

# Business model for ebay marketing essay



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Innovation is not a single but a total process of interrelated sub processes. It is not just the conception of a new idea, nor the invention of a new device, nor the development of a new market but all of these things acting in an integrated fashion (Myers and Marquis, 1969). Innovation can as well be explained with the following equation:

Innovation = theoretical conception + technical invention + commercial exploitation.

EBay is the online trading community between person-to-person and is one of the few profitable internet companies. EBay effectively created a new business model never before possible with efficient one-to-one trading in an auction format. Individuals use 4, 300 categories in eBay to buy and sell items of wide range, from collectibles and antiques to electronics and toys. Sellers pay a nominal fee for placing an item up for sale, and eBay receives a transaction fee ranging from 1. 25% to 5% of the final sale price on any item sold. The buyer and the seller work out the logistics of the transport (e. g. shipping, payment) between themselves, and eBay never takes possession of the item being sold, or the payment for the item – removing the need for inventory, transportation and other overhead costs.

### Business Model

Business model defines how a firm will define and promote its brand (plans to operate), produce and distribute its product (generate revenue) and build or attract its market (compete). The success of business depends on selecting the appropriate business model. Business models convert new technologies to economic value. For some start-ups, familiar business

models are not always applicable so a new model must be devised. In some cases, the importance of business model far exceeds the innovation of the product or service itself.

## Role of the Business Model

### Technical Inputs

### Business Model

### Economic Outputs

A business model bases on a multitude of business subjects including economics, entrepreneurship, finance, marketing, operations, and strategy. The business model itself is an important determinant of profits to be made from an innovation. A mediocre innovation with a great business model may be more profitable than a great innovation with a mediocre business model.

EBay's business model was based on creating and maintaining a person-to-person trading community, providing millions of auctions, and hundreds of thousands of new items every day from which bidders may choose. After implementing their model, EBay has been able to build strategic partnerships, continue making innovative changes and progressions, and supervise its internal and external environments for possible future opportunities which have made them the world's largest online auction company. Since the site provides plenty of reasons to stay for longer period of time and revisit on a regular basis, eBay has become hugely successful. The longer they stay on eBay, there is more chance to complete a transaction and generate revenue for eBay. The other reason for eBay's

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success is their highest bidder wins style auction mechanism as a means of earning profit from charging a premium for mediating between buyers and sellers as a third party. In using this mechanism, a history of prices exists (price points), creating increased inter-play between competitors in the marketplace. EBay's business model recognizes these specific elements as a key to its success. They are (as given in the case study):

It is the largest online trading forum with a huge mass of buyers and sellers, and varied range of items listed for sale

It's compelling and entertaining environment with strong values and established rules hence facilitating communication between buyers and sellers.

It has programs such as Safe harbor to aid in disputes and to punish users who violate eBay

Cost effective and convenient trading

Strong community affinity

An intuitive user interface that was easy to understand, arranged by topics, and fully automated

The founder of eBay's vision was to create the environment and provide users ways to interact. Rather than finding various ways of making money, eBay has focused on creating a community of users by which they ended up making lots of money. According to a survey, the average eBay user spends an average of one hour, 26 minutes and eight seconds on eBay (<http://www.https://assignbuster.com/business-model-for-ebay-marketing-essay/>)

marketingcharts.com/direct/ebay-aol-benefit-from-increased-us-web-usage-12765/). In contrast, visitors to catalogue stores and other commercial websites might spend only ten or twenty minutes there.

EBay is maintaining their position since they are continuously improving to become better. When compared to amazon.com and other sites, eBay turned out to be far better since their expenses are low and doesn't hold any stocks like the others do.

### Creating New Markets Through Service Innovation

For decades, since the evolution of internet, the importance of services has grown steadily to the global economy whereas the importance of goods has declined. Naturally, companies are constantly seeking to provide better services, regardless of whether they are in a “pure” service business or in a manufacturing industry that must increasingly rely on its service operations for continued profitability. However, most improvements to service activities are incremental. Stores stay open longer; producers establish websites with e-commerce functions; airlines, casinos and supermarket chains introduce loyalty card programs. These improvements are useful and indeed necessary, but their returns are somewhat limited. Only rarely does a company develop a service that creates an entirely new market reshaping the market providing company with unforeseen profits for a longer period of time. EBay is one of these rare companies. It has created new markets through its unique model of innovation. For example, in the online auction concept, eBay was not the first but it gradually became the dominant player. In the early 1980's, CompuServe (nee MicroNET) and The Source were

sponsoring auctions. Specifically, Comp-U-Card Online/Comp-U-Store held weekly auctions for consumer goods like the brand-new Sony Walkman in 1983, and CompuServe's first eBay-style automated online auctions were held in 1982. Due to limited use of the internet technologies and lack of awareness, these companies were not much success. Later when the trend changed, new technologies developed, and online business grew, eBay introduced its business totally focussed on service which led them to create successful new markets domestically and globally.

