

# Ebay case study essay sample

[Business](#), [Marketing](#)



With exceeding 3.7 billion, more than a half of the world's population, and Internet usage in the region rapidly growth at 406 percent, Asia became an attractive and lucrative marketplace for eBay to expand their business. Since 1995, eBay enjoyed strong revenue growth and was a dominant player in online auction industry. With previous experience of extending their business in Europe, North America, Latin America and failure in China and Japan, eBay was once again struggling to compete in the Asian market.

From the beginning, there is no main aim for eBay to have a further plan about acquisition to expand and identify synergies within existing business line. But for taking advantage at the first move to a new market, eBay considered achieving diversification by acquisitions or mergers and joint venture. To compete effectively and create a global trading platform, eBay aimed to increase their market share through acquisitions and partnerships in related and unrelated businesses in term of sharing tangible and intangible resources, building market power, leveraging core competencies and support activities.

In charge of supporting business, PayPal was acquired in 2002. PayPal was considered the global leader in online payments enabled individual to securely send payment quickly and easily online. To meet higher standards, eBay and PayPal upgrade and create innovative services by increasing protection for buyers and sellers to shop with confidence. To minimize pressure of competition, eBay acquired a lot of competition to lead to consolidation and can force other players to merge. For instance, Skype – the world's fastest-growing online communication was acquired by eBay in 2005; and by 2008, there are more than 405 million registered users. Another

example for partnership, in 2006, eBay announced international cooperation with Google – the most successful and popular searching tool all over the world. eBay also announced an agreement to share service, advertising and online payments with Yahoo in an attempt to minimize the intense competition of rival Google.

Not only that, eBay also introduced eBay Express and eBay Motors as a standard shopping center and an automobile marketplace in terms of making diversification work. For the most part, eBay was successful in expanding in Europe and Latin America and considered the leader of its markets, except for China and Japan where they were not so quickly adapted to. Once getting in, penetrating the local market should be planned carefully to avoid failure. Learning from history in China and Japan, understanding custom and nature of home-market demand are needed for strategic changes. In China, eBay's failure was believed due to an inability to build a community effect in the country, which begins with customer satisfaction.

Meeting the local needs when entering a new market is very important and plays an essential role in being successful in the local market. Another core element that caused the failure of eBay was that instead of using local management who understand the market needs better, eBay hired a foreign manager who is stranger to the local business. Thus, if eBay wants to once again struggle to compete in the Asian market, it should consider those above lessons to be adapted in South Korea successfully. Question 2: What source of competitive advantage does eBay have, and is that position

supported by its resources and assets? a. Does eBay deal effectively with its external environment in Asia?

The first advantage of eBay is the financial support. eBay have never stopped rising revenue since its inception in 1995. Although there was the world economic crisis in 2008, eBay still gained 11 percent increase from interest rate in 2007, operating margin rates steady at 24 percent. In addition, to the numerous of dense acquisition, eBay create a solid financial and non financial foundation support with stability of all business related and unrelated. In addition, the protection of customer interests was focused in eBay from the very first day, with the desire to create a fair and open marketplace, where the market truly determined an item's value.

Over time, along with the acquisition of PayPal, eBay enhancing guarantee transactions conducted on this network provider. Lowering fees for listing items and raising minimum standards for sellers, as well as discounts to reward sellers with the best buyer satisfaction ratings was considered mortification factors for eBay. This brings about not only profits for eBay transactions through PayPal; the company now occupies the trust and support of all buyers and sellers. Not only that, when eBay came to international expansion, in many of the international Web sites, the company provided local language and currency options to gain popularity and ensure the sense of community feeling. Along with partnership with local company, eBay became better understand local cultures and ensure that the company was meeting specific local needs. All of the above made eBay become

successful today. In my opinion, that caused of the right strategic plans, not only financial resource although it played a very important role.

Despite for the most part, eBay was successful in expanding in Europe and Latin America, where it was able to quickly adapt to local needs through its partners, the company could not gain the success in Japan and China.

Because of differentiation of culture among countries, managements should not apply all the effective strategies from this country to another one with hope of gaining specific local needs. In addition, since eBay had to adhere to global platform, meeting specific local needs was difficult from where far away like America to produce in Chinese market. Name: Nguyen Phu Thanh

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Case: eBay – Expanding to Asia

Teacher's name: Paul McAfee

Question 1: How did eBay pursue international growth?

