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INFORMATION TECHNOLOGY IN BUSINESS

**GROUP 6**

**QUESTION**

Explore the concept of virtual marketplaces and online auctions in

e-commerce. What are the advantages and disadvantages of these

platforms for sellers and buyers?

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**What is virtual marketplace**

Virtual marketplace can be defined in various ways some of the unique definitions of virtual marketplace are

A virtual marketplace is a virtual (i.e. based on the internet or non-physical) store where individuals or organizations may purchase and sell products and services.

A virtual marketplace is a non-physical and borderless dimension that exist in the digital domain, in which exchange relations and transactions take place at different levels through digital interactions supported by communications technologies. Also understood as an umbrella term for e-commerce.

A virtual marketplace is an online forum where many vendors come and sell their products to interested buyers through a third-party website or app.

A virtual marketplace is a website or app which facilitates shopping from many different vendors to a wide audience.

A virtual marketplace is a business strategy that uses existing social networks to promotes product mainly on various social media platforms its name refers to how customers spread information about a product with other people, much in the same way that a virus spreads from one person to another (e.g. Amazon, eBay, WhatsApp, Instagram, Twitter and Facebook market place etc.)

A virtual marketplace can be defined as the use of online or digital techniques to achieve strategic marketing and sales objectives without resorting to traditional in-person marketing strategies such as networking at live events, face -to- face meetings, seminars or trade shows. instead, digital substitutes such as search engine optimization (SEO), social media, webinars or video conference calls are used to attract, engage and close new clients.

**How does virtual marketplaces work**

A virtual marketplace is an online forum where many vendors come and sell their products to interested buyers through a third-party website or app. The virtual marketplace is differentiated from an e-commerce site because it offers products from many vendors instead of a single and from a buyer’s perspective; it provides more options for the single item.

It is a non-physical bazaar that exists in spatial digital dimensions and provides one-click access to sellers and interested buyers. In this world of globalization and digitization, time is considered precious commodity and diminishing physical constraints for shoppers and overhead costs for vendors are considered to be the elixir to carry forward the businesses in this new era.

E-commerce has seen an explosion since 2014 and many websites have popped up since then to offer their products online. However, with the explosion in e-commerce, a new trend has also been seen that is website traffic. The successful businesses are those that attract more traffic, thus, opening new venues and attaining more chances of running a successful business operation.

A virtual marketplace is a platform that has provided a digital space to vendors and shifted the burden of logistics to the selling parties. Now the product description, image, pricing, and logistics are in vendor’s domain and the responsibility of maintaining a secure environment, safe transactions and maintaining the Quality of Service and deliver-ability within prescribed timelines lies with the virtual market place’s domain.

The superiority of the virtual marketplace over an e-commerce website can be understood from the fact that it totally eliminates the overhead costs for vendors such as designing and maintenance of the website, paying hosting fees, accounting software, promotional budgets and burdens of ensuring secure payments.

Virtual Marketplaces are considered big markets to trade commodities such as agribusiness commodities. Apart from this, the virtual marketplace plays a key role that facilitates services to link a large number of importers and exporters, it’s the Cyber cross-border broker role. Due to its centralized approach to collect multi vendors in one place the virtual marketplace increase access to new markets. Building high traffic from different vendors and channels enrich the market experience. Many products from different vendors are listed in one place and updated daily with new products and offers.

**Platforms engaging in virtual market**

Virtual Marketplaces are online platforms where buyers and sellers interact to trade goods, services, or information. These platforms offer convenience, global reach, and a wide range of offerings. Here's a breakdown of virtual marketplaces and examples of platforms engaging in them.

Virtual marketplaces are online platforms where buyers and sellers interact to trade goods, services, or information. These platforms offer convenience, global reach, and a wide range of offerings.

