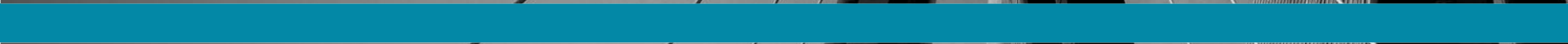


Case Study : eBay US

Product Dissection | Schema Design

Revenue & profit buildup | Guesstimates



OVERVIEW

Why eBay ?

- Pioneering Online Marketplace
- Focus on Small Businesses
- Trust and Safety
- Challenges
- Community and Support

Impact:

eBay revolutionized online shopping by offering a platform for easy buying and selling, fostering a strong community, and prioritizing security.



REAL WORLD PROBLEMS

NO ONLINE SHOPPING MODEL

There was no such thing as the online market place.

GEOGRAPHIC LIMITATION

There was a geographic limitation about the reach of buyers and sellers from all around the world.

DIVERSE PRODUCT RANGE HOTBED

Multiple websites featuring multiple classes of products and there was no industry standard procedure on the infrastructure/platform

LACK OF A PLATFORM

There were e-commerce websites, but most of them were just a storefront to big businesses

NO FEEDBACK AND TRUST SYSTEM

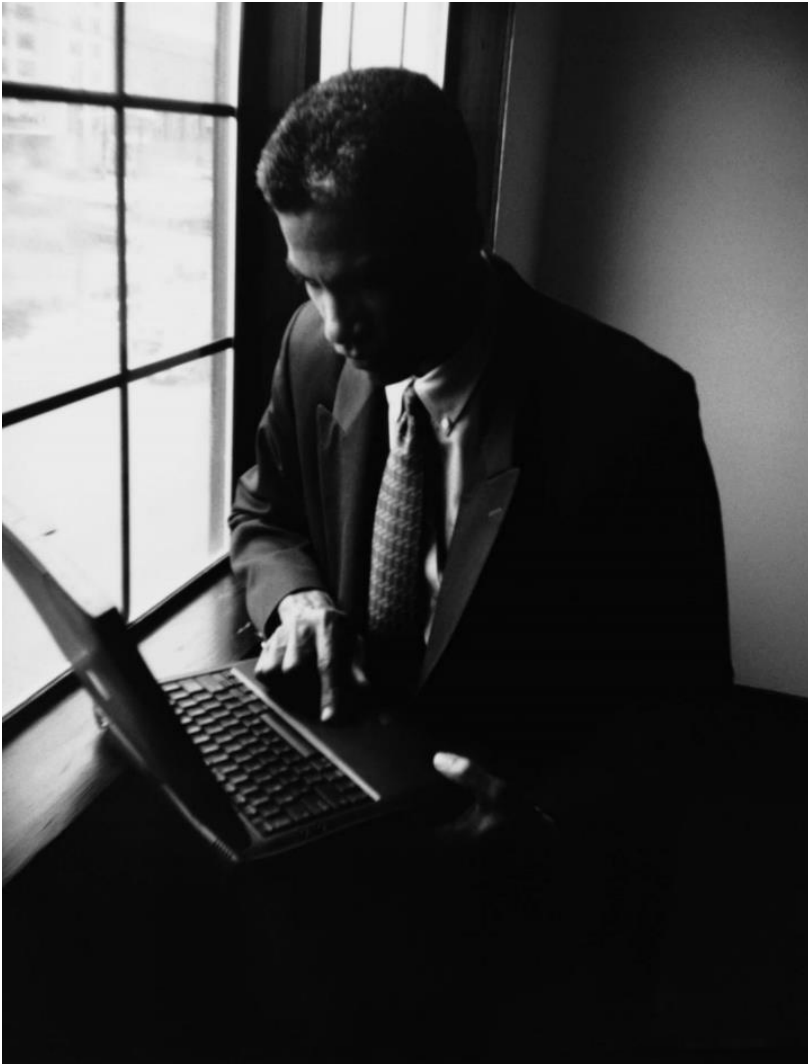
Reviews on products and trust on sellers was merely an imagination

UNRELIABLE PAYMENT INFRASTRUCTURE

The corporations clambering on to the internet saw people as nothing more than “wallets and eyeballs”.

