Why is eBay the Most Successful Online Auction?

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Abstract-The use of the World Wide Web has become one of the inevitable ways in obtaining and gathering relevant information regarding a myriad of subject matters and issues. Its use is most popular among the society, most especially the younger generation, who perceive the Internet as one of the most helpful tools in terms of education and communication. In addition, its use is being maximized and utilized in terms of business and marketing, such as being done by the eBay company, with their online auction. Through online auctions, individuals are able to obtain and purchase their needed and wanted items directly, without the hassle of travelling and physically looking for the products. With this, this paper discusses success in terms of online auctioning, and investigates how eBay has become the largest online auction house.

I. INTRODUCTION

Pierre Omidyar, a computer programmer, founded the eBay site on September 3, 1995 as Auction Web, as part of a larger personal site (2007), and since then, the eBay juggernaut has been rolling its way. It is really very astonishing to think that this website was created to sell Pez dispensers and other kinds of collectibles, and would become the leader in the market of e-commerce (2002). In addition, many observers, who have seen eBay grow to the position that it has attained now, commented that there is no force able to stop it from becoming the world’s most successful online auction site. Its business process creates a business model, which does not require the carrying on of any inventory, but rather has its share of the profit margin from every transaction that it does. The operation of the company is done by the means of its market mechanism. With this business process, eBay is able to sell anything and everything that is legal, and which does not violate its policy regarding restricted items. Thus, this research project will introduce and demonstrate that eBay is the most successful website that highlight online auction, and that no existing competitors will be able to compete against this eminent online auction house.

II. FEATURES

The breadth and depth of eBay's website can seem daunting to users who have recently joined eBay, but eBay's website is actually not difficult to navigate once you consider its basic functions. At the simplest level, eBay is composed of following eight basic website areas:

- Lists of the categories in which sale items can be found.
- Search or browse results that list items for sale within a category or based on your keyword searches.
- Individual item listings giving price, description, and (usually) a photo of the item.
- Selling tools used to list your own items for sale.
- My eBay, the page used to manage your own account, purchases, and items for sale.
- eBay Help, where you’ll find instructions, rules, policies, and answers to common questions.
- eBay Community, where you can interact with other eBay users.

Safety features of eBay are as follows:

1) Feedback

As previously mentioned eBay has a unique feedback system, allowing buyers and sellers to post comments and feedback on their recent auction experience. Each transaction allows you to give a single rating to your trading partner – positive, negative, or neutral. You may also make comments (no foul language, abuse, racial comments, etc are allowed). Each user has a feedback score that serves as an indicator of their quality as buyers and sellers. It is effectively your online reputation. The more positive feedback you get, the higher your score, which also eventually is visually identifiable with a star system so experienced buyers can tell something about you at a glance. Negative feedback lowers your score. There are also a running percentage of positive feedbacks. Some sellers will not allow buyers below a certain feedback level, as new, or fake, buyers who will generally have little or negative feedback ratings commit most fraud.

2) Buyer Protection

Currently eBay offers buyers protection. Online payment service users, such as PayPal are assured a Buyer Protection shield covered up to $500 (subject to change) at no additional cost. For users who are not using PayPal as their mode of transaction there is the eBay Standard Purchase Protection Program which provides up to $200 coverage (less $25 processing cost) for either items that are not received or items that are not as described in the listing. The resolution process can be slow and on many transactions that fee makes it not worth doing, so it is better to caveat emptor up front than hope to get money back on a bad deal later.

3) Fraud Protection

There are a number of ways eBay works to minimize fraud, some of which are automatic. The website feature of eBay allows the users to keep a constant track of which sites they
commerce is becoming increasingly important to consumers, sellers, and entire communities (2005). As a proof of this, during 2003, approximately 40 million households in the United States made at least a single purchase from the Internet (2005). With this, online marketing has become and will continue to become a full and complete business model. Commerce and the use of the Internet, led many online companies to promote their brand, well-spent funds, an effective and persistent sell, not selling of junk, great customer service, efficient and pleasant facility, polished listings and photos, paying attention to details, and good recordkeeping (2006). These are brought together in a manner where sellers are permitted to list items for sale, buyers to bid on items of interest and all eBay users to browse through listed items in a fully automated way. The items are arranged by topics, where each type of auction has its own category. eBay has both streamlined and traditionalized online trading, which has traditionally been conducted through such forms as garage sales, collectibles shows, flea markets and more, with their web interface. This facilitates easy exploration for buyers and enables the sellers to immediately list an item for sale within minutes of registering. Browsing and bidding on auctions is free of charge, but sellers are charged two kinds of charges:

- When an item is listed on eBay a non refundable Insertion Fee is charged, which ranges between 30 cents and $3.30, depending on the seller's opening bid on the item.
- A fee is charged for additional listing options to promote the item, such as highlighted or bold listing.
- A Final Value (final sale price) fee is charged at the end of the seller's auction. This fee generally ranges from 1.25% to 5% of the final sale price.

eBay notifies the buyer and seller via e-mail at the end of the auction if a bid exceeds the seller's minimum price, and the seller and buyer finish the transaction independently of eBay. The binding contract of the auction is between the winning bidder and the seller only.

