

# ROAD TO INITIAL PUBLIC OFFERINGS (IPO): A CASE OF INTERNET ENTREPRENEUR IN TAIWAN

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**ABSTRACT - The aims of the case study are to discuss the booming internet entrepreneurship in Taiwan. We introduced a successful entrepreneur, Andy Guo, by his venture path. He started his internet business from a social media website, Atlaspost, in 2007. After running 24 shopping websites in a decade, his company, Guo Brother Inc., was listed at emerging Stock Market, Taiwan Stock Exchange in 2015 and is planning to be listed at over-the-counter market. Some questions are offered to be discussed for MBA students at Strategic Management course in the final section.**

**Keywords:** case study, entrepreneurship, e-commerce, online shopping

## 1. ONLINE SHOPPING IN TAIWAN

Online shopping has been booming the beginning of 21<sup>st</sup> century. With booming traffic on the web, from social advertising to shopping online, a new generation of internet entrepreneur is looking for being a successful businessperson by establishing internet based business. According to the report of accelerating the growth of E-commerce by Kantar World Panel, the growth rates of sales reached 28% around the world. Taiwan was the top 3 market in Asia after China and South Korea in terms of growth rates. The market value of Taiwan e-commerce was estimated around one 1 trillion NT dollars in 2015, according to the investigation by the Institute for Information Industry. One of the methods to measure the size of online

shopping platform is commodity volumes. In 2015, the top 10 ones in Taiwan were: (1) PChome Online, (2) momo Shopping Web, (3) GoHappy Shopping Web, (4) Yahoo Shopping Center, (5) UDN Buy, (6) U-Mall Shopping Web, (7) ETMall Shopping Web, (8) Chunghwa Benefit One Web, (9) PayEasy Online Shopping, (10) ASAP Shopping Web. However, the sizes among the top 10 are very different from the leader with more than 1 million items to just 150 thousand items for the last one.

EZprice comparison web divided goods at online shopping platforms into eight catalogs: popular commodities, groceries, Electronics & Computers, books, foods, daily supplies, Appliances and others. According to the survey in 2015 Q2, popular commodities are the most important category in Taiwan market, which account for 30 – 50% of revenues across the top 6 platforms.

## 2. THE ROAD TO INTERNET ENTREPRENEUR

Andy Guo is a successful entrepreneur in Taiwan. His company, Kuo Brothers, went to IPO in Taiwan Stock Exchange in 27 October, 2015. Kuo Brothers was one of handful internet companies listed in the Taiwan Stock Exchange. Mr. Kuo graduated from the Department of Civil Engineering, National Taiwan University (NTU) in 2000. His IT knowledge came from studying courses at the Department of Computer Science and Information Engineering, NTU, and then started writing programs at the period of national

service. Before went to do MSc in Computer Science at Stanford University in 2004, he elective eight IT courses from universities in Taiwan.

As a Stanford postgraduate, he realized it is possible to be an entrepreneur. Some of his classmates establish companies at the first year of postgraduate and sold these companies in the next year. However, as a foreign student, he went to Oracle, a giant in the IT industry, right after graduation form Stanford in order to obtain working visa. At Oracle, he was one of the 20,000 engineers at the first level. There were five levels between he and CEO of the Oracle, he felt it is almost impossible to be promoted as one of the executive officers in his career. Moreover, the decision process in the giant company is quite slow. For instance, every line you wrote had to be proved by your supervisor and progressively reported. In the end, the program you were coding in 2000 would go on market in 2012. One year later, he started his second job in Yahoo, a “small” but growing fast company in the IT industry. He was one of the 5,000 engineers at the first level and one of the seven members in his search engine team, which became 15 members in the following year. Working in Yahoo had more fun than in Oracle since the company is reverent smaller and less hierarchies.<sup>1</sup>

He decided to quit his job at Yahoo to go back to Taiwan after his wedding. After several interviews at IT companies in Taiwan, he started to regret his decision and wish to go back to USA because the salaries of IT companies were quite low. During the preparation of applying MBA in the USA, he tried to build a website and established his first search engine company with his brother: “My Home & Garden”<sup>2</sup> in

2007. They quick establish their second and third companies: “atlaspost”<sup>3</sup> and My Education<sup>4</sup>. Among the websites, Atlaspost was the most successful one to attract web visitors; they conducted some beauty competitions such as tall beauty, working beauty, collage beauty, skinny beauty and so on. Atlaspost, form map search engine transforming into social website, successfully attracted 3.5 millions visitors in a month in 2008. With the intention of providing service, they kept buying servers to fulfill the high volumes of page viewing and picture stockpiles. Sadly, such high numbers of visitors did not convert to cash flow, which they had believed to make profits.

