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Mohammad Mohsin

The University of North Carolina at Greensboro, m_mohsin@uncg.edu

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Impact of Facebook Marketplace on the Secondary Car Market: A Difference-in-Difference Approach

TREO Talk Paper

Mohammad Mohsin

The University of North Carolina at Greensboro

m_mohsin@uncg.edu

Abstract

The purpose of the study is to empirically measure the impact of the social media platforms on the secondary market. Social media platforms are not only used for communication but also for businesses. With the advent of social media, secondary markets for used goods have started to expand. This expansion got traction when Facebook (now Meta) launched Marketplace on its platform to augment digital marketing. But little is known about the role of Facebook that facilitates intermediation among different clusters of users who interact and market their used products on Marketplace. Therefore, this study attempts to measure the impact of Facebook Marketplace on the USA-secondary car market, which is one of active and largest secondary markets. To that end, the method of this study has been designed in a quasi-experiment setting.

This research strategy identifies Facebook's launch of Marketplace as an exogenous shock, facilitating a difference-in-difference approach to empirically investigate the phenomenon. This strategy exploits Facebook users' variation at the city level in the USA to assess the impact of Marketplace on the used car market. To that end, the strategy uses a city with a low proportion of Facebook users as a control variable to assess the counterfactual level of sales of used cars in the absence of the Facebook Marketplace for a city with a high proportion of Facebook users. In other words, cities with fewer active Facebook users would represent as the control group and cities with more active Facebook users as the treatment group. This design allows to measure the marginal effect of Facebook Marketplace.

This study prefers to measure the exposure of Marketplace with the number of used cars listed on Marketplace in a city during a time frame while the outcome of interest would represent the number of used cars sold in the city during the time frame. The study would observe the data from 2013 to 2019 from different sources: the Bureau of Transportation Statistics, DMV, Facebook, S&P global mobility, and the US-census data.

This study would conclude that the introduction of a Facebook's feature, Marketplace, caused the increase in the growth of secondary car market in 2016 and onwards. Moreover, it would contribute to both practice and literature. For practice, similar platforms might get motivated to introduce such features, and the empirical evidence of the study would help Facebook (Meta) encourage its users to involve more in C2C businesses. For research, it would contribute to the expanding corpus of social media literature. Moreover, the findings of the study would motivate future research to investigate the impact of Marketplace by focusing on the other secondary markets.