

## AN INTERNATIONAL ECONOMY AND E-COMMERCE CASE STUDY: EBAY

### Mednarodno gospodarstvo in e-poslovanje. Studija primera: eBay.

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#### Abstract

This article discusses one of the most important themes of contemporary international economy: electronic commerce (i.e., e-commerce or eCommerce). The article focuses on the American company eBay, Inc., which is—without doubt—a global success story highlighting the dot-com trend. The discussion points out that, although eBay is one of the most successful companies in American economic history, this complex system has also spawned the essence of fraud in electronic commerce in the United States and the rest of the world. This article examines how eBay has not only stopped fraud, but also eliminated it from its business venture. By understanding eBay's management in markets that strongly impose emerging markets, it is possible to interpret eBay's success, as evidenced by its 135 million users worldwide. Indeed, if eBay were a nation, it would be the ninth most popular nation in the world. As such, this American company should be an inspiration and model for entrepreneurs in the former Yugoslavia.

**Keywords:** Emerging markets, United States, PayPal, People's Republic of China, Global Garage Sale.

#### Izvleček

Prispevek obravnava eno izmed najbolj pomembnih tematik sodobnega mednarodnega gospodarstva, to je e-poslovanje oziroma elektronsko poslovanje, ki je na angleško govorečem področju uveljavljeno po izrazu eCommerce. Znotraj zgoraj omenjenega področja se članek osredotoča na ameriško podjetje eBay, Inc. To podjetje brez dvoma predstavlja eno izmed svetovnih zgodb o uspehu, ki poudarjajo trend spletnih podjetij. Prispevek navaja, da je podjetje eBay eno izmed najbolj uspešnih podjetij v gospodarski zgodovini ZDA. Znotraj precej kompleksnega področja e-poslovanja članek razdela bistvo prevar v elektronskem poslovanju v ZDA in drugod po svetu. Še posebej so izpostavljene izkušnje podjetja eBay pri zastavljanju in odpravljanju prevar. V članku avtor razlaga, kako uspešno je poslovanje podjetja eBay na trgih, ki se močno navezujejo na nastajajoče trge ter pojasnjuje zakaj ima podjetje eBay 135 milijonov uporabnikov po vsem svetu. Avtor prav tako poudarja, da če bi bilo podjetje eBay država, bi bilo deveta najbolj popularna država na svetu. Kot zaključek članek navaja dejstvo, da naj bo takšno ameriško podjetje navdih in model za podjetnike na področju nekdanje Jugoslavije.

**Ključne besede:** nastajajoči trgi, ZDA, PayPal, Ljudska republika Kitajska, globalna garažna razprodaja

#### 1 Introduction

The main characteristic of today's international economy is globalization, which is clearly evident. Globalization can be defined as a process by which economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. Global output, as defined by the gross world product (GWP), rose by 3.2 percent in 2008, led by the People's Republic of China, ultimately increasing to 9 percent. The twelve largest economies—the United States, Japan, the People's Republic of China, Germany, France, United Kingdom,

Italy, Russian Federation, Spain, Brazil, Canada and India—contributed just over half of all economic growth in 2008. Germany has long ranked first in world exporting; however, in early 2010, based on the criterion of exports, the top six countries were, in order, the People’s Republic of China, Germany, the United States, Japan, France, and the United Kingdom. It is important to stress that headlong growth catapulted the People’s Republic of China to pass Japan in the second quarter of 2010 and become the world’s second largest economy in nominal terms. The United States retained its position of being the world’s economic leader. If the People’s Republic of China continues to evolve at such a significant and high-rising pace, experts predict it will surpass the United States in the next thirty years (Falletti 2010, p. 22).

