

THE OFFICIAL



Alibaba.com
SUCCESS GUIDE

Insider Tips and Strategies for
Sourcing Products from the
World's Largest B2B Marketplace

Foreword by Jack Ma, founder of Alibaba.com

DEBRA SCHEPP | BRAD SCHEPP

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Joshua Crumbaugh—Platinum Mortgage, Inc.

Valerie Johnson—Big Feet Pajama Company.

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Praise for *The Official Alibaba.com Success Guide*

“This is the definitive guide to those who are interested in using Alibaba to enhance their business-to-business relationships.”

—*Dr. Scott Testa*, entrepreneur, college professor,
and marketing and business expert

“Speaking as an e-commerce entrepreneur, veteran eBay Power Seller and professional eBay instructor, I know that the biggest challenge facing small to medium-sized businesses is product sourcing. Alibaba.com provides the answer to this daunting challenge; however, international trade presents its own set of challenges. Fear no more, as Brad and Deb Schepp have come to our rescue once again, by giving us their masterpiece, ‘The Official Alibaba.com Success Guide.’ A comprehensive reference book and must-read for everyone who has ever thought about international trade, creating and manufacturing your own product, or taking your online business to the highest level.”

—*Stephanie Inge*, professional eBay instructor
(<http://stephintexas.poweru.net>) and founder of the
world’s largest eBay sellers group “The Dallas
eBaybes &
eMales.” <http://www.meetup.com/dallasebaybesandemales>

“This book presents exciting information for all entrepreneurs by dispelling the myths of importing from abroad. The Schepps, once again, present valuable information in a concise, interesting format that is sure to greatly increase any retailer’s knowledge of product sourcing. The interview with Jack Ma, as well as the seller profiles, is truly inspirational. Alibaba.com is no longer a mystery!”

—*Cynthia Lizana*, vice president, Internet Merchants Association, www.imamerchants.org

“This is the official Alibaba.com guide to help you tap into the giant global trade market. Profit is made when you buy and Alibaba.com is the secret to making those global trade partner connections without traveling all over the world and meet suppliers by chance. Now, savvy online and offline marketers have a complete roadmap to success with this book.”

—*Gary Richardson*, Amazon featured merchant and eBay power seller

“An insightful and practical approach to conducting business globally. Jack Ma is an inspiration to us all and has a great record of worldwide success.”

—*Laurel Delaney*, founder and president of Global TradeSource, Ltd., GlobeTrade.com

“Alibaba.com offers an amazing opportunity for retailers to develop and grow valuable relationships for their business. The Official Alibaba.com Success Guide should be required reading for anyone looking to grow their retail business successfully.”

—*Brandon Dupsky*, managing director, eCommerce merchants, and owner of www.OnFair.com

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Foreword

When the 18 founders of Alibaba formed the company in my apartment a decade ago, two of the central tenets of our business—ones that hold firm to this day—are the focus on customers above all other stakeholders, and adherence to core values that guide the way we build our dreams. Through good times and bad, we never succumbed to outside pressure against the interests of our customers, and we did not waver from our core values. As we celebrate our 10th anniversary, Alibaba Group has grown to more than 13,000 employees serving nearly 200 million Internet users in 240 countries and territories around the world. Among our many business ventures, we operate the world's largest business-to-business marketplace, Alibaba.com, and Asia's largest consumer shopping destination, TaoBao, as well as China's largest online payment platform, Alipay.

The point of talking about Alibaba Group's growth is simply to suggest what a motivated group of entrepreneurs can achieve when guided by a shared vision and willingness to persevere through tough times. Today, our goal at Alibaba Group is to offer the tools we've built to assist entrepreneurs around the world in realizing their own dreams. As we all find ourselves in uncharted waters in this new economic landscape, there are things I believe remain fundamental:

- ◆ Focus on customer satisfaction above all else.

- ◆ Devote time and resources toward the development, team culture, and motivation of your employees.
- ◆ Remain flexible and open toward the inevitable changes that you will encounter as your business grows.

In addition, regardless of the environment, it is imperative that you and your business partners engage in principled conduct that will help ensure success. This means dealing with customers and each other with:

- ◆ Integrity
- ◆ Passion
- ◆ Commitment

The fact that you are reading this book is an important first step. It shows that you are proactive. You have a dream and are taking action to help yourself rather than sitting around and waiting for someone else to help you. We all need to face the reality that the world has changed, potentially in a way that will alter our futures forever, and we need to embrace that change. What is clear to me is that doing business via the Internet is a continuing trend, and one that will substantially change the existing business paradigm for everyone. The key to your success is to understand what is happening and how to profit from it.

