Exploring the WOW in online-auction feedback

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Abstract

The reputation system, or Feedback Forum as it is called on eBay, is considered the most critical element for success in online auctions. Previous studies have examined only “aggregate” reputation measures. This research extends the investigation into “detailed” reputation-system information elements by classifying online-auction reputation information as a rating-and-review (RR) type of “word-of-web” (WOW). We discovered, via a study of rating-and-review WOW from 86 websites, a characteristic that is unique to online auctions—bidirectionality—and, in a study of online-auction utilization, found that indeed several “detailed” reputation-system elements, such as feedback reviews, are processed during consumer/bidder decision making.

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1. Introduction

eBay, the leading online retailer, has captured the fascination of both American consumers and corporations (Adler, 2002). With 104.8 million members, it has garnered approximately 52% of all gross online retail sales, US$8.0 billion out of US$15.5 billion, during the first quarter of 2004 (eBay, 2004; US Census Bureau, 2004). And the future of Internet auctions looks bright as eBay financial results for Q1 2004 compared to Q1 2003 reported increases in net revenues and GAAP net income of 59% and 92%, respectively; in addition, sales and marketing expenses as a percentage of net revenues decreased to 25% from 26% during that same time period (eBay, 2004).

Prominent marketers have proclaimed the importance of studying online auctions; and practitioners have pointed to eBay in particular as the torch bearer for success in e-commerce. For example, Chakravarti et al. (2002) strongly recommend that marketers take a stronger interest in online auctions by emphasizing “despite the growing interest in traditional and Internet auctions, the marketing literature is sparse;” and, George Day has described eBay “as perhaps the most successful of all the breakthrough applications on the Internet” (CNET, 2002).

While there are many reasons cited for the success of online auctions, the reputation system, or Feedback Forum as it is called on eBay, has been considered the most critical element (Grant, 2002; Hof, 2001). eBay’s Feedback Forum is where buyers and sellers can rate and read about each other’s past transaction experiences. Each eBay member has a Feedback Profile which tracks and maintains several pieces of reputation-related information about the member, including individual-auction feedback reviews, which consist of a satisfaction/dissatisfaction rating and comments by others who have participated in an online-auction exchange with this member. It also has an overall feedback rating which is, in essence, an aggregate reputation score (for an example, see Fig. 1).

Most online-auction studies have focused on eBay or used eBay-generated data; and, those that have investigated the impact of seller-reputation on consumer/bidder behavior and auction results have considered only aggregate or...
summary measures of reputation, such as the feedback rating. Indeed, the overall reputation (score) is an important factor in decision making and bidding behavior (e.g., Resnick et al., 2000). However, virtually no research has “gone beneath the surface” to investigate whether consumers utilize and are influenced by the many “detailed” Feedback Profile information elements, such as the individual-auction feedback reviews. We believe that such deeper exploration would enhance our understanding of eBay’s key-success-factor in specific and online-auction reputation systems in general, and, consequently, would reveal insights that could be applied in other online, and perhaps offline, retailing applications.

We addressed this void in the auction and marketing literature in three steps. First, “word-of-web” (WOW) was defined and online-auction reputation information was classified as a rating-and-review (RR) type of word-of-web. Next, a descriptive study of rating-and-review word-of-web from 86 different websites was conducted in order to better understand the nature of online-auction reputation systems. This revealed a characteristic that is unique to online auctions, “bidirectionality.” Finally, an exploratory study of consumer utilization of online auctions was conducted, showing that consumers/bidders do indeed process, and are influenced by, several online-auction reputation system “detailed” elements when evaluating sellers and making bidding decisions.

We begin the paper with a brief discussion of the retail online-auction market. Next, we review relevant literature, including elaboration on the concept of word-of-web communication. Then, we describe and discuss the results of study one and study two. Finally, we close with a discussion about opportunities for future research.

2. “Retail” online auctions overview

The online-auction market is served by several prominent players, including, most notably, Amazon, eBay and Yahoo!. However, eBay is the most dominant player, with more than 80% market share. Amazon Auctions and Yahoo! Auctions have about 2% share each. Given this, it is not surprising that eBay is the most referenced online-auction player and to many is synonymous with the term online auction.

Many leading manufacturers, retailers, service providers and charitable organizations have engaged online auctions: for example, IBM, Dell, Apple, Kodak, Motorola, Boeing,
Whirlpool, Disney, Sears, The Home Depot, The Sharper Image, ESPN, The American Broadcasting Company (ABC), FTD, The American Red Cross and The Make-A-Wish Foundation. They use online auctions for a variety of marketing and strategic applications, such as estimating demand curves and setting prices, accelerating new product adoption, selling refurbished goods and excess inventory, enhancing brand value, and serving new segments (for extensive details see Kambil and van Heck, 2002).

Several factors are attributed to the success of eBay’s business model, including: its extensive outsourcing and low capital expenditures, the fun factor of participating via the Web, either at real time or not. Indeed, the general importance of having a strong (overall) feedback rating is widely held. However, at the present time, little is known about consumer processing and utilization of the various feedback profile “detailed” elements. But, eBay and other online-auction industry players appear to recognize the importance of learning more in this regard, as firms, such as Andale, have created tools for managing and tracking feedback, among other auction-related research activities.

