

EBay rivals circle vulnerable auctions kingpin

Sellers fleeing eBay are flocking to a crop of upstarts.

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February 7 2008
Money.cnn.com

(FORTUNE Small Business) -- In the online auction space, "eBay" is a verb. Since launching in 1995, eBay (EBAY, Fortune 500) has been the online marketplace for people seeking to unload or pick up anything and everything.

But a week after eBay announced massive changes to its fee structure and its vaunted feedback policy, competitors say the behemoth seems suddenly vulnerable. Outraged sellers have begun seeking new outlets to hawk their products, and alternative marketplaces are seeing significant jumps in new-user registrations.

OnlineAuction.com, based in Grants Pass, Ore., reports that roughly 7,500 new sellers have opened accounts since eBay announced its new policies last week. That's a 15% jump in the site's user base, within a matter of days.

"eBay has dropped the ball, and there's a huge window of opportunity," said OnlineAuction CEO Chris Fain.

Another contender, eCrater, has registered 1,400 new sellers within the last few days. That's more than double the site's average weekly total.

"They call and introduce themselves as eBay refugees," said eCrater founder Dimitar Slavov.

Creators of eBay alternatives say their time has come.

"People are seeing the light, and it's very exciting," said OnlineAuction's Fain, who is a former eBay "PowerSeller," eBay's designation for its highest-volume sellers.

Fain's sales of vintage watches and specialty cars reached \$1 million a year on eBay, but he became disenfranchised with the company's steady rate increases.

"I was paying eBay \$7,000 to \$8,000 a month in fees," said Fain, who launched OnlineAuction in 1998 but continued selling on eBay until 2005. "They were taking too big a piece of my bottom line."

While eBay charges sellers a percentage of an item's final sale price, OnlineAuction refrains from taking a cut. Instead, it allows vendors to list as many items as they want for a flat membership fee levied on a monthly or yearly basis.

"We're the Costco (COST, Fortune 500) of online auctions," Fain said.

Should OnlineAuction reach the 250 million-strong user base that eBay currently holds, the company could be "six times more profitable without being as greedy," Fain claims.

He estimates that 85% of OnlineAuction's sellers are eBay defectors. The site now has 50,000 sellers, with more than 11 million items currently listed.

That's still a mere fraction of eBay's 113 million items, Fain admits.

"Because eBay is such a huge entity, it's hard to compete unless you get the people behind you," Fain said. "But that's what's happening right now."

Sellers seek alternatives

Part-time vendor David Cox is one of those people. Last week, he concluded a 10-year run selling computer accessories on eBay and opened an \$8-a-month account with OnlineAuction. Cox, of Marble Falls, Ark., said his new home reminds him of eBay's early days.

"I feel they will be more responsible to me as the seller," Cox said. "It certainly won't have the market that eBay does now, but I'm positive in time buyers will migrate to other sites."

Cox plans to also check out eCrater, which allows sellers to use its marketplace free of charge. ECrater founder Slavov said vendors will never be asked to pay anything.

"There are too many fees on eBay and Amazon," said Slavov, a software developer who launched eCrater in 2004. eCrater, based in Irvine, Calif., turns a profit by charging vendors for premium positions, selling Internet advertising and partnering with Google Checkout.

ECrater now has 33,000 active sellers and lists nearly 1 million items, according to Slavov.

Another upstart attracting attention from fleeing eBayers, San Francisco's iOffer, is built around a focus on friendly engagement between buyers and sellers. In lieu of using an auction format, iOffer has sellers state a starting price or ask buyers to make an offer. Both parties negotiate until they're satisfied.

"Overall, I'd say sellers like being more interactive," said iOffer CEO Ryan Boyce. "There's more flexibility, and you can sell a lot more when you engage with the buyer."

Listing items on iOffer is free. Final value fees are levied on a sliding scale but are significantly lower than eBay's, Boyce said.

Also a plus for former eBayers: Sellers can transfer their eBay feedback scores to iOffer.

"They're not starting from zero," Boyce said. Another iOffer feature allows users to trade items.

"With the recession, people don't have as much free cash lying around, so swapping has become more popular," he said.

iOffer has accumulated 75,000 sellers and nearly 1 million total users since its 2002 launch.

Another auction site, Chicago-based uBid, targets bulk sellers liquidating excess inventory. Its 7,000 participants include Sony (SNE), Motorola (MOT, Fortune 500) and Dell (DELL, Fortune 500). All sellers submit to a 10-point financial exam to ensure they're qualified to do business on the site: "That's part of our stringent anti-fraud stance," said uBid CEO Jeff Hoffman.

However, uBid is not a viable alternative for eBay vendors who aim to sell products at or close to retail price. Most uBid auctions start at \$1 and carry no reserve price.

"If your eBay store is the way you feed your family, you sell for profit," Hoffman said. "Ubid is for asset recovery on products that aren't selling at retail."

On the other hand, the auction site Bidville, which uBid purchased in 2006, does focus on what Hoffman calls "consumer-to-consumer" sales - the market eBay now dominates. Listing an item is free, and final value fees start at 5% for items under \$25. For items that sell for \$1,000 or more, sellers pay a flat \$25 fee plus 1% of the amount over \$1,000.

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