

Ebay competitive advantage



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The main purpose of this report is to analyse how eBay's strategic capabilities might provide sustainable competitive advantage, also propose and justify a structural type for eBay which would maximise its strategic capabilities. The author will start by introducing eBay according to the case study " Making eBay work", critically analyse strategic capabilities, competences and core competences as well as their implications in relationship with eBay's organisation structure and how they will enable eBay to sustain competitive advantage so as to maximise its business objectives. Morgan-Thomas and Paton (2007) classified firms like eBay as a cyberspace founded organisation that use the internet to carry out its business transactions, which makes eBay to have the capability of being on the internet to showcase its products and services. Not only did Segal (2005) argued that when eBay enter into an advertisement alliance with other firms like yahoo etc., it will enable eBay to use the competences and core competences of those firms to sustain its competitive advantage, but also Johnson et al (2009) emphasise that a firm's competences include skills and abilities used to distribute its resources effectively, while core competences involve those activities a firm uses to maintain its competitive advantage which cannot be imitated easily by its competitors because they are internally and externally inter-linked with the organisation and its customers.

2. 0. STRATEGIC CAPABILITIES AND eBay's COMPETITIVE ADVANTAGE

According to Johnson et al (2009), a firm's strategic capabilities will direct and evaluate its plan and objective over a long period of time, which enables the firm to attain competitive advantage by using alliance resources and competences to satisfy customer's needs notwithstanding the economic

situation. Aaker (1998) argued that strategic capabilities will establish a carefully devised plan of action used to achieve a goal in a firm over a period of time, thereby offering a suitable solution when handling important issues that relate to the firm. Doyle and Stern (2006) emphasise that strategic capabilities will bring management instructions and advice on how firms can be developed and sustained so as to achieve competitive advantage.

Cravens and Percy (2009) argued that strategic capabilities will develop plans that will be used to take care of changes in the market environment and also try as much as possible to provide customers satisfaction. Kotler and Keller (2006) also argued that the strategic capability of a firm will try as much as possible to realize, produce, capture, present and sustain its customer value.

Cravens and Piercy (2009) indicated that strategic capabilities of a firm, when analysed will involve the implementation of management plan, which emphasise that strategic planning will involve the scheme for achieving an objective; while strategic implementation will try as much as possible to put the plans into action and strategic management process will organise and also control the affairs of the business enterprise. Peppard and Rylander (2006) argued that the internet will perfect the known business and marketing strategies as can be observed with eBay's marketing strategic capabilities which made it possible for buyers and sellers of products to interact and agree on the price of a product without seeing each other, as well as eBay's advertising alliance strategy which interconnects eBay with other firms like yahoo etc. will help in sustaining eBay's competitive advantage. Johnson et al (2009) argued that this interconnectivity or alliance

will make it possible for eBay to use the core competence of other firms they are in alliance with, which can come in form of technological skills/abilities or strong brand that cannot be imitated and it will help to sustain eBay's competitive advantage.

Cravens and Piercy (2009) noted that firms like eBay provide a quick and different online marketing communication strategic capabilities implementation which have not only been successful in some cases but also failed in some, and the failure is said to result from over affirmative anticipations as well as wrong implementation of the strategy. Segal (2005) argued that eBay's strategic capabilities will base on its ability to maintain good alliance with other firms such as yahoo etc. which will enable eBay to improve its products/services through advertisement offered by the alliance firms and on the other hand attract more customers to eBay, thereby sustaining competitive advantage. Pettey (2008) stressed that eBay with its advantage of product development capabilities being carried out on the internet, cannot be able to stop considering the number of buyers/sellers visiting its website. Sachoff (2008) argued that eBay's competitive advantage may come as a result of the high number of information/feedback eBay gather concerning buyers and sellers, which eBay uses in formulating its strategic capabilities so as to sustain competitive advantage in business notwithstanding its competitors.

Gomes-Casseres (2003) implied that strategic capabilities of firms like eBay will plan and implement properly a new method of doing business with ease through the internet marketplace, which brings buyers and sellers together so that they can agree on a given price for a specific product displayed by

the seller on eBay marketplace. Segal (2005) emphasise that eBay's strategic capabilities will allow the buyers/sellers to be the people to develop the goods, advertise it for sale by developing and implementing strategies such as packaging, displaying, publicising the products and also secure it on the web thereby sustaining competitive advantage. Gomes-Casseres (2003) further suggest that firms such as eBay should be rational in decision making and implementation on how to handle its competitors like Amazon before entering into any advertisement alliance with other firms. Bolotaeva and Cata (2010) stressed that eBay will have to be more creative so as to capture more buyers or sellers and also make profit.

