



VILNIUS UNIVERSITY  
BUSINESS SCHOOL

## Business Intelligence in Strategic Recommendations for eBay

Peter Obinna Muoh, Faustinus Chukwuma Onyima, Nadir Aqbal, Syed Lakht E Hasnain, Hamza Aalam, Dan Yang, Muzzamil Ali, Tayfun Ashraflı

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Metrics(Million)	2019	2020	2021	2022	2023
Sales (Revenue)	\$7,429.00	\$8,894.00	\$10,420.00	\$9,795.00	\$10,112.00
Total assets	\$19,310.00	\$26,626.00	\$20,850.00	\$20,850.00	\$21,620.00
Total liabilities	\$15,304.00	\$15,749.00	\$16,848.00	\$15,697.00	\$15,224.00
Total shareholder equity	\$2,870.00	\$3,5 61.00	\$9,778.00	\$5,153.00	\$6,396.00
Total current assets	\$4,706.00	\$7,190.00	\$9,111.00	\$9,290.00	\$1,102.00
Goodwill	\$4,572.00	\$4,297.00	\$4,178.00	\$4,262.00	\$4,267.00
Total current liabilities	\$4,066.00	\$4,002.00	\$4,622.00	\$4,271.00	\$4,520.00
Net Income	\$1,786.00	\$5,667.00	\$1,361.00	-\$1,269.00	\$2,767.00
Gross profit	\$5,844.00	\$7,097.00	\$7,770.00	\$7,115.00	\$7,279.00
Total operating expenses	\$5,659.00	\$6,258.00	\$7,497.00	\$4,765.00	\$8,171.00
Total operating income	\$1,770.00	\$2,636.00	\$2,923.00	\$2,350.00	\$1,941.00
Total Debt	\$7,760.00	\$7,746.00	\$9,082.00	\$8,871.00	\$7,723.00
EBITDA	\$2,370.00	\$3,219.00	\$3,425.00	\$2,792.00	\$2,344.00
COGS(Cost of Goods Sold)	\$1,585.00	\$1,797.00	\$2,650.00	\$2,680.00	\$2,833.00
Dividends	\$0.14	\$0.16	\$0.18	\$0.22	\$0.25
Employees	13,300	12,700	10,800	11,600	12,300
Gross profit/ No of employees	0.44	0.56	0.72	0.61	0.59
Earnings per share (diluted)	2.09	7.89	20.54	-2.27	5.19

Year	Quarter	Net Profit Margin %	P/E	Gross Profit Margin %	ROI	ROE	Debt Ratio
2019	Q1	31.13%	12.35	76.39%	12.22%	41.33%	3.29
2019	Q2	29.05%	14.11	76.30%	14.53%	42.65%	4.16
2019	Q3	25.84%	16.26	75.57%	14.53%	42.21%	4.72
2019	Q4	24.04%	15.92	78.66%	15.85%	46.24%	5.33
2020	Q1	65.50%	4.61	78.33%	16.75%	151.44%	7.95
2020	Q2	71.17%	7.36	80.00%	18.86%	180.12%	5.9
2020	Q3	74.34%	6.75	81.20%	21.24%	199.06%	5.31
2020	Q4	63.72%	20.87	79.80%	24.60%	197.15%	4.42
2021	Q1	30.80%	20.87	79.78%	27.31%	88.07%	3.97
2021	Q2	132.36%	3.92	77.85%	21.76%	221.50%	1.45
2021	Q3	125.13%	3.61	76.39%	18.90%	159.58%	1.67
2021	Q4	130.60%	3.1	74.57%	17.41%	145.12%	1.72
2022	Q1	113.26%	3.19	73.38%	15.59%	114.00%	2.26
2022	Q2	3.60%	7.16	72.81%	16.66%	4.37%	2.75
2022	Q3	0.28%	28.44	72.79%	18.19%	0.42%	2.94
2022	Q4	12.96%	19.28	72.64%	18.89%	-22.76%	3.05
2023	Q1	6.51%	0	72.60%	18.00%	12.39%	2.71
2023	Q2	13.49%	17.62	72.37%	17.53%	25.96%	2.79
2023	Q3	26.99%	8.53	72.13%	16.17%	50.03%	2.59
2023	Q4	27.36%	8.23	71.98%	14.83%	48.23%	2.38

