

Online Shoppers Trust Reputations of Sellers More at Amazon Than at eBay: Study

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The right feedback design can be critical to the long-term success of online marketplaces and auction sites, and they can also help consumers become better shoppers, according to a study from the Sauder School of Business at the University of British Columbia.

Sauder professors Paul Chwelos and Tirtha Dhar compared the reputation mechanisms for two popular online retail sites, Amazon and eBay. Both sites allow for publicly-visible feedback on commercial transactions, covering everything from product quality to timely delivery of the goods.

The researchers argue that sellers who inflate their reputations may be doing online marketplaces such as eBay more harm than good.

Making the better business case is Amazon, where the researchers found that more useful feedback on these transactions leads to higher sales and prices.

“Our analysis shows that online marketplaces are more likely to win over consumers when they provide more useful reputation management mechanisms,” says Chwelos. “People are willing to hand over their money when they’re getting meaningful feedback.”

Their study, Differences in ‘Truthiness’ across Online Reputation Mechanisms, shows that consumers find that the reputation mechanism at Amazon elicits much more truthful and helpful feedback than eBay’s.

The current system at eBay encourages buyers and sellers to dole out positive feedback since this will enhance their position to buy or sell the next time around. As well, they fear that negative comments could trigger a backlash that will impact their own standing.

“The design of the eBay feedback provides an environment for buyers and sellers to pat each other’s back, with glowingly positive feedback,” says Chwelos.

There are no such incentives at Amazon to tippy toe around reputations since only buyers can post their comments. The one-way system invites shoppers to be as honest as they want without any fear of reprisal. As a result, the feedback at Amazon reflects more accurately the user’s underlying experience with the transaction, whether good or bad.

Not surprisingly, adds Chwelos, shoppers pay more attention to reputation scores that they believe to be true and accurate, but will discount scores when they are suspect.

“Buyers aren’t keen on sites where bloated and perhaps unwarranted reputations are the norm.” he says, “Buyers largely ignore positive feedback on eBay.”

However, eBay is retooling its website with a new mechanism called “Feedback 2.0” that invites buyers to provide four categories of feedback about sellers: item description, communication and delivery time, and postage and packaging charges.

Source: University of British Columbia

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