

Jack Ma Talkasia Transcript

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Interview Jack Ma -- Alibaba.com

Hello and welcome to Talk Asia, a special edition coming to you from Beijing. I'm Lorraine Hahn.

My guest today is the founder and CEO of Chinese e-commerce giant Alibaba.com -- Jack Ma.

Born in Hangzhou in 1964, Ma first made a name for himself with his idea to start an online directory called "China Pages," widely regarded to be China's first internet-based company.

In 1999, Ma founded "Alibaba.com," which currently operates the world's largest online marketplace, serving small- and medium-sized enterprises by connecting global buyers with sellers in China.

In 2005, Alibaba.com added to its international profile by acquiring and operating Yahoo China. Ma himself has impressed many with his sharp entrepreneurial sense and work ethic.

Mr. Ma, thank you for joining us. It's good to see you. You have for years carried the image as the underdog. But this particular underdog has done very well for himself, hasn't he?

JM --Yes, we've been sort of very lucky.

LH - You emerged from virtually nowhere, right? And you started this first Chinese internet company. Where did this idea come from? Was it something you read or ...

JM - In 1995, I went to Seattle and I ... My friend said Jack, 'This is internet.' And I have never heard about the internet and never used the computer before that day. My first time in my life I used the internet, I touched on the keyboard and I find well -- this is something I believe; it is something that is going to change the world and change China.

LH - What about China Pages?

JM -- China Pages, it was just...we were making home pages for Chinese companies and list it in the USA and let the world know about China companies. That's the earliest e-commerce, and that's probably the first internet company in China.

LH - But only with, I read, 2,000 dollars?

JM -- Yup, I borrowed 2,000 dollars from my relatives, my brother-in-law and my parents. So we started the company.

LH - And then you managed to convince international buyers to fork out another 100 million right?

JM -- Yeah, I think the China Pages was like, we invested 2,000 US dollars for 2 years and later we compete with China Telecom. They acquired us; we had a joint venture. And the joint venture was not very successful. Until 1997, I was invited to the Ministry of Foreign Trade to work in Beijing for about 14 months. And later I believed if you want the government to promote e-commerce it'll be very difficult. It's better, from you know, it's better from ourselves. So in 1999, we start from zero for Alibaba.com. So we -- 18 founders -- we gathered 60,000 US dollars, and we start the business.

LH - How do you convince somebody to fork out that much money? I mean it's difficult when it comes to money? And you particularly didn't have a long track record right?

JM -- No, no, it's very difficult. For the first ... the time when I talked to the 18 founders, I invited all the friends of mine and the founders come to my home I talked to them that we're going to build up a company called Alibaba.com. I don't know what it's going to be, but just to helping the small and medium sized companies in the world. I said let's put our pocket money on the table. I give all my money on the table. We just gathered 60,000 US dollars. We thought we would last for about 10 months. But after 6 months we'd used up all the money! And we were lucky...after the 7th month we started to attract some VCs and they came to us and I just told them, this is what we're going to do. If you believe me, invest in us.

LH - The 1 billion dollar deal with Yahoo, how important was that deal for you?

JM -- I think that it was very, very important to us, because now in China, Alibaba now has almost 86%, according to the statistics, of market share in B2B. We're 72% of C2C market share, and we're the largest online payment. But we think for e-commerce in China, if we really want to go on, we need a search engine. We looked at Google and Yahoo, Microsoft and Baidu, and we think the Yahoo has the best technology. We should get the technology. The only problem they had was that they couldn't localize their technology in China very well. (LH: That's where you come in?) Yes, so we came in and said we need the technology; they need a great team...So! We start, and they invested. We said if you want...we acquire their China operation, and they can invest in our company. So 1 billion dollars, is a lot to us!

LH -- There are so many big names now who are entering the China market. Is the China market reaching saturation point do you think?

JM -- Oh no, I don't think so. I think the China market is big enough for more players and these multinational companies, I don't think they are the strong competitors of China local players. And more and more, China local companies will come up in the next five to ten

years. And I think China is... We got 1.3 billion people; today only a hundred and 10 million people are using the internet -- still great potential on that.