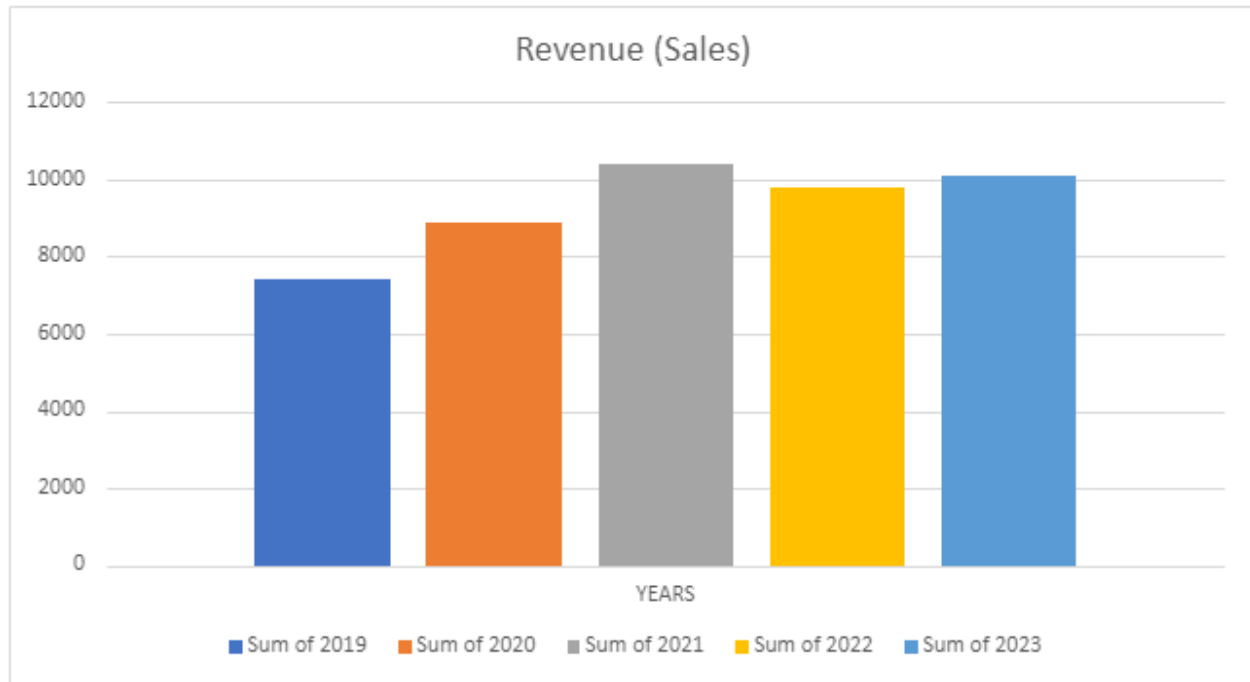
### ***Arguments and Proofs of the Strategic Challenge at the beginning of the 5-year period***

**Arguments1:** Strong revenue growth supported by pandemic trends and platform expansion

**Proof:**

- **Revenue increased by 36%** from 2019 to 2023 (\$7,429M to \$10,112M), driven by several factors (*Fig.1.1 eBay Revenue of the 5 years*):
- The **COVID-19 pandemic** boosted online shopping, which is reflected in the 2020 and 2021 annual reports, showing an increase in the user base.
- The expansion of eBay's **Managed Payments platform** in 2020 and 2021 contributed to additional revenue streams.
- eBay's main revenues in 2022-2023 come from platform sales and advertising costs with a sustainability strategy.

- Despite this growth, competitors like **Amazon, Temu and Etsy** have gained traction due to more competitive pricing, which presents a challenge for eBay's longer-term market share. (Fig.1.1. Amazon vs Ebay revenue, Fig.1.2. Amazon vs Ebay revenue, Fig.1.3. Ebay vs PDD revenue)



