

CHAPTER 1

Reap What You Sow: Money in Your Mailbox

A Brief Overview of Online Auctions

What is an Internet Auction?

A Web Site within a Web Site!

Assignment 1: Browse and Register

Some are addicted to computers and surfing the Web, others to shopping or auctions. I'm addicted to money in my mailbox! I receive so many checks in the mail each day that I had to buy an electric letter opener. Internet auctions are a lot like farming, grubby work at first. But if you plant your seeds right (that is, feature catchy auction ads for good niche products) you'll reap a bountiful harvest. You can then lean back on your porch in a rocking chair, sip a mint julep, and watch your greenbacks grow.



Kit-Cat clocks like the one in Figure 1.1 are my cash crop. I grow Classic black and white models over yonder and chrome Millennium Editions over here; those French lilac and Seafoam green 1999 Limited Editions in the next field will soon be rotated with 2000's colors. In the barn just beyond, the clocks are hand-jeweled with glimmering Austrian crystals.

Once or twice a week I harvest as many clocks as are necessary to fulfill my Internet auction orders. Depending on the week, I net anywhere from \$75 to \$150 an hour auctioning Kit-Cat clocks. But it's grueling work. You must sow your seeds (that is, list your auctions) religiously, sift through torrents of e-mail, maintain a database of form letter responses, communicate with your customers in an expedient manner, promptly digitize customer orders and personal data; create invoices, purchase orders, and mailing labels, and ship their product within a given window of expectation.

Figure 1.1 *My Cash Crop is Kit-Cat Klocks*

On top of all this, frequent trips to the bank and post office are required, and tedious chores like bookkeeping and HTML programming loom. That's Internet auctions for you in a nutshell: the good, the bad, and the ugly! But fear not. This book's mission is to explain the arcane and make palatable the mundane.

A Brief Overview of Online Auctions

Auctions predate most other forms of entertainment and are one of the earliest forms of commerce. Before books, theater, movies, radio, television, computers, and the Internet, there were auctions. Auctions are a perfect example of democracy in the marketplace. Every item in an auction has a *natural* value. Fads come and go but auctions have survived for two basic reasons: they work, and they're fun. Internet auctions are the latest metamorphosis.

Nobody could have envisioned what Internet auctions would become back in 1995. Not even Pierre Omidyar, who launched eBay on a balmy Labor Day afternoon a few weeks after Microsoft's release of Windows 95. The stars must have really been aligned in the heavens on that cusp, because these two products, one by David and the other by Goliath, were destined to become cornerstones of the Internet.

Omidyar was a computer programmer from Silicon Valley, which may go without saying. His fiancée, an avid Pez collector, kept telling him, "Pierre, I need a place to swap my Pez dispensers on the Internet." A flashbulb popped in Pierre's head and eBay was born. Not only did it immediately fill the Pez dispenser void by creating a Web site where collectors could get together and trade their wares, but eBay went on to become the world's first Internet auction site—a place where ordinary folks could buy and sell their stuff. eBay went public in September of 1998 at \$15 a share. Six months later, in April 1999, the stock hit \$240 a share, a whopping 1600 percent appreciation! Figure 1.2 gives you the picture—including what happened next.

The hallmark of most Internet businesses is that they don't turn a profit. eBay turned a profit in its first quarter. Wall Street loves a winner and Internet auctions became a hot business model for a simple reason—they make money! Amazon.com hasn't broken even, but its auction site has. See, Internet auctions get you coming and going; every time an item sells they take a cut, and most charge to list it as well.

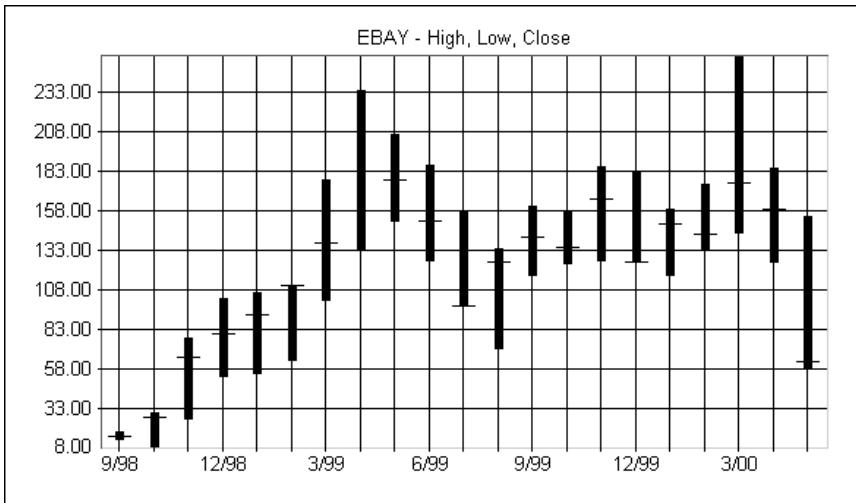


Figure 1.2 eBay's Split Adjusted Stock Chart. A \$15 investment in 1998 bought a heck of a roller-coaster ride!