LH -- Who's your biggest competitor?

JM -- Our biggest competitor? I think you technically can see that Ebay is and Google is. But I think that Alibaba is itself as well, because the market is so big, the growth so fast and we are such a young team. I think our know-how is a big competitor to us: how to grow, how to develop our own company. And by competing with Ebay and Google and Baidu and the other companies, I think we learn a lot.

LH -- What do you think then, you know, about the recent controversy surrounding Google and its censorship of its websites?

JM -- I think every country, you know every company go to any country have to follow the rules. And, in China you have to follow the local rules. You know we focus on e-commerce - I've never got any problem with government in the last ten years.

LH -- So nobody's asked you to censor your...

JM -- No we are business sites; we help small or medium-sized companies. We create the jobs! We are doing so fine, be a good boy.

LH -- If they asked you, would you?

JM -- Well, it depends what things they want. If they are criminal things...no defiantly, we will help the police, and we need police to help us to catch some of the thieves on the web.

LH -- What about this issue about free and open information available on the internet? Is that something you would profess?

JM -- I think China is making big, big progress, and you can never use today's USA standard and European standard and say China should be USA today. That would be big problem because this country being there for 2000 years it has its own history, so if you suddenly open everything and have a USA way of free democracy probably you will have big problems. So you see because of the internet, because of e-commerce because of the websites, china has changed. It's more open, and it's more transparent.

LH -- Now to some people Yahoo China did something quite unforgivable when it handed over, you know, e-mail information to the authorities, which led to the detention of some people. I know you weren't on Yahoo China at that point; still, it was a criticism that was laid against Yahoo China. What do you think about that?

JM -- First, I always tell myself, doing business in China, everywhere around the world you have to follow the rules. If you cannot change the law, if you cannot create the law, follow the law. Second, that we have a strict process that not everybody that give us a call and says give us the information, we will give it to you. They tell us what they need, and we find out whether it works or not.

LH -- So if something like that happened now, Mr. Ma, what would you do?

JM -- We would like... it depends, you know. In China, if they are sure the process is right according to our internal process, we will do in our way. And, I think because of Yahoo today in China we've been focused on entertainment, sports and finance. We are not political sites, and we are not interested in politics. We are only interested in e-commerce and entertainment.

LH -- In 2001, when the internet bubble burst a lot of companies were affected. Did you lose a lot?

JM -- Oh yeah, we were lucky that our headquarters was not in Beijing. If our headquarters was in Beijing we would be, you know, no where.

LH - Right, after the internet bubble, of course the big thing was SARS.

JM -- Yes, I was quarantined, and the whole company was quarantined for eight days. So in the eight days, we all stayed at home we worked. Nobody in the world -- that time, like 6 million users, 6 million companies -- no company realized that we were quarantined at home. And the funny thing is that people make phone call to our company, and if people pick up the phone they still say, 'Hello, Alibaba! What can I do for you?' And because all the phones are directed to our employees' homes, and sometimes you pick up the phone and some old grandfather says, 'Hello, Alibaba! What can I do for you?' Because all the parents joined the force to serve the customers!

LH - Mr. Ma, that's a fabulous story! We're going to take a short break. When we come back we'll have more on Jack Ma's dream to have more SMEs say 'Open Sesame.' Stay with us!

Block b:

Welcome back to Talk Asia. We're in Beijing with the founder of Alibaba.com, Jack Ma.

Mr. Ma, you've mentioned that Alibaba when it first started was this business to business idea. Why did you choose to help smaller businesses and not stick with you know the big names, the big ones?

JM - When we first started our internet company, China Pages, in 1995, and we were just making home pages for a lot of Chinese companies. We went to the big owners, the big

companies and they didn't want to do it. We go to state-owned companies, and they didn't want to do it.

