

An E-Titan's Evolving Strategy and Business Model: Striving for Success in Challenging Times

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EXECUTIVE SUMMARY

eMarketMatch¹ provides online marketplaces for the sale of goods and services, online payments, and online communication offerings. Their three primary business segments are: eMarketMatch marketplaces, payments, and communications. The marketplace platform has grown beyond the initial auction platform to include a number of other marketplaces for various applications and user audiences. Their partner firm, PayerFirm, enables individuals and businesses to easily and securely transact payments. As the one of the top ten largest global online retailers, eMarketMatch's mission is to pioneer new communities around the world built on commerce, sustained by trust and inspired by opportunity. Their ability to maintain or enhance this position will depend on their ability to adapt to new technologies while facing increased competition and anticipating customers' needs. This paper will address management's philosophies, the corporate business model, its challenges, network relationships, and its corporate growth to date, as well as future horizons.*

Keywords: Consumer-to-Consumer, E-Commerce, Online Auction, Fraud Prevention, Voice Over Internet Protocol

ORGANIZATION BACKGROUND

History

The beginnings of eMarketMatch can be linked to its founder, who earned his undergraduate degree at Tufts University, and worked for Apple Computer after graduation. He co-founded two previous firms, which were innovative online businesses, and later were bought out by Microsoft (eMarketMatch, 2005).

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Subsequently, while working for a mobile communication company, and inspired by his future wife's Pez collection, the founder brainstormed the idea of an online auction where people would be able to trade with each other. In 1995, while keeping his day job he co-founded an online auction service with a partner, a Stanford MBA graduate. The founder of eMarketMatch created the concept of serving people on the Web, and his partner provided the business experience to turn the concept into a business (Bunnell, 2001). The company incorporated in 1996, and with the rapid growth of the company recognized the need for additional capital in the spring of 1997.

During the 1990s, as a result of Silicon Valley's successes, there was a tremendous amount of venture capital available for internet start-ups, the new "darlings" of Silicon Valley. The computer age was changing its focus from electronic manufacturers, to the application of these products to the Web using business models that promised to change the way people did business. The online auction site's person-to-person online trading business was provided its initial funding of \$5 million from a major venture capital firm, VentureC Corp*. In exchange, the venture capitalist group received stock and warrants representing 22% of the company.

In September, 1997 the company formally adopted the name eMarketMatch, and began to post banner ads on selected sites and ad placement in certain publications. By year's end, eMarketMatch's revenues exceeded \$300 million and boasted over 800,000 registered users. In collaboration with a venture capitalist group, the fast growing online auction company began to solicit additional talent that would allow the company to realize its potential (Balutis, 2009).

Management

The search for a new chief executive in March, 1998 resulted in the recruitment of a new CEO for the firm. As the former General Manager of the \$600 million Preschool Division of Hasbro, the CEO had strong "brand-building" experience. The new CEO received, among other benefits, an option to purchase over 7 million shares of stock, which represented approximately a six percent ownership of the firm; which once exercised made the CEO a billionaire.

The new CEO recognized the need for additional strong management to develop the company, which was operating in a new and undeveloped business arena. Two additional executives, from Starbucks and Intuit, both experienced in successful enterprises in previously undeveloped consumer markets, were brought in as board members (Bunnell, 2001).

Most of eMarketMatch's key executives who were first recruited came from the managerial ranks of traditional business: one from Hasbro; another with a customer service background, from McKinsey & Company; a CFO from Kenetech Corporation, an energy service firm; and a Marketing Senior Vice President formerly from Pepsi-Cola. The philosophy of the company encouraged hiring experienced management with technical know-how in marketing, corporate finance, and human resource management.

Going Public

After a period of unprecedented growth, in Fall, 1998, the NASDAQ market experienced an 18 percent downward adjustment. During the same month, there was eMarketMatch's Initial Public Offering. Despite market jitters, the firm's IPO resulted in the sale of over 4 million shares of stock for net proceeds of more than \$65 million. During the first day of after-market trading, the price per share rose from \$18 to \$54 before settling back to close at \$48. Nine months after the IPO, the share price reached \$234. Clearly, the word was out that the firm had bright prospects for the future.

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