

**(a) Chapter 1**

**(b) So You Want to Start an eBay Business [el]**

Starting a business of your own is a thrilling thought[md]especially if you can run that business from the comfort of your own home. You've heard about this eBay thing, maybe even sold a thing or two on the site, and think that selling on eBay might be the key to your personal business success.

Is it true? Can you really make a living with an eBay business? And just what is an eBay business, anyway?

This chapter answers those questions and many more. If you've never bought or sold anything on eBay before[md]or even if you have[md]read on to learn more about the basics of running a business on eBay.

**(c) What, Exactly, Is an eBay Business?**

To the question of what an eBay business is, the simple answer is that it's a company that generates profits by selling items on the eBay site. That company, of course, can be an individual, as most eBay businesses are, or it can be a business with multiple employees. The company doesn't have to sell exclusively on eBay; it can sell through any number of channels (including a traditional bricks-and-mortar store) as long as at least some of its revenues are generated via eBay auctions.

Contrary to what you might think, eBay businesses do not have formal business relationships with the eBay corporation, nor do they have to be authorized by eBay. To become an eBay business, all you have to do is start selling on the eBay site. Nothing more formal than a standard eBay membership[md]in the form of a free Seller's Account[md]is required.

eBay businesses can be of any size, revenue-wise. Some eBay businesses sell only one item a week; some sell millions of dollars worth of merchandise every year. It don't even have to be a full-time thing. Many eBay businesses are part-time endeavors run by people who have other full-time jobs.

What distinguishes an eBay business from the average individual selling on eBay is intent. While individuals tend to sell on eBay because they need the money or want to get rid of stuff lying around the house, eBay businesses sell merchandise that they intend to make a profit on. eBay businesses have to purchase or

create the items they sell; they have to ensure a constant flow of merchandise to feed a continuing schedule of auction listings. They're selling on eBay every week of the year, not just when it's convenient. And they work hard at it.

And, finally, eBay businesses are *businesses*. That means they have to deal with the same issues any business has to deal with[md]managing inventory, handling payments, paying taxes, dealing with customer complaints, and the like. The people behind these eBay businesses do what they do because they like it, sure, but also because they want to make a profit.

### **(c) Different Ways to Sell on eBay**

If you've never sold on eBay before, you should know that there are several different ways to sell your merchandise on the eBay site. Yes, most merchandise sold on eBay is via the online auction format, but not all. Many businesses sell their items on eBay at a fixed price, just as they would in a conventional store.

### **(d) Standard Auction Format**

Selling an item via an eBay auction is quite a bit different from selling it off a shelf in a traditional store. In essence, an eBay auction works pretty much like an old-fashioned real-world auction[md]you know, the type where a fast-talking auctioneer stands in the front of the room, trying to coax potential buyers into bidding *just a little bit more* for the piece of merchandise up for bid. The only difference is that there's no fast-talking auctioneer online (the bidding process is executed by eBay's special auction software), and all the bidders aren't in the same room; in fact, they might be located anywhere in the world, as long as they have Internet access.

When you're ready to sell an item via eBay auction, you post a listing for that item, like the one shown in Figure 1.1. When you create a listing, you select the merchandise category, length of the auction (1, 3, 5, 7, or 10 days), and the starting bid price. From there the auction process takes over, with interested buyers making increasing bids on the item; bidding starts at the initial price you specified and goes up from there. At the end of the auction, the bidder with the highest bid wins and pays you for the item. When payment is received, you ship the item to the buyer.

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**Figure 1.1**

*A typical eBay auction listing.*

eBay makes the entire process fairly simple, for both the seller and the buyer. Just know that while you're using the eBay site to facilitate the sale (by hosting the auction listing), eBay is not a middleman in the transaction. The buyer pays you directly, not the eBay site. You, however, do have to pay fees to eBay for the services it offers[md]more on this later in this chapter.

The thing that makes an eBay auction different from a traditional retail transaction is that there is no guarantee the item will actually sell[md]nor do you know what the final price will be if it does sell. That's part and parcel of being an auction. If no one bids on your item, you don't sell it. And the final sales price is totally market-driven; the price will go as high as potential buyers are willing to pay. That can be both good (you could get a higher price than you anticipated) and bad (you could sell an item for less than you thought[md]or not sell it at all). That's just the way it goes.

