

# Case study: ebay

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EBay's core competency and how it relates to their chosen strategy.

The company's core competency is the fact that it has been able to efficiently provide a market for products that usually have no efficient distribution system. The inefficiency in the distribution system is based the fact that there usually is no adequate information such as where to get the goods or the amount of money one is supposed to pay for them. In conjunction with this is the fact that eBay has been able to establish itself as a company whose that can be trusted because of its principles that have over the time guaranteed safety of the goods to both the buyers and the sellers. The company guarantees high transaction protection hence minimum fraud losses to its clients. Its goal and objective of providing an efficient market using the development in information and technology has also made EBay competent. The company did this by providing an online platform through which individuals can trade, this has greatly helped reduce and even eliminate to some extent the inefficiencies that existed before in markets especially of them goods the company deals with.

Providing online platform for trade is important for the company's strategy to go global. The current rapid development in technology affects every aspect of humans. This implies that all disciplines have been technologies including trading. E-commerce though not very common is gaining ground (Martin, 1995). Most consumers now prefer online shopping because the many advantages it offers including the one of being able to buy goods from far off places without having to travel. This proved to be effective especially in goods and services that are being traded across international borders (Seybold, 2001). The kind of goods the company deals with are examples of

goods that be traded internationally and also have potential of being very expensive. This implies that a medium of connecting individuals from different countries can be provided by the online platform while the safety of the large amounts of money that may be involved is assured by the company's reputation of guaranteeing low fraud losses. The company's competency hence provides high chances of it succeeding if it goes global.

How eBay has decided to configure and coordinate its value chain?

Business organizations do value analysis so that they determine and understand any constraints to the improvement of their performance or their competitive advantage (Usaid Wiki. 2009). Value analysis also involves identifying opportunities and eliminating or analyzing the constraints before investing is one of the ways of doing this is by analyzing the end market which eBay seems to have analyzed, identified the possible constraints and laid down solutions for them.

EBay seems to have solutions to all the anticipated problems and challenges. Some of the solutions the company has are valid and will work. In fact they increase its opportunity of succeeding in its globalization strategy. Others however are beyond the company as it can not control them. They are dependent on other external factors and as such pose as a risk to the company's strategy of going global. The company however seems to be future oriented. The management understands that the development in information and technology is causing most if not all people globally to turn to technology for almost everything. E-business is also gaining popularity and especially in terms of online shopping (Porter, 1999). The company is counting more on the future than the present. This is evident from the fact

that it remains optimistic in spite of it having bought the websites expensively and making very little even after two years. Most of its configurations are based on the future possibilities such as internet being available to more people, individuals having web-enabled phones. It can be concluded that eBay decided to configure and coordinate its value chain the way it did because the company foresees more use of e-commerce in future, more internet coverage, increased online shopping and increased demand and need to sell for the kind of goods it deals with globally. EBay believes that individuals in the developing countries need market for artefacts while those from rich developed countries need a place they can buy them from hence coordination of its value chain.

Whether to characterize eBay's value chain as virtual or real? Why?

I would characterize eBay's value chain as virtual. This is because most of the solutions the company offers to the possible challenges and problems are beyond its control. For example, when faced with governmental trade regulations such as that one of France, the company maintains that it will solve it by stating that it is a United States based company and as such can not comply with the regulations. This can obviously not work as companies operating in foreign countries have to comply with the host country's regulations in order for them to be allowed to operate. The company also is depending on future developments such as individuals having web-enabled phones, or going to cyber-cafes in the event they have no internet at their homes. This is limited as not all regions in the world have internet network. Neither can all individuals especially those in developing countries who may be potential sellers can afford the web-enabled phones (Peterson,

Balasubramanian & Bronnenberg, 1997). The goods involved can be expensive especially where jewellery is concerned and not much trust is given to e-commerce especially in Asia where the company is targeting. Asian countries also have a negative attitude and distrust for anything American. Most of its solutions to anticipated challenges in the end market are re shaky hence a virtual value chain.

If eBay's strategy is different from what it was ten years ago. Why?

The strategy is different from what it was ten years ago. This is mainly attributed to the development in technology that has taken the world by storm. Technological developments especially in information and technology have made several things such as e-commerce which includes online shopping possible (Chaudhury & Kuilboer, 2002). The number of people able to access internet has also increased as the network infrastructure has developed. Internet cost has also reduced making communication cheap and fast. Besides this, more people are now ICT literate than it was ten years ago (Peterson, Balasubramanian & Bronnenberg, 1997). This implies that they understand how it functions hence can trust and use it. The strategy therefore has higher chances of succeeding now that it would have ten years ago.

Implications to the challenges identified in the case have for eBay's strategy - today and in the future.

Most of the challenges depend on global development. In the event that the world continues to develop at a fast rate as it currently is in technology and specifically in information and technology, then the company's strategy will

yield fruits (Chaudhury & Kuilboer, 2002). The development however has to be worldwide, not just in the developed but the developing countries as well. More people need access to internet as it is the basic tool eBay is dependent on. Popularity and trust of e-commerce has to increase for this strategy to bear fruits now and in future. More individuals especially those in Asia have to trust Americans as business partners. For as long there is the distrust and hatred then the company can not succeed especially in the Asian countries. The company has to ensure that it establishes exceptional relationships and maintain its principles that are based on trust if it is to succeed with the strategy.

Word Count: 1240.

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