PROBLEM

SOLUTION



CLOSING THE GAP

Introduced a new and innovative way for individuals to buy and sell goods through an online auction system. eBay embraced a wide range of products, including both new and used items.

THE ONE PLATFORM

eBay provided a platform that allowed users from around the world to participate in buying and selling. eBay empowered individuals to become entrepreneurs by giving them a platform to sell their products,

FEEDBACK AND TRUST SYSTEM

eBay implemented a feedback and trust system, where users could leave reviews and ratings for buyers and sellers.

RELIABLE PAYMENT INFRA

Integration of PayPal provided a secure and convenient way for transactions to take place, boosting trust among users.

THE END RESULT



ONLINE MARKETPLACE

eBay operates as an online marketplace, connecting buyers and sellers from around the world

SELLER RATINGS

Buyers and sellers can leave feedback and ratings based on their experiences

GLOBAL REACH

eBay connects buyers and sellers globally, providing an extensive marketplace for various products.

EBAY STORES

Sellers can set up their own eBay stores, providing a branded space for their listings.

SELLER TOOLS

eBay provides tools and resources for sellers, including analytics, shipping solutions, and marketing options.

SALES AND DISCOUNTS

Sellers can offer promotions, discounts, and coupons through eBay's platform, attracting more buyers.

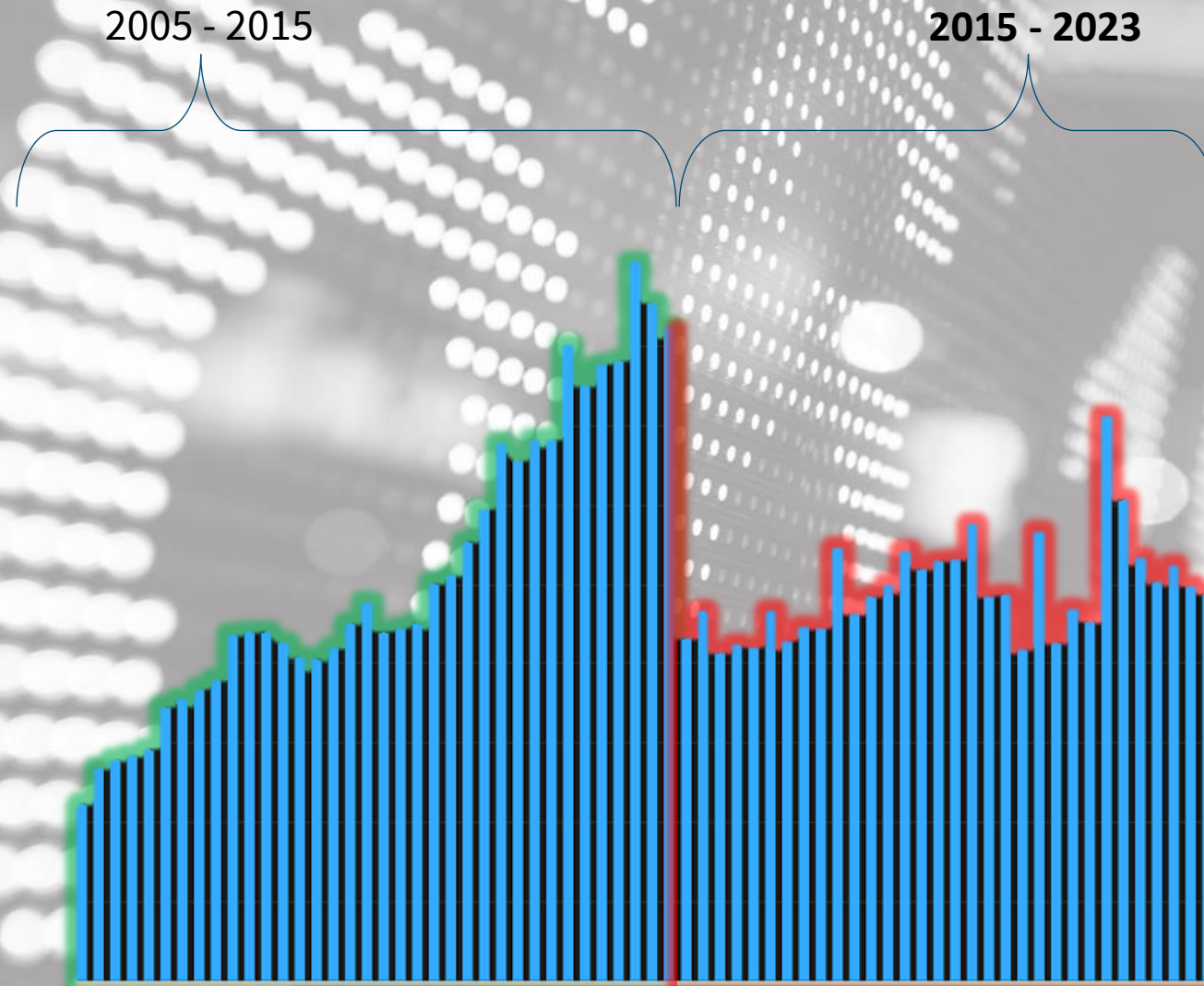
AUCTION-STYLE LISTINGS

eBay initially gained popularity with its auction-style listings, allowing sellers to set a starting bid and buyers to place bids on items.

PRODUCT CATEGORIES

eBay spans a wide range of product categories, including electronics, fashion, etc..

THE PHENOMENAL GROWTH



THE SCHEMA

USER BASE

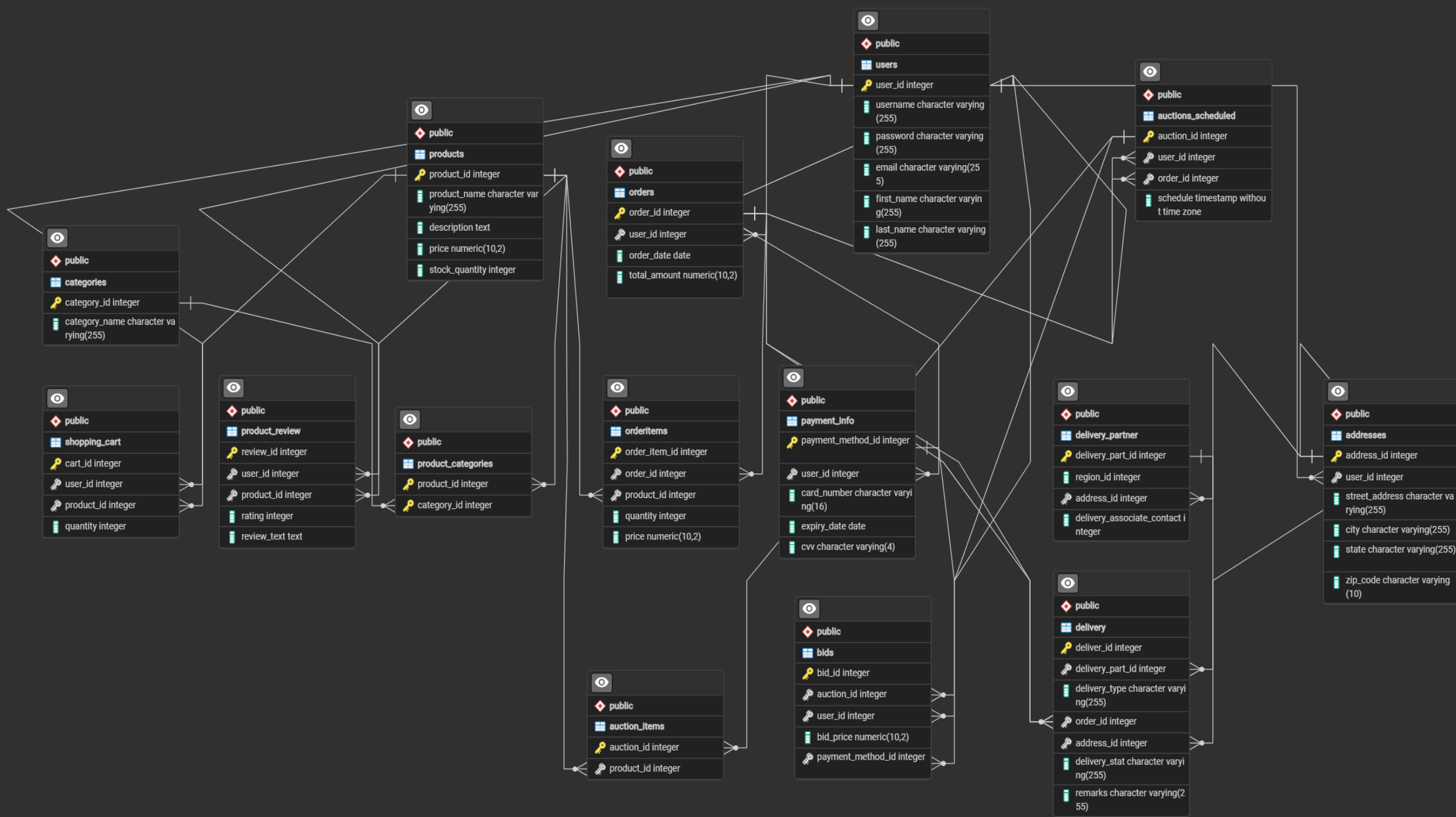
- User authentication
- Order Identification
- Shopping cart
- Addresses & Payment info
- Auctions and reviews

