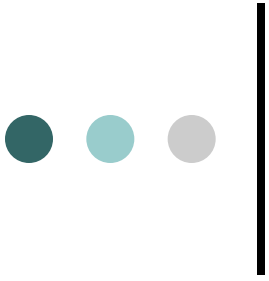




E-commerce space



eBay



Summary

- Founded by Pierre Omidyar in 1995
- His wife needed a better way to lookup and trade collectibles; decided to put his computer science skills to use, never thought it would lead to a multi-billion dollar E-Commerce company
- Auction-based online sales of products (and sometimes services) where users try to outbid one another by placing a higher maximum amount; Dutch and Reverse-auction style also recently available in some regions
- Transaction fees for listing (regardless of whether item sells or not) and additional fees for Premium Auction features (i.e. extra photos, BuyItNow, Feature It!, etc) or Premium Seller memberships

History



Date	Event	Stock (\$)
1995	Founded by Pierre Omidyar	
1997	Menl Park, Calif (VC) 22% stock acquisition	
1998	CEO Meg Whitman (July); IPO	1.871
1999	Alliance with AOL	25.016
2000-2006	Global expansion to over 2 dozen countries	12.708
Feb 2002	Withdrew from Japanese market & Hong Kong (where Yahoo! Auctions/Shopping had head start)	20.833
Jul 2002	Acquired PayPal	15.13
2005	Acquired Skype	49.500



Products & Services

- eBay started out selling **Collectibles** and **Antiques**
- Has since grown to include incredibly diverse categories of items:

• **Collectibles**

- Antiques
- Art
- Coins
- Toys & Dolls
- Memorabilia
- **Motor Vehicles**
 - Cars
 - Boats
 - Parts
- **Electronics**
 - Cameras
 - Cell phones & PDAs
 - Computers

• **Entertainment**

- **Movies, Music & Games**
 - DVD
 - CD
 - VHS
- **Event Tickets**
- **Books**
- **Clothing**
 - Jewelry
 - Shoes
 - Accessories
- **Home Improvement**
 - Décor
 - Crafts
 - Gardening



eBay: Target Segments

- Primary target markets are **Online Auction & Shopping communities**.
- eBay has business strategies to target specific segments of each.
- Key segment is “**Antiques & Collectibles**”.
(It was the lack of a good community-based pet collectibles company that inspired Pierre Omidyar to develop eBay. Collectibles still among highest in gross merchandise sales, boasts by far the most veteran sellers.)
- **Motor lovers:** Using credibility of leading car collector Kruse Inc., eBay expanded its categorical offerings with eBay Motors. eBay Motors became one of its most successful target segments with \$2,500M Global Gross Merchandise Sales in 2002.
- **Art lovers:** eBay also had a somewhat failed strategic partnership targeting Art Collectors directly.

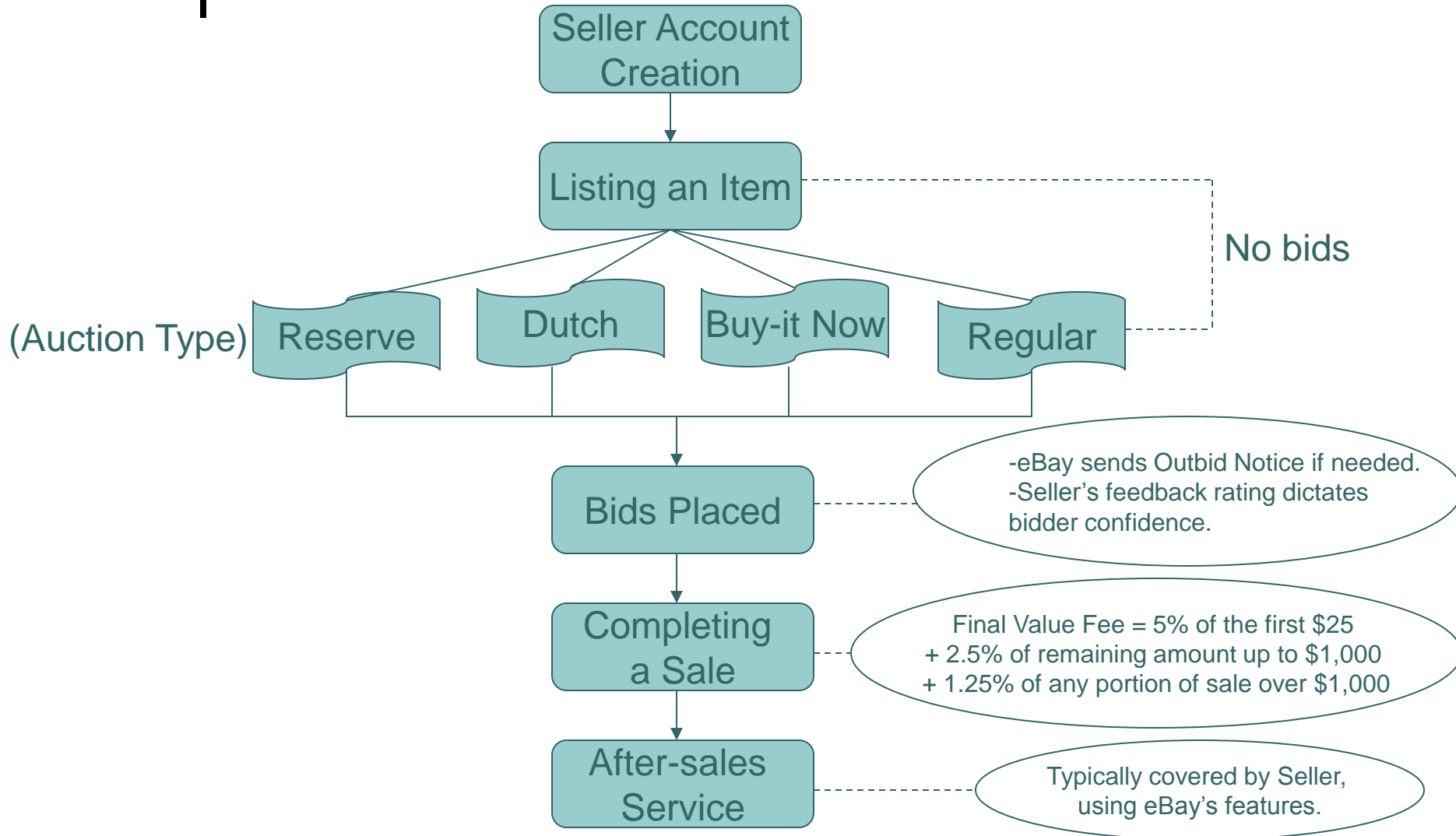
eBay (profit sites)

