

The Truth About An eBay Business

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You can sell almost anything on eBay... at some price. The first part of that statement has caused countless folks to contemplate their future opulent wealth through their own eBay business. The second part, and the reality of the eBay marketplace, usually brings them back down to earth.

Ebay is fun and exciting and a great place to buy and sell stuff, but today it seems the real money is in selling get rich quick eBay "secrets". Go to a bookstore and you can't count the books on how to become an eBay millionaire. I wonder: If I bought 1000 of them, would I become an eBay billionaire?

The subject of eBay is fairly passé these days because so many of us are veterans, but I still cringe every time I see one of those glowing ads on some company selling their eBay get rich scheme (most of them want to use your time and labor to sell their products). I really cringe when a potential Entrepreneur talks glowingly about their big plans for starting an eBay business or opening up another eBay drop-off store.

The reality is that due to the design of the eBay model it's extremely tough to make a lot of money because it is a consumer-to-consumer discount marketplace (in business, discount means low profit margins). The market is designed explicitly to facilitate individuals selling to individuals, just like in a garage sale.

A business only has to do one thing- make a profit. That profit must cover what the product costs but also things that individuals don't worry about like insurance, rent, and labor. The number of sales a business has (or feedbacks) means absolutely nothing, profit is the only thing that matters.

In response to a request for volume discounts on fees, CEO Meg Whitman defined the eBay model perfectly by saying eBay was designed to level the playing field for everyone. With volume discounts, big businesses, with economies of scale, would soon eliminate the sellers the market was built for. It was a great answer, and it also explains why it's so difficult to have an eBay business, it's not designed for businesses!

Big businesses prosper in low profit margin markets by selling volume, or in the specific case of the biggest cost a business has; sales per employee. Even with all the programs available to increase sales volume per person on eBay, the model is such that it still limits the total volume a single individual can produce. That's what keeps big businesses from taking over, they have the same sales per employee everyone else does.

EBay is a great resource and anyone of any skill level can be buying and selling in a matter of minutes (there are 150+ million users, it has to be simple). If you have access to products at extremely low prices and you don't mind putting in the time, you can make a little money.

So, if you're a potential Entrepreneur thinking of striking it rich on eBay, keep this in mind, there are no short cuts in business, if it sounds too good to be true, it is!