

AUCTION WORLD



SPECIAL EDITION The "Information Source for Auctioneers" JULY 2004

Groundbreaking Research Charts the Future of Auction Marketing

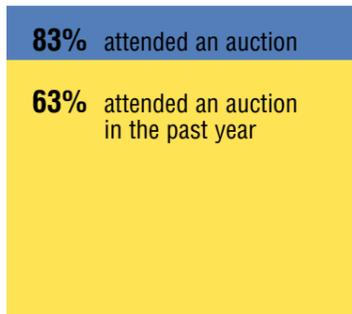
This special edition of *Auction World* is brought to you by the National Auctioneers Association, which recently commissioned the industry's largest independent research study of the auction method of marketing through a generous donation from the National Auctioneers Foundation. What follows is an exclusive overview of the key findings from the MORPACE International and Harris Interactive studies presented in detail at the National Auctioneers Association Conference held in early July. For details about either of these groundbreaking studies, or for additional information about our association's annual event, log on to the official NAA web site, auctioneers.org.

Think you know what's going on in the live auction business? Think again. With a community of largely independent auction marketers and no authoritative economic reporting on the industry at large, virtually everyone associated with the auction business is left to make critical decisions based on little more than their own experience.

Fortunately, the National Auctioneers Association is doing something about it. In the largest independent research initiative of its kind, the NAA commissioned two of the world's top market research firms to take a hard look at the way we do business. The results may surprise you.

- Over a half-million U.S. auctions generated \$200 billion in sales last year alone
- Over half of consumers have attended a live auction, a quarter of them in 2003

Auction Attendance Among Consumers



[2003 Harris Interactive]

- Still, fewer than 8% of U.S. consumers contribute 96% of our revenue
- Where consumers live predicts what they'll spend
- Online auctions actually attract buyers to live auctions, not the reverse
- Live auction consumers spend nearly double what online consumers do
- An additional 19% of consumers will attend live auctions, if we can reach them

Understanding The Research

As a tight-knit association, we at the NAA realize we're very close to what we do—historically, emotionally, financially. That's why we felt it so important to enlist the assistance of respected, impartial investigators to really get a feel for the current state of our industry. Our efforts led us to commission two simultaneous, independent studies, each focused on a different aspect of our business.

The first study, by MORPACE International, determined the economic impact of the auction method of marketing. In a nationwide survey of NAA members, state auction association members, non-affiliated auctioneers and public records, MORPACE measured the total value of all goods and services sold at live auction in 2003. Results

were categorized into various specialties, such as real estate, automotive and livestock.

The second study, conducted by Harris Interactive, focused on general consumer attitudes, behaviors and motivators for attending live auctions. Harris further categorized consumers into three groups—*Auction Enthusiasts*, *Auction Regulars* and *Auction Potentials*—and identified, classified and evaluated their behaviors and attitudes accordingly.

As a result, NAA members and the community at large now have a complete snapshot of the live auction industry, broken out by both consumer and economic influences. Using this detailed, concrete information as our benchmark, the NAA can now serve the auction community more effectively than ever before, gauging and guiding our efforts along the most profitable paths.

An Industry On The Rise

One of the most fundamental discoveries from our research was also the most exciting—the live auction business is not only surviving, it's thriving, with gross revenues up 4% over 2002. In 2003, the value of all goods and services sold at live auctions in the U.S. exceeded \$200 billion, with the sharpest increases in land and agricultural real estate (a 12.9% increase), residential real estate (a 12.6% increase), and livestock (a 10.2% increase). These figures are supported by the habits and predictions of live auction consumers, 40% of whom feel that real estate will be frequently sold through live auctions in the future.

As specialty segments, the two largest areas continue to be



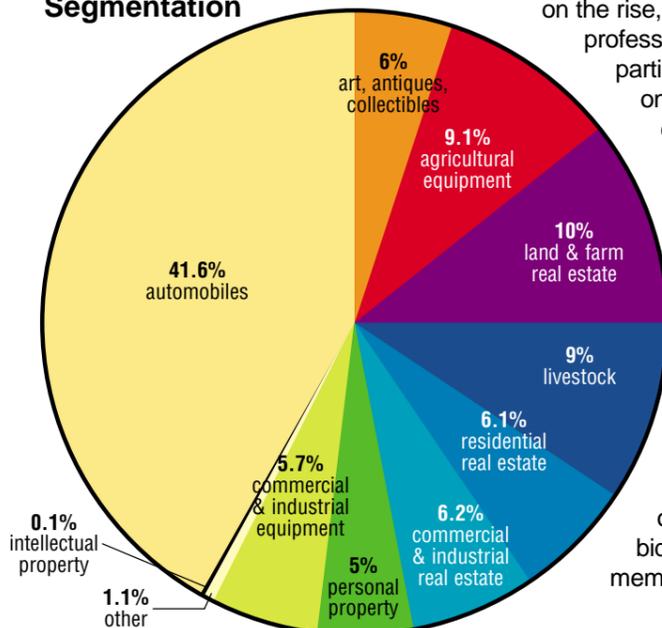
AUCTIONS AT A GLANCE

- Total live auction sales topped \$200 billion in 2003
- Live auction marketers spent \$2.6 billion on advertising in 2003
- Over half of the population has attended a live auction, nearly a quarter last year alone
- In the past year, 97% of live auction consumers bid, and 92% purchased
- Only 13% of live auction companies offer online bidding
- Consumers will travel 1.3 hours to attend a live auction
- Live auction consumers in the West spent nearly three times that of consumers in the Northeast
- Over half of prior live auction consumers did not attend in the last year
- One-third of all consumers attending live auctions account for 96% of live auction revenues

automotive and combined real estate, with live automobile auctions accounting for \$79 billion, or roughly 42% of the total industry, and combined real estate contributing an additional \$42 billion.

Charitable auctions were also on the rise, with nearly 80% of professional auctioneers participating in at least one charitable auction, contributing to an industry total of 129,000 live events raising \$13.4 billion in gross sales receipts. Online activity was also up, with 17% of auction companies offering online auction catalogs, and 13% offering online bidding. Among NAA members, those figures

Auction Segmentation



Learn More About...

- The Three Basic Consumer Groups
- The Image of Auctioneers
- The Impact of Charity Auctions
- How Charity, Internet and Live Auctions Work Together to Boost Participation
- The NAA's Consumer-driven Marketing Plan

PRINTING OF THIS SPECIAL EDITION WAS GENEROUSLY DONATED BY

AntiqueWeek
THE WEEKLY ANTIQUE AUCTION & COLLECTING NEWSPAPER

CONTINUED ON P. 2



No matter how many auctions I've conducted, like most of you, I've conducted a few—I still get a tingle just before that first item goes up to auction. Maybe it's the recognition of all the work that got me to that point; or maybe just the anticipation of what's to come. Either way, it's a pleasant reminder of how truly exciting it is to do what we do.