In addition to globalization—which has become the world’s process—the international economy is characterized by an informational technological revolution and economic integration. In such a concept, the main rhythm of the international economy is granted by transnational (TNC) and multinational (MNC) corporations. In addition, seventeen specialized agencies of the UN were established to improve conditions in underdeveloped countries and develop international cooperation and exchange of goods and services. Among them is the World Trade Organization, which has 153 member countries, representing more than 95 percent of all international trade. Additional specialized agencies include the International Labor Organization (ILO), International Monetary Fund (IMF), the World Bank Group, and the World Intellectual Property Organization (WIPO). WIPO was founded in 1967 in order to encourage creative activity that promotes the protection of intellectual property throughout the world. WIPO’s primary focus is the never-ending fight for brand and trademark protection. Headquartered in Geneva, Switzerland, WIPO currently has 184 member states and administers 24 international treaties. The majority of the seventeen UN specialized agencies are headquartered in Geneva and Vienna. These specialized agencies, together with the Economic and Social Council (ECOSOC), promote responsible policies towards globalization. Its main body in the field of the world’s economic and social development is tasked with protecting the interests of least developed countries. However, the backbone of the international economy is the Organization for Economic Cooperation and Development (OECD) member states. Out of 192 countries, 64 are what is called the “Fourth World”, with 36 being in Africa. These are the poorest countries, in which the population lives on less than two dollars a day. Ethnic conflicts, a lack of public health, and minimum living conditions result in a significant mortality rate. Poverty and despair prevail, while the occasional glamour is solely present in the lives of the political elites. OECD efforts highlight the expanding economic cooperation among countries, particularly among industrial countries, which have friendly relations based on similar ideological and political platforms. These countries are also deeply related to democracy and human rights, which concurs with the UN’s main goal: “Let us beat swords into plowshares”.

## 2 E-commerce

Our global community has far more positive than negative trends. One of the newest evolving positive trends is electronic commerce, commonly known as e-commerce or ecommerce. The process consists of buying and selling various products or services over electronic systems, such as the Internet and other computer networks. This trend has become a driving force of contemporary international economy. Modern electronic commerce typically uses the World Wide Web at some point in the transaction’s lifecycle, although it can encompass a wider range of technologies, such as e-mail. A large percentage of electronic commerce is conducted entirely via electronics for virtual items, such as access to premium content on a website. Most electronic commerce involves the transportation of physical items in some way. Online retailers are sometimes known as e-tailers, and online retail is sometimes known as e-tail. E-commerce is conducted between businesses and is generally referred to as business-to-business (B2B) online shopping. B2B online shopping can be open to all interested parties or limited to specific, pre-qualified participants, just like in the private electronic market. Another process is called business-to-consumer (B2C) online shopping, which is related to buying products or services at a so-called bricks-and mortar retailer or in a shopping mall. Both B2B and B2C online shopping are forms of e-commerce. Finally, the third mode of e-commerce is exchanges-to-exchanges (E2E) online trading, which earns several billion dollars every trading day (Falletti 2010, p. 22). This mode of trade has been popularized the two commodity exchanges in Chicago—namely, the Chicago Mercantile Exchange and the Chicago Board of Trade—and soon spread to the stock market, out of which the most important is the New York Stock Exchange. Today, more and more organizations are moving toward electronic trading.

E-commerce first became widely used by companies such as e.Bay.com and Amazon.com in the United States. The world’s third most important company is Rakuten, located in Japan, which “has pursued a ‘shopping mall’ strategy, providing all the services that enable merchants big and small to set up digital shop fronts, including hosting their sites, broking their advertising and processing their payments” (The Economist, June 2010, p. 73). Online shopping is a form of electronic commerce in which the buyer directly accesses the seller’s inventory or services online, usually via the Internet. No intermediary service is involved. For example, on Amazon.com, the sale and purchase transaction is completed electronically and interactively in real-time. If an intermediary is present, such as the case with sBay.com, the sale and purchase of the transaction is called electronic commerce. The use of electronics in trade was first used in the stock market in Hamilton, Bermuda, a British possession, in 1971. That year, the first electronic stock market in the world was opened. In 1978, the Chicago Stock Exchange introduced the Intermarket Trading System for all components of the Midwest Stock Exchange. In 1979, Michael Aldrich, an English inventor, innovator, and entrepreneur, invented

