

When Sellers Are Uncertain about Quality*

Keita Kuwahara[†]

University of Tokyo

Abstract

Second-hand markets have expanded rapidly with the growth of online consumer-to-consumer (C2C) platforms. A key feature of C2C markets is that sellers are typically non-professionals and often face uncertainty about the quality of the goods they sell. This creates scope for platforms to introduce systems that reduce sellers' uncertainty about quality. However, an important question remains: is it socially desirable for sellers to have more precise quality information? We present results showing that while improved information always benefits sellers, it can either benefit or harm buyers. We derive a necessary and sufficient condition under which buyers benefit, and show that this condition holds in many cases, especially when buyers' valuations are not too large relative to sellers' costs. These findings suggest that platforms should consider reducing sellers' uncertainty about quality as a means of improving market efficiency.

JEL Classification: D42, D82, D83, L15

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[†]Email: kuke0303@g.ecc.u-tokyo.ac.jp