3. Literature review

3.1. Word-of-web

Word-of-mouth (WOM) is an extremely important and influential source of information to consumers engaged in the buying decision process (e.g., see Gilly et al., 1998; Maxham and Netemeyer, 2002; Richins, 1983; Srinivasan et al., 2002). The World Wide Web is another effective medium through which consumers spread consumption related information among each other. Marketers have referred to consumer information diffused to other consumers through this means as electronic or Internet word-of-mouth (Hanson, 2000). The spirit of these expressions is fine at face value; however, technically, such information transmitted via the Internet is not word-of-mouth. Word-of-mouth is the exchange of oral or spoken messages between a source and a receiver concerning the purchase of a good or service (Ong, 1982) in real time and space (Stern, 1994). Word-of-web (WOW) is, arguably, a more precise term for describing behavior where product- or purchase-related information is communicated from consumer to consumer via the Web, either at real time or not.

Word-of-web is spread through a variety of electronic forms, such as email, including viral marketing (Montgomery, 2001) and e-newsletters (Katz, 2002; Scientific American, 2001), instant messaging, including chat rooms (Gelb and Sundaram, 2002), online community or discussion forums (Bickart and Schindler, 2001; Hagel and Armstrong, 1997; Kozinets, 2002; Rheingold, 2000), websites, including weblogs (Cristol, 2002; Levy, 2002; Weinberg, 2001), reviews, and rating and reviews (Kuehl, 1999). Review information differs from rating-and-review WOW in that the latter includes a quantitative measure of some scale type, be it ordinal, interval or ratio, in its evaluation of a target object, such as a product. The rating-and-review (RR) form, frequently referred to as feedback in online-auction environments, is available in a number of leading online-auction sites, and is influential (e.g., Lucking-Reiley, 2000).

3.2. Online auctions

Although research on auction theory and practice is well established (e.g., see McAfee and McMillan, 1987; Milgrom, 1989; Milgrom and Weber, 1982), very little research about online auctions has been published in scholarly journals. This is not necessarily surprising given that the first Web-based commercial auction sites were launched in 1995.

Lucking-Reiley’s (2000) introduction to Internet auctions is significant because he investigated 142 Internet auction sites, and provides a comprehensive overview of the Internet auction industry, including its early history, business models, goods sold, auction formats and options, and concerns about fraud. Herschlag and Zwick’s (2000) review of nonacademic articles touches on many of the same themes.

Online-auction studies have focused primarily on reputation issues (i.e., online-auction feedback—discussed in the next section of this paper), and on auction-listing issues, such as the value of providing photographs/images of an auction item (Ottaway et al., 2003), setting an opening bid amount (Gilkeson and Reynolds, 2003) or setting the bid increment amount (Bapna et al., 2003). Some research has investigated the impact of a consumer’s background, such as experience, on her/his online-auction behavior (e.g., see Wilcox, 2000).

Chakravarti et al. (2002) outline key auction concepts and empirical findings, identify some areas for future research, highlight that Internet auctions can lead to new principles in marketing theory and practice, and report that the marketing literature on auctions is “sparse”. They urge marketers to undertake more research in auctions.

3.3. Online-auction feedback

Online-auction feedback, or reputation and rating information, is a type of word-of-web that auction participants...
provide and pass along to other auction-community members in order to assist them in reducing uncertainty associated with their auction-related decision making, such as whether to place a bid, or how to bid. It can be an important means for avoiding Akerlof’s (1970) “market for lemons” and creating a healthy market which includes products available at a variety of quality levels and associated prices, for example, where buyers may be willing to pay a premium for products sold by sellers with superior reputations (Resnick et al., 2000).

Feedback for an individual auction is called a review on eBay. It consists of details about the auction, including: a comment/statement that must be classified as either positive, neutral, or negative, the name and feedback rating of the eBay member who left the comment, a series of (optional) “Response” statements by the individual to the comment as well as “Follow-up” statements by the eBay member who provided the (initial) comment, the date and time on which the comment was posted, the auction item number to which the comment pertains (which contains an active link to the auction listing for 30–60 days after the end of the auction), and indication whether the member being reviewed was the seller or the buyer in the auction transaction, which is indicated in the right most column with an “S” or a “B,” respectively. Each positive comment begins with the word “Praise.” Each neutral comment begins with the word “Neutral.” And, each negative comment begins with the word “Complaint.” The remainder of the comment may consist of up to 80 characters of the reviewer’s choice (see Fig. 2a–c).

An auction participant’s feedback rating is a quantitative score that is based on the feedback reviews received from other community members. eBay suggests that it be treated as “a measure of an eBay user’s reputation in the community.” A person’s feedback rating can be computed using the following procedures: (a) +1 point is tallied for each member who has left a positive comment for that person; the sum of these tallies is commonly referred to as the (number of unique) “positives” and it is the number of positives listed in a person’s Feedback Profile as being “from unique users” (e.g., see Fig. 1—IBM’s number of unique positives is 2455); (b) −1 point is tallied for each member who has left a negative comment for that person; the sum of these tallies is commonly referred to as the (number of unique) “negatives” and it is the number of negatives listed in a person’s Feedback Profile as being “from unique users” (e.g., see Fig. 1—IBM’s number of unique negatives is 106); and (c) the (number of unique) negatives are subtracted from the (number of unique) positives to yield

![Image](https://example.com/image1.png)

![Image](https://example.com/image2.png)

![Image](https://example.com/image3.png)

Fig. 2. (a) Example of Positive Comment (left by kt_live for IBM). (b) Example of Neutral Comment (left by madcoder42 for IBM, with a Response by IBM to the comment). (c) Example of Negative Comment (left by rtadder for IBM, with a Response by IBM, and a Follow-up statement by rtadder).
the feedback rating (e.g., see Fig. 1—IBM’s feedback rating is 2349/2455 = 106).

