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LIVEDEAL'S ONLINE ADS A LOCALIZED MIX OF EBAY AND CRAIGSLIST

By Michael Bazeley,
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Savvy entrepreneurs see opportunities everywhere, often in the mundane events that the rest of us take for granted.

As a graduate student at Stanford University, Rajesh Navar would watch with interest as graduating students feverishly cleaned out their apartments and dorm rooms and tried to unload their possessions.

"People are leaving the campus, in some cases leaving the country, and nobody is buying, everyone is selling," Navar recalled. "I realized there was a real inefficiency there."

Navar's realization led to LiveDeal, a Palo Alto company he started that is trying to make a splash in the online classifieds market.

The Web site has a national reach, but its goal is to allow people to buy and sell goods locally. It has the feel of eBay, where Navar once worked, but is aimed at people used to buying and selling on Craigslist or through classified ads in newspapers.

Although the site can facilitate long-distance transactions, LiveDeal is geared toward face-to-face deals.

"A local item is a distinct animal," said Steve Harmon, LiveDeal's vice president for business development. "It's something you don't want to ship and that you want to try before you buy."

LiveDeal, whose site officially launched two weeks ago, is entering a growing market. Online classified advertising will pull in an estimated \$1.9 billion in revenue this year, according to Jupiter Research, and \$3.7 billion by 2009.

But there's plenty of competition. eBay, the online auction leader based in San Jose, has lured many users who would otherwise

rely on traditional classified advertising. San Francisco-based Craigslist has grown into a dominant force in online classifieds advertising, with sites in dozens of cities.

Newspapers still command a large, if diminishing, chunk of the classifieds market, pulling in \$15.8 billion last year through automotive, real estate, jobs and merchandise ads, according to Classified Intelligence, a consulting firm.

LiveDeal is attempting to distinguish itself from newspapers and eBay by offering free listings in most categories. It differs from Craigslist because of its nationwide presence and its ability to let users rate sellers.

"It's effectively bringing the best of e-commerce to the local marketplace," said Navar, LiveDeal's CEO.

Navar dismisses Craigslist as a competitor, saying the company is "not e-commerce savvy" and characterizing the Web site as "clunky" and not family-friendly because of its sometimes sexually explicit personals and erotic services ads. Also, Navar notes, Craigslist has been relatively slow to expand beyond the Bay Area, in part because it must create a unique Web site for each city or region.

LiveDeal's technology allows buyers and sellers to create marketplaces in virtually any U.S. city if the demand exists.

Craigslist Chief Executive Jim Buckmaster scoffed at Navar's characterization of his site as not family-friendly. "We appear to have considerably more listings and more traffic just to our 'childcare' and 'baby & kid stuff' classifieds categories, plus our 'parenting' forum, than LiveDeal has on its entire site," Buckmaster said.

LiveDeal's revenue comes from listing fees for automobiles and premium listings

that sellers can buy to give their ads more prominence. Also, if a buyer and seller complete a transaction online, LiveDeal takes a 5 percent commission.

Industry experts said the company's biggest challenge will be in solving the chicken-and-egg problem of creating a marketplace that is large enough to attract users.

"The value to the buyer is the number of sellers, and the value to the seller is the number of buyers," said Niki Scevak, analyst with Jupiter Research. "It's a formidable challenge."

The site has 128,000 registered users from hundreds of cities around the country, Navar said, and 100,000 active listings. New York, Chicago, Los Angeles and Houston have been the most active cities.

By contrast, Craigslist gets more than 3 million new classified listings per month. The site now serves 75 cities in the United States and abroad and gets more than 6 million unique visitors a month.

"The LiveDeal folks can find markets where this will work for them," said Jim Townsend, editorial director at Classified Intelligence. "The question is, how long can they hold out for growth? How long can they afford to wait to build a critical mass?"

For now, LiveDeal is still self-funded by Navar, one of the original engineers at eBay. The company has monthly revenue of about \$14,000, he said, but is burning through about \$100,000 a month, mostly in payroll costs for its 10 employees. Navar said the company would probably be looking for "strategic partnerships" sometime in the next year.

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