

Max Mancini: eBay

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"You blur the lines between a desktop experience and a Web experience, and that's really where everything is headed."

—Max Mancini

If you ask anyone about online auctions, chances are the first place they would name is eBay. Ironically, eBay is more than just an auction. In fact, eBay's business is transactions. It just happens that their most known transactions are those of people selling items to buyers on an auction site that carries their name.



www.ebay.com

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eBay's business is centered on charging a fee for bringing a seller and a buyer together. This transaction fee is how eBay makes money regardless of whether a marble, a car, or a piece of land in Texas is sold. It really doesn't matter what is sold as long as a transaction occurs.

eBay also provides a number of other services for doing commerce, including PayPal, which, like eBay, makes money when transactions happen, but instead of buyers and sellers exchanging products, PayPal makes it easy for two people (or other entities) to exchange money. Using this simple transaction model, eBay and PayPal both became leaders in the spaces they target.

If You Can Create a Compelling Experience for the Consumers...

Max Mancini is the senior directory of disruptive innovation at eBay. Prior to this role, he led over 70 developers at eBay, focusing on eBay Stores, registration, sign-in, merchandising, and more. He has also worked with eBay's classified business, Kijiji (www.kijiji.com).

Can you tell a bit about who you are and who you work for?

I'm Max Mancini, I work for eBay, and I run eBay's Platform and Disruptive Innovation team.

"Platform and Disruptive Innovation team" is an interesting title. Can you expand on that?

"[Our] role is to inspire innovation through experimentation."

Sure. There are two parts of my team. On the platform side, our job is to enable innovation. We want to ensure that eBay is an E-Commerce operating system, or platform, that can be accessed by third-party developers to create applications and other innova-

tions that accelerate commerce around eBay. Anywhere.

To give some context, our developers program, which is the responsibility of my platform team, is seven years old. As part of the program, and central to our platform strategy, we offer a series of web services that let any third party create applications that tie into eBay's "ecosystem."

Our ecosystem is composed of developers as well as applications and customer needs. Critically, our ecosystem has a clear value proposition for

third-party developers. And today, more than 25 percent of the listings on eBay come through third-party tools.

Disruptive Innovation's role is to inspire innovation through experimentation. We study trends and provide infrastructure and resources that encourage developers, internally—and also externally—to think and create within the boundaries of their known silos. The trends we concentrate on shift over time.

Presently, the two big trends we see are, first, that buyer expectations have grown in terms of what they demand from online commerce. Today, people expect rich, interactive experiences: things like Flash and AJAX and JavaScript enabled across the Web. The second trend

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we are closely monitoring is social commerce, which relates to the comfort people have sharing contact information and defining their relationships online, across their social graph in every place it exists, i.e., Plaxo, LinkedIn, Facebook, or MySpace. How much we share directly impacts the overall trust models that exist. That's something on which eBay has been building, so we think it's important to experiment with social environment participation and learn how that affects what other people are doing in commerce and how that affects the business. Across eBay, PayPal, and Skype, eBay accounts comprise a lot of our social graph with a high emphasis on the trusted relationships where commerce flourishes.

Are you finding that people are willing to share more information now?

Absolutely. That's the trend we're seeing. We've launched a Facebook application as well as neighborhoods within eBay. Obviously there's a different twist to what you expect to do when you're on eBay versus when you're on Facebook.

On Facebook, you're in a social environment, and what interests you is discovery with an entertainment factor—what are your friends doing? What are *their* friends doing that *I* might have some interest in? It's not as action-oriented as you would expect on a site like eBay, of course. In eBay's case, you're there to have some amount of entertainment but also to look for and discover new things.

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This leads into the primary question: How would you and eBay define Web 2.0?

I consider the first mashup—the Craigslist/Google Maps mashup—as an embodiment of my view of Web 2.0. Somebody once described it as the “atomization of the Web.” It’s taking all of the components and making them available so that people can combine them in ways that you would never have considered, or that are very personal for an individual experience.

