**CHAPTER ONE**

**INTRODUCTION**

**1.1 PREAMBLE**

The global reach of online auction market places allows for the buyers and sellers to overcome geographical constraints and purchase products anytime from anywhere over the internet. The online auction market provides the consumers with great advantages of low prices, greater product selection and greater efficiency compared to the usual traditional offline markets (Ghose et al, 2006). The use of online auction system makes use of the decision making assistance tool that results in greater buyer’s certainty towards their choice of the seller’s and product that they make. The decision making assistance tool consists of three parts that is the product information signals, seller’s rating scores and seller’s shilling activities.

The product information signals seek to fully describe the product through the use of textual and visuals, the use of third party product certifications, description of the product characteristics, the product usage and book value. This strives to ensure the buyer’s product certainty. The decision making assistance tool also provides for seller’s ratings by making use of the feedback scores. These feedbacks are given by previous winning bidders and they evaluate the online auction product sellers. These bidders give detailed seller ratings of all aspects of the seller and giving scores for example giving scores of how accurate was the items description, how satisfied they were with the seller’s communication and how quickly were the products transported to them by the seller.

The other important aspect of the decision making tool involves the process of coming up with seller’s shill ratings. Shilling is the act of introducing fake bids into an auction on the behalf of the seller to artificially inflate the price of an item (Weinberg, 2003). To come up with shill rating the system monitors the shill activity characteristics which include those bidders who make a lot of repeated failed bids on the same seller. Shills usually have higher number of failed bids per seller ratio. The auction house maintains records of the number of bids a bidder has placed for every seller that the bidder has interacted with. This information is used to come up with a shill score. Detailed evaluation of the product and seller and the use of the decision making assistance tool ensures consumer’s certainty on the choice of the sellers and the products that they make.

**1.2 BACKGROUND**

A few decades down the line, auctions were carried in auction houses and the bids were made with the auctioneer delegating the bids and this method required the physical presence of the bidders, thus it resulted in a number of limitations. This led to the use of online auctioning which allow for the auctions to be carried out over the internet from anywhere in the world. The advent of online auctions presents on its own, different downsides due to the lack of proper evaluation techniques of the products and the sellers. The current systems do not allow for proper description of the of the kind of sellers and the kind of products that they sell. These systems do not provide enough detailed information to evaluate the type of sellers and their products. This result in the buyers uncertainty thus resulting in the reduced effectiveness of the online auctions making people opt for offline auction markets. Most available current auction systems do not fully provide product descriptions as well as fully evaluate the different type of sellers that participate in the auctioning process. Online systems come from a background where there is no full evaluation of the shilling activities that take place in different auction systems. The evaluation of shilling activities goes a long way in providing for certainty in the different type of seller. This can be achieved through the provision of the shill scores or shill ratings for each seller in an auction system. By providing the sellers shill rating the different bidders can easily make choices for the different sellers they decide to bid for their products.

**1.3 PROBLEM STATEMENT**

The problem that usually arises in online auction is that of the buyer’s uncertainty towards the sellers and their products due to the lack of physical evaluation of the products (Pavlou, 2008). Despite the increased numerous advantages of online auction there are problems that are still present, unlike in offline markets where buyers can physically evaluate the product quality and interact directly with the sellers, in online markets the buyers do not have such opportunity as the buyers only get to evaluate the product quality via the internet interface that cannot perfectly describe the products (Melnik et al, 2005). The problem of product and the seller’s uncertainty negatively affects the key success of the outcomes of the online auctions. The implementation of an online auction system that provides detailed seller and product descriptions results in the increased certainty of the bidders towards the choice of the products and sellers that they make.

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**1.4 AIM**

To implement an online auction system for the buyers and sellers, which will be secured.

**1.5 OBJECTIVES**

1. To design and develop an online auction system that ensures the buyers, sellers and the products that are to be auctioned are secured.
2. To make users participate in auctioning trusty.
3. To notify the seller of new bids made by buyers
4. To computes the seller’s shill scores for each seller that sells products on the online auction system.

**1.6 SCOPE**

This online auction system only allows for the auctioning of computer, computer accessories ,and mobile phones. This system only accommodates the buyers and sellers that are located within Nigeria. Only registered potential buyers and sellers participate in any of the auctioning process.

**1.7 PURPOSE**

The main purpose of developing this project is to make people who live in Iraq get familiar with the online auction systems and trading over the internet

**1.8 THE STUDY LIMITATIONS**

The lack of the auction sales in Nigeria which is led to the difficulties to know more about  
the invisible sides of auction sales. Another reason will be lack of expect, system, time which will make limitation to this research.