



Maximizing willingness to bid within “Buy It Now” auctions

David M. Hardesty ^{a,*}, Tracy A. Suter ^{b,1,2}

^a Marketing Area, 455 Q Gatton College of Business & Economics, University of Kentucky, Lexington, KY 40506-0034, United States

^b Department of Marketing, William S. Spears School of Business, Oklahoma State University, 700 North Greenwood Avenue, Tulsa, OK 74106-0700, United States

ARTICLE INFO

Article history:

Received 17 July 2006

Accepted 15 October 2007

Available online 1 February 2012

Keywords:

Online auctions

Buy-it-now prices

Reference prices

Electronic commerce

Anchoring

ABSTRACT

The present research investigates the impact of minimum starting bids and buy-it-now prices on both maximum willingness to bid and attitude toward the seller. Results from an experimental study suggest that higher minimum starting bids coupled with higher buy-it-now prices increase the maximum price that auction participants are willing to bid yet no negative impact on participants' attitude toward the seller is evidenced. These findings suggest that sellers in online auctions can receive tangible benefits (i.e., higher maximum prices that participants are willing to bid) without negative perceptual results (i.e., attitude toward the seller is not diminished) from setting the minimum starting bid higher and the buy-it-now price higher.

© 2012 Elsevier Inc. All rights reserved.

1. Introduction

Online auctions have become an increasingly important area of academic inquiry and remain of interest to business practitioners. Much has been written recently regarding overall bidding behavior across a series of bids (Park & Bradlow, 2005), the last-minute bidding phenomenon (Roth & Ockenfels, 2002), seller feedback reputation systems (Weinberg & Davis, 2005), and a seller's means of impacting the final auction price (Ariely & Simonson, 2003; Kamins, Dreze, & Folkes, 2004; Suter & Hardesty, 2005; Walley & Fortin, 2005). The majority of the focus has been on the flexible pricing context of the auction format: the bidding process of an auction. However, eBay, using its status as the unequivocal online auction leader (2006 Revenues of \$5.97 billion, *MSN Money*, 2007), also allows sellers a fixed price alternative. More specifically, eBay's “Buy It Now” (BIN) option allows a buyer to accept the seller's BIN price before the first bid of an auction. eBay's execution of the BIN price option is such that if a bid is entered by the first bidder before a BIN price is accepted by another auction participant, the BIN price disappears and the auction proceeds normally.

The purpose of the current research is to further extend the auction price literature by incorporating a BIN price component. Past academic research has focused on the impact of the minimum starting bid on a buyer's willingness to bid. Interestingly, previous academic auction research does little to account for the presence of a fixed price alternative such as a BIN price. A secondary purpose of the current research is to determine the impact of including a fixed price alternative on consumer's attitude toward the auction seller. One of the many benefits of online auctions is establishing an exchange mechanism where participants can negotiate on price. If online price negotiation were not important or desired, e-commerce buyers have a wide variety of fixed price e-tailers from which to visit (e.g., Amazon.com) not to mention the plethora of bricks-and-mortar retail alternatives. While the opportunity to negotiate is still available on auction sites such as eBay, the presence of a BIN price both (1) provides a classic retail overtone via setting a fixed price (and thus eliminating the opportunity for negotiation) and (2) adds additional information regarding the seller's perceived value of the auction item. We will explore if sellers including BIN prices are viewed differently by potential auction participants and whether or not BIN price options increase willingness to bid of auction participants. Special focus will be given to the coupling of minimum starting bids and BIN prices as they relate to perceptions of auction sellers.

2. Background

An interesting aspect of online auctions is that the seller has control over several pricing-related variables. In particular, the

* Corresponding author. Tel.: +1 859 257 9419(office); fax: +1 859 257 3577.

E-mail addresses: david.hardesty@uky.edu (D.M. Hardesty),

tracy.suter@okstate.edu (T.A. Suter).

¹ Both authors contributed equally to this research.

² Tel.: +1 918 594 8394(office); fax: +1 918 594 8281.

seller can determine (1) the minimum starting bid – the amount necessary to begin bidding, (2) the reserve price – the amount necessary for the seller to give up the good, (3) the buy-it-now price – the amount necessary to purchase the good prior to any bidding taking place, and (4) the benefit of including additional semantically-oriented pricing information (e.g., “Seen elsewhere for ...”, “Retail for ...”, etc....) within the product description. From the buyer's perspective, each of these four seller-controlled variables can serve as external price referents.

Compeau and Grewal (1998) provide an excellent review suggesting that consumers respond positively to advertised external reference prices (ERPs) used in conjunction with temporary price reductions. Many previous researchers have shown that higher ERPs have more positive framing effects than lower ERPs (Bearden, Carlson, & Hardesty, 2003; Biswas & Blair, 1991; Blair & Landon, 1981; Della Bitta, Monroe, & McGinnis, 1981; Urbany, Bearden, & Weilbaker, 1988). Thus, price presentations containing higher ERP anchors should result in more positive consumer attitudes.

