Economic study of the consumer benefits of eBay

A REPORT PREPARED FOR EBAY

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Executive Summary

This report presents the findings of an independent study carried out by Frontier Economics on behalf of eBay to investigate the nature and scale of the benefits enjoyed by eBay customers in Europe.

**Background**

E-commerce is an established part of the European economy, and is expected to grow in importance as consumers become increasingly familiar and confident with online shopping, and as broadband penetration increases. Research by Mintel indicates that total e-commerce sales in the EU could reach €115 billion by 2010, or around 5% of retail sales.\(^1\) Other analysts suggest that the growth of e-commerce could be significantly higher than this, reaching €228 billion by 2010, or around 10% of retail sales.\(^2\)

eBay is an important player in the e-commerce sector in Europe, and currently hosts an online trading platform in twelve countries. In 2007 the gross market value of transactions carried out on eBay’s European Economic Area (EEA) platforms was €18.7 billion.

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\(^1\) Mintel (2006), E-commerce – Europe, Retail Intelligence

\(^2\) See Electronic Retailer Magazine article on e-commerce http://www.electronicretailermag.com/info/0607_euro.html
Price discovery: eBay’s auction format assists in the formation of market-clearing prices for a wide range of products, and allows buyers and sellers to assess prices and availability rapidly and at low cost.

Formation of new markets: eBay facilitates the development of new markets that would not otherwise exist, or would be limited, particularly in relation to second hand products and specialist products such as collectables where buyers are widely dispersed.

Small business creation: eBay facilitates the development of small businesses by providing sellers with a low cost route to market. According to data from eBay in the UK, 178,000 people either run a business on eBay in the UK or earn their primary or secondary income from the site. According to a study done by ACNielsen International Research in February 2006, more than 64,000 people in Germany earn a significant part of their living with eBay. In France, a study by Nielsen for eBay in 2007 found around 35,000 active business sellers on eBay.fr.

Price savings available on eBay

Frontier Economics carried out a study to estimate the price savings available to eBay buyers in Europe. The purpose of the study is to estimate the difference between the prices for a range of new products sold on eBay in the UK, France and Germany, and the prices of comparable products sold in retail stores in these countries.

The study is based on a sample of over 700 typical household items that spans twelve important eBay product categories. For each of the product categories included in the study, a sample of products was selected which were available both in retail stores and through eBay.

To enable meaningful comparisons to be made, the study focuses on new branded products in high street stores. Unbranded products and second hand or used items are excluded from the study due to the difficulty of making reliable comparisons between prices on eBay and in offline retailers.

Prices in mainstream retail stores in the UK, Germany and France were collected by market research firm Harris Interactive during the course of March and April 2008. For eBay transactions, prices were obtained for completed sales and inclusive of postage and packing.

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3 Harris Interactive is a global market research company.
Our research indicates that, whilst savings vary considerably across products and countries, the average price saving available to eBay buyers in the UK, Germany and France across all products was around 17%. Estimated savings are highest for the telecom products, computer, books and clothing and accessories categories, and lowest for domestic appliances, music, video games and DVDs and movies.

**Estimated total savings for eBay customers in Europe**

In order to compute the total savings made by eBay buyers in each country we assume that the average price differences for each category that is observed in our sample is available more generally across all new products in these categories. Under this assumption, the total saving available in each category is computed as the difference between the total cost buyers would have incurred if the new products purchased on eBay had instead been purchased in offline retail stores, and the actual cost of these items on eBay (i.e. the observed transaction value on eBay).

Based on the average prices differences observed in our product sample, we estimate that eBay buyers in the UK, France and Germany benefit from total savings of around €987 million per year in relation to purchases of new products in the twelve categories included in the study.

If it is assumed that a comparable level of price savings is available for new products in each of the twelve categories sold on all of eBay’s twelve European platforms, this would imply total savings of around €1.1 billion per annum, or equivalently around €50 per buyer in Europe.
1 Introduction

This report presents the findings of an independent study carried out by Frontier Economics on behalf of eBay to investigate the nature and scale of the benefits enjoyed by eBay customers in Europe.  

The report has two sections as follows:

- Section 2 provides contextual information about the growth of e-commerce in Europe and eBay’s position in Europe.
- Section 3 explains the nature of the benefits enjoyed by eBay users, and discusses the results of research carried out by Frontier Economics to estimate the magnitude of price savings available on eBay in Europe.

Supporting material is provided in Annexes. In preparing this report we relied on published market research data, as well as price data collected by Frontier Economics for the purpose of this study. The methodology developed by Frontier Economics to assess the magnitude of price savings available on eBay in Europe is described in section 3.

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4 Frontier Economics is an independent economics consultancy with offices in London, Brussels, Cologne and Madrid.
2 Background

eBay is an important player in the retail sector in Europe. In this section we provide a brief overview of eBay’s activities in Europe. Following this we discuss the potential growth prospects of the retail e-commerce sector in Europe.

2.1 EBAY IN EUROPE

eBay currently hosts an online trading platform in twelve European countries. In total, the value of transactions sold via eBay’s platforms in these countries was €18.7bn in 2007. The three largest eBay platforms are in the UK, Germany and France, and there are currently some 20 million buyers and 6 million sellers who trade on eBay’s platforms in these countries. Furthermore, the UK, Germany and France accounted for 90% of the total transaction value on eBay in Europe in 2007.

eBay’s platforms in Europe provide listings for a large variety of products. Sellers can list products for sale either for a specified price under a ‘buy it now option’, or in an ascending price auction format. Using eBay, buyers can readily find products either by searching listings for particular products, or by browsing in one of the many product categories available on eBay. The ability to locate suitable products is facilitated by eBay’s search capabilities. For example, using the advanced search function, buyers can focus their product search in terms of a variety of criteria, including:

- product name or description and/or product category;
- price range;
- seller identity, type (private or business) and location;
- currency; and
- new or used products.

