

# Introduction To eBay

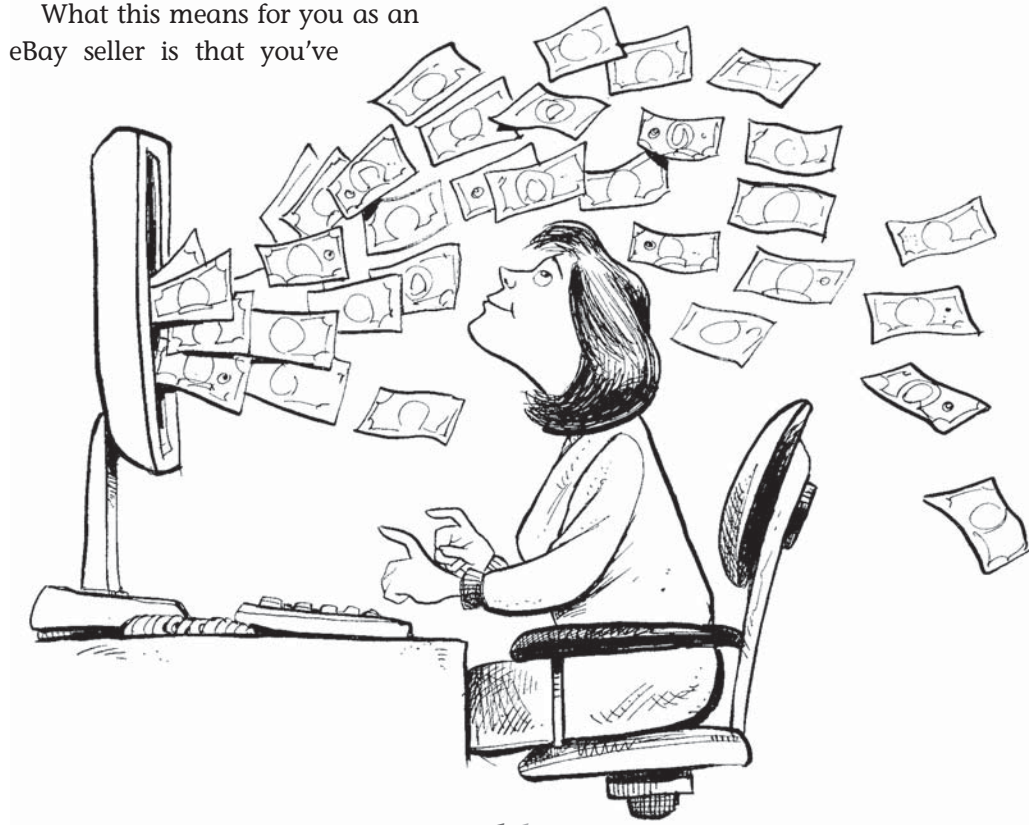
**T**he goal of this book is to teach you how to build a profitable business selling on eBay—and the most important word in this sentence is “profitable.” Making sales on eBay is simple, and you can learn how to do that by just browsing the site. But if you’re serious about your business, then the point of selling on eBay is to make a profit.

Before we get into the nuts and bolts of successful eBay selling, let’s take a look at how this opportunity came to be.

The first online auction venue hit the internet in 1994. The following year, Pierre Omidyar introduced the site that would eventually be known as eBay. Originally called Auction Web, it started out as a kind of virtual garage sale, but with the added excitement of auction pricing. And it was so successful that it didn’t take long for other online auction sites to pop up.

The big advantage of online auctions is that they expand a seller’s market from a relatively small local group to essentially anyone with a computer and access to the internet. And it didn’t take long for major companies, both business-to-consumer and business-to-business, to realize that this was a sales opportunity they couldn’t afford to overlook.

What this means for you as an eBay seller is that you’ve



## **Beware!**

***Ebay transactions are between the buyer and seller. As the online auction site, eBay is merely the vehicle that brings the buyer and seller together. Ebay will assist with disputes but is not ultimately responsible for the transaction.***



stepped onto a level playing field that's populated with sellers that range from small part-timers who may not post even an auction a month to huge multinational corporations with hundreds of items up for sale at any given time. And your chances of profits and success are just as good as theirs.

If you want to sell merchandise to consumers, eBay is a great way to do that without having to deal with the overhead expense of having a retail store. If you already have a retail oper-

ation, eBay opens up a tremendous market for you at a low cost. Millions of dollars are spent and earned on eBay every day. If you want to sell merchandise or services of any kind, you can't afford to overlook this sales channel.

