

What Most People Don't Know About Selling on eBay

eBay Millionaire or Bust

**Hidden Strategies That
Maximize Profits
and Create Wealth**

Corey Kossack

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FOREWORD

October 24, 2006

Steam is coming out my ears, and it will be coming out of yours too!

By

Michael Gerber

Chief Dreamer

I just began to read another book just sent to me by a young man by the name of Corey Kossack.

The name of his book is *eBay Millionaire or Bust: Hidden Strategies That Maximize Profits and Create Wealth* or What Most People Don't Know About Selling on eBay.

Corey is 23.

He is a young entrepreneur who has become one of the top 200 most successful sellers on eBay.

He wrote to me for my help.

I began to read his book and realized Corey doesn't need my help, I need his!

That's where the steam came from.

From the sudden realization that there are people like Corey in the world whose imagination, energy, intelligence and sheer brazen chutzpa is beyond belief. And not only that, but he's as smart as a razor blade. He can cut corners with the sharpest of them. He can slice it and dice it down and across and sideways, and come up with a whole orange when he's done.

And he's only 23.

When I was 23 I was wandering around like a lost puppy.

I swear I was.

I didn't get to be smart like Corey until I was 52!

And I'm not certain of that either.

I don't know if I'll ever be as smart as Corey.

Which brings me to the question: What is it that brings someone like Corey into your life, into mine? What message is Corey sending us, you and me, and what should we glean from it?

That we should have been born smart?

That we don't stand a chance against someone like Corey (thank God he's selling on eBay and not in your neighborhood!)?

That it pays to be precocious and very, very smart?

That there's no hope left for normal people?

That Corey can teach us something if we listen to him?

I swear I don't know the answer to that question, but I'm going to continue to ask it. Meanwhile, if you would like a copy of Corey's book, you'll have to write him for it. I wouldn't give mine away for anything you could offer.

You can reach him at www.millionaireorbustbook.com.

And tell him I sent you.

Michael Gerber

Author

The E-myth Revisited

Chief Dreamer

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INTRODUCTION

Will you be an eBay millionaire? Or will you be a “successful” PowerSeller who sells thousands or millions of dollars worth of products every year, but actually makes a lot less money than you think? Believe it or not, this is happening to eBay sellers today, and some of them may not even realize this is happening to them...yet.

The world of eBay is an exciting one, where 200 million users worldwide gather to buy and sell the widest selection of merchandise on the web today. For sellers, eBay is a dream come true. No matter how big or small your business, eBay allows sellers to have their products seen by millions, and even encourages buyers to compete for the privilege of purchasing your product.

While eBay can be an exciting and profitable environment to sell in, it can also be a very challenging one. To be successful on eBay, you must have a detailed understanding of your costs of doing business and your risks of listing certain items for sale, keep conversion rates high (the ratio of items that are sold vs. the items that do not sell), provide outstanding customer service and have listing formats and prices that appeal to your customers. This book was written to teach you how to do all of these things, with an emphasis on cost and risk management.

Quite possibly the most important part of running your eBay business will be taking the time to understand what your profit margins really are, to allow yourself to cut losses in the areas that are hurting your profitability, and build upon the areas that are adding value to your bottom line.

Don't forget that selling on eBay is a business. Like any business, your goal is to increase profits, not simply to increase sales. eBay's

PowerSeller program is set up in a way to reward sellers for their monthly gross sales volume. The PowerSeller levels are as follows:

Bronze	\$1,000
Silver	\$3,000
Gold	\$10,000
Platinum	\$25,000
Titanium	\$150,000

While becoming a platinum or titanium PowerSeller can be a great thing and can lead to making a very good living on eBay, this designation seems to lead some sellers astray. Instead of focusing on improving their bottom line, many sellers focus on improving their gross sales to move up the ranks and become one of the “elite” and “successful” PowerSellers.

