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The State of Online Auctions: Going, Going, Going?



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Fraud, not fees, represents the greatest concern for sellers listing on sites like eBay, argued Darron Meares of Meares Auctions. "It's that you never get to talk to anybody. That's where people get disenchanted with eBay -- there's this wall a person can hide behind. There are plenty of legit people on eBay, but there are also scam artists."

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For thousands of years, auctions remained largely unchanged -- until 1995, when a computer programmer posted a single item online. The result: A broken laser pointer found a home, and Pierre Omidyar founded [eBay](#) (Nasdaq: EBAY).

Unlike its slow-to-change offline predecessor, the online auction has gone through some rocky reincarnations in the past few years. Still, don't expect online auctions to go the way of the dinosaur -- at least, not anytime soon.

A Small Seller's Story

"I don't list 150 things at a time like a PowerSeller on eBay -- just one or two -- and I'll do pretty good," bookseller [Pat Cramer](#) told the E-Commerce Times.

Cramer has been selling books since the 1980s, and when eBay presented itself as a way to reach

customers across the globe, he jumped at the opportunity.

"When it came online, it was a shaky outfit," Cramer recalled. Servers went down so frequently that a book valued at US\$500 to \$800 was only available for bidding two out of the seven days it should have been listed. The book was sold to the highest bidder -- for \$250.

Over the years, Cramer has encountered like-minded booksellers, including some who have found success on eBay.

[Amazon](#) (Nasdaq: AMZN) offered a good selling opportunity for a while -- until it added a feature that pointed buyers to sellers offering the same product for less.

"That's like the auctioneer telling people at the auctions, 'This is \$50 here, but there is a store next door where you can buy the same book for \$10 or \$20,'" he said.

Generally, he sticks to sites that specialize in rare and semi-rare books -- like [AbeBooks](#), for example -- as well as his personal site.

Growing Pains

Brandon Dupsky told the E-Commerce Times he started selling on eBay -- and only eBay -- 13 years ago.

"It was great at the beginning, because there wasn't a lot of competition," said Dupsky, the former managing director of the [Professional eBay Sellers Alliance](#) (PeSA) and its sister group, the [eCommerce Merchants Trade Association](#).

However, eBay began implementing two or three significant changes annually in three key areas -- search functionality, fees and feedback -- that prompted PeSA to issue a formal protest in September 2008: "eBay's poor execution of changes in many areas including seller performance measurement, fees, site search, buyer activity and seller communication [contributed to eroding seller confidence and resulted in] merchants changing their behavior in ways that we believe is not beneficial to the eBay marketplace," PeSA said.

"With so much uncertainty, you don't know if the next change will put you out of business," Dupsky added.

Today, about 10 to 15 percent of Dupsky's business is on eBay, with 85 to 90 percent of his company's in-dash [DVDs](#) and related automotive technologies being sold on his website, [OnFair.com](#), and other channels like Amazon.

eBay's strategic move away from the auctions that made the company a household name to fixed price or "Buy It Now" listings is prompted by the fickle nature of consumers, according to Dupsky.

"When the Internet was kind of new there was a huge buzz factor," he said. "Auctions were cool and over time it fades -- like a fad. Now the excitement is with [Facebook](#) and networking with friends and getting coupons from [Groupon](#) (Nasdaq: GRPN) -- all these things are taking the buzz away from

auctions."

While not as vibrant, auctions aren't dead, he noted. "They still play a role when businesses are liquidating inventory or with products that don't have an easy value attached to them or a sliding value to them -- like coins and metals or jewelry."

eBay's Appeal: If the Shoe Fits

Sixty percent of eBay's listings are fixed price or Buy It Now, with auctions making up the balance.

The percentage of fixed price listings [ChannelAdvisor](#) is even higher -- 75 percent. Its customers are primarily large, established companies that tend toward the fixed price format more than mom-and-pop shops do, Senior Product Manager Jennifer Artabane told the E-Commerce Times.

In its 2011, "Think You Know eBay?" white paper, ChannelAdvisor surmises the pull toward fixed price is due to the "current soft economy," with "retailers preferring to set the price as opposed to leaving it to the buyer to decide," as well as "a shift in the eBay retailer profile."

eBay has been attracting more large, national and multinational brands, which is prompting a transition from consumer-to-consumer exchanges to business-to-consumer ones, the paper notes.

Though fixed-price listings show no sign of waning, eBay can't quit the auctions that built the business -- and a new way of doing business, according to Artabane.

"I don't think eBay will ever lose auctions," she said. "Their buyer base grew up with auctions, and they like the thrill of auctions. "Buyers expect that to be a possibility on the site."

