

# Enhancing your eBay Strategic and Tactical Skills

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In our **Auction Help** library page and previous **GuruGrams**, we've looked at a number of **eBay** related resources. Such as these tutorials...

**Successful eBay Seller Strategies**  
**Successful eBay Buyer Strategies**  
  
**My eBay Secrets**  
**Son of eBay Secrets**  
**My eBay Photo Secrets**  
**The Live Auction Scene**  
**Step by Step Image Prep**  
**Digital Camera Swings & Tilts**  
**Digital Camera Dodges & Burns**  
**High Legibility Fonts Tutorial**  
**Logfile Reader and eBay Analyzer**  
**Logfile Stats History Addon**  
**Using Distiller to run PostScript!**  
**Acrobat "Galley Slave" Generator**  
**The eBay Phenomenon**

And, among many dozens of others, these free **PostScript** tools...

**Logfile Stats Reader and eBay Theft Detector**  
**Combined Swings & Tilts and Punchthru Eliminator**  
**Combined Auto-backgrounder and Vignetting Utility**  
**Digital Camera Dodging & Burning Utility**

In this **GuruGram**, I thought we might add some newer or more advanced **eBay** related topics. These have more recently come up over our email **help line**, our

**What's New** blog page, or via the [alt.marketing.online.ebay](#) newsgroup. Plus some stuff that I've been meaning to gather together and cover or at least further emphasize in one way or another.

Let's first summarize the more important of our previous keys to your **eBay seller success**...

**Offer unique products not available elsewhere.**  
**Maximize your personal value added.**  
**Always seek out a minimum 30:1 sell/buy ratio.**  
**Always aim for a 21 day payback.**  
**The minimum profitable eBay sale is \$19.63.**  
**NO foreign bidders/buyers/transshipments!**  
**Accept VISA/MC/Paypal only!**  
**Never list anything you cannot hold at arm's length.**  
**Use both a scanner AND a 5 megapixel camera.**  
**Spend at least TWO HOURS in image postproc.**  
**NO dropshipping, pallet buys, or consignment sales.**  
**Limit terms and conditions to TEN words maximum.**  
**Clearly state your revenue neutral shipping charges.**

And here is the single key **eBay buyer rule**...

**ALWAYS proxy bid your max ONCE very late in the eBay auction. Do so in odd penny amounts that are somewhat above a currency denomination threshold.**

Let's go on to some newer stuff...

## **The Vickrey Second Price Auction**

From a buyer's standpoint, the absolute optimal "best" auction format is called a **second price Vickrey Auction**. Indirectly, a "best" buyer auction is also long term seller optimal since it attracts the most interest by the most buyers.

A Vickrey auction was named after the economist who did a seminal and classic auction theory analysis based upon underlying mathematical fundamentals. The original paper was **Vickrey, William. 1961. "Counterspeculation and Competitive Sealed Tenders." Journal of Finance. 16:1, pp. 8-37.** This paper is rather hard to find free on the web. But all you need to know is in the detailed tutorial analysis of Vickrey that is [found here](#).

A Vickrey auction is a fixed ending, proxy max bidding, secret auction in which the winner pays the **lesser** of their bid or the **second highest bid** plus the current bid increment.

Buyer advantages of a Second Price Vickrey auction include...

- **The winner rarely pays their full proxy bid price.**
- **The winner gives zero information to competitors.**
- **The outcome is certain without further involvement.**
- **The value of the bidder's time is fully respected.**
- **Only one bidder action required at their convenience.**

The only obvious downside to a Vickrey auction is that the auction house must be scrupulously honest and the bidders must all fully trust the auctioneer. Once again, **an auction format that is buyer optimal is also likely to be seller optimal in that it attracts more buyers more often to bid more aggressively.**

An **eBay** extension-free auction with everyone using a sniping service and everyone proxy bidding very closely approximates an ideal buyer optimal Vickrey Second Price Auction. **And should be long term seller optimal as well.**

Sniping is thus not only useful but is **demanded** for **eBay** bidder success. And auction extensions are clearly monumentally stupid because they (a)insult the value of the bidders time, (b)favor the utterly clueless, (c)make outcomes indeterminate, (d)force inconvenient timing on bidders, (e)give valuable info to competitive bidders, (f)restrict simultaneous multiple wins, and, of course (g)fly directly in the face of Vickrey.

