



know who to trust. **guaranteed.**

buySAFE Impact Analysis

A Comprehensive Study of buySAFE's
Impact on Conversion

The buySAFE Impact Test Measured The Quantitative Impact of buySAFE on Conversion



buySAFE Impact Test Objectives:

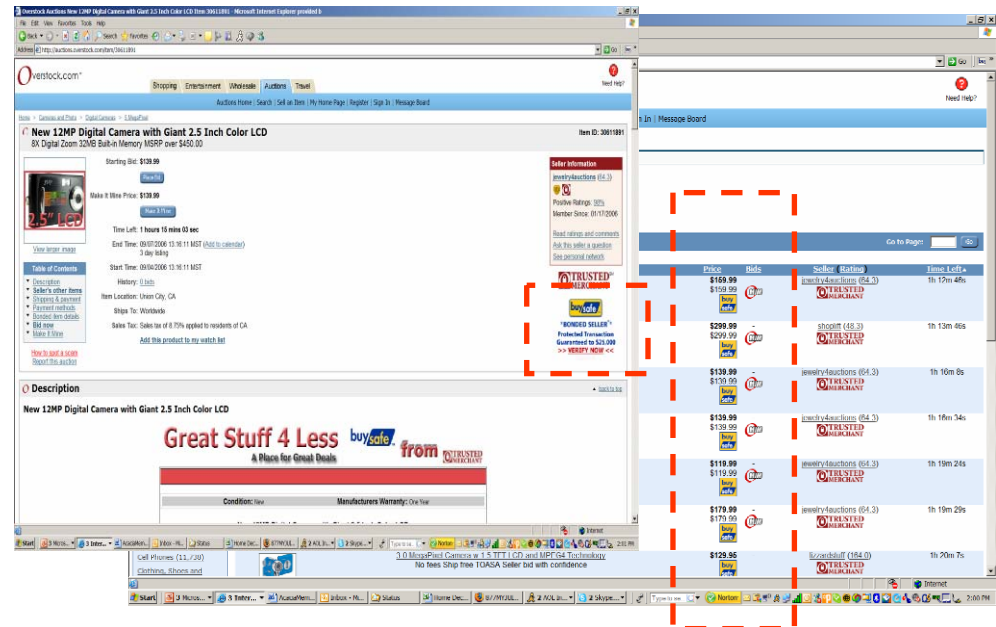
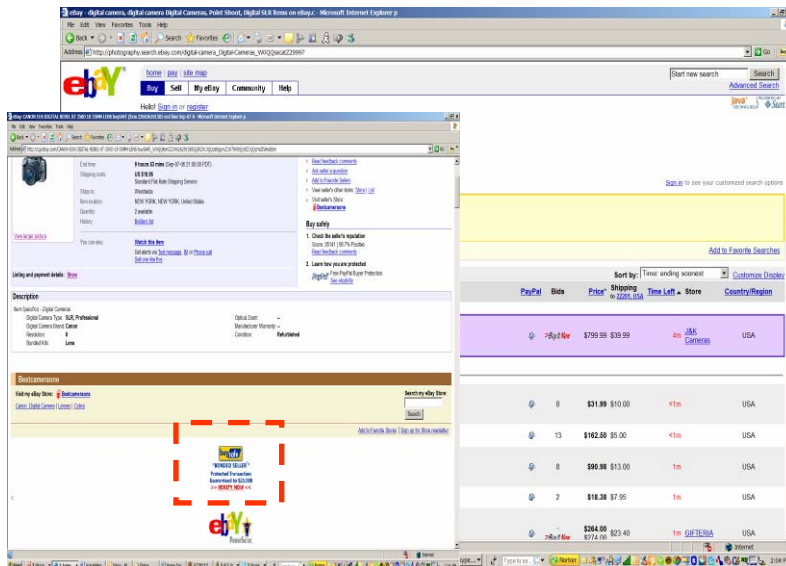
To measure buySAFE impact on shopper behavior in eCommerce transactions and the resultant impact on merchant economics.

- Primary focus on buySAFE's impact on driving increased purchasing (conversion)

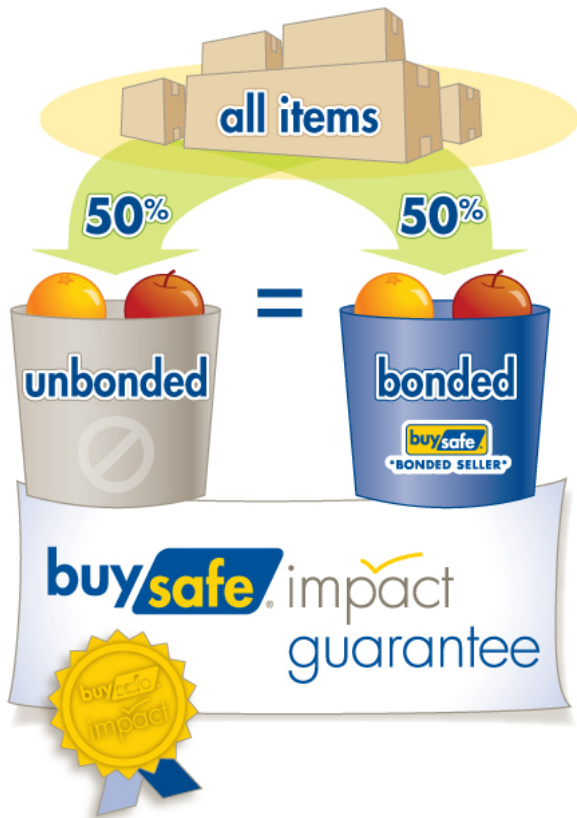
Venues Tested:

eBay.com

Overstock.com Auctions



buySAFE Impact Testing Methodology



- Approximately 150 sellers were tested from February – August 2006, representing approximately 2,700,000 items
- The buySAFE Seal & merchandising best practices were randomly inserted into ½ of each seller’s listings, resulting in two baskets of equal items – one bonded, one unbonded
 - Technology enabled equal distribution of bonding similar items for a single seller (e.g. same items alternated bonded, then unbonded)
- Results for each seller were typically collected over a 30-60 day period
- Results were weighted by item count so the larger sellers have a greater impact on overall results than the smaller sellers
- Analysis was performed by analytics experts using advanced statistical analysis methods and tools
 - Project lead is an Economics and Statistics expert from the University of Chicago with over 10 years business experience in applied statistics
 - STATA was used to tabulate results and perform statistical analysis