I recently lectured at eBay’s annual convention, “eBay Live”, as part of a panel of four top sellers who were selected to share their stories of success with an audience of 1,400 PowerSellers. As eBay introduced each one of us, boasting of our millions of dollars in annual gross revenue, I could tell what the audience was thinking. “Wow, these guys are millionaires, if I can find out what they did to sell so many items I can be a millionaire, too!” The truth is eBay did not reveal the actual profitability of any of our companies (and neither did any of the sellers); eBay simply showcased the dollar amount of sales that each of us had achieved in the last year. For all the audience knew, my company had a net profit of \$1,000,000 last year. Or maybe my company had a negative net profit of \$100,000 last year. I could have sold every single one of my products at \$5 below my cost and lost money on every sale, and no one would know. I would still have been celebrated as a successful top seller on eBay, even though in reality my business could have been a miserable failure (in truth my business was quite

successful, but my point is still a valid one). In fact, eBay has no idea how profitable any of its top sellers are. But somehow this very important detail gets overlooked, and the new and emerging sellers leave the room with the assumption that the experts on the panel are all millionaires, and that the key to profitability on eBay lies within the ability to grow your sales volume to the titanium level and beyond.

Earlier this year there was an article published in the business section of our city's newspaper about me and my company. The article was meant to show how amazing it was that someone could sell so much on eBay, and went on to explain how professional consultants were projecting that my business would turn into a "multi-million dollar company in short order". All of a sudden I noticed my friends coming up to me saying, "I figured you were making good money, but I didn't realize you were making THAT much money!" I even had a friend who told me a story about an experience he had while he was at work which I found to be absolutely hilarious. As he was sitting in the office, one of his colleagues leaned over and said:

"Hey did you hear about that guy who is making millions selling stuff on eBay?"

"Wait, are you talking about Corey Kossack?"

"Yeah, you know him?!"

"Yeah, he's my good friend."

"You know I had the same idea, I'm going to do the same thing and be a millionaire, too."

The story was so amusing because this person's assumptions were based on the sales figures outlined in the article which really have very little to do with profitability. However, perception is everything, and the average person will not think twice before assuming that millions in sales revenue actually equals millions in profits. Understanding that these two do not always go hand in hand will be your first step to starting and growing your own successful eBay business.

At this point you are probably thinking to yourself, “How can someone sell millions of products on eBay and lose money?” I will go into great detail about this in Chapter 2 on profitability, but for now just keep in mind a few things. There are many costs to selling on eBay, some obvious and some that are a bit hidden. As a seller, if you do not fully understand every detail of these costs, you can easily have a skewed perception of the profits that you are making on eBay. For many sellers, between keeping track of these costs, having thousands of dollars tied up in inventory, dealing with non-paying bidders and just simply managing the day-to-day operations of their business, selling on eBay can leave sellers lost and confused as to how profitable their business really is. And remember, just because you bought an item for \$8 and sold it on eBay for \$9, that doesn’t necessarily mean you actually turned a profit.

The first part of this book will cover the profitability of an eBay business. You will learn to analyze all costs associated with selling on eBay and how those costs impact the overall success of your business. Next you will discover the importance of monitoring unsold listings to maximize profits. With your new understanding of the effect of unsold listings on profitability, you will be introduced to a patent-pending program called ProfitBuilder Software that will save your business thousands of dollars. The ProfitBuilder Software will calculate profit margins for you, and analyze the risk of listing certain items for sale using different pricing strategies and listing features. Using this information, ProfitBuilder will help you determine which listing strategies yield the most profit for your company, and will also help you identify which products to sell. Next, you will be exposed to a wide-range of hidden tips and tricks that cut costs and boost profitability. These tips include establishing banking relationships that transform sales revenue into extra profits, strategies that reduce the cost of packaging

materials and postage, methods to alter your business processes to save money and much more.

Once you have a better understanding of how to maximize the profitability of your company, PART B of this book will share information regarding product acquisition and pricing. You will learn about the supply chain of products and what your role as an eBay business will be in the chain. You will be taught how to negotiate with suppliers to get the best prices and terms on quality products to sell. You will then discover how to select products to sell and determine the best price at which to list these items on eBay.

PART C of this book will reveal additional tips for running your eBay business related to customer service, shipping and handling, and how to keep costs low during start-up and growth. You will use these strategies to keep eBay customers coming back while structuring costs in a way that enables the growth of your company.

