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## Alibaba IPO Could Spark E-Commerce Investment Surge



By Erika Morphy  
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**Chinese e-commerce conglomerate Alibaba is expected to launch its initial public offering on one of the U.S. stock exchanges -- rumor has it, the New York Stock Exchange -- in the near future. Excitement is fast building as some sources are pinpointing Monday as the actual date. Potential winners include Wall Street, Alibaba, part-owner Yahoo -- and perhaps the entire e-commerce industry.**

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Whether [Alibaba](#) launches its IPO on April 21 or in the following days, it clearly will be a major event for Wall Street. By any measure, it will be a blockbuster.

The company will raise up to US\$15 billion in the offering, which would place its value at \$200 billion, based on investor community scuttlebutt. These are not unrealistic numbers. The company reportedly posts more revenue and net income than Amazon and eBay combined.

Yahoo, a partial owner in Alibaba, provided a glimpse into just how robust Alibaba is in its latest quarterly report.

Alibaba posted \$1.4 billion in profit for its fourth quarter, doubling what it earned in the same period the previous year. Its revenue rose by 66 percent, reaching close to \$3.1 billion.

### Who Wins?

Wall Street, understandably, is salivating at the impending event.

Other highly interested players include Yahoo, which owns a 24 percent stake in the company and is obliged to sell about half of that, or 10 percent of Alibaba's shares, in the IPO.

"The impact will be huge for Yahoo shareholders," Charles Sizemore, a portfolio manager on [Covestor](#), told the E-Commerce Times.

"Subtracting its cash in the bank and its Alibaba stake, the market is awarding Yahoo a valuation of close to zero. Why? Outside of Alibaba, Yahoo's revenues are skimpy. Yahoo commands about 4 percent of the online ad market, vs. over 50 percent for Google," he pointed out.

There could be a renaissance of sorts in e-commerce investment if the Alibaba IPO does as well as it is expected to.

"There's been a waning interest and enthusiasm from the investment community in e-commerce businesses and marketplaces," Jerry Jao, CEO of [Retention Science](#), told the E-Commerce Times. "Fab.com is a good example, as is eBay, which hasn't grown much in recent years. Similarly, flash sites have plateaued because the lack of financial successes and the overall market glut."

If you think about it, Jao continued, other than Zulily, there hasn't been much momentum in the e-commerce sector since Zappos.

"Alibaba's IPO may just turn that around," he said, "by helping to build excitement and a renewed confidence among the investment community that extends down the line."

### The Competition

On the other side of the spectrum are Alibaba's would be competitors -- eBay and Amazon, as well as numerous small and middle-tier companies.

Will Alibaba take away marketshare from these companies? Or will it lead to greater innovation and competitiveness on the part of Alibaba's U.S. counterparts? The answer may hinge on whether Alibaba get past its lack of name and brand recognition among U.S. consumers.

It most likely can -- but not right away and not without a lot of effort, suggested Michael Harvey, Chief Operating Officer at [Corra](#).

"Merely pointing out that Alibaba's sales trump those of Amazon's and eBay's misses the point," he told the E-Commerce Times. "Amazon and eBay have tremendous brands built up over a long period of time. With the IPO cash in its pocket, Alibaba certainly will have resources to invest in building a brand in the U.S. and Europe, but it will take time."

Alibaba will have to compete on price to grab marketshare from Amazon, Harvey said.

"This will undoubtedly put downward pressure on online prices, which will in turn continue to put pricing pressure everywhere else in the retail landscape," he predicted.

Ironically, the winners in this scenario likely will be large players like Amazon and Walmart, as well as companies that have very strong brands sold to loyal customers -- Alibaba's competition, in other words.

Alibaba's greatest potential weakness may be that it lacks the chops to compete in the U.S. market.

"They've had the wind at their back with a huge-protected market," noted Harvey. "They will now need to innovate, not just imitate."

### A Global Play?

Not everyone sees the Alibaba IPO as an event of biblical proportions, however.

"The IPO will help Alibaba to strengthen its position in China, but unless Amazon and eBay are planning a huge expansion there, the biggest effect of the Alibaba IPO will be to enrich Alibaba shareholders," said Peter Cohan of [Peter Cohan & Associates](#).

On the other hand, "Alibaba's interests in China are much wider than eBay's," noted Usha Haley, a professor at [West Virginia University](#) and co-author of *The Chinese Tao of Business and Subsidies to Chinese Industry*.

They "include banking, maps, cloud computing [and] online music, as well as TV and film production," she told the E-Commerce Times. The Alibaba IPO could well become a global play with ramifications in multiple industries. [\[4\]](#)

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**Erika Morphy** has been writing about technology, finance and business issues for more than 20 years. She lives in Silver Spring, Md.

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