Trade Me: The Building of an Offline Community

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Abstract

In a nation of just over four million people, New Zealand's *Trade Me* auction site is an electronic marketing phenomenon, with more than two million registered members. In-depth qualitative interviews are conducted with a sample of regular users of *Trade Me*, to explore the importance of online community to users. The research points to the existence of a *Trade Me* community in which the strongest bonds and interactions occur offline, not online. The research suggests that the building on ongoing business relationships between *Trade Me* buyers and sellers is also a common phenomenon. Implications of these findings for marketers are discussed.

Keywords: Online auction, C2C marketplace, community

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Introduction

An online consumer-to-consumer (C2C) auction site is a website that acts as a C2C marketplace, bringing together buyers and sellers who are typically end-consumers (Turban & King, 2003). *Trade Me* is New Zealand's leading online C2C auction site, and holds a near-monopolistic position in the market. In a nation of just four million people, this auction site has 2.5 million members. At any one time there can be as many as 1.5 million *Trade Me* auctions operating and 100,000 consumers online, on the auction site (TradeMe, 2010).

Consumer-to-consumer trading of goods has a long history. For centuries, consumers have exchanged goods in village and town marketplaces (Belk, Sherry, & Wallendorf, 1988). Examples of modern-day C2C marketplaces include flea markets, swap meets, garage sales, auction houses, and the use of classified newspaper advertisements (Belk et al., 1988; Lastovicka & Fernandez, 2005; Nissanoff, 2006; Sherry, 1990). C2C marketplaces are highly sociable environments (Sherry, 1990). They are places of social interaction, which foster a sense of community and "we-ness" amongst the parties involved (Belk et al., 1988; Herrmann, 2006; Lastovicka & Fernandez, 2005).

Communities form around persons who share a neighbourhood, an occupation, a leisure pursuit, or devotion for a brand. Communities interact face-to-face, electronically or via the mass media (McAlexander, Schouten, & Koenig, 2002). Marketing research into communities has tended to focus on brand communities. According to Muniz and O'Guinn (2001, p. 412), a brand community is "a specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand". Members of a brand community have a shared consciousness of their membership, enact rituals and traditions such as telling stories about shared experiences of the brand, and have a sense of moral obligation such as helping other community members in their consumption of the brand. Brand communities create value for their members through social networking, creating favourable impressions of the brand and community, reinforcing members' engagement in the community, and promoting practices that enhance brand use (Schau, Muniz, & Arnould, 2009).

Just as other C2C marketplaces represent communities, C2C online auctions may represent *virtual* communities. The term virtual community was coined by Rheingold (2005) to describe, "social aggregations that emerge from the net when enough people carry on … public discussions long enough, with sufficient human feeling, to form webs of personal relationships in cyberspace" (p. 521). The purpose of a virtual community can range from enjoyment and the playing out of fantasies, to information sharing and knowledge building, to building relationships and conducting transactions (Armstrong & Hagel, 1996). The benefits derived from participation in an online community include both access to utilitarian resources and social benefits such as the pleasures of human contact and social approval (Chan & Li, 2010).

A feature of *Trade Me* that may promote the formation of online communities is the Message Board facility (TradeMe, 2008). Here members can join in ongoing discussions by posting their questions, answers and comments on a wide range of topics including, books, collecting,

computer games, crafts and hobbies, farming, gardening, parenting, pets, recipes, sports, and travel.

Virtual communities appear important to the success of some auction websites, including the *Taobao* site in China (Chen, Zhang, Yuan, & Huang, 2007). In the electronic marketplace in China, where comprehensive law enforcement is lacking, the authors attribute the success of *Taobao* to the priority placed on building virtual communities and trust amongst members. Thus, we might expect that virtual community is important to consumers in all online auction sites. The aim of this research is to explore the importance of online communities for users of *Trade Me*.

