
Characteristics and internet marketing strategies of online auction sellers

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Abstract: Internet marketing is a field that is continuing to grow, and the online auction concept may be defining a totally new and unique distribution alternative. Very few studies have examined auction sellers and their internet marketing strategies. This research examines the internet auction phenomenon as it relates to the marketing mix of online auction sellers. The data in this study indicate that, whilst there is great diversity among businesses that utilise online auctions, distinct cost leadership and differentiation marketing strategies are both evident. These two approaches are further distinguished in terms of the internet usage strategies employed by each group.

Keywords: internet marketing; online auctions; e-commerce; eBay.

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1 Introduction

Spurred by the economic growth offered by the internet and related technologies, many companies are engaging in electronic commerce (e-commerce) activities and internet marketing. E-commerce is defined as any economic transaction where a buyer and seller come together through the internet or other technology and form and execute agreements regarding the pricing and delivery of goods and services [1,2]. Whilst internet usage at all levels continues to grow, online purchases by businesses and consumers are booming [3].

One area of internet marketing that has exploded in sales and customer interest is online auctions. According to new media research firm Jupiter Communications, consumers will spend about \$7 billion via online auctions in the next four years [4]. In 2003 alone, auction sales among retail sites are projected to generate sales of \$2.1 billion [4]. Even more ambitious growth is predicted by the Cambridge, Mass. firm, Forrester Research, Inc. They expect consumers to spend \$19 billion on online auctions by 2003 [5]. Clearly, online auctions are here to stay, and research on this important new business model is needed.

This research investigates the characteristics of online auction sellers and their internet marketing strategies. Understanding the nature and extent of business strategies used by successful online auction sellers should help existing e-commerce companies evaluate their potential as third party auction users (e.g., eBay or Amazon). It may even help guide their online auction sales efforts via their own websites. Furthermore, companies considering this type of internet marketing will need to understand the various uses and strategies of auction sales in order to develop the best online auction model for their business.

This paper is organised as follows. Firstly, background on online auctions is presented, including information on the varieties, benefits, and uses of online auctions. Next, the marketing mix as it relates to online auctions is discussed. Several research questions regarding the auctioneers' strategies for selling on the internet are then proposed. The study methodology, including discussion of sampling frame and measures, is then provided, followed by the results. Finally, implications for both e-commerce firms and future research on online auction sellers are discussed.

2 Online auctions

2.1 Background

Internet auctions can be characterised in two ways: third-party auction sellers such as eBay, Amazon.com and Yahoo! that auction goods for others (either individual sellers or corporate chains), and direct auction sellers which create their own auctions online via their company websites. A substantial number of retailers and catalogue firms are taking advantage of the boom in these online auctions to unload merchandise and increase sales, and growth in the online auction category is now well documented. Catalogue marketers as diverse as The Sharper Image, Ross-Simons, Cameraworld.com, and CompUSA are all successfully auctioning products online [6].

2.2 Benefits of online auctions

For sellers, the benefits of auctions consist of access to an international customer base to sell merchandise quickly, easily, at low cost and at sometimes premium prices. Even old, damaged, returned, and refurbished merchandise can be unloaded. Furthermore, new markets are established and a company's customer base can be enlarged.

The widespread availability of outsourcing various online auction services has probably contributed to this growth. Everything from software applications to fulfilment services to setting up front- and back-end operations can be bought from companies like AuctionWatch.com, Bidland.com and SellXS.com for a small fee or percentage of sales [7,8]. Another company, Andale, will set up a seller's auction listing, process credit card payments, and assist with inventory and accounting as well [5]. Even vendors such as Microsoft and IBM are adding auction modules to existing e-commerce software programs [6]. Neither Amazon.com nor Yahoo! charges sellers for auction listings in attempts to draw business away from eBay.

