

Alibaba 'Opens Sesame' on Wall Street: the significance of the largest IPO in history

✘ The Chinese e-commerce giant Alibaba, operator of the Taobao – meaning 'digging for treasure' – website, achieved the largest IPO in history on September 19. Alibaba, trading under the symbol NYSE: BABA could soon be worth more than Amazon; already at the open, with a market price of USD\$ 67 per share, it was worth more than Boeing, the United States' greatest exporter by value. It closed the day at USD\$ 93.89 or 37.32% higher. The listing has earned it over USD\$ 21.77 billion dollars, a figure that rises to over USD\$ 25 billion when taking options into consideration. The previous record was set by the Agricultural Bank of China, which in 2010 earned USD\$ 22.1 billion after its IPO. These are numbers that only a genie could have delivered and they are all the more magical, considering that Alibaba is only 15 years old.

Alibaba's success has important consequences. Certainly, Jack Ma, the 50-year old former English teacher who founded the Company became China's richest man even before the trading bell rang. However, the very same Jack Ma, whom Wall Street will court and flatter like few others, will now challenge the very same Silicon Valley that shut the door in his face just a few years ago. Alibaba now has revenues on par with Amazon and eBay together, a larger market capitalization than eBay, Twitter and LinkedIn put together. Moreover, given the huge potential of the Chinese market and growth prospects outside the national boundaries, Alibaba could soon dwarf its rival Amazon, dominating the e-commerce landscape. Alibaba has invested in US based e-commerce services such as the logistics provider ShopRunner and various messaging applications including Tango. Alibaba will now be targeting the US e-commerce sector, where it is still a very small player.

Silicon Valley has plenty to worry about. Until recently, Chinese internet businesses got very little attention from US consumers and businesses alike. Nevertheless, Alibaba's massive success will be more than a source of inspiration for other Chinese companies, which, beaming with national pride, will seek greater global affirmation – and not just in the e-commerce field. How appropriate that is, considering that Jack Ma amused the American press when he admitted that his hero is Forrest Gump. In China (which for all intents remains “communist”), at Alibaba headquarters, the employees celebrated this most capitalist of successes, wearing a t-shirt that was given to them for the occasion featuring the Taobao mascot -an ant – and the slogan: “You need to have dreams. What if they come true?” This not only reflects the justified euphoria of Alibaba's employees, it sends a loud message about the enormous potential of the Chinese market, which will continue to grow. To date Alibaba delivers some 200 million packages per day, and the e-commerce in China is still in its infancy, but as Mr. Ma suggested: “e-commerce in the United States is the dessert; in China it is the main course.” There are many possibilities in the United States and in Europe, where Alibaba intends to strengthen, perhaps through targeted acquisitions to strengthen its ‘philosophy’ that aims to help small and medium-sized enterprises.”

China's e-commerce is being held back by an infrastructure that is still underdeveloped, creating technical problems for the business. However, Alibaba has challenged and beaten EBay in the Chinese market by adopting simple solutions aimed at creating a more user friendly experience. Alibaba's Taobao website allows users to sell their wares free, offering buyers such features as instant messaging – easing communications between buyer and seller – and more payment options (Alipay, international credit card acceptance). As Alibaba expands in the United States and the West, EBay will eventually have to consider adopting at least some of these features.

Alibaba is committed to becoming a global company, not just confined to the domain of e-commerce in China. It plans a strategy of acquisitions, which it can easily fulfill, given the huge amount of capital it has raised. Whether or not the expansion will be successful is another matter. As usual western investors might be concerned about issues of transparency and governance and the fact that control of the company will remain in the hands of a small group of 30 partners, including founder and CEO Jack Ma, who will retain the main authority for appointing the members of the Board. Nevertheless, Alibaba can now truly consider itself to be a global Company rather than a Chinese one and, concerns or not, it will choose its competitive targets straight for Silicon Valley. Alibaba has even tried to duplicate a work environment similar to that of Google, Yahoo & Co. for its employees.

Jack Ma may be one of the richest people in the world now, but the Chinese Communist Party is also rubbing its hands. Documents submitted before US Securities and Exchange Commission (SEC) for its Wall Street listing, state that the CCP (Chinese Communist Party) has close ties to Alibaba. Four investment funds that hold shares of Alibaba chaired or were founded by sons or grandsons of prominent Chinese politburo members, according to the 'New York Times'. Thus, as emphasized leaders of the Chinese Communist regime will be among the biggest winners of the Alibaba mega-IPO. Indeed, the Chinese Government might consider Alibaba's success to be the perfect appetizer to the fact that the World Bank announced that China might surpass the United States as the world's largest economy in 2014 – well ahead of schedule. This had been predicted to occur in 2019. Beyond the World Bank statistics and its approach, not all of China's growth is a bed of roses: the banking sector is experiencing difficulties, which may lead to a financial crisis. Yet, even if it might be a little early to mark 2014 as the year that China 'beats the United States at Monopoly', Alibaba's success sends a very loud signal that the shift is imminent.