

# The Web: eBay looks to become phone giant

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The motivation for eBay Inc.'s acquisition of Internet telephony upstart Skype may be a mystery to most.

Technology analysts first speculated that eBay's \$2.6 billion purchase of the free Voice over Internet Protocol provider, based in Luxembourg, was designed to enhance the multimedia capabilities of the auctioneer -- making its online auctions more like the open outcry auctions of the real world, featuring both bidding strategy and sound.

"The ease of communications would enhance eBay's trading business," said J. Kevin Gray, an intellectual-property attorney with the Dallas office of Fish & Richardson, "especially for a complicated transaction, such as real estate or automobiles, where detailed conversations between a buyer and seller might be desired."

But now, telecom experts are telling United Press International's The Web that they think the move by eBay may actually have little to do with auctions and may be more of a play to become a telecom provider, a more agile version of the Bell companies.

"The deal with eBay and Skype is a prime example of the ability to provide the emerging quad-play -- voice, video, data, wireless," said Eyal Bartfeld, chief executive officer of Integra5 Communications Inc., a telecom-technology developer based in Burlington, Mass. "Service providers of all types are trying to get a piece of the action."

Blogger and Internet telecom visionary Jeff Pulver, founder of

Pulver.com, went even further in a recent posting to his own blog. The eBay and Skype deal "turns the entire telecom industry picture on its head," he wrote. The deal "demonstrates that voice, presence, text messaging and other IP-based applications will be essential for the company of the future."

Bartfeld believes eBay is moving into the telecom territory -- just like Google did in recent weeks when it announced it was going to be offering voice-enabled services with its Google Talk project.

"To succeed and differentiate themselves in the marketplace, these cable, Internet and telecom service providers will need to provide unique services, service bundles and low costs," said Bartfeld.

That will enable them to avoid becoming "just another" service provider, he added.

The moves by eBay, Google and even Microsoft, with its MSN Messenger, are changing the telecom industry in a dramatic fashion. The strategies will push the development of new technologies. "And the companies providing these solutions to the service providers need to be prepared to handle the many different types of service protocols traveling over rapidly changing networks," said Bartfeld.

There are some extreme critics of the deal, however. Last Friday a Goldman Sachs analyst, Anthony Noto, sent clients a memorandum saying that the purchase made little sense, and the objective of obtaining the VoIP technology could have been accomplished through a licensing deal.

The auctioneer has some 100 million customers and sellers, and Skype has about 53 million users of its free Internet telephony service, about half of whom reside in Europe.

Observers said that portals like Google, Yahoo!, MSN and eBay make a major portion of their revenues through advertising today. By providing free telephony for those who visit eBay.com, the auctioneer might be able to significantly boost that component of its revenue stream. To be sure, the free Internet telephone services could still be blocked by firewalls and other security measures.

Look for other deals like this eBay and Skype acquisition in the coming months, however.

"This is the first wave of consolidation in the IP telephony business," Roland Van der Meer, senior partner at ComVentures, a venture-capital firm based in Palo Alto, Calif., told The Web. "Every major player in the Internet space, from Google to Yahoo!, has an IP telephony play in the works."

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