

» [Print](#)

This copy is for your personal, non-commercial use only.

---

# Study shows eBay buyers save billions of dollars

Mon, Jan 28 2008

By [Eric Auchard](#)

SAN FRANCISCO, Jan 27 (Reuters) - Buyers save billions of dollars each year bidding on eBay auctions, according to a new study that quantifies the benefits online consumers enjoy over and above what is derived by sellers, or eBay (EBAY.O: [Quote](#), [Profile](#), [Research](#)) itself.

The independent research by two statisticians from the University of Maryland's Robert H. Smith School of Business found buyers saved \$7 billion that they might have otherwise been ready to pay in a study of eBay auction behavior in 2003.

Applying the same analysis to 2004 buyer data, consumers saved \$8.4 billion, said Wolfgang Jank, one author of the study. A linear projection of the research findings would mean consumers saved around \$19 billion during 2007, Jank said.

The study seeks to calculate what economists call "consumer surplus" -- the difference between the top price buyers were ready to pay and what they actually ended up paying. E-commerce sites provide a treasure trove of data that allows researchers to test out theories of consumer behavior.

"Consumer surplus is usually very hard to measure," said study co-author Galit Shmueli. "The problem is that it is hard to ascertain how much a winner or a bidder or a user would have been willing to pay for a certain item."

Jank and Shmueli are associate professors of decision and information technologies at the University of Maryland. They collaborated with Ravi Bapna, an associate professor at the Indian School of Business, who generated data for the study.

The study highlights the delicate balance eBay must strike between the interests of buyers and sellers on its site.

The flip side of the same data shows that sellers leave billions on the table that they might otherwise have charged buyers by setting higher prices.

While not the focus of their research, the benefit to sellers comes from the market liquidity of selling items through eBay, the world's biggest online auction service.

At an annual conference for its sellers this week in Washington D.C., eBay is poised to introduce changes designed to make its auctions more appealing to sellers while also making it easier for consumers to find items they wish to buy.

The research examined consumer purchase data from more than 4,500 U.S. and European auctions in 2003. The \$7 billion in projected savings across eBay amounts to about 30 percent of the \$24 billion of total merchandise sold through eBay that year.

On eBay, winning bidders only pay the next increment above what the second highest bidder was willing to pay. The difference between each winning bid and what the buyer ends up paying amounts to consumer surplus.

EBay makes publicly available much of the aggregate data about bidding on its site. But it does not reveal data on the actual highest bids people enter in the eBay bidding system.

Instead the data was drawn from a Web venture Bapna was running at the time, called Cniper.com, which allows consumers to bid automatically in the closing minutes of auctions to help them win desired items at the lowest possible price. The statisticians adjusted their data to account for eBay bidders who place bids manually rather than via automated bids.

The group's study of the 2003 buyer data will be published in a paper entitled, "Consumer Surplus in Online Auctions" in the Journal of Information Systems Research.

"You just can't quantify this (consumer surplus) for traditional retailers -- a store clerk would never get an accurate answer by asking a customer: 'How much were you really willing to pay for this item?'" Shmueli said.

"We just pay the prices the retailers demand," she said. (Editing by [Braden Reddall](#))

---

© Thomson Reuters 2008. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

This copy is for your personal, non-commercial use only.