

Selling Manufacturing Equipment - On-line vs. Traditional Auction Methods

268 billion in assets are sold at auction each year. Industrial machinery and equipment is the third highest selling category following real estate and charity auctions, according to reports published by the National Auctioneers Association. Clearly the U.S. manufacturing industry is changing rapidly as is the auction industry itself. On-line auctions are rising in popularity since 2006. Many traditional industrial auctioneers are adding on-line bidding to their live auctions or moving to a strictly on-line format. The advent of the on-line auction is stirring great debate amongst both auctioneers and manufactures. A look at the advantages and/or disadvantages of both is important.

Auctioneers are simply marketing experts. People and companies come to them to convert assets into cash in an efficient and cost effective manner. The auctioneer determines who the most likely buyers are of a particular asset and sets out to market the product to that target audience in a condensed period of time, then create a bidding war. Some of the most popular concerns of potential sellers are:

Timing: Many manufacturing companies seeking to sell equipment need speed. Perhaps their lease is coming to an end or they've sold their building and have a pending closing date. In some cases the company is in financial trouble and the proceeds are needed to pay creditors.

Equipment Pricing: Anyone selling a piece of manufacturing equipment hopes to get the best possible price given the time frame they have to work within.

Cost of Auction: The cost of conducting an auction including staff and advertising is typically charged to the seller and deducted from the auction proceeds. In many cases the net proceeds are the manufacturer's retirement funds, therefore keeping costs down is essential.

Facility Cleanout: Many manufacturers closing or retiring have been in their current facility for decades. Facilities need to be prepared for lease termination and brought to broom clean condition to avoid financial penalty with a landlord, or to prepare the building for sale or lease to a new tenant.

When trying to decide whether to go with the on-line or traditional auction methods it is prudent to look at how both affect each of seller concerns.

Timing: When it comes to speed, on-line auctions win hands down. A traditional auction requires staffing, security, sometimes special permits from the township, a caterer, set-up of computer and sound equipment at the auction site and so forth. Many of these are eliminated with the on-line method allowing the auctioneer to provide service sometimes in half the time.

Equipment Pricing: With on-line auctions you open the bidding to a worldwide audience. More competition = better bottom line results. Think how inconvenient live auctions are to buyers. The auctioneer is inviting them to come to a location that may be hundreds or thousands of miles away from their home or office and stand in a warehouse, (sometimes in the dead of winter) all day long until the auctioneer gets to the one piece of machinery that buyer is looking for. This is NOT a buyer friendly way of conducting auctions and more and more buyers are opting out of that process.

Another aspect to consider when talking about pricing is worldwide markets. If you ask most manufacturing companies why they are going out of business the answer will be that the products they made are now being made overseas. Huge segments of manufacturing are now primarily being done in other countries. Does it not make logical sense that those companies overseas need machinery to keep up with new orders? Auctioneers who only try to sell their client's machinery in the USA are doing their client a huge disservice. The world we are living in requires global thinking.

Cost of Auction: Again the on-line auction wins hands down. The online auction does not require the same staffing, security, electronic equipment, sound system, caterer, etc. as a live event. On-line budgets typically run 50% or more less than live.

Facility Cleanout: This concern is the same for both live and on-line auctions. Either way the building must get cleaned out.

The bottom line is that the on-line auction method can get the job done faster, better and cheaper than traditional methods, increasing the bottom line to the Seller.

About the author: Fran Brunelle is an industrial auctioneer with almost 20 years experience, a business broker specializing in manufacturing companies, a licensed real estate broker, real estate auctioneer, and certified appraiser. Fran maintains memberships in the NAA, IAA, NJSSA, NJAWBO. She holds both the Certified Auctioneer & Accredited Auctioneer Real Estate designations. Fran is the founder and president of both Accelerated Buy Sell, Inc. (AcceleratedBuySell.com) and Accelerated Real Estate Marketing (www.AcceleratedRE.com).