buySAFE Created Positive Lift for Both Fixed Price and Auction Items on eBay

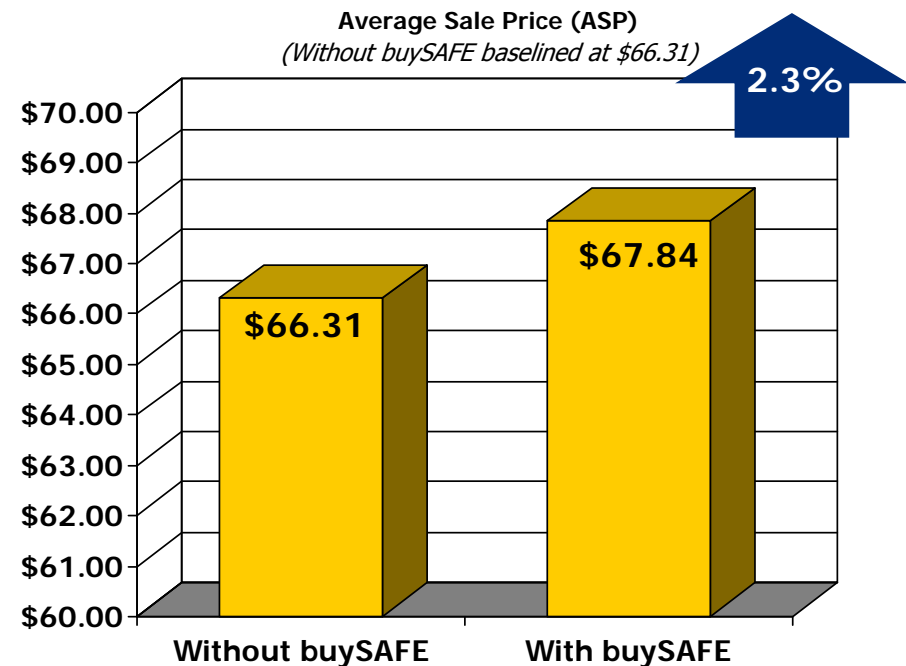
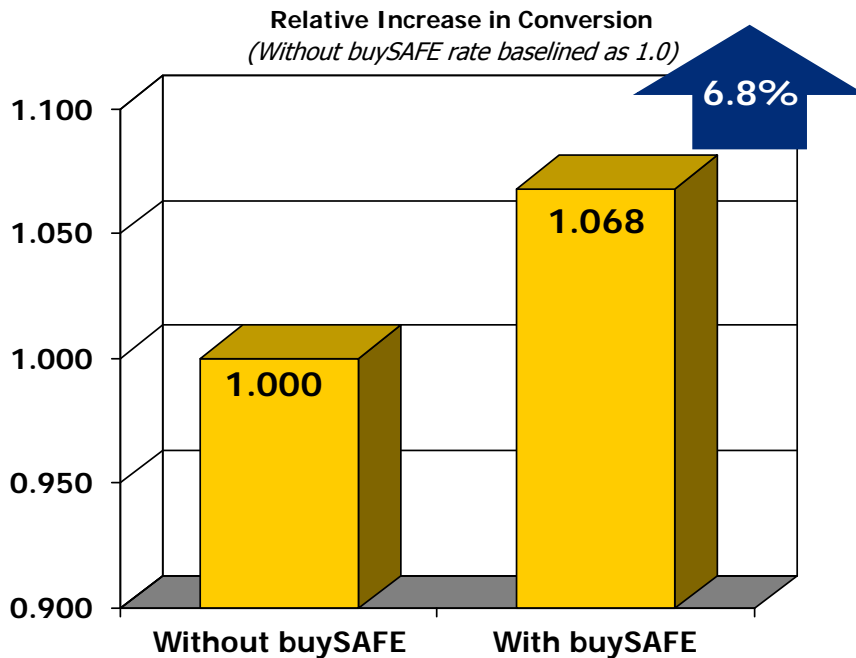


• Fixed Price Items

- Increased conversion (sell-through rate) is primary driver
- ~2.7 million items tested, average increase in conversion was **6.8%***

• Auction Items

- Increased pricing (average selling price (ASP)) is primary driver
- ~500,000 items tested, average increase in ASP was **2.3%****





* Results based on buySAFE impact test, February – August 2006. ~2.7mm fixed-price and store listing items on eBay evaluated

** Results based on buySAFE impact test, February – August 2006. ~456,429 auction listing items on eBay evaluated

buySAFE's Impact on Conversion Translates Into Sizable Increases in Merchant Profits



Example: buySAFE's Conversion Impact for IR200 Merchant - Home & Garden Category-

Without buySAFE				With 			
Approx. Site Visitors	11,340,206			Approx. Site Visitors	11,340,206		
Conversion Rate	2.00%			Conversion Rate*	2.14%		
Avg. Order	\$485			Avg. Order	\$485		
Sales Revenue	\$110,000,000			Sales Revenue	\$117,480,000		
Marketing Cost	\$6,600,000	6.0%		Marketing Cost	\$6,600,000	5.6%	
buySAFE Bond Fee	N/A			buySAFE Bond Fee	3.0%		
Bond Take Rate	N/A			Bond Take Rate	15.0%		
Bond Rev Share	N/A			Bond Rev Share	\$132,165	25.0%	
Total Revenue	<u>\$110,000,000</u>			Total Revenue	<u>\$117,612,165</u>		
Cost of Goods	<u>(\$77,000,000)</u>	70.0%		Cost of Goods	<u>(\$82,236,000)</u>	70.0%	
Annual Gross Profit	\$33,000,000	30.0%		Annual Gross Profit	\$35,376,165	30.1%	

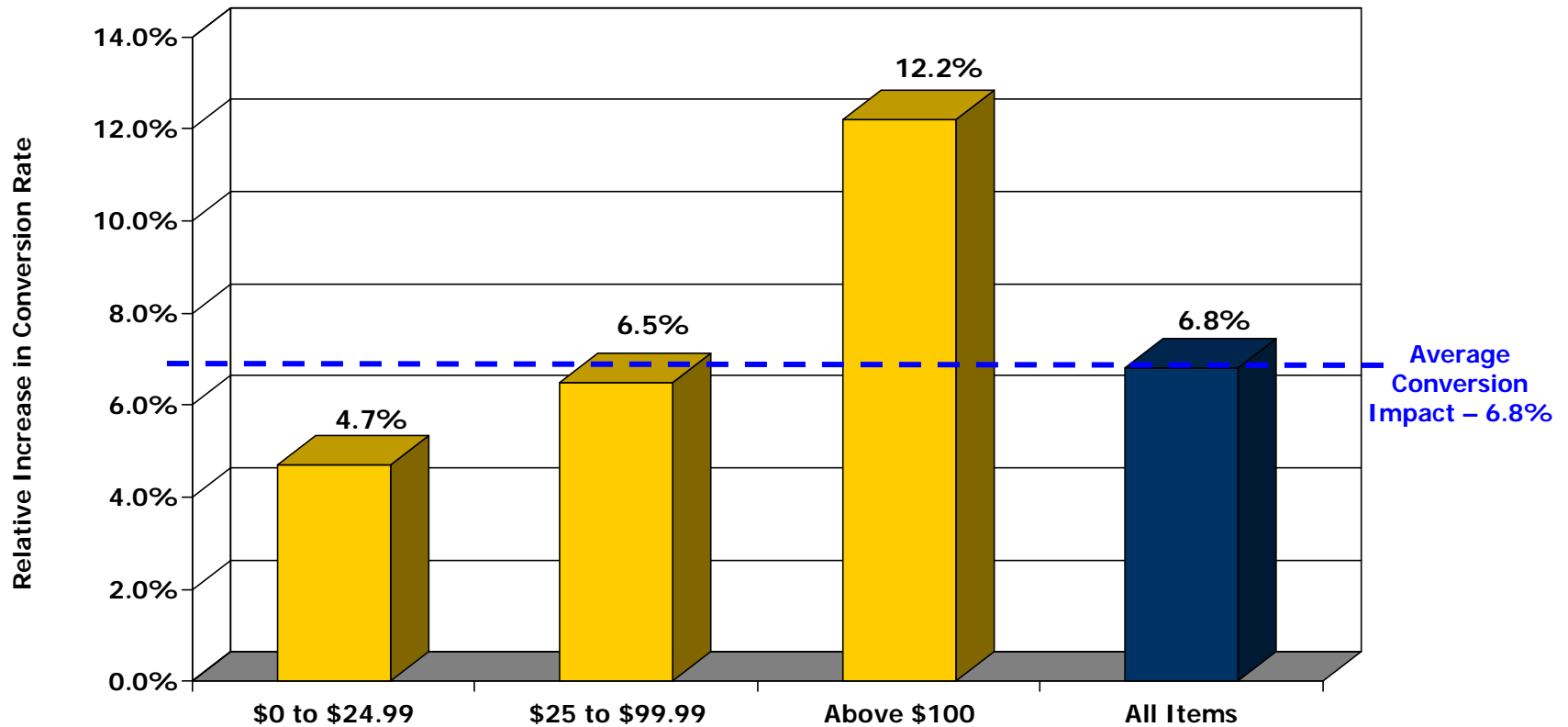
buySAFE's Impact on Annual Gross Profit \$2,376,165

