

Ebay today is known as the largest auction site on the Internet, but what most of us don't know is the history and development for which made ebay the preferred shopping site. The development of ebay is due in part to Pierre Omidyar who came up with the initial idea of a place where sellers and buyers could purchase items. The ideas behind ebay's development have come from the experiences that Pierre had faced in the market place. Ebay had no real graphical interface in the beginning because of Pierre's time constraints. The budget for ebay was increasing as time went on because there was a heavy amount of traffic. Thus, the initial idea for making an auction site came from his wife's hobby and from the frustration Pierre had from the market system.

Collecting PEZ dispensers and the frustrating effects of the market behavior are the main ideas behind the development of ebay. Pierre wanted a place where the users controlled price not economical factors because he wanted to implement a free market. Pierre had one experience with market functions when he bought a companies stock for a low price but the next day the stock went up to \$15 a share, unfortunately his order did not fill until after the increase in price. Pierre remarked, "This is not the way a free market operates, favored buyers paying one price, and ordinary people getting the stock moments later at a sizable markup." Pierre then came up with a solution to create an online auction site, which is when the idea was born. Thus, an auction site would be helpful in creating a free market but a site won't thrive without a nice interface.

In the early part of ebay's operation, Pierre seemed to give little attention to how the site looked. Everyone knows that a site must look attractive to entice people to check

it out but Pierre said he still had a daytime job to worry about. Ebay 's layout, as Pierre describes it looked, “blocky blue with black text against a dingy gray background.” Of course what it lost in appeal, Pierre’s site won in the categories that were available for users to pick from, computers – to – books. Pierre’s site however could only allow users to list items, view items, and place bids. However, the site had no infrastructure but the investment into ebay was steadily growing.

An increase in the amount of users buying and selling items online lead to budget increases because the cost associated with ebay’s maintenance was low. After Pierre’s service provider increased his monthly payment because of increased traffic to his website, Pierre came up with an ingenious tax system. Pierre would tax 5% on all goods that were sold for \$25 and below, and 2.5% on all goods that were sold for \$25 and more. Within the first month of operation Pierre had more than enough money to pay off his Internet service provider. (The figure below shows you the income generated from ebay in the first five months of operation.) In conclusion, ebay was built from the ground up like any other website but what makes ebay stand out in front of their competitors is that ebay was the first e-commerce website to be publicized.