In addition, the advanced search facility allows both buyers and sellers to obtain price information for recently completed transactions. This can help buyers and sellers form an expectation of the likely availability and selling prices of products sold on eBay, and can also help buyers determine if they would like to buy goods from an authorised retailer.

5 Austria, Belgium, France, Germany, Ireland, Italy, the Netherlands, Poland, Spain, Sweden, Switzerland and the UK.
eBay allows buyers to provide feedback on sellers according to their level of satisfaction with the transaction. This feedback can be accessed when viewing product listings, and it allows buyers to assess the reliability of a seller before agreeing to purchase. This facility plays an important role in ensuring that sellers have an incentive to provide a reliable service to eBay buyers.

2.2 E-COMMERCE IN EUROPE

E-commerce is an established part of the European economy, and is expected to grow in importance as consumers become increasingly familiar and confident with online shopping, and as broadband penetration increases. According to market researchers Mintel, €26.6bn of online retail sales took place in Europe in 2004. The UK has the largest value of e-commerce sales in Europe at €18.5bn in 2007, followed by Germany with €13.0bn and France with €7.0bn. These figures amount to 5.6% of total retail sales in the UK, 3.9% in Germany and 1.7% in France. Figure 1 shows that the UK has a higher level of e-commerce retail spending on a per-capita basis than either Germany or France at around €300 per annum.

Figure 1 - Per-capita e-commerce spending

![Figure 1 - Per-capita e-commerce spending](image)

Source: Mintel (February 2008), “E-commerce - Europe, Retail Intelligence”, Figure 11

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7 Mintel (February 2008), “E-commerce - Europe, Retail Intelligence”, Figure 11.
8 Mintel (February 2008), “E-commerce - Europe, Retail Intelligence”, Figure 18.
9 This figure is based on Mintel’s analysis of retail sales via the internet (excluding sales relating to travel, financial services and automobiles).
Europeans regard the internet as a convenient and often cost-effective method of buying a wide range of products. Figure 2 shows the results of a survey carried out by Mintel into the opinions of consumers in the UK, France and Germany regarding the internet. In this survey, 80% of respondents identified the ability to shop at any time as a positive feature of the internet. Other aspects of online shopping that were regarded favourably included the ease of making price comparisons, the speed and convenience of shopping online, and the ability to obtain price savings.

Figure 2 - Most popular positive opinions regarding the internet by users in the UK, France, Germany, Italy and Spain.

Source: Mintel (February 2008), “E-commerce - Europe, Retail Intelligence”, Figure 16
Between 2006 and 2007 e-commerce retail sales grew by 34% in the UK, 34% in France and 15% in Germany. According to Mintel, the growth in e-commerce reflects a number of factors, including:

- increasing hardware and broadband penetration, and rising average connection speeds;
- increasing availability of products online, as the number of online retailers increases, and as existing online players add to their inventory;
- rising levels of consumer trust in both online brands and the shopping/payment process;
- increasing access to credit cards; and
- growing familiarity with the internet amongst older users.\textsuperscript{10}

Looking to the future, Mintel forecasts that e-commerce sales in the EU could reach €115bn by 2010, or around 5% of retail sales.\textsuperscript{11} Other analysts suggest that the growth of e-commerce could be significantly higher than this, reaching €228bn by 2010, or around 10% of retail sales.\textsuperscript{12}

Figure 3 shows the forecast growth in the value of e-commerce retail sales to 2012 in the UK, France and Germany. As can be

\textbf{Figure 3 - Forecast value of e-commerce retail sales in the UK, Germany and France (2006-2012)}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure3.png}
\caption{Forecast value of e-commerce retail sales in the UK, Germany and France (2006-2012)}
\label{fig:figure3}
\end{figure}

Source: Mintel (February 2008), “E-commerce - Europe, Retail Intelligence”, Figure 17. Frontier calculations to provide annual forecasts between 2007 and 2012 (based on an assumption of a constant rate of growth)

\textsuperscript{10} Mintel (February 2008), “E-commerce - Europe, Retail Intelligence”, page 21.
\textsuperscript{11} Mintel (2006), E-commerce – Europe, Retail Intelligence.
\textsuperscript{12} See Electronic Retailer Magazine article on e-commerce http://www.electronicretailermag.com/info/0607_euro.html
seen, e-commerce retail sales are expected by Mintel to reach €55.9bn in the UK, €22.0bn in Germany and €21.4bn in France – a total of €99.3bn across the three countries, compared to €38.5bn in 2007.

The growth in e-commerce retail sales is expected to outstrip the growth in “offline” retail sales. The consequence of this is that e-commerce retail sales are expected to represent a greater proportion of total retail sales in the future. Figure 4 shows that the proportion of total retail sales accounted for by e-commerce is expected to more than double between 2007 and 2012 in both the UK and France, and is expected to rise by over 50% in Germany.

Figure 4 - Estimated e-commerce retail sales as a proportion of total retail sales (2007 and 2012)

Source: Mintel (February 2008), “E-commerce - Europe, Retail Intelligence”, Figure 18)
3 Customer benefits from eBay in Europe

This section discusses the nature and scale of the benefits enjoyed by eBay customers in Europe. Section 3.1 provides a qualitative discussion of the range of economic benefits that stem from eBay. Following this, section 3.2 discusses the results of research carried out by Frontier Economics to estimate the magnitude of price savings available on eBay in Europe.

