The eBay Marketplace Business Model

Idea In Short

eBay turned an amateur auction site into one of the internet's first durable marketplaces by taking a percentage of what buyers and sellers already wanted to do: trade goods without eBay ever owning the inventory. Pierre Omidyar built the original site, then called AuctionWeb, over a long weekend in 1995, and the company went public just three years later. eBay grew through a series of acquisitions, PayPal, Skype, StubHub, that pulled it into payments, communications and ticketing before activist pressure and a shift in strategy pushed it to sell most of them off and refocus on its core marketplace. Today eBay runs a fee-based business built on listing charges, final value fees and advertising, competing against Amazon's scale, Etsy's handmade niche and low-cost platforms such as Temu and Shein. This article traces that history, how eBay makes money today and its full business model canvas.

From A Broken Laser Pointer To A Public Company

Pierre Omidyar built the site that became eBay over Labor Day weekend in 1995, first calling it AuctionWeb and hosting it on a personal web page.1 The first item he listed for sale was a broken laser pointer, a listing he later said was meant only to test the auction software, and a collector paid $14.83 for it. Word of the site spread among early internet users drawn to its auction format, where buyers competed for used and collectible goods instead of buying at a fixed price. By September 1998, eBay had grown enough to go public, pricing shares at $18 and closing the first day of trading above $47, a debut that made Omidyar and early employees wealthy almost overnight.2

Auctions, Then Fixed Prices

eBay's original design forced every listing through a bidding process, which worked well for rare items but frustrated buyers who simply wanted to purchase something at a known price.

> "To provide a global online marketplace where practically anyone can trade practically anything, enabling economic opportunity around the world." — eBay's stated mission

The company introduced a "Buy It Now" fixed-price option in the early 2000s, letting sellers skip the auction entirely, and fixed-price listings gradually overtook auctions as the dominant format on the platform. That shift mattered because it widened the range of goods eBay could realistically sell, from rare collectibles to ordinary items where a bidding war made no sense. Most goods sold through eBay today move at a set price rather than through competitive bidding, even though the auction format remains available and still defines the brand in many buyers' minds.

The PayPal Years And The Icahn Split

eBay acquired PayPal in 2002, betting that owning the payment method buyers used to pay sellers would strengthen both businesses. The combination worked for over a decade, with PayPal processing the bulk of eBay transactions while growing into a payments business used far beyond eBay's own marketplace. Activist investor Carl Icahn built a stake in eBay in 2014 and argued the company would be worth more with PayPal spun off as an independent public company, a position eBay's board initially resisted before agreeing to the split.3 eBay completed the spinoff in July 2015, and PayPal has operated as a separate public company since, though the two still share a payment-processing relationship set up as part of the separation.

Selling And Then Shedding Skype And StubHub

eBay's push to diversify beyond auctions led it into acquisitions that had little to do with its core marketplace. It bought the internet calling service Skype in 2005 for roughly $2.6 billion, then sold most of its stake to private investors in 2009 before Microsoft bought Skype outright in 2011. eBay's ticket marketplace StubHub followed a similar arc: eBay bought the company in 2007, then sold it to rival ticket platform viagogo for $4.05 billion in a deal that closed in February 2020.4 The sale let eBay concentrate its capital and management attention back on its core buying-and-selling marketplace rather than a growing collection of side businesses.5

Fighting Counterfeits With Authenticity Guarantee

Counterfeit goods have dogged eBay's reputation since its early growth, particularly in categories like sneakers, watches, handbags and trading cards where fakes are hard for an average buyer to spot. The company responded with Authenticity Guarantee, a service that routes eligible high-value items through third-party inspection before they reach the buyer. eBay expanded the program to trading cards in January 2022, covering ungraded cards selling for $750 or more, after the collectibles category saw a surge in transaction volume.6 The program helps eBay compete with resale platforms built around authentication as a core feature, rather than treating trust as an afterthought.

Competing Against Amazon, Etsy And The Discount Platforms

eBay's competitive position has shifted from fighting other auction sites to fighting a much broader set of e-commerce platforms. Amazon remains the largest rival in general online shopping, with far greater scale in logistics and fast shipping that eBay's marketplace-only model cannot easily match. Etsy competes for handmade and vintage goods, while newer entrants such as Temu and Shein pull price-conscious shoppers toward heavily discounted goods shipped directly from Chinese manufacturers. eBay's executives have downplayed that threat publicly, even as survey data shows shoppers returning to Temu more often than to eBay, a gap that puts pressure on eBay to defend the used, collectible and hard-to-find goods that differentiate it from mass-market retailers.

eBay Today: Fees, Advertising And A Smaller Footprint

Stripped of PayPal, Skype and StubHub, eBay today runs a narrower business built almost entirely around its marketplace and the fees it charges sellers. The company reported roughly 135 million active buyers and $11.1 billion in annual revenue for 2025, with gross merchandise volume of about $79.6 billion moving through the platform. Most of that revenue still comes from the percentage eBay takes of each completed sale, supplemented by advertising fees sellers pay to promote listings higher in search results. That combination, a large but no longer auction-only marketplace charging transaction and advertising fees, has proven durable even as eBay's ambitions have narrowed considerably since the early 2000s.

