

Beyond Shopping Carts: Exploring the E-Commerce Arena with eBay

By Nur Aisha

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Abstract

This essay examines the operations of e-commerce through George W. Reynolds' 9 critical factors; factors that are key to a successful e-commerce operation. In the context of eBay, we delve into the factors that were successfully implemented. We will also examine the ones that the e-commerce struggles with and put forward solutions that can help improve the implementation of those factors. By improving efficiency and profitability, these solutions offer a pathway for e-commerce platforms, such as eBay, to operate more effectively in the dynamic online marketplace.

Introduction

Through the production, distribution, and exchange of goods and services, businesses have significantly changed the world in various ways, contributing to social, economic, and technological transformations. As of 2023, there are approximately 594 million entrepreneurs in the world (GEM, 2023).

The increasing dependence on automation and advanced technology has become more prominent over the years, resulting to a widespread implementation of Information and Communication Technologies (ICTs). The rise of e-commerce has been significantly influenced by the advancements in ICTs. An obvious example is the internet, supported by ICT infrastructure, that acts as the primary platform for buyers and sellers to connect and engage in transactions. ICT also enables businesses to collect, analyze, and interpret extensive data concerning customer behavior, preferences, and market trends. This information assists them in making informed decisions, tailoring customer experiences, and refining their strategies.

Global retail e-commerce sales hit approximately \$5.8 trillion in 2023 (Chevalier, 2024). Clearly, e-commerce has a significant impact on the world's economy. It has transformed the way businesses operate, expanded market reach, increased efficiency in transactions, and provided consumers with convenient access to a wide range of products and services.

Information Systems Management Issue

While the idea of initiating an e-commerce venture may appear enticing due to its various benefits, entrepreneurs should recognize that it is not inherently straightforward. Numerous challenges exist, especially when it comes to ensuring sustainable growth and success for their online businesses. 90% of e-commerce brands reportedly fail within four months of launching (Tariq, 2021).

To effectively implement e-commerce, managers must understand the distinctions between online and traditional business approaches. It's also essential for them to possess a solid comprehension of their stakeholders and the fundamental dynamics of their operating markets. (De la Boutetière et al., 2018). George W. Reynolds found that there are 9 critical factors that contribute to making an e-commerce operation successful — identifying appropriate e-commerce opportunities; acquiring necessary organizational capabilities; directing potential customers to your site; providing a good customer online experience; providing an incentive for customers to buy and return; providing timely, efficient order fulfilment; offering a variety

of easy and secure payment options; handling returns smoothly and efficiently; and providing effective customer service (Reynolds, 2016).

To quote Henry Ford¹: a business that makes nothing but money is a poor business. This quote reflects the idea that a successful business should serve a greater purpose beyond just financial profit; that it should consider its impact on various stakeholders, including customers, employees, and the community. This idea can be supported by Reynolds' 9 critical factors where they highlight the multifaceted aspects of a successful e-commerce operation that go beyond financial transactions and contribute to the overall well-being of the business and its stakeholders.

In the subsequent section of this report, we will further explore some of the factors mentioned above within the context of eBay.

Discussion and Argument

Founded in 1995, eBay is a leading global e-commerce platform enabling consumer-to-consumer and business-to-consumer transactions. It offers auction-style and fixed-price formats for various goods, including electronics, fashion, and collectibles. With millions of users participating in transactions daily, eBay has become a hub for online commerce, fostering a dynamic marketplace (ChannelEngine, n.d.).

Among Reynolds' 9 critical factors mentioned, eBay has effectively incorporated several into its operations.

(1) Directing potential customers to a site

eBay's website consistently facilitates connections between sellers and buyers, offering a diverse array of products. eBay optimizes its website and product listings through Search Engine Optimization (SEO), ensuring that they appear prominently in search results when users look for relevant products. eBay invested in Cassini, an internal search engine that considers factors like ad relevance, seller performance, and return policy to enhance customer item discovery (eBay export, n.d.). In Q3 2023, eBay's marketplace reached a gross merchandise volume (GMV) of \$18 billion (eBay, 2023).

(2) Identifying appropriate e-commerce opportunities

eBay's adept recognition of e-commerce opportunities, particularly in global expansion, has contributed to its widespread presence across 190 markets. In fact, more than half of eBay's total GMV originates from its international user base (Lin, 2023). Understanding the growing trend of mobile usage, eBay also invested in mobile technology to create user-friendly mobile apps. As a result, 60% of eBay's GMV for the third quarter of 2023 involves a touchpoint on a mobile device (eBay, 2023).

