

14.27/270 Ecommerce  
Online Auction Sites

# Ebay's Success and the Tendency Towards Concentration

S. Shang

Ebay was not the first online auction site, as I mentioned in my “brief history of auctions.” It quickly became the largest and most dominant, though.

Let's look back at Ebay's history and evolution for a moment.

# Then and Now

tips

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Stats

1,309,481 items for sale in 1,096 categories now!

Over 41 million items for sale on eBay since inception!

Over 151 million made since incep

Over 600 million views per month

Fun Stuff

Read a your el commu Check

eBay Life, the new monthly newslett other happeni

All Categories  
 Fashion  
 Motors  
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Welcome, **justbuynsomestuff** (Sign in to bid or buy)

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## eBay Buyer Protection covers your purchase price plus original shipping.

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eBay stories

### Lost Loves found on eBay

Updated Fri, Sep 21, 2012

What are the odds of having a small, stuffed animal disappear in Colorado, only to reappear in Florida three years later? Read the story of how

# Then and Now

The screenshot shows the eBay homepage from 2012. The layout includes a top navigation bar with links like "My eBay", "Sell", "Community", "Customer Support", and "Cart". Below this is a large banner for "eBay Buyer Protection" with a shield icon and the text "eBay Buyer Protection covers your purchase price plus original shipping. It's FREE and automatically included." To the left of the banner is a sidebar with various categories like "Antiques", "Books, Movies, Music", "Coins & Stamps", "Collectibles", "Computers", "Dolls, Figures", "Jewelry, Gemstones", "Photo & Electronics", "Pottery & Glass", "Sports Memorabilia", "Toys & Beanies", and "Miscellaneous". The main content area features a search bar, a "Stats" section with item counts, and a "Featured Auctions" section with various listings. At the bottom, there are sections for "Your recent searches", "Shop safely on eBay" (with links to Buyer Protection, Top-Rated Sellers, and PayPal), and "Sign in".

“wayback  
machine” ---  
Internet archive

Good resource for  
finding out  
historical

## Tech favorites and best sellers



Apple iPod touch



Canon Digital Cameras



Nintendo Wii



HTC EVO 3D

## eBay stories



### Lost Loves found on eBay

Updated Fri, Sep 21, 2012

What are the odds of having a small, stuffed animal disappear in Colorado, only to reappear in Florida three years later? Read the story of how this happened, with eBay as the unexpected middleman. Continue reading —

# 1998 Versus Now

	1998	2013	2015	2017
Users	2.1 million registered (340,000 in 1997)	128 million active	160 million active	175 million active
Listings on December 31st	1 million	550 million	800 million	1 billion
Revenues	\$81 million (\$372,000 in 1996)	\$16 billion (\$8 billion w/out PayPal)	\$9 billion	\$10 billion
Percent items in auction format	100%	<37%?	<15%?	12%

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2021: 187 active users, 1.7 billion listings, 10.8 billion in revenues

Here's another eBay statistic that could affect your decision on how and what to sell: there are a total of 1.7 billion listings on eBay (eBay, 2021).

That's more than nine times the number of eBay buyers, which means there are a lot of products vying for the attention of 187 million buyers! With electronics and accessories as eBay's top-selling product category, expect all sellers to want a piece of that pie.

From a website offering advice about selling products online.

## Market Summary > eBay Inc

NASDAQ: EBAY

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**34.12** USD **-0.080 (0.23%)** ↓

Closed: Sep 18, 4:00 PM EDT · Disclaimer

After hours 34.12 0.00 (0.00%)

1 day

5 days

1 month

6 months

YTD

1 year

5 years

**Max**



Open	34.21
High	34.54
Low	34.09
Mkt cap	33.76B
P/E ratio	17.03

Div yield	-
Prev close	34.20
52-wk high	46.99
52-wk low	32.86



## Market Summary > eBay Inc

58.38 USD

+ Follow

+57.59 (7,289.87%) ↑ all time

Feb 11, 4:00 PM EST • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	59.31	<b>Mkt cap</b>	<b>36.55B</b>	<u>CDP score</u>	A-
High	59.94	P/E ratio	3.20	52-wk high	81.19
Low	58.05	Div yield	1.23%	52-wk low	51.51

# Other Auction Sites

- Lucking-Reiley (1999) identifies 142 internet auction sites operating fall 1998
- Large majority no longer in existence (but new ones do open---eBid, Bonanza, WeBidz, Auction.com, BidSpotter, etc.)
- Yahoo and Amazon both launched high-profile competitor sites to Ebay in 1998/99
- Both have closed in US (although Yahoo still very successful in some countries)

# Other Auction Sites

Over 604,000 Bidders Served!