*Fig.1.1 eBay Revenue of the 5 years*



*Fig.1.2. Amazon vs Ebay revenue*

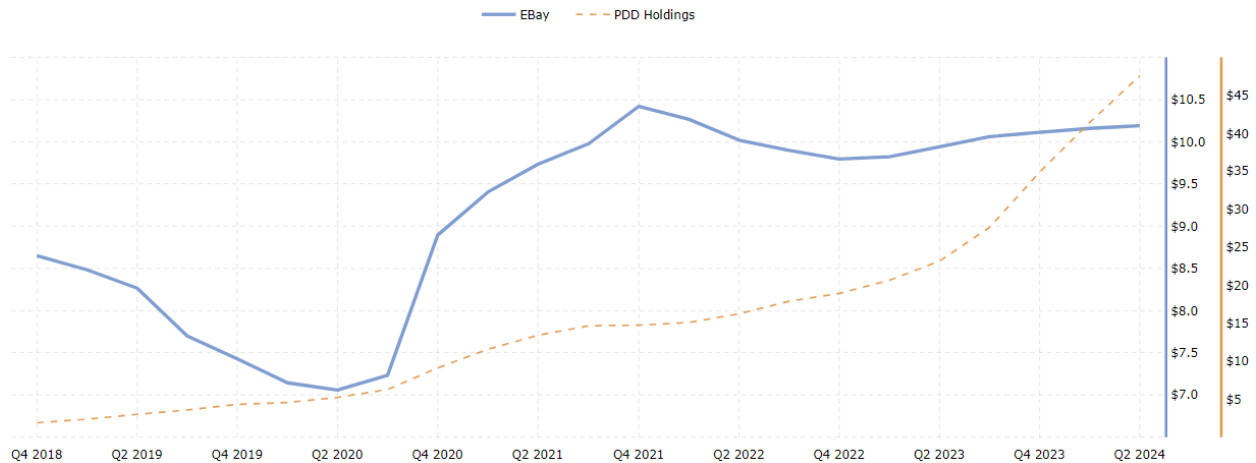


Fig.1.3. Ebay vs PDD revenue

## Arguments2: Cost structure issues driven by rising COGS and Operational Expenses

### Proof:

- **COGS increased by 79%** from 2019 (\$1,585M) to 2023 (\$2,833M), outpacing the revenue growth rate. (Fig.2.1. eBay Main Metrics Analysis)
- Contributing factors include the **increased cost of eBay International Shipping** and higher **customer support costs**.
- Operating expenses also surged, with **2023 operating expenses** reaching \$8,171M, up from \$5,659M in 2019, reflecting higher employee-related costs and legal expenses. (Fig.2.2. eBay Total Operating Expenses)
- The increased costs have pressured profitability, as seen in the **decline in net income** in 2022 (-\$1,269M).

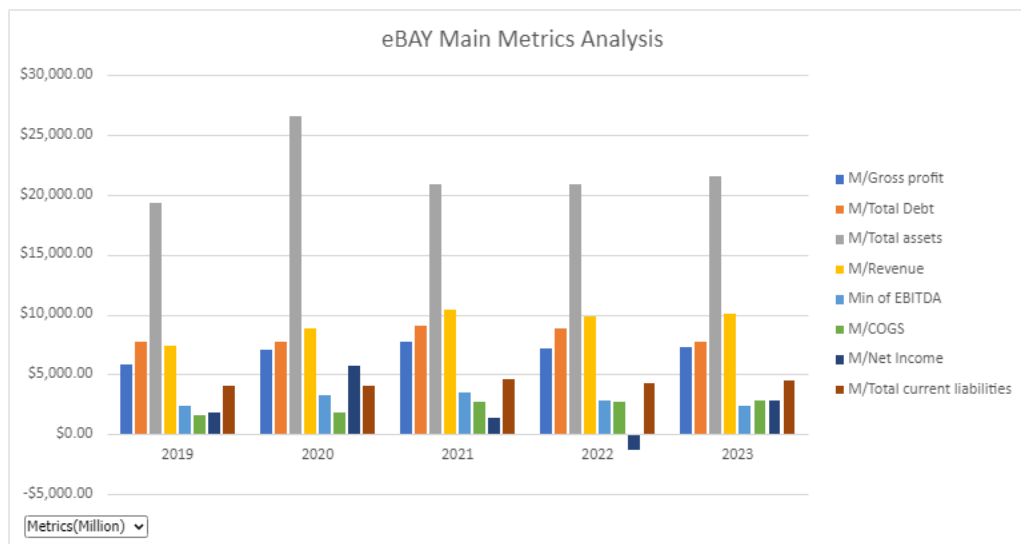
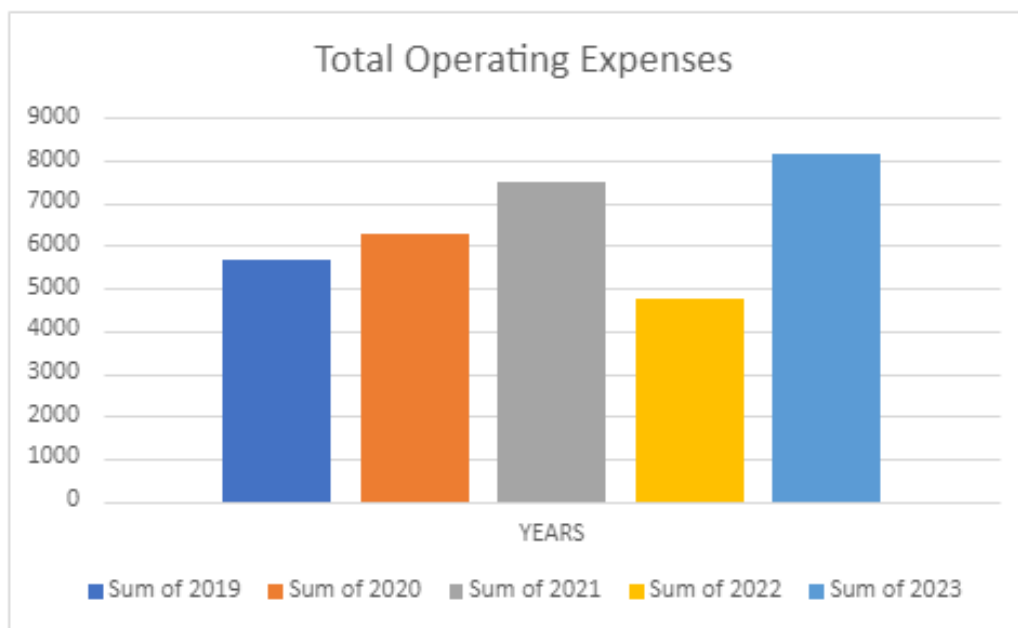


