

Ebay is the World's Online Marketplace

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Abstract: *The alarm clock hasn't even gone off yet," Jeff Bezos, founder and chief executive of global e-commerce behemoth, Amazon, says of the US e-commerce market, about 20 years after it came about in that country. By that yardstick, the market in India isn't even a peck, considering only 11 per cent of the country's population uses the internet. But there are definite signs soon, Indian ecommerce, pegged at 47,349 crore in 2012 (including online travel bookings). According to a study by the Internet & Mobile Association of India and KPMG, would be a force that would take on physical retail head on, possibly forcing the closure of many brick-and-mortar stores.*

E commerce in India has grown from 19,249 Crore In 2009 to 47,349 crore in 2012 and expected to grow 62,967 crore in 2013.

According to the study, by the end of this year shows the potential in this space. In India, the category took off with a deluge of portals, including those focused on travel, media and jobs, at the turn of the century, building into a bubble that burst systematically in ensuing years. Now, just a handful of serious players are left in this sector.

Expected to contribute around 4% to GDP by 2020. Online travel, which grew 30% last financial year, makes up for 71 % of e-commerce in India. E-tailing segment has increased 59% from last year; share in ecommerce rose to 16 per cent in 2012 from 10 per cent in 2011. Internet reaches 11% of India's population against 34% world average. eBay, Inc. is the largest and most popular marketplace on the Internet, allowing members to buy and sell almost anything. Launched in 1995, about 147 million people now use eBay. An estimated 430,000 people in the United States make all or most of their living by selling on eBay. eBay's online payment service, called PayPal, enables transactions nearly anywhere in the world. eBay proclaims "trust" between buyers and sellers as the key to the success of the marketplace. eBay is the "The world's Online Marketplace", which is its positioning statement, and it means many things about the company's identity. It enables trade on local, national and international basis, with a diverse and passionate community of individuals and small businesses. eBay offers an online platform where millions of items are traded each day. The objective at eBay was to "to develop the work ethic and culture of eBay as a fun, open and trusting environment and to keep the organization focused on the big picture objectives and key priorities.

*This case intends to study the click and click business model of eBay, whose competitive advantage lies in its pure play strategy, a breakthrough from the traditional brick and mortar model, which leads to Sustainable growth and a competitive edge over the other retailers. eBay is one of the only major Internet "pure plays" to consistently make a profit from its inception. **What is eBay's business model? Why has it been so successful? eBay makes every effort to conceptualize its users as a community (as opposed to, say "customers" or "clients"). What is the purpose of this conceptual twist and does eBay gain something by doing it?***

The whole case will based on the above raised questions to achieve excellence in strategic management for improving the company's strategy, sustaining the company's growth and business performance, and potentially expanding from online auctions into general "etailing", and to become "the world's largest online mall- Ebay".

Keywords: *Online marketplace, retailing, eBay, online auctions, e-commerce*

Introduction:

eBay is The World's Online Marketplace™. Founded in 1995, eBay created a powerful platform for the sale of goods and services by a passionate community of individuals and businesses. On any given day, there are millions of items across thousands of categories for sale on eBay, as well as on Half.com, eBay's site dedicated to fixed price trading. eBay enables trade on a local, national and international basis with customized sites in markets around the world.

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eBay offers a wide variety of features and services that enable members to buy and sell on the site quickly and conveniently. Buyers have the option to purchase items in auction-style format or items can be purchased at fixed price through a feature called Buy-It-Now. In addition, items at fixed price are also available Half.com, an eBay company.

eBay is dedicated to its community of members, and has numerous services which enhance the trading experience. Our marketplace services include: online payments by PayPal; wide array of Buyer and Seller tools; and Preferred Solution Provider programs.

