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Analysts: Online auctions bid higher in e-commerce

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By Jon Surmacz

(IDG) -- Auctions are redefining e-commerce for some people. Forrester Research of Cambridge, Massachusetts, recently changed its definition of online retail to include auctions because it found that survey respondents said they were making 10 percent of their purchases on eBay.

Forrester estimates that by 2006, auctions will make up 25 percent (\$48.5 billion) of online B2C transactions. By the end of 2001, the analyst says, about 16 percent (\$8.4 billion) of retail sales will take place at auction sites, while the remaining 84 percent (\$43.1 billion) in sales will be done on fixed-price sites.

According to Forrester, auctions showed the most promise in consumer electronics, computer hardware and toys and video games because these items tend to be more expensive and also tend to have a fluctuating demand. The research firm estimates that by 2006, auctions will account for 42 percent of consumer electronic goods and 40 percent of toys sold online.

Carrie Johnson, a Forrester analyst, says auctions pose a significant threat to traditional Web retailers (both pure-plays and brick-and-mortars) because they are a viable channel for consumers to purchase more than just an antique pair of candlesticks.

"Retailers should at least experiment with auctions to prevent the erosion of sales to other competitors online," she says.

Sean Kaldor, vice president of e-commerce at Nielsen//NetRatings, says United States online auction spending increased to \$389 million in August 2001, up from \$238 million during the same period last year. The notion that

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auctions are for niche sellers, says Kaldor, appears to be untrue.



The reality is that a huge piece of the business is done by small businesses and entrepreneurs selling items, he says. "Auctions are a real sales channel for them."

The appeal for retailers has to do with their growing inventories. They can use auctions to efficiently move overstocked items.

"Most retailers have been satisfied when they do their own specials and promotions on their own sites without resorting to auctions, yet," Kaldor says. "But, auctions are an extremely strong category. The trick is you can move a large quantity very quickly. What you're sacrificing is gross margin per product."

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