

Overlapping Liquidation Auctions: Empirical Characterization of Bidder Strategies and Auction Prices

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Online auctions enable market-level interactions or interdependency of outcomes, which were not observed in physical auctions. One such set of interactions takes place when multiple auctions are conducted to sell identical items by an identical seller in an overlapping manner. This research focuses on overlapping auctions, their interactions, and the related impact on bidder behavior. We introduce the notion of auction “overlap” and examine the impact of market-level factors such as the price information revealed from prior auctions, degree of overlap, the auction format, and the overall market supply on a given auction’s price. Despite a competitive setting, we find that, *ceteris paribus*, English auctions, on average, extract roughly 8.6 percent more revenue per unit than multiunit uniform-price Dutch auctions. We discover that the overlapping auctions attract institutional bidders, who bid in a participatory manner across multiple auctions, and that such bidders exert a downward pressure on auction prices. We find that overlap of an auction with other competing auctions has a significant negative influence on prices, and information about following auctions has a stronger negative influence than information about prior closing auctions. By estimating the expected price difference, we provide practitioners, who have private knowledge of their internal holding costs, a benchmark that can be used in deciding between using overlapping single-unit English auctions and multiunit Dutch auctions.

*To read the Full paper, please contact Arun_Kumar@isb.edu