**Abstract**

Many small businesses have started to use eBay as their electronic commerce platform. Such a strategy increases their reach to global customers without high financial and technical costs in building their own e-commerce infrastructure or in intense advertising. How can these e-stores conduct successful international business on eBay?

This paper addresses this complex issue by discussing how online customers' perceptions of an e-store's culture, size, and history affect the e-store's feedback rating and successful sales. We analyze data of the completed transactions of 400+ e-stores on eBay across twenty-two countries. The results suggest that feedback rating is a significant determinant of the success of an e-store, and that an e-store's culture, size, and history significantly affect the e-store's feedback rating.

**Keywords:** electronic commerce, international business, culture, feedback rating, trust

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**INTRODUCTION**

The growing use of the Internet as a medium for conducting business is one of the most significant factors shaping the world economy (Gibbs et al. 2003). However, cost significantly deters electronic commerce adoption in small to medium-sized Enterprises (SMEs) (Al-Qirim 2005). To overcome this constraint, many SMEs have started to use a well-known electronic market like eBay as their electronic commerce platform. Such a strategy increases their reach to global customers without high financial and technical costs in building their own e-commerce infrastructure or in intense advertising. Since its inception in 1995, eBay has grown to be a huge and best-known electronic market. Online retailers can use eBay to launch e-stores, listing their items under specific product headings for a small monthly fee. For a larger fee, sellers can list their e-store as an anchor store, with premium placement opportunities. Sellers sometimes use eBay as their only online sales effort because they do not have the cost and expertise in-house to handle online payment, website development and maintenance, and other necessities that come with being an independent online merchant. Other companies use eBay as another online channel in addition to their own websites or promote the items they are selling on eBay on their own websites. Though using eBay as a platform for operating their own e-stores may provide businesses with a potentially vast number of international and domestic customers without broad and intense advertising, the benefits can only occur when international and domestic customers actually patronize their eBay-based websites.

example, the transaction cost perspective focuses on the effect of the Internet on the efficiency of the transaction process (Rotondaro 2002). Another perspective examines the nature of the product, called the product fitness theory (Liang et al. 2004). Only recently has research focused on the electronic intermediary and on external variables such as consumer demographics (Black 2005, Kshetri 2002). Even if the use of the Internet can lower costs and speed up activities in the value chain, differences that drive purchasing behaviour, i.e., consumer perceptions, beliefs, preferences, and attitudes, may remain (Lynch et al. 2001). Many academics have included consumer trust and intended behaviour, e.g., intention to purchase, in their research (Gefen et al. 2003a). Other academics have introduced culture into their research on e-commerce behaviour (Johnston and Johal 1999, Kacen and Lee 2002, Lynch and Beck 2001). However, culture has usually been left out of research on trust and trust beliefs in e-commerce (Gefen and Heart 2006).

This paper addresses the complex issue of e-commerce success by examining the roles that culture, store size, store temporal history and feedback score (i.e. customers’ perceptions and beliefs about an e-store) play in the success of international online retailers in a real-life environment, in which actual buyers selected e-stores and completed their purchase transactions. This paper extends the research on beliefs, attitudes and intentions to actual behaviour. We propose and test the central role of feedback score in the success of e-stores on eBay.

Since customer’s perceptions and beliefs can be influenced by e-store design, the results of this study will generate some useful suggestions for electronic market researchers, practitioners and policymakers. First, researchers may find such knowledge helpful in addressing the growing international presence of Internet stores and the central role of feedback scores in e-store success. Second, for web design and online seller practitioners, knowing what attracts buyers, and what does not, may enable the development of better e-commerce strategies. Finally, knowing the determinants of e-commerce performance may help policymakers enhance the effectiveness of consumer protection laws by helping them to understand better the purchasing behaviour and legal demands of online consumers.

The rest of the paper is structured as follows: the next section establishes the theoretical grounds underlying the feedback rating of e-stores on eBay, and the relationship between the feedback rating and success of e-stores. This is followed by a section that explores several factors (e-store’s culture, size, and history) hypothesized to have an impact on the e-store’s Feedback Rating. Then the research methodology is presented. We analyze data of the completed transactions of 84 e-stores on eBay across 14 countries. We controlled the factor of product types by selecting these 84 e-stores who sold the same products. We cross-validate our findings with a second sample of 346 e-stores from a different product type and a more recent sample timeframe. The results are then presented and are followed by a discussion on the theoretical, managerial, and policy implications of this study. The final section concludes the paper.

FEEDBACK SCORES OF E-STORES AT EBAY

The concept of feedback scores

eBay’s feedback rating system is a very well known reputation system in electronic markets. On every e-store’s main webpage, on every item selling, and on every bid, a Feedback Rating score will show up beside the name of that eBay member (e-store, buyer or seller). As explained by eBay at: http://pages.ebay.com/services/forum/feedback.html, for each completed transaction, only the buyer and seller can rate each other by leaving feedback. Each feedback consists of a positive, negative, or neutral rating and a short comment. Once it is entered, the feedback becomes a permanent part of the member’s profile. Feedback ratings are used to determine each member’s feedback score. The feedback score represents the number of eBay members that are satisfied doing business with a particular member. It is usually the difference between the number of members who left a positive rating and the number of members who left a negative rating. A member can increase or decrease another member’s score by only 1 no matter how many transactions they share. Feedback score can be conceptualized as a proxy of trust (Ba and Pavlou 2002). Therefore, it is likely that feedback scores can serve as the proxy of customer trust in an eBay e-store.

