

Case analysis argumentative essay



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| Case Analysis| | 1. Why did eBay success in US but fail in China? What could have eBay done to avoid defeat? There are many reasons that eBay defeat in the competition with Taobao. com in the Chinese Internet C2C market. First, based on research of C2C market in China, the user (seller) of the website is price sensitive. Since Taobao launched no-free model, eBay lost their customers. Furthermore, eBay's payment services did not fit the Chinese credit payment systems. For example, PayPal, one of the payment methods of eBay, was prohibited from offering international transactions and flexible credit.

There are some other issues including that eBay as an international website faced some ethic dilemmas about the counterfeit merchandise. Because of the particular market situation in China, eBay should treat Chinese market differently. Based on the analysis of eBay China, the fail of eBay in China is mainly due to the lack of understanding of Chinese Internet C2C market. As Taobao's CEO, Jack Ma said, eBay may be a shark in the ocean, but Taobao is a crocodile in the Yangtze River. If they fight in the ocean, Taobao lose – but if we fight in the river, Taobao win.

Since Chinese e-business market is so different from the global online business market, to avoid defeat, eBay should have separated the Chinese Internet C2C market from the global online business market. Then when the competition begins, eBay should have come up with an effective revenue model to compete with Taobao. com and more importantly build a strong business relationship with the Chinese government in the beginning.

However, there may be another different answer eBay should consider cooperate with Alibaba. com when they entered the Chinese Market to build

a new brand. . Do you think eBay should continue developing its business in China and competing against Taobao? Based on the analysis of the competition between Taobao and eBay, I believe that eBay should continue developing its business in China, however I think eBay could seek new potential consumers instead of directly competing against Taobao. As eBay is doing, they turn their focus on international trade. There is a great potential of international C2C market. They have to build an effective international payment system and start to build their customer pool.

EBay have many advantages to gain market share in Chinese e-business market. First, it is international based with strong financial and technical supports. Nowadays, e-business is developing faster and faster. As the online technology update, these companies need a large amount of investment in the new technology. Since the profit margin for the online business is lower than the real stores. The e-business companies require a strong financial supports. Moreover, eBay have already built up strong business relationship with local government and website partners.

It will be a huge sunk cost, if eBay decide to give up Chinese C2C market. They could take advantage of these partnerships to launch the new www. ebay. cn. , which focus on international trade and international C2C business. Finally, since eBay is an international e-business company, they have strong advantage in doing international trade and international C2C business. On the other hand, Taobao also have some concerns as they develop. As the case mentioned, the profitability of Taobao is low because of the free service revenue model. They have to launch new revenue model to gain more profit.

At the same time, with the development of Chinese e-business market, there are more regulations and standards for the online sellers which mean there will be more legal issues for Taobao to face for. Taobao have to build up a strong ethical code in order to be compatible in the Chinese market. 3. What sustainable revenue models can you suggest for the C2C business of Taobao? As Taobao offered their customers a free service for more than three years, it is very difficult for Taobao to adopt a new revenue model, which charges a regular fee for the individual sellers.

However, Taobao may consider the fee-for-transaction revenue model or advertising supported revenue model. First, since Taobao takes ninety percent of the C2C market and is famous among Chinese consumer, Taobao could consider launching an advertising supported revenue model. In this revenue model service is provided free to certain audience and the advertising revenue is sufficient to support the operation of the business and its cost. For example, Yahoo portal provides useful information and a search engine free of cost, but earns revenue through advertisements on its web site.

Taobao could gain more profit by providing advertising service and maintain a free service for seller and buyer. Furthermore, there are businesses offering services for which they charge a fee based on the number or size of transactions they process. Taobao could also launch this kind of fee-for-transaction model. They set certain target sales revenue for all the sellers. Taobao provide free service for the sellers whose sales revenue is below the certain amount. If the individual sellers have sales more than the certain amount, Taobao could charge them by every transaction.