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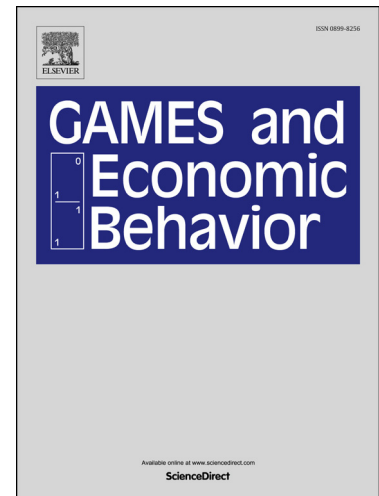
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The role of communication content and reputation in the choice of transaction partners*

A study based on field and laboratory data

Jeannette Brosig-Koch[†] and Timo Heinrich[‡]

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We study the effects of communication content and its interaction with reputation on the choice of transaction partners in markets with moral hazard. We find that buyers' choices of sellers are influenced by prices and reputation information as well as by sellers' messages: buyers prefer sellers who make specific promises. If specific promises are infeasible, buyers prefer sellers whose arguments reduce the social distance. These observations do not depend on the availability of reputation information. We also find that, if specific promises are feasible, buyers' profits do not significantly differ from hypothetical profits realized under a correct expectations rule.

JEL Codes: D44, D83, L14

Keywords: procurement auctions, communication, promises, social distance, reputation, moral hazard

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