

e-Wealth Secrets

By

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Lesson Two

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Make Money From Internet Auctions & Internet Stores (Part II)

In Part I, I discussed how to *set up and run* Internet auctions and Internet stores. In Part II I will discuss how to *choose and source products* you can profitably sell on the Internet.

What Products Can You Sell?

The answer to what products you can sell successfully and profitably on the Internet is...anything and everything *people will buy!* However, some products are easier to trade in. And some have *established markets* and so attract more buyers and hence higher prices. In this section we will take a look at some of the types of products you can sell in an Internet auction or Internet store. To make it easier, these categories broadly coincide with those you will find on eBay.

- Antiques and art
- Automotive
- Books, comics and magazines
- Business, office and industrial
- Clothes, shoes and accessories
- Coins
- Collectables
- Computing
- Consumer electronics
- Dolls and bears
- DVD, film and TV
- Home, garden and family
- Jewellery and watches
- Mobile and home phones
- Music
- Musical instruments
- PC and video gaming
- Photography
- Pottery, porcelain and glass
- Sporting goods
- Sports memorabilia
- Stamps
- Tickets and travel
- Toys and games
- Wholesale and job lots



Problem Products

There are some limits on what most auction and store sites allow you to sell. Some products are *prohibited*, usually for reasons of safety, taste or some legal reason. Others are *restricted*, ie. may only be sold in certain circumstances. For example, computer software is a popular product in many Internet auctions but only genuine manufacturer's software may be sold, not bootleg copies!

Below is a list of products which can be problematic. Always check the product with the site you intend to use to see what prohibitions or restrictions apply before listing it.

Items Often Prohibited

- Airline tickets (private sellers)
- Alcohol
- Animals and wildlife products
- Catalogue and URL sales
- Counterfeit currency/stamps
- Counterfeit and trademarked items
- Credit cards
- Drugs and drug paraphernalia
- Embargoed items and items from prohibited countries
- Firearms and ammunition
- Fireworks
- Franking machines
- Football tickets (private sellers)
- Government ID's, licences and uniforms
- Human parts and remains
- Lock picking devices
- Lottery tickets
- Mailing lists and personal information
- Offensive material
- Prescription drugs and materials
- Recalled items
- Satellite, digital and cable TV decoders
- Shares and securities
- Stolen goods (who would have guessed that!)
- Surveillance equipment
- Tobacco and tobacco products
- Train tickets (private sellers)
- Travel vouchers (private sellers)
- Unlocking software



Items Often Restricted

- Adult material
- Artefacts
- Autographed items (require certificate of authenticity)
- Batteries
- British titles (e.g. Lord, Viscount, etc.)
- CFC and HCFC refrigerants
- Contracts and tickets
- Electronics equipment (must be legally approved)
- Food
- Hazardous, restricted and perishable items
- Items potentially infringing copyrights and trademarks
- Pesticides
- Plants and seeds
- Police-related items
- Pre-sales listings
- Slot machines
- Used clothing (must be cleaned)
- Used medical devices
- Weapons and knives

Note: This list applies to the UK. If selling on other international sites you may be able to sell some of these, while different items may be prohibited or restricted. Check with the relevant site first. Most of it is common sense really.

Guide to Some Popular Products

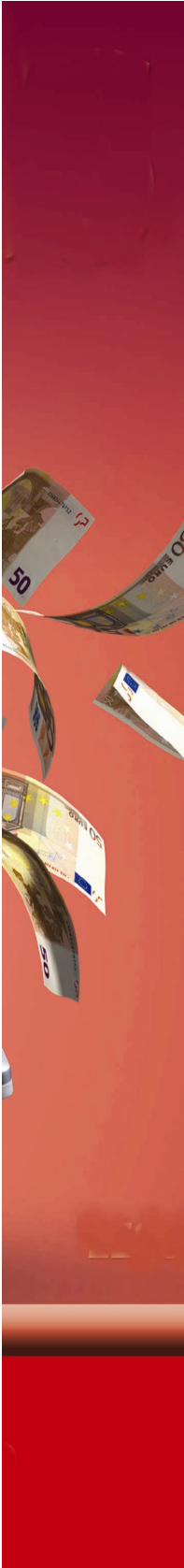
Essential Do's and Don'ts for Some of the Fastest Selling Internet Products

Due to the wide range of goods and variations on them it is impossible to discuss every product in detail. However, here are some guidelines on some of the most popular ones:

Antiques & Collectables

In strict terms, an antique is an item that is at least 100 years old. A collectable is anything with value that people collect. However, these terms are used rather loosely and seem to reflect the age of the person using them! To a teenager, a toy from the 50's seems antique. So remember, anything with collectable value can show up in an antiques category regardless of age.

Antiques and collectables are a hot market, but are notoriously difficult to identify and value accurately. Antiques experts 'just know' when something is old. You can research the 'old fashioned' way by checking with books on collectables at your local library. Visiting offline auctions to look up past results



or looking at sites operated by antiques dealers and searching the inventory for comparison pricing are two ways of assessing approximate value. Bear in mind that online pricing, especially in auctions, can reflect values far less than prices dealers tend to ask in shops. The more you look at, handle and learn about real antiques, the easier it is to spot and value them.

Reproductions can be problematic when dealing in this sector. Read descriptions carefully, as these can often be carefully written so as to trap the unwary. For example, an item described as ‘art deco *style*’ almost certainly *isn’t* from the art deco era. The best thing you can do to guard against reproductions is to specialise and learn as much as possible about your niche.

A good technique for getting the best price with antiques and collectables is never to quote a minimum price or use ‘Buy It Now’. By describing your item extensively (and attractively) you stand the best chance of finding its true market value.

Books (& Other Printed Products)

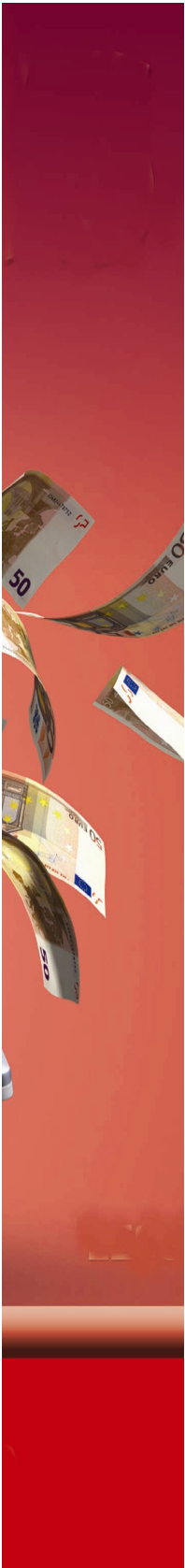
If you’re thinking about selling books, comics or magazines on eBay or on any of the other online auction or store sites, then go ahead – these happen to be one of the easiest products to sell, especially on eBay! Published products sell at prices that most Internet buyers are very comfortable with – around £5 to £50 meaning that this category has something for everybody, leading to a vigorous, hot market and a fast turnover of products which is good for buyers and sellers. Further advantages of books, are that they tend to be bought by reliable, more affluent people. They are easy to package, cheap to ship and resistant to transit damage.

