

Case Comparison of Major Digital Business Platforms : Amazon, AliExpress and eBay

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Abstract

Technology has made rapid developments in different sectors of the economy. Commerce is not an exception. The research seeks to establish Amazon, AliExpress, and eBay's strategies, developments, and specific competitive advantages in the e-commerce industry. The research focuses on the financial, supply chain management, payment methods, and publicities sectors. The study uses a mixed-method approach in analyzing the three corporations as markets and marketplaces. Further, it employs quantitative time series analysis to examine the corporations' internal and external markets. The study utilized disruption theory as its theoretical framework and the adoption commitment curve model as its conceptual framework. The research concludes that the three digital businesses have thrived because of various payment methods, programmatic targeting in publicity, utilization of technology in the supply chain, and enhancing customer trust and loyalty.

Keywords: Digital, Amazon, eBay, AliExpress, supply chain, payment methods, and targeting.

Introduction

Technology has become a norm in various business activities. Business organizations have assimilated technology in their production, marketing, and distribution strategies (Bhandari, 2014). Therefore, technology has led to digital business platforms' growth and development. These platforms are online businesses that facilitate interaction between a seller and a consumer (Glimstedt, 2018). It was a dream that Pierre Omidyar, eBay's founder, held and openly communicated during Labor Day celebrations in 1995: 'the development of a perfect market.' A perfect market utilizes technology and its advancements to create a marketplace where buyers and sellers can "meet" and exchange commodities without any external intrusion (Garcia-Parpet, 2007). In the 21st century, Omidyar's vision is a reality through the numerous e-commerce organizations, including eBay. These organizations utilize the internet to facilitate exchanging goods between buyers and sellers without any outside interference, for instance, geographical barriers.

The utilization of technology is open to any business organization. Consequently, any business entity can transition its operations from physical to digital or online platforms. Although the development poses new business development perspectives, it poses stiff competition mandating high creativity and effective online marketing strategies. In this paper, the research

focuses on eBay, Amazon Inc., and AliExpress as major e-commerce institutions that have thrived in the market. The research tries to establish these organizations' expansion and development efforts based on their financial, supply chain management, payment methods, and publicities aspects. The research further sought to establish the comparative advantages that Amazon, eBay, and AliExpress hold over their online market competitors. The study also seeks to inaugurate the next step the businesses need to take to guarantee success. Likewise, the research objective was to establish the best approach and success factor in the digital business platforms for future benefits. Therefore, the research questions governing this research are:

1. What comparative advantages do Amazon, eBay, and AliExpress hold over their rivals in the e-commerce market?
2. What next step should Amazon, eBay and AliExpress take in their platforms to improve their competitiveness?
3. What are the development and expansion efforts of Amazon, eBay, and AliExpress based on financial performance, supply chain, publicities, and payment methods?

Research Methodologies

The study investigates Amazon, eBay, and AliExpress and identifies their growth and development strategies and a step for future success. The research uses a mixed-method approach since it provides an avenue for acquiring unique information regarding the companies financial performances. Qualitative literature analysis is mainly used to track the three digital business platforms' market metrics and performance. The approach makes it possible to interpret the effects of specific interventions on the digital platforms' growth and their significance in market development. The research also used qualitative sources to understand how market makers and actors established the markets. The study utilized the companies' annual reports, websites, and presentation reports to stakeholders to depict how the companies positioned themselves against their rivals.

Significance of the Research

The research project has paramount significance to scholars, government agencies, and corporations seeking to transition their operations into online platforms. The study will inform business corporations about the development and expansion efforts of Amazon, eBay, and AliExpress providing a base they can use in managing their businesses. The study will further enlighten the business entities on the best practices in the digital business platforms, for instance, supply chain management strategies and publicities. The study will benefit the government and its relevant agencies. It will help identify gaps and opportunities that the government can utilize to standardize digital business platforms to guarantee revenues and fair competition. It will also help sharpen scholars' understanding of the central mechanisms through which people and organizations construct markets. Eventually, the research will form a base for further investigations by identifying gaps for future research.

Literature Review

A digital platform is a set of technological resources that create value and interactions between external partners, consumers, and producers (Parker, Van Alstyne, & Choudary, 2016).

Digital business platforms, therefore, use digital technologies to allow for business interactions among authorized users (Rangaswamy et al., 2020). Rangaswamy et al. (2020) further note that a digital business platform must have three characteristics. Firstly, they have to link one user to another through a platform. Secondly, they should promote direct communication and allow for transactions. Finally, the users of such platforms need to be independent while having some residual ownership rights. Digital platforms have been made possible by the internet. Hagberg, Sundström, and Nicklas (2016) argue that internet availability has changed business models and opened up business opportunities online, leading to digital platforms' creation. On the contrary, Gawer (2014) uses the economic and engineering perspectives to articulate a digital platform's definition. Using the economic perspective, the author notes that a digital platform is a two-sided market. It is an avenue connecting different consumers by facilitating transactions. Gawer (2014) also utilized a winner-take-all approach in defining a digital platform where the large size of a platform attracts more users, making it dominant in the market. However, Rochet and Tirole (2003) criticized the economic perspective as depicting the consumer-buyer relationship as a buy and sell relationship. The perspective also views all the parties involved in the digital platforms as equal actors in the push and pull factors which is not always the case.