Collectively, we are embarking on one of the most progressive and potentially prosperous periods our industry has ever enjoyed. As the extensive research on these pages shows, the future of the auction method of marketing has never been brighter. The onset of Internet auctions has only served to increase the awareness and popularity of more traditional auction methods. And, as more consumers learn the ropes of bidding, buying and selling, we as auctioneers have greater opportunities to reach them, speak to them, and capture them in the way only live auctions can.

As the president of the NAA, I am honored to share with you the impressive economic, strategic and demographic findings of this landmark research. Commissioned by the NAA, funded by the NAF and supported by the credibility of two of the nation's most respected independent researchers, MORPACE International and Harris Interactive, this data provides concrete measurement of the true scope and nature of our ever-evolving marketplace.

Armed with this invaluable information, we can now plan, advertise, understand and promote and our private enterprises with a certainty never before possible. The more we know, the better we'll do. It's just that simple.

And, it's for that very reason that the NAA has pledged to continue its efforts to research and understand the economic impact of the auction method of marketing through ongoing updates and periodic additions to this pivotal research. These projects represent the start of an ongoing mission to be the leading authority on the auction method of marketing; committed to our members' success; and dedicated to the growth, prosperity and recognition of the industry at large.

It's an exciting time. I know I'm looking forward to using this new information to improve my own business, and I hope you're anticipating doing the same. The information is here for everyone—specialty auction marketers, consumer-driven, real estate, even charity and online—and there's something in it to be gleaned by all us. After all, we've come a long way from the tingle of our very first auction. Now, there's no telling how far we can go.

Mike Jones

Mike Jones, CAI
President
National Auctioneers Association

were significantly higher, with 32% of members offering online auction catalogs and 20% offering online bidding.

Portrait Of A Profession

Auction companies tend to be small with half (48%) employing a single professional auctioneer. The average number of full-time auctioneers in a firm—employed or contracted—was 2.9. Nearly half of auction companies (49%) employed a contract auctioneer during 2003.

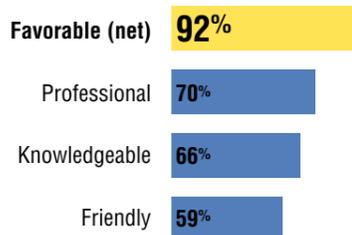
Approximately one quarter (24%) of auction companies reported \$100,000 or less in gross sales revenue for 2003; half (51%) reported \$500,000 or less. Slightly more than one third (38%) of establishments reported gross sales revenue in excess of \$1,000,000. Of that, companies spent \$2.6 billion on various forms of advertising and promotion for these efforts in 2003.

On average, auctioneers derive half their earned income (49%) from the auction business. Among NAA members, the number jumps, with nearly 30% of auctioneers earning 100% of their income exclusively from auctions.

The average tenure for being a professional auctioneer is 18 years.

As expected, consumers continue to hold auctioneers in high regard. A full 92% of respondents had an extremely high opinion of the profession, with the majority categorizing auctioneers as professional, knowledgeable, friendly, respectful, trustworthy and refined. Based on these characteristics, many thought

Consumer Perceptions of Auctioneers



[2003 Harris Interactive]

that being an auctioneer "would be a fun job." In fact, the majority of those surveyed had a deep respect for auctioneers, whether or not they'd actually had direct contact with an auctioneer.

Families Looking For Fun

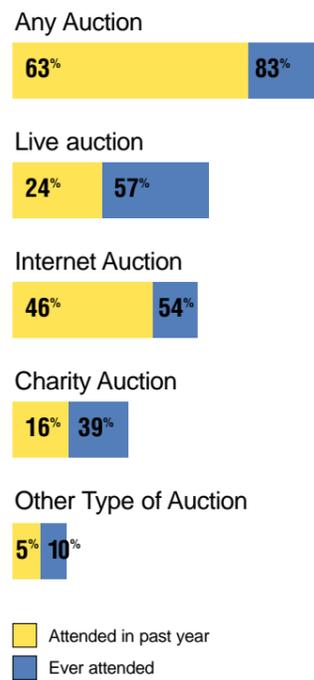
As most of us know from experience, live auctions are one of the best entertainment bargains around. Fortunately, consumers think so, too. Auction participation is on the rise—with 83% of surveyed consumers having attended at least one type of auction, 63% in the last year. In addition, 57% of those have attended a live auction, 24% in the last year. And, once they attend an auction, most consumers are hooked—97% feel auctions are fun to attend, 74% love all types of auctions, and 46% make a concerted effort to attend.

Why do they attend? In a word, fun. According to Harris, the number one reason people attend live auctions is for sheer enjoyment, not because they're in the business, searching for specifics or even

trying to make money. In fact, only one third of those surveyed identified themselves as collectors, and only 9% felt auctions were for collectors only.

So what makes an auction fun? For most consumers, "fun" means

Auction Participation Among Consumers



[2003 Harris Interactive]

experiencing something original, unexpected or exciting, often inexpensive, and often just around the corner:

- 83% think auctions are an exciting way to get good deals
- 51% think they offer a great value on items
- 65% think auctions offer exciting items they wouldn't otherwise purchase
- 53% like the excitement of getting a good price

In addition, most consumers find auctions fun because they're a rewarding activity the whole family can enjoy. On average, consumers are willing to drive 1.3 hours to attend a live auction, with a full three-quarters (75%) bringing the family when they go. The numbers are even higher among consumers



who have attended a live auction within the past year, with 82% bringing family, 51% bringing friends, and 11% bringing coworkers to live auctions an average of 1.6 hours away.

With all this activity and increased participation, you might conclude that auction sales are increasing at an equally brisk pace. Unfortunately, at live auction, more people doesn't always translate into more bids.

Fewer Buyers, Spending More

Perhaps most surprising was the discovery that the smallest segment of active live auction consumers—roughly 8% of the U.S. population, and 35% of live auction attendees—contributes as much as 96% of our total revenue. These attendees are the *Auction Enthusiasts*; you know them as the regulars you encounter everyday, either as your most active buyers and sellers or as the familiar, non-industry faces you see repeatedly on the live auction circuit.

Although they make-up a relatively small percentage of the live auction market, these attendees are incredibly active, participating in as many as 9 live auctions and 43 online auctions per year. They are most likely to bid, buy and sell household items, with a full 60% labeling themselves as collectors. Their primary method for locating live auctions is through their community newspaper (87%), with direct mail (57%), the Internet (43%), community newsletters (41%) and radio (30%) all secondary sources.

Auction Enthusiasts are also more willing to bid live than online. In general, Auction Enthusiasts spend twice as much at live auctions than at either online or charity auctions (\$988 vs. \$475 vs. \$480 respectively). Industry-wide, they are extremely likely to bid (100%) and purchase (99%), but not as likely to sell at auction (only 33%), either live or online. And, because they participate in all types of auctions, live Auction Enthusiasts spend more than online-only buyers (\$2,432 vs. \$698 respectively). This is especially true for Internet auctions, where live auction consumers spend almost twice as much as online buyers (\$789 vs. \$355).