* Assumed 6.8% relative conversion increase based on 2.7 million items tested from March – August 2006. Example assumes buySAFE's average impact on conversion seen on eBay for Home Décor Products on their website.

The 6.8% Conversion Lift on eBay Is Significant and the Impact Increases Rapidly with Price



buySAFE's Conversion Impact on eBay Across Price



Items tested:

1,372,241

900,883

397,260

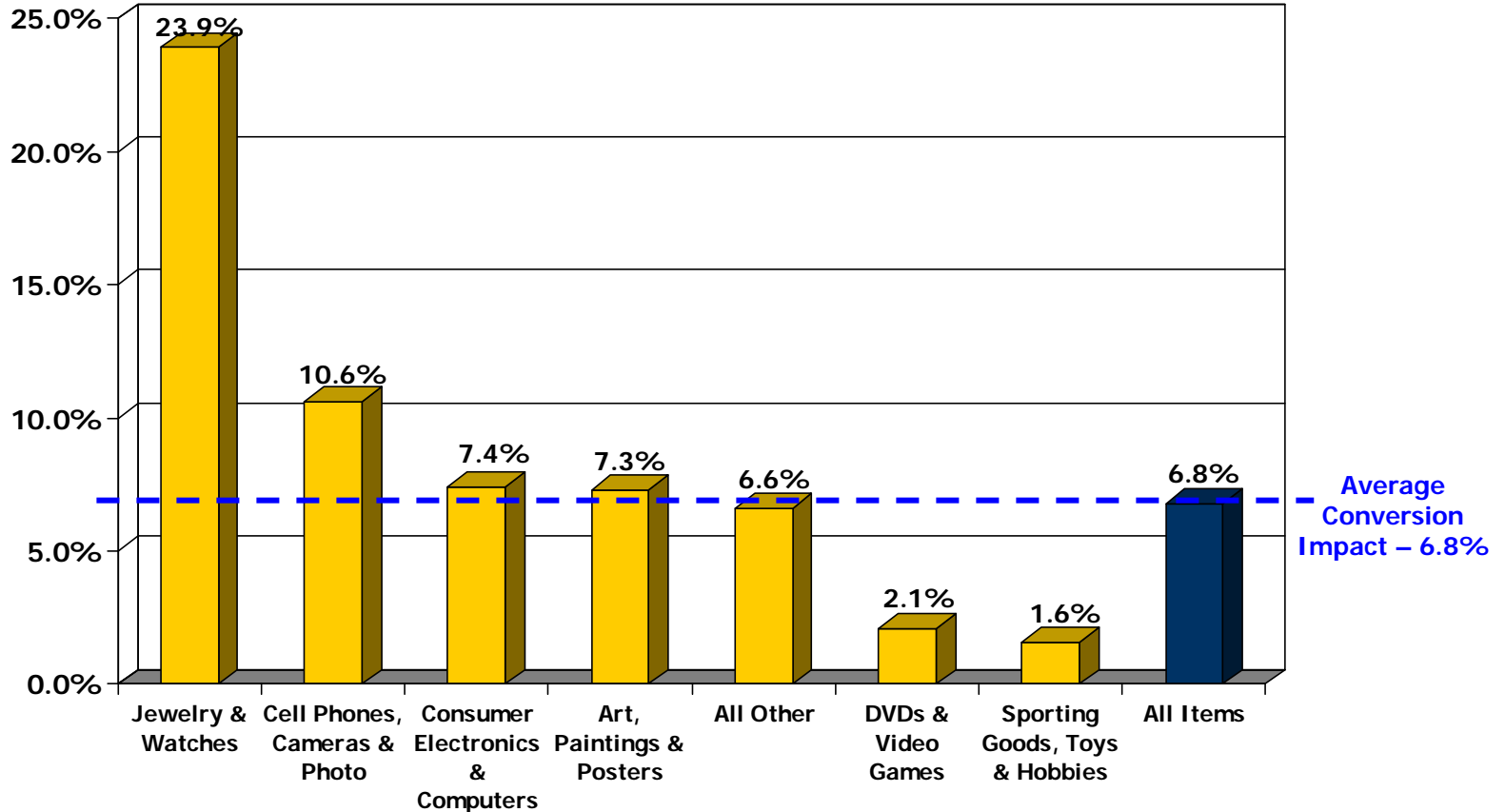
2.67 million

Note: Results based on buySAFE impact test, February – August 2006. ~2.7mm fixed-price and store listing items on eBay evaluated

buySAFE's Conversion Impact Holds Across All Product Categories, With Exceptional Strength In Key Categories



