

# Accepted Manuscript

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PII: S0167-7187(16)00006-0  
DOI: doi: [10.1016/j.ijindorg.2016.01.004](https://doi.org/10.1016/j.ijindorg.2016.01.004)  
Reference: INDOR 2283

To appear in: *International Journal of Industrial Organization*

Received date: 30 March 2015  
Revised date: 13 January 2016  
Accepted date: 18 January 2016



Please cite this article as: Fan, Ying, Ju, Jiandong, Xiao, Mo, Reputation Premium And Reputation Management: Evidence from the largest e-commerce platform in China, *International Journal of Industrial Organization* (2016), doi: [10.1016/j.ijindorg.2016.01.004](https://doi.org/10.1016/j.ijindorg.2016.01.004)

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# Reputation Premium and Reputation Management: Evidence from the Largest e-Commerce Platform in China\*

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January 28, 2016

## Abstract

We study the life-cycle effects of reputation using a panel data set consisting of a 25% random sample of all sellers on China's largest e-commerce platform, Taobao.com. We find a substantial return to reputation, but only for established sellers. New sellers, in contrast, lower their prices to boost transaction volume and ratings. This reputation management by new sellers leads to a decrease in their revenue in the short run and even a decrease in their business' survival likelihood in the longer run. We show that such differential effects at different stages of a seller's business life-cycle can arise when the effect of reputation on future payoffs dominates that on current payoffs.

**Keywords:** reputation management, reputation dynamics, e-commerce

**JEL:** L14, L15, L81

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\*This paper was previously circulated under the title "Losing to win: reputation management of online sellers". We thank the Editor, two anonymous referees, Ginger Jin, Tobias Klein, Vineet Kumar, Philip Leslie, Gaston Llanes and participants in numerous seminars and conferences for their constructive comments. We also thank Emek Basker for her careful reading and feedback on an earlier draft. Mo Xiao acknowledges the McGuire Center for Entrepreneurship at the University of Arizona for financial support.

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