

Report: eBay Sales Prices Wildly Low

by Betsy Schiffman • Jan. 29, 2008 • 1 min read • [original](#)



This is the sort of press eBay couldn't buy: A trio of professors claim consumers saved \$19 billion by shopping on the auction site last year.

Here's the catch: They didn't look at price data, or at how much people spend for certain goods on eBay versus how much they'd spend in, say, a department store. Instead, they looked at how much bidders were *willing* to spend versus how much they actually spent (also called the consumer surplus).

[Wolfgang Jank](#) and

[Galit Shmueli](#), both associate professors at the

University of Maryland School of Business, and Ravi

Bapna, associate professor at the Indian School of Business, looked at data gathered from Cniper.com, an automatic bidder that lets users come in at the last moment and win an auction at the lowest possible price (it keeps bidders' maximum bids private).

The researchers found that eBay buyers saved more than \$7 billion in 2003 and \$8.4 billion in 2004. Based on those numbers, they estimate consumers saved \$19 billion on eBay last year. The upshot: eBay is a magical place where bidders realize fat savings.

We're not so sure if this is true on a price basis. Our impression is that prices on eBay are inflated.

Auction settings are inherently competitive — an auction often becomes a contest to see who can spend more. While a rational buyer limits how much he is willing to spend on something, there's nothing rational about an auction setting, where the competitive spirit takes over and reason gets thrown out the door. (We speak from experience.)

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<http://www.wired.com/2008/01/study-ebay-sale/>