

Griff: Hello everyone. Welcome to the eBay Town Hall. This is Griff. I'm eBay's Dean of Education and host of eBay radio. Hopefully our microphones are working okay so you can hear us. We're broadcasting live from eBay's Headquarters here in San Jose, and I'm joined today by Bill Cobb, President of eBay North America, as well as a panel of eBay leaders, including Rob Chesnut, Senior Vice President of Rules, Trust & Safety; André Haddad, Senior Vice President for Global Product for eBay Marketplaces; Carole Alvarado, Director of eBay Stores; and finally, Leigh Goldstein, who many of you know and is the Director of Shipping. We're also joined by other eBay leaders who are here to listen to your questions and hear what's on your mind.

And I know you've got lots of questions. In fact, we received over 2,000 questions in the last week, with many more questions still coming in live right now. As is true for all our general Town Halls, we'll spend the next hour answering questions on a variety of topics, focusing on topics that were most frequently asked about and the questions that you sent in, including of course, questions submitted yesterday afternoon after Bill's big announcement.

If you'd like to send a question in now, you can write it in on the text box in the Town Hall window. Just type it in the box there and click the "submit" button. Before we get into the Question and Answer session, I'm going to hand the mike over to Bill, to say a few words. Bill?

Bill Cobb: Thanks, Griff, and thanks to all of you for joining us today. As I imagine most of you have read about, we did have a big announcement yesterday and I'm going to spend some time talking about those changes in a minute. But first, I'd like to give you an update on a couple of hot Community topics that we've been discussing over the past couple of months.

First a quick update on the Yahoo and eBay agreement. As you know, back in May, we announced that eBay and Yahoo would begin to collaborate. We're now working together in new ways that will benefit both of our communities of users and bring more buyer demand to our sellers. You may recall that in that announcement, one area we're focused on is sponsored search. That is text ads on eBay based on purchase keywords.

Earlier this week, we began the testing phase. Right now we're displaying Yahoo ads on eBay search results where there are no matching eBay listings. You may not notice these new ads right away because we're only displaying them on a portion of the "null" search results pages for the time being because we have to collect the data and analyze the test results. As I said back in May, we will move slowly on this to make sure we get it right, and we are. We will continue to do a lot more testing throughout the summer and as we do this testing and make changes, we'll be closely monitoring the benefit to our marketplace, as well as

listening to any feedback you have. So it's very early and we will update you from time to time as new milestones are crossed.

Second, another subject that's important to me and I know it is to you too, is excessive shipping. Last month at eBay Live!, in Las Vegas, I announced that eBay will no longer tolerate sellers charging outrageous shipping and handling fees. While we've always been reluctant to tell sellers what they can charge for shipping and handling, it's clear to all of us this issue has gotten out of hand and we need to do something about it. So back on June 19th, we started cracking down on egregious cases of shipping and handling fees.

Now I said it before but it is worth repeating; this problem is not going to go away overnight. But our Trust & Safety teams are making good progress. With a problem of this scale and complexity, we need to take a deliberate, careful approach. Our teams have been addressing the categories with the highest number of violating listings first. In fact, since June 19th, when we announced this, we have ended over 20,000 listings with excessive shipping and handling fees. Let me also say while we all want to see immediate results and jump all over this, we need to strike a balance to make sure we're acting responsibly. I've asked our teams to walk our way into this. That means we're going to take the time to create the right guidelines for each category. We've also been providing our Customer Support professionals with extensive training to evaluate each questionable listing with skill and fair judgment. Now this is a complicated issue and I know many folks in the Community boards have expressed some concern and some frustration about how we implement this enforcement because so many factors can go into a shipping and handling charge.

So in addition to working to protect buyers from excessive shipping charges, we're also dedicated to providing a great deal of communication for impacted sellers on the phone and over email. When we find a seller whose business model is based on low item prices offset by outrageous shipping costs, our message to them is loud and clear, "Stop this practice or you're no longer welcome on eBay." So we are taking the excessive shipping abuses seriously. But let me also remind everybody, the vast majority of eBay sellers charge fair prices for shipping and handling.

If you are one of the many honest sellers who charge for the cost of shipping and perhaps a reasonable fee to cover your material and overhead costs, then your listings will not be affected by this policy.

And one last point on excessive shipping; the reports of violating listings that our Community sends through the web forms are very valuable to us. Currently we're getting about 2,500 member submitted reports everyday, on average. We appreciate the time you spend to send these listings in and we are using your reports to take action in categories across the site.

Finally, I'd like to talk about the announcement I made yesterday, about the actions we're taking to reset the balance of the eBay Marketplace. I know that many members, especially our Store sellers, may be surprised by our decision to raise fees for the store inventory listings. I also know that the timing of this is unusual. Historically, we've made any fee adjustments in January or February.

Let me start by saying this was not an easy decision for us to make. In fact, there are a lot of viewpoints within the company, which you might imagine. We had many passionate debates within the eBay Leadership Team before arriving at our decisions. That said-- we are extremely confident that these changes are the right thing to do for the eBay Marketplace. As I described in my letter on the Announcement Board there are two types of listings offered, or products that we offer in the marketplace; what we call our "core" listings and the Store Inventory listings. Core listings include Auction-style, Auction-style with Buy It Now and Fixed Price listings. And it's these formats that are truly the foundation at eBay, driving the buyer behavior that keeps the marketplace thriving. It's this core business that differentiates us as a buying experience for shoppers. It's what makes us special. And it also provides a unique channel with high conversion of sales for our sellers.

