

Abstract

This paper presents an empirical analysis of price determinants and bidders' behaviour in on-line auctions eBay.de and Aukro.cz. We focus on the effect of sellers' feedback rating score and the phenomenon of sniping. Our dataset used for the analysis consists of 7054 auctions with 209449 bids from eBay, and 2223 auctions with 8779 bids from Aukro. Buyers in on-line auctions cannot personally inspect the quality of the product, so they have to rely on the seller's honesty. In this setting, the seller's rating may significantly contribute to the final price formation. Sniping is a bidding strategy, whereby a bidder waits until the last moment of the bidding period to place her bid. According to a theory, sniping should cause a reduction in the final price, and there should be a positive relationship between the probability of bidding and bidder's experience. The empirical results for both auction web sites show that the seller's feedback rating score has a significant impact on the final price. The tests regarding sniping provide distinctive results only for eBay. The effect of sniping on the final price is not clear since we have obtained different results for different specifications, but we found out that experience of a bidder increases the probability of placing a sniping bid.

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