¹ Henry Ford is the founder of Ford Motor Company, an American multinational automobile manufacturer. <https://corporate.ford.com/articles/history/henry-ford-biography.html>

(3) Offering a variety of easy and secure payment options

In 2018, eBay transitioned its transactions to Adyen, a global multichannel payment company (Adyen, 2022). The Payment Card Industry Data Security Standard (PCI DSS) mandates retailers to implement protective measures for securing cardholder data (Imperva, n.d.). Adyen reports that they are fully PCI DSS v4.0 compliant as a Level 1 Service Provider. Adyen has also implemented the Dynamic 3D Secure technology, an additional authentication step for online payments (Adyen, n.d.). This partnership has further enriched customer experience by providing a secure and varied array of payment options.

Some factors on the other hand, are harder for eBay to achieve.

(1) Providing a good customer online experience

Despite its prominence, eBay's platform is susceptible to website bugs. Statusgator.com tracked four separate outages in December 2023, one lasting three hours (Statusgator, n.d.). Website bugs were reported to cause issues such as inability to add items to the shopping cart, difficulties in completing the checkout, and payment problems for buyers. (Webretailer, 2024). This hinders customers' seamless platform usage and may drive them toward competitors. Reports suggest that website bugs might arise because developers often lack sufficient time to thoroughly develop and test their code. Consequently, developing and testing websites within unrealistic project deadlines can adversely affect the website's quality and lead to the introduction of bugs or defects in the application (Bardoliya, 2017).

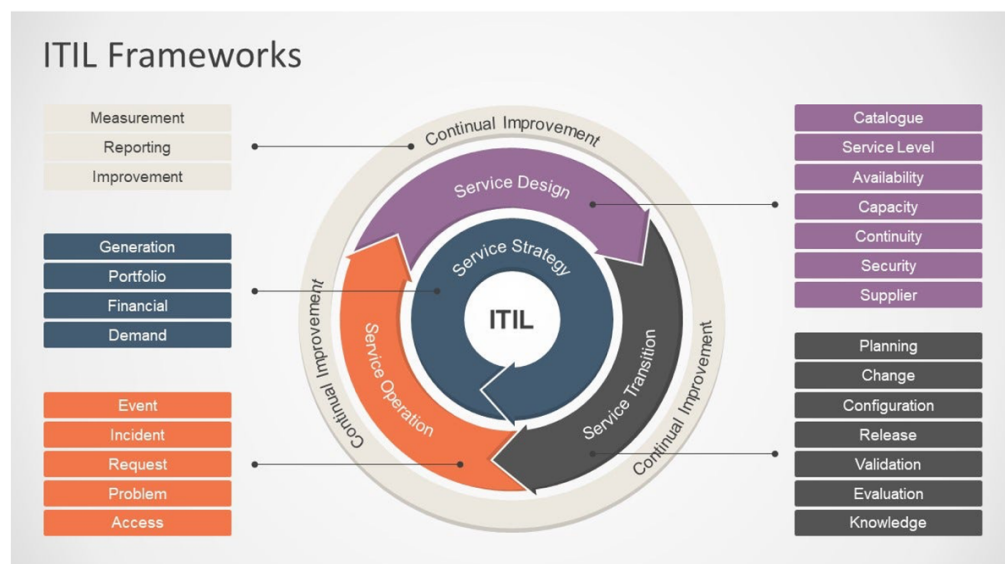


Figure 1: ITIL Framework, taken from Tomlinson Enterprise Solutions LLC

The Information Technology Infrastructure Library (ITIL) framework can be applied to improve the governance of the website development team. ITIL is a comprehensive framework guiding organizations in effective IT service management by providing best practices and processes aligned with business needs and goals. (Simplilearn, 2024).

By using ITIL principles, eBay can create a systematic and standardized method for developing websites, promoting improved collaboration and governance within development teams. This

can lead to more practical project planning, enhanced testing procedures, and, ultimately, a decrease in website bugs or defects.

(2) Acquiring necessary organizational capabilities

There are a great number of scam complaints on eBay's community page (eBay, n.d.) despite the recent acquisition of 3PM Shield, a company specializing in AI-based marketplace compliance solutions to identify suspicious sellers and detect fraudulent or unsafe items (Walk-Morris, 2023). Dealing with fraud can cause stress, anxiety, and make both sellers and buyers feel vulnerable. Several factors that contribute to fraud on eBay involve sellers creating deceptive listings. Some may manipulate buyer protection policies by falsely claiming they received defective items, leading to undeserved refunds (Bischoff, 2023). The rapid growth of e-commerce only escalates the issue as it has rendered it an appealing target, particularly for inexperienced merchants without strong security measures. Likewise, new buyers may lack awareness and be more susceptible to scams.