Fig.2.1. eBay Main Metrics Analysis

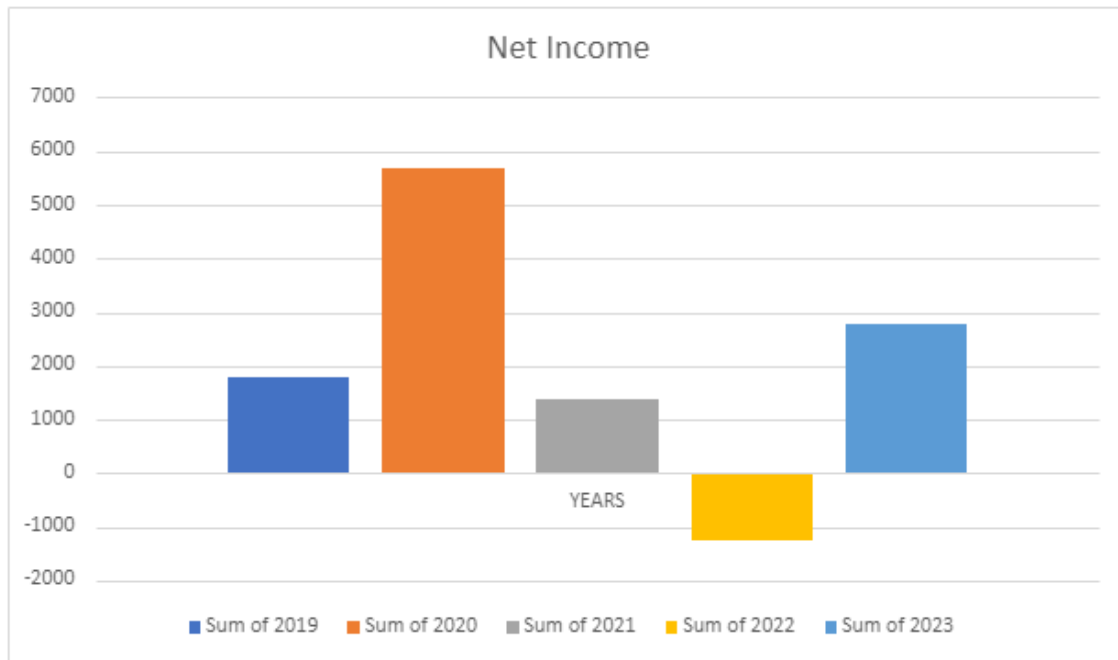


*Fig.2.2. eBay Total Operating Expenses*

**Arguments3:** Profitability volatility linked to asset sales and investments

**Proof:**

- In **2020**, eBay reported a significant increase in net income (\$5,667M) due to the sale of **StubHub** for \$4.05 billion.
- This one-time event inflated the profit figures but did not reflect sustainable business operations.
- In contrast, the company faced a significant drop in **net income in 2022** (-\$1,269M) due to losses on equity investments in companies like **Adevinta, KakaoBank, and Gmarket**. (*Fig.3.1. Net Income*)
- Unrealized losses from fluctuations in market values led to a **\$3.8 billion net loss** in 2022.

