eBay in Mainland China

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Goals of the presentation

- Analyse the market entry of eBay to China
- Point out the unique circumstances of the Chinese market & the uniqueness of the customers

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Market Overview

Online Auction Market - China

<table>
<thead>
<tr>
<th>Year</th>
<th>Value in Mil. $</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1</td>
</tr>
<tr>
<td>2004</td>
<td>434</td>
</tr>
<tr>
<td>2008</td>
<td>544</td>
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Annual Growth rate

- 2004: 104%
- 2008: 119%

The world's largest C2C & B2C online marketplace
For appliances, computers, clothing etc. … almost anything

Sellers
Companies
Professionals
Private

http://www.ebay.com.cn

Active in over 30 countries
The Market

**Internet User - China**

- **2006**: 137 Mil.
- **2009**: 170 Mil.

**Annual Growth 124%**

E-Com. Revenue will twelfold till 2018 to $16 bil.

**Growth Drivers**

- Beijing
- Nanjing
- Dalian
- Guangzhou

**Competitors**

- Taobao.com
  - Owned by Alibaba & Yahoo
  - Comp. Adv.: online payments & Yahoo search.

- Baidu
  - Prepares market entry
  - Comp. Adv.: 60% search engine MS 2008
  - free of charge

**E-Com. Revenue will twelvefold till 2018 to $16 bil.**

**Growth Drivers**

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- Nanjing
- Dalian
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**Question Round**

1. **Why do you think that eBay failed in China the first time around?**
   What lessons in market entry strategies have you (eBay) learned from this experience?

2. **What are the unique challenges for a foreign business like eBay to enter the China and start its operations and sustaining growth in the China market?**

3. **What factors influence the successful introduction of new product/services to the Chinese consumers?**

4. **It appears that eBay has re-entered the China C2C market? If you were the new eBay China CEO, what would you do differently this time from the last time?**

5. **How do economic environment, politics, and policies affect business planning in China? Is contingency planning important for China?**
Question 1
Why do you think that eBay failed in China the first time around? What lessons in market entry strategies have you (eBay) learned from this experience?

Reasons

- No Product Adoption
  - In Chinese culture
  - Lack of market watch
  - Lack of customer focus
  - The rebate culture
  - Security concern
  - Buy in bulk

- Lack of Market Watch
  - Late reaction on Taobao market entry & free of charge policy
  - Eachnet stopped charging trans. fees until Jan, 2006

- Lack of customer focus
  - Service charge is too high
  - Small scale vendors switched to competitors

What lessons did we learn?

Local adaptation
- Business models can’t always be transferred.
- In China is a strong need for local adaptation.

Listen to the market
- It is important
- Don’t underestimate new & upcoming competitors
- Focus on customers

Don’t underestimate gov. regulations
- New law passed by the government
- Restricts the holding amount of stocks for foreign investors.

Question 2
What are the unique challenges for a foreign business like eBay to enter the China and start its operations and sustaining growth in the China market?

Challenges

- Government Regulation
  - Regulation limit Foreign investor:
    1. Different Law system: Common Law Vs Civil Law
    2. FDI Policy: Government also setup some rules for limit the FDI, e.g. Joint-venture, Foreign cannot own over 40% share.

- Truth and safety in Internet
  - E.g. network stability and security will affect the operation and development in China market
  - Network stability and security will affect the operation and development in China market
    - Slow network, network blocking, virus attacks, etc.
    - New law passed by the government
    - Restricts the holding amount of stocks for foreign investors.

Question 3
What factors influence the successful introduction of new product/services to the Chinese consumers?

Factors
- Brand name: brand equity, impression towards the brand
- Competition: whether the market is intensive or not
- Government Regulations/ policy: favorable vs. unfavorable
- Economic and political Environment: stable or not
- Culture context: culture adaptation is more important than new business modal.
- The understanding of the local market: consumption pattern, lifestyle...etc.

Question 4
It appears that eBay has re-entered the China C2C market? If you were the new eBay China CEO, what would you do differently this time from the last time?

What we would do different
- Local adaptation - Refers to competitors’ success
- Listen to the market is important -Keep an eye to competitors’ move.
- Counter solution towards competitors.
- Don’t underestimate the government. -Enhance the cooperation with the government.
- Guan Xi marketing

Question 5
How do economic environment, politics, and policies affect business planning in China? Is contingency planning important for China?

Answer 5
- Economic Environment
  - In the market
  - Fluctuate of economic affect price sensitiveness
- Political Environment
  - Relate to the view of the western countries
  - Tibet Event in 2008
  - Human right problem
  - Taiwan Problem
Conclusion

- was blinded by the opportunities of the chinese market
- overestimated own competencies & know how
- did not see the risks & challenges
- was market committed after huge investments

was overstrained with the international challenge China.

THANK YOU!!

Q & A Section