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# The Definition and Determinants of Consumer Online Resale Behavior: An Exploratory Study

**Hsunchi Chu**

*Department of Global Marketing and Logistics, MingDao University*

**Shuling Liao\***

*Department of International Business, Yuan Ze University*

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## ABSTRACT

*More consumers nowadays are acting the role of resellers by taking advantage of online transactions. To unveil this fact, this article draws on a phenomenological study of consumer resale behavior in consumer-to-consumer (C2C) e-commerce. Based on literatures, we first define consumer resale behavior as “products which are resold are purchased “mainly” for self-use, not for resale” to distinguish consumer resale from professional resale. Then we identify three important determinants: product characteristics, individual characteristics and situational factors of consumer online resale behavior and propose relevant propositions for further examination. Finally, we provide conclusions and managerial implications of the findings.*

**Keywords:** Consumer Online Resale, Online Auction, Secondary Market, C2C E-Commerce

## INTRODUCTION

Consumer participating in online resale has been a prevailing and flourishing phenomenon. Consumers as resellers imply that consumer behavior is no longer the same as the traditional consumer behavior of purchase and consumption only. By reselling, consumers exercise a quasi function as a retailer and play the dual roles both as consumers and resellers. Although consumer online resale market is booming, the knowledge about the specificity and meaning of various types of consumer online reselling remains primitive. In particular, the formation of consumer online resale motivation corresponding to different type of online reselling and the possible backward influence of online resale plan on “offline” pre-purchase decision-making are little investigated. One of the possibilities is that consumers may feel less risky to purchase high-price products offline if they are equipped with the skills to resell these products later via online auction. In this case, resalable goods indicate no longer the unrecoverable costs but can be considered as flow assets or an alternative cash account to consumers who master online reselling. The product value or benefit would be deemed differently when the owner is contemplating reselling their possessions. While a vast of prior research has concentrated on online buying behavior or auction mechanisms such as bidding strategies and web assurance (Ariely and Simonson, 2003; Brown and Morgan, 2006; Jap, 2003; Liu, Dixon and Murphy, 2002), we turn to scrutiny the other pivotal function of C2C secondary market as a channel to sell unwanted goods and the underneath resale behavior. To explore the aforementioned phenomenon further, we first review literature and identify the background of consumer resale situations in order to elucidate our

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\* Corresponding Author: Shuling Liao

Email address: ibsliao@saturn.yzu.edu.tw

Phone: + 886 3463 8800 ext. 2684 Fax: + 886 3463 3824

research questions for the nature and representation of consumer resale behavior in C2C e-commerce market and the possible implications for researchers and marketers. Next, we define consumer online resale in order to provide a clear scope of related research. In addition, we identify determinants of consumer online resale and propose relevant propositions. Finally, we present the conclusions and implications of the research.

## **THE ROLE OF CONSUMER AS RESELLER**

As much of the research in consumer behavior has focused on the acquisition phase, the disposition process has received relatively less attention (Mowen, 1995; Lastovicka and Fernandex, 2005; Rassuli and Harrell, 1990). Jacoby, Berning and Dietvorst (1977) in the first research about consumer disposition developed a conceptual taxonomy for describing consumer disposition behavior and classified resale as one of the disposition choices. Following Jacoby's research, Hanson (1980) developed an explanatory model of several salient factors involved in the disposition decision process. Harrell and McConocha (1992) explored further and conducted a field study to discover how consumer characteristics are related to the selection of several important disposition options. Jacoby et al. (1977) suggested for future research in their article that consumer disposition patterns would vary over time.

With the availability of C2C e-commerce in the Internet era, the resale pattern of consumer disposition is now not only more significant, the behavior is also more sophisticated. Mowen (1995) noted that disposition phase refers to what consumers do with a product once they "have completed using it." But today, consumers may resell unused or not completely used goods through the Internet to gain profit or recover partial payment by taking the benefit of lower transaction cost than what is been charged in traditional used market. Paden and Stell (2005) reported in their study that new formats for product redistribution are emerging and evolving, thus; consumers have more options to dispose unwanted possessions. The most important emerging disposition channel is doubtlessly the Internet via online auctions.