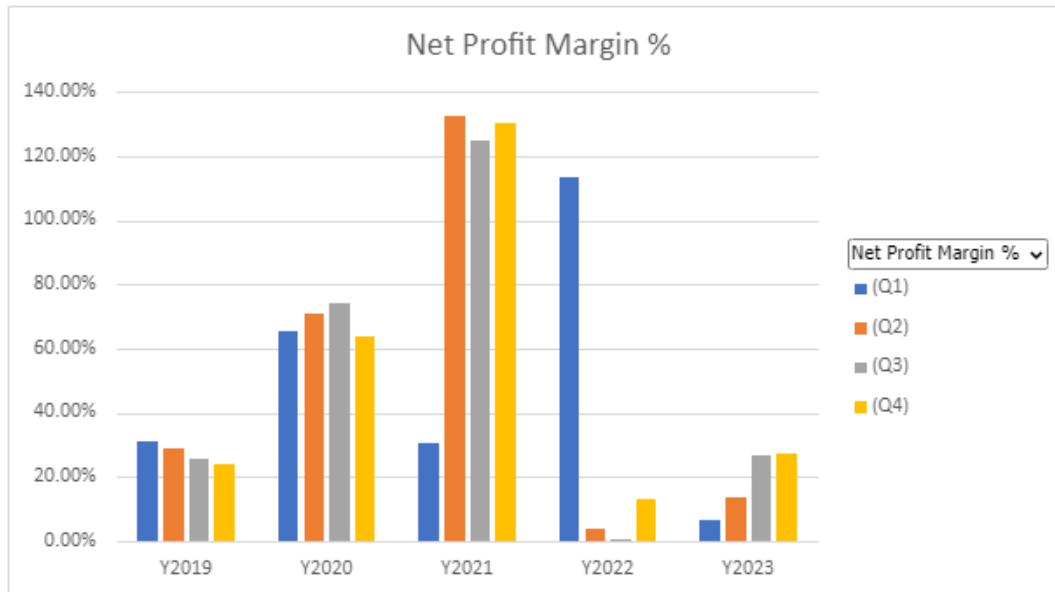


*Fig.3.1. Net Income*

**Arguments4:** Decline in net profit margin in 2022 linked to equity investments and restructuring (*Fig.4.1. Net Profit Margin*)

**Proof:**

- The **Net Profit Margin dropped to 0.28%** in Q3 2022 and remained low in subsequent quarters due to:
- 143 million losses from changes in the fair value of eBay's **equity investments**.
- **Restructuring costs** amounted to \$141 million, which included workforce reductions and operational restructuring activities.
- **Higher operating expenses** related to employee costs and legal matters also negatively impacted margins.
- These internal challenges were compounded by **macroeconomic factors**, including inflation, volatile exchange rates, and lower consumer spending.

