



Chapter II

An Examination of Consumer Behavior on eBay Motors

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Abstract

With annual sales of \$7.5 billion, eBay Motors has become one of the most important online marketplaces. For several years, researchers have used eBay transactions as a mechanism for examining consumer behavior and economic relationships in Internet auctions. As automobiles have emerged as the leading product category on eBay, research focused specifically on eBay Motors is an important extension to this line of research. This study builds on past research by examining research questions using a sample of 126 eBay Motors exchanges along with benchmark pricing data from Kelley Blue Book. The findings of the study suggest that, within selected data ranges, such factors as seller feedback ratings, number of pictures in item description, and seller type (dealer vs. individual) may affect the percentage of retail value that sellers are able to earn in eBay Motors auctions.

Introduction

What product generates the most revenue for eBay? Many people are surprised to learn that the answer is automobiles. It may seem ironic that a product that requires such a substantial investment and carries such a great degree of risk could be traded using a site originally developed for trading Pez dispensers. Nonetheless, not only has eBay become a legitimate channel for automobile sales, it has, in fact, become the world's largest automobile marketplace.

Ever since the emergence of eBay as a phenomenon of the Internet age, academic researchers from various disciplines have collected eBay data to examine consumer behavior in Internet auctions. Most of these studies have examined standardized products (such as computers and disk drives) or collectibles (such as coins and stamps). In recent years, businesses of all sizes have recognized the potential of using eBay as a channel for products of various types. As the focus of eBay has expanded beyond a collectables trading site, it becomes an even more valuable source for e-business researchers.

Previous research has examined the relationship between user reputation (using eBay's feedback ratings) and auction pricing (Dellarocas, 2003). This study will examine these relationships as they pertain to automobile pricing. We also examine some additional relationships particular to automobile auctions, including the impact of seller type (dealer or individual), age of automobile, and the number of digital images included in the auction listing. The results of this study will extend the knowledge of consumer behavior in Internet auctions using an important emerging product type. The remainder of this paper is organized according to the following sections. We briefly describe eBay Motors' rating system and listing functions, provide background information on the use of the Internet as a channel for auto sales, and summarize previous research on auction pricing and reputation. Next, we describe the study's methodology, providing a description of variables and hypotheses. We then provide statistical analyses and discussion based on a sample of 126 auction listings. Finally, we provide conclusions and describe future directions for this line of research.

Background and Literature Review

eBay Feedback and Listings

Using the same reputation system as eBay's traditional site, users of eBay Motors have official reputations represented by a "feedback profile." After a transaction has been completed, eBay trading partners have the opportunity to

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