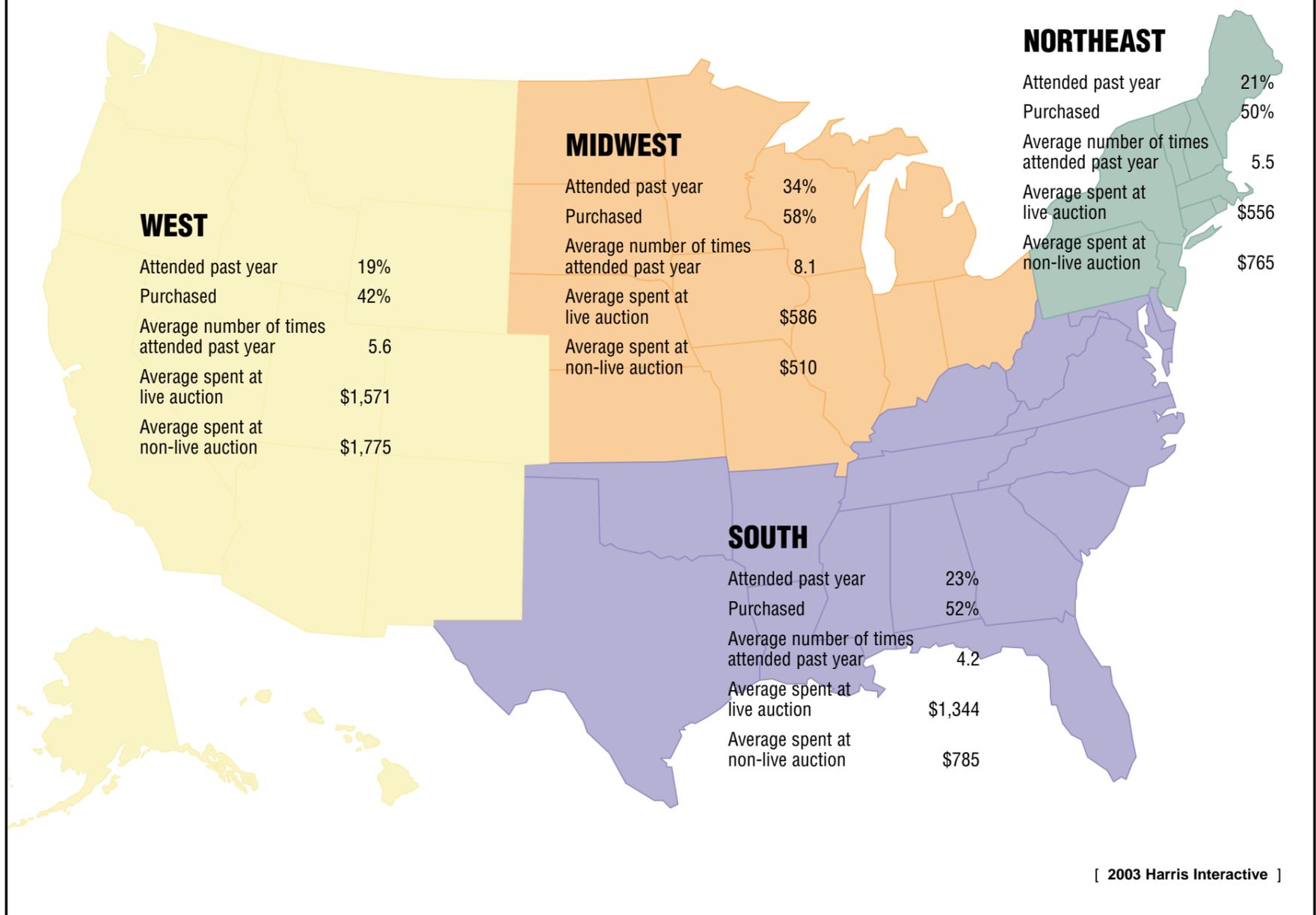
Regional Differences In Spending

Those old stereotypes just might hold true. According to results from the Harris Interactive study on consumer spending and attendance at live auctions, geographic region plays a significant part in the volume, activity and revenue of live auctions. [see map on opposite page]

In general, the Midwest leads in both participation and purchasing, with 34% of respondents attending a live auction, and 58% purchasing. However, the amount spent trails the nation, with an average of \$586 spent at live auctions. This compares with nearly triple sales volumes in the South (\$1,344) and West (\$1,571), both of which have reduced attendance (23% in the South, 19% in the West). The Northeast lags in all areas, with 21% attending, and an average live auction total of \$556.

Also interesting is the frequency of attendance. The Midwest leads again with an average of 8.1 live auctions per attendee per year, followed by 5.6 in the West, 5.5 in the Northeast and 4.2 in the South. All four regions reported a strong preference (anywhere from 49 to 70%) for general household merchandise excluding furniture and antiques. This supports the general finding that auction attendees are interested primarily in the excitement of finding a good price (53%), seeing what's available (51%), finding great values (51%) and having fun (50%).

Consumer Participation in Live Auctions by Region in the Past Year



Not Online? Your Buyers Are

Don't blame eBay for low attendance or less than stellar income from your last auction. If anything, take a lesson from them. As the most famous online auction site, eBay has not only attracted buyers and sellers who are willing to participate; it has attracted, educated and indoctrinated an entirely new group of consumers who weren't participating in auctions because they didn't know how.

According to Harris data, consumers who attend one type of auction, such as an online or charity auction, are actually more likely to attend live auctions, not less. The only barrier to participation is lack of information: not knowing when, where or even how to participate in a live auction.

These potential buyers have attended at least one live auction in the past, are interested in attending one in the future, but have not attended in the past year. They have spent an average of \$300 at auction, cite live auctions as a fun and exciting family activity, and are even willing drive up to an hour and 15 minutes to participate in one. The trick is getting the word out in a way that they'll notice and appreciate. According to Harris: "The top barrier to participating in a live auction is that consumers just don't think of it, followed by lack of available information. Consumers read newspapers, listen to the radio and talk to their friends and even participate in other auctions. Use all types of media; get a buzz going. Advertising on eBay may inspire less-involved live auction attendees to join in."

Implications For The Future

So what's the main take-away from all this research? With so much data to process and so many untapped opportunities to pursue, it can be hard to identify one clear course of action that will work for all auction marketers. The good news is we don't need to fundamentally change the way we do business in order to draw bigger crowds, earn higher revenues or even capture our share of the online market. We simply need to reconnect with some of the underlying truths about our business:

- People attend auctions because they're fun
- People who use online auctions are more likely to attend live auctions
- People will drive over an hour to a live auction
- People spend more at live auctions than online
- People trust, respect and admire what we do

Using the information contained on these pages, we hope you'll find some helpful tips and tactics for increasing your auction marketing business—whether live or online, specialized or otherwise. The goal, of course, is for all of us to better understand our consumers, our business and our future in hopes of sustaining our progress as a vital and growing industry. ■



A Critical Need

Prior to the NAA undertaking this groundbreaking study, the auction community had no official method for gathering, comparing or assessing information about even the most basic aspects of our now \$200 billion industry. According to a recent article published by Forbes.com, even those who attempted to assess activity within a single category, such as art auctions, found the lack of consistent, authoritative information troubling: "The results of their calculations are served up in the form of reports, which highlight the trends that may have emerged. None of these reports is perfect, and even though the figures come from the same raw data, their results are quite different, but they are the closest thing to an objective, statistical analysis of the art market."

