



How do online bidders differ from non-bidders?



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ABSTRACT

This study compares online bidders and non-bidders based on their demographic and psychographic characteristics. An online survey was developed to collect data using Zoomerang's online consumer panel. Findings show that online bidders have a lower level of risk aversion and a higher level of need for uniqueness and propensity to trust than nonbidders. Online bidders are also more likely to engage in variety-seeking and impulsive-buying behavior than non-bidders. Results indicate that online bidders are younger, more educated, and have a higher income level than non-bidders. This study also finds that gender and prior online shopping experience moderate the differences between online bidders and non-bidders. Theoretical and managerial implications are discussed.

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1. How do online bidders differ from non-bidders

In the past decade, the growth of online auctions has been tremendous, moving from a novel transaction format to a normal buying and selling channel for many businesses and individuals. eBay, the industry leader, had a total transaction value of \$68.6 billion in 2011. At the end of September 30, 2012, eBay had 108.3 million active users, a 10% increase over the same period of 2011. At any given time, there are about 180 million listings (eBay.com).

A variety of factors may contribute to the explosion of online auctions. As compared to traditional auctions, online auctions offer a number of advantages, including, but not limited to: (1) lower transaction costs for both sellers and buyers, (2) potential to attract a much larger number of participants with little geographic limitation because bidders need not be physically present, (3) more flexible bidding time that can last as short as hours or as long as days that allows bidders to participate at any time, and (4) unlimited auction objects to offer for sale.

For businesses, online auctions offer an alternative channel for them to attract customers. On the one hand, businesses have used eBay as a platform to sell their products and/or services as more and more companies are setting up their stores on eBay, including names such as American Apparel, Under Armour, Calvin Klein, and Hanes. On the other hand, manufacturers and retailers have now

adopted online auctions as a new retailing format. For example, Dell has its own online auction site (Dellauction.com) to offer used and refurbished Dell computers and monitors, while Walmart has been using online auctions to sell its "excess inventory, store returns, and refurbished" goods. As the multi-channel format continues to grow, the importance of online auctions is expected to increase.

Individuals, who have become increasingly empowered by the Internet, have long enjoyed the flexibility and convenience associated with online auctions (Hou and Elliott, 2010). Given the fact that numerous similar or identical items are offered on auction websites, online bidders now have more power to determine how much they are willing to pay for their potential purchases as well as how and when to acquire them. Online auctions provide far more opportunities for average consumers than traditional flea markets and yard sales. To some extent, we have witnessed a huge power shift in buyers' favor and the changing dynamics of buying and selling.

This phenomenon has generated a large body of research. Scholars have examined a variety of aspects of online auctions, including auction pricing (Ariely and Simonson, 2003; Hou, 2007; Lucking-Reiley et al., 2007), seller reputation (Melnik and Alm, 2002; Resnick and Zeckhauser, 2002; Weinberg and Davis, 2005), online bidding behavior (Park and Bradlow, 2005; Roth and Ockenfels, 2002), and optimal auction design (Kamins et al., 2004; Ku et al., 2006).

Despite the growing literature, there still is a lack of understanding of a fundamental question: what are the differences between online bidders and non-bidders? Though several studies

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investigated the demographic differences between online bidders and non-bidders (Horrigan, 2008; Hou and Elliott, 2010; Walley and Fortin, 2005; Shehryar, 2008), little is known about how bidders differ from non-bidders in terms of their attitudinal and motivational profiles.

Answers to this question have both theoretical and practical implications. Theoretically, they advance our knowledge of online auctions particularly online bidders. Practically, they provide a basis in order for businesses and individuals to build a successful selling strategy to target potential online bidders. In addition, for companies who intend to adopt online auctions as an alternative retailing format, it is essential to understand the differences between online bidders and non-bidders.

Therefore, the purpose of this study is to expand the understanding of online bidders. Specifically, we compare online bidders and non-bidders based on their demographic and psychographic characteristics. The remainder of this paper is organized as follows: First, we review the literature on online bidders and develop hypotheses with respect to the psychographic and demographic differences between online bidders and non-bidders. We further investigate the moderating effect of gender and prior online shopping experience. Second, we describe the methodology in our research and present the empirical results. Then, we discuss the findings from this study and implications. Finally, we conclude this study with limitations and future research avenues.

2. Theoretical development

2.1. Online bidders

The literature has investigated three aspects of online bidders. First, there is a stream of research that explores online bidders' bidding strategy. Second, research also attempts to segment online bidders based on their bidding strategy. Third, studies have addressed the attitude and motivations behind consumers' participation in online auctions.

