

# Chapter 10

## Consumers' Concerns for Reputation and Identity Theft Online Trading

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### ABSTRACT

*Although online trading with Amazon, eBay, and many others has its benefits, such as convenience and the ability to compare prices online, there are still many concerns about the integrity of the buyer, the seller, and/or the online action service provider (OASP). The empirical section investigated these relationships via multivariate statistical analysis of a stratified sample of working professionals resulting in 198 usable questionnaires from an initial sampling frame of over 550 professional personnel from five relatively large Pittsburgh, PA firms. It was found that buyers that felt feedback systems were viable were more willing to engage in online trading activities and more willing to pay a premium price for merchandise being sold by a seller with a better reputation, regardless of gender. Customers were especially concerned with the total price, including shipping cost, regardless of gender. In terms of the convenience of payment method, electronic forms were preferred in transacting online trading activities, regardless of age and gender.*

### INTRODUCTION

#### Growth of the Online Trading Industry

Online trading has become an increasingly popular source of income used by consumers as well as businesses. However, many factors need to be considered in order to determine the success of the auction including security and fraud safeguards, convenience, selling and buying points, reputation and feedback, and competitive forces surrounding pricing structures. Since 1995, online auctions have been one of the major success stories of the Internet with over 1,600 significant web-based auction websites and still growing (Armes, 2006). The largest online auction websites for business-to-consumers (B2C) are

DOI: 10.4018/978-1-5225-7214-5.ch010

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Amazon and eBay. Although Amazon has a huge competitive advantage over many online retailers, they do have significant competition for consumers with eBay. However, Amazon believes they will be able to “level the playing field” with eBay. As for media, competition with Amazon includes Netflix, Apple, Google and Liberty Interactive. Other competitors include Target, Walmart, Sears, Big Lots, Overstock.com, Wayfair.com, Insight Enterprises, etc. Numbers show that Amazon is the largest e-commerce online retailer based on revenue as of May 2017. When it comes to online negotiation, a website named Greentoe provides competition for Amazon. Greentoe recruits vetted online retailers, simplifies the process by showing you the average price and the lowest price for each product currently available online, and then consumers are able to say how much they are willing to pay for the product (Buhr, 2014). One issue with this website is that the retailer will not be revealed until the retailer accepted the offer.

Amazon has been a growing company ever since it began as an online book distributor in 1994. Amazon has grown quite a bit over the last 20+ years and has positioned itself as the number one ecommerce retailer in terms of sales. During 2016 alone, Amazon generated over \$94 billion in sales, which is much higher than Apple who came in second place at only US\$16 billion in sales (“Online price negotiation ...,” 2017; Zaczekiewicz, 2017). Amazon has clearly set themselves apart from the rest of the industry in terms of sales as they have produced five times the number of sales as the next closest competitor, Apple (Zaczekiewicz, 2017). With Amazon now offering the ability to “make an offer” on certain products and be able to negotiate the price, the ability is there to strengthen the business. Even though this feature is only limited to a certain number of products as this is only in the initial phases, providing options to their customers is a positive for the business. This feature may provide the opportunity to attract customers who may not have used Amazon before to try and negotiate on the product that they may want to purchase. Expanding this offer to more products in the future is something for Amazon to consider as the opportunity to grow the business even further is there. The “make an offer” feature will help give Amazon and its third-party sellers an idea of what customers will pay for the products; this feature may attract more sellers due to Amazon’s position within the market as the number one e-commerce seller. Companies will want to sell through Amazon as their customer reach is so much greater than when companies are only selling in their stores. This feature allows the opportunity for Amazon to attract more sellers to use their website and has the ability to draw in more customers who want to “make an offer” on these products. Amazon has put itself in a great position within the ecommerce industry and the “make an offer” feature can really give them a stranglehold on the market.

Such may online providers has been on a major force in the expanding online auction service provider (OASP) industry since the beginning on the Internet, initially not concerned with banner advertising in its formative years. Coincidentally, the first major business-to-business (B2B) online auction was conducted by FreeMarkets Inc. in 1995, with the company experiencing a slow start for the first two years. but in 1998 they grew at a much higher rate raising US\$172.8 million in capital (Emiliani, 2000). FreeMarkets Inc. manufactured industrial parts, raw materials, and commodities. The primarily reasons for their growth in capital was due, in part, to their contracts with General Motors and United Technologies Corp. Ariba, Inc., a company headquartered Sunnyvale, CA, which made its name by providing software and network services to assist corporations in managing their capital, bought TradingDynamics, Inc. in 1999. This acquisition helped make Ariba, Inc. one of the fastest rising companies in the early dotcom era. Ariba acquired a privately-held procurement Business Process Outsourcing provider called Alliente, Inc. and Freemarkets, Inc., which is now the home of the Ariba Pittsburgh, PA office. Ariba has continued to be successful today thanks largely to their partnerships with 40 of the top 100 companies, as well as many other partnerships with smaller companies.

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