Although the importance of trust as a foundation for buyer-seller relationships in traditional commerce (Morgan and Hunt 1994, Swan et al. 1999) and in electronic commerce (Gefen et al. 2003a, Komiak and Benbasat 2006, McKnight et al. 2002a) is widely accepted, trust has been conceptualized in various ways and in different disciplines. McKnight et al.’s trust model (2002a) consists of disposition to trust (from psychology), institution-based trust (from sociology), trusting beliefs, and trusting intentions (from social psychology). Blomqvist (1997) analyzes the various levels and dimensions of trust in the fields of social psychology, philosophy, economics and marketing. Blomqvist proposes that trust is an actor’s expectation of the other party’s competence and goodwill. Dwyer and Lagace (1986) proposes that trust can be conceptualized in one of three ways: (1) trust as a personality trait or generalized expectancy about the trustee’s competence and reliability (Anderson and Narus 1990, Anderson and Weitz 1989, Magrath and Hardy 1989), (2) trust as a predisposition toward
another or belief that another will behave in a matter beneficial to the other party (Morgan and Hunt 1994), and (3) trust from the standpoint of risking behaviours, that reflects a willingness on the part of the buyer to accept the possibility of vulnerability on her part in the transaction (Hawes et al. 1993, Mayer et al. 1995, Moorman et al. 1993, Swan et al. 1985).

Many researchers conceptualize trust as a truster’s trusting beliefs, in other words, a truster’s beliefs in a trustee’s multi-dimensions (Mayer et al. 1995). Trusting beliefs means the confident truster perception that the trustee has attributes that are beneficial to the truster (McKnight et al. 2002a). Many types of trusting beliefs exist in the trust literature, while three are utilized most often: competence (ability of the trustee to do what the truster needs), benevolence (trustee caring and motivation to act to the truster’s interests), and integrity (trustee honesty and promise keeping) (Mayer et al. 1995, McKnight et al. 2002a). It is worthy noting that predictability is also used in at least nine prior studies on trust (Gabarro 1978, Rempel et al. 1985), as summarized by McKnight et al. (2002a) and by Chopra and Wallace. (2003). Predictability is defined as the degree to which the trustee’s behaviour conforms to expectations (Chopra and Wallace 2003). Expectations can be based on the trustee’s history or role. It is suggested to be the fourth trusting belief (Chopra and Wallace 2003, McKnight et al. 1998).

Based on the information about the eBay feedback score and prior research on trust and reputation, we conceptualize the feedback score of an e-store on eBay as a proxy of online customers’ trusting belief in the e-store’s trustworthiness. While online customers’ short comments on an eBay member (a part of feedback ratings) contain their assessments on the eBay member’s various dimensions of trustworthiness (competence, benevolence and integrity), feedback score, as a single number calculated from the accumulated feedback ratings, represents online customers’ overall trusting belief in that eBay member’s trustworthiness. It is a summary of the total number of satisfied trading partners minus dissatisfied trading partners for a member on eBay.

Particularly, feedback score is related to the predictability trusting belief. Feedback score represents an eBay member’s trading history, i.e. how well this eBay member behaved in prior transactions. Such a history is revealed to the new customers through the presentation of feedback score. New customers can develop an understanding of the eBay member’s (an e-store in this paper) behaviours in the past, based on which the new customers can develop expectations or predictions on this eBay member’s future behaviours (Luhmann 1979).

Feedback score affects the success of e-stores

Our research model is shown in Figure 1. Based on prior literature on trust and culture in electronic commerce, the current study examines the central role of feedback score in the success of e-stores on eBay, defined as the number of successful sales conducted by an e-store within a certain period of time. It also predicts that customers’ perceptions of e-stores (i.e. culture, history and size) will significantly affect feedback score. Our research model does not examine the impact of product types. To control the impact of product types, we examine the sales within a single product category (a first sample for consumer electronics, and a second sample for health and beauty products) across different e-stores.

Trust theories provide the conceptual foundations to understand the effect of feedback score on the success of e-stores. When a new customer is considering whether to buy from an e-store at eBay, the feedback score is clearly shown besides the name of this eBay member. The higher this feedback score, the higher prior customers’ trust in this e-store is. The new customer will transfer trust from prior customers through the feedback score, based on the theory of transferred trust. Transferred trust means “trust in trust”, which asserts that the level of trust that others place in a trustee (an e-store in this case) can serve as a rational basis for trust (Chopra and Wallace 2003, Doney and Cannon 1997, Luhmann 1979). Similarly, a new customer can develop a high level of trust in an e-store based through the reputation categorization process (McKnight et al. 1998). A higher feedback score indicates a higher reputation for an e-store. According to the reputation categorization process, those with good reputations are categorized as trustworthy individuals; thus new customers will quickly develop a higher level of initial trusting beliefs about that individual (the e-store in this case), even without first-hand knowledge.

A customer can also develop a higher level of trust in an e-store with higher feedback scores through calculative-based trust (Doney and Cannon 1997, Gefen et al. 2003a). According to the calculative-based trust paradigm, trust can be shaped by rational assessments of the costs and benefits of another party cheating or cooperating in the relationship; Trust in this view is derived from an economic analysis occurring in ongoing relationships, namely that it is not worthwhile for the trustee to engage in opportunistic behaviour if the costs of being caught outweigh the benefits of cheating, then trust is warranted since cheating is not in the best interest of the trustee (Coleman 1990, Gefen et al. 2003a). According to this theory, an e-store with a higher feedback score has a higher cost for cheating than an e-store with a lower feedback score, thus the e-store with a higher feedback score is more trustworthy than the e-store with a lower feedback score.
Particularly, feedback score is related to the predictability trusting belief, as we discussed above. A new customer will develop trust in an e-store with high feedback score through prediction process (Doney and Cannon 1997), also called knowledge-based trust (Gefen et al. 2003a). Trust is created in this process when the truster’s knowledge about the other party allows it to predict the behaviour of the other party (Doney and Cannon 1997). A new customer can learn from an e-store’s high feedback score that the store behaved well in prior trading; thus the new customer can develop trust in this store based on the prediction that that the e-store will continue to operate in the same fashion as it has previously. In addition, prediction is related to consistency (McKnight et al. 2002a). eBay also show the percentage of positive feedback ratings in all the feedback ratings. When this percentage is higher, and when the feedback score is higher, the new customer can perceive a higher consistency of the e-store’s past behaviour, thus the new customer’s confidence in his or her expectation in the e-store will be higher, leading to higher level of trusting belief.