According to its corporate mission statement, eBay's mission is "to provide a global trading platform where practically anyone can trade practically anything." The site has more than 241 million registered users worldwide who trade goods and services in more than 50,000 categories. In a recent survey by ACNielsen International Research, at least 724,000 Americans reported that they earned a full- or part-time living selling on eBay. In addition to those folks, another 1.5 million individuals use eBay as a means to supplement their income.

And yet, eBay has penetrated only a very small percentage of its potential market. That means the time is right for you to start selling on eBay.

## **LIKE EATING A GOOD BREAKFAST**

You know how important it is to start the day right with a good breakfast, don't you? The same principle applies to selling on eBay: Get started right, and the path to profits will be much easier to navigate.

Paul Mladjenovic, a small-business specialist who also teaches classes on internet auctions, says many eBay sellers fail because they jump in without adequate research and preparation. "There are people who say, 'Why don't I just give it a shot?' and they list something. Then it doesn't work out and the listing closes without selling, and they think this is not for them," he says. In reality, many of these people could have been very successful had they taken the time to learn how to sell through online auctions before putting up their first listing.

While it is true that you learn by doing—as all the eBay sellers we spoke with agree—there are a few things you should learn before doing. After all, there's no reason for you to repeat the mistakes of others. Of course, if you already have,

that's OK. Among its many benefits is the fact that eBay is a very forgiving business venue. No, there aren't any "do-overs," but there are plenty of chances to do it again—the right way.

On these pages, you're going to meet a number of successful eBay sellers, and they've all made plenty of mistakes. More important, though, is that they all do a lot of things very right—which translates into very profitable businesses.

### WHO SELLS ON eBAY?

Successful eBay sellers come from all backgrounds with an infinite range of experience and goals. Jonathan Garriss and David Topkins were working on Wall Street—Garriss as a portfolio manager and Topkins as a syndicate manager—when they started selling on eBay. It wasn't something they deliberately set out to do. Topkins' parents were moving out of the home he grew up in, and neither they nor he had room to store his childhood collectibles, such as baseball cards. "He didn't want to just throw them out, so he had to do something," recalls Garriss. "So we started selling them on eBay, and it was very successful. Word got around, and all of a sudden, everybody we knew who wanted to clear out their closets was coming to us to sell the stuff for them."

The pair got involved with some charities, selling items on eBay to help raise funds for worthy causes. It didn't take these two young hotshot Wall Street guys long to realize they had found an opportunity that would not only be lucrative, but also give them the sense of personal satisfaction they were missing. "Don't get me wrong—the money is great on Wall Street," Garriss says. "But there are other things you need. And this took off on its own and dragged us along with it."

Garriss and Topkins formed Gotham City Online in New York City and started selling on eBay part time in January 1999; Garriss left Wall Street to focus full time on the eBay selling operation in October of the same year, and Topkins followed in January 2000. Today, with a product line focusing on women's designer shoes and accessories, Gotham City Online's sales exceed \$10 million annually and are doubling every six months.

Andrew Robinson's path to success began three years ago when he purchased two pool tables. After deciding which one he preferred, he decided to sell the other one on eBay after a friend made the suggestion. "Since I had never been on eBay before, I really questioned whether someone could actually sell a pool table," says the Columbus, Ohio, entrepreneur. But after browsing and

#### *Fun Fact*

*Many successful eBay sellers got their start as a lark, posting an auction just to see what would happen, or selling a few things to make money to pay for the things they wanted to buy.*



finding people selling the same or similar products, he decided to give it a try—and was immediately hooked.

Initially, Robinson (formerly a Fortune 500 executive) and his wife ran the business from their home. But soon they were joined by partner Charles Kidder. Approximately six months later, they hired their first employee and currently have a staff of five workers who receive full benefits. “The success of eBay [enabled] us to continually grow, and we’re now in our third building,” Robinson says. “The current space has 15,000 square feet, plus we have an auxiliary warehouse that we use during seasonal times.”

In addition to their Boston Tables eBay store, Robinson and Kidder now own nine retail furniture stores, with a total of about 65 employees.

At Combined Resources International (CRI) in San Diego, David Lynn oversees all online activities as the IT director, while Janine Giandomenico manages the company’s wholesale distribution company ShopFTW.com (Shop-From-the-Warehouse) and its eBay sales. CRI is a 12-year-old wholesale manufacturer and import distributor, primarily for large warehouse clubs such as Costco Wholesale, Sam’s Club and BJ’s Wholesale, and occasionally it has overstocked items or an extra container of product that needs to be sold.

