Chapter 17
Tana and the Handbag: Extending the Model of Factors Influencing the Final Price in Online Auctions

Val A. Hooper
Victoria University of Wellington, New Zealand

Sid L. Huff
Victoria University of Wellington, New Zealand

Jon McDonald
Trade Me, New Zealand

ABSTRACT
Research into the determinants of online auction prices has tended to group them into buyer factors, seller factors and site factors. A case is presented which recounts how a $30 handbag was sold for $22,750 in an online auction shortly after a national sport event. Analysis of the case indicates that, in addition to the three groups of factors already identified, other factors can exert a considerable influence on the final auction price. A model is proposed which depicts five groups of factors impacting the final price: buyer factors, seller factors, site factors which are expanded to include timing of the auction, and site brand strength; product factors which include product features, brand strength, and brand extension/association; and promotion, which includes media publicity. While not all factors will impact on every auction, due consideration should be accorded each of them by both buyers and sellers.

INTRODUCTION
The emergence of the Internet has given rise to a number of new models, or models which have been adapted from the traditional to suit the online environment. An example of the latter is online auctions. Not only has this business model been adapted for the online environment but the latter has served to facilitate the widespread participation in online auction participation. Few people are unaware of auction sites such as eBay.

However, the online environment has also served to highlight certain aspects of auction behaviour which differ from those in the offline environment, and which are unique to the online environment.

This chapter presents the case of how a vinyl handbag containing a broken cellphone was sold
Tana and the Handbag

in an online auction in New Zealand for $22,750 (all prices refer to New Zealand dollars). Similar handbags could be bought from retailers for $20-$30, and similar new cellphones cost about $100. An exploration of the factors surrounding, and events leading up to the sale serves to identify the reasons for this extraordinary outcome.

First, a review of the research literature examining the factors which influence the outcomes of online auctions is presented. This literature is summarized in a “standard model” of online auction factors of influence. The history of events leading up to the sale of the vinyl handbag is then presented. As will become evident from the case, certain additional factors exercised an even more important influence than did the conventional factors embodied in the standard model. Finally, an extension to the standard model is presented. It takes into account additional factors that may influence the outcomes of online auctions - factors illustrated in the case of Tana and the handbag.

ONLINE AUCTIONS

The rise of the Internet and e-commerce has seen the emergence of a number of new business models, and adaptations of others (Rappa, 2004). One important example of a successful adaptation is the online auction.

Most traditional auctions attracted attention from limited numbers, e.g., the very wealthy (Bazerman, 2001), or specific-interest groups such as used car salesmen, real estate developers, or fresh produce and livestock dealers. In contrast, online auctions have changed the profile of interested parties significantly (Hu & Elliott, 2010; Gilkeson & Reynolds, 2003).

Online auctions based on the Internet have resulted in lowered barriers to entry, improved flow of information, enhanced power of buyers, increased efficiencies, and intensified competition (Ibeh, Luo & Dinnie, 2005). Accessibility has also dramatically increased: the ubiquity of the Internet means that many more people have access to online auctions and to the information relating to any specific auction, than would be the case for traditional fixed-time-and-place auctions.

However, in many ways, online auctions follow the approaches of traditional auctions. Online auctions can be open or sealed bid, single or multiple item lots, a seller can set a reserve price or not, and either the first in descending order (Dutch auction) or the last bid in ascending order (English auction) can be the winning one. Bidding can open at zero with a hidden price reserve, or the seller can predetermine the opening bid price (Massad & Tucker, 2000).

Implicit in auctions is the element of risk. Hofacker (1999) noted five categories of risk associated with auctions: time between purchase and delivery, vendor trustworthiness, security, brand integrity, and privacy. All of these apply to online auctions as well as traditional auctions. However, despite the risks, online auctions have been found to exceed in-person auctions both with regard to opening bid prices and average final prices (Massad & Tucker, 2000).

In any auction, final prices paid for the goods being auctioned are the ultimate indication of success. Stern and Stafford (2006) identified three groups of factors which determine final prices in online auctions: buyer factors, seller factors, and site factors. Other auction research literature also supports these three groups. Each group of factors is examined below.

Determinants of Price in Online Auctions

Buyer Factors

Psychological factors are extremely important in influencing the prices paid at auctions (Kagel, 1995). This applies to online auctions as well (Gilkeson & Reynolds, 2003). However, as yet the individual and collective psychology of bidders is not well understood – especially those aspects
Related Content

A Web-Based Method for Ontology Population
[www.igi-global.com/chapter/a-web-based-method-for-ontology-population/122164?camid=4v1a](www.igi-global.com/chapter/a-web-based-method-for-ontology-population/122164?camid=4v1a)

Evolving E-Health System Symbiosis: Theoretical Constructs in International Realpolitik Space
[www.igi-global.com/article/evolving-health-system-symbiosis/1893?camid=4v1a](www.igi-global.com/article/evolving-health-system-symbiosis/1893?camid=4v1a)

A Fixed Pricing Group Buying Decision Model: Insights from the Social Perspective
[www.igi-global.com/article/a-fixed-pricing-group-buying-decision-model/126492?camid=4v1a](www.igi-global.com/article/a-fixed-pricing-group-buying-decision-model/126492?camid=4v1a)

Organizational Slack and Information Technology Innovation Adoption in SMEs
[www.igi-global.com/article/organizational-slack-information-technology-innovation/1921?camid=4v1a](www.igi-global.com/article/organizational-slack-information-technology-innovation/1921?camid=4v1a)