Now in my letter, I shared some trends that I decided require our immediate response. Our core listings account for 91% of the gross merchandise value sold on eBay.com. This is clearly where buyers are spending their time and money and where sellers are getting rapid turns for their inventory, which is essentially what the eBay business model is all about. However, the extremely low insertion fee for Store Inventory listings created a strong incentive for sellers to push more inventory into this format. Over time, these Store Inventory listings have dramatically accelerated and they are now out of proportion with the core listings on the side. The length of time it takes for the average Store Inventory listing to sell is nowhere close to that of our core formats. A Store Inventory listing takes on average, 14 times longer to sell. In some cases, it's up to 40 times longer than core listings.

Now this imbalance does create another consequence for eBay and that is our performance as a company. We are a business and like most businesses, our goal is profitable growth. When you compare our operations cost for an average Store Inventory listing and an average core listing, factoring in the duration of each, our cost to host that store inventory listing over the 30 days is more than 50% higher than for a core listing. In fact, current Store Inventory insertion fees don't even cover eBay's cost of hosting them.

Now we know that sellers come to eBay to move merchandise and the goal of this rebalancing is to fuel just that, to drive sales. Buyers will see more of what they like; quality items in Auction-style listing formats encouraging the buyer

activity that keeps the site healthy. They'll come back more often. Put more items on their Watch list. Place more bids and make more purchases. That is, they'll buy more. For sellers, we believe this change will help you turn over more inventory, which will help you grow your gross merchandise volume sold and I know that's what you're here for. And to enable an even quicker turnover of your inventory, I also announce that we're changing the 10 items multiple listing rule to 15.

So let me clear about something and clear up if anybody took this the wrong way. Our Store sellers did nothing wrong. For those of you listening in on the line, I know that you've been following the guidelines we've given you. You've loaded up on listings in preparation for Store Inventory to appear in core search. We've talked about how Store Inventory will continue to appear in eBay Express. If anybody was wrong, it was us at eBay. If anybody took the magic out of eBay, it was those of us who work here at eBay. We caused the momentum with the Store listings and we now know that frankly, we created too much of a good thing. Our core business got away from us. And we know that for the long term health of the marketplace, we had to take this very difficult stance for many, but we had to make these changes. And it's also important for you to know that we are committed to eBay Stores. Some Store sellers are questioning how this can even be the case given the fee changes. I want to emphasize that the changes are designed to help our sellers sell more, sell fast, and be more profitable.

Now I've talked with some Store sellers in the past day, as have many eBay staff, and we're leading the discussions across the boards. We recognize that it's going to take time to assess the impact this will have on everybody's individual business and that's why we're trying to work very hard to make resources available for you to help you through this transition.

As I mentioned in my letter, we built the Seller Resources page, where there's a wealth of information to get you started analyzing your selling patterns so that you could make adjustments to your selling strategy. So please visit that link by going to www.ebay.com/sellerresources. Also, as a reminder as a Store seller, you have access to free phone support and our Customer Support teams are ready to help you with specific guidance on your business. And until September 19th, we're making eBay Marketplace Research Basic free to Store sellers. So you can use the data that tool provides while considering whether or not to make adjustments to your strategy. Now, as long as you are currently signed up for Marketplace Research Basic or Pro, we will be crediting your subscription fees during that timeframe. So you can find a link to Marketplace Research on the Sellers Resources page.

So before moving to questions, I want to talk about our media category sellers. I know that many of you will need to make adjustments to your selling strategies. What I want you to know are that for over a year, we have been investing in the

infrastructure to grow and scale Half.com, and I hope you will consider how you can use half dot com listings as part of your selling strategy. Half.com is a proven sales channel with no insertion fees. Starting in August, we're going to bring back the Half.com merchandising that we use to have and we're looking at other ways to promote Half.com listings on both eBay.com and eBay Express. So but I do encourage sellers in the media categories to consider using or expanding your use of Half.com.

So Griff, I'm sorry I took a long time but I thought it was important that I get some of these points out and I know you have a bunch of questions, so let's get started.

Griff: It's no problem, Bill. Since yesterday, I've been reading a lot of comments on the board and as you can imagine, I've been receiving some email from sellers, but I've also been reading through the Town Hall questions. So can I start off with a few of the big questions that I'm seeing over and over again right now?

Bill Cobb: Yup.

Griff:

Question # 1: Okay. So back in March, we removed Stores from "general search" and just a few months later, we increased the listing fees. Sellers are asking why you are taking another action that impacts Store sellers so soon. I think they feel that eBay is going to totally eliminate Stores.

Answer from Bill Cobb: Yeah, that's something we've heard and actually, Meg was asked about this on CNBC this morning. First of all, we are committed to all of our members on eBay. In fact, most Store sellers also represent auction sellers because they list in a variety of listing formats. And I want to clear something else up. When we say that 9% of sales are coming from the Store Inventory format, we're talking about that format. When you look at sellers who have Stores, they actually drive over 1/3 of our overall sales on eBay.com when you take into account their core listing sales. So it is vitally important for us to continue to support our Store sellers because they are responsible for over 1/3 of our business. We also think that Stores are an important tool for building individual's business and actually the way the business is evolving, people are building their own brand on eBay.

