1. Alibaba was an early entrant into the B2B portal market in China. This gives Alibaba a strong advantage over new entrants because a mature economic market structure develops into being more efficient, yielding fairer prices to both buyers and sellers. The perception of maturity was also gained by Alibaba’s early position and it retains the loyalty of users over the years. This market favor is called the lock-in effect, it happened with eBay in the U.S. and this might have happened to Alibaba.com, especially given the types of businesses the site attracts. No matter how large or well-financed, new entrants would have a hard time competing with Alibaba.

2. Alibaba provides services to reduce risks associated with international commerce. Their website presents a ‘Safe Trading Guide’ that shows that Alibaba offers account protection, supplier verification, safe secure payment, and product inspection. These services cost money so Alibaba charges for them. But the costs of mitigating the risks of these services get increasingly more expensive depending on geographic and geopolitical factors of a country’s economy, political stability, cultural difference, foreign trade practices, monetary valuation, work force issues, and more. So Alibaba separates the risk into groups and based on the group, limits the service they provide, so they can limit their risks. Alibaba charges less for the reduced amount of services. The Alibaba.com website has a link “For Suppliers – Supplier Memberships” that shows three tiers of membership: Gold Supplier, Verified Member, and Unverified Member.[[1]](#footnote-1) The last tier is basically free and is probably the same revenue model Alibaba charged for a two-tier membership: to foreign sellers an annual fee of $400 for a TrustPass membership and Chinese companies pay $8,000 or more for their annual listings as China Gold Suppliers.

3. There are opportunities with great potential for Alibaba.com to become an intermediary in relationships between Chinese small and medium businesses (SMBs) and large global companies such as General Electric and Sears. Alibaba currently focuses on connecting SMBs with each other. Alibaba.com is in a good position to extend relationships and help form alliances, as the intermediary. To begin, the first service could be as translator to overcome language and cultural barriers. Also, negotiating the agreements between the SMBs and the large companies and help SMBs understand the specific needs of the large companies for suppliers to follow specific rules to doing business (such as using EDI or even a specific EDI VAN).

4. Alibaba.com launched TaoBao.com in 2003 to be the first general consumer online auction market in Japan and that success spilled into competition against eBay in China. It gave them the advantage of having market favor, called the lock-in effect, which makes it hard for competitors to take away loyal customers. Even the large company eBay had a hard time to compete against TaoBao.com which had 90 percent of the $3 billion market in Japan. China has been a closed country as far as western influence and internal trading, so Alibaba already has the ‘native’ advantage. Also, eBay had to contend with being a foreign company. The advantage for eBay to gain this market, is immense. Literally, the untapped market of the closed China economy is quite large with such a large population of potential consumers.

5. Alibaba.com launched TaoBao.com in 2003 to be the first general consumer online auction market and became a mature, well-respected, large company in China. Alibaba handles about 80% of China's e-commerce, and its sales surpass that of eBay and Amazon combined.[[2]](#footnote-2) Alibaba’s reputation could help Yahoo! compete more effectively as a search engine and Web portal in China. In 2005, Yahoo paid $1 billion for a 40 percent interest in Alibaba.com. Yahoo! was interested in the company’s Taobao.com auction site to learn how it achieved its success. And Yahoo! was interested in using Alibaba’s strong reputation to help Yahoo!’s search engine compete with China’s top search engine site, Baidu.com.

Alibaba.com is going public with a “roadshow” to launch a massive initial public offering (IPO) that will start trading on the New York Stock Exchange on September 19, 2014. It is expected that Alibaba.com will raise $20.1 billion and will be the largest U.S. IPO in history, in front of Visa $17.9B, Facebook $16B, and GM $15.8B. The value of Yahoo’s 524 million Alibaba shares is $33 billion, which is 84% of Yahoo’s total market value of $39 billion. Yahoo holds 22.6% stake of Alibaba and plans to sell shares worth about $7.6 billion.[[3]](#footnote-3)

1. Downloaded from the Alibaba.com website at <http://seller.alibaba.com/memberships/index.html?tracelog=seller_channel_member_hp_header>. [↑](#footnote-ref-1)
2. For Yahoo, Alibaba IPO means a shot at the top again, [Mike Snider](http://www.usatoday.com/staff/1071/mike-snider), USA TODAY 6:05 p.m. EDT September 8, 2014 downloaded from <http://www.usatoday.com/story/tech/2014/09/08/yahoo-boon-alibaba-ipo/15122801/>. [↑](#footnote-ref-2)
3. Biggest ever Alibaba IPO to raise $20.1B, USA TODAY MONEY – AMERICA’S MARKETS, by [Matt Krantz](http://americasmarkets.usatoday.com/author/mkrantzusat/) and [Jessica Guynn](http://americasmarkets.usatoday.com/author/jessicarguynn/) September 5, 2014 11:57 am, downloaded September 12, 2014 from <http://americasmarkets.usatoday.com/2014/09/05/alibaba-ipo-gets-closer-to-reality/>. [↑](#footnote-ref-3)