You can sell all kinds of books, but as ever it’s sensible to choose a niche. A good sub-category to specialise in is rare or out-of-print books, where profit-margins tend to be higher.

The biggest challenge with books, since they all look very much the same, is writing a listing that pulls. Your listing needs to be attractive but accurate. Don’t neglect a photograph, even if the book doesn’t have an illustrated cover. Check existing listings, especially those from established trade sellers, to see the type of descriptions that you should use. Note that the book trade uses widely recognised description protocols and condition and grading standards to describe the condition of books.

Cars & Automotive Products

Motor vehicles, parts, accessories and related areas such as manuals and collectables are a popular category on eBay – especially in the USA where eBay has a dedicated eBay Motors site. The main drawback, however, is that international sales are impractical for vehicles. Also, as some buyers are unwilling to buy vehicles from an Internet auction it minimises the market and



restricts bid values.

These guidelines will be helpful when listing cars:

- Only buy and sell cars that are either *very popular* or *very rare*. Don't sell mass-market models that are hard to sell by other methods.
- Before you list, check to see how successful your car has been by checking the total number of listings that match your car and the success rate of those auctions.
- Know what price your car is likely to get before you list it. Check recent closed auctions and the average number of bids for similar vehicles.
- Set a reasonable reserve price and/or 'Buy It Now' price.
- Stress to bidders that their bids are binding. If they wish to view and test drive your car this should be done *before* making a bid.

Clothing & Fashion

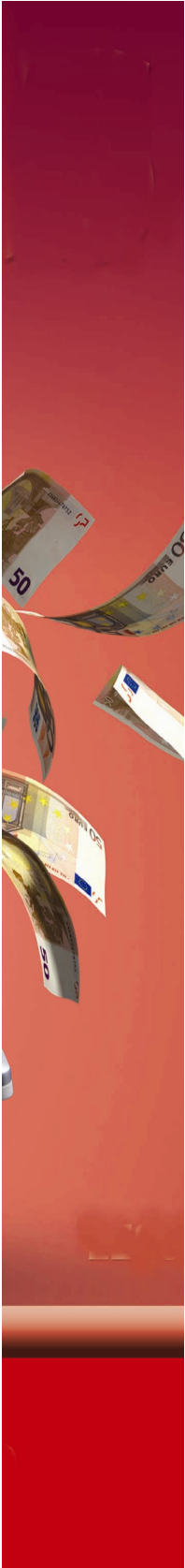
Clothing is a major category on eBay and many other auction and store sites. Within this category you can also find shoes, hats, gloves, handbags and accessories such as belts, ties and scarves.

There are three golden rules when selling clothing on the Internet: Firstly, your items must be original designer names or well-known good quality brand names. Names such as Prada or Gucci regularly appear on auction sites, and Tommy Hilfiger is the most often-sold clothing brand on eBay.com. Secondly, used clothing and similar items sold must be in perfect condition (new clothing may also be sold). Seasonality is important and all clothing (even if 'past season') must be fashionable. Timeless classics and vintage clothing are also popular.

Computing, Electronics & Electrical

The categories relating to computers, electronic, electrical and related items, e.g. mobile phones, digital cameras, iPods, TV's, home cinema and music players are some of the most heavily trafficked categories on eBay and most other auction and store sites. There are probably more 'hot markets' in this category than any other. It is estimated that a PC is purchased on eBay every 30 seconds, and a digital camera every 90 seconds!

The slight downside, however, is the 'glamour factor' – everyone wants to sell these kinds of products on the Internet! So, it can be extremely competitive, with many big companies even using eBay to dispose of their surplus stocks. Obtaining good stock can also be difficult, as big brands like Sony, Panasonic, Canon etc. don't sell their latest, hottest products to small dealers.



This can be a profitable area if you have competent market and product knowledge and good contacts to source merchandise. One way you can succeed is with overstock and closeout merchandise, especially if you know what is selling right now and work on small margins to turn your inventory over often. Remember that most computer and electronic equipment loses value fast as new technology supersedes it. The sooner you sell the more likely you are to get a great resale value. Keep up to date with the latest hot markets - by doing regular searches on eBay - as they change fast.

If you are looking for a more manageable niche market then there is also a significant market (on eBay) for ‘vintage’ hi-fi equipment, cameras, obsolete computers and so on. Even old reel-to-reel tape recorders and original Apple computers have their enthusiastic followers!

Jewellery

Jewellery (including watches) sold in Internet auctions and stores tends to fall into two categories – ‘second hand, high end’ goods and ‘new, low priced’ goods. At the high end you will find exclusive products from brands such as Cartier and Rolex, for which there is a good market, but which is quite specialised. The bulk of jewellery and watch sales are for as little as £5 and rarely over the mid-value limit of £50.

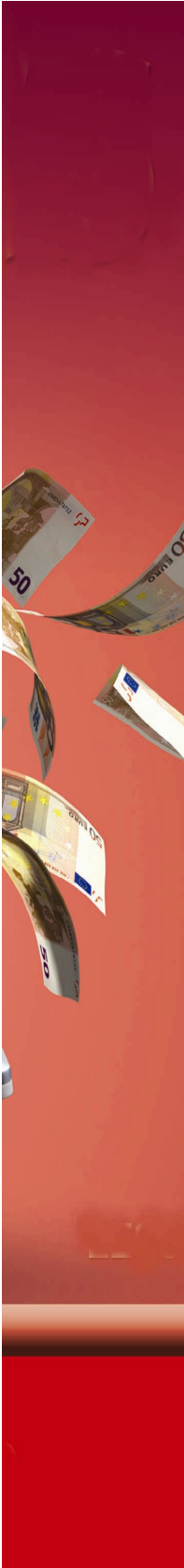
There are lots of jewellery sellers on eBay. So you need to find a niche which can set your products apart from your competitors. For example, jewellery which uses a unique mineral, or reflects design influences of a particular culture. It’s also important to have a reliable source. Most jewellery sellers on eBay source their products from wholesale suppliers but some make their own jewellery.

Jewellery calls for particular skill in marketing. Remember, jewellery is an emotional and often impulse purchase. When sold on the Internet it can’t be picked up and examined, nor placed on the finger and admired. So the aim must be to convince the buyer that they don’t have to hold the item in order to buy it for themselves or whoever they’re buying it for (over 50% of buyers are men, for themselves or a gift.). Your listing needs to do that for them. It’s essential to have an attractive listing with detailed descriptions, a welcoming tone and clear photos.

Also, using the ‘Gallery’ on eBay can be a good option for jewellery and watches, since there tends to be a higher-than-average level of browsing.

Sports Related Products

This category covers a wide range of products such as clothing, equipment and instructional materials. However, one of the most popular areas with serious online profiteers is sports memorabilia. In the past 25 years, the value of sports memorabilia has risen faster than almost any other collectable, making it an obvious candidate for Internet auctions and stores.



Most US and international sites are dominated by baseball, but all sports memorabilia is now collectable, from tennis to motor racing, boxing and football. A general guiding principle is 'older is better'. For example, materials from the 1940's and 1950's are relatively rare and therefore more valuable. But find someone qualified to give you an appraisal if you're not sure about the value of what you buy and sell. For example, try a local programme shop, Also, collectors' magazines have advertisements for authentication services.