I'd like to share with you an encounter that I had earlier this year. While I was having dinner in a restaurant, the owner, who is an Alibaba.com member, came up to me and said, "Jack, what do you think about this terrible economy? How long do you think this situation is going to last?"

"The end of this year," I said.

"Wow," she replied, "you think the economy is going to recover by the end of the year?"

“No,” I said. “By the end of this year, you are going to get used to it.”

It is not only the restaurant owner who has to acclimate to the “new” economy. We all have to get used to it. The factors that drove economic growth in the past decade—excessive consumption and borrowing—are long gone and may never come back. We need to look ahead and focus on tomorrow. I believe there is a silver lining in every cloud and if you position yourself correctly there are tremendous opportunities moving forward.

Today’s economic situation is one of the growing pains of globalization. Ten years from now, I strongly believe there will be more successful people than there are today. Ten years from now, I believe there will be more successful companies than there are today. Those who take action now have the opportunity to be the Next Big Thing. I speak from hard-earned experience. Had I not followed my dreams and taken action 10 years ago, Alibaba Group would not exist today.

Right now there is a prime opportunity for all of us to change the rules of the game through e-commerce and shift the balance in favor of entrepreneurs like you. The Internet levels the playing field and gives everyone—be they big or small—a chance.

The true promise of e-commerce is its ability to transform an archaic system that has disproportionately rewarded the big guys while penalizing consumers with higher prices and fewer choices. In a big box retail environment, for example, the emphasis is on managing inventory costs, which results in the big guys offering fewer and fewer options for each item. On the Internet, the retail shelf is limitless and the consumer is the beneficiary.

A friend had told me about a famous Chinese wine that sells for \$120 per bottle, but the manufacturing costs are less than 5 percent of its retail price. Why should consumers pay such a hefty premium for something that should be

more reasonably priced? Because most of the money is being eaten up by guys in the inefficient distribution chain—it costs so much just to get the product on the shelf that it benefits neither consumers nor the people who created the product. That is neither a fair nor an optimal arrangement. I believe e-commerce, which has tremendous potential and possibilities, will eventually lead to disruptive changes to the status quo by eliminating the physical constraints that prevent the laws of economics from maximizing value for consumers and producers.

The next game-changing move in this new business paradigm will be the idea of “designing for the consumer.” In a world without e-commerce, products are designed and produced according to the cost structure of manufacturers, and consumers have very little say about the features and functionalities of things they buy. With e-commerce, consumers will have a high degree of participation in the design of the products they purchase. The speed, efficiency, and scale of consumer data that is available through the Internet will make designing for the consumer a reality. In the new e-commerce world, existing distribution channels will also be reassessed and, ultimately, eliminated.

The mission of Alibaba Group over the next 10 years is to help implement a modern business environment with new rules that will bring success to Internet entrepreneurs around the world. In this new world, business will be done with more transparency, responsibility, and trust. We plan to take the power that has been the province of the big guys and put it in the hands of small business operators like you.

The future will belong to the entrepreneurs who operate in the virtual world and bypass the trappings that add cost and complexity. It will belong to those who make or resell special goods meant for sale through e-commerce. It will belong to those who price goods in a way that provides higher margins while still rewarding customers with more choice at a lower price.

Will you be one of them? Do you have what it takes? Turn the page and let's find out.

—JACK MA
Founder of [Alibaba.com](https://www.alibaba.com)

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Although writing is often a lonely pursuit, no book can be completed with the help and support of countless people beyond just the writers. We would like to thank everyone who has helped make this book you hold possible.

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At John Wiley & Sons, Inc. we had the excellent good fortune to work with three of the most capable, professional, and unflappable editors we've worked with in 25 years of writing books: Lauren Freestone, production editor; Beth Zipko, editorial assistant; and Shannon M. Vargo, editor. Our copyeditor and proofreader made us look better than we could have on our own. Thanks to our agent, Bill Gladstone at Waterside Productions, for bringing us together.

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Our family has had to endure countless discussions devoted to arcane topics, just because they share our world, so they deserve special thanks: Stephanie, Ethan, Andrew, and Laurel, you fill us with pride and happiness. And to our cats, Max and Mollie, who view as part of their jobs the need to keep Deb company. They're more than just cats, they're feline paperweights.

