppers, a growth of 59.87 million, or 24.7 %, over the previous year, and the utilization ratio rose from 42.9 to 48.9 %. With 242 million online buyers, the e-commerce transactions volume is growing steadily by 60 % every 12 months (CNNIC 2014).

Alibaba is growing fast as well. In 2012, Alibaba is showing an annual revenue of 4083 million US\$ (see Fig. 2). In China, Alibaba has now the biggest share of the e-tailing market (Economist 2014), but they can gain ground all over the rest of the world. When one looks at the gross merchandise volume, Alibaba is the largest in the world (see Table 2) and is still growing.

Alibaba's growth was enabled because Mr. Ma had two good insights into what makes marketplaces work in China. Many Chinese people are tight-fisted. Therefore, Alibaba has made all their basic services free for their customers. Alibaba earns a lot with advertisements from other companies and with offering extra services for clients such as web design (Economist 2014). Alibaba has also given small loans to merchants trading on its platforms (average size 8000 US\$). Alibaba's total amount of loans to merchants was 200 million US\$ in 2012. Alibaba is expanding its loans to individuals and into the insurance market, in which it has announced a joint venture with Tencent and Ping An (Economist 2014).

Alibaba consolidated their position in the home market by some very clever actions. They purchased the music portal Xiami, the travel portal Qyer.com, and app developer Umeng, which facilitated Alibaba to advertise and make Alibaba's services better known. They also removed and even forbade services from competitors. They also removed Tencent's WeChat from Taobao, because, as they say, some salesmen bothered customers with it. They do not allow the use of QR-codes from other payment systems from Alipay on the Taobao platform.



Fig. 2 Strong annual revenue growth (Privco 2014)

Table 2 Three ways to win (based on Economist 2014)

	Revenue (2012, \$bn)	Net profit/loss (2012, \$bn)	Gross merchandise volume (2012, \$bn)
Alibaba	4.1 ^a	0.5 ^a	171.2
Amazon	61.1	-0.04	87.8
eBay	41.1	2.6	67.8

^aYear to September

Bold = largest/biggest

Besides these market actions, they also took measures in their own offices, such as forbidding Tencent's popular communication tools QQ and WeChat, probably out of fear for company espionage (Sander 2013).

What contributes to the success of Alibaba is the fact that they know exactly what the Chinese customer wants. E-commerce in China really started growing when they met two basic conditions in Chinese sales: reliability and haggling. In China, people are mistrustful of sales, often for a very good reason. Chinese people see well-known brands as good and reliable (Doctoroff 2013). The fact that Taobao is China's largest e-commerce website with small retailers but which has more than 800 million items and more than 80 million visitors a day, gives the Chinese people faith and trust. This grants a reliability necessary for becoming an important player in the Chinese e-commerce market. In addition, Taobao insists that their entrepreneurs offer conditions for returning goods without cost, which makes the website even more reliable. The system of Taobao also includes that customers can judge the providers with "small crowns", which contributes to their reliability. The introduction of Alipay offers security and reliability since the buyer can pay after he was satisfied with the product he bought on the site. Alipay claims to have over 500 million registered accounts and offers credit card and bank account payments. The company also provides the ability to pay for basic home utilities such as water, electricity, mobile bills, etc.

The second precondition for the success of Alibaba is the possibility to bargain for the best buy. Chinese people love to haggle and are historically the best hagglers. With a search engine on the Taobao website and a large offer of products, it is possible for consumers to obtain the best buy. Taobao even offers a possibility of chatting, so the consumer can get in contact with the provider to obtain more information but also to bargain the price down. Tmall, also a subsidiary of Alibaba, every year offers a mega promotion, when 10,000 online salesmen offer their products for half price. This promotion day is in November every year and was set up to attract more Chinese people to the online web shop. In 2013, Alibaba recorded sales of 5.6 billion US\$ on that single day. By comparison, in the United States, 2013 on-line sales on Cyber Monday were about 1.7 billion US\$ (Forbes 2014).

Alibaba made their position strong by launching their own search engine called Aliyun and performed a big update to their mobile payment system, called Alipay Wallet, thus offering more services. They also work together with China's number two in search engines, Qihao 360. More than 60 % of buying searches by Chinese internet users starts directly on the Taobao homepage.

