The Alibaba Ecosystem
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There’s no hiding from it. The Alibaba name looms large on the horizon. For many retailers and investors in the US, it’s the next big thing. But for many in the e-commerce world — and just about every man, woman and child in China — it’s already been the biggest thing for years.

The buzz around Alibaba reached fever pitch in May 2014, when the Chinese company filed for its initial public offering (IPO) in the US. In just a few short months, Alibaba became a household name.

If you’re a retailer, this is exciting. In China, the Alibaba name is synonymous with e-commerce, and it’s the gateway to a vast new market of consumers. It represents hundreds of millions of potential new consumers across several different marketplaces.

But what exactly is Alibaba? It’s a complicated question, because it’s a complicated company. People are falling all over themselves trying to learn everything they can. Here, we’ll break down the Alibaba ecosystem and provide a snapshot of the e-commerce giant, whose entities and influence are growing ever closer to US shores.

Alibaba at a Glance:

- 12.7 billion annual orders
- 255 million annual active buyers
- 50 annual orders per active buyer
- 8 million annual active sellers

Source: http://www.chinainternetwatch.com/7695/alibaba-group/
Birth of a Giant

Jack Ma, a former English teacher, started the trading site Alibaba.com in 1999 out of his apartment. Initially, the site connected Chinese manufacturers with Western businesses. In 2003, he created the marketplace Taobao, which specializes in consumer-to-consumer (C2C) transactions. Alibaba launched Tmall (Taobao Mall) in 2008, a strictly business-to-consumer (B2C) marketplace, to serve as the alternative to Taobao.

Today, the Alibaba Group’s e-commerce ecosystem operates exclusively to enable third-party retailers to sell products. The company doesn’t hold inventory or sell directly to consumers and, as a result, doesn’t compete with its retailers — a distinction that sets it apart from first-party marketplaces like Amazon.

Speculations about Alibaba’s impending IPO are all over the map, with estimates of the company’s value ranging from $100 billion to $250 billion. What’s actually known is that the e-commerce behemoth increased its revenue by 62% in 2013 to $3.56 billion, which translated to a whopping 282% uptick in profits.¹

There’s an Alibaba for That

A common comparison that Westerners like to make these days is that “Alibaba is like eBay and Amazon combined.” While this classification isn’t untrue, it’s a bit simple and encapsulates only a slice of this massive, multifaceted business.

The Alibaba Group is composed of dozens of other business entities, which deal in online payments, cloud services, mobile apps, mobile operating systems, maps, retail outlets, group buying, cloud storage, mobile messaging, car service, music streaming and much more. It has many arms, and all of them aren’t even necessarily in the digital realm.

Alibaba’s e-commerce marketplace offerings primarily consist of Taobao, which is home to almost every C2C transaction in China, and Tmall, which dominates China’s B2C segment with a roughly 50% share.²

Taobao

Taobao is basically the beginning and the end of any conversation about C2C transactions in China. The marketplace accounts for nearly all of them. Similar to the way eBay was structured in its early years, Taobao attracts some small businesses as well. The marketplace is free to list on and currently has approximately 8 million sellers competing for customers. While Alibaba doesn’t take a percentage of sellers’ profits, it makes the most of its revenue by charging sellers to promote their products through advertising. And in light of so much competition from other sellers, advertising is something that most Chinese retailers use as part of their e-commerce strategy.

Tmall

Tmall (or Taobao Mall) is a fast-growing B2C marketplace that spun off from Taobao in 2008, largely in reaction to the rise of counterfeit goods sold on Taobao. Tmall allows certified brands to set up their own storefronts and caters to big brands such as Apple, Nike, Ugg and others. Alibaba charges a commission for these third-party retailers to sell their products on Tmall.

Tmall is home to more than 50,000 storefronts and 70,000 brands, and it accounts for roughly half of all B2C transactions in China. It’s the country’s most visited B2C website, generating over $70 billion in annual revenue and over 100% annual growth.

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3 http://www.iresearchchina.com/views/4534.html
4 http://www.internetretailer.com/2014/06/16/alibaba-discloses-increasingly-market-e-commerce-business?bro_mid=48867208&bro_rid=0bc103e800000000000000000000000005b7ee0b
5 http://www.internetretailer.com/2013/09/19/chinese-retail-chain-steps-its-e-commerce-game
6 http://www.chinainternetwatch.com/7813/infographic-chinas-top-30-b2c-websites/
Tmall Global

Tmall Global is the international offshoot of Tmall and a solution that allows foreign brands to list their products on Tmall without having a physical entity or business license in China.

