

Losing to Win: Reputation Management of Online Sellers

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Define New and Established Sellers

- Established: in data in month 1 and more than 250 transactions by that month
- New:
 - Appears after month 7: no prior history
 - Selling for no more than 6 months: not an established seller
 - Not reached 251 total transactions: not safely

- Problems:
 - How rating affects revenue and survival likelihood
 - How a seller manage its reputation
- Challenges:
 - Unobserved seller-level heterogeneity
 - Unbalanced panel with survival bias
 - Measurement error

- Solutions
 - Seller fixed effects
 - Lagged reputation variables

- Seller's transaction volume as a buyer of last month to instrument for lagged seller reputation variables
 - Exogeneity: distinction between user's seller role and buyer role
 - Correlation: high-volume buyers tend to have higher seller ratings

- Model: linear probability model