5) Literature review

It has been reported that electronic commerce or e-commerce is becoming increasingly important to consumers, sellers, and entire communities (2005). As a proof of this, during 2003, approximately 40 million households in the United States made at least a single purchase from the Internet (2005). With this, online marketing has become and will continue to become a full and complete business model for other companies (2005). The increasing importance of e-commerce and the use of the Internet, led many online companies, such as eBay to engage in online auctioning. Ten aspects are attributed to the success of eBay, namely, commitment, well-spent funds, an effective and persistent marketing and public relations, great products or services to sell, not selling of junk, great customer service, efficient and pleasant facility, polished listings and photos, paying attention to details, and good recordkeeping (2006). These ten aspects are perceived to be contributory to the success of eBay in the industry as the leading online auction house, and determine its edge over its competitors. The success of eBay has inspired other online companies to engage in the same business, of perceiving the same attention that it receives from consumers. With this, several competitors can be pointed out, which are also online companies that engage in the same services that eBay offers. Aside from Amazon.com, Yahoo! and Netscape (2005), several other online companies have also emerged, including Ubid.com, bid-alot.com, uauction.com, auctionfire.com (2005), and Google (2007). However, the competition against eBay is not only based on e-commerce and the use of the Internet, for many still use conventional methods in advertising and selling their products and services, thus, points out the indirect competitors of eBay. The indirect competitors of eBay include online stores, retail outlets, physical auctions such as galleries, shops, boutiques, and estate sales, newspaper classified ads, radio and television ads, bulletin boards in stores and offices, billboards, cable TV channels (2005), and other forms of media. From this, it can be seen that eBay has many direct and indirect competitors, which somehow lessens the amount of consumers that are being helped buy and sell their stuff. However, despite the presence of a number of competitors, eBay is still considered the largest online auction house that is being accessed by most consumers. This issue leads many researchers and analysts to recognize the importance and significance of e-commerce as a primary factor of generating an online community. Through online communities, such as those developed groups that access eBay, help introduce and promote specific brands of products and services. It has been reported that in the traditional brand relationship, communication flows between the vendor and the consumer, while with brand-based online communities, the potential dialogue flowing between consumers is achieved through real time „chat” taking place in chat rooms, and through asynchronous discussions that play over days, weeks, and months in discussion forums or bulletin boards (2001). From this, it can be understood that word-of-mouth and online conversations contribute to the information of consumers, on where to access their needed products and services in the Internet.

III. METHODOLOGY

In order to complete an efficient study, it uses a descriptive research method, which uses observations and surveys. Specifically, a quantitative descriptive method was used, because it plainly and distinctively specifies both the independent and dependent variables under investigation. The questionnaire was designed to demonstrate the popularity of eBay against the popularity of other online auction sites. Through the questionnaire, it can conduct a survey of fifty (50) respondents, which includes family members, friends, and colleagues, with an age range of 18 and 50. The purpose of the age range is because this particular age range is the group of users who mostly have...
Among the number of respondents, majority belong the age range of 18 to 25 years old, having 18 respondents. Fifteen respondents belonged to the age range of under 18 years old, 9 respondents belonged to the age range of 25 to 45, and 8 respondents belonged to the age range of 45 years old or more. Along with the age of respondents is their gender. From the data obtained, 23 females and 27 males responded to the survey. Another aspect that must be given emphasis is the particular reasons respondents like eBay. Majority of number of products and finds that eBay provides. Twelve respondents like eBay because of rare finds, while respondents like eBay because of its shipping terms and insurance. All three aspects like the products are alphabetically arranged, the products have pictures and details, and its modes of payment, have 3 respondents each. Respondents also liked the fact that the website is easy to navigate and it’s signing account, which had products are placed in categories. In addition, the data as to why the respondents perceive eBay as successful is important. Majority of the respondents, with 10 respondents each, believe that the success of eBay is attributed to its large selection of items and the buyer’s experience. Next in line is the image the website created, having 9 respondents. The next factor responsible for its success is the seller’s feedback, having 8 respondents, while 6 respondents believe that its reputation is the attributable for its success. Five respondents believe that eBay is easy to use, while 2 respondents like the website being safe. In addition, no respondent perceived the aspect of fun, payment options, free registration, website design, website promotion, and others as contributory to its success. Another factor that determines the success of eBay in its industry is the satisfaction that customers get from its services. According to the data collected, twenty of the respondents stated that they are satisfied with the service, while eight respondents are very satisfied with the service. Ten respondents said that they are dissatisfied, while seven are very dissatisfied with the service of eBay. Three respondents are undecided and two respondents said that the question is not applicable. This is shown in Appendix A. An important aspect to take note of is the attributes that affect the importance of selecting products on eBay, which includes quality, cost, quantity, brand name, and familiarity. The respondents ranked the five different attributes according to its importance to them, and according to the data collected, quality ranked the first, having a score of 18. Cost ranked second, which gave the score of 15, brand name ranked third, with the score of 10, and familiarity ranked fourth, with the score of 4. Among the five attributes, quantity ranked the last, which gave the score of 3. This data is shown in Appendix B.