So, the components that I see really defining Web 2.0 are platform or web services, innovation that’s built on top of that platform or web services, and distribution of that information. You see some of the embodiments of that sort of thing today—for example the proliferation of widgets across MySpace, Facebook, Google, and Yahoo!. Now you can combine information from multiple sources easily and distribute that information around.

Distribution means that you can’t necessarily rely on individual sites being where the Internet economy is going. Rather, you must ask what compelling value are you delivering, and how do you monetize that value?

Getting back to eBay, it’s easy for us because the service that we provide is all centered on transaction engines, and payments, through PayPal. As a result, there are inherent monetization models both for eBay as well as for developers and people who are using things that are distributed.

“What needs to evolve is the monetization models...Otherwise a lot of companies will go out of business.”

Another defining moment for the trend in Web 2.0 was the development of ad-supported models that made it possible to monetize things that would have otherwise been unmonetizable. So integrating ads to contextually relevant information—whether it’s somebody’s blog, or somebody’s personal

home page, whatever it happens to be—meant you could make money off of these things in ways that never existed before or couldn’t scale before.

Of all the things you mentioned, are any more important than others?

Right now there’s an explosion of web services that have opened things up. That’s an important enabler. However, that’s not going to be the definition of success in the long run; it’s going to be expected out of everyone.

What needs to evolve is the monetization models. The commerce-based transaction model and the pure ad model as they exist today need to evolve significantly. I don't know what that's going to look like, but it will have to evolve; otherwise a lot of companies will go out of business.

Having some companies going out of business seems to be a part of how things do evolve.

That's true. I like to look back to 2000/2001, because the deal flow and VCs [venture capitalists] and everything else sure look similar to today—in fact, you're starting to see some similar companies pop back up on the radar screen. The difference is that these companies have a way to last longer and bootstrap more because of advertising models, frankly, and affiliate programs. They have a longer rope, if you will, but that still doesn't create the real economic value that needs to be put in place in some of these businesses.

You mentioned “2000/2001,” and the bubble that “burst.” Do you see a bubble now as well and is there a risk it will burst?

There's a bubble now. I don't know if it has the same risk of bursting because the previous bubble was created entirely as a result of the IPO market and that mechanism. The current bubble seems more tied to the M&A market, but it's not as aggressive as what the IPO market was. And, there's a bit more revenue backing to some of these startups.

So, there is a different kind of bubble although I don't know how early we are in it; it's certainly very aggressive right now. I don't think it has the same risk of bursting as quickly as the previous one did.

“The bigger the target, the more attention you get from the bad guys.”

You mention monetization and the sharing of information. This leads to the question of security. Do you see security continuing to be an issue?

Security hasn't been addressed yet in a lot of these models. I'm in a unique position of being able to sit back and see some of these things. We saw the value in creating this kind of model due to the selling side of our business, and we're expanding on the buying side much more aggressively now.

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So, getting back to the definition of Web 2.0, it's creating a lot more openness so you can integrate things that you would have had to build from scratch before; how you manage rights and security within that model has yet to be determined.

In the early days, even Facebook was hammered on how much they shared information. They probably have the biggest head start in terms of creating a model where you can define trust a little bit more specifically.

“As messed up as our cell phone service is in the United States, I can’t imagine us in a situation where we always have connectivity.”

I’m not sure that’s addressing all of the security issues. Social networking isn’t really addressing any of it right now, but people are going to address this; security always shows up. It’s a function of how much monetization occurs in the model and how early, and we’re not quite at the big levels of monetization yet where security becomes as big of a concern as it should.

eBay has done security and what we internally call “trust and safety” pretty significantly. Obviously being a huge marketplace means that people will try to figure out how to take advantage of others. The security model gets built in and the bigger the target, the more attention you get from the bad guys. With the exception of something like click fraud in CPC kinds of models, none of the Web 2.0 stuff is at that scale yet.

All of that will happen, but you address it when it happens. Much of that will evolve with Web 2.0 *whatever*.

On Web 2.0, everyone has his or her own definition. Is there anything about Web 2.0 you believe people are misunderstanding?

That’s a good question. Everybody seems to have a derivative or a variant on the same theme—at least among the people I talk to.

