

ONLINE AUCTION FRAUD AND EBAY

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EBay claims that users face only a 1 in 10,000 risk of fraud. Evidence from the FBI shows the rate is more like 1 in 100, or one hundred times greater than the company alleges. Despite the usefulness of eBay's feedback mechanism buyers still face substantial risk of being defrauded. This paper details the level and dimension of online fraud, examines the history of fraud on eBay, followed by a discussion of feedback and its attendant limitations. eBay's new feedback policies and other fraud reduction efforts are then evaluated. Finally, fraud reduction recommendations are provided for all three auction participant groups: buyers, sellers, and eBay itself. Managing and minimizing online auction fraud is a challenge all three groups must meet. Trust is the antithesis of fraud and achieving trust requires an understanding and appreciation of the actions each participant group must make.

INTRODUCTION

Fraud is a persistent problem for online auction participants, particularly for buyers. eBay dominates the online auction world with 100 million items on sale (*Consumer Reports* 2007, 12). While eBay claims fraud occurs in only 1 in 10,000 of its auctions, a 2007 *Consumer Reports* Study found almost half of eBay buyers encountered deceptions. According to the FBI, the actual fraud rate for online auctions is more like one percent or 100 times the number eBay reports. One reason eBay's reported fraud rate is so low is because it counts auctions where fraud is claimed. Also, many auctions are of low value, averaging under \$25 per item, thus, many defrauded buyers consider it not worth the trouble to pursue a claim. Of course there are many non-auction transactions and the fraud problem is very significant. Gavish and Tucci (2006) cite a VeriSign study (2003) that reports 6.25 percent of e-commerce transactions in the U.S. were attempts at fraud. The Internet Crime Complaint Center (IC3) reports it has received its one millionth complaint about online crime (IC3 2007). While this paper focuses on online auction fraud, a very high threat of general online crime exists for both buyers and sellers.

Until recently eBay appeared to be unconcerned about fraud. eBay has won legal cases which confirm the fact that they are acting only as a venue for auctions (Mangalindan and O'Connell 2008). This means the seller must be held legally responsible for fraud. According to the *Wall Street Journal*, recent reductions in auction growth have impacted eBay (Mangalindan 2007). Despite revenue growth of 26 percent in the most recent quarter, eBay experienced a six percent decrease in listings (p. B2). While eBay boasts over 240 million registered users worldwide, only a third of them (83 million) are active users. As growth has slowed, eBay's response has been to modify a number of dimensions in site architecture, bidder options, and to add a variety of restrictions on its sellers (Mangalindan 2007). Furthermore, eBay claims to have "2,000 staff members policing its site around the clock" (*Consumer Reports* 2007). Reducing fraud has been a longstanding eBay concern but now appears to have a new urgency.

Fraud will always threaten online auction participants. While auction venue providers can increase safety, buyers and sellers must also work to manage their risk of experiencing fraud. Since eBay and buyer/seller participants act as a type of social entity it is useful to detail the actions each group can undertake to reduce fraud. The paper concludes with

recommendations for each participant group on how to reduce their likelihood of experiencing fraud.

The Level of Online Fraud

According to the Federal Trade Commission (FTC), complaints about online fraud are always near the top of the list of complaints received each year (FTC 2006), with nearly 45 percent of all complaints coming from Internet auction fraud (Internet Fraud Crime Report 2006). The average loss reported was \$602.50 per auction complaint. The most common complaints concern late shipments, no shipments, or shipments of products that are not the same quality as advertised. Recent empirical evidence suggests that the FBI estimate that one percent of online Trades are fraudulent is actually optimistic. Based upon a study of 1,200 respondents, Gavish and Tucci (2006) provide evidence that fraud levels are probably twice the FBI estimate. Many online buyers continue to avoid online purchases due to mistrust even with non-auction sellers. Online fraud is perpetrated far too often and is clearly a particular threat with online auctions.

History of Fraud and eBay

eBay has long represented its online auction venue as very safe and nearly free of fraud. However, the eBay user agreement specifies that they “have no control over the quality, safety or legality of items advertised, the truth or accuracy of the listings, the ability of sellers to sell items or the ability of buyers to pay for items. We cannot ensure that a buyer or seller will actually complete a transaction.” (eBay User Agreement 2008). eBay details a list of prohibited practices covering a myriad of issues and circumstance. Nevertheless, those who have brought suits against eBay have lost on the basis of eBay’s disclaimer. In all fairness, eBay probably couldn’t operate without this protection. But, without efforts to combat fraud, eBay’s vaunted auction world would become unraveled. Feedback is the basic underpinning of trust and continues to be a valuable ally of both buyer and seller. Despite this, many

fraudulent sellers operate with seeming impunity. Comments are an important means of examining underlying trust issues. Research has shown that some buyers are misled by exaggerated claims of quality (Jin and Kato 2006). As a consequence, textual feedback comments are useful in spotting this deception.

