

EBAY'S INCOME STATEMENT FOR 1999, 2000, 2001

Income Statement [Balance Sheet](#) [Cash Flow Statement](#)

Period Ending:	Dec 31, 2001	Dec 31, 2000	Dec 31, 1999
Total Revenue	\$748,821,000	\$431,424,000	\$224,724,000
Cost Of Revenue	\$134,816,000	\$95,453,000	\$57,588,000
Gross Profit OR GROSS MARGIN	\$614,005,000	\$335,971,000	\$167,136,000
Operating Expenses			
Research And Development	\$75,288,000	\$55,863,000	\$23,785,000
Selling General And Administrative Expenses	\$361,700,000	\$242,131,000	\$139,011,000
Non Recurring	N/A	\$1,550,000	\$4,359,000
Other Operating Expenses	\$36,591,000	\$1,433,000	\$1,145,000
Operating Income (EBITDA)	\$140,426,000	\$34,994,000	(\$1,164,000)
Total Other Income And Expenses Net	\$25,368,000	\$46,337,000	\$23,422,000
Earnings Before Interest And Taxes	\$165,794,000	\$81,331,000	\$22,258,000
Interest Expense	\$2,851,000	\$3,374,000	\$1,943,000
Income Before Tax	\$162,943,000	\$77,957,000	\$20,315,000
Income Tax Expense	\$80,009,000	\$32,725,000	\$9,385,000
Equity Earnings Or Loss Unconsolidated Subsidiary	N/A	N/A	N/A
Minority Interest	\$7,514,000	\$3,062,000	(\$256,000)
Net Income Applicable To Common Shares	\$90,448,000	\$48,294,000	\$10,828,000

Hypothetical Company A

10,000 ASSETS

Earns a 10% RETURN on assets = 1000.

NO DEBT

EQUITY=10,000

RETURN ON EQUITY=10%

Hypothetical Company B

15,000 ASSETS

Started with 10,000 assets and Borrowed 5000.

5,000 DEBT @ 5% Annual INTEREST = 250.00

Earns a 10% RETURN on assets = 1500.

EQUITY =10,000 (15,000-5000 debt)

Return on equity $1500-250= 1250$.

Return on equity = 1250 divided by 10000=
12.5%

With similar equity, Co. B has a 25% higher return.

DEFINING A MARKET & ESTABLISHING A STRATEGY¹

- 1. DEFINE IN TERMS OF MARKET NOT PRODUCT: CAR MAKER VS. TRANSPORTATION PROVIDER**

- 2. MODES OF TRANSPORTATION MIGHT CHANGE, DOMAIN OF TRANSPORTATION ALWAYS EXISTS**

- 3. WHAT TO EXAMINE:**
 - a. CUSTOMER GROUPS OR COMMUNITIES**

 - b. CUSTOMER NEEDS- BUYERS, SELLERS, ENTERTAINMENT**

 - c. TECHNOLOGY- HOW TO MAKE IT WORK**

¹ Philip Kotler Marketing Management 1997

Report: Amazon, eBay Not the Biggest Threat

Fri Sep 20, 1:37 PM ET

Keith Regan, www.EcommerceTimes.com

Though they attract a large percentage of the online buying audience, e-tail giants like Amazon ([Nasdaq: AMZN - news](#)) and eBay ([Nasdaq: EBAY - news](#)) do not necessarily compete directly against other e-tailers, according to a new report from Nielsen//NetRatings



The report argues that even though the two mammoth sites reach one-fourth of the online population, e-tailers must determine which other sites are their true competitors and then forge a strategy to win customers accordingly.

"The Web is an ideal place for comparison shopping," Nielsen//NetRatings senior Internet analyst Dawn Brozek told the E-Commerce Times. She noted that comparison shopping sites, such as Dealtime and MySimon, often rank among the top shopping destinations. "But e-tailers have to know who their at-risk shoppers are, which ones are actively comparison shopping."

Where Did You Go?

In conducting the report, NetRatings focused on three heavily trafficked shopping sites -- [Walmart.com](#) ([NYSE: WMT - news](#)), [BestBuy.com](#) ([NYSE: BBY - news](#)) and [JCPenney.com](#) ([NYSE: JCP - news](#)) -- and determined which shoppers at those sites visited a similar site within 10 minutes. Those visitors are most likely to be comparison shopping, Brozek noted.

While shoppers who visited the three sites also visited Amazon in large numbers, just small percentages clicked to the e-tail giant's site within 10 minutes, suggesting that most were not comparison shopping but perhaps looking for unrelated items.

