

Case analysis – ebay essay



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I. Background of the Study A pioneer and a market leader in the online auction industry, eBay has been able to grow the business significantly in the last decade amidst turbulent times for many contemporary dotcom companies. EBay's strategy to focus on a niche market and differentiate itself through strong brand management and continuous improvement in the value-added services has enabled the company to defend the market leadership in the industry. While many new competitors have entered into the industry, eBay continued to set its sight in serving and growing. From its no-registration, no-fee, grassroots trading company called Auction Web established in 1995, eBay has grown to be in a league by itself.

It provides a safe place where buyers and sellers from around the world can come together to engage in commerce. EBay is currently the top-ranked online auction company within its industry, with a sizeable share of internet users registered on its site. People spend more time on time in eBay than any other online site, making it the most popular shopping destination on the Internet. There is actually no doubt that eBay holds the power in the online auction industry. However, complacency is not acceptable. Future threats may arise which could lead to a potential loss in its substantial market share, thus a need for an analysis of the key factors of the company which should be compiled and analyzed to determine the best alternative courses of action.

II. Problem Just like any other business, eBay has its own share of problems. One of its biggest problems is system breakdowns which could result to customer dissatisfaction, ruined reputation and of course, lost sales. A company that is largely dependent on its online features should always strive

to deliver consistent site stability. The timing is crucial for eBay, being inaccessible for hours at a time will have a potential damage to the loyalty of its users.

Another major problem is the possibility of customer dissatisfaction, which is a result of its few minor problems, such as the existence of fraudulent transactions and misrepresentations, shipping troubles and unreliable payment schemes. In order to continuously enjoy relative dominance in the online retail marketplace, eBay should enhance its services by giving solutions to those minor problems.

Internet fraud is an unwelcome part of the online industry which be minimized if not totally eliminated. Shipping concerns, on the other hand, will always be a part of the trading industry, either online or offline, which should be addressed to prevent additional predicaments. Unreliable payment schemes which are also a part of any online exchange, especially multi-currency transactions, should also be addressed. Failing to provide satisfactory customer service could be the downfall of the company.

Lastly, though certainly not the least is the stiff competition. In practically every industry, there are other players that would want a slice of that market. There are currently too many rivals to count in this industry, and the number of potential rivals is potentially infinite. The key rivals in the industry include: Amazon auctions, BidVille, ePier, uBid, Overstock, and Yahoo Auctions. EBay should endeavor to have the largest user base to fend off this competition, so in this market, it has to try to lure those customers over from its competitors. EBay must consider its competition in each different market

because, as was just mentioned, in some websites they may have the lead whereas in others they may not.

III. SWOT Analysis A SWOT analysis allows a company to determine its strengths, weaknesses, opportunities and threats. A company's strengths are its competencies within the company, while its weaknesses are the areas it needs to work on within the company. Both opportunities and threats are present within the industry, and both represent changes that could change the positioning of a company. Using this analysis, companies can focus on their good part of the business and focus more on the bad part to make it good. Also, a company can see what factors are external or internal which helps the business in a long run to be more efficient.

EBay, just like any other company, has its own share of the good and the bad as enumerated below.

Strengths a. Being the pioneer and the largest online auction website, eBay enjoys the first mover advantage. EBay have initiated the use of technology to innovate the on-line retailing function. The company has a strong business model and employs effective strategies in order to enjoy market dominance.

b. Its diverse trading platform is capable to attract vast audiences with different needs. Offering the broadest product variety is one the biggest strength of eBay. Though there are other organizations that offer a large amount of products, eBay outshines them all with an incomparable amount of differentiated products. It is like a giant marketplace used by millions of people all over the world to buy and sell all things anyone can possibly think of. c. The company can make the most of the benefits of CRM or Customer

Relationship Management by building a formidable community of buyers and sellers. This provides eBay a loyal customer base. d. eBay has become a generic term for online auctions; it is more or less synonymous to online auctions, which promotes strong brand recognition. Its brand identity provides a sustained competitive advantage to the company which is the key to attracting customers.

Weaknesses a. The business model of eBay is open to a number of fraudulent activities. There are numerous auctions which could either be fake or illegal. Its inability to control the contents of the auction facilitates a large sale of copyrighted and not for resale items. This may affect the credibility of the company. b. Problems in customer service which may negate customer confidence in eBay. One of which is the lack of standardized method of payments which can lead to buyer-seller disputes. Despite its acquisition of PayPal, sellers can still enforce their preferred method of payment. Scammers may choose a payment method that offers no buyer protection. Shipping, on the other hand, can also be considered a weakness of eBay. The cost increase brought about by the additional shipping costs may lead to buyers fleeing away to other retail stores for a better deal.

c. The eBay model forms a reliance on technology which can result in alienating some demographic groups. Developing nations may not appreciate the online trading platform that is offered by eBay since they have limited access to technology and may encounter some problems in pursuing their transactions. d. System breakdowns could also affect the trading activities of eBay. If the system is unreliable, customers may eventually seek better websites.

