Excitement Up! Price Down!
Measuring Emotions in Dutch Auctions

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Abstract:
Recently Internet auction sites have begun to compete in emotions by advertising the fun and excitement that bidders may experience during auction participation. The implicit conjecture inherent in these advertisements is that consumers derive a hedonic value from auction participation that makes exciting auctions more attractive and possibly induces bidders to stay active longer in the auction. We test this conjecture in a controlled economic laboratory experiment in which we also measure bidders’ physiological arousal in terms of heart rate and skin conductivity as proxies for their excitement during auction participation. In particular, we conduct a series of descending price (Dutch) auctions with different clock speeds and find that in fast Dutch auctions bidders (i) are more excited and (ii) stay longer in the bidding process. Moreover, the unpleasant event of losing a Dutch auction is experienced more strongly than the rewarding event of winning. As our results show that bidders’ excitement is directly reflected in final prices, Internet auction sites should carefully consider how the emotions elicited on their platforms affect bidding behavior.

Keywords: auction experiments, bidding, consumer behavior, emotions, excitement, Internet auctions

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