Hopefully, the information confirmed in this, the first of many planned assessments and economic indicators, will lay the groundwork for a systematic evaluation of our industry as a whole. The NAA remains committed to just such research, and with your support, will continue to commission independent reports such as those outlined in these pages. We trust you'll find the information as useful, relevant and eye-opening as we did. And, as always, we welcome your feedback.

SOLD! TO THE TARGET DEMOGRAPHIC

Understanding The Three Basic Consumer Groups

In the world of live auctions, all customers are not created equal—not by a long shot. As your own experience tells you, in every crowd there are some who bid, others who don't; some who buy, many who won't. So how can you tell the difference? Better still, which consumers offer the greatest potential for increasing live auction revenues?

Statistically, live auction consumers fall into four distinct groups, each categorized by their attendance, interest and spending habits. Harris researchers classified these four groups as:

Auction Enthusiasts. Enthusiasts are the very active, very small core of current live auction attendees. They represent only a third of all live auction consumers, but are responsible for the majority spent at live auctions.

Auction Regulars. Regulars are the remaining two-thirds of all current auction attendees. They're interested and they're attending, but they're not spending much.

Auction Potentials. Potentials are consumers who don't attend live auctions now; but either have in the past or are likely to in the future. They consist primarily of lapsed live auction attendees and active online auction consumers, and are very well-educated about the live auction process.

Unlikely. Unlikely or non-target consumers aren't attending auctions now and haven't expressed any interest in attending in the future. Although they make up the majority of the retail market place, they're simply too costly to convert. Let's concentrate our marketing efforts on someone else.

Identifying "Potential" Consumers

So where does the potential lie? Not surprisingly, with *Potentials*. These lapsed auction-goers represent the strongest potential to grow the industry.

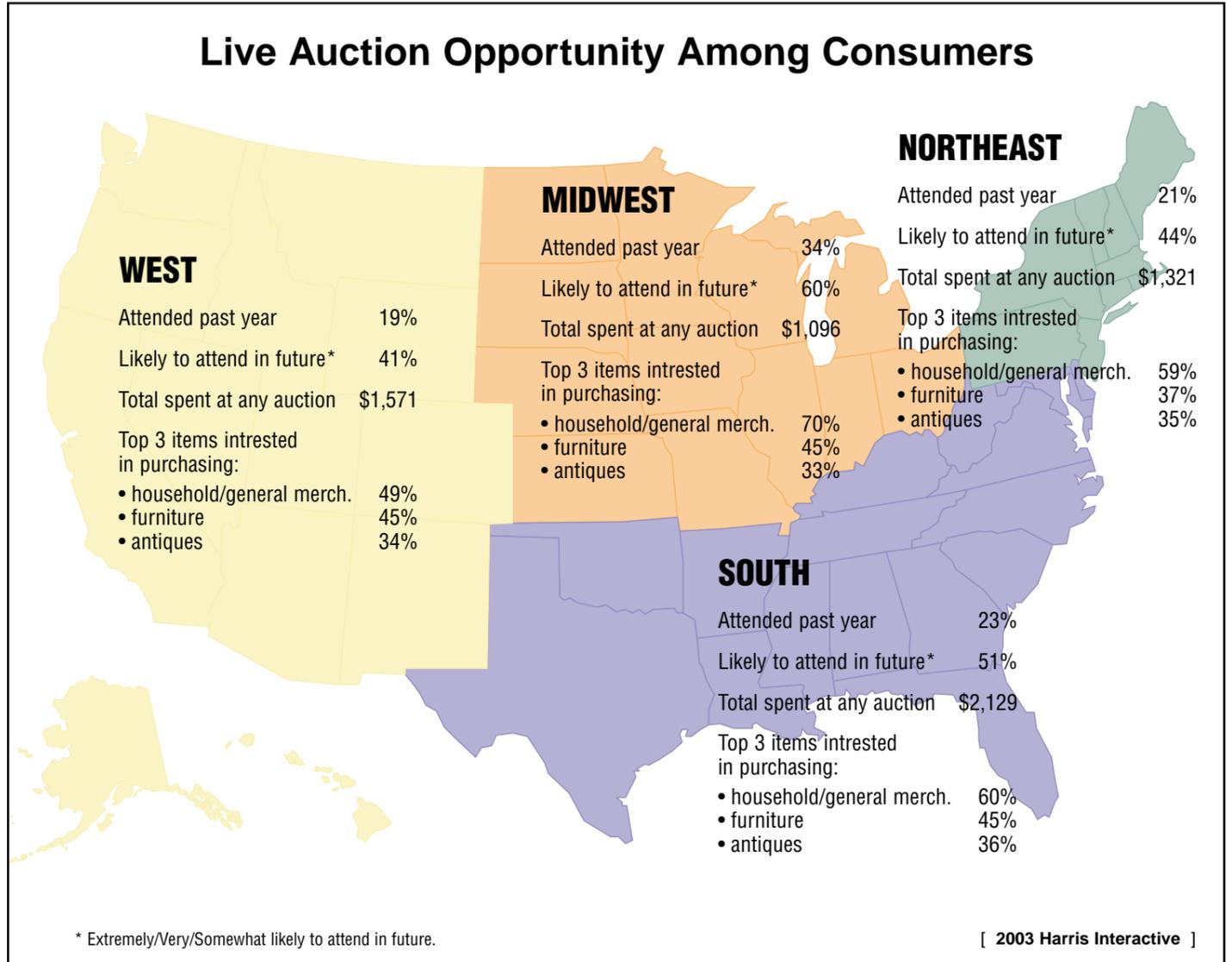
Potentials are predominately

the past. They already know what live auctions are all about, and have expressed an interest in attending in the future.

Like most auction attendees, the top three reasons Potentials list for wanting to attend a live auction are fun (71%), excitement of getting a

before making large purchasing decisions, and 46% finding it difficult to verify the quality and authenticity of items at live auctions. And, only 22% claim to make a special effort to attend any live auction.

But their lack of attendance at live auctions does not keep them from



female (54%), married (58%), white (80%) and young (nearly 40% are between the ages of 25-44). Most have at least one child, as well as some college or a college degree (52%). They are equally distributed throughout the U.S., with only slightly more than most living in the south (37%). The average household income is about \$58,000.

Although Potentials are not currently attending live auctions, 92% have been to a live auction in

good price (66%) and interest in seeing what types of things are available (64%). Despite this interest, Potentials just aren't walking through the door.

The primary reason consumers who have not attended a live auction cite for not coming to live auctions more frequently is that they just don't think of it (59%). In addition, Potentials also express greater than average concerns about the process, with 94% preferring to shop around

participating in other types of auctions. These consumers are currently participating in auctions online, attending an average of 16 Internet auctions per year. They enjoy the fun, unexpected excitement auctions have to offer, but need a little push to once again make the leap from online to live.

