An empirical model of online common value auctions with buy-it-now options

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January 21, 2013

Abstract

Recently, auctions become familiar for many people by the emergence of online auction sites. However, there are some differences between online auctions and conventional auctions.

One important difference between online auction and conventional auction is "buy-it-now" option. Most online auction sites allow sellers to set a "buy price". In the auction with buy price, the seller sets a fixed price and a bidder can get the item if she accepts the buy price. In other words, buyers can get the goods without through auctions in the auctions with buy-it-now options. In online auction markets, buyers have to submit their bids observing the fixed buy prices. Therefore, when we estimate the structural parameters of online auction model, we have to take into account to the buy price. Ignoring the buy-it-now options, the estimators may be a biased estimator.

In this paper, we provide an estimation method of the online common value auction models with buy-it-now options.

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