

College of Business Book Review by Lyn Lazar.

Title: "The Perfect Store: Inside EBay"

Author: Adam Cohen

Publisher: Back Bay Books/Little, Brown, and Company

Length: 332 pages (with index)

Price: \$15.95 (softcover)

Reading time: 7 hours

Reading rating: 9 (1 = very difficult; 10 = very easy)

Overall rating: 4 (1 = average; 4 = outstanding)

If you use a computer and the Internet at all, chances are that you have used eBay as well. *The Perfect Store: Inside EBay* tells the eBay story from its creation in the spare bedroom of Pierre Omidyar to the multimillion item site it is today.

On Labor Day 1995, Omidyar first launched eBay as Auction Web, not with the idea of making billions of dollars, but rather to achieve a perfect market. The perfect market, which had existed only in economics theory and texts, could be achieved because every buyer would have the same information about the product and every seller would have the same chance to sell their items. The perfect price for an item would be achieved because the item would sell at the point where supply met demand. The idea of the perfect market did not take into account issues like buyers getting caught up in an auction and paying more for the item than it was worth.

As Auction Web, eBay first attracted a following of people buying and selling computer parts. Soon other categories were created and the site began to grow. Omidyar was using an existing computer account to run Auction Web, but in February 1996, when his Internet service provider began to charge \$250 a month, he decided that the site could remain free no longer. With no research, he chose to charge sellers a percentage of the final price of the items sold on the site. He didn't know if the users would be willing to pay for the use of the site, but envelopes began arriving with money from the auctions. Auction Web took in more than \$250 the first month, making it profitable from the beginning. Revenue increased so rapidly that he did not even have time to open the envelopes and deposit the money. The first employee was hired for that purpose.

Omidyar, a computer programmer, needed someone with more business experience. Jeff Skoll was that person, and the two complimented each other. They began to grow the business, adding employees slowly, retaining a laid back culture on the site and in the office. One feature of the site, the bulletin board was used for questions from users, but began to develop into an online meeting place for users. As the need grew, the board was split into two different spaces, one for questions and the other for community. Though users often needed help, many people really enjoyed the community aspect of the eBay Café. This was one of the distinguishing features which helped eBay retain the lead in online auctions when facing opposition from other sites. This sense of community and concern for other users set the site apart, creating a personal experience instead of just a purchase made online.

Though community developed almost as a byproduct of the auction experience, it was fostered by the eBay team as one of their key advantages, along with the large number of registered users. As the site continued to grow and other online auction sites challenged eBay, the switching costs for sellers were prohibitive due to the large number of users buying on eBay. The buyers shopped eBay because the sellers were on eBay, so the first mover advantage helped eBay retain the lead in online auctions once they reached critical mass.

One of the major problems with eBay in the earlier years was the patched together technology that kept the site running. Failures were common, and became more costly as the site continued to grow. The company had a month to month growth rate of 30% and gross margins of 85% in late 1997, and tapped Meg Whitman as CEO. The founders and senior management created a timeline for going public by late September 1998. eBay was valued at more than \$2 billion on the first day of the IPO.

eBay has continued to grow. As with any entity, there are those who absolutely love it and those to abhor it. The continued strength shows that those detractors have not changed the success of a company founded to create the perfect market. Be sure to read *The Perfect Store* for more history and personal glimpses of those behind this success.

Lyn Lazar is an assistant professor of computer information systems in the College of Business at Western Carolina University. Her research interests include computer anxiety, supply chain agreements, and radio frequency identification (RFID). For previously reviewed books, visit our Web site at www.wcu.edu/cob/.