Only sell day-to-day items on the Internet. If you have any really high quality items among your sports collectables, take them to a conventional offline auction house for the best return on your investment. Watch out for bids from dealers! They may only offer half of what the item is worth because they need to sell it on for a profit.

Fake items can be a problem in sports collectables. If possible, include evidence to get the best price. For example, a signed England team shirt is good, but a photograph showing the player signing it for the original owner is even better.

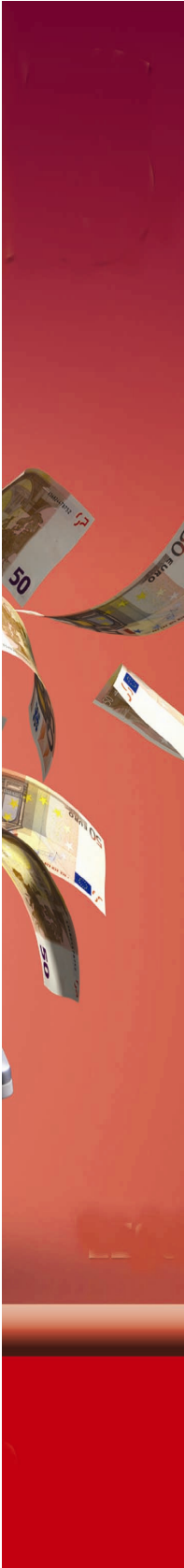
Finally remember that prices of sports memorabilia vary from year to year and month to month. Good bets are often items related to retired players as values fluctuate less.

Stamps & Coins

Stamps and coins are perfectly suited to Internet auctions or stores. There is a long history of these items being sold at traditional public auctions so collectors are already used to bidding competitively. They are in strong demand from a wide range of potential bidders and the Internet allows for cost effective cross marketing to a larger audience than is otherwise reachable. Also, because certain conventions of description and cataloguing are accepted around the world, a wide audience will understand a standard description. A recent market survey in the USA estimated the US stamp market alone as being worth US\$967 million a year, with 6.8 million collectors!

On the downside it is important to note that the vast majority of stamps and coins have modest value, even if they are very old, so large profits can only be achieved through High Volume Listing. Only the very rarest stamps and coins are worth hundreds or thousands of pounds. Also, collectors are a very fussy group of buyers. They tend to spend their money with those who take the time to accurately and fully describe their goods, provide good photos, and offer satisfaction guarantees.

When selling stamps and coins it is essential to try and estimate value accurately. Buy, or find at the library, professional catalogues (most UK stamp collectors use Stanley Gibbons, while US collectors use 'Scott's Catalogue'), learn how to correctly use the catalogue and absorb the technical language. If you



need assistance in stamp identification, or want to find further Internet resources, the eBay Users Stamp Club is good. This site provides links to a wide variety of valuable information as well as recommendations as to literature needed.

Tickets & Travel

Internet auction sites and stores are in many ways the perfect marketplace for selling tickets to a variety of events, such as sporting, music and cultural events, and travel including airline and ferry tickets and package holidays. However, this product market is a little more complex than it might appear.

eBay.com in the USA has very quickly become a popular outlet for consumers to sell tickets. Their ticket auctions are seen by over 2 million visitors per day, making it one of the top ticket buying marketplaces in the world. However, in the UK the market is less mature. Anti-touting regulations make the market more difficult and only commercial sellers can sell some tickets. If, however, you can source tickets it can be a good market. Some online profiteers specialise in winning competitions which offer tickets as prizes, or taking up discount travel promotions in newspapers, and then reselling the tickets on the Internet! If there's a buck to be made, someone's at it!

One of the problems with selling tickets and travel is that buyers are cautious about scams, especially those perpetrated by private sellers. So, when selling this product it is better to establish yourself as a business or agency. You also need to establish an excellent feedback record.

Video, Audio & PC

This category includes music, video and PC games in a wide variety of formats including 'old fashioned' vinyl records and cassette tapes to CD's and DVD's. These products are well suited to Internet selling as they have a large demand and low, affordable prices which leads to large numbers of bids. However, note that only genuinely collectable items will attract high prices. Here are some tips:

- Gather as many of one subject area as possible and list them all on the same day. Have all of your most valuable items at the top of your listing. However, if you have several copies of a popular item list only one at a time.
- Search for previously finished auctions of all your items, noting their ending price. Set minimum bids at 50% of the end price.
- Have photos of all products. Describe them in a positive way. Include label information and catalogue number etc., which is important for serious collectors.

- If you know the item is rare, say so. (Eg. In the case of a record post pressing info., year, lack of represses, the number of plates pressed, etc.)
- Grade the product fairly. Mention any scratches etc. Include the sleeve/cover, as this is important to some enthusiasts.
- You'll always get more money selling these items individually rather than as lots. But, if copies of a product are not selling for others, put them in a bundle.
- If you have a lot of items to sell just auction list your best ones and include a link to your own website where others are listed. (If you have your own site you can also include audio clips.)
- Always be willing to 'ship worldwide'. The most enthusiastic buyers are often overseas.

A growth area for the future will be *downloadable media*. However, most auction and many store sites do not permit this for copyright reasons. eBay is piloting it, but its sale is restricted to selected authorised sellers.

Important Factors to Bear-In-Mind When Sourcing Products

There are a few general principles to keep in mind before you begin sourcing products:

1. You make your money *when you buy*, not when you sell!

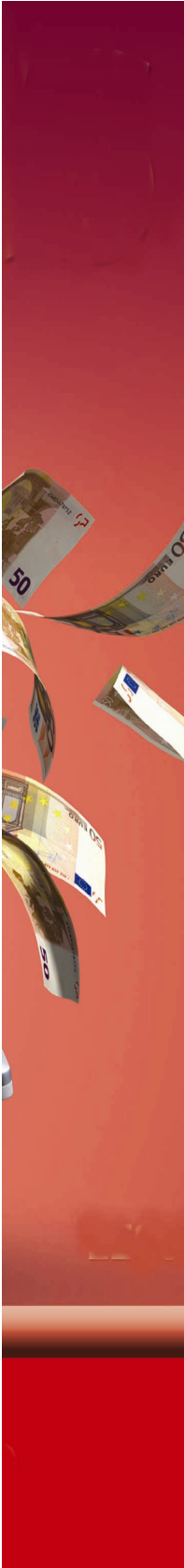
This simple fact is overlooked by most small and amateur sellers. If you buy a product that is popular and in a hot market you can almost always sell it for a profit. It's much easier than trying to sell an unproven product, no matter how low the price. And, generally, you'll make more money by buying at a low price and selling at a low price than buying at a high price and then trying to resell at a high price.

2. Buyers are looking for a bargain.

People love the excitement and suspense of bidding in Internet auctions. But in the end, it is the potential for a bargain that makes them play the game. Visitors looking at your auction listing have to see your product as a real deal, whether it's for a lower or high-priced product.