Before the company running out of cash, Andy and his brother decided to change direction. They first searched what kind of internet businesses were booming in the USA. Groupon was their role model to run the next business. Just few days in building a website with a three member team, his intuition told him this is a successful model for internet business in Taiwan. The company soon moved all staff form Atlaspost into Groupon for Millions. It was the first business to bring them positive cash flow. Although some of the Atlaspost visitors could not accept a social website transforming into commercialized one, they became the biggest grouponized website within three months in Taiwan. One day, they received a letter form Groupon USA inviting them to discuss business in Hong Kong. Members for Groupon USA gave them one hour to consider whether they accept the merger terms. After several rounds in negotiating, Guo brothers agree the Atlaspost to be merged as Groupon Taiwan in December, 2012. Mr Guo stayed as general manager in the Groupon branch only for 15 months.

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<sup>1</sup> (2012) HK Silicon Valley website. [Online]. Available: <http://www.hksilicon.com/articles/108719>

<sup>2</sup> (2012) HK Silicon Valley website. [Online]. Available: <http://www.hksilicon.com/articles/108720>

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<sup>3</sup> (2007) Business Next Publishing Corp website [Online]. Available: <http://www.bnnext.com.tw/article/view/id/9718>

<sup>4</sup> (2012) Manager Today website [Online]. Available: <http://www.managertoday.com.tw/articles/view/11648>

Since Groupon USA knew no one could be the successor, he spent another 17 months to find a new general manager for Groupon Taiwan before leaving this company<sup>5</sup>.

### 3. SECOND VENTURE

In May 2012, Andy with his brother began their second venture, Guo Brother Inc.<sup>6</sup> What kind of business model could be successful? With the victorious experience of Groupon Taiwan, they believed one internet business can be booming in the USA then it could be successful one in Taiwan. Spending months in reading venture magazines and browsing relevant websites, they launched five commercialized websites: Photo123, buy-clothes Web, Good-vegetables Web, Name Cards Web, Ggood-fishes Web<sup>7</sup>. Why they started on several websites of specialized goods instead of a comprehensive website selling all kinds of goods? Andy said there is a giant competitor, PChome Online Shopping Center, and he did not want to be the same one. The PChome is more likely a department store, but his websites are similar with specialty stores, which customers reckon the quality in these stores would be better. However, each website had its own disadvantage. For instance, Photo scanning was a successful business in the USA. Internet companies providing this service can ship tons of photos to India for cheap labor but charge high price from US customers. However, Taiwanese customers demand fast delivering but paying less.<sup>8</sup>

After one year for try-and-error, Guo Brother merged these websites as Buy123 but kept the concept of specialty store. Within the “Life Market”, “Delicious

Home Delivery”, “Fresh Market”, “Electronics Market, Big Discount, are comprised, these internet shops launched between December, 2012 and September, 2014.

In 2013, National Development Fund, a Venture Capital running by Taiwanese government, invested Guo Brother in A round<sup>9</sup>. This company only spent three years from establishment to IPO, is third internet companies listed at emerging stock market of Taipei Exchange after Sunfun Company<sup>10</sup> and Addcn Company.<sup>11</sup> The Sunfun established in 2002 and started up the dating website, “Love Apartment” (i-part), in August, 2003. In 2013, this internet company went to IPO and is the biggest dating website with 7 million members in Taiwan. The Addcn founded in 2007 and is running 10 websites: “8591 online game trading Web”, “591 House Trading Web”, “8891 used car trading Web”, “8891 New Car Trading Web”, “101 original T-shirt”, “101 Boutique”, “591 house trading HK”, “518 Job Bank”, “518 yellow pages”, “518 outsourcing”. In 2012, the Addcn was the first internet company for IPO in Taiwan. Financial comparisons of these three companies are shown in the Tables 2- 4.<sup>12</sup>

Guo Brother Inc. is planning to be listed at over-the-counter market, Taiwanese Stock Exchange before 2017, one year after listed at emerging stock market. Can Guo Brother Inc keep growing in high speed for next five years and to be one of the online shopping giants?