ORDER MANAGEMENT

- Orders & OrderItems
- Payment information
- Auctions and biddings
- Delivery Statistics

PRODUCTS

- Products Informtion
- Product categorization
- Stock evaluation
- Auction items





2015 - 2023

- Lack of innovation
- Saturated features
- Tough competition
- Weaker management
- Trust and Safety Issues
- User Experience
- Shift from Auctions to Fixed Pricing
- Failed on product Discovery
- Rise of Niche Marketplaces
- Counterfeit Products & Fraudulent Activities
- High Fees

THE UNPRECEDENTED FALL

CURRENT FINANCIALS

\$10B  4%

\$2.7B

\$7.3B

Revenue from GMV

Gross Revenue: \$10,112 Mn USD

Gross merchandising volume: \$73.2 billion

eBay's primary sources of revenue stream are transaction fees and marketing services.

Out of the GMV, eBay gets a cut as transaction fees.

Most of the GMV is a result of the marketing and advertising done by eBay for the products listed.

Cost of Goods Sold

Profit

EXPENSES BREAKDOWN

FROM PROFITS

\$7.3B

Gross Profits after
deducting COGS

\$5.3B

R&D Expenses: \$1,544 Mn USD
SG&A Expenses: \$3,413 Mn USD
Other operating Expenses: \$360 Mn USD
Operating Expenses: \$5,338 Mn USD