Because of an increased demand for Western goods, a large number of Western companies have now opened up storefronts on Tmall Global to sell in China. Their products can be found on Tmall and in the marketplace’s search results. Of the 500 largest e-commerce sellers in China, 90 are from outside the country and 29 are based in the US.  

Western products have soared in popularity with Chinese consumers in recent years for a variety of reasons. Whether it’s because markups on Chinese goods are too high, products aren’t available or consumers just don’t trust the manufacturing quality of certain Chinese products, Chinese consumers are turning to Western retailers with greater regularity. And with an economy steadily on the rise, the average Chinese consumer is more aware of Western products, whether through travel or the internet.

Orders on Tmall Global can be fulfilled and shipped from outside China, and customer payments are settled in the preferred native currency. Companies listing on Tmall Global are required to provide a China-based returns policy and Chinese-language customer service.

Leading Brands on Tmall

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7 http://www.internetretailer.com/china500/?cid=CN500E052914-Alibaba&bro_mid=48822958&bro_rid=0bc103e800000000000000000000000063d0f3a
What the Future Holds

With a robust bottom line and a major influx in cash accompanying its IPO, what the long-term future holds for Alibaba in the US is anyone’s guess. Many think that the e-commerce giant will apply what it’s learned in China to the US market. With its money and size, it could immediately become a competitor with eBay and Amazon for US customers. For now, though, Alibaba has started investing in US companies and even funded a smaller, specialty marketplace called 11 Main.

11Main.com

The launch of 11 Main in June 2014 marks the first time that US consumers were able to purchase from an Alibaba-affiliated marketplace in the US.

According to early reports, the new marketplace carries a variety of specialty items and hopes to bring the diversity of Main Street to marketplace shopping. The stores on 11 Main aren’t available on other marketplaces. As such, the marketplace isn’t on the same scale as major US marketplaces like eBay and Amazon. The site is more akin to the popular Etsy marketplace in scope, targeting smaller to mid-size businesses, offering original crafts, small-batch designer apparel and more.

The marketplace will be operated by Vendio and Auctiva, two of Alibaba’s US-based affiliates.8

Other E-Commerce Entities in the Alibaba Family

AliExpress: A global marketplace that allows consumers across the world to buy wholesale from exporters from China.

1688.com: Similar to AliExpress but intended primarily for Chinese consumers.

Alibaba.com: Alibaba’s first iteration, Alibaba.com is a global B2B e-commerce platform that connects businesses across the world with manufacturers from China and other countries.

Juhuasuan: A comprehensive group-shopping marketplace (similar to Groupon).

Etao.com: The largest shopping search engine in China.

Alibaba Cloud Computing: A developer of platforms for cloud computing, data management and mobile services for internal and third-party use.

Alipay: The most widely used third-party online payment platform in China.

8 http://evigo.com/14950-us-alibabas-11-main-open-invited/
The Calm Before the Storm

After Alibaba and Hong Kong’s stock exchange couldn’t come to an agreement during talks last year about Alibaba’s potential IPO there, Alibaba shifted its focus to the Western market. And it seems fitting that the tech giant set up offices in Silicon Valley — like so many successful American tech companies before it.

As the second largest e-commerce market in the world, the US is home to plenty of investment capital and appears to be fertile ground for an ambitious e-commerce conglomerate looking to extend its influence.

As a retailer, there’s no avoiding Alibaba for much longer. If you have hopes of growing your business in the Chinese market, Alibaba will most likely become your online partner through Tmall Global.

And if you remain in Western markets, it’s entirely possible that Alibaba will become either your partner or competitor here, either through 11 Main or a much bigger marketplace down the road.

This is good and exciting news for any retailer looking to expand their online business. The potential for new and bigger marketplaces only means more exposure to new and bigger consumer bases for Western retailers.

As you make plans to grow, make sure you work with a platform provider like ChannelAdvisor to assist you in seamlessly managing your inventory across multiple marketplaces and multiple countries — all with a single inventory feed.
To learn more about how ChannelAdvisor can help you tap into the growing consumer markets of China and other countries, please feel free to email us at info@channeladvisor.com or call 866-264-8594.