online shopping, a technique subsequently known as e-commerce. He once said that his aspirations and inspirations came to him while visiting Chicago. Two years later, Thomson Holidays from the United Kingdom became the first recorded user of B2B online shopping. A year later, the Chicago Stock Exchange introduced an electronic trading system called MAX, thus becoming the first online stock exchange in the world, offering automatically executed orders. That same year, the French company France Telecom (*Poste, Téléphone et Télécommunications*) produced the Minitel, a screen with a keyboard, making available a videotext online service through the telephone lines for online ordering. It was one of the world's most successful pre-World Wide Web online services. In May 1984, Gateshead in the United Kingdom marked the world's first recorded online home shopping event. Meanwhile, B2C online shopping was inaugurated by home shopper Jane Snowball in 1972. In 1985, Japanese car manufacturer Nissan Motor Company Ltd. in the United Kingdom began selling and financing cars with customers' credit checks performed online from dealers' lots. After the Big Bang happened in the London Stock Exchange in October 1986, an electronic trading system was introduced on the trading floor called the Stock Exchange Automated Quotations (SEAQ), followed by the SEAQ Plus electronic platform and SEAQ International. September 1987 was especially crucial as the Chicago Mercantile Exchange informed the public that such exchanges would develop into the first global electronic network for trading. Coincidentally, at the same time, Swreg Inc., the American customer-focused payment-processing company whose clients consisted of software and service publishers, began providing software and shareware authors with the means to sell their products online. The method to be used relied solely on an electronic merchant account.

Tim Berners-Lee, a British computer expert and professor at the Massachusetts Institute of Technology, invented the World Wide Web—the first web browser ever created; to date, this browser continues to be the most prevalent access point used to search the Internet. Berners-Lee used a NeXT computer was used. 1992 marked the introduction of the Chicago Mercantile Exchange, which happened via a computer platform called Globex—an electronic approach to doing business. In the same year, John H. Snider from Harvard's Kennedy School of Government and Terra Ziporyn published *Future Shop: How New Technologies Will Change the Way We Shop and What We Buy*. Two years later, the other famous and oldest Chicago commodity exchange, the Chicago Board of Trade introduced an electronic system for trading. In October of the same year, Netscape Communications, an American service company, introduced the Navigator, a web browser for retrieving, presenting, and traversing information resources on the World Wide Web, under the code name Mozilla. Pizza Hut, an American chain of restaurants, then offered online ordering on its Web page. In 1995, Jeffrey Preston Bezos founded and launched Amazon.com. In the same year, computer programmer Pierre M. Omidyar established eBay Inc. (eBay) as an online auction site—the main theme of this paper.

The United States was home to the first electronic stock market called Archipelago ECN in 1996. A year later, the Commodities and Exchange Commission issued regulations that encouraged electronic trading on commodity exchanges. In the same year, trading on NASDAQ was liberated. Since 1998, electronic postal stamps can be purchased and downloaded for printing from the Web in the United States. A year later, Business.com was sold for a staggering US\$7.5 million to e-companies after being purchased just two years prior for US\$149,000. The peer-to-peer file sharing software Napster, which marked the introduction to online music file sharing service from 1999 to 2001, was launched and immediately became a great success. Allies Trade Group, Inc. (ATG Stores), an e-commerce company, launched its first website in order to sell decorative items for home décor. The year 2000 marked the dot-com bust. Two years later, in 2002, eBay began acquiring PayPal, which we will specifically describe in detail, for US\$1.5 billion (Norris 2010, p. 24). The CSN Stores, the first online niche retail e-commerce company based in Boston, was founded in August 2002 with just two employees. Eight years later, in 2010, the company ranked 61 in the top 500 Internet retailers with its tagline "Shop Easy". Hayneedle, formerly known as NetShops, the second niche retail e-commerce company based in Omaha, unveiled its new name and branded website in August 2009. The company owns and operates more than 200 online niche stores featuring a wide variety of products.

### 3 eBay: Global Garage Sale

Today, eBay is the leader of world e-commerce. The company is a highly notable success story of the dot-com bubble. Although it has been a subject to some controversy, eBay is one of the most successful companies in the history of American businesses. The company has been in business for more than 16 years, growing faster than any other company in the world during this time. It now runs an online global market, holding in its hands a business with more than US\$40 billion in automobiles, clothing, computers, paintings, numismatics, arts, and everything else. eBay's first and most famous motto inviting sellers and buyers to its worldwide convention and flea market was "Come to think of it, eBay". Today, more than 430,000 people earn all or most of their income from selling products on eBay. If they worked for the company, eBay would be the second largest employer in the United States after Wal-Mart Stores Inc., which was listed as the world's largest public corporation according to revenues by the Forbes 2000 list in 2010. eBay conducts more transactions every day than the NASDAQ Stock Market or the New York Stock Exchange. It has more regular users than American Express has cardholders. More than US\$80,000 worth of goods and services change hands on the site every minute. No company ever has created more opportunities for their customers, which is why eBay's royalties run deep. Every year the company hosts a conference called "eBay live", where buyers and sellers from around the world gather for a three-day celebration of the eBay experience.