\$2B

Operating Income

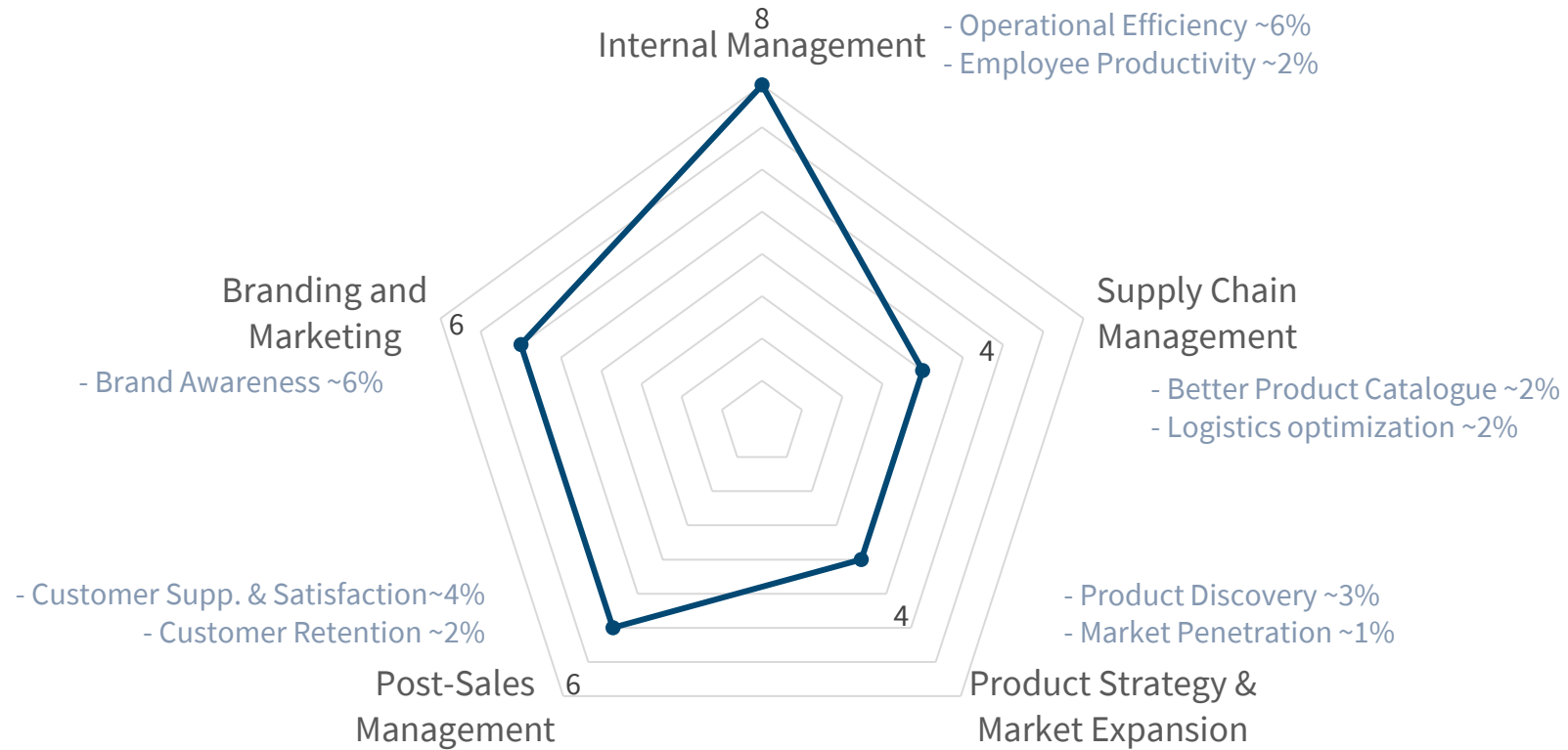
\$3.7B

Pre-Tax Income

\$1.7B

Non-Operating Income

GETTING THE 25%



GROWTH STRATEGY

How we'll scale up our revenue

INTERNAL MANAGEMENT 8

- Operational Efficiency
- Employee Productivity

SUPPLY CHAIN MANAGEMENT 4

- Better Product Catalogue
- Logistics Optimization

POST-SALES MANAGEMENT 6

- Customer Support
- Customer Retention

PRODUCT STRATEGY & MARKET EXPANSION 4

- Product Discovery
- Market Penetration

BRANDING AND MARKETING 3

- Brand Awareness

GUESSTIMATES

Step 1

Break down numbers

Step 2

Estimate each piece

Step 3

Consolidate & conclude

**Q1. What percentage of total retail sales in 2025
will be conducted through e-commerce platforms?**

Step	Details	Calculation
Population Estimation	Assuming the population of the US	300 million
Internet Penetration	Estimate 80% of the population has internet access $0.8 \times 300 \text{ Mn}$	240 million
e-commerce userbase count	Assuming 80% of the internet users using e-commerce platforms $\rightarrow 0.8 \times 240 \text{ Mn}$	190 million
Retail sales estimation	Assuming 80 % of e-commerce users buying retail commodities $\rightarrow 0.8 \times 190 \text{ Mn}$	150 million
Average Retail Spending in e-commerce	Assuming each individual spends \$ 3,000 USD annually on e-commerce platforms $3000 \times 150 \text{ Mn}$	450 billion
Total overall retail spends	Assuming each individual spends \$ 20,000 USD annually on any retail commodity. Total annual retail spends $\rightarrow \$ 20000 \times 300 \text{ Mn}$	6 trillion

Q2. How much will the average online shopper spend annually in 2025?

