

APRIL 17, 2006

eBay's Bid For Impatient Shoppers

In a grab for broader markets, its eBay Express lets buyers pay fixed prices -- fast

eBay Inc. (EBAY) counts some 72 million active shoppers worldwide on its Web marketplace, but Elizabeth R. Scheuring isn't one of them. The co-founder of Three-Forty Communications, a Sausalito (Calif.)-based marketing communications firm, stopped buying on eBay in 2002 to avoid a time-consuming payment registration process. She also didn't like auctions, which can take a week to close. "I have a finite amount of time to get what I need," she says. "I'd be more inclined to use eBay if it were quicker." Advertisement

Scheuring will soon get her wish. By late April, the company best known for its online auctions is expected to launch an entirely new e-commerce site for busy consumers who just want to click and buy. Already, eBay offers fixed-price goods from individuals, small businesses, and retailers. But they're scattered among auction search results and elsewhere. eBay Express will aggregate those fixed-price listings in a snazzy, picture-rich design quite unlike eBay's plain-vanilla lists. Available via a link from eBay.com, the new service will be more like Amazon.com (AMZN) and other online retail sites, offering largely new merchandise ranging from books and DVDs to apparel and electronics. Customers will pay with a credit card or an account with eBay's PayPal online payment unit.

As a sort of eBay's Greatest Hits, this is eBay's most aggressive grab for mainstream commerce. It's also a tacit admission that eBay must find ways to fight growing competition, especially from search sites such as Google Inc. (GOOG). "We're seeing search becoming the place where e-commerce starts," says Chris Saito, senior director for search service Yahoo! Shopping (YHOO). Then there's Google Base, a free listing service that lets anyone offer products for sale.

All that comes on the heels of a slowdown in eBay's core auction business. The growth of active users also has slowed. In the fourth quarter of 2003, the number jumped 49% vs. the same quarter a year earlier, but by the final quarter of 2005 those users had risen 28% compared with the 2004 fourth quarter. True, profits and sales still sprinted ahead last year at a 39% clip, to \$1.1 billion and \$4.6 billion, respectively. But investors worried about eBay's growth prospects have knocked the stock down 13% since Jan. 1, to about \$38.50.

"A BIT OVERDUE"

eBay Express won't single-handedly recharge growth. But it could get existing users to buy a wider range of products. What's more, William C. Cobb, president of eBay North America, said at a recent online meeting with eBay members, "We're going to try to attract buyers beyond our existing base." Currently, potential buyers can't easily find new goods at fixed prices among the 78 million daily listings, they don't want to mess with auctions, or they're wary of small merchants.

The new site is intended to fix all that. Selected automatically from millions of eBay's existing fixed-price listings, the products may prove easier to find thanks to eBay's new search technology. To allay fraud concerns, the site will list products only from merchants with 98%-plus positive customer ratings on at least 100 transactions. "eBay Express could open up eBay to a whole new audience it hasn't reached before," says Scot Wingo, CEO of ChannelAdvisor Corp., which helps merchants sell on eBay and other sites.

Some eBay sellers have high hopes for eBay Express. "It is a great new service, a bit overdue, in fact," says Mark Fitzgerald, chief operating officer of Grapevinehill Inc. The company sold \$25 million worth of shoes and handbags last year on eBay, its own site, and other online marketplaces. Fitzgerald hopes with little extra work on his part, eBay Express will boost his sales by at least 10% once its marketing campaign rolls out this fall. Given eBay's lingering image as a flea market, a big ad push will be key to getting reticent shoppers to give it a second look.

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