3.1 THE NATURE OF CUSTOMER BENEFITS

eBay provides a range of benefits to its users, including:
- price savings;
- enhanced consumer choice;
- reduced search and transaction costs;
- improved price discovery;
- formation of new markets;
- reduced barriers to legitimate cross-border trade; and
- reduced barriers to small business creation.

We briefly discuss the nature of these benefits in this section.

Price savings

eBay provides a readily accessible platform for buyers and sellers to trade a wide range of products online. As our research shows, buyers in Europe benefit from the opportunity to purchase a range of new products on eBay at prices that are substantially lower than the average retail price in offline stores (see section 3.2 for details).

Enhanced consumer choice

eBay provides buyers with access to a large number of listings from local, national and international sellers, allowing consumers to choose from an extensive range and depth of new and used products across a wide range of product categories. As noted by the Economist:

“eBay delivers the efficiency of a global market to buyers and sellers, no matter how small they might be, in a neatly packaged way. As more buyers flock to its website, the more attractive it becomes to sellers, and so the bazaar grows. On top of this, eBay’s reputation-management system and other features (see article), establishes a level of order and trust.”  


Background
Reduced search and transaction costs

eBay provides an efficient platform for trading goods online, allowing buyers to find products and compare prices at low cost, and reducing marketing costs for sellers. Using eBay’s search capabilities, consumers can readily search and compare products and prices across local, national and international listings, which allows them to make more informed choices, and increases the competitive pressure among sellers. eBay also provides sellers with a low cost way of reaching a large number of customers in an efficient manner, resulting in savings on inventory and marketing costs.

Price discovery and formation of new markets

eBay’s transparent platform assists in the formation of market-clearing prices for a wide range of products. Price discovery is assisted by the ease with which buyers and sellers can assess the availability and price of products currently listed on eBay, as well as by the ease with which users can access information on the outcome of recently completed transactions on eBay.

eBay also facilitates the development of new markets that would not otherwise exist, or would be limited. This is particularly relevant for second hand products, as well as for specialist ‘niche’ products such as stamps, coins, art works and other collectables where buyers are widely dispersed. The existence of markets on eBay for such products helps buyers and sellers to realise gains from trade that might otherwise be unexploited. In addition, the ability to trade second hand products facilitates recycling and helps to reduce the environmental impact of consumption.

Cross-border trade

Online platforms such as eBay facilitate cross-border trading opportunities by providing buyers and sellers located in one country with ready access to trading partners located elsewhere in the EU. According to data provided by eBay, around 7.5% (by value) of sales on eBay’s European platforms in 2007 involved buyers and sellers located in different EU countries.

Cross-border trade is particularly significant on eBay’s Austrian and Swiss platforms, where 31% and 42% of total sales (respectively) are due to customers located in Germany. Cross-border trade is also significant on eBay’s platforms in France (7%), Germany (9%), Italy (7%), Spain (11%), and to a lesser extent in the UK (3%).

eBay’s role in facilitating cross-border trade is part of a more general phenomenon associated with e-commerce on the internet. As a report for DG Health and Consumer Protection of [THE] European Commission found in 2006, “E-commerce also seems to be the key driver for opening up the retail Internal Market”.

Around 40% of retailers stated that the internet had made cross-border sales more interesting for them as an avenue to explore, a number that jumped to almost 80% for those retailers with experience of using the internet.

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14 Data from eBay indicates that there tends to be a relatively high proportion of cross-border trade in categories such as antiques, coins, and stamps compared to other categories.

15 The relatively low proportion of cross-border trade on eBay’s UK platform may reflect the fact that purchases are made in pounds Sterling rather than Euros.


Small business creation

eBay facilitates the development of small businesses by providing sellers with a low cost route to market. According to data from eBay UK, 178,000 people either run a business on eBay in the UK or earn their primary or secondary income from the site. According to a study done by ACNielsen International Research in February 2006, more than 64,000 people in Germany earn a significant part of their living with eBay. In France, a study by Nielsen for eBay in 2007 found around 35,000 active business sellers on eBay.fr.

3.2 PRICE SAVINGS ON EBAY

This section discusses the results of research carried out by Frontier Economics to estimate the price savings available to eBay buyers in Europe. The purpose of this study is to estimate the:

• difference between the prices of a range of new products sold on eBay in the UK, France and Germany and the prices of comparable products sold in retail stores in these countries; and

• total savings available to eBay buyers in relation to new products purchased on eBay.

The study focuses on the UK, Germany and France not only because these countries account for the majority of the value of transactions on eBay in Europe, but also because the e-commerce sector is well-developed in these countries. As discussed further below, the study is based on a large sample of new branded products that are available on eBay and in mainstream ‘offline’ retail stores in the UK, France and Germany. For each product in the study sample, data was collected on prices in retail stores and on eBay, and this was used to estimate the average price saving available to eBay buyers in twelve product categories. Using these estimated average price savings per category, the total savings available to eBay buyers in the UK, France and Germany are computed on the basis of the total value of transactions for new products on eBay in each of these countries.

The next part of this section describes the products included in the study and the manner in which price data was collected. Following this, section 3.2.2 presents the key findings in relation to the average price differences between eBay and offline retail stores for the products included in the study. Section 3.3 discusses the total level of consumer savings enjoyed by eBay buyers that are implied by the results of our price comparison survey.