Methods

An interview guide was prepared to explore *Trade Me* buyer motives, including the desire to belong to a virtual community. A pilot interview was conducted to test the interview guide. The interview guide was then used in a series of semi-structured interviews (Bryman & Bell, 2003; Robson, 1993). Interviewees were asked about usage of the auction site, reasons for visiting the site, and items bought and sold. Further questions probed daily experiences with use of the website, perceived utility and benefits from website usage, and participation in the virtual community.

The research was conducted with regular users of *Trade Me*. Interviews were conducted at interviewees' places of work, homes, or cafes. A total of twenty interviews, 19 one-to-one and one group interview, were conducted. Each interview lasted up to 65 minutes, and was audio recorded. Each interview was fully transcribed. An independent professional transcriber was employed, to add an additional layer of objectivity to the research process (Taylor & Bogdan, 1998). In addition, follow-up questions were sent by email and answered by three of the interviewees.

Purposive sampling procedures were employed to seek variation in those variables likely to impact on buyers' motives for use of the online auction site: gender, age and occupation. Respondents varied in age from their twenties to their sixties; occupations included students, housewives, managers and consultants. All interviewees had been regular users of online auction sites for at least 12 months, and in one instance, for more than ten years. Amongst the buyers interviewed, considerable variation was observed in the history and frequency of use of online auctions, and the intensity of emotions experienced in interaction with auction sites. Some interviewees were heavy users and visited auctions sites daily; others were light users.

The dataset for the study comprises of the transcripts of twenty interviews and three items of email correspondence, a total of 148,000 words. NVivo 8 qualitative data analysis software was used to assist in coding the data (QSR-International, 2008). The researcher first read through each transcript carefully, to become familiar with each interview, before proceeding to coding of the data (Warren & Karner, 2005). Coding proceeded in a 'bottom-up' manner rather than a 'top-down' manner, that is, codes were not predetermined (Braun & Clarke, 2006). Each line of interview data was examined for relevant ideas and observations. Each unique idea or observation was assigned a unique code. In this way, the codes emerged from the data rather than being imposed upon the dataset (Glaser & Strauss, 1967).

A second independent coder checked the reliability of coding. Both coders were provided with the transcript of one interview and a description of the codes employed in the research, and asked to independently code the transcript. Inter-coder reliability was assessed using the

formula developed by Perreault and Leigh (1989). The Perreault and Leigh score of I = 0.928 indicates a high degree of reliability in coding. This paper presents findings related to the 'virtual community', 'community in the physical world' and 'business relationships' codes.

Findings

Past research suggests that the desire to belong to a virtual community might be an important element in buyer use of online auction sites. Further, the message board facility of *Trade Me* might promote the formation of virtual communities.

In contrast to this suggestion, none of the buyers interviewed is active on the *Trade Me* message board. Many are not even aware that the message board exists. Others are aware it exists but have never visited. Still others have a negative impression of the community message board and choose not to visit it. One interviewee commented that if he wanted to be part of an online community he would much rather visit *Facebook*, the social networking site. Although the *Trade Me* message board has dozens of discussion threads, the buyers interviewed are not participants. It appears that the opportunity to join a virtual community is not a motive for use of the auction site by the people interviewed. This issue could be researched further to determine if the participants in *Trade Me*'s message board are a distinct group from the active buyers on the auction site.

Though the interviewees have not joined the virtual community of the *Trade Me* message board, many buyers have joined a community as a result of participating in the online auction. The interviews reveal a very different and unexpected community amongst *Trade Me* buyers, an offline community.

The research finds that substantial social contact between buyer and seller commences when the auction *finishes*. The procedure of a *Trade Me* auction requires the winner of the auction (the buyer) and the seller to communicate with each other. After the auction finishes, the *Trade Me* site reveals email addresses of the buyer and seller, to the buyer and seller. They then communicate with each other by phone, text message, or email to arrange payment and delivery of the goods. On occasions, the buyer and seller meet physically to exchange goods for payment.

