Why Did eBay Choose To Buy Skype?

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The main reason behind eBay's purchase of Skype was to increase its customer base for voice-over-internet protocol services, in addition to eBay's current transaction fees. eBay was founded in 1995. It pioneers communities sustained by trust and built on commerce. With its array of websites, eBay enables e-commerce on international, national and local bases. With the use of PayPal, eBay Marketplace, shopping.com, and rent.com, eBay brings together millions of sellers and buyers every day. At the time of the acquisition, Skype was a rapidly growing global internet communications company that allowed its customers to make free voice and video calls over the Internet. Since the launch of Skype in 2003, it had been downloaded widely across many countries. Skype was viewed as a strong option for creating a more powerful environment for business over the Internet and improving communication between eBay users. Microsoft later retired the standalone Skype service on May 5, 2025.

What did eBay think it would gain from this purchase?

At the time of the acquisition, eBay expected Skype to support pay-per-call opportunities and improve communication between buyers and sellers. Contemporary reports described Skype as having about 54 million members across 225 countries and adding more than 150,000 new users per day; these figures are historical acquisition-era data, not current service statistics. With the help of the acquisition, eBay hoped to improve and enhance communications between sellers and buyers. This would allow buyers and sellers to speak with each other. With the help of this communication, the buyer would have all the information that he or she wanted from the seller for a specific product or service. From a seller's point of view, sellers would have the benefit of building a strong relationship with the buyers that would ultimately help them to have more and more buyers. According to the top officials of eBay, the main purpose of eBay was not only to transform itself into a phone company but also to emphasise the importance of communication to the core of community and e-commerce, which is why Skype was considered a strong option for creating an extraordinarily powerful environment for business over the internet. By considering this acquisition as a business opportunity, Skype could increase the velocity of trade on eBay by adding a voice bargaining option (Collier, 2016).

How did eBay go about making the decision?

The early fall of 2005 was full of speculation about the future of the biggest giants of the internet industry, such as Yahoo, Google, and eBay. These companies were consistently struggling to gain market share and to increase their user base. All of these companies were looking for extensions by which they could target their markets of potential customers. The acquisition made by Yahoo for the purchase of Dialpad and the introduction of Google Talk by Google show their concern for a market extension. Soon after these developments, eBay announced the purchase of Skype for $4 billion. Although eBay has been successful in integrating new businesses like PayPal, many doubt whether this acquisition of a totally different domain will provide better results. The reaction to this acquisition was mixed. Soon after the acquisition, the price of eBay fell by 4% (Vitzthum et al., 2009). In the acquisition phase, eBay acquired all of the outstanding shares of Skype for approximately $2.6 billion. Shareholders of Skype were provided with the option to get all the cash in exchange for their shares at once or with the passage of time.

Works Cited

Vitzthum, Sascha, and Benn Konsynski. “EBAY’s Acquisition of Skype SA: Valuing the Voice of the Buyer.” Communications of the Association for Information Systems 24.1 (2009): 6.

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