Only the small and medium companies really want to do it. So we said okay, we'll help those who need help. We'll help those people who will help themselves. And later when we set up Alibaba, after 5 years of study we realized this: that small and medium sized companies are the group of companies who really need e-commerce. We believe the hope of China is small and medium sized companies? the private enterprise, not the state owned companies. So we said let's focus on that. And the other thing is that we realized, in the US, B2B companies, they focus on big companies. And they fail. They focus on big companies, and they focus on buyers and the philosophy of B2B in the USA is to help the buyers to save time. We think that is wrong. We want to help the small to medium-sized companies; we want to help the suppliers to sell the products.

LH - Now Alibaba... Fancy name, catchy too! But it conjures up, at least to me, something to do with thieves, not legitimate business. Why Alibaba?

JM - One day I was in San Francisco in a coffee shop, and I was thinking Alibaba is a good name. And then a waitress came, and I said do you know about Alibaba? And she said yes. I said what do you know about Alibaba, and she said 'Open Sesame.' And I said yes, this is the name! Then I went onto the street and found 30 people and asked them, 'Do you know Alilbaba'? People from India, people from Germany, people from Tokyo and China... They all knew about Alibaba. Alibaba -- open sesame. Alibaba -- 40 thieves. Alibaba is not a thief. Alibaba is a kind, smart business person, and he helped the village. So...easy to spell, and global know. Alibaba opens sesame for small- to medium-sized companies. We also registered the name AliMama, in case someone wants to marry us!

LH - any suitors?

JM - The TaoBao C2C original name we wanted to use AliMama.com for the C2C auction, because we thought Baba does the business, Mama does the shop! Later we thought TaoBao was better than AliMama, so we'll keep AliMama for future use.

LH - How is TaoBao doing, anyway?

JM -- Very good (LH: Against Ebay?) Yeah, we are like, as for product listings, we are 11 times bigger. And we got like more than 72% of market share in china. In C2C, I think the game is over!

LH -- You have pledged to bring Alibaba public...When?

JM - Today at least, I don't have a time table for IPO, because the funny thing is that 10 years ago when I left university to build up a company, my dream was to build up a public

company. Because building a public company in China is a symbol of success. Now I can bring Alibaba public anytime, and I suddenly realized that, no too early.

LH - So what needs to be in place? What do you need to see done before you would even consider listing?

JM -- E-commerce, we think, e-commerce time has not arrived yet. It is still a pre-mature time. And second that our team is so young, average age is 26 years old. The whole company is 7 years of history, and there are so many things in the system that needs to be built up. I think the business model has not come up. We have a lot of cash and revenue. We're very profitable now, but this is not a business model. I think the business model will only come in the year 2008, year 2009. So we want to be responsible to our customers and shareholders. Then you can go IPO. We're not in a hurry, since we're not short of cash.

LH - Corporate culture is a big buzz word around the world. How would you describe Alibaba's corporate culture?

JM - All the business people, they say Jack, 'What are you busy with now?' I said, 'I'm busy with building the value system.' They say, 'Jack, you're so stupid. 99 percent of business in China doesn't care about that. What they care about is making money. Making money is the business, making money is the value.' And I

don't believe that. So we say well we just want to be the 1% that think making money is the result, making money is not the goal. Your goal is to change, influence the world and improve the country. The year 2002 was a tough year; we just wanted to break even. We make 1 dollar profit. The tough situation is that if you don't bribe, give kickbacks to companies... to your customers, you won't have revenues. So we had a big discussion within the company -- should we give kickbacks to the small- to medium-sized companies? Or shall we don't give it and don't have business? After a whole day's discussion, we decided that we'd rather close the company tonight, not give any corruption, bribery to anybody.

People said you will die. I don't believe that. And now after 5 years, we have such a good reputation. Alibaba spends money on improving the products and services, not on kickbacks. That's a good thing. It's called a value system and because of that, we get more and more small- to medium-sized companies to support us in China.

LH -- Mr. Ma, we're going to take another short break. When we come back, we'll ask Jack Ma about life in Hangzhou and the childhood novel that continues to influence him today. Stay with us. 1:32:25

Block c:

Welcome back to talk Asia. I'm in Beijing with Jack Ma. Mr. Ma would you consider yourself a pretty independent boy as a child?