**Examples of platforms engaging in virtual markets include:**

1. **Amazon:** A massive online marketplace where sellers can list their products, and buyers can shop for a variety of items from electronics to books.
2. **eBay:** An auction-style platform where sellers list products, and buyers place bids. It offers a wide range of products from new to secondhand items.
3. **Etsy:** Known for handmade and unique items, Etsy connects artisans and sellers with buyers looking for personalized and creative products.
4. **Alibaba:** A platform connecting global buyers with suppliers, particularly from Asia. It offers a wide range of products, including bulk purchases.
5. **Airbnb:** A platform connecting travelers with accommodations provided by hosts. It has expanded beyond just lodging to experiences and services.
6. **Upwork:** A platform for freelancers and clients to connect. Freelancers offer services ranging from graphic design to programming.
7. **Fiverr:** Similar to Upwork, Fiverr focuses on offering services starting at $5. Sellers offer various services, and buyers can choose based on their needs.
8. **Craigslist:** An online classifieds platform where people can post listings for items, services, and housing.
9. **Rakuten:** An e-commerce platform that offers a wide range of products and services, similar to Amazon.
10. **Uber:** A ride-hailing platform connecting drivers with passengers. It has expanded to food delivery and other services.
11. **Instacart:** A platform that allows users to order groceries and have them delivered from local stores.
12. **TaskRabbit:** A platform where users can hire individuals to help with various tasks, from assembling furniture to running errands.
13. **Envato Market:** A marketplace for digital goods like website themes, templates, and creative assets.
14. **ThredUP:** An online consignment store for secondhand fashion items.
15. **Depop:** A platform for buying and selling unique fashion items, often catering to a younger audience.

These platforms offer diverse options for both buyers and sellers, making it easier to find what you need or reach a broader audience with your offerings.

**Advantages of virtual marketplaces for sellers**

Virtual marketplaces offer several advantages for sellers, making them an attractive platform for reaching customers and growing their businesses. Here are some key advantages for sellers

1. **Access to a Large Customer Base:** Virtual marketplaces often have a vast and diverse user base, providing sellers with access to a broad range of potential customers. This can significantly expand the reach of their products or services.
2. **Reduced Marketing Costs:** Sellers on virtual marketplaces benefit from the platform's marketing efforts. The marketplace attracts visitors and promotes products or services, reducing the need for sellers to invest heavily in marketing and advertising.
3. **Established Trust and Credibility:** Reputable virtual marketplaces have built trust and credibility with consumers. Sellers can leverage this trust, making it easier to gain the confidence of potential buyers.
4. **E-commerce Infrastructure:** Virtual marketplaces provide a ready-made e-commerce infrastructure, including payment processing, secure transactions, and customer support. Sellers can focus on their products or services without the need to build these capabilities from scratch.
5. **Lower Operational Costs:** Sellers can save on operational costs such as website development, maintenance, and hosting. They can also benefit from economies of scale in terms of shipping and logistics.
6. **Visibility and Exposure:** Products or services listed on a virtual marketplace are often more visible than those on individual websites. Sellers can take advantage of the platform's user traffic and visibility.
7. **Customer Reviews and Ratings:** Most virtual marketplaces allow customers to leave reviews and ratings. Positive feedback can build a seller's reputation and attract more buyers.
8. **Competitive Pricing:** The competitive nature of virtual marketplaces can lead to competitive pricing, benefiting both sellers and buyers. Sellers can adjust their prices to remain competitive in the marketplace.
9. **Payment Processing:** Virtual marketplaces handle payment processing, reducing the risk of payment disputes and fraud for sellers. This convenience simplifies transactions for both parties.
10. **Cross-Selling Opportunities:** Virtual marketplaces often suggest related or complementary products to customers, increasing the likelihood of cross-selling for sellers.
11. **Global Reach:** Sellers can reach customers across different geographic regions and even expand into international markets without the need for a physical presence in those areas.
12. **Flexibility:** Many virtual marketplaces allow sellers to set their own terms, such as pricing, shipping policies, and return policies, giving them flexibility in how they conduct their business.
13. **Data and Analytics:** Sellers can access valuable data and analytics provided by the marketplace, helping them understand customer behavior, preferences, and market trends.
14. **Reduced Administrative Burden:** Virtual marketplaces handle administrative tasks like order management, shipping labels, and customer inquiries, freeing up sellers to focus on product quality and innovation.
15. **Scalability:** Sellers can scale their businesses quickly on virtual marketplaces, adding new products or services as demand grows.

