

Established eBay sellers get higher prices for good reputations

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eBay sellers with established reputations can expect about 8 percent more revenue than new sellers marketing the same goods, a new University of Michigan study shows.

"People with good reputations are rewarded and people with no reputations are not trusted as well as people who have established reputations," said Paul Resnick, professor in the U-M School of Information and the study's principal author.

The study is the first known randomized controlled look at the value of eBay reputations in the natural setting of actual eBay auctions. The findings showed that eBay's feedback system---the cornerstone of the online auction site---works as it should, by rewarding sellers who have more positive feedback.

The study, "The Value of Reputation on eBay: A Controlled Experiment," is available online in the journal *Experimental Economics*. It was co-written by Resnick, Richard Zeckhauser of Harvard University, graduate student Kate Lockwood and eBay seller John Swanson.

Surprisingly, the researchers found that one or two negative feedbacks did not hurt new sellers, but it remains unclear why buyers are willing to cut new sellers with negative feedback a little slack.

They offer several explanations, but Resnick said it's likely that buyers

are leery of new sellers no matter what the feedback.

"Either way, they aren't trusted," he said.

Resnick added that when researchers conducted the study in 2003, eBay did not show the percentage of negative feedback so it was not obvious whether a relatively new seller had any negative feedback.

The group enlisted the help of an established eBay vendor to sell vintage post cards. The seller set up several new accounts and listed the matching items on all the accounts on alternate weeks. They eventually added negative feedback to some of the new accounts.

There is still much to be learned about the value of feedback on eBay and other online auction sites, Resnick said. His group is currently trying to estimate how frequently buyers and sellers reciprocate the positive feedback they get from one another versus just independently rating the transactions. In this way, researchers will understand what the feedback really means and how informative it is overall.

In earlier work, the group discovered that negative feedback on eBay comes in clumps, and that is partly a result of "stoning," where buyers are more apt to throw stones once they see one negative feedback. The results did not show that sellers changed their behavior after receiving negative feedback.

Source: University of Michigan

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