Finally, PART D will show you how to generate the largest return from your eBay business using investing and wealth building strategies. You will learn how to structure your business legally with the government to protect your assets and take full advantage of legal tax breaks given to small businesses. Now that you know how to structure your business, you will find out how to maximize profits using tax loopholes and business deductions to reduce the amount of tax you owe the government. Next you will discover how to transfer these tax savings into investments that build your net worth. Finally, all of this information will be tied together to put you on the road to becoming the next eBay millionaire!

PART A:

PROFITABILITY

1

Understanding Your Profit Margins

If you are selling on eBay you are running a business. Business is about delivering value to your customers in hopes that one day your business will become profitable. Understanding your profit margins is essential to running your eBay business effectively. If you purchase an item from a supplier for \$8, and sell it for \$9, you might think that your net profit margin is \$1. Actually, this is not the case. Did you think about eBay fees, PayPal fees, cost of postage, labor costs, email support, or the cost of packaging materials? Some of these costs are easily quantifiable, and others are much more difficult to measure, so you need to leave a little bit of extra padding to make sure you're achieving your goals for profitability when selling on eBay. Before we get too deep into this issue, I will give you a breakdown of eBay and PayPal's fee structures so that we can get a better understanding of what we are talking about.

There is a great deal of information to digest in this chapter including a bunch of numbers. Don't worry if you feel overwhelmed by the

numbers or the examples, the key here is to familiarize yourself with eBay’s fee policies and how they can impact the profitability of your company. Think of this chapter as a resource guide for your continuing education on how to run an eBay business. Now let’s look at eBay’s fee policies and some examples.

eBay Insertion Fees

eBay charges a fee for listing the item on the site for a period of time ranging from 3–10 days (a 10-day listing carries an extra \$0.40 fee). The insertion fee is based on the value of the “starting bid” or “Fixed Price” of the item, depending on which listing format you choose (Auction or Fixed Price). For example, a listing with a starting bid or Fixed Price value of \$10.00–\$24.99 would have an insertion fee of \$0.60. The following chart shows you the breakdown for fees.

eBay Insertion Fee Chart

Listing Price	Fee
\$0.01–\$0.99	\$0.20
\$1.00–\$9.99	\$0.35
\$10.00–\$24.99	\$0.60
\$25.00–\$49.99	\$1.20
\$50.00–\$199.99	\$2.40
\$200.00–\$499.99	\$3.60
\$500.00 and above.....	\$4.80

eBay Final Value Fees

eBay also charges the seller a final value fee when the item sells. Upon closing of your auction or Fixed Price listing, a fee is charged based on the sales price of the item. The following chart breaks down how this fee structure works.

eBay Final Value Fee Chart

Sales Price	Fee
Item not sold	no fee
\$0.01–\$25.00.....	5.25% of sales price
\$25.01–\$1,000.....	5.25% of first \$25 (\$1.31) + 3.0% of remaining amount
\$1,000.01 and above	5.25% of first \$25 (\$1.31) + 3.0% of amount between \$25.01–\$1,000 (\$29.25) + 1.5% of remaining amount

Sellers are charged 5.25% of the sales price for an item that has a selling price of \$25 or less. If the value of the item is greater than \$25, the seller is charged 5.25% for the first \$25, then 3.0% on the remaining amount of the sales price up to \$1000. For example, if the sales price was \$45, the seller would be charged 5.25% of the first \$25 (\$1.31) and 3.0% of the \$20 that is remaining (\$0.60). Together the total final value fee would be \$1.91 for an item that sells for \$45. If the sales price is above \$1,000, the same rule will apply, but the remaining amount above \$1,000 will only carry a fee of 1.5%.

eBay Buy It Now Fees

EBay charges sellers a fee when they elect to add the Buy It Now option to an auction-style listing. The Buy It Now option allows buyers to end the auction early by opting to purchase the item immediately at a price specified by the seller. If a buyer chooses to Buy It Now, the auction will end instantly and no other buyers can bid. The fee is based on the value of the Buy It Now price specified by the seller. This fee does not apply to Fixed Price or Store Inventory Format listings.

eBay Buy It Now Fee Chart

Buy It Now Price	Fee
\$0.01–\$9.99.....	\$0.05
\$10.00–\$24.99	\$0.10
\$25.00–\$49.99	\$0.20
\$50.00 and above	\$0.25

eBay Feature Fees

eBay offers a number of listing upgrades to enhance the look, feel and visibility of your item listing. By enhancing your listing with additional features, you can potentially create more interest in your item. For more information on each individual type of feature, please visit www.ebay.com.