Unlike a private coin or stamp auction house, there is little incentive for **eBay** themselves to cheat, since they only would take in a tiny fraction of the extra loot; other bidders are published public knowledge; and long term growth clearly favors honesty.

There is one minor difference between **eBay** and a second price Vickrey auction that is easily corrected: At present, sniping requires use of a third party service that must receive sensitive info; continuous host web access; or bidder presence at an inconvenient time. By offering bidders an **autosnipe** service for a quarter extra, **eBay** could approach Vickrey perfection. At auction end, the invisible autosnipe bids would be compiled, with highest bidder winning, usually at the **second** highest bid price plus an increment.

## **The Uniform Commercial Code**

**All** commercial transactions in the United States are covered by the **Uniform Commercial Code**. A copy of which you will **find here** The UCC is the law of the land in most states. Sometimes with few and minor adjustments. Such as these **Arizona Revised Statutes**.

Two key points...

**An accepted eBay high bid is a legally enforceable contract under the UCC Uniform Commercial Code.**

**eBay sellers MUST be familiar with the UCC. Preferably by way of an Intro Business Law 101 college course.**

I feel it rarely pays to "sue somebody". Particularly if the consideration is under, say, \$5000. Further, under the doctrine of **specific performance** that includes the slavery laws of the US constitution, **you cannot force somebody to do something**.

For instance, if somebody contractually obligates themselves to buy your \$13,000 automobile, you normally can **not** force them to do so. All you can collect (even in theory) are your **aggressively mitigated losses** involved in any relisting and reselling of the item. Or otherwise disposing of it.

In general, "legal anything" is bad news. A deadbeat will still be a deadbeat and they probably have a brighter and more expensive attorney than you do. Most especially if you confront them or otherwise piss them off.

Thus you should **always avoid legal entanglements!** Smaller problems are best walked away from as a **normal and expected** part of being in business in the first place. Your 30:1 sell/buy ratio should revert most **eBay** problems down into the pocket change category as well.

On the other hand, knowing exactly what the UCC says about a situation can be of enormous value. As can a **very rare** nastygram from your attorney. Needless to say, you should always seek out competent legal help in any situation that clearly might end up costing you a lot of time and money.

The UCC seems to say surprisingly little about auctions. Collusion and bid rigging are not even mentioned, although portions of the federal Sherman Antitrust Act **might** sometimes apply. Much of the present UCC auction law clearly seems to be in **direct conflict** with **eBay** policy...

**Once placed on the auction block, an item without reserve can NOT be withdrawn.**

**Once overbid, an earlier bid is NO LONGER VALID. Even if the new higher bid is withdrawn, retracted, or otherwise noncompliant.**

**Shilling IS permitted if previously announced or if a forced distress sale. Otherwise, a shill bid can be ignored, reverting to the previously valid high bid.**

These are all found in UCC Section 2-328.

Shilling on **eBay**, of course, is a really, really dumb thing to do because it simply **does not work**. A seller who shills themselves will be making enough other stupid mistakes that they **guarantee** their ultimate failure.

Two key elements of live auction shilling are missing entirely on **eBay**. They are **mark demeanor feedback** where you carefully watch the mark and stop bidding **before** they do; and the **safety valve** where the auctioneer bails out the shiller with an "I'm sorry sir, I could have sworn you had your hand up" ploy.

For the crucial rule is that the shill must **never** win. Because any win costs you dearly in placement fees and commissions. Costs that clearly overwhelm any gains elsewhere. Thus...