About the Authors

Brad and Debra Schepp are the authors of 19 books that help nontechnical people make the best use of emergent technologies. Their areas of focus include e-commerce, telecommuting, and social media and social networking for business purposes. They were early pioneers in the fields of both green energy and telecommuting, publishing among the first guides to these topics. The couple has focused on practical guides to help people best use these tools without overhyping their potential. Among their best-selling titles is *eBay PowerSeller Secrets*, which through two editions has sold more than 35,000 copies. Their other most recent books include *Amazon Top Seller Secrets*, *How to Make Money with YouTube*, and *How to Find a Job on LinkedIn, Facebook, Twitter, MySpace, and Other Social Networks*.

Brad and Deb are widely recognized as e-commerce experts not only through their books, but also through their columns for AuctionBytes and Auctiva (providers of leading e-commerce software). Brad and Deb have also conducted seminars about selling on eBay, and have been interviewed many times by national media including *Life*, *Good Housekeeping*, and *Entrepreneur* magazines. They have appeared on many radio shows, and also on the television show *Retired and Wired* (even though they are only one of those things).

Preface

The first time we heard Jack Ma describe the Internet as a brand-new innovation that could dramatically change life for people the world over, we must admit we were startled: The Internet new? To us, the Internet and its precursors, online services and online databases, have been central to life for more than 25 years. When Jack Ma first came to the United States in the mid-1990s and saw what was possible through a personal computer and an Internet connection, we had already been online for more than 10 years. He went back to China to fashion the e-commerce global giant Alibaba.com, and we continued to write and publish books that helped people learn how to use online services, telecommute thanks to their home computers, help their kids learn how to safely navigate online, and build successful e-commerce businesses. By 2009, life without the global online connection was a little hard for us to remember.

Still, every new partnership or alliance brings new perspectives, and it didn't take long for us to see that Jack was right. Although we had mastered living online, along with millions of other Americans, many people around the world had yet to discover the possibilities available to them in their own backyards through global Internet connections. Chief among these possibilities is the opportunity to build prosperous lives through e-commerce and international trade. Thanks to the Internet in general and Alibaba.com specifically, barriers all around the world have dissolved. Anyone who has access to the Internet now has the

opportunity to import, export, build commercial alliances, and trade with anyone else, anywhere in the world, who has the same access.

Alibaba.com has made it extraordinarily simple to find trading partners and forge independent new lives. That's not to say this adventure is simple or guaranteed to succeed. The world of e-commerce is empowering and thrilling, but it can also be challenging and fraught with risk. The people at Alibaba.com have worked hard to create a vibrant and safe trading platform to connect suppliers and clients all around the world, but learning how to trade internationally, although logistically much easier today, is still a complex and challenging subject. That is where this book comes in.

If you have ever dreamed of operating your own business; if you have ever had a great idea for a new product, but didn't know where to begin; if you have ever longed for financial independence and the opportunity to be your own boss, you will find *The Official Alibaba.com Success Guide* is the book you need. Through Alibaba.com you can source nearly anything your heart and mind can conjure. You can find partners across town or on the other side of the globe. You can open yourself up to the possibility of meeting the greatest business partners you will ever know, even if you work together for many years before you actually stand before them and meet them face to face. Alibaba.com is just that powerful.

Surprisingly, just as many people around the world are only now beginning to see the potential of the Internet, many successful people in the United States are not quite sure what Alibaba.com is or how it works. "Isn't that the Chinese eBay?" we heard as we told people about this exciting new project. Because we have worked in e-commerce for more than a decade, of course we understood exactly what Alibaba.com could offer. Many of the experienced e-commerce entrepreneurs we know, however,

have yet to tap into the power of global trade available through their own computers and the Alibaba.com web site. They need experienced tour guides to show them around the bustling site and teach them how to safely and successfully navigate the riches waiting there for them. If you are a newcomer to e-commerce also dreaming of becoming a successful businessperson, you need those tour guides, too.

Fortunately, you have come to the right place. Although we have lived online longer than most, we have never been the type of writers who will oversell and overhype an opportunity. If we had wanted that type of career, we would have begun writing infomercials a very long time ago! No, we are the type of writers who always ask each other, "Where is the truth in this subject? What should people realistically expect from this tool?" In the end, that's what the Internet, with all its e-commerce potential is: a tool. We like to think of ourselves as the ones who write the operating manuals for this tool. Whether you want to build a successful e-commerce business, convince your boss to let you work from home, or keep your kids safe as they surf the Web, we can explain to you just exactly how you can best use the power behind the Internet. You can also rest assured that the information in this book has been thoroughly vetted by Alibaba.com, so you know it is as accurate and up-to-date as possible. This is the only official guide to the Alibaba.com web site, which means you have a unique and valuable tool at your disposal.

As you make your way through the chapters of this book, you will find countless explanations and details about how to harness the power of the world's largest business-to-business web site. You will also meet many successful entrepreneurs who once stood exactly where you now stand, but today enjoy the freedom and excitement that comes from operating their own businesses.

