

Social networks not serious competition for eBay according to expert

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On the 15 year anniversary of eBay UK being launched (Wednesday 20 August), an economist from The University of Manchester says social networks are not serious competition for eBay as a selling platform.

The [internet site](#), which allows people to turn unwanted second-hand goods into ready cash by selling them online, has had to contend with new competition since its launch in the UK in 1999. One of the newest ways to sell online is through social networks like Facebook and Twitter which offer the opportunity to sell second-hand goods without eBay's fees.

But Dr Omer Edhan, an economist from The University of Manchester, says eBay is still holding its own. He said: "Buying on social media is a bit like popping to the corner shop for a pint of milk. eBay is the modern equivalent of a department store which offers a wide range of products and houses a collection of smaller retail units under its roof.

"Retail opportunities on social media are more like a convenience store because they provide a limited amount of merchandise to a more select customer. Because [social media](#) wasn't originally designed for ecommerce it means that customers have to know where to find what they are looking for.

"In terms of the economic models, while game theory (an area of mathematical economics that seeks to determine how rational individuals choose to co-operate) applies to both ways of buying online, the market

conditions are very different."

Dr Edhan said: "The market conditions on eBay are 'thick' because there are lots of buyers and sellers coupled with how well the search function works. Thick markets conditions are created when the chances of a deal being closed are much higher.

"One of the strengths of eBay's selling platform is that it is easy to determine the appropriate pricing that would give the individual seller the highest revenue per deal. The competitive setting of the platform and its security also adds to the thick market conditions because the buyer feels reassured that their transactions are safe and that they are going to get the item they paid for and that it is what they expected it to be."

"The market conditions on Facebook create 'thin' markets because the selling groups are more niche and will only work if there is a large enough set of people who care about that niche so that the site can attain critical mass.

"Social media platforms are not designed to encourage sellers to participate. This means that the seller would expect lower revenues. In addition, the trading environment doesn't make the buyer or seller as confident that the transaction will be done in a safe environment."

There are opportunities for both ways of selling online in the market, just as there are different types of retail outlets. But Dr Edhan says eBay's current success in the market is largely down to how its selling platform is designed.

"The main secret of eBay's success is the model of its online auction platform which is continually being replicated by its competitors. Thanks to the rise of digital, never before has it been so easy to find and buy the retail products consumers want to have. There is a science to making

customer journeys that work as intended. It is therefore crucial that eBay continues to ensure it can extend the ecommerce platform even further in order to stay ahead of its rivals," said Dr Edhan.

Provided by University of Manchester

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