

Ebay: the world's online marketplace essay

[Business](#), [E-Commerce](#)



One of the most amazing success stories in the 21st century was the creation and establishment of eBay. It started as a business proposition that at first glance no financier or investor would give a second chance. That is due to the fact that it was never done before and humans are particularly afraid of the unknown - it is always better to be on the safe side, to be predictable. But in recent years eBay has proven its critics and detractors wrong. Due to its unique way of doing business it has dominated the online auction market. Jacko and Sears in their book "The Human-Computer Interaction Handbook" affirm the successful business model of eBay and they wrote: By providing a safe, easily understood marketplace that matched sellers with buyers for all sorts of items, and charging each side of the transaction a fee along the way [...] eBay's business model demanded that their audience needed to be many thousands of consumers, and there should be a balance between buyers and sellers.

The success of eBay can be explained in so many different ways. In general it can be explained through its business model that demonstrates a new way of doing things. Vulkan in his book "The Economics of E-Commerce" said that the phenomenal success of online auctions - which is the case of eBay - is due to the fact that, "...internet technology lowers the cost of setting up and running an auction and of participating in auctions. Consumers can bid in C2C and B2C auctions without leaving their homes.

And since most of these auctions run for more than a day, bidders can participate at their leisure. " Karp shared this insight; his take on what makes eBay work and he said: eBay is a community of buyers and sellers, not just a mere website or piece of software. It's a complex social system which

you are an active member. Success on eBay depends not only on your ability to master the technical tasks of bidding and selling, but on your ability to communicate with other eBay members and your willingness to contribute to the community in a positive way. Karp was pointing to the way eBay was able to successfully create a community that was an offshoot on its unique business model.

This can be easily seen by using a comparison. If compared to Amazon. com for example, Amazon. com will have a hard time building a community in the same way that eBay did. For starters Amazon is selling a limited variety of goods i.

e. books, whereas eBay is selling almost anything. Since eBay is offering a lot more then it follows that those with an entrepreneurial bent can create a community that will network with others and use that connection to move products that they really need. With Amazon's book selling business it is doubtful that a huge percentage of the people in the planet would care to spend a significant amount of money for books. But there are many who are willing to pay for food, electronics, household equipment - in short many will spend for more practical items.

It is not only the variety of the items that can be bought or sold in the system that makes eBay a success. It is also due to the way it is selling these items and that is by online auctions. Vulkan expounded on one aspect of the business model which is the auction method of selling. In analyzing this method using a particular commodity like say painting, "...the seller can ensure that the painting is sold to the person with the highest valuation and

that the price paid will be at least as high as the second-highest valuation, and possibly higher than that. " Vulkan offers another explanation as to why auctions are doing wonders for eBay and he said: A further attraction of auction is that they provide an effective way of resolving " one-to-many" bargaining situations. Rather than spending time and effort negotiating separately with each of the potential buyers, the auction can allocate the item to the buyer with the highest willingness to pay quickly and efficiently.

But it is not always a bed of roses for this company, scams and all sorts of dishonesty lurks in the corner and waiting to pounce on hapless prey, especially those who are inexperienced to the game. Problems are the usual credit card fraud and ancient one about crooked merchants who are advertising something but are actually selling something else entirely. It is not only the buyers who experienced frustration but sellers to since this system is a two way street.

Holden remarked that there is something called a " Buyer's Remorse" and this occurs when, "...someone places the high bid or pledges to pay a Buy It Now price, but then decides to back out of the deal. " With regards to such problems, this can be solved by requiring a deposit. With regards to the side of the seller encountering problems, Holden gave the following tip to lessen the amount of risk, " The Escrow service Escrow. com offers a more secure environment for buyers and sellers than BidPay or PayPal. Escrow. com withholds payment to sellers until after the buyer has received the merchandise and approved it. The service also verifies payments by credit card so sellers are protected against fraud.

" Others who had a bad experience with checks may opt not to accept any. Holden says, not to penalize other clients for having a bad experience and not just take checks altogether. Instead, Holden asserts, " Just put a note on our auction listings that puts buyers on notice that, if they send you a check, you will wait ten days to two weeks for the check to clear before you send shipment. " But with regards to credit cards Holden is not so optimistic.

Conclusion The genius of eBay can be explained in three aspects: 1) products 2) distribution and 3) inventory. First of all the company called eBay does not manufacture any product but it is an organization that aids in the selling and moving of goods from all over the world. They do not manufacture anything but they get to sell quality products that are in demand all year round. The second aspect is about distribution but it is not as simple as that. eBay is a company that aids in shipping and transporting goods all over the world but eBay is not a distributor per se. It is not a distributor that is tied down to one product line say Nike sports apparel.

In fact it sells all kinds of sports apparel and not just Nike but even those of its rivals. Its inventory boasts of everything that could be sold legally. Who can beat that kind of warehousing? The last aspect deals with inventory and warehousing but these two concepts do not exist. The Internet and the computer have eliminated the age old notion of creating a proportionate amount of storage space to the amount of products sold.

As mentioned above it is by the utilization of online auctions that made all these possible. The success of eBay comes not only from realizing the power of the Internet but also from creating a great business model that allowed for

the creation of a virtual community. This community comprised by satisfied sellers and buyers helped created an industry that has greatly influenced the way modern people sell and buy goods and services.

It was also a great help that the brains behind eBay was able to quickly create systems that gave assurance for a safe and legal way of doing business. ReferencesKARP, D. A. eBay Hacks 2nd Ed.

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