For buyers, online auctions represent 24-hour availability seven days a week, instant gratification, and interactivity [9]. This interactivity sometimes allows customers more control over price and product/service customisation. Increased learning about a product category may also be a positive outcome [9,10]. Consumer search costs can be reduced dramatically even while the number of available options increases, adding to both convenience and savings [11]. Industrial buyers can save 6–15% or more by opening up their purchasing processes to online auctions [12]. As a result of these benefits, the number of online auction purchasers is expected to increase to 6.5 million in 2002 (from 1.2 million in 1998), with eBay alone accounting for more than two million online bidders [6], and a combined year over year international growth of 148% [13]. In fact, over 75,000 small businesses today make their living entirely through selling on eBay [14].

2.3 Variations in online auction execution

Three different forms of online auctions have emerged. The more common form is the English auction where competing bids increase within a specified time frame. In this way, merchandise can be unloaded at the highest possible price point. When Dutch auctions are used, the cataloguer sets the price high and then progressively lowers it until someone bids. The Dutch auction is most useful for determining the prices buyers would be willing to pay for various products. Of particular interest to business-to-business marketers is the Reverse auction where a business solicits bids from suppliers at a particular price level. Suppliers through the auction process may successively bid that price even lower.

The timing of online auctions can vary as well. They may last as long as two or three weeks in order to give bidders time to study the merchandise and make bids. Some companies choose limited-time auctions in order to efficiently unload small quantities of merchandise (e.g., the computer marketer CompUSA) [6]. Other companies offer 'flash auctions' that stay open only an hour or two. These auctions can create excitement for the bidders and tend to mimic the more traditional, live auctions more so than extended online auctions.

2.4 Online auctions and the marketing mix

Auction sites are increasing in both popularity and diversity of offering. Detractors say that auctions account for a very small proportion of retail sales, and that they are hardly a threat to existing brick and mortar businesses. Clearly, the expected growth in this area will impact on the marketing strategies of both small and large businesses.

2.4.1 Product strategy

The typical online auction today offers a battery of goods and services, not just collectibles [5]. In the past year alone, the bulk of merchandise available on eBay, for example, “has shifted sharply from collectibles and bric-a-brac toward practical items such as power drills and socks” [13]. In a single year, the composition of goods traded on eBay shifted from 39% ‘practicals’ and 59% ‘collectibles’ to 58% ‘practicals’ and 29% ‘collectibles’ [13].

In the case of eBay, much of the change in merchandising strategy comes about as a result of changes in eBay’s seller composition. An increasing number of large retailers, manufacturers, and liquidators are using eBay to unload returned and refurbished merchandise. The corporate merchants in industries such as sporting goods, consumer electronics, computers, and even automobiles, have been drawn to eBay because of the explosive growth in online auctions and the low cost of internet selling.

The low cost, potential sales volume, and subsequent economies of scale associated with online auctions suggest that a cost leadership strategy may be appropriate for some online sellers (e.g. [15]). Cost leadership is a strategy whereby a firm’s strategic focus is on creating and sustaining a relative cost advantage. By keeping costs lower than their competitors (either through technology advantages or scale economies), cost leaders can minimise market prices and increase market share across broad customer segments [15].

Other auction sites, however, have used more targeted approaches in order to survive. For example, the Boyds & Bears Auction Board (<http://www.bearauction.com>) sells more whimsical gifts, whilst Phoebus Auction in Virginia specialises in upscale classic collectibles and antiques [16]. These online sellers appear to be differentiating themselves from larger volume sellers by offering unique product lines. This allows them to seek higher penetration in specific market segments by tailoring what they do to the wants and needs of their customers, a classic differentiation strategy according to Porter [15]. In this approach, internet sellers view auctions as an opportunity to provide unique services, customised products, and/or real-time supply chain information. This strategy focuses primarily on customer desires and often creates a high degree of customer loyalty and repeat business.

Clearly both the depth and breadth of product lines available via online auctions seem to be increasing. In the aggregate, internet auctions continue to expand both the variety and quality of products available to customers online [5]. Among individual auction sellers, however, varying strategies seem to be used.

