• we’ve seen models where, in presence of search costs, consumers may not search much, may not find low prices, but, in equilibrium, do make purchases.

• what if there were markets where search costs were so high pre-internet that sales were rarely made?

• here, entire markets arose/were transformed by internet search and matching technologies

• leading example: used books
  – many, many titles
  – easily describable/searchable

Pre-internet
• used book stores carried inventory, often idiosyncratic, largely beyond their control

• chances of finding a particular title at a used book store is very slim

• paid searches are pretty ineffective

• might find something interesting – looking that you’d be willing to spend $1 on

Post-internet
• firms started aggregating listings from multiple bookstores and posting them online
  – alibris
  – bookfinder
  – biblioind
  – AbeBooks (Advanced Book Exchange), which was the largest:
    * 1996: launched
    * 2000: 20 million books
    * 2007: 100 million books, 13,000 sellers
    * 2008: purchased by Amazon
    * 2010: used books appear seamlessly on Amazon searches

• used book sales have exploded, growing as much as 20-30% annually in some recent years (really surprising given somewhat fixed stock)
Comments

- suggests large amounts of surplus being realized now that was not before
- would like to know how it’s divided between consumers and used book sellers
  - 2 effects:
    * more potential customers arriving, some very high value
    * increased competition
  - would expect these could vary by type of book
  - prices give us some information