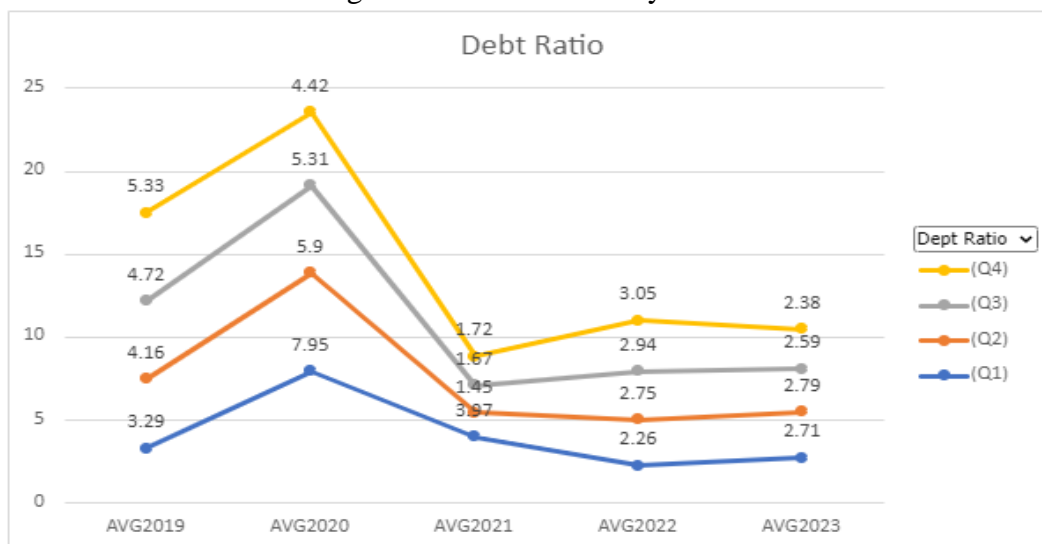


*Fig.4.1. Net Profit Margin*

**Arguments5:** Debt reduction efforts amid high liabilities and financial volatility

**Proof:**

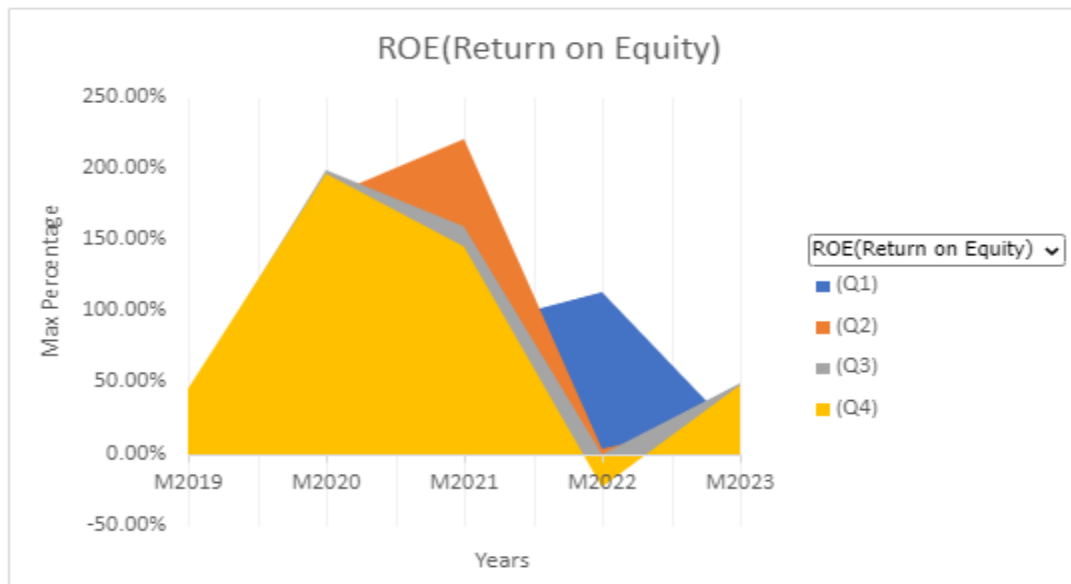
- Despite fluctuating profits, eBay managed to reduce its **total debt** from \$9,082M in 2021 to \$7,723M in 2023 through issued new debt to cover share buybacks.
- However, the **Debt Ratio** remained high throughout the period, peaking at **7.95** in Q1 2020 due to debt taken on during the pandemic and reducing to **2.38** by Q4 2023. (*Fig.5.1. Dept Ratio*)
- While eBay worked to reduce its debt, the substantial liabilities (\$15,224M in 2023) remained a concern for long-term financial stability.



*Fig.5.1. Dept Ratio*

**Arguments6:** Return on equity (ROE) fluctuations reflecting underlying business challenges  
**Proof:**

- eBay experienced wild swings in **ROE**, particularly in 2020 Q3, when it reached **199.06%** due to the sale of StubHub and high profitability.
- In 2022, ROE collapsed to **0.42%** in Q3 and even turned negative (-22.76%) in Q4, a lot of unrealized losses due to selling Classifieds to Advinta.
- This volatility indicates that eBay's **return on equity** was heavily influenced by one-off events rather than consistent business performance. (*Fig.6.1. ROE*)



*Fig.6.1. ROE*

What strategic decision did the company make at the beginning of the period to overcome the organizational challenge and what strategic goals did the organization decide to reach by the end of the period?

