



## **Chapter IX**

# **E-Business Experiences with Online Auctions**

Bernhard Rumpe  
Munich University of Technology, Germany

### **ABSTRACT**

*Online auctions are among the most influential e-business applications. Their impact on trading for businesses, as well as consumers, is both remarkable and inevitable. There have been considerable efforts in setting up market places, but, with respects to market volume, online trading is still in its early stages. This chapter discusses the benefits of the concept of Internet marketplaces, with the highest impact on pricing strategies, namely, the conduction of online business auctions. We discuss their benefits, problems and possible solutions. In addition, we sketch actions for suppliers to achieve a better strategic position in the upcoming Internet market places.*

### **INTRODUCTION**

Electronic commerce will be the enabling technology for the forthcoming revolution in local and global trading. Virtual, Internet-based markets allow for entirely different forms of trading (Höller et al., 1998) than are known so far. Local and, therefore, sometimes monopolistic markets become global and more competitive.

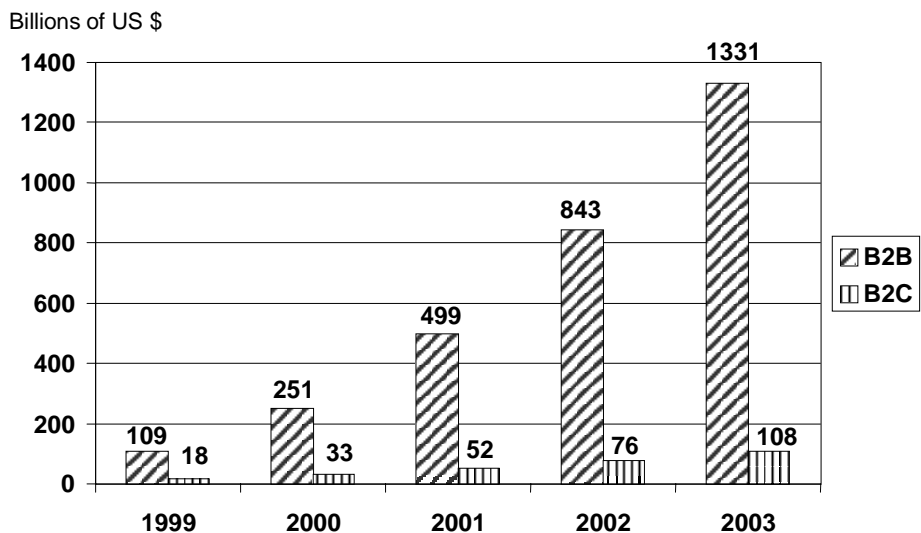
Expectations are that, in the forthcoming decade, the Internet will be a market-enabler of unforeseen possibilities. Just in the last few years, it became apparent that

doing business on the Internet can simplify marketing and purchasing considerably. Figure 1 shows estimates of the worldwide trading volume on the Internet (Forrester Research, 1999) that remarkably still hold. The part of e-business that is based on online auctions is growing equally. Therefore, an increasing number of online marketplaces have come into existence. Online marketplaces simplify the establishment of new alternative purchasing and selling partnerships. In the C2C and B2C areas, this fact has been widely recognized, and numerous new B2B marketplaces have been emerging in the last two years.

In most market places, sellers may advertise their offers, and consumers and industrial purchasers can distribute their demands via the Internet. Whereas these forms of establishing connections are important, it is the use of online auction systems that has an effective impact on the pricing structure. Auctioning is among the most efficient and fastest concepts available to achieve fair and competitive prices and identify the optimal business partner.

The chart in Figure 2 shows the core issues of electronic sourcing, which can be separated in an economic and a technical layer. The technical layer includes exchangeable documents based on the EDI standard, e.g., EDIFACT (ISO, 1993) or (UN/EDIFACT, 1993), or XML as a technical infrastructure (W3 Consortium, 2000); protocols for their safe transmission; and electronic payment systems, etc. The technical layer strongly supports, and is driven by, the economic layer. The economic layer focuses on the introduction of new strategies and techniques to let

*Figure 1: Worldwide trading volume on the Internet (Forrester Research, 1999)*



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