

E-business model

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



After eBay was founded in 1995, its business model filled a gap in the market. eBay's mission was to present to its customers an online market place where transactions can be made anytime, any day and by anyone around the world. Transactions are being done with the auction method online with a large variety of product categories available to eBay's buyers. Analyzing eBay's business model through Alt and Zimmermann's business model's six elements, help us examine its core competences and strategic choices that it follows. During the years, eBay follows some strategic choices, enabling and improving the communication between buyers and sellers through the site, upgrading its business model to a new level. Moreover, this case study presents the core strengths of eBay's business model in comparison to other business models, as well as its strategic statement.

E-commerce and E-business

In order to understand eBay's business model and strategy we first need to consider the definitions and uses of e-commerce and e-business. Chaffey (2002) defines e-business as the 'electronically mediated information exchange both within an organisation and with external stakeholders supporting the range of e-business process'. According to Emmanuel Lallana, " E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform and redefine relationships for value creation between or among organisations and between organisations and individuals" (<http://africa.rights.apc.org>). Unlike e-business, e-commerce is about processes that

involve suppliers, external partners - such as marketing and delivery - and customers.

The letter 'e' in both terms is used for the 'electronic networks' applications such as the Internet and electronic data interchange (EDI). E-business models are suitable for analyzing and presenting the e-business activities and processes within an organisation, and each of them focuses usually on one aspect of an e-business rather than as a whole unit. Such e-business models were developed by Tucci, Trimmers, Hamel and Afuah. The strategy of e-business it is more concentrated on internal processes of the company, and its aims include cost reductions and improvements on efficiency. E-business usually include e-commerce, whereas e-commerce involves new business models and has the probability of gaining or losing revenue to new competitors.

eBay background information: The eBay online marketplace was founded in 1995 by Pierre Omidyar and by 1997, just two years later, eBay reached 1 million sales of items online. In 1998 eBay goes public after the charismatic leader Meg Whitman joins eBay board as a CEO of the corporation. What eBay provides to its customers - buyers and sellers - is an online market place for transactions using the auction method.

Auction on the web is defined as the situation where many buyers are bidding for each item listed by a seller online. Value is created by providing a global online market with sellers and buyers being eBay's customers, with eBay receiving a fee on each transaction occurred. Almost half of a billion sellers make part or full of their living selling their products on eBay today.

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The company's revenue is being made through pricing for listing an item for sale - around 30 c -3. 30\$ - and through commission which varies from 1. 25% to 5%. However, eBay faces three types of competition . These include the following:

1. eAuction sites which work in a similar way as eBay e. g. Yahoo Auctions and Amazon. com
2. Traditional auction houses with presence in the web such as Christie's and Sotheby's
3. Brokers in auction business like Watch. com and Bidd. In eBay, customers are the organisation's product development team, sales and marketing experts. They are responsible for advertising their products as they think it is better so they can sell easier. Customers (buyers and sellers) are moreover providing feedback and recommendations to eBay on what they would like to change or improve. What other companies pay its customers to do, eBay's sellers and buyers are doing for free. Moreover, security in eBay is considered really important and as statistics shows 99. 999% of all transactions are successful.

Business models: According to a web definition 'a business model is a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams'