



Case: Baidu

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Robin Lee (Li Yanhong) and Eric Xu (Eric Xu Yong) -Baidu

- Robin Lee- born Shanxi Province, China attended Peking University then SUNY Buffalo to study Computer Science. Now serves as CEO of Baidu.
- Eric Xu Young –born in China, attended Peking University (BS and MS), PHD in Biology from Texas A&M and post-doctoral research at University of California Berkeley. Now founded YIFANG Group Holdings Limited, a venture capital company, and several charitable organizations. Worked in two California start-ups before returning to China to found Baidu in 1999.
- Baidu 百度, Inc. (Chinese: 百度; pinyin: Bǎidù, pronounced "BY-doo" in English), incorporated on January 18, 2000, is a Chinese web services company headquartered at the Baidu Campus in Beijing's Haidian District.[5]
- Baidu offers many services, including a Chinese language-search engine for websites, audio files and images. Baidu offers 57 search and community services including Baidu Baike (an online, collaboratively-built encyclopedia) and a searchable, keyword-based discussion forum.[6] Baidu was established in 2000 by Robin Li and Eric Xu. Both of the co-founders are Chinese nationals who studied and worked overseas before returning to China. In March 2015, Baidu ranked 4th overall in the Alexa Internet rankings.[7] During Q4 of 2010, it is estimated that there were 4.02 billion search queries in China of which Baidu had a market share of 56.6%. China's Internet-search revenue share in second quarter 2011 by Baidu is 76%.[8] In December 2007, Baidu became the first Chinese company to be included in the NASDAQ-100 index.[9]
- Baidu provides an index of over 740 million web pages, 80 million images, and 10 million multimedia files.[10] Baidu offers multimedia content including MP3 music, and movies, and is the first in China to offer Wireless Application Protocol (WAP) and personal digital assistant (PDA)-based mobile search.
 - <http://en.wikipedia.org/wiki/Baidu>
 - http://en.wikipedia.org/wiki/Robin_Li
 - http://en.wikipedia.org/wiki/Eric_Xu



Competitors

- <http://www.investorguide.com/article/16743/falling-15-baidu-bidu-buy-wfu/>
- Investors in Baidu (BIDU) have lost confidence in the company after it reported second quarter earnings in 2015.
 - This resulted in the company's shares falling by 15% and shedding \$10 billion in market value.
 - Since the start of the year, Baidu is down over 30%.
 - Baidu has been experiencing stiffer competition in China from newer competitors like Qihoo 360 (QIHU) and older competitors like Sohu (SOHU).
- Both of these competitors have gained market share over the last few years. With Qihoo 360 and Sohu gaining 18% and 10% market shares at the expense of Baidu.
 - This has caused Baidu market share to fall from 80% to 63% over the last few years. Investors are worried that Baidu will continue to lose market share to its competitors. They are also worried that operating margins and earnings will continue to contract.

