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ABSTRACT

This study adopts a qualitative approach for conceptualizing consumer decision-making in online auctions from the perspective of goal-directed behavior. The results of in-depth interviews indicate that consumers’ decision-making in online auctions is different from traditional purchases in which perceived risks and risk relievers are critical to decisions and behaviors. Moreover, different motives for using online auctions and subsequent decision-making, such as risk handling, are observed. Males tend to be task-oriented, thus focusing on uncertainty reduction, while females are more hedonic-orientated and emphasize loss minimization. Implications and limitations stemming from the results are discussed for strategic planning and further empirical research.

INTRODUCTION

Given the proliferation of online auction users, relevant issues have been drawing the attention of researchers. Conceptual and empirical evidence on bidding strategies and behaviors (Ariely and Simonson 2003; Stern and Stafford 2006) has advanced our understanding of consumer behavior in online auctions. However, the majority of previous studies have focused on how to enhance purchasing through pricing and control mechanisms (e.g., Johns and Zaichkowsky 2003), with little attention being paid to the relationships between motivations and subsequent behaviors. This fragmentary evidence has rarely been able to offer a comprehensive picture for understanding consumption decisions in online auctions.

The goal-driven perspective assumes that consumers’ goals may be one of the important factors influencing their actions and has frequently been adopted to explain how consumers make purchase decisions (Huffman and Houston 1993). The “how” of consumer purchase decisions has been a critical issue within the domain of consumer behavior, but primarily in the context of traditional markets. Researchers have been examining whether or not this perspective can explain and predict consumption decisions in a different context, such as the Internet, but few robust conclusions have been drawn (Garbarino and Strahtilevitz 2004; Miyazaki and Fernandez 2001). In particular, a linkage of the stages in the purchase decision-making process, from motivation and cognitive deliberation to taking action, is rarely explored, especially for online auctions. With the intent to bridge a gap in the literature, this study adopts the perspective of goal-directed behavior to examine consumer decisions within the context of online auctions. Since the purpose of this study is to explore the association between consumers’ inner motives and their behaviors, a qualitative approach is imperative to acquire insight into phenomena that are not easily understood through quantitative measures (Grace and O’Cass 2002).

GOAL-DIRECTED BEHAVIOR IN ONLINE AUCTIONS

Research in consumer decision-making (CDM) has been dominated by the perspective that consumers always know what they need and accordingly take actions to satisfy these needs (Huffman and Houston 1993). Human motivations, whether cognitive or affective, are geared towards individual gratification and pleasure (Bayton 1958), and provide a theoretical background to examine the underlying reasons why people shop. To fulfill their needs, individuals set goals, commitments to a fixed and desirable end state (Fishbach and Dhar 2005), as guiding forces to determine which properties are relevant and useful for the task of creating meaning (Murphy and Medin 1985). In the context of online purchases, motives still transform into specific goals and become a guide to direct decision-making. Browsing online can be broadly categorized as task-related or hedonic-oriented browsing (Hoffman and Novak 1996). When a consumer’s online purpose is task-oriented, will some performance criterion be used for purchase evaluation? When the purpose is hedonic-oriented, will the same criterion be used to guide purchasing? Previous studies regarding these issues are limited and further validation is thus required.

Despite high perceived risks, consumers still choose online auctions due to the perception that auctions may satisfy their needs. They may perceive that the benefits of using online auctions far outweigh the potential threat of fraud (Cameron and Galloway 2005). The primary reason is that perceived risk can be moderated by the consumer’s ability to search out information online and utilize other risk relievers, consequently reducing purchase uncertainty (Massad and Tucker 2000). Among all risk relievers, the feedback system is the most direct method to ascertain the seller’s reputation and is always viewed as a critical element in both selecting items to buy and decreasing fraud (Cameron and Galloway 2005; Weinberg and Davis 2005). The seller’s reputation can serve as an important signal for evaluating the perceived risks towards a specific online auction. Moreover, user experience in online auctions is influential in bidding success (as measured by bidding success rate) because rich experiences usually increase the participant’s abilities in judgment and value assessment, which can lead to more effective trading (Cameron and Galloway, 2005).

