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Prime time to buy: an analysis of a televised Dutch Auction

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Abstract

We present an analysis of real-life televised Dutch Auctions, where over the course of 12 hours of auctions, bidders made over 5,000 purchases of 81 unique products. In the Dutch Auction format, multiples of an item (traditionally Dutch tulips) are for sale, where prices start high and decrease over time. In the televised version, viewers of the Price-Drop TV program could wait for the price to drop over time but needed to weigh this against the risk of being scooped by the collective bidding behaviour of other viewers. We conduct analyses of the auctions to: 1) demonstrate the features of sell-out auctions where all items are sold, 2) show how time pressure increases sales in the auction, and 3) how the type of price decrease, discrete vs. continuous, affects people's decision to bid on items. We conclude by proposing an iterative process model based on the framework of Prospect Theory to extend theoretically motivated, laboratory-based findings out to real-world purchasing behaviours.