Other ways to keep the company growing are to make huge investments and spread the risks. Therefore, Alibaba is making more investments in other markets. Recently, Alibaba bought the Chinese map and navigation system Autonavi, a big competitor of the Dutch system TomTom (NRC 2014a), thus opening up new opportunities in a new market.

For the future, Alibaba is looking for a growth opportunity in the telecom market. Mr. Ma has ordered a large number of engineers to work on the mobile division (Economist 2014). There is a big market overseas in Africa and Latin-America. Alibaba is also working on a 24-h delivery service in which the distance between the seller and buyer doesn't matter. The expectation is that the delivery network will be launched in 2020 (Bremen 2013).

3.2 Becoming a Brand

Alibaba started in 1999 and is now the world's largest online business-to-business marketplace. With approximately 60 million visitors every day and more than 500 million registered users, Alibaba has more and more influence in this market. In 2005, the Alibaba Group started a cooperation with the company Yahoo. Yahoo took a 40 % stake in Alibaba. In 2010, the company continued a healthy growth in the user base of the international marketplace. At the end of December, they had 18,024,993 registered users, representing a 55.7 % year-on-year growth in the international marketplace. By constantly enhancing user experience and providing a safer e-commerce environment, they continued to reinforce their position as the leading marketplace company (Nu Zakelijk 2013).

Alibaba did market research in order to improve the company very quickly. For Mr. Ma, the name of the company is very important for their success. The name Alibaba reminds many people of the story of Alibaba. All the people he asked knew the story of Alibaba and all of them told him "Open Sesame". Alibaba does indeed "open sesame" for small- to medium-sized companies. The name is a provocation and that's exactly the reason Mr. Ma called his company Alibaba. This is called "negative messaging" and people tend to process negative messages positively (Worldlab 2007). The company also registered the name Alimama. Nowadays, 80 % of all online shopping in China goes through a webshop of the Alibaba Group. The fact that part of the name, "baba", means 88 in Chinese is also very effective since 8 is the lucky number and stands for good fortune in China.

Investment in other internet sites, such as social media site Sina Weibo, is giving Alibaba huge opportunities to consolidate their name by making online advertisements on Taobao for example.

3.3 Position in the Home Market

Alibaba operates primarily in the People's Republic of China. The headquarters are located in Hangzhou, China, and the international headquarter is located in Hong Kong. Alibaba has a strong company culture based on a mission and vision.

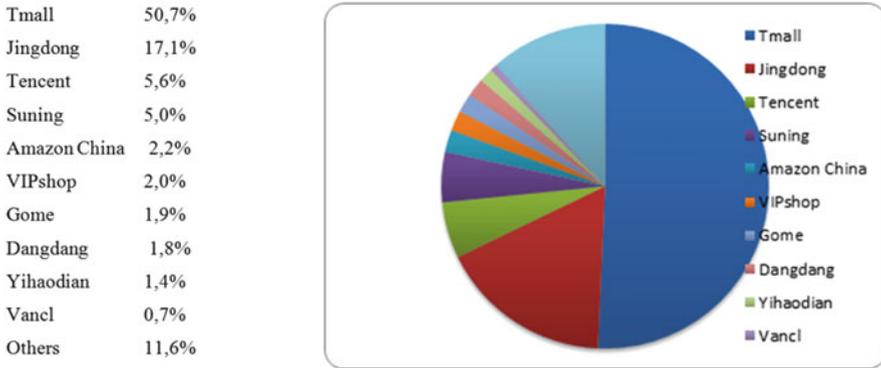


Fig. 3 Revenues on the Chinese B2C market, Q1 2013 (Sander 2013)

Their business success and fast growth is built on the spirit of entrepreneurs, innovation, and the focus on the needs of their customers.

The top ten of China’s B2C e-commerce sites, based on the revenues in the first semester of 2013, can be seen in Fig. 3.

Tmall is Alibaba’s B2C-platform. Jingdong (formerly known as 360buy.com) is an online warehouse with great assortment. Tencent principally sells virtual goods in online games. Suning and Gome are originally brick-and-mortar retail chains in white goods and electronics. Amazon China and Dangdang are online bookstores. VIPshop is an online discounter. Yihoudian is a food e-tailer. Vancl is a garment e-tailer with its own brands.