**Disadvantages of virtual marketplaces for sellers**

1. **Every Marketplace website runs different promotional and marketing campaigns**: They allow various discounts at different times to sell more products. Although you can sell more products, profit margins get less even great at sales. Because they have to lower their price to allow more sales.
2. **Marketplace buyers are not your own customers:** You share the customer base with other sellers. You lose the opportunity of cross selling and upselling your products at different stages at Marketplace.
3. **You have to compete with different sellers inside the Marketplace:** who sells the same product like yours. You have no control over price and profit because they are always competitive.
4. **No competitions even for established brand:** If you are an established brand, which sales premium products with great price and good product quality you will not be visible differently among price competition at a marketplace. Because many times customers judge the product based on price range at any large Marketplace.
5. **Many marketplaces are always product focused they are not seller focused:** It means they always do care about large sales volume not about the profit and margin of sellers.
6. **Search Engine Optimization can’t be established:** You cannot do Search Engine Optimization (SEO) for your brand or product exclusively at Marketplace sites. You do not have any direct control on the pages where your products are shown.
7. Customer analysis and customer relationship management (CRM) is an essential part of any online selling. Marketplaces do not give many details about your customers. And also, you can’t directly contact with your customer or potential customers at any Marketplace.
8. **If you are a Start-up, you may not have detail tax registration like VAT, Service Tax or GST at early stages:** Any Marketplace site requires these legal papers to become a seller on their website. We already know marketplace sites always have an escrow system. They hold the payment for your product for a certain time until the product reaches to your customer. They always have their own refund policies which main effect or conflict with your own policy.
9. **In maximum cases, marketplace buyers are not loyal:** They are not your regular customers. They visit occasionally and buys any product if it has a large discount. There is no guarantee that the customer will come back to buy again from you.
10. **The marketplace does not allow direct interaction or communication between the buyer and the seller:** The reason for this is that the seller might sell their products directly to the customer later, to bypass the fees taken by the marketplace as a Commission per sale.
11. **Different Marketplace allows different types of products:** They have a Forbidden list of products which you can’t sell on their website. If you deal with these kinds of products, you are not allowed to become a seller at any Marketplace.
12. **Webpage can’t be customized:** As a seller, you might want to customize your store page to make attractive for your potential buyers but in the case of Marketplace sites, you cannot customize your Store or product pages. You have no control over this layout and settings.

**Advantages of virtual marketplaces for buyers**

Online marketplaces offer several benefits for buyers, making them a popular choice for online shopping. Here are some key advantages for buyers