Research into the impact of online-auction feedback on consumer/bidder behavior has considered only quantitative aggregate reputation measures, such as the (overall) feedback rating, the number of unique positives and the number of unique negatives. Evidence indicates that the feedback rating does not fully explain how bidders use feedback information, and that bidders place more weight on (the number of unique) negatives than on (the number of unique) positives (Ba and Pavlou, 2002; Lucking-Reiley et al., 2000; Melnik and Alm, 2002). Assuming that negatives and positives communicate potential losses and gains for a future transaction, respectively, these results are consistent with the asymmetric impact of gains and losses in accordance with prospect theory (Kahneman and Tversky, 1979; Tversky and Kahneman, 1992). In addition, they are consistent with the literature on negativity bias in impression formation (e.g., Fiske, 1980; Hodges, 1974; Skowronski and Carlson, 1989).

A main limitation of these inquiries is that they do not consider many other Feedback Forum elements/details, such as individual-auction comments, which contain “much (service performance) information about sellers,” (Ba and Pavlou, 2002, p. 256). Research which delves below the surface of the aggregate feedback measures is important because it can provide greater insight into: (a) how consumers process and use online-auction word-of-web information, (b) which feedback elements impact consumer/bidder perceptions and behavior, (c) how practitioners should make online-auction reputation- or service-related decisions (e.g., being less concerned about not receiving positive feedback, but doing everything possible to minimize the likelihood of receiving negative feedback), and (d) the role of word-of-web rating-and-review information in online auctions in order to replicate or transfer its effects to other online (or offline) contexts or applications.

4. Study one: rating-and-review WOW

Given the classification of online-auction feedback as a type of rating-and-review WOW, the objectives of study one were to identify the important characteristics of this type of WOW and to examine how online-auction WOW compared to and differed from other types of RR WOW. In order to do this, we first identified a comprehensive set of websites which provided rating-and-review word-of-web. Then, we analyzed the RR WOW elements of each website and identified common characteristics among the RR WOW information. Finally, we tabulated the characteristic “values” of the RR WOW for every website on each characteristic and compared online-auction RR WOW to other types of RR WOW.

The Internet search engine Google was used to find websites which contained rating-and-review word-of-web. We used relevant (search) phrases such as “rating website,” and “product ratings.” For each phrase, Google would provide several search-pages of links (10 links per search-page) to websites that might contain RR information. In some cases, Google provided more than 50 search-pages (i.e., 500 links). For each search-page, we would click on the link and note whether the website at the other end of the link contained RR WOW. If it contained RR WOW, then we would record the URL (i.e., the Internet address/location) of this website and then analyze its RR content.

We found (sampled) 86 websites that provided rating-and-review information. It was likely that other websites containing rating-and-review information existed at the time of the search. However, we considered the sample as being reasonably comprehensive given that we perused more than 300 search-pages overall (i.e., 3000 links/websites) and as many as 96 search-page results for some of the (search) phrases applied. A complete listing of the websites that were analyzed is in Appendix A.

Analysis of the rating-and-review WOW focused on identifying different informational types of variables that were related to the processes associated with providing or using the rating-and-review information on each site (e.g., an overall rating, attribute ratings, comments/prose that could be entered in association with a rating). Each type of RR information was reviewed and coded. Then, the data were examined for commonalities. Eleven primary characteristics for classifying RR WOW were identified—see Table 1 for detailed information.

The types of products which were rated and reviewed among the websites were extremely diverse. Reporting on the full range of the items would be tedious given that the websites analyzed included those of organizations, such as Consumer Reports and opinions, which provide rating-and-review information for hundreds of products. We would not be surprised to learn that online ratings and reviews exist for just about any object of interest. Some of the products, which could, perhaps, be considered as less than typical, were: table hockey equipment, carbohydrate food items, magic tricks, charitable organizations and professors.

4.1. Rating-and-review word-of-web characteristics

Again, 11 primary characteristics for classifying RR WOW were identified. The sources which provided the rating-and-review information varied across websites. For example, experts provided their assessment of automobiles at Edmunds.com; consumers listed their ratings at Amazon.com; and both buyers and sellers detailed their opinions at eBay. The target is the object that was rated and reviewed by a source; it was either a product provider, such as a seller, retailer or manufacturer, a product, such as a good or a service, or a customer/buyer.
Table 1
Characteristics of rating-and-review word-of-web