Now, I do want to add you know, in the question that you asked is why do we make another change that affects Store sellers which is about the exposure of Store Inventory listings and core search results. Um, we did make the rollback change to where we were before. It did not slow down the growth of Store

Inventory listings but at the same time, we did a lot of testing to see what is the right level of exposure for Store Inventory listings in a mixed environment where there are auctions, there are fixed price items in core, and also Store Inventory listings. We think that the best combination is what we have right now. And we tested a variety of different ways and it nets out that the best case is in those situations where 30 or less search results were returned on core, that we would return an equal number in Stores. Now, we did make the decision though, to allow unlimited Store listings when someone clicks on the Buy-It-Now tab. The logic behind that is that that is a completely fixed price environment, so we thought that in that environment where it is all Buy It Now product we would go ahead and make that change, which I hope will benefit Store sellers. However, in the mixed environment of core search results, we're going to stay with where we are. So somebody said to me yesterday, I think what you have to do is reinvent Stores; the Stores business model, the Stores business proposition and I think that's a fair challenge. I actually like that and Carole's here today. And by the way, Chris Tsakalakis, because a couple of people have said, "Where's Chris?" Chris has been one of the architects, or the architect, of the Stores' strategy working with Carole. Chris a year ago asked if he could have two weeks off in the middle of July. None of us knew a year later that we would be. .

Bill Cobb: Exactly. But he's in the Greek Isles with his extended family, so he will be back on July 31st. And he actually asked whether he should stay and of course, I said no. And Carole and Darlene and everybody you know, do a great job, so that's why Chris is not here.

Griff: Okay. So we've got more of these because like I said, you know, we're reading through these and we're going to read some of these actual questions but a lot of the questions indicate that many sellers are wondering what the benefit of having a Store is now that there's higher final value fees in addition to the monthly fee. It's kind of a, our balance out for them is a cost concern, so what are the benefits?

Question # 2: Why should a seller, why would they want to continue to be a Store owner?

Bill Cobb: So I think Griff, you know, I still believe. I'm going to let Carole take this one because I think Carole can speak about it extremely well. She's been there for a lot of the customization features. So let me let her talk about that.

Griff: Okay, Carole?

Answer from Carole Alvarado: Thanks, Griff. As Bill mentioned just a minute ago, Stores offers a great value to sellers who want to build a business, a Store front on the web. And I think it's important to remember that gaining access

to Store Inventory is just one of the benefits of being an eBay store subscriber. eBay Stores is a full solution to help you market your business and build your brand on eBay. There are lots of customization features that we know the Store sellers use and benefit from. Some examples of those are features such as custom categories, custom pages, and these are going to continue to add value for Store businesses. We also have marketing and merchandising tools like cross promotions, custom listing frame, email marketing and free listing management tools like Selling Manager and Selling Manage Pro. So we are very committed to continuing to build out these feature sets. My team and I are going to be working hard on this over the next year, so please look for more good things to come.

Bill Cobb: And I think also Griff, you know, this is a terrific product. We believe it is the best Store front solution on the net and so I think that sellers think about their adapting their business model and looking at other changes, that I think they need to consider the full value proposition for Stores, which we think continues to be quite high.

Griff: Okay, thanks guys. Let's move to some of the questions submitted by members. And as a reminder, you can send in a question by writing it in the text box on the Town Hall window. Just type it in the box and click the submit button. Here are a few that have come in just recently.

Question # 3: "I for one have been expecting this and now it no longer benefits me to sell my Store items on eBay but will switch instead to operating my own store sight. How exactly will taking my eBay Store business benefit the eBay Community?"

Answer from Bill Cobb: So it's an excellent question and the difficult part of this decision is for those people who operated strictly in the Store format, this is a hit. This is a tough one. Um, I think that what we'd like to do is talk to all these sellers like we talked about you know where they have access to CS [customer support] reps and look about how we can adapt their business model. But we understand that, and we understand the folks who are upset about them, but we do not want people to make the decision to abandon their business on eBay too quickly or abandon their Stores. We would like to have a shot at talking to our store sellers, especially to the ones most impacted. I was talking to one of our Account Managers today who told me about a very difficult call he had with a big seller yesterday who was quite upset. Said that this change was going to ruin their business. You know, hung up the phone - went on the board. You know, it was a difficult conversation. This individual did call back today. He wanted to talk more about it. He said, "All right, I want to try to see if I can readjust my selling strategy," and that's really what we're asking for, is for folks to give our account reps a chance to work through this. And we still believe this is the most visited site on the net, people spend the most time on this on the net. If you're going to sell a product and we want to live up to our brand promise of "whatever it is, you

can get it on eBay,” we still think there is room for all of our Store sellers but obviously, there’s going to have to be some adjustment to their strategy.

Griff: Okay, thanks, Bill. Another question that came in and I’m reading this verbatim.

Question # 4: “I am furious. I’ve been an honest seller on eBay for five years, a Gold PowerSeller most of that time, paying fees at or above \$2,000.00 per month. Most of my items are under \$25.00 and you make it harder and harder to sell on eBay with your fee increases. I feel like us sellers with low margin items are carrying more than our fair share of the fees. How do you expect us to stomach these changes?”

Answer from Bill Cobb: So I think this is one of the sentiments you know, we understand and obviously for lower ASP [Average Selling Price] items, you know, they’ve done the math and it does impact those sellers and those items. I think what we’re looking for is a very vibrant marketplace where whatever price the item is at, that the combination of fast turns and you know, buyer interest is actually going to deliver great value for our sellers.

We know that there are individual challenges with this that, as I said, we want to work through, and I do encourage people to get in touch with their CS rep. But again, I think the way we’re structuring this and I think that in fairness to everybody out there, we have not done, in our zeal, to talk of it to offer a variety of choice which I think is good for the eBay marketplace; to offer a variety of formats as the Internet evolves and there are different options out there. And to drive choice, I think frankly, we’ve confused our sellers and I think we’ve confused our buyers. The decision yesterday was more about clarity of our business model. And the clarity is, and we understand that there will be people who close their Store.