## Tip Of The Day

**The FTC offers these quick tips for online auctions:**

**For Buyers:**

- ▲ Identify the seller, and check the seller’s feedback rating.
- ▲ Do your homework. Be sure you understand what you’re bidding on, its relative value, and all terms and conditions of the sale, including the seller’s return policies and who pays for shipping.
- ▲ Establish your top price, and stick to it.
- ▲ Evaluate your payment options. If possible, use a credit card. It offers the most protection if there’s a problem. Consider using an escrow service if the seller doesn’t accept credit cards.

**For Sellers:**

- ▲ Provide an accurate description of the item you’re selling, including all terms of the sale and who will pay shipping costs.
- ▲ Respond quickly to any questions bidders may raise during the auction.
- ▲ Contact the high bidder as soon as possible after the auction closes to confirm details of the sale.
- ▲ Ship the merchandise as soon as you receive payment.

Lynn says the decision to start selling on eBay was made two and a half years ago when CRI opened an experimental eBay store, Combined Direct. After recognizing the potential, CRI expanded its offerings by creating ShopFTW.com and the successful Shop\_FTW eBay store.

“We didn’t want to go through a liquidator or flood the market with prices that are below the ones for items we were still selling in the warehouse clubs, so we decided to try selling the products online,” Lynn says. “And for the most part, we have had very good success.” So much, in fact, that the company is now packaging products to sell exclusively online that will not be offered to its traditional warehouse customers. “We know that we have some good products, and not everyone has a local Costco to visit,” says Lynn. “So we figure if we can expand the market, it will be good for all of us.”

Not all successful eBay sellers fall into such high-volume operations. Sue Rudolph is a semiretired antiques dealer in Winter Park, Florida, who started selling on eBay after she closed her retail shop. “I have, as most antiques dealers do, a lot of things that have worth,” says the owner of Sweet Sue’s Antiques and Appraisals. “I thought it would be nice to sell some of those things and have a little extra income.”

She says eBay and other online auctions have had a tremendous impact on how antiques and collectibles dealers run their businesses. When her shop was open, she considered it a good week if 100 prospective customers came through the door, and she routinely had to deal with face-to-face buyers trying to negotiate for lower prices. By contrast, she points out, on eBay, millions of potential customers are online every day, driving prices up with their bids, competing for the opportunity to buy your merchandise.

Linda Parker is a work-at-home mom in Tustin, California, who sells part time on eBay. She specializes in glassware and china, but also sells collectibles and random offbeat items. “I discovered eBay as a buyer,” she says. “I began selling because I realized that if I was bidding more than I should on things, other people were, too. And I had a lot of things around the house that I wanted to get rid of but didn’t think I could get much for them at a garage sale. For example, I had a Winnie the Pooh switch plate that I would have been lucky to get \$2 for at a garage sale, but I sold it on eBay for \$12.” Her eBay activities are turning into a family business: Her 14-year-old son has been known to go through his room looking for items to sell, and her husband has even sold a few things.

Since she began selling on eBay in 2000, Laurie Ayers says her income has doubled every year, and she is able to be home with her children. Although she sells some new items and “gently used” things she finds at thrift stores and garage sales, her specialty is finding and reselling men’s high-end designer suits and clothing. Like so many eBay sellers, the single mom in Granville, Michigan, started as a buyer. She asked a friend who was an eBay shopper to check to see if a particular item—something from a housewares line that happens to be a very popular eBay

product—was up for sale. “She laughed and told me to go look for myself and hang onto my check-book,” Ayers recalls. She found what she was looking for and decided to try selling. “It was almost just for kicks—an ‘I wonder if this rusty nail will sell’ sort of thing. And I got hooked. I had a new baby at the time, so I sold some of her baby stuff. I sold one of her bouncy seats—it was used but in great shape—and I got more for it than a new one would cost at Target.”

Liz Baker of Oviedo, Florida, began as an eBay shopper, then started selling some of her own things as well as items she found at garage sales. “Like so many people, I had plenty of things that I didn’t want or need anymore, but they were in good condition, and I didn’t want to just throw them out,” says the work-at-home mom. “It sounds silly to say this, but I wanted my things to go to a good home. I didn’t want them anymore, but I wanted someone who would appreciate them.”