1. **Wide Variety of Products:** Online marketplaces provide a vast selection of products from various sellers and brands. Buyers can browse through a wide range of options within a single platform, offering convenience and saving time compared to visiting multiple physical stores or websites.
2. **Competitive Pricing:** Online marketplaces promote competition among sellers, which often leads to competitive pricing. Buyers can compare prices across different sellers and find the best deals, discounts, or promotions available. This allows them to make more informed purchasing decisions and potentially save money.
3. **Convenience and Accessibility:** Online marketplaces enable buyers to shop conveniently from the comfort of their homes or on the go. They are accessible 24/7, allowing users to browse and purchase products at any time that suits them. With mobile apps and responsive websites, buyers can shop using their preferred devices.
4. **Customer Reviews and Ratings:** Online marketplaces often provide customer reviews and ratings for products and sellers. Buyers can benefit from the experiences and feedback of other customers, helping them assess the quality, reliability, and suitability of a product or seller before making a purchase decision. This can enhance buyer confidence and reduce the risk of unsatisfactory purchases.
5. **Secure Payment Systems:** Online marketplaces typically have secure payment systems in place, providing buyers with a safe and convenient way to make transactions. They offer various payment options, including credit/debit cards, digital wallets, and net banking, ensuring flexibility for buyers to choose their preferred payment method.
6. **Buyer Protection and Return Policies:** Many online marketplaces have buyer protection programs and return policies that safeguard buyers' interests. These policies often include guarantees against counterfeit or damaged products, as well as options for returns, exchanges, or refunds in case of dissatisfaction or issues with the purchase. Such protections offer peace of mind to buyers when making online purchases.
7. **Personalization and Recommendations:** Online marketplaces leverage data and algorithms to provide personalized recommendations to buyers based on their browsing and purchase history. This can help buyers discover relevant products, explore new options, and find items tailored to their preferences, enhancing the overall shopping experience.
8. **Access to Reviews and Expert Opinions:** Online marketplaces often provide access to expert reviews, buying guides, and detailed product information. Buyers can benefit from expert opinions, product comparisons, and comprehensive specifications, aiding them in making informed decisions and selecting the most suitable products for their needs.
9. **Tracking and Delivery Updates:** Online marketplaces typically provide order tracking and delivery updates, allowing buyers to monitor the progress of their purchases. They receive notifications regarding order status, shipping updates, and estimated delivery times, enabling them to plan and anticipate the arrival of their products.
10. **Customer Support:** Reputable online marketplaces offer customer support channels to assist buyers with queries, concerns, or issues related to their purchases. Buyers can seek assistance through phone, email, or chat support, ensuring prompt resolution and a positive customer experience.

**Disadvantages of virtual marketplaces for buyers**

1. **Marketplace can charge commission on every sale and fees can vary from sites to sites:** Before selling your product on marketplace, make sure you understand the marketplace’s pricing structure. See fees selling on amazon, and fees selling on eBay.
2. **The online stores may impose restrictive terms of how you communicate with customers:** Online stores often have specific rules and guidelines regarding how you can interact with customers. For example, an online store may limit promotional emails to avoid overwhelming customers or restrict the use of certain language to maintain professionalism.
3. **There may be marketplace limitations as how business can brand its online presence:** Marketplaces often impose limitations on how businesses can brand their online presence. These restrictions are typically in place to maintain a unified and user-friendly shopping environment for consumers and by so limiting the buyers to some brands.
4. For example, a marketplace may limit the use of certain branding elements, such as logos or color schemes, to ensure a consistent look and feel across the platform.
5. **Online marketplace may often be an expensive way to sell online:** This is a disadvantage to buyers because the costs associated with selling on an online marketplace can indirectly impact the buyers. When sellers incur higher fees or costs to operate on the marketplace, they might adjust their product prices to compensate for these expenses.
6. **Higher prices of products:** In essence, the increased expenses for sellers can lead to higher prices for products, ultimately affecting the overall cost-effectiveness and affordability of shopping on the online marketplace for buyers.
7. **Buyers may have to pay a monthly or annual fee additional fee – These charges vary substantially:** Generally, you’ll have to pay a fee and a percentage of each transaction made through the marketplace – charges per transaction can be higher than processing payments yourself. You may also have to pay a monthly or annual fee – charges vary substantially.

**What is online auction**

An online auction is an auction that takes place via the internet, allowing users to sell or bid for products and services online.

An online auction (also electronic auction, e-auction or virtual auction,) is an auction held over the internet and accessed by internet connected devices auctions allow sellers to reach larger audiences, in different locations and geographical areas.

Online auctions are auctions conducted on a website that enable users to buy and sell goods with other users.

An online Auction is for online bidders only and is not conducted in front of a traditional live audience.

**How does online auctions work**

Online auctions are auctions that take place virtually via the internet. Online auctions differ from traditional auctions because the former is made for convenience. The auction house website will list items in a catalog and buyers can click on them for more information about the item. Once a buyer sees an item that interests them, they can bid for it using their credit card information.