The book is split into three distinct parts. Part One represents the overall opportunity available to entrepreneurs turning to Alibaba.com in search of success. Part Two examines the best practices necessary to put Alibaba.com to work for you, and Part Three includes a series of profiles of successful businesspeople who have charted their own courses and are now finding satisfaction and reward through their partnerships forged on the site. Here's a chapter-by-chapter look at some of the details.

Chapter 1, "Alibaba.com Opens the Door to Global Trade," will give you an insider's look at the founding of the company and the incredible growth it has experienced since that founding. You will also gain insight into the corporate culture that drives the company and discover some of the tools available to you on the site. An exclusive question-and-answer session with Jack Ma will give you an idea of the philosophy behind the site.

Chapter 2, "International Sourcing: This Isn't Kansas Anymore," provides you with an overview of many of the issues entrepreneurs face as they begin to build and nurture their product sources. Adding the opportunities international sourcing brings to the mix expands the possibilities and makes the challenges more distinct, but that is where the adventure really begins.

Chapter 3, "Keys to Successful Importing," provides you with a look at the special challenges you will face by looking outside domestic borders for new sourcing options. You will get a glimpse of such issues as clearing customs, determining tariffs, and arranging transport. You will also be introduced to some partners who can help you, including freight forwarders and customs brokers.

Chapter 4, "The Alibaba.com Web Site," gives you an insider's tour of the site itself, focusing on the best ways you can make use of all the valuable information and tools you will find just waiting for you to explore.

Chapter 5, “Finding Business Partners,” supports you as you learn how best to go about identifying and evaluating potential business partners. How wisely you choose your partners is likely to make or break your venture, so we will show you how to complete your due diligence and vet prospective new partners to increase your chances of finding success.

Chapter 6, “Working with Your Suppliers,” will help you understand the intricacies of building lasting relationships with the partners you engage to create your products and bring them to the marketplace. As your business grows, you will also be building long-lasting relationships to support that business. We’ll help you get those relationships started on the right foot.

Chapter 7, “Closing the Deal,” will step you through the potentially tricky matter of paying for your orders and arranging to have them shipped to your location. Although it may seem daunting, many successful entrepreneurs have learned to navigate this part of the process without trouble, and we’ll help you see how you can become one of them.

Chapter 8, “Safe Trading,” explains the risks you face through fraud and computer hazards such as viruses and spyware. We would not be reliable tour guides if we did not explain these risks to you. Happily, we sincerely believe that Alibaba.com represents a reliable partner for you, one that recognizes the risks and has put into place safeguards that will help you.

Chapter 9, “Keeping the Pipeline Full,” helps you to evaluate how your business will grow and expand as your knowledge and business experience increase. You may not be able to see all the turns in the road from where you stand now, but we will help you take a look at some of the signposts along the way.

The last section of the book, “Success Stories,” will provide you with inspirational reading that will help you learn the secrets behind some of the many businesses that

are thriving thanks to the opportunities available through Alibaba.com. Whether the individuals were already successful businesspeople when they discovered the site or never before operated their own businesses, their stories will inspire and educate you.

It has been a great privilege to prepare this book for you, and to work so closely with the talented pioneers at Alibaba.com. We are confident you will find a great deal of wisdom and solid advice as you make your way through the chapters to your future success. It is also our fervent hope that you will enjoy the journey.

PART I

Alibaba.com: The Opportunity

Alibaba.com Opens the Door to Global Trade

When you first arrive at Alibaba.com's home page you may feel exactly like the original Ali Baba felt upon opening the door to his room of secret treasure. Nearly anything you can think to buy or sell is waiting for you on the site. You can explore more than 5.5 million storefronts offering manufactured products in 40 different categories from more than 240 countries and territories spanning the globe. As you explore Alibaba.com you will be joined by more than 42 million registered users. If you operate a small to medium-size enterprise (SME), you may find that Alibaba.com's home page offers you treasure every bit as precious as the one our humble hero Ali Baba enjoyed.

Anyone who operates a SME will tell you that having a constant and reliable source of quality products is essential to building and sustaining a successful business. With the advent of the Internet, not only did an entirely new world of e-commerce open up to those who were eager to explore it, but now there are simply no boundaries tying any of us to one particular part of the globe. The Internet in general and e-commerce specifically have made the whole world our neighborhood and nearly every global citizen our prospective customer. Never before in history has such a wealth of opportunity been available, brought together in one single place on the Web.

Ali Baba may well have first found himself overwhelmed by his bounty. You may also look at the Alibaba.com home