Consumer sellers in the secondary market, such as garage sale and flea market, have a wide range of resale styles and motivations, from periodical housecleaning, socializing to profit making and cash generation (Belk, 1988; Cameron and Galloway, 2005; Herrmann, 1997; Herrmann, 2006; Herrmann and Soiffer, 1984; Sherry, 1990). Herrmann and Soiffer (1984) classified sellers in garage sales into ten types. "Dabblers" are the type of sellers who are trying out the garage sale experience for the first time. They reckon reselling unwanted items in a garage sale as fun events and enjoy the social contacts it creates. "Regulars" are people who have internalized the notion that they will regularly dispose of unneeded household items in this way. The largest group of sellers is so-called "housecleaners" who dispose of unwanted items from home. Additional to "housecleaners", Hermann and Soiffer also categorized "Spring housecleaners" as individuals with growing-up children who need to create space, and "life-passage sellers" who dispose of items in order to mark a particular life passage, such as the growth of their youngest children. In sum, consumers resell for making a profit, clearing house, avoidance of waste or simply for fun.

## **DEFINING CONSUMER ONLINE RESALE**

Like flea markets and garage sales, a variety of sellers participate in C2C online resale. An important task in the current study is to distinguish "consumer resale" from "professional resale". As noted before, a reseller can conduct different types of transactions. One can repetitively sell the same products in bulk as a retailer and post used DVDs on the same page as a consumer disposing of unwanted items. Under this

situation, the products constantly sold can be seen as “professional resale”, while the sale of second-hand DVDs is a “consumer resale”. Belk, Sherry and Wallendorf (1988) compared full-time professional sellers in flea markets to those of amateurs, and found that the personal inventories of used goods held by amateurs were the primary supply source. Some of these amateur resellers may be frequent sellers at a flea market or garage sale, but lack the time, money, or commitment to develop better sources of supply and display facilities (Belk et al., 1988). Thus, we define consumer resale as *Products which are resold are purchased “mainly” for self-use, not for resale.*

In a professional resale, sellers will repetitively sell the same products with a constant supply, and will manage items and inventory to maximize profit. Self-use is not a sourcing criteria for a professional reseller. On the contrary, in a consumer resale, sellers do not source for resale and their resale products are limited to personal use items, both in variety and quantity. Even consumer resellers are satisfied with the resale; they will not repurchase the same items for resale in order to pursue more profit. Here, we do not categorize the resale by the seller’s resale experience or frequency, but by the motivation of sourcing in each resale. Consumer resellers may have more resale experience than professional sellers, but still act as consumers because their motive is not maximizing profit. Consumer resellers’ behavior can be very different from professional sellers. For example, consumer resellers have no commitment to take risk of holding inventory and product depreciation; therefore, they only purchase self-use items in small quantities. Usually, consumer resellers care less about the failure of a resale since they can use unsold items themselves. However, we have to clarify that consumer resellers are distributors, not manufacturers. Sellers offering home-made cookies on eBay are actually professional sellers by our definition. According to the current definitions, all resellers on C2C online auctions can be categorized into three types (see Table 1). In the study, we exclude “professional resellers” completely and only focus on consumer resale performed either by “consumer resellers” or “mixed role resellers”.

**Table 1.** Definition of C2C online resellers

<i>C2C online reseller type</i>	<i>Definition</i>
<i>Professional Resellers</i>	<i>Resellers only perform “professional resale”</i>
<i>Mixed Role Resellers</i>	<i>Resellers perform “professional resale” and “consumer resale” simultaneously</i>
<i>Consumer Resellers</i>	<i>Resellers only perform “consumer resale”</i>

## **DETERMINANTS OF CONSUMER ONLINE RESALE**

Jacoby et al. (1977) suggested that the factors influencing consumer disposition choices can be grouped into three categories: psychological characteristics of the decision maker, factors intrinsic to the product, and situational factors extrinsic to the product. Further, Jacoby et al. conducted a survey using six different types of products to examine the consumer disposition choices and the relationship between disposition modes and product attributes. The results show that products of higher value, such as stereo amplifiers and refrigerators, would be sold more often than lower-value products. Similarly, Hanson (1980), in his research of disposition process, proposed personal factors, situational factors and product factors as the three factors that could affect consumer disposition decisions. In another study, Paden and Stell (2005) expanded the model and suggested that four more factors should be considered when studying consumer disposition and the selection of product disposition channels, namely, “knowledge/experience with