The numbers in Fig. 3 are percentages of a B2C-market covering 25.6 billion US\$. The consumer-to-consumer market (mostly formed by Alibaba’s Taobao) represents the rest of the 71 billion US\$ e-commerce market in the second quarter of 2013. The B2C-share of the total market shows a huge growth however: from 29.5 % in the second quarter of 2012 to 36.9 % in 2013.

Amazon, a big player in the international e-commerce market, can’t compete with Alibaba in China, because the major focus of Alibaba is on the Chinese market. This focus will not change any time soon after its IPO (Zhu 2014). Alibaba has dominated all aspects of e-commerce in China since it was founded in 1999. In addition to this point, Alibaba is not a retailer, but just a mediator, offering a platform for free, whereas eBay, for example, asks sellers to pay a commission to eBay. The extreme growth of the company is also because of the popularity of the platforms Taobao and Tmall in China. These two platforms were responsible for a one billion RMB turnover in 2012. The biggest competitor Amazon accounted for less than 2 % after 10 years of operating in China (FTM 2014).

3.4 Position in the Global Market

Alibaba Group has specialized marketplaces for its international market. The international marketplace is divided into alibaba.com and alibaba.com.cn, where the first one is mainly for suppliers who export their products to the world and the last one is for suppliers exporting their products to China or trading within China. The majority of members on this platform, 24 % of the 4.4 million registered members, are from the USA (Wu 2013). Furthermore, Alibaba provides a special website for customers in the Japanese market, called alibaba.co.jp. Aliexpress offers a transaction-based global wholesale marketplace in China and an international version of Taobao.

Tmall was set up for Chinese companies but recently also foreign companies are allowed to step in, as long as they offer customer care in Mandarin and are able to offer a return service within China. Alipay is already having conversations with MasterCard and is aiming to expand its reach globally in the following years (E-commercefacts 2013).

Despite efforts to go global, Alibaba.com's storefronts and paying members in international markets have been growing at a slower pace than those in China. From 2006 to 2010, the portion of its international storefronts dropped from 24.8 to 19.9 %, and the portion of its paying members dropped from 4.9 to 1.3 % (Tao 2011).

Alibaba invested 206 billion US\$ in Shoprunner in September 2013. Shoprunner is the biggest competitor of Amazon and therefore Alibaba is now also competing in the international world (Allthingsd 2013).

3.5 Alibaba's Competitors

I agree with Jeff Bezos (Amazon.com): spend more time on customers, not on competitors.
—Jack Ma (Tao 2011)

Because of the wide diversification of the Alibaba group, its competitors and potential competitors cover every aspect of internet business. Major competitors in the international world of B2C are Baidu, Tencent, and eBay. They all have their specialism, respectively search, social networking and online games and e-commerce, but since the last three years they taking interest in each other's fields.

eBay was first a competitor in the Chinese market. eBay had a larger marketing budget, but did not have the advantages a Chinese company like Alibaba has: Taobao was a specific Chinese made website with the focus on the Chinese customers whereas eBay had a translated version of its international site; Alibaba has its own Alipay, whereas eBay had no such payment system recognized by the Chinese government that the Chinese people trusted. The introduction of Paypal took a long time and was not so accessible to and popular with Chinese people because of the credit card system. People using Alipay did not have to pay for transactions as on eBay; in contrast to eBay, Alibaba's business model was not

based on a percentage of the revenues of the transactions, but on offering services for salesmen, such as helping to set up English sites, storefronts, and authentication and verification of salesmen (Trustpass). In 2006, eBay left China and Alibaba had won due to winning the trust of the Chinese people and its large marketing campaigns.

3.6 Stock Market Development

In November 2007, Alibaba.com successfully made its first IPO at the Hong Kong Stock exchange. In September 2013, speculations about the New York listing began when the Alibaba Group abandoned plans for a stock offering in Hong Kong after talks with regulators broke down. Alibaba's management structure fell afoul of Hong Kong's listing rules. Alibaba Group has now announced plans for a flotation in the US. In this way, they will become a more global company. The revealed plan for entering the US stock market is, according to analysts, the biggest share offering by a tech firm since Facebook in 2012. This will make the company more global and enhance the company's transparency as well. The company decided to list its shares in the US rather than Hong Kong since the US stock market brings them more freedom and they have a say in shares (NRC 2013).

