

The Hong Kong University of Science and Technology  
Department of Information Systems,  
Business Statistics and Operations Management

**Seminar Announcement**

***Reciprocity and Strategic Behavior in Online Markets***

*by*

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**Date: Wednesday, 8 February 2012**

**Time: 2:30 – 4:00 pm**

**Venue: Room 4219, 4/F (Lift 19)**

~~~~~ All interested are welcome ~~~~~

**Abstract:**

Reciprocity plays an important role in nearly all economic or social interactions. However there are hardly any studies of how reciprocity affects interactions between sellers and buyers in online markets. This study investigates this crucial aspect by examining how negative reciprocity - the norm of punishing hostile acts from others - affects seller and buyer interactions in the presence of reputation systems in the eBay auction market. We find that opportunistic sellers use negative reciprocity, which is illustrated as feedback retaliation and revoking, to “improve” their reputation and masquerade as high-reputation sellers, thereby reducing the efficacy of the reputation system. We identify and test the characteristics of buyers who are likely to accede to the coercion of sellers in revoking negative feedbacks. Finally, we exploit an exogenous policy change on eBay to examine how disallowing negative reciprocity affects seller behavior. We find evidence that sellers improve their services to increase their reputations. This provides more support for the hidden effort assumption rather than the hidden type assumption regarding seller behavior in online markets. We discuss the implications of our findings for the design of online markets.

**Bio:**

Shun Ye is a doctoral candidate in Information Systems at the Robert H. Smith School of Business, University of Maryland. His research interests are in the areas of Emerging Technologies and Markets, Economics of Information Systems, and Online Consumer Behavior. His dissertation examines the implications of reciprocity for mechanism design in online markets. He received a master's degree in Management Science from the University of Science and Technology of China in 2007, and bachelor's degrees in Information Systems and Computer Science from the University of Science and Technology of China in 2004.