

Volume 31, Issue 2**Research Announcement****Bidding behaviours in ebay auctions: secret reservation price and endogenous entry**

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Abstract

This paper analyzes the secret reservation price in eBay auctions. Under the assumptions of secret and public reservation price, we derive the optimal bidding function for the bidders. For the seller, we solve for the equilibrium reservation price. We argue that the choice of secret reservation price is rational for the seller, as they can generate higher revenue in certain conditions. Our model predicts that, under endogenous entry, secret reservation price leads to higher revenue since it attracts more bidders to the auction. This effect is more noticeable for luxury goods. However, secret and public reservation prices generate identical revenue for the seller if entry is exogenous. Furthermore, the results are supported by empirical works such as Elyakime et al.(1997), Bajari(2002) and Lucking-Reiley et al.(2006).

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Citation: Feng Jiao, (2011) "Bidding behaviours in ebay auctions: secret reservation price and endogenous entry", *Economics Bulletin*, Vol. 31 no.2 p.A21.

Submitted: April 21, 2011 **Published:** April 22, 2011.

URL: <http://www.accessecon.com/pubs/EB/2011/Volume31/EB-11-V31-I2-A21.pdf>