buySAFE Conversion Impact on eBay by Product Category



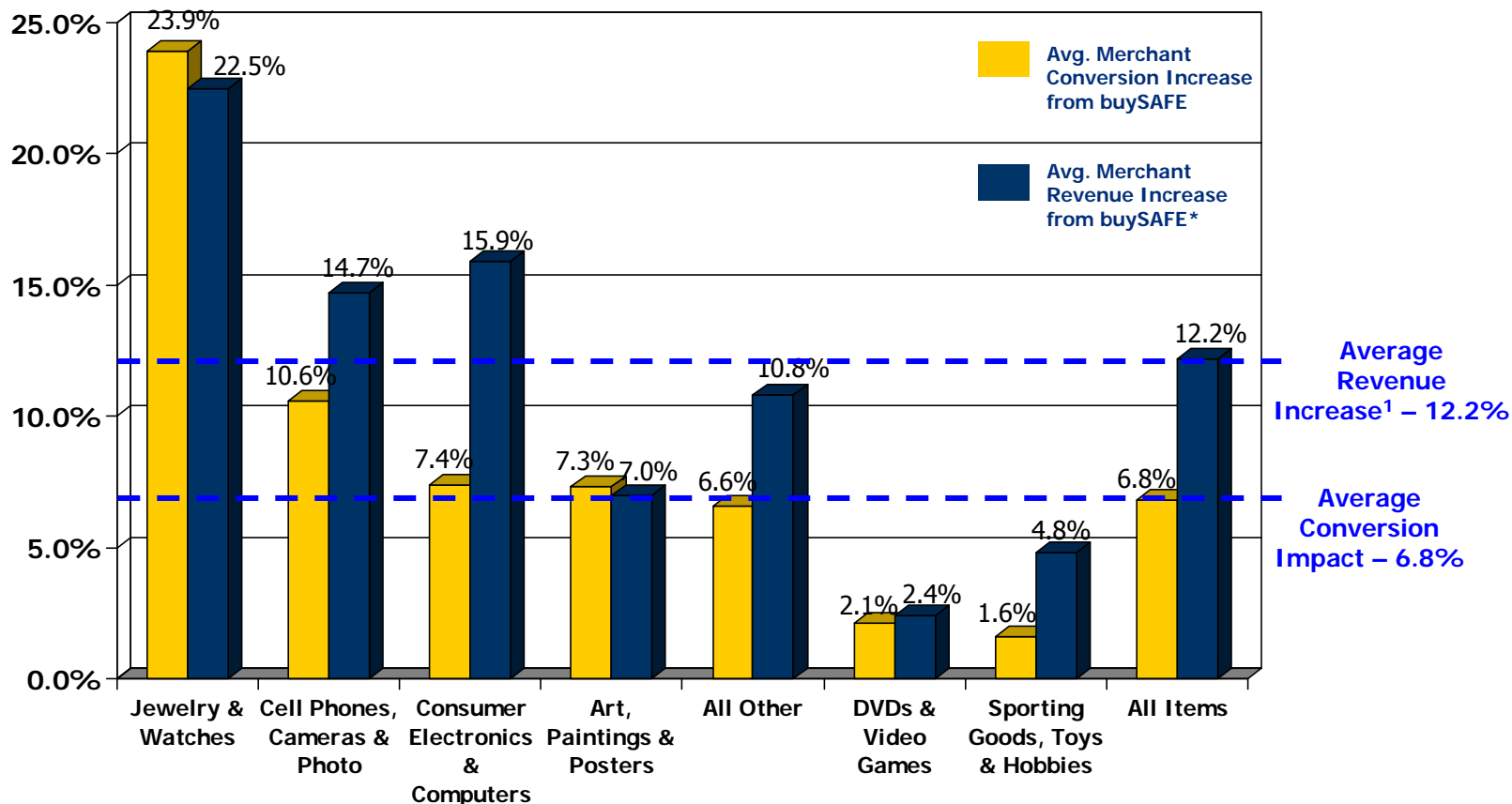
Items tested:	511,078	207,105	505,740	311,855	854,412	132,887	128,600	2,673,489
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Note: Results based on buySAFE Impact Test, February – August 2006. ~2.7mm fixed-price and store listing items on eBay evaluated

buySAFE's Conversion Impact Holds Across All Product Categories, With Exceptional Strength In Key Categories



buySAFE Conversion Impact by Product Category



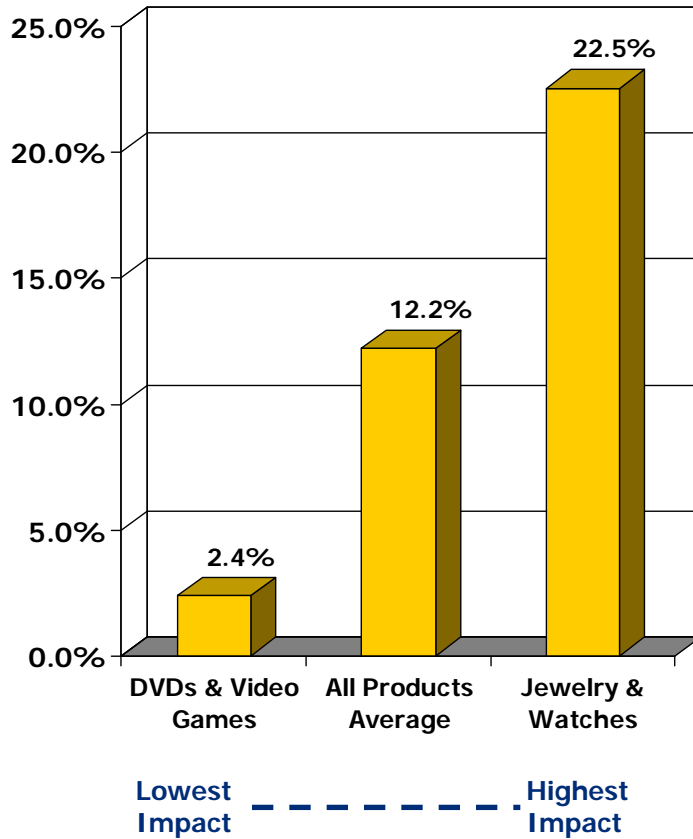
Items tested:	511,078	207,105	505,740	311,855	854,412	132,887	128,600	2,673,489
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¹ Average Revenue Increase combines impact of both changes in conversion rates and changes in purchase mix (e.g. average value of each purchase)
 Note: Results based on buySAFE Impact Test, February – August 2006. ~2.7mm fixed-price and store listing items on eBay evaluated

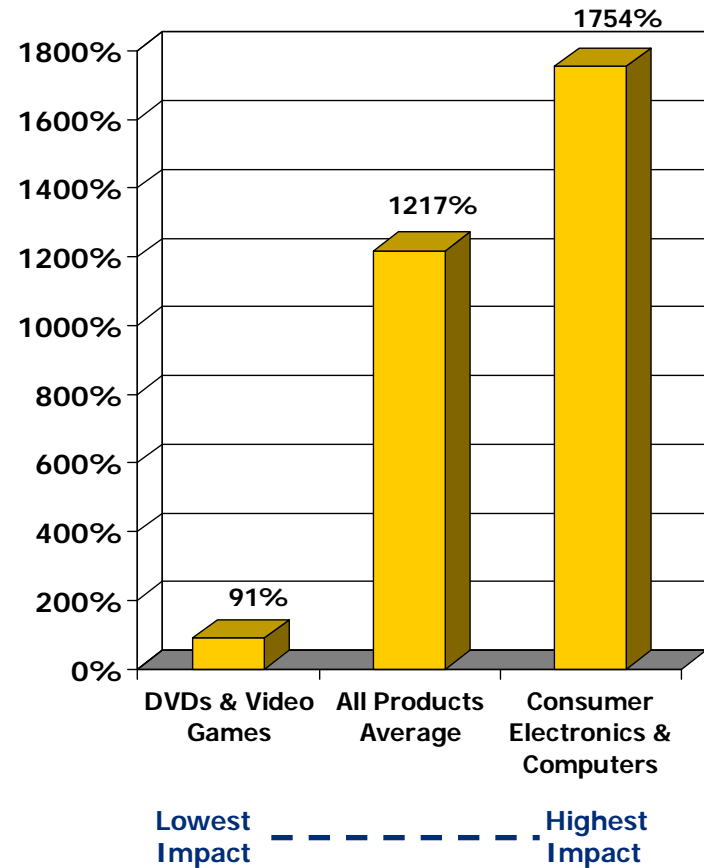
buySAFE Means Real Money For Merchants Across All Product Categories