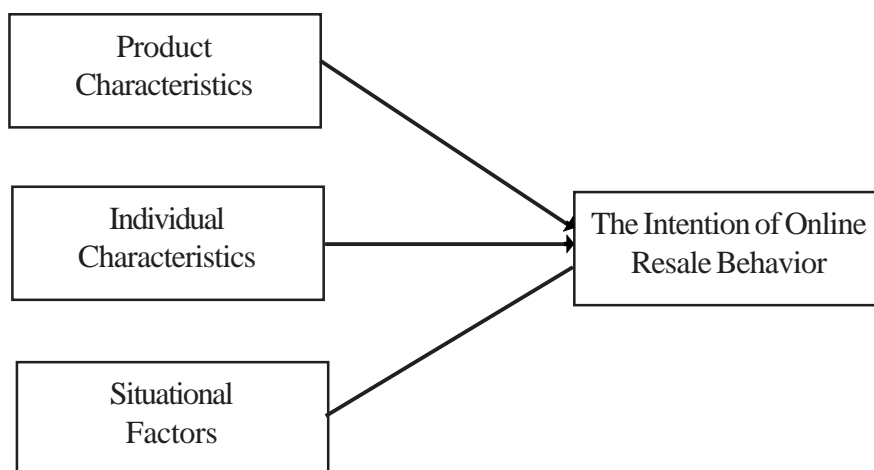
redistribution," "availability/access of redistribution channels," "perceived costs and benefits of redistribution" and "social norms and referent influence." Even though these studies are primarily concerned with consumer disposition rather than online resale behavior, such studies have elucidated important factors which may affect consumer resale decisions. In summary, we propose three groups of factors that may influence consumer choice of online resale (see Figure 1). The three groups are as follows:

1) *Product characteristics*: product value, salvage value, preservation condition, brand of product, product type (e.g., convenience goods, shopping goods, or specialty goods), size of product, innovation speed of product, and difficulty of returning goods.

2) *Individual characteristics*: economic motives, personality (e.g., thriftiness, guilt of waste), knowledge/experience of online resale, emotional factors (e.g., resale for achievement, fun or socializing reasons), attitudes toward resale, social norms and interpersonal influences.

3) *Situational factors*: unexpected conditions (e.g., receiving an unwanted gift, moving to a new home, urgently-needed products, fashion changes), timing (spring cleansing, student graduation).

**Figure 1.** Factors influencing online resale behavior



### **Product Characteristics and Online Resale Behavior**

Several product characteristics such as value, pricing and product-returning features may influence consumer online resale behavior. Products of low value, like convenience goods, are usually not worth the effort to list for resale because. No matter what is sold, transactional costs (e.g., listing fees, commission fees, and packaging and shipping costs) occur, which need to be paid either by sellers or buyers and increase the price well beyond the value of the product. The higher the product's value, the more motivated consumers may be to resell in online C2C auctions because they can recover more money. Some consumers even plan a resale before purchasing a high-price product. A product with high price fluctuation among different stores easily becomes a target for a resale in that resellers have high return in trading these products. Non-returnable goods are also frequently resold on online C2C auction sites for obvious reason of strict return policy. Therefore we offer the following propositions to link the product characteristics to online resale.

*P1a: When buying a new product, products of higher value are more likely to drive consumers to perform online resale.*

*P1b: Products of higher price discrepancy among channels are more likely to be resold online.*

*P1c: Products that are more difficult to return are more likely to be resold by online.*

### **Individual Characteristics and Online Resale Behavior**

Many individual seller characteristics would influence online resale behavior. For example, a need or desire for financial gain or cash recovery drives consumers to learn how to resell on C2C auction sites. Some experienced resellers economic motivations may drive them to perform online resale under the risk of potential undesirable resale outcome. However, to some resellers, emotions, not monetary gain, is their main concern; guilt out of waste, for example, drives them to resell online. On the other hand, some consumers resell online just for fun, for a sense of achievement or out of curiosity. Degrees of computer expertise can also lead to different intention of online resale. Also, many consumers use online auctions to resell products which are purchased at impulse. Thus, we posit that consumers of various individual characteristics incline to perform different types of online resale behavior.

*P 2a: Consumers with stronger economic motivation to resell will be more likely to conduct online resale.*

*P2b: Consumers have more knowledge/experiences of online C2C auctions will be more likely to conduct online resale.*

*P2c: Consumers who more easily buy at impulse will be more likely to conduct online resale.*

### **Situational Factors and Online Resale Behavior**

Temporary or short-term circumstance may refer to the situation that a product has fulfilled its designated function and is no longer of use to consumers (Paden and Stell, 2005). Oftentimes, unplanned resale occurs due to unexpected situations that induce consumers to dispose of certain products. For instance, a consumer might want to resell his old cell phone after he received a new one as a gift, or a consumer might wish to resell an electronic device bought in a country where electric voltage is different from that used domestically.

