

**Baidu's wake-up call** By [Bambi Francisco](#), MarketWatch Aug. 9, 2005

**SAN FRANCISCO (MarketWatch) - [There are a lot of lessons we can learn from Baidu's IPO....](#)**

Baidu ([BIDU: news, chart, profile](#)) left a lot of money on the table -- about \$300 million -- which raises the question of whether Wall Street has learned to properly price IPOs, and whether future IPOs may need to use the Google-like Dutch-auction process to get a fairer and truer picture of market demand.

**[If we thought that Google \(GOOG: news, chart, profile\), eBay \(EBAY: news, chart, profile\) and Yahoo \(YHOO: news, chart, profile\) would rule the virtual world, we may have to rethink our assumptions. After a five-year lull in the IPO market, investors warm up to emerging companies once again.](#)**

"The real goal of a Dutch auction is to treat everyone fairly and to incorporate all sources [retail and institutional interest] to determine the most accurate market pricing," said John Schneider, investment banker at W.R. Hambrecht, the bank that pioneered the Dutch auction IPO process. "It sure doesn't look like that happened [with Baidu]," said Schneider. An auction process would have theoretically allowed retail investors to get in on the action and would have raised more money for the company at the same time. At least, in hindsight, that's the case to be made. And, that's why Google did an auction last year.

Of course, one could debate whether Google's auction was successful or not. (I was a big proponent, however, so will stand by my opinion that it was a big success.) But the biggest argument for Google to be able to do a Dutch auction is that everyone (even our moms) knew Google. After all, the success of a Dutch auction depends on the marketability of the IPO to smaller investors.

Who's next? Alibaba, eBay's Asian twin, or maybe it's Skype, the next-generation telecom company? I'm certain investors would love to own a piece of Alibaba and Skype if they became available. Maybe Intermix Media ([MIX: news, chart, profile](#)) should have considered spinning out My Space instead of selling to News Corp. for \$580 million in cash. **[EDITOR'S NOTE: ...And it won't be long before companies like Thefacebook, eHarmony or Netword start saying, "No thanks" to potential suitors and "yes, to IPOs."](#)**