

LOOKING BACK TO LOOK FORWARD: BALANCING RELATIONSHIPS AND REVERSE ONLINE AUCTIONS

Sunil Thomas

David T Wilson

ABSTRACT

Traditional economic theory argues for an adversarial relationship between buyers and sellers supporting the use of online reverse auctions but conversely, the work of the IMP Group and many other researchers supports collaborative relationships. Today the challenge of purchasing management becomes how to balance the use of online reverse auctions with collaborative relationships. The challenge for sellers is when and how to respond to an invitation to an online reverse auction. We explore the forces that lead management to either collaborate or use an online auction. To address these challenges we begin with a short review of buyer-seller interactions over the past thirty years. We examine how auctions are used in other venues to set a fair price and note that the difference between standard auctions and online reverse auctions is that a sense of community does not exist for the online auction.

We explore the range of buying situations where either the auction or a collaborative relationship produces the most value for the buyer and seller using models that predict commitment. The impact of online reverse auctions on trust and the creation of structural bonds is discussed. We conclude with suggestions for buyers who are considering using an online reverse auction. Thoughts on how a seller should approach an invitation to an online reverse auction close the paper.

¹Sunil Thomas, Department of Marketing, 701E, BAB, The Smeal College of Business Administration, The Pennsylvania State University, University Park, PA 16802, USA.
Telephone : (814)865-0576 ; Fax : (814)865-3015 ; e-mail : syt103@psu.edu

²David T. Wilson, Alvin H. Clemens Professor Emeritus of Entrepreneurial Studies Department of Marketing, 707D, BAB, The Smeal College of Business Administration, The Pennsylvania State University, University Park, PA 16802, USA.
Telephone : (814)865-2219 ; Fax : (814)865-3015 ; e-mail : dtw@psu.edu