Chapter VI
The Effect of Culture and Product Categories on the Level of Use of Buy–It–Now (BIN) Auctions by Sellers

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ABSTRACT

While previous studies on buy-it-now (BIN) auctions focus on the impact of BIN format on economic performances, our study focuses on factors that affect the level of use of BIN auctions by sellers. We propose a conceptual model where culture and product categories are two important factors on the level of use of BIN auctions. Our empirical investigation shows that the level of use of BIN auctions can be explained by the Hofstede Cultural Dimensions. While power distance brings a positive impact, uncertainty avoidance and individualism bring negative impacts on the level of use of BIN auctions by sellers of different countries. Our result also shows that the level of use of BIN auctions by sellers increases with the ease of judging product quality. Our results provide valuable insights for marketplace operators to refine their business strategies and market mechanisms for expanding their businesses to overseas markets.

INTRODUCTION

With the rapid advancement of information and communication technologies, innovative mechanisms have been developed in the past few years by electronic marketplaces with an aim to facilitate Internet auctions amongst market participants. One of the most important mechanisms developed is the Buy-It-Now (BIN) auction, a variation of ascending auction developed by eBay (http://www.ebay.com) in 2000, which is welcomed by both buyers and sellers of the electronic marketplaces (eBay, 2005). BIN auctions provide bidders opportunities to win the items auctioned instantly at the outset of auctions when any bidder accepts the BIN price (P_{BIN}) posted by sellers.

Prior studies show that BIN auctions can generate higher revenue compared with ascending auctions under the assumptions that bidders are risk averse for both independent private value (IPV) and common value (CV) auctions (Budish & Takeyama, 2001; Hidvégi, et al., 2006; Mathews, 2004; Reynolds & Wooders, 2003; Yoo, et al., 2006). Based on these results, we expect sellers would welcome BIN auctions as they can help sellers to generate higher revenue.

In recent years, marketplace operators like eBay and Yahoo! Auctions (http://auctions.yahoo.com) expanded quickly and have established new subsidiary Web sites outside the US. With the increased acceptance of Internet auctions by bidders all over the world and the possibility for marketplace operators to allow users from a country to auction their items in another country[1], we foresee that the impact of culture on the operation in the electronic marketplaces, as well as on the participation of bidders and sellers in the electronic marketplaces, will become very important as cultural effect has been proved to be significant in electronic commerce and Web site development (Bin, et al., 2003; Cyr, et al., 2005; Liu, et al., 2004; Pavlou & Chai, 2002; Robbins & Stylianou, 2003). In this study, we investigate the impact of culture on eBay through analyzing data obtained from different eBay Web sites, viz., the US, France, Germany, and Taiwan[2]. These countries come from different cultural-based country clusters as proposed by Ronen and Shenkar (1985)

The aim of the research is to investigate whether product categories and culture would have impacts on the level of use of BIN auctions by sellers. As shown by analytical and empirical studies, BIN auctions can generate more profits than English auctions and thus, should be welcomed by sellers. However, we notice that in some European countries, the level of use of BIN auctions by sellers is much lower than the US as shown in Table 1. Thus, it would be useful for researchers and practitioners to gain more insight on this phenomenon. The result of this study can enhance our understanding of the impact of culture on electronic commerce in general. Also, we would also investigate the impact of product categories on electronic auctions. The study of the impact of product categories is also important, as prior research has already shown that product categories would have impacts on the selling methods (Levin, et al., 2003; Reinhardt & Lévesque, 2004). In this study, we aim to investigate the relationships between the usage level of BIN auctions by sellers, and culture and product categories. To sum up, we would like to address the following two research questions:

1. Would the tendency to adopt BIN auctions by sellers differ across cultures?
2. Would the tendency to adopt BIN auctions by sellers differ across product categories based on the ease of judging of product quality?

Our study is important as it provides insights for marketplace operators to develop new incentive schemes and mechanisms, which can fulfill the expectation of sellers from different countries and/or sellers of goods of different product categories. Sellers can also gain benefit from our

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