When I began tracking Internet auctions in early 1999, eBay had 1.5 million items for sale in 1,000 categories, and 600 million page views per month. By the summer of 2000, it had 4 million items in over 4,300 categories with 1.6 billion page views per month. eBay's capacity has quadrupled in only eighteen months, despite mounting competition.

eBay is the 800-pound gorilla of the Internet auction business—but a rumble in the jungle is inevitable. Fairmarket is a new alliance of auction heavyweights including Microsoft, Lycos, Tripod, Xoom, ZDNET, PBS, CBS Sportsline, Dell, Excite, CompUSA, Cyberian Outpost, Newline Cinema, and VH1. They've pledged a substantial war chest to wrest market share from eBay. Yahoo and Amazon are already nipping at eBay's heels with auctions of their own. If you added up all of the auction sites on the Internet, big and small, you'd count over eight hundred. All because Pierre Omidyar's fiancée needed a place to swap her Pez dispensers!

At this moment in time, other Internet auction sites pale in comparison to eBay. Yahoo, the second largest, doesn't advertise statistics so I took the liberty of adding them up anyway. They have just under a million items listed for auction compared to eBay's 4 million. In the all-important page hits per month comparison no one approaches eBay's staggering 1.6 billion.

eBay's biggest ace in the hole may be brand loyalty and name recognition. David Letterman and Jay Leno have cracked so many jokes about the site that eBay has become ingrained in the lexicon of American water-cooler culture. Who hasn't heard of eBay? It is the first, the biggest, and the most professionally run auction site. In addition, it attracts the most reliable buyers and has made lots of investors rich.

What is an Internet Auction? A Web Site within a Web Site!

The Internet is populated by millions of Web sites that almost nobody visits. *Destination portals*, on the other hand, are Web sites that are visited regularly by millions of people. An Internet auction is a Web site within a destination portal, such as Amazon, eBay, or Yahoo. The express purpose is to get millions of people to pass by your virtual storefront (your Internet auction ad). Internet auctions provide a sales outlet for those who never had one.

How I Got Hooked On Buying

I was casually browsing eBay one fateful afternoon a few weeks after my printer parts sold, and I couldn't believe my eyes! MS Office Pro, Microsoft's \$350 flagship product, was selling for twenty-five bucks.

Hundreds of vendors were hawking thousands of copies so it wasn't an aberration. I consider myself a crack consumer and something stunk. The day before, my three favorite shopping bots had scoured the Internet to ferret out the best price on MS Office, and all three zeroed in on Onsale.com for \$239 with free shipping. (More on shopping bots in Chapter 2.) I ordered it, confident I'd found the best deal. Now I felt duped! My blood boiled; I swore I'd get to the bottom of it. In the sea of headlines, one auction ad stood out: WHERE TO BUY MICROSOFT OFFICE PRO FOR \$17 I clicked on it and read:

For the price of a Happy Meal I'll provide you with the most closely guarded secret on the Internet—where to find Microsoft Office Pro for just \$17.00 or less! You can easily earn hundreds of dollars per auction, thousands of dollars a week, selling just this one product, Microsoft Office Pro.

It was my first Internet auction bid. I wasn't alone; hundreds of people had bid on this item before me. The auctioneer was raking in eight bucks a copy for information that cost him nothing—that's quite a markup! My second bid came moments later in a Dutch auction for MS Office Pro. I paid \$23 for an OEM copy and promptly canceled the retail version I'd ordered the day before for \$239. The printer parts bonanza and bargain basement software planted the seeds of addiction. I didn't realize it that day but I was getting hooked, hooked on Internet auctions.

NOTE

Dutch auctions for OEM software were commonplace in 1999. As you can see in Figure 1.3, more copies of MS Office Pro were auctioned than any other title. It was a phenomenon! Hundred of sellers earned a living auctioning just this single product.