Customer Service About ONSALE How to Play Auction Formats Customer Testimonials

4 Days of ONSALE "BIDMas" 4 Auctions This Week -- Closings Everyday (except X-mas)!!

Midsoft Family Music Center from \$229 Packard Bell Pentium 100 from \$100!

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General Consumer Products  
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- Packard Bell Pentium 100, 16 MB RAM, 2.0 GB Hard Drive from \$100!
- Cyrix 6x86-p166+- System, 16MB, 2GB HD from \$250!
- AST Ascentia J20 Notebook w/ P100, 8 MB RAM, 540 MB HD from \$100!
- Apple Performa 6200 with 8MB RAM & 1GB Hard Drive from \$100!
- Altec Lansing Speaker Explosion!!
- NEC Versa 4000C P75MHz Active Matrix NB with 8 MB RAM & 540 HD f
- Canon BJC-610 Color Bubble Jet Printer from \$25!
- Canon BJC-4100 Color Printer from \$125!
- NEC SuperScript 680 with 6 ppm and 250k from \$25!
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- PACKARD BELL 15" 28DP 1280X1024 SVGA MONITOR from \$25!
- Hewlett Packard LaserJet 4L from \$100!
- NEW! 32MB 60ns EDO 8x32 72 pin SIMM Module from \$25!
- NEW! 16MB 60ns PARITY 4X36 72 PIN SIMM MODULE from \$25!
- DEC The Universal Desktop Box w/ RED HAT LINUX 4.0 from \$25!
- Artec AT3 SinglePass Flatbed Scanner for PC, Win 95, Compatible from \$

## Auctions getting lost in Amazon's jungle

By [Troy Wolverton](#)

Staff Writer, CNET News.com

July 31, 2001, 4:00 a.m. PT

**Amazon.com is quietly scaling back its once high-profile online auction business.**

In recent months, the Seattle-based company has cut staff in its online auction department, reduced customer service dedicated to it and closed its live-auction affiliate, company and outside sources say. In addition, Amazon

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## Yahoo Shutting Down Auctions - Second Service To DeadPool This Month



Wednesday, May 9th, 2007

0 Comments



Reuters is **reporting** that **Yahoo Auctions** will shut down in the U.S. and Canada as of June 16, and new auctions will not be accepted after June 3. Auction sites in Hong Kong, Singapore and Taiwan will stay live.

# Other Auction Sites

Headlines of trouble for competing auction sites

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Onsale  
bought by  
Egghead

# Why has Ebay succeeded while others have failed?

Did it have a better business model or did it just get lucky by being a (almost) first mover and then capitalize on that advantage?

# Why has Ebay succeeded while others have failed?

Did it have a better business model or did it just get lucky by being a (almost) first mover and then capitalize on that advantage?



Another way to say this is that they exploited an intrinsic tendency towards concentration in online auctions.

# Why has Ebay succeeded while others have failed?

Did it have a better business model or did it just get lucky by being a (almost) first mover and then capitalize on that advantage?

Which one of these explanations is more correct has big implications in how we view Ebay's prospects and the future of online auctions.

# Why has Ebay succeeded while others have failed?

Did it have a better business model or did it just get lucky by being a (almost) first mover and then capitalize on that advantage?

Let's look more carefully at those two possibilities.



- Better business model?
  - Listing site versus merchant site

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  - Listing site versus merchant site
    - Saw this with Onsale

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There is a cost associated with having a lot of crap on your website. People just get tired on trying to wade through the crap to find the items worth buying.

- Better business model?
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    - In 1999, Yahoo's auction site did not charge a listing fee and their fraction of successful listings was 16% (Amazon: 10c and 38%. Ebay: 25c-\$2 and 54%).  
But how do you attract sellers?

- Early mover advantage?