Let me ask a different question then. AJAX, Adobe’s AIR, Microsoft’s Silverlight—a lot of these technologies coming out—how do these fit into a Web 2.0 world?

People have defined Web 2.0 as AJAX, so that’s missing the boat. AJAX is a component; it’s an enabler to things that are evolving with Web 2.0, and it’s a contributing technology, but in and of itself it doesn’t define Web 2.0.

I can speak more specifically about Adobe AIR because we've built a product on that. There's a lot of momentum around creating interactive experiences leveraging Web 2.0 technologies and web services, so what Adobe is saying is, "Why can't we do even better by taking those same technologies and bringing them to the desktop *and* allowing you to leverage the web services in the same way and as simply as you were able to through the Web?"

Adobe is jumping on something that could be quite significant in terms of how we experience the web, which is, the web really isn't about a web browser—we experience it that way today, but it doesn't have to be.

If you think about it (and I don't think this example is the best), Yahoo!'s desktop widgets don't take advantage of the same dynamic that normal web widgets do, which is viral distribution. That's another important dimension of what's happening on the Web.

So, the concept of Adobe AIR, and in theory, Silverlight (although I'm not familiar with it) is smart, in that you blur the lines between a desktop experience and a web experience, and that's where everything is headed.

A colleague on my team likes to say that Web 3.0 really happens when people stop talking about the Web, the desktop, and Web 2.0—it's just the way we interact with our computer. It's transparent whether it's local or on the Net. AIR is just a first step in that direction.

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That brings up the issue of online versus offline and the topic of connectivity. Do you foresee a day when connectivity availability is not an issue?

I've thought a lot about that since we've invested in our eBay desktop product on the AIR platform. One of the benefits is that you can do offline activities.

As messed up as our cell phone service is in the United States, I can't imagine us in a situation where we always have connectivity—I'd love for us to get there. I don't know when it's going to happen; if you're willing to pay

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enough, you can get it, right? I just don't see the average person being connected continuously, with the exception of through their mobile device.

In developing countries, mobile is *the* way most people connect to the Internet. Although there's a lot of innovation and excitement around Web 2.0, certainly in Silicon Valley, the mobile investments are starting to pick up again. The first wave of investments may have been too early; I don't know what it was. I don't know if this next wave is going to stick, but if I were looking at where the real opportunity to reach the majority of the world is, it's not going to be in the PC in the home.

That leads into the question, what do you see as the next big thing coming?

That's a good question.

There's plenty of opportunity in mobile; people are just going to have to be there, to engage with people when they're connected. It's hard to tell.

I believe in enabling your business to operate no matter what the next big thing is, and letting other people catch up.

Let me describe what I'm talking about.

I would rather spend money building our platform structure and web services, so that when the next big thing happens, our platform is that next big environment. For eBay, obviously we have our three major businesses, PayPal, Skype, and eBay marketplaces, and those are independently very huge markets for us. I'm not specifically looking beyond our marketplaces' business and how buyer experience and social commerce might affect those.

Shifting back to an earlier comment, you mentioned Web 3.0. Some define Web 3.0 as the Semantic Web. Do you have any opinions or thoughts on the Semantic Web?

Well, I don't think it's the Semantic Web.

The next generation of search and find for discovery across the Web will be much more like what my interpretation of Semantic Web is, which isn't necessarily what everyone else shares. It's a trend I did mention on Web 2.0; one reason Web 2.0 happened was that it became so easy and

cheap to publish, right? As an individual I can create a hugely popular blog with almost no marketing experience or background team. Self-publishing has enabled many things to happen; frankly, it's supporting a lot of the economy, from a page-view perspective, in that you can distribute widgets in content, things like that.

So I think that the same thing will happen with the Semantic Web, or next-generation finding experience on the Web which is, "How are people identifying content in a way that can be aggregated and useful to browse through, or search through, or discover." The concept of meta tags and tagging clearly had some early momentum and we acquired a company, StumbleUpon [see Chapter 15 for more on StumbleUpon] which takes into consideration this concept of not only identifying the social bookmark aspect of it, but tagging things.