Appeal To Their Interests

According to Harris, one of the best ways to attract Potentials to live auctions is to address their concerns about the process. Because this group may be slightly intimidated about the auction process, holding a tutorial before bidding begins could be a good way to ease fears and get them into the spirit of bidding. Or, consider holding a pre-auction certification seminar or buyers' tutorial with a prominent antiques dealer, to better educate consumers on how to verify the quality and authenticity of items up for bid.

Advertising efforts should underscore the fun and excitement of finding that unique item at just the right price. In order to reach them, consider branching out from traditional advertising methods (newspaper, newsletters) and speaking to Potentials where they spend a good deal of their time—online, at auction.

CONSUMER GROUPS AT A GLANCE

AUCTION ENTHUSIASTS

- 8% of the U.S. population
- Contribute 55% of total auction sales, and 96% of live auction sales
- Higher than average attendance in Internet and charity auctions
- Attend an average of 62 auctions combined (live, charity, Internet) per year
- Willing to drive 2 hours with family, children or friends
- Bid, buy and sell above average
- More likely to use auctions as a way to buy collectibles and sell antiques

AUCTION REGULARS

- 16% of consumers
- 19% of the total auction sales, and 4% of live auction sales
- Attend a total of 37 auctions per year, of which 4 are live
- Bid, buy and sell less than Enthusiasts
- More likely to use auctions as a way to have fun

AUCTION POTENTIALS

- 19% of consumers
- 13% of the total category value
- 92% have attended a live auction in the past, and over half currently participate in Internet auctions
- Attend 16 Internet auctions per year
- Least likely to bid, buy or sell
- See auctions as fun



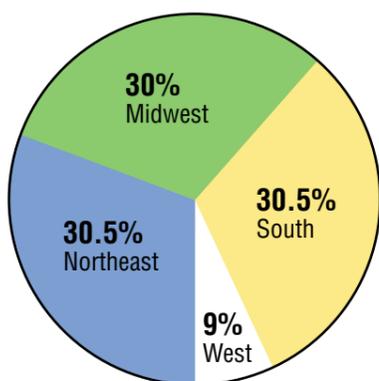
FOR A GOOD CAUSE The Impact of Charity Auctions

Everybody loves doing a good deed. And, if the results of the MORPACE International and Harris Interactive studies are any indication, just about everybody loves a good auction. So it makes sense that charity auctions are one of the most popular—and successful—ways for deserving groups to raise much-needed funds.

Auctioneers agree. According to MORPACE, auctioneers conducted approximately 129,000 charity auctions in 2003 accounting for \$13.4 billion in gross sales receipts. Of the auctioneers interviewed, 86% of NAA members and over three-quarters (79%) of non-NAA member auctioneers participated in a charity auction in 2003.

Charity auctions were almost

Regional Gross Revenue from Charity Auctions



[2003 MORPACE International]

equally distributed across the Midwest, South and Northeast, with each region accounting for about 30% of all charity auctions held. The

West was a distant second, accounting for the remaining 9%.

Of the more than 4,100 consumers polled by Harris research, 268 had attended both a charity auction and a live auction within the past year. Within that group, 97% think auctions are a great way for charities to raise money, and 94% think auctions are a great way to get good deals on a variety of items. As expected, 100% think live auctions are fun to attend. Only 4% thought live auctions were for collectors or the well to-do, and only 4% felt they "could never afford anything at live auction." A full 54% of these charity auction-goers said they make a special effort to attend auctions that they know about.

On average, these attendees spent \$2,139 at live auctions last year, and were willing to drive 2 hours to attend. They attended an average of 7.6 auctions, and 91% brought their family with them.

Although they represent a small segment of the live auction community, these consumers are attending—and spending—far more than average. By continuing or even increasing their participation in charity events, auctioneers can boost their exposure to these valuable consumers. By showing charity consumers how fun, engaging and exciting live auctions can be, we can help attract them to all forms of auction. The consumer wins, because he has a good time; the charity wins, because it earns much-needed revenue; and the auctioneer wins, because he widens the net of potential customers for his next event. And to think, it was all for a good cause. ■

THE AUCTIONEER: The Soul of Our Profession

Part celebrity, part businessman; part curator, part friend. He's the auctioneer, and he's at the heart of every successful live auction. And he does a lot more than just chant.

Like a professional quarterback, the auctioneer "touches the ball" at every stage of the auction game. Auctioneers are there before the event, working behind the scenes with staff members to ensure everything has been checked on, locked in, moved out and buttoned up down to the last detail. They target consumers, taking care to market the event to specific cities, groups and crowds to ensure the highest possible number of interested, active bidders. They review items up for sale, often serving as the expert appraiser for their auction company. And, in many cases, auctioneers even roam the crowd in advance of the event, mingling with the customers, answering questions for both buyers and sellers, even getting to know some of the familiar faces that seem to pop up at every auction on the circuit.

Then, the gavel strikes—and the real show begins. Carefully reading the audience, the auctioneer goes to work, guiding the crowd through a veritable hodge-podge of exotic and unrelated objects like a pro. Then a rhythm develops. Sellers relax, as the seasoned auctioneer moves lot after lot with the same brisk, reverent attention. Buyers try a hand at their first timid bid, confident the auctioneer is on their side. And the auction company performs, proudly reaping the rewards of a job well done.

Perhaps that's why the overwhelming majority of consumers hold our profession in such high regard. Of the more than 4,100 surveyed by Harris [reference chart on page 2], 92% had a favorable impression of auctioneers as a whole; in fact, key characteristics cited were professional, knowledgeable, friendly, respectful, trustworthy and refined. In addition, 42% of consumers think auctioneering would be a fun job.

For our part, we understand that the auctioneer is critical to the success of the auction method of marketing. Among those surveyed who identified membership in the National Auctioneers Association as an important characteristic, a full 100% said that membership in the NAA was a critical factor in their decision to attend a live auction or not. ■



AUCTIONEER, KNOW THYSELF

- 93% of auctioneers are men
- 35% are college graduates, with another 36% having some college
- 30% are between the ages of 45 to 54, and 29% are 55-64
- 1% are under age 24
- 20% cite the auction business as their sole income
- 52% own their own firm
- 16% are sole practitioners, and 11% are partners
- 60% belong to State Auction Associations
- 14% are designated Auction CAI
- 88% have a single office or location
- 48% employ only a single professional auctioneer
- 54% have worked as a contract auctioneer
- 51% reported gross sales revenues of \$500,000 or less
- 35% reported gross sales revenues in excess of \$1,000,000

CONTINUED... SOLD! TO THE TARGET DEMOGRAPHIC

Maintaining Core Consumers

But that's not to suggest we stop marketing to the two largest segments of the live auction community, *Auction Enthusiasts* and *Auction Regulars*. As our most active, influential and participatory consumers, we need them to maintain their current spending habits, if not increase their activity across the board.

In fact, nearly all the revenue for the entire live auction community is coming from our smallest target group: *Auction Enthusiasts*. These highly engaged consumers account for less than 8% of the U.S. population, and yet are responsible for a full 96% of consumer-driven live auction sales. They attend an average of 9 live auctions per year, and as many as 46 Internet and charity auctions per year. And they're more likely to receive special mailings about live auctions from common interest groups.