#### **(d) Reserve Price Auction**

eBay offers several variations on its main auction format. One of the more common variations is the reserve price auction. In this type of auction, your starting bid price really isn't the minimum price you'll accept. You set a starting bid price as you would in a normal auction, but you also specify a *reserve price* somewhere above the starting price. This reserve price is the actual minimum price you want the item to sell for. Even though bids might exceed the initial bid price, if they don't hit your reserve price, there isn't a sale.

Many buyers[md]especially those just getting started[md]don't like reserve price auctions, and shy away from them. They probably feel that way because these auctions appear more complicated than regular auctions (and they are, just a little), and also because the reserve price is never disclosed to bidders. In this case, lack of familiarity definitely breeds contempt, at least from a certain class of bidders.

Why, then, would you opt for a reserve price auction? There are two possible scenarios:

[lb] When you're unsure of the real value of an item[md]and don't want to appear to be asking too much for an item[md]you can reserve the right to refuse to sell the item if the market value is below a certain price.

[lb] When you want to use a low initial bid price to get the bidding going more quickly than if the true desired

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minimum price (now the reserve price) was listed, the reserve price still guarantees that you won't have to sell below a minimum acceptable price.

Remember, if no one bids the reserve price or higher, no one wins.

#### **(d) Dutch Auction**

Dutch auctions are those in which you have more than one quantity of an identical item to sell. It's great if you have a dozen waffle irons, 10 copies of *Ocean's 11* on DVD, or a hundred units of white extra-large boxer shorts to sell.

In a Dutch auction, you specify both the minimum bid and the number of items available in the auction. As in a normal auction, bidders bid at or above that minimum bid for the item[md]although, in a Dutch auction, bidders can also specify a specific quantity that they're interested in purchasing.

Determining who "wins" a Dutch auction is a little different from determining who wins a normal auction. In a Dutch auction, the highest bidders purchase the items, but all buyers pay only the amount that matches the lowest successful bid.

Let's work through an example. Say you're selling 10 identical copies of a particular *Lord of the Rings* tee shirt. You indicate the number of items available (10) and the minimum bid (let's say \$5). Potential buyers enter their bids, which must be equal to or higher than the minimum bid of \$5; each buyer also indicates the quantity (from 1 to 10) that he or she is interested in purchasing.

If 11 people bid \$5 each (for one shirt apiece), the first 10 bidders will win the auction, each paying \$5 for their items, and the last bidder will be out of luck. But if the 11th person had placed a higher bid[md]\$6, let's say[md]then that 11th bidder would be listed as the #1 bidder, and the last \$5 bidder (chronologically) would be knocked from the list. All 10 winning bidders, however[md]including the person who bid \$6[md]would have to pay only \$5 for the item. (Highest bidders, lowest bids[md]get it?)

In a Dutch auction, the minimum price ends up being raised only if enough bidders place bids above the minimum bid. In our example, if 9 bidders bid over the minimum, but the 10th bidder bid \$5, all bidders would still pay \$5. But if the lowest bid was \$6 (and the other bidders bid from \$6 to \$10), all 10 bidders would pay \$6 (the lowest current bid). So posting a higher bid increases a buyer's chances of winning an item at a Dutch

auction, but it also increases the risk of raising the price for everybody.

In any case, eBay handles all the details automatically, as long as you specify multiple quantities when listing your item.

#### **(d) Auction with Buy It Now**

eBay's Buy It Now (BIN) option lets you add a fixed-price option to your auction listings. The way BIN works is that you name a fixed price for your item, as shown in Figure 1.2; if a user bids that price, the auction is automatically closed and that user is named the high bidder. It's like selling an item via a traditional retail transaction.

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#### **Figure 1.2**

*An auction with the Buy It Now option enabled.*

**\*\*\*begin note\*\*\***

The BIN price is active only until the first bid is placed (or, in a reserve price auction, until the reserve price is met). If the first bidder places a bid lower than the BIN price, the BIN price is removed and the auction proceeds normally.

