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# Internet Auctions and Time – Does the Race Against Minute Limits Influence the Auction Outcome?

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## **This presentation deals primarily with Internet usage taking the technological design and infrastructure for granted**

The Internet has changed the sources of making business,  
our way of making business  
and the form as well as package of many products  
in many ways

- Physical products are shipped “all over”
- Digital products are “shipped” over the Internet (legally and illegally)
- Increases use of private “classified” adds
- And, of special interest here,  
increased use of both commercial and private on-line auctions





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One major player here is



an online auction and shopping website in which people and businesses buy and sell a goods and services worldwide

15 500 employees in 2008  
Revenue \$8.727 billion in 2009  
Net Income \$2.389 billion in 2009

Other companies using online auctions:

Allegro, Apex auctions, Auctionair, Bidorbuy, Bidtopia, The Debt Exchange, eBid, GunBroker.com, Heritage Auction, Galleries, Hobby Markets Online, Lixtor, Manion's, MercadoLibre.com, Mission Capital Advisors, Overstock.com, Oztion, Prosper.com, Priceline.com, SalvageSale, Inc., SellCent.com, Swoopo, Up4Sale.co.nz, Up4Sale, TradeMe, Tradus, uBid, uShip, Yahoo!



# What is this thing ?

- Echo Bay Technology Group... ~~echobay.com~~.... Echo Bay Mines... **eBay.com**
- Laser pointer for \$14.83. "I'm a collector of broken laser pointers".
- A brussels sprout cooked on Christmas Day (2005) sold for £99.50 on 4 January 2006.
- A Chinese businessman named Zhang Cheng bought a former Czech Air Force MIG-21 fighter jet from a seller in the United States for \$24,730. The seller, "inkgirle", refused to ship it. It is not known whether he was refunded on eBay.
- A Volkswagen Golf that had previously been registered to Joseph Ratzinger was sold on eBay's German site for €188,938.88 (\$277,171.12 USD), in 2005.
- A partially eaten, 10-year-old grilled cheese sandwich said to bear the image of the Virgin Mary sold on eBay for \$28,000.