3.2.1 Overview of product sample

This section discusses the products that are included in the study to compute price differences. Following this, we explain how prices were collected for these products.

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18 In 2007, transactions originated on eBay’s UK, French and German platforms accounted for around 90% of the total transaction value on eBay in Europe.
Products included in the study

The study focuses on a range of typical household items that are sold in mainstream stores and on eBay. The product sample spans twelve important eBay product categories which collectively accounted for 44% of eBay sales in the UK, 39% of eBay sales in France, and 42% of eBay sales in Germany in 2007.

For each of the twelve sales categories included in the study, a sample of products was selected which were available in offline retail stores and through eBay. In order to ensure that prices are compared on a like-for-like basis, products sold in offline stores were manually matched as closely as possible to products sold through eBay, based on the product name, model number (where appropriate) and product description. Unbranded products and second hand or used items are excluded from the study due to the difficulty of making reliable comparisons between prices on eBay and in offline retailers. Additionally, the study focuses on products that are relatively standardised in order to ensure that price comparisons are undertaken on a like-for-like basis.

In total, the sample contains 713 products across the UK, Germany and France for which we have prices in offline stores and for transactions on eBay. As shown in Figure 5, the sample includes 288 products in the UK, 242 products in Germany, and 183 products in France. The slightly smaller sample size for France reflects the fact that it was more difficult to find products that were available both on eBay and in French retail stores than was the case for the UK and Germany.

Figure 5 - Total number of price comparisons per country

Source: Frontier analysis

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19 eBay stores product information for completed transactions on its platforms for a limited period.

20 For these reasons the study excludes products in categories such as cars, auto-parts and collectibles. The study also excludes product categories such as home furnishings, where items are highly varied and hence it is difficult to find a reliable comparator price in offline stores.
Figure 6 shows the total number of products in the sample by product category across the UK, France and Germany. Table 1 presents a more detailed view of the number of products in the sample, broken down by category and country. As can be seen, for each country there are ten or more products per category in the sample, with the exception of telecoms products and sporting goods in the UK, and domestic appliances in France. In the case of sporting goods in the UK the relatively small number of price comparisons reflects the fact that it was more difficult to find comparable products that were sold on eBay and in offline stores in the UK than was the case for France and Germany. In the case of domestic appliances in France there were only a limited number of items in this category sold on eBay in the sample period, and we were unable to find any comparable products for these in retail stores for which a valid price comparison could be made. It should also be noted that the sample excludes books sold in France and Germany, since the prices of books are subject to price regulation which restricts discounting in these countries (and hence books are sold at the same price on eBay and in stores in these countries).

Customer benefits from eBay in Europe
Table 1 - Number of price comparisons by category and by country

<table>
<thead>
<tr>
<th>Category</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
<th>All countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cons. Electronic – Video</td>
<td>44</td>
<td>15</td>
<td>29</td>
<td>88</td>
</tr>
<tr>
<td>Cons. Electronic – Audio</td>
<td>24</td>
<td>17</td>
<td>41</td>
<td>82</td>
</tr>
<tr>
<td>Photo</td>
<td>15</td>
<td>32</td>
<td>17</td>
<td>64</td>
</tr>
<tr>
<td>Telecoms</td>
<td>8</td>
<td>14</td>
<td>12</td>
<td>34</td>
</tr>
<tr>
<td>Computers</td>
<td>46</td>
<td>19</td>
<td>16</td>
<td>81</td>
</tr>
<tr>
<td>Domestic Appliances</td>
<td>11</td>
<td>-</td>
<td>22</td>
<td>33</td>
</tr>
<tr>
<td>Video Games</td>
<td>38</td>
<td>20</td>
<td>28</td>
<td>86</td>
</tr>
<tr>
<td>DVD &amp; Movies</td>
<td>36</td>
<td>20</td>
<td>26</td>
<td>82</td>
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<tr>
<td>Books</td>
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<td>-</td>
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<td>Music</td>
<td>23</td>
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<td>22</td>
<td>68</td>
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<td>Sporting goods</td>
<td>4</td>
<td>10</td>
<td>16</td>
<td>30</td>
</tr>
<tr>
<td>Clothing and accessories</td>
<td>16</td>
<td>13</td>
<td>13</td>
<td>42</td>
</tr>
<tr>
<td>All categories</td>
<td>288</td>
<td>183</td>
<td>242</td>
<td>713</td>
</tr>
</tbody>
</table>

Source: Frontier analysis

Collection of price data
For each product included in the sample, prices from recent eBay transactions were compared with prices in mainstream retail stores in each country. All prices were obtained during the course of March and April 2008.

For eBay transactions, prices were obtained inclusive of postage and packing for completed transactions on new products.21 Transaction data was downloaded from the eBay website in each country. As noted above, eBay transactions were manually checked to ensure that the products were identical. Across the sample, each product was transacted around 30 times on eBay on average. For each product the observed prices in multiple transactions on eBay are combined to compute an average price.

21 The inclusion of postage and packing in the price comparison is conservative, in the sense that no account is taken of any transactions costs incurred by consumers when purchasing from retail stores (e.g. in relation to the cost of time, or direct costs of transport).