2.4.2 Pricing strategy

The result of expanded product offerings has, according to some, driven auction prices and profits down. This would be expected when market information is easily accessible and competition increases. The story from eBay, however, is that their “average selling

prices on the site actually increased”, although they acknowledge that the prices of some product categories may have fallen [13]. And several research studies have shown that the convenience, time saving, and product customisation offered by online companies can actually increase the price a customer is willing to pay [17]. This pricing model suggests more of a differentiation approach rather than a low cost/price approach in that successful differentiation strategies can often command price premiums from buyers [15].

At the same time, the websites of some traditional retailers (e.g. Circuit City) have guaranteed customers the lowest prices on products if discrepancies exist between what is offered online versus what is available in the store [18]. Price competition and heavy discounting among the business-to-business auction sites is particularly fierce [12]. Thus, sellers appear to be using the internet for different purposes – one that is cost/price driven and one where sellers are attempting to find ways to differentiate themselves from their competitors.

2.4.3 Promotion strategy

Use of the internet as a tool for communicating directly to customers is increasing [19,3]. Furthermore, internet users value the medium as a tool for learning about a company’s products and services [20], as well as for buying. Websites can provide nearly all the functions of traditional marketing communications except perhaps personal selling. Like advertising, they are informative and persuasive. Like direct mail and infomercials, they ask for and process the order. And like public relations, they can help influence a company or brand image. The real-time information on pricing and delivery options can be especially important to customers making buying decisions.

As compared to traditional company websites, however, an online auction site offers additional sales promotional opportunities. Regardless of the target of the offer, however, most sales promotion takes the form of a special or reduced price for a specific good, which is always a possibility with an online auction. The sales promotion potential of online auctions can greatly enhance a firm’s overall promotional offering in that the excitement of the bidding process, the special offers and/or price deals provided during the bidding process can serve as an acceleration tool in the purchase process. Comparable to a contest, game, or sweepstakes offer in traditional sales promotion programs, online auctions involve the customer actively in the brand and can create high levels of attention and excitement.

2.4.4 Distribution strategy

In terms of distribution, online auctions must be evaluated from two perspectives:

- 1 customer acceptance of the internet as a viable distribution channel
- 2 seller attitudes toward and usage of the internet as a distribution tool.

Consumers perceive any form of non-store buying as riskier than retail store buying [21–24]. Reducing risk for internet and other non-store buyers therefore requires offering one or more ‘risk-reduction strategies’ such as a money-back guarantee, well-known brands, and/or price reductions [21,10]. When these strategies are used (particularly the first and second options), consumer acceptance of the internet as a distribution channel increases dramatically [10]. Although the aforementioned research did not specifically address online auctions, the use of feedback systems such as the one

used on eBay, and the availability of many well-known brands, suggest substantial risk reduction for online auction customers. Furthermore, the growth rate in online auction sales clearly indicates that consumer acceptance is rising.

Oliver [25] also points to the importance of sellers' attitudes towards alternative distribution channels in their use of infomediaries such as eBay. Established relationships with retailers often hold back firms from going online, as well as the fear of losing control. For example, both Pioneer and Maytag, in efforts to maintain their positive relationships with distributors, chose not to sell via online auctions. Some argue that auctions raise more channel conflict concerns, and that brand strength may be diminished if brands are available at full price at one store but at reduced prices online [4]. In the business-to-business sector of online auctions, the price competition is so severe that industrial goods suppliers are often cutting prices by 20% or more on individual items, and by 6–15% on large orders [12]. Widespread concerns about price competition and brand discounts suggest that sellers may view internet auctions as primarily a cost or price-oriented selling tool rather than as a possible customised distribution strategy differentiating them from competitors.

