

Good example of strategic audit of ebay report

[Business](#), [Company](#)



Executive Summary

Globalization and technology have transformed the business environment. Organizations are competing with each other on a global platform to attract customers. There is a need to create strategies that allow organizations to continuously adapt themselves towards the changing business environment for a sustainable growth and development.

The current report presents a strategic analysis of company Ebay that has established itself as the world's leading online marketplace for buyers and sellers across the world. The report analyzes the internal and external business environment of Ebay and also provides recommendations for future business strategies for Ebay. The external environment analysis includes PEST analysis of political, economic, socio-cultural and technological factors and a SWOT analysis to identify the external opportunities and threats and internal strengths and weaknesses.

Ebay needs to diversify the product portfolio to launch new products and broaden its target audience. The company can also invest in the emerging market segments such as mobile commerce and online payments as future growth avenues. Ebay needs to upgrade its technology set up to address the security concerns of the customers and offer superior services to its customers. Asia provides an attractive growth option for business expansion with an increasing customer base that have higher purchasing power.

Introduction

Globalization and technology development have revolutionized the way organizations function today. Organizations need to create business

strategies that help them counter the highly competitive and dynamic business environment for sustainable growth and development. The current business strategic report is for the company Ebay that has successfully positioned itself as a global marketplace that connects buyers and sellers from different parts of the world. This document shall analyze the business strategies adopted by Ebay and a detailed analysis of the company .

History of Ebay

The company Ebay was founded in the year 1995 by Pierre Omidyar's in his living room in San Jose . The company was initially meant to be a marketplace for the sales of goods and services meant for individuals. 3 years later, in 1998 Pierre, Jeff Skoll and Meg Whitman together positioned the company for upscale goods that had higher average sales prices . Today, Ebay is one of the world's top online marketplaces with millions of items that are auctioned on the portal on a daily basis.

Business Model of Ebay

Ebay generates revenue through means of fees and commissions and the company charges a registration fees for the listing of the merchandise on the website. Sellers also pay a fixed fee on the sale of products on the website. Additional fees is charged on the sellers that are interested in participating in the 10 day auctions on the website. Ebay also charges a variable commission fee on the sale of each item on the website that depends on the selling price of the items being sold on the website .

Ebay has also started eCommerce sales of products on the website where various sellers showcase their products in various product categories on the

website. The company ensures quality products sold on the website and also ensures that the customers get services such as product returns on the website.

External PEST Analysis

Competitive Environment

The competitive environment for Ebay includes players such as Amazon. com, Craigslist, and Ubid, eBid Auctions, Google, Overstock. com and Alibaba. com that pose a competitive threat to Ebay.

Value Chain Analysis

The value chain analysis includes the analysis of the series of activities that create value for the organization. The primary activities consist of the inbound logistics, operations, outbound logistics, marketing and sales activities and services.

Figure 1 Value Chain Analysis

Primary Activities

Inbound Logistics:

Ebay is an online market place where the sellers upload the pictures and details of products that are to be sold on the website and the buyers access the information through the website . The sellers set bids for the products and the buyers bid for the products. The buyer with the highest or suitable bids are selected by the sellers to sell the products. Ebay does not need to maintain product inventory as it only deals with the buying and selling of products online through the website auctions.

Operations

Ebay is not concerned with the inventory and storage of products that are sold on the website. The company only provides a platform to connect the buyers and the sellers for the sale and purchase of the products on the website.

Outbound Logistics

Outbound logistics activities are required in situations where an organization needs to maintain and store inventory. Ebay is not concerned about any outbound logistics as the company does not have a physical inventory of any products.

Marketing and Sales

Ebay has established a high brand reputation by establishing a high trust and loyalty among the customers that use the website services. The popularity of Ebay can be judged with the company profits and sales made on the website each day. The huge variety of product categories on the website makes Ebay one of the top ecommerce companies in the world.

Services

Ebay has created an online community that facilitates the interaction between the buyers and sellers through the website. The website provides a messaging and contact program for the smooth interaction of the buyers and sellers. The company also provides a secure payment method 'Paisa Pay' that provides secure transactions to the buyers and sellers and also provides protection against fraud.

Support Activities

Procurement

Procurement activity involves the transfer of goods from the suppliers and its storage in the warehouse. This activity is not performed by Ebay as it does not stock products as a part of its inventory.

Technology Development

Technology development is an important function of the company and it needs to continuously update its technology practices so as to provide the best service experience to the customers on its website. Ebay works on a continuous basis on offering better website features such as enhanced search and product display on the website for customers. Ebay has also launched a mobile app to enable customers to buy products using mobile phones.

Human Resource Development

Human resources are the most important assets of the organization. Ebay has a well-defined system of employee values that create a level of trust and loyalty among the employees of the company. The company treats its employees with great respect and also provides growth opportunities to the employees.

