

# Alibaba Is Banking on US SMBs to Go Head-to-Head with Amazon

## Article

**T**wenty-year-old Chinese ecommerce giant The Alibaba Group is making moves to grow its US B2B business, allowing US-based small and medium-sized sellers to list goods on its B2B marketplace, Alibaba.com.

With this move, Alibaba is making several bets.

The first is to fill demand gaps. With more than 300 million product listings across more than 5,000 product categories, supply volume is not the issue. Upwards of 90% of those products come from Chinese factories that produce low-cost custom goods, according to John Caplan, head of North America B2B at Alibaba Group.

While this supplier pool offers buyers many bespoke manufacturing options, commodity items—commonly sold on competitor Amazon—aren't as popular on the marketplace.

But Alibaba.com B2B buyers, mainly from developed markets like the US, Canada, Australia, India and Brazil, want more than the custom goods currently dominating supply on the marketplace. "There's demand in our system for products beyond specialized manufacturing that we haven't met in the US," Caplan said.

This includes commodity items for bulk purchases from categories like food and beverage, agriculture, beauty, apparel, electronics, vehicles and accessories, office supplies and medical.

Entry into the commodity goods market has the potential to put Alibaba toe-to-toe with B2B marketplace competitor Amazon Business, which generated \$10 billion in sales in 2018 across eight markets globally (the US, UK, Germany, France, Italy, Spain, Japan and India). While more than half of those sales were from third-party sellers on the marketplace, Amazon—which owns its inventory as a distributor—sold the other portion. (*Editor's Note: Amazon did not immediately respond to requests for comment.*)

Caplan maintains there are big differences between Alibaba.com and Amazon: Alibaba.com doesn't take a commission on orders, but monetizes through ad revenues and an annual membership fee in the "thousands." Further, unlike Amazon, Alibaba doesn't own inventory, so sellers are only in competition with each other, not with Alibaba.

Still, June 2018 research from B2BecNews found that while nearly eight in ten US B2B buyers used Amazon Business, only 36.5% shopped on Alibaba.com.

### Which Marketplaces Do US B2B Buyers Use to Research and Buy B2B Products?

% of respondents, June 2018



Source: B2BecNews as cited in company blog, Aug 28, 2018

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Alibaba is positioning this move as a way for US SMB sellers to reach a global audience—the marketplace has more than 10 million active buyers from 190 countries worldwide. For many SMB B2B sellers, setting up an ecommerce strategy can be a challenge. There are technology costs required to build a direct website, but some B2B suppliers sell on a marketplace without huge overhead, a trend we have seen for years.

Alibaba is banking on US B2B SMBs seizing this opportunity. Whether the move will pay off depends on new manufacturers and wholesalers coming on board and selling.

And the ecommerce giant is pushing hard to make this happen. Part of the allure is several newly launched features on the marketplace including a single storefront for all regions, advertising options to target buyers by geography, intent, keywords and more, plus granular customer data in the platform, according to Caplan.

"Anchor sellers," like Office Depot and Robinson Fresh, have officially signed on to the launch. Other US SMBs in beta include beauty line Honey Baby Naturals, organic food supplier Nature Zen, coffee company Vassilaros & Sons and cleaning products seller Gett Clean.

The next challenge is supporting these new sellers to be successful. "Seventy percent of SMBs aren't digital, and the hardest part is finding an ally to navigate difficult terrain," Caplan said.

To that end, Alibaba has curated a list of partners to assist with logistics and more—for an added fee. It also has a US-based customer success team to help new sellers onboard to the marketplace in time for Alibaba.com's online sale event, Super September, which typically sees an uptick in traffic and sales. But, only time will tell if these new sellers are ready by then.