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Negotiations for Several Objects

3.1 Simultaneous and sequential negotiations

Have you looked at Dutch auctions at azubo.de? Then you certainly noticed that many offers are from commercial traders similar to at eBay. They tend to offer the same item several times. Such parallel auctions then also run at different times, but also in part simultaneously next to one another.

Now imagine, for example, that you want to buy a washing machine for your household and find a suitable model at azubo.de in a Dutch auction. The washing machine is offered there by an Internet dealer as new in original packaging. The price is at an acceptable 400 euros at the moment, but the auction ticker will only run two more hours and then the price will sink to a fantastic 290 euros. You are considering whether you should wait a bit to get a better price or you can buy it immediately before someone else snatches it away from under your nose. Then you discover that the same dealer is offering nine more of these washing machines in a parallel Dutch auction. How would you react?

You would hardly buy immediately. Why should you? The price will become more attractive with each additional minute that you wait. The risk opposing this strategy, that someone else will snatch the washing machine away from under your nose, no longer exists after you discover the other auctions. If someone else buys a washing machine, there are still enough other ones available.

As a bidder, you must only react fast enough before all washing machines have been sold. The fatal fact for the auctioneer is that even if there are a lot more than ten people interested in buying who follow the auction for the ten washing machines, each one thinks the same thing: “Why should I buy if there is no risk (yet) to not get one of them?”

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Consequently, all will wait until almost the end of the auction. Only after the first washing machines have been sold will the other bidders think that it might become difficult to get one and also buy. But all ten auctions will almost certainly end with a poor result for the auctioneer.¹

We learn from this that a Dutch auction can easily return an adverse result for an auctioneer if he wants to negotiate several units parallel. If the bidders are only interested in one item, then the parallel offer of several units results in each interested person being aware of already having an alternative to the individual auction. In a Dutch auction, it provides bidders with the fatal strategy for auctioneers to wait a bit longer when in doubt.

**A later alternative prevents success for the auctioneer**

A later, already announced auction with the same item is an alternative for interested persons, which results in them bidding less aggressively. This relation not only applies to Dutch auctions such as at azubo.de, but also in general and consequently also at eBay, for example. The auctioneer of several units would do better to wait until the current auction has ended before he opens the next auction to avoid the effect of available alternatives for bidders. But that costs time and is not very credible for a commercial dealer, because he normally has more than one piece of the same thing in stock. In this situation, a “buy it now offer” with several available items, as can be offered at eBay, is preferable. There, the seller offers his goods at a fixed price, and a display with the available number of items reduces this number with each purchase. But because it is not a question of a Dutch auction, but instead a fixed-price offer (more or less a TIOLI), no bidder can get an advantage by “tactical waiting” or similar behavior.

On the other hand, the seller must know the market price of his goods to ask for the most successful price. The supermarket manager, who had to set his butter price carefully, is a good example.

A retired watch dealer, who sold his remaining stock of certain collector’s pieces at eBay, made me an almost immoral offer. At a conventional eBay auction he offered an exotic watch which I was very interested in. One single bidder had confirmed his start price and the auction was only open one more day when I contacted the seller. I wanted to find out whether the other watches, which could be seen in the photos of the auction, were still owned by him and might also possibly be for sale. He told me that he was selling his last pieces and actually only a handful of them were left. But there was a second watch of the special one offered in the auction. He asked me to bid in the auction. If I ended