

15.567 Reading Guide

eBay

Network effects are interesting when there is only one relevant network, but they become downright fascinating when two networks interact. The effects can be profound and confusing for revenue models and platform competition. eBay provides a fascinating case example.

Readings

Required:

Case: Edelman and Larkin, eBay Partner Network (A), HBS: 910008

Optional:

Arthur, B. "Increasing Returns and the Two Worlds of Business." *HBR*

URLs:

Visit (or revisit) eBay and remind yourself how it works

<http://pages.ebay.com/education/index.html>

Study Questions

Please think about the following questions as you do the readings.

- 1) eBay runs substantial online marketing through paid search (ads on search engines) as well as display campaigns (banner advertisements on thousands of web sites). What, if anything, does affiliate marketing add?
- 2) The case presents eBay deciding to cease using Commission Junction, the web's largest affiliate marketing network, and instead go it alone. Is this a wise decision? Why or why not?
- 3) Exhibit 6 presents commission schedules. Why do you think eBay chose this commission structure? Could it be improved? How?"
- 4) Neel Sundaresan, head of eBay Research Labs, may be joining us for this class. What questions do you have for him?

Required Assignment "One Pager" for eBay Class

Please submit a one page memo addressed to Steve Hartman (max 300 words) analysis) by 9pm the day before Session 6. Please submit either a PDF or MS Word file, with your name, date and assignment title at the top.

Question: Based on the eBay case you read, what would advice would you give to Steve Hartman and his team at eBay?

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15.567 The Economics of Information: Strategy, Structure and Pricing
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