<table>
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<th>Characteristic</th>
<th>Description</th>
<th>Characteristic value—Count (%) of sites sampled with this value</th>
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| Source                 | The source of the information, such as consumer, employee, analyst/expert, or seller. | Consumer—54 (63%)  
Analyst/expert—10 (12%)  
Expert and consumer—14 (16%)  
Seller—6 (7%)  
Consumer and seller—2 (2%)  
Product—53 (62%)  
Seller—3 (3%)  
Product and seller—9 (10%)  
Product and review—6 (7%)  
Product and seller and review—11 (13%)  
Buyer and seller—2 (2%)  
Manufacturer/corporation—2 (2%) |
| Target object          | The target object of the RR information, such as brand, product, manufacturer, or retailer. | One-way—84 (98%)  
Two-way—2 (2%) |
| Direction              | Direction is determined by the participants and “sides” in exchange-related behavior who provide RR information. In unidirectional or one-way RR WOW, a single participant, such as a consumer, provides information about a target object, such as a seller/retailer. In bidirectional or two-way RR WOW, the buyer provides feedback about the seller and the seller provides feedback about the buyer. | Overall—26 (30%)  
Overall and attributes—38 (44%)  
Overall and other—4 (5%)  
Overall and attributes and other—15 (17%)  
Rank order—3 (3%)  
Freq. dist. over time—7 (8%)  
No freq dist.—79 (92%)  
Comparison to industry average—2 (2%)  
No comparison to others—84 (98%) |
| Statistics             | The rating statistics available, such as an overall rating, attribute ratings, frequency distributions, sample size, etc. | Brief—27 (31%)  
Long but limited—21 (24%)  
(appeared) unlimited—26 (30%)  
Specific categories (e.g., pros, cons)—12 (14%)  
Full, original—72 (84%)  
Short-form, original with option to view “Full” review—8 (9%)  
Censored—6 (7%)  
No option to customize—44 (51%)  
Sorting or opportunity to view reviews based on certain criteria—42 (49%) |
| Qualitative information| The extent to which one may provide qualitative information, and the availability of relevant qualitative information, such as prose that explains a rating. | All—76 (88%)  
Selected few—6 (7%)  
None—4 (5%) |
| Selection              | The extent to which the RR information may not be presented in its original form, such as by selecting excerpts or censoring. | No option to customize—44 (51%)  
Sorting or opportunity to view reviews based on certain criteria—42 (49%) |
| Quantity/sampling      | The quantity of reviewer comments available, such as from all reviewers, or a sample/proportion of them. | Integrated—65 (76%)  
Not integrated—21 (24%) |
| Presentation format and customization | The format in which information are presented including order, utilization of graphics and the like; and the extent to which the format may be customized, such as sorting retailers from best to worst, or listing only “negative” comments. | Yes—61 (71%)  
No—11 (13%)  
No, but reviewer id/name indicated—14 (16%) |
| Transaction integration| The extent to which the information is integrated into or accessible during the transaction process, such as presenting RR WOW prominently on a web page that presents, describes, and enables purchase of a product. | Yes—82 (95%)  
No—4 (5%) |
| Probatve nature        | The ability to interact with the source of the RR WOW, such as via email. | |
| Permanence             | The extent to which RR WOW remain available, such as in detail, or in time. | |

Direction refers to the path in which rating-and-review information flows and is determined by which “sides” (i.e., participants) in exchange-related behavior provide rating-and-review information. In general, direction is n-way, where n represents the number of “sides” who provide rating-and-review information. Most RR WOW is unidirectional (i.e., one-way), where one party evaluates some aspect of another party; for example (and typically), consumers’ evaluations of retailers (consumer → retailer) is available at websites such as bizrate and Zagat. Bidirectional (i.e., two-way) RR WOW was observed only at online-auction sites, such as eBay, where buyers evaluated sellers and sellers evaluated buyers (buyer ⇔ seller). It could be argued, perhaps, that some websites, such as epinions or Amazon, list bidirectional RR WOW, in that one can find a buyer’s or consumer’s rating of products as well as assessments of the buyer/consumer’s rating by other buyers/consumers.

By definition, rating-and-review information includes at least one quantitative piece of information, a rating. However, some sites provide a breadth of statistics, such as an overall rating and a set of attribute ratings (e.g., see bizrate), or an overall rating and a frequency distribution (e.g., see eBay). Qualitative review information may also be available. The amount of review prose associated with a rating varies. For example, the maximum amount allowed at ratemyprofessor.com is 255 characters, while there does not appear to be a limit at epinions. Selection identifies whether the qualitative review information presented may be constituted of raters’ excerpts that were selected or fused together by those who manage the site. For example, Kbb.com presents only a sample of raters’ comments, while Zagat creates restaurant reviews that are based on bits and pieces of opinions provided by some of the raters.

Sites also varied by the manner in which RR information was presented and could be customized by users. For example, eBay shows summary information by time, and audireview.com enables users to sort review information by several different attributes. Transaction integration indicates whether the RR information and the buying process were integrated together; for example, at CNET, one can quickly access RR information while reviewing a list of sellers and their prices (and vice versa).

The probative nature of rating-and-review WOW is defined by the ability to interact with the source who reported a rating and review about a target object. This facilitates the opportunity for one to probe and learn more from the source of the RR information; provisions for contacting the person who provided the information was available at 61% of the sites. The length of time in which all RR-related information was available for review ranged from a limited period of time to—so it appeared—permanently. For example, at Amazon.com, all product reviews appear to remain available forever. Whereas, on eBay, some RR-related information elements are available for only 30–60 days.

4.2. Online-auction site uniqueness

The analysis found that the leading major online-auction sites differ from all other types of RR WOW sites, in that online-auction feedback can be bidirectional. That is, both buyers and sellers may supply feedback about each other. In any RR WOW system, one would expect that buyers would be able to provide feedback about sellers. However, in some online-auction sites, such as eBay, sellers can also provide feedback on buyers! Given this finding, a second study was developed to investigate and learn more about online-auction RR WOW.