Feature	Fee
Gallery Picture.....	\$0.35
Scheduled Listing.....	\$0.10
Bold.....	\$1.00
Gift.....	\$0.25
Value Pack.....	\$0.65
Gallery Featured.....	\$19.95
Subtitle	\$0.50
Border	\$3.00
Highlight	\$5.00
10-Day Duration.....	\$0.40
Listing Designer	\$0.10
Homepage Featured.....	\$39.95
Featured Plus	\$19.95
List in 2 Categories	(doubles most fees)

PayPal Fees

PayPal charges fees to sellers based on the amount of business they transact with PayPal each month. Keep in mind that this total is the total dollar amount of your transaction, which includes the sales price, shipping and handling, insurance or any additional services that the customer pays extra for. The fees vary from 1.9%–2.9% depending on your volume, and have an additional \$0.30 charge per transaction, no matter what volume level you are at. Here is how it breaks down:

Monthly Volume	Fee
Less than \$3,000	2.9% + \$0.30
\$3,000.01–\$10,000	2.5% + \$0.30
\$10,000.01–\$100,000	2.2% + \$0.30
\$100,000 or more	1.9% + \$0.30

Postage Rates

Postage rates can be a little tricky to figure out ahead of time, but depending on the types of products you are selling, you may be able to standardize this a little bit. Postage rates are based on the weight and shipping destination of the package. Please check *www.usps.com* or *www.ups.com* to calculate postage rates for your items.

Listing Formats: Auction, Fixed Price and Store Inventory

EBay allows you to choose one of three different listing formats when you list your item for sale. Each format has its advantages and drawbacks. Here's a brief introduction to each format right now, and you will learn in greater detail about the benefits of each type of format as you continue on through the book.

Auctions

The Auction Format is the most traditional listing format on eBay. Using this format, buyers will have a chance to bid on your item and compete to win the auction at a price that is determined completely by how high the buyers bid the item up. With the auction format, you will be given the option to add a Buy It Now price for an additional fee. This will allow bidders to purchase the item instantly at a price that you specify. If a buyer chooses to buy the item now, the auction will end immediately and no other buyers will have a chance to bid. An auction-style listing will be visible to buyers when they search for an item on *www.ebay.com* and when they are browsing through product categories.

Fixed Price

You can also choose to list your item using the Fixed Price Format. With Fixed Price, you only specify a Buy It Now price; there is no bidding like there is with the auction format. There is no additional Buy It Now fee for this format, as the Buy It Now feature is already included in your cost to list the item as a Fixed Price listing. A Fixed Price listing will be visible to buyers when they search for an item on *www.ebay.com* and when they are browsing through product categories.

Store Inventory Format (SIF)

The last option you have is the Store Inventory Format. Store inventory listings will not usually show up in general search results on *www.ebay.com*, but are visible when buyers are browsing through your eBay store and when other special conditions apply. This format has much cheaper insertion fees, but is much less visible to customers than the auction and Fixed Price formats.

Now that we have covered some of the basics, let's start with some examples. I will cover specific benefits and tips related to each of the individual fees and how you can use these rules to your advantage in Chapter 4: Hidden Tips and Tricks to Cut Costs and Boost your Profitability. Remember, you don't need to memorize these numbers or take it all in at once. Each example has been included to show you how different listing options can impact the profitability of your listing.

Each example will show you the listing format, price you are listing the item for, your cost of goods, cost of postage, and any eBay and PayPal fees that apply. Keep your eye out for differences in the listing options chosen for different examples. You will see some examples using the Fixed Price format and some using the auction format. You will also see examples using listing upgrades like the gallery feature and examples that do not have any listing features selected. Watch how each one of these little decisions changes the net profit for the item. I will point out important numbers in each example as we go through them. Now for the examples:
