

Togetherness makes good cents

by

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I have a two year-old Nokia mobile phone that I am no longer using. I think it might be worth something. Looking at various Internet auction sites, I can see there is a market for such things and the price of similar handsets suggests this all might be worthwhile.

However, I also have accompanying accessories. An extra battery, computer cable and a Nokia car kit (apparently this last item is rare and potentially quite valuable). Should I sell all of this stuff together or go separately?

The problem is that I have no idea. While there are many people offering handsets on Internet auction sites there is no one offering a car kit (did I mention it's rare!) -- let alone with a handset. So there is no guidance there.

If I offer the items separately, I may be losing potential bidders who might be interested in a handset-car kit pair and can't risk winning one but not the other. If I offer them altogether, I may be losing potential bidders who might only be interested in one or the other. Someone might already have the handset and want a car kit while others may not be interested in the car kit at all. In either case, my choice is restricting potential competition; something I am very interested in encouraging.

Today's Internet auction sites force me to make a choice. To be sure, I could auction the items simultaneously and some bidders might speculate by watching both auctions together. I can even link the auctions through a reference on each ones respective page. But what is much more difficult is to ensure that all interested bidders compete against one another.

A, perhaps slight, design change to these auction sites may open up a better option. According to Professor Paul Milgrom of Stanford University -- who incidentally is one of the world's leading auction design experts having designed US Spectrum auctions in 1990s -- a *package auction* could resolve my dilemma.

In a package auction, I would list the handset and car kit together but allow bidders the option of bidding on one or both. So Bill could choose to bid \$50 on the handset and Sam could bid \$60 for the car kit. Competing with this, could be Kelly who bids \$100 for both items together but is not interesting in purchasing only one or the other. In this situation, the auction would award the items to the combination of bidders who generated the most revenue for me. In this example, Bill and Sam's combined bid of \$110 beats Kelly's single bid of \$100. Had Kelly bid \$120, she would have won.

The point is that all of these bidders end up competing for the items against each other. Bidders choose to bid for a package or not but regardless they will have to either be the highest bidder for the package or be part of a 'team' who is the highest bidder.

This example again shows that how thinking a little outside the box can lead to some important tender and auction design innovations. The question now for me is whether I should wait for eBay to do this or go now before the phone becomes even less valuable. Actually, when it comes down to it I don't have to be constrained by eBay's rules at all: I could just place classified ad in this very newspaper (ICPOTA that is) with any rules – package bidding or otherwise – that I might want.

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