**Your key defense against eBay shilling is to proxy bid your max once very late in the auction.**

**If you do not like the current price, do not bid at all.**

**If you do like the current price, then it does not matter in the least how the price got there.**

**Many apparent instances of shilling really are not. They instead have perfectly valid and expected explanations.**

**Falsely accusing someone else of shilling is a far more heinous crime than the shilling itself.**

## Working With Currency Thresholds

There is deeply ingrained cultural resistance to **breaking a twenty** or otherwise crossing **currency denomination thresholds**. Common "don't go there" values are twenty, one hundred, and two hundred dollars. Plus, of course, a steep thousand dollar barrier.

You can watch the closing prices at most any live auction to verify this huge psychological hangup for yourself. In one case, a HUD house was argued over for pennies before selling at a \$29,950 steal. When \$30,015 clearly would have taken it. In another, nobody but nobody EVER crossed a \$20 or a \$50 barrier in an entire city surplus auction. Except me, of course.

I've had auctioneers privately verify these observations to me. And you can consistently use these resistance levels to your advantage by always bidding or buying **above** a currency threshold. And by always selling or quoting **below** a currency threshold. Or, preferably, far enough **below** a currency threshold that the buyer does not cross even with shipping or other additional charges.

So long as you are dealing with amateurs, you should be able to win nearly every time by using these guidelines...

**Always BID or BUY at odd penny amounts just ABOVE a currency threshold. A bid of \$103.27 is MUCH more likely to win than one of \$97.88.**

**Always SELL or OFFER at odd dollar amounts somewhat BELOW a currency threshold. An offer of \$179 is MUCH more likely to be accepted than one of \$216.**

## **Mysterious Dissapearances**

I recently had some items "mysteriously disappear" during an auction loadout. Here are a few possible defenses...

**Always load your best and highest value stuff FIRST.**

**Keep a continuous eye on all of your items.**

**Complete loading of all items you want before offering anything else to other bidders.**

**Always double check and then recheck the final printout of lot numbers against the items you actually loaded.**

**On any side deals, make sure everything is completely and unambiguously spelled out.**

**One or more "staging areas" where you move all of your items into one big pile can be of help.**

**Try to loadout immediately rather than doing a second or later day loading.**

**Keep most of your bids in the pocket change area.**

**And, of course, ALWAYS respect the property of others.**

## **Cashout versus Hang Times**

There is an optimum **rate** at which you can sell repeat items on **eBay**. This rate is often **much slower** than most people would imagine. There are only so many buyers available and **selling too fast or too early may trash your market** and may dramatically reduce your return.

Further, auction economics are often highly **inelastic**. It may take a **major** price reduction to only **slightly** speed up your turnover rate. And it may pay to use an initial listing as **market research** rather than going after a solid sale.

It is useful to define...

**CASHOUT TIME— The time for your purchase to pay itself.**

**HANG TIME— The time to dispose of all remaining inventory.**

Cashout time is the time when you receive 100 percent of your original costs back. I feel a reasonable cashout time is 21 days. With a 30:1 **sell/buy ratio**, this typically means you would want to sell **three percent** of your inventory over this time interval. The remainder can then be carried at a zero cost except for their storage charges.

The hang time is the interval you need to sell all remaining inventory at some **constant rate** if you get no "I'll take them all" orders. I feel 15 months is often a reasonable hang time.

For instance, if you have 75 identical items, selling one every six days on **eBay** might be optimum. Naturally, you raise or lower your price to change your hang time. With the obvious goal of **maximizing return**. Typically, you will sell out on an off **eBay** sale well before the time ends.

On a one-of-a-kind item, it often pays to initially list with higher than expected opening and BIN prices a time or two. What you are doing is gambling a few dollars of **eBay** charges against the possibilities of hundreds of dollars of extra returns. More often than not, such a bet pays off for you.