Even big businesses reluctant to auction off items will do so given the right circumstances, such as a fire sale to move product, she said.

'High-Touch' in the High-Tech World

There will always be a "handful of items that may have a better audience on eBay," observed Darron Meares, chief operating officer and asset appraiser at [Meares Auction Group](#). In the early 2000s, Meares started holding live auctions on eBay, eventually becoming a PowerSeller.

"We were making \$5,000 or \$10,000 a month," he said.

Since then, the group's reliance on eBay has shrunk -- from "using eBay all the time" to having 75 percent of its online auctions on eBay to having the rare few there. Meares now uses eBay about 5 percent of the time, as products merit.

Fraud, not fees, represents the greatest concern for sellers listing on sites like eBay, according to Meares.

"It's that you never get to talk to anybody," he said. "That's where people get disenchanted with eBay -- there's this wall a person can hide behind. There are plenty of legit people on eBay, but there are also

scam artists."

Meares emphasized the importance of being "qualified" -- to assure that both sellers and buyers are on the "up-and-up."

Qualifications and Efficiencies

[Proxibid](#) got its start in 2001 as an add-on for auction companies wanting to bring their auctions online. It continues to offer live auctions some three years after eBay eliminated its live auction offering.

Qualifying sellers and bidders is a cornerstone of the business, cofounder and Chief Financial Officer Joe Petsick told the E-Commerce Times.

"We know quite a bit about people coming into our marketplace before we post anything online, and that creates a great deal of confidence for our buyers," he said.

As the market has matured, sellers have been faced with both the good and the bad of the Internet, said Petsick. On the one hand, entrepreneurs have been able to tap into audiences otherwise out of reach; on the other hand, efficiencies and the pace of change created by this virtual platform have presented challenges that these businesses didn't anticipate -- a situation he likened to the travel industry.

"People recognized the efficiency of booking online and found it difficult to pay a travel agent for what they could do themselves at no cost," said Petsick.

When it comes to efficiencies, it might make sense for an auctioneer to put a few items on eBay, Petsick noted, but it becomes far less efficient and much more time-consuming when it comes to listing 200 items on the site -- especially when items have narrow audience appeal -- like antique tractors or farm toys.

"There are more efficient ways than posting 50 different tractors and hoping that someone finds them amongst the millions of different items listed at a time," he said.

eBay, Growing... Not Going

eBay continues to have "the consumer's mind share," though, argued Gene Alvarez, a research vice president with [Gartner](#) (NYSE: IT) CRM Research who specializes in sell-side strategies and technologies.

Usually one or two major brands come to mind when a person is asked to think about a category, Alvarez told the E-Commerce Times, and when asked about online auctions, eBay -- the granddaddy of them all -- will still be top of mind.

While some other markets may be cheaper, he acknowledged, the question for the seller becomes: "Do they have the reach that I need?"

"For example, if there are only a few people that collect the items, the fee may be more palatable to you because of the large market you can get into," explained Alvarez.

Multi-site sellers who get successful on eBay often transition to having their own [URL](#), he noted -- what Dupsky calls "taking off your eBay training wheels."

There are also some businesses that have shut down their traditional brick-and-mortar operations and are now present only in the online auction space, Alvarez pointed out, as well as businesses with a physical presence that have added an eBay component for certain products -- such as replacement parts for older, high-end vehicles with a hard-to-find audience.

eBay is only getting bigger, he said, noting two recent acquisitions: [open source](#) e-commerce business Magento; and GSI Commerce, which supports more than 100 retailers globally.

"These acquisitions are a growth strategy -- to capture as much of the e-commerce traffic as it can and to get those payments going through," Alvarez said, referencing merchants' use of eBay's [PayPal](#) infrastructure to process payments.

The Untapped Global Market

Regardless of the direction eBay ultimately takes, there is still tremendous opportunity in the online auction space, according to Proxibid's Petsick.

Live auctions are a \$270 billion a year business in the U.S., he said, and exceed \$1 trillion worldwide.

"A lot of items sold at auction are not online yet," Petsick said, alluding to items characterized as pervasive in the world economy, but often overlooked -- such as exotic flowers, silk, tobacco, used cars and sushi-grade fish.

These are gigantic marketplaces at the wholesale level, which have yet to exercise opportunities in the online space. [ECT](#)

Michelle Leach has covered business news for TV affiliates, dailies and regional business publications for more than a decade. A graduate of Northwestern University's Medill School of Journalism with an emphasis in economics, Michelle also enjoys working with entrepreneurs on blogs, white papers and marketing content.



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