Customer benefits from eBay in Europe
Prices in retail stores in the UK, Germany and France were collected in a survey of stores by market research firm Harris Interactive. The store survey focused on mainstream retail stores such as Debenhams and John Lewis in the UK, Galerie Lafayette and Fnac in France, and Media Markt and Kaufhof Galeria in Germany. On average across the sample, prices were obtained in six offline retail stores for each product. The number of store prices obtained for each product varies across product categories; in general, there are more store prices for electrical items in the sample since these were collected by Harris Interactive via a regular monthly survey of electrical retailers, whilst in other categories such as clothing Harris Interactive carried out a specific survey of prices in three high street stores located in major cities in each country. For each product the observed store prices are combined to compute an average offline price for each product. Further details on the number of observations in each category can be found in Annex 1.

3.2.2 Estimated average price differences in the sample

This section presents our estimates of the average price differences between products sold on eBay and in offline retail stores. For each product in the sample, the price difference is expressed as the percentage saving on the average price in offline retail stores available on eBay. To illustrate, if the average price in offline retail stores for a product is £100, and the average price on eBay for the same product is £75, then the computed price difference is 25%. The estimated price difference provides a measure of the saving available to eBay buyers for the product, relative to the alternative of purchasing the product in an offline store.

In the next section we present the key findings of the study in relation to:

- the average price saving available on eBay in the UK, France and Germany for each of the twelve product categories; and
- the overall average price saving available on eBay in the UK, France and Germany across the entire sample of products in each country; and
- the overall average price saving available on eBay in each of the twelve product categories across the entire sample of products in the UK, France and Germany combined.

Average price saving by category in each country

In each country, the estimated price differences for products in the sample are combined to form an average price saving for each of the twelve categories in the study. Figure 7 shows the estimated average price saving available on eBay by category for each country. By way of example, the figure shows that, on average, products in the consumer electronic (video) category are 24% less expensive on eBay.co.uk than in the UK offline stores surveyed, 19% less expensive on eBay.de, and 16% less expensive on eBay.fr.

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22 Harris Interactive (www.harrisinteractive.com) is a global research company with expertise in retail market research. Harris Interactive has expertise in a range of data collection methodologies, and was selected for its ability to carry out a bespoke study of retail prices in an integrated manner across the UK, Germany and France.

23 Details on the method used to compute the average price differences for each category can be found in Annex 1.
on eBay.de than in the German offline stores surveyed, and 31% less expensive on eBay.fr than in the French offline stores surveyed.

Figure 7 also shows that:

- average price savings in the sample are highest for telecoms equipment, a result that holds across all three countries in the study;
- average price savings are fairly similar across the consumer electronics (video), consumer electronics (audio), photo, and computer categories. In addition, savings tend to be somewhat higher in France than in Germany and the UK in these categories (with the exception of the computers category);
- in domestic appliances, savings are significantly higher in Germany than in the UK in our sample;
- average price savings for DVDs & movies are significantly higher in France than in the UK and in Germany. Indeed, in Germany, DVDs and movies were more expensive on eBay than in offline stores in our sample.

Figure 7 - Average price savings from buying on eBay by category and country

Source: Frontier analysis
This reflects the fact that the average price of DVDs and movies, excluding postage and packing on eBay is very close to the average offline store price in the sample, and hence eBay is more expensive once postage and packing is included;

• average price savings in clothing are comparable in the UK and France, and significantly higher than in Germany in our sample; and

• average price savings in sporting goods are comparable in France and Germany, and significantly higher than in the UK in our sample.24

Average price saving by country and by category

The estimated average price saving in our sample can be calculated as a transaction volume-weighted average of the estimated average price difference for each of the twelve categories in the study. Intuitively, this measure provides an indication of the average price saving available to an eBay buyer on each transaction in our sample. On this basis, the average price saving across the entire sample of products is around 17% for the UK, France and Germany taken together.25 The average price saving is highest in France (31%), followed by the UK (25%), and Germany (7%).

The volume-weighted average price saving available on eBay in our sample is highest in France and lowest in Germany.26 The comparatively low average price saving for Germany compared to the UK and France reflects the fact that the average price saving in Germany is relatively low in certain categories (e.g. photo, DVD & movies, and music - as shown in Figure 7).

An alternative to the volume-weighted average is to compute the average price difference for each country as a transaction value-weighted average of the estimated average price difference for each of the product categories in the sample. This method of averaging provides an indication of the average price saving available to a buyer who purchases a basket of products that includes all the products in the sample. The value weighted average price saving across the entire sample of products is around 24% for the UK, France and Germany taken together. The average price saving is highest in France (30%), followed by the UK (28%), and Germany (19%).

Compared to the volume-weighted average price saving, the value-weighted average price saving places greater weight on the price savings in those categories that account for a relatively high share of total transaction value, but a lower share of transaction volume in the sample. As can be seen, the volume-weighted and value-weighted average price saving are quite similar for both the UK and France. By contrast, for Germany the value-weighted average price saving is considerably higher than the volume-weighted average price saving. This

24 The result for sporting goods in the UK is based on only 4 products and should be regarded with caution.

25 The 95% confidence interval for this estimate is 11% to 23%.

26 The 95% confidence interval for the average price saving in each country is 18% to 32% for the UK, 23% to 39% for France, and -3% to 17% for Germany.
reflects the fact that DVD and music sales on eBay in Germany account for a considerably higher proportion of sales by volume than by value. As a consequence, the value-weighted average places less weight on the negative price savings for DVD and music in Germany, compared to the volume-weighted average, and hence the estimated average price saving for Germany is higher on this measure.

