

ONLINE AUCTION ADVISORY GUIDE

ALL YOU NEED TO KNOW ABOUT ONLINE-AUCTIONS

Like every industry, auctioneering has its own terminologies and acronyms that describe certain procedures and these need to be read and understood by buyers and sellers alike before doing business with an auctioneer.

Whereas live auctions allow the auctioneer to explain these processes, online and Web-based auctions mostly rely on users of the service to carefully read and understand the terms and conditions associated with buying and selling on the specific platform. Although there are many intricacies involved at an individual auction level, the South African Institute of Auctioneering (SAIA) encourages users to at least know the basics.



Terminology

- **Auctioneer** – acting as an agent behalf of the seller, conductors of accepting bids between buyers and sellers
- **Auction house** - means (name of company) or another nominated juristic person who conduct auctions as part of its business under the name and style of (name of company)
- **Bidder** – is anyone placing a bid to buy any asset on auction
- **Bidding process** – The online bidding between bidders hosted by the online auction platform.
- **Bidding platform** – is an online portal via specially developed auctioneering software that facilitates upload, bidding and all the requirements to run a successful auction.
- **Lot** – the item on auction
 - Where a bidder has been outbid, after receiving a “Winning Bidder/ Lot won” push notification, he would then receive an automatic push notification reading “Outbid, please bid again” with a link to the specific lot
- **Increments** – The amount that each bid is increased by
- **Highest Buyer / Bidder** – is the bidder who has placed the highest bid at the fall of the hammer / close of the auction in respect of an item

- **Auto bid** - Placing a max bid online or through the app
The system will automatically bid on your behalf up to your maximum bid using the pre-determined bidding increments.
This can begin as soon as an auction is published & the sales begin.
If a bidder is instantly outbid because a higher max bid exists by a different bidder, they will be notified on their device (web/apps) immediately after placing the bid.
If a bidder is winning the lot and is later outbid, they will receive an email notification & push notification to mobile and tablet, letting them know they have been outbid and encouraging them to bid again.
If two bidders leave the same max bid and that bid wins the lot, the bidder who left the bid first will be the winner.
If you have timed house bidding enabled, the system will bid against bidders up until the reserve. The last bid placed by the system in this scenario will be at a half increment below the reserve, so the next bid will sell the lot.
- **Opening bid or Starting bid or Minimum bid**
 - Opening Bid - The first bid received for the item
 - **Starting bid** - The starting amount required by the auctioneer, traditionally pre-populated onto the bidding platform, to get bidding active on the specific lot
 - **Minimum bid** - The lowest acceptable offer and may be below or equal to the reserve price
 - **Maximum bid** – The most you are willing to bid to.
- **Current Bid** – the bid in place at that current time of the auction
- **Outbid** – someone else has put in a higher bid, you are no longer the highest bidder and *needs to place a higher bid than the other*
- **Winning bid** – the highest bid placed for that item (should this not be equal to the reserve price / STC, the seller has the right to accept or decline the winning bid)
- **Unsold** – the item is not sold to a particular bidder as the reserve price of the item/s has not been reached or no bids received. *The auctioneer may invite offers after the auction to sell the goods*
- **Time Extension** – If a bid is placed within the last two minutes of the defined time period, a “lot extension” kicks in and keeps the lot open for a further 2 minutes.
- **Buyer's Commission** – this is the commission percentage payable by the buyer to the auction house on the sale on the asset/s, calculated on the final selling price.
- **Seller's Commission** – this is the commission percentage payable by the seller to the auction house on the sale on the asset/s, calculated on the final selling price.
- **Reserve** – The confidential minimum selling price at which an asset may be sold for, as agreed in writing (signed mandate) between the seller and the auction house.
- **STC** – subject to confirmation (the seller needs to confirm / approve the highest bid price achieved on auction)



General Online Auction Procedures

- **BEFORE – Registration**

Bidders need to register on the auction platform, pay the registration deposit if applicable, submit FICA documents and ensure their account is activated. At this stage, it is important to note the terms and conditions, as well as the rules of the auction. Login prior to participation. Once logged in, the account holder is responsible and liable for all bids made on that account. Bids should be made within the bidders' own ability and winning bidders are responsible for payment and removal of assets as per the rules of the auction. To avoid disappointment, ensure you register for an auction at least 24 hours in advance to ensure you are approved in time.