We understand that there are people who will move their inventory out. And like the previous question said, “How does this benefit?” I think the benefit is actually going to come by having inventory that turns quickly. We are the place on the net where over a course of two weeks, if you have an item and you price it well, it has a high probability of selling during a two-week timeframe and you really can’t find that anyplace else. And that’s really the business model and that’s a value proposition for sellers. For buyers, it’s all about interest, fun, engagement and great value.

Griff: Thanks. We had several questions about this and I have to admit Bill, myself, that I am really confused by it, so I don’t have an answer. Hopefully we’ll get one now.

Question # 5: “What does the 6% average increase refer to in the Announcement Board post mean? How is that calculated?”

Answer from Bill Cobb: So this was obviously, when we do things like this, we have to look at the total marketplace and the total universe of Store sellers. And before I even answer how the calculation worked, I recognize that some seller fee increases will be greater and some will be substantially greater, especially those who concentrated only in the Store Inventory format area and whose items did not turn quickly. Because there's another component to this as I talked about earlier, that is about turns. And with the big different in how core listings turn and how store inventory items turn, that is a factor.

But to answer your question about the 6%, it was calculated by taking what would be the incremental fees from the Store Inventory format price change, to the total eBay fees paid by sellers, who had active SIF [Store Inventory Format] listings in the month of June. So we picked a month, we calculated for that month what would be the change based on these fees, and the total increase was 6% among Store sellers. Now obviously, Store sellers use a mix of listing formats, so the total fees include the fees from all of that and Store subscriptions. And again, I understand that on an individual basis, this can differ widely. And obviously, for people who do not use Stores, there was no increase. So that is the way the calculation worked and that is the way the numbers fell.

Griff: Besides some of the concern and quite frankly, some of the anger out there, I've also seen some sellers who are talking about how this fee increase might, and I'm concluding myself in this as a Store seller, will encourage them or us to pay for attention to things and manage their eBay Store listings and auction business better. And in fact, one seller even says and this is a quote, “They really have let slide in the past as we have built the Store up to a respectable size. Now it's time to use the 2-day \$0.20 listing days to move a lot of items from our Stores to auction, which can improve our cash flow for the next couple weeks.” I bet you'd be surprised to hear that now.

Bill Cobb: Hah, hah. Well no, actually I'm not that surprised, Griff. Because you know, and again, this is a structural change to the way our formats, we want our formats to work on eBay. And there are a number of sellers who have said, who have either talked to people on my staff or have talked to me directly have said, “This is great. This is exactly what we need to do. Our core business has been lagging. This is great to get back to that.”

So there are a lot of people on the other side of this. Obviously, a number of sellers are very upset. There are a number of core sellers who are very excited about this. So I think as with everything with the eBay Marketplace, the decisions we take here are for you know, we use the term, “the health of the marketplace” and we have to look at everything in balance. And I think I'm frankly not that

surprised. I'm surprised you put it in the questions but um, but I think that it is a sentiment that a number of sellers have because I think they think that this is going to be, they buy into the belief that this is actually going to help the marketplace overall.

Griff: Here's another question that I've heard a lot of, and again, I don't have an answer for it.

Question # 6: "Wouldn't it be wiser to not only raise the Store Inventory fees but also in tandem to lower the core auction fees as well?"

Answer from Bill Cobb: So yeah, I've heard this one too. And I think a couple of things on this. So, in the past 18 months, or you know, and we did this February of '05 and then this year. We have actually lowered the insertion fee on the first tranch by a nickel each time. So we have lowered core auction fees.

We also have received a lot of feedback from members about trying to run more promotions. We decided to launch a never been done before promotion, which is we're going to do. Because one of the things sellers have asked for is, "Can we have more time on special listing days?" So we did a two day. We're in the middle of that right now, it's today and tomorrow, a \$0.20 core promotion where you're able to list in any of the core formats. We have also stated that we will be looking more at promotions and overall, are stated intent is to work increasing ways to incent core listings, especially auction listings because we think that's really what the heart of eBay is about.

So I think that what this usually comes down to is the overall cost of selling and I think we're very committed to improving that conversion which is ultimately the most important element because ultimately, this is about improving total sales for our sellers.

Griff: Okay, so let's turn to some of the other topics that members have been writing in about. Some of these touch generally on some of the things that we've talked about in the Announcement Board post. This is an interesting one because I know that there's been a lot of discussion in the last 24 hours about this because we mentioned something about storage costs when we have our Store Format Inventory listings. And a member wrote in:

Question # 7: "What costs do you have? You already have your computers built so why would it cost you anything more at all to have Store listings?"

I think André will take this one, since he's familiar with the area intimately.

Answer from André Haddad: Thanks, Griff. We have a variety of costs actually, that we call operations cost. Those include bandwidth, which is the internet access, includes hosting insertion, indexing in our category databases as well as our search engine and our archival, because all of the listings that end, we archive them for several months. So the cost actually is not just built in. The more we have items and listings, the more we actually have to acquire equipment. And at some point in time, we actually have to increase our storage databases as well as increase our data centers. So the costs are pretty much linear with the increase of the listings and with increase of the items.

Griff: Thanks, André. This is a question about upcoming promotions.

Question # 8: **“Since you’re asking the Store owners to accept the fee hikes, perhaps we can impose on you to run more Treasure Hunt type contests for eBay Stores. I can’t speak for everyone but during the Treasure Hunt you conducted, we realized a tremendous boost in the sales in our eBay store.**

Answer from Bill Cobb: So I think that is a great question. I would say stay tuned and I would say stay tuned next week. But uh, but yeah, I think we’ve run some recent promotions and we’ve been very excited about that, the “Pack Your Bags” promotion which we did in June, did very well. And I think as I said earlier, we’re going to be doing more and more to incent core business overall and there’s a variety of ways we can do that. And I think something along the lines of Treasure Hunts are things we want to do on a continuous basis.