EBay was a dominant player in the online auction industry and one of the most valuable companies in the whole world. Since 1995, eBay gained strong and dramatically revenue growth. With more than 24 countries in Latin America, Europe, North America, eBay was successful in expanding their business globally. To gain that success, eBay had to go through much of challenges with clever and sensible strategies. From the early time of business, eBay had no plans for expanding its business. But as competition intensified in the online auction industry, eBay expanded its international presence in an effort to create an online global marketplace. Starting from

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acquisition and merge business, eBay took an advantage to extend their market share.

With acquisition of PayPal – an organization enabled individual securely send payments online, with tens of millions of users, eBay upgraded it to become a protection tool for buyers and sellers who are customers of eBay. Rent. com and Skype were also acquired in 2005 in purpose of making diversification work. In addition, eBay Express and eBay Motors were also launched as another type of shopping channel under eBay control. eBay tried to gain competitive advantage and aimed to increase market share and revenue through acquisition and partnerships with related and unrelated business. In August 2006, eBay announced international cooperation with Google and also with Yahoo to minimize the intense competition of rival search – engine giant Google. In effort to create an online global marketplace, eBay extended its business to Asia Pacific, Europe, and North America.

Although the company localized in 24 countries, eBay acknowledges that its inability to grow and compete in certain international markets, especially China and Japan. The move to China was expected to give eBay some of market share to compete with Taobao – China's top auction site. But it still lacks success with its strategies in Asia. The central management control of eBay joint venture business was maintained in California. Many experts believed that was a result of eBay's failure to adapt to local needs in China. California was quite far from China for emergency if needed. Not only that, the company's quickness to replace local management with foreigners and the mind-set to control the market through spending rather than building it

form the ground up was considered predominantly cause of failure. Local managers knew more about their culture and their market needs than a “stranger from oversea”. Learning from the past, eBay was once again struggling to compete in Asia, starting with South Korea.

If it wants to be successful, the managers should change the strategic plan for adapting to local market. Question 2: What source of competitive advantage does eBay have, and is that position supported by its resources and assets? a. Does eBay deal effectively with its external environment in Asia? With the strongly growth from the beginning, eBay became the dominant player in the online auction industry with revenue always at high rate. Despite from 2008, with the extremely challenging from economic environment, eBay still enjoyed 11 percent increase from the previous year, and a solid operating margin of 24 percent, commented by eBay’s CEO John Donahoe. That was a strong supported resource for the company to take competitive advantage.

It was a shortcoming if we do not mention about the fundamental advantage of the early pioneer to gain the big market share and gain the confidence of its strong customer base. Besides, with the company’s mission was to “enable individual self-empowerment on a global scale”, eBay gained the customer interest. In addition, the owner of eBay: Omidyar also envisioned an online auction format that would increase a fair and open marketplace, included 5 main values: 1. People are basically good

2. Everyone has something to contribute

3. An Honest, open environment can bring out the best in people. 4.

Everyone deserves recognition and respect as a unique individual 5. You should treat others the way you want to be treated. Those things bring to eBay's customer feeling of taking control and having market power. Not only that, from PayPal acquisition, eBay launched a tool for secure payments online which help eBay earn so much customer's satisfaction from. In my opinion, protecting the customers means protecting the business itself as well.

That might cause the first action of Donahoe shortly after his election. He announced fundamental changes targeted at improving the overall buying experience and protection for eBay users. The change in lower fees and discount to reward sellers with the best buyer satisfaction rating and the improving of protection for buyers and sellers was expected to reinforce healthy and frequent trading at eBay with satisfaction of customers. Social responsibility was also marked by eBay's increased commitment in 2008. The eBay Foundation introduced an online fund-raising campaign for helping low income families, supplying water in poverty-stricken regions with the mission of the initiative is to build on the positive impact of eBay business and make the most of their opportunity to be a force for good in the world. Standing at that position in the marketplace, business strategies of eBay played an important role in success, not just from its financial resource.

Historically, eBay failed in Asia, namely China and Japan because the managers did not succeed in making enquires in those marketplaces which



are far different from Europe and America culture. But in effort to come back to Asia through penetrating local market in South Korea, I have a strongly believe that eBay will adapt the market needs.

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