After a period of successfully selling books and collectibles on eBay on a part-time basis, Baker discovered Elance, which is the professional services part of eBay, and began selling her services as a virtual assistant and writer. She has also developed some of her own e-books to sell on eBay. “The opportunities on eBay are so tremendous and varied,” she says. “It amazes me that I can sell my household odds and ends on the same site where I can also sell my professional services.”

Gary and Susan Marler of Selma, North Carolina, consider their eBay business a hobby that allows them to earn extra cash. They began as shoppers and started selling to eliminate duplicates in their collections. “It’s an easy business to do, and as you do it, you get better at it,” Susan says. “For us, it has been a great way to make a little extra cash, and it has even helped us pay the bills as Gary was starting his upholstery business.”

In the mountainous region of Sisters, Oregon, Peggy Webb takes a similar approach. She initially started on eBay in 2002 buying home-schooling books for her six children. “Then I thought I would have some fun selling garage-sale-type stuff from around the house,” she says. “Just about the time I ran out of things to sell, I decided I was having too much fun to stop, so I started looking around for more things.” Webb loves books and settled on that niche for her eBay business, naming her store Pages-and-More. “I don’t sell anything that I haven’t read myself,” she says.

Webb has been disabled since she was a teenager and is a member of the Disabled Online Users Association (DOUA); she attributes much of her success on eBay to that group. She says that one of the many nice things about selling on eBay is that it puts everyone on a level playing field. “Unless you read my About

### Smart Tip

**Before using any online auction, check out how it works. Never assume that the rules of one site apply to another.**



Me page, you wouldn't know that I walk with a cane," she says. "In a brick-and-mortar store, customers might be put off by how slowly I get around, but on the computer I can rush to my virtual bookstore when the doorbell rings."

When Buz Moran of Long Beach, California, first started selling on eBay, he was a self-employed painter who sold collectibles on eBay as a profitable part-time hobby. "I was always a collector of stuff," he says. "eBay just happened, and I kind of fell into it like it was made for me." In his first six weeks of eBay selling, Moran made \$1,800—pretty good wages for a part-time operation. "I was just buying things, not spending a lot of money but hitting home runs," he says. "I bought a bag of postcards for \$5 and made more than \$700 on them—one went for \$142.50."

Then, several years ago on one of his garage sale expeditions, Moran bought a 1914 opening-day baseball pennant for the Chicago Federals for a few dollars that was in mint condition. After doing some research and talking with various collectors, he contacted Alan Rosen (aka Mr. Mint), who is well-known in the collectibles industry. Rosen purchased the pennant for a substantial amount and asked Moran to have it shipped from a local UPS store. Moran enjoyed visiting and chatting with the owners of the UPS store who showed him their operation and how things worked. He ultimately decided to open his own Mail Services Plus franchise in 2003. "I thought this was a neat business to be a part of and knew it would be a great way to tie it in with eBay because of the shipping side of it," he says. Moran has since sold the franchise, but he says it was a great opportunity to learn about shipping. He still enjoys selling on eBay, and he also does consignment selling for

people in the area as a Trading Assistant (see Chapter 3 for an explanation of Trading Assistants).

When Stephanie Inge of Rowlett, Texas, first became interested in eBay in 1999, she was running an antiques showroom at the World Trade Center in Dallas. After she bought an inexpensive digital camera—her first eBay purchase—she decided to put it to good use and auction off some of the items in her showroom. "I just got tired of everything collecting dust," she says. "So I started liquidating things online. Within a month, we closed the shop to sell exclusively on eBay."

As she ran out of collectibles to sell online, Inge looked around to see if there was a different area she should

## ***Beware!***

***The world of online auctions is a rapidly evolving marketplace. As their ranks swell, shoppers are becoming increasingly sophisticated and demanding. eBay sellers who are not able to keep up with the changing market, improving their own technologies and tailoring their offerings to meet the needs of buyers, will find their businesses declining. Don't let that happen to you!***



concentrate on and discovered that vintage cowboy boots and western wear were all the rage. It helped that she lived in an area where she had access to a lot of high-quality merchandise in this niche.

While Inge was in the process of establishing herself as a PowerSeller, she also started privately teaching individuals who wanted to learn how to sell on eBay. In 2003, she decided to kick her teaching practice up a notch by offering classes through local community colleges and, ultimately, becoming an eBay Certified Education Specialist. “I wanted eBay’s blessing, so I signed up, studied hard, and passed the test,” Inge says. “Then I basically incorporated their curriculum into mine.” She now instructs beginner and intermediate classes at six different college campuses.

