Amazon admits defeat against Chinese e-commerce rivals like Alibaba and JD.com

Amazon is shutting down its Chinese domestic e-commerce business, it told sellers on Thursday. By July 18th, Amazon.cn will no longer be open to third-party sellers, meaning it won't compete with the massive e-commerce giants of China, including Alibaba and JD.com. Amazon still plans to let Chinese customers shop at international versions of the site, including the company's American, British, German, and Japanese marketplaces. Amazon says it's reevaluating its fulfillment strategy in the country to meet those needs.

Amazon tells *The Verge* in a statement, "Over the past few years, we have been evolving our China online retail business to increasingly emphasize cross-border sales, and in return we've seen very strong response from Chinese customers. Their demand for high-quality, authentic goods from around the world continues to grow rapidly, and given our global presence, Amazon is well-positioned to serve them."

It notes that the business will continue in China in the form of its cloud computing division Amazon Web Services, sales of Kindle devices and ebook content, and accessibility to third-party sellers in China who want to reach global buyers. Amazon will also continue to operate a limited, cheaper version of its Prime subscription in China that does not include its on-demand video benefits.

Amazon quietly entered China in the early 2000s, but it ultimately couldn't compete with rivals that offered low, often free shipping, without requiring users to meet any minimum orders. Amazon, in comparison, to hit minimums of 59 yuan to 200 yuan ($8.79 to $29.81), depending on whether the

item was Prime eligible.

Chinese consumers, often spoiled by having sellers swallow shipping costs and offer overnight delivery to the same province, chose domestic companies like Alibaba's Tmall and Taobao. Amazon.cn holds just a 6 percent share of the Chinese e-commerce market, according to *The Wall Street Journal*, citing Nomura Securities. When I visited China last year, for instance, I was able to overnight a phone case from a Taobao seller in the same province, and the order only cost me a couple of dollars, which put it far under Amazon's required minimum for free shipping.

According to the *WSJ,* Amazon might merge its China operations with NetEase's Kaola. NetEase is known for its partnership with Blizzard Entertainment to operate local versions of *World of Warcraft* and *Overwatch* in China, but it also runs Kaola.com, an e-commerce platform that sells assorted goods, including diapers, beauty products, and Beats headphones. If a merger went through, Amazon would lose its name and operate under Kaola instead, but it could continue to reap profits in the region as a result. Amazon declined to comment on any potential merger plans.

eBay has similarly failed in China after investing hundreds of millions into domestic services in the country. After three years, eBay sold its operations in 2006, and it has stayed out since. Walmart similarly folded its Chinese operations into JD.com after years of trying to woo Chinese customers.

Outside e-commerce, other tech companies have gone head-to-head with domestic rivals, all with a similar conclusion: Google versus Baidu; Facebook versus WeChat; Apple versus

Huawei, Oppo, Vivo, and Xiaomi; and Uber versus Didi Chuxing, which is a rivalry that resulted in Uber selling its China business to its primary domestic competitor and effectively admitting defeat.

Conversely, Chinese giants find rare success abroad. AliExpress, similar to Amazon.cn, is Alibaba's effort to sell to Western consumers, but it still struggles to compete against Amazon in its home court.

Nick Statt contributed to this report.

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