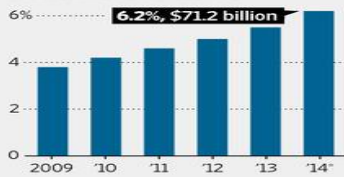


Alibaba Tackles Amazon, eBay on Home Turf

High-Speed Growth

Annual first-quarter results show online is taking a growing share of total retail sales in the U.S.



* Preliminary data
Source: U.S. Commerce Department
The Wall Street Journal

Chinese Giant's New U.S. Shopping Website Looks to Become Platform for Small Merchants

By JURO OSAWA

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China's Alibaba Group Holding launched a U.S. shopping website called 11 Main, in what could be its biggest foray into the market dominated by the likes of Amazon and eBay. Brian Fitzgerald joins MoneyBeat.

China's Alibaba Group Holding launched a U.S. shopping website, in what would be its biggest foray into the home turf of e-commerce giants [Amazon.com](#) Inc. and [eBay](#) Inc.

The 11 Main marketplace hosts more than 1,000 merchants in categories such as clothing, fashion accessories and jewelry as well as interior goods and arts and crafts and it plans to keep adding more, the company said. 11 Main is being launched as Alibaba, China's largest e-commerce company, is preparing to go public in New York in what could be one of the largest initial public offerings in U.S. history.

Other than 11 Main, Alibaba has been stepping up its deal activities in the U.S. over the past year, investing in a range of U.S. companies—not just in e-commerce, but also in other areas like mobile messaging.

The shopping section of 11 Main is currently available only to customers who first sign up and get an email invitation. 11 Main declined to say when the site will be fully up and running.

Building a popular site from scratch won't be easy: Consumers already have a number of options to choose from—not just Amazon and eBay but also niche players like Gilt Groupe and Etsy as well as e-commerce sites run by traditional retailers like [Wal-Mart Stores](#) Inc.

Still, 11 Main sees demand from small U.S. merchants who aren't quite satisfied with selling their products on existing marketplaces.

"There are many small shop owners that are looking for broader platforms, but when they look at the broader platforms, those are not necessarily structured to support their brands or their identities," said Mike Effle, 11 Main's president, in an interview.

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Mr. Effle declined to give any numbers for the company's targets for growth. "Of course, we would love to be an everyday shopping destination."

It will likely be hard for Alibaba and 11 Main to pose a major threat to established players in the U.S. unless they make major acquisitions, said Forrester Research analyst Zia Daniell Wigder.

With 11 Main, Alibaba "is attempting to break into a developed e-commerce market with well-established players and mature growth rates," Ms. Wigder said. "It's far easier to be disruptive in an early-stage market where the landscape of leading players is still in flux and growth rates are high."

11 Main—developed by Alibaba's two wholly owned U.S. units, Vendio and Auctiva—is trying to attract sellers by making the platform less expensive for merchants. The site charges a commission rate of just 3.5%—about half or one-third of what most other major U.S. shopping sites charge.

At the same time, 11 Main says it is carefully screening the merchants to make sure the ones who join the site meet certain criteria in terms of product quality, customer service and even the quality of the photos they post online.

"We set a very high bar," Mr. Effle said. "Sellers want a place that can elevate their brands." He said 11 Main has received thousands of applications so far, and it has rejected a fair number of applicants.

Susan Berry, who runs an online retail business called Oshun Spirit that sells natural skin-care and beauty products, has joined 11 Main.

She has been an eBay seller, off and on, since 2001, but is worried about the risk of relying too heavily on one site. "I'm always looking for alternatives to eBay," she said.

Ms. Berry, who is based in New Hampshire, said she has been told by people from 11 Main that the company has set aside an aggressive marketing budget to make the new site more recognized among U.S. consumers. "I've seen many new sites open over the years but none of them have really gained traction," said Ms. Berry.

An 11 Main spokeswoman said the company has a "robust marketing plan" to support the growth of the shops featured on the new site, but declined to share specific plans or how much it plans to spend on advertising.

It is still unclear whether 11 Main will actually generate any buzz, but Ms. Berry says she is more hopeful this time, in part because Alibaba's deep pockets are behind 11 Main. "I've been down this road before and I'm usually skeptical, but this time I'm cautiously optimistic."

Alibaba, which dominates e-commerce in the world's largest Internet market, dwarfs U.S. counterparts in terms of the value of transactions it handles.

In 2013, the combined transaction volume of its consumer shopping sites in China reached \$248 billion, according to its IPO filing last month. That is triple the size of eBay and more than double the size of Amazon.

Alibaba owes its massive scale to the sheer size of the Chinese market, home to more than 600 million Internet users.

Most of the consumers using its shopping sites are in mainland China, though the company is trying to expand in Hong Kong, Taiwan and Southeast Asia.

"The world is not just China," Joe Tsai, Alibaba's executive vice chairman, said in an interview in February. "We do think of ourselves as eventually becoming a more global company."

Alibaba's view on the U.S. market is "very long-term focused," said David Rosenblatt, chief executive of 1stdibs, a New York-based luxury e-commerce company in which Alibaba has invested \$15 million earlier this year. Given its experience of building a dominant marketplace in China, "Alibaba is not just another company," Mr. Rosenblatt said. "It will be an important player in the U.S."

Last year, Alibaba set up a dedicated U.S. investment team in the San Francisco Bay Area. The team, headed by former Liberty Media executive Michael Zeisser, has since struck a string of deals. In October, Alibaba led a \$206 million investment in ShopRunner Inc., an Amazon rival that offers unlimited two-day shipping from U.S. retailers. Earlier this year, the company said it had bought a minority stake in TangoMe Inc., a Silicon Valley startup behind the Tango mobile-messaging application, for \$215 million.