When a higher feedback score elicits higher trusting beliefs from a new customer, higher trusting beliefs will lead to higher success of the e-store, because the customer’s buying from the e-store is a trusting behaviour. Online customers’ trusting beliefs are significantly and positively associated with trusting behaviours or trusting behaviour intentions (e.g. buying from an e-store), according to the ‘Theory of reasoned action’ (Fishbein and Ajzen 1975) and many empirical studies (Ba and Pavlou 2002, Gefen et al. 2003b, McKnight et al. 2002b). Therefore, we expect:

*Hypothesis 1:* Higher feedback score will generate higher sales for an e-store.

**CULTURE, HISTORY AND SIZE AFFECT FEEDBACK SCORES**

Each eBay customer can easily learn about an eBay e-store through the e-store’s website and member profile. From the e-store’s website and its owner’s member
profile, the customer can learn the e-store’s culture, size and history. On each e-store’s website, a customer can perceive the size of the e-store (e.g. 2367 items found in all categories), in addition to a list of products for sale. Each e-store’s member profile displays the e-store’s location (e.g. United States) and history (e.g. Member since: Dec-26-98), and detailed feedback ratings. The customer can perceive the e-store’s culture based on the location of the e-store.

Culture (individualism and uncertainty avoidance) affects feedback scores

Most definitions of culture currently used are modifications of Tylor’s (1871) definition of the concept as that including knowledge, belief, morals, law, customs and any other habits imbedded as a social member. The term, however, has been criticized as being conceptually weak (Child 1981). More recently, culture has been conceptualized as the shared attitudes and values of the members of a country (O’Grady and Lane 1996) and these attitudes and values may be more helpful in understanding behaviours than sociodemographic variables such as age, education and income (Deng et al. 2006). In continuing research, the definition and usability of national culture, is under debate and open for redefinition (House 2004: 266, Srite and Karahanna 2006: 265). Culture is an important factor in buyer-seller relationships in international markets because cultural values and norms can significantly impact consumer preferences (Johnson-Page and Thatcher 2001). Culture is an important variable adding to the complexity of international business but can also be a source of conflict rather than synergy (Hofstede et al. 1990). Understanding the impact of culture can give a seller or a buyer an advantage which may translate into more successful results.

Hofstede’s seminal works (1980, 1983) develop a well-defined, empirically based, and widely cited typology to describe cultures. Hofstede’s model of national cultural differences includes five cultural dimensions (see: http://www.geert-hofstede.com/). (1) Power Distance Index (PDI) is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. (2) Individualism (IDV) on the one side, versus its opposite, collectivism, is the degree to which individuals are integrated into groups. Individualism-Collectivism is the extent to which the self-concept of individuals in a country revolve around that of an individual or that of a member of a group (Hofstede 1980). (3) Masculinity (MAS) versus its opposite; Femininity, refers to the distribution of roles between the genders. (4) Uncertainty Avoidance Index (UAI) deals with a society’s tolerance for uncertainty and ambiguity; it ultimately refers to man’s search for truth. (5) Long-Term Orientation (LTO) versus Short-Term Orientation: values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations and protecting one’s ‘face’.

The current study uses Hofstede’s index scores for the Individualism-Collectivism and Uncertainty Avoidance dimensions to represent an eBay e-store’s culture. Individualism-Collectivism and Uncertainty Avoidance are considered to be important predictors of Internet shopping rates (Lim et al. 2004). There also appears to be a strong positive correlation between Individualism and Internet usage, and a strong negative correlation between high Uncertainty Avoidance and Internet usage (Ess and Sudweeks 2005). These correlations have been noted in numerous earlier studies conducted on a global scale (cf. Barnett and Sung 2005; Maitland and Bauer 2001). We choose the Individualism-Collectivism dimension because it is the most significant cultural dimension explaining differences historically and cross-culturally (Triandis 2001). Individualism-Collectivism as a cultural typology has been extensively replicated and supported in prior research focused on cultural differences (Triandis and Suh 2002). In addition, we choose the Uncertainty Avoidance dimension because we believe that it is the most trust-relevant dimension among Hofstede’s five dimensions of culture. Uncertainty avoidance is directly related to people’s beliefs and attitude on risk and trust.

Individualism affects feedback scores. eBay customers and eBay stores are viewed as out-group members, because eBay customers are anonymous and new to an e-store, and an e-store is generally unknown and anonymous to the customers. These entities potentially come from different cultures worldwide. The customer who gives feedback to the e-store has one and only one transaction with the store, because an eBay store’s feedback score only includes a customer’s first feedback, even though this customer may be a repeat customer. Thus when a customer gives an e-store feedback, there is a very short transaction history between them.

In dealing with out-members, collectivists differentiate between in-group and out-group members more than individualists (Iyengar et al. 1999, Triandis 1972). Individualists are more cooperative with out-group members than collectivists (Yamagishi 1988, Yamagishi et al. 1998). Thus individualist cultures exhibit higher Internet shopping rates than collectivist cultures (Lim et al. 2004). Individualists emphasize efficiency and directness (Grimm et al. 1999, Triandis 2001), and tend to stress consistency and stability of attitudes (Iyengar et al. 1999). In contrast, collectivists behave more favourably towards in-group members rather than out-group members (Elahee et al. 2002). It is sometimes considered acceptable in collectivistic societies to exploit and deceive out-group members, whereas it...
would not be socially appropriate to do so to in-group members (Triandis and Suh 2002). Therefore, we expect that e-stores in individualist cultures will behave more fair and efficiently towards the anonymous eBay customers (out-group members), which will lead to higher feedback scores, than e-stores in collectivism culture.

In addition, customers give a feedback score based on their first transaction with an e-store. With only one transaction, it is easier for customers in individualism cultures to develop trust (thus higher feedback scores) than customers in collectivism cultures. Relative to counterparts in collective cultures, people in individualist cultures are more likely to form trust via a calculative process (trusting based on cost/reward calculation) or a capability process (assessing a target’s ability to fulfill his or her promises); however, relative to counterparts in individualist cultures, people in collectivism cultures are more likely to form trust via a prediction process (predicting a target’s behaviors based on a history), an intentionality process (evaluating a target’s motivations) (Doney et al. 1998). One transaction may be enough to enable a capability process and a calculative process for individualist people, but multiple transactions are generally needed to enable a prediction process and an intentionality process for collectivism people. Therefore:

**Hypothesis 2:** The feedback score of an e-store in an individualism culture will be higher than the feedback score in collectivism culture.