Bob Willey first logged onto eBay in 1998, primarily out of curiosity to see what all the hype was about. He quickly discovered a new and profitable outlet for the collectibles, antiques, memorabilia, and other unique items he sells through other websites that he owns. As his online business grew, so did his knowledge about the wonderful world of eBay. Today, the Trappe, Maryland, entrepreneur is a Platinum PowerSeller and a Trading Assistant, and through his eBay business, Bob’s Neat Stuff, he sells items for other people. He also teaches eBay Smart Start classes, sponsored by the Maryland Small Business Development Center, at two local colleges.

What comes through loud and clear when these sellers talk about their businesses is that eBay is about so much more than money. It’s about the delight of finding a treasure and then matching it with the right buyer. It’s about getting paid based on value and results, not the number of hours worked. It’s about controlling your own destiny—and still more. eBay has made it possible for countless numbers of mothers to be at home with their children while earning a comfortable living—or supplementing the family’s income. Sellers and buyers have connected to form business alliances as well as strong personal friendships. eBay users socialize, exchange gifts, and help each other out. After the attacks of 9/11, the Southeast Asian tsunami, and the devastating hurricanes of 2005, eBay members donated thousands of items to raise money for the families and communities hit hardest by these tragedies. Even late-night talk show host and comedian Jay Leno used eBay to auction off celebrity-autographed motorcycles that raised more than \$1 million for the Red Cross. So if you’re just looking for a place to do business, you’ve found it. And whether or not you were looking for more, you’ve found that, too.

### **What Do These Sellers Have In Common?**

Your success on eBay will not be due to any one thing, but rather a combination of things. But here are a few things successful eBay sellers have in common: **▲ They treat their eBay activities like a business.** You might get your start selling the occasional item on eBay the same way that you’d hold a garage sale once a year, not really caring how much you make as long as you don’t lose money. But if you want a serious eBay operation that will earn you more than just pocket

change, you have to treat it like a business. That means creating a separate business entity with a name, bank account, proper licenses, etc. It means finding suppliers you can count on and building solid relationships with them. It means shipping promptly, providing superior customer service, and leaving timely, accurate feedback.

▲ ***They find a niche and build on their expertise.*** It is impossible for any single person to be an expert in all the categories of merchandise on eBay. Successful eBay sellers specialize in one or two areas. “You can’t possibly know the value of everything,” says Mladjenovic. “The people who consistently make money, month in and month out, are the ones who specialize.” They establish themselves as experts, and their knowledge is reflected in how their listings are written, the information on their About Me page, and how they respond to requests for additional information. They are generous in how they share what they know, whether it’s information on their merchandise or assisting a new eBay buyer with making a purchase. Mladjenovic adds, “As soon as you start diverting from your specialty to something else, it’s the same as if you started a brand-new business from scratch.”

▲ ***They are great communicators.*** They know how to write auction listings that accurately and completely describe the product, shipping, payment options, return policy and other details. They respond to questions from bidders promptly, with complete and courteous answers. They communicate with winning bidders immediately at the close of the auction and maintain that communication until the transaction is complete.

▲ ***They are persistent and learn by doing.*** Successful eBay sellers don’t give up easily. When an auction doesn’t go as expected, they figure out what to do differently the next time for better results. They learn from their mistakes. And even when things are going well, they are always trying to figure out how to make them better.

## FROM RECREATION TO BUSINESS

Selling on eBay is one of the easiest ways to turn your hobby or special interests into a business. Think about it: Whatever you enjoy doing, you have a degree of expertise and experience in—and you can translate that to dollars on eBay.

Most of the eBay sellers we interviewed had been buying and selling on eBay just for fun before getting serious about their businesses, and they all knew of others who had done the same thing. However, just because you enjoy your particular hobby and eBay shopping, don’t make the mistake of thinking this will be just a lot of fun and games. One of the biggest pitfalls of taking this route to business ownership is failing to make the complete transition from amateur to professional.

No matter how enjoyable you find the process of buying and selling at auctions, you are selling a product your customers are paying money for, and you must respect the fact that this is a business transaction. You need to take yourself seriously and run your company like the professional operation you want it to be.

One of the most important issues you’ll have to deal with is record-keeping.

