



## video case

**chapter 11** Social Networks, Auctions, and Portals

**case 11.2** **Small Businesses Find a Home on eBay**

**watch the video at**

<https://www.youtube.com/watch?v=1EDel2lpUKU>

**summary**

As more businesses look to the Internet as a way to reach more customers and boost sales, sites like eBay have sought to provide ways to allow small businesses to set up storefronts with minimal fuss. In this video, the family that runs one such business, StreetSounds NYC, describes its experiences with eBay. You can find other examples of these types of businesses on eBay's YouTube channel. L: 2:13

**case**

As more of online retailing moves away from auctions and towards fixed-price retailing of all shapes and sizes, eBay has followed suit. While eBay continues to generate significant revenue from auctions and maintains its status as the Web's leading auction site, it has also become an online storefront for both large retailers and small businesses. Though eBay's

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total revenue pales in comparison to e-commerce titans like Amazon, its profit margins put Amazon to shame. In 2016, eBay generated almost \$1.9 billion in operating income (adjusted for certain accounting requirements) on revenues of \$9 billion, while Amazon generated only \$4.2 billion on revenue of \$135 billion.

The reason for eBay's excellent profit margins is that it makes a commission on every transaction made on its site, whether it's made through an auction or a fixed-price sale. Most of eBay's expenditures go towards maintaining its e-commerce platform. However, in an effort to better compete against Amazon, the company is continuing to tinker with its business model. EBay announced changes in 2016 to help them jumpstart its flagging growth, including improving its ranking in Google search, and improving its proprietary search tool to provide more granular categories, such which items are newest and which are the best value.

EBay is also focusing on courting small businesses, such as StreetSounds NYC, described in the video. Rocky Schiano, the owner of StreetSounds, founded the business as a CD store, and watched as CDs boomed and then subsequently faltered with the rise of digital music. Realizing he needed to change to survive, Schiano focused on selling musical instruments and other equipment. EBay allowed him to reach a wider audience. Today, StreetSounds has grown into a multi-million dollar business and has opened a music studio.

BDH Bikes, a Canadian bike shop located in Quebec, found that in the winter months, local sales were difficult to come by due to the extreme cold. By opening a storefront with eBay, owner Jean-Francois LaPointe found that he was able to avoid his winter sales malaise by selling to other areas. LaPointe reports that 85 percent of his sales are to the United States, a market he could never have reached without an e-commerce storefront. BDH Bikes used eBay Selling Manager Pro to develop their storefront and use analytical tools to boost their performance.

Selling Manager Pro allows small businesses like StreetSounds and BDH Bikes to automate a variety of tasks such as listing items and re-listing items that have not sold as well as providing customer feedback. It also allows businesses to create profit and loss reports and gauge the success rate of different products quickly. Seller Manager Pro also allows sellers to manage inventory and automatically adjust inventory based on demand. There is a free version of the tool, but Selling Manager Pro is a paid service with more features. For many businesses, it's well worth the expense.

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**video case  
questions**

1. Visit StreetSounds' eBay Storefront. What types of items do you see? Are there any auctions?
2. What is StreetSounds' seller rating? How important is customer service to their success?
3. Look up Selling Manager Pro on eBay's site. Compare the free and paid versions. If you were an seller, which version would you opt for?