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Yahoo in Asian Auction Matchup with SINA

By Craig McGuire

Targeting China's blossoming online auction market, U.S. Internet and portal powerhouse Yahoo (Quote, Chart) is joining with Chinese Web portal SINA.com (Quote, Chart) to jointly launch a new web-based auction service.

In a joint statement, Yahoo and SINA revealed that the auctions-based e-commerce service will be aimed at small- and medium-sized businesses and buyers and sellers in mainland China. SINA officials said it was Yahoo's dominance with mainland Internetn audiences that convinced them to partner with the Sunnyvale, Calif.-based media company.

The co-branded venture, expected to be available to Chinese Internet sellers and buyers by as early as mid-year 2004, will provide both a fixed-price and bid-price model for the sale of consumer goods. The target markets will include major cities, such as Beijing and Shanghai, where incomes are the highest. Financial terms of the deal were not disclosed.

The deal could help Yahoo find new room for growth in a developing market. Unlike the U.S. internet auction market, which is dominated by U.S. auction giant eBay (Quote, Chart), the Chinese market is much less mature and possesses the obvious

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potential of a much larger user base.

Today, the Chinese Internet market is in its infancy, with only an estimated 5 percent of the population online. During the last five years, however, China has witnessed significant growth in its Internet user population. According to government stats via CNNIC (China Internet Network Information Center), there were 78 million Chinese Internet users as of December 2003.

"With the rapid growth of the Chinese Internet market, we see that all indicators point to a strong surge in Chinese e-commerce," SINA's CEO Yan Wang said in announcing the deal.

Partnering with a major Chinese Internet player such as SINA immediately gives Yahoo a local presence, a strategy eBay employed last year with its $30 million purchase of a one-third stake in SINA competitor EachNet, an online, person-to-person trading operation based in Shanghai.

At the time, eBay President and CEO Meg Whitman said that over the next three to four years, China's e-commerce revenue is projected to grow nearly twelve-fold, to more than $16 billion. As part of that deal, eBay negotiated the right to expand its ownership at a later date.

Meanwhile, EBay's step into mainland China followed closely an acquisition of NeoCom Technology Co. Ltd., a Taiwan-based operator of several P2P auction sites, in a $9.5 million deal.

However, at the time eBay exited the Japanese market after signing up only about 20,000 users in the face of strong competition from Yahoo. An eBay spokesman did not rule out a re-launch in Japan down the road.

On news of the deal, shares of SINA surged to a fresh 52-week high Wednesday to $48.80 before slipping back to $46.88 as of press time.

Following a 1.9 percent slide on Tuesday, shares of Yahoo ended down 1.9 percent at $48.80 ahead of the news. In morning and early afternoon trading, the company's shareprice continued to slide as investors awaited Yahoo's earnings, which are to be released after the markets close today.

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