

URL: <https://stvp.stanford.edu/blog/videos/what-did-ebay-do-differently-early-on-to-ensure-success>

Pierre Omidyar, the founder of eBay, had a sense of community, says Tilenius. He constructed a process of feedback to make it easier for two strangers to buy and sell. Having been an entrepreneur before eBay, Omidyar was thinking creatively about how to get profitability. The feedback system was his way of getting out of the middle. At every stage he found ways of letting the community run itself so that the company could become profitable from the beginning.



Transcript

I touched on it and then I'll have Stephanie probably add hers but I think that Pierre did two things.. First and foremost, he had a sense of community.. It wasn't just a portraying platform.. He himself got on, he had other early members get on.. They had the boards, they had the chat rooms.. So they actually did create a sense of community.. The second thing he did was how do you get people to buy and sell when they don't know each other? That was pretty unheard of, and so what he did was the concept of feedback.. It was the way that you leave me a positive or a negative and then you earn points and through those points you got a reputation.. So we actually think the two things that he did that were unique compared to other sites was totally opened up; it wasn't like there were limits put, it must be this price or that.. It was list your item and then you had a community and then you had a reputation..

We think the community aspect and the reputation aspects were pretty unique compared to those other auction sites in what they were doing.. I think one last thing, having been an entrepreneur before eBay and starting a company that went public but then ultimately got acquired, having been through that experience and looking at what Pierre did, the first priority for him was profitability.. So in many ways the feedback system came from his desire to make the community work but also from his desire to get out of the middle.. He really felt very strongly that he didn't want to have to be rating consumers.. He didn't want to have to be dealing with all the emails and the community responses that he was dealing with.. He ended up hiring people across the community that he thought were good arbitrators and who were good members of the community to teach other people how to trade on eBay.. He at every point tried to find a way to let the community run itself so that the company could become profitable.. It was profitable from the beginning.. That's a really unique, I think, business objective given what happened in the 1998 and 1999 boom when people were just throwing money at a problem and not really creatively thinking how to get to profitability...