

Case study 1: eBay thrives in the global marketplace Context It's hard to believe that one of the most well-known dot.coms has now been established more than 20 years. Pierre Omidyar, a 28-year-old French-born software engineer living in California, coded the site while working for another company, eventually launching the site for business in September 1995 with the more direct name 'Auction Web'. Legend reports that the site attracted no visitors in its first 24 hours. The site became eBay in 1997. At the end of 2017 eBay had 168 million 12-month active buyers, an increase from 90 million active in 2010. Nearly two-thirds of transactions are now international. This shows how established pureplays have continued to grow with global adoption of the web. This summary and others in the text are based on the SEC filing of the business. The Security and Exchange Commission (SEC) required by company law in the US gives deep, relatively hype-free insights on the main online platforms based in the US and is recommended for students studying these types of business to show the success and risk factors. Mission eBay describes its purpose as to 'pioneer new communities around the world built on commerce, sustained by trust, and inspired by opportunity'. eBay's 2016 report describes the company's view on current marketing approaches of exploiting Big Data and Artificial Intelligence: To deliver the most relevant shopping experience, we continue our efforts to better understand, organise and leverage eBay's inventory. With our structured data initiative, we are able to begin organising our vast inventory around products rather than listings and aggregate insights into supply and demand. We continue to broaden the coverage of structured data, which enables us to create and start rolling out new consumer experiences that are modern, simple and differentiated. One of our goals is to deliver a more personalised shopping experience by determining what products to show our consumers and highlight the incredible price and selection advantages that eBay often provides across categories. eBay is best known for its retail marketplaces, with a core mission to 'create the world's online marketplace'. In its most recent annual report, it describes its vision as to be present where people spend the majority of their time online, becoming part of the 'fabric' of their day-to-day online experience. Another marketplace owned by eBay is StubHub, one of the largest ticket marketplaces, with a footprint of 48 countries. PayPal is also part of eBay. The Paypal business was acquired in 2003 but was repurchased at a later date and now trades separately. This case focuses on the best known eBay business, the eBay Marketplace. Revenue model The vast majority of eBay's revenue is for the listing and commission on completed sales. For PayPal purchases an additional commission fee is charged. The margin on each transaction is phenomenal since once the infrastructure is built, incremental costs on each transaction are tiny – all eBay is doing is transmitting bits and bytes between buyers and sellers. To grow revenue, eBay has acquired and developed other sites such as comparison site Shopping.com and StubHub (event tickets). eBay has also created vertical formats, such as Classifieds, Daily Deals, Fashion, Motors (vehicles, parts and accessories) and Electronics. eBay also expanded into providing infrastructure for other retailers in 2011 with its purchase of GSI, a provider of e-commerce and interactive marketing services encompassing websites and fulfilment centres to enterprise clients that include some of the world's leading brands and retailers covering merchandise categories including apparel, sporting goods, toys and baby, health and beauty and home. Advertising and other non-transaction net revenues represent a relatively small proportion of total net revenues and the strategy is that this should remain

the case. Proposition The eBay Marketplace is well known for its core service, which enables sellers to list items for sale on an auction or fixed-price basis, giving buyers the opportunity to bid for and purchase items of interest. Software tools are provided, particularly for frequent traders, including Turbo Lister, Seller's Assistant, Selling Manager and Selling Manager Pro, which help automate the selling process, the Shipping Calculator, Reporting tools, etc. Today over 60 per cent of listings are facilitated by software, showing the value of automating posting for frequent trading. An example of a new Shopper feature that is part of its OVP is the eBay ShopBot on Facebook Messenger. This uses Artificial Intelligence to provide a personalised shopping assistant that helps people find the best deals from eBay's one billion listings. Fraud is a significant risk factor for eBay. To respond, eBay has developed 'Trust and Safety Programs', which are particularly important to reassure customers since online services are prone to fraud. For example, the eBay feedback forum can help establish credentials of sellers and buyers. Every registered user has a feedback profile that may contain compliments, criticisms and/or other comments by users who have conducted business with that user. The Feedback Forum requires feedback to be related to specific transactions, and Top Seller status was introduced in 2010 to increase trust in the service. There is also a Safe Harbour data protection method and a standard purchase protection system. eBay has increased use of mobile commerce since 2009 as consumer habits have changed. Mobile accounted for 20 per cent of purchases in 2014 and by the end of 2017 eBay related that more than 50 per cent of sales involved at least one mobile touch point. According to the SEC filing, eBay summarises the core messages to define its proposition as follows: For buyers trust; value; selection; convenience. For sellers access to broad markets; cost-effective marketing and distribution; access to large buyer base; good conversion rates. In 2007, eBay introduced Neighbourhoods (<http://neighbourhoods.ebay.com>), where groups can discuss brands and products they have high involvement with. This social commerce experiment has now ended. In January 2008, eBay announced significant changes to its Marketplaces business in three major areas: fee structure, seller incentives and standards, and feedback. These changes have been controversial with some sellers, but are aimed at improving the quality of experience. Detailed Seller Ratings (DSRs) enable sellers to be reviewed in four areas: (1) item as described; (2) communication; (3) delivery time; and (4) postage and packaging charges. This is part of a move to help increase conversion rate by increasing positive shopping experiences, for example by including more accurate descriptions with better pictures and avoiding excessive shipping charges. Powersellers with positive DSRs will be featured more favourably in the search results pages and will gain additional discounts. Competition Although there are now few direct competitors of online auction services in many countries, there are many indirect competitors. The SEC filings describe competing channels as including online and offline retailers, distributors, liquidators, import and export companies, auctioneers, catalogue and mail-order companies, classifieds, directories, search engines, products of search engines, virtually all online and offline commerce participants and online and offline shopping channels and networks. Amazon is one of the biggest competitors since it also has marketplace sellers integrated into its products listings. eBay's latest SEC filing notes: 'Consumers and merchants who might use our sites to sell goods also have many alternatives, including general ecommerce sites, such as Amazon and Alibaba, and more specialised sites, such as Etsy.'