5. Study two: consumer use of online-auction rating-and-review systems

In study one, we learned more about the general makeup of rating-and-review word-of-web and discovered that online-auction RR WOW is unique, in that both the buyer and the seller can rate each other—a property which we call bidirectionality. Since bidirectionality is detectable in the “detailed” elements of an online-auction reputation system, and since no study to date has investigated bidders’ use of these detailed elements, the objective of study two was to learn more about consumers’ utilization and thoughts about online-auction feedback in their auction-related decision making. Specifically, do they access detailed online-auction rating-and-review information? And, when do consumers view detailed online-auction rating-and-review elements?

6. Method

Respondents were individuals who had active eBay accounts and were from a large university community in the northeastern part of the United States. Eight subjects, 4 females and 4 males, who ranged in age from 24 to 32 years and had experience using eBay were remunerated US$15 for their participation. They were instructed to inspect auctions for products that they would consider obtaining in an online auction and to do so in a manner as they normally would. The number of auctions viewed by respondents ranged from 6 to 11. They provided verbal protocols during their online-auction search experience; this was followed by in-depth interviews about their utilization of, and perceptions about, feedback information on the auction website.

eBay was the auction site used in this study as it has been used in a majority of previous online-auction studies. In addition, with its market share of 80%, many people perceive it as “The” online-auction website.
7. Results

The results are structured to focus on two salient aspects of the consumer experience with respect to using the reputation system: when subjects reviewed “detailed” feedback information and which types of feedback information were reviewed.

7.1. “When”-process description for inspecting reputation information

Some general patterns of when consumers/bidders would inspect the various types of feedback were identified. First, all participants turned to feedback information only after finding an item on which they would consider bidding. That is, subjects would first peruse non-feedback auction information such as a listing description, and then, only if there was sufficient interest in the auction, would they turn to inspect reputation related information for that auction.

This result is interesting, although we caution against drawing general conclusions given the exploratory nature of the study. Nevertheless, it does arouse curiosity about the conditions which lead a consumer to initially consider reputation in the online-auction process. What if an online-auction buyer does not first consider an online seller’s reputation? Or, more generally, what are the marketing implications for retailers/sellers of consumers who do not follow a common buying process of first selecting a merchant, and then deciding which products or brands to consider or purchase?

In this particular instance, we believe that eBay’s “marketplace” design influenced consumers’ behavior. Specifically, the “standard” search process involved either drilling down through a set of product category links highlighted by eBay or by entering a product description into a prominently placed “what are you looking for?” labeled search field. An “advanced” search option was available for searching by seller; however, none of the consumers in this study made reference to it. A “stores section” is available on eBay, so, one could conceivably select a desired merchant and then shop its merchandise. Perhaps participants were unaware of a merchant who sold the items for which they were searching or were not loyal to any merchants. Still, eBay’s homepage and site design appear to direct customers to search more by product than by merchant.

Once participants had identified items on which they would consider bidding, they would link from the auction-listing page to a seller’s Feedback Profile (page), while sometimes making reference to the overall feedback rating listed on the auction-listing page. No clear patterns emerged as to when they would make reference to the overall rating. However, all participants did indicate—either during the search or in the postsearch interview—that that they would not place a bid on an item based solely on the overall feedback rating.

After clicking through to the Feedback Profile page, participants looked at either the Feedback Summary section or the eBay ID card (or both). If any negative feedback was indicated, then some would go directly to inspect the details of the negative feedback in the Feedback Reviews, while others would make action decisions based on the number of negative feedback comments or the (rough/approximate) percentage of feedback comments which were negative. For the latter, this would then guide a decision to either drop the auction from consideration or go on to inspect the details of the negative feedback. On occasion, participants would inspect the detailed comments in the Feedback Reviews when all feedback was positive; however, this tended to occur when the seller was relatively inexperienced, i.e., the overall feedback score was low.

We did not see many differences among participants with respect to the sequence in which information was inspected. However, we did notice a difference in thoroughness in reviewing detailed information. For example, the default in eBay is for a maximum of 25 feedback comments to appear on each page (so, to view 100 feedback reviews, one would need to click through to 4 feedback profile pages). In general, participants would search through more feedback profile pages when they were a bit more savvy/experienced with eBay or when the product purchase was riskier.

In the remainder of this section, customer perceptions about RR WOW are presented by the type of feedback information available on eBay. All reputation information about an online-auction member appears in her/his feedback profile page(s). The feedback profile is organized into three main sections: Feedback Summary, eBay ID card (including ID History and Feedback About Others), and auction feedback reviews (again, see Fig. 1 for an example).

7.2. (Overall) feedback rating

In general, the feedback rating was important to subjects from the perspective of being a buyer/bidder. For example, subjects said “The total feedback score is important,” “since people on eBay don’t know who you are, the only way people know if you’re honest and dishonest is through the feedback system.” They also indicated that the feedback rating was important from the perspective of possibly becoming a seller: “My feedback score is instrumental in helping me to eventually become a seller,” and “I’d work hard to get enough positive feedback so that I can use (i.e., sell with) the ‘Buy it Now’ feature.”

Consumers believed that sellers with relatively high scores were more professional, experienced, and trustworthy: “People with lots of feedback are trustworthy because it’s like their business,” “The bigger the rating the better,” “If a seller has several hundred feedback points or more, then selling things over eBay must be their full-time job,” “A seller who has more than several hundred feedback points is more professional than someone with fewer points;” “The higher the overall number, the more experi-
enced the seller.” And some ascribed economic value to a feedback rating in terms of experience—“It’s worth it to pay a little bit more for an item that’s being auctioned by a more experienced seller.”

