

PESA Keynote: Lorrie Norrington

April 23, 2008

Thank you PESA for the warm welcome... I am delighted to be here this morning for several reasons.

First, I'm always happy to come to New Orleans. In selecting this site as your 2008 destination and in dedicating a day to Habitat for Humanity, you demonstrate once again the sincerity, compassion and desire to help others that has always been a big part of the eBay community and PESA members in particular.

Like many organizations, eBay and our employees donated time and money following Katrina.

As well as giving a million dollars to the Red Cross, we also gave more than one million dollars cash directly to sellers living in the most affected areas.

The fact that over two and a half years later that these communities are still rebuilding is a testament to the scale of devastation and eBay wants to recognize your efforts by announcing today that we will contribute an additional \$50,000 to Habitat for Humanity in the name of eBay Sellers everywhere.

Unfortunately, I cannot be here Friday, but many of my colleagues including Richard Brewer-Hay, eBay's corporate blogger will be here representing eBay, and I have asked Richard to share his experiences with the entire community

via the eBay Ink Blog, that's [ebay i-n-k blog.com](http://ebay-i-n-k.blog.com), upon his return to San Jose. So please check it out.

I'm also delighted to be here today, because I'd like those of you – whether you are a casual or professional seller - who aren't currently selling on eBay to start.

I hope what you hear today will convince you that we want your business and that eBay is the best place for your business.

Finally, and most importantly, I am delighted to be here because one of the great privileges of my job is meeting with customers.

Yes –I know a few of you may be jet lagged, but you heard me - eBay sees you as a customer and we value your business.

Today, everyone at eBay recognizes that we have to fight hard each and every day to win your business because you – along with our buyers – are our customers.

Back in January when I took on my role as President of eBay Marketplace Operations, I along with our new CEO, John Donahoe and other eBay leaders, developed 3 goals for eBay:

1. We are going to make eBay easier and safer to use – for buyers and sellers.
2. We are going to improve the value and selection on eBay.

3. We are going to extend PayPal's leadership position in online payments to create a safer buyer experience.

In describing our approach to these goals, we have been explicit that the key to success is improving the eBay buyer experience. We've been very clear that sellers who deliver bad experiences to our buyers make it difficult for everyone.

We believe it is plain and simple.

Confident and happy buyers will spend more money ... and on eBay that means more sales and better prices for good sellers.

However today, I'd like to make clear that to excite and engage our buyers, we also need to improve your experience

– the seller experience and make eBay the best way for **all** sellers – small and large -- to reach buyers.

Scot Wingo, at the ChannelAdvisor Conference earlier this month suggested that eBay remains the single best place to quickly convert your inventory into cash.

But we know, that to continue winning your business, we have to make eBay a more attractive place for you to do business.

Let's take a look at three areas in which we have made recent investments to win your business every day:

1. Pricing,
2. Seller standards and incentives and
3. Feedback.

Let me start with pricing.

We knew from many of our seller conversations that the risk of selling on eBay had simply gotten out of whack with the economics necessary for your success. In response, we made several bold moves that were intended to align our success more closely with your own. We lowered insertion fees and adjusted final value fees, creating a structure that shifts much more of the risk of listing an item onto eBay.

As most of you know, we also made Gallery free in the U.S. because we knew that buyers clearly preferred items with pictures. That's why I'm happy to report that the Gallery adoption rate among sellers today is nearly 100 percent across all categories. Thanks to all of you for making that happen.

Over the coming months we'll be making more price changes that will improve the economics of selling on eBay. Expect to see more success-based pricing, category specific pricing and financial rewards for those sellers who are creating great buyer experiences.

Okay, that was pricing. Let's talk now about seller standards and incentives.

During Q1, we began using Detailed Seller Ratings, or DSR's to offer PowerSellers discounts based on the quality of their customer service. And, we began to increase exposure for listings in search results for all sellers who consistently attain high DSRs – in other words, sellers who provide the best buyer experience.

I want to focus on DSRs for a moment because I know this is an area where you have lots of questions.

In plain English, Detailed Seller Ratings are a way for us to measure buyer satisfaction on eBay and track it – by seller – across the entire site. It measures across the four criteria eBay buyers tell us are most important in building the confidence they need to bid and buy more. These are:

1. Item As Described
2. Communication
3. Shipping Time
4. Shipping & Handling Costs

And, I'd like to be very blunt, for a moment, high DSR scores reflect a great buyer experience -- and are the key to your success.

