

CASE STUDY: eBAY

E-Commerce

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About eBay

eBay is The World's Online Marketplace™. Founded in 1995, eBay created a powerful platform for the sale of goods and services by a passionate community of individuals and businesses. On any given day, there are millions of items across thousands of categories for sale on eBay, as well as on Half.com, eBay's site dedicated to fixed price trading. eBay enables trade on a local, national and international basis with customized sites in markets around the world. [Source: eBay]

Things to read:

- [Company Overview](#)

People come to the eBay marketplace to buy and sell items across multiple categories, including antiques and art, books, business & industrial, cars & other vehicles, clothing & accessories, coins, collectibles, crafts, dolls & bears, electronics & computers, home furnishings, jewelry & watches, movies & DVDs, music, musical instruments, pottery & glass, real estate, sporting goods & memorabilia, stamps, tickets, toys & hobbies and travel. Members from all over the world buy and sell on eBay. Currently, eBay has local sites that serve Australia, Austria, Belgium, Canada, France, Germany, Ireland, Italy, Korea, the Netherlands, New Zealand, Singapore, Spain, Sweden, Switzerland, Taiwan and the United Kingdom. In addition, eBay has a presence in Latin America and China through its investments in MercadoLibre.com and EachNet, respectively.

eBay offers a wide variety of features and services that enable members to buy and sell on the site quickly and conveniently. Buyers have the option to purchase items in auction-style format or items can be purchased at fixed price through a feature called Buy-It-Now. In addition, items at fixed price are also available Half.com, an eBay company.

eBay is dedicated to its community of members, and has numerous services which enhance the trading experience. Our marketplace services include: online payments by [PayPal](#); wide array of [Buyer and Seller tools](#); and [Preferred Solution Provider programs](#).

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General Services

- [About Me page](#)
Express yourself through your own personal eBay page.

Tools

- [eBay Toolbar](#)
Use this browser companion to receive alerts before your listings end, and more.
- [eBay Anything Points](#)
Pay for your purchases and seller fees with special offers from this free program.
- [eBay Anywhere - Wireless](#)
Access eBay from your wireless devices.
- [eBay Affiliate Program](#)
Earn cash by introducing your site visitors to eBay.
- [eBay Developers Program](#)
Create Software applications on the eBay platform.
- [International Trading](#)
Buy and Sell effectively across international borders.

Bidding and Buying Services

Protection

- [Buyer Protection](#)
Learn more about buyer protection on eBay, including Paypal Buyer Protection.
- [Warranty Program](#)
Buy a warranty for your recent eBay purchase.

Managing Your Bidding Activity

- [Warranty Program](#)
Give buyers assurance and peace of mind by offering them a warranty.
- [Options, Authentication & Grading](#)
Get a professional opinion of your item's authenticity or condition.
- [Picture Services](#)
Add pictures to get more visibility for your listings.
- [Feature your item](#)
Showcase your item on eBay.
- [Add link buttons](#)
Use these buttons on your Web pages to link to your eBay listings.

Manage your Active Listings

- [Revise an item](#)
Change your description, price, and more.
- [Add to item description](#)
Add additional information to your listing.
- [Manage Counters](#)
Manage or edit your Andale.com counters.
- [Change Gallery Image](#)
Change the picture you want to appear in your listing gallery.
- [Bidder Management](#)
Get tools to manage who can bid on or buy your items.
- [Cancel bids](#)
Remove unwanted bids on your item.
- [End your listing early](#)
Close your listing before it's scheduled to end.

Manage your Ended Listings

- [Relist your item](#)
List an unsold item again, or list a duplicate.
- [Request final value fee credit](#)
Request a credit for the final value fee on an ended listing.

- [Rebid from your mobile phone](#)
Use Rebid.com to receive outbid alerts and rebid on items.
- [Retract your bid](#)
Remove a bid if your situation meets specific criteria (for example, you accidentally placed an incorrect bid)

Inquire about a Final Value Fee credit for a successful listing where your buyer did not complete the transaction.

Advanced Seller Recommendations

- [Shipping Center](#)
Get shipping supplies and service.
- [Trading Assistants](#)
Sell items for others.
- [Keywords on eBay](#)
Add banners to promote your business.
- [Preferred Solution Provider Program](#)
Find out how companies working with eBay help your sales.

- [Annual Report](#)

Year Ended December 31,

	1998	1999	2000	2001	2002
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(in thousands, except per share data)

Consolidated Statement of Income Data:					
	1998	1999	2000	2001	2002
Net revenues	\$ 86,129	\$ 224,724	\$ 431,424	\$ 748,821	\$ 1,214,100
Cost of net revenues	16,094	57,588	95,453	134,816	213,876
Gross profit	70,035	167,136	335,971	614,005	1,000,224
Operating					

expenses:					
Sales and marketing	35,976	96,239	166,767	253,474	349,650
Product development	4,640	24,847	55,863	75,288	104,636
General and administrative	15,849	43,919	73,027	105,784	171,785
Payroll taxes on stock option gains	—	—	2,337	2,442	4,015
Amortization of acquired intangible assets	805	1,145	1,433	36,591	15,941
Merger related costs	—	4,359	1,550	—	—
Total operating expenses	57,270	170,509	300,977	473,579	646,027
Income (loss) from operations	12,765	(3,373)	34,994	140,426	354,197
Interest and other income (expense), net	1,799	23,833	46,337	41,613	49,209
Interest expense	(2,191)	(2,319)	(3,374)	(2,851)	(1,492)
Impairment of certain equity investments	—	—	—	(16,245)	(3,781)
Income before income taxes and minority interests	12,373	18,141	77,957	162,943	398,133
Provision for income taxes	(4,789)	(8,472)	(32,725)	(80,009)	(145,946)
Minority interests in consolidated companies	(311)	(102)	3,062	7,514	(2,296)
Net income	\$ 7,273	\$ 9,567	\$ 48,294	\$ 90,448	\$ 249,891

Net income per share:										
Basic	\$	0.07	\$	0.04	\$	0.19	\$	0.34	\$	0.87
Diluted	\$	0.03	\$	0.04	\$	0.17	\$	0.32	\$	0.85
Weighted average shares:										
Basic		104,128		217,674		251,776		268,971		287,496
Diluted		233,519		273,033		280,346		280,595		292,820

- [Company Financial Summary](#) from Reuters
- [eBay Auction Fraud Spawns Vigilantism Trend](#) by Ina Steiner
- [eBay Safe Buying Guide](#)

Questions to consider:

- eBay is one of the only major Internet "pure plays" to consistently make a profit from its inception. What is eBay's business model? Why has it been so successful?
- Other major web sites, like Amazon.com and Yahoo!, have entered the auction marketplace with far less success than eBay. How has eBay been able to maintain its dominant position?
- What method does eBay use to reduce the potential for fraud among traders on its site? What kinds of fraud, if any, are eBay users most susceptible?
- eBay makes every effort to conceptualize its users as a community (as opposed to, say "customers" or "clients"). What is the purpose of this conceptual twist and does eBay gain something by doing it?
- eBay has long been a marketplace for used goods and collectibles. Today, it is increasingly a place where major businesses come to auction their wares. Why would a brand name vendor set-up shop on eBay?

Selected patents:

- [6,415,320](#) -- Information presentation and management in an online trading environment.
- [6,058,417](#) -- Information presentation and management in an online trading environment.
- Search real-time for new U.S. patents granted to [eBay](#).