Opportunities a. The company has a broad strategic alliance portfolio. Its acquisition of PayPal to support its online auction helped facilitate its payment methods. Another strategic acquisition is the Skype Technologies whose VOIP technology which now integrated in eBay website. This helps bring the buyer and the seller closer together since they can now talk directly using Skype voice chat. b. The development in international markets has a big potential for eBay. Though the current practice for the eBay model places focus on the domestic market, globalization creates a big potential for wider customer base. c. The rising internet usage or demand world wide is also a big opportunity. Even developing countries are becoming more familiar with the internet technology, thus provide an opportunity to convert previous skeptics into loyal eBay users. d. Coupled with the current domestic market eBay dominates online auction services. There is the opportunity to move into specialist markets although this may require a partner in the form of an established auction house.

Threats a. The company's first mover advantage may fade, which will likely result to a decrease in its dominance in the market. b. Low consumer confidence in on-line systems can lead to a decrease in participation which is brought about by increasing media coverage of identity fraud and transactional fraud online. c. Given the global nature of the business the impact to changing exchange rates will affect the business directly. d. The diversity of culture among different countries may pose a threat on eBay's attempt to globalization.

IV. Alternative Courses of Action Based on the above analysis, the following alternative courses of action are hereby considered.

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1. The company should be pro-active in diminishing fraudulent entries. It needs to do a better job in controlling its content so as to block illegal and fake auctions and protect copyrighted materials. Enhancing its Safety Program to filter its contents will be advantageous to the company since it will minimize the number of scams and illegal auctions and boost its credibility.
2. EBay should take advantage of the growing internet usage occurring in international markets. Developing countries are seeing a significant growth in internet usage; therefore, eBay needs to explore the opportunities these markets provide. By advertising and creating partnerships with local portals, eBay will be able to establish itself as the industry standard in the online auction industry.
3. Strategic alliance with social networking giants such as Facebook, Twitter, and MySpace, etc should also be enhanced to promote the brand value. This will further enhance the eBay community affinity.
4. System breakdowns should be minimized if not totally eliminated. EBay should maintain a backup system to avoid prolonged blackouts which can impede transactions or even damage its database.
5. EBay should start to integrate the shipping aspect of the buying and selling experience. A strategic alliance with UPS will be the answer to the shipping problems in eBay. An ideal partnership would require all eBay buyers and sellers to use UPS as the primary shipper in all geographic locations where UPS is available. This partnership would provide incentives for eBay as well as advertising opportunities on the eBay website for UPS.

EBay can also share in a percentage of the profits resulting from UPS shipments of eBay products in return for guaranteeing a certain amount of product to be shipped. In countries wherein UPS Delivery is not available, eBay can also make partnerships with local shipping companies, but still in coordination with UPS.

6. Digital signatures should be imposed to avoid email scams which promote fake auctions. In this way, the user can always validate the authenticity of the email, thus eliminating fraudulent transactions.

7. A standardized payment method should be enforced. Allowing other methods of payments will only increase the possibility of scammers who may receive payment without any security. By using PayPal as the standard method of payment, the buyers can use both their checking account and their credit card to pay their seller with added security. In countries wherein PayPal transfers are not allowed, eBay should provide alternate methods of payment but subject to strict certification from sellers.

8. Localization should be prioritized. Internet usage is continuously increasing, even in developing countries. EBay should learn to adapt in the local scene to further enhance its customer service. Unavailability of shipping services or lack of PayPal Transfers can pose a problem to both buyers and sellers, but if this feature will be enhanced, this can certainly create more sales.

V. Selection of Best Alternative Based on the above alternatives, I think maintaining a separate back-up system is the most critical, closely followed by the use of Digital Signatures. The database is the heart and soul of the

business and any malfunctions, no matter how trivial, may create a resonating effect in the negative image of the company. Digital signatures, on the other hand, will be the shield against scammers that continuously pollute the website. Neglecting these two will be detrimental to the company, thus, making the other above alternatives just consequential in comparison.

VI. Recommendation/Solution to the Problem Identified To address the aforementioned problems, the right path would be to first maintain a backup system to prevent system blackouts followed by the use of digital signatures to avoid email scams. Next would be to filter the content of eBay shunning away all scammers and illegal auctions, then build a shipping calculator, use a standard payment method and form alliance with UPS to facilitate all transactions. Marketing, by way of strategic alliance with networking sites should then be intensified to boost name recognition and the localization tab should be magnified to support the company's globalization efforts.

By considering the previously stated recommendations, eBay will have the capability to maintain its position as the industry leader. However, despite its first mover advantage, eBay should not rest on its laurels; instead, the company must regularly perform a SWOT analysis to identify its relative position in the industry. Being relentlessly vigilant for upcoming threats, incessantly aware of its unique opportunities, and constantly astute on its strengths and weaknesses will ensure the company's success.