Figure 8 shows the (volume-weighted) average price saving by category across the UK, France and Germany combined. The average price difference is highest in the telecoms equipment category, at 48%. In addition, average price savings are above the overall volume-weighted average of 17% in the consumer electronics, photo, computers, books, sporting goods, and clothing and accessories categories. By contrast, the average price difference is relatively low in the domestic appliances, video games, DVD & movies, and music categories. In the case of the DVD & movies and music categories, the relatively low estimated average price difference across the entire sample reflects the fact that these products were more expensive on eBay in Germany (as shown in Figure 7).

Figure 8 - Average price savings from buying on eBay by category

Source: Frontier analysis
3.3 ESTIMATED TOTAL SAVING MADE BY EBAY CUSTOMERS

In this section we present estimates of the total level of savings made by eBay buyers in the UK, France and Germany. For each country, we calculate the total savings made in 2007 in relation to purchases of new products in the twelve categories included in the price comparison study.

The estimates of total savings in each country are derived using data provided by eBay on the total value of transactions on eBay in the twelve categories in the study for the UK, France and Germany in 2007 (including both new and second hand items sold on eBay), and the proportion of total transaction value in each category that is attributable to new products. Using this information we have estimated the total transaction value on eBay in each category that is attributable to new products by country.

In order to compute the total savings made by eBay buyers in each country we assume that the average price differences for each category that is observed in our sample is available more generally across all new products in these categories. Under this assumption, the total saving available in each category is computed as the difference between the total cost buyers would have incurred if the new products purchased on eBay had instead been purchased in offline retail stores, and the actual cost of these items on eBay (i.e. the observed transaction value on eBay). For example, if the total value of transactions on eBay relating to new products in a category is €90 million, and the average price saving for the category is 10%, then the same products would have cost €100 million if purchased in an offline store; accordingly, the total saving enjoyed by eBay buyers is €10 million for this category. For each country, the total savings by category are calculated in this way, and then summed to give the estimated total saving across all twelve categories in the study.

Figure 9 shows the results of this calculation. Across the UK, France and Germany, the total estimated savings are around €987 million per annum.27 Total savings are similar for the UK and Germany. This reflects the fact that:

• the total value of transactions related to new products for the twelve product categories included in the study is similar for eBay.co.uk and eBay.de in 2007; and

• in both countries, the consumer electronics (video), consumer electronics (audio), photo, telecoms and computer categories collectively account for around 80% of the total value of transactions related to new products across all twelve categories for eBay.co.uk and eBay.de.28 Accordingly, the total savings in these countries is driven by the average price savings in each of these five important consumer electronics categories. Since the average price savings in these categories is similar in the UK and Germany (as shown in Figure 7), the total savings in these countries are also similar.

27 The 95% confidence interval for total savings is €648 million to €1.4 billion.

28 Moreover, the music and books categories together account for around only 4% of the total value of transactions related to new products across all twelve categories for eBay.uk and eBay.de, which diminishes the impact of the relatively large variation in the average price difference between the UK and Germany on the estimated total saving in these countries.
The total estimated savings in France are significantly lower than for the UK and Germany. This reflects the fact that the total value of transactions related to new products for the twelve product categories included in the study is around five times larger for eBay.co.uk and eBay.de compared to eBay.fr in 2007.

Figure 9 also shows that if it is assumed that a comparable level of price savings is available for new products in each of the twelve categories sold on all of eBay’s European platforms, this would imply total savings of around €1.1 billion per annum, or equivalently around €50 per buyer in Europe.

Figure 9 - Total annual savings for eBay buyers

Source: Frontier analysis
Annexe 1: Price differences by category

**Category: video electronics**

The sample comprises 88 different products of the following types: 36 DVD players, 35 TVs, 4 GPS, 12 home theatre systems, and 1 projector. Overall, the sample has products from 15 different brands. The average price saving for this category is calculated by computing the transaction volume weighted average price difference for each product type in the category, and then taking the average across the product types.

The 95% confidence interval for price savings across all 3 countries is between 18% and 24%. If we remove products for which we have found less than 5 transactions in eBay’s websites, the average price saving becomes 20%. If we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price differences savings on the remaining products average 24%.

Table 2 - Price differences for video electronics

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>44</td>
<td>7</td>
<td>4</td>
<td>24%</td>
</tr>
<tr>
<td>France</td>
<td>15</td>
<td>13</td>
<td>3</td>
<td>31%</td>
</tr>
<tr>
<td>Germany</td>
<td>29</td>
<td>10</td>
<td>12</td>
<td>19%</td>
</tr>
<tr>
<td>3 countries</td>
<td>88</td>
<td>9</td>
<td>7</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis
Category: audio electronics

The sample comprises 82 different products of the following types: 60 digital music players and 22 hi-fi systems. Overall, the sample has products from 12 different brands. The average price saving for this category is calculated by computing the transaction volume weighted average price difference for each product type in the category, and then taking the average across the product types.

The 95% confidence interval for price savings across all 3 countries is between 19% and 25%. If we remove products for which we have found less than 5 transactions in eBay's websites, the average price saving are similar to 22%. If we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price differences savings on the remaining products also average 22%.

Table 3 - Price differences for audio electronics

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>24</td>
<td>9</td>
<td>21</td>
<td>27%</td>
</tr>
<tr>
<td>France</td>
<td>17</td>
<td>11</td>
<td>14</td>
<td>32%</td>
</tr>
<tr>
<td>Germany</td>
<td>41</td>
<td>10</td>
<td>10</td>
<td>21%</td>
</tr>
<tr>
<td>3 countries</td>
<td>82</td>
<td>10</td>
<td>14</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis
**Category: photo**

The sample comprises 64 different cameras from 10 different brands. The average price difference is weighted by the number of transactions recorded from the websites. The products in this category are relatively homogeneous, and hence the average price difference is calculated as the transaction volume weighted average of the average price difference for each product in the category.

