



24 February 2008

***HOW MANY 'DEAD FISH' IN THE REAL ESTATE AUCTION BUSINESS?***

*"Never forget that only dead fish swim with the stream". - Malcolm Muggeridge (1903-1990) renowned author, journalist and media personality*

G'day there,

After reading a lot of Saturday's real estate sections of metropolitan papers and listening to real estate show on the radio as I drove from auction to auction, I reckon that the "waters" of our industry must be shimmering with the carcasses of "dead fish".

For the life of me I can find no earthly reason why a sales person, when asked about the current auction business, would say they were having trouble getting them started and getting activity.

Oops, I recant.

There is one reason, and an awfully big one at that.

It is that they simply do not understand the power of the vendor bid.

Created by the legislature to hopefully/supposedly get rid of dummy bidding, (which I am sure it hasn't, with vendors being the biggest offenders) we have been given one of the most powerful tools in the auction business PROVIDED we use it properly.

I believe that its power is overlooked. I've had any heated conversations with agents who reckon I'm being a smart arse but who have, in actual fact, displayed their ignorance of this tool. These are the people who are the dead fish swimming with the stream.

Let's use a football analogy to explain my point.

Where are you most likely to score a try (rugby union or rugby league), kick a goal (soccer) or boot a goal or behind (Aussie Rules)? From your end of the field or at the opposition's end ?

If you said from your end of the field you would be wrong.

So why in heavens name do we try and secure a sale from down "our end of the field?"

I shudder as I watch auctioneer after auctioneer stand at an auction, start to address the crowd, call for an opening bid and then, with no response, start begging to obtain one.

In States other than NSW (where you are allowed just the one), they will normally “kick it off” with a vendor bid that is so low it is under the radar and then proceed to have a number of vendor bids with the last one where they should have had the first one!

This pain, and humiliation, is not needed unless the auctioneer is either a masochist or has a listing agent who hasn't a clue about what they are doing. The latter is usually the case.

The placement of the vendor bid is basely purely and solely on market feedback and that is why I spend the amount of time I do on the subject in both our **From Signup to Sale** course for real estate agents and our **Bronze and Silver Level Auctioneering** courses for auctioneers.

***Put simply, accurate market opinion is the axle on which the auction wheel turns.***

The best auctioneer in the world is useless if the vendor bid is placed too high and no one bids and conversely, their skills are also greatly negated if it is too low.

An example of this correct vendor bid placement occurred today at an auction I did for one of our **FAA Office Program** clients.

The reserve was \$1,050,000 and the market opinion was \$950,000 to \$1,050,000 (that latter figure being a prior offer which was refused and they bought elsewhere).

Based on this, and with 4 registered bidders, we opted to have the VB at \$950,000. Three bidders competed (awfully slowly) and it was sold eventually for \$990,000 under the hammer.

With the wonderful benefit of hindsight, it was very obvious to us that if we had used the VB at a higher figure (\$980,000 to \$1M), which many, indeed most, probably would have, none of the bidders would have entered the auction and we would have had an annoyed or disappointed vendor and a property still for sale at an overpriced figure.

With our FAA Office clients, we spend a great amount of time visiting and re-visiting and re-visiting this market opinion position on every auction we conduct.

Unless you wish to be amongst the “dead fish”, I reckon it will pay you and your sales team handsomely to also do so.

You may be happy to be going with the flow as a “dead fish”; the only drawback is that you are then going downstream, not upstream to where the nutrients and life are!

Carpe diem

Tony

Tony Fountain (Principal and Founder) 0418 238341

(Author: **The Complete Guide to Selling Real Estate by Auction** and the e-book **The Vendor's Guide to Selling Real Estate by Auction**)

tony@fountainandco.com

---

Fountain Auction Academy

---

To stop receiving e-mail from us, please [click here](#).

[Manage Subscription](#)

[Home](#) | [Privacy Policy](#)

**Fountain & Co Pty Ltd**

PO BOX 897 BOWRAL NSW 2576 Australia

**Ph:** +61 2 4862 5483 **Mobile:** 0418 238 341 **Fax:** +61 2 4862 5483

E-mail: [tony@fountainandco.com](mailto:tony@fountainandco.com)

web: [www.fountainandco.com](http://www.fountainandco.com)