**\*\*\*end note\*\*\***

The BIN option is popular among professional eBay sellers with a lot of similar inventory. That is, they're likely to place the same item up for auction week after week. In this scenario, the BIN price becomes the de facto retail price of the item, and you can ship items as soon as you find a willing buyer. You don't have to wait the standard seven days for a normal auction to end.

You might also want to consider the BIN option around the Christmas holiday, when buyers don't always want to wait around seven whole days to see if they've won an item; desperate Christmas shoppers will sometimes pay a premium to get something now, which is where a BIN comes in.

Using the Buy It Now option will cost you extra as a seller, however. Table 1.2 details the fees that eBay charges to add a BIN to your auction, over and above the standard listing fees (that we'll discuss in just a few paragraphs).

Table 1.1 [em]eBay Insertion Fees

| Buy It Now Price     | Fee    |
|----------------------|--------|
| \$0.01 [nd] \$9.99   | \$0.05 |
| \$10.00 [nd] \$24.99 | \$0.10 |
| \$25.00 [nd] \$49.99 | \$0.20 |
| \$50.00+             | \$.025 |

#### (d) Fixed-Price Sales in eBay Stores

Another way to sell items at a fixed price on eBay is to open an eBay Store. In this online storefront, operated in conjunction with your eBay auctions, you sell multiple quantities of items at fixed prices. As you can see in Figure 1.3, it's just like a traditional store; you have your items on the virtual shelves, and shoppers can buy what they want for the price listed, at any time.

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#### Figure 1.3

*Fixed-price merchandise for sale in an eBay Store.*

An eBay Store is a good way to sell items that you have in quantity, or items that you haven't yet listed for auction. Learn more in Chapter 26, "Opening an eBay Store."

#### (c) Understanding eBay's Fees

If you're going to run a successful eBay business, you better get used to paying eBay. That's because eBay gets its cut every time you list or sell an item on the eBay site. *Every time.* It may be a few pennies here and a few pennies there, but eBay's fees add up quite rapidly [md] and become a significant expense if you're selling a lot of items each month.

For that reason, you need to understand the costs involved before you put any items up for auction. eBay charges two main types of fees to sellers:

- [lb] **Insertion fees** (I prefer to call them *listing fees*). These fees are what you pay every time you list an item for sale on eBay. They are based on the minimum bid or reserve price of the item listed. These fees are nonrefundable.

[1b] **Final value fees** (I prefer to call them *selling fees* or *commissions*). These fees are what you pay when an item is actually sold to a buyer. They are based on the item's final selling price (the highest bid). If your item doesn't sell, you aren't charged a final value fee.

Table 1.2 lists eBay's current insertion fees (as of early 2005); Table 1.3 lists the current final value fees.

*Table 1.2[em]eBay Insertion Fees*

| <b>Starting Bid Price</b> | <b>Insertion Fee</b> |
|---------------------------|----------------------|
| \$0.01 [nd] \$0.99        | \$0.30               |
| \$1.00 [nd] \$9.99        | \$0.35               |
| \$10.00 [nd] \$24.99      | \$0.60               |
| \$25.00 [nd] \$49.99      | \$1.20               |
| \$50.00 [nd] \$199.99     | \$2.40               |
| \$200.00 [nd] \$499.99    | \$3.60               |
| \$500.00 or more          | \$4.80               |

*Table 1.3[em]eBay Final Value Fees*

| <b>Final Selling Price</b> | <b>Final Value Fee</b>  |
|----------------------------|---|
| Item not sold              | No fee  |
| \$0.01 [nd] \$25.00        | 5.25% of the final price  |
| \$25.01 [nd] \$1,000.00    | 5.25% of the initial \$25.00 (\$1.31), plus 2.75% of the remaining closing value balance  |
| \$1,000.01 or more         | 5.25% of the initial \$25.00 (\$1.31), plus 2.75% of the amount from \$25.00 [nd] \$1,000.00 (\$26.81), plus 1.50% of the balance |

**\*\*\*begin note\*\*\***

You can view all of eBay's current fees at [pages.ebay.com/help/sell/fees.html](http://pages.ebay.com/help/sell/fees.html).