Maintaining a consistent aggressive stance against bad sellers should serve eBay’s interests. According to Mangalindan, “eBay restricts the selling privileges of lower-rated sellers or cuts them off entirely” (2007, B1). eBay has also added more detailed seller ratings about such things as timeliness of delivery and how closely the products matched their descriptions. Mangalindan reports that eBay itself says “that 1 percent of sellers are responsible for 35 percent of the negative buying experiences on the site.” If this is true, then one might expect a more rigorous rooting out of these bad sellers.

An insidious form of fraud is shill bidding. This takes place when a seller bids on his or her own item. This practice is well known but difficult to detect. Since the victim has no knowledge of who is bidding they perceive the shill bids as real and escalate their bids accordingly. Nikitkov and Bay (2008) found the level of shill bidding alone probably exceeds 15 percent. Also, since shill bidding is often not detected, it is only infrequently reported to eBay. Arguably, this form of deception might be more common than all the other forms of fraud such as non-delivery, misdescription, and counterfeiting.

Competing auction venues such as Amazon have long required sellers to provide a credit card in order to list, while it took eBay several more years to begin (FinancialWire 2007). This requirement is considered basic to limiting seller fraud. Originally, eBay provided users with a hypertext link to report fraud to the Federal Trade Commission (FTC) but since has removed that link (Guth, et al. 2007). As a consequence, online auction fraud reported to the FTC dropped significantly. By removing the link, eBay reduced reported fraud, but this

doesn't mean actual fraud dropped. It was another indication that eBay was less than fully committed to combating fraud.

Legally, the company has successfully defended many court challenges. Despite losing a recent French counterfeit case, eBay just won a U.S. counterfeit case against Tiffany & Co. (Metz 2008). The court ruled that eBay "can't be held liable for trademark infringement based solely on their generalized knowledge that trademark infringement might be occurring on their Web sites" (Metz 2008, p.1). Rob Chesnut, senior VP and legal counsel at eBay said, "This ruling appropriately established that protecting trademarks is the primary burden of rights owners – not marketplaces like eBay" (Mangalindan and O'Connell 2008, B1). Consequently, we can expect eBay to maintain a relatively low profile on fraud cases. Limited resources are more likely to be deployed to maintain revenue growth. Any corrective measures taken will follow along previous eBay positions. To do much more would be expensive and could open eBay up to unacceptable levels of liability.

The next section discusses the history of eBay's responses to fraud. The following two sections address eBay's current feedback framework and the new feedback rules and seller requirements that became effective in 2008. The last sections provide detailed fraud reduction recommendations for auction participants.

EBay's Historical Fraud Response

Tod Marks (Mangalindan 2007) reports that eBay has 2,000 employees policing its site, but with 6.4 million new listings per day, can't instantly shut down every questionable auction. A fair reporting of buyers' experiences shows most are satisfied. According to a recent *Consumer Report's* study 70 percent of eBay buyers were highly satisfied overall (Mangalindan 2007). Yet 40 percent of survey respondents believed eBay's help and customer support was either fair or poor. Furthermore, when victims of fraud went directly to the

sellers for resolution (which eBay recommends), only 38 percent were successful. According to the study, the best way to deal with dishonesty is to report it to PayPal (owned by eBay). While only 23 percent of unhappy respondents took their complaint to PayPal, 66 percent of those who did so were successful (Mangalindan 2007).

EBay has developed a couple of options to help protect buyers as long as they use PayPal for their purchases. The first option is the dispute Resolution Center of PayPal. You may pursue this option if you did not receive the item or if the item was "significantly different than what was described in the listing or 'Significantly not as Described' (SNAD)" (eBay 2008a)." EBay defines SNAD with illustrative examples such as the item is completely different from its description. A second example: you receive a picture of an item rather than the item itself. A third example is the item is in poor condition when it was described as "mint in box." Other examples include receiving fake or knockoffs or items were missing. PayPal will then help the buyer and seller to resolve the issue. Alternatively, PayPal provides insurance against fraud of from \$200 to \$2000 provided the buyer purchased the item through a qualified seller (eBay 2008a).