In recent years, substantial growth in internet-based retailing has been witnessed. With the internet of things, there have been considerable changes to the traditional brick and motor sales approach, with companies such as Amazon having powerful digital retail platforms (Reinartz, Wiegand, & Imschloss, 2019). Consequently, from these characteristics, Amazon, AliExpress, and eBay qualify to be e-commerce digital business platforms. Khan (2016) defines e-commerce as the process by which goods and services are bought or sold over the internet. Kurtz (2016) further adds that e-commerce entails using technologies that enable the electronic transfer of funds through online transactions and other supply chain and inventory management practices. In effect, e-commerce businesses can allow online shopping, business-consumer-sales, electronic data exchange, and other marketing forms through an online shopping website (Kurtz, 2016). Since all the three major digital platforms possess these characteristics, they qualify to be e-commerce businesses.

Theoretical Model

The chosen theory that will govern the study is the disruption theory. Clayton Christensen coined the theory in 1995, describing how new entrants disrupt the established businesses (Kawamoto & Spers 2019). The theory believes that when an incumbent comes up with an innovation that improves performance variables previously valued by consumers, the new entrant becomes a commercialization leader and maintains their market position (Christensen et al., 2018). Recently, the theory gained more prominence as new companies such as Uber and Etsy emerged, seeking to alter their respective industries. The approach involves how a smaller company enters a market with fewer resources and moves up the market challenging established businesses (Christensen et al., 2013). The process occurs in five steps. First, the incumbent companies develop their commodities targeting their profitable customers while neglecting

down-market customers' demands. Secondly, the new entrants target these neglected customers by offering products at lower costs than the incumbents. Then the established markets do not respond to the entrants as they focus on their policies. Ultimately, the new entrants move up the market, offering the incumbents' profitable customers solutions to their appeals. Lastly, disruption occurs as the recent entrant keeps attracting the already established businesses' customers.

Digital business platforms have emerged to create a new market disruption. The disruption occurs when organizations compete against non-consumption in lower margin sectors of an economy (Christensen et al., 2013). The establishment focuses on underserved customers. Several customers cannot utilize incumbent businesses' goods and services because of geographical barriers. Digital business platforms seek to bridge the gaps and gain these customers' trust and loyalty by providing them with commodities.

Results and Discussion

Company Overviews

Amazon

Amazon is the world's largest online retailer. Jeff Bezos, the current chief executive officer (CEO) and founder, founded the conglomerate in 1994 as an online bookstore. The organization has developed and expanded and now sells more than 300 million products in various categories. The company utilizes Amazon retail, Amazon web services, and Amazon Marketplace in its retail operations (Amazon, 2020). In Amazon retail, the organization purchases and stores inventory in its US-based distribution centers. Amazon web services entail using a cloud computing platform that facilitates virtual servers and online storage. The Amazon marketplace entails listing items by third-party sellers on company websites after paying a fee to Amazon. Further, Amazon has expanded its operations to global markets where it operates in three main segments: North America, International, and Web services. In 1997, Amazon had \$150 million in revenues, which grew to \$3.9 billion in 2002 and \$125.56 billion in 2020 (Amazon, 2020).

AliExpress

AliExpress is a Chinese online retail service owned by the Alibaba Group (Alibaba, 2020). Jack Ma co-founded the company in 2009. The company has 1.5 billion product listings and 693 million annual active consumers (Alibaba, 2020). AliExpress had 780 million consumers in China and 180 million consumers outside China by the end of 2019. In the fiscal year ending 2020, AliExpress had total revenues of \$71,985 million, a 35% increase from the previous financial year (Alibaba, 2020). AliExpress has expanded its operations into global markets. Besides e-commerce, the company pioneers in development in utility services, financial technology, and web-based technologies.

eBay

eBay is an American multinational e-commerce conglomerate founded in 1995 by Pierre Omidyar (eBay, 2019). The organization has its headquarters in San Jose, California. It is the

world's largest online auction market, with Marketplace and Stub Hub as its principal subsidiaries (eBay, 2019). The conglomerate facilitates business-to-consumer and consumer-to-consumer sales through its websites. Buyers can access the websites without paying any fee. However, sellers pay fees for posting items after a limited number of free listings. As of 2018, eBay had 14,000 employees. It operates in more than 32 countries. The company had annual revenues of \$9.57 billion in 2017 and \$10.27 billion in 2020 (eBay, 2019). The company has three major shareholders: Vanguard Group Incorporation, Pierre Omidyar, and BlackRock Incorporation.

