

# Ebay marketing strategies and values marketing essay



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eBay, by its very nature provides a central location for people to buy and sell unique items, and to meet other users with similar interests. Being the pioneer of the online auction industry, it started out under the brand name Auction Web with the image of auctioning collectibles. This image was quickly shed and Auction Web quickly moved into a diverse range of upscale markets where the Average Sales Price(ASP) is higher. The company earned its revenue's from levying transaction fees depending on the size of the transaction, hence increasing the ASP was an important point of consideration for the company's profitability. Auction Web gave way to eBay, and soon enough eBay's market capitalization surpassed that of even Amazon. com, which made it the most valuable internet retailer in its glory days. The product is the company itself, which facilitates Online Auction round the clock, every day, 7 days a week and 52 weeks a year.

Key words: Online marketplace, etailing, C2C, Online Mall, online auction.

## **2) eBay's founding values and strategy:**

Ebay community values are astoundingly simple in their nature, and it is incredible that the company focuses on trading millions of dollars on mere trust and faith amidst its community members. Its values may be summarized below :

“ We believe people are good natured

We believe everyone has the capacity to contribute

We believe that an honest, transparent and open environment can bring forth the best in people.

We respect and recognize everyone as an individual.

We encourage you to treat others as you'd like to be treated by others"

These set of core values encourage open, honest and positive communication between its members. These community values imply that the entire strategy lies in developing " trust" amidst its members, and thereby build e-loyalty to the market platform i. e eBay.

### **3) eBay's marketing and Corporate strategy:**

For the first few years, the company did not spend a dime on marketing, relying instead on viral, word of mouth marketing and its ability to piggyback on its competitor's ceaseless efforts to retain market recognition. However, the company later shifted focus to developing a strong brand and scaling ' outwards' (as opposed to scaling up) when more and more competitors entered the e-commerce segment.

eBay has based its growth on a number of strategies such as :

Establishing an insurmountable customer base

To attract new users, eBay tied up with over 60 websites including America Online. This gave eBay access to the largest user base on the internet while simultaneously preventing AOL to enter the auction area. eBay also included dealer to person trading, while addressing the fast growing fragmented small business market by creating a feature called business exchange. eBay has currently entered into a joint venture with Facebook, agreed to a strategic

partnership with Yahoo and Google as an exclusive third party provider of graphical and text based advertising respectively.

Concentration on local and international trade

eBay has actively acquired local e-commerce companies which deliver a distinctive regional flavor to the users who can look for products which are hard to ship, such as automobiles or antique furniture, locally. The company has also built a global presence with users in more than 150 countries.

The following diagram provides an overview of eBay's acquisitions till 2007.

Fig. 1: eBay acquisitions.

Expanding the trading platform

With the entry of numerous competitors into the e-commerce segment, some like Amazon and Yahoo!, which had extensive, established user bases, eBay extended its core business into other attractive niches. eBay married offline and online auctions, which allowed users to place real time bids for items on offline auction house floors. This itself was revolutionary. Currently, eBay is expanding into mobile commerce. The eBay app for iPhone was downloaded seven million times by January 2010. Consumers are increasingly shopping via their mobile phones with more than \$600 million worth of sales transacted through mobile applications in 2009.

Developing and maintaining a strong community affinity.

The company ardently believes in fostering a positive, direct interaction between buyers and sellers with similar interest. This strategy has enabled to company to create loyal, active community of users. They keenly observe user behavior to identify growing trends so as to develop business for new products and services.

As stated by former president Meg Whitman, “ Our user community is the best R&D lab in the world. What we do is provide an efficient trading platform, and we let the users figure out how to use it. They lead us into product extensions. We don’t have a team of folks sitting in a conference room asking, “ O. K., what’s the next place we’re going?” We let the users identify and find those pockets of inefficiency.”

Fig 2: Growth in listings and users

Constantly enhancing and evolving site functionality and features

As eBay’s strategy is to be as hands-off as possible in regard to transactions, the company has to provide for a straightforward, transparent and reliable system for users to manage the process by themselves. Selling and Buying on eBay are made easy for users. Sellers need to provide an accurate description of the item up for auction, provide suitable photographs, and decide the duration of auction.

#### **4) Customer Value Proposition:**

eBay provides a host of benefits to its users. But primarily, in former president of eBay inc. Meg Whitman’s words, “ It provides a forum that’s an

efficient market for buyers and sellers to connect, for products that don't have an efficient distribution system.”

eBay views itself as a platform to support various e-commerce buyer-seller activities, facilitated by services that smoothen the search, select and sale transaction process.

Financial payments were made seamless via their acquirement of PayPal (currently, one of the most preferred online payment mechanisms) and BillMeLater.

Distribution of bought and sold goods are integrated with local distribution channels, greatly helped by acquisitions of similar e-commerce country domestic market companies (ex. Baze.com, an indian e-commerce online auction website was acquired by eBay when it set its sights to enter the indian online market in 2004)

It is more of a social network than a retailing platform. According to data, users spend an average of 47 mins browsing through various products in display, as compared to catalog e-commerce sites where data analysis indicates an average of 18 minutes of user browse time. This is because users can dynamically interact with other users (the company has a 30% stake in Skype, a video chat service), post comments, read and post reviews about sellers, browse through a diverse range of eclectic products (eBay initially began as a collectibles auction website, with a pen being auctioned for \$14 as its first sale). This feedback mechanism is further strengthened by giving awards to the most genuine eBayers.