buySAFE Revenue Impact¹



buySAFE ROI Impact²

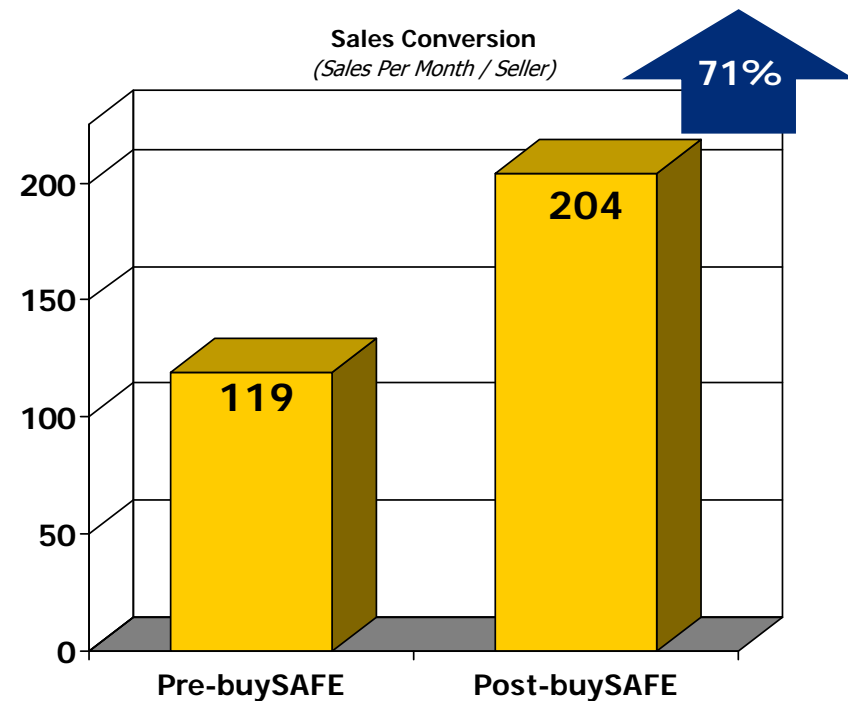
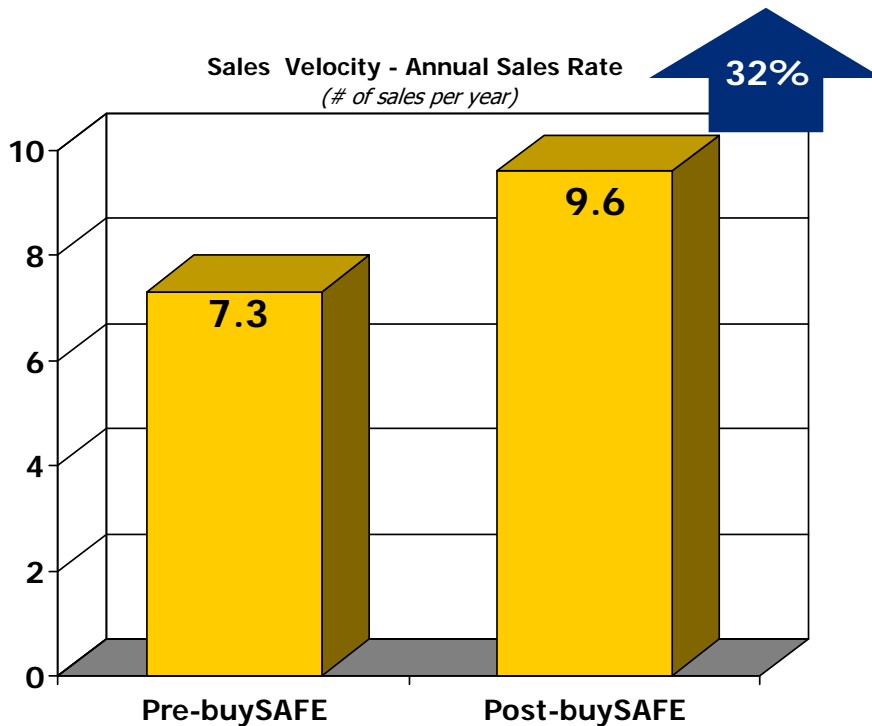


¹ Revenue Increase measurements combine the impact of both changes in conversion rates and changes in purchase mix (e.g. average value of each purchase)
² ROI calculations assumes a 30% average gross profit margin and a 0.5% average buySAFE fee rate on every transaction

When buySAFE is Integrated Into Buyer Search Results – Like on Overstock.com Auctions – Impact Is 3-4x Greater



When buySAFE signal is included in buyers' search mechanism, the impact is even more dramatic; both Sales Velocity and Sales Conversion substantially improved



Note: Results based on Overstock Trusted Merchant customer data – August 2005-January 2006 (based on 67,023 sales transactions)