Pierre wanted to name the company Echo Bay. However, another company had registered echobay.com. As a result, he chose eBay. Pierre had strong opinions about the unfairness of many market arrangements eBay set out to create an intermediary that helps buyers meet sellers. Unlike the traditional retailer model adopted by Amazon, eBay has created a unique business model. The company makes money by matching buyers with sellers. Sellers ship the items directly to the buyers. As a result, eBay does not have any distribution or fulfilment cost which gives it a tremendous advantage.

eBay -“The world’s Online Marketplace”:

eBay establishes itself as the “The world’s Online Marketplace” .Coincidentally, it is also the positioning statement of eBay,which itself means many things about the company’s identity, it enables trade on local, national and international basis, with a diverse and passionate communityof individuals and small businesses, Bay offers an online platform where millions of items are traded each day.

According to company lore, the idea for eBay came from founder Pierre Omidyar’s wife, who wanted to trade Pez dispensers with other collectors over the Internet. In truth Omidyar had been pondering an Internet auction venture before he was ever aware of Pez mania. He says that he had been thinking about how to create an efficient marketplace-a level playing field, where everyone had access to the same information and could compete on the same terms as anyone else.”

After writing the code for the site, Omidyar launched eBay from his home in mid-1995.the concept of an Internet marketplace caught on so quickly that by the end of the year, eBay was getting a few thousand hits daily. Even more impressive the website was profitable from its inception. The objective at ebay was to develop the work ethics and culture of eBay as a fun, open and trusting environment and to keep the organization focused on the big picture objectives and key priorities.

Ebay went public in September 1998 at \$18 a share. By early march 1999, the stock was trading approximately b\$282 per share. The company market capitalization had surpassed that of even Amazon.com, making it the world’s most valuable Internet retailer.

eBay is the leading global brand for online auctions. The company is a giant marketplace used by more than 100 million people to buy and sell all manner of things to each other. Pierre Omidyar, a French entrepreneur, was just 28 when he sat down over a long holiday weekend to write the original computer code for what eventually became an Internet megabrand. The brand has grown tremendously over the decade or so since its conception.

The world’s largest online marketplaces, where anyone can buy and sell practically anything. Founded in 1995, eBay connects a diverse and passionate community of individual buyers and sellers, as well as small businesses. Their collective impact on ecommerce is staggering; in 2011, the total value of goods sold on eBay was \$68.6 billion — more than \$2,100 per second.

PayPal is the faster, safer way to pay and get paid online, via mobile devices and in store. The service allows people to send money without sharing financial information, with the flexibility to pay using their account balances, bank accounts, credit cards or promotional financing. With more than 117 million active accounts in 190 markets and 25 currencies around the world, PayPal enables global commerce. PayPal is an eBay (NASDAQ:EBAY) company. PayPal is headquartered in San Jose, Calif. and its international headquarters is located in Singapore. More information about the company can be found at www.paypal.com.

Acquired by eBay Inc. in 2011, GSI is a leading provider of ecommerce and interactive marketing services for the world’s premier brands and retailers The company exploits the benefits of Customer Relationship Management (CRM). Buyers and sellers register with the company and data is collected by eBay on individuals. This is the Business-to- Consumer (B2C) side of their business. However the strong customer relationships are founded on a Consumer-to-Consumer (C2C) business model, where strong interrelationships occurs, for example where buyers and sellers leave feedback for each other, and whereby awards are given to the most genuine of eBayers.

The term 'eBay' has become a generic term for online auctions. Other companies with such a strong position include Hoover for vacuum cleaners and Google for search engines. Today it is common to hear that someone is 'ebaying' or is an 'eBayer,' or that someone is going 'to eBay.'

Weaknesses of eBay were as below, The organizations work tremendously hard to overcome fraud. However, the eBay model does leave itself open to a number of fraudulent activities. Often the company deals with such activities very quickly. Fraud includes counterfeit goods being marketed to unsuspecting (and suspecting!) eBayers. Other forms of theft could include the redistribution of stolen goods. It should be pointed out that fraud and theft are problems with individuals, not eBay. The weakness is that unscrupulous individuals can exploit the C2C business model. As with many technology companies, systems breakdowns could disturb the trading activities of eBay. In the past both eBay and its payment brand Pay pal have encountered shutdowns and outages. As technology improves such a weakness is less and less of an issue.