I over-simplify the concept of Semantic Web because I don't foresee people assigning detailed attribute definitions to everything that's in their content out there. I think there's a huge opportunity. I used to run a company called Consumer Review, and our objective was to get product reviews from passionate

enthusiasts on particular product categories. Consumer- or community-generated content is huge. It creates huge value, and it's even easier to do now. The Semantic Web can evolve out of stuff like that over time.

I just don't know how the value chain works. Where's the incentive structure?

Another company that eBay has acquired, Epinions, was a consumer-generated review site. They set up a virtual economy for motivating people to do things, but ultimately, the majority of the contributors are a small percentage of the population.

So, in order for the Semantic Web to really come about, there needs to be a shift in people's ability and willingness to help tag and categorize information across the Web. Some of the bigger companies are going to have to participate a bit more in standardizing around this.

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Do you believe that shift will come? Do you think people will be willing to tag information?

I actually do, but I don't know what the trigger is going to be. Let me tell you why I think that: I hate to use Facebook as an example, but they changed a lot of things with some basic activities.

By opening up their platform, they got every major Internet company to ask, "How do we open up our platform more?" Google responded with OpenSocial, which while it's a marginally off-of-a-paper-napkin kind of launch, might just take off! They started off with the right things, and they know they need to get into the game more aggressively off their platform than they have in the past and get other people to do the same thing. OpenSocial encourages other companies, who have typically held their information very tightly, like a LinkedIn [discussed in Chapter 9] and a Plaxo, to open their platforms more.

SalesForce has understood this concept for a long time. We've understood it. Yahoo has understood it to a certain extent. And, Amazon actually jumped on this bandwagon a few years back and has made great progress.

Let's jump to another term that is being used today—Software as a Service (SaaS), or Software plus Services (S+S). What is your thought on these?

Great ideas. Once again, the real test for adoption on those won't be small companies; it'll be the big companies. The small companies will adopt it, because economically it makes a lot of sense.

"Big companies love control; they need predictability. Wall Street does not like unpredictability."

The general philosophy is, "Stop worrying about having to manage your infrastructure; start worrying about your products and your innovation." And that's a great message. So, if you can focus your business and your employees to do things that truly matter to the bottom line and not worry

about infrastructure to support your software and manage it as a service, it makes a lot of sense.

Big companies are going to be reluctant, because they don't want to have core-business infrastructure in a place that they don't control. Big companies

love control; they need predictability. Wall Street does not like unpredictability, and if you release that control too much, you run the risk of catastrophe. That's why it will take a long time to get there.

Shifting back to Web 2.0, what has eBay done in the Web 2.0 space that you would consider really cool?

First, we built a widget in May of this year called eBayToGo. You can take a look at it at <http://togo.ebay.com>. As simple as widgets are, the reason that this one is meaningful is that it creates a compelling interactive eBay Anywhere experience delivering unique and customized content from our site and publishing it on a third-party site or blog. From our perspective, it also helps show that distributing eBay off of eBay.com is very important to our business.

The other cool thing is desktop.ebay.com, which my team is developing. This application is written on Adobe's AIR platform, which creates an experience that you just can't get on the Web today in this environment on your desktop.

For us, once again, it's distribution. I look at delivering the eBay experience off of eBay.com in four places. The first is delivering it across the Web through distribution of widgets and core functionality. I'm talking buying experience now, not selling, so this is enabling widgets, not just

"If you can create a compelling experience for the consumers, then that's really important."

promoting items that are on eBay for sale, but also allowing people to purchase directly from the widget. That's something that we're working on internally, and we talk about. Hopefully in Q1 of next year we'll start to see this stuff proliferate across the Web. That's cool because you can put something up on your blog and not have people leave the blog but stay in that experience and have very relevant, very tailored kinds of products, depending on what you're talking about. So, that's distribution across the Web.

The second place is distribution on the desktop. There are a lot of desktop PCs that are shipped, and it's always great to have a desktop link on shipping PCs. While having a Web link is okay, if you can create a compelling experience for the consumers, then that's really important. Our eBay desktop product is one of those examples.