> Once you buy something you have you know some communication with the seller, and you generally go and meet the seller if you're picking up an item. And um yes, it's often quite a pleasant social experience. (Female, 35-39 years)

> If it's in Auckland I might go and collect it. They're all very pleasant ... it is almost like a *Trade Me* community, you know. (Female, 50-54 years)

Buyers speak at length of the enjoyment they experience in meeting sellers for the first time. They speak of how pleasant and friendly sellers can be. Buyers enjoy socialising with sellers. Some contrast this experience to the impersonal experience of online shopping, where there is no human contact. Sometimes they strike up friendships with the sellers.

> I think it only becomes real when you have completed a sale and then you start entering into negotiations about how to pay, where you live, posting, collecting, what time suits. And then it often goes from the computer to phone, or the computer to the cell, text messages. So then it becomes much more engaging and personal. At that sort

> of virtual phase there's not a lot of human contact there, no face-to-face, no voice. As soon as it steps out of that then it becomes much more engaging. (Female, 35-39 years)

Related to the building of social contacts between buyers and sellers, the interviews reveal that a number of business relationships are established as a result of participating in *Trade Me*. Buyers relate incidents where they meet with a seller for the first time. A number of things about this initial contact with the seller can be satisfying. The item on sale is of good quality, or closely matches the buyer's needs, or is difficult to obtain elsewhere. Interaction with the seller is a pleasant social experience. The buyer finds the seller to be particularly helpful and professional to deal with. Or, the seller offers to sell other items of interest to the buyer at a good price. These experiences encourage the buyer to maintain contact with this seller. The seller's name, telephone number, or email address may be saved for future reference. When the buyer considers purchasing a similar item again in future, the name of the buyer is recalled. Sellers may encourage continued contact by suggesting the buyer telephones them directly in future, or sellers send out emails to their favoured buyers offering them first call on rare items. In these ways, business relationships are developed. Sometimes these business relationships operate through the *Trade Me* website. At other times, business relationships continue outside of *Trade Me*, whereby buyers and sellers continue to trade with one another directly, outside of the auction site.

Discussion

It had been suggested that the formation of an online community is one of the motives for buyer use of online auction sites. The evidence from this study suggests that a *Trade Me* community does exist, but it exists offline. Previous research has not discussed the existence of an offline community amongst auction users. The research finds that *Trade Me* buyers enjoy meeting sellers and sometimes socialise with them. Friendship bonds and business relationships build outside of the *Trade Me* website. The evidence points to the existence of a *Trade Me* community in which the strongest bonds and human interactions occur offline. The social exchanges of auction buyers and sellers outside the auction site are similar to the social exchanges that occur at other C2C marketplaces (Belk et al., 1988; Sherry, 1990). Such exchanges include the pleasures of social bonding with strangers in an atmosphere of mutual trust (Cook, 2005).

This research finds that the building of on-going business relationships is probably quite common for *Trade Me* buyers. What previous researchers have failed to recognise is that, while on-going relationships are unlikely on the auction website, participation in the online auction frequently prompts the building of business relationships outside the auction site. Buyers and sellers initially find each other on the auction site. Provided the transaction experience is favourable, the two parties may undertake further transactions outside of the auction site.

This fostering of ongoing business relationships may in part be a result of the *Trade Me* community being limited to a single, small, geographically constrained national population of users. *Trade Me* is now part of daily life in New Zealand society. Something about the auction site is appealing to consumers. Many of the buyers interviewed display sentiments of loyalty towards the *Trade Me* company. They prefer to use the *Trade Me* auction site rather than an international auction site such as *eBay*. Buyers feel more secure dealing with a

community of buyers and sellers who are New Zealanders, who live only at most a few hundred kilometres away. They feel less secure dealing with international sellers.

The research has a number of implications for businesses that wish to sell products to consumers through an online auction. Business relationships are more likely to develop if the seller provides the buyer with a satisfying initial transaction, and if the seller addresses buyer questions and concerns promptly and obligingly. Friendly social interactions are valued by buyers. Sellers should be prompt at closing a deal, and prompt and efficient in delivering product to their buyers (Chia-Hui & Hsi-Peng, 2008; Finch & Huang, 2009).

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