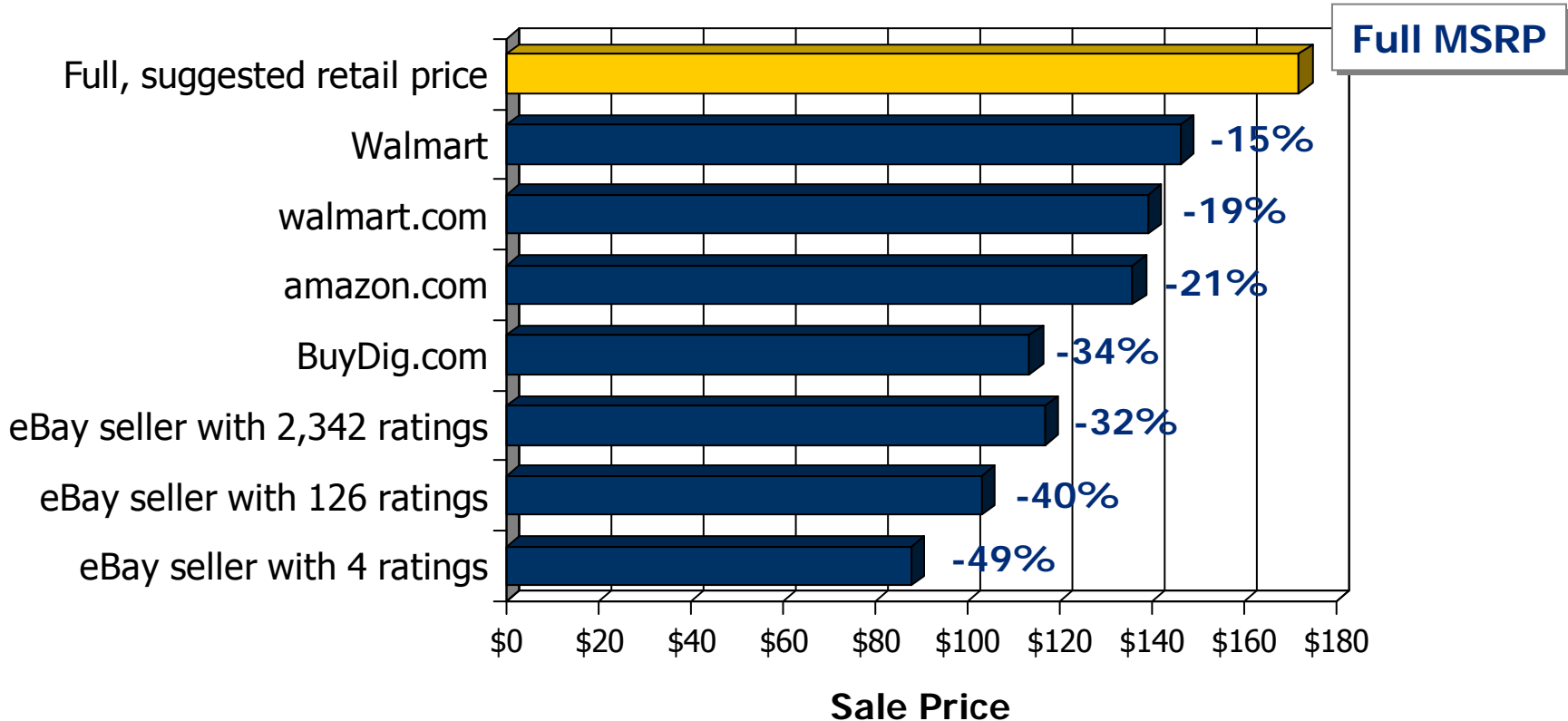
ADDITIONAL QUALITATIVE SUPPORT FOR



Risk Perceptions Significantly Affect Buyers' Purchase & Pricing Decisions



Risk Perception Discounts by Retailer

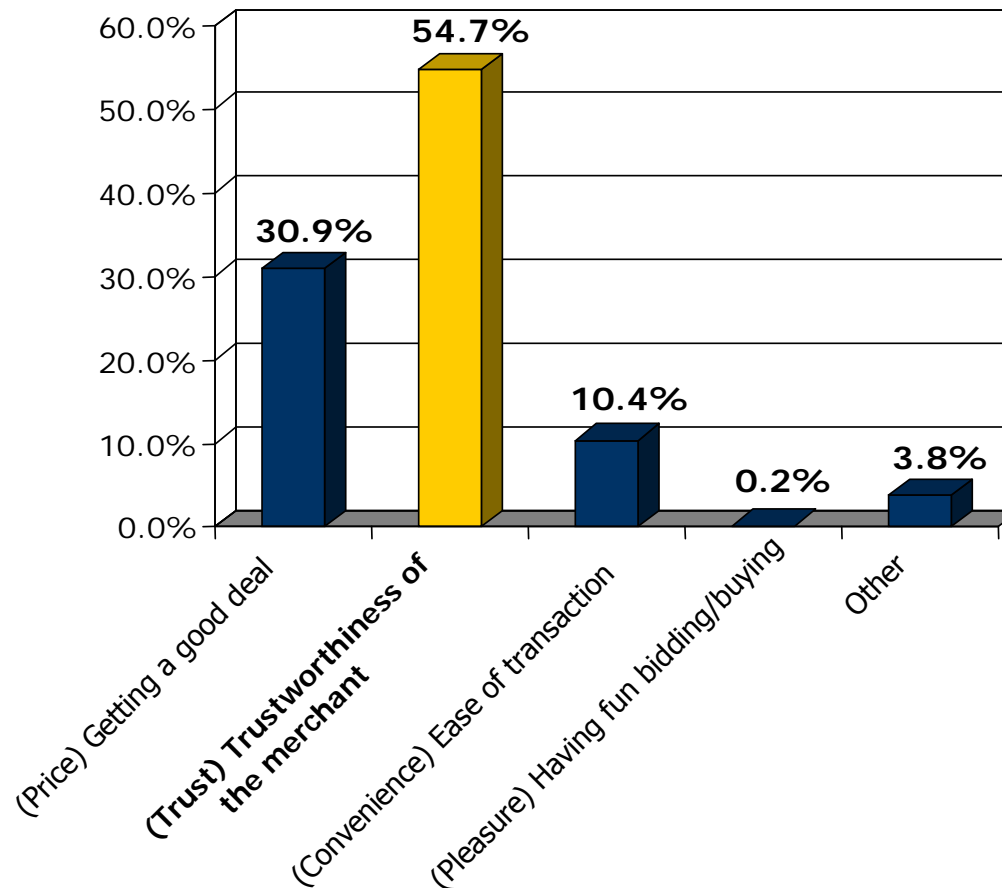


buySAFE Concept Test, February, 2003 – 280 people surveyed

Trust Consistently Ranks As The #1 Concern for Most Shoppers



Which of the following is most important to you when buying an item online?*



* Source: August 2006 Carpartswholesale customer survey – 959 total respondents
Complete survey results can be viewed at <http://www.surveymonkey.com/Report.asp?U=250740656699>

Shoppers Are Always Nervous, but Off eBay, Those Concerns Appear to be Magnified



Indicate your relative level of concern when shopping on eBay*

Indicate your relative level of concern when shopping on a website you are not familiar with*

	Not Concerned	Slightly Concerned	Concerned	Very Concerned	Extremely Concerned	Not Concerned	Slightly Concerned	Concerned	Very Concerned	Extremely Concerned
Non-delivery of merchandise	13%	33%	20%	13%	21%	4%	19%	26%	20%	30%
Item misrepresented (e.g., inaccurately described / counterfeit item / damaged)	6%	29%	21%	21%	23%	3%	14%	23%	30%	30%
Product does not work well or breaks quickly (buying a lemon)	7%	26%	25%	19%	23%	4%	13%	24%	27%	33%
Payment or shipping policy not honored	14%	28%	23%	15%	20%	6%	17%	26%	22%	29%
Return / Refund policy not honored	11%	27%	22%	17%	22%	4%	15%	24%	24%	33%
Merchant not easy to deal with / If there is a problem, that it will be resolved fairly	9%	24%	21%	22%	25%	3%	12%	23%	28%	33%
Personal information security / identity theft	14%	19%	18%	13%	37%	4%	10%	14%	17%	55%

* Source: August 2006 Carpartswholesale customer survey – 959 total respondents; very similar results from April 2006 survey of 576 random eBay shoppers

And, The Trust Problem For Merchants Is Only Getting Worse



U.S. Internet shoppers are becoming more cautious...