Griff: So Bill, there’s a question that came in earlier and it’s about excessive shipping and I know that you addressed it pretty clearly in your opening remarks. But I thought it would be a good chance to hear from Rob Chesnut. So Rob, would you take this question? I’ll read it for you.

Question # 9: **“Why is it taking so long to stop the excessive shipping sellers? I submitted over 300 violations and nothing was done about any of them. If I can put in \$0.99 auctions and find them, so can you.”**

Answer from Rob Chesnut: I can relate to the question because like a lot of you, I’d love to get immediate impact and to you know, erase the excessive shipping and handling issues that we see on the site. The thing that Bill noted in his opening remarks and as he said at eBay Live!, there’s not an immediate solve to the problem and it’s something we need to walk our way into carefully.

Some of you, you know, may be curious as to how we are attacking the problem. You know, and one key element is we’ve actually decided to focus on some problem category first. So you know, it has an advantage of dealing with some of

the most egregious issues but it also ensures a more level playing field so that we're not disadvantaging a seller in a particular category if we actually attack a problem category as a whole.

But in addition, looking at problem categories, we're also getting your lead, so to speak, and we welcome the fact that so many folks are sending in examples of excessive shipping and handling and we're using that in looking at the problem. We've added a number of reps, by the way. We've staffed this area quite a bit. We've got a lot of reps that are looking at things. We've taken out over 20,000 listings.

But more importantly, instead of just going through the site and taking down listings and focusing all of our energy there, we're also, this as an opportunity to reach out to the sellers and talk to them. You know, give them a little bit of guidance; talk to them about what our expectations are. Because you know, if we take down the listings, we have the conversation and the practice continues as Bill said, you know, there's no place for folks like that on the marketplace. They're not only making it unfair to other sellers but uh, they're driving business away. Buyers hate it. Buyers come to the site and say, "You know, if a seller would cheat me on the shipping, what would they do to me if we actually had a problem with the item itself?"

So you know, we're going to go deliberately but we're going to march ahead steadily in this area. It's not going to be overnight but I hope that in the coming months, folks are going to notice a difference. In fact, I was just talking to a Voices group earlier today and one of our big sellers said, "Rob, I've actually noticed a difference. I can see an improvement already on the site," and you know, that made me feel good, but I know we've still got a long way to go.

Griff: Thanks, Rob. Let's go back to André. This is a question about eBay Express, and the person who wrote in says:

Question # 10: "I just sold my first item on eBay Express. It was so much fun for me to see "sold on eBay Express" in My eBay and of course, I love getting paid right away. What's next in terms of enhancements for sellers?"

Answer from André Haddad: Thanks, Griff. So we're working on a number of enhancements for sellers. And actually, the eBay Express team is incredibly excited about the roadmap that we have ahead of us. And as we mentioned in the Announcement Board on Wednesday, we'll be including qualifying eBay.com listings, Fixed Price and an Auction BIN [Buy It Now], in the Best Batch sort on eBay Express. So that's going to benefit the sellers that are listing this type of inventory. And additionally, we're working on a tool that will help sellers easily identify what they need to do in order to change their items

that are not currently qualified for eBay Express, in order to get them onto that marketplace.

In addition, we're working on a variety of buyer-related features that we hope will make the eBay Express destination even more attractive for seller conversion. So we're very excited about the next changes and expect them this fall.

Griff: Sounds good. This is a question for you, Bill. And I have to admit, we usually don't say who wrote the questions that come in and we don't always know. But this one we do know and because of the way he put the question together, I'm just going to say it's from Gatorpack.

Question # 11: “**Bill and Griff, it was great seeing you all at eBay Live.**”
Now you know, it's Gatorpack. “As always, I need to ask you about ads from other sites that show on search pages when zero items are returned. They have links that take you off eBay, to sites that sell in competition with other eBay sellers. What is the benefit that these ads provide to eBay sellers and buyers?”

Bill Cobb: So I spoke to Gatorpack yesterday and you know, I was speaking to a number of sellers yesterday and we did not complete the conversation, so I promised him that we would ask his question so he felt pretty passionate about it. So we are early, as I said, we just started this. We are monitoring what the impact is.

Obviously, we've seen that this is now a convention on the internet for people as they're searching for items. We think that this is a good buyer experience because when our buyers come to our site, they're looking, you know, they come to our site to look for product. They are not looking to research a term paper or they're not looking for some map; they are looking for products. And what happens is we want to try to give a fuller, richer experience for that product. And if we do not happen to have the product, we will still as you all know, we still try to drive people back to the site. We will continue to do that. That is our first job. We will still offer suggestions about the search term. But we're also going to offer this service that we're testing and we'll see how it goes, to see if these ads can provide a richer buyer experience.

Now you can say, “Oh, that's not going to benefit sellers.” I don't think that's exactly true because I think anything that benefits buyers is good overall for the marketplace and for sellers. I also think this is going to provide us a way to really track better what people are looking for and what we're not able to satisfy, Griff. And I think that that will enable us to get, and you know, we want to figure out a way to get that information back to sellers so they can try to get that inventory onto the site. So actually, I think the benefit to sellers is going to be to have a much richer um, uh, view of what people are searching for and not finding on

eBay. I mean our promise remains, "Whatever it is, you can get it on eBay," and that's what we want to try and satisfy.

Griff: Thanks. Now this next question is also about something that's very timely in the last couple weeks and I guess Rob will take this one. It's about Google checkout and it came in from a sergei@gmail.com.

Rob Chesnut: (Laughs) Oh, Griff, what am I going to do with you?

Griff: Well.

Bill Cobb: No, it's Larry.

Rob Chesnut: Larry?

Griff:

Question # 12: "When will Google check our proven payment method here at eBay?" - Short and sweet.

Answer from Rob Chesnut: Short and sweet. eBay has had a policy regarding payment methods and what is acceptable on eBay now for nearly a year. We originally established the policy because we had a number of buyers who had a number of bad experiences with payment methods. Some of them were payment methods that simply were not acceptable on eBay at all, under any circumstances, like a Western Union cash transfer. In other cases, there were experiences with payment services that were very new, uh, very small, that had a high rate of customer complaints. And we decided that it was time at that point, to really put some limits around what was right for buyers on eBay.

You know, there are a number of good payment choices out there. You know, there's obviously PayPal but there are obviously PayPal competitors; Mastercard, Visa, BidPay, checks and money orders. They're all you know, perfectly acceptable. But we did want to put some limits around them and one of the limits that we decided to put out there is you know, a brand new payment service, one that's offered by a company that has no track record or no experience really isn't appropriate for eBay.

The reason behind that is you know, these new payment services often get tested, as far as fraudsters are concerned. They do not have yet a track record on keeping financial information secure. And I say that with a great deal of respect and to companies starting out, you know, the folks at PayPal learned that lesson. They were certainly tested heavily in their early days. And it takes awhile, running a payment service is complex. And if a new payment service is going to get up and started, I think we decided a year ago, we would rather they shake

out the problems and deal with the fraud off of eBay and then after they've established a track record, then we'd take a look at them.

You know, Google just turned on a payment service and you know, whether it's from Google or it's from anybody else; you know if you're brand new to the payment service, you'll establish a track record first and then we'll take a look at you. And it's not the sort of thing I expect to get established in a few weeks or a few months. We'll keep an eye on the situation and we'll take a look at it later, after the initial period's past.

Bill Cobb: Griff let me add something on that. This is Bill. I mean the press loves to you know, have this you know, they think there's this big war going on between Google and eBay and it's just not true. We partner with them very closely. They are a part of our traffic driving. I mean I wouldn't call them a substantial part because most of our traffic comes directly to us but they do add, especially in the search world, bringing traffic to our site. So we work very closely with them.

But this is a decision. This was not some corporate decision. This is very consistent with our policies and I think Rob is taking the right stance on this. We need to protect our users. We need to protect their identities. This is very new for them. They try a lot of things and they try, you know, they're a very interesting company. They try a lot of things but we can't mess around with this one and we have to protect our user Community. And as Rob said, people accuse us because PayPal is part of eBay, Inc., that we try to advantage that. We do offer choice in payments. We just allowed Bidpay back on as Rob talked about, and we need to um, let's evaluate and make sure that this is stable and then we'll take a look at it.

Griff: Okay, our next question. Can we talk about this? Is this okay? This question here?

Bill Cobb: Yeah, I can talk about this.

Griff: So it's about the stock buyback. This person writes in:

Question # 13: "Is there any connection between what is arguably, a huge increase in fees and the stock buy back."

Answer from Bill Cobb: So the answer is no. For those of you who were you know, tracking our guidance or our financial results, we were criticized and we are very conservative on our guidance and we continue to be conservative on our guidance. And you know, when dealing with Wall Street, you have to be completely transparent and we gave the guidance we felt was appropriate and does not reflect some kind of huge increase.

I know people think that the increase in fees, as I said earlier, we know that some Stores are going to close. We know that we will lose listings in this. So there is no connection on that and if you look at our guidance, I think we reflect that. The stock buyback really refers to the fact that eBay, Inc. is fortunate in that it is able to generate a lot of cash flow through its operations. We have more cash on hand than we've ever had in our history. We think that at this point, our stock is undervalued and we think that as an investment for the company, it's a great investment. So that's why we're deciding to do that, because of the cash we have on hand, we still believe it offers us enough flexibility that if there were something that we wanted to acquire, we would be able to do that. And this is the entire stance that our CFO, Bob Swan took yesterday.

Griff: Okay, thanks. Now Leigh, this is a question for you, and it's a little bit softer but it's still a timely question. This person writes in:

Question # 14: "I need some advice on how to package antiques properly before they're shipped. I live very rural. Is there a shipping company that will package these items for me or even supply the supplies I need? Thanks."

Answer from Leigh Goldstein: Sure. Thanks. Um, there are a couple different options. I realize that you're rural and so not all of these may apply, depending on where you live. One thing you could do is leverage a company like UPS. So they have UPS Stores all around the country, about 4,000 of them. If you bring your item to them, they will help you, but also if you describe your issue, they may be able to send somebody out to help you. The post office can often help in this regard too, as long as you can bring it to the post office.

For bigger items, we partner with a company called FreightQuote.com. They actually power our freight calculator, which you can find on the Sell Your Item form. They partner with many of the trucking companies around the country, all of them equipped to get to any location in the country and they offer services exactly like this. So you can look at our site to get more information about that.

The other thing that I advise in a lot of cases like this is leverage the Community. So many of our Community members are experts in this area because they also sell items like that, like yourself. So if you go to the Community section on our site and look the Discussion boards and go to Packaging and Shipping, you may find a thread about this but you can also post your own question and many members of the Community are often willing to give you support. So I would advise that also. Thanks, Griff.

Griff: You're welcome. You want to do this next? Okay. Can I do this one by the way?

Bill Cobb: Yes. You get to answer. You haven't answered a question yet. You haven't exactly jumped in on the feast.