## **SBR versus commissions**

As we've seen in our **Successful eBay Seller Strategies**, most **eBay** prices are well **below** wholesale, and wholesale buying involves quantities that are **far beyond** what can be sold on **eBay** in a reasonable time frame at reasonable risk without utterly trashing prices. Thus "buying wholesale" and reselling on **eBay** is almost always a hilarious joke.

**A successful eBay venture simply does not permit paying for merchandise!**

Instead, you must seek out extreme distress situations. I feel you should always try to get a **30:1** or higher SBR **sell/buy ratio**. Thus, for a \$20 item on **eBay**, you should never pay more than sixty seven cents. This will typically translate to paying between one-sixth to one-third of a penny on the original dollar.

The math that relates the SBR to a commission or raw profit is subtle...

$$\text{SBR} = 100 / (100 - \text{COM})$$

$$\text{COM} = 100 - (100 / \text{SBR})$$

If you think about it for a while, there is no real difference in your time and effort between buying something for \$50 and selling it on [eBay](#) for \$100, compared to doing a \$100 consignment sale with a 50 percent commission. Thus, a 50 percent commission equals an unacceptably low 2:1 SBR sell/buy ratio. A 20 percent commission equals a laughingly absurd 1.25:1 SBR. At least to me, those [eBay consignment sales make absolutely no sense at all](#). And that is **before** you factor in such items as outrageous "not even wrong" seller expectations, handholding, wasted effort, stolen merchandise, and higher fixed costs.

## The Quest for Obscurity

The best places I've consistently found to give a 30:1 or higher SBR are privatized military sales, dot bomb bankruptcies, community college auctions, industrial forced closures, excess inventory, and similar distress sales.

To really win at an auction, it should be an **obscure one** that takes a bunch of digging to find. Problems with "yard" or "barn" or auction "house" auctions include heavy promotion and attendance, stuff having been higraded before it gets there, competitors scheduling their lives around known dates, the possibility of shilling, and various access problems.

I don't seem able to do all that well with national auction houses, such as with [DoveBid](#), [Michael Fox](#), or [M.J.Auctions](#). The first and most obviously problem is that these are aggressively promoted nationally, so there are more bidders. Prices tend to open a lot higher with higher increments. Hard-to-web-search display ads are used instead of classifieds. Effective online bidding adds to your competition. And many are "theater style" auctions where you cannot simultaneously see the auctioneer and the item context. Nor quickly react to any sudden opportunities. It is also easy to get utterly overwhelmed in a four day, 8000 lot auction.

Previewing, of course, is an absolute must for any auction. Another key is to **tightly focus on only a few dozen items and ignore everything else**. I've found the best to be obscure industrial and dotbomb auctions where the **contents of shelves** and **contents of rooms** happen late in the auction. Or any **large unsorted triwalls** at mil surplus auctions. Much more is on our [Auction Help](#) and [Custom Auction Resource Finder](#) library pages.

## On Being There

Absentee bids at an auction are usually bad news. I feel you are infinitely better off attending live where you can instantly react to the current prices and what the auctioneer is up to. Some examples...

- **A \$900 per skid absentee bid was left for some computers at a comm college auction. The auctioneer generously opened his bid at \$150. Which did not sound bad except that the previous few identical skids went for \$7.50 each.**

- **A similar \$1050 bid was left at a cal auction for a small piece of a standards rack. Other higher value components in the rack averaged \$35 each.**
- **A lowball absentee bid at a cable auction got ignored since the auctioneer bought the item for themselves for pennies more. And then later resold it in their house auction for a huge profit.**
- **One combined online-live auction had a big fancy room with lots of laptops and techies and servers in it. Connected to the actual auctioneer with a flaky cell phone that seldom worked and was even less monitored.**
- **At the same cal lab auction above, the auctioneer panicked over time remaining and shifted to a fixed minimum, variable lot strategy. Thus you had to bid \$100 but could wait until there were enough lots included to make it worthwhile.**

There's several reasons why I feel that online bidding is a sucker bet at combined online and live auctions. Firstoff is the **latency** in your bid and the audio you are receiving. Second are the inefficiencies when your bid gets entered. Third is a possible online premium of several percent. Fourth is the possibility of having your bid entered at a higher price than you thought you did. Fifth are the outrageous hoops you may have to jump through to qualify as an online bidder, such as presubmitted cashier's checks.

