

INCREDIBLE JOURNEY

A former English teacher who “had never touched a keyboard,” Jack Ma was nevertheless quick to grasp the power and potential of the Internet.



HOW I DID IT

JACK MA

ALIBABA

THE UNLIKELY RISE OF CHINA'S HOTTEST INTERNET TYCOON

Jack Ma hit pay dirt when his Chinese business-to-business start-up, Alibaba.com, went public in November. The offering raised more than \$1.5 billion and gave the company a valuation of \$25 billion. Ma, 43, grew up during China's Cultural Revolution. He taught himself English, then caught the Internet wave as China's economy opened in the 1990s. Today, Alibaba is China's largest e-commerce site for small Chinese companies selling both in China and overseas. The site earned \$39 million on revenue of \$129 million in the first half of 2007. Ma has also taken Alibaba into search with its Yahoo joint venture, and his Taobao online auction site has become bigger than eBay in China.

AS TOLD TO REBECCA FANNIN
PHOTOGRAPH BY NAME TK

When I was 12 years old, I got interested in learning English. I rode my bike for 40 minutes every morning, rain or snow, for eight years to a hotel near Hangzhou West Lake, about 100 miles southwest of Shanghai. China was opening up, and a lot of foreign tourists went there. I showed them around as a free guide and practiced my English. Those eight years deeply changed me. I started to become more globalized than most Chinese. What I learned from my teachers and books was different from what the foreign visitors told us.

The other event that fundamentally changed me was in 1979, when I met a family with two kids from Australia. We met and spent three days together and played Frisbee. We became pen pals. In 1985 they invited me to go to Australia for a summer vacation. I went in July, and that 31 days changed my life. Before I left China, I was educated that China was the richest, happiest country in the world. So when I arrived in Australia, I thought, Oh, my God, everything is different from what I was told. Since then, I started to think differently.

I flunked my exam for university two times before I was accepted by what was considered the city's worst university, Hangzhou Teachers University. I was studying how to be a high school English teacher. In my university, I was elected

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student chairman and later became chairman of the city's Students Federation.

When I graduated, I was the only one of 500 students assigned to teach at a university. My pay was 100 to 120 RMB, which is like \$12 to \$15 per month. I always had a dream that when I finished my five years, I would join a business—a hotel or whatever. I just wanted to go do something. In 1992, the business environment started improving. I applied for a lot of jobs, but nobody wanted me! I was turned down for secretary to the general manager of a Kentucky Fried Chicken.

Then, in 1995, I went to Seattle as an interpreter for a trade delegation. A friend showed me the Internet there for the first time. We searched the word *beer* on Yahoo, and we discovered that there was no data about China. We decided to launch a website and registered the name China Pages.

I borrowed \$2,000 to set up the company. I knew nothing about personal computers or e-mails. I had never touched a keyboard before that. That's why I call myself "blind man riding on the back of a blind tiger."

We competed with China Telecom for about a year. The general manager of China Telecom offered to invest \$185,000 to do a joint venture. It was the most money I had ever seen in my life. But unfortunately, China Telecom got five board seats. I got two board seats. Everything we suggested, they turned us down. It was like an elephant and an ant. I resigned. Then, I got an offer to come to Beijing and run a new government group to promote e-commerce.

My dream was to set up my own e-commerce company. In 1999, I gathered 18 people in my apartment and spoke to them for two hours about my vision. Everyone put their money on the table and that got us \$60,000 to start Alibaba. I wanted to have a global company, so I chose a global name. *Alibaba* is easy to spell and people everywhere associate that with "Open, Sesame," the command that Ali Baba used to open doors to hidden treasures in *One Thousand and One Nights*, the book of Middle Eastern folktales.

There were three reasons why we survived. We had no money, we had no



A young Jack Ma gets a lesson in Frisbee, and Western culture, in the late 1970s

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technology, and we had no plan. Every dollar, we used very carefully. The office opened in my apartment. We expanded when we raised money from Goldman Sachs in 1999 and then Softbank Corporation in 2000.

We're in China today because I believe in one thing: global vision, local win. We designed the business model ourselves. Our focus is on helping small and medium-size companies make money. We never copied a model from the U.S., like a lot of Chinese Internet entrepreneurs did. We focused on product quality. It has to be "click and get it." If I can't get it, then it's rubbish.

I call Alibaba "1,001 mistakes!" We expanded too fast, and then in the dot-com bubble, we had to have layoffs. By 2002, we had only enough cash to survive for 18 months. We had a lot of free members using our site, and we didn't know how we'd make money. So we developed a product for China exporters to meet buyers in the U.S. online. This

model saved us. By the end of 2002, we made \$1 in profits. Each year we improved. Today, Alibaba is very profitable.

The lessons I learned from the dark days at Alibaba are that you've got to make your team have value, innovation, and vision. Also, if you don't give up, you still have a chance. And, when you are small, you have to be very focused and rely on your brain, not your strength.

Going public is an important milestone for Alibaba. The time was right. Our B2B company is established, market conditions are healthy, and management is strong. The reception proved a mainland Chinese company can list in Hong Kong and still get a very strong valuation and global investor interest.

My vision is to build an e-commerce ecosystem that allows consumers and businesses to do all aspects of business online. We are going into search with Yahoo, and have launched online auction and payment businesses. I want to create one million jobs, change China's social and economic environment, and make it the largest Internet market in the world.

I'm just a purist. What is important in my life is that I can do something that can influence many people and influence China's development. When I am myself, I am relaxed and happy and have a good result. 🍌

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