3. Most successful Internet sellers rely on only a handful of sources of supply.

To understand why, let's look at the natural progression that most sellers go through (visualise yourself doing this). First, they sell one-off items that they find



at car boot sales and other local outlets. These aren't repeat products, simply isolated items that attract their attention. Then, many get 'auction fever'. They begin to see the enormous profits to be made in Internet selling. So they begin searching for a regular supply of goods that they can sell again and again. Finally, they begin to exercise their muscle as buyers with a ready market to sell into. When you get to this stage, you don't need dozens of suppliers but only a relative handful of reliable suppliers from whom you can buy in bulk at the lowest prices.

How to Source Goods for Internet Selling

One of the most exciting things about selling on Internet auctions and stores is that there are so many different possibilities for sourcing goods. Here are some of the sources and the pros and cons of each:

Your Home: Start by looking around your own home at the stuff that's collecting dust on shelves, stashed in the back of cupboards, or in the attic or garage. Although you'll run out of stock from this source quickly this is a great way to *test new product ideas* and feel your way with this whole business.

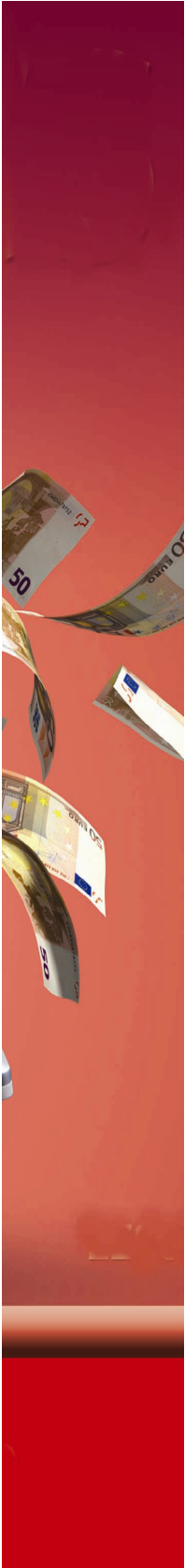
Friends And Family: Tell people you know, not to throw anything of value away until you've tried selling it on the 'net! You could also consider offering a *selling service* for members of the public who would like you to sell their goods on the Internet for them in return for a commission. This kind of service is already popular in the USA.

Second Hand Shops: Junk shops, charity shops and even pawn shops can be a tremendous source of bargain-priced merchandise that will sell for much more when exposed to the wider Internet marketplace. Only go for good quality items, preferably brand names or collectable items. (TIP: You'll rarely find anything worth much at jumble sales.)

Car Boot Sales: Many shrewd sellers make a comfortable living spending one or two days a week shopping at car boot sales for items that will fetch many times what they cost when sold online. Look for items being sold by genuine private sellers (not traders) which are often undervalued.

House Clearances: If you have access to transport and storage, advertise that you carry out house clearances. When you make such a purchase, select the very best items to sell on the Internet, list those items, and then sell the rest through other methods.

Discount Stores: Look for items at discount stores and factory outlets that typically sell for much more in High Street shops. One good method is to buy end-of-season lines – such as summer designer clothes or sunglasses in autumn, or ski wear and equipment in spring – and then hold them for a few weeks or months until people want to buy them again.



Newspaper Small Ads: Newspaper small ads. can be a good way of sourcing stock as long as you're discerning about what you buy. Items should be in good condition and of good quality, preferably well known brand names.

If 'Loot', the free-to-advertise newspaper circulates in your area then this can be a good source, as can 'Ad. Trader'. Otherwise, look in your local newspapers and freesheets. Often it is a case of the best bargains are available in the smallest local newspapers, since they have fewer readers and sellers won't get many offers for whatever they're selling – you'll get thousands more interested buyers and much stronger bids on something like eBay.

Another method to try here is to advertise for *goods wanted*. This works well if you know exactly what you want to buy to sell and can be fairly specific, so you only get good offers. For example 'Pre-War Dolls Wanted For Cash' or 'Model Trains Bought'.

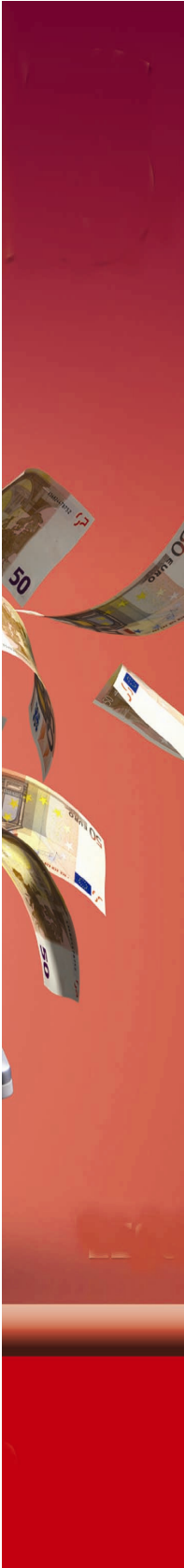
Conventional Auctions: Conventional 'offline' auctions can be an excellent and reliable source of stock. For regular supplies, look particularly at bankruptcy/liquidation auctions or auctions of seized goods. Remember that you don't even have to attend many of these auctions nowadays as you can bid by telephone or even over the Internet.

Manufacturers and Wholesalers: As a regular online trader, even a part time one, you're entitled to buy from manufacturers and wholesalers just like any other business. (For more information on using this important source see later.)

The Internet: The great thing about selling on the Internet is that you can also *buy goods for resale* on the Internet too. You can buy your product lines from other auction and store sites, or from companies who sell their goods on the Internet in the conventional way.

Don't think that there is no profit margin in selling something on the Internet that you have just bought on the Internet because thousands of successful traders are proving that isn't the case at all. Yes, your buyer could have bought the same product from the same place as you did and saved themselves a lot of money, but in most cases they don't. Maybe they don't know how cheaply they could have bought it, can't be bothered to shop around or maybe they've only just 'moved into the zone' for that product. This gap between buying and selling does mean that you can buy and sell things on the Internet, sometimes within days or hours, for tens, hundreds or (occasionally) thousands of pounds more than they cost you!

Successful Internet profiteers have discovered that, for example, you can buy something on a relatively little known Internet auction site and sell it for £££'s more on eBay (and vice versa). That you can buy something cheaply on eBay.com, for example, and resell it for a lot more on eBay.co.uk. And that you



can buy something cheaply in an Internet store and then auction it off almost immediately for lots more!

More Advice on Buying Stock from Wholesalers & Manufacturers

As your sales expand you may wish to start buying from wholesalers and manufacturers, this can be very profitable But, only if you choose your buying sources carefully.

First, a cautionary note: The Internet is full of opportunities to buy lists of wholesalers and manufacturers. But save your money. You can get the same quality of information (or maybe even better) for free by using any of the popular search engines and typing in keywords such as ‘wholesale’, ‘manufacturer’ followed by the item you wish to buy. And don’t forget that there might be good suppliers locally – so use your local knowledge, ‘Yellow Pages’ and trade directories at the library. You can also purchase wholesale quantities through eBay. Look under the ‘Large Lots, Wholesale’ category.