Alibaba wants to go global and this is the perfect way. The two major US stock exchanges typically compete aggressively for marquee IPO's, offering discounts and certain fees (Fig. 4). Representatives from NYSE and NASDAQ have been courting Alibaba CEO Jack Ma since the middle of last year. The Chinese e-commerce giant is almost certain to offer public shares worldwide in June or July 2014. The process has already started in the US with a 15 billion US\$ IPO. Analysts have estimated that Alibaba is worth more than 140 billion US\$ in the home market. The working model is a combination of PayPal, Google, and eBay and is not based on retail activities (BBC 2014). With entering the US stock market, Alibaba will become the largest internet company in the world, after Google.

A special case is the cooperation with Yahoo in the stock market. Yahoo bought a 40 % share in 2005. Alibaba wants to buy these shares back and agreed upon this in 2012 with the right to buy back half of Yahoo's remaining 23 % stake before the IPO. Yahoo then could choose to sell its remaining Alibaba stock after the shares begin trading. Alibaba currently has a market value of about 40 billion US\$, based on the prices paid for the stock that the company recently sold to raise enough money to finance the Yahoo deal. Yahoo, in contrast, has a market value of less than 20 billion US\$ (Yahoo 2012).

Currently, Yahoo owns 24 % of Alibaba shares, Softbank 37 %, Jack Ma, the founder and Joe Tsai, the Taiwan born executive vice president, own about 10 % together. There are about 17 smaller investors and officials that hold the rest, about 29 %, of the shares (Forbes 2014).

Fig. 4 IPO's listed on US exchanges (WSJ 2014)



3.7 Triple Helix

The focus of the Chinese government in recent years is on the third sector, and services are freely developing in China, as is the e-commerce market as well. China has only just begun with the process to develop from an industrial economy into an economy with a large service sector. This growth of the service sector is very much supported by the growth of a middle class. Old state-owned companies (Baosteel, Roncheng shipyards, Shanxi Mines) are being replaced by new companies and international companies like Alibaba, Baidu, or Huawei. For Alibaba, the government was not directly beneficial to the rise of the company, but indirectly by making the internet possible for the majority of Chinese people and allowing the e-commerce market to develop itself. With a free market and no limitation on advertising, Taobao became a well-known brand. Alibaba has good contacts with the government, which, amongst others, supported the introduction of the Alipay systems (FTM 2014).

The employees of Alibaba management are all Chinese natives. They were all raised with traditional values of Confucianism. Education, personal development, and virtuous conduct are basic Confucian values in China. Chief Ma wants his

company to be of high moral standards. In an email to his Aliren (Alibaba's employees), as an answer to a fraud case, Ma wrote:

The world does need another internet company, much less another company that can make money; What this world needs is a company that is more open, more transparent, more sharing, more responsible, more global; What this world needs is a company that is grounded in society, serves the interest of society, and accepts the responsibilities of society; What this world needs is a culture, a soul, a belief and an acceptance of obligation. . . Only through holding onto our ideals and our principles will we be able to become the pride of this era! (Allthingsd 2011)

4 Future Developments

With a growing middle class in China, more and more people are able to own a computer and are able to purchase online. More and more people see the possibilities of becoming an entrepreneur and are stepping into e-trade.

Although e-commerce is growing, they are also facing problems. Price wars are the game of the day in the world of e-commerce. In 2012, almost all of the top ten e-tailers had promotions with huge price discounts. In 2013, e-tailers Suning and Gome promised huge discounts on social media. However, a inspection commission found out that the original prices were not as high as they said in the advertisements but instead were made up, so the discount was not as high as was told, and the goods were not in stock. For Jack Ma and his employees, it is a priority to keep promises and a challenge to hold the providers to their principles.

Another problem of e-commerce is the delivery of the products. The cost of delivery in China is exceptionally low, which is a stimulant to buy online. However, the real delivery of a package is a problem in China: people who can afford a computer and have enough income to purchase online are working at the time of delivery, and they are living in huge apartment complexes where packages are hard to deliver and a lot of packages get lost. Tmall, therefore, started pick-up services in five big cities in Mainland China and in Hong Kong at 2500 locations (Sander 2013).

