

# Insurgent Startups Are Attacking eBay From All Sides

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JAN 14, 2013, 9:43 AM

What keeps eBay's top executives awake at night? CEO John Donahoe hasn't shared his dream diary with us. But we have a pretty good read nonetheless, based on eBay's actions: The company is terrified about losing its sellers.

And the companies with the best prospects of stealing them away aren't Google or Amazon, but a host of startups.

## **Good times for eBay**

Right now, things look golden for eBay, with the stock up 400 per cent from its \$10 nadir in March 2009. It is now breathtakingly close to matching the high of \$58 it set in late 2004. Its core marketplace, eBay.com, is growing again, having recently crossed 100 million active users. Holiday sales were up 20 to 30 per cent over 2011, [by some estimates](#).

One can and should credit Donahoe's turnaround of the company, with an emphasis on innovation and an early bet on mobile. But there are also phenomenal tailwinds behind e-commerce right now. The growth of an Internet-connected global middle class, the ubiquitous availability of broadband, and the adoption of tablets and smartphones have made a friendly environment for eBay.

## **An armada of competitors**

That same friendly environment has birthed a host of potential rivals. Their strategies vary, but they generally involve peeling off sellers in a specific category, tackling frustrations in eBay's selling process, or both.

The largest and perhaps most threatening is Etsy, which [raised \\$40 million last year](#) and is expanding internationally, targeting makers of handicrafts and other homey goods. Where Etsy is particularly strong is capturing that feeling of personal commerce—buying something from a real human being, with a connection to the item sold—that characterised eBay's earliest years.

A far less known rival is Bonanza, a Seattle-based company. CEO Bill Harding tells me that revenues are up 60 per cent year over year, and it [now lists 4](#)

[million items](#)—a fraction of eBay’s [estimated 180 million listings](#), but enough to provide a meaningful level of inventory for shoppers.

“Our emphasis is on stuff that doesn’t have a barcode on it: home & garden, jewelry, health & beauty, fashion, collectibles,” Harding says. “Items where taste matters.”

Taste matters to consumers, but fees and ease of listing matter to merchants. Bonanza charges lower fees, Harding says, which merchants typically pass on to shoppers in the form of lower prices. Bonanza has also launched a one-page listing form, which Harding thinks spurred eBay to simplify its own listing process. But he’s pushing the envelope with tools like the Background Burner, a photo-editing tool which eliminates backgrounds from photos of items for sale. (Just Google “eBay fail” to see why this matters.)

There’s likewise [ModCloth](#) in apparel, [Yardsellr](#) in collectibles, [Gazelle](#) in consumer electronics, [Fab](#) in high-design objects, [One Kings Lane](#) in housewares, and [B-Stock Solutions](#) in overstocked goods. Some of this competition is coming straight from eBay veterans: Yardsellr, Gazelle, and B-Stock were started by former eBay executives, and One Kings Lane’s CFO and CMO hail from eBay.

They all tackle very different categories and customer segments. But what they have in common is an emphasis on unique ways of sourcing merchandise, pulling potential inventory out of eBay’s orbit.

### **Highly mobile challengers**

Then there are the startups born from the mobile wave, which are trying to capture goods that might never have made it to eBay in the old days.

SellSimple, a [freshly launched iPhone app](#), is working on the listing process directly, promising to make it easier to list on eBay—or Etsy, or a long list of competing venues for sale, including SellSimple’s own storefront.

Poshmark and Threadflip, for example, [let you take a photo of your unwanted clothes](#) and sell them online—things that sellers probably would never have bothered to list on eBay.

Yardsale, a [relatively new app](#) we profiled in August, is similarly photo-focused. Its founders say it's been successful at getting people to unload everything from motorcycles to office furniture.

“On mobile at least, it's a lot easier to get inventory than it is to get buyers,” says cofounder Ed McManus. “One thing we realised is that many of the people who love Yardsale used to sell on eBay, but they left for a reason. They don't want to compete with the supersellers with feedback ratings and warehouses of cheap items. They want an easy way to sell and a fair price.”

As a mobile app, aware of buyers' and sellers' locations, Yardseller is designed to broker sales between people near each other. That makes it more personal, too, says Yardsale CEO Ryan Mickle.

“People tell us they appreciate the people that they meet,” Mickle says.

### **How eBay's firing back**

eBay is not sitting back while these startups are nibbling at its edges. It's created a dedicated mobile fashion app, for example. And it recently [revamped its iPhone app](#) to allow direct photo uploads into listings.

It has also experimented with promotions where it's waiving listing fees in specific categories to encourage more selling. Right now, for example, it's [running one for outdoor sports gear](#).

More intriguing are its efforts to revive seller-focused initiatives it had tried and abandoned in the past decade.

We've noticed, for example, a wave of new job listings focused on seller management, including a position for a [director of consumer seller marketing](#). (A former eBay executive tells us eBay eliminated many of its seller account management positions in the middle of the previous decade.)

eBay also appears to be reviving its long-neglected Trading Assistant program—sellers who register to operate storefronts or operate pick-up services to sell goods on consignment.

These drop-off stores once seemed to litter the urban landscape—remember the [scene in the “40 Year-Old Virgin”](#) where Jonah Hill's character attempts to

buy something, only to be told that the goods in the store are only sold on eBay?

That was only seven years ago, but now they seem like remnants of a bygone era. San Francisco, for example, has one lone eBay drop-off store in operation.

Nevertheless, eBay appears to be pumping new life into the operation. In September, we heard rumours that eBay was approaching sellers to pick up goods for them. And sure enough, in its hometown of San Jose, Calif., and in Topeka, Kansas, eBay is running a formal trial where it's sending vans to pick up goods from buyers and take them to sellers.

As AllThingsD [reported earlier this month](#), eBay's also having sellers operate drop-off points in malls, where they're evaluating goods for sale on the spot.

These efforts seem like a seller-focused flipside to eBay Now, eBay's new same-day delivery service operating in San Francisco and Manhattan.

It's fascinating to think how eBay might eventually combine the delivery infrastructure for its pick-up and delivery services, though for now they seem to be quite separate initiatives. (eBay Now delivers goods from big, brand-name merchants, not small sellers.)

### **Why eBay has to deliver for sellers**

Every marketplace operates in a delicate balance of supply and demand. Right now, eBay has a few great strengths going for it: a well-known consumer brand; a highly liquid marketplace; and huge, organic demand from a population that's spending more and more of its budget online.

That growing demand means that eBay's risks have now swung to the supply side. And unlike Amazon, which can buy and stock its own inventory—or even create entirely new things to sell, like the Kindle tablet—eBay depends on sellers for supply.

In the past decade, eBay made the mistake of resting on the laurels of its brand, buyers, and volume. The result was stagnant growth and a punishing stock crash. eBay got boring, stocking the same stuff everyone else had, with a shopping experience leached of the personality that infused the site in its early days.

eBay's personality gap seems like the most intractable challenge for Donahoe and company. Mobile apps are easy enough to build, and eBay has gone on a shopping spree for design and engineering talent.

But a sense of community is the most intangible asset of all, and not one that can be bought or sold, only carefully built over time. That sense of fun, of delight, of human interaction is the ultimate thing eBay has to reinvent—not just for shoppers, but for sellers as well.

The post-2005 implosion of eBay's amazing growth story is a living memory for Donahoe, who joined eBay right as things started to come apart. We have to think he's determined not to let it happen again. But it may be a bigger challenge than it seems.