**Uncertainty avoidance affects feedback scores.** Uncertainty Avoidance Index (UAI) deals with a society’s tolerance for uncertainty and ambiguity (Hofstede 2001). It indicates to what extent a culture programmes its members to feel either uncomfortable or comfortable in unstructured situations. Uncertainty avoiding cultures (i.e. high uncertainty avoidance) try to minimize the possibility of unstructured situations by strict laws and rules, etc. In contrast, uncertainty accepting cultures (i.e. low uncertainty avoidance) are more tolerant for unstructured, unclear or unpredictable situations. Uncertainty is a necessary condition of trust (Doney and Cannon 1997, Luhmann 1979), and uncertainty avoidance reflects people’s attitude to uncertainty and risk, thus uncertainty avoidance will affect the perceived trustworthiness of e-stores on eBay in different cultures.

An e-store in uncertainty accepting cultures may gain higher feedback scores than an e-store in uncertainty avoiding cultures, because compared to people in uncertainty avoiding culture, the people in uncertainty accepting cultures are more likely to hold an overall higher regard of other people, and they are more willing to accept not only familiar but also unfamiliar risks (Hofstede 2001). Thus they are more likely to have higher trust (giving higher feedback scores) in these e-stores in eBay, which are new, unknown and unstructured, compared to traditionally branded and physically existing stores.

In addition, eBay customers give an e-store feedback scores based on only one transaction. It is easier for customers in uncertainty accepting cultures to develop trust (giving higher feedback scores) than customers in uncertainty avoiding cultures. Relative to counterparts in uncertainty avoiding cultures, customers in uncertainty accepting cultures are more likely to form trust via calculative process, because the level of uncertainty (or risk) a culture considers tolerable influences economic rationality and consequently, relative to counterparts in uncertainty accepting cultures, people in uncertainty avoiding cultures are more likely to form trust via a prediction process and an intentionality process (Doney et al. 1998). However, it usually takes multiple transactions before people in uncertainty avoiding cultures are able to develop trust through prediction processes or intentionality processes. Therefore, the feedback score of an e-store in uncertainty accepting cultures can be higher because the people in uncertainty avoiding cultures do not have enough time and opportunities to fully develop their trust in an e-store. Therefore:

**Hypothesis 3:** The feedback score of an e-store in uncertainty avoiding culture will be lower than the feedback score in uncertainty accepting culture.

**Size affects feedback scores**

Prior research finds that non-price cues are important in the formation of store images (Kshetri 2002). Prospective buyers are willing to pay higher prices when non-price cues such as extra services, late hours, expensive interiors, etc. are present in a store (Brown 1969). Literature suggests that consumers evaluate e-store alternatives on a number of attributes which are defined differently from those used to evaluate brick-and-mortar stores (Lim and Dubinsky 2004).

One cue about an eBay store is its size. On every eBay e-store’s website, customers can easily see a line at the top of product lists and pictures: “[number of] items found in All Categories.” The number can be as large as thousands or as small as a single digit. This number refers to the numbers of items available from an e-store, thus representing the size of the e-store.

As discussed above, the underlying concept of feedback score is online customer’s trusting belief in an e-store. The trust literature suggests that buyers use size as a signal that a seller can be trusted. In a traditional market, a store’s size assists consumers in forming their impressions regarding the store’s trustworthiness as well
as their willingness to patronize the store (Andersen 2001, Chow and Holden 1997). In electronic markets, consumers recognize differences in size among Internet stores; perceived size significantly influences consumers’ assessments of an e-store’s trustworthiness and their perceptions of risk regarding doing business with that e-store (Jarvenpaa et al. 2000).

Our research model predicts that an e-store’s size will influence the e-store’s feedback score (customer trust in the e-store) for several reasons. First, the perception of large organizational size implies that other buyers trust the organization and conduct business successfully with it. Second, large size also signals that the firm should have the necessary expertise and resources for support systems such as customer and technical services; the existence of these systems encourages trust (Doney and Cannon 1997). Third, large sellers have more resources invested in their businesses and hence are perceived by a buyer to have more to lose than smaller firms by acting in an untrustworthy way. According to the calculative-based trust prospective (Coleman 1990, Gefen et al. 2000), the more valuable the history is, the less likely that an e-store will engage in a distrust behaviour. Therefore, a bigger size e-store is more trustworthy than a smaller-size e-store.

Hypothesis 4: An e-store’s perceived size will increase its feedback score.

HISTORY AFFECTS FEEDBACK SCORES

In every eBay member’s profile, customers can see a line such as “Member since: Mar-11-03,” thus customers know how long this member has operated on eBay. Customer can also see the ID history of the member.

It is possible that the temporal history will affect an e-store’s feedback score since temporal history may affect customer trust in that e-store. It takes time for an e-store to accumulate a trading history. Such a history contains trust-related knowledge based on which a customer can understand an e-store and its owner, thus judging its competence, integrity, benevolence and predictability (i.e. trustworthiness). With a long history, customers can judge whether an e-store’s particular behaviour is attributed to the store’s internal characteristics or is a temporary trick. Second, a long history of an e-store signals competence in e-commerce. It is relatively easy to start a new Internet retail web space but it takes effort to become an e-store with a history. Thus a store’s long history is more valuable than a short history. From the perspective of calculative-based trust (Coleman 1990, Gefen et al. 2000), the more valuable the history is, the less likely that an e-store will engage in a distrust behaviour. In addition, store reputation, including company history, contributes to a customer’s comfort level in dealing with a firm through the Internet (Lohse and Spiller 1998). Therefore,

Hypothesis 5: An e-store’s temporal history will increase its feedback score.