More cautious when purchasing goods online



More careful entering sensitive data online



Buying fewer items than otherwise would



* Margin of error is +/- three percentage points

Source: Gartner Research

* Based on a Gartner Research survey of 5,000 adult online users in May 2005 to determine impact of phishing and identity theft on online purchasing behavior

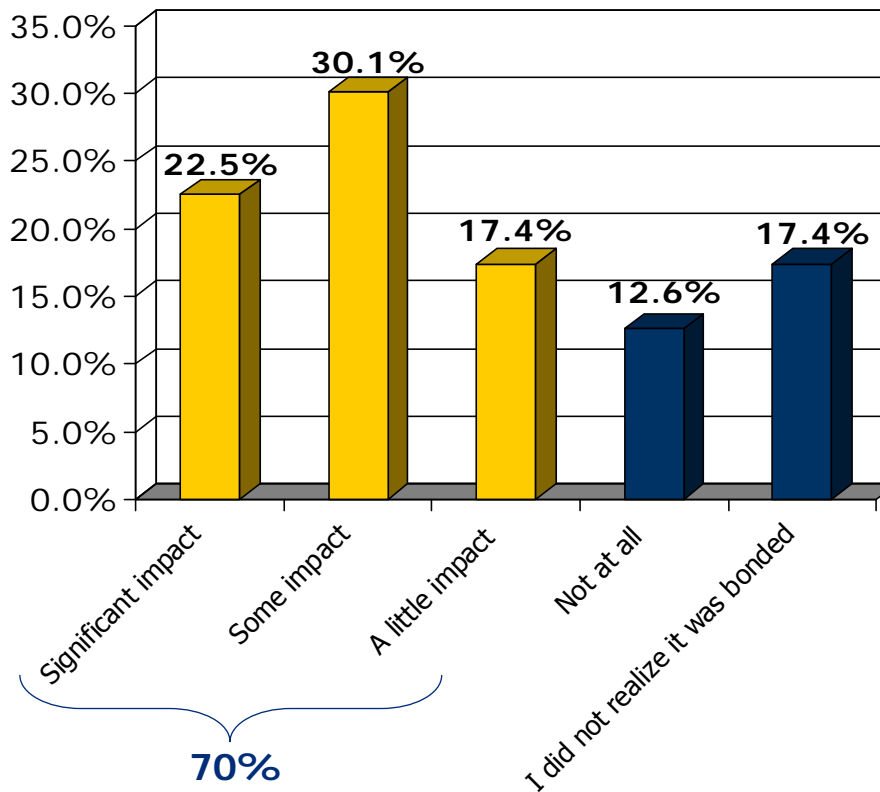
70% of Buyers Say buySAFE Positively Impacted Their Buying Decision

- Responses corroborate the buySAFE Impact study results



When you recently purchased an item from us, the transaction was bonded by buySAFE.

How did this financial protection impact your decision to buy?*

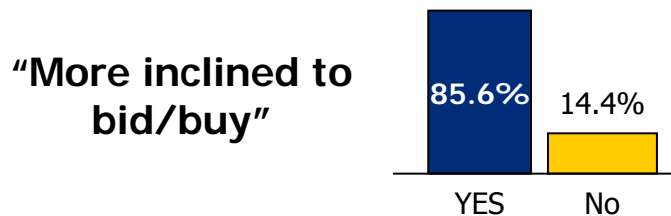
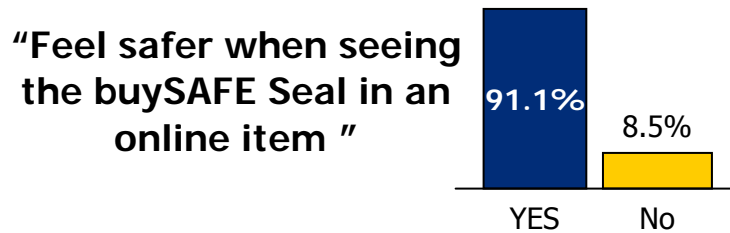


* Source: August 2006 Carpartswholesale customer survey – 959 total respondents
Complete survey results can be viewed at <http://www.surveymonkey.com/Report.asp?U=250740656699>

Across Numerous Qualitative Metrics, Buyers Say They Feel Safer With buySAFE



Buyers Feel Safer



"This is a great service. It gives you that extra sense of security we all crave."

~ Aaron Brownlee, *eBay User ID: 4apbrownlee*

"I will look for buySAFE in future purchases I make on eBay."

~ Betsy Trinidad, *eBay User ID: 13lumpy13*

"I had never paid that much attention to the buySAFE Seal, but you can bet I will on future auctions."

~ Bob Hof, *BusinessWeek Online*

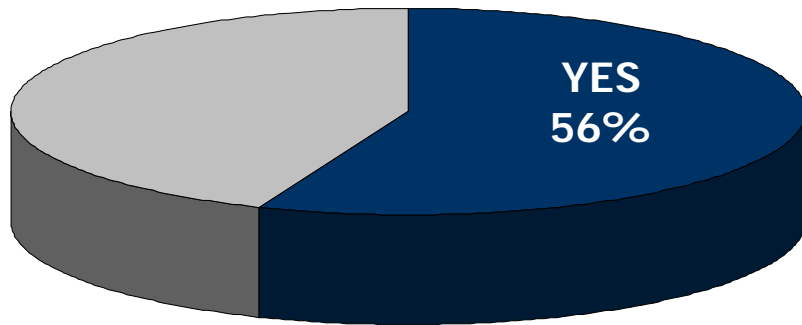
And Extensive Price Testing Shows Buyers Will Pay for A Bonded Transaction

- Responses reinforce experience w/ Impact Test results



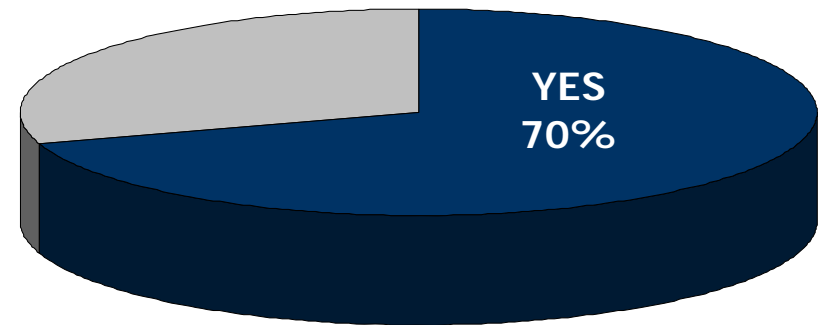
Lowest Take-Rate Response

Would you pay a buySAFE Bond fee of 4.9% on a \$100.00 item...?



Highest Take-Rate Response

Would you pay a buySAFE Bond fee of 2.9% on a \$10.00 item...?



Most shoppers are willing to pay more for the peace of mind that comes with a bond guarantee.

Source: March 2005 Buyer Interest Surveys – 1,362 total respondents

buySAFE's Focused Brand Message & Willingness to Guarantee the Transaction Makes buySAFE the STRONGEST Trust Signal In Existence Today



Please rank how likely you are to buy if you see the following trust marks on an internet retailer's website.*

	Much Less Likely	Less Likely	Just as Likely	More Likely	Much More Likely	Response Average
	3% (30)	9% (84)	59% (537)	20% (182)	8% (73)	3.20
	6% (54)	12% (113)	56% (509)	17% (150)	9% (80)	3.10
	6% (56)	11% (104)	58% (523)	18% (160)	7% (63)	3.08
	3% (26)	7% (59)	50% (455)	27% (241)	14% (125)	3.42
	6% (54)	12% (110)	57% (514)	18% (161)	7% (67)	3.08
	2% (14)	1% (7)	32% (294)	35% (316)	30% (275)	3.92
	6% (52)	13% (119)	58% (522)	16% (149)	7% (64)	3.06
Total Respondents						906