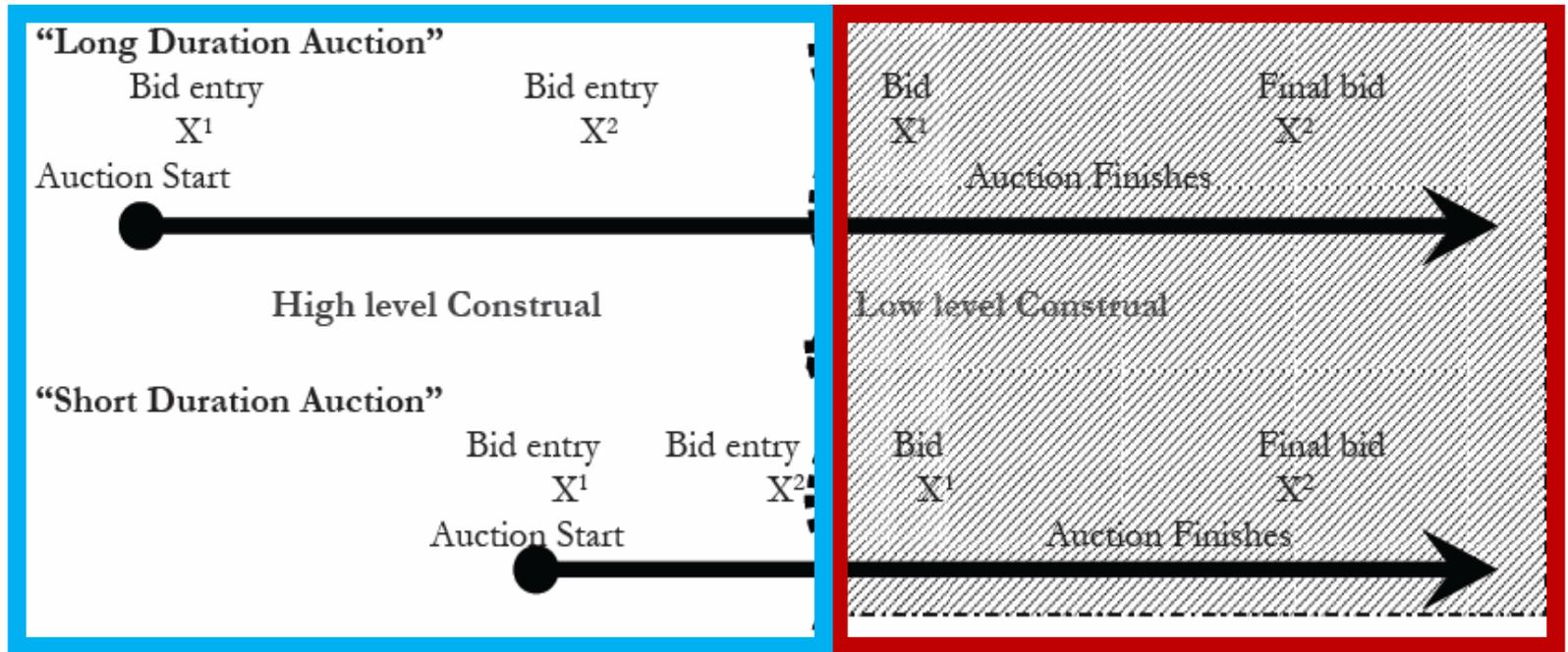
# Theoretical background

- In the vein of **Consumer Research** (more specifically economic psychology).
- A specific interest in **Rational** and/or **Irrational** behavior in e-auctions.
- **Temporal Dimension** of rationality (**Construal Level Theory**, high/low level construals. Trope and Liberman, 2003).
- **Cold** or **Hot** processes (Metcalf and Mischel, 1999, Loewenstein et al. 2001, Peters et al. 2006)
- **Is it easier to be rational when there is a lot of time?**



# Overview of Auction Setting

Figure 1. An overview of the online auction setting.





# Research Questions

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- **R1:** The number of bids in auctions are equal for short and long auctions (based on a median split of the data set)
- **R2:** The number of bidders in auctions are equal for long as well as for short auctions.
- **R3:** The final bid is independent on the predetermined time frame of the auction.





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# Data

- Two different types of purchases were monitored- gift-vouchers and concert tickets.
- A total of 178 auctions were gathered (70 gift vouchers and 108 concert tickets). Pre-analysis excluding auction with less than 5 bidders resulting in 119 auction (51 gift vouchers and 68 concert tickets).
- Four different variables were used from the auctions; the ***number of bids*** (since bidders usually place more than one bid) the ***number of unique bidders***, ***duration of the bidding frequency*** (the difference between the first and the final bid) as well as the ***value of the purchases*** (the requested price divided by the final bid) were calculated.



# Results

Table 1. Number of auctions, mean of number of bids, mean of unique bidders, mean duration and value in respective object category.

	Number of auctions	Average number of bids per Auction	Average number of unique bidders per auction	Average duration of auctions in minutes	Price/Face value
Gift vouchers	51	16.00	8.16	9396.29	0.76
Concert tickets	68	16.42	6.84	7352.95	3.08
Total	119	16.24	7.40	8228.67	1.76

Table 2. Test of mean difference of bids per auction and unique bidders per auction.

	Long (58)	Short (61)	Mean difference	Standard error of difference	95% confidence limits	
	Mean	Mean			Lower	Upper
Bids per Auction	16.683	15.797	0.8867	1.2843	-1.66	3.43
Unique bidders per auction	7.017	7.797	-0.7799	0.4461	-1.66	0.10



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# Regression

$$B = AT^{\alpha}V^{\beta}D^{\gamma}$$

Table 3. Regression result.

Variable	Estimated coefficient	t-ratio
Constant ( $\alpha$ )	1.7	3.1
Time ( $\beta$ )	-0.12	-1.9
Value ( $\beta$ )	0.88	21.9
Dummy ( $\gamma$ )	1.23	5.85





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# Conclusions

- The length of the auction doesn't influence the number of bids or the number of bidders.
- the winning bid in the surveyed auctions revealed a higher final value as the auction time decreased.

the auction time has an adverse effect on the fulfillment of value. Thus it seems as if consumers face difficulties when attaining rationality since they are prone to pay more for similar products when the time in the auction is short.

