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HD **High expectations for Alibaba US IPO**
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Shanghai Alicia Ma started selling Vegemite on Taobao – **China**'s biggest online marketplace – a year ago.

The 34-year-old Sydneysider, who is a stay-at-home mum, thought she might be able to earn some pocket money selling Australian products into **China**, but the business venture has been tougher than she thought. So far, she has only managed to sell 100 jars of the savoury spread.

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"**Chinese** people don't really like it," she said matter-of-factly.

Other products such as infant formula are easier to sell, but the bigger problem is competition. Ms Ma, who was born in Beijing and moved to Sydney nine years ago, says there are too many **Chinese** Australians opening stores on Taobao, which is run by the soon-to-be listed e-commerce giant Alibaba. "Students and stay-at-home mums, they are all doing it," she said.

Indeed, Ms Ma is one of an estimated 7 million sellers on the website, which was created by Jack Ma (no relation to Alicia), a decade ago and has come to dominate online shopping in **China**, with around 800 million product listings.

Mr Ma set up Alibaba in his Hangzhou **apartment**, an hour's train trip from Shanghai, in 1999. At the time, it was an online listings service, connecting **Chinese** manufacturers to potential customers. But four years later, he launched Taobao, revolutionising **China**'s online retail market. He followed Taobao with Tmall, which allows global brands such as Nike and Gap to sell direct to consumers, and in 2012, total sales on the two retail sites were 1.1 trillion yuan (\$189 billion), more than Amazon and eBay combined.

Now Alibaba is preparing for an initial public offering in the United States, with a filing expected any day. Analysts estimate the IPO will value the **group** at between \$US136 billion (\$147 billion) and \$US245 billion, according to Bloomberg. At the top of that range it would be bigger than Amazon and Facebook and behind only Google in the rankings of the most valuable internet companies in the world. Record growth

The **group** has momentum. According to quarterly results announced last month by Yahoo, which owns a 24 per cent stake in the **company**, Alibaba's revenue growth and profit margin are at record levels. Sales grew by 66 per cent in the fourth quarter from a year ago to more than \$US3 billion, and operating income more than doubled to \$US1.64 billion, which Macquarie analyst Ben Schachter said was "materially better than our expectations".

Alibaba also created the world's biggest online payments system, Alipay, which it controversially **sold** to a vehicle controlled by Mr Ma in 2010. The **sale** of the fast-growing business angered Yahoo, which at the time was sitting on a 40 per cent stake in Alibaba and believed it had lost control of one of its most valuable businesses.

There was speculation this week, perhaps in a bid to boost the allure of the imminent float, that Alibaba was in talks to regain a stake in Alipay.

Mr Ma, who is now among the top 200 richest people in the world, made some key decisions when he set up Taobao, which underpinned its rapid growth. All basic services on the **site** are free, as the **company** makes its money from charging sellers for advertising and special services such as web design.

The **site** has an independent verification service to boost confidence and Alipay takes payments upfront, putting the money into an escrow account, which means sellers know they will be paid. The result is Alibaba now dominates online shopping in **China**, with a share estimated at around 80 per cent. Challenges remain

However, Alibaba is facing strong competition. Its biggest rival is Tencent Holdings, creator of the popular messaging application WeChat, which recently bought into JD.com, **China's** second biggest e-commerce **company**.

Alibaba, too, has been on a buying spree, picking up a 16.5 per cent stake in **China's** version of YouTube, Youku Tudou, this week.

Another challenge is controlling the number of counterfeit goods **sold** on its websites. Alibaba says it has removed more than 100 million listings and helped with legal cases against fake goods suppliers. But it is an ongoing battle.

According to Australian **company** Jabiru Aircraft, there may also have been fake **transactions** on the **site**. In September last year, Taobao received lots of publicity for its first online aircraft auction.

It was reported one of Jabiru's planes was **sold**, but the Bundaberg-based **company** and its **Chinese** distributor insist no deal was ever done via the **site**.

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