Step	Details	Calculation
Expenditure estimation	Assuming how much an average American spends in the year 2024	\$ 2500 USD
Factors affecting average expenditure	Inflation rate: Assuming an average inflation rate of ~3% in US economy	Overall, 12% annual growth
	Consumer Behavior: Assuming ~5% increase in online spendings due to habits like subscriptions, services, etc.	
	Income Growth: Assuming an average income growth of ~4% which will result in increased online spends	
2025 Annual expenditure	Projecting a 12 % increase on \$ 2500 in the year 2025 -> $1.12 \times \$2500$ USD	~ 2800 USD

Q3. What will be the market share of mobile e-commerce (m-commerce) in total e-commerce sales in the next five years?

Steps	Details	Calculation
Population Estimation	Assuming the population of the US	300 million
Mobile userbase estimation	Assuming Mobile users in the U.S. ~ 80%	240 million
M-commerce userbase estimation	Assuming m-commerce users in US ~ 75%	160 million
Estimating average spend per user	Assuming an average user spends \$3000 USD	480 billion
Growth factors	Smartphone penetration: Increasing ownership of smart phones in a large country with younger population, m-commerce growth will be high. ~ 5 %	~15 %
	Technological advancements and convenience: Faster internet speed, optimized browsing experience and secure payment methods. ~ 5 %	
	Consumer behaviour: The ease of shopping anytime anywhere will be a driving factor for the growth ~ 3%	
	Competition: Intense competition among m-commerce platforms ~ 2 %	
Year 1 Growth (2025)	Projecting a 15% growth over 480 billion m - commerce users -> 1.15 x 480 Bn	550 billion
Year 5 Growth (2028)	Projecting a 15% growth over 1 trillion m -commerce users -> 1.15 x 1 Tr	1.2 trillion

Q4. What is the estimated increase in the number of e-commerce websites in the next three years?

Step	Details	Calculation
Population Estimation	Assuming the global population	7 billion
Estimating platforms	Assuming the total number of e-commerce websites worldwide	20 million
Growth Factors	Technological Advancement: Ease in developing e-commerce platforms ~8%	~ 20% of overall annual growth
	Current Trends & demands: Sales, availability, trends and spending power ~6%	
	Government policies: Most governments promoting globalization and digital economy ~6%	
Year 1 Growth (2025)	Projecting a 20% growth over 20 million ecommerce platforms -> $1.2 \times 20 \text{ Mn}$	24 million
Year 2 Growth (2026)	Projecting a 20% growth over 24 million ecommerce platforms -> $1.2 \times 24 \text{ Mn}$	28.8 million
Year 3 Growth (2027)	Projecting a 20% growth over 28.8 million ecommerce platforms -> $1.2 \times 28.8 \text{ Mn}$	34.56 million

Q5. How much will global e-commerce sales grow annually over the next five years?

Step	Details	Calculation
Population Estimation	Estimating the global population	7 billion
Internet Penetration	Estimating 60% of population has internet access- → $0.6 \times 7 \text{ B}$	4 billion
E-commerce platform usage	Assuming 75% of internet users are logged in any E-commerce platform → $0.75 \times 4 \text{ B}$	3 billion
User Retention	Assuming 70 % of e-commerce platforms making some purchases → $0.7 \times 3 \text{ B}$	2 billion
Average spending	Assuming a person spending an average of \$3000 USD on e-commerce platforms $3000 \times 2 \text{ B}$	\$6 trillion USD
Growth Factors	Assuming a global inflation rate ~5%	Overall, 10% annual growth in ecommerce sales
	Assuming declining cost in technology i.e. cheaper to build/maintain platform ~2%	
	Assuming growth due to market expansion ~3%	
Year 1 Growth	Projecting a 10% growth over \$ 6 Tr economy sector → $1.1 \times 4 \text{ Tr}$	\$ 6.6 trillion USD
Year 5 Growth	Projecting a 10% growth over \$ 8.8 Tr economy sector → $1.1 \times 8.8 \text{ Tr}$	\$ 9.6 trillion USD



SUMMARY

The comprehensive case study explored critical business aspects, including growth strategies, problem-solving, ideation, revenue management, and informed guesstimates. Valuable insights were cultivated throughout the process, shaping strategic decisions and enhancing the company's resilience.

SUMMARY



THANK YOU

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