Be very specific and discerning in your approach. Think about the type of products you want to sell, and then look for the best manufacturers and wholesalers at the best price. Find companies who are reliable on both price and quality and who are flexible, eg. they can supply a handful of items or a few hundred. Ask for samples first. Remember that trade prices are usually negotiable, and you can often get a bigger discount if you ask for it!

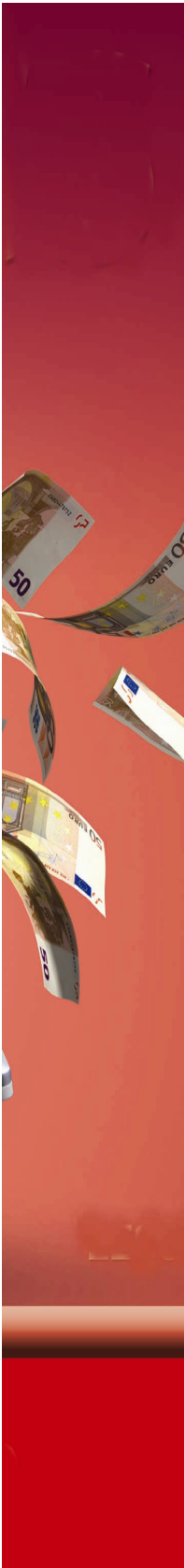
Dropship as a Source of Products

Some successful Internet sellers choose to dropship. You may be surprised to learn you can sell merchandise you don’t own, may never see, and best of all, don’t have to ship. There are many companies who will dropship for you.

Dropship is a sales strategy used by many wholesalers and manufacturers, especially small companies. These are often companies who can’t afford extensive TV and newspaper advertising. Therefore, they will dropship their merchandise at reduced prices for small buyers like you who sell it for them. You sell on auction and store sites and then they send it to the customer for you.

It’s a win-win situation. The company sells more merchandise than they could ordinarily sell, and you win because:

- You don’t have any risk. When you make a sale you receive full payment from the buyer and send only the trade price to the supplier. You pocket the difference. Most dropshippers will ship to your customer in your name. If the products don’t sell, you have not risked your money and have no capital tied up.

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- You do not have to bother with the shipping and handling of these items. You are free to pursue finding more exciting goods to sell. And there are no goods to store.
 - Many of these companies have professionally created catalogues and/or photos that you can use on your auction or store site, sometimes just by copying in their coding.

More Advice on Buying Stock on the Internet

There are two ways to buy goods from Internet auctions or stores. You can either *search* for specific items or *browse* the categories a bit like strolling through a cash-and-carry looking at what is for sale!

When you browse a category, you're presented with all of the listings in that category. With an auction, the listings at the top of the page are the auctions that will end first. You can also view auctions that are 'new today' or 'ending today' by selecting the appropriate option at the top of the page. The listing can be sorted by clicking on the column label at the top so that the listing can be sorted by price – either high to low, or low to high.

Here's a good strategy when you use the Internet for stock buying:

Do Your Research

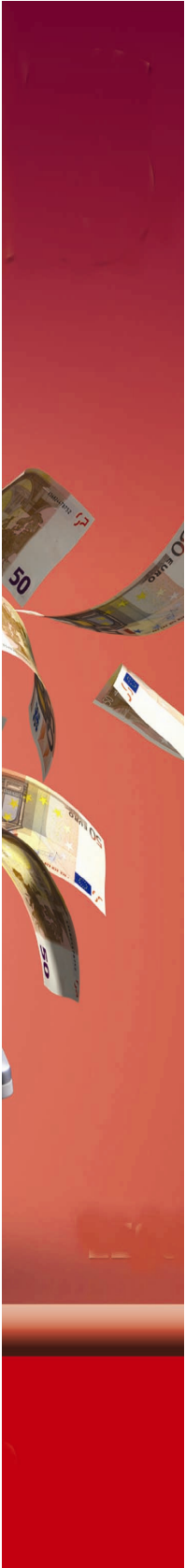
Become knowledgeable about the typical market price for the items you are buying – remember eBay is usually the largest 'typical market'. Reviewing 'completed auctions' should give you a good idea about what the going market price for your item is. Reviewing 'current auctions' may not give you a good idea as to the market rate because for some items much of the bidding occurs in the final day or even the last hours or minutes of an auction.

If you're looking to buy new products, be sure to check *other* online sources of the product that you are interested in, especially Internet stores, for example, amazon.com. Occasionally you will find that you can buy your stock from an Internet store for less than you can buy it at auction!

Know How to Search

Become a search expert: Find every auction selling the item you want. The greater the selection, the greater the chance that you're likely to find a good bargain. Several special software packages and Internet services can help you search for auctions. For example, ItemScout can conduct a much more thorough search of eBay than eBay can itself!

Always try different spellings and different terms for the item you are shopping for, as well as *misspellings* (more about this later). Use both the plural form and the singular when searching. For example, if searching for Ernest Hemingway books try 'Hemingway books' or 'Hemingway book'. These two



searches will return two different sets of search results. Also, try very specific searches – like ‘Ernest Hemingway first edition’ – or very broad searches – like ‘Hemingway’. Also search on misspellings such as Hemmingway.

To save title space, every category on eBay in particular seems to have developed its own language of abbreviations. For example, for books, ‘DJ’ means that the book has a dust jacket, ‘1st’ means that the book is a first edition. As you review the listings, take note of these abbreviations and you will be able to use them to your advantage during searches.

Read Between the Lines

Read the item descriptions carefully: Caveat emptor buyer beware! Pay close attention to condition information. Scrutinise exactly what the seller says and, just as importantly, what they don’t say.

For every listing, you should answer the following questions: Is it new? If so, is it also still in its original packaging? Is it in good condition? If so, does this just mean its cosmetic condition or is it also working properly? Is it reconditioned? Is it being sold: ‘as is’? (often this means there is some kind of fault). Is it, for example, a genuine ‘Victorian’ artefact, or just ‘Victorian *style*’?

Don’t Forget Feedback (Again)

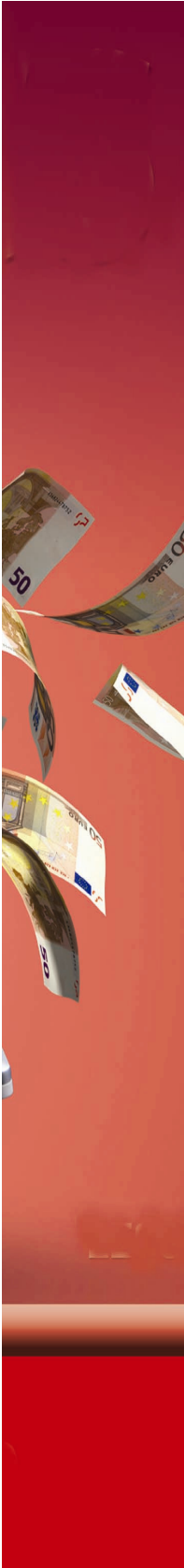
Check sellers’ feedback ratings: An easy way to review a sellers’ feedback is to click on the number link next to the seller’s name (on eBay). The letters ‘B’ and ‘S’ in the column to the right of each feedback entry indicate whether that the member was a Buyer (B) or seller (S) in that transaction. Avoid sellers with negative feedback ratings. Be wary of sellers that have a history of many negative comments or a few recent ones. But before you pass judgment on a seller with a few negative posts you might want to read some of the comments to determine whether they were justified, or just placed there by a mischievous buyer.