Some consumers had a feedback rating threshold level when assessing a seller: “I’m skeptical of sellers that have ratings below 30,” “I’d be uncomfortable bidding more than US$25 for an item that’s being sold by an inexperienced buyer; one with an overall rating below 30” and “Fifty or more is a good amount.”

All consumers stated that they would not place a bid on an item based solely on the feedback rating; they said they would view other feedback information that is available on the Feedback Profile pages, such as the individual-auction reviews.

7.3. Feedback summary

Although consumers highlighted the importance of a high feedback rating, they were quick to focus on the number of unique negative feedback comments when viewing a seller’s total number of unique positives, neutrals and negatives. Consumers believed that “It’s better to have no negative feedback than to have lots of positive feedback,” and “Even if someone has a rating of 0, no negative feedback is an important factor.” This was consistent with research which found that a negative comment reduces a seller’s reputation more than a positive comment increases it (Ba and Pavlou, 2002; Lucking-Reiley, 2000; Melnik and Alm, 2002).

However, there is more to understand about negative feedback, as consumers also suggested that there was a “to be comfortable” tolerance for some maximum number or percentage of negative comments: “If someone had a 30 point rating, I would feel comfortable if they had less than 3 negatives. If a rating of 10, then 1 negative tops, rating of 50 then 4–5 negatives would be ok, rating of 1000+, then up to 20 negatives,” “A seller is bad if they have 1000 positives and more than 50 negatives,” “If a seller has 10 feedback points and 1 or more negatives, then they are a bad seller,” “If a seller has 100 feedback points and 5 or more negatives, then they are a bad seller,” and “Once you get 20 or more negative feedbacks as a seller, then you’re doing something wrong. A 10% rule holds true for up to 200 transactions and then anything above that the 20-only rule kicks in.” It would be interesting to explore farther the relationship between perceptions of a seller and percentages or absolute amount of negative word-of-web feedback.

The vast majority of consumers devoted very little attention to the total number of neutral feedback comments. However, some believed that it was important to review the comments associated with neutral feedback in order to search for possible negative information. In general, the aggregate number of neutral comments had no effect on a consumer’s perceptions of a seller.

7.4. eBay ID card

The primary purpose of the ID card appears to be reporting on the aggregate number of feedback comments received over the past 7 days, the past month and the past 6 months. Not all consumers dedicated significant time and effort toward reviewing the eBay ID card. It tended to receive little attention when all of the ratings were positive. When a seller’s record was 100% positive, consumers would check to see if any of the feedback had been earned within the past 6 months. When sellers had some negative ratings, consumers would look to see when the negative feedback occurred, whether it was recent, and whether it was consistent with relatively more recent ratings (e.g., “that happened along time ago and has 150 positive ratings since” or “negative feedback within the past 7 days . . . could be me”). Consumers indicated clearly that feedback received more recently was more important: “If a seller has no recent auction activity (i.e., no feedback received within the past 6 months), then they are less trustworthy,” “One negative feedback within the past 7 days affects my opinion of a buyer because that one negative feedback could be me,” and “Recent negative ratings are more detrimental than older negative ratings.” The first statement might suggest that consumers place a higher value on sellers that are consistently involved in the eBay community over time.

Some attention was devoted to other aspects of the ID card. One person indicated that “geography” influences a bidding decision in that “It’s a pain to buy from people who are outside the United States.” None of the consumers had actively viewed the “feedback left for others” when evaluating feedback. However, one person commented that “One good turn deserves another. If people in general give a seller positive feedback, then that seller should be giving praise too,” when asked what would be expected in the “feedback left for others” from a seller that had all positive feedbacks. Interestingly, Resnick et al. (2000) suggests that reciprocity might decrease the effectiveness of eBay’s Feedback Forum.

7.5. Auction feedback reviews

Auction feedback review information is available at the individual-auction level for a member (again, see Fig. 2a–c for examples), and reports, most importantly, the feedback comment (and follow-up) provided by the “other” exchange party from that auction, and any replies by the member to the feedback comment. Up to 25 feedback reviews are presented on a web page unless one indicates the other possible viewing-alternatives of 50, 100 or 200 reviews per web page. Until recently, an option for viewing up to 500 feedback reviews per web page was offered by eBay. (One main effect of the viewing-alternatives option is the number of web pages over which feedback reviews are presented, of course. For example,
the auction feedback review information for a person who has received 400 reviews, could be viewed over 2 pages containing 200 reviews each, or 16 pages containing 25 reviews each. This appears to matter as consumers searching for negative comments rarely looked through more than 2 pages of feedback reviews.

Consumers, again, were quick to focus on Complaints—a negative comment for an auction. Interestingly, consumers processed the “detail” of a negative comment and not all complaints “appeared to be created equal.” Consistent with beliefs stated about the ID card, the (time) order in which feedback comments appear on a web page may have an impact, e.g., “It’s not good when the feedback comments start with a complaint” and “It’s bad when someone’s most recent comments are negative.” In addition, the comment could have varying impact depending on the service-related attributes mentioned: “I’m unhappy when I see that someone has a negative comment that states they’re a slow responder to emails, such as ‘took too long to receive item’” and “It’s worse to have a negative comment about the product, like ‘product not as advertised,’ than it is to have a negative comment about slow communications, like ‘not responsive to emails’.” Some consumers were looking for very specific service performance-related information in the comments, e.g., “Looking for product comments, process/shipping, and communication.” Many said they would avoid a seller who has feedback comments that are “threatening or too personal.” Finally, consumers could overlook negative feedback if it was atypical, “If only one person leaves a complaint to a seller that has a high feedback score, then that complaint seems less valid.”