"Evaluating the data in this way helps identify competitors who are more of a threat or less of a threat," Brozek said.

Percentage Matters

For instance, 1.5 million people shopped at both BestBuy.com and Amazon in the month of July. But only about 10 percent of those shoppers visited Amazon within 10 minutes of viewing BestBuy.com's site.

On the other hand, while BestBuy.com and [CircuitCity.com](#) shared only about 700,000 common visitors, more than 50 percent of those shoppers visited the two sites within the 10-minute time frame.

Walmart.com is operating in a similar competitive situation. While more than 1.5 million visitors per month visit both it and Amazon, Walmart.com's real competitive threat is [Target.com](#), which 40 percent of all common visitors clicked to within 10 minutes.

"If e-tailers have this info, they can hone in on different strategies for preventing straying, retaining customers and enticing new ones," Brozek said.

Little Things Matter

Competitive advantage can best be gained through differentiation, Brozek added. For instance, consumers see electronics as a commodity, viewing all DVD players, for instance, as similar. With only small price differences among major sites, e-tailers that provide extra features are more likely to win, she said. Amazon's 1-click checkout is an example of an effort to set itself apart.

"When consumers are comparison shopping, they want to ensure they're getting a good deal, but they're also looking for the best shipping deal, the fastest delivery or some kind of added freebie or reward," Brozek said. "The key is differentiating yourself, especially to those customers who you know are looking around."

eBay losing 'the little guy'?

Huge auction site seeks to reconnect with core users

June 15, 2002 Posted: 8:22 AM EDT (1222 GMT)



Longtime eBay users say big companies have an unfair advantage on the site and customer service is suffering.

 [SAVE THIS](#)  [EMAIL THIS](#)

 [PRINT THIS](#)  [MOST POPULAR](#)

SAN JOSE, California (AP) -- Twelve eBay users from around the country have been invited to company headquarters to give the Internet auction site's executives pieces of their minds: Customer service is lousy. The search engine is weak. Pop-up ads are deplorable.

The eBay manager writing down their gripes quickly fills a large sheet of paper, then two, then three, eventually taping so many onto a wall that new ones go on the door.

Michael Benson, a baseball card collector from St. Louis, adds his complaint: "eBay is going

with the big sellers over the little sellers." Murmurs of assent can be heard around the table. "You've got to get back to mom and pop sellers," nods Judy Tomlin of Mecosta, Michigan.

That complaint is not new, but it is becoming increasingly common among longtime eBay users. Many say eBay, committed to growth, is giving big companies an unfair advantage by prominently featuring their brand-name wares, creating tough competition for the millions of regular folks who made eBay huge.

"It's so infuriating to see the stock continually rise and know that it's happening because the little guy is taking it in the shins," said collectibles seller Tricia Spencer of Riverside, California, who was not among the 12 users invited to headquarters. "It's like a kingdom where the serfs have done all the work and the king eats hale and hearty while the serfs starve."

eBay executives say the charge is unfounded. But they acknowledge that after eBay's astonishing rise in recent years, it is more difficult than ever to stay connected to its treasured "community" -- the hobbyists and small businesses

that trade everything from AstroTurf to zithers, and dole out "feedback points" that reflect their online reputations.

"Our communication, frankly, to the community is broken," Bill Cobb, eBay's director of marketing, told the group of 12 at eBay's most recent "Voice of the Customer" session. "We have to figure out a better way."

eBay hopes relations get a big boost from its first "community celebration," called eBay Live, June 21-23 in Anaheim. More than 3,000 users are expected to mingle with company managers, trade advice on how to buy and sell things in more cost-effective ways, hear a speech by CEO Meg Whitman and attend an awards ceremony.

Brand-name products

Founded in 1995, eBay is by far the world's top Internet auction site, with nearly 50 million registered users and sites in 27 countries.

It long ago shed its roots as an online flea market. With big companies such as Dell and IBM now unloading goods on eBay, the site is more like a giant mall with a flea market and a used-car dealership in the parking lot.



Tricia Spencer says in the last three years, fees to do business on eBay have gone up more than 400 percent and the auction site has ignored the "little guy."

To attract even more corporate sellers, eBay and consultancy Accenture plan to launch a service to facilitate auctions for companies with discontinued or out-of-season merchandise.

Executives say such deals are essential for eBay's long-term financial growth, which will come largely by expanding its slim market share in major consumer categories. More brand-name products will bring new buyers, which ultimately helps big and small sellers, they say.

They also point out that eBay charges all sellers the same fees -- between 30 cents and \$3.30 to list most



items, depending on their value, and a 1.5 percent to 5.25 percent commission on successful sales. And they say 96 percent of the \$13 billion in merchandise that will be sold on eBay this year is

from small and medium-sized businesses.

