

Contents

<i>List of figures</i>	page vii
<i>List of tables</i>	ix
<i>Preface</i>	xi
<i>Acknowledgments</i>	xiii
1 Electronic Commerce and Electronic Marketplaces	1
1.1 Market-Based Coordination	2
1.2 Fixed versus Dynamic Pricing	7
1.3 Advanced Auction Design for Electronic Markets	10
1.4 The Structure of this Book	12
2 Internet Marketplaces – A Technical Perspective	15
2.1 The Role of Electronic Brokers	15
2.2 Electronic Brokerage Services on the Internet	17
2.3 Software Architectures of Electronic Commerce Applications	20
2.4 Services of an Electronic Broker	27
2.5 OFFER – A Sample Implementation	36
2.6 Technical Challenges and Directions	41
3 The Difficulty of Setting Prices	47
3.1 Market Structures	47
3.2 Setting Optimal Prices	52
3.3 Towards Dynamic Pricing	61
4 Methods for the Analyses and Design of Electronic Markets	63
4.1 Equilibrium Theory	63
4.2 Game Theory	65
4.3 Mechanism Design Theory	70
4.4 Experimental Economics	75
4.5 Computational Economics and Simulation	77

5 Automated Negotiations – A Survey of State-of-the-Art Practices	82
5.1 A Roadmap to Negotiation Situations in Electronic Commerce	83
5.2 One-on-One Bargaining	85
5.3 Multilateral Negotiations	94
5.4 A Critical Review of Game-Theoretical Auction Models	110
5.5 Experimental Analysis of Standard Auction Mechanisms	114
5.6 Towards New Frontiers – Multi-Unit Auctions	118
5.7 Analysis of Online Auctions	131
5.8 Summary	137
6 Experimental Analysis of Multi-Attribute Auctions	139
6.1 Multi-Attribute Procurement Negotiations	139
6.2 Description of the Analyzed Mechanisms	140
6.3 Research Questions	144
6.4 Trading Financial Derivatives – A Sample Scenario	145
6.5 Implementation of an Electronic Brokerage Service	154
6.6 Results of a Laboratory Experiment	164
7 Economic Models of Multi-Attribute Auctions	175
7.1 Previous Game-Theoretical Analysis	175
7.2 Comparison of Conventional and Multi-Attribute Auctions	179
7.3 Multi-Unit Extensions	188
7.4 Summary	199
8 Conclusions and Perspectives	201
8.1 Applicability and Prerequisites	202
8.2 The Role of Decision Support	204
Appendix: Utility Theory and Decision Analysis Techniques	206
A1 Basic Ideas of Utility Theory	206
A2 Multi-Objective Decision Analysis	215
<i>References</i>	230
<i>Index</i>	246

Figures

1.1	Product attributes and forms of coordination	<i>page</i> 4
1.2	Move to electronic markets	6
1.3	Fixed versus dynamic pricing	10
2.1	Screenshot of the Excite ProductFinder	18
2.2	Electronic marketplaces in the supply chain	19
2.3	Diagram depicting a web-based database application	21
2.4	Three-layered mediation architecture	22
2.5	OMG ECDTF reference architecture	26
2.6	Phase model of an electronic market transaction	27
2.7	OMG trader service	31
2.8	Model of a catalog aggregation service	33
2.9	Catalog aggregation using an object trader	37
2.10	Abstract coupling of classes in a UML class diagram	40
2.11	Screenshot of the E-Broker interface	41
3.1	Entry of new firms on a competitive market	50
3.2	Monopoly with a linear demand curve	54
3.3	Producer revenue in the case of price discrimination	59
4.1	A game in extensive form	69
5.1	Graphical representation of negotiation dynamics for each of the two users in the INSPIRE system	90
5.2	A classification of classic auction types	96
5.3	The OptiMark user interface	129
6.1	Auction maker controlled bid mechanism	141
6.2	Multi-attribute auction formats	144
6.3	Profit/loss example diagram of a short call	149
6.4	Bidding process	155
6.5	RFB Document Type Definition	157
6.6	UML class diagram of the electronic brokerage service	158
6.7	Attribute scales	160
6.8	Buyer client	162

6.9	Bidder client	163
6.10	Decision support for bidders	165
6.11	Difference between multi-attribute and single-attribute auctions	169
6.12	Average equilibrium values below the dominant strategy price	170
6.13	Comparison of the winning bids in English and second-score auctions	171
6.14	Efficiency of different auction formats	172
7.1	Equilibrium in a two-attribute auction	177
7.2	Screenshot of the <code>simdiag</code> timing diagram bean	181
7.3	Simulation of multi-attribute auctions	182
7.4	Simulation results assuming different scoring functions	183
7.5	Results of the simulation of a financial derivatives market (w_{vola})	186
7.6	Results of the simulation of a financial derivatives market (w_{mat})	187
7.7	Auction types where quality is an issue	189
7.8	Shape of utility function where p is utility independent of y	194
7.9	Optimal bid for different quantities and λs	197
7.10	Average score with different economies of scale	198
7.11	Overview of auction mechanisms	199
A1	Indifference map	208
A2	Preference maximization	211
A3	Optimal choice with perfect complements	212
A4	Different shapes for utility functions	213
A5	Example of an additive utility function	220
A6	Hierarchical decomposition	222
A7	Screenshot of PersonaLogic	228

Tables

3.1	Market structures	<i>page</i> 48
3.2	Willingness-to-pay	61
4.1	A payoff matrix of a game	66
4.2	A Nash equilibrium	67
4.3	The prisoner's dilemma	68
5.1	Different types of negotiation situations	84
5.2	Strategic equivalence of single-sided auction formats	99
5.3	Matrix for the allocation of goods	124
5.4	Matrix for the allocation of goods with bidder C skipped	125
5.5	Types of items sold at 142 online auction sites	133
A1	Pairwise comparison of objectives	223
A2	Example utilities	224