Stay Calm!

Don’t get emotional when bidding. It’s not failure if you do not win an auction. Experts use a so-called *sangfroid* (cold blooded!) approach. Before you place your bid, decide the highest price you’ll pay for that item. Then don’t ever bid over that amount. Like most auction buyers you might have an inbuilt tendency to want to ‘win, win, win’ everything, but you must remember that it is not necessary to win every auction. In fact, if you win every auction, you’ve probably been paying too much! Never be seduced by ‘once in a lifetime’ opportunities and ‘unrepeatable’ deals. With auctions, there is always another deal that is just as good or even better around the corner.

Valuable Auction Bidding Strategies

When buying from an Internet auction always have a bidding *strategy*. Your



strategy depends on what you want to accomplish in the auction. Do you need the item quickly, so you can turn it round for an immediate profit? Or can you wait until the end of the auction in the hope you'll get even more of a bargain than expected? Do you want to closely monitor the auction and outwit the other bidders? Or are you only willing to buy when little competition forces the price ultra-low? In this next section I will look at some of these strategies.

Buy It Now Bidding Strategy

If the seller has offered the option of using 'Buy It Now' and you want the item quickly with no competition, and a few pounds won't make much difference to your profit then buying it now may be the best strategy for you.

Once you've chosen to bid using Buy It Now, no one else can compete with you to win the auction. It's yours. Keep in mind however, that most knowledgeable sellers set their Buy It Now prices close to, or higher than, the typical selling price for that item. So it is essential that you're knowledgeable about values to avoid paying too much. You can also pick up some great deals using this strategy when it's obvious sellers don't know the value of the items they are selling and you can take advantage of their lack of knowledge (one reason that I recommend that sellers don't use this option).

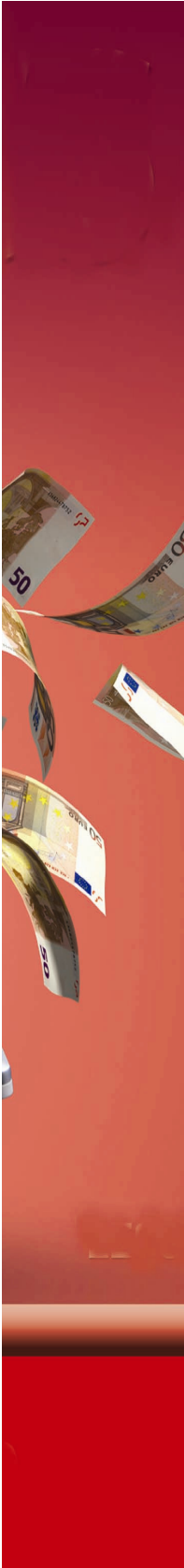
Proxy Bidding Strategy

If winning the auction is important to you but you don't have the time to monitor the auction to its completion, you can use a Proxy Bid strategy. Proxy bidding makes full use of the capabilities of Internet auction bidding. The site itself, in your absence, will bid automatically for you against any other competing bidders up to a maximum that you set. If a competing bidder eventually places a bid higher than your maximum, that buyer becomes the high bidder. To use this bidding strategy the buyer bids using a price that is the maximum that they would pay for the item.

Auction Sniping Strategy

If you want to win an auction, save some money in the long run *and* are willing to invest the time to monitor/re-visit the auction you should use a Sniping Bid strategy. Here's how sniping can save you money: Many auctions run their course with progressive bidding occurring throughout the auction. Bidding participants monitor the status of the auction and because many of the bids are placed early in the auction, bidders have a chance to reassess their personal upper bid limit. The bid price may quickly approach the market value of the item. Emotion can take over and with plenty of time to contemplate the auction and then bid again, some bidders may finally decide to bid in excess of their original planned maximum. Also, a large number of bids on an item can attract additional buyers.

Every eBay auction status line shows how many bids have been placed on



that auction. Heavy bidding activity can draw buyers who are curious to see what causes that auction to be so popular but who might not normally view and/or take part in that auction. The result can be a very profitable auction for the seller. However, in the case of an auction where a bidder snipes an auction and places their bid in the last few hours or minutes, the previous high bidders may not have the opportunity to reassess their upper bid limit and place a counter bid. In many cases, the result is that the price is not driven as high as it would have been had all bidders bid early on in the auction.

Sniping works extremely well in the case of auctions where only two or three bidders are interested in the auction. An example: Let's say that Buyer A stumbles upon an auction for a collectable which is a few days from closing. No one has bid on the auction and the minimum bid is £10.00. Buyer A knows that the item is worth around £30.00 and places a bid for the minimum amount, £10.00, expecting to win the auction and get a great deal.

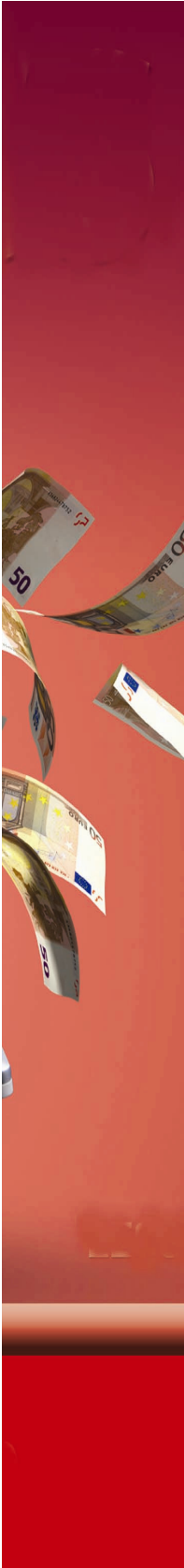
Buyer A feels there is a good chance that they will win the auction because no one else bid on the item and it is relatively late into the auction. Buyer B then views the auction after Buyer A has already bid, but did not bid at that time knowing that if they did bid then, Buyer A would then know that another bidder was interested in the item and would have a chance to see his higher bid and possibly place a counter bid. So Buyer B decides to try to 'snipe' the auction and waits patiently until the last few minutes of the auction, lulling buyer A into a false sense of security and then begins bidding. In this case, all Buyer B needs to do is put in a bid for £10.50 (if the bid increment is 50p), and unless Buyer A is watching the auction closely, Buyer B will win the auction. (eBay will automatically send an e-mail to Buyer A notifying them that they have been outbid, but it may be too late to act upon.)

A defence against other people sniping is to use eBay's proxy bidding capability and bid the highest amount that you would be satisfied paying for that item. In the case of popular items, if you are the first bidder and bid the minimum, assuming that the item is worth the starting price, you are likely to quickly get outbid or sniped.

There are auction users who have a strong aversion to the auction sniping practice and call it unfair. But the practice of placing bids during the last hours or minutes of an auction does not conflict with the principle of an auction or any of eBay's rules or policies. You can also use automated sniping software to do this if you wish.