In addition, consumers are involved in elaboration and aroused emotionally during the bidding process because decision-making in online auctions is inherently complex (Ariely and Simonson 2003). Due to higher product involvement, online auction participants emphasize central cues and make decisions based on deliberate reasoning and thinking to ascertain product quality and the appropriate price level (Wang, Wang, and Tai 2002). In summary, decision-making in online auctions is primarily influenced by the individual’s perceived risks, prior experiences, product type, and reputation evaluation (Cameron and Galloway 2005; Johns and Zaichkowsky, 2003; Massad and Tucker 2000). However, the fragmentary conclusions and lack of associations in the decision-making process of previous research requires a study to thoroughly explore the nature and characteristics of consumption decisions in online auctions.

METHODOLOGY

The authors adopted grounded theory in conducting this study. Grounded theory is a general methodology (Eisenhart 2006) which has been extensively adopted in the research fields of education, nursing, and psychology, but has rarely been applied to consumer research. The grounded approach develops a theory which evolves during actual research and through continuous interplay between data collection and analyses (Rahman 2003). Researchers usually start with very limited a priori constructs about the research issues.
The concepts of shopping convenience and information seeking, two common motivations for going online which emerged from this study, constitute the category of task-orientation motives, whereas the concepts of sensation-seeking and group influence are categorized as hedonic-orientation motives. The task-orientation and hedonic-orientation categories are eventually integrated as a construct for motivation as they represent identical properties in different directions within the framework of motivation. Similarly, the construct of perceived risks is generalized from two distinct categories of common risk and online-related risk. The former includes the concepts of product-related and financial risk, and the latter contains system and seller credit risks. A seller credit risk is a purchase-related uncertainty primarily caused by a perception that the sellers in online auctions may not be trustworthy and may even attempt to defraud the buyers. Security and privacy risks, which have been stressed in online environments and which are associated specifically with Internet usage (Miyazaki and Fernandez 2001), are labeled as system risk. The third construct, risk relievers, includes uncertainty reduction (i.e., information searching) and loss minimization (i.e., specifying an upper price limit prior to purchase). The fourth construct is purchase decision, which contains two decision categories—channel selection and auction mode. The final construct is post-purchase evaluation wherein the participant perceives either “I win” or “I gain” from the online auction.

DEVELOPMENT OF AN ONLINE AUCTION MODEL

Based on the interview results, consumer cognitive deliberation of purchase uncertainty and risk relievers is highly stressed in online auction decisions, regardless of the number of previous online buying experiences. The perceived risks and relievers greatly depend on the individual’s motives. Most task-oriented consumers, who have specified goals prior to entering an auction website (e.g., searching for specialty products or product information), usually become more involved in decision-making than hedonic-oriented consumers. They spend time and effort in searching for information and performing risk evaluation in order to make a better decision (Bloch et al. 1986). On the contrary, hedonic-oriented consumers, who are concerning with seeking intrinsic satisfaction, often attend to the ongoing search in auction websites for either the pleasure of the purchase itself or for product information potentially useful in the future. In such a context, it is observed that unplanned purchases and impulse buying occur frequently among such participants.

In addition, online-related risks, including seller credit risk and system risk, are strongly recognized by all participants as vital elements affecting their decisions. In particular, seller credit risk is a pervasive concern since online fraud is difficult to control in practice and reports of fraudulent transactions have substantially increased in recent years (Cameron and Galloway 2005). A female student recalled her first experience as follows:

I often browsed websites but I never bought anything. One day I happened to see an item with a pretty good style and priced competitively…. However I was quite worried that the goods would not be delivered after payment and the disclosure of personal information. (Female-02)

Thus, proposition P1 is derived from the findings and stated as follows:

