

URL:

<https://stvp.stanford.edu/blog/videos/saving-a-failing-acquisition-ebay-auctionco-and-project-golden-bell>

Tilenius continues with the story of the acquisition and Project Golden Bell. A SWAT team was formed to find the right answer, she says. There were 3 platforms and 3 pricing strategies, which the SWAT team reduced to one platform and one pricing strategy. She talks about how they moved to an eBay auction model and restructured Auction Co. while understanding the new community.



## Transcript

What was our response? We formed a SWAT team with the Korean team.. So we brought over, in the nine months or so that we worked on this, we had about 30 people come over from eBay, from different parts of the organization.. Lynn came over.. Many of the folks from the products side in engineering.. We had people in marketing, category management, all the different functional areas at eBay.. And we formed a SWAT team and we called it Golden Bell.. The Korean team came up with this name.. And Golden Bell stands for the bell that the child has in the classroom rings when they get the right answer in Korea.. So the history of this is that the Korean team was trying to find the right answer.. And so Project Golden Bell involved essentially looking at the entire business, and revamping it from a products standpoint and pricing standpoint, the way that the business was managed organizationally, the way that the community was managed..

So it was a pretty much a wholesale effort to change the company.. Now, the good news is that it's much easier to do a turnaround in an environment where you have lead market share and you have good brand, and the community and the buying experience, at least what existed at that time, was well- received by the community.. So we had some definitely some things in our favor.. So what we did is we said, "OK, we need to start with the product." There were three platforms at the time.. They had literally three different engineering platforms: one for their B-to-C business; one for the C-to-C; and one for this other side that they were doing.. And literally everything was not connected.. So we said, "OK, we need one platform and we need one pricing strategy." They had different pricing for each of the different businesses.. So there was arbitrage opportunities between the businesses.. So we said, "Let's go to one platform.. We moved everything over..

So this was about a six-to-nine-month process of developing the right strategy of migrating the platform.. We put together one pricing model that made each of the different businesses consistent and there's a level playing field for sellers across the different business models, with the intention of moving everything to an auction-type model like eBay.. We tried to keep it really simple in terms of changing the user experience.. We tried to copy exactly what we saw was successful.. So group-buying was really eBay multi-item bin.. I don't know how familiar you are with eBay but you can essentially go on and buy multiple items at a fixed price.. And so we said, "This buying experience actually matched well to eBay.. It's the way that it's executed that doesn't match." And we realize we cannot have a bunch of category managers in the middle negotiating price and product each Monday.. Literally, every Monday, 300 merchants would be able to sell their stuff in Auction Co.. And it would go live on Monday after negotiating all week..

So we revamped the product.. We changed the pricing.. We restructured category management so that the category managers are now in-line with what folks in eBay do in terms of building products and services to help sellers succeed on eBay and enabling the marketplace.. We also had to restructure the company pretty substantially.. So we had to lay off a lot of people.. We moved the company from 320 to 120 people over a nine-month period.. And as you may know in Korea, lay offs are not allowed.. Actually, they are not legal, so it's called an early retirement program.. So we had to set up a situation where

people could elect to take an early retirement.. And that is the way things are done there, and if you don't execute that correctly, people will picket on the streets and you'll have labor unions at your door..

So that was very tricky.. We also had to be sensitive to the community and make sure we were doing the right thing by buyers and sellers in Korea.. We spent a lot of time.. We hosted big meetings with 200-300 members of the community at a time to get feedback.. And then once we made the decision to launch this new platform, we actually did training, like eBay University where we had 200 sellers at a time where we explained to them how the new dynamic marketplace is going to work and what they had to do to be successful.. So this was really a handful, and we had to do a lot in a short period of time.. The stock we bought in the company, the stock was at 24,000 Korean Won.. About four months into that, the stock was trading at 11,000 Korean Won.. So the value had really halved and we knew that we had to move quickly to at least maintain the momentum that we originally had going in the Auction Co.. having bought the company..

And we knew we could scale the business to profitability if we deployed the right strategy.. So we deployed Golden Bell.. I remember the day before we literally turned it on and we moved to one platform, the pricing and everything.. People stayed up all night.. We were a nervous wreck to see if it would work.. And thankfully, the next day, I'll never forget this, instead of having 300 merchants selling on the Monday that we typically did.. It was like a cartel where they had been negotiating to get in on that Monday.. We had over 7,000.. I mean instantaneously it was a marketplace.. And it was just so rewarding, and the Korean team was so relieved..

They were so nervous about this going in.. They didn't think that it was necessarily going to work.. So what happened? Today, IAC is a \$15 million business.. It has a 33% operating margin.. So literally about 12-15 months later, it is growing at over 50% a year, a \$15 million business with very high operating margin similar to eBay.. And the stock is at 85,000 Korean Won, and 75% of the business is C-to-C, which is the typical traditional eBay dynamic marketplace.. So it's been really a big success and the team over there is thrilled.. It has got new offices, and they're now, up to 180 people.. And everyone is really enjoying their success...