**Alibaba’s TaoBao**

**1st Attempted Research**

Mission: Make it easier to do business anywhere

Alibaba: help everyone doing ecommerce (1999)

**The story of a seller**

Mr. Wong, a 39-year-old entrepreneur who lives in Hong Kong, is a regular shopper on Taobao, China’s largest online marketplace run by Alibaba. His most recent purchase was a black T-shirt that said “New York” in white letters, which cost a little over $3. The transaction took place between Mr. Wong and the merchant who sold the T-shirt on Taobao, which serves as a platform where sellers and shoppers find each other.

**Taobao & Tmall:**

Last year, Taobao and Tmall together surpassed $160 billion in transactions and accounted for the majority of the company’s revenue.

While almost anyone can become a seller on Taobao with little upfront cost, Tmall is a more exclusive site. Brands and authorized distributors pay deposits to open storefronts after going through a **[stringent verification process](http://online.wsj.com/article/SB10001424127887323968704578649394254345564.html" \t "_blank)**.

TaoBao: Largest Online shopping destination with China’s most popular mobile commerce app.

Tmall: a website that hosts storefronts for many brands like Nike Inc. and Gap Inc.

**Taobao (Search for treasure)**

The platform is launched in May 2003 to prevent eBay from entering the C2C market. 2003, eBay entered China and acquired almost all the ecommerce sites in China at that time including EachNet.com (Chinese Language version of eBay), the highest user online marketplace at that time.

**Challenge:** One big challenge is [how to adapt its business](http://online.wsj.com/article/SB10001424127887323455104579016493516583928.html?mod=wsj_share_tweet" \t "_blank) as more Chinese consumers use mobile devices.

**Versus WeChat:** As Alibaba tries to lure smartphone users, it [faces competition](http://blogs.wsj.com/chinarealtime/2013/08/01/alibaba-bans-sellers-from-using-wechat" \t "_blank) from other Chinese Internet giants such as [Tencent Holdings](http://online.wsj.com/public/quotes/main.html?type=djn&symbol=TCEHY) Ltd., which is also trying to beef up its mobile and online commerce capabilities. WeChat smartphone messaging app has 236 million active users. Last month, it added electronic payment features to the app, a step toward turning the communication tool into an e-commerce platform.

Forrester Research analyst Bryan Wang says Tencent has a lot of potential because WeChat is a “very sticky” platform – many people use it all day long to communicate with their friends and family members. If the company can successfully integrate other services into WeChat, it could evolve into a major e-commerce competitor, Mr. Wang says.

**Taobao vs eBay, the war of C2C (How Taobao is different):**  
Jack Ma and his team worked day and night for a new secret project. May 2003, Alibaba Group launched TaoBao with the mission of developing ecommerce for individual, providing good services for them, not about making money. The recipe of TaoBao in 2003 to compete with eBay is simple. To build the website which give the better fit the China’s market. The 2 have a really different strategy at that time. eBay moved to link the China’s site to their global platform, discontinued the features that popular and common usage with Chinese users. TaoBao is developing the website which is customized for the China’s market, adding features to help users build trust and make friends online. The website is built really user friendly and more human touch for Chinese users. To eBay western manager, TaoBao is too cute and flashy. The website included locally popular features   
such as live chat and message board which encourage members to build relationships of the community. The result of it is more and more online shoppers joined TaoBao quickly while eBay start its struggles.

Taobao, which doesn’t charge transaction fees, makes money mainly through advertising purchased by merchants who use the site. That can generate a lot of revenue because there are about 7 million merchants –- mostly small businesses — using Taobao. Many merchants spend money on ads to make their products more visible, since there are more than 800 million items on Taobao.

**Taobao Features:**

**TaoBao Payment Methods:**

Chinese TaoBao: All through Alipay (Separated 3rd party payment gateway). Alipay supports all global issuers credit and debit like Visa, Master, JCB (Except Washington, USA).

**Into Alipay:**

Overseas users can choose to pay by their global issuers like VISA, Masrer and JCB international credit cards in TaoBao. International cards refund time is generally 7 days.

**Quick Payment:** Credit card payment is a shortcut to the credit card associated with Alipay account, every payment need only enter the mobile phone to get "one-time password" and pay Alipay account password security and easy payment. Currently supports Hong Kong, Macao and Hong Kong, BOC Credit Card issued by AEON credit card.

**Tmall**

Story:Lemon Optics, which sells glasses from Ray-Ban and other brands, had to pay Tmall a deposit of about $25,000 to open its store, and the site charges a commission on each transaction.

Still, Mr. Wong says the traffic Tmall generates is worth the cost. In July, Lemon Optics’ Tmall store sold about 1,000 pairs of glasses, double the monthly sales at each of its seven brick-and-mortar stores.