Another helpful option for buyers who were not satisfied has been to use eBay's Trust & Safety Discussion Board (eBay 2008b). Many buyers say using this discussion board provides a place to vent, as well as helpful advice you will never get from eBay or PayPal concerning dispute resolutions. The many thousands of indexed buyer postings provide a useful set of answers and attest to the board's attraction.

FEEDBACK: THE FOUNDATION OF TRUST

Trust is necessary in an online auction marketplace and eBay built its business on trust. Trust can be defined as "the subjective assessment of one party that another will perform a particular transaction according to his or her confident expectations, in an

environment characterized by uncertainty,” (Ba and Pavlou 2002, p.243). Trust is a critical dimension because buyers typically don't know the seller's reputation and trustworthiness. EBay strongly encourages both buyers and sellers to rely on feedback as a proxy for trust.

Experimental evidence supports the proposition that superior feedback can increase auction prices achieved (i.e., Dewally and Ederington 2006; Jin and Kato 2006; Lucking-Reiley 1999; Lucking-Reiley, et al.; 2007, Resnick, et al.; 2006). When buyers' perceptions of risk are reduced a price premium is gained. There is support for the assertion that negative feedback has a greater impact on prices realized than positive feedback. When there is buyer doubt as to the quality of an item then feedback has an even stronger influence on price premiums. Therefore, both buyers and sellers have a strong motive for providing positive and avoiding negative feedback.

When it comes to actual action items, the seller is the only one who truly knows whether an item is genuine and accurately described. As a result, there is often a significant difference in the knowledge level between buyers and sellers. This phenomenon is referred to as information asymmetry. In a normal auction setting the item can be physically inspected to reduce the information asymmetry. In an online auction this option is not available. Consequently, for the buyer, feedback is one of the few proxies for establishing trust. Interestingly, research shows that most sellers do not use buyer reputation ratings (Dholakia 2005). Feedback acts as a form of word of mouth but provided by anonymous parties. Unfortunately, eBay's feedback mechanism has a history of problems. Survey evidence shows that a substantial proportion of eBay users have received retaliatory feedback (19 percent) and been victims of feedback extortion (16 percent) within the last six months (Steiner 2003). Furthermore, evidence shows only about 60 percent of sellers provide feedback to buyers (Chwelos and Dhar 2007).

The list below summarizes some of the reasons why feedback has been less than a complete solution when it comes to trust.

Reasons Why Feedback Doesn't Work as Intended *

1. Buyers often don't know they have been defrauded.
2. Buyers are reluctant to give negative feedback fearing retaliatory negative feedback.
3. Sellers are not removed even for large numbers of negative feedback.
4. Negative feedback provides an insufficient basis for informed judgment.
5. Sellers can masquerade as an honest one.
6. Sellers create “shill” feedbacks to build fraudulent positive profiles (Kirsner 2003).
7. A seller can leave eBay and quickly return under a different identity.

*List from Bauerly and Singh (2004).

Despite these limitations, much information can be gleaned from the text comments. According to a study of text comments, the nature and quality of text comments can have a significant impact on price differentials in eBay auctions (Pavlou and Dimoka 2006). Amazon.com, from its inception, provided a feedback system in which only the buyers provide feedback. Experimental evidence has shown that this system provides more trustworthy information for buyers (Chwelos and Dhar 2007). Historically, eBay's feedback system motivated buyers and sellers to engage in a conspiracy of positivity while Amazon buyers can be completely honest without fear of retaliation. Chwelos and Dhar (2007) found that when eBay buyers have a negative experience they still either provide mild positive feedback or no feedback at all. Based upon direct seller comparisons on the two sites, the authors found positive seller ratings on eBay had little impact on prices or sales levels while positive seller feedback on Amazon had significant impact on perceived reputation and prices obtained (Chwelos and Dhar 2007). Because of the limitations of the current

bilateral feedback system, eBay has unveiled a new feedback policy. The next section details the new feedback policy and evaluates its impact on buyers and sellers.

