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eBay Q2 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) First up in the roster is Christa Quarles with Thomas Weisel Partners.

Christa Quarles - Thomas Weisel Partners

I was wondering if you could -- you didn't mention the wholesale part of your business as much this quarter. I was wondering if you could just talk a little bit about the progress that you are making there as it relates to buy.com, et cetera and what percentage that is of the total mix? And then if you could also just dig in a little bit also to the margin characteristics of the business as it tends to be lower type margin business. Thanks.

John J. Donahoe

Sure, Christa, let me take that. We talked at our analyst day about the secondary market and that includes both our historical areas of focus of used and hard-to-find but as we said, an increasing amount of our business is on the -- is new items, branded in many cases, but are sort of out of season, or one life cycle old. And a lot of the ?wholesalers?, which include retailers, include wholesalers and in some case manufacturers, so in the first half this year, we signed merchants -- you mentioned buy.com, Tiger Direct, Smart Bargains, Argos in the U.K. and the area we are really focusing early on is in our deals of the day because often these merchants want to move a deep SKU, which is they want to move a lot of items quickly. And so we have examples where 6,000 and 7,000 items will sell out in a matter of a couple of hours.

So we are very pleased with the progress on this. These merchants really like the ability to move high volumes of SKU and the margins are good. There's no material difference in the margins there because they pay a take rate, they have a lower cost to serve and we do a lot of volume.

So I think this is the way of really accentuating an opportunity in the market as more and more new in-season inventory is coming into the secondary market.

Operator

Our next question comes from Jeffrey Lindsay at Sanford Bernstein.

Jeffrey Lindsay - Sanford C. Bernstein

Thanks for taking my question. Can I ask two things -- first of all, could you just update us on what moves you are making to upgrade the platform and where we are in that process -- the beginning, the middle or are we well along?

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