<sup>5</sup> (2012) Business Next website [Online]. Available: <http://www.bnext.com.tw/article/view/id/22171>

<sup>6</sup> (2016) Kuobrothers Corp. website. [Online]. <http://kuobrothers.com>

<sup>7</sup> (2012) INSIDE website. [Online]. Available: <http://www.inside.com.tw/2012/05/08/photo123>

<sup>8</sup> (2014) SMES Small and Medium Enterprises website. [Online]. Available: [http://www.smes.org.tw/trends\\_news.php?n=171](http://www.smes.org.tw/trends_news.php?n=171)

<sup>9</sup> (2014) Tech Orange [Online]. Available: <http://buzzorange.com/techorange/2014/02/26/interview-with-jerry-kuo-2014/>

<sup>10</sup> (2016) Sunfun Info Co., Ltd. website. [Online]. <http://i-part.com.tw>

<sup>11</sup> (2016) Addcn Technology Co., Ltd website. [Online]. <http://addcn.com.tw>

<sup>12</sup> (2016) Taipei Exchange website. [Online]. <http://www.tpex.org.tw/>

**4. DISCUSSION**

1. What are the advantages and disadvantages of funding ten shopping websites in a year?
2. Why the Groupon closed its business in Taiwan just 5 year after it merged Atlaspost?
3. Is it possible that Andy Guo can replicate his successful business model to South East Asia?
4. How a start-up internet company can seek funding before "A round" funding?
5. Why Andy went to IPO his company instead of selling it?

**5. APPENDIXES**

**TABLE 1**  
**RANKING OF ONLINE SHOPPING**  
**PLATFORMS BY NUMBER OF ITEMS**

Ranking	Web Name	Number of items
	PChome Online	
1	<a href="http://shopping.pchome.com.tw/">http://shopping.pchome.com.tw/</a>	1,172,500
2	momo Shopping Web <a href="http://momoshop.com.tw/">http://momoshop.com.tw/</a>	634,200
3	GoHappy Shopping Web <a href="http://gohappy.com.tw/">http://gohappy.com.tw/</a>	580,000
4	Yahoo Shopping Center <a href="https://tw.buy.yahoo.com/">https://tw.buy.yahoo.com/</a>	520,400
5	UDN Buy <a href="http://shopping.udn.com/">http://shopping.udn.com/</a>	343,300
6	U-Mall Shopping Web <a href="http://u-mall.com.tw/">http://u-mall.com.tw/</a>	309,600
7	ETMall Shopping Web <a href="http://etmall.com.tw/">http://etmall.com.tw/</a>	279,300
8	Chunghwa Benefit One Web <a href="https://mybenefit.com.tw/">https://mybenefit.com.tw</a>	212,700
9	PayEasy Online Shopping <a href="http://payeasy.com.tw/">http://payeasy.com.tw/</a>	169,600
10	ASAP Shopping Web	150,100

<http://asap.com.tw/>

**TABLE 2**  
**WEBSITES RUNNING BY THE THREE IPO**  
**COMPANIES**

Guo Brother (8477)	
Web Name	Website
Atlaspost	<a href="http://atlaspost.com/buy">http://atlaspost.com/buy</a>
Life Market	<a href="http://buy123.com.tw">http://buy123.com.tw</a>
Delicious Home Delivery	<a href="http://food123.com.tw">http://food123.com.tw</a>
Fresh Market	<a href="http://fish123.com.tw">http://fish123.com.tw</a>
Electronics Market	<a href="http://fun123.com.tw">http://fun123.com.tw</a>
Big Discount	<a href="http://sale123.com.tw">http://sale123.com.tw</a>
Sunfun (5278)	
Web Name	Website
Love Apartment	<a href="http://www.i-part.com.tw">www.i-part.com.tw</a>
Addcn (5287)	
Web Name	Website
8591 online game trading Web	<a href="http://8591.com.tw/">http://8591.com.tw/</a>
591 House Trading Web	<a href="http://591.com.tw/">http://591.com.tw/</a>
8891 Used Car Trading Web	<a href="http://8891.com.tw/">http://8891.com.tw/</a>
8891 New Car Trading Web	<a href="http://c.8891.com.tw/">http://c.8891.com.tw/</a>
101 original T-shirt	<a href="http://101.com.tw/">http://101.com.tw/</a>
101 Boutique	<a href="http://101vip.com.tw/">http://101vip.com.tw/</a>
591 house trading HK	<a href="http://591.com.hk/">http://591.com.hk/</a>
518 Job Bank	<a href="http://518.com.tw/">http://518.com.tw/</a>
518 yellow pages	<a href="http://yp.518.com.tw/">http://yp.518.com.tw/</a>
518 outsourcing	<a href="http://case.518.com.tw/">http://case.518.com.tw/</a>