EBAY'S NEW FEEDBACK POLICY

In early 2008, eBay announced new fee increases, increased seller standards, and a new feedback policy (eBay 2008c). According to new eBay CEO John Donahoe, the increased seller standards combined with the new feedback policies are designed to increase buyer safety and satisfaction (Holahan 2008). There are five key elements to the new Feedback system being introduced in the first half of 2008 (quoted from eBay 2008c):

1. Beginning in February, buyers and sellers will be able to earn up to one Feedback per week from the same trading partner. Today, members may only affect each other's Feedback scores one time, regardless of the number of transactions between the parties. This change will both encourage repeat transactions and reward good service.
2. Sellers will no longer be able to leave negative or neutral Feedback for buyers. This change occurred in May, 2008.
3. Removal of negative and neutral Feedback left by members who are suspended or who fail to respond to the Unpaid Item Process (UPI).
4. Positive Feedback percentage will be based on the past 12 months of Feedback, rather than lifetime, since it is most indicative of the seller's recent performance.
5. Restrictions on when Feedback can be left:
 - a. Buyers must wait three days before leaving negative or neutral Feedback for sellers with an established track record.
 - b. Instead of 90 days, members will be able to leave Feedback for 60 days.
 - c. Buyers will now be able to revise feedback left for sellers. Previously, all feedback was permanent though participants could later add comments. (eBay 2008 d).

The first element is a common-sense change. Trading partners clearly shouldn't be counted only once (ever). This had the unintended effect of trivializing repeat customers. The fear in the original feedback system was that a small number of customers could artificially inflate feedback scores. Element two is the most important change to the feedback system as it eliminates sellers from giving negative or neutral feedback. Buyers will no longer fear retaliatory negative feedback from sellers. eBay indicates eliminating buyer fear of retaliatory feedback was the reason for this big change. The other changes have less impact than element two but are meaningful. Buyers must wait three days before leaving negative or neutral feedback for sellers with an established feedback. This should help protect against buyers engaging in bad "knee-jerk" feedback. The shortening of the allowable feedback period is not unreasonable.

In summary, the feedback changes offer mostly improvements for buyers' safety. The Amazon.com study shows (Chwelos and Dhar 2007) the superiority of a unilateral feedback system. eBay has created a hybrid system protecting buyers but still allowing sellers to provide positive feedback. This not only makes eBay's feedback distinctive from Amazon's but arguably superior. While the feedback changes do eliminate one of the most troubling limitations identified by Bauerly and Singh (2004), retaliatory feedback, most of the others remain. While eBay asserts the feedback changes benefit both buyers and sellers, sellers have been negative in their reactions (Stewart 2008). Sellers perceive losing the option of giving negative feedback as an invitation for buyer misbehavior. Buyers could blackmail sellers into unreasonable concessions in order to avoid negative feedback. eBay has made provisions for addressing unacceptable buyer behavior, but sellers are wary of the newly empowered buyers. The changes took effect in May, 2008.

EBay has made a number of changes which impact sellers. Under the new terms for Power Sellers, sellers who maintain high average item

and revenue levels, Detailed Seller Ratings (DSRs), will have to be maintained at a high level (4.5 out of 5). The DSRs are rated on a five star scale with 5 being highest across four categories (communication; shipping time; and shipping and handling charges). DSRs were supposed to improve buyer knowledge and encourage sellers to focus on improvements in these four areas. EBay will also reduce fees paid on items sold (by 5 percent or by 15 percent) for power sellers who maintain high (4.6 out of 5) or very high (4.8 out of 5) levels of DSRs respectively. Sellers have voiced their disapproval of new seller requirements for Power Sellers (Zouhali-Worrall 2008).

Frustration over the monopolistic tendencies of eBay is apparent from both buyers and sellers. This frustration is evident as reflected in the thousands of postings on eBay's discussion board and other user developed sites. Sellers have a number of longstanding complaints against the imperious nature of eBay's relationships with its sellers. The call for a strike against eBay February 18-25, 2008 was a reflection of the mounting dissatisfaction sellers have with eBay. Some sellers have begun to switch to alternative auction sites such as OnlineAuction.com and eCrater (Chu 2008). While alternative auction venues may be attractive, even Amazon.com has been unable to attract the enormous level of buyers and sellers that eBay commands.

As an auction venue EBay straddles a line between sellers and buyers that can be most contentious. The safety of online auctions is paramount in the eyes of buyers. John Donahoe has vowed to make eBay a safer and more satisfying experience for buyers (Holahan 2008). Since the announcement of the changes in feedback and seller requirements eBay has been deluged by sellers with mostly negative reactions. Buyers are mostly positive about the feedback changes. The feedback changes should eliminate the fear of retaliatory feedback, and enhanced seller requirements should lead to improved buyer satisfaction.

FRAUD REDUCTION RECOMMENDATIONS

All three auction participants have a role to play in reducing online auction fraud. Buyers want to avoid being defrauded; honest sellers want to prevent negative outcomes for buyers some of which may unintentionally constitute fraud. EBay itself must also work harder to minimize fraud. The following sections provide recommendations for reducing online auction fraud for the various participants. Since getting buyers to trust is a key managerial goal for sellers, then understanding how buyers can achieve trust is a relevant and instructive consideration.