DATA COLLECTION AND ANALYSIS

As there is no direct measure of trust or success in the eBay data, the research model had to be modified. Instead of testing the relationship between trust and success, we tested a direct relationship between feedback profiles and sales volume and the antecedent effects of location of seller, store size and store history on that relationship.

Several strategies exist to increase Internet sales for online stores: such strategies include displaying customer endorsements (e.g., eBay.com’s Feedback Forum), website endorsements (e.g., the Yahoo portal), and incorporating seals of approval (e.g., WebTrust). eBay’s Feedback Forum is one implementation of the strategy inviting existing customers to provide comments about their buying and selling experiences to other potential customers. The forum is a way an e-store can provide information, or signals, to differentiate it from other sellers. The incentive to the e-store is that by collecting and disseminating information about the store’s transaction history, the feedback profile provides proof of the e-store’s reputation. Within eBay, buyers can assess the past behaviour of all available sellers, and they are able to choose. Buyers will trust sellers who have good feedback profiles and this not only provides a signal of trustworthiness to buyers, but also indicates that sellers have incentives to maintain good feedback profiles (Ba and Pavlou 2002).

The relationship between trust, i.e., the analysis of the seller’s feedback profile, and intention, i.e., a buyer’s confidence in the seller, has been characterized as one of diminishing marginal utility (Thaler 1985). In other words, the incremental impact of a given increase in reputation on intention to buy decreases as the reputation goes up. The relationship is not linear. Hence our empirical dependent variable is the logarithm of the net number of positive and negative ratings, similar to that used by Ba and Pavlou (2002).

Determining the number of successful auctions within a 30-day period developed the measure of success of the
Given the insufficiency of empirical assessment of e-store performance measures and because most Internet retailers were not profitable from an accounting point of view (Mahajan and Srinivasan 2002), we were precluded from using traditional performance metrics, such as return on assets, return on sales, and so on, which are used to examine relative business performance (Palepu et al. 1996). We find further support in that the differences among industries suggest that the characteristics of the industry in which the firm operates be taken into consideration when measuring performance (Chrisman et al. 1998). Moreover, it is purported that within e-commerce industries, such as online auctions, there are particular goals that stem from the conditions and characteristics unique to the industry (Mahajan and Srinivasan 2002). For example, using revenues or the number of employees as performance measures is especially relevant to small and new businesses that frequently do not have profit histories and are not expected to show profitability during the first years of existence. Moreover, revenues are considered a valid measure for presenting overall performance, especially in relatively homogenous samples, when firms from a particular industry operate under very similar cost structures (Haber and Reichel 2005). Thus we modified the hypotheses and use the numbers of e-store completed sales as a proxy for success.

In addition, it is appropriate to stress that feedback score is different and independent from success (i.e., the number of successful transactions in a given time period). Feedback score is determined from the time the e-store became an eBay member, while success refers to the number of transactions within a one month period—the first sample in 2005, the second in 2007. Feedback scores exist before the success metric is determined. Additionally, feedback score is calculated as the number of satisfied eBay members minus the number of dissatisfied eBay members; it does not include repeated transactions from the same member—each member can only contribute to a feedback score once. However, success (i.e., the number of transactions) can contain repeated transactions from the same eBay members and not every one who participated in transactions will give feedback ratings. In reality, less than 50% buyers and sellers gives feedback as evidence by seller forums such as: http://www.amazonseller-community.com/forums/thread.jspa?messageID=1143431 and #1143431.

### Table 1. Measures and metrics were developed for our constructs based on prior research and publications

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<tr>
<th>Construct</th>
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<td>Culture</td>
<td>Location of seller</td>
<td>Located in an individualistic versus</td>
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<td>Number of days as an eBay e-store –</td>
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<td>eBay e-store</td>
<td>at the end of the sample period</td>
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<td>e-store Size</td>
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<td>product category</td>
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<td>Trust</td>
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<td>the number of negative ratings</td>
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<td>Success</td>
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</table>
Data were collected from eBay, which encompasses transactions on local, national, and international bases. Its feedback forum allows buyers to leave comments about sellers with whom they have transacted, rating them as positive, negative, or neutral and is readily available to any prospective buyer. For the period from 3 November 2005 to 2 December 2005 we collected data from 84 eBay e-store affiliates consisting of 65,067 completed auctions for the category of consumer electronics. Data included the location of the seller, seller history in days, the number of items for sale, the feedback profile of each seller, and the number of successfully completed transactions during the sample period. Sellers were located in fourteen countries. The country location of the Internet portal was also collected. Figures 2 to 5 contain Internet print screens relevant to the collection of the data. Data collection was facilitated by the uniformity of eBay’s webpages across all portals. We accessed eBay’s international websites from hyperlinks at the bottom of most eBay main web pages, e.g., www.ebay.com. From these main pages, we selected Consumer Electronics as the product category and collected the data from the “eBay Stores” presented in this category. eBay e-stores were deemed to be international if 1) worldwide shipping was available from the e-store, and 2) at least one transaction during the sample time frame was conducted by a buyer whose eBay identification located him/her outside of the eBay seller’s country.

In marketing research as in the behavioural sciences, there is growing concern of the degree to which the research can be validated and its findings generalized (Permut 1976). Validation, in this sense, is concerned with the ability of a study to bear replication. The concern for replicability also involves consideration of reliability, and reliability is defended most rigorously by cross-validation (Smith 1970). Pertinent to this study, we collect a second sample for the product category of health and beauty products for the period 1 – 31 March 2007. This sample represented 148,273 completed auctions from 346 eBay e-stores across 22 countries (including the 14 countries covered in the first sample). The second sample allows for cross-validation in this study to determine the reliability of data for the model – by examining a different product type, to determine whether socio-cultural changes over time have occurred in the dynamic electronic marketplace – by obtaining a more recent sample, and to aid in the determination of the generality of obtained findings.

Tables 2 and 3 show the descriptive statistics of the location, history and feedback ratings of the two samples.

