

The Magic of Ma

ALIBABA FOUNDER JACK MA'S VISION AND DETERMINATION BUILT THE WORLD'S LARGEST **RETAIL COMMERCE COMPANY** IN A SPAN OF 18 YEARS. NOW THE **E-COMMERCE GIANT** IS ON TRACK TO BECOME THE **WORLD'S FIRST \$1 TRILLION COMPANY** BY MAKING IT EASY TO DO BUSINESS ANYWHERE. > By **Mike Troy**

Alibaba is a hard company for most Americans to understand. It is not a retailer in the classical sense, but it calls itself the world's largest retail commerce company. It doesn't operate physical stores or sell products directly to consumers, but its various Web sites are places where hundreds of millions of shoppers go to buy things, purchasing merchandise valued at \$547 billion last year. There really is no equivalent to Alibaba in the U.S. because the Chinese company was born online in 1999 and quickly became a mobile first company because Chinese consumers leapfrogged the desktop to mobile evolution that occurred in the U.S.

The best way to think about Alibaba is as the owner of a digital mall where buyers and sellers congregate to conduct commerce. However, unlike a physical mall where a shopping center developer leases space, Alibaba provides users of its platform all manner of marketing, logistics, payments and sales support services. It would be like a mall owner providing a tenant with cash registers, supply chain services, customer support and order fulfillment.

The approach has made Alibaba a dominant force in China's online retail economy and one of the world's largest companies with annual revenues of \$23 billion. However, that figure doesn't tell the company's true impact on the China retailer market or the growth potential that exists for U.S. suppliers as Alibaba continues to execute its strategy. The gross merchandise volume (GMV) of \$547 billion the company facilitates on its platform make Alibaba the world's 21st largest economy, according to Ma.

Within three years Ma expects Alibaba's GMV will top \$1 trillion as the growth of China's middle class continues to fuel a consumption boom. By 2036 the company will be the world's fifth largest economy, serving 2 billion consumers, creating 100 million jobs and supporting 10 million businesses to be profitable on its platforms, according to Ma. Those are big numbers and to get there Alibaba needs a lot of help from U.S. retailers and suppliers.



▲ Alibaba founder Jack Ma.

OPPORTUNITY CALLING

There are already about 100,000 brands, 7,000 of them from the U.S., selling on Alibaba platforms, but getting to \$1 trillion in GMV will require even greater involvement from U.S. retailers and suppliers whose products are highly desired by Chinese consumers. Ma readily concedes that a key reason why is the perception among Chinese shoppers that U.S. goods are better, safer and more unique. It is why the company held its first supplier summit called Gateway '17 in Detroit in late June, to educate suppliers about the China opportunity, highlight demand trends and explain how Alibaba facilitates cross border trade. The genesis for the event had come two years earlier when Ma outlined Alibaba's strategy during a speech at the Economics Club of New York, according to company president Michael Evans.

"Our U.S. strategy is not to sell products to U.S. consumers. Our U.S. strategy is to connect retailers, brands and small businesses with the Chinese consumer," Evan said. "Our edge is a massive base of consumers in China, more than 500 million of which are on our platform. As

that consumer base moves in the middle class, one thing we know, based on our data and activity on our platform today, is that they are more and more focused on buying high quality American products.”

Evans is a former longtime partner at Goldman Sachs who also won a gold medal for Canada’s Olympic rowing team in 1984. He joined the Alibaba board in 2014 when the company went public and assumed his current position in 2015.

“The most important thing for small businesses is to learn about the consumer opportunity in China. Very few of them know anything about it. Very few large corporations who are also on our platform know that much about the consumer opportunity,” Evan said. “We want people to understand the sheer magnitude of the opportunity, what Chinese consumers are looking for and which categories are most interesting and start to understand solutions that are best for them to connect to a Chinese consumer.”

A key category is groceries and fresh products in particular. China’s middle class and the growing upper middle class have a real appetite for U.S. grown fresh products and will pre-order products such as cherries or apples from Washington.

“One of the most interesting opportunities in grocery is fresh. The demand for fresh product out of the U.S. in fruit, vegetables and fish is enormous,” Evans said. “That’s going to be a big additional component of what we are doing in groceries.”

A few years ago, Ma recalled a promotion involving lobsters from Canada in which 97,000 live lobsters were sold in one day.

“For almost three weeks after that there were no lobsters in the Canada market,” Ma said.

GLOBALISM’S FUTURE

Much of the appeal for the 3,000 attendees at Gateway ’17, an event targeted at smaller businesses, was about seizing the opportunity today that China represents for future growth. To make that case Ma used his own life story as a metaphor for the type of hard work and perseverance required to succeed in business.

“In my early 30’s I was considered to be a loser,” Ma said, recounting frequent encounters with rejection, even after he founded Alibaba. He applied to a university three times and failed so he and four friends applied for police officer jobs. All were hired but Ma. When a fancy hotel opened in his hometown he and a cousin applied for waiter jobs and the cousin, who Ma said still works at the hotel, was hired because he was taller and more handsome. When Ma and 23 other friends applied for a job at KFC Ma was the only one who wasn’t hired. Ma found his calling as an English teacher at a university where he remained for six years before he discovered the Internet in 1995 during a visit to Seattle.

He then persuaded 18 of his friends that the Internet

was going to be a big deal and that Alibaba was going to build one of the top 10 sites in the world. Ma and his crew scraped together \$50,000 to get the company off the ground but everyone thought they were crazy, largely because the Internet was practically nonexistent in China in 1999 with only about 10 million users. Today there are more than 700 million.

