

MARKETING COLLOQUIA

SPRING 2017

Matt Backus

Assistant Professor
Columbia University, ECON

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Where: 741 JMHH

When: 12:00 PM to 1:20 PM

EXPECTATION, DISAPPOINTMENT, AND EXIT: REFERENCE POINT FORMATION IN A MARKETPLACE

ABSTRACT: We study expectation-based reference point formation using data from an online auction marketplace. We hypothesize that exit from the marketplace is affected by disappointment from abruptly losing an auction after being the leading bidder. Expectation-based reference points that evolve over time imply that a bidder who spends more time in the lead prior to an abrupt loss will suffer a higher degree of disappointment. We find that for every additional day in the lead, bidders who lose abruptly are 6 percentage points more likely to exit. In contrast, losing bidders whose expectations are informed by early, competing bids, show no effect at all. Also, consistent with our theoretical model, more experienced bidders are less sensitive to time spent in the lead.