The 95% confidence interval for price savings across all 3 countries is between 17% and 23%. If we remove products for which we have found less than 5 transactions on eBay’s websites, the average price savings are similar to 20%. If we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price differences savings on the remaining products average 21%.

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>15</td>
<td>5</td>
<td>13</td>
<td>23%</td>
</tr>
<tr>
<td>France</td>
<td>32</td>
<td>10</td>
<td>2</td>
<td>26%</td>
</tr>
<tr>
<td>Germany</td>
<td>17</td>
<td>9</td>
<td>13</td>
<td>16%</td>
</tr>
<tr>
<td>3 countries</td>
<td>64</td>
<td>8</td>
<td>8</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis
Category: telecoms equipment

The sample comprises 34 different mobile handsets from 5 different brands. These are handsets sold without any operator contract associated. The products in this category are relatively homogeneous, and hence the average price difference is calculated as the transaction volume weighted average of the average price difference for each product in the category.

The 95% confidence interval for price savings across all 3 countries is between 43% and 52%. If we remove products for which we have found less than 5 transactions on eBay’s websites, the average price savings are similar to 48%. Similarly, if we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price differences savings on the remaining products also average 48%.

Table 5 - Price differences for telecoms equipment

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>8</td>
<td>2</td>
<td>182</td>
<td>47%</td>
</tr>
<tr>
<td>France</td>
<td>14</td>
<td>8</td>
<td>15</td>
<td>53%</td>
</tr>
<tr>
<td>Germany</td>
<td>12</td>
<td>10</td>
<td>30</td>
<td>50%</td>
</tr>
<tr>
<td>3 countries</td>
<td>34</td>
<td>8</td>
<td>60</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis
**Category: computers**

The sample comprises 81 different products of the following type: 19 ink cartridges, 33 laptops, 2 mice, 8 PDAs, and 19 printers. Overall, the sample has products from 15 different brands. The average price saving for this category is calculated by computing the transaction volume weighted average price difference for each product type in the category, and then taking the average across the product types.

The 95% confidence interval for price savings across all 3 countries is between 28% and 36%. If we remove products for which we have found less than 5 transactions on eBay’s websites, the average price savings are similar to 32%. Similarly, if we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price savings on the remaining products also average 32%.

**Table 6 - Price differences for computers**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>46</td>
<td>5</td>
<td>12</td>
<td>34%</td>
</tr>
<tr>
<td>France</td>
<td>19</td>
<td>6</td>
<td>5</td>
<td>22%</td>
</tr>
<tr>
<td>Germany</td>
<td>16</td>
<td>9</td>
<td>13</td>
<td>26%</td>
</tr>
<tr>
<td>3 countries</td>
<td>81</td>
<td>7</td>
<td>10</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis
Category: domestic appliances

The sample comprises 33 different products of the following type: 12 washing machines, 13 vacuum cleaners, and 8 microwaves. Overall, the sample has products from 12 different brands. The average price saving for this category is calculated by computing the transaction volume weighted average price difference for each product type in the category, and then taking the average across the product types.

France does not appear in this table because we were unable to match any of the products for which offline prices were collected with comparable products sold on eBay.fr for the product category.

The 95% confidence interval for price savings across all 3 countries is between 3% and 19%. If we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price differences savings on the remaining products average 14%.29

Table 7 - Price differences for domestic appliances

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>11</td>
<td>7</td>
<td>4</td>
<td>3%</td>
</tr>
<tr>
<td>Germany</td>
<td>22</td>
<td>10</td>
<td>6</td>
<td>15%</td>
</tr>
<tr>
<td>3 countries</td>
<td>33</td>
<td>9</td>
<td>5</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis

29 Given the limited number of transactions per product on eBay for the products in our sample for this category, it is not appropriate to consider removing products for which there are fewer than 5 transactions.
Category: video games
The sample comprises 86 different products of the following type: 26 consoles and 60 video games. The average price saving for this category is calculated by computing the transaction volume weighted average price difference for each product type in the category, and then taking the average across the product types.

The 95% confidence interval for price savings across all 3 countries is between 10% and 20%. If we remove products for which we have found less than 5 transactions on eBay’s websites, the average price savings are similar to 15%. If we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price differences savings on the remaining products average 18%.

Table 8 - Price differences for video games

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>38</td>
<td>2</td>
<td>78</td>
<td>11%</td>
</tr>
<tr>
<td>France</td>
<td>20</td>
<td>3</td>
<td>24</td>
<td>18%</td>
</tr>
<tr>
<td>Germany</td>
<td>28</td>
<td>3</td>
<td>58</td>
<td>20%</td>
</tr>
<tr>
<td>3 countries</td>
<td>86</td>
<td>3</td>
<td>59</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis
**Category: DVDs**

The sample comprises 82 DVDs. The products in this category are relatively homogeneous, and hence the average price difference is calculated as the transaction volume weighted average of the average price difference for each product in the category.

In the case of Germany, the average price of DVDs sold on eBay excluding postage is similar to the average price in offline stores in our sample. Accordingly, when postage costs are taken into account, prices on eBay are slightly higher than those in offline stores in our sample.

The 95% confidence interval for price savings across all 3 countries is between 1% and 15%. If we remove products for which we have found less than 5 transactions on eBay's websites, the average price savings are similar to 8%. Similarly, if we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price differences savings on the remaining products average 14%.

