

As Study of the Factors Influencing the Ending Price of Online Auction

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ABSTRACT

The growth of internet online auction in recent years enables sellers and buyers to complete transactions in a less expensive way. In addition, online auction has remarkably improved the transaction process, such that interested bidders could offer their prices without physically being together, and with less time restrictions as traditional auction does. According to the survey of MIC in 2006, the internet auction websites have experienced an approximately 60 percent increase in revenue per year between 2004 and 2007. This study reviews auction theory in literature to comprehensively understand the important influences on the ending price. Those influences are generalized as three categories which involve different levels of information disclosure, including: (1) commodity information; (2) price information; and (3) other information.

The difference between past studies and this study lies in that most researchers merely excerpt the bidding results directly from the websites and/or employ the questionnaire in which the possible disturbances may be included. In this study, we devise sixteen experimental scenarios to verify our assumption, set up a personal online auction field on "Ruten.com.tw," and advertise on "Yahoo.com.tw" and "Ruten.com.tw" to recruit bidders who live in Taiwan and have experiences of online auction for more than one year. To measure the impacts of information disclosure on the ending price, by following our direction, the bidders were randomly assigned to a specific auction. In total, 649 effective observations are generated from 559 unique bidders. Several statistical analysis tools were employed in this study, including descriptive statistics, t-test and multivariate statistical analysis.

We present three important findings about how the ending price is affected by information disclosure. First, the more product information is disclosed, the higher ending price is. Second, no matter how high the starting price is, once there's a reserved price in the auction, the ending price will be the same. However, without a setting reserved price, a low starting price will attract more bidders, thereby resulting in a higher ending price. Third, negative feedback ratings have a much greater effect than positive feedback ratings do.

Key Words: Online auction; Information; Ending price