To address this, eBay could further outsource to companies like Feedzai to employ their fraud detection and prevention efforts. Feedzai provides several financial fraud detection solutions as shown in the figure below (Feedzai, n.d.). Investing in AI-driven fraud detection solutions like Feedzai help bolster security measures and reassure users of a safer platform experience. Multi-sourcing is the practice of outsourcing to multiple service providers. Engaging with multiple service providers often brings a diversity of perspectives, skills, and expertise. This can foster innovation as different vendors contribute unique ideas and approaches, leading to a more creative and dynamic solution (Lynch, 2023).

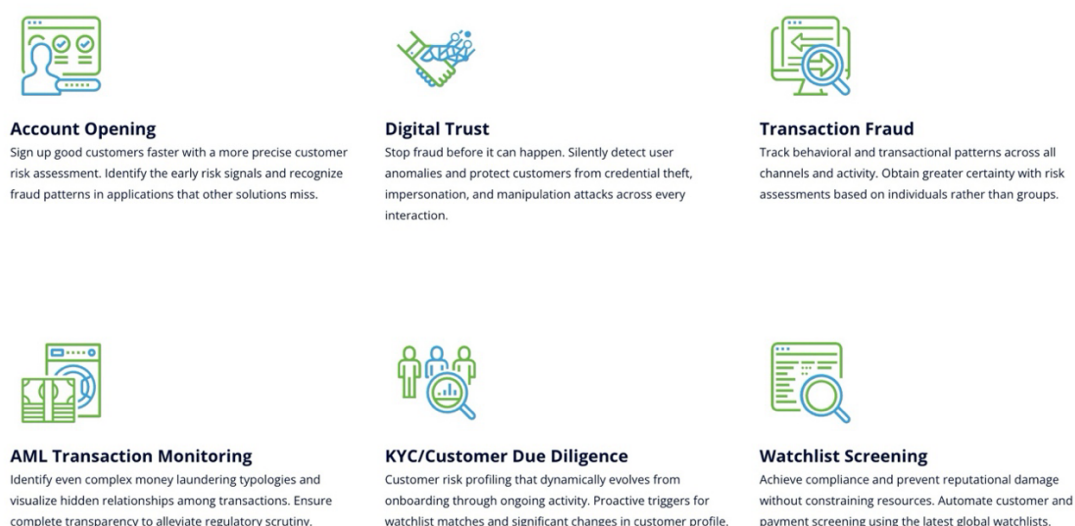


Figure 2: Feedzai Solutions, taken from Feedzai

(3) Providing an incentive for customers to buy and return in the future

eBay has struggled with customer retention, evident in declining metrics, despite announcing strategic initiatives to enhance performance (eBay, 2019). The platform's active buyers marked a 4.3% decline from Q2 2022 to a year later. Concurrently, customer satisfaction levels and GMV have dwindled in recent years (Noor & Torska, 2023).

eBay lacks a membership program comparable to Amazon Prime², with eBay Plus available only in selected regions and potentially offering fewer features. Additionally, eBay Bucks, eBay's free loyalty program, ceased in April 2021 (Steiner, 2022). eBay then quietly introduced a new program, eBay Top Star, which is limited to invitation-only access in the US for only the Watches and Sneakers categories. With eBay Bucks being eliminated, those that were left out from the perks were frustrated, raising concerns about fairness. The exclusivity in the membership programs can potentially foster disloyalty among customers.

(4) Providing effective customer service

eBay received low ConsumerAffairs.com rating of 1.3 out of 5 stars, with customer service being a frequent cause for complaint (ConsumerAffairs, n.d.). This can also be supported by the reviews left in TrustPilot.com, rating the platform 1.2 out of 5 stars.

While eBay has implemented various initiatives to enhance customer support, some users have expressed concerns about their effectiveness. There have been instances where users found the support mechanisms to be less than optimal. Criticisms include AI responses that may not fully address complex issues and tutorials that might not cover all scenarios. Dissatisfaction may damage eBay's reputation, making it harder to attract new customers and retain the current ones.

Although eBay has not publicly disclosed details about its utilization of a CRM system, it is evident that the effectiveness of such a system, if in use, is questionable. Darrell Rigby discussed 4 perils of CRM that e-businesses should avoid (Rigby et al., 2002).

The selectivity in membership programs reflects concerns about "Implementing CRM Before Creating a Customer Strategy". eBay's actions suggest a lack of a comprehensive customer strategy. This situation raises concerns that eBay may be implementing CRM initiatives without a clear and well-defined strategy to engage and retain customers effectively, potentially leading to dissatisfaction and disloyalty among its userbase.