According to Segal (2005), eBay uses its strategic capabilities to build a strong customer relation by trying to know what the buyers/sellers want to buy/sale and creates awareness on how to make effective use of the eBay marketplace by conducting seminars for the buyers and sellers so as to enable them participate more actively on the eBay business. Skull (2008) argued that eBay's advertising alliance strategy will offer better public promotion of products for the market operators and also create more benefits for eBay through its proper implementation. Segal (2005) implied that eBay tries to sustain competitive advantage by cooperating with other firms doing business on the internet, such as yahoo etc. to market, advertise or promote their business so as to draw more customers.

2. 1. STRATEGIC CAPABILITIES AND eBay's ORGANISATION STRUCTURE

According to Cravens and Piercy (2009) when a firm like eBay is developing its business organisation strategy, it will try as much as possible to

determine how other firms like yahoo will contribute to its business organisation structure and marketing strategy through an alliance in advertising or brand promotion etc., this is said to enhance eBay's business opportunities by creating awareness of its business internationally and also provide a strong brand capability for eBay as a core competence. Johnson et al (2009) argued that eBay's organisation structure comes in form of a multidivisional structure which consists of divided parts of products, services and locations, and can be adjusted easily, supervised from anywhere by the divisional heads using organisation strategies as relates to their specialised divisions that creates competences and also provide training for the upcoming divisional heads (see appendix iii). Olson (2009) argued that by using reliable techniques and tools, eBay will bring more customers to its establishment, maintain the customers and also sustain competitive advantage.

Aaker (1998) observed that for eBay's strategic capabilities to be able to sustain competitive advantage, eBay must be able to influence what is happening in its environment and not just adapting to them. For example, eBay will benefit by making more laws or regulations that will guide its users, by so doing eBay will implement its business strategies which will also ensure it of business success (source: Making eBay work). Although Johnson et al (2009) argued that eBay's multidivisional organisation structure will bring about duplication of functions which subdivides its divisions and make them self-reliant. Burke (2006) suggested that eBay can use its advertising alliance strategy with yahoo etc. to attract more customers and also make them listen to each other, view the prices of products available for sale and

whom the owners of those products are on eBay, which will enable buyers to be able to contact sellers easily and on the other hand bring competitive advantage to eBay as more people will get to know about eBay's business transaction and may want to participate. Segal (2005) also noted that eBay allow the buyers and sellers to be the people that will be controlling the business transactions by observing the eBay business regulations.

Kotler and Keller (2006) emphasise that the core competence of firms like eBay will provide competitive advantage through the provision of customer satisfaction, applied in broad kinds of markets using skills that will be difficult to imitate. Brandt (2008) stressed that the competitive advantage of eBay will be sustained due to the fact that eBay helps buyers and sellers worldwide to exchange information concerning products and also allow them to transact the business so as to conclude on the price a product can be sold. Pettey (2008) disagreed with the above explanation and argued that buyers and sellers must see eBay as they see other internet marketing websites, such as Amazon etc. so that the buyers and sellers can examine as well as compare the different websites and the prices their products are offered for sale so as to have a choice on the firm to patronise and this may affect eBay negatively.

According to Skul (2008) firms such as eBay is being seen as a cheap method of bringing buyers and sellers together so that they can transact a business instead of spending enormous money in order to create/build a market. Weston (2008) emphasise that eBay's strategic capabilities also help them to sustain competitive advantage due to its connectivity with buyers and sellers, because eBay's database of prospective buyers and sellers

provides an opportunity for buyers to contact sellers concerning their needs Bolotaeva and Cata (2010) observed that if eBay happens to be aggressive in its advertisement/marketing and products promotion, their customers may not want to patronise them anymore and they may start visiting their competitors that are doing the same business just like eBay. In this situation, it is observed that eBay will lose some of their customers to those their competitors, thereby not sustaining competitive advantage. Weston (2008) went further to explain that the increase in eBay's awareness campaign will definitely encourage their existing customers as well as new customers to keep patronizing eBay, and this should not stop eBay from checking the activities of their customers which may negatively affect eBay sometime.