Minimum Bid Strategy

If you want to pick up a good deal but you're not necessarily interested in winning every auction, you should use a Minimum Bid strategy. (This is a buying strategy used by many who re-sell items on eBay.) Many buyers place the minimum bid because they are comfortable with that bidding method and/or want



to maintain positive control over their bids. It is also a way to get really good deals on items where no one else bids on them.

When you place a minimum bid bear in mind that any other bidders that place a bid on that auction will become the high bidder. The buyer using minimum bidding must either re-visit the auction and place additional bids as the auction moves higher or be comfortable with the fact that the next bidder will become the high bidder. But what is the upside? *If no one else bids, you get a great deal.* Otherwise, you don't care if someone comes in and snipes you. Some experts (especially those who resell on eBay) place minimum bids on a great number of auctions expecting to be outbid on many of them. Most of these they don't win, but for those they do win, they get great deals.

How To Find Bargains When Buying Stock

If you wish to use Internet auctions or stores as a means of buying stock as well as selling it here are some tips for getting the best bargains. (These are also problems to avoid when you are selling your goods!)

As a general principle: The best deals are to be had from sellers who have *not done a good job marketing or describing their items*, especially for these reasons:

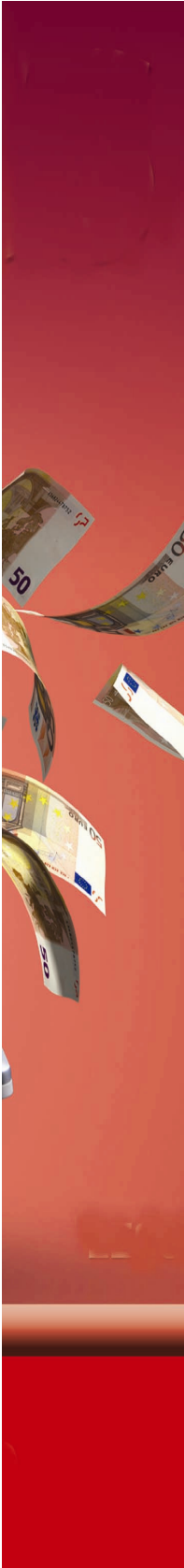
Inadequate Descriptions

Inadequate descriptions result in bargains for two reasons. Firstly, prospective buyers are uncertain about what they will be getting so they avoid bidding in the first place. Secondly, an inadequate description doesn't have that 'pull' factor. It makes the item sound as though it's worth less not more! Bargains can also be found in situations where a description raises more questions than it answers. For example, descriptions which don't mention *condition*.

A good situation to look out for is inadequate descriptions for new, brand-name goods. These will still deter amateur buyers but expert buyers who know their stuff know that there's little risk involved in buying them.

Misspellings Mean Profit

[I promised to mention misspellings. Products whose names are *misspelled* may not generate much traffic simply because buyers are not able to find them when they search using the proper spelling. Fewer viewers result in lower prices. (Or they might even be put off by the feeling that if the seller cannot spell they may not give very good service either!) For example, Wedgwood china is often described as Wedgewood in listings, and sometimes goes unsold as a result.



How do you find these items as a buyer looking for a great deal? By either predicting what those misspelled words might be and searching for them or by browsing auctions by category. If you find several product areas where there are frequent misspellings then keep a list of the misspellings for future use.

Can't See...Won't Buy

Many people just won't buy from a listing if it doesn't include a photo – or if the photo is blurred or poor quality. It's not just that there will be fewer bidders in an auction, but those that do bid may bid less. But if the item is a brand name, you know what it includes and if it has adequate condition information (if little else) these can be great deals.

Buy on the Worst Days (Not the Best Ones)

When buying always look for auctions that end on particularly poor shopping days or times. Because no one else is shopping on these days, there's little bidding competition. Most public holidays are good buying days. You can also get bargains from auctions that are ending during well-watched TV programmes, sporting events, good weather or when big stories happen in the news.

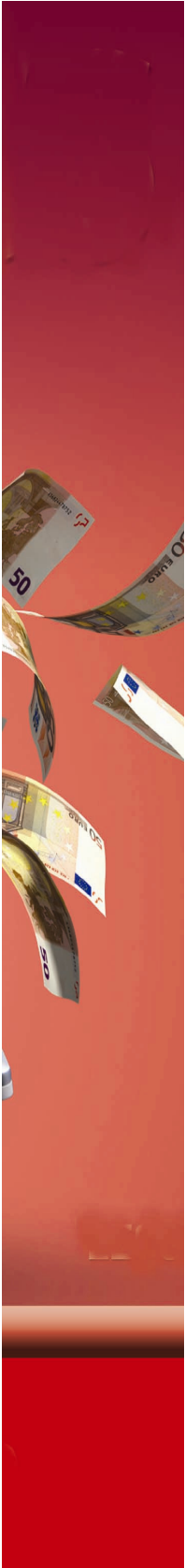
Now you're ready to buy! All that remains once you've found a bargain is to bid for and buy it in the usual way!

One last tip: It's a good idea to *save a copy of the item photograph and description* before the listing ends. Saving a copy of the seller's image file is a way of proving what was offered. (eBay maintains images uploaded to its own auction image system for a limited amount of time after the auction closes, but if the seller hosts images on a third party server, they can take the images down immediately after the auction ends.) If you receive your item and it is not in the condition shown in the photograph you have proof showing what the item should have been like.

You might even be able to use the photo and description (assuming they are good enough) when you resell the item!

Boost Your Selling Power by Adding a Website

One way to increase your Internet auction or store site sales considerably is to set up your own website alongside your existing listings. This means that you can give your buyers much more information, and it also looks more business-like. You can also make sales from customers who visit your site directly, quite separately from your auction or store listings. However, the most important aspect of using your own website alongside listings on eBay etc. is that eBay then acts as an *incredibly powerful traffic generator* for your own separate e-commerce business.



Think of it this way: A company setting up an independent Internet site starts out with zero customers. Their site might never, ever be visited unless they put a lot of time and money into marketing it. But when you connect your site to eBay and other sites through auction and store listings you automatically tap into over 50 million potential buyers! An increasing number of companies operating independent websites are also listing on eBay purely for this major benefit.

It is relatively easy to set up a basic website. You can even design it yourself and hosting can cost just a few pounds per week. However, remember that it is important that your website looks as professional as possible since its appearance will not only affect the sales from your website but the sales you make, and even the bids you receive, on eBay itself.

The Importance of Follow Up & Back End Sales

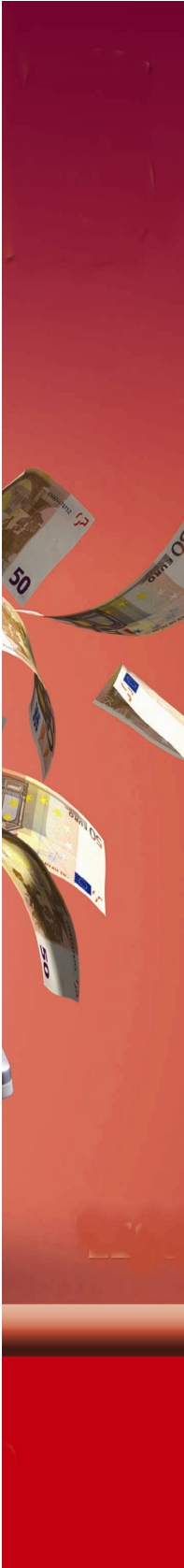
Follow up and back end sales, which are both sales of further or similar products to the same buyer, are a great way to build the highest possible profit on auction and store sites. Generally, it is much easier to sell again to a satisfied customer than to find another new customer from scratch. So, once you have found and sold to one customer you should consider them a good source of further revenue, and treat them accordingly.