Data analysis

We use OLS regression to analyze the data. Prior to performing the analyses, we ensured that the basic assumptions of regression analysis were satisfied. To test the relationships between size of the store, store history and culture, as independent variables, and trust in the e-store, as the dependent variable, multivariate
regression analysis was performed. To test the relationship between feedback ratings and e-store success, multivariate regression analysis was again used, with the independent variable being the logarithm of the net number of positive and negative ratings. The dependent variable was the success of the e-store as measured by the volume of store sales. All regressions have high tolerance and low values for VIF.

RESULTS

Table 4 presents the regression results between trust (feedback profile) and culture (individualism versus collectivism and uncertainty avoidance), size (number of items for sale), and history (number of days as an eBay e-store). Regression analysis found significant correlation between culture, size, and history and trust. This
provides evidence that a positive buyer feedback profile will exist and have a greater positive impact in cultures with higher individualism versus in cultures with higher collectivism and that buyers do take into account reputation indicators such as a seller’s size and history. Therefore field data provide support for our theoretical arguments that culture may account for buyer trust in an Internet store and that positive indicators of size and history may induce higher trust, confirming Hypothesis 1, Hypothesis 2, Hypothesis 3 and Hypothesis 4 in the research model. It was expected that higher relative feedback ratings would lead to higher sales volume. The regression results indicate that store sales are significantly influenced by trust in that store, confirming Hypothesis 5 in our research model. Table 5 summarizes the key findings of the study. The data, cross-validating the feedback score and its antecedents in both product categories, generally support the proposition that trust and trust beliefs differ across cultures, and thus may be a variable aspect of e-commerce.

**DISCUSSION**

**Theoretical implications**

This study was carried out in a real-life environment, in which actual buyers selected e-stores and completed purchase transactions. Comments provided by previous buyers, contained in the e-stores’ feedback profiles, and the locations of sellers were readily available for all prospective buyers to examine. This study examined the number of completed purchase transactions as compared to previous studies (Ba and Pavlou 2002; Gefen et al., 2003b; Jarvenpaa et al. 2000), where buyer intention or belief was studied. Moreover, our study attempts to make theoretical inferences about the role of culture in the global competitiveness of Internet businesses.

Our results confirm and extend previous research findings. The factors of individualism-collectivism and uncertainty avoidance were shown to be significant in explaining differences across cultures. Previous literature suggests that consumers evaluate e-store alternatives on a number of attributes that are defined differently from those used to evaluate brick-and-mortar stores. This study shows that store reputation, including company history, contributes to a customer’s comfort level in dealing with a firm through the Internet. This study also confirms the importance of store size and its ability to evoke consumer trust.

**Practical and policy implications**

Our results clearly point to a number of practical implications for successful Internet marketing strategies using eBay as the electronic market platform. First, our study has implications for the structure and operation of eBay.com’s Feedback Forum. It seems better to separate a member’s feedback score as a buyer versus his or her feedback score when this eBay member participates as a seller. The two feedback scores are different in their nature. For a seller, the buyer’s feedback score as a buyer is not very important, because the risk for the seller is small. For example, the seller can wait to get payment before the seller sends the goods to the buyer. However,
Overall, the Feedback Ratings are numerically highly positive. Some members may be afraid to give negative feedback for fear that the recipient member will give negative feedback ratings as revenge – this negative exchange of feedback was observed in both samples. Cultures differ in their relationship between conflict and satisfaction (Griffith et al. 2000). As a result, the level of conflict reported by a business partner may be reduced. This is supported by earlier research which finds that members of a cultural group (i.e., collectivist, large power distance, strong uncertainty avoidance) will often avoid conflict in order to preserve a relationship (Moghaddan et al. 1993). It may be as simple as adopting a policy to not post one transacting member’s feedback until both transacting members have completed their feedback ratings, or until a deadline of giving feedback rating has past for both transacting members. In sum, eBay may be able to improve its electronic market efficiency (e.g., overcome information asymmetry, lack of trust) by implementing culturally cognizant procedures.

Second, our results make evident several tactics for eBay e-stores. It appears that e-stores in individualistic cultures can earn higher feedback scores. It seems to behove an e-store to open a branch (i.e., become a member and e-store) in a county with individualistic culture. Of course, high feedback scores and cultural dimensions can have alternative implications: collectivistic e-stores should learn from individualistic e-stores about how to treat anonymous buyers (out-group members). Equally as important as culture in assessing and predicting buyer behaviour in eBay e-stores are store attributes. It has been shown here that store size and the amount of time an e-store has been in business may affect the level of trust a buyer will have in that store. Customers, it appears, equate size and store history with trustworthiness. This has practical implications for online retailers using or planning to use web portals such as eBay to launch their own e-stores. Following our results, maintaining an accessible store history and increasing perceived size might be advantageous strategies for e-store success. In terms of size, e-stores may consider combining with other e-stores or listing individual items separately, rather than in groups. As history is also valuable, these stores should consider combining with long tenured e-stores.

Results of the study highlight the need for managers to systematically develop the appeal and trustworthiness of their websites. Because they engender trust in buyers, adding culturally specific features such as localizing the feedback mechanism may be the most important improvements an e-store can make. The study’s findings underline the importance for managers to maintain a competitive advantage by evoking positive feelings during the shopping experience. To compete globally on the Internet, merchants designing for only one market are going to have to change their way of doing

Table 2. Descriptive statistics of the location of the 84 e-stores in Sample 1 and the 346 e-stores in Sample 2. Sellers were located in 22 countries

