

Internet auctions become star attractions



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Bette Midler is widely regarded as one of the great all-round entertainers. Yet three years ago, the annual gala of New York Restoration Project, the non