- **DURING - How to keep track of the progress of an auction**

You need to look out for the current bid which is based on bids received. Online auctions will notify bidders whenever their bid is the winning bid / highest bid based on the current bid, if someone else bids a higher amount than your bid, you will receive a notification that you have been outbid, you then need to put in another bid if you are still interested. Online auctions often notify bidders whenever their bid is below the reserve price based on the current bid. With some online bidding platforms, if the auction lots are populated with individual reserve prices, and these reserve prices are NOT ACHIEVED, there would not be a "Winning Bidder" notification sent to the bidder. Once the reserve price is met, the lot automatically displays "Reserve Price met", and a notification is sent to the highest bidder. Should the reserve price not be met, the lot displays PASSED. This means the lot has been sent to the seller for confirmation / acceptance. Place bids timeously! Don't wait for the last minute or seconds, in case of system delays. All online auctions have an end-time displayed on the lot page. A count down timer will be visible on each lot, showing the specific lot's closing time.

- **CLOSING –**

The bidder should bear in mind that if he/she places a bid before the closing of the auction, it does not mean he/she won the bid. They can still be outbid if they do not monitor the auction.

The bidder should note that an online auction is loaded and accessible until the closing date and time stipulated, bearing in mind the time extensions for the lot and will be out bid if he / she does not monitor the auction

Time Extension

Online auctions may have a time extension to allow any last-minute bids to be placed.

Time Extension only happens if a bidder places a bid seconds before that lot is stipulated to close. The time extension to which the auction is set to will then take place (i.e if the time extension for the auction is set to 2 minutes with lots set to close at 11H02, and a bidder places a bid 11:01:58, there will be an extension of 2 minutes again until there are no more bids received.) When a MAX BID is placed during the extension time, the bidder placing the MAX BID automatically wins, without any notification to other bidders. The extension time should be used as a very last

chance and the **MAXIMUM AMOUNT** you are willing to pay, should be bid immediately.

- **AFTER – Payment and Collection**

Upon completion of the auction, all monies need to be settled in accordance with the auction conditions.

If your bid was the winning bid / highest bid, you will receive a notification to this effect. If the item/s you bid on has a reserve price / STC you will only need to pay the invoice once the seller has confirmed / accepted the highest bid. If there is not a reserve price / STC on the item/s you bid on the auctioneer will send you the invoice for payment, which needs to be paid immediately after receipt thereof. If you are the highest bidder and do not proceed with the sale or fail to do the payment, you will forfeit your deposit paid.

Collection of assets needs to take place as per the timeframe stipulated in the conditions of sale and rules of the auction.



ADVISORY NOTES:

Even if it is an online sale, it is incumbent on a bidder to familiarise themselves with an item on which they bid prior to commencement of the bidding process. Any enquiry or doubt as to the condition of the item that is bid on should be ascertained with the auctioneer prior to the bidding process. The bidder needs to do a full inspection, viewing and due diligence of items they intend to buy.

The bidder needs to ensure he/she reads and understand the terms and conditions, as well as the rules of the auction prior to registration and commencement of the bidding process.

The bidder must be aware of all the costs involved and additional charges regarding invoicing, 15% VAT on the highest bid price, Commission + 15% VAT on Commission, documentation fees etc.

Ensure your information technology is compatible with the online auction platform

As not all networks and web browsers are created equal. To ensure you stand the best chance of bidding successfully it is advisable to check compatibility in advance and update to the latest version of your web browser. Delays with browsers can cause endless problems during the bidding process, therefore check that your browser is compatible with the auction house bidding platform.