

# Anger rises over eBay's harder sell

By Darren Osborne

In its quest to make online shopping safer, auction website eBay seems to have stirred up a hornet's nest of discontent.

For about five million Australians, eBay has become a virtual marketplace for buyers and sellers to exchange goods, but it's not your typical market. According to eBay, the website contributes an estimated \$2.6 billion to Australia's gross domestic product.

Last month, the online auctioneer announced it would be introducing significant changes. From June 17, eBay will no longer allow direct deposits, money orders or personal cheques as a payment option, leaving buyers with only two options: online cash on delivery, or via the online commerce website PayPal, which is owned by eBay.

EBay's trust and safety director Abvate MacGibben said the changes were all about security. "You are four times less likely to have a problem on eBay if you pay with PayPal than all the other payments on the site, like direct deposit," MacGibben said last month.

"Some people will take some time to accept the change. eBay will make every effort to educate people about why this is for their safety and why it will increase confidence in shopping on eBay."

Part of that education effort has been MacGibben, along with eBay Australian vice-president Simon Smith and PayPal Australia managing director Andrew Pipolo from up to a series of forums in Melbourne, Brisbane and Sydney.

The first in Melbourne, attracted a relatively angry mob who booed and hissed the trio. While the mood in Brisbane and Sydney was quieter, many were concerned about the restriction of payment methods and its effect on the selling community.

One of the Sydney attendees was Keri van Veenendaal, regional managing director of ChannelAdvisor, a company that designs software for online traders. "There's been a lot of discussion in the US and UK about what effect this will have on the marketplace," van Veenendaal said.

She believes that while many will benefit from the increased security, some sellers are likely to lose customers and set up shop elsewhere.

"There are going to be categories in eBay that will be hit very hard," she said. "There is a lot of discussion among sellers who are building up their online store off eBay and putting what they used to pay in fees

into search engine advertising."

Another issue raised by eBay users is its direct ownership of PayPal, which has attracted the attention of the consumer watchdog.

Many complain that eBay is "double-dipping" by charging sellers to list on the website and then receiving a commission from the PayPal transaction.

One user said that many sellers had experienced problems with PayPal's sometimes erratic systems. "One guy had \$6000 transferred into his [Paypal] account . . . and it was frozen for 180 days, because they suspected it was a fraudulent transaction," the unnamed seller said.

Pipolo said the company was investing heavily to rectify these problems, including training its United States-based call centre to better understand Australia.

During the education session, eBay continued to push the "four times less likely to have a problem if you pay with PayPal" line, but refused to back up their claim with solid data.

At one stage, Smith said the figures had been verified by KPMG, but later retracted his comment after a quiet word from an eBay lawyer. But MacGibben may have let the biggest cat out of the bag when he revealed the most common complaint it dealt with was regarding goods that did not arrive as expected, or arrive at all.

"Most disputes we see on the site aren't related to fraud at all, most disputes are actually a misalignment of expectations," he said.

The eBay representatives were also asked why other third-party options such as BPAY and Australian-owned Paymate were not available.

"When I get a call from the person running BPAY saying 'Simon, somebody paid for an item on eBay using BPAY and the item doesn't arrive or is not as described we will refund them,' I will answer that call. But it is not the policy at the moment," Smith said.

However, Paymate managing director Dilip Rao said his company provided the same level of protection as PayPal, and would like to continue being a payment option.

"They have not proven in any way that Paymate is less safe than PayPal," Rao said.

EBay also claimed that its close links with PayPal allowed it to better combat fraud.

"When you combine those two sets of expertise from eBay and PayPal into how the transactions are processed, creating essentially a closed loop, it dramatically reduces

the chances of something going wrong," MacGibben said.

Rao said that was a "bit of a farphy" - eBay could quite simply share that information with the permission of the seller.

"It's easy for eBay to say, 'Are you happy for us to give your details to Paymate?' So we're asking permission. They are not providing anything that breaches any privacy laws."

One of the winners to come out of the eBay melee is locally developed website Oztion.

"Before eBay announced the changes with PayPal, we were getting on average 250 new members per day, and now we're getting 650 per day," Oztion managing director Philip Druce said. "The feedback . . . we are receiving is there's been a lot of sellers and buyers coming across because of the freedom of choice that exists."

Druce disputes eBay's claim that direct deposit transactions are four times more likely to end in a dispute.

"Our stats show that 79 per cent of transactions use direct deposit," he said.

"Out of [those] a tiny 0.4 per cent actually end up in a dispute, but out of them, 80 per cent are resolved."

Back at the Sydney meeting, one of the most vocal critics was eBay buyer and seller Maureen Capnor. She was disappointed at the lack of hard evidence backing eBay's dispute claims.

"I don't think it's credible, especially when they don't back it up with anything," Capnor said. "Most people believe this has nothing to do with safety, it has everything to do with revenue."

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