Sellers with strong DSR scores are going to fare very, very well on eBay. You will get better pricing, better visibility and an unmatched opportunity to reach customers and turn inventory to cash.

And the Seller Dashboard will give you the tools necessary to proactively manage your eBay account, track your DSRs, and measure your success on eBay.

If you already have great DSR scores, take a moment to congratulate yourself because your business practices are going to continue to make you very successful on eBay.

On the other hand, I want to be clear about what happens if you're not making the grade. If you do not perform well against the criteria buyers care about most, you will not be successful on eBay. We will not apologize for this ... but, if you are willing to try, we will be there for you to help you raise your game.

Dinesh and Todd, can you please stand up... In fact, can the eBay team please stand up...

Dinesh Lathi and Todd Lutwak from our Seller team, along with about 10 others from different areas of the company are here with me today, and I encourage you to seek them out and exchange contact information so that they can talk specifically about your needs as a seller. So we're here to help...and we will....

However, if you cannot, or will not change business practices to provide a great customer experience, then eBay is not for you

– As I said before, sellers who do not make customer service a priority make it difficult for everyone and are not welcome on eBay.

Let's take a minute to look at seller incentives -- for the PowerSeller discounts, we intentionally set the bar very high, but still within reach of most PowerSellers. I know some of you are still skeptical, so let me give you a few data points that demonstrate that high DSR scores are achievable:

First of all, we said our goal in January was to have 60% of PowerSellers qualify for at least the 5% discount (and our

target for the highest discount was 15%) We went on to say that we would watch the numbers very closely and if we determined that the bar was simply too high, we would reconsider the threshold.

Well, I'm proud to say that we have Q1 results....all sellers have improved their DSR scores over the last 10 weeks, and as expected, 60% of PowerSellers – in fact 63% - did qualify for at least a 5% discount on both their March and April invoices.

But, to be “straight-up” with you, our math was a bit off when it came to the 15% discount, which is awarded to PowerSellers with DSR scores of 4.8 and above. Back in January, we said our expectation was that 15% of

PowerSellers would qualify for the larger discounts...yes, that's a 15% discount for the very best 15% of eBay sellers.

Today, I'm excited to say that eBay sellers actually doubled that goal– or 30% of all PowerSellers, have qualified for the 15% discount.

And while this is going to cost eBay considerably more money than we anticipated, frankly, it is some of the best money we have ever spent.

So what's happening here... it's simple, the buyer experience is getting better. In fact, the average DSRs for “Communication” and “Shipping Charges” have seen the most improvement. This is an indication – again an early one – that sellers are embracing

DSRs as a means for tracking their success with buyers and using them as a tool to deliver a better buyer experience.

We are really pleased with the response from our sellers, who have again demonstrated the innovative and entrepreneurial spirit that has helped make eBay what it is today and what we know it will be tomorrow.

Let me finish talking about DSRs by touching on a point that has been raised by many and that is the misperception that shipping cost DSRs on cross-border trade are dramatically lower than domestic DSRs.

That data is in as well and on average, PowerSellers' shipping cost DSRs for cross-border trades are only **.02** points lower—So that clearly tells us that if you communicate

and set buyer expectations properly you can successfully engage in selling goods around the world to take advantage of the weaker dollar without negatively impacting your DSRs.

So we've talked about pricing and seller standards and incentives. Now I'd like to update you on where we are with Feedback.

In January, we announced a bold revamp to our Feedback system. Feedback has always been at the core of eBay's success, but let's be frank, the system as it is today is broken.

The original intent of Feedback was to enable **trust** and honesty between a buyer and a seller so that they could conduct business over the Internet. But over the last 3 or 4

years, buyers in particular became fearful of retaliation and in many cases no longer left honest feedback for sellers.

In fact, in 2007, sellers were 8 times more likely to leave retaliatory feedback for buyers – this is up significantly from only a few years ago.

Even more distressing was the fact that buyers were telling us that retaliatory negative feedback was one of the primary reasons why they reduced their shopping on eBay. This was clearly something we had to address ... and quickly.

For sellers, we believe, this is much less of an issue, because your primary concern is, and should be, whether you are paid for your merchandise. But because you don't

ship until you have been paid, this part of the equation is very manageable, particularly when your buyers pay with PayPal.