Griff: No, I haven't. This is about allowing zero Feedback bidders.

Question # 15: "Why does eBay allow bidders with zero Feedback to place bids on my auctions when I prefer they do not and have stated so?"

Bill Cobb: Griff?

Griff: Well, the last time I checked, I don't think a single person ever started off on eBay with anything but zero Feedback. So to, I suppose you could cancel bids for everyone with zero Feedback but it's making an assumption that everyone who is brand new to eBay as a buyer is not worthy of your patronage.

So it doesn't, it would not make sense as a business move I think, to suddenly not take bids or money from somebody who is a brand new person at eBay. And I'd ask the person that wrote the question, "You started out on eBay once and you remember when you were new and you had zero Feedback. What a terrible experience that would be for new buyers, which we're trying desperately to bring you."

Bill Cobb: Right.

Griff: We want to bring you as many new buyers. There are so many thousands of people out there who aren't using the Internet or specifically, eBay, and we want them to come and start spending their money with you. And if we then start putting up these barriers, like if you're brand new, we don't want you to spend your money. It's going to be a very discouraging experience for new buyers.

Rob Chesnut: Sure. I mean we're spending millions of dollars to bring these folks to the site. I think it would be not a very welcoming experience if we've gone through all the effort to get these folks to the marketplace. Their first experience and they end up getting turned away.

Griff: Yeah.

Rob Chesnut: Now there are ways, if you are a seller, if you're concerned about the bidders on your auctions. You can place limits on who can bid on your auctions using the buyer requirements feature on eBay. It's available through My eBay, in the account section, and you can require that your bidders actually be registered with PayPal, which in turn, assures that they provided additional financial information and in fact, they've got a proven track record of

having a far lower unpaid item rate than folks who do not, who have not registered with PayPal. You can also limit bids from folks who come from a country where you don't ship, for example. So you've got lots of alternatives already as a seller to protect yourself against bidders who aren't serious. That's the best way to address the problem rather than you know, pushing away somebody who is brand new to the marketplace.

Griff: Okay. Here's a question about eBay Express. And this came in-- this just came in, in fact. It was one of the ones that were just submitted.

Question # 16: "If auctions are eBay's core, then why did you spend time and money to build eBay Express?"

Bill Cobb: So, I think it's an excellent question. I consider eBay Express part of eBay's core. Because as we said, eBay's core consists of Auction-style listings, Auctions with Buy-It-Now and core Fixed Price. And eBay Express is designed to be the place where people can filter for the inventory that's already on eBay and find new products in a way, and be able to Buy-It-Now. So what we've done is we're going to augment eBay Express with now adding Auction-style Buy It Now listings in.

So that in our early, you know, and it's very early on eBay Express, and I know people you know, it's very hard to establish a site but you know, eBay Motors took a long time to get up and running and I think eBay Express is at a great spot and I think that we are going to see it continue to grow. We're going to have a big marketing campaign beginning in about a month and we're very excited about the functionality.

People, who use it, love it. It's a great site. It's a great user experience and we are really pleased that we spent the time and money on Express. I think it will continue to grow as a part of eBay and I feel that it is part of core because for those people who are either frequent buyers of eBay and want to get in and find the new products in Buy It Now right away. It's also a great product for attracting those new buyers who we were just talking about onto the net. And I think it's a great seller service too. So while we will be advantaging Auction-style BIN and core fixed price in eBay Express, the reason we're doing that is because we found that they sell the best. And I think frankly, the reason it sells the best is because they're priced the best. Because when people do put up a core listing, they are more invested in it and they have a tendency to price it better, especially on a Buy-It-Now basis. So we're still excited. We are still very committed to eBay Express. We're going to roll it out in some of our international countries, so it's here to stay.

Griff: Thanks, Bill. Now here's a question that's very category specific, that the people who are affected by this are really vocal about the policy, so we

want to take a moment to read this one example of a question that came in. And Rob, you can take this one.

Question # 17: “As a home school parent, it is vital that we have access to teacher’s editions of books and materials. Do you intend to change your policy to allow selling and purchase of teacher edition materials?”

Answer from Rob Chesnut: This is a complex one and to be frank, I’m not sure we’ve got it right yet. You know, at first, when the teachers’ edition books were being sold through eBay, we got a number of complaints from parents and educators about this fact. You know, in some cases, I think some kids were showing up at school you know, as prepared for class as the teacher and having read the teacher edition and perhaps getting an unfair advantage from other students in the class who didn’t have the teachers’ edition books. That created I think a tough situation for some of the schools and the publishers came to us and said, “Look, the teachers’ edition books are for teachers, so please support doing the right thing for education and take these off.”

On the other hand, there is the fact that there are a lot of home schooling parents who do depend on teacher edition books to help educate their children. I’m concerned about the fact that these teacher edition books are available on other places on the internet anyway, and perhaps we aren’t doing the Community a service by banning them. So we are going back and looking at it again and we’re reconsidering it.

Griff: So we may actually change this?

Rob Chesnut: Well we might. You know, we’re trying to get it right and we’re trying to balance two very real interests here and it’s going to be tough to get it right but I will agree with the person who wrote in the question that it’s certainly worth reconsidering.

Griff: You know, it always struck me as interesting that people, the idea that there may be students out there buying these books. You have to hand it to them in one respect; at least they’re engaged enough to want to get the answers right.

Rob Chesnut: Hah, hah.

Griff: And hopefully, some of it will stick once they’ve got the manual.

Bill Cobb: This is a very classic eBay problem.

Griff: This one’s for André. This is about auction duration. This came in earlier.

