Combating Adverse Selection in Secondary PC Markets

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Overview

• Introduction

• Most Important Findings

• Lack of Information Hindering 2\textsuperscript{nd} Hand market

• Solving this Problem with Product Design
Introduction

• Survey of 270 Irish residential users
• Attitudes to second-hand PCs
• Promote better information exchange
• Increase second-hand PC market
• Signalling: usage information is used to enhance consumer perception of products
3 Most Important Findings

• Consumers unwilling to buy used PCs
• Consumers reluctant to sell old PCs
• Adverse selection in market
Buying used PCs

• 76% unwilling to buy second-hand PCs
• Main issues:
  • Reliability
  • Lack of guarantee
  • Performance vs. new PCs
  • Lack of demand in market
Selling used PCs

- 78% store their old PCs after use
- Consumers still see PCs as useful
- “Closet Effect”
- PCs are stored up to 8 years
- Obsolete and value depreciated completely
- Supply to second-hand market is stifled
Adverse selection

- Seller knows more about product than buyer
- Seller attempt to get more for substandard products than what they are worth
- Sellers with quality products cannot get fair price and are driven out of market
- Market is flooded with substandard products
Lack of Information

- No credible information exchange => adverse selection
- Potential sellers don’t know how much their PCs are worth
- Buyers don’t know what specifications they require for their needs
- Usage information not accessible
Product Design

• Temperature sensors in key components
• SMART technology monitor in hard drives
• Software analysis tools
• Readings should be easily accessed and understood by consumers
• Increase in information exchange and consumer confidence
Questions?