

Business Strategies: eBay to be second-hand goods shop

The excitement is wearing off for eBay users, and a plethora of competitors are eating into its market or increasing its barriers to entry into new markets. So if interest in auctions is waning, or at least not growing as hoped for, what next? Answer: become the internet's version of a car boot sale.

Turning out the loft and listing anything and everything on eBay had become a weekend pastime for those that didn't want to stand in a cold field in driving rain trying to get someone in poor humour to pay 50p for a jigsaw with a piece missing and no box to confirm what the partial picture would actually look like.

But eBay only works if there are more buyers than sellers, and if there is trust as to the products sold and the payment mechanism.

Dealing with the second problem was relatively easy - and very profitable: eBay bought the then fledgeling payment system PayPal. Back then, PayPal was a fun thing to use, it was easy, cheap and had an air of being slightly subversive. It went well with the image eBay wanted to promote: professional, efficient and fun.

PayPal's operating costs have risen dramatically as it finds itself embroiled in financial services compliance around the world, including the requirements to take steps to protect the system against being used by money launderers and financiers of terrorism, although the UK arm of PayPal has demonstrated a disturbing lack of understanding of the law and regulations that apply to it either because it does not understand them or because it chooses to make untrue claims as to its obligations in order to force customers to surrender to interference with their bank accounts for reasons that have nothing at all to do with money laundering or terrorist financing.

eBay itself has weathered many storms from having to fight claims that it facilitates the sale of counterfeit goods (it lost that in France) and the fact that the world appears to be running out of decent junk to sell.

Increasingly, eBay is home to small business sellers. They don't want to auction off their products, they want to sell at a fixed price. And they don't want to put an end date on their sale,

they want to sell their stock now and get paid. Increasingly, these sellers have been using the "Buy Now" feature which sells product at a fixed price, on the day the order is placed.

But eBay's "Buy Now" has been seen as an expensive way of doing something simple.

And it's a lot simpler than auctions for the system can be reduced to its essentials of a bulletin board and trusted payment provider.

eBay's big problem is that it is known for one thing but that thing is not bringing home the bacon. It has invested heavily in anti-fraud technology, in a very complex back end and in other clever techie things.

For an instant sale and purchase site, it doesn't need all of that. In fact, anyone can set up an internet bring-and-buy sale with nothing more than a free bulletin board script running on a shared server. It won't be pretty but it will work and it will cost around GBP50 a year.

But that would mean no revenue. And whilst eBay will collect on payments via PayPal, it is now a large company with expensive shareholders. So it can't simply back away from the "pay to list" model.

eBay's model so far has been to charge to list items for sale, in contrast to Amazon which makes no charge. Both take commission on sales effected through their site - Amazon's being higher but sharing the risk that the product won't sell.

In effect, eBay rented floor space for a fixed fee whilst Amazon took turnover rent.

That, some analysts say, has taken fixed-price, fixed stock sellers to Amazon. eBay argued that higher upfront costs ensured only legitimate and quality merchants used their site - but Amazon has not had any significant problem with fraudulent or crapola merchants.

Die hard fans who remember the early days of eBay with the same fondness as elderly women with drooping boobs remember burning their bras don't like the ideas. They think it will change eBay out of all recognition. eBay is having to put PR effort into telling them that the auction service isn't going away, merely that an alternative sales channel - which has, after all, been around for years - is being revamped and given bigger billing. eBay was never rebellious - it had a carefully calculated air of fun. Like most fun, it wears thin after a while.

And when that happens, corporations don't just wander into the woods to die. They change. That's what eBay is doing by revising its charging structure.

Is it too little too late? Possibly - but there is one thing to remember : eBay is not in financial trouble. As more people lose their homes, eBay's ability to be a garage sale without the stuff sitting on the lawn will prove attractive. As more people struggle to buy on credit, the eBay's ability to be a flea market for Christmas presents will come into the fore.

And it will work out nicely as eBay takes a slice of the action at every point from advertising to selling to payment system. The fixed price sale model will simply even out the bumps in a market that is currently more cyclical than many would like.