The current paper takes an unprecedented look inside this company, which—in a remarkably short period of time—has moved itself into the fabric of American culture and beyond. Even one of the most popular TV shows in America “Live with Jay Leno” has a section of the show entitled “Some of the stuff we found on eBay”. During such segments, Leno shows funny items sold on the site, such as a picture of Jesus Christ with his autograph and a Doritos potato chip that looks like the Pope’s hand. Other bizarre items include nuclear bombers, submarines, Soviet space capsules, and a grilled cheese sandwich with the picture of a Virgin Mary on it.

However, eBay is not about selling funny or bizarre items. It is much more than that. Within three of starting eBay on Labor Day weekend in 1995, Omidyar (1942)—the founder and chairman—had become a darling of Wall Street and the media. Omidyar was born in Paris to parents of Iranian origin, who moved to Washington DC when their son was six years old. His background was originally in software engineering. He graduated from St. Andrew’s and soon after earned a degree in computer science from Tufts University (Bachelor of Arts/Science), planning to take over the Internet world. Omidyar once said that he invented eBay in his free time solely because he had an interest in efficient markets. Omidyar is now one of the world’s richest men and belongs to an elite group of Forbes 400 mavericks based on the 2008 list. On October 3, 2009, he was listed as the 156th richest person in the world by *Forbes’* The World’s Billionaires List. *Fortune* estimated his wealth to be US\$1.6 billion based on surging eBay stock prices, with shares increasing up to 115 percent in 2009. Four years after its foundation, in September 1999, eBay made a debut on the NASDAQ Stock Market. It went public with an initial public offering (IPO) that raised more than US\$60 million. Investors were attracted by the fact that eBay would not have any money invested in inventory. In four months, the stock experienced a 17-fold rise. It went public at \$18 and closed at \$203 (Crane 2009, p. 4). Today, Omidyar and his wife are well-known philanthropists who founded the Omidyar Network in 2004.

Another important figure in eBay is Margaret Meg Whitman (1956), who was the CEO and president of eBay from 1998 to 2008 and served on its board of directors. When she joined eBay in March 1998, it had 30 employees and revenues of approximately US\$4 million. This businesswoman was proclaimed by *Harvard Business Review* and *Forbes* as the most powerful woman in American business. She graduated from Princeton University (B.A.) and Harvard Business School (MBA). Whitman called eBay the first global online marketplace to connect buyers and sellers 24 hours, seven days a week across the globe, without having to see or hear each other.

eBay has fundamentally changed how and what people think about trade. No one was thinking of eBay as a global marketplace when Whitman took over as CEO in 1998. At the time, eBay was a small business that traded Beanie Babies. Today, its headquarters are located on two huge campuses in San Jose, California; the company also has a customer service

in Salt Lake City and operations in more than 30 countries. When they started with promotion on television, eBay had approximately 9,000 employees and 135 million customers. By the first quarter of 2008, it had 15,500 employees. In 2009, it had annual revenues in excess of US\$8,727 billion. Records show that five years ago, more than 1.8 billion items were listed for sale. Today, approximately 120 million items are listed in eBay stores, a place where sellers can show all of their items. At any minute of the day, eBay knows exactly where its money is coming from. Every time an item is listed on a site, eBay gets a fee; once the item sells, eBay gets another fee. Additional fees are associated with listing upgrades, picture services, and stores. On average, eBay’s stake in a sale of an item is roughly 7 percent of its selling price. In 2005, its fees added up to US\$4.2 billion.

eBay also collects fees from its online processing center, PayPal, which is eBay’s paying system that provides up to \$1000 in insurance to both buyers and sellers. PayPal is a form of an e-commerce business as well, allowing payment and money transfers to be made via the Internet. Prior to PayPal, people used traditional paper methods (e.g., checks and money orders) for the payment of services. PayPal provides an electronic alternative to these methods. A PayPal account can be directly connected to an electronic debt from a bank account or to a credit card. A recipient of a PayPal transfer has two alternatives; request a check from it and establish his/her own PayPal deposit account or request a transfer to his/her bank account. This intermediary service clearly facilitates worldwide e-commerce. PayPal also charges fees to clients, including transaction fees for receiving money (i.e., a percentage of the amount sent together with an additional fixed amount). Generally speaking, the fees charged depend on several factors, including currency, payment option, country of the sender, country of the recipient, amount, and recipient’s account type. In addition, eBay purchases made by credit card through PayPal may incur a “foreign transaction fee” if the seller is located in another country. In such cases, the credit card issuers are automatically informed of the seller’s country of origin. Thanks to eBay’s great cash flow, in October 2002, PayPal became its wholly owned subsidiary. Five years later, PayPal began operating as a Luxembourg-based bank. Since March 2010, it has had an agreement with the People’s Republic of China bankcard association called China Union Pay to allow the People’s Republic of China to use PayPal to shop online. Today, PayPal, as a subsidiary of eBay, is planning to expand its workforce throughout Asia to include 3,000 employees by the end of 2011 (*The Economist*, July 2010, p. 38).