	Strategic Goal to overcome the issue	Tactics behind to reach the strategic goal
1	Maintain revenue growth after the pandemic by looking for other sources of revenue and expanding them.	- Expand Managed Payments platform globally: When eBay started to expand this platform to other sellers, its goal was to take control over more aspects of the transactions and thus increase fees and improve the customer experience. -Leverage sustainability initiatives: eBay incorporated sustainability into its branding and its marketplace, leveraging the trend of consumers' concern for the environment and the rise of the second-hand economy.
2	Sustain eBay's profit margins by managing its cost structure while at	-Reduce shipping and logistics costs: eBay aimed to cut shipping costs by enhancing the eBay International Shipping program.



	the same time ensuring that the company is operationally efficient.	<ul style="list-style-type: none"> <li>-Renegotiate third-party contracts: eBay renegotiated contracts with logistics, technology, and infrastructure partners to lower COGS and operating expenses.</li> <li>-Focus on high-margin categories: eBay targeted high-margin categories like luxury items and collectibles to boost per-transaction revenue and offset increased costs.</li> </ul>
3	Minimise reliance on the sales of fixed assets and generate steadier revenues and profits through the development of the core operations.	<ul style="list-style-type: none"> <li>-eBay streamlined non-core assets by selling StubHub and its classifieds to focus on its core marketplace, aiming for a leaner business model, and invest in R&amp;D department, improve user experience, better advertisement, optimize supply chain etc.</li> <li>-It also sought to diversify revenue streams through expanded advertising services and Managed Payments for more stable income.</li> </ul>
4	Stabilize and restore the net profit margins by reorganizing the business processes and minimizing the effects of equity market volatility.	<ul style="list-style-type: none"> <li>-Reduce reliance on high-risk investments: eBay reviewed equity investments like Adevinta and KakaoBank to minimize market fluctuation impacts on financial performance.</li> <li>-Implement a more cost-efficient operating model: Downsizing and operational rationalization cut operating expenses, particularly related to employees and legal issues.</li> </ul>

What concrete output/ expected result did the company set for each strategic goal for the end of the period?

	Strategic Goal	Output
1	Maintain revenue growth post-pandemic	<p><b>Revenue Growth:</b> Continue expanding revenue streams and achieve consistent revenue growth despite the decline in pandemic-driven online shopping trends. The target would be to surpass <b>\$10.5 billion</b> in annual revenue by the end of the period, growing from <b>\$7.4 billion</b> in 2019 to <b>\$10.1 billion</b> in 2023.</p> <p><b>Global Managed Payments Expansion:</b> Achieve full global adoption of the Managed Payments platform, covering all major markets and contributing significantly to eBay's overall revenue (potentially making up 10-15% of overall transaction revenue).</p>
2	Sustain profit margins through cost management and efficiency	<p><b>Maintain or Improve Gross Profit Margin:</b> Keep the gross profit margin above <b>70%</b> by focusing on high-margin categories and reducing costs, despite inflation and rising expenses. For instance, the gross profit margin dropped from <b>76.39% in 2019 Q1</b> to <b>72.13% in 2023 Q3</b>, so efforts should be made to stabilize or reverse this trend.</p>

		<b>Reduction in Operating Expenses:</b> Operational efficiency improvements should reduce operating expenses as a percentage of revenue by <b>5-10%</b> , aiming for more sustainable profit margins and eliminating unnecessary costs in shipping, logistics, and employee-related expenses.
3	Minimize reliance on asset sales for revenue	<p><b>Sustainable Profitability:</b> Generate profits through core business operations without relying on one-off asset sales, with a focus on consistent annual net income. The target would be to maintain positive net income from operations (around <b>\$1.5 billion to \$2.5 billion annually</b>).</p> <p><b>Increased Advertising and Payments Revenue:</b> Ensure that <b>eBay's advertising services</b> and <b>Managed Payments</b> platform contribute to at least <b>20-30%</b> of total revenue by the end of the period, making these stable revenue sources outside of traditional marketplace sales.</p>
4	Stabilize net profit margins and manage equity market volatility	<p><b>Improved Net Profit Margin:</b> Return to a <b>net profit margin of 20-30%</b>, after the volatility experienced in 2022, where it dropped to <b>0.28%</b> due to equity investment losses and restructuring costs. By restructuring and reducing reliance on high-risk investments, eBay should aim for more consistent profitability.</p> <p><b>Reduced Impact of Market Fluctuations:</b> By minimizing high-risk investments in companies like Adevinta and KakaoBank, eBay should achieve more stable financial performance with fewer write-downs or losses due to market volatility.</p>

Did the organization reach the expected output at the end of the period?