Consumers also processed the comments associated with Praise—positive feedback for an auction. Some consumers believed that positive comments indicated a high degree of customer satisfaction: “People who leave positive feedback must be very satisfied” and “If a seller has all praises, then everyone is happy with them.” They valued generalizations, such as “A++, great eBay” as well as specific attribute-level details such as “super fast shipping.” However, some consumers believed that one should not necessarily take positive feedback at face value as “reading between the lines” could reveal important information: “A bidder should read the praises too because it could be a veiled complaint,” and “It would be weird if someone left positive feedback, but didn’t leave a comment.”

Consumers also considered a member’s response to a negative feedback comment. Interestingly, consumers suggest that an opportunity exists to, in spirit, turn a negative into a positive or, as in service recovery (Maxham, 2001; Smith and Bolton, 1998), reduce the deleterious effect of a negative comment situation: “When someone leaves a response to a complaint, it shows that they care,” “When someone leaves a response, it shows they want to receive good feedback all of the time” and “It’s good to say that you’re upset in your response if you’ve got a few negatives and a high feedback score.” On the other hand, consumers suggested that not all types of responses are effective: “Responses that do not address complaints directly basically admit that the complaint is true” and “Spiteful or retaliatory responses to negative feedback are not good.”

eBay also indicates in each feedback review whether a member was the buyer or the seller. Although a minority of the participants regularly looked at this information when reviewing feedback details, most believed that, for a seller, a Praise comment was worth more if it was earned through selling than through buying. However, one participant found that there was value in seeing that a seller was also a good buyer, saying “It’s important that a seller receives positive comments when they are a buyer.” Basically, this consumer felt that a well-rounded eBay user who experienced both aspects of transactions would be more in tune with the needs of buyers and, as a result, would deliver better products and service.

7.6. A few consumer wishes

Consumer participants in this study would like eBay to enable additional search-features and completed-auction information to facilitate their assessment of sellers. Consumers were quick to peruse negative comments and therefore would like eBay to facilitate “Searches for an easy way to see only negative comments,” or in general, to sort a member’s feedback by feedback comment type (i.e., positive, neutral or negative). They also expressed a desire to see more detailed feedback information, perhaps something along the lines of attribute ratings, e.g., “Want to see serious sentences as to why someone is satisfied when they leave a positive comment and why someone is dissatisfied when they leave a negative comment.”

In addition, consumers would like “to see a link to the auction page of an item related to any negative feedback, even if it’s past the time when those links are kept active.” The auction page information would help consumers determine the fairness and honesty of a seller. For example, sellers may reply to negative feedback by stating “view the auction listing” as a means for validating their integrity. However, when the link to the auction listing is no longer active, then one can no longer view the auction-listing details and more fully validate the trustworthiness of a seller (n.b., eBay’s practice is to keep a link to an auction listing active for about 30–60 days after the auction ends; after that, the auction may no longer be viewed). Assuming that eBay maintains its current policy, perhaps sellers who respond to negative feedback (from buyers) should focus on carefully constructing “trust-supporting” statements that could stand on their own, i.e., without need for support from the viewing of a past auction listing.

Anyone wishing further information about the study or the results is welcome to contact the authors.
8. Summary and future research

An objective of this research was to extend our understanding of online auctions, which leading marketing academics and professionals have highlighted as the most important Internet application, and a research priority. Our investigation focused, ultimately, on eBay’s Feedback Forum, which has been considered the key ingredient in the success of the most profitable and the leading online retailer to date.

Our approach included defining the concept of word-of-web and its various classes, which we used to provide structure to our investigation, and then implementing two studies. The first study focused on one class of WOW, rating-and-review, to which online-auction feedback belongs, and on identifying a set of characteristics on which RR WOW may vary. The second study focused on consumer processing of online-auction RR WOW, specifically, eBay’s Feedback Forum.

Study one revealed that RR WOW for online auctions differs from that of all other online sources on one characteristic, which heretofore has not been an issue in retailing, that of direction. Online-auction sites, such as eBay and Yahoo! Auctions, each provided bidirectional RR WOW, whereas all other sites provided unidirectional RR WOW. We believe that retailers, among others, may benefit by learning more about bidirectional RR WOW.

Study two identified several important areas for new exploration into online-auction RR WOW. Previous research has looked at the relationship between the (overall) feedback rating and various online-auction behaviors/results (e.g., final bid amount). However, this research shows that, in addition to the feedback rating, consumers inspect and consider many other detailed pieces of information in online-auction RR WOW, such as the individual-auction level feedback reviews. This detailed information was highly influential in many instances, for example, in the (very common) cases where a seller had some negative feedback. Perhaps in these cases, consumers perceived aggregate information as relatively pallid and the detailed feedback information as vivid (Kisielius and Sternthal, 1984; Taylor and Thompson, 1982).