This book does not advocate the use of illegitimate software, under any circumstance. On the contrary, it warns against illegal software use several times throughout. My goal is not merely to teach what to do, but also what to avoid.

How about you? Would you like to regain precious living space and earn some extra money? Internet auctions are the greatest boon to spring cleaning since the advent of the garage sale. If you find the idea of money in your mailbox appealing, read on. But be forewarned! Internet auctions are addicting and can lead to other Elvises.

Assignment 1: Browse and Register

Time to get your feet wet. Wade along the shore awhile. You don't have to dive right in. Browse the auction sites to your heart's content, but before you can bid on or sell anything you'll have to take the plunge and register—it only takes a few minutes. In addition to a computer with a modem and an ISP account you'll need an e-mail address and credit card (in most cases) to register. Devise a short, descriptive user name that's easy to type and remember. Apply for the same or a similar user name and password on each auction site.

Assignment 1: Browse and Register

9

354 items found for the search "MS OFFICE" . Showing items 1 to 100.

MS OFFICE Application Powered By Thunderstone
 e.g. "brown bear" -teddy [more tips](#)

Sort by: ascending descending Search Descriptions Search Completed Items

Search Result
Current Auctions

13:14:47 PST

Item#	Item	Price	Bids	Ends
60018345	---Retail Box MS Office 97 Professional---	\$135.00	1	in 42 mins
60720762	MS OFFICE 97 PRO Full CD Version! VISA/MC OK	\$20.00	0	01/29 14:42
60039577	MS OFFICE 97 PRO ~NEW~ **Full Version**	\$19.50	8	01/29 14:43
60724736	Microsoft OFFICE 97 Pro - Best Deal on MS !	\$25.00	1	01/29 14:56
60726435	MS Office Pro 97 CD	\$30.00	0	01/29 15:02
59343117	+MS Office 97 PRO CD Full Version-clearance	\$24.95	5	01/29 15:13
59343578	+MS Office 97 PRO CD Full Version-clearance	\$24.95	2	01/29 15:14
59343880	+MS Office 97 PRO CD Full Version-clearance	\$24.95	17	01/29 15:16
60060692	MS OFFICE 97 PRO CD-ROM *NEW* *Full Version*	\$18.01	5	01/29 15:30
60065193	MS OFFICE 97 PRO ***NEW***	\$15.00	3	01/29 15:40
59353448	POWERBOOK 5300cs /MS Office/CD... MUCH MORE!	\$700.00	2	01/29 15:56
60747118	SALE "MS OFFICE PRO 97" ONLY 3 DAYS!!!	\$19.50	3	01/29 16:08
60079255	MS OFFICE 97 PRO CD ROM	\$13.50	5	01/29 16:09
59360360	MS OFFICE 97 PRO Clearance Sale - Only \$24!	\$24.00	203	01/29 16:17
60763394	MS OFFICE 97 PRO NO RESERVE! VISA/MC OK	\$10.50	11	01/29 16:53
60103009	MS OFFICE 97 PRO CD ROM	\$13.26	5	01/29 16:56
59376348	MICROSOFT OFFICE 97 PRO - MS CD only \$1.00	\$7.50	12	01/29 17:10
59382360	MS Office 97 For \$17!! WHERE DO THEY GET IT??	\$4.95	3	01/29 17:26
59382701	MS Office 97 For \$17!! WHERE DO THEY GET IT??	\$4.95	2	01/29 17:27
60799708	MS OFFICE 97 PRO-NEW & SEALED + FREE SHIPPING	\$10.60	4	01/29 18:12
59402318	MS OFFICE 97 PRO - NO RESERVE - BEST DEAL!	\$24.00	94	01/29 18:17
60823941	MS OFFICE PRO 97! ~CD KEY~ *Full Version* \$7	\$9.51	3	01/29 18:56

Figure 1.3 354 individual sellers held Dutch auctions for thousands of copies of MS Office Pro on eBay on January 21, 1999. This occurred every day for almost a year on every major auction site.

1. Insert the *Confessions* CD-ROM disk into your computer's CD-ROM drive.
2. Open confess.htm.
3. Click "Internet Auction Sites" under "Links" in your Web browser's right frame.
4. Click the register link under Amazon, eBay, and Yahoo, and register with each auction site.
5. Check out over 800 other auction sites by clicking the Goto.com banner.