P1: In addition to the common purchase-related risks found in the traditional market, consumers pay much more attention to online-related risks in online auctions, especially for initial online purchases.
Participants indicated that selecting reputable websites and evaluating the sellers via a feedback system were essential for assuring transaction security. The ability to access risk relievers moderates perceived risk (Massas and Tucker 2000). In addition, although the online environment itself provides different cues for buyers to make decisions (Stern and Stafford 2006), the lack of opportunity to examine the products prior to purchase makes many shoppers hesitant to shop online. Furthermore, it was reported that inability to examine the products, transaction security, and privacy were three crucial considerations for online purchase decision-making (MIC 2006). To minimize these uncertainties, some participants, especially task-oriented participants, reported that they actively engaged in searching for information from multiple sources (e.g., websites, word-of-mouth from peers, interacting with the sellers, and inspecting products in retail stores). A savvy male participant described his information search activities as follows:

*I went to stores to inspect the product and checked out the descriptions on the auction website. Besides, interacting with the seller by e-mail is important.* (Male-06)

Hedonic-oriented participants were less involved and frequently used simple decision criteria, aiming at minimizing loss, as a risk reliever. They set an upper price limit as a threshold to determine whether or not to buy the product. This upper price limit, in fact, represents a type of risk tolerance that primarily signals the consumer’s ability to suffer purchase loss. An experienced female participant reported her decision rule as follows:

*The price of products must fall in the range that I expect. Online shopping is usually unpredictable so I would not consider buying expensive items from online auctions.* (Female-03)

Proposition P2 is thus inferred as below:

\[ P2: \text{The risk relievers used by task-oriented consumers are different from those of hedonic-oriented consumers. Task-oriented consumers actively search information to reduce purchase uncertainty whereas hedonic-oriented consumers limit potential losses to a certain level as a risk reliever.} \]

Interviewees decided to enter the online auction once they concluded that the purchase was beneficial; otherwise, they might choose to purchase from retail stores or even delay the purchase. Rather than accepting the pricing established by sellers in the traditional market, buyers’ ability to negotiate prices is greatly enhanced by the pricing system in online auctions. “Bidding” and “buying-now” are different transaction mechanisms for buyers to purchase the product. Most participants indicated that they usually select the “buy-now” price because it is easy to compare with the prices in retail stores. However, bidding is preferred for coveted items which are unavailable in the common markets. A male participant reported his decision criteria as follows:

*New items are largely sold at fixed prices without much opportunity for buyers to negotiate. Used merchandise is more suitable for bidding. . . . but the prices of used goods are not reasonable in some large-scale online auction sites — higher than the average. The prices of used goods are not comparable with the market prices because they are rarely sought out in the market.* (Male-02)

Purchase decisions may be concurrently driven by rational and emotional behaviors (Stern and Stafford 2006). However, our findings show that decision-making in online auctions are dominated by economic rationales since participants tend to choose purchasing at “buy-now” prices and evaluate decisions with the economic criterion of “what can I gain?” Most participants indicated they were quite satisfied with the results of online auctions.
because the benefits of purchasing were perceived to exceed expectations. However, an evaluation-based decision may eventually turn into a more emotional-based behavior once consumers decide to bid for their favorite items. Five of the 13 participants who had bid for products reported that they had such an experience of competing with other bidders, motivated by the desire to win. Bidders are likely to experience an escalation of commitment because the web-based dynamic pricing mechanism used by online auctions often triggers an intense emotional response (Gupta and Bapna 2001) due to the utility of bidding and competing (Ariely and Simonson 2003). As the auction becomes intensively competitive, bidders must concentrate on the bids placed by competitors and use some tactics to win such as “sniping” at the last minute (Cameron and Galloway 2005). Those involved bidders are relatively more concerned with “how can I win the bid?” One female participant described her bidding strategy as follows:

When I found a desirable auction item, I usually tracked but did not bid on the item until the last minute. This strategy has won me most of the auctions. (Female-01)

Accordingly, propositions P3 and P4 are induced as follows:

P3: Bidders are more emotionally involved in online auctions than those consumers buying directly at the “buy-now” price.