Recommendations for Buyers

Buyers need to arm themselves with knowledge that will not only help them get a good deal but reduce the chances they will be defrauded.

1. Examine not only seller feedback ratings (insist on a level of 99 percent positive), but also the detailed comments. Often, the comments both from buyers and seller responses can provide relevant content. Avoid sellers whose comments berate buyers who complain.
2. Be wary of sellers who have recent negative feedback. According to Gregg and Scot (2006), this information usefully predicts future negative outcomes from these sellers.
3. Don't pay with cash, money order, or personal check. Sellers who want to defraud know there is little recourse for the buyer when they pay by cash. So beware of sellers who do not allow payment via PayPal or credit card. While these sellers may just want to avoid paying credit card fees, buyers who pay by cash methods are the most frequently defrauded (Snyder 2000).
4. Carefully read and understand seller's descriptions of the item and costs/terms of shipping.
5. Remember that most winners are cursed: You have just paid more than any other

interested party was willing to pay, thus, you probably paid more than the item was worth. Expert behavioral economist Richard Thaler (1994) found that even sophisticated oil companies overpaid for leases won at auction. Thaler concludes that almost all winners overpay. This means that often, the best advice is not to bid at all on a given item. So think it over before bidding on anything.

6. Be wary of sellers who make outrageous quality claims since these sellers obtain higher prices for what often turns out to be average to lower quality. Research suggests these sellers are more likely to not send the item or send a counterfeit. (Jin and Kato 2006).
7. In general, avoid three-day auction listings. This is a favorite tactic of fraudulent sellers of high cost commodity items like computers and cameras. By making all transactions quickly the seller can leave the system before buyers find out they've been defrauded due to non-shipment.
8. Don't act in haste. If you are inclined to be risk tolerant and impulsive you may be an ideal eBay buyer, but you are also subject to greater fraud and poor outcomes. Research by Stern et al. (2008) suggests that individuals who are impatient and risk tolerant tend to make speedy decisions. Such individuals may need protection. They further argue that the "Buy It Now" option is dangerous. It reduces the time for risk assessment and can lead to making risky and high cost mistakes.
9. Especially for collectibles, you may wish to stick with items that are certified by a third party as to their authenticity and grade. Things like trading cards, comic books, and coins are typical of this category. In a study of online non-certified baseball cards sellers often seriously overgraded their cards (Jin and Kato 2006). The authors found this type of fraud was far less common in retail collectibles stores.

10. Consider consulting an online trading community for more information. There are eBay communities as well as independent online communities.

Recommendations for Sellers

While buyers are the focus of much advice on how to avoid fraud, sellers can increase their positive ratings and minimize the chances a buyer will feel defrauded.

1. Provide a large actual photograph of the item with an accurate description. Point out flaws that could be considered deal breakers after the fact. Buyers don't like surprises unless they're positive ones. Misrepresentation of merchandise was the second most common reason for complaint with non-delivery the most common (Gregg and Scott 2006).
2. Don't hide your shipping charges and don't charge unconscionable prices for shipping and handling.
3. Keep the lines of communication open and solicit unofficial feedback. When buyers are upset they need to contact you first before leaving negative feedback. Remember, sellers no longer fear retaliatory feedback due to eBay's new feedback rules. This means it is incumbent on the seller to be exceptionally responsive to buyers' needs. Also, be sure to provide buyers with positive feedback to close the loop.
4. For commodity type merchandise such as music, electronics including computers, software, and new toys, consider selling only items either new in box or guaranteed. For collectible merchandise consider selling professionally graded items.
5. Do not sell counterfeit merchandise. As reported in the *Wall Street Journal*, eBay recently lost a case in a French court and was fined \$63.2 million (Passariello and Mangalindan 2008). The case was based upon eBay sellers defrauding buyers with counterfeit Louis Vuitton and Christian Dior items. Some sellers like to pretend

buyers know the items they are acquiring are “knock-off merchandise” given the unusually low prices the items attract. This is nonsense and selling counterfeits is illegal.

