Retail Innovation Shout Out: Alibaba Innovates to Capitalize on the Chinese Market

by Amanda Rouse

There is a lot of buzz about Alibaba in the world of finance. The Chinese online retailer is aiming for an initial public offering in the US on the auspicious day of 8/8/14 (the number 8 is associated with fortune in China). This IPO is expected to exceed the $16.4 billion raised in 2012 by Facebook.

Alibaba started as a business-to-business wholesaler online. They then innovated their business model to include consumer-to-consumer retailing site Taobao.com and Tmall which is business-to-consumer.

Alibaba hosts the biggest shopping day in the world on 11/11 - called Single's Day because of all the 1's in the date. On Single's Day in 2013, Alibaba's two main sites had sales in excess of $5.7 billion. In comparison, US consumers spent just $1.46 billion on Cyber Monday after Thanksgiving in 2013.

Alibaba has also made major contributions to innovation in the Chinese financial sector. Their latest innovation, Alipay, uses escrow so that consumers without credit cards can make purchases. In addition, Alipay launched a microfinance site in June of 2013. Users can invest as little as about 17 cents into a money market fund. At the end of 2013, the fund had already grown into the largest public fund in China (about $30.4 billion).

Who is the mastermind behind these retail business model innovations that are capitalizing on the over 130 million Chinese broadband users? In 1999, Jack Ma founded Alibaba in his apartment. He looks like a real fun-loving “Character with Character” to me.

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