P4: Consumers are mostly concerned with economic gain in an online auction but involved bidders stress comparatively more emotional factors during the decision-making process.

When the auction is closed and the products are delivered, consumers proceed to an internalization stage to reconfirm their decision. Although consumers often perceive high risks towards online auctions, almost every participant agreed that satisfied experiences positively influence repurchase intention because such experiences increase their confidence in making a correct decision. More importantly, experiences can be internalized and transformed into knowledge to improve future purchase decisions. Similar results have been reported by Cameron and Galloway (2006) where experiences in online auctions significantly led to more effective trading and facilitated participants’ bidding success rates. Surprisingly, our findings reveal that negative experiences or fraudulent events do not necessarily impair the intention of bidding or purchasing in the future as the participants reported that they would continue to buy online even though they had encountered negative experiences, such as fraud. On the contrary, unpleasant experiences help them to develop better risk relievers and some strategies, such as sniping, to win the bids. A male participant described his experience with fraud as follows:

I was very angry at that seller because he always made excuses to put off delivery after payment. Even worse, he ran away. After that, I was very careful with the trading methods used in online auctions. I insisted on delivering products face to face and repeatedly checked out the records for seller reputation prior to purchases. (Male-05)

Therefore, P5 is induced as follow:

P5: Satisfying experiences positively influence repurchase intentions in online auctions whereas unpleasant experiences do not necessarily impair repurchase intentions but are of great value in developing better risk relievers for future purchases in online auctions.

Gender Differences in Decision-Making

Another interesting finding is that the motives for participating in online auctions are quite different between genders, leading to distinct behaviors in risk handling. Specifically, male participants usually engage in pre-purchase searches to assure the quality of their purchase decision whereas the females are prone to experience the pleasure of shopping, which facilitates impulse buying and unplanned purchases. This implies that to male auction users, an auction website signals a purchasing channel; whereas female auction users perceive it as a venue for entertainment. This result is supported by previous studies reporting that gender differences play a central role in Internet usage (Jackson et al. 2001).

Both male and female participants consistently perceive higher risks for entering an auction website versus in-store shopping; however, it is also found that the males bought much more expensive items ($US 4545, US$1= NTS33) than females ($US 206). This seems to imply that the level of risk perception and the ability to suffer loss differs between male and female buyers. If so, prior findings that women perceive higher levels of risk in online shopping than men (Garbarino and Strahlilevitz 2004) can be supported by these findings.

As mentioned, hedonic-oriented buyers employ simple rules (i.e., loss minimization) to make decisions. Fourteen of the 22 female consumers engaged in hedonic-oriented behaviors and were inclined to use loss minimization as a risk reliever; that is, choosing cheap products or specifying an upper price limit as a threshold to limit potential losses and to ensure freedom from purchase risks. However, ten of the 12 male buyers engaged in information searches to reduce purchase uncertainty and to assure the quality of their decision in the online auction (Jackson et al. 2001; Miyazaki and Fernandez 2001).

Therefore, proposition P6 is stated as below:

P6: Males and females differ significantly in decision-making strategies in online auctions. Males tend to be task-oriented, thus focusing on uncertainty reduction. Females, on the other hand, are hedonic-oriented and emphasize loss minimization.

Based on the grouping procedures and propositions discussed, the authors identified the relationships among constructs and formulated an integrated model to describe consumer decision-making in online auctions (figure 1). The CDM in an online context is divided into three stages—activation, actualization, and internalization. Although the stages of CDM in online auctions appear to be similar to those in traditional markets, the nature and attributes of consumer decisions are different. Distinct from traditional purchase decisions, risk perceptions and risk handling strategies appear to be of critical concern during decision-making in online auctions. Besides, the impact of gender differences on purchase decisions cannot be neglected. Different motives for using online auctions are reported between male and female participants.