6. If the buyer believes the item was misdescribed, refund the buyer’s money. If the buyer is abusive, i.e., threatens to blackmail you with unjustified negative feedback, blacklist the buyer from bidding on your items in the future.
7. Own up to your own mistakes, yours or your employees. Fix the problem quickly and without negativity. Lin et al. (2007) determined that over 40 percent of buyer complaints were resolved at the moment they were raised.
8. Send the merchandise quickly and offer insurance, particularly with fragile items. This common sense advice is often ignored.
9. Insist that buyers purchase via PayPal only. It costs you upfront but protects you and your customers’ interests.
10. Work especially hard to improve Detailed Seller Ratings. This tends to improve the buyers’ sense of safety and can reduce your selling costs.

Recommendations for eBay

By eBay’s own admission, just one percent of the sellers account for thirty-five percent of negative feedback (Mangalindan 2007). This sorry statistic represents a failure to remove the worst of the bad sellers. Historically, eBay has done too little about bad sellers including those defrauding buyers. Here are a few recommendations for eBay that should help reduce fraud and consumer dissatisfaction.

1. Commit to a policy of quickly suspending sellers who persistently provide poor service. If the seller is committing fraud, permanently remove the seller.
2. Continue efforts to keep bad sellers and sellers of counterfeit merchandise out. Recent restrictions on sellers of certain items like luxury handbags make a lot of sense. (See Mangalindan 2007).

3. List seller information including a physical address to which buyers send their payment. This allows buyers to decide if the seller is legitimate. (See Gavish and Tucci 2006).
4. Make buyer education a priority. Eliminating fraud is not possible, but education is an excellent way to limit the number of easily defrauded buyers.
5. Work to get increased community involvement and at the same time, commit more internal resources to fraud prevention. See Chua, et al. (2007) for an excellent qualitative analysis of online trading communities and the role they play in minimizing online auction fraud.
6. Continue to motivate sellers to provide better service. Using fee discounts for sellers who achieve top service ratings is an excellent move and appears to be paying off (Mangalindan 2008). By providing buyers the opportunity to rate individual service elements such as speed of service and accuracy of descriptions eBay has moved the service ball forward. This doesn’t remove fraudulent sellers in and of itself, but is a valuable improvement in the feedback system.
7. Get honest sellers to help identify and remove the fraudulent sellers. Honest sellers are harmed as is the whole eBay community when fraud is allowed to proliferate. Sellers in a given merchandise classification are often the most knowledgeable about bad sellers and need to be brought into the fold. eBay needs honest sellers as allies, but they must solicit their help and then listen and act.

eBay sellers have been angered by the changes in fee policy and feedback resulting in a boycott by sellers (Stewart 2008). The boycott proved moderately effective, but the changes have stayed in place. eBay can’t ignore the sellers or be perceived as unduly favoring buyers. As an auction venue, this is an inherent conflict eBay faces. Historically, major auction houses relied on their expertise and corporate reputations to protect buyers from fraud. Instead, eBay relies upon their feedback system and detailed seller

ratings to establish seller/buyer reputations. Since sellers can't leave negative feedback to buyers, sellers view this as a reduction in their ability to fight buyer fraud or simply refusal to pay for purchases. Because sellers create buyers and visa versa, eBay's dilemma is never ending.

Since there will always be sellers seeking to defraud buyers it is impossible to eliminate them. However, online communities have proven value in marshalling the knowledge and expertise required to limit online auction fraud. In order to be effective, online communities need the resources and the power of formal authority that eBay itself can provide. Commitment to forcefully removing fraudulent sellers identified by individual buyers, sellers, and members of online communities is the single biggest action eBay can take to limit the destructive power of fraud.

CONCLUSIONS

The risks of being defrauded on eBay are clearly more significant than claimed. eBay can certainly be faulted for not being more aggressive in combating fraud in the past. While critics have regularly taken eBay to task for their poor customer service, honest sellers must understand they can play a larger role too. As an auction venue provider, eBay's new focus on safety and buyer satisfaction is certainly a step in the right direction. These efforts alone are unlikely to result in permanently lower levels of fraud or to truly alter the risk perceptions that accompany the problem.

Auction participants can greatly reduce their risk of fraud by applying common sense and by following the above recommendations. Honest sellers must also work to minimize buyer dissatisfaction and make eBay a safer venue to do business. eBay's feedback changes should improve the usefulness and trust in seller ratings, but the changes eBay has made will not be a panacea. Sellers must commit to a buyer-centric focus whose mantra will be trust. Building trust requires not just trying to

minimize actual fraud but, even more importantly, building a strong perception of fairness in all company communications and actions. As an auction venue, eBay can reduce fraud best by maintaining vigilance and an ongoing dialogue and collaboration with both buyers and sellers.

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