

Buy it Now or Never!

An experimental investigation into buy-options in online auctions

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We investigate the impact of buy-options on bidding behavior in online (proxy-) auctions when bidders have independent private valuations. As the buy-option is only available before an auction starts, its presence (and its value) should have no influence on bidding behavior. Nonetheless, we observe that the presence of a BIN option unambiguously lowers final auction prices (and thereby the seller's revenue). As this effect becomes more pronounced in an environment where bidders only receive imprecise information about their private value, we identify anchoring as a (partial) explanation. Surprisingly, the presence of a BIN option also reduces final auction prices if bidders are perfectly informed about their private value. In fact, we demonstrate that bidders are reluctant to bid above the BIN option price regardless of the precision of their private information and the price of the option.