2.5 Types of online auction sellers

Internet sellers who do engage in online auctions, either directly or via third party auction houses, are very diverse, and large variations in company type, product assortment, objectives, and strategies seem to exist. For example, online auction sellers consist of both 'microbusinesses' and corporate sellers. Microbusinesses refer to a relatively new class of 'tiny enterprises' or entrepreneurs who have successfully manoeuvred the online marketplace [5]. Sometimes a single individual operating out of a home – with no inventory, overhead, or business acumen – can set up online selling opportunities simply by using third party auctions or setting up their own auctions using available services. Even small businesses with online sales capabilities could be threatened by the low cost and rapid response of microbusinesses if they do not adequately differentiate themselves [5].

The corporate sellers have been drawn to eBay because of the explosive growth in the online marketplace [13]. Although eBay charges its corporate sellers (e.g., Disney, IBM, Xerox) the same listing fees as other sellers, some promotional perks are provided to them. For example, Sun, Xerox, and IBM are all given top billing in eBay's computer area, and Disney has a special area on the eBay site to merchandise Disney products [13].

The reasons that both microbusinesses and corporate sellers have cited for using online auctions are listed below. Some of these reasons seem to indicate objectives related to cost/price issues, whilst others appear to be more differentiation-oriented. Some could be related to either strategy.

- 1 to unload discontinued, returned, damaged, or overstocked goods [4,7]
- 2 to test prices in order to see what the market will bear [4]
- 3 to keep customer acquisition costs low [8]
- 4 to sell quality, designer goods at a discount, appealing to the 'price-only' shoppers [8]

- 5 to generate excitement about an online site and to involve customers in an interactive sense [6]
- 6 to connect with buyers in real time [7]
- 7 to acquire new customers [11]
- 8 to enhance the value of a store – to use auctions as a complement to traditional brick and mortar business [18]
- 9 to give seasonal products a broader year-round appeal [26].

Based on a combination of the existing research and various online auction seller characteristics, the following exploratory research questions are proposed:

- R₁ Does wide diversity exist in the business profiles of sellers who use internet auctions as a distribution channel?*
- R₂ Do attitudes among online auction sellers about the internet as a distribution channel reflect their underlying marketing strategy orientations towards either a cost leadership or a differentiation strategy?*
- R₃ Do internet marketing practices among online auction sellers vary depending upon their strategic marketing orientation (cost leadership or differentiation)?*

3 Data collection and methodology

Questionnaires were e-mailed to 375 eBay auction sellers. Sellers were chosen across all 21 major categories listed in the ‘browse’ for buyers section of the eBay website. The selection of the number of sellers in each category was proportional to the number of items for sale in each category. Since the research focused on ‘experienced’ eBay sellers, sellers were selected only if they:

- 1 had at least 200 feedback comments
- 2 accepted credit cards for payment
- 3 had some special graphic or standard marketing copy for their eBay listing.

These three criteria were chosen in order to differentiate one-time or ‘occasional’ sellers from frequent and experienced sellers. A total of 75 responses were received from this convenience sample, for a response rate of 20%.

Each of the auction sellers was e-mailed a questionnaire (prior to the change in eBay’s policy regarding the accessibility of vendors). A brief message indicated that data would remain confidential. Respondents were also offered a summary of the study results.

In order to ‘profile’ the typical internet auction seller, several questions focusing on the respondents’ business characteristics were asked. Respondents provided information on:

- 1 product categories they normally sell on internet auctions (e.g., jewellery, books, etc.)
- 2 other distribution channels used to sell products (e.g., retail, catalogue, etc.)
- 3 type of merchandise they sell via internet auctions (e.g., normal stock, discontinued items, etc.)
- 4 internet auction sales volume percentage
- 5 total annual sales revenue.

To investigate respondents' attitudes regarding internet auctions as a distribution channel, sellers were asked to indicate their level of agreement or disagreement with ten attitude statements. A five-point scale was used. Examples of these statements include, "Payment is not a problem with internet auction sales", and "internet auctions are best for clearance items".