A growing body of research has revealed several bidding strategies in online auctions, such as late bidding (submit one's bid as late as possible), multiple bidding (bid multiple times in the same auction), jump bidding (submit a bid larger than necessary), and cross bidding (participate in multiple auctions simultaneously) (Borle et al., 2006; Easley and Tenorio, 2004; McCart et al., 2009; Ockenfels and Roth, 2006). Often times, these studies provide evidence showing how online bidders can improve their performance (e.g., pay a lower price and/or increase their chance of winning) by adopting those strategies.

Several studies have also attempted to classify online bidders based on their bidding behavior (e.g., time of entry, number of bids submitted in one auction, willingness to pay, etc.). Bapna et al. (2004) identified five groups of online bidders in business-to-consumer online auctions (early evaluators, middle evaluators, opportunists, sip-and-dipper, and participators); while Hou and Rego (2007) developed a typology of online bidders in the context of consumer-to-consumer online auctions (goal-driven, experiential, focused, and opportunistic bidders).

Finally, studies have shown how consumers' intrinsic characteristics (attitudes, motivations, and demographics) may influence their intention and actual behavior of participating in online auctions. For example, Yen and Lu (2007) indicated that bidders' satisfaction increases their repurchase intention in online auctions. Hou and Elliott (2010) examined online bidders' motivations behind their frequency of participation as well as the demographic differences between online bidders and non-bidders. Studies have also applied traditional behavioral theories (e.g., Technology Acceptance Model and Theory of Planned Behavior) to investigate

how attitudinal and motivational factors (e.g., attitude, subjective norm, and perceived usefulness) may influence consumers' intention to purchase in online auctions (Bosnjak et al., 2006; Stern et al., 2008).

Though the literature provides valuable insights into our understanding of online bidders and their bidding behavior, there is one fundamental question left unanswered: how do online bidders differ from non-bidders in terms of their psychographics? The following sections address a number of psychographic factors that can distinguish between online bidders and non-bidders, including need for uniqueness, propensity to trust, variety seeking, impulsive buying, and risk aversion. These attitudinal and motivational dimensions have been shown in the literature to be associated with consumers' online shopping behavior (Donthu and Garcia, 1999; Guiot and Roux, 2010; Pavlou and Gefen, 2004).

2.2. Need for uniqueness

According to Tian et al. (2001), Consumers' need for uniqueness refers to one's tendency to pursue "differentness relative to others through the acquisition, utilization, and disposition of consumer goods for the purpose of developing and enhancing one's self-image and social image". Consumers' need for uniqueness can be manifested through their desire for social distinction (creative choice counterconformity), tendency to make unpopular choices (unpopular choice counterconformity), and avoidance of similarity (Tian et al., 2001). Therefore, in order to be perceived as different, consumers should be willing to change their preferences and consumption behavior. High-uniqueness consumers are likely to make unconventional choices (Lynn and Harris, 1997; Simonson and Nowlis, 2000).

The literature has shown that consumers can express their uniqueness through different types of consumption behaviors. Tian et al. (2001) found that people with a high level of need for uniqueness demonstrate distinctive consumption behaviors, such as tattoos or body piercing, owners of customized low-rider cars, members of the Society for Creative Anachronism (SCA), a drawing class attended by art majors, and purchasers of new art posters. Burns and Warren (1995) demonstrate high-uniqueness consumers' shopping mall preferences; that is, they tend to shop at a regional mall other than the nearest one. Studies have also indicated that high-uniqueness consumers tend to purchase in nontraditional channels or unique shopping venues such as antique stores, garage sales, flea markets, second-hand markets, and auctions (Guiot and Roux, 2010; Lynn and Harris, 1997; Tepper, 1997). For example, Guiot and Roux (2010) have shown that consumers' need for uniqueness drives them to shop for second-hand goods.

By avoiding conventional channels (i.e., fixed pricing model), online bidders can show how they are different from others. Considering that online auctions such as eBay are one of the major second-hand markets, it is reasonable to assume that consumers' need for uniqueness is positively related to their participation in online auctions. Formally,

H1. Online bidders have a higher level of need for uniqueness than non-bidders.

2.3. Propensity to trust

The importance of trust has long been emphasized particularly since the beginning of the Internet. The reason is simple. Transactions are often made among strangers in the online environment and therefore trust becomes crucial for successful e-commerce. In the traditional environment, trust among strangers is typically established through a variety of ways, such as consumer

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