Petty (2008) emphasized that eBay should have a strategic capability that will enable it set up its own advertisement networking bearing in mind what their customers want, as well as allowing the customers to make suggestions in form of feedback on the way forward. Weston (2008) argued that eBay's strategic capability to create awareness, just as they are doing with the help of yahoo etc. will help in a long way to sustain their competitive advantage over their competitors which will also provide an added value to eBay's overall business performance. Skul (2008) indicated that there are laws, rules and regulations that will be meditating against eBay's online marketing and advertisement strategy, therefore eBay will have to be more careful in conducting marketing and advertisement research so as to operate in accordance within the framework of the law and also remain actively in business. Petty (2008) argued that since eBay provides information about buyers and sellers, in the future eBay operators may be tired of sharing their

personal information on the internet and that may lead to eBay losing some of their customers.

Skul (2008) encouraged eBay to continue using its strategic capability by advertising on other websites like yahoo etc. as this will contribute in no small measure in creating sustainable competitive advantage to eBay and also help in achieving business success for eBay. He further stated that this will as well allow eBay to connect with more customers. Javitch (2008) explained that eBay is a cheap and better option as compared to the traditional market where buyers and sellers are expected to meet one on one before transacting a business. This being a strategic capability implies that as an eBay market operator either in form of a buyer or seller will help in safeguarding a customer's name from other parties. Klen (2008) indicated that for eBay to be more successful, it will have to set up its business goals and work on how to achieve these goals by properly implementing its strategic capabilities.

According to Bolotaeva and Cata (2010), eBay organisation structure can function in a marketplace where buyers and sellers from different parts of the world meet to buy and sale products. In this kind of market situation, buyers and sellers are said to show their presence, create awareness of their products by showcasing the products on eBay website, and also reduce cost of advertising the products through the help of eBay that is solely doing the advert and allowing their customers to pay little after selling their products. Here eBay is said to use their advertising strategic capability to satisfy their customer so as to sustain competitive advantage not minding the current economic meltdown (source: making eBay work).

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2. 2. A PROPOSED STRUCTURAL TYPE FOR eBay

In proposing and justifying a structural type for eBay to maximise its strategic capabilities, the author will put into consideration Woollaston (2011) value chain and network diagrams as shown on week three lecture handout on strategic management and marketing because it is said to illustrate a value chain as classes of activities in a firm like eBay that creates a commodity/service, and a value network shows the inter-firm connections and relationship that creates a commodity/service (see appendix ii and iii). For example, eBay's advertisement interconnection/alliance with yahoo, Google, etc.(source: Making eBay work). Johnson et al (2009) emphasise that value chain will help firms like eBay to improve its products or services through advertisement and sales so as to maintain value, while value network on the other hand will reduce cost of advertisement for eBay by interconnecting eBay with other firms like yahoo etc. and also bring more profit to eBay by attracting more customers and using the competences of those firms eBay is interconnected or in alliance with to sustain its competitive advantage.

Peppard and Rylander (2006) argued that eBay's strategic capabilities can be maximised using the analysis from value chain and network which will help in repositioning eBay at its rightful position on the value chain and network. Woollaston (2011) emphasise that by using the value chain and network, eBay will be able to determine actions that are significant to its strategic capabilities and the best firms that will enable it generate more profit through alliance or interconnectivity. Peppard and Rylander (2006) noted that value chain and network analysis will push eBay to focus on the <https://assignbuster.com/ebay-competitive-advantage/>

value that will be created from the alliance strategy with its partners like yahoo etc. so as to create more value for eBay through advertisement which will provide competitive advantage for eBay. Cravens and Piercy (2006) argued that without value chain and network firms like eBay will find it difficult to connect products and services to its customers through the alliance or interconnectivity that can be established with other firms like yahoo.