The bidding closes at a scheduled time. The buyer with the highest bid at closing is expected to buy the item. If nobody bids at or above the reserve price, the auction is closed without a winner. The winner and seller communicate to make arrangements on how the goods will be delivered and paid for. As a bidder, you can place your bid from anywhere in the world.

With online auctions, you don’t have to travel from one auction place to another, so it saves you the money you would have otherwise spent on travel expenses.

**Examples of online auctions include**

1. Dutch Auction
2. English Auction
3. eBay
4. Copart
5. Sotheyby's
6. uBid
7. eCRATER
8. Auction.com

**Platforms engaging in online auctions**

Below are the best auctions platforms based on price, features, and ease of listing

1. **eBay** Touted as the best platform for auctions and online charity store, eBay makes sense for all charities. There’s dedicated section for charity shops, fundraising and selling. Listing is easy there’s even a step-by-step guide to setting up an advert and adding photos.

**Pros:** There’s no charge to start selling either on an auction or via online shop

**Cons:** charities need to deal with the logistics and shipping Auctions lots This service is the best of one-off events.

1. **Auction lot** offers a separate site for online auctions. The site is accessible by QR. code once the bidding is live. The participants start bidding and are notified if their bids are exceeded or won. Payments are transacted Via strip.

**Pros:** Gift Aid is processed here

**Cons:** Best for simple, single event

1. **Superstars** For those who need a bit of a hand, superstars helps charities run online auctions. The platform includes software that works on a mobile phone, devices or computers. Charities have the option of opening auctions across several days or in a single day.

**Pros:** The service is white labeled, so organizers can use their branding

**Cons:** While the service is free, charities must choose ten items from the product catalogue.

1. **Auctria** Auctria isn’t just an auction platform. The cloud-based software is a professional service that streamline events. The process of fundraising, bidding, and donation is tracked across an easy-to-read dashboard. The platform includes adjacent services Ticketing, raffles and receipts are all part of the package.

**Pros:** Enjoy total organization Via the event management system

**Cons:** pricing may be costly for charities making income over certain threshold

**Advantages of online auctions for sellers**

The following are some of the main advantages of online auctions for sellers.

1. **Increased exposure to a wider audience:** With online auctions, sellers can reach a global audience of potential buyers.
2. **Lower costs compared to traditional auctions:** There's no need for physical space, and sellers can list their items with no upfront fees.
3. **More control over the auction process:** Sellers can set the starting price, the duration of the auction, and other parameters.
4. **Increased flexibility and efficiency:** Online auctions allow sellers to list items and manage bids at any time, from anywhere.
5. **Reach to a larger pool of potential buyers:** as anyone with an internet connection can participate in an online auction.
6. **Greater flexibility in pricing:** as online auctions can start at a lower price than traditional auctions.
7. **Greater reach and visibility:** as online auctions can be viewed by anyone with an internet connection.
8. **Faster sales:** as the auction process can be completed more quickly than a traditional sale.
9. **More competitive pricing:** as the auction format encourages buyers to submit their best offers.
10. **Increased exposure and reach:** Online auctions allow sellers to connect with a global audience of potential buyers.
11. **Flexibility and efficiency:** Online auctions offer greater flexibility in terms of pricing and timing, and can be completed more quickly than traditional auctions.
12. **Enhanced marketing:** Online auctions allow for detailed descriptions and photos of the item, as well as the ability to include information about the seller's reputation or credentials.
13. **Competitive pricing:** The auction format encourages buyers to submit their best offers, which can lead to more competitive pricing for the seller.:
14. **Convenience:** Online auctions allow buyers to participate from anywhere in the world, without the need to travel to a physical location.
15. **Access to a wide range of items:** Buyers can find a wide range of items for sale, from rare and unique items to everyday goods.
16. **Competitive pricing:** Buyers can often find great deals through online auctions, as the competitive bidding process can lead to lower prices.

