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# Culture's Influence on Buyer's Behavior in Online Auction

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## ABSTRACT

Auction is very common among e-commerce sites. Economists believe auction is a more efficient pricing format than fixed price, in terms that buyer who values the good most will bid highest and wins the auction (Wang 1993; Wang et al. 2008). The assumption is that buyers are rational, and they bid according to their valuations of the goods, and valuations are fixed before the auction starts. This rationality assumption has been challenged by many empirical findings, such as findings on herding (Dholakia et al. 2001; Simonsohn et al. 2007), and overbidding (Lee et al. 2007). Consumer researchers examined online auctions from the lens of social psychology, and studied issues such as effects of expertise (Wilcox 2000), and pseudo endowment effect (Wolf et al. 2005). Researches in information systems filed have noted the role of information in facilitating bidding (Adomavicius et al. 2005, Gregg et al. 2008).

Still, our understanding of buyer's behavior in online auction is limited (Pinker et al. 2003). In particular, culture's influence on online auction has received relatively little attention.

To study culture's influence on auction, we leverage a framework of auction proposed by Ariely et al. (2003), and view auction as a multi-stage process, containing 1) auction choice/entry, 2) middle phase, and 3) end of auction. We adopt Hofstede's cultural dimensions (Hofstede 1991) and propose to examine: 1) influence of uncertainty avoidance tendency on buyer's intention to participate in auction, 2) influence of individualism/collectivism on buyer's bidding behavior, and 3) influence of masculinity/femininity values on buyer's perception of seller and intention to join future auction. We note that individuals identify with cultural values to different extent, and examine individual espoused cultural values instead of using the national culture scores (Oyserman et al. 2008; Srite et al. 2006).

### *Uncertainty Avoidance*

Uncertainty avoidance refers to whether individuals feel comfortable with structured or unstructured situations. It reflects the extent to which individuals prefer certain outcomes to uncertain outcomes. Comparing with fixed price, the outcome of auction is more uncertain. Buyers interact with each other, and only the buyer who bids

highest wins. Though auction policy is clear, bidding process is dynamic and full of uncertainties.

*H1 Buyer's with high uncertainty avoidance tendency are less likely to participate in auctions.*

### *Individualism/Collectivism*

Auction can be viewed as competition among bidders, as they compete with each other for the product through bids. Individualism/collectivism influences competition. Individualists and collectivists distinguish between in-group and out-group members in social interactions to different extent (Triandis 1995). Individualists are less likely to develop in-group out-group identification, and are more competitive comparing to collectivists. For collectivists, whether they will compete aggressively with others depends on their identification with the others. When collectivists perceive the others as in-group, they will be less competitive. Since buyers share common identity, it is possible that collectivist buyer may perceive other buyers as in-group.

*H2a Buyers of high individualism will bid more aggressively comparing to buyers of high collectivism.*

*H2b Buyers of high collectivism will bid less aggressively if they perceive other buyers as in-group, comparing to if they do not form such perception of group.*

### *Masculinity/Femininity*

Individuals who espouse masculine values like competition. Individuals who espouse feminine values emphasize friendliness, and are more likely to view others from the lens of relationship building. They may query the intention of sellers who adopt auction rather than fixed price as pricing format. Sellers who adopt auction do not reveal their own valuations of the product, and watch bidders competing. They may be viewed as opportunistic, hoping to extract the most from bidders.

*H3a Buyers who espouse masculine values more than feminine values will have higher intention to participate in future auction.*

*H3b Buyers who espouse feminine values more than masculine values will perceive sellers who adopt auction as more opportunistic.*