Supply Chain Management

Amazon's supply chain primarily involves embracing the use of technology. The company utilizes various technologies, including automation and robotic solutions, in picking, packing, stacking, and storing inventories (Amazon, 2020). Zur (2015) notes that the company has various distribution centers and extensive warehouses that greatly depend on technology and automation for operational efficiency. The company also has transport hubs, distribution centers, and warehouse partners (Yu, Wang, Zhong, & Huang, 2016). The supply chain initiative gives Amazon a competitive advantage over its rivals. The automation increases efficiency and delivery speeds cutting down on warehouse and staffing costs. The development further frees up financial and human resources for other supply chain and logistics needs. Amazon also has drones and Amazon Prime Air, facilitating quick deliveries into their markets.

On the other hand, AliExpress utilizes an end-to-end supply chain (Alibaba, 2020). The company manages its entire supply chain activities, keeping them in-house, initiating fast and convenient delivery for e-retailers. The undertaking helps cut costs increasing the firm's profitability margins. The supply chain initiative also advocates consumer protection (Alibaba, 2020). When a consumer pays for commodities, the funds make a pit stop in the company's escrow account. AliExpress only forwards the payments to the seller after the buyer reports satisfaction, minimizing fraud. The company has also used a distribution platform called Cainiao Network, which uses automation, digital networks, and algorithms to enhance consumer service delivery (Falcone, Kent, & Fugate, 2020). The company has, therefore, largely automated its supply chain and distribution process.

eBay utilizes an omnichannel supply chain (eBay, 2019). The organization sources and procures most of its goods and services directly from suppliers to ensure they meet customer expectations. The organization adopts technology in its storage and organization efforts. It utilizes bar codes and technology solutions to help employees and clients make their operations efficient. The organization further uses barcode scanning systems to ensure its employees remain on top of stock levels (eBay, 2019). The development minimizes the organization's risk of running out of stock, exact product locations, and on-time order fulfillment.

Payment Methods

Amazon has several accepted payment methods, including credit and debit cards and transfers from a client's existing Amazon Pay balance. The credit cards a consumer can use in

Amazon include Visa, MasterCard, American Express, JCB, Diners Club, and Discover (Amazon, 2020). Clients can also utilize an Amazon.com store card with selected merchants. However, there are circumstances in which a client cannot use Visa and MasterCard credit cards. Amazon.com gift cards can only purchase specific commodities on the company website as provided by its terms and conditions.

Likewise, AliExpress accepts several payment methods, including bank transfers, secure payments (escrow), debit and credit cards (Visa, American Express, and MasterCard), and Alibaba online transfer (Alibaba, 2020). In some European countries, the online transfer payment methods that clients can utilize are Trustly, Klama, and iDeal (Alibaba, 2020). Clients can also use prepaid and virtual cards in AliExpress platforms which are secure since consumers can utilize the amounts deposited in their accounts. eBay accepts debit cards, credit cards, and gift cards as its payment modes (eBay, 2019). Clients can further utilize Apple Pay, Google Pay, PayPal, and PayPal Credit.

Publicities

Amazon has built a huge public figure through advertising and public awareness initiatives. Amazon uses sponsored ads where consumers see sponsored products that are similar, substitute, or complement the client's effects. Display ads also pop up when a buyer is buying from Amazon websites. Amazon also utilizes video ads across its sites and Amazon devices which are self-explanatory in persuading consumers to use Amazon products. eBay publicities entail new programmatic targeting systems (eBay, 2019). The development enables the organization to deliver accurate advertisements based on interest and intent while protecting its users' interests. eBay further utilizes advanced audience technology, facilitating the pinpointing users in the market who are ready to buy.

Conclusion, Acknowledgement, and Recommendations

Overall, Amazon, eBay, and AliExpress are three digital-based corporations that have thrived much in this century. The developments have their bases on their unique approaches to the digital marketplace. In terms of financial performances, the corporations have experienced increased financial resources for the past two financial years. Amazon has expanded its operations because of being a technology-based supply chain that makes the supply chain fast and effective. Robust research and development, programmatic targeting, and omnichannel supply chain are strategies that have made eBay thrive in the e-commerce market. AliExpress prioritizes consumer safety where the organization awaits customer feedback before releasing the fees to the sellers. The development guarantees trust and avoidance of fraud practices. A variety of payment methods is a strategy that all three platforms have a competitive advantage over their rivals. Corporations seeking to transition their practices to digital platforms should implement the three firms' approaches to guarantee their market success.

Recommendations

One recommendation from the study is a repetition of the investigation using a comparative approach. The future researchers will analyze a single organization comparing its supply chain, payment methods, publicities, and financial payment before and after transitioning to digital platforms. The research will help in establishing the impact of digitizing a business. Also, the study recommends that future research focus on the digital platforms' impact on customer satisfaction. The investigations will seek to establish the differences in the interactions, exchanges, and satisfaction levels buyers and sellers get on online platforms. The research can utilize a comparative approach between physical and digital platforms. Finally, the study recommends that digital business platforms should enhance information privacy in the future. Data breaches and hacking are incidents that all digital organizations battle in our modern societies. Implementing effective measures to guarantee customer information safety will increase customer loyalty and sales since they know their information remains confidential.

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