Question # 18: “I would like to be able to make auction lengths two, four, six or even eight days. If I post an auction on Monday and want it to end on Sunday, I can’t. I would have to wait until the next day and then I lose a day of exposure when it could have been posted already.”

So it’s a product suggestion.

André Haddad: Right. I think it’s a good suggestion and it’s actually a functionality that we have on the site today, if you were to use the scheduled time functionality and the listing forms for example SYI [Sell Your Item] or Turbo Lister. You can plan and launch your listings ahead of time. So you can have your listings start and end at exactly the time that fits with your calendar and fits with your processes. And just a little you know history of the auction durations; we’ve had raising debates on auction durations within the company and originally we started with three, five and seven, as you probably recall. And due to some of the requests we got, we added one and ten.

Griff: Well there used to be 14.

André Haddad: We used to be 14, right. Correct. But now we have this you know, continuous debate on auction durations and today we don’t have any plans to add the two, four, six and eight, but will be under consideration.

Griff: Rob, let’s go back to you because this is another feedback question and this just came in, by the way.

Question # 19: “Buyers can pay immediately and complete their contract to buy should be immune from negative Feedback. Retaliatory Feedback is being used by bad eBay sellers to blackmail buyers into mutual withdrawals. You could stop this nasty practice so easily. Why don’t you?”

Answer from Rob Chesnut: Um, yeah, I agree with about half of what the question suggests and that is retaliatory Feedback is in some cases being used by bad sellers against buyers. On the other hand, retaliatory Feedback is also being used by some bad buyers to blackmail sellers. And there is not a simple solution to the problem.

Assume for a minute that we actually knew when a buyer paid. Because remember, in many cases, people do choose to pay from a method outside the PayPal and we don’t know when a buyer uses an outside credit card or a check or a money order. Even under those circumstances, however, there are buyers who would take advantage of this practice to charge back their purchase after they got the item; having paid for it, knowing that they could do a charge back

and be an unfair charge back and be immune from a negative Feedback. They could claim that they never got an item or claim that the item was broken or somehow deficient and used the threat of a negative Feedback against the seller, to try to get the seller to do something extra.

I think whenever you lose what we call like mutuality, you know, the notion that one person has the power and the other person has no power. That creates a very dangerous situation. With that said, I'm concerned about retaliatory Feedback on eBay. And we are in the middle of exploring and settling on a couple of pretty creative ideas around some changes we could make to the Feedback system that we would I think partially address the problem in a way that would not create an imbalance, like what was suggested here in the question. So stay tuned, I think we're going to be experimenting with some things in the future.

Griff: Thanks, Rob. Bill, let's go back to some fee questions, that a lot of people have tuned in specifically for this topic, so I think it's well to keep addressing it. This is about price changes and somebody will actually have to close their business and this is what the member wrote.

Question # 20: “Do you realize that your 150% increase in Store Inventory fees is going to put the small Store out of business, and in my case, on welfare? I have 3,000 items and I pay now \$60.00 a month but will be paying \$150.00 a month under your new structure. I'm just breaking even now. How can I stay with eBay under these circumstances?”

Answer from Bill Cobb: So I think obviously, this is a tough one where people are talking about. Our goal is not to put people on welfare. Our goal is try to work with this particular seller who has 3,000 items up, who obviously has access to inventory. And I believe that there, we would like to have a chance to work with this seller. All the Store sellers have phone support so we'd like to work with them with an account rep. Because I think there's got to be a way if they've got access to that amount of inventory, that in the combination of Store Inventory format and core, that we're going to be able to get enough cash flow in turn, for this individual to continue to have a viable business. So I would ask this seller to give us a chance to work this out. I understand that if you just continued to not change your model, that nothing will change but we want to work on how we might be able to evolve your business.

Griff: And Bill, I've just been told we have time for one more question. So, and then we'll wrap up. And this is also about fees.

Question # 21: “As you are continuously increasing rates, the seller has no choice but to pass these increased onto the buyer, why are you not

concerned about the adverse effect of higher prices on eBay effecting potential buyers?”

Answer from Bill Cobb: So I am concerned about that. Because as I said, the basic business model that we have here is about seller velocity and we want to have high turning items and great value and engagement for buyers.

I would hope that the price realization that sellers get on eBay, either through the auction format or if they choose to go with fixed price, will be high enough to cover their margins. I would ask that again, I think that the key to this is this is going to involve changes for the Store sellers in many cases to their strategy. The most successful uh, the largest sellers on eBay use both formats. The largest sellers on eBay have a large majority and I'm talking about the 90 plus percent, in some cases it's 80 plus percent of their business from the core format.

So I would ask again that we try to work this out with each of the sellers on an individual basis because this is an individual business and it does have an impact and I think that there are ways, and we are anxious to help on that. But obviously, the way that this is going to be successful is for us to continue to have great value for buyers, and that's how we're going to have a healthy marketplace.

Griff: Okay. You want to close this, Bill?

Bill Cobb: Yeah. So I think Griff, you know, as always, these are very, these are great questions. This is very instructive for us. I do value this ongoing discussion with the Community and I do appreciate you know, people taking the time to send in 2000 questions and I think the team did a very good job of screening tough questions but very fair questions. We will continue to hold these. As you know, we hold these on a monthly basis.

The next event will be Wednesday, August 30th, and we'll look forward to hearing from everybody then. And I'd ask everybody to visit the Town Hall page at www.ebay.com/townhall for more details.

Griff: Thanks, Bill. And if you'd like to listen to a repeat of this Town Hall, please tune in to our audio archive, which will be available next week at ebay.com/townhall. A transcript of the event will also be available. Thank you to everyone on our panel. Thank you to everyone who's listened to the Town Hall and good night.

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