Competitive factors today are listed as: ability to attract, retain and engage buyers and sellers; volume of transactions and price and selection of goods; trust in the seller and the transaction; customer service; brand recognition; community cohesion, interaction and size; website, mobile platform and application ease-of-use and accessibility; system reliability and security; reliability of delivery and payment, including customer preference for fast delivery and free shipping and returns; level of service fees quality of search tools.

Objectives and strategy The overall eBay aims are to increase the gross merchandise volume and net revenues from the eBay Marketplace. More detailed objectives are defined to achieve these aims, with strategies focusing on:

1. **Acquisition:** increasing the number of newly registered users on the eBay Marketplace.
2. **Activation:** increasing the number of registered users who become active bidders, buyers or sellers on the eBay Marketplace.
3. **Activity:** increasing the volume and value of transactions that are conducted by each active user on the eBay Marketplace.

The focus on each of these three areas will vary according to strategic priorities in particular local markets. eBay Marketplace growth is also driven by defining approaches to improve performance in these areas. First, category growth is achieved by increasing the number and size of categories within the marketplace, for example: Antiques, Art, Books and Business & Industrial. Second, formats for interaction: the traditional format is auction listings, but it has been refined now to include the 'Buy-It-Now' fixed-price format. This fixed-price listing now accounts for well over half of all transactions.

eBay's growth strategy In its SEC filings, success factors eBay believes are important to enable it to compete in its market include: ability to attract buyers and sellers; volume of transactions and price and selection of goods; customer service; brand recognition.

According to its 2010 SEC filing: Our growth strategy is focussed on reinvesting in our customers by improving the buyer experience and seller economics by enhancing our products and services, improving trust and safety and customer support, extending our product offerings into new formats, categories and geographies, and implementing innovative pricing and buyer retention strategies.

Search marketing is a key technique for eBay to meet its aim to become part of the 'fabric' of their customers' day-to-day online experience. If you search for 'low-cost hair curlers' or similar you will see eBay features both in the sponsored results (Google Shopping ads with images) and within the organic results. It also notes that in the context of its competitors, other factors it believes are important are: community cohesion, interaction and size; system reliability; reliability of delivery and payment; website convenience and accessibility; level of service fees; quality of search tools. This implies that eBay believes it has optimised these factors, but its competitors still have opportunities for improving performance in these areas, which will make the market more competitive.

Updating brand positioning using traditional media In an interview with eBay UK marketing director Gareth Jones in, Marketing Week (2016), he explained that: 'We don't want to be defined by that online car boot sale reputation anymore. We need to get people to consider eBay in a completely different way. The UK is the petri dish for testing a new approach to rebuilding the brand globally. It is all about a shift away from the marketplace and over to being the ultimate shop.' He is candid that a past focus on prioritising digital channels has had a 'small impact' on changing eBay's perception. Despite stating we're in an age of digital-based marketing, he believes TV is the best channel for brand building. This is based on regional tests in the Summer that proved TV is the best place to get people to reappraise eBay as a brand: TV is

still on fire and a wonderful medium to get neurons into people's brands in order to rewire their perceptions. If you ask someone where they are shopping on Black Friday then TV is the best place to put eBay at the front of their consideration set. Source: BBC (2005) eBay's 10-year rise to world fame.

Robert Plummer story from BBC News, 2 September.

<http://news.bbc.co.uk/go/pr/fr/-/1/hi/business/4207510.stm> (accessed May 2018); SEC (2008) United

States Securities and Exchange Commission submission Form 10-K; eBay submission for the fiscal

year ended 31 December 2007. Question Discuss how eBay has had to evolve its online brand

proposition and communicate it to achieve continued growth