Key Partners

Payment processors settle the transactions that move money between buyers and sellers on eBay's platform. Shipping and logistics carriers, including national postal services and private couriers, handle delivery for the physical goods sold through the marketplace. Third-party authentication partners inspect high-value sneakers, watches, handbags and trading cards under the Authenticity Guarantee program. Advertising partners and brand collaborators help eBay promote its marketplace to new buyers and sellers.

Key Activities

eBay's core activity is operating and continuously improving the marketplace platform where listings, search and bidding all take place. The company invests in fraud prevention and buyer and seller protection programs to keep trust high on an open marketplace where eBay does not control inventory. Marketing and advertising campaigns drive both new sellers and new buyers to the platform. eBay also negotiates and manages its network of shipping, payment and authentication partners that support every completed transaction.

Key Resources

eBay's largest resource is the network effect created by millions of active buyers and sellers who make the marketplace useful precisely because so many other people already use it. The eBay brand carries decades of recognition, particularly in collectibles and used goods categories where trust matters most. Its technology platform, including search, recommendation algorithms and fraud detection systems, keeps the marketplace functional at a global scale. Seller and buyer data gathered across billions of transactions also help eBay refine pricing, search ranking and advertising products.

Value Propositions

For buyers, eBay offers access to a wide range of goods, including rare and used items unavailable through most retailers, often at competitive prices and backed by buyer protection policies. For sellers, the platform offers reach to a large, established audience without the cost of building a storefront or logistics network from scratch. For advertisers, eBay offers a large and purchase-intent audience actively searching for specific products. The Authenticity Guarantee program adds a further value proposition for both sides, reducing the risk of counterfeit goods in high-value categories.

Customer Relationships

eBay manages most buyer and seller relationships through self-service tools built into its website and app, from listing creation to dispute resolution. Seller and buyer feedback ratings function as an informal trust system, letting the community police itself rather than relying entirely on eBay staff. Customer support handles disputes, refunds and account issues that self-service tools cannot resolve. eBay also communicates with sellers through seller-specific dashboards and promotional tools that help them manage and grow their listings.

Channels

The eBay website and mobile app remain the primary channels through which buyers search, bid and purchase, and sellers list items. Search engine traffic drives a significant share of buyers to specific listings, particularly for items with unique or rare search terms. Email marketing keeps existing users informed of deals, watched items and account activity. Affiliate marketing programs and partnerships with other websites extend eBay's reach beyond its own platform.

Customer Segments

Individual buyers shopping for new, used, rare or collectible goods make up the largest segment on eBay's platform. Individual and small business sellers, ranging from casual sellers clearing out a closet to full-time power sellers running a storefront, form the other side of the marketplace. Advertisers pay to promote products or listings to eBay's audience of active shoppers. Collectors and enthusiasts in categories such as trading cards, vintage clothing and memorabilia represent a smaller but especially loyal segment that anchors eBay's identity.

Cost Structure

eBay's costs include the technology and infrastructure required to run a global marketplace handling millions of daily transactions and searches. Marketing and advertising spending brings in new buyers and sellers and keeps the eBay brand visible against larger competitors. Payment processing, fraud prevention and the third-party inspection costs behind Authenticity Guarantee add further recurring expense. Employee compensation, legal and regulatory compliance costs round out a cost base that is smaller than it once was after eBay shed PayPal, Skype and StubHub.

Revenue Streams

Final value fees, a percentage eBay collects from the total sale price when an item sells, remain the company's primary revenue stream. Listing fees apply in select categories, particularly for sellers who exceed a free monthly listing allowance or who choose premium placement. Promoted listings generate advertising revenue as sellers pay to have their items appear higher in search results. Additional revenue comes from eBay's classifieds and other smaller business lines that supplement its core marketplace fees.

- 1Pierre Omidyar's founding of eBay in 1995
- 2eBay's 1998 initial public offering
- 3Carl Icahn's push for the PayPal spinoff
- 4eBay's sale of StubHub to viagogo
- 5eBay completes the sale of StubHub
- 6eBay's authentication program for trading cards

Summary

eBay's story is less a straight line than a loop: it built a marketplace, added adjacent businesses to grow faster, then sold most of them back off once they stopped fitting its core strategy. What survived that cycle, a fee-based marketplace connecting individual and business sellers with buyers worldwide, remains recognizably the same business Omidyar started in 1995, just with fixed-price listings now outnumbering auctions and authentication services standing in for the trust a smaller site could once take for granted. Competing against Amazon's logistics network and low-cost platforms shipping directly from Chinese manufacturers will keep pressuring eBay's growth, particularly among price-sensitive shoppers. Its advantage remains the categories built around scarcity and condition, collectibles, used goods, spare parts, where a curated marketplace still beats a warehouse optimized purely for speed.