

THE FEELING OF REGRET IN EBAY AUCTIONS: THE ROLE OF SNIPERS

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ABSTRACT

Shopping by using online auction has become a fascinating exchange tool in the past decade. Buyers are able to compare the prices of the identical items listed by hundreds of sellers in the online auction marketplace. In fact, it can be argued that the auction-based electronic markets best represent the changes to business inherent in e-commerce. The significance of online auction for today's business inquires more attention on the topics regarding effectiveness of buyers' bidding strategies and efficiency of auction system design. Although a great deal of papers on auction has been published every year, there is certainly great demand for attention on consumers' behavior in online auction (Bazeman 2001).

The present study is conducted to investigate how snipers- the bidders only submit their bid in the closing moments of an auction- influence other auction participants' feeling and following behavior response. To understand different bidding strategies on eBay, one must first understand the underlying auction mechanism adopted by eBay Corporation. First, eBay allows a bidder to submit a maximum price and has the proxy (eBay) to use this maximum price to bid for the bidder. The winning price for the item will be one bid increment above the maximum bid offered by the second-highest bidder. Second, eBay uses a hard-close timing rule for ending an auction. Comparing to other online auction providers (e.g., Amazon), eBay will end the auction when the time runs out. The timing rules and pricing rules provide plenty of room for the so called "sniping" behaviors on eBay.

Negative emotions felt by bidders during the auction process will, of course, influence their bidding experiences and future behavior intentions. Regret is a counterfactual thinking construct that can help marketing researchers and practitioners to understand online bidders' emotional response when they fail the auction. The role of regret in individual's postfactual thinking was first introduced by the economists Loomes and Sugden(1982,1987) and Bell (1982). According to regret theory, regret is caused when one compares an occurred outcome with a better but not attained outcome had the individual chosen to act differently (Zeelenberg et al. 1998a, 1998b). Under online auction context, the participation of sniper may induce other bidders' counterfactual feelings when they have the chance to review their bidding decision. eBay's auction rule allows bidders easily review bidding history after the auction. Thus, one can easily find out whether or not sniping happens in the last seconds using a post auction review instead of sitting in front of the computer screen during live auction. The availability of sniper's participation may lead the losers (e.g., stalkers and nibblers) to regret that they do not post a higher bid in advance. The losers (e.g., stalkers and nibblers) may regret that they do not follow eBay's suggestion that one should submit the absolute maximum offer that one is willing to pay for a target in advance(Roth and Ockenfels 2002). Further, such negative emotions may influence losers' behavioral intention.

Regret literature suggests that regret is generated when one feels he is responsible for the undesired outcome. Thus, responsibility is suggested as a driver of regret (e.g., Gilovich and Medvec 1994). Regret may also be influenced by the irreversibility of the outcome. One is more likely to feel high level of regret when the outcome is irreversible than outcome is reversible (Landman 1993). Based on the previous discussion, we predict that availability of alternatives may moderate the effect of snipers' participation on other bidders' regret. We define availability of alternative as the difficulty for one to search an identical or similar target on eBay. If one lost an auction, he may experience a lower level of regret if he can easily start another bid for the same/similar item than he need to search two weeks to find another object and vice verse.

In this paper, we introduce several popular bidding strategies used by bidders on eBay auction and the underlying mechanism of eBay auction. We then review regret literature from economic and behavioral perspective. Next, we propose a research framework and related research propositions. Our research questions focus on how snipers' participation brings negative feeling to other players. Further, we also posit the effect of the unfavorable regret feeling on other bidders' behavioral response. Our study focuses on the emotional and behavioral consequences of sniping. Future study may examine other types of postfactual emotions such as disappointment, angry, frustration, sadness, etc.

References Available on Request.