Chaffey et al (2003) emphasised that a structural type of strategy for eBay like value chain and network will involve the assessment of what customers always want to buy and where the customer's attention can be drawn from. Woollaston (2011) implied that this can be achieved by sub-dividing the customers into different segments/groups so as to make it easy for firms like eBay to reach the customers by maximising its strategic capabilities in form of going into advertisement alliance with firms that can reach such segments/groups of customers. For example, eBay's alliance with yahoo etc. (Source: making eBay work). Mowery et al (2002) proposed that eBay's strategic alliance in form of advertisement with firms like yahoo etc. will in no small measure help eBay to utilize yahoo etc. strategic technological capabilities. This will therefore, sustain eBay's competitive advantage and also maximise its strategic capabilities. Chaffey et al (2003) further implied that eBay's strategic capability of going into advertisement alliance with yahoo etc. will try as much as possible to strategically reposition/redirect eBay by carrying out the advertisement process in different and attractive ways so as to hit the target audience and also attract more customers for eBay.

Cravens and Piercy (2009) also contend that value chain and value network will provide eBay with an unequalled and obliging means of carrying out business transaction between buyers and sellers, and as well provide eBay with a strategic capability that will make it possible for eBay to communicate with buyers and sellers on a one on one basis. De Man and Zee (2002) emphasise that eBay going into partnership with other e-business firms will help eBay to reduce search cost. This will therefore reduce eBay customer's expenditure as buyers and sellers will easily locate eBay through the advertising partners such as yahoo etc. By so doing, eBay's strategic capabilities of going into business alliance with other firms so as to advertise and market eBay to the general public will be achieved. Cravens and Piercy (2009) argued that although eBay's unequalled characteristics contributes in providing high customer value through direct selling which provides eBay with the opportunity of exclusive contact with particular customer group and adapting to its business timing as well as capacity to deliver, it also have some limitations in relation to how effective customers will view the eBay business enterprise.

Lu and Choy (2004) affirmed that those strategic alliances which are externally oriented business approach will emphasise on improving eBay's business performance through the linkages in their supply network. They further explained that this strategic alliance will bring about a future plan which will help eBay and the firms they are in alliance with to maximise eBay's strategic capabilities through advertisement, as can be seen in the case example "making eBay work" where eBay is in advertisement alliance with Google, yahoo, etc. This is said to enable eBay to create more

awareness about its products and services, attract more customers to its firm and also maximise more profit and on the long run maximising its strategic capabilities.

Bamford et al (2003) stated that it is common these days to see firms like eBay establishing strategic alliance with other firms like yahoo etc. this being because more competitive advantage have resulted and sustained from business cooperation in form of alliance. Bamford et al (2003) further implied that as the world of e-business changes, firms like eBay cannot rely solely on its internal source or quality of advertisement to sustain competitive advantage in the e-business marketplace. Therefore, the author observed that for eBay to maximise its strategic capabilities better, it needs to strengthen its alliance/interconnection with more firms on the internet as they are doing with yahoo etc. so as to share responsibilities and also share maximised revenue together.

Mintzberg et al (1995) explained that for eBay to maximise its strategic capabilities, eBay managers must make close examination of their competitive advantage which calls for the evaluation of its organisation as well as the environment in which they operates so as to maximise its strategic capabilities by comparing the firm's strength and weaknesses as it relates to their competitors. Segil (2004) argued that the initial firms like yahoo etc. which eBay have been in business alliance with are not or may not be the best firms to advertise for eBay. Mintzberg et al (1995) also contend that a firm's organisational process cannot be separated from the structure, culture and behaviour of such a firm's organisation in different ways. They implied that eBay's strategic capabilities which come in form of <https://assignbuster.com/ebay-competitive-advantage/>

alliance with other firms calls for a great responsibility for both eBay and the firms they are in alliance with to implement and execute the strategy so as to maximise eBay's strategic capabilities.

De Man and Zee (2002) argued that eBay's reputation will have to be considered when eBay want to go into alliance in order to maximise their strategic capabilities, which may come in form of reliance or trust and belief or confidence the firms have for each other, that are always established within a long period of time between the firms that are involved in the alliance. For example, eBay and yahoo happens to have trust and confidence on each other and that is the reason why their advertisement alliance is yielding positive results as observed from the case example, "making eBay work" (Segal, 2005). Ono et al (2001) explained that for eBay to maximise its strategic capabilities and as well sustain competitive advantage, going into a balance alliance with firms such as yahoo and many more popular and also good e-business marketing firms will provide competitive advantage to eBay. Ono et al (2001) also argued that multi or balanced-alliance strategy will help eBay to spread the news about its products and services so that more people will get to know about eBay as well as try to patronize them. In this situation where there is more than one advertisement alliance, if a particular firm is not performing very well as eBay expected, it will not stop eBay from maximising profit because other alliance partners are performing very well (Segal, 2005).