Ansoff's growth matrix identifying opportunities for growth for eBay

Current

Products/ services New Products/ services Current Markets New Markets

1. Market penetration strategy

Attempt to get existing users to spend more

3. Product development strategy

Wireless

Develop sectors such as introduce car sales, boat, sales etc.

Fixed-price shops

Paypal: payment system

Providing commission on sales

2. Market development strategy

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Attract new vendors such as large corporations

Develop international sites in significant markets such as Germany, Japan

#### 4. Diversification strategy

Skype: VOIP

Enabling communication among community

EBay is one of the most successful e-commerce website in the World Wide Web. The strategic direction of the company is market penetration. The main aim of a market penetration strategy is to increase the market share by using the current products within the existing markets. This involved the actions and programs to be done in order to enhance the current core competencies or build a new one. In the case of e-Bay, the company focuses on improving the quality of their service in order to improve the reputation of the company compared to its direct and indirect competitors. EBay is focusing on the improvement of its service by using updated and high-tech Information System, which will help to improve the visitor log, improve the quality of service and the security and safety of its online users. Beside that EBay has continued to innovate and connect people. The most important points in their innovation are acquisitions of PayPal in 2002 – an online financial service, and Skype in 2005 – an internet communication company. With these acquisitions, EBay provides customers with the most convenient methods so that buyers can make low cost contact with sellers easily and make all transaction swiftly. Although there are several disputes that EBay is doing a real value chain, its characterization proofs that EBay performs a

virtual value chain. It provides platform for trading on the internet in virtual market where it operates and the value of goods sold in this site is determined by auctioning of buyers. It performs as a self-regulating global economy.

Lesson to a new internet business from eBay

Figure from [www.ebay.com](http://www.ebay.com)

On a normal e-commerce site, customer does some shopping, picks out one or more items, and heads to the checkout area as quickly as possible. But in eBay, members can do other thing than just buy or sell. They can

Post feedback: In business, feedbacks are crucial and help the company to improve their mistakes. Here, both consumers and sellers can post their feedbacks in the forum describing their deal of the product.

“ Communicate” with others in message boards: Consumers such as Antique hunters, collectors, and bargain hunters like talking about their common interests. This leads them to meet and greet each other in the same spots on eBay, either in a weekly or prearranged chat, just to say “ hello” and share opinions.

Post secondary information: eBay sellers and buyers can create About Me pages to inform people about themselves. Sellers can open eBay Stores. This gets them personally involved with the sales they open this site not only for business but it has become part of their daily lives.



In other words, loyalty, the desire of finding a bargain, and the love of making some extra money are what keep eBay users returning on a regular basis, which makes eBay a lovely and a successful venue. It's the human touch that means so much on the auction site.

By implementing their business model, eBay employed three main tactics. First, they looked to build strategic partnerships. Second, they looked for customer feedback to constantly make changes and improvements. Finally, they monitored its internal and external environments for possible opportunities. By doing all of these sorts of things, eBay is being able to adapt to the changing ways and keeping their customers satisfied. To be successful eBay continue to mould and change their business model to satisfy its customers and keep the level of quality they employ to the highest degree as possible.

eBay has created a one-stop-shopping experience that is appealing to large corporations, independent entrepreneurs, and individual buyers and sellers. They have created value through many facets of their business that appeal to their customers and differentiate them from the competition. The main ways that eBay differentiates themselves is through:

Variety of products offered

When customers visit eBay they can search for virtually any product. eBay boasts a category variety not matched by any competitor with over 27, 000.

The eBay Community

EBay wants their customers to feel like they are a part of a community. This community feel gives customers the sense that they are branch of something and cared about. By showing the customers that their feedback, opinions, and feelings are important eBay has gained tremendous ground with their customers.

### The eBay Website

EBay has created an auction and retail website that is unique and interesting. This creative site sets them apart from their competitors. The site is set up with many facets that reach a broad span of visiting buyers and sellers. The site is also entertaining and easy to use making it very appealing for online shopping and trading.

### The eBay Brand Name

EBay was the creator of the online auction industry. When customers think of online buying they immediately think of eBay. This has given them a competitive advantage that sets them apart from other online auctions.

### eBay's Global Reach

The global reach of eBay is not achieved by any other online auction site. For large corporations international selling and buying is done everyday. Even for an individual buyer or seller, having the option of searching throughout 150 countries with a span of 94.9 million users is very appealing.

### Conclusion

eBay's compelling value proposition, their ability to create a new market using Internet technology, and their first-mover advantage, have been key factors that have contributed to the success of the brand, however, their ability to cultivate a distinct 'sense of community' has been the defining characteristic which differentiates them from other online auctions. As a result, eBay attracts a broader selection of buyers, which in turn attracts more sellers – the ultimate network effect – contributing to its strong lead and competitive advantage. Their focus on heavy users and targeted promotions, have been instrumental in building a 'quality' customer base, which has established eBay above other online auction communities. eBay has also faced difficult challenges in scaling the organisation fast enough, as they could not opt for a 'go slow' strategy.