**GENERAL DISCUSSION**

Although there has been great progress in consumer research, the findings are fragmented (Simonson et al. 2001). This study adopts a qualitative approach to explore the successive and dynamic nature of decision-making in online auctions. The authors conceptualize consumer behavior in online auctions into three
FIGURE 1
CONCEPTUAL MODEL OF DECISION-MAKING IN ONLINE AUCTIONS

- Motivations
  - Task-orientation
  - Hedonic-orientation

- Perceived risks
  - Common risks
  - Online related risks

- Risk relievers
  - Uncertainty reduction
  - Loss minimization

- Purchase decisions
  - Channel selection:
    - Buying in stores
    - Online auction
  - Audion modes
    - Buy now
    - Bidding

- Post-purchase evaluation
  - I gain
  - I win

NOTE — general decision path for online shoppers
— distinct path for male online shoppers
— distinct path for female online shoppers
— path from auction mode to post-purchase evaluation

stages—activation, actualization, and internalization. The interrelationships among these three stages are further examined. Ariely and Simonson (2003) previously proposed a multi-stage conceptual framework for the online bidding process based on value assessments of information available on that site (e.g., number of competitors). However, their work sheds light on the impact of contextual cues on bidding decisions and behaviors without considering motivation and risk perception. The major contribution of this study is to further understand the association between consumers’ decision-making and behavior in online auctions, with an integration of purchasing motivations, perceived risk, and risk reliever selection. However, exploratory evidence for the role of CDM in online auctions may need further investigation, since only a small group of respondents from a selected segment (Internet users in Taiwan aged 20 to 39) was used. Future research is recommended to apply different methods (e.g., quantitative approach) and different consumer segments to validate the proposed model.

Generally speaking, consumers’ decision-making in online auctions corresponds with their motivation, either task-oriented or hedonic-oriented. Yet it should be noted that perceived risks and risk relievers are critical to decisions and behaviors. Risk has been reported to be an influential factor in online purchasing (Garbarino and Strahilevitz 2004; Miyazaki and Fernandez 2001). This study discloses that, instead of being driven away from online buying due to risk, buyers utilize either uncertainty reduction or loss minimization to handle risks. Therefore, marketers should actively implement risk relievers such as a reputation management system and payment security system (e.g., eBay’s use of PayPal) to minimize the costs of risk relievers and thus facilitating online purchasing. Additionally, interviewees revealed that dealing with sellers recommended by friends can diminish perceived risks and increase purchase intention. A referral system that grants members credit which may be reimbursed for future purchases once the referrals complete a transaction is recommended to website operators. A referral system can serve as a platform for the “word-of-web” effect (Weinberg and Davis 2005) to decrease buyers’ purchase uncertainty, which leads to enhanced purchasing and customer retention.

Moreover, the influences of gender on consumers’ motivation and their preferable risk relievers have been neglected in the literature. The findings that different motivations for using online auction and decision-making exist between genders contribute to an explanation of gender differences in the perceived risks of buying online (Garbarino and Strahilevitz 2004). Although researching the reputation of the system is a common risk reliever for both male and female buyers, most hedonic-oriented females reported that they would rather buy expensive products in stores rather than in online auctions. Comparatively, male buyers actively search information from multiple sources and choose safe payment methods to control purchase risks once they determine the auction is beneficial. Therefore, sellers should notice the distinct characteristics in purchase decisions between males and females when designing appropriate marketing strategies. For females, sellers can provide unique items that are not available in stores or adopt competitive pricing strategies to compete with the traditional channels. When targeting male buyers, providing product information and quality assurance appears to be most effective.

This conceptual model provides a foundation for future empirical validation. The issues of linking motivations and risk handling as well as distinguishing gender differences in decision-making that were neglected in previous research also need to be validated in the future. Finally, participants are deeply concerned with the public policies of online auction security. The amendment of related legislations may greatly impact the future development of online businesses.

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