

Business analysis of multinational e- commerce corporation ebay



**ASSIGN
BUSTER**

eBay is positioned well to successfully compete with its top three competitors, Amazon, Google and Overstock. Table 1 provides a financial comparison of eBay with its top three competitors. eBay is a distant third from Google with a market capitalization of \$64 billion but is first or second in key ratio comparisons (eBay Direct Competitor, 2012). Specifically, eBay is first or second in several key ratios such as Gross Margin, Operating Margin, Earnings Per Share and Price/Earnings.

The Operating Margin of 21% for the trailing twelve months as compared to its competitors and the industry is a strong indicator that eBay is positioned well in the catalog and online sales sector. Its steady operating margin increase indicates it is earning more per dollar of sales and is operating a more efficient business as compared to competitors and its own performance in past years. eBay has grown from an online auction service to the premier global commerce platform and payments leader through a focused acquisition strategy to enable merchants to more easily integrate online and offline commerce efforts.

By covering the wide array of e-commerce opportunities and driving more efficient merchant and consumer interactions, eBay is positioned well to compete with Google, Amazon and Overstock. The eBay subsidiary PayPal enables individuals and businesses to securely, easily and quickly send and receive online payments and is a cash cow for eBay. PayPal is the industry leading payment service and is utilized by eBay competitors Amazon, Google and Overstock. Finally, the X. ommerce platform brings together the technology assets and developer communities of eBay, PayPal and Magento as an ecommerce storefront platform enabling open source

commerce from local to global markets. differentiation eBay will continue to be a market leader if they are able to continue differentiating themselves by focusing on their brand image, continuing to offer innovative features, and supplying a delivery service with proprietary technology. This uniqueness should translate into higher profit margins and keep them above the competition.

Service companies are able to differentiate their image through symbols and branding. A recognizable brand name is extremely important to the continued success of eBay. eBay was the first mover in the online person-to-person auction industry and because of it they have a competitive advantage which will help differentiate themselves from their competitors. By focusing on their brand image eBay will be able to attain brand recognition, brand preference and brand loyalty. With a strong brand image consumers are able to recognize the eBay name and instantly know what it stands for and the service they provide.

Amazon with an already strong brand name has used advertising in an attempt to make their brand more recognizable. eBay should continue to use television and internet advertising to differentiate their product and add value. Proper branding creates loyalty. In order to achieve brand loyalty, eBay must continue to focus on their main strength, online auctions. The image that needs to come to mind when consumers think of online auction needs to be eBay. Consumer perception is a result of branding strategy and eBay needs to remain focused on making sure their brand is instantly recognizable.

Services are also able to differentiate themselves by what they are able to offer consumers. Internet businesses require more than a storefront to be successful. One major concern that prevents consumers from using online purchasing sites are concerns about data privacy, protection of personal information, and a confidence that they will receive goods purchased. eBay should focus on continuing to provide innovative features in order to separate themselves from their competitors. The biggest concern for online consumers is trust and safety. Bay has introduced a number of trust and safety initiatives, such as a verified user program, insurance for items and enhanced feedback forums (Bradley, 2001, p. 6). eBay has been able to stiffen anti-fraud measures and has instituted some of the most innovative and consumer friendly programs in the industry to protect its users from fraud, deception and misuse. Yahoo! failed to make a dent in the online market because of trust and safety issues (Bradley, p. 10). Amazon has followed in eBay's insurance footsteps and borrowed and improved upon a number of features on eBay's site. Bay must continue to address consumer protection challenges through innovative programs. Consumers will recognize their continued effort in providing innovative features and will be rewarded with brand loyalty. eBay has also used the innovative feedback forum as a way for customers to evaluate one another in order to ensure customer confidence. As a service company, eBay needs to continually seek innovative ways to improve the customer experience. eBay needs to continue to focus on making its shopping place as safe and secure as possible, otherwise consumers will turn to other competitors. Bay must continue to meet the challenge by developing creative programs that respond directly to consumer concerns. They also need to continuously

<https://assignbuster.com/business-analysis-of-multinational-e-commerce-corporation-ebay/>

review their capabilities, approach and structure in order to ensure that they meet and exceed customer needs and expectations. Finally, services are able to differentiate themselves by designing a superior delivery process. A service firm may win by delivering consistently higher quality service than competitors and exceeding customers' expectations.

If the perceived service meets or exceeds their expectations, they are apt to use the provider again (Kotler, 2001, p. 428). One of eBay's biggest strengths and should remain superior service. They have been able to achieve superior service because of the variety of products offered and the strength of the eBay community. Consumers are able to search eBay for almost any product and eBay has a category variety that is unmatched by any of its competitors. Also, eBay has been able to create a sense of community. eBay provided more than a venue for selling items, they created an online community which gave buyers and sellers a place to socialize, discuss topics and provide feedback. These seem to be designed in order to foster a large community which would ensure repeat customers. eBay should remain focused on the needs of consumers and make sure they remain the main priority. eBay should continually come up with new ways to reach out to their customers. They need to be an active listener and learn and responds to customer needs. Companies that listen to their customers turn casual customers into loyal customers.

By continuing to offer a wide variety of products, expanding globally to ensure a bigger trading marketplace, and fostering a sense of community eBay will be able to have a distinctive value advantage over its competitors, including Amazon. eBay's main competitors, including Amazon, have tried to

use cost leadership as a means to differentiate themselves from eBay. Despite the increased role of non price factors, price does remain an important element and is challenging in markets such as the internet where other companies are able to offer similar products at no cost. eBay however, has used listing and special placement fees to generate revenue. Before eBay considers initiating a price change, they must consider customers' needs. They are already having success in their current pricing model and should continue with their pricing strategy. Companies that own the largest market share will enjoy the highest profit. eBay should remain focused as a product quality leader rather than a price leader. Higher prices are justified by quality improvements and if a company can offer a better product. Consumers today have a vast array of brand choices and consumers today are focused more on value than on price. eBay should remain focused on their differentiation strategy rather than cutting costs. eBay has become a leader of the online person-to-person auction industry. In order to retain their market leadership they need to focus on differentiating their company. To accomplish this, they must remain focused on their strong brand image, continue to offer new improvements, and supply a superior service. Through their unique service they will continue to appeal to large corporations, independent entrepreneurs, and individual buyers and sellers.