

How Changes in Marketing Spend, Increased Seller Fees Are Affecting eBay

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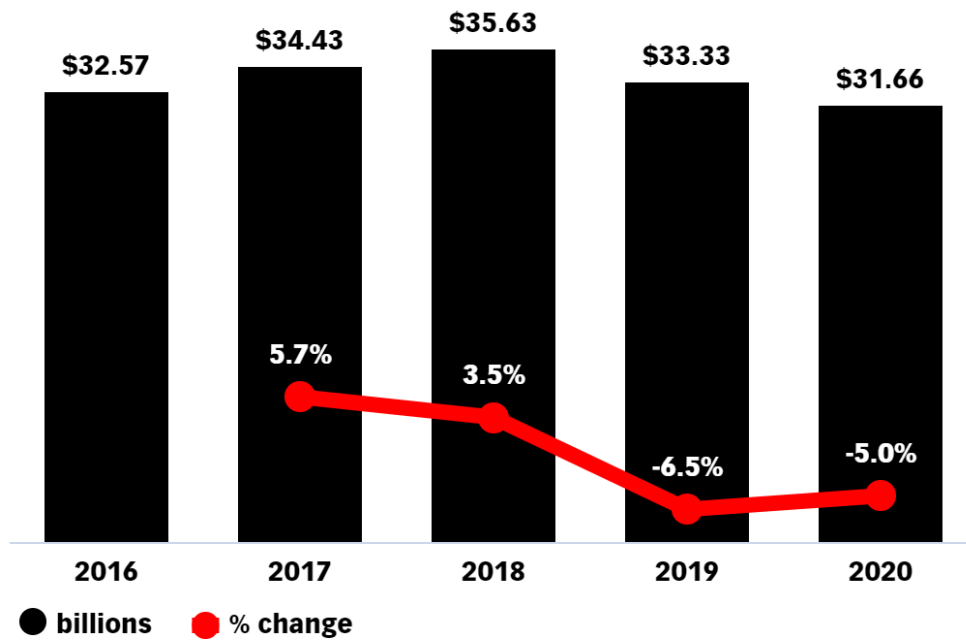
Rimma Kats

eBay's US retail ecommerce sales are continuing to fall year over year as a result of lower marketing investment, changes to seller fees and new internet sales tax laws.

This year, the value of goods sold through eBay's marketplace will total \$31.66 billion, a decrease of 5.0% over last year, according to our latest forecast. Sales also took a dive in 2019, when the company reduced its marketing spend and increased seller fees and penalties.

eBay Retail Ecommerce Sales

US, 2016-2020



Source: eMarketer, February 2020

www.eMarketer.com

In June 2019, eBay began charging additional fees to sellers who have high rates of "item not as described" returns. And sellers not meeting "minimum performance standards" are now also charged an additional fee, anywhere from 4% to 5%.

"These stricter guidelines for sellers have resulted in an increased take rate for the company," eMarketer senior forecasting analyst Cindy Liu said. "If this continues, it could very well deter some sellers from the platform who are unwilling to pay additional fees."

According to Liu, new internet sales tax laws, which have been rolled out on a state-by-state basis throughout 2019, have been an added challenge to sellers. "This has resulted in increased cart abandonment, as buyers are seeing higher prices at checkout and are purchasing less," she said.

eBay will continue to feel the effects as more states implement the internet sales tax laws, at least for H1 2020. But its challenges extend

beyond just internet sales tax. The company has also reduced spending on marketing to acquire new customers, which in turn has slowed new buyer growth and reduced near-term sales.

Furthermore, eBay is facing internal challenges. Its CEO, Devin Wenig, stepped down in September 2019, and the marketplace also sold off StubHub (its reseller ticketing business). This was part of the company's efforts to return to its roots as one of the original pioneers of the online marketplace model, where sellers don't have to compete against private-label brands.

But this could be an uphill battle for eBay as more ecommerce companies eye the marketplace space. Amazon has already established itself as a behemoth rival with a continually growing platform. And other big conglomerates, including Walmart and Google, as well as smaller ones like Etsy, StockX and The RealReal, are also hoping to expand their marketplace offerings.

"There's increasing pressure for eBay to turn around its marketplace business this year," Liu said. "It seems committed to improving the buyer experience with better and more efficient search results—but it remains to be seen whether this will lead to an improvement in sales. With marketplaces like Amazon and Etsy growing at a much faster pace, eBay needs to find a way to stay relevant with shoppers—otherwise, it could lose its ground in this competitive space."