

PayPal Industry Analysis

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Organizational Background of PayPal

PayPal is an American based e-commerce business which operates internationally facilitating its customer to make online money transfers and payment simply by using internet services. PayPal is among the largest online payment service organizations. It operates as an acquirer; an organization which process debit/credit payments in support of a business. Being an acquirer, it process payments for commercial users, auction sites and online vendors by charging processing fee. PayPal is founded in 1998 and incorporated in 2002. After its IPO, it became a wholly owned subsidiary of eBay in October 2002. PayPal facilitates money transfers and payments of medium and small amounts. It is headquartered in San Jose- California. PayPal dominates the market segment of Payment Processing. PayPal is only an accepted payment processing and is independent of the performance by the seller (Kotelnikov, 2014).

Organizational Positioning

Mission & Vision

PayPal's vision is "One touch with PayPal"; and the mission is 'to enable people to pay across the globe via their favorite applications, through every platform; while eliminating the restrictions of usernames & password for every time they pay' (PayPal, 2014).

Value Proposition

PayPal positions itself for offering online financial solutions and holds the largest market share. PayPal offers its valuable customers with an efficient system of electronic payment by

using information from bank accounts, debit/credit cards & email and offers a proprietary fraud protection system to facilitate online payment transactions.

SWOT Analysis

Strengths

- Highly safe and secured system of online transaction supported.
- Secured & protected infrastructure.
- Serves more than 193 countries and transacts in 26 currencies.
- Huge customer base of over 230 million member accounts.
- PayPal follow anti-phishing policies for user data protection (PayPal, 2014).

Weaknesses

- Highly exposed to payment frauds and risks.
- Faces allegations related to payment transactions controversies.
- Strict local regulation and restrictions in Japan, China, Brazil, Taiwan and India.
- Unpopular in emerging economies as people are conservative about e-transactions.

Opportunities

- To further expand in the market of digital exchange.
- To further expand in cashless commerce and economies.
- To further expand in e-business through acquisitions.
- To add further convenience and features (Cheng, 2013).

Threats

- Stringent business regulations and policies globally.
- Threats of data breach, frauds and hacking.

- Highly competitive business environment (Kotelnikov, 2014).

Industry Analysis-Porter's 5 Forces

Bargaining Power of Users

- PayPal effectively meets customers' customization demands thus buyers are less likely to switch.
- Having limited information cause customers to use PayPal as a trustee.
- Good experience causes customers to pay more willingly for more services.
- Large number of customers reduces the leverage of bargaining.

Bargaining Power of Suppliers

- Highly competitive situations among suppliers which force them to reduce price which positively affects PayPal to eventually reducing its processing fee.
- Market leadership creates low chances of switching PayPal.
- Market leadership and diverse payment modes and channels reduce bargaining power of the vendors.

Business Rivalry

- PayBox is the biggest competitor otherwise market has few competitors.
- Industry is growing fast.

Threats of Substitute

- PayPal is the most trusted leader in market and substitutes lacks in performance too.
- Market has few substitute and their services are inferior too.

Threat of New Market Entrant

- PayPal has a strong base of loyal customers, strong distribution network and uses advance technologies which create enough barriers to new entrants (Cheng, 2013).

External Drivers & Performance

PayPal's external drivers are political, economic, social, legal and technological environment whereas it also tends to get affected by more innovative technological payment methods, buying patterns of customers and trends of the e-commerce industry. PayPal performance is evident through its large customer base. It has successfully completed over 230 million member accounts (June 2014) in 193 countries and 26 currencies (Kotelnikov, 2014).

References

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