Whether you're new to online selling or you've been doing it for a while, consider these suggestions:

▲ **Open a separate checking account for the business.** Your bank account balance is a quick and easy way to see how well you're doing, but you won't have a clear picture unless you're using an account that is strictly for business income and expenses. Linda Parker, the part-time Tustin, California, eBay seller, says the smartest thing she ever did in her business was open that separate bank account. "For a long time, I just threw everything into our joint checking account, but it became very confusing with all these deposits and withdrawals, and I couldn't stand it anymore," she recalls. "Having everything separate makes it easy for me to tell whether I'm making as much money as I feel like I am. For instance, I may have a bunch of auctions end at the same time, and all the payments come in close together, and it seems like a lot of revenue. But with a separate account, it's easy to see what my costs were and how much real profit I made."

▲ **Get a credit card for the business.** You may not be able to get the card in the business name, and you may not be able to charge all your business purchases (for example, garage sale shopping requires cash), but at least have one card that is used exclusively for business expenses. This helps you keep your records in order and—if the card is in the business name—helps you establish business credit.

▲ **Invest in a retirement plan.** Beyond the long-term benefits, a retirement plan offers some short-term advantages. You'll not only reduce your current taxes, but if you are a homebased sole proprietor, the fact that you show a retirement plan on your income tax return indicates to the IRS that you are serious about your business, not just trying to take some questionable deductions.

▲ **Document your equipment.** Of course, anything you buy for your business after you start it is a deductible expense. However, if you purchased the equipment you use to sell on eBay (computer, printer, digital camera, scales, etc.) prior to starting your business and can prove the cost involved, you may be able to deduct those expenses on your tax return after you've formed your company. Talk to your tax advisor for specifics on how to do this.

▲ **Figure out how much it actually costs you to sell an item.** Besides the cost of the merchandise, calculate your overhead (the cost of maintaining a place to

### Bright Idea

**Make selling on eBay a family business.** Get your spouse, kids and other relatives involved in all aspects of eBay selling, from finding things to sell and handling the computer tasks necessary to post an auction to shipping the products and following up with top-notch customer service.



work); the time it takes you to write up your auction description, take photographs, and get the listing posted; packaging; freight; special handling; and any other expenses. Be especially careful about tracking your time; too many business owners in all industries fail to give their time the value it deserves.

Use the “Startup Checklist” on page 1.12 to make sure you tackle the goal of selling on eBay in an organized, well-thought-out way.

## **MORE THAN STUFF AND SERVICES**

In addition to being a great tool to use to start your own business, eBay is also a place where you might find an existing business to buy. Thousands of businesses are up for sale on eBay each month. Of course, many are iffy at best (“make money at home with your computer”)—some listings in this category are instruction manuals and/or equipment rather than actual established businesses—but there are some real businesses for sale on eBay.

For a legitimate business or franchise, don’t expect the process to be as quick as an auction for consumer merchandise. Buying or selling a business requires a lot of research, documentation and negotiation. But eBay can still be a great way for people who are interested in buying or selling a business to hook up.

## **BUY FIRST—SELL LATER**

Before you start selling on eBay, make a few purchases. “Before you try to sell anything on eBay, first take a look as a shopper for [what you want to sell] and see what other listings are like,” says Mladjenovic. You’ll learn firsthand how the system works and be able to put yourself in your customers’ shoes. You don’t have to spend a lot of money, and chances are you’ll find things that you’d buy elsewhere anyway.

Another benefit of starting out as a shopper is that it gives you a chance to build a history under your user ID and earn some positive feedback (the value of which is explained in later chapters) so buyers will feel more comfortable with you later on when you start selling.

“Buy from a variety of different, experienced sellers and see how they handle their auctions from beginning to end,” advises Susan Marler. “Imitate—but don’t duplicate—the good sellers, and learn what not to do from the bad experiences.”

# Startup Checklist

*As exciting as eBay is, don't let it lure you into the deep end of the pool until you know how to swim. Use this checklist to get started.*

- Register on eBay.
- Decide what type of eBay business you want to start.
- Research your market.
- Set goals for your business.
- Develop a plan to achieve your goals.
- Do some shopping on eBay.
- Learn how to use eBay and its tools.
- Become familiar with eBay's policies.
- Create an About Me page.
- Open a business bank account.
- Register on PayPal and add merchant tools to accept credit cards and e-checks.
- Set up your payment system to accept other forms of payment (e.g., checks and money orders).
- Choose a location, whether it's a room at home or a commercial building.
- Set up a record-keeping system.
- Obtain necessary licenses.
- Find sources for merchandise to sell.
- Set up your shipping system.
- Learn how to write a good description for your auction.
- Get the necessary equipment (either scanner or digital camera) to take good pictures.
- Auction a few items to gain experience.
- Collect payment.
- Ship the merchandise promptly.
- Post feedback.
- Auction more items!