

Case study



Q1) There have been many changes in the structure of eBay's target market and competition since its inception. The first and foremost change is the profile of users who used eBay's service. The Person to Person or P2P business model was the most innovative and radical of the changes that eBay implemented on its platform. Further, eBay had to contend with building trust and loyalty as their whole business depended on users mutually trusting each other and ensuring that all transactions are honored by both parties to the exchange.

The other set of changes that eBay implemented are expanding internationally and achieving rapid growth in the number of customers it serviced. The changes to the competition were mainly from Amazon which entered the market for online auctions and the entry of other smaller players who cloned eBay's business model. These in turn made eBay look towards more innovation and building brand loyalty among its consumers as well as providing remote customer support to its users.

Q2) eBay took a series of steps to ensure that it responds to the competition by going after newer products and platforms. In its quest to remain the number one online auction site, eBay pioneered a set of changes in its business model. For instance, it adopted the paradigm of going global and acting local. What this meant was that eBay expanded into international markets and retained the local flavor in each of these markets by adopting practices that were commensurate with the market in which they operated. The business model that eBay implemented relied on trust, loyalty and building brands that saw its business grow in size.

To respond to the competition, eBay also introduced a wide range of products as well as invested in computing infrastructure that was needed for

its aggressive forays into newer ranges of products and services. There were changes to the trading platform as well that were introduced by eBay and which culminated in the metamorphosis of eBay into a world class online auction site.

Q3)The opportunities for eBay are many and some of them include newer forms of auction formats that allow innovative pricing models for its products and greater participation of the customers in the online auction site. The other opportunities arise from the expansion of eBay into Asia and other regions that are bound to get volumes of customers who would be a source of loyal customer base for the company. The most significant opportunity for eBay would arise from targeting the youth and the teenagers who form a bulk of its customer base.

The threats to eBay would arise mainly from competition from Amazon and other retailers who would try all methods to ensure that they grab the market share from eBay. The online auction model has indeed caught on and hence, eBay's threats emerge from the newer players who have entered the market. Further, eBay must clean up its business because of the threat of counterfeiting and illegal products that proliferate on its site.