These consumers are really the heart and soul of the live auction circuit. So it makes sense to continue marketing to them, further involving them in the process and encouraging them to bid, sell, and spend even more.

Also critical are the equally active *Auction Regulars*. Regulars make up the majority of every live auction crowd; they're in it for the fun, the

excitement, the thrill of the hunt or even just the story to tell. They drive an average of 1.5 hours to attend live auctions, and bring their family and friends along when they come. On average, they attend 4 live and 30 Internet or charity auctions per year. But, for all their interest and participation, they only represent about 4% of live auction sales.

According to the Harris, the key to ramping up their spending to more closely match their interest level is in education. Research shows that Auction Regulars are less likely to bid, purchase, and sell than Enthusiasts. They are also a bit more intimidated than Enthusiasts, citing "difficulty verifying quality" and "question authenticity" as potential barriers to making a purchase.

Unlike Enthusiasts, Regulars are far from auction pros. One way to reach them is to offer opportunities for them to get more involved in the process, such as by hosting educational seminars before live bidding begins. Information could be on evaluating auction merchandise, learning proper bidding procedure or both. The idea is to give Regulars the confidence they need to participate fully in the auction process. From there, the transition from Regular to Enthusiast is only a matter of time. ■

TOP TEN REASONS TO ATTEND A LIVE AUCTION

-  You can afford it.
-  You never know what you'll see.
-  It's closer than you think.
-  The kids will love it.
-  You'll find a bargain.
-  You'll see an auctioneer in action.
-  It's unpredictable.
-  It's exciting.
-  You just might learn something.
-  You'll never look at eBay the same way again.

THE WORLD WIDE AUCTION: How Charity, Internet and Live Auctions Can Work Together To Boost Participation

Perhaps more than most industries, ours has undergone tremendous changes since the onset of e-commerce. We've seen participation in online, live/online and charity/online auctions skyrocket—increasing the economic impact of the auction method of marketing right along with them. Why, then, do so many still regard online auctions as a competitor to the traditional way of doing business?

Although on the surface, Internet auctions may appear to be snapping up more than their fair share of consumers, the reverse is in fact true. Internet auctions are successful in attracting new and active consumers to their sites—and, once they participate, those consumers are then more likely to participate in more traditional, live forms of auction. Understanding this cross-marketing potential for all forms of auction is the key to boosting attendance and revenue across the board.

Online By The Numbers

Fortunately, we no longer need to speculate about the habits of online auction attendees. According to the total number of consumers surveyed by Harris Interactive, 63% had attended an auction—any auction—at some point the past year. In addition, 46% of consumers had attended an online auction, and of those, 85% claimed to participate in them regularly. The average number of online auctions attended by this group in 2003 was 22.5. A full 75% “always check eBay” when shopping for collectibles. In fact, 85% of those who have ever attended an Internet auction did so in the past year.

By contrast, in the past year, 24% reported attending a live auction; 42% said they attend live auctions regularly; and on average, live auction attendees made it to about

6 live auction events. As for charity auctions, 16% had been in the past year, 41% went regularly and each averaged about 4.

However, once we limited the respondents to just those who had attended a live auction in the past year, notice how the answers change: 53% had also attended an online auction, and 29% had also attended a charity auction. Live auction attendees also logged an average of 34 Internet auctions, 2.4 charity auctions and 4.1 “other” auctions in addition to the 6 they participated in live. This suggests that the most active online auction attendees are in fact among the most active auction participants seated in our live audience.

Spending Habits

In terms of dollars spent by consumers, live auctions still generate the lion's share, taking in 51% of all revenue industry-wide (followed by 24% Internet and 25% charity).

consumers are willing to spend at other types of auction, as the chart demonstrates.

Live auction attendees also spend more at all types of auctions than those who don't participate live

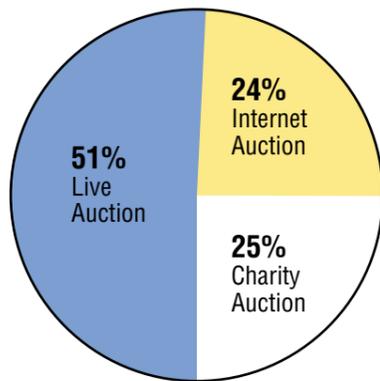
to bid online. So for the majority of live auction companies, simply adding an online auction component to your live event may be an easy way to increase live-event participation.

Cross-Auction Participation Among Consumers

	Attended Live Auction Past Year	Did Not Attend Live Auction Past Year (but did previously)	Never Attended Live Auction
Live	\$988	-	-
Internet	\$798	\$330	\$377
Charity	\$655	\$422	\$226
TOTAL	\$2,432	\$752	\$603

[2003 Harris Interactive]

Share of Consumer Spending at Auction



[2003 Harris Interactive]

Participation in live auctions also appears to drive up the amount

(\$2,432 vs. \$698 respectively).

By contrast, Internet auction attendees are more likely to have bid, bought and sold online than they were at a live event (36% versus 25%). And yet, consumers spend twice as much at live auctions than they do at Internet or charity auctions (\$988 vs. \$475 vs. \$480, respectively).

Wooing Consumers “Offline”

Fortunately, live auction companies need not fear online auctions as competitive events, since participation in these auctions actually drives consumers to participate in wider, deeper levels of auction activities, not less. In fact, as many as 18% of live auction consumers are motivated to participate in live auctions if they offer an opportunity

One way to reinforce consumers' tendencies to shop all forms of auctions is to reinforce one type of auction at each venue; that is, live auction companies should advertise their events online, and vice versa. By speaking to our consumers where they live, that is, in the world of auction, we can encourage them to sample the variety of other ways to experience the fun and excitement the auction method of marketing has to offer—perhaps by attending, or even increasing their bidding, selling, or purchasing.

In the end, participation is the key. Whether for charity, online or live at your next event, once consumers try their hand at auction, they'll keep coming back for more, in all it's forms. It doesn't really matter where they start. In the wide world of auctions, all roads lead to you. ■

WHAT'S HOT, WHAT'S NOT

Take a glimpse at what sold well, what slacked off, and what stayed the same in the highly specialized work of auction marketing.