Follow up all your auction winners using an e-mail to make sure that they received the item and are happy with it. Encourage them to leave you feedback, and do the same for them. This promotes confidence in future potential bidders that you are a legitimate seller.

It is a good idea to use a signature file in all e-mail communication with your buyers. Include information about your website (if you have one) your contact information, and include a 'PS' if you would like to bring their attention to another product they may be interested in. When shipping your products, include catalogues or leaflets describing any other products you have, or at the very least a business card. All this costs next to nothing, and so will generate extra sales at negligible cost.

Advanced Sales Management Techniques

Once you have a large number of auction or store listings which are active simultaneously you will need to develop an effective system for keeping track of them all. Sooner or later a paper-based system will become inadequate for this. The greatest risks are, not only can you lose sales, but you may attract negative feedback because of poor service. Worse still, you may be unable to spot profitable products and unprofitable products, or even know whether you are making a profit at all!



A more advanced way to keep track of your auctions (and in many cases obtain a complete market analysis on your products) is to use web-based *auction management services* or *auction management software*. Auction management services help sellers track multiple auctions without getting lost in a forest of e-mail bids, notifications and other correspondence. They track correspondence and bids for each auction. Some of them automatically contact winning bidders and even provide a 'checkout' to process financial transactions. They generate and store all documentation, including invoices and profit and loss figures that can be used for banking and your accounts. They often include an auction template so you can just fill in the blanks and never need to type a product description twice.

Auction Master 2000 is one of the many auction management software packages available. Some online auction management services which work through your web browser are listed in the appendix. Many of them offer a free trial of their service.

Dodges and Scams to Watch Out For

Shill Bidders

Although it is difficult to detect you need to be aware that there are some unscrupulous sellers on auction sites who are using *shill bidders*. A shill bidder is someone who is working with the seller to drive up the bids. The shill bidder may even be the seller *themselves* bidding under a different User ID.

During the course of the auction, the shill bidder makes a bid on the auction to push the price up, normally during auctions with little bidding activity or as an auction nears its close and where the current bid is much lower than the normal market value of the item. The seller knows that they will take a loss unless the price is bid up, so they use shill bidders.

One way to detect shill bidding is by reviewing the bid history for items sold by a particular seller. If it appears that the same buyer bids on that seller's auctions repeatedly, but infrequently *wins* those auctions, shill bidding might be taking place. However, this is difficult to prove so if you suspect that a seller is using a shill often the only thing you can do is avoid that seller in the future.

Bid Siphoning

Bid siphoning is when devious sellers lure buyers off legitimate auction and store sites by offering to sell the same item at a lower price. The most serious aspect of this, however, is that the goods are often not as described, or are never delivered at all. By going off-site, buyers lose any protection the original site may provide, such as insurance, guarantees, escrow or the safety-net of the feedback system.



Bid Shielding

Bid shielding is when fraudulent buyers submit very high bids to discourage other bidders from competing for the same item and then retract those bids so that people they know can get the item at a lower price.

A Word About Tax

Car Boots and eBay – Taxable, or What?

One question which is often asked is the tax status of eBay and car boot sales.

I now have the answer (at least according to this ex-inspector).

Firstly it's easy in one respect, complex in another. Here's the simple bit. If you're selling your old stuff on eBay or at a car boot, there's no tax to pay – end of story.

Now the complicated bit which concerns the definition of a 'trader'.

Take the tool store you see at most car boots – they have a huge range of mostly new tools and attend dozens of car boots a year. They are clearly traders. Their businesses should be registered and they should definitely pay tax and VAT (if over the threshold) – no question.

Ditto someone who is a full-time eBay trader. They buy and sell constantly and make a living from it. They are traders and should pay tax.

Now the complicated bit. The 'hobby' traders. They attend SOME car boots and sell more than their own junk there and on eBay. They may specialise in (say) old records, CDS or VHS tapes. They work full time at a job and only do a couple of car boots a month, usually on a Saturday.

Or take the part-time eBay trader with an interest in (say) Sindy dolls. She (let's hope it's a she...) probably started by selling her own large collection of Sindy dolls, realised there was a thriving market, and decided to trade as a hobby. She also works full time and just dabbles at this evenings and weekends. She makes about £100 a week from it.

The answer is that these people SHOULD declare their income and pay tax. Most of them do not and the Revenue do not have the resources to police it, BUT they are getting around to it as they realise there are hundreds of millions trading hands.

That's my current understanding of the situation.

Appendix of Websites: Lesson 2

Auction Management Services

Andale
uk.andale.com

AuctionHawk
www.auctionhawk.com

AuctionHelper
www.auctionhelper.com

Auction Works
www.auctionworks.com

Auctiva
www.auctiva.com

ChannelAdvisor
www.channeladvisor.com

DEK Auction Manager
www.dekauctionmanager.com

ManageAuctions
www.manageauctions.com

Meridian
www.noblespirit.com

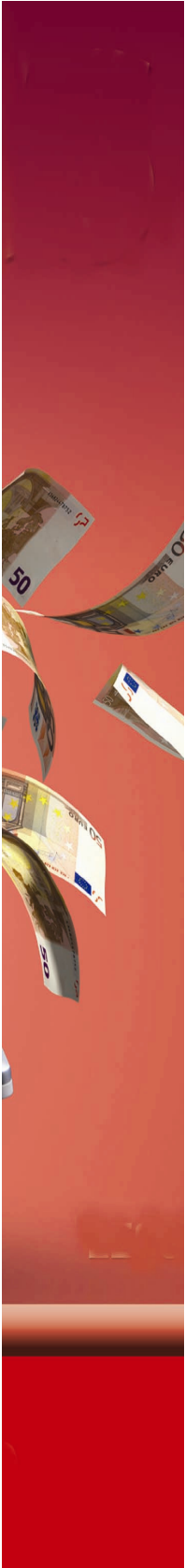
UK Auction Help
(List of auction management services.)
www.ukauctionhelp.co.uk

Zoovy
www.zoovy.com

Also Useful

ItemScout (formerly Auctiongator)
www.itemscout.com

ItemScout can create eBay 'search agents' to find the products you're interested in on eBay. ItemScout will check every 4,8,12 or 24 hours for auctions matching your description and e-mail you a list of any new auctions found since the last search. It can also set up auction notifications to notify you when certain auction



events occur. For example, when the prices or number of bids reach a certain level.

Please Note: Websites included in this appendix, or elsewhere within the course, are all operational at the time of writing and I do aim to check and update these listings on a regular basis. However, due to the nature of the Internet and the way in which websites can appear and disappear without notice it is always possible you may find some sites which have been renamed, moved or removed.