4 Results

Frequency distributions for each internet auction business profile variable are presented in Table 1. The first research question is supported, as there is a wide diversity in internet auction sellers relative to all five variables investigated. The responses represented sellers of a cross-section of 13 different product categories (see Table 1-A). They also had businesses that were diverse in terms of size, the type of merchandise sold, and the other outlets used to sell products, with little concentration of sellers appearing in any one category.

As indicated in Table 1-B, the internet auction sellers in this study were most likely to use other internet site sales as their main alternative distribution method, followed by retail stores. Twenty-seven percent of the respondents sell their products via eBay auctions only.

Table 1-C presents the type of merchandise normally sold on the respondent internet auctions. More than half of all respondents (55%) sell 'normal' stock on their internet auctions, followed by limited edition items (37%), high demand items (32%), and then overstock items (28%). Clearly the majority of items sold by internet auction sellers in this study are not items a seller is just attempting to dump on the market. These internet auction sellers market first line merchandise, not items that they might otherwise have difficulty selling.

Tables 1-D and 1-E present information regarding the online sellers' internet auction sales volume and sales revenue in total. Table 1-D shows that the majority of the internet auction sellers in the study do most of their total volume on internet auctions. In fact, 71% of sellers do over 50% of their sales volume with internet auction sales. Whilst the majority of respondents have total annual sales revenue under \$100,000 (see Table 1-E), 8% of the respondent sellers had sales of over \$1 million per year. Thus, the size of internet auction firms is very diverse, and they depend on internet auctions for a substantial portion of their sales volume.

Table 1 Characteristics of internet auction sellers**Table 1-A** Products normally sold on internet auctions

<i>Product</i>	<i>Frequency</i>	<i>Percent</i>
Antiques	16	21.3%
Collectibles	10	13.3%
Computers	8	10.7%
Photography and Electronics	6	8.0%
Sports	6	8.0%
Jewellery	5	6.7%
Toys	5	6.7%
Clothing	5	6.7%
Books	4	5.3%
Movies	3	4.0%
Pottery	1	1.3%
Everything Else	6	8.0%
Total	75	100.0%

Table1-B Other means of selling products

<i>Method</i>	<i>Frequency</i>	<i>Percent</i>
Internet Non-Auction Sales	33	44%
eBay Only	20	27%
Retail Store	18	24%
Wholesale	13	17%
Catalogue	2	3%

Table 1-C Type of merchandise sold via internet auctions

<i>Type</i>	<i>Frequency</i>	<i>Percent</i>
Normal Stock	41	55%
Limited Edition Items	28	37%
Overstock	21	28%
Discontinued	19	26%
Clearance	17	23%
Special Sale Items	16	21%
High Demand Item	24	32%

Table 1-D Percent of sales volume from internet auctions

<i>Percent of Sales Volume</i>	<i>Frequency</i>	<i>Percent</i>
1-25%	6	8%
26-50%	16	21%
51-75%	15	20%
76-100%	38	51%

Table 1-E Annual sales revenue

<i>Sales Revenue</i>	<i>Frequency</i>	<i>Percent</i>
Under \$25,000	27	36%
\$25,000-\$99,000	13	17%
\$100,000-\$249,000	14	19%
\$250,000-\$1,000,000	7	9%
Over \$1,000,000	6	8%
No response	8	11%

To test the second research question, an exploratory factor analysis was conducted on the ten attitude statements. The results are presented in Table 2. A varimax rotation was utilised to generate the factor matrix. The data reflect two factors with eigenvalues greater than one. The factor structure is very clear, with six items loading quite well on Factor One and four items loading on Factor Two.