Art, Antiques and Collectibles

- \$11.4 billion in gross revenue
- Revenue unchanged over 2002
- 71% of companies market this category
- Represents 6% of total gross auction revenue

Automobiles

- \$79 billion in gross revenue
- Revenue up less than 1% over 2002
- 40% of companies market this category
- Represents 41.6% of total gross auction revenue

Agricultural Machinery and Equipment

- \$17.3 billion in gross revenue
- Revenue up less than 1% over 2002
- 58% of companies market this category
- Represents 9.1% of total gross auction revenue

Commercial and Industrial Machinery & Equipment

- \$10.9 billion in gross revenue
- Revenue up 5.3% over 2002
- 33% of companies market this category
- Represents 5.7% of total gross auction revenue

Livestock

- \$17.1 billion in gross revenue
- Revenue up 10.2% over 2002
- 19% of companies market this category
- Represents 9% of total gross auction revenue

HOT

Land and Agricultural Real Estate

- \$19 billion in gross revenue
- Revenue up 12.9% over 2002
- 42% of companies market this category
- Represents 10% of total gross auction revenue

HOT

Commercial and Industrial Real Estate

- \$11.8 billion in gross revenue
- Revenue up 6.6% over 2002
- 23% of companies market this category
- Represents 6.2% of total gross auction revenue

Residential Real Estate

- \$11.5 billion in gross revenue
- Revenue up 12.6% over 2002
- 47% of companies market this category
- Represents 6.1% of total gross auction revenue

HOT

Personal Property

- \$9.5 billion in gross revenue
- Revenue unchanged over 2002
- 67% of companies market this category
- Represents 5% of total gross auction revenue

Intellectual Property

- \$0.2 billion in gross revenue
- Revenue unchanged over 2002
- 4% of companies market this category
- Represents 0.1% of total gross auction revenue

SOURCE: Gross revenue data reported above is reprinted from the 2003 NAA Auctioneer Survey conducted by MORPACE International. Percentages shown exclude gross revenues derived from charity auctions. The survey was commissioned by the NAA in an effort to better understand the economic impact of the auction method of marketing. The survey and its results will be updated on a quarterly basis.

MARKETING BY THE MAP

A Regional Perspective on Live Auctions

Fashion retailers have long understood that where you live determines what you wear—and spend and earn and eat, for that matter. So the NAA wondered: if regional spending habits exist, then will those same patterns hold true for the typical live auction consumer? Let's find out.

True or False: Antiques sell best in the Northeast.

ANSWER: False. As consumers' third most sought-after item nationwide, antiques sold at live auction fare no better up north than anywhere else. On average, antiques make up one-third of consumer purchases at live auction. For all auction attendees, antiques comprise a total of \$11.4 billion per year in gross revenue for the industry.

True or False: Regionally, more auctions mean more money.

ANSWER: False. According to Harris Interactive research, there doesn't seem to be a direct link between the number of live auctions regional consumers participate in and the amount they're willing to spend. The Midwest has some of the most frequent auction buyers with an average of 8.1 auctions per year, but they spend the least of any region in the country. By contrast, auction consumers in both the South and the West attend half as often (4.2 and 5.6, respectively), yet spend twice as much (\$1,344 and \$1,571).

True or False: Each region has its own number one category.

ANSWER: True—and false. Yes, every region has its own number one category—they just happen to be the same one. Household and general merchandise is far and away the number one category for consumer

purchase nationwide, regardless of the region. As a category, it makes up 70% of gross sales in the Midwest, 60% of the South, 59% of the Northeast and 49% of the West. Interest in household items is followed by furniture, with approximately 40% of consumers nationwide expressing interest; then antiques, with 33%.

Who attends most often? Northeast / South / Midwest / West

ANSWER: Those sprawling prairie states. With such glorious vistas outside every car window, who wouldn't want to pack up the kids and enjoy a leisurely hour or so drive to a free, fun, family-friendly pastime? Midwesterners attend the most frequently of any other region, an average of 8.1 auctions per year, with 34% attending in the last year. Of those, nearly 60% purchased something, and 60% plan to attend in the future.

Who attends the least? Northeast / South / Midwest / West

ANSWER: The South. But don't worry. Although they lag behind in attendance—most managed only 4.2 auctions per year, and only 23% in the past year—their hearts are in the right place. Southerners love their auctions, and a full 51% plan to attend in the future. Better still, when they do come, they bring their checkbooks. Better than half of those who attended a live auction (52%) purchased something when they came.

Who spends the most at auction? Northeast / South / Midwest / West

ANSWER: The West. Like their

counterparts to the South, Westerners like to pick and choose the auctions they attend, with an average of 5.6 auctions a year. But that lack of frequency does little to dampen their enthusiasm. Westerners spend an average of \$1,571 at live auction; more than both Midwest and Northeast consumers combined. And, Westerners spent an average of \$1,775 on online auctions, as well—more than triple that of the Midwest.

BONUS: LIGHTNING ROUND

Feeling pretty good about your knowledge of regional trends? Try your hand at the next five and see how you do. (Answers on page 8.)

What percentage of consumers in the West attended an auction last year?

19% 42% 70%

On average, how many auctions do Southerners attend each year?

4.2 5.6 5.5

How much did consumers spend in the Midwest, on average?

\$1,344 \$586 \$1,1571

How much did consumers spend in the South, on average?

\$1,344 \$586 \$1,1571

Who's most likely to attend an auction in the future?

South Midwest

True or false: Regions with the most auction attendees generate the most revenue. ■



FACTS AT A GLANCE

- The Midwest region has the highest number of participants and purchasers who participate the most often in live auctions (8.1 times).
- The Midwest also has the highest proportion of consumers planning to participate in a live auction in the future.
- Despite their interest, consumers in the Midwest spend half as much as auction as consumers in the South and West.
- More than half of the consumers in the South plan to participate in a live auction in the future.
- The Northeast has low participation (5.5 per year) and average spending (\$556).
- The West has low participation (5.6 per year) and the highest spending (\$1,571).
- The South has the lowest participation (4.2) but the second-highest spending (\$1,344).

NEWLY RELEASED 2004 RESEARCH FURTHER DEFINES MARKET

Quarterly Updates Planned

As part of our ongoing commitment to the auction industry, the National Auctioneers Association is pleased to report the results of our 2004 first quarter update.

Our original initiatives, the landmark MORPACE International and Harris Interactive studies, provide a solid, initial economic and demographic snapshot of the auction industry. Using these results as a baseline, the NAA will invest in smaller, more frequent, highly targeted research. Moving forward, the NAA will measure and report on trends and forecasts on a quarterly basis.

What follows are the highlights of our update for the first quarter 2004:

- Based on first quarter projections, the outlook for 2004 appears optimistic.
 - 40% of auction companies report an increase in revenues over first quarter 2003
 - 38% report no change
 - 22% report a decrease
- Projected through 2004, this indicates that the live auction business should grow approximately 8.5%
- Excluding charity auction revenue, this would translate into approximately \$206.1 billion total revenue for 2004, up from \$189.9 billion in 2003.
- Gross revenues for residential real estate have grown 5.4% overall, a significantly higher increase than the those seen for land and agricultural auctions (+1.6%) and commercial and industrial real estate auctions (+1.1%)

- This supports the Harris consumer research indicating an increased willingness to sell and purchase real estate through auction.
- As a result, the NAA will analyze real estate more closely in the coming months as a targeted segment for growth. ■



Real Estate Auction

SEEING BEYOND THE NUMBERS

A Consumer-Driven Action Plan from the NAA

by Robert A. Shively, CAE, CEO of National Auctioneers Association

All right. You've read the numbers, seen the synopsis, understood the report. Auction attendance is up, both online and live. Consumers are spending more. And once they get the auction bug, they're hooked. After just one, the majority of consumers will attend again and again, often with family and friends. The primary driver is fun—the thrill of the hunt, the chance of a bargain, the excitement of seeing and selling the unexpected, the unusual, or the undiscovered. And over all this, the auctioneer reigns supreme.