*P 3a: The higher chance to have unexpected situations of product consumption, the higher possibility consumers will perform online resale.*

*P 3b: Consumers who receive unwanted gifts more often is more likely to conduct online resale.*

### **CONCLUSIONS**

The definition and conceptual model of consumer online resale conceives a preliminary perspective of consumer online resale. Our study has introduced a useful framework to analyze consumer online resale behavior and offers insights regarding online resale phenomena. The determinants identified in our study show the Internet not only changes business models but may also dramatically changes consumer purchase and consumption behavior. Durable goods are no longer considered unrecoverable, but can be considered

as liquid assets or acceptable accounts for consumers who have mastered online reselling. Therefore, consumers may redefine the value of products once they have an intention to resell; that is, consumers will continuously compare three values: the value brought by continuously using the products, the value of holding cash earned by reselling the product, and the value of using the earned cash to purchase new products. Once the latter two values are higher than the former, consumers may decide to conduct online reselling.

The model developed in this study is a first step toward an understanding of consumer online resale behavior. Clearly, future research can start with the empirical test of the proposed relationships in our conceptual model and propositions. Each of the major antecedent factors should be examined to ascertain the strength and nature of the relationship between the antecedent and consumer online resale behavior.

## **MANAGERIAL IMPLICATIONS**

Marketers should be aware of the changes that the online secondary market has brought for the potential link between the new product market and the secondary market (Purohit, 1992; Zhao and Jagpal, 2006). While the speculated cannibalization effect predicts that the C2C online auction market may steal some sales from retailers, online auction sites that resell consumers' unwanted goods may actually carry over and lead to more new product sales from retailers (Paden and Stell, 2005). In particular in the "resale of extra purchase" type of reselling, those who shop in stores can pass on and sell the extra units of products to those whom prefer to shop online. The other three types of consumer online resale can also bring consumers the cash to recover part of the original purchase payment, which could encourage consumers to buy more new products from retailers, in turn enhancing retail sales (Paden and Stell, 2005). Moreover, "unintentional resale" and "resale after temporary ownership" types of online resale might act as a useful vehicle by which to reduce purchase risks to some buyers, allowing consumers to spend less time evaluating product information and, therefore, to purchase more new goods. Hence, the possible positive or negative impact of the online secondary market on consumers and retailers deserves further examination in future research.

When more and more consumers sell used goods, it becomes easier for other consumers to purchase secondhand goods. A new consumer segment made up of those who prefer to purchase lower-priced used goods may form, if it hasn't already. Marketers must examine the differences and correspondent roles between the used goods segment and new-product purchasers. In our taxonomy, consumers who resell after temporary ownership may be in the segment of consumers who always purchase the newest and latest style of products, reselling them later in online secondary market. Another pool of consumers—those who always purchase secondhand products online for economic reasons—may have discovered the online resale market, which has expanded their avenues for purchase beyond the corner thrift shop. Marketers should pay special attention to these two groups of consumers because developing new products or implementing different strategies for each segment may create more sales than focusing only on new-product markets. For new product marketers, claiming in advertising that products have better secondary resale value may attract more consumers who plan to resell after owning the product a while, thereby boosting new-product sales. Similarly, providing new products with longer guarantee periods or service following resale may also appeal to consumers. The more efficient the information flow on the Internet and the lower the cost to resell products online, the faster consumer behavior will change. Researchers and marketers ignore these changes at their peril.

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**Author(s) Information:**

**Hsunchi Chu** is Associate Professor in Department of Global Marketing and Logistics, MingDao University, TAIWAN. He has researched and published more than 10 refereed articles in the fields of e-commerce, consumer behavior, and services marketing. E-mail: [S939606@gmail.com](mailto:S939606@gmail.com)

**Shuling Liao** received her Ph.D. in consumer sciences and retailing from Purdue University and is Associate Professor of Marketing in Dept. of International Business, Yuan Ze University. She has researched and published two textbooks in the fields of retailing and consumer behavior and more than 25 refereed articles in the fields of consumer behavior, retailing, international marketing, e-commerce, and services marketing. She is teaching and supervising doctoral students in marketing. E-mail: [ibsliao@saturn.yzu.edu.tw](mailto:ibsliao@saturn.yzu.edu.tw)