Table 2 Factor analysis of internet auction sellers' attitudes

<i>Item</i>	<i>Factor One</i>	<i>Factor Two</i>
Find New Customers	.663	.388
Higher Profit Margins	.638	.165
Internet Auction Customers Easy to Satisfy	.717	-.028
Reputation and Feedback Rating Critical	.726	.258
Payment Not a Problem	.777	.102
Small Business Can Compete with Large	.800	.281
Internet Auctions Best for Clearance	.225	.837
Discount Prices at Internet Auctions	.114	.841
Hard to Satisfy Both Fixed Price and Internet Auction Customers	.129	.536
Sell on Internet Auction with No Inventory	.114	.549
Eigenvalue	4.109	1.447
Percent of Variance Explained	41.09	14.74

The content of the items suggests that Factor One relates to more of a differentiation strategic orientation, and Factor Two reflects to more of a cost leadership orientation. For example, high positive loadings on attitude items related to higher profit margins, competitive advantages for smaller businesses, customer satisfaction, and the importance of firm reputation seem to reflect an underlying dimension related to a differentiation strategy – where cost/price is not the primary competitive advantage. Factor Two, on the other hand, clearly relates almost exclusively to cost or price issues, with the largest loadings occurring for attitude statements about clearance items and discount prices (consistent with a cost leadership orientation).

Factor scores were then generated for each factor on each respondent. Using a median split procedure, these scores were used to classify respondents as primarily differentiation-oriented or cost leadership-oriented. Only five respondents could not be clearly categorised because they scored either above or below the median split on both factors. The other 70 respondents were classified into 38 differentiation-oriented sellers and 32 cost leadership-oriented sellers. Thus, R_2 is supported in that nearly all internet auction sellers reflect an underlying orientation towards either a differentiation strategy or a cost leadership strategy.

The differentiators and cost leaders were then compared regarding the types of items they sell via internet auctions. There were significant differences ($p < .10$) in six of the eight products sold by differentiators and cost leaders (see Table 3). There were no significant differences among cost leaders and differentiators regarding the use of internet auctions for clearance merchandise or discounted items, but there were differences on all other items. Differentiators sell more normal stock, more overstock merchandise, more special sale items, more limited edition items, more high demand items, and are more likely to use internet auction services than cost leaders.

Table 3 Comparison of internet auction usage strategies among differentiators and cost leaders

	<i>Differentiators</i>	<i>Cost/Price Leaders</i>	<i>Chi-Square</i>	<i>Significance</i>
Sell Normal Stock	64%	45%	2.51	.09
Clearance Merchandise	26%	21%	.26	.41
Overstock	36%	18%	3.04	.07
Discounted	31%	18%	1.68	.15
Special Sale Items	31%	12%	3.83	.05
Limited Edition Items	54%	18%	10.21	.00
High Demand Items	44%	18%	5.67	.02
Use Internet Auction Services	49%	29%	5.50	.06

Whilst there appears to be some support for research question R_3 , an interesting finding emerged. The percentage of differentiators using internet auctions to achieve some type of cost/price advantage (e.g., for selling ‘overstock’ and ‘special sale items,’ see Table 3) was significantly higher than the percentage of cost leaders using auctions for these purposes. This could indicate that, despite their attitudes regarding using auctions to achieve a unique competitive advantage with respect to customer satisfaction, firm reputation, and higher profit margins, differentiators are still susceptible to slipping into

cost-driven strategic behaviour. According to Porter [16], this combination of strategies causes a firm to be “stuck in the middle” with no clear competitive advantage, and may be a “recipe for below-average performance” [p.16].

5 Discussion and implications

Rapid growth in internet distribution, especially the use of online auctions to sell goods, suggests that this area needs extensive and systematic investigation. At the same time, a literature review indicates that online auction selling has not been studied to the extent that other areas of the internet have been investigated. Indeed, most of the information regarding online auction sellers has been presented in the popular business press. Little empirical research appears in the academic literature. This investigation attempts to understand the characteristics, attitudes, and strategies of online auction sellers and should help future theory building by providing researchers with a foundation for hypothesis development.

