

Auction Marketplaces, Auction Data, and The Impact

According to a recent survey of the National Auctioneers Association (NAA) membership, 70.4% of NAA members use a third-party vendor to manage auction bidder, sales, or seller information. Yet, only 55.4% of the NAA members understand how that third-party vendor handles that information.

In July of 2021, the NAA's Board of Directors adopted the following position: *The National Auctioneers Association shall recommend exclusive data ownership by auction entrepreneurs in order to promote their own brand, drive traffic to their own websites and create their own online marketplaces. The National Auctioneers Association is promoting the accepted best practice of enabling and empowering auction entrepreneurs for success and long-term viability in the auction industry. The National Auctioneers Association will promote and educate auction entrepreneurs on the reasons for this best practice and how to implement and market this practice.* What follows is the continuation of the conversation encouraged by this motion.

Auctioneer Business Models

Generally, an auctioneer's business model will take one of two primary paths. The traditional course is to pursue a career in the profession and build a business primarily to support themselves and perhaps one or two others. According to data from the NAA, 63% of auctioneers choose this route and have four or fewer employees. Many auctioneers thrive in this business model as it integrates into their lives and becomes a part of their identity. Their success depends mainly on their direct, daily efforts.

Some auctioneers choose to make additional investments and take on added risk, which often requires changes to their business model. These changes can include hiring non-family employees or contractors and empowering them with greater decision-making authority. One of the chief value propositions in this business model is bidder and buyer data, seller contacts, brand awareness, and marketing reach. In terms of data and branding, individual decisions auctioneers make will impact their sustainability and success.

Direct-to-Consumer vs. Marketplace Selling

Before the advent of online bidding technologies, the auction profession was a direct-to-consumer profession - the auctioneer sold directly to consumers through their auctions without a middleman. Selling direct-to-consumer created tremendous brand awareness for the auctioneer, especially locally and regionally, before the advent of social media and more advanced marketing methods.

Following the online selling trends of retailers in the mid-1990s, auctioneers began to seek out third-party technology companies to provide online auction services, increasing the auctioneer's reach outside local and regional audiences. As the value of auction data became apparent, these technology companies began to offer online solutions similar to marketplaces such as eBay and Amazon. These marketplaces enabled auctioneers to list their items and auctions alongside other auctioneers and share in the buyer pool. Marketplace solutions quickly became attractive to auctioneers for a variety of reasons:

- The quick and efficient ability to join the online retail world
- Reaching an established buyer base for assets
- The ease of selling new asset classes with low startup costs that adjust based on volume (per event fees, percentage of sales, et cetera)
- The minimal technical knowledge needed by auctioneers

As the technology evolved, third-party companies began to offer solutions where the auctioneer could benefit from the marketplace while maintaining a brand presence. These solutions may have been co-

branded or individually branded to the auctioneer. As general technology costs decreased, auction software providers entered the market. These providers enable auctioneers to install software that runs on their website without sharing data with other companies or the technology provider. Generally, this technology is provided through a licensing agreement and paid regularly at a flat rate or fee.

Impacts on the Auctioneer

New and significant risks to auctioneers have materialized as technology has changed and technology providers have grown or adapted their business models. Only 38.3% of NAA members are confident that their third-party vendor does not market its services, solicit consignments from the public, or market other auction companies' auctions to their bidders. Further, only 45.8% of NAA members are confident they have user agreements and terms and conditions directly between their company and online bidders. When coupled with the growing consumer privacy laws in the United States, this lack of confidence in third-party vendors has significant implications for the auction entrepreneur and the profession.

Like other industries, online marketplace providers have consolidated in recent years and now operate multiple marketplaces. Some have become publicly traded companies. As marketplaces grow in size, the stakeholders these marketplaces serve change. Initially, as a small technology company, the auctioneer is the most important stakeholder to the technology company. Once the marketplace establishes a large buyer pool (through its auctioneer clients) and brand equity, its need for the auctioneer can become less. This reduced need can give way to a marketplace agent or salesperson model working directly with the public. A significant consequence of marketplaces is buyer attachment with the marketplace brand rather than the auctioneer, fueling the loss of brand awareness of the auctioneer or auction company. A future where employee agents of a marketplace replace auction entrepreneurs is easy to envision and has already arrived in some asset classes (Zillow is one example where a marketplace switched to employee agents).

To see this at play in a retail marketplace, think about the last time you purchased something from Amazon. In reality, you were often buying from a smaller retailer that has their goods listed on Amazon. However, increasingly you are buying directly from Amazon who offers products that compete with the other sellers in their marketplace. Most consumers don't think about the small retailer they purchased from on Amazon; they think about Amazon. The impact on Amazon sellers is the same impact on auctioneers that utilize marketplaces - the complete loss of brand awareness by the buying public. For some auctioneers, this is acceptable as their brand is a secondary concern to immediate sales concerns. While some auctioneers feel insulated from these marketplace pressures, it is essential to be vigilant with your data and brand.

Conclusions

There are both risks and opportunities when choosing to utilize a marketplace solution versus a direct-to-consumer solution for your auction business. Auction entrepreneurs must give special attention to the significant long-term impacts of sharing bidder, buyer, sales, and seller data with third-party vendors of all types and especially marketplaces. For many auctioneers, the value of the "instant bidder pool" provided in the short term outweighs any future loss of branding or loss of market share. Many auction marketplaces sustained auction companies through the pandemic. As the pandemic subsides, it is important to reevaluate decisions and consider marketplaces' longer-term impact. These short-term gains and benefits come at the potential cost of the auctioneer's long-term viability and entire value proposition.

Many auctioneers looking at the long-term impacts of marketplaces are moving at various speeds to retain complete bidder information control. This move often involves leaving marketplaces due to brand recognition loss and concerns about marketplaces' data usage. While technology costs continue to decrease, the investment can be significant and remains a factor in making this change. As technological and knowledge demands on the auctioneer continue to increase, so do additional staff resources required

to succeed. Marketing expenses typically seen as sell-through commissions and event fees must be converted to upfront software, programming outlays, and focused pre-event marketing campaigns.

Each marketplace solution currently available and those that will follow must be judged both on their stated values and observable actions. All companies, including technology providers, face consolidation and acquisition pressures. Auctioneers at every stage and in every business model must fully understand the short- and long-term consequences when making decisions regarding third-party technology vendors and marketplaces. These decisions will have lasting effects on the auction entrepreneur's brand and value. Collectively, the effects endanger the auction entrepreneur's independence and growth and muffle the auction profession's voice.