Opportunities that eBay had were tremendous and invincible. They are: Acquisitions provide new business strategy opportunities. eBay's latest venture is it has agreed to buy online telephone company Skype Technologies in a deal reported to be worth \$2.6 billion. Skype's software lets PC users talk to each other for free and make cut-price calls to mobiles and landlines. eBay has been buying up firms - including payment system PayPal - in an effort to increase the number of services it offers to consumers and keep its profits growing. New and emerging markets provide opportunities (Market Development). Countries include China and India. There, consumers are becoming richer and have more leisure time than previous generations. Aspirating consumers are growing segments in many developing nations. There are also still opportunities in current markets (Market Penetration). Western Europe and the USA still have many potential consumers that have yet to discover the benefits of online auctions. Remember products have life cycles that eventually come to an end, and such products are ideal for selling and buying on eBay.

Even a mammoth organization like eBay faces threats, which can be like as below: As with many of the global Internet brands, success attracts competition. International competitors competing in their domestic markets may have the cultural experience that could give them a competitive advantage over eBay. In fact eBay has found that it has met with other USA based Internet companies when trading overseas. For example, Yahoo! Dominates the Japanese market.

Attack by illegal practices is a threat. As with weaknesses above, the brand is attacked by unscrupulous individuals. For example e-mails are sent to unsuspecting eBayers pretending to come from eBay. Logos and the design of the pages look authentic. However they are designed so that you input private information that the thieves can use to take passwords and identifications. -

So beware!

Some costs cannot be controlled by eBay. For example delivery charges and credit card charges.

If fuel prices were to rise, the cost is passed on to the consumer in terms of delivery and postal fees. This could make the overall cost of an auctioned item too expensive. Similarly, if a credit card company such as Visa or MasterCard imposed a charge for online transaction, the total cost of the same items would increase with similar consequences.

Today, the eBay community includes more than a hundred million registered members from around the world. People spend more time on eBay than any other online site, making it the most popular shopping destination on the Internet.

Value Chain Analysis

The value chain is a systematic approach to examining the development of competitive advantage. M. E. Porter created it in his book, *Competitive Advantage* (1980). The chain consists of a series of activities that create and build value. They culminate in the total value delivered by an organization.

Primary Activities

The 'margin' depicted in the diagram is the same as added value. The organization is split into 'primary activities' and 'support activities.' Primary activities include inbound logistice, outbound logistics, marketing and sales, operations, and service, which are discussed as below:

Inbound Logistics

eBay operated as an online venue for buyers and sellers, sellers listed items and provided descriptions, often including photographs, an auction was conducted, in which potential buyers could bid on the item on sale until a fixed time (unlike traditional auctions, which continued until no more bids were placed), the sellers specified the conditions of the auction, as well as the time the auction would close, bidding was often active as

the auction neared closing time, sometimes driven by automated “sniping” programs that some buyers used their bid in just before the auction closed, so these created an interesting and involving environment

Operations

One incident, in 1997, there were forty categories of items for sale, the posting of antiques and collectibles had increased dramatically, and additional categories for these items were needed, eBay evaluated the items listed and developed many new listing categories, without even consulting the community, it doesn't have to bother about goods which are to be manufactured or assembled and individual operations, Bay was not bothered about the operations aspect of any goods, it only provided a virtual roof for enabling transactions.

Outbound Logistics

eBay acted as an online auction site so they need not be worried about goods being sent along the supply chain to wholesalers, retailers or the final consumer.

Marketing and Sales

eBay's fundamental challenge was to establish trust among remote and anonymous traders who might never interact again, it had a feed back system for building reputations, community members could use a number of tools to make their transactions secure. Most purchases on eBay were protected by an insurance policy administered by Lloyd's of London as part of the standard eBay service and protected at no charge to the buyer, high value transactions were protected by Tradenable, a third party escrow service company.

