

# E-bay in asia

[Countries](#), [China](#)



It all started in 2002, just as when almost every American company is racing themselves up to enter the Asian markets particularly in China and in South Korea. Driven primarily by the Asian country's booming economy, coupled with low labor costs and liberalized policies towards capitalism, most companies sought out after the opportunity that China promises. Among these is China's growing online auction industry which holds up \$1 Billion by the time and is projected to rise in the coming years (Malik, 2006). What is more fascinating about this is the fact that only 100 million Chinese are hooked up online from about a total population of 1.

2 Billion, more than the market in other nations. Already, China already ranked second to the United States in online usage and is projected to double within five years. For a Silicon Valley company like eBay, it only transcends to one thing: profits (Powell, 2005). This was further prompted by the 1999 Chinese policy of loosening their Internet shutdown policies. The Chinese government saw the importance of the medium in spreading their propaganda to the world and thereby overturning their previous policy and started to open up and the rest they say was wild corporate chaos. This became a precursor for eBay, an online auction giant in the United States, to join in the Chinese bandwagon and seek out to penetrate the Chinese market and get a hold of growing opportunities (Malik, 2006). eBay actually has a lot of things to back up the company decision in 2002. It has a stronghold of shares in the United States and a promising operating capital of up to \$13. 49 Billion (" eBay, Inc. at a Glance", 2006). Certainly, the company is up to the challenge. They started it by acquiring the minority

shares of EachNet, a Shanghai-based company that is engaged in consumer-to-consumer online trading in 2003.

A year later, they managed to buy out the company for about \$100 million dollars. Strict Competition Optimism continued on for E-Bay in their acquisition of the Chinese company in their goal for supremacy on the Chinese online market (Doebele, 2005). This however was short-lived after Jack Ma, considered to be the " Grandfather of the Chinese Online Industry" and CEO of Alibaba. com, challenged eBay by putting up Taobao. com in 2004 which caters pretty much the same with what eBay is banking at consumer-to-consumer online trading. An offshoot of Alibaba Holdings, Taobao promises to give eBay a run for its money in the Chinese market. This was followed by a decision by yahoo. com to buy shares in Taobao to also penetrate the market in 2005 (Munariz, 2005). While this happens, eBay likewise strengthened its position in the Chinese market and was able to gain about 53% of the high volatile market, slightly higher than Taobao's 49% market share. Taobao's advantage over eBay was its free services local knowledge of Chinese and Korean markets.

eBay started listing several consumer products for a minimal posting fee and was able to bank in about \$3. 3 Billion in profits compared to Taobao's \$68 million. But it was surprising though to note that with such a small difference, eBay announced its decision to sell 51% of their company shares to TOM Online, also a Chinese company in late 2006 (" eBay to Downgrade presence in China", 2006). The move was seen by several industry analysts as a sign of ceding to competition right before it even started. eBay can't afford to lose in China much less from competition. nFor instance, it has

already invested more than \$100 million dollars in order to develop the online market. Even Chinese analysts are considering eBay as a revolutionary company that helped shape e-commerce in the Asian country. eBay even pulled out of Japan after yahoo. com beat them out in the industry in order to focus more on the much larger opportunities of the Chinese online market. Right now, with the decisions that eBay is taking, it seems that the opportunities it first saw from China weren't as good as it was in the United States after all. Lack of Market Knowledge. eBay sort offailurein the Chinese and Korean market can directly be attributed to the lack of local market knowledge which is important in business transactions overseas. With a wild economy like China's, an opportunity is tantamount to risks that the company has to overcome and this heavily requires local knowledge. On the other hand, a heavy sense of nationalism from the part of the Koreans contributed to the demise of E-Bay in Asia. eBay committed this mistake after replacing much of the local Chinese executives in EachNet with mostly foreigners who have not much idea of the Chinesecultureafter the buy-out in 2004 (Carlson, 2006).

This became detrimental in the coming years for eBay as it wasn't able to sustain the market lead it initially had as compared to Taobao who is a local player in the first place (Hafner, 2006). eBay answered this by selling its shares to TOM Online in order to "customize" their market position in China (Charny, 2007). But it was at all different from what other people see of the company's performance. Although eBay had a steady market share of 53%, this rate was still far from expectations and eBay is paying more in investments than gaining profits (Hof, 2006). So in the end, analysts say that

the recent move for eBay to tie up with TOM Online is as good as saying, “We surrender”.

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