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Advice as of the 2010 HBS case

Plaz

Steve Hartman

Senior Director Global Affiliate Programs

eBay Inc.

Dear Mr. Hartman,

eBay applications could enhance the recurring use of eBay by existing users. While your existing affiliate programs are successful in recruiting new users, they do little to encourage existing users to continue conducting transactions on eBay. Applications that make use of an eBay API and use eBay as a backend could give existing users additional ways to use eBay rather than just a website. In addition, user-developed applications could provide additional features that increase the value of eBay for existing buyers and sellers.

Some of these features eBay might never have thought of. The market will sort out which experiences users’ desire, rather than having a manager make a decision based on his or her limited experience. Developers may choose to develop platforms eBay has deemed too costly to pursue. Although eBay could not pay full-time developers on such projects, developers would be interested in developing apps in their spare time. The developers would bear the challenge and risk of developing compelling new experiences which use the eBay backend.

To encourage developers to build applications, you could share some portion of the transaction revenue with the developers. This would help ensure that the applications would be free to end users. The transaction commission should be lower than what you currently pay to reflect that some transactions may have taken place on ebay.com without the application.

Although eBay may lose direct control of the portal on which users are purchasing, it would still provide its most important assets: the backend processing and reputation systems. This means that eBay will continue to be the world’s leading marketplace, no matter what form it might take.

–Michael Plasmeier