V. DISCUSS

From the results, it can be emphasized that the popularity of eBay transcends age, occupation, nationality and race. This means that respondents in their early and mid 20s are the ones more exposed to the website compared to other respondents belonging to other age ranges. From this, it can be understood and correlated that respondents belonging to the specified age range purchase and visit eBay more often compared to other respondents. It is probable to also indicate that these respondents being young and more determined to earn money from their employment; they are the ones who have the capacity to purchase items from eBay. This can be supported by the fact from recent surveys; 80 million US Internet users visit eBay (2006) and probably make some purchases. In the United Kingdom, survey indicates that eBay UK is one of the most visited websites of Internet users with the ages of 18 to 24 (2006). This just proves to show that eBay is more popular to the male gender compared to females, belonging in the age range of 18 to 25 years old. The results indicate that the success of eBay is attributed to the number of products listed in its website, followed by the fact that consumers can purchase more rare finds in eBay compared to other online auction websites. This result corresponds to the findings of (2006), which listed ten aspects that are attributed to the success of eBay, and “great products or services to sell”, is one of them. This is further supported by the data gathered, which indicates that the presence of large selection of items is the aspect most liked by its consumers, which is also supported by the statement of (2006). In addition, the results also indicated that among the important attributes of purchasing a product from eBay, the quality and the costs of products received the highest rank from the respondents. These findings are further supported by the study done by Kim (2005), who found out that the top factors customers consider before choosing a product are price, quality, technology and features respectively. However, the study done by (2003)
indicates that not all Internet users purchase items or stuffs from online auction websites, such as eBay with the fear that online shopping may not be safe, and for not having the confidence of knowing how to do it. This study also suggests that only about 3.1 to 3.2% of online surfers who visit the website make a purchase (2003), which negates the observations of this study. Last aspect that must be given importance is the satisfaction that consumers get when purchasing from eBay. From the data, it can be observed that more respondents are satisfied with the services of eBay, compared to the not satisfied ones, which clearly indicates that the rate of use of the website is directly proportional to the satisfaction of its users. The satisfaction of the consumers of eBay is being focused upon by its services depending on the complaint of clients. This is done through eBay’s Feedback system, which means establishing a user’s reputation, its Independent Feedback Review, which allows evaluation of transaction, and through its Standard Purchase Protection Program Process (2006). Through these strategies, eBay is able to sustain and maintain its consumers, thus, aiming at their satisfaction and rendering effective and efficient service.

VI. CONCLUSIONS AND RECOMMENDATION

This research study was successful in addressing its goals and objectives of examining the success of eBay, of identifying its direct and indirect competitors, and of identifying the strategies of competitors in competing with eBay. The study shows that eBay is more popular to the male gender compared to females, belonging in the age range of 18 to 25 years old, that the number of products and services is its primary strength, and that quality and price are two of the most important aspects that consumers give importance to when purchasing a product or service. This aspect is thus, related to the satisfaction of consumers with the products and services offered and rendered in eBay. For the improvement of this research study in future endeavours, recommendations include the increase in the number of respondents that the study can consider, the consideration of other factors in the questionnaire, such as other online auction websites visited and used by consumers. This would enable the researcher to understand what aspects are lacking from eBay.

VII. APPENDICES

Appendix A. Table showing the rate of satisfaction of respondents on the services of eBay

<table>
<thead>
<tr>
<th>Very Satisfied</th>
<th>Satisfied</th>
<th>Undecided</th>
<th>Dissatisfied</th>
<th>Very Dissatisfied</th>
<th>Not Applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>20</td>
<td>3</td>
<td>10</td>
<td>7</td>
<td>2</td>
</tr>
</tbody>
</table>

Appendix B. Table showing the ranked importance of attributes in selecting products in eBay

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Quality</th>
<th>Cost</th>
<th>Quantity</th>
<th>Brand Name</th>
<th>Familiarity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>50</td>
</tr>
<tr>
<td>Score</td>
<td>18</td>
<td>15</td>
<td>3</td>
<td>10</td>
<td>4</td>
<td>50</td>
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