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The third is distribution into the digital living room, which is one of those fits and starts. It's tried, but hasn't gone anywhere. Third parties have created things for eBay through our platform, like this company called BuyOff, in Austin, Texas, when they launched with Time/Warner cable in Austin. They're also launching across a lot of Time/Warner areas with eBay in the cable set-top box. Pretty interesting. We've got a third party who developed a Windows Media Center application. We're really looking at that, but it's more of an early "Hey, let's see what's going on." But it's pretty important to learn and know how these things develop.

And then the last one, of course, is mobile, from a distribution perspective.

"One of the other beauties of the Web 2.0 evolution is that it's a lot cheaper to develop things."

From my point of view, in five years, eBay is going to be much more about eBay across the Web than it's going to be about eBay.com. Every big company needs to think that way. Although the trend is there, big companies, I don't think, are necessarily...it's a tough one. It's a lot easier to control and pre-

dict behavior when it all happens on your web site.

Do you see Web 2.0 features justifying their cost? Do some of the things you've done at eBay justify the cost of development?

It depends on how you compare cost. I would say that one of the other beauties of the Web 2.0 evolution is that it's a lot cheaper to develop things like this, because it's easy to write or integrate with a REST API or to leverage a web service. Now you're seeing some tool companies come out with creative tools that automatically read in the WSDLs that define different web services that are out there and allow you to drag and drop to create things; things like Yahoo! Pipes.

All of these tools are designed to make it easy to leverage web services to create widgets and distribute applications. The cost of development is going down for those things, but the early days of development are pricey, although not as pricey as writing a desktop app—I can tell you that! It's all relative. For me, it's cheap compared to core development/core infrastructure costs.

That's another reason that there are so many companies out there right now—because they can actually launch their company without having to

invest a lot of development dollars. The differentiation is not going to be investment dollars on the technology side; the technology is getting easier and easier to use. It's going to be entirely based on user experience and what information are you combining in the right way.

Is there anything about Web 2.0 or eBay that you'd like to add?

Just that the sheer volume of content and interesting stuff—which is proliferating at an accelerated pace, coupled with the ability to find it, has enabled this economy, if you will, the ability to create widgets and distribute them.

Without the early days of personal home pages evolving into blogs, evolving into creating mashups easily, or whatever—self-publishing in any way—obviously video through YouTube—all those things are really foundational elements. It is important to note that.

Sound Bites

eBay is one of the best-known successful web sites. When you add PayPal and Skype to the mix, you have a company with great web experience. Max Mancini, who runs the Platform and Disruptive Innovation team for eBay, is in a great position to provide insights on Web 2.0 and more. Some of his perspectives follow:

- Internet users expect rich, interactive experiences. On sites, differentiation will be based entirely on user experience and how information is combined. A defining moment for Web 2.0 is people opening their platforms to allow others to use the information in ways that the platform provider never thought of. Web 2.0 is really defined as enabling people to create new things.
- “Atomization of the Web” is taking all of the components and making them available for combination in unconsidered ways, or in ways that are very individual.
- You can't necessarily rely on individual sites as being where the Internet economy is going. Rather, you should determine what compelling value you are delivering and how you can monetize that value.
- Another defining moment for the trend in Web 2.0 is being able to monetize things that would have otherwise been unmonetizable. The

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monetization models really have to evolve. The commerce-based transaction model and the pure ad model as they exist today need to evolve significantly.

- Web 2.0 is creating more openness in integrating things that you would have had to build from scratch before. Nobody has even started looking at how you manage rights and security within that. We're not quite at the big levels of monetization yet where security is as big of a concern as it should be.
- Blurring the lines between a desktop experience and a web experience is where everything is headed. There is a lot of momentum for creating interactive experiences leveraging Web 2.0 technologies and web services. We're taking these technologies, bringing them to the desktop, *and* allowing people to leverage the web services in the same way and as simply as they could through the Web. After all, the Web really isn't about a web browser—we experience it that way today, but it doesn't have to be.
- Big companies love control; they need predictability. Wall Street does not like unpredictability, and if you release that control too much, you run the risk of catastrophe. Enable your business to operate no matter what the next big thing is, and let other people catch up.