

THE IMPACT OF BIDDER'S KNOWLEDGE, SELLER'S CREDIBILITY, ARGUMENT QUALITY AND BRAND IMAGE ON ONLINE AUCTION

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ABSTRACT

Online auction has become an important transaction model, and attracted the attention of consumer researchers. Information asymmetry may give rise to the opportunistic behaviors, and reduce the deal of online auction. In order to protect the buyers and increase the transactions in online auctions, most auction sites build up the reputation-building mechanisms. This study found that negative feedback ratings have a much greater effect than positive feedbacks do. But the effect will be moderated by the bidders' experiences and brand images. Therefore, sellers have to maintain their reputation carefully to increase the probability of successful transaction.

RESEARCH MODEL OF ONLINE AUCTION

According to the auction design, people who want to bid will be influenced by other bidders when they make the bidding decisions, forming a sequence of dependent decisions. Those bidders lack of bidding experiences may keep raising their own bidding prices because of other higher bidding prices and price competition happen. To reduce uncomfortable feelings of winner's curse and after-purchase dissonance, make their own bidding behaviors reasonably, bidders without experience will tend to increase their likes and satisfactions toward the auction objects. Therefore we may have the hypothesis one:

H1: The experiences of Internet-base auctions will influence the bidders' attitudes toward auctions.

Purchasing on the auction web site, buyers could not touch or trial the products physically; therefore the decision references produced by self-experience, central route, do not exist. Consumers have to make the decisions through products relevant cues; the peripheral routes. When the brand image of auctioned products is good, it is much easier for auctioneers to attract bidders and increase the probability to sellout. Therefore we may have the hypothesis two:

H2: The brand image of the auctioned product will influence the bidders' attitudes toward auctions.

Trust is the key factor to maintain long term transaction relationship successfully between buyers and sellers. The credible firms can be expected to perform their job reliably, fulfill the requirements of the contracts. The C2C transactions on website, like eBay auction online, buyers can not recognize sellers' true identity, nonexistent physical presence and human contact. Information asymmetry does exist because buyers can not have complete information about seller's actions. The probability of opportunism may be higher than the physical sellers. Therefore, trust is the necessary condition for

successful auction. If the seller have higher reputation rating, bidders could feel it's more safe to bid, and would receive the auctioned products that seller promised. Since the seller is trustworthy, bidders will have favorable attitude toward the auctioned products; better quality, more lovable, stronger purchasing intention, and will be more satisfy with the outcome of the auction. Therefore we may have the hypothesis three:

H3: The source credibility of the sellers will influence the bidders' attitudes toward auctions.

METHODOLOGY

556 College students were recruited to participate in our computer-based experiment. After eliminating those respondents who answered incorrect experimental variables, we got 470 effective observations. The experiment includes four manipulations: bidder's knowledge about online auction, brand image of product, seller's credibility, and argument quality of selling reasons. After navigating the web pages of our experiment, participants were asked to answer the following seven dimensions. The perceived probability of auction success, the number of bidders, and the margin between closing price and opening price were measured by seven-point Likert scale, participants have to rate from "very low/ few" to "very high /much". The satisfaction of the closing price, perceived product quality, overall like level, and purchase intention were measured by seven-point semantic differential scales separately. To avoid other factors to disturb our experimental results, we set six control variables: the number of bidders, auction length, starting bid value, secret reserve price, product expertise, and involvement level in products.

RESULTS

According to the ANOVA tests, the independent variables are manipulated successfully. The brand image of Sony is significantly different from Kyocera ($F = 35.015$, $p = .000$), and it is much better than Kyocera ($M_{\text{Sony}} = 5.183$, $M_{\text{Kyocera}} = 4.391$).

There are significant differences among the source credibility of sellers' reputation ratings ($F = 19.143$, $p = .000$). The Sheffe tests show that there is no difference between the "high scores and high percentage of positive ratings (200, 100%)" sellers and the "low scores and high percentage of positive ratings (10, 100%)" sellers ($p = .563$); there is also no difference between the "high scores and low percentage of positive ratings (80, 70%)" sellers and the "low scores and low percentage of positive ratings (4, 70%)" sellers ($p = .987$). But "high scores and high percentage of positive ratings" sellers have higher source credibility than "high scores and low percentage of positive ratings" sellers and "low scores and low percentage of positive ratings" sellers (p 's = 000, .000 respectively); "low scores and high percentage of positive ratings" sellers also have higher source credibility than "high scores and low percentage of positive ratings" sellers and "low scores and low percentage of positive ratings" sellers (p 's = 000, .000 respectively). Therefore, the source credibility was manipulated successfully.

There are significant differences between the selling reasons ($F = 13.231$, $p = .000$). "I bought the DV on an impulse, and I almost did not use it. Now I would like to purchase another DV with more specialized functions, so I have to sell this one to raise money" was more persuasive than "I just don't want it, so I want to sell it" ($M_{\text{Strong}} = 4.137$, $M_{\text{Weak}} = 3.700$). The argument quality was manipulated successfully, too.

We also check the respondents' product knowledge and their product involvement to make sure there are no differences among the 32 experiment groups. According to the ANOVA tests, the respondents do not have significant differences between their digital camera knowledge ($F = 1.129, p = .293$), but there exist significant differences between respondents' involvement. Those respondents who have online auction experiences also have significantly higher involvement in the digital camera ($F = 1.468, p = .048$). Therefore, we regarded product involvement as the covariance in the sequential analysis.

The interactions between source credence and argument quality and between brand image and online auction experiences on perceived successful probability are significant ($F = 2.717$ and $6.695, p = .044$ and $.010$, respectively). The seller's reputation significantly positive influences the perceived number of bidders ($F = 3.016, p = .030$); if the seller has better reputation, bidders may have more confidence in the seller and then would like to bid; therefore they are expected to have more bidders. The interactions between source credence and argument quality and between brand image and online auction experiences on perceived number of bidders are significant ($F = 3.294$ and $3.619, p = .020$ and $.058$, respectively). The seller's reputation significantly positive influences the perceived closing price ($F = 3.205, p = .023$); if the seller has better reputation may attract more bidders, and then it is possible that the closing price will be higher than the auction which only has a few biddings. The interactions between brand image and online auction experiences on perceived closing price is significant ($F = 2.942, p = .087$). If the seller has better reputation, bidders will be more satisfied about the closing price ($F = 4.802, p = .003$). The interactions between brand image and online auction experiences on bidders' satisfaction about difference between closing price and opening price is significant ($F = 3.905, p = .049$). The seller's reputation will significantly positive influences bidders' satisfaction about the closing price ($p = .002$).

IMPLICATIONS

For the new comers, although they don't have higher scores, they can accumulate their ratings gradually. They should be careful and do not deliver merchandises too late, or not fulfill the descriptions what they post on the auction site. Except to taking care of their ratings, the new comers may increase the auction performance through strong argument quality. They should describe the auction target clearly and logically, and enclose some photos or certificate. The persuasive statements will enhance the attraction and increase the bidding probability.