- Internet value network consists of three major groups and they are users, communication service provider and suppliers. Each subgroup of these three segments are called profit sites. Here we will focus on eBay's profit sites and its implications .
- **Market maker:** A market maker acts as a neutral intermediary that provides a place to trade and also sets the rules for the market .Thus, eBay is acting as a electronic auction market and brings buyers and sellers together to execute transactions through a win-win strategy. And in this way, eBay is developing new markets.



- **Brokers and agents:** to complete transactions, buyers and sellers depend on some facilitating organizations like, citigroup or charles Schwab to complete transactions. These groups are parts of eBay's profit sites when eBay gets commission from these organizations for each transaction.

Business Process



Online Auction Industry analysis



High threats of new entrants
 Auction Universe
 Yahoo! Excite Classified
 2000

New Entrants

Low
 •Fixed rate
 •mediation
 •Large number of customer for longer period of time

Threat of New Entrants

Industry Competitors:
Intense segment of Rivalry
 •Newspaper cite on the web
 • every Internet directory
 •Every music & video retailer
 •Every personal homepage

Suppliers

Bargaining Power of Suppliers

Bargaining Power of Buyers

Buyers

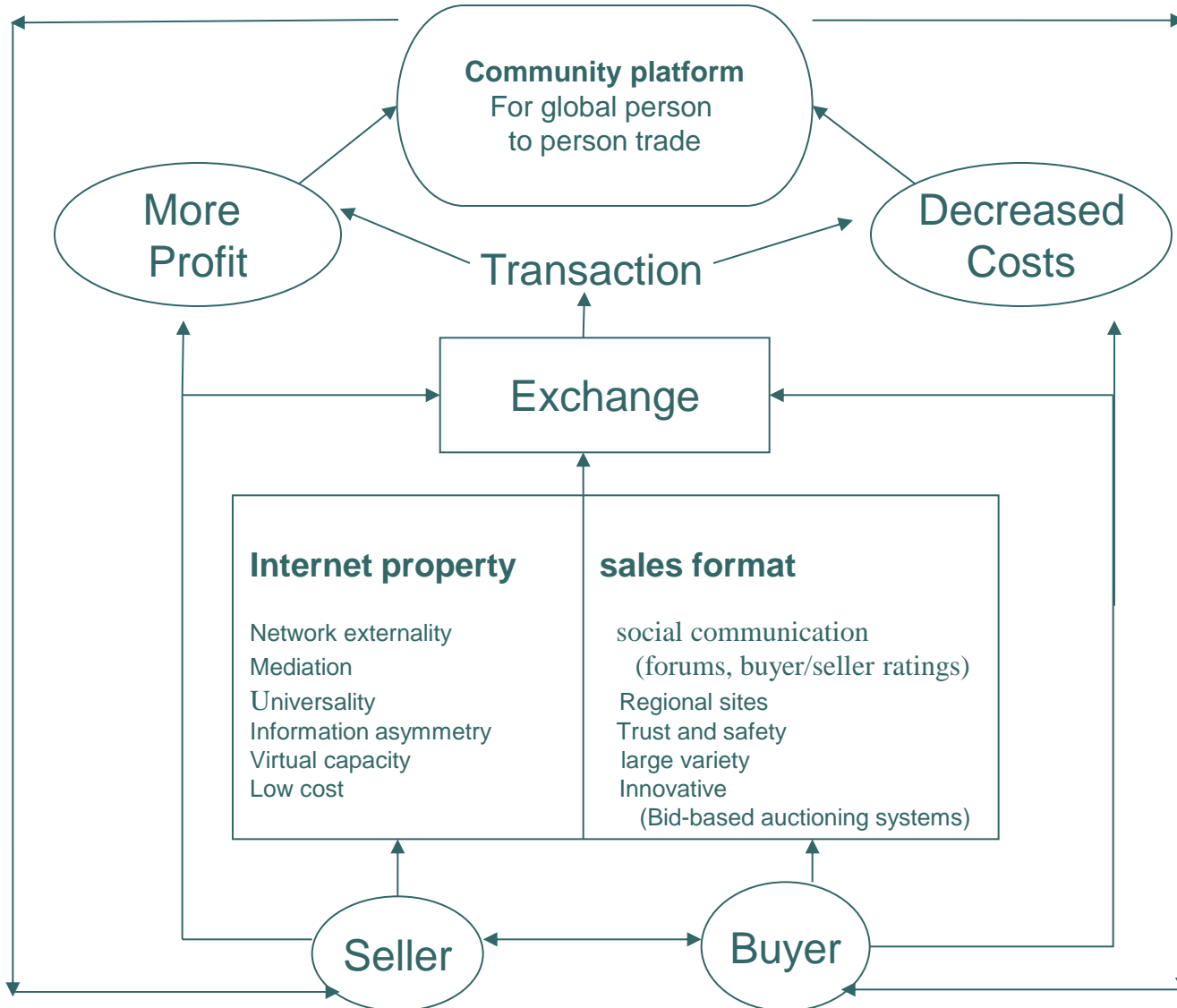
Since suppliers are large, so threat is low.

Substitutes

Threat of Substitutes

Few substitutes and Low threats because of strong CRM

eBay's Business Model



Win-win situation
Leads Repeat
Transaction





Regional sites vs. Network Externality

- eBay created > 24 regional trading sites within countries in order to facilitate the process of buying and selling items of local interest.
- This regional focus and network externality are very much consistent because the larger the network size, the more opportunity for buyers and sellers to have a better match of their needs.
- Localization and Internationalization of eBay's services should also help make the site more accessible in a specific region, for speakers of the native language; thus offering the opportunity to gain new members at a faster rate