Even so, many sellers say they are feeling pinched by increased competition -- while the listing and commission fees they pay to eBay have only gone up.

Prices of collectibles on eBay dropped 11 percent in May from last year and 25 percent from 2000, according to AuctionBytes.com, which tracks Internet trading. Perhaps more telling, collectibles' average "sell-through rate" -- the percentage of listed items that sold -- was 55 percent last month, down from 72 percent in 2000.

"The traffic to my auctions has slowed to almost half since the influx of discounters and wholesalers into the categories," said Mischelle Martin of Los Angeles, California, who sells women's clothing on eBay.

Enhanced competition

Brian Burke, eBay's senior manager of community development, argues that such developments are a natural part of eBay's marketplace system.

"We haven't eliminated competition by putting it online," he said. "We've probably actually enhanced competition."

Promoting that benign image hasn't proven easy. Adding to the perception that eBay is unresponsive: On its online message boards, many community questions are answered not by real eBay staff but by fellow members or with canned, automatically generated replies.

"If you ever have a question regarding costs or your invoice, try to find some help from a real person," said Doug Duguay, who sells cycling clothes on eBay from Portland, Oregon. "It's very difficult."

eBay has tried to help users for years by offering "eBay University," a traveling series of seminars with buying and selling tips. The "Voice of the Customer" sessions began in 1999 and are staged every two months.

The meetings give eBay a chance to hear complaints, solicit opinions on new services under development and explain the rationale for contentious policies. The users are asked to keep in touch through regular conference calls after they return home.

After taking part in the most recent session, Lance Shoeman of Canon City, Colorado, said he was impressed by eBay's receptiveness but thinks it needs to work harder at community relations rather than merely "allowing a handful of people to bend their ear every now and then."

"They're listening," he said. "but not properly communicating that fact to their members."

Copyright 2002 The [Associated Press](#). All rights reserved. This material may not be published, broadcast, rewritten, or redistributed

EXTERNAL THREATS AND OPPORTUNITIES²

1. PERFORM "SWOT" ANALYSIS

MACRO FORCES: ECONOMY, DEMOGRAPHIC CHANGES, TECHNOLOGY, POLITICAL, LEGISLATIVE, SOCIAL/CULTURAL

MICRO FORCES: CUSTOMERS, COMPETITORS, DISTRIBUTION CHANNELS AND SUPPLIERS

MEASURE THREATS: HOW SERIOUS ARE THEY
HOW LIKELY ARE THEY TO OCCUR

OPPORTUNITIES:

ATTRACTIVENESS

LIKELIHOOD OF SUCCESS- ABILITY TO SURPASS COMPETITORS AND EXISTENCE OF INTERNAL STRENGTHS IN AREA OF OPPORTUNITY

2. SET GOALS OR OBJECTIVES (DEFINED IN TERMS OF TIME AND SIZE)

3. DETERMINE STRATEGY: GAME PLAN TO GET TO GOALS

- ? CREATE SUPPORT IN THE ORGANIZATION
- ? **IMPLEMENTATION STRATEGY**
- ? **FEEDBACK ON ACTIONS**

² Philip Kotler Marketing Management 1997

EBAY VS AMAZON VERSUS DOW JONES

S&P
 Nasdaq
 Dow

Compare: EBAY vs.

eBay Inc
as of 25-Sep-2002 Splits: ▼

Copyright 2002 Yahoo! Inc. http://finance.yahoo.com/

Splits: 2-Mar-99 [3:1] 25-May-00 [2:1]

Last Trade 11:16am · 57.209	Change +0.579 (+1.02%)	Prev Cls 56.63	Open 56.74	Volume 2,030,248
Day's Range 56.74 - 57.53	Bid 57.20	Ask 57.21	P/E 108.90	Mkt Cap 16.123B
52-wk Range 40.48 - 72.74	Bid Size 500	Ask Size 900	P/S 17.25	Div/Shr 0.00
1y Target Est 87.30	EPS (ttm) 0.52	EPS Est 0.78	PEG 1.79	Yield N/A
				Div Date 24-May-00
				Ex-Div 25-May-00

[Financials](#), [Historical Prices](#), [Insider](#), [Messages](#), [News](#), [Options](#)
[Profile](#), [Reports](#), [Research](#), [SEC Filings](#), [Upgrades](#), [more...](#)

Lower your mortgage payments [Refinance Today!](#)

[Add to My Portfolio](#) - [Set Alert](#)