Indeed, we believe that the vividness of the “detailed” reputation system information may have reduced a consumer’s uncertainty about a seller’s reputation and strengthened the credibility of the rating-and-review information. For example, suppose a seller has an overall feedback rating of 8, which is based on 10 positive (praise) ratings and 2 negative (complaint) ratings. This would give some, perhaps many, consumers/bidders pause. However, suppose the qualitative prose for all 10 positive comments was, in effect, “great great seller, would buy from again in a heartbeat. A++++,” and the qualitative prose for the 2 negative comments was, in effect, “product fine, arrived in 4 days but wanted in 3, and slow email reply.” In this example, the positive prose is extremely positive, while the negative prose is mildly negative (and would be less likely a concern to a bidder). The amount and vividness of detailed feedback information—as opposed to the overall rating of 8 or only the indication that 10 ratings were positive and 2 were negative—may result in a more confident and converged assessment of the seller.

Of course, some limitations in this study exist. For example, although participants were instructed to search eBay as they normally would, the remuneration may have influenced their search behavior, e.g., reviewing more auctions. In addition, the sample size for study two was smaller than some might prefer; therefore, the reader should take note when considering the exact precision of the results.

The two studies highlight some opportunities for future research. In general, future research can explore further the impact of various elements of online-auction RR WOW on a consumer’s perception of a retailer/seller and a consumer’s decision-making behavior (e.g., whether to place a bid, setting a bid-amount limit, whether to provide feedback). For example, although online-auction providers, such as eBay, assign the same value to each type of auction rating (i.e., +1 for Praise, 0 for Neutral, –1 for Complaint), do consumers assign the same value to each type of rating for all auctions? Are all positively rated auctions (experiences) accorded the same weight? Are all negatively rated auctions (experiences) viewed in the same way? Study two suggests that this may not be the case given that consumers consider the order/time in which feedback was received and the detail of the qualitative feedback review comments of online-auction RR WOW.

In addition, future research could assess which service-performance attributes are most important to online-auction consumers/bidders, determine how seller’s should “respond” to negative comments and manage service recovery or brand building, or consider the impact of a consumer’s ability to sort comments by their type, positive, neutral or negative (such sorting is indeed feasible at http://www.vrane.com), or by member role in an auction (e.g., buyer, seller).

At a broader level, detailed research into other types of word-of-web that are commonly used online by retailers, such as e-newsletters or email, could prove very profitable. In fact, at the present time, learning more about these two particular types of WOW could be extremely important given the prevalence and negative perceptions of Spam-email.

Appendix A. Websites with rating-and-review information

- http://activebuyersguide.com/
- http://altavista.dealtime.com
- http://auctions.shopping.yahoo.com/
- http://borntolove.com/cgi-bin/productreviews/
- http://epguides.com/Seinfeld/
http://home.labvelocity.com/researchlink/index.jhtml
http://reviews.cnet.com/reviews/0-9870989.html
http://sportsbay.com/productratings.html
http://www.fishinthe.net/html/reviews.html
http://wsj.consumersearch.com/electronics/cd_players/html
http://www.acnielsenedi.com/bonews/bonewsframes.html
http://www.amazon.com
http://www.amazon.com/auctions
http://www.atkinsfriends.com/reviews/
http://www.audioreview.com/reviewscrx.aspx
http://www.biowire.com/bw.jsp/product_reviews_top.jsp
http://www.bodypaincentral.com/
http://www.carreview.com/reviewscrx.aspx
http://www.charitynavigator.org/
http://www.circuitcity.com
http://www.consumerreports.org/main/home.jsp
http://www.consumerreview.com/
http://www.consumersearch.com/www/
http://www.corvetteforum.com/reviews/
http://www.creativepro.com/reviews/swproduct
http://www.doooyoo.co.uk/
http://www.ebay.com
http://www.edmunds.com/
http://www.epinions.com/
http://www.excelsis.com/1.0/section.php?sectionid=17
http://www.gamerankings.com/itemrankings/latestadditions.asp?platform=15
http://www.gamespot.com
http://www.gamezone.com/reviews/reviews.htm
http://www.golfstusa.com/
http://www.gsj.com/prodrateChoice.asp
http://www.heavyweights.net/productrating.asp
http://www.kbb.com/
http://www.laxshopper.com/index.htm?/equipment/ratingslistings.htm~laxmain
http://www.momsjewelrybox.com/Our-Ratings.htm
http://www.mtbreview.com/reviews/
http://www.nuws.net/hardware/
http://www.outdoorreview.com/jump%5Epage%5Eflycrx.aspx
http://www.paddling.net/Reviews/Kayaks.phtml
http://www.pcgamereview.com/whatsnew/whatsnew.shtml
http://www.pcreview.com/
http://www.peri.net/ratings.htm
http://www.peworld.com/reviews/index/0,00.asp
http://www.planetfeedback.com/
http://www.pricegrabber.com/about.php/about=us/ut=183c0ac1b09d7959
http://www.ratetall.com/
http://www.ratemyprofessor.com/
http://www.ratemyteacher.com/
http://www.ratings.net/
http://www.resellerratings.com
http://www.reviewcentre.com/
http://www.stigaonline.com/rankings.shtml
http://www.substance.com/discuss/rate/reviews/0,11191,228622,00.html
http://www.sysopt.com/userreviews/
http://www.uk.ciao.com/rating/The_Best_Films_on_DVD.html
http://www.uscomputer.net/reviews/reviews.htm
http://www.virtualratings.com/frames/productratingsiss.html
http://www.zagat.com/
http://www.zotz.com/nissan/sentra_product_ratings.htm

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