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EBay Gambles on Google Partnership for Success of Skype, the Internet Phone Service

By [SAUL HANSELL](#)

EBay is hoping its new partnership with [Google](#) will help it find new ways to make money from Skype, its Internet calling service. But experts wonder if enough people are willing to make the switch from traditional phones to talking through their computers.

A critical aspect of the deal announced yesterday is that Google will introduce a feature that allows users to talk to advertisers by way of Skype, instead of just clicking through to the advertisers' Web sites.

Users of this feature, called click-to-call, would also have the option of using Google's own Google Talk system or standard telephones.

Early tests by several companies indicate there is a group of advertisers, including mortgage brokers, who are willing to pay \$8 to \$15 for each call from a Web searcher, roughly 10 times more than they will pay for a Web site click. Under the Google- [eBay](#) deal, money paid by advertisers for calls completed through Skype would be split between the two companies, although the proportion of the split was not disclosed.

But most of these tests so far, including those by Google, are focused on calling using regular phones, rather than calling by PC using services like Skype. Indeed, eStara, a company that provides pay-per-call advertising technology to companies including [Verizon](#)'s [SuperPages.com](#) unit, offers both telephone and PC calling options. It has found that only 10 to 15 percent of people choose to talk using their computers, and that this proportion is not increasing.

"The vast majority of consumers want calls to be landline-based," said John Federman, eStara's chief executive. PC calling requires computers that are equipped with microphones, and a change in customer behavior.

Alex Kazim, the president of Skype, said an increasing number of computers now came with microphones, and consumers were increasingly using them.

"We see a shift over time as users become more and more able to do voice calling on their PC's," Mr.

Kazim said. He pointed out that Skype had 100 million users worldwide.

EBay bought Skype last year for \$2.6 billion and additional payments based on its performance. It expects Skype to generate \$200 million in revenue this year, mainly from fees for connecting PC calls to regular telephones and extra services like voice mail.

In an interview Sunday, Meg Whitman, eBay's chief executive, said that the click-to-call system could substantially increase Skype's revenue, but she declined to say by how much.

Skype and Google will begin testing the system next year. So far, most pay-per-call advertising uses one of two technologies. In some, the ads simply display a telephone number for users to call as they would any business. But the number is used only for that advertising campaign, so each call can be tracked. In others, users enter their phone number on the Web and receive a call moments later from the advertiser.

Google has tested the latter system because it can record exactly what path a user took before initiating a call.

AOL, which is using pay-per-call in its Web search ads, uses the unique phone number approach, because it is easier to understand.

"Consumers are more interested in what they are going to say to the mortgage broker than learning how to change behavior," said Marc Barach, the chief marketing officer of Ingenio, which runs the pay-per-call system used by AOL.

Matt Booth, an analyst with the Kelsey Group, said there was a large potential market for ads that generate voice calls, especially among small businesses that do not do much business online.

"Sending someone to a Web site for a plumber is not as valuable as setting up a phone call," Mr. Booth said.

EBay is also exploring how to use voice communication on its own auction site. So far, it has allowed sellers in some categories to add "Skype me" buttons that let potential bidders call them using Skype. It does not charge for this service, as it is seen as an alternative to e-mail, the usual way sellers have answered questions.

But eBay hopes to develop new services for marketers who are simply looking for contacts with potential customers rather than simple transactions, charging them for every call completed.

"There is a class of goods and services where the eBay transaction model is struggling," said Mr. Kazim of Skype. "Real estate agents are not looking to sell a particular house. They want you to come in, and figure out what you need and can afford, so they can show you five houses that are right."

The other part of the deal announced yesterday is more straightforward: Google will sell advertising that will appear on eBay pages outside of the United States. In May, eBay struck a similar deal for [Yahoo](#) to sell ads on its pages in the United States. Yahoo also agreed to use eBay's PayPal unit as its main payments system worldwide.

Ina Steiner, the editor of AuctionBytes, a newsletter, said many eBay sellers saw little benefit from the deals with Yahoo and Google.

“It looks like eBay is milking its auction site as a cash cow to invest in PayPal and Skype,” Ms. Steiner said. “People are already seeing the tests for the Yahoo ads, and they are not happy about them because they compete with the eBay sellers.”

EBay is trying to minimize this competition by showing ads for what it calls complementary products, like accessories, rather than for the products being auctioned.

Ms. Steiner said most sellers saw the Skype Me feature as an imposition.

“Most sellers don't want to talk to buyers,” she said. “They can barely keep up with their e-mail correspondence.”

Google's shares rose \$7.69 yesterday, to close at \$380.95, while eBay's shares rose 49 cents, to \$25.79.

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