2008-01-25

PRESS RELEASE

Some evidence on late bidding in eBay auctions
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NBB Working Paper No 126 - Research Series

Bidding in the last minutes or seconds of an auction is a common strategy pursued in online auctions with fixed end-times. Using a unique data set collected from eBay, this paper examines three hypotheses of late bidding that were suggested in the literature.

First, the paper finds no indication that late bidding could lead to collusive gains for bidders. In other words, prices in auctions with late bids and without late bids are statistically identical, all else equal. The result holds for all considered product categories as long as they form a homogenous group.

Another hypothesis claims that late bidding is a strategic response to multiple bidding as it does not leave enough time to the incremental bidder to respond (i.e. bid again). Indeed, the results show that the presence of a bidder or bidders submitting multiple bids in one auction shortens ceteris paribus the time between the last bid and the end of the auction by more than 60 percent. In addition, the paper suggests that the fear of multiple bidding can be as important a cause of late bidding as incremental bidding itself.

Finally, late bidding might be an optimal strategy for experts who want to protect their private information concerning the value of the item on sale. If only experts can recognise the true resale value of the auctioned item (e.g. antiques), then their early bid might be a signal for other bidders to closely examine the item and possibly bid. This is confirmed in the paper by showing that experts are the last to bid, all else equal. On the other hand, collectors are the first to submit their bids. Late bidding might be too risky for collectors because if their bid arrives after the end of the auction, they must wait a relatively long time for another auction for the same item. The results also show that as bidders become more familiar with eBay rules, they tend to bid slightly earlier.

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