



Management and Marketing *Public Webinar*

Manipulation for Competition: Agency Pricing in the Presence of Quality Misrepresentation



Hsing Kenneth Cheng

John B. Higdon Eminent Scholar and Department Chair
Department of Information Systems and Operations Management
Warrington College of Business
University of Florida

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Time: 09:00 – 10:30 a.m. (Public lecture)
10:30 – 11:00 a.m. (Q&A session)

Venue: Online via Zoom

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Dr Hsing Kenneth Cheng is the John B. Higdon Eminent Scholar and Department Chair of Department of Information Systems and Operations Management, Warrington College of Business at the University of Florida. Dr. Cheng's research interests focus on analyzing the impact of Internet technology on software development and marketing, and information systems policy issues. He was ranked 20th (for the period of 2009-2011), 16th (2010-2012), and 32nd (2015-2020) among the world's top-100 researchers in information systems based on publications in the top three information systems journals. Dr Cheng has co-edited several special issues in various information systems journals, and served as an Associate Editor of *Information Systems Research* for 2011-2014. He is currently an Associate Editor of *Decision Sciences*, and Senior Editor of *Journal of the Association for Information Systems*, and *Information Systems and e-Business Management*. He has served on the program committee of many information systems conferences and workshops, and was a program co-chair for the Workshop on E-Business (2003, 2012), and Taiwan Summer Workshop on Information Management (2013, 2018).

Abstract

On e-commerce platforms, consumers rely heavily on online product reviews, sales volume, number of product page visits, and social media discussions to infer product quality. As a result, the past decade has witnessed an explosive growth of seller-initiated misrepresentation of quality through fake reviews, fake sales volume, and fake clicks, all used to manipulate consumers' quality perception of products. In this study, we develop an analytical model to investigate sellers' quality misrepresentation decisions under the agency pricing regime. The platform can use two strategies to discourage sellers' quality misrepresentations: increasing the cost of misrepresentation and implementing a more lenient product return policy. We find that while a stricter anti-misrepresentation strategy can deter the misrepresentation level of the high-quality seller, such strategy may unintentionally incentivize the low-quality seller to conduct more quality misrepresentation. Further, increasing return leniency can deter low-quality seller's quality misrepresentation level in a wider range of market conditions than increasing the misrepresentation cost. Finally, the platform can decide the anti-misrepresentation strategies and the strength of these strategies based on its specific objective. The findings demonstrate the necessity of evaluating anti-misrepresentation strategies in a competitive setting.