The lack of effective customer support speak to the peril of "Stalking, Not Wooing, Customers". It suggests that eBay may be prioritizing efficiency over quality in its customer interactions. Instead of engaging with customers in a meaningful way to understand their needs and provide tailored solutions, eBay's reliance on AI technology and limited tutorials may result in a superficial approach that fails to fully address the complexities of customer inquiries or provide adequate support.

CRM is a powerful idea, albeit a difficult one to implement. It is worth its investments because it improves customer understanding, enhances internal communication, boosts customer retention, optimizes marketing efforts, and provides valuable analytics for informed decision-making.

² Amazon Prime is a subscription service from Amazon. It gives members access to exclusive shopping and entertainment services, discounts and more.

Conclusion

Reynolds' critical factors emphasizes the need for an e-commerce platform to continuously reassess its organizational capabilities, and in eBay's context, to maintain a positive customer online experience, and ensure effective customer service as part of strategic adaptation in the dynamic e-business environment. To safeguard its market position and sustain transactions, eBay must address these issues promptly to maintain its appeal to buyers and sellers and ensure a robust transaction volume. Thus, the recent layoffs (StraitsTimes, 2024) necessitate a change in direction. To enhance productivity and efficiency, eBay should prioritize reorganizing its teams. Managers need to be willing to formulate effective e-business plans, incorporating critical success factors for successful deployment.

Critical reflections

Significant economic growth facilitated by e-commerce depends on the integration of various ICT tools. Strategic planning, as well as ethical, legal, and social auditing, are among the many factors that play indispensable roles in the success of e-commerce.

(1) Information Technology and Business Strategies

Strategic planning is where organizations set priorities, define vision, identify objectives, and focus their resources on what they plan on achieving. In a recent setback for eBay, the much-anticipated ChatGPT AI feature faced a swift removal just days after its launch, leaving users frustrated and highlighting the challenges in integrating advanced AI capabilities (Morton, 2023). The disappointment continued as the AI tool designed to generate product listings from photos also encountered significant issues, raising concerns about the platform's technological reliability (Morton, 2023).



Figure 3: Porter's Five Forces model, taken from Business-to-you

To address this, eBay needs to adopt a more refined strategic planning approach, avoiding the pitfalls that accompany hastily introduced features. Rather than succumbing to a fear-of-losing-

out mentality, eBay should emphasize the importance of better strategic planning. This entails a comprehensive examination using tools such as SWOT analysis to pinpoint internal strengths and weaknesses, along with external opportunities and threats. Additionally, applying Porter's Five Forces model aids in evaluating the competitive landscape, supplier and buyer power, and potential substitutes or new entrants.

Goals-based strategic planning, structured around phases of analysing the situation, setting direction, defining strategies, and deploying plans, can provide eBay with a systematic framework to prevent the recurrence of such technology implementation failures. Emphasizing quality over quantity becomes paramount, where the focus should be on delivering reliable and effective features rather than hasty releases. By adhering to these strategic planning principles, eBay can navigate technological challenges more successfully, ensuring a robust and dependable user experience.

(2) Ethical, Legal, and Social Issues of Information Technology

In the wake of more than 20 lawsuits in the past decade (Steiner, n.d.), eBay finds itself at a critical juncture, grappling with legal and ethical challenges that threaten its reputation and operational integrity. One notable lawsuit involves allegations that eBay provided inaccurate customer data to IC System, Inc., resulting in legal repercussions. Additionally, a complaint filed by the Justice highlights eBay's alleged involvement in the sale of unlawful pesticides and other illegal products on its platform. These legal entanglements underscore the imperative for eBay to address the legal and ethical complexities associated with its projects.

In facing these challenges, eBay should focus on key areas, starting with user content moderation. By using content moderation algorithms, eBay is dealing with the dual challenge of following regulations while protecting freedom of expression. Striking this balance requires ethical content moderation practices that prevent harmful or illegal content without infringing on users' rights.

Additionally, eBay should regularly audit its ICT practices and establish a dedicated legal compliance team to navigate changing legal requirements effectively. Ensuring algorithmic transparency and fairness is essential for maintaining trust, legal compliance, ethical standards, and positive user experiences.

Lastly, giving priority to Corporate Social Responsibility (CSR) initiatives allows eBay to demonstrate its commitment to ethical behaviour, therefore fostering a responsible culture across its operations. Through concerted efforts to tackle these legal and ethical challenges, eBay should aim to maintain its reputation, rebuild trust among stakeholders, and create a foundation for sustainable growth and success.

The official word count (excluding the Abstract and Bibliography) is 2427.

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