

Toastmasters Speech 2 – “Auction Tactics” (target 6 minutes)

Shouting, whooping, banging things, pointing in the air. In this civilized, modern age, why do we think that this is a good way to go about buying something?

Who here has bid in person at an auction?

Who here has *enjoyed* the experience?

I, hate auctions.

Auctions are stressful, horrible things. But tonight, I’m going to give you a method for doing as well as possible at auctions. I will give you two tactics, explain two limits, and provide two behaviours. All together, it may save you a few thousand dollars. It may even help you win.

These are the tactics that I used when I bought my house last year, and they worked very well for me.

Before I get into the tactics though, I want to ensure that we have the same understanding of how auctions work.

The auctioneer works for the vendor, who is the person selling the house. Together they agree on a reserve price below which the vendor will not sell. The auctioneer takes bids of increasing size from the crowd until no one is willing to bid any more. And if the highest bid is above the reserve price, the house is sold to the highest bidder.

According to the Real Estate Institute of Victoria, Melbourne is the auction capital of Australia. More houses are sold here by auction than anywhere else.

I really don’t know why – auctions are bad for the vendor, and bad for the bidders.

They are bad for the vendor as the auction is won by the person willing to pay the most, but they pay the price set by the person willing to pay the second-most. And they are bad for the bidders, as bids are unconditional and the winner isn’t allowed a cooling off period, unlike in a private sale.

But back to the tactics.

There are only two situations that you need tactics for, and they are both straightforward.

The first situation is for when the house isn’t going to sell. In other words, the bids won’t reach reserve.

In this situation, the tactic is to not bid at all.

If the house is passed-in, which means it doesn't meet the reserve, then it will be up to anyone interested to negotiate with the vendor or real estate agent directly. Any bid you make simply increases the starting position of the negotiation.

The auctioneer will indicate when reserve is reached. They will either say it directly, or imply it by saying something like "the property will sell" or "the house is on the market".

This is when you can adopt the second tactic. This tactic is used for when the house is going to sell.

However, you need to always be ready to put this tactic into play, so it requires a bit of preparation.

Let me explain. Before the bids meet reserve, you're negotiating with the vendor, but after they meet reverse, you're competing with the other bidders.

Because bids are unconditional and there is no cooling off period, all of the other bidders will have done their homework. They will have inspected the house thoroughly, assessed their finances, and will come to the auction prepared to bid up to a set limit.

I should say, a *rational* limit. Everyone has two limits: their rational limit and their emotional limit.

The rational limit is the amount that they are willing to pay for the house.

The emotional limit is the amount they will pay if they also could borrow money from their mates, forego the planned holiday, or sell their kids on e-Bay.

Although when you're bidding, the auctioneer is doing their best to ensure the next bidder is bidding beyond their rational limit, up to their emotional limit. The auctioneer is not your friend.

They will be shouting and whooping and banging things. They will be channelling P.T. Barnum and making the auction a real spectacle. They want your blood to be pumping, and your pulse racing. They don't want anyone stopping at their rational limit. They will shout

"Do I hear 500 dollars? Will anyone let him take this incredible property for 500 dollars? You sir – what is another 500 dollars? Do you have 500 dollars? Will you show us another 500 dollars?"

And bit by bit, they will ratchet the price higher. They want you to really believe that another little increase is enough to win the auction, even if you've already gone over your rational limit.

So this is where steel will and a bit of preparation will help. Everything the auctioneer does, you need to undo. And you need to fight fire with fire.

There are two behaviours you must adopt. First you need to establish the equivalent power as the auctioneer, and then you must dampen the hype and emotion in the auction.

To establish equivalent power you must appear like an auctioneer. (put on tie) They dress like other power figures in a suit and tie, and expensive accessories. They stand on one side of the auction – with the bidders tamely on the other. You must stand next to the auctioneer. Shake their hand. Chat before the auction. Let those other bidders that you're competing with know that you are on par with the auctioneer.

To dampen the hype and emotion you must not let the auctioneer control the bidding. *You* must be in control of the bidding. Once the house is on the market, feel free to jump in with a bid at any time. Then never let it go.

Every time anyone else bids over you, calmly but immediately bid them up. Up to your rational limit, of course. Do not show any excitement. Ideally, don't show any emotion at all. As the auctioneer begins ranting, let the other bidders clearly see *you* as an island of calm, waiting with infinite patience and with the leading bid. Be the kill-joy.

When I was doing this, the auctioneer realised what I was doing, and started ignoring me. They didn't want me to be holding the leading bid. They wanted another bidder to think they were winning, and perhaps that they liked winning. And to stop thinking rationally. So, I had to raise my voice slightly to have them register my bid.

However, in the end I won.

I won't test you, but I will recap. I've told you about the two tactics – when the house sells and when it doesn't – about the two limits – the rational and the emotional – and the two behaviours – adopt the mantle of the auctioneer and dampen the hype. These are what to use to win too.

[6:03]