Sales outside the eBay marketplace were a concern for eBay an enterprise, since it did not receive fees for such off-site transactions. The company also believed such that off-site transactions deprived the participants of eBay's services in case of problems. eBay formed groups called “voices”, they agreed to participate for one year without any compensation, it established a group for community support and relations, true customer orientated fashion, at this stage the organization prepares the offering to meet the needs of targeted customers. This area focuses strongly upon marketing communications and the promotions mix.

Service

eBay community flourished, this community was analogous to a real world society, in which people interacted with each other under a set of shared rules and expectations, this excludes all areas of service such as installation, after-sales service, complaints handling, training and so on.

Procurement

eBay need not be worried about procurement; (this function is responsible for all purchasing of goods, services and materials, the aim is to secure the lowest possible price for purchases of the highest possible quality. But, eBay only provides a platform for online trading to take place, doesn't take possession of the items being sold, this reduces inventory management costs. Technology Development eBay operated as an online venue for buyers and sellers; technology is an important source of competitive advantage. eBay uses online option to innovate, to reduce costs and to protect and sustain competitive advantage. This includes Internet marketing activities, lean manufacturing, Customer Relationship Management (CRM), and many other technological developments. Human Resource Management (HRM)

Employees are an expensive and vital resource. An organization would manage recruitment and selection, training and development, and rewards and remuneration. The mission and objectives of the organization would be driving force behind the HRM strategy. eBay's strategy of developing a community whose members are anonymous, trust among traders still prevailed, is indeed incredible,

Firm Infrastructure

This activity includes and is driven by corporate or strategic planning. It includes the Management Information System (MIS) and other mechanisms for planning and control such as the accounting department. But eBay has created an online marketplace, it operated much like a newspaper-classified section, it facilitated person-to-person transactions but did not take possession of the items being sold.

eBay's strategy:

eBay community values are incredibly amazing since it focuses on trading millions of dollars on mere faith and trust among the community members. Its values can be cited as below, “We believe people are basically good.

We believe everyone has something to contribute

We believe that an honest, open environment can bring out the best in people.

We recognize and respect everyone as an individual.

We encourage you to treat others the way you want to be treated”.

These community values mean that the entire strategy lies in “trust” to build e-loyalty, for long term profitable relationships, these set of core values encourages open and honest communication between its members.

Corporate strategy

The whole foundation of eBay, lies on the idea that practically anything that can be bought and Sold, can be facilitated through this Internet retailer, and this auction platform provider was implementing the concept of e-commerce even more forcefully.

“We help people trade practically anything on earth and conduct commerce through the Internet on a global basis” is certainly eBay’s business model .This model was so effective and efficient in conducting transactions that more and more people preferred to trade online, so that they can enjoy the comfort at home or work-places and still buy things online just by the click of the mouse.

The first strategy is creating an insurmountable customer base, that is

(1) Establishing a larger user base

To attract new users, eBay established relationships with more than 60 websites, including America online which gave eBay the largest access to the largest user base on the internet and prevented AOL from entering the auction arena, bay also added dealer to person trading and addresses the fast growing and fragmented small business market by creating a feature called business exchange, where businesses could buy or sell new, used or refurbished business merchandise and professional tools in their local market.

The second strategy is:

(2) eBay concentrated on local and international trading

eBay has local sites in 53 U.S markets they deliver distinct regional flavors and give users the convenience of shopping locally for difficult –to ship items such as automobiles or antique furniture. The company also built a truly global presence with users in more than 150 nations.

The third strategy is:

(3) Creating a strong brand

For eBay’s first few years it did not spend a single penny on marketing, relying instead on viral marketing and its ability to piggyback on competitors ceaseless (and expensive) efforts to retain

The fourth strategy is:

(4) Broadening the trading platform

By 1999, eBay’s fourth year, a host of competitors had entered the online auction market, while eBay had the first entry advantage, not all of its competitors were small start ups, some including yahoo and Amazon were internet significant players with extensive, established user bases. Ebay’s response was to extend its core business into other attractive niches, the company introduced higher priced product categories, a move that would increase its profit margin dramatically while requiring minimal infrastructure and operating expenditures. The only caveat was that the company needed to develop a new skill set-to overcome this obstacle eBay made several acquisitions, starting with auction house Butterfield and Butterfield, the marriage of offline and online auction houses revolutionized the way that fine antiques and collectibles were bought and sold, allowing users to place real-time bids for items on offline auction house floors.

