The B2B E-Marketplace

Global E-Business and Trade 2011

SMEs are the engines of growth around the world

- Big SME market
  - In China, 42 million SMEs
  - In Europe, 23 million SMEs
  - In US, 22 million SMEs

- Critical to global economy and trade
  - In China: 58% of GDP, 68% of import and export volume, 75% of employment
  - In Europe: over 50% of GDP, 60% of employment, over 100 million jobs
  - In US: over 50% of GDP, 67% of export volume, 67% of employment
  - In Turkey: 59.8% of export volume

Contributing in many ways to the economy

- Engine for job creation;
- Positive role in poverty alleviation;
- Cover almost all (productive) sectors;
- Driving force of economy;
- Diversity the economy and introduce flexibility

Source: UNCTAD Information Economy Report 2007-2008

eCommerce remains limited in developing countries.
And while a majority of European SMEs are connected, and most even have their own websites...

...most are still not fully utilizing the power of the internet to promote themselves and products.

In the EU, on average, only 15% of enterprises receive the order online, and 23% purchase online.

Source: UNCTAD Information Economy Report 2007-2008

With the internet, B2B sourcing and selling is much easier

<table>
<thead>
<tr>
<th>Search/Discovery</th>
<th>Evaluate</th>
<th>Negotiate</th>
<th>Transact</th>
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<tr>
<td>Average sourcing cycle: 3.3 – 4.2 months</td>
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<tr>
<td>• 52% of time spent searching/identifying appropriate suppliers</td>
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<td>• 30% of time spent on screening/sorting proposals</td>
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<td>• 18% of time spent on contract negotiations</td>
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Traditional Sources of Supplier Information
- Referral (colleagues, associates)
- Trade shows
- Industry magazines, trade journals
- Industry associations
- Trade directories
- Existing suppliers

The advent of eMarketplaces has helped to address many of these issues

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<th>Challenges</th>
<th>Solutions</th>
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<td>Lack of foreign market knowledge</td>
<td>Online market research</td>
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<td>Lack of confidence in doing international trade</td>
<td>Off-Online partnerships (trade shows, buyer-seller matching events)</td>
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<td>Limited capital and resources</td>
<td>Cost effective online marketing tools</td>
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Source: The Aberdeen Group
Alibaba.com

- founded in 1999 in Hangzhou, China
- provides an Internet based business-to-business (B2B) platform where sellers (suppliers / manufactures) can meet buyers (outsourcers / wholesalers) on a global scale
- mainly through three marketplaces:
  - a global trade platform (www.alibaba.com) for importers and exporters;
  - a Chinese platform (www.1688.com) for domestic trade in China;
  - and a transaction-based wholesale platform on the global site (www.aliexpress.com) geared for smaller buyers seeking fast shipment of small quantities of goods.

Value Chain of Alibaba.com

- The inputs are the customers
  - looking for a matching company for their supply chain needs.
- The operations of the website
  - manipulate the information and generate business connections
  - These operations steps, done through their technology,
    - include gathering, organizing, selecting, synthesizing, and distributing information

Anatomy of the Marketplace

International Marketplace
- Facilitates global trade between China and international suppliers and buyers
- 8 mm registered users as of Dec 31, 2008
- 59,000 paying customers as of Dec 31, 2008

China Marketplace
- Facilitates domestic trade between China suppliers and buyers
- 30 mm registered users as of Dec 31, 2008
- 372,000 paying customers as of Dec 31, 2008

Suppliers
- Keywords & premium placement
- Third-party authentication & verification
- Trust profiles
- Tools to manage CRM and trade info
- Instant messaging
- Trade negotiation
- Over 200 online community forums for user groups

Buyers
- International SMEs
- China SMEs
- International Buyers
- Services to suppliers
- Services to buyers
- Services to third parties

A truly global network for importers and exporters of merchandise, finished products, component parts and raw materials

Key features on product listing page:

1. Search Engine
   - Keyword Search
   - Product Category

2. Seller/Supplier Information
   - Company Products
   - Company Profile
   - Company Video

3. Value-Added Services (VAS)
   - Keyword Search
   - Premium Placement
   - Virtual Showroom

4. Real-time Communication & Inquiry
   - Trade Manager
   - Email

More than 8 million users have registered on Alibaba international B2B marketplace. US, India, Europe (excluding UK), China, UK and Canada are the key countries that the users come from...
Combining the core strengths of chambers/associations with the marketing reach of an eMarketplace creates new opportunities for members

<table>
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<tr>
<th>Key Success Factors of SME online promotion</th>
<th>Associations/Chambers</th>
<th>Alibaba</th>
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<tr>
<td><strong>Global Reach</strong></td>
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<tr>
<td>- Size of global buyers and suppliers</td>
<td>✓</td>
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<tr>
<td>- Traffic (critical mass on the B2B e-marketplace)</td>
<td>✓</td>
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<tr>
<td><strong>Local Knowledge</strong></td>
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<tr>
<td>- Local language and culture</td>
<td>✓</td>
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<td>- Understanding of local trade policies</td>
<td>✓</td>
<td></td>
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<tr>
<td>- Local database of SMEs</td>
<td>✓</td>
<td></td>
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<tr>
<td><strong>Trade knowledge</strong></td>
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<tr>
<td>- Deep domain expertise in int'l trade practices, laws and regulations</td>
<td>✓</td>
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<tr>
<td>- Broad offline network</td>
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<tr>
<td><strong>Technology/Skill</strong></td>
<td></td>
<td>✓</td>
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<tr>
<td>- Internet technology (website, search, SEO, etc.)</td>
<td>✓</td>
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**Partnership Model:**
KTITA and Alibaba.com jointly provide KTITA member SMEs with a special package which includes Alibaba.com International TrustPass membership and KTITA’s tradeKorea e-portal. Each SME would be eligible to a subsidy which could only be used against subscribing value-added services to facilitate their listing, such as Korean-to-English translation services. Educational courses on e-commerce and online marketing would also be provided to participating companies for their better utilization of the Internet and Alibaba.com.

**Practice Sharing – Trade Association program in Korea**

**Partner:**
Taiwan External Trade Development Council (TATRA, www.taitra.org.tw) – A non-profit trade promotion organization in Taiwan which is jointly sponsored by the Taiwan government, industry associations, and several commercial organizations

**Partnership Model:**
Alibaba formed partnership with Taiwan Trade Association, and provide for Taiwan SMEs a bundled package which includes membership to both Alibaba.com Gold Supplier and TATRA’s Taiwan trade e-Portal. Those who joined the bundled membership would get a NT$10,000 discount off the original total price of the two memberships. Alibaba and TATRA also jointly host road shows and seminars to help SMEs breakthrough in the downturn of int’l trade situation.

Partner:
İHRACATI GELİŞTİRME ETÜD MERKEZİ (IGEME)
IGEME is the government run Export Promotion Center for Turkey ([http://www.igeme.org.tr/indexe.cfm](http://www.igeme.org.tr/indexe.cfm) - in Turkish)

**Partnership Model:**
IGEME approved Alibaba on a list of B2B marketplaces that are all qualified for subsidies. Provided you submit the necessary paperwork, IGEME will reimburse you 50% of the membership fee up to an amount I think of US$3K. SMEs can apply for multiple memberships from different websites until they reach the cap.