**Disadvantages of online auctions for sellers.**

1. **Lack competitive atmosphere:** Online auctions lack the competitive atmosphere that we see in offline auctions. The competitive atmosphere in offline auctions often result in higher bids. Some bidders use a tactic, known as “snipping’. Bidders using such a strategy place their bids only at the last moment i.e. when it becomes impossible for other bidders to come up with competitive bids. Such a practice could result in sellers getting bellow the market value for their offering.
2. **Lesser control over number of participants:** The auction company has no control over who is participating in the bid. This could lead to anonymity in identifying the bidders. Since online auctions attract a lot more people, it means each bidder needs to outbid a lot more people to win the bid.
3. **Lack of customers:** lack of customers also affects sellers.
4. **Technical issues:** Technical issues such as website crashes, slow loading times, and connectivity problems can disrupt the auction process, causing frustration for both buyers and sellers.

**Advantages of online auctions for buyers.**

1. **Convenience:** Bidders are able to participate in an online auction from anywhere and at any given time. Auctioneers are not needed to run the auction.
2. **Rich Information**: All information of each product is in one central space, the catalogue on the website. All relating documents are also found on the website and many auction companies add audio and videos to show their stock and products.
3. **Time Saving and Money Saving:** Online auction saves time and money for both buyers and sellers. Buyers do not need to travel to participate in the auction while sellers do not need to set up a live event.
4. **No Physical Location or Multiple Physical Locations:** Products do not need to be moved to one central location for an auction to be held. The units can be at multiple locations for viewing purposes or alternatively can be catalogued with all the information needed for the buyer to buy sight unseen.
5. **Compare Prices:** The main advantage of bidding via online is that it provides the opportunity to compare the price online. The bidder can do small research regarding the product price and quality with other online auction site before participating in the bidding.

**Disadvantages of online auctions for buyers**

1. **Chances of Fraud:** Images of products in online auctions may be different from the original product. Online auctions may lead to fraud, or leave buyers vulnerable to online fraudsters and hackers. There have been several cases, where sellers have duped buyers in an online auction. In some cases, sellers have asked for buyers’ banking information and then used it to commit online fraud.
2. **Technical Glitches:** There are always chances of technical glitches ruining the auction, both for buyers and sellers. These glitches could occur due to high traffic, payment gateway errors, and more. A single glitch could cost a significant amount of money to the seller. On the other hand, it could prevent buyers from purchasing the product they want. Bidders are unable to view and inspect the products.
3. **Lacking Competitive Atmosphere:** Online auctions lack the competitive atmosphere that we see in offline auctions. The competitive atmosphere in offline auctions often results in higher bids. Some bidders use a tactic, known as “Sniping.” Bidders using such a strategy place their bids only at the last moment i.e. when it becomes impossible for other bidders to come up with competitive bids. Such a practice could result in sellers getting below the market value for their offering.
4. **Lesser Control over Number of Participants:** The auction company has no control over who is participating in the bid. This could lead to anonymity in identifying the bidders. Since online auctions attract a lot more people, it means each bidder needs to outbid a lot more people to win the bid.
5. **Time Gap in Bidding & Delivery:** Successful bidders need to wait for the delivery of the product to their address.

**Summary and Conclusion**

Virtual marketplaces and online auctions offer sellers increased reach, lower costs, and more flexibility. For buyers, they provide greater convenience and wider selection, but can also have risks such as fraud and limited buyer protection. Advantages include efficiency and cost savings, but disadvantages include security concerns and lack of physical interaction.

Despite the drawbacks, online auctions are growing very popular around the globe. Auctioneers are using state-of-art software to ensure auctions don’t encounter any technical glitches and are safe for the bidders as well. Still, it is crucial for both buyers and sellers to investigate all aspects of the online auction before deciding to take it up.

In conclusion there are a lot of benefit of online auction. Auctioneers are not needed to run the auction. Information about the products are all catalogued on the website which helps buyers save time and money by choosing the best prices.

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