

# A Guide to the Top Three B2B Marketplaces: Amazon Business, Alibaba and Thomas

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hen a business-to-business (B2B) company is building or assessing its marketplace strategy, a first step is understanding the different marketplace options. For our

recent report, “Marketplaces 2019: B2B Ecommerce Strategies for Amazon, Alibaba and Others,” we analyzed the top three B2B marketplaces in the US—Amazon Business, Alibaba and Thomas—along with an overview of what makes their platforms work for buyers and sellers.

We define a B2B marketplace as an ecommerce platform that lets third-parties sell directly to customers. The distinction between a marketplace and a distributor or retailer is that the latter owns the inventory, while the former connects the seller and buyer. Unlike business-to-consumer (B2C), B2B marketplaces facilitate more complex transactions accounting for business buying needs like wholesale, bulk orders, invoicing, order approvals and more.

## Amazon Business

Launched in April 2015, Amazon Business is currently available in eight countries: the US, UK, Germany, France, Italy, Spain, Japan and India. In 2018, third-party sellers accounted for more than half of the \$10 billion in sales Amazon Business generated. The other portion of sales resulted from inventory Amazon, as a distributor, already owns. That percentage may even grow in 2019, as Amazon launched a private-label line for business buyers (similar to its consumer-facing Amazon Basics line) called “Amazon Commercial” in June this year.

Many of the sellers on Amazon Business are SMBs that are using Amazon to scale their ecommerce strategy and reach new geographical locations and audiences, according to Rob Green, general manager of business development at Amazon Business.

The journey for new sellers starts by registering through Seller Central to list products and set prices. Analytics dashboards are available on Seller Central to show buyers inventory/pricing levels and sales trends, including who is buying what, when and how often. Sellers need to perform at a certain level and remain in good standing when it comes to meeting customer expectations around quality, fulfillment and delivery.

Buyers that make their business purchases on Amazon are able to buy in bulk and even get custom quotes from some sellers. Account administrators can use features such as “Workflow Approvals,” which enable multiple buyers to build carts to send to the admin for approval, or “Spend Visibility,” a tool aimed at the admin to provide a high-level analysis of what is being spent on certain categories or items. Finally, “Guided Buying” helps account admins identify preferred suppliers, brands and products.

## Alibaba

Launched over 20 years ago, B2B marketplace Alibaba.com was the first business from China's Alibaba Group. While the company's Chinese consumer-facing marketplaces, Taobao and Tmall, make up the lion's share of revenues, international wholesale commerce on the B2B side generates roughly 2%, according to Alibaba's annual report.

Originally designed as a yellow page directory, Alibaba.com connected Chinese factories with global buyers, mostly in developed countries, looking for custom manufactured goods. It has undergone a transformation in the past two years, and the marketplace is now an end-to-end sourcing and commerce platform that manages transactions between buyers and sellers. It provides a full suite of services, including escrow payments, communication tools, translation assistance, custom quotes and even logistic capabilities like shipping/delivery options.

In July 2019, Alibaba **announced** that SMB sellers in the US could sell without borders on the marketplace to buyers worldwide, an expansion that can help further differentiate Alibaba from Amazon. Whereas Alibaba was once very focused on custom goods, it now seeks to facilitate the buying and selling of commoditized items as well. Further, Alibaba does not own any inventory and considers itself a technology company, not a retailer or distributor—which, in the company's view, creates less competition in search results.

Alibaba does not take a commission on the platform's transactions (although there is a small credit fee involved), but instead it charges all suppliers an annual membership fee—roughly \$1,500. The company also gets revenues from ads that sellers can buy to do targeting by keyword, specific geographies or based on intent displayed by buyers through search history.

## Thomas

Covering more than 72,000 product categories in over 150 countries worldwide, Thomas has a more than 120-year legacy as a print directory turned digital marketplace (as of 2006).

Serving industrial B2B buyers for product sourcing and supplier evaluation, Thomas provides utility for the buyer to find the right supplier, engage with them and start the purchase, but it does not actually facilitate the transaction, said Tony Uphoff, the company's president and CEO.

Comparison tools allow buyers to find and compare multiple solutions against one another. Further, Request for Information (RFI) engines also help suppliers send custom proposals to prospective customers and create bidding opportunities so buyers have more choice and transparency.

Thomas has roughly 500,000 suppliers on the platform who get started by creating a free profile. “We encourage a free listing and then we've got a natural on-ramp for those free listers to develop paid programs with us,” Uphoff said. This is how Thomas monetizes the marketplace.

There more than 850,000 active registered buyers on Thomas who complete more than 1.5 million supplier evaluation every month. Three-quarters of the buyers are from SMBs, and 93% of the Fortune 1000 use Thomas to source suppliers.

Roughly 75% to 80% of the sales on the marketplace are from large scale buyers that are seeking a custom manufacturer. The other 20% to 25% of purchases are from OEMs seeking very specific parts, which are also sometimes custom.

For more information on the top US B2B marketplaces and how they function as digital sales channels, eMarketer PRO subscribers can read our latest report:

Report by Jillian Ryan Aug 06, 2019

## Marketplaces 2019



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