Firm Infrastructure

Ebay is an established virtual market place for the selling and buying of almost anything on the website. The company has established a management information system that allows Ebay to provide accurate information to the buyers and sellers on the website.

SWOT Analysis

Strengths

World's largest marketplace: Ebay is considered the world's largest internet marketplace that deals in sales and purchase of products through the website .

Robust business model: The business model of Ebay is robust and the company has modified its business model to include ecommerce sales of products on the website.

High brand recognition: The Company has a high level of brand recognition and brand value among the customers in different parts of the world.

Business expansion: Ebay has expanded its business operations in many countries of the world and is successful as an internet marketplace in the world.

Acquisition of PayPal: Ebay has acquired PayPal online payment system that is considered as a valuable and reliable payment system by millions for internet based payments.

Large customer base: Ebay has established a large customer base of users that are registered on the website.

Weaknesses

Listing fees: Ebay charges a huge amount of fees from the occasional sellers on the website in contrast with the competitors such as Alibaba that do not charge sellers with any listing fees for selling their products on the website.

Online Frauds: Ebay has been associated with online frauds that have taken place during customer payment transactions over the website. The company needs to ensure the security of the online payment transactions made on the

website.

Unclear growth strategy: Ebay does not have a well-defined growth strategy so as to ensure the future growth and development of the company.

Frequent system shutdowns: Frequent system shutdowns that affect the functionality of Ebay and PayPal are a great weakness .

Opportunities

Increasing smartphone users: The large number of smartphone users in various parts of the world and the increased use of mobile internet has increased the scope of mobile commerce. Ebay can launch mobile commerce website and also mobile based android apps have been launched by the company to tap this opportunity.

Product diversification: Ebay can diversify its product and services portfolio through acquisition of technology intensive companies.

Market development opportunities: Ebay can adopt market development opportunities so as to target a large number of customers through its products and services.

Emerging markets: Ebay can target the growing economies of Asia for future growth and development.

Threats

Online security: Online security is a threat for Ebay as it has been associated with online frauds for transactions made over the website. The company acknowledges that transactions made on the website had been compromised by the hackers.

Competition from local retailers: The low cost online retailers in the local regions pose a competitive threat to the company as they offer lower prices for similar products sold online.

Competition from Amazon and Alibaba: Ebay is facing increasing competition from Amazon and Alibaba that have consistently expanded their customer base. Alibaba has emerged to be the largest ecommerce retailer in China and the world on the basis of high profits of the company that is greater than the combined sales of Ebay and Amazon.

Fluctuating exchange rates: The fluctuation in the exchange rates poses a threat to the company as the sales made in one currency need to be converted into USD for evaluation and devaluation of currency means losses for the company.

Corporate strategy

The ebay company strategy focuses on the development of trust and values among the employees. The company strategy is to build loyalty among the employees and trust regarding the company practices.

The company has certain values according to which:

- Ebay believes that people are basically good .
- Ebay has a strong belief that each individual can contribute something to the company .
- The company also believes that an honest and open work environment can bring about the best in people .
- The company recognizes and respects everyone as an individual.

- The company also encourages its employees to treat others in the manner they wish themselves to be treated .

Business Strategy

The company business strategy is based on the fact that anything and everything can be sold online through the website. Ebay has successfully established itself as the world's largest online marketplace for consumer to consumer business. Practically anything is sold on the website including printers to cars.

The following strategies have been adopted by Ebay: Establishment of a large user base: Ebay has established a large customer base of online sellers and buyers that regularly transact on the website. The company adopted various strategies such as partnership with AOL to attract users towards the website.

Branding Strategy: Ebay has created a strong brand that is well recognized and trusted by customers in the different parts of the world. The high brand value and brand recognition has contributed a great deal in the growth of the company.

Community Building: Ebay has laid a strong focus on creating an interactive community between the sellers and the buyers and facilitates smooth transactions and information exchange between them .

Market Expansion: The Company Ebay has expanded its market base from US to other countries of the world including Asia and UK that provide better growth opportunities to Ebay.

Website Functionality: Ebay continuously enhances website features and functionality in order to provide the best services to the customers.

Challenges and Recommendations

The following strategic challenges have been identified on the basis of SWOT analysis:

Competitive forces: Ebay faces tough competition from local retailers and Alibaba. com and Amazon. com.

Online security: Ebay needs to address the security issues associated with the website that compromises the security of online transactions made on the website.

On the basis of the detailed strategic analysis of the company, the following are recommended:

Product Diversification: Ebay can diversify its product portfolio so as to launch related products and services in the emerging market segments such as mobile commerce and mobile apps that can offer future growth options to the company.

Technology Up gradation: Ebay needs to upgrade its technology infrastructure so as to offer superior services to the customers. Security of online transactions is a weakness for Ebay and the company therefore needs to upgrade its security infrastructure to provide safe transactions to the customers.

Emerging Markets: The emerging economies of Asia such as India offer higher growth opportunities with a growing customer base that have purchasing power to buy products online.

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