To keep up with the growing market of e-commerce, Alibaba made huge investments. Alibaba found itself in a minor position in the social and mobile field and therefore bought an 18 % share of Sina Weibo in April 2013 and in that way found a way to practice social commerce. With a partnership in China Telecom, they made sure that on all telephones sold by China Telecom apps from Alibaba (Taobao and the message app Laiwang) are installed. The investment in Autonavi seems to indicate plans for location-based commerce. It seems also that Alibaba is going to invest in online streaming video and has recently announced it will deliver smart TV set-top boxes and a compatible operating system. These set-top boxes will be integrated in Alibaba's daily deals platform Juhuasuan, but according to the company, Taobao and Tmall will follow in the future (Sander 2013).

Investments and expanding its territory will make Alibaba more powerful in time. With the control over a lot of services in the e-commerce and social media, they can afford to bring new services and devices to the market without paying for external marketing. Most of the investments are still in China, although Alibaba is now showing interest in foreign companies.

4.1 Possibilities Abroad

Global coverage in every sector is a big job. But still, Alibaba does not want to be known as only a Chinese company. They like to expand and know this will not be an easy job. India was one of the first markets Alibaba entered successfully. India shares a lot of characteristics with the Chinese market, including extensive domestic trading by local members. In 2010, Alibaba entered the US market with Aliexpress. It has also acquired two US-based B2B firms, Vendio and Auctiva.com, which have been integrated with Alibaba.com. But Alibaba has little management know-how or business integration experience in this new market. Alibaba.com is already an essential link between Chinese small businesses and retailers and more than 75 million foreign buyers in Africa, the Middle East, and Latin America (NRC 2013).

Alibaba is strong in the Chinese market since it knows what Chinese people want and knows how to market this. Perhaps Alibaba will see international chances, but it needs to acquire know-how on the specific foreign markets. A lot of Chinese companies find it difficult to adapt to non-Chinese ways of doing international business and therefore also miss out on the chances. There are chances however. Jack Ma has shown optimism and idealism with innovative ideas and is managing in a more Western way that represents a new generation of entrepreneurs in China. He can shift between Western and Chinese cultures with ease. The future will tell if he will be able to use his optimism and knowledge of Western ways of marketing, and his US corporate strategies in incentive managing, to have a bright international future.

In Europe, many people are engaged in sales and are always looking for good prices. In China, European businessmen can find many products for low prices relatively easily on websites such as Alibaba (two others, a little smaller, are Global Sources and Made in China) (Klantenscores 2014). Alibaba is a fine starting point for European businessmen who touch ground in China for the first time. The large number of providers who are clearly segmented are easy to contact. There are some risks involved in importing goods from sites like Alibaba. First, there is the minimum purchase, which can be quite a bit higher than we are used to. Then, there is the quality issue. Chinese people will never say no to a large order and will never say they are not able to produce it. In particular, “good” means something else than we are used to. For foreigners, it is best to perform an inspection of the production location and ask for detailed descriptions first. On the other hand, Western brands can become popular in China using Alibaba.com or Aliexpress. New opportunities are emerging for Western brands to gain greater access to

Chinese consumers, providing them with new channels to fulfill the voracious appetites of China's emerging middle class. Alibaba had approximately 500 million registered users, including 60 million daily visitors on its Taobao marketplace in June 2013. The company is now eager to open its extensive user base to Western brands which can try to cash in by meeting the Chinese hunger for overseas brands. In addition to attracting Western brands to its domestic platforms like Tmall, Alibaba recently launched a new site—Tmall International—that exclusively targets brands and merchants outside China and allows them to sell directly to Chinese online shoppers from their home countries.

5 Conclusions

5.1 Why Did This Company Become so Successful?

Alibaba is a good example of how to grow and expand quickly, and become a popular business in Asia, especially in China. Alibaba first of all had a clear goal and held to it: to make market information and data available to all users all over the world, and had a mission to make it easy for anyone to buy or sell anything, anywhere in the world. For that reason, they wanted to make Chinese business more open and accessible for the world.