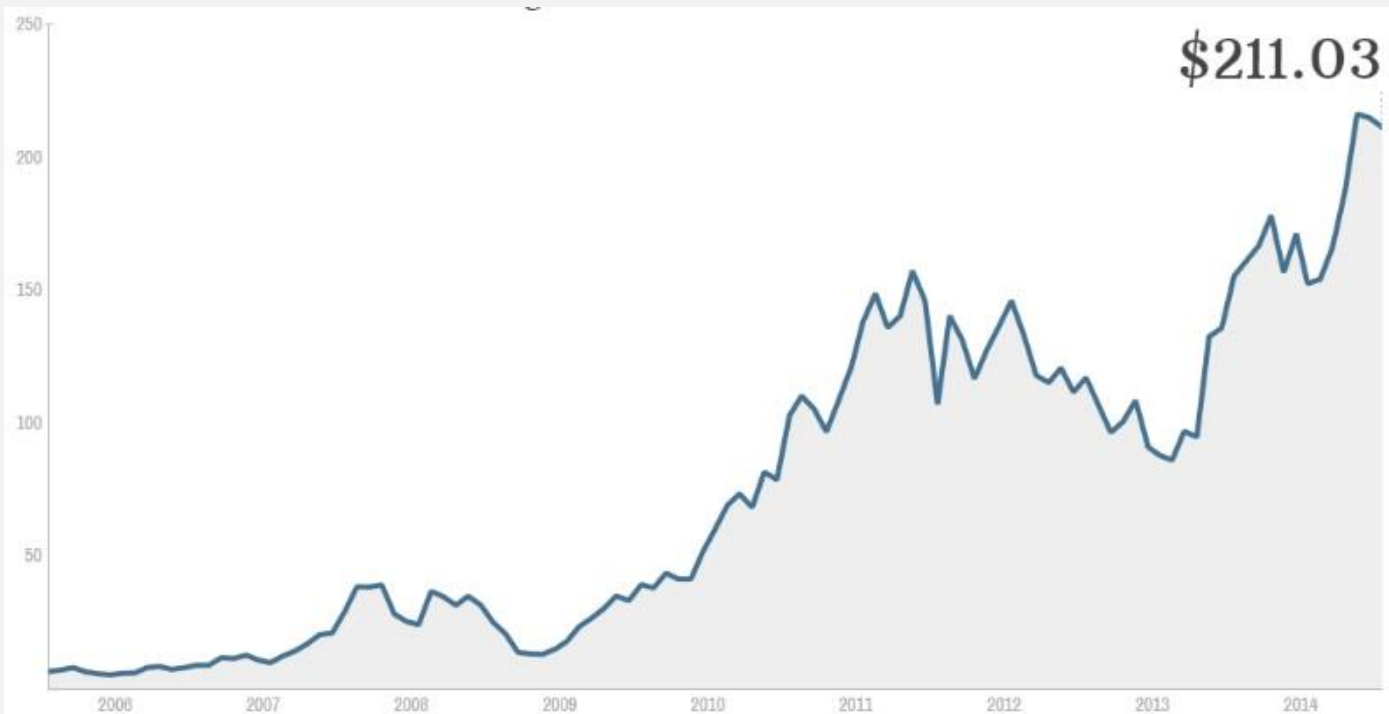
Baidu is investing in Uber

- In 2014 Baidu invested in Uber in an apparent challenge to Alibaba
 - <http://www.bloomberg.com/news/articles/2014-12-17/baidu-to-buy-uber-stake-in-challenge-to-alibaba-for-car-booking>
- Uber Has Raised \$1.2B More In China With Baidu Investing in 2015
- Rival Didi Kuaidi Gets \$3B
 - Previous investors who have put over \$3 billion into Didi Kuaidi to date reportedly include Alibaba, Softbank, Tencent, China Investment Corp and Beijing Automotive
 - <http://techcrunch.com/2015/09/07/uber-confirms-its-raised-1-2b-more-in-china-led-by-baidu-as-rival-didi-kuaidi-gets-3b/>

Baidu versus Alibaba

- Baidu and Alibaba are in an intense competition.
 - Jack Ma: ““In the beginning of this year, I was asked why Alibaba started its own search engine service. My answer is that we want to cause sleepless nights for Baidu. If Baidu could fall asleep, then the Chinese netizens would be forced to stay awake.”
 - Baidu is China's largest search engine, accounting for nearly 80 percent of the Chinese search market. Meanwhile, Alibaba is China's biggest e-commerce company, and its subsidiary Taobao.com accounts for 90 percent of B2C e-commerce market share in China.
- <http://www.zdnet.com/article/alibaba-vs-baidu-can-e-commerce-trump-search/>

- Some see Baidu as a more reliable investment than Alibaba
 - The best Chinese stock NOT named Alibaba
 - <http://money.cnn.com/2014/09/16/investing/baidu-alibaba/>



Baidu has been publicly traded in the U.S. since 2005. The stock has surged 1,600% from its first day closing price! It has done better than Apple, Google and Amazon in the past nine years.

Questions

- Why do you think that Baidu made such a large investment in Uber?
- Do you think that Baidu can maintain its lead in search engines over Alibaba?
- What kind of strategy is Baidu executing and why are they executing it?
- If you were running Baidu, would you try to expand its market outside of China or concentrate only on China? Why or why not? Where or where not?