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Bundling and optimal auctions of multiple products. (English) Zbl 1055.91521
Rev. Econ. Stud. 67, No. 3, 483-497 (2000).

Summary: We study the optimal (i.e. revenue maximizing) auction of multiple products. We make three major points. First, we extend the relationship between price discrimination and optimal auctions from the single-product case to the multiple-product case. A monopolist setting prices for multiple products may offer discounts on purchases of bundles of products; similarly, the optimal auction of multiple products facilitates price discrimination by allocating products inefficiently to customers who are willing to purchase both products. Second, we demonstrate that optimal auctions are qualitatively distinct from monopoly sales of multiple products. Because of uncertainty about the values of other consumers, two products are bundled probabilistically in an optimal auction for a customer who is willing to buy both of them. A customer may then receive a discount on a lower-valued product without receiving a higher-valued product. Third, we show that in an optimal auction of two products the allocation of one product may vary with the amount of competition for the other product.

MSC:

[91B26](#) Auctions, bargaining, bidding and selling, and other market models

Cited in **13** Documents

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