Auctions: the power of the community
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Quite often businesses are based not so much on what is sold but in who sells it, to whom and how (at what price) he does it. This is what happens in the traditional market of auctions that has given recognition to firms such as Sotheby's or Christie's. Far from that selective nature, the online auctions business is also based on the quality of its virtual community: the group of agents who transact through the same website.

Buyers go to a certain site because they know that the probability of finding the object of their desire is very high. Sellers do it because they are convinced their products will get enough bids. Both share the trust that there is the necessary volume of agents willing to compete for a product so that it will be assigned, most probably, to the highest bidder. On the contrary, a virtual community with little volume of buyers, few sellers or not many products doesn't enable a proper auction to take place.

The agreement between eBay and Yahoo! emphasizes the importance of "quality" in the virtual community. While eBay has been able to convince 46 million users from all over the world focussing on one sole activity, with 237 million of unique users, Yahoo's crowded but assorted community doesn't seem very interested in buying or selling objects to the highest bidder.

Getting out of auctions -a payment service- means loosing a source of income for Yahoo! in a delicate moment of its finances because of the advertising recession. But the decision will allow the portal to focus on more profitable services for its community, therefore it shouldn't affect the company negatively. What's more, the alliance with eBay implies an injection of cash (not revealed) for the transfer of users, as well as a multimillion dollar advertising exchange.

On the other hand, eBay, which faces some problems in its European strategy, will benefit from the new users of Yahoo who are really interested in auctions. To the whole market of online auctions, this alliance means another step in the process of natural concentration of the sector, a minority sector whose power resides in the community.