- The only possible downside could be fragmentation and isolation of the individual networks, so each new regional site must "feel" like part of the main eBay network and family



eBay API

- Buyers:
 - Get the current list of eBay categories
 - View information about items listed on eBay
 - Display eBay listings on other sites
 - Leave feedback about other users at the conclusion of a commerce transaction
- Sellers:
 - Submit items for listing on eBay
 - Get high bidder information for items you are selling
 - Retrieve lists of items a particular user is currently selling through eBay
 - Retrieve lists of items a particular user has bid on

Side-by-Side






Technology

- Superior revenue-sharing plan with ` program

Strategy

- Enables big and small sellers/affiliates to earn at roughly the same rate

Business

- B2C *loser* 
- C2C *winner* 
- B2B *draw* 

Transaction fee structure




Technology

- Superior technology through AWS, EC2, S3 & catalogue

Strategy

- Tends to prefer big-name brands and retailers with strong distribution chains

Business

- B2C *winner* 
- C2C *loser* 
- B2B *draw* 

Percentage of sales structure



Conclusion



- Based on my analysis eBay should not put additional resources towards B2C market, due to saturated market and competitors' near stranglehold on market share
- Should instead surprise competitors like Amazon with a strong B2B initiative or campaign (i.e. introducing a new comparison shopping service for wholesalers)
- Reinforcing their C2C presence through continued rewards to their loyal seller/buyer base to maintain dominance there would also be a wise strategy, after-all in C2C eventually incentives are needed as parties can communicate offline

- Amazon should invest whatever resources necessary to maintain hold of B2C market by continuing to compete on price, convenience & reliability of vendors and continue to bring in new brand-name retailers
- Should reward smaller users as the longtail works for network membership as well (strength in #'s, not just big enterprise retailers, because if they leave, sales/catalogue can shrink overnight)
- Better position than eBay right now for long-term B2B strategy with AWS, should try new programs(i.e. seller-exchanges, etc)