JM --Oh, yeah. I'm very independent about doing my own things, I think. I'm the second child of my family. I've got a brother and sister. My mother loved my brother, and my father...I am the middle so nobody loved me, so I had to love myself! (laughs) Joke! I've got a lot of...I made a lot of friends.

LH -- That is amazing, I mean from a young man in Hangzhou, I mean you went on to be not only one of the top entrepreneurs, but you also studied English yourself right, you were telling me. How did you manage that?

JM --There is a Hangzhou hotel. Many foreign tourists stay in that hotel so every morning from five o'clock, I would read English in front of the hotel and a lot of foreign visitors from USA, from Europe, they came. So I'd give them the free tour of the West Lake, and they taught me English. For nine years! And I practiced my English every morning, no matter if it snows or rains. So my English is like an oral English; I just make myself understood. The grammar is terrible, but I think English help me a lot. It makes me understand the world better, helps me to meet the best CEOs and leaders in the world and makes me understand the distance between China and the world. Before I learned English, everything I learnt from Chinese books, and I thought oh this is what they say. But when I read the English books, I found, oh it is different.

LH - The innuendos and subtle...

JM -- And then also because I know English, I know how poorly those American business people know about China. So that's the thing. If you know both sides, you know the best way.

LH -- Mr. Ma I heard that up until today, you're influenced by a Chinese novelist called Jin Yong. Is that true?

JM - I think he's a big part of most young Chinese people's lives. His book is about the Kung Fu guys. If you want to be a 1st class Kung Fu player, you have to suffer a lot, you have to practice, you have to learn, you have to be good people. You have to have the spirit of never give up, the fighting spirit, keep on doing. Everyday when I get bored, I read those books, they help me laugh and think. (LH: Until today?) Until today! In my bags, I put Kung Fu books almost every... I read again and again!

LH - You've met this author, haven't you?

JM - Oh yes, he's a very good friend of mine; he's a great guy. He's so smart, he's my idol!

LH - What have you taken from his novels and used it in say Alibaba.com? Is there anyway?

JM - Oh yes, of course! Even when competing with Ebay, I used a lot of this. So that's why people cannot understand why TaoBao fighting with Ebay this way! Because I learn from Kung Fu books! You can never learn from Harvard Business School!

LH - Workaholic, that is something you are. Do you ever make time for free time?

JM -- I don't think I'm a workaholic. Every weekend, I invite my colleagues and friends to my home to play cards. And people, my neighbors, are always surprised because I live on the second floor apartment, and there are usually 40 pairs of shoes in front of my gate, and people play cards inside and play chess. We have a lot of fun.

LH - Forbes has ranked you the 27th richest men in china, true?

JM -- I want them to give me the data. If I'm not, they should give me the money.

LH - Would you consider selling off Alibaba?

JM -- No! Too expensive, nobody can buy it. (laughs)

LH - So in the near future, what are your plans? What will be your focus? Strategic alliances? What can we expect from Alibaba.com?

JM -- I think Alibaba will keep on growing. And I think for me, what I'm interested in 3 things. One is, I give the target for TaoBao, is one minute create one million jobs for China. This is the clear KPI, key performance index, for our team. Secondly, we want to add another 10 million small and medium businesses on Alibaba's site. And third we want to create 10 billion RMB, 1 billion US dollars, for our partnerships. This is the goal for the year 2009.

Personally, I'm interested in intellectual property protection and environmental protection, and education. I was a teacher for 6 years and I call myself today, a CEO -- Chief Education Officer. I love to teach, I love to go back to school and share my experiences with young people and tell them, 'Hey, don't tell me that that CEO has 2 heads. We are the same! If he can be successful, if I can be successful, you can!' I tell them, share my true experiences with them, so this is what I'm doing. And the company, because we are building up a system, and we are growing, I think we will be the best company in China!

LH -- Mr. Ma we wish you all the very best. Just speaking to you, your passion, your energy is infectious. I don't know how the employees can go wrong. Thank you, I appreciate it. I've been spending time with the founder and C.E.O. of Alibaba.com, Jack Ma, here in Beijing. I'm Lorraine Hahn; let's talk again next week.