<table>
<thead>
<tr>
<th>Location of Seller</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sample 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>4</td>
<td>4.8</td>
</tr>
<tr>
<td>Brazil</td>
<td>5</td>
<td>6.0</td>
</tr>
<tr>
<td>Canada</td>
<td>4</td>
<td>4.8</td>
</tr>
<tr>
<td>China</td>
<td>8</td>
<td>9.5</td>
</tr>
<tr>
<td>France</td>
<td>5</td>
<td>6.0</td>
</tr>
<tr>
<td>Germany</td>
<td>3</td>
<td>3.6</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>5</td>
<td>6.0</td>
</tr>
<tr>
<td>India</td>
<td>5</td>
<td>6.0</td>
</tr>
<tr>
<td>Italy</td>
<td>10</td>
<td>11.9</td>
</tr>
<tr>
<td>Mexico</td>
<td>4</td>
<td>4.8</td>
</tr>
<tr>
<td>Spain</td>
<td>5</td>
<td>6.0</td>
</tr>
<tr>
<td>Taiwan</td>
<td>2</td>
<td>2.4</td>
</tr>
<tr>
<td>UK</td>
<td>5</td>
<td>6.0</td>
</tr>
<tr>
<td>US</td>
<td>19</td>
<td>22.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>84</td>
<td>100</td>
</tr>
<tr>
<td><strong>Sample 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>7</td>
<td>2.0</td>
</tr>
<tr>
<td>Australia</td>
<td>14</td>
<td>4.0</td>
</tr>
<tr>
<td>Austria</td>
<td>10</td>
<td>2.9</td>
</tr>
<tr>
<td>Belgium</td>
<td>13</td>
<td>3.8</td>
</tr>
<tr>
<td>Brazil</td>
<td>5</td>
<td>1.4</td>
</tr>
<tr>
<td>Canada</td>
<td>4</td>
<td>1.2</td>
</tr>
<tr>
<td>France</td>
<td>16</td>
<td>4.6</td>
</tr>
<tr>
<td>Germany</td>
<td>38</td>
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</tr>
<tr>
<td>Hong Kong</td>
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<td>12.7</td>
</tr>
<tr>
<td>India</td>
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<td>0.3</td>
</tr>
<tr>
<td>Italy</td>
<td>23</td>
<td>6.6</td>
</tr>
<tr>
<td>Japan</td>
<td>2</td>
<td>0.6</td>
</tr>
<tr>
<td>Mexico</td>
<td>9</td>
<td>2.6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>17</td>
<td>4.9</td>
</tr>
<tr>
<td>Poland</td>
<td>4</td>
<td>1.2</td>
</tr>
<tr>
<td>Singapore</td>
<td>4</td>
<td>1.2</td>
</tr>
<tr>
<td>Spain</td>
<td>16</td>
<td>4.6</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2</td>
<td>0.6</td>
</tr>
<tr>
<td>Taiwan</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Thailand</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>UK</td>
<td>46</td>
<td>13.3</td>
</tr>
<tr>
<td>US</td>
<td>69</td>
<td>19.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>346</td>
<td>100</td>
</tr>
</tbody>
</table>
business; adopting strategies that capitalize on the unique cultural preferences for particular markets appears to be a better approach.

Finally, the results of this study may give policymakers a better understanding of the role culture, store size and store history play in shaping online consumer behaviour. Differences in pre- and post-purchase behaviour, security and privacy concerns, and methods of dispute resolution as well as values, norms, and traditions may impact the needs and demands of increasingly divergent online consumer markets. For those responsible for the protection of online businesses and consumers as well as the facilitation of information technology, understanding the determinants of eBay e-store success may provide a clearer picture of those factors affecting the success of online retailers in general.

Government initiatives, suited to the local culture, can be used in promoting electronic commerce. The geographic landscape of e-commerce is changing. Foreign consumers are increasingly demanding local content (Gibbs et al. 2003), customized websites, information, and products particular to their individual interests (Ha 2004). Once lacking the necessary technological infrastructure needed to connect their

Table 3. Data included the location of the seller in terms of Hofstede I-C and UA indices, seller history in days, the number of items for sale, the feedback profile of each seller, and the number of successfully completed transactions during the sample period

A. Descriptive statistics of the individualism-collectivism, uncertainty avoidance, size, history, feedback ratings, and items sold of the 84 e-stores in Sample 1.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I-C cultural index</td>
<td>84</td>
<td>17</td>
<td>91</td>
<td>63.02</td>
<td>26.881</td>
</tr>
<tr>
<td>UAI cultural index</td>
<td>84</td>
<td>29</td>
<td>86</td>
<td>55.73</td>
<td>19.944</td>
</tr>
<tr>
<td>Size</td>
<td>84</td>
<td>43</td>
<td>6889</td>
<td>1018.49</td>
<td>1339.339</td>
</tr>
<tr>
<td>History</td>
<td>84</td>
<td>160</td>
<td>2932</td>
<td>1069.92</td>
<td>568.371</td>
</tr>
<tr>
<td>Feedback</td>
<td>84</td>
<td>67</td>
<td>197085</td>
<td>13679.11</td>
<td>32284.047</td>
</tr>
<tr>
<td>Items Sold</td>
<td>84</td>
<td>14</td>
<td>8593</td>
<td>774.61</td>
<td>1511.078</td>
</tr>
</tbody>
</table>

B. Descriptive statistics of the individualism-collectivism, uncertainty avoidance, size, history, feedback ratings, and items sold of the 346 e-stores in Sample 2.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I-C cultural index</td>
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<td>17</td>
<td>91</td>
<td>67.82</td>
<td>24.055</td>
</tr>
<tr>
<td>UAI cultural index</td>
<td>346</td>
<td>8</td>
<td>94</td>
<td>55.82</td>
<td>20.970</td>
</tr>
<tr>
<td>Size</td>
<td>346</td>
<td>2</td>
<td>32409</td>
<td>1005.65</td>
<td>2550.444</td>
</tr>
<tr>
<td>History</td>
<td>346</td>
<td>7</td>
<td>3371</td>
<td>1032.02</td>
<td>651.828</td>
</tr>
<tr>
<td>Feedback</td>
<td>346</td>
<td>3</td>
<td>113098</td>
<td>4802.26</td>
<td>11071.640</td>
</tr>
<tr>
<td>Items sold</td>
<td>346</td>
<td>0</td>
<td>17847</td>
<td>428.53</td>
<td>1139.488</td>
</tr>
</tbody>
</table>

