Bid Sniping

Danny Loffredo
11/28/2006
• Item of unknown common value
  – Signals drawn from a Gaussian centered on the object’s value

• Auction 1:
  – Hard-close after 1 minute

• Auction 2:
  – 1 minute auction, auto-extend for 5 seconds

• Expected impact on seller’s revenue?
• Sniping vs. Demand Reduction
  – Demand Reduction: splitting goods amongst bidders to remove bidding wars
• Sniping vs. Demand Reduction
  – Demand Reduction: splitting goods amongst bidders to remove bidding wars

• Scenario:
  – Two buyers with equal item valuation
  – Proxy bidding vs. sniping
• Sniping vs. Demand Reduction
  – Demand Reduction: splitting goods amongst bidders to remove bidding wars

• Scenario:
  – Two buyers with equal item valuation
  – Proxy bidding vs. sniping

• Sniping = Value Reduction?
• Is sniping ever beneficial to sellers?
• Is sniping ever beneficial to sellers?
  – **Linkage principle**: Seller revenue increases as more information about the item is revealed to buyers

• Techniques to remove sniping
  – Activity rules (FCC)
  – Auto-extend (Amazon)
  – Asking nicely (eBay)

• Is bid jumping always possible in ascending auctions?
• Is sniping ever beneficial to sellers?
  – **Linkage principle**: Seller revenue increases as more information about the item is revealed to buyers

• Techniques to remove sniping
  – Activity rules (FCC)
  – Auto-extend (Amazon)
  – Asking nicely (eBay)

• Is bid jumping always possible in ascending auctions?
  – Japanese auction – why doesn’t this apply?
• How does the probability of sniping failure (e.g. network latency) affect the auction?
• How does the probability of sniping failure (e.g. network latency) affect the auction?
  – More use of proxy bids raises sell price?
  – “Implicit Collusion”: fewer bids, lower sell price