But for the buyer, they need more assurance that they are dealing with a reputable seller and that their money is safe. So, in January we announced a bold course of action. We removed a seller's ability to leave negative or neutral feedback for buyers.

Of course, this decision generated a lot of passion from our customers! This is a good thing. eBay was built on strong customer input. That input makes us stronger because we listen and allow our customers to show us a better way forward.

But in the case of Feedback, we felt strongly that this change would improve the honesty of feedback and be very

positive for buyers—which is a long term positive for all of us.

To balance this change, we said at the time of our announcement that we would be improving protections for sellers, because let's face it, there are bad buyers out there too ... and there is no place on eBay for them either.

Since January we have been working hard to deliver on our promise to protect sellers from bad buyers with input from many sellers, including some of you in the audience today.

In addition to the seller protections we announced in January, today I'd like to share with you two new buyer requirement features that will allow you to better control who you do business with on eBay.

First, you can block buyers who have had more than one Unpaid Item strike in the past 12 months – previously it was restricted to more than one UPI strike in the last 30 days.

Second, beginning in May, you will be able to block buyers who have been reported by other sellers for policy violations like Feedback extortion or Feedback abuse.

These are in addition to our existing protections.

Don't forget – buyers with PayPal accounts have an 80% lower UPI rate - Just saying!

Today we're also announcing additional changes regarding negative or neutral feedback left for you as a seller.

The first is that we will remove negative and neutral feedback left for you – retroactively – when a buyer is unresponsive to an unpaid item claim or if they respond to the claim without expressing dissatisfaction with the item or your performance

For example, this will resolve the situation where a buyer responds to the UPI claim but the response is nonsense...such as “Red Beans and Rice are Awfully Nice.”

And, we will also remove negative or neutral feedback left by buyers who have been suspended from our marketplace for Feedback Extortion or other policy violations.

Last, to ensure we're addressing your concerns around Feedback and the unpaid item process, we've increased our investment in customer service and trust and safety ...

So, I hope you'll see that we're committed to listening and supporting our sellers as we roll out these changes.

And you can expect that we will do even more.

So in summary, everything we're doing this year is to help us achieve our goals of: making eBay easier and safer, improving value and selection and extending PayPal to create a safer buyer experience.

And as you heard today, we're seeing early results that reinforce we're on track to providing better experiences for

good buyers and good sellers... and that encourages us to keep going.

Let me reinforce the highlights:

- First, based on the evidence we've seen, we're moving to more of a success-based fee model and even more category-specific pricing. It's clear to us that sellers prefer this.
- Second, DSRs are the key to getting better pricing, better visibility and access to more buyers. If you focus on improving your scores, you will be successful on eBay.
- Third, we're putting trust back into Feedback. As I said before, this is a critical fix for eBay, and we're not backing down from doing what is right for the

marketplace ... of course, we're going to make sure that sellers are protected throughout the change process.

Finally, if I can leave you with just one message from today, it is that **you're not just an eBay seller ... you are an eBay customer.** This is a change in perspective at eBay and one that I think that will benefit both buyers and sellers. It means, that we will spend most of our time, money and effort into winning your business and making sure that good sellers – whether large or small - have a great experience on eBay.

In closing, let me echo the remarks of my friend and colleague, Stephanie Tilenius, our GM of North America, who said at the Channel Advisor conference earlier this month that we are moving towards a more retail-like experience and that you will not

recognize eBay this time next year. I have to say, that made a lot of people sit up and take notice.

Good.

Let me add to that by saying we know this statement was greeted by a mixture of nostalgia, anxiety and delight.

To the nostalgic, I say, we are keeping the best of eBay: the values, the selection and the always entertaining, “only on eBay listings”.

To the anxious I say focus on DSRs; they are a point of certainty in a sea of change. High DSRs will ensure your success, so leverage them as a tool to deliver great experiences.

Because I can assure you....eBay.com is moving towards a retail-like experience, where buyers have an expectation that they won't get ripped off, that they'll find the item they want or need, and they'll get a fair price.

And if you can contribute to that environment, you are exactly the kind of seller we want on our site – and we will work hard to listen and win your business.

And finally, to those of you who are delighted with the change, in the immortal words of that great 1974 classic...by Bachman Turner Overdrive....all I can say is, you ain't seen nothing yet.

Thank you and we'll see you at eBay Live!