C. Correlations

<table>
<thead>
<tr>
<th>Pearson Correlation</th>
<th>Size</th>
<th>History</th>
<th>I-C cultural index</th>
<th>UA cultural index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>1.0</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>History</td>
<td>.069</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-C cultural index</td>
<td>.043</td>
<td>.361</td>
<td>1.0</td>
<td></td>
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<tr>
<td>UA cultural index</td>
<td>-.324</td>
<td>-.176</td>
<td>.022</td>
<td>1.0</td>
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</table>

D. Correlations

<table>
<thead>
<tr>
<th>Pearson Correlation</th>
<th>Size</th>
<th>History</th>
<th>I-C cultural index</th>
<th>UA cultural index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>History</td>
<td>.087</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-C cultural index</td>
<td>.157</td>
<td>.289</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>UA cultural index</td>
<td>-.205</td>
<td>-.176</td>
<td>-.025</td>
<td>1.0</td>
</tr>
</tbody>
</table>
economies to the World Wide Web, developing countries are making structural improvements, often bypassing obsolete technologies still heavily used in countries like the United States and Canada (Johnson-Page and Thatcher 2001). The policy key for increasing the diffusion and acceptance of electronic markets as a way of doing business is to include culture in a significant way. For example, in high uncertainty avoidance cultures, perceived uncertainty may be the impediment to e-commerce. Policies aimed at protecting the interests of transacting parties or the creation of secure transaction infrastructures would be effective. Similarly, for collectivist cultures, creating an aura of in-group acceptance of e-commerce, may increase its adoption in both developed and developing countries.

Limitations and future research

First, this study examines the effect of culture as determined by the location of the seller, i.e., the e-store. A relationship between the seller’s culture and trust in that seller was hypothesized and supported in this study. Alternative approaches could examine the relation between buyer’s culture and trust in the seller or the effects of cultural alignment between both buyer and seller. Replicating the study using different and larger groups of subjects could only assess whether the results are applicable to other Internet users.

Second, as in Ba and Pavlou’s (2002) study, a limitation was the use of secondary data, which did not allow for the measurement of trust perceptions. Although elements of the written comments that accompanied sellers’ ratings were collected, e.g., location of buyer, dispute resolution, etc., the written comments were not evaluated and used in assessing the degree of buyer trust. Buyers’ comments offer notable information that cannot be captured by simple ratings (Ba and Pavlou 2002). Analysis of written comments may reveal new information about the role of feedback mechanisms. Future research could analyze the role of written comments in determining trust and the relative importance of buyer and seller locations.

Future studies can extend this research in additional ways. For example, research that compares the relative effectiveness of different web strategies across cultures is important because each trust-building mechanism, such as a web strategy, can come with a cost to the user organizations. Results of such research could thus inform organizations operating in different cultures of how their websites could be customized for maximum

Table 4. Regression results (1) between trust (feedback profile) and cultural dimensions (IC, UA), size (number of items for sale), and history (number of days as a registered eBay e-store) and regression results (2) between trust (feedback profile) and sales

<table>
<thead>
<tr>
<th>Regression 1</th>
<th>R² (adjusted)</th>
<th>F-value</th>
<th>B_i</th>
<th>t</th>
<th>Sample 1</th>
<th>R² (adjusted)</th>
<th>F-value</th>
<th>B_i</th>
<th>t</th>
<th>Sample 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>DV Log(P-N)</td>
<td>.403</td>
<td>15.325</td>
<td>.259</td>
<td>2.847</td>
<td>.488</td>
<td>.363</td>
<td>81.975</td>
<td>.363</td>
<td>81.975</td>
<td></td>
</tr>
<tr>
<td>LS-IC</td>
<td>-.191</td>
<td>-2.113</td>
<td>.381</td>
<td>4.122</td>
<td>-.338</td>
<td>-.8519</td>
<td>.335</td>
<td>8.282</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LS-UA</td>
<td>.139</td>
<td>2.169</td>
<td>.193</td>
<td>4.122</td>
<td>.256</td>
<td>.5816</td>
<td>.256</td>
<td>8.282</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Collinearity Statistics

<table>
<thead>
<tr>
<th>Model 2</th>
<th>Tolerance</th>
<th>VIF</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>LS-IC</td>
<td>.849</td>
<td>1.178</td>
<td>.969</td>
<td>1.032</td>
</tr>
<tr>
<td>LS-UA</td>
<td>.859</td>
<td>1.165</td>
<td>.906</td>
<td>1.103</td>
</tr>
<tr>
<td>HistDay</td>
<td>.822</td>
<td>1.216</td>
<td>.886</td>
<td>1.128</td>
</tr>
<tr>
<td>SizeNoAll</td>
<td>.888</td>
<td>1.126</td>
<td>.878</td>
<td>1.139</td>
</tr>
</tbody>
</table>

P-N= positive ratings – negative ratings; a p<0.01, b p<0.05
effectiveness, while due consideration could be given to minimize the associated costs.

While our research examined the success of e-stores, measured by the number of successful transactions completed on eBay, many relevant refinements and extensions beckon. Success can be measured by a high percentage of international transactions or high price premiums. Furthermore, what antecedents influence the success of these e-stores? The antecedents examined in this research include a store’s feedback profile, size and location. Extensions include the examination of product type, product price, payment method and delivery speed. An alternative approach would study the effects of the new or modified trust-building methods available on eBay: the PayPal Buyer Protection Policy, the Buyer Compliant Policy, and eBay’s Standard Purchase Protection Program, together with the Feedback Forum mechanism.

**CONCLUSION**

This research has empirically investigated the impact of culture on the propensity for shopping on the Internet. It demonstrates the need to consider specific cultural dimensions, such as individualism versus collectivism and uncertainty avoidance, as well as to maintain and disseminate positive store attributes, in the design of websites and web strategies to build trust. This may be particularly important for new or relatively new Internet stores, but in such a competitive environment as the e-business market, well-established stores should also recognize the importance of being culturally sensitive.

This research shows that the seller feedback profile strategy is particularly effective for collectivistic consumers. This research highlights the importance of being culturally sensitive. Only by addressing the cultural needs of consumers can Internet merchants achieve their aims of participating in an increasingly global marketplace.

**References**