#### 4 How Are They Doing? In Focus: Fraud Systems

eBay’s highly secured network operations centre’s role is to monitor the site’s activities in which employees gather all important information on activities, such as how many new members are registering per second, how many bids are coming through the site, and if any issues have arisen, which employees address right away. They also have a traffic table/graph that indicates how much traffic is going through the site.

With such sophisticated tools and professionals' computer savvy and extensive knowledge, they can identify the site's slow time. The network operations centre also keeps records on every customer and records all transactions ever made. Such information is important data for the company. The company also stores any search and account activities in this giant client data centre. The most important goal for all eBay employees is getting more people to buy and sell via eBay. As such, eBay is different from virtually any other company as its business relies on the hard work of hundreds of thousands of people known as the "eBay community". When an individual becomes a registered seller on eBay, he/she has to provide personal information, including address, bank account, and credit card information. Sellers can sell items in two different ways: an auction style listing that can last from one to ten days or a "buy it now" option, in which the seller sets a price and tries to sell the item at that fixed amount. During a regular auction (i.e., three- to ten-day auction), eBay encourages sellers to get weekend traffic because most sales are generated when buyers are home versus during the workweek.

About ten times a year, the company brings buyers and sellers from around the United States to San Jose to find out what they like and do not like about eBay. This "voices programme" lasts for two days. eBay consults with members of voices programme even after they leave San Jose. The purpose of this programme is to get feedback from buyers and sellers as well as better community ideas of how to improve the platform so that it can generate more money for the company and its members. Even John Donahue, current CEO, participates in these programmes, claiming that if eBay employees are not listening to the community, such actions could result in the downslide in company growth.

Trust is essential in such a large community of anonymous traders. In the early phases of eBay, there were lots of problems with dishonest sellers. Such unmoral actions would take two to three complaints from buyers before the seller would have no more power to function in the virtual world. Buyers were paying for items that were never shipped, so they had to sue sellers in courts to recover their losses. One in every hundred transactions reported problems. When Omidyar first founded eBay, he was handling complaints on transactions himself; however, it quickly became overwhelming, so he created a feedback forum in which sellers and buyers could leave comments and—more importantly—rate one another. This tool became one of the best ways to monitor scams and promote honest sellers and buyers. eBay has worked hard to prevent any kind of fraudulent activities from sellers by preventing them from leaving feedback, giving that opportunity only to buyers. The feedback mechanism created trust within eBay, which also made it harder for other competitors to enter the market.

The other significant factor is strong monitoring of the website by its Internet Security Department. eBay also employs a Trust and Safety Unit that monitors suspicious activity. They check listings and know how to recognize fraud; in such cases, the seller is immediately dismissed

from eBay's community of sellers. eBay also has a special department of trained professionals in the field of certification of authenticity for brand name items in the categories of watches, bags, jewellery, electronics, paintings, numismatics, and others. Their mission is to verify and confirm the authenticity of such items in order to protect the marketplace from sales of replicas. Otherwise, in the area of international economy, this is a function of international commercial law. WIPO is the *de facto* entity responsible for brand and trademark protection, and eBay is a strong participant in this programme. Such efforts are indicative of eBay's second motto: "We watch you, will find you and put you in jail. If we can't find you we'll work with police."

eBay has invested millions of dollars in its security programme, with phases of operation in San Jose and Salt Lake City. It also urges buyers to use PayPal for financial operations. eBay employs dedicated customer service representatives around the world. Its largest branch, in North America, handles approximately 1000 calls per day related to anything from helping new customers set up accounts, to larger issues such as fraud complaints, non-received items, and other problems that sometimes develop between buyers and sellers. eBay offers regular training to prepare representatives to handle calls more efficiently and train employees how to better assist their customers. eBay is unique among major corporations as it must act as a referee with its own customers, running the risk of alienating the source of its revenues. The business philosophy behind eBay is that its financial officers make decisions based on math, not science; such decisions are for the greater good. eBay has to deal with various grey areas, such as what can and cannot be sold on its site. Members of the Trust, Rules & Safety Department decide what can be sold on eBay and what items should be removed. Finally, its most recently established team in the Business Intelligence Department. eBay's management has continuously adjusted to do what is best for the company without alienating its customers—the eBay community—while remembering that we live in a wicked, tenuous, and fiendish world.

## 5 The Personal Effect and the Quest for Worldwide Domination

Since its foundation, eBay has been a trade market for people selling goods and services. Two of its many clients are Movie Magic USA and Steven & Crystal Holt, who expanded their businesses by selling movies on eBay. In addition, Phillip Taxman—a financial advisor from Wall Street who loves vintage cars—uses eBay to find parts for his cars as well as vintage souvenirs, checking eBay listings at least twice a day. Marie Smith is another example. Smith lost her ability to walk in an accident and chose to use eBay to make a living. She got an Aigner dealership and has been selling Aigner products on eBay ever since.

At least twice a year, eBay leadership goes to Europe to ensure the growth of eBay on this continent. During their four- to five-day visits, they meet with two hundred of the

company's European managers in Berlin and have European business updates in London, which includes meetings with European-based analysts. With 135 million users, 37 percent of eBay's volume comes from Europe. The company employs about 1800 people in Europe, which includes 34 million eBay users. In the United Kingdom, eBay reported its seventeenth straight quarter of triple-digit growth. The United Kingdom alone has 10 million users—a number that grew after the media reported that Cherie Blaire, Prime Minister Tony Blair's wife, began looking for an alarm clock on eBay. People thought that if she can do it, they can do it too.

eBay's largest market in Europe is in Germany. Germans claim that eBay is very easy to use. eBay Germany has found the perfect recipe for success: consumers with broad access to the Internet, excellent shipping and payment processes, and a retail industry with restricted hours. Half of all Internet users in Germany use eBay every month. Lutz Dietze, a well-known German tool storeowner, says that he sells more of his tools on eBay than he does from his store. In addition, he sells to everywhere, not only Germany. In fact, buyers and sellers in Europe account for more than a third of all merchandise traded on eBay, accounting for US\$12,5 billion in 2004 and twice as much today.

eBay wants to create a colossal marketplace where anyone, anywhere can virtually trade anything. Thus, eBay entered Asia ten years ago. While its largest market is South Korea, its management believes that the People's Republic of China has the potential for enormous growth. When Whitman was CEO, she made two to three trips to the People's Republic of China every year with eBay's team to understand the business, see what they were doing, and to try to help them strategically. Whitman also had government meetings, corporate meetings, and communications and public relations meetings. By 2004, eBay had 11 million Chinese users—more users than in Germany or the United Kingdom—and number of Chinese users grow by 20,000 people every day. In early 2005, eBay announced that it would invest an additional US\$100 million to develop its business in the People's Republic of China. Today the People's Republic of China's market is the biggest in the world.

eBay's effect goes far beyond its online trading. It has played an incredible role in bonding an online society. Marsha Collier first coined the term online society. Collier, one of the foremost experts and educators in the world (Collier 2009, p. 87), is the author of 15 books on eBay, including *eBay For Dummies*, *eBay Business All-In-One Desk Reference for Dummies*, *eBay For Seniors for Dummies*, and *Starting an eBay Business For Dummies*. With more than one million copies, special editions for the United Kingdom, Germany, France, Canada, Australia, the People's Republic of China, and Spain, she is the best selling eBay author. *eBay For Seniors for Dummies* was the world's bestseller in 2000 while *Starting an eBay Business For Dummies* appeared on *Business Week's* bestseller's list for many weeks in February 2003. According to Collier, the online society is *de facto* the virtual community.

Numerous books about eBay are available on Amazon.com. Not only educators and writers, but also businesses that exist only to sell products and items and help people trade on eBay are highly present on the Internet market. For example, one business offers packaging materials and software designs to minimize fees for sellers and help buyers win the auctions with the lowest prices possible. There are also drop-off stores, where people drop off items they no longer want. Hence, through eBay live, buyers and sellers meet offline. Power sellers—top sellers who average US\$1000 of sales per month for three consecutive months—have their own group: the Professional eBay Sellers Alliance (PESA), which holds annual meetings. In addition, every year tens of thousands of people spend US\$59 each to attend eBay University, participating in company-sponsored seminars. By all means, eBay is the biggest online market in the world, and it has changed the lives of many of those who sell items on it. It has achieved a financial level of success rarely seen in American and global businesses. Through e-commerce, eBay has influenced people's lifestyles around the globe. Its worldwide presence has not only affected members from developed cities and countries, but also those from the most underdeveloped countries.

eBay has made a huge social impact on individuals, and it is eBay's job to bring all the individuals from the world together and connect them no matter where they are and what language they speak, ultimately bringing them into the efficient marketplace. Several other web sites in the United States and worldwide have tried to repeat eBay's success in e-commerce. However, none has been as successful as eBay, which remains the largest trading community in the world. In fact, if eBay were a nation, it would be the ninth most populous nation in the world. Therefore, it is clear that eBay's growth in foreign countries will boost the national and international economy as a whole. As a result, Roger McNamee (1956)—Silicon Valley's prominent venture capitalist and a founding partner of the American venture capital firm Elevation Partners—has predicted that the retail companies will soon use markets like eBay as their primary market.

## 6 Conclusion

eBay represents a process of fascinating development in league with successful companies whose exponential growth and development are due to innovations that minimize time and eliminate intermediaries. Yet during this global information revolution, leadership is *condicio sine qua non* for the survival of any business unit. Such an intelligent company *par excellence* is eBay. Indeed, its Business Intelligence Department—the key component of its management—has become a criterion for the success of the company. Companies began to institutionalize business intelligence departments as early as the 19th century. In the most recent century, especially after the Second World War, transnational and multinational corporations were leaders of new trends. Such a trend entered its final stage when computers first appeared, and today it has become a world process. International companies as well as those that have such aspirations have established

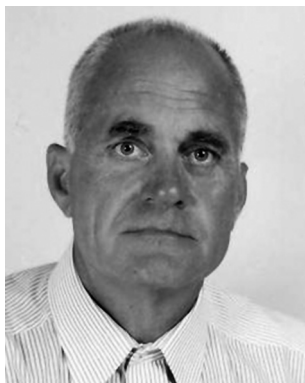
such relevant centres for growth. Consequently, beneath the surface of the international economy, a tough secret economic war between the states is being waged. Identical ideological views and friendly relations no longer mean anything. What about business units? As this is the crucial issue of international economics, it is very important to think about such. Because of the lack of business information, it is estimated that in 2012 more than 35 percent of the top 5000 global corporations will regularly fail to make insightful decisions about significant changes in their business and markets. By the same year, business units will control at least 40 percent of the total budget for business intelligence while 20 percent of corporations will have an industry-specific analytical application delivered via software as a service of a standard component of their business intelligence portfolio. Finally, by 2012, one third of analytical applications applied to business processes will be delivered through coarse-grained application mash-ups (Roy 2010, p. 16).

eBay's case raises at least one question related to phrases such as "economy of goods" and "economy of knowledge". According to Peter Drucker's concept of management, leadership in the United States, Japan, Germany, France, the United Kingdom, Canada, Israel, the Netherlands, and Finland should allow rapid changes in business philosophy. However, political elites have learned that is not enough to produce more and cheaper. The optimal strategy should be based on rational production, where management is constantly weighing the needs of the market as an increasingly accepted view while also searching for specific consumer groups (niche marketing) whose requests promptly respond as an optimal strategy. Furthermore, the procedures of competitors' production, the development of their production, and the supply of inputs and services should be strictly monitored. Human resource management and knowledge are crucial. Even the largest company can survive a change of ownership or capital structure, but they cannot survive if the central computer system is stopped or collapses. Drucker argued

that, in such situations, the worst case scenario is the collapse of the entire company. Changing organizational principles is proof that developed countries are moving from classical capitalism, with the presence of a crucial "economy of goods", to an "economy of knowledge" in order to form a society dominated by an industrial proletariat to one dominated by brain workers. eBay is the best verification of this trend and should be both an inspiration and model for entrepreneurs all over the world. Such a model has already been in use by China (The Economist 2011, p. 45). Why couldn't the area of former Yugoslavia perform a similar task?

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