More Likely + Much More Likely

28%

26%

25%

41%

25%

65%

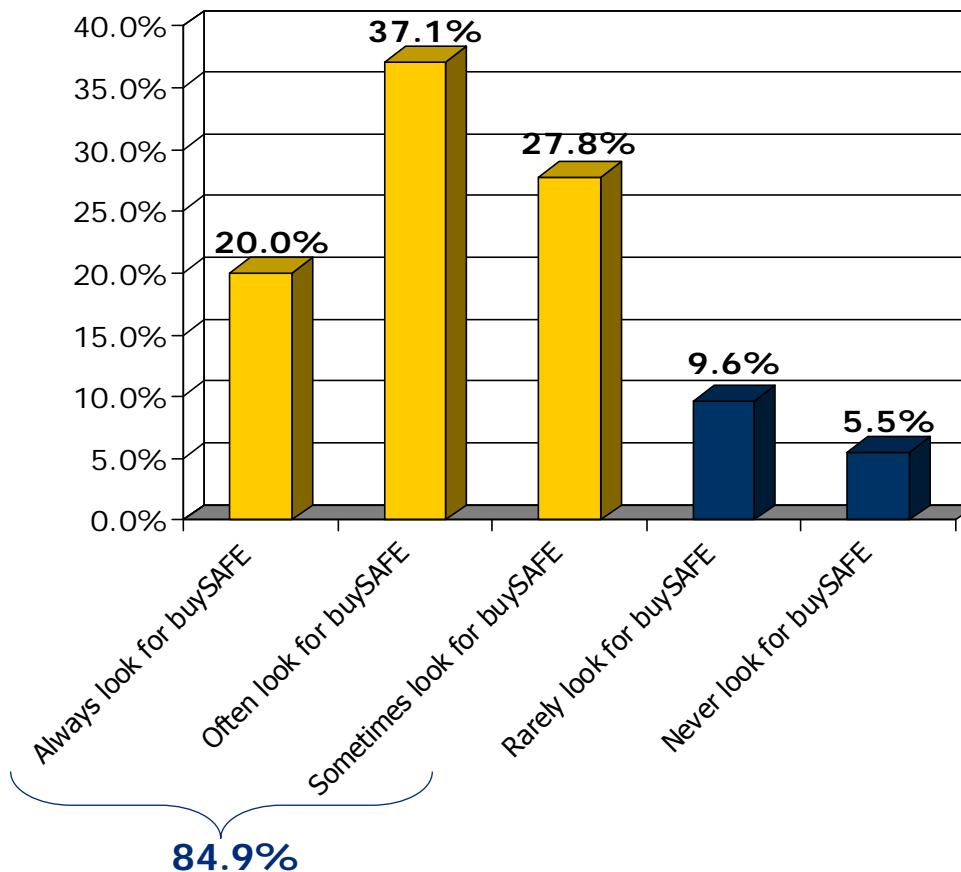
23%

* Source: August 2006 Carpartswholesale customer survey – 959 total respondents
 Complete survey results can be viewed at <http://www.surveymonkey.com/Report.asp?U=250740656699>

As Buyers Become More Familiar With buySAFE, It's Impact Will Grow, Providing An Increasingly Positive Impact for Merchants...



In the future, when shopping online, will you...?



* Source: August 2006 Carpartswholesale customer survey – 959 total respondents
Complete survey results can be viewed at <http://www.surveymonkey.com/Report.asp?U=250740656699>

APPENDIX

- **What buySAFE Does**

1. Bonds online sellers (via automated background, credit & risk scoring process)
2. Provides Bonded Merchants a powerful Trust Seal so shoppers are more likely to buy from them
3. Financially Guarantees online transactions with a surety bond, up to \$25,000, to make purchases virtually risk-free for the buyer*

buySAFE is the Only Trust Signal that will Financially Guarantee Its Promises To Online Buyers

- **What buySAFE Provides**

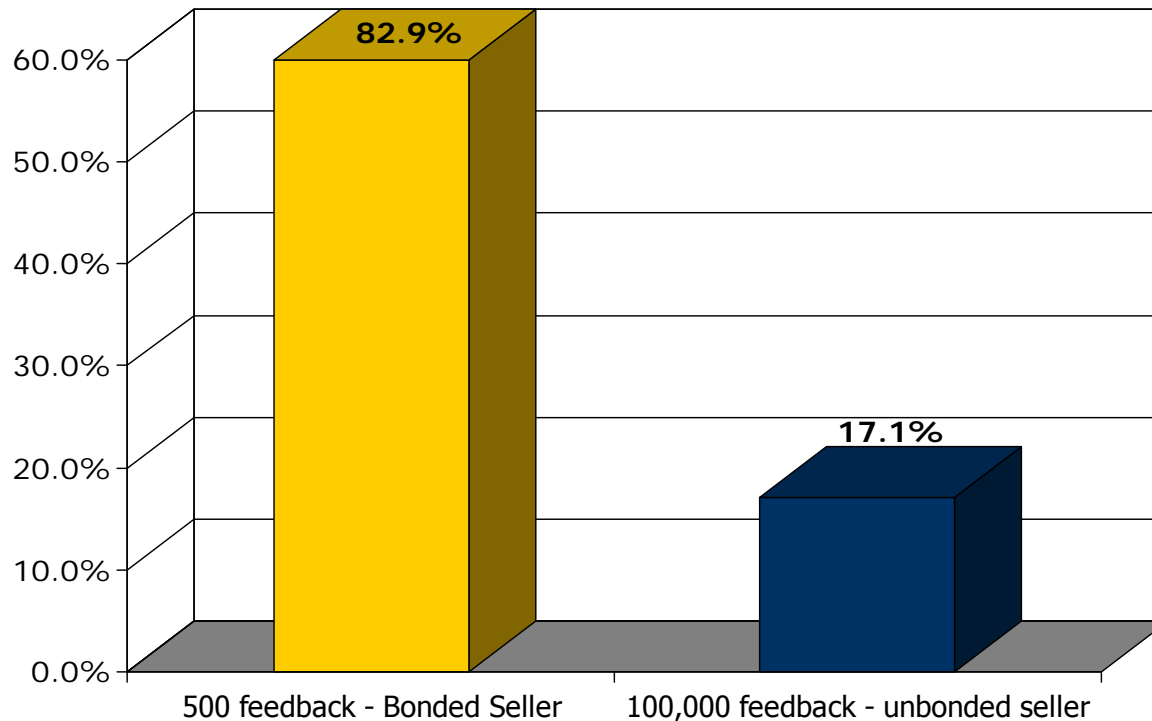
- **Buyers** – The strongest trust signal in eCommerce so buyers can shop with greater confidence
- **Sellers** – An independent trust system providing proven conversion and profit improvements
- **eCommerce Partners** – Increased revenues and a compelling product enhancement

* buySAFE is also testing the addition of a 30 day product performance guarantee to the core bond guarantee

Even Sellers With Dramatically Higher Feedback and Buyer Protections, Can't Compete With A Seller Using buySAFE



- In the future, you find two identical items that are for sale with the same terms of sale, at the same price and both sellers accept PayPal.
- Seller A has a feedback score of **500**, 99% positive and their listing displays the buySAFE Seal so the transaction is guaranteed up to \$25,000 by buySAFE.
- Seller B has a feedback score of **100,000** 99% positive but their listing does not display the buySAFE Seal so you are not protected by buySAFE. Which seller would you prefer to buy from?*



* Source: August 2006 Carpartswholesale customer survey – 959 total respondents
Complete survey results can be viewed at <http://www.surveymonkey.com/Report.asp?U=250740656699>