But the real biggie is that you cannot instantly respond and interact with the auctioneer. Ferinstance, you cannot split or lowball a bid. And if several lots are combined, you really have to be there to decide whether you are offered a really stupendous bargain or a poisoned lot whose bulk and weight ends up utterly unacceptable.

## **Some Additional Tips & Techniques**

**Resolution Upgrades**— Many of the photos on live auction websites may have considerably better resolution than you might first guess. Try right clicking or use **view source** to capture the actual image, then bring it up in **ImageView32** or whatever to expand detail, lighten shadows, explore backgrounds and such. In one recent case, a room full of ancient and apparently useless junk docs revealed the tiny and subtle red stripes used in original high end **H-P Aglient** manuals.

**Go Way back with Wayback**— The **Wayback Machine** is a web repository that holds a history of websites. Snapshots that can tell you **the way things were**. This can be especially handy for evaluating a newly bankrupt distress auction whose website just went dark. Or for finding the price and data and ap notes of items that are no longer current production. Or for puzzling out those mergers and acquisitions and name changes.

**Use your Camera's Video Output**— Few people ever notice that most modern digital cameras have a hidden video output that you can connect to a large tv or monitor and greatly simplify your composition and photo work. The only tiny gotcha is that you have to use a NTSC tv monitor and **not** a higher resolution computer monitor. But the **Apple Iie Color Monitors** routinely sold at auctions for a dollar each can be absolutely ideal.

**Consider Froogle**— Froogle will clearly be the next big thing after **eBay**. For it is a reverse Dutch auction with zero listing fees, zero selling fees, hourly updates, and every bidder is always an instant winner. A universal free directory that can list everything for sale by everybody everywhere. You can greatly improve your odds of success by using their **data feed** service.

**Don't Sweat Feedback**— Feedback is a completely voluntary and largely useless sideshow. A seller should **never** leave feedback before the buyer verifies receipt of the item. For anything earlier can be a gross disservice to other **eBay** sellers and might possibly end up an outright lie. A buyer should **never** leave any negative feedback before contacting the seller and making a few reasonable attempts at correction. Remember that **the primary purpose of feedback is to warn others of problems**. And that **begging for feedback is incredibly stupid**. Besides being intrusive, inconsiderate, and obnoxious.

**Exploit Auctioneer Quirks**— One might carelessly put whole unsorted rooms full of industrial stuff very late in their auctions. A second is easily trained to accept your \$2.50 opening bids, even for valuable test gear. A third insists on moving high tech stuff to an obscure rural location. A fourth keeps taking bids off you after you have stopped bidding. A fifth welcomes side deals, loading, and hauling. A sixth takes all the trash you do not want so you do not have to haul useless grunge long distances. And virtually all of them are sloppy about **their websites** and underutilize them.

**Carefully Note Competing Bidders**— Side deals can be wildly profitable. Someone might be after a relay rack, while you are after only one or more internal rack items. Or after empty notebooks while you want their contents. Or they may want the red ones, while you prefer the greens. Or --arrgggh-- I was being outbid on some classic power utility electrics because the other bidder was going to unwind the wire from the relays.

**Use our Auction Finders**— Your best source for 30:1 sell-buy ratio **eBay** sale items are often deep distress auctions of government surplus, dot bomb bankruptcies, community colleges, and business failures. Finding the more obscure, poorly promoted, and shorter notice of these can be daunting. We now have carefully researched **auction finders** for several areas. We can also create a custom regional **auction locator** specifically for you. To prove how good these services are, there are typically 65 auctions in Arizona at any time. Find out how many of these you can find in **thirty hours** on your own or in **three minutes** using our services.