**TABLE 3**  
**COMPARISON OF ACCUMULATED**  
**CONSOLIDATED BALANCE SHEET, Q4 2015**  
**(UNIT: 100 MILLIONS)**

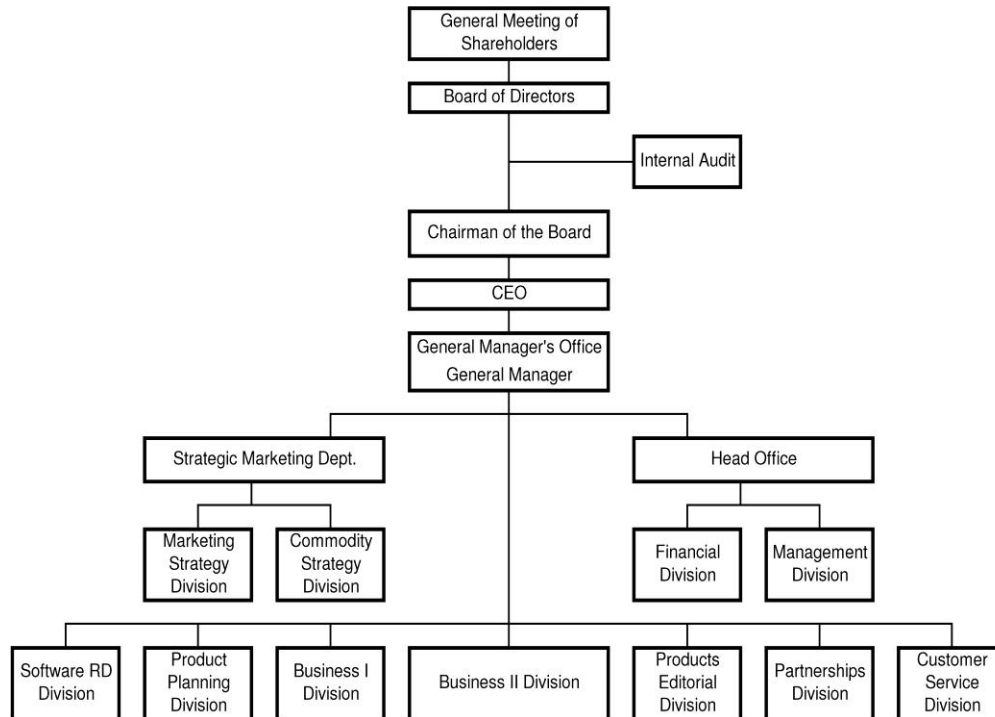
	Guo Brother	Sunfun	Addcn
Total Current Assets	5.06	2.02	12.55
Funds And Long-Term Investments	-	0.21	1.1

Total Property , Plant, And Equipment	0.02	0.05	7.05
Total Intangible Assets	0	0.05	1.34
Deferred Income Tax Assets	0.01	0.05	0.2
Total Other Assets	0.02	0.11	0.14
Total Assets	5.11	2.49	22.39
Liabilities			
Total Current Liabilities	2.8	0.6	3.7
Total Other Liabilities	-	-	0.23
Total Liabilities	2.8	0.6	3.93
Stockholders' Equity Abstract			
Total Capital	1.57	1.27	4.1
Total Additional Paid-In Capital	0.27	1.61	7.66
Total Retained Earnings	0.46	-0.91	6.79
Total Equity Adjustments	-	-0.08	-0.13
Stockholders' Equity Of Parent Co.	-	1.89	18.41
Minority Interest	-	-	0.04
Total Stockholders' Equity	2.31	1.89	18.46
The Net Asset Value Of Each Share	14.68	14.85	44.97

Gains			
Net Profit (Loss)			
Pre-Tax Income	0.52	-0.71	5.99
Income Tax Expense	0.09	0	1.01
Income From Continuing Operation	0.43	-0.71	4.98
Consolidated Net Income	-	-0.71	4.98
Net Income Of Minority Interest	-	-	0
Net Income	0.43	-0.71	4.98
Earning Per Share	2.81	-5.68	12.16

**TABLE 4**  
**COMPARISON OF ACCUMULATED**  
**CONSOLIDATED INCOME STATEMENT, Q4**  
**2015 (UNIT: 100 MILLIONS)**

	Guo Brother	Sunfun	Addcn
Operating Revenues	24.17	2.43	13.56
Operating Costs	20.24	0.5	2.68
Gross Profits	3.93	1.94	10.88
Operating Expenses	3.5	2.66	5.2
Operating Incomes	0.42	-0.72	5.67
Total Non-Operating	0.1	0.01	0.31



**Chart 1 Organizational Chart for Guo Brothers Inc.**