The fifth strategy is:

(5) Maintaining a strong community affinity

The company believes that fostering direct interaction between buyers and sellers with similar interest had enabled it to create loyal, active community of users, As noted earlier this emphasis on community building has been present since eBay’s founding.

(6) Continually enhancing site features and functionality

Because eBay’s strategy is to be as hands-off as possible when it comes to transactions, the company has to provide a reliable and straight forward way for users to manage the process on their own, buying and selling on eBay are made easy for users to manage the process on their own. Sellers need do little more than write a

compelling description of the item up for auction, provide a suitable photograph, and decide how many days the auction will last.

To enhance the payment component of the customer experience, an admitted difficulty for most buyers and sellers, eBay acquired a company called Billpoint, whose online bill payment service facilitates credit card payment between buyers and sellers.

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eBay's Growth:

Unlike Amazon, eBay has been very focused as a service provider. The major variation from this strategy has been the purchase of Half.com, which is a fixed-price retailing operation. This is a place where consumers can go to buy new items. In addition, the company recently acquired Paypal, a leading provider of person-to-person payment services.

eBay has many other service operations:

- eBay International. eBay has consciously tried to create a global marketplace. Even though users from other countries may bid on U.S. auctions, the legal and financial barriers prevent easy trading. Country-specific sites are seen as the way to overcome this. As of now, eBay has country-specific sites in Austria, Australia, Canada, France, Germany, Ireland, Italy, Japan, Korea, New Zealand, Switzerland and the UK.
- eBay Motors. In addition to selling used cars online, this site features motorcycles, as well as auto parts. The company has created a unique trading environment with services such as financing, inspections, escrow, auto insurance, vehicle shipping, title & registration, and a lemon check.
- eBay Stores. eBay Stores expands the marketplace for sellers by allowing them to create customized shopping destinations.

eBay local trading

eBay's powerful vortex is drawing diverse products and players into its profitable economy, driving its sellers into the heart of traditional retailing, a \$2 trillion market. Among eBay's 12 million daily listings are products from giants such as Sears Roebuck, Home Depot, Walt Disney, and even IBM. More than a quarter of the offerings are listed at fixed prices. The result, says Bernard H. Tenenbaum, president of a retail buyout firm, is "They're coming right for the mainstream of the retail business. Then there is eBay Motors. When eBay manager Simon Rothman first recognized a market for cars on eBay in early 1999, he quickly realized that such high-ticket items would require a different strategy than simply opening a new category. To jump-start its supply of cars and customers, eBay immediately bought a collector-car auction company, Kruse International, for \$150 million in stock, and later did a deal to include listings from online classifieds site, AutoTrader.com. Rothman also arranged insurance and warranty plans, an escrow service, and shipping and inspection services.

This approach worked wonders. Sales of cars and car parts, at a \$5 billion-plus annual clip, are eBay's single largest market. That has catapulted eBay in front of No. 1 U.S. auto dealer AutoNation in number of used cars sold. "eBay is by far one of my better sources for buyers," says Bradley Bonifacius, Internet sales director at Dean Stallings Ford in Oak Ridge, "eBay is the leading global brand for online auctions. The company is a giant marketplace used by

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Conclusion

eBay's strategy of providing a safe trading place on the internet, the eBay community has flourished, by not only providing an efficient medium for people to buy or sell items directly from or to a large member of people, it's a forum where buyers and sellers, develop reputations and in some cases, it can change people's lives. This case study was of interest to the authors because it was intended to analyze the case from a strategic viewpoint. This attempt requires more information and data, which could provide ground to understand its strategy in a better way.

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