The exploratory research results presented here suggest several new areas of investigation. Firstly, online auction sellers must be further analysed and classified with respect to various business characteristics. The evidence from this study indicates that widespread diversity exists among auction sellers in terms of key variables such as product categories sold, product type, sales revenue, etc. Because the modest sample size in this study may pose some limitations, studies with larger samples should be conducted to verify further the nature and extent of the diversity in online auction seller characteristics. In particular, the differences among the auction sellers in terms of total sales revenue and internet auction sales percentage indicate that further classifications based on auction seller size may be necessary. Whether or not auction sellers vary in terms of product category sold should also be a subject of future research. For example, how do consumer electronics sellers differ from antique sellers with respect to various business practices (e.g. inventory levels or use of alternative distribution channels)? Are internet auctions better suited to some product categories than others?

Secondly, internet auction sales clearly represent a distinct and important distribution channel for internet marketers, with over 71% of the sellers in this study reporting that auctions account for over half of their annual sales volume. This finding indicates that auction selling represents a primary, and sometimes exclusive, distribution channel for eBay sellers. Businesses that are not using online auctions may be limiting their growth by ignoring this market and the potential revenue that accompanies it.

It also raises the interesting question of why companies would *not* use online auctions. Perhaps this distribution outlet is avoided because it is perceived primarily as a niche strategy or too limited in terms of potential revenue. Alternatively, some companies may view auction selling as too complex or costly in terms of implementation, or too much in conflict with existing distribution policies. In either case, a logical next research step would be to investigate businesses that no longer use online auctions or have never tried them. Certainly auction firms such as eBay would be interested in learning why some sellers avoid this arena.

Could it be possible that some businesses perceive internet auction selling to be primarily a discount-pricing model? If this were the case, internet marketers trying to maintain high levels of brand equity and/or profit margins would avoid internet auction

sales. This research suggests otherwise, however. Clearly some online auction sellers are using eBay to differentiate themselves in the marketplace and are concerned with strategic marketing variables beyond price.

Given the unique characteristics of online auctions, the use of traditional competitive strategies such as cost leadership and differentiation suggests that this new distribution venue could be simply a variation on an existing theme. That is, despite the technological advances of the internet and the resulting growth of new industries, a company's marketplace success may still be a function of its ability to sustain a distinct competitive advantage – whether that advantage is based on cost or some other factor. Confirmatory research is needed to explore this concept further.

The findings related to the underlying attitudes of auction sellers also indicate that traditional marketing strategies can be utilised in an online auction arena. That is, internet distribution appears to adequately support at least two opposing marketing strategies – cost leadership and differentiation. Yet there is nothing to suggest that other competitive strategies would not be feasible. For example, an imitation or 'me too' strategy might be equally effective in the online auction arena, especially if sufficient promotional dollars are invested to attract customers to the auction site and build website awareness and interest. Moreover, a focus strategy would clearly be possible on internet auctions as well. As suggested by Porter [15], choosing a narrow segment in an industry and tailoring a strategy to serve that segment can lead to marketplace success.

5.1 Limitations and suggestions for future research

The exploratory results of this study must be considered in the light of several potential research limitations. Firstly, the 'occasional' or one-time eBay seller was not included in the sampling frame – only experienced or frequent sellers were investigated. Thus, the entire population of eBay sellers was not studied, and any generalisations must be made with caution. Whilst online auctions represent only one of several new business models implemented on the internet, it is a growing industry that should be further investigated. For example, strategies used by online sellers of various sizes (e.g. large retail corporations versus individuals selling from home) and in various industries should be examined.

In addition, the effect of online auction selling on business customers' marketing strategies should be investigated. For example, does the availability of inventory from suppliers via online auctions alter the pricing, distribution, or promotion of goods that are resold? How will online auction selling change supply chain practices, especially in terms of forward integration or diversification strategies? All of the aforementioned issues suggest that internet marketing and online auction selling will be a fruitful area for future research.

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