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Description of PriceMinister.com

- Serves as a pure platform.
- No auction.Price posted by sellers.
- Uses a special feedback and transaction control mechanism. (details on p7)
- Impose a fixed shipping fee.(no competition on shipping fees)

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Transaction procedure

1. Buyer's payment goes to PriceMinister
2. Seller become informed and conduct shipping.
3. Buyers give feedbacks after receiving the product.
4. Sellers get paid.

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Content of the Initial Data Set(Time:2001-2008)

The data set contains the following information:

- Initial transaction time
  completed time

- seller's identifier
  seller's state
  product's identifier

- transaction price
  advertised condition
  the type of shipping

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Details on the analysis

- Focus:
  4 categories(books, CDs, games and videos)
  (accounts for the majority of the PriceMinister sell)
  Individual sellers
  Used goods
- Price Variable:
  The advert price without shipping fee
- Constructed Variable:
  Seller's average rating:r
  Number of a seller's completed transactions :s
  The length of time between the date when the item was sold
  and the transaction date:age

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Figure 1

- Row1: the total sum of transactions(updated monthly)
- Row2: the evolution of average transaction prices
- Row3: the distribution of ratings for each category

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Table 1:Features

(For detailed statistics,see page 11.)

- some individual sellers are **relatively big**
  regardless of the **substantial dispersion in seller size**
- more than half of the **individual sellers** make over 30
  transactions
- there is enough variation in feedback scores
  that caused the rating of sellers to change

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The dispersion of price of a product.

- Wide range of price.
- Asymmetric distribution.
- No external programs needed.

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3.2 Identification issues

Problems

- Fixed effect of product and sellers.
  (thus place an influence on a seller's rating and size)
- Exploiting the variation of price is problematic.

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3.2 Identification issues

structure

- 3.2.1 First Transactions(p16)
- 3.2.2 Product Heterogeneity(p17)
  Main:Product list price,age and condition
  Residual:Features not captured by the list price (The seller's
  specialization and so forth).
- 3.2.3 The Dynamics of Reputation(p17)

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4.1 The effect of reputation on prices

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4 **Results**
- 4.1 The effect of reputation on prices
- 4.2 Results by product condition(p24)
- 4.3 Results for professional sellers and new/used goods(p25)
- 4.4 Prices, reputation and recent feedback history
- 4.5-4.6 Robustness & Comparisons with other literature

5 **Conclusion**

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4.1 The effect of reputation on prices

Effects(for individual sellers only)

- Rating
  Estimates(based on GMM) show a significant, positive and
  strong effect of rating on prices
  (the same is true for professional sellers)

- Size
  the effect size on prices is significant, small, negative,
  essentially linear and similar across product categories.

- Other Product Charisteristics
  Age:negatively affects prices
  List price:positive and significant
  Product condition:Positive and strong.(the price increase per
  level is almost consant)

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Contribution

- Explicitly accounted for seller unobserved heterogeneity
- Provided empirical evidence of the effect of seller reputation on transaction prices for product categories (books to video games), product conditions (used or new) and types of seller (individual or professional)
- Further research directions(see on page 35)