## A Few Websites of Interest

Here's a summary of website links on my [home page](#) that should be of use to both [eBay](#) buyers and sellers...

<b>Aerial Photos</b>	Useful for pickup & delivery planning
<b>Amazon Books</b>	Book pricing, availability, cover images
<b>Asian Sources</b>	Pacific Rim item suppliers
<b>Area Codes</b>	Area codes by city & reverse lookups
<b>Auction Resources</b>	Tutorials, links, tools, guidelines
<b>Currency Exchange</b>	Converts dollars to everything else
<b>Deja News</b>	History of all newsgroup questions
<b>Doctor HTML</b>	Tests web pages for accurate code
<b>eBay Abeja</b>	Superb product photography examples
<b>Federal Express</b>	Federal Express rates and pickup
<b>Fonts &amp; Bitmaps</b>	Tools for image lettering enhancement
<b>Froogle</b>	The next big thing after <a href="#">eBay</a>
<b>Google</b>	Biggest and best web search engine
<b>Gov Liquidation</b>	Privitized source for government surplus
<b>Intershipper</b>	Compare shipping rates of main services
<b>Kelly Blue Book</b>	Car and truck market values
<b>Local Auction Finder</b>	Your own secret eBay supply sources
<b>Maps on Us</b>	How to get from anyplace to anywhere.
<b>McMaster Carr</b>	Industrial pricing guide.
<b>MSC Supply</b>	Another industrial pricing guide.
<b>Nat Auctioneers</b>	National association of auctioneers.
<b>Newspapers</b>	National and regional directories.
<b>Norfolk &amp; Waay</b>	The ONLY reputable dropshipper.
<b>Quick Phrase</b>	Exceptionally handy free eBay lister.
<b>Paypal</b>	Most popular <a href="#">eBay</a> direct payments.
<b>Phone numbers</b>	National white and yellow pages.
<b>Reverse phone dir</b>	Input a number, get an address
<b>Scholar</b>	Search on scientific citations
<b>Shields Up</b>	Tests website vulnerability
<b>Sotofamilia</b>	Our "second tier" associate website
<b>Topozone</b>	Superb topographic map resource
<b>Thomas Registry</b>	Classic "who makes what" directory
<b>U-Haul</b>	Truck and trailer rental rates
<b>United Parcel</b>	UPS rates and pickup
<b>USPS</b>	United States Post Office access

<b>Vrane</b>	Useful free <b>eBay</b> utilities
<b>Wayback Machine</b>	Web history snapshots
<b>Whois</b>	Master web URL directory
<b>W.W. Grainger</b>	Another industrial pricing guide
<b>Zipcodes</b>	Address to zip code and back again

## eBay Seasonality

In response to an ever-diminishing number of requests, here is a list of the most profitable **eBay** selling items arranged by season...

**January**— eBooks of dropshipping resources  
**February**— UK cable descramblers  
**March**— Plasma HDTV displays from Rumania  
**April**— Nigerian lotteries  
**May**— Add three inches to your mortgage  
**June**— Pallet liquidations  
  
**July**— **Norfolk & Waay** overstocks  
**August**— Korean laptops  
**September**— Home theater pyramid buying rights  
**October**— Escrow companies  
**November**— Password phishing software  
**December**— Microsoft and Disney replicas

## For More Help

The **alt.marketing.online.ebay** newsgroup often has useful solutions to **eBay** problems on it. Additional auction help resources are found on our **Auction Help** library page. Custom auction locators can be created for you on a private or public basis per our **Auction Resources** services.

Additional consulting services are available per our **Infopack** services and on a contract or an hourly basis. Additional **GuruGrams** are found **here**.

Further **GuruGrams** await your ongoing support as a **Synergetics Partner**.