### Protection from Fraud:

The company works tremendously hard to overcome fraud, and deals with such instances instantly. Fraud can include counterfeit goods being marketed to unsuspecting eBayers and redistribution of stolen goods. However, it ought to be pointed out that theft and fraud are problems with individuals, not eBay.

eBay summarizes the core messages to define its proposition as follows:

For Buyers : Selection, Value, Convenience, Entertainment

For Sellers : Access to broad markets, efficient marketing and distribution costs, ability to maximize prices, opportunity to increase sales.

## **5) Business and Revenue model:**

The entire foundation of eBay is based on the idea that practically anything that can be bought and sold can be facilitated through this Internet retailer.

eBay has constructed an online C2C trading social network on the Internet, using the World Wide Web. Sellers and buyers are brought together in a way where sellers are allowed to list items for sale, buyers to place their bids on items of interest and all eBay users to peruse through listed items in a fully automated, searchable (using their best-match search algorithm) way. The items are organized by utility groups, where each type of auction has its own category.

eBay has streamlined as well as globalized traditional C2C trade, which has historically been conducted through forms such as collectibles shows, flea

markets, garage sales etc with their web interface. This provides a conducive environment for easy exploration for buyers and enables the sellers to quickly list an item for sale within minutes of registering.

Fig 3 : Use case diagram for eBay.

Bidding and browsing on auctions is free of charge, but sellers are debited two kinds of fees:

1) Whenever an item is listed on eBay, a nonrefundable Insertion Fee is charged which ranges from 30 cents to \$3.30, varying upon the seller's opening bid on the item.

2) A fee is debited for extra options to promote the item, like bold listing or highlighting.

A Final Value (final sale price) fee is charged at the end of the auction. The fee generally ranges from 1.25% to 5% of the final sale price.

Fig 4 : Revenue per user variation over time

eBay intimates both buyer and seller via e-mail at the end of the auction if a bid exceeds the seller's minimum price, and the seller and buyer finish the transaction independently of eBay. The binding contract of the auction is between the winning bidder and the seller only. eBay collects its final value fee independent of payment and shipment.

The following table lists the adequacies of eBay's business model :

Fig 5 : Economic Viability of eBay's Business Model

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The eBay business and revenue model is touted as one of the most successful of the dotcom era.

Fig 6: eBay product search screenshot.

Fig 7 : eBay screenshot of a product listing.

## **6) Competition:**

eBay went public in September 1998 at \$18 a share. By early March 1999, the stock was trading at approximately \$282 per share. Currently, eBay has a market capitalization of \$28 Billion with its stock trading at roughly \$21 a share. It faces stiff competition from its overshadowing competitor, Amazon.com which has a market capitalization of \$53 billion with its stock trading at roughly \$118 per share. ComScore, the Internet tracking firm, ranks Amazon.com 12th with a traffic of 77.9 million visitors, and eBay.com with a traffic rank of 14 having 77.5 million visitors in May 2010.

Since the e-commerce business has a low entry barrier, eBay also faces threats from existing well established companies with adequate capital (case in point : Google, Microsoft, Yahoo!) to enter this market. Given network externalities and the relative ease one company can duplicate another company's innovations online, the main tactic rivals can deploy is to lower the price of their service, which is exactly what Amazon and Yahoo have done. eBay needs to keep an eye out for current competitors as well as future possible competition, while simultaneously evolving and innovating its own strategies to maintain its leader status in the e-commerce segment.

## 7) Top Management:

Pierre Omidyar Founder and Chairman

2) Chris Agarpao was hired as eBay's first employee and Jeffrey Skoll was hired as the first president of the company in 1996. In November 1996 ; Meg Whitman President and CEO in 1997

3) Current CEO : John Donahoe.

## Conclusions and Findings

eBay follows an extremely hands-off business model, acting merely as an overseer and conducive environment for trade provider. It earns its income as fees from the volume of trade that happens on its C2C trading platform. Hence, it has minimal expense on marketing these goods since it doesn't directly sell them.

As we have seen, the eBay business and revenue model is touted as one of the most successful of the dotcom era. While most companies perished in the dotcom bust, eBay was one of the few to survive due to its simplistic, pure play strategies.

Its aggressive scaling out (i. e horizontal integration) and decomposing organization cells on the basis of functionality have allowed it to remain lean, efficient and profitable. Since it depends on its users to identify inefficiencies in its business model, it doesn't require a heavy investment into its R&D department.

Its value proposition to customers i. e its buyers and sellers is based on the its offerings of Selection, Value, Convenience, Entertainment for the buyer and access to broad markets, efficient marketing and distribution costs, ability to maximize prices, opportunity to increase sales for its Sellers.

Although eBay started out on an exponential growth graph initially, due to increased competition eBay faces in recent times it has had to experience a decline in growth. Its prime competitor is the online book store Amazon. com which exceeds eBay in market capitalization today.

However, the fundamentals of eBay are sound and their trading platform is still their mainstay prime product. Future growth lies in maintaining its competitive edge by constantly innovating and improving its trading platform, as well as diverging into businesses related to its market place. It has already embarked upon this by the acquisition of various services which facilitate its trading platform like PayPal, Skype etc.

## **Appendix 1A**

Figures and diagrams

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Acquisitions of various companies by eBay till 2007

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Growth in product listings and no. of users over time.

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Use Case Diagram ; describes interaction between seller, buyer and eBay services.

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Variation of Average revenue per user over time.

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Economic Viability of eBay's business model.

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Product search screen shot

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Screenshot of product listing on eBay

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