- Early mover advantage?
  - Switching costs



- Early mover advantage?
  - Switching costs
    - Establishing a reputation
    - Setting up an account
    - Learning to navigate/use software


- Early mover advantage?
  - Switching costs
  - Platform bigger so it has more stuff

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  - Platform bigger so it has more stuff
    - Buyers go to platform with most listings for greatest variety

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- Early mover advantage?
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  - Platform bigger so it has more stuff
  - Prices depend on the number of buyers and sellers
    - Sellers want fewer sellers and more buyers
    - Buyers want fewer buyers and more sellers

- Early mover advantage?
  - Switching costs
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So this is really a mix of both positive and negative externalities----the positive ones pushing towards concentration and a first mover advantage and the negative ones pushing away.

- Early mover advantage?
  - Switching costs
  - Platform bigger so it has more stuff
  - Prices depend on the number of buyers and sellers
  - Low fixed costs

- Early mover advantage?
    - Switching costs
    - Platform bigger so it has more stuff
    - Prices depend on the number of buyers and sellers
    - Low fixed costs
- suggestive that there isn't much of an early advantage



- Early mover advantage?
  - Switching costs
  - Platform bigger so it has more stuff
  - Prices depend on the number of buyers and sellers
  - Low fixed costs
  - Visibility and brand recognition

# A model of competing auctions

- Ellison, Fudenberg, Mobius (2004)
  - They consider a very stylized model of competing auction platforms, focusing on the price effects mentioned above.
  - With two undifferentiated platforms, they show that there is a tendency towards concentration, but both auction platforms can survive if they are close enough in size.

# A model of competing auctions

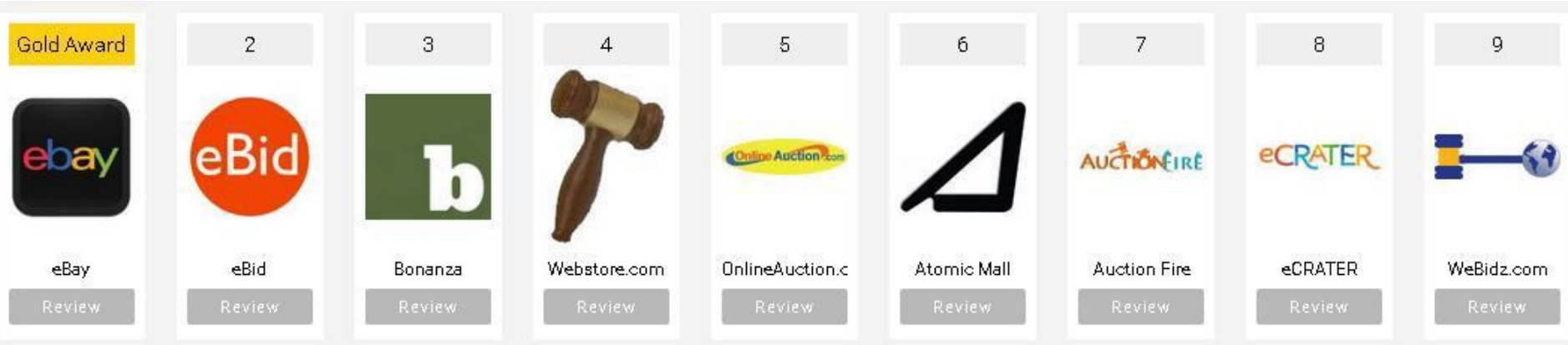
- Ellison, Fudenberg, Mobius (2004)
  - Intuition: Holding B/S constant, larger sites are more efficient because prices are closer to deterministic---i.e., high valuation buyers are more likely to win if there are more buyers and sellers---so there is more surplus to be divided between buyers and sellers.

# A model of competing auctions

- Ellison, Fudenberg, Mobius (2004)
  - Intuition: Also, buyers and sellers take into account their market impact when they move platforms, so a buyer can be worse off than buyers in the other market buy still not want to move because a move will make the other market worse still.

- Comments:
  - Some of these arguments work equally well for any kind of two-sided platform or market, not only auction sites. Some, like EFM, depend on the auction mechanism.
  - Market impact effect can matter, even at someplace like Ebay, which has millions of buyers and sellers, because it's actually many, many largely independent markets.
  - Then why haven't other auction sites peeled off specific markets from Ebay? There are some specialty auction sites that have. Also, switching costs could play a role if some buyers and sellers operate in multiple markets.

# Could look at other auction sites



- Are they using different business models?
- Are they trying to become the dominant auction site in a particular niche?

# Could look at other countries



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- What could you learn?