Ono at el (2005) implies that when eBay uses a balanced alliance strategy by going into many alliances so as to advertise for its firm, eBay will stand a chance of expanding its customer base because more people will know about <https://assignbuster.com/ebay-competitive-advantage/>

eBay's services and come to patronize them. This will on the other hand create more market opportunities for eBay, increase eBay's competitive advantage and also sustain those advantages (Ono et al, 2005). While Andam (2003) argued that it will be necessary to bear in mind that eBay should be able to secure/protect its business transaction server/website so that its business transactions can be processed efficiently. Also eBay will have to employ people that are able to function and use its tangible and intangible resources and assets without a waste to manage and maintain the eBay system so as to maximise eBay's strategic capabilities.

Andam (2003) argued that eBay must have the capacity as well as the strategic capabilities to handle online payments of any type, ability to carry out delivery of goods purchased by customers to their various locations, eBay should also be able to maintain its position as a trusted third party so as to ensure that transactions are secured and eBay's integrity is maintained. These abilities are said to definitely compliment strategic alliance capabilities between firms like eBay and yahoo etc. and on the other hand, eBay will be able to maximise its strategic capabilities (Woollaston, 2011). Chaffey et al (2003) argued that eBay's strategic capabilities in form of alliance with other firms like yahoo, Google etc. will help eBay to achieve its business objective through advertisement, sales and marketing etc. and also sustain eBay's competitive advantage. It is proposed by Andam (2003) that eBay's advertisement strategic alliance with other firms like yahoo would maximise its strategic capabilities by making eBay to serve as an avenue through which people from different parts of the world can get connected and transact business. This will involve sellers showcasing their

products and selling them to prospective buyers who on the other hand will have the opportunity to access information concerning the products which will lead to purchasing of such products in most cases.

Andam (2003) suggested that as eBay uses its alliance strategy, it should also take into consideration, a strategic system of buying which will make it possible for customers of eBay to choose the type of goods or products that will match their description/specification. For example, in a situation where a customer wants a product customised, eBay should be able to arrange for sellers or manufacturers that can do that for the customer within a short period of time (Woollaston, 2011). Smith and Chaffey (2002) on the other hand, observed that alliance strategy will help to increase eBay's sales through advertisement, because it will take eBay closer to more people and then generate more customers. This will help in maximising eBay's strategic capabilities in the sense that people using yahoo, Google etc. will tend to see eBay's advert on their toolbar and want to visit eBay and most times end up buying products/goods from eBay.

3. 0. CONCLUSION

For eBay to record more success in its business, eBay will need a clearly defined and carefully detailed plan of action or strategic capabilities. By so doing, eBay CEO and President Meg Whitman, as mentioned in the case example "making eBay work", coupled with eBay managers will have to be involved more in planning on how to create better and more strategic alliance in advertising eBay just as they have established with yahoo, Google, Skype etc. This strategic alliance will in no small measure increase

and sustain eBay's competitive advantage through advertisement and also maximise profit for eBay since it will attract more customers for them (Segal, 2005).

Morgan-Thomas and Paton (2007) emphasise that strategic alliance between firms or organisations such as the one being practiced by eBay in partnership with yahoo, Google etc. can help to develop a firm's marketing strategy internationally. This is said to be achieved through improved advertisement on sales and marketing of the firm's products as well as their services. Buttle (2009) identified that the alliance strategy being used by eBay will bring about the involvement of eBay customers in developing the firm's products and services, thereby help in meeting customer's needs and expectations.

Mejtoft (2010) argued that for eBay to sustain its competitive advantage and also maximise its strategic capabilities, eBay will have to maintain a strategic alliance in form of a "vertical integration" with other firms. This will enable eBay to increase or improve on its customer relation since good customer relation is important to move eBay's business forward and also guarantee maximised strategic capabilities. Buttle (2009) also argued that good customer relation can create positive impact on eBay's competitive advantage which will result from the use of strategic alliance. With the above conclusion being drawn, it can be summarised by the author that eBay's strategic alliance with yahoo etc. should be extended to other good firms in the industry so as to guarantee sustainable competitive advantage for eBay which will enable eBay to maximise its strategic capabilities.