Becoming so successful was mainly because they knew how to meet the needs of the Chinese market. Chinese people like to haggle, so they offered them the service to do this (WangWang). Chinese people need products and services to be reliable, so they offered Alipay and asked preconditions to new salesmen. Chinese people like to get services for free and so they offered them, but also delivered services the Chinese provider needs to generate more business (website building, English translations, etc.). To make online business more available to all Chinese, they provided loans.

The third reason for being so successful was the generation of new services and investing in new markets while keeping an eye on its competitors (for example, Yahoo). Expanding by buying competitors and integrating them in their own system was a successful strategy. Others were bought to get free promotion of their big platform Taobao (the Taobao strategy), like Xiami, Qyer, Umeng, all providing free possibilities to advertise with their services, but also to make new services well known without having the costs of a huge marketing project. Buying a stake in Sina Weibo (Chinese Twitter), one can only imagine what power they bought. Using this same strategy, investments in search engines, (Sugou) and media giants, such as the recent the investment in the Chinese Youtube, Yukou Toudu, also brought huge advantages.

5.2 Becoming a World Brand?

Alibaba Group operates Alibaba.com, an online trading site focused on international B2B sourcing and wholesale. In addition, its AliExpress website allows international visitors to buy products directly from Chinese vendors, and is a new competitor for eBay. The last few years demonstrates Alibaba's interest in foreign companies. They are successfully investing in companies like Shoprunner and expanding their horizon by talking now with MasterCard. What will make them a real international player will be their entrance into the New York Stock Exchange and NASDAQ. The whole world will get to know Alibaba and what they do, and it will of course generate tremendous media exposure and recognition from the business community in the USA and the rest of the world.

But will they be successful in the international market? Does Alibaba's IPO mean that the Chinese e-commerce giant will conquer the international e-tailing market, challenging established players like Amazon and eBay? Only if they invest in good market research and find local employees and advisors to meet the needs of the local markets. Alibaba's core business is Taobao and Tmall, two leading companies in the Chinese market, that know very well how to act on the Chinese market, which was the reason why eBay failed in China. Alibaba needs to understand local consumers, characteristics of the retail sector, and have the resources of adjacent supporting industries such as payment processing and logistics. The focus on the Chinese market will probably remain after its IPO, but companies like Amazon, eBay or Zalando in Europe, or Kobo in India, have to be aware that Alibaba will contribute to an even more competitive environment in the world's e-commerce market.

Alibaba's international interest is actually to get more access to popular Western brands, especially high-end and luxury brands, given the huge unmet demand among millions of Chinese consumers for products that are not yet available in China. For that matter, it is likely that Alibaba will become a successful brand for retailers all over the world for selling their products and since the world is getting smaller, perhaps even for B2B or C2C markets. However, these markets ask for a lot more local know-how and require thorough market research before entering this market. A good path to follow will be to buy stakes in foreign e-commerce companies to gain market shares, like eBay did with Marktplaats.nl. However, this will not give them a well-known brand name, since names stay attached to the old well-known brand in this country.

5.3 Update October 10th, 2014

On September 19th, 2014 the fairytale of Alibaba became true. Its IPO was expected to gain 21.8 billion US\$, but reached that amount already the day before. The stock "Baba" exploded after the initial IPO from 68 to 93 US\$ at the end of the day, with some rising now and then up to 100 US\$. It is expected that they will

collect between 25 billion and 29 billion US\$. With this result being the largest IPO so far.

With this exploding result it is said that Alibaba is bigger than Amazon (150 billion) and eBay (67 billion) together, worth 231 billion US\$ (NRC 2014b).

Alibaba's revenues are rising and with its IPO it is expecting even more revenue. Last quarter the turnover was about 2.5 billion US\$ (Dagblad van het Noorden, 2014).

The world fame of the brand Alibaba is huge nowadays and everyone heard of the company since September 19. Already a dozen Dutch entrepreneurs are doing business in China through accounts on alibaba.com, and from now on more and more small and medium Dutch enterprises will follow them (NRC 2014c).

They will not only find the Chinese market on the site but also meet enterprises from all over the world. Alibaba.com will become the world leader in E-commerce if more and more companies all over the world will join the site of alibaba.com and especially the global site Tmall.com.

Consultancies in Holland are taking advantage of this explosion of E-commerce in China and are helping Dutch entrepreneurs to step into the Chinese market by helping them to set up an account on Tmall global (CRTV 2014).

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