Strategic goal	Expected Output	Factual Result	Discrepancy, %
1. Maintain revenue growth post-pandemic	Achieve revenue growth surpassing <b>\$10.5 billion</b> by 2023.	eBay reported <b>\$10.112 billion</b> in revenue in 2023, slightly below the target of \$10.5 billion.	-3.7%
2. Sustain profit margins through cost management and efficiency	Maintain gross profit margins above <b>70%</b> and reduce operating expenses as a percentage of revenue by <b>5-10%</b> .	eBay's <b>gross profit margin</b> was <b>72.13%</b> in 2023, which met the target of remaining above 70%. However, <b>operating expenses</b> surged to <b>\$8.171 billion</b> in 2023, compared to <b>\$5.659 billion</b> in 2019, reflecting an increase rather than the expected reduction.	No discrepancy in gross profit margin, but a <b>significant discrepancy</b> in managing operating expenses, with an increase of <b>44.4%</b> in operating expenses, instead of the expected reduction.
3. Minimize reliance on	Generate sustainable profits through core	eBay managed to streamline operations by selling non-core assets (like StubHub).	No major discrepancy here. The goal was largely achieved as

asset sales for revenue	operations and reduce reliance on one-time asset sales.	By 2023, the company generated positive <b>net income of \$2.767 billion</b> , which came from operations and not from asset sales.	eBay moved away from reliance on one-off asset sales and generated consistent operational profits.
4. Stabilize net profit margins and manage equity market volatility	Return to a <b>net profit margin of 20-30%</b> and reduce losses related to high-risk investments.	The <b>net profit margin</b> in 2023 was <b>26.99%</b> in Q3, which fell within the expected range of 20-30%. eBay also reduced its exposure to high-risk investments, though 2022 saw some negative effects due to losses on equity investments.	<b>0%</b> in the net profit margin target for 2023, as eBay achieved the goal by Q3.

Why did the company fail or succeed? Underline 5 success or failure factors with corresponding facts/ proofs throughout the whole period of the 5 analysed years.

<b>Success/ failure factors</b>	<b>Proofs/ facts/ references/ indicators, and etc.</b>
Success in revenue growth during pandemic - The company effectively capitalized on the pandemic-driven e-commerce boom, increasing its user base and improving the payment system.	eBay experienced strong revenue growth during 2020 and 2021, with revenue increasing from <b>\$7.429 billion in 2019 to \$10.112 billion by 2023</b> , largely driven by the boost in online shopping due to the COVID-19 pandemic and expansion of the <b>Managed Payments platform</b> .
Failure in controlling operating expenses - Despite efforts to streamline and improve efficiency, the company failed to reduce its operating expenses and instead saw them grow substantially, hurting its profit margins.	Operating expenses increased by <b>44.4%</b> from <b>\$5.659 billion in 2019 to \$8.171 billion in 2023</b> , significantly outpacing revenue growth. This was due to rising employee costs, logistics expenses, and legal matters, which pressured profitability.
Success in reducing debt and strengthening financial stability - The company succeeded in improving its financial stability by managing its debt levels, which is critical for long-term sustainability.	eBay managed to reduce its total debt from <b>\$9.082 billion in 2021 to \$7.723 billion in 2023</b> , despite facing challenging financial periods. The debt ratio fell from <b>7.95 in Q1 2020 to 2.38 in Q4 2023</b> .
Failure in Net Profit Margin Volatility - The company's profitability was highly dependent on external factors, such as equity markets and one-off events like asset sales. eBay struggled to stabilize its profit	eBay's <b>net profit margin</b> fluctuated wildly, dropping to <b>0.28% in Q3 2022</b> , before recovering to <b>26.99% in Q3 2023</b> . This was due to equity investment losses and restructuring costs, such as the <b>\$3.8 billion net loss in 2022</b> due to fluctuations in market values.

margins, particularly during periods of economic instability.	
Success in Core Business Focus and Asset Sales - By divesting non-core businesses and focusing on its core marketplace and new revenue streams, eBay ensured a leaner and more focused operational model.	The sale of non-core assets, such as <b>StubHub</b> in 2020 for \$4.05 billion, allowed eBay to streamline its business and focus more on its core marketplace. The company also expanded its <b>advertising and payments services</b> , contributing to a more diversified revenue base.

Source:

<https://investors.ebayinc.com/financial-information/annual-reports/default.aspx>

<https://www.macrotrends.net/stocks/charts/EBAY/ebay/financial-statements>

[https://ebay.q4cdn.com/610426115/files/doc\\_financials/2023/ar/eBay\\_2023AnnualReport\\_BMK\\_FINAL\\_v2.pdf](https://ebay.q4cdn.com/610426115/files/doc_financials/2023/ar/eBay_2023AnnualReport_BMK_FINAL_v2.pdf)

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