**Table 9 - Price differences for DVDs**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>36</td>
<td>2</td>
<td>37</td>
<td>22%</td>
</tr>
<tr>
<td>France</td>
<td>20</td>
<td>2</td>
<td>17</td>
<td>42%</td>
</tr>
<tr>
<td>Germany</td>
<td>26</td>
<td>2</td>
<td>113</td>
<td>-3%</td>
</tr>
<tr>
<td>3 countries</td>
<td>82</td>
<td>3</td>
<td>56</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis

Annexe 1: Price differences by category
**Category: books**

The sample comprises 23 books sold in the UK. We only report results for the UK in this category, since books sold in France and Germany are subject to price regulation in these countries which restricts discounting (and hence books are sold at the same price on eBay and in stores in these countries). The products in this category are relatively homogeneous, and hence the average price difference in the UK is calculated as the transaction volume weighted average of the average price difference for each product in the category.

The 95% confidence interval for price savings across all 3 countries is between 19% and 31%. If we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price differences savings on the remaining products average 19%.\(^{30}\)

---

**Table 10 - Price differences for books**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>23</td>
<td>5</td>
<td>12</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis

---

\(^{30}\) Given the limited number of transactions per product on eBay for the products in our sample for this category, it is not appropriate to consider removing products for which there are fewer than 5 transactions.
Category: music

The sample comprises 68 music CDs. The products in this category are relatively homogeneous, and hence the average price difference is calculated as the transaction volume weighted average of the average price difference for each product in the category. In the case of Germany, the average price of music CDs sold on eBay excluding postage is similar to the average price in offline stores in our sample. Accordingly, when postage costs are taken into account, prices on eBay are higher than those in offline stores in our sample (average postage costs are around 15% of average CD prices in our sample).

The 95% confidence interval for price savings across all 3 countries is between -4% and 8%. If we remove products for which we have found less than 5 transactions on eBay’s websites, the average price savings are similar to 2%. If we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price differences savings on the remaining products average 8%.

Table 11 - Price differences for music

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>23</td>
<td>3</td>
<td>49</td>
<td>33%</td>
</tr>
<tr>
<td>France</td>
<td>23</td>
<td>3</td>
<td>6</td>
<td>20%</td>
</tr>
<tr>
<td>Germany</td>
<td>22</td>
<td>3</td>
<td>97</td>
<td>-15%</td>
</tr>
<tr>
<td>3 countries</td>
<td>68</td>
<td>3</td>
<td>50</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis

Annexe 1: Price differences by category
Category: sporting goods

The sample comprises 30 sporting items across the three countries. Because the products in this category are quite heterogeneous, the average price difference is calculated as the average of the price difference for each product in the category.

The 95% confidence interval is between 13% and 31%. If we remove products for which we have found less than 5 transactions on eBay’s websites, the average price saving is 18%. If we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price differences savings on the remaining products average 23%.

Table 12 - Price differences for sporting goods

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>4</td>
<td>2</td>
<td>27</td>
<td>0%</td>
</tr>
<tr>
<td>France</td>
<td>10</td>
<td>2</td>
<td>20</td>
<td>24%</td>
</tr>
<tr>
<td>Germany</td>
<td>16</td>
<td>3</td>
<td>64</td>
<td>26%</td>
</tr>
<tr>
<td>3 countries</td>
<td>30</td>
<td>3</td>
<td>44</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis
Category: clothing and accessories

The sample comprises 42 clothing items across the three countries. Because the products in this category are quite heterogeneous, the average price difference is calculated as the average of the price difference for each product in the category.

The 95% confidence interval is between 22% and 40%. If we remove products for which we have found less than 5 transactions on eBay’s websites, the average price saving is 26%. If we remove the highest and the lowest price differences (by removing price differences in the highest and lowest 10% percentile), the price differences savings on the remaining products average 33%.

Table 13 - Price differences for clothing

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of products</th>
<th>Average number of store prices per product</th>
<th>Average number of eBay transactions per product</th>
<th>Average price difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>16</td>
<td>2</td>
<td>12</td>
<td>43%</td>
</tr>
<tr>
<td>France</td>
<td>13</td>
<td>2</td>
<td>15</td>
<td>38%</td>
</tr>
<tr>
<td>Germany</td>
<td>13</td>
<td>3</td>
<td>54</td>
<td>10%</td>
</tr>
<tr>
<td>3 countries</td>
<td>42</td>
<td>2</td>
<td>26</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: Frontier analysis

Annexe 1: Price differences by category
Annexe 2: Frontier Economics

Frontier Economics Limited (www.Frontier-Economics.com) is an independent economics consultancy that uses economic principles and tools to provide practical solutions to complex problems. With over 60 consulting staff and associates in London, Brussels, Cologne, and Madrid Frontier Economics Limited is one of the largest economic consulting firms in Europe. Together with Frontier Economics Pty in Australia, we work globally for senior decision-makers in government and business.

Frontier has wide-ranging experience across all aspects of competition policy, at an EC and a national authority level. We are involved in case work and in preparatory analysis, often as part of a client’s due diligence or risk assessment programme. We work alongside clients and legal counsel, providing strategic advice and technical support. We assist in preparing client submissions and by submitting expert reports. Our advice is often central to determining the approach taken in presenting the competition issues to the authorities or the courts.

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- Merger analysis;
- Abuse of market power;
- Horizontal agreements;
- Vertical agreements;
- State aid; and
- Damages estimation.

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- Telecommunications and Media
- Transport and Water
- Energy
- Strategy

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