But in practical terms, what does it all mean? What can this information really tell us about the future of the auction method of marketing? And where do we go from here?

Fortunately, not too far from where we were headed in the first place.

Charting A Course

The dual purpose in commissioning these studies was to establish a definitive assessment of the auction marketplace and to put that information to use to grow our members' business. This, of course, required a sizeable investment from the NAA, and, you'll see in the coming months, a continued financial commitment to support quarterly and periodic updates to the research. But as the leadership organization for the auction marketing community, we felt this in-depth, independent assessment of both our consumers and our economic impact was long overdue.

Of course, as sponsors of the two, highly detailed market research initiatives outlined on these pages, we had hoped to paint an accurate portrait of our industry. With nearly 200 pages of facts, figures and recommendations at our disposal, we now know more about our industry and our clientele than ever before. We can predict their habits with mathematical certainty. And we can plan our approach accordingly.

For years, the NAA has recognized the pivotal, although changing role of the auctioneer in the auction method of marketing. As many of you know firsthand, successful auction marketing is no longer a single-person enterprise. Auctioneers who once ran the entire show now require many levels of management help, including bid assistants, bankers, even web developers. And we're a powerful community— attracting and influencing consumers to participate in all levels of the auction marketing spectrum.

Like most businesses, auction marketing companies are largely independent, working to promote their individual interests rather than marketing the industry as a whole. But unlike most businesses, the success of each independent

auction marketing venture has a direct impact on the success of the industry as a whole. Consider this:

- Consumers that participate in live auctions typically participate in at least one other type of auction
- 20% of auction goers actively participate in both live auctions and Internet auctions
- 83% of consumers have attended some type of auction in their lifetime with 63% having attended one in the past year
- Past year live auction attendees spent more at all types of auctions than non-live auction attendees (\$2,432 vs. \$698 respectively)

The goal, then, should be to use this information to our mutual advantage—marketing both ourselves independently, and the industry as a whole.

Creating A Brand

Brands drive everything we do. They determine which items we sell and how much consumers are willing to pay for them. If we're lucky, our own "brands" attract consumers to our individual auctions rather than to the competition. If we're extremely lucky, the collective strength of our method of marketing has grown so strong, it has now become a brand in and of itself.

So how do we promote this brand? By following the example of other pioneering industries, for a start. Imagine the impact a single phrase like "the incredible, edible egg" has had on the myriad chicken farmers of the world. Or the cholesterol-defying attention—and profits—so many ranchers have derived from simply announcing that "beef is what's for dinner." These initiatives were meant to raise the awareness and perception of their industry as a whole; and they worked. Pork isn't barbecue; it's the other white meat. Cotton isn't just a tee shirt; it's the fabric of our lives. And if you're still not convinced, all it takes is a quick look inside your own refrigerator. Got milk?

Memorable as these advertising messages are, they're only effective because they speak to an underlying truth about the products they promote. Fueled by our research, the NAA hopes to pursue a similar path for our own industry, and categorically promote the auction method of marketing.

Consumers tell us that the primary reason they attend auctions is fun:

- Consumers feel live auctions are fun and half of them cite *fun* as the reason for attending live auctions
- A majority would take a family member to a live auction and *family outing* is a highly motivating characteristic
- The attraction to live auctions is rooted in the excitement of getting a good price on an assortment of goods

- The majority of consumers feel live auctions have exciting offerings or items they wouldn't otherwise purchase
- The top reasons for attending a live auction are *excitement of getting a good price, like to see what types of things are available, and great value on items*

Therefore, we see the strength of our brand as the exciting, unpredictable nature of the auction itself. Consumers are drawn to us because we offer the world's only organized, bidder-take-all buying and selling opportunity—a "retail" experience like none other. You won't just be shopping. You'll be having fun. You'll see, find, bid and buy things at auction that you simply can't find anywhere else.

In other words, "Only at auction."

Only At Auction

As the largest of many new initiatives planned in response to this research, "Only At Auction" will serve as the overall message to consumers as a way to educate and attract them to all forms of auctions, predominantly live. Plans are underway to determine the ideal methods and media to introduce and sustain this message in a way that our target consumers will most likely see it.

Currently, most auction consumers get their information from the local newspaper. That strategy has worked for us; our numbers and growth as an industry prove it. But what about the Potential auction consumers, the ones who aren't currently attending? They tell us that they'd like to start coming to live auctions, but frankly, they just don't think of it. When they do, they often don't know where to look for good information on how to get more involved.

The time has come to spread the word beyond the traditional method and start talking to our potential customers wherever they are. We need to take an entirely different, more broad-sweeping approach to putting our industry on the radar of the public at large. "Only At Auction" does more than just bring the consumer to the auction that happens to be going on next weekend in their town, it brings them into the auction lifestyle, makes them an active member of "our" community. It invites them to the party and puts them on the path to becoming an enthusiast.

Our hope is to communicate the "Only At Auction" message both at auctions and beyond, through traditional advertising, web banners, possibly even sponsorships of programs and entertainment centered around the auction lifestyle (like *Antiques Roadshow*). By broadcasting the newly developed brand to consumers in alternate ways, we help create a buzz and generate traffic both offline and online.

An integral part of our efforts will be the creation of an access point and community hub over the web at

www.onlyatauction.com. The site will offer Potentials and others interested in participating the excitement and fun of live auctions to get involved—possibly even fostering a broader community of "offline" auction enthusiasts. This new venture will not take live auction consumers away from you locally; rather, it will bring both current and potential consumers deeper into the fold, bringing them one step closer to becoming your most loyal customers.

Like our research, these initiatives are designed to advance the perception and importance of the industry as a whole. And they won't happen overnight. Investing in this sizeable research was a critical first one in our multi-part, long term efforts to direct the future of the auction method of marketing. Based on that research, and supported by our continuing efforts to expand our knowledge database, we'll now begin the process of developing Only At Auction. It may be some time until we see the impact of this new direction—although all signs point to rapid future growth.

From there, who knows how far we'll go. ■

A Word from AntiqueWeek...

For 35 years, *AntiqueWeek* has been the most effective advertising medium for auctioneers in the USA. Unlike any other publication of its kind, *AntiqueWeek* assures auctioneers positive results.

With 45,000 paid subscribers, *AntiqueWeek* is fast becoming the most popular antiques newspaper across America. Recent readership surveys show 81 percent of *AntiqueWeek* readers rely on it as their only antiques newspaper, and with good reason. With its staff of editorial experts, *AntiqueWeek* presents timely and accurate news coverage of the antiques and auction industry. Whether you want to focus on a regional audience or attract national attention to your auction, *AntiqueWeek* has the solution.

Its courteous and attentive customer service representatives make advertising in *AntiqueWeek* convenient and effective. In fact, if you don't believe an advertisement generated any business, *AntiqueWeek* will refund your money.

If you advertise in only one trade publication, the clear choice is *AntiqueWeek*.

For more information, please call Richard Lewis at 800-876-5133, extension 161.

Marketing by the Map p.7

ANSWERS
19%; 4.2; \$586; \$1,344;
Midwest; False