“Very few people believed we would make it happen because we didn’t have high resumes and most of my colleagues were students and friends. Only three people knew anything about computers and none of us were very successful,” Ma said. “We had no relationships and we didn’t have great talents. No one believed in the Internet or e-commerce in China. That was the thinking at the beginning,”

However, Ma saw the future even though it was hard to convince others of the change that was coming. No one would listen to Ma or co-founder and vice chairman Joseph Tsai when the pair went to Silicon Valley to raise capital. Ma said they met with 30 venture capital firms.

“People didn’t even want to listen to us. They said, ‘this guy is crazy,’” Ma said. “We are very optimistic and we believed in the future and the Internet. We believed if we do not succeed someone else will. We know that we have to be humble and serve our customers. If the investors don’t like us but the customers like us then we have the future,” Ma said.

JACK’S WORLD

Globalism has become a politicized word with negative connotations, but Ma doesn’t see it that way. His view, because he is an optimist, is one of opportunity and growth with a broader universe of companies able to participate in global trade. That worldview is one of the reasons Ma pledged to President Donald Trump that Alibaba would create 1 million U.S. jobs as a result of increased hiring by American companies to keep up with demand for their products in China.



"I am a strong believer of globalization and free trade," Ma said.

The nature of that trade is going to look a lot different because of the internet and companies like Alibaba. Two hundred years ago global trade was controlled by emperors and kings and for the past 20 years it has been dominated by 60,000 big companies, according to Ma.

"Young people, small businesses, women and developing countries had no chance even though world economies grew very fast because of globalization," Ma said.

"What if we can support 60 million small businesses so they can buy and sell and go global?"

It's not a crazy idea, especially coming from someone who envisioned China's digital future well ahead of others. With the number of Internet users worldwide approaching 2 billion, and many of them on mobile devices and under the age of 30, Ma is convinced smaller companies will be the future.

"For the past 100 years everything was about size and standardization, but in the next 30 years the world is shifting from standardization to personalization. Big companies are going to face huge challenges," Ma said. "Small guys, we have problems, but big guys they have bigger problems than we have," he added, apparently still including himself among the universe of small companies.

102 YEARS

One of the most important things to know about Alibaba

is the company's 102 year philosophy and attitude toward success. When the company was founded in 1999, Ma came up with the idea of building a company to last 102 years that would span three centuries until 2101. It made for a novel source of inspiration to keep a growing and increasingly successful company focused on the long term.

"We will never say we are a successful company because we will not be successful until we survive 102 years. We just finished 18 years so there are 84 years to go but in the next 84 years anything can happen. When you get a feeling of being successful, that's when trouble comes."

A lot can happen over the next 84 years, but 30 is the figure Ma likes to use when describing the more predictable future. The American economy was the engine of global growth the past 30 years, but China will be the engine of the future as consumption among its population of 1.4 billion people grows and its population of middle class currently pegged at 350 million doubles in size during the next five years.

It is a massive opportunity Ma and other speakers at Gateway '17, including UPS CEO David Abney, implored suppliers to take advantage of. Abney used to have special upside down world map in his office to remind him of how others view the U.S.

"To the rest of the world the U.S. is not the center of the universe and we see that more than ever today," Abney said. "China has a larger middle class than the total U.S. population with a real desire for U.S. goods and services."

The country already has 102 cities with a population of more than 1 million residents, compared to only 10 in the U.S. and by 2030 it will be home to one third of the world's largest cities, according to Abney.

"If you are serious about international growth you cannot ignore China," Abney said.

Plenty of companies are paying attention to China, which is why official government forecasts put the value of U.S. imports to the country at \$8 trillion over the next decade. Yet Ma thinks the figure will be more like \$10 trillion.

"Chinese consumers are crazy about American products and everything big companies have been able to do in the past 20 years small businesses are able to do today," Ma said.

Currently Alibaba delivers about 60 million packages a day, but in 10 years Ma thinks that figure could be 1 billion packages a day.

"Our goal is making sure in the next 10 years anyone anywhere in the world can place an order online and within 72 hours they will receive it," Ma said.

That's about the time Ma has indicated he may no longer have the strength to lead a company that this year will entail him spending about 1,000 hours on an airplane. He thinks he may go back to teaching, something he really hasn't stopped doing since founding Alibaba. **RL**

AMAZON BORROWS ALIBABA IDEA

One week after Alibaba hosted its first ever event for U.S. suppliers in Detroit, Amazon hosted an event with a nearly identical format and mission in New York City.

Regardless of whether the timing was by design or coincidence, both companies are making an appeal to suppliers to use their platforms and related services to reach consumers. Alibaba's event on June 20 and 21 featured top executives from the company, including founder Jack Ma, elaborating on the growth potential for U.S. suppliers in China. Ma and others implored the roughly 3,000 attendees not to miss out on the opportunity of a lifetime: to sell U.S. made products to the emerging middle class of consumers in China who are forecast to be the engine of global growth for decades to come.

Amazon's event, branded as Boost with FBA, in reference to the company's Fulfillment by Amazon service, drew a smaller crowd of about 1,000 attendees to Pier 94 in Manhattan. Founder Jeff Bezos wasn't on hand, but attendees did hear from 17-year Amazon executive Tom Taylor who founded the FBA service a decade ago and also oversees payments.

With FBA, sellers on Amazon allow the company to store and ship their products from Amazon's fulfillment centers. That makes the products eligible for free two day or same day shipping, which increases their appeal to Prime members. FBA delivered more than 2 billion items in 2016, according to Amazon.