



HARLEY-DAVIDSON BARBIES HELP MU PROFESSOR STUDY REPUTATION

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HARLEY-DAVIDSON BARBIES HELP MU PROFESSOR STUDY IMPACT OF REPUTATION

COLUMBIA, Mo. — Everyone knows reputation matters...right? Harley-Davidson Barbie dolls helped one University of Missouri-Columbia professor prove it.

By studying the auction sales of the collector edition dolls on eBay, MU assistant professor of finance Cynthia McDonald and co-author Carlos Slawson found that a seller's reputation on an Internet auction site has a significant effect on an item's sale price.

— We found that bidders reward higher reputation sellers with higher prices, McDonald said. The study finds that when a seller has a high reputation the high bid is about \$10 more than in auctions where a seller has a low reputation.

What is unique about Internet auction markets like eBay, McDonald said, is that reputation is more difficult to manage than in more traditional markets. On eBay, sellers build their reputations through positive feedback from buyers who have no real incentive to post such feedback.

McDonald suggests sellers start with smaller items and build their reputation before selling more expensive items. And, after the transaction, post feedback for buyers, then e-mail buyers to remind them to do the same for you.

By studying the feedback buyers left, McDonald also found that buyers equate a good reputation with increased post-auction communication, quick delivery, and complete and accurate product descriptions.

On that token, buyers who are willing to do a little investigating for a cheaper price should pursue products with more incomplete descriptions. By sending an e-mail to the seller to find out more, the buyer may end up paying significantly less for a product that could bring a higher price from a high reputation seller who provides a complete description.

McDonald also found that auctions ending late at night bring fewer and lower bids, so buyers looking for a great deal should be willing to stay up late.



McDonald's research is unique in that it uses a real-world reputation measure. "Everyone has the gut feeling that reputation matters, but there are no good measures," McDonald said. "This research looks at how a real reputation measure impacts real transactions."

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EDITOR'S NOTE: The complete study, "Reputation in an Internet Auction Market," is available on the Web at business.missouri.edu/mcdonald.



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