Little research has assessed potential differences in consumer perceptions of various ERPs in an online auction setting. In this research, we focus on the minimum starting bid (cf. Ariely & Simonson, 2003; Kamins et al., 2004; Suter & Hardesty, 2005) and the understudied buy-it-now price option. Park and Bradlow (2005) found that 90% of studied auctions of notebook computers at a Korean auction site employed a BIN feature and 40% ended at the corresponding BIN price. However, the BIN feature of the Korean site differed substantially from eBay's approach in that the BIN price remained in effect throughout the auction. eBay's execution of BIN pricing dictates that the BIN price disappears if not used prior to the first bid. Only two years after its launch, eBay's “Buy It Now” option was featured 33% of the time worldwide and accounted for 19% of gross merchandise sales (i.e., value of goods and services sold at online auction) (Kane, 2002). These usage statistics guided us to view the BIN feature as an important pricing component available to an auction seller that may impact bidder perceptions of both the auction and the auction seller.

The main objective of the current research is to empirically assess, in an experimental setting, the impact that minimum starting bids and buy-it-now prices have on the maximum price participants are willing to bid as well as bidder perceptions of the auction seller. Thus, the focus and intended contribution of this research is to better understand how auction sellers should strategically present minimum starting bid and buy-it-now price information to maximize willingness to bid and perceptions of the seller.

3. Study methodology

3.1. Experimental setting

Seventy-five student subjects from a large state university were randomly assigned to an experimental condition and exposed to a

paper copy of an eBay auction for a new 4th generation Apple iPod (20 GB). Apple iPod's were selected as the product because it was of high interest for our student sample. An example stimulus is included in the Appendix A (low minimum starting bid, low buy-it-now price). Stimuli were created by downloading a completed eBay auction and using Macromedia Dreamweaver MX 2004 HTML editing software to manipulate the information presented. Average eBay selling prices were employed to help establish the buy-it-now prices as well as the minimum starting bid levels. The buy-it-now prices were set at 93% (i.e., \$279.99) and 110% (i.e., \$319.99) of the average retail selling price (i.e., \$299.99), respectively. The minimum starting bid levels were set at \$0.01 (the lowest allowed in eBay) and \$199.99 (67% of the average selling price). In addition, shipping and handling was purposefully omitted to avoid a potential pricing confound, and number of bids, auction length, location and region, and title and description were all held constant across conditions.

After viewing the stimuli, participants responded to a short survey which began with an item assessing the likelihood of “buying it now” anchored by (1) very unlikely and (7) very likely. Participants who indicated that they were very likely to buy-it-now were assumed to have a maximum bid price of the BIN price. Next, a single scaled item measuring the maximum price the participant would be willing to bid was gathered. This item was only completed by individuals who indicated that they would not pay the BIN price. Then, participants indicated their attitude toward the current seller on a seven-point scale anchored by (1) bad and (7) good. Finally, participants answered a few demographic items and a few items regarding their prior auction experience.

3.2. Research design

A 2 Minimum Starting Bid Level (\$0.01, \$199.99) × 2 Buy-It-Now Price Level (\$279.99, \$319.99) between subjects experimental design was employed. Cell sizes were 16 (\$0.01 minimum starting bid and \$279.99 buy-it-now price), 20 (\$0.01 minimum starting bid and \$319.99 buy-it-now price), 20 (\$199.99 minimum starting bid and \$279.99 buy-it-now price), and 19 (\$199.99 minimum starting bid and \$319.99 buy-it-now price). Thirty-four percent of participants were male and the average age for all participants was twenty-five years old.

3.3. Data checks

A non-significant chi-square test revealed that gender was independent of the two minimum starting bid manipulations and the two buy-it-now price manipulations. Additionally, a non-significant ANOVA indicated that age did not vary across minimum starting bid conditions or buy-it-now price conditions. Moreover, neither the number of times that participants had been auction buyers or sellers is related to the experimental conditions. Thus, we continued with further analyses without concerns of demographic or unrelated behavioral differences impacting experimental results.

Table 1
Means and standard deviations (in parentheses) for the auction experiment.

Variable	Conditions ^a			
	\$0.01 SB, \$279.99 BIN	\$0.01 SB, \$319.99 BIN	\$199.99 SB, \$279.99 BIN	\$199.99 SB, \$319.99 BIN
Maximum willing to bid	\$183.67 (\$61.02) N = 15	\$179.89 (\$76.87) N = 18	\$225.67 (\$17.92) N = 15	\$260.28 (\$32.56) N = 18
Attitude toward the seller	4.31 (1.49) N = 16	5.00 (1.49) N = 20	5.67 (1.23) N = 20	4.94 (1.39) N = 19

^a SB = Starting Bid, BIN = Buy-It-Now.

Download English Version:

<https://daneshyari.com/en/article/1017297>

Download Persian Version:

<https://daneshyari.com/article/1017297>

[Daneshyari.com](https://daneshyari.com)