**\*\*\*end note\*\*\***

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eBay also charges a variety of fees for different types of listing enhancements, such as bold and highlight. And, as you might expect, all manner of fine print is associated with these fees. The most important to keep in mind are that insertions are nonrefundable; you won't be charged a final value fee if the item doesn't sell; and it doesn't matter whether the buyer actually pays you[md]you still owe eBay the full final value fee, even if you get stiffed.

Invoicing on your account occurs once a month, for the previous month's activity. You'll get an invoice via email detailing your charges for the month. If you've set up your account for automatic credit card billing or checking account withdrawal, your account will be charged at that time. (If you prefer to pay via check or regular credit card, now's the time to do it.)

Know, however, that these aren't the only costs you'll incur in running an eBay auction. Most sellers opt to accept credit cards via the PayPal service, which charges its own fees. For most sellers, PayPal charges 2.9% of the total payment price, plus a flat \$0.30 per transaction. That's right in line with what a traditional retailer would pay to a bank to handle its credit card payments.

**\*\*\*begin note\*\*\***

Learn more about PayPal (and PayPal's fees) in Chapter 16, "Managing Customer Payments."

**\*\*\*end note\*\*\***

As you can see, these fees start to add up. For most eBay businesses, you can estimate paying 12%[nd]15% in fees for every successful sale you make. This doesn't take into account the actual cost of the item you sell, nor any other costs you incur[md]such as the costs of packing materials, labels, Internet access, and the like.

**(c) Launching Your First eBay Auction**

Those of you who've already sold a thing or two on eBay can probably skip over this next section. If you're new to eBay, however, read on to learn the basics of launching an eBay auction.

**\*\*\*begin note\*\*\***

The following section provides just a brief overview of the listing creation process. For more detailed step-by-step instructions, see my companion book, *Absolute Beginner's Guide to eBay, 2nd Edition* (Que, 2004).

**\*\*\*end note\*\*\***

#### **(d) Before You List**

Before you can list an item for sale, you have to be a registered eBay user. You can sign up right from eBay's home page, or you'll be prompted to sign up if you're not a member when you start the item listing process. In any case, registering with eBay is free. You'll need to provide some amount of personal information, including a credit or debit card number and bank account information. The credit card is used to charge your eBay fees; the bank info is there to verify you as a credible seller and not a scam artist.

After you've registered, there's more to do before you actually create your item listing. Here's a brief list:

- [lb] Make sure the item exists and is ready for sale.
- [lb] Take a picture or a scan of the item and prepare a JPG-format file for uploading.
- [lb] Determine what you think the final selling price will be, and then choose an appropriate starting bid price.
- [lb] Determine what listing options you might want to purchase[md]such as boldfacing the title or placing the item in the Gallery.
- [lb] Think up a catchy yet descriptive headline for the item.
- [lb] Write out a detailed description of the item.
- [lb] Determine what payment options you'll accept. (If you haven't yet signed up with PayPal, now is the time.)
- [lb] Determine how you want to ship the item.
- [lb] Weigh the item, and then try to determine the actual shipping costs. Use that information to set an upfront shipping/handling charge, if you want.
- [lb] Determine what day of the week[md]and what time of the day[md]you want your auction to end.

#### **(d) Creating the Item Listing**

Once you've worked through these items, you're ready to take the next step[md]creating an item listing. You can create an item listing in a number of ways, the easiest of which is to use eBay's standard Sell Your Item pages.

#### **\*\*\*begin note\*\*\***

You typically use the Sell Your Item pages to create basic one-off item listings[md]which is fine if you have only a few items to sell. If you have a lot of items for sale, however, you need to think about bulk listing your auctions; we'll cover that in Chapter 15, "Automating Item Listing."

#### **\*\*\*end note\*\*\***

You start the listing process by clicking the Sell link at the top of any eBay page. This takes you to the page shown in Figure 1.4. Select the Online Auction option and click the Sell Your Item button to proceed.

#### **\*\*\*insert figure 1.401fig04**

#### **Figure 1.4**

*Getting ready to create your first auction listing.*

Next up are several forms, collectively called the Sell Your Item pages. Throughout this multiple-page process, you have to make some choices and fill in a lot of information. Let's walk through each of the pages in the form:

- [lb] On the Select Category page, shown in Figure 1.5, you select the merchandise category in which you want to list your item. It's kind of a drill-down list, with lots of subcategories beneath each major category.
- [lb] Some categories let you create a listing using pre-filled information. If your item falls in one of these categories, you'll see the Choose a Listing Option page, shown in Figure 1.6. Fill in the ISBN or UPC number to create a pre-filled listing, or click the Continue button on the right to create a standard item listing.

[lb] On the Describe Your Item page, shown in Figure 1.7, you get to enter a title for your listing, as well as a full item description and various item specifics. Take your time with this page; both the title and description are vital to the success of your auction.

[lb] On the Enter Pictures & Item Details page, shown in Figure 1.8, you get to make a lot of choices including the starting bid price, Buy It Now price (if you choose this option), duration, and quantity available. On this page, you can also add photos to your item listing, choose a listing design, and opt for various listing enhancements all for an additional charge, of course.

[lb] On the Enter Payment & Shipping page, shown in Figure 1.9, you select what types of payment you'll accept and specify the shipping costs. If you don't know the shipping cost up front, you can use eBay's Shipping Calculator to help the buyer calculate shipping to a specific location.

[lb] When you reach the Review & Submit Listing page, shown in Figure 1.10, you're almost done. Take a look at what you've entered so far, and if you like it, click the Submit listing button. If you don't like what you see, click the Back button and make the necessary changes.

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#### **Figure 1.5**

*The Sell Your Item: Select Category page.*

**\*\*\*insert figure 1.601fig06**

#### **Figure 1.6**

*The Sell Your Item: Choose a Listing Option page (displayed for selected product categories).*

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#### **Figure 1.7**

*The Sell Your Item: Describe Your Item page.*

**\*\*\*insert figure 1.801fig08**

**Figure 1.8**

*The Sell Your Item: Enter Pictures & Item Details page.*

**\*\*\*insert figure 1.901fig09**

**Figure 1.9**

*The Sell Your Item: Enter Payment & Shipping page.*

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**Figure 1.10**

*The Sell Your Item: Review & Submit Listing page.*

When you click that final Submit button, your auction officially begins. Your new item listing is now posted for all to see, and hopefully to bid on. Now you can sit back until the auction ends, when you're notified by eBay of the winning bid. At that point you contact the winning bidder, arrange payment, and get ready to pack and ship the item (after it's been paid for, of course) .

**(c)The Many Types of eBay Businesses**

There are two keys to running a successful eBay business. First, you either have to sell a large volume of merchandise or sell a small volume of higher-priced items. Second, you have to control your costs. Sell enough items while keeping your costs under control, and you'll have a profitable business on your hands.

That advice sounds simple, but there's a lot that goes into the process. Still, the big difference between the occasional eBay seller and the person running a successful eBay business is often nothing more than volume. Whether you're selling one item a month or a hundred, the process is basically the same. It's just that the professional seller has to manage a lot more activity[md]and do so with the lowest possible expenditure of time and money. Manage this process well, and you'll have a successful eBay business on your hands.

Of course, not every eBay business operates exactly the same. With a half-million businesses making a living on eBay, you know that there's a wide variety of approaches[md]there's no one "right" way to run an eBay business.

What kinds of eBay businesses are there? We'll examine six common types of businesses over the next six chapters. These business models include

- [1b] The Second-Hand Reseller, who buys a variety of used merchandise and resells it to others (Chapter 2)
- [1b] The Bulk Reseller, who purchases large quantities of closeout or liquidated merchandise and resells it one piece at a time (Chapter 3)
- [1b] The Collector/Trader, who buys and sells on eBay as an extension of a collectible hobby (Chapter 4)
- [1b] The Arts and Crafts Seller, who creates the items she sells to eBay buyers (Chapter 5)
- [1b] The Official Retailer, who resells new goods purchased direct from the manufacturer, just like a traditional bricks-and-mortar retailer (Chapter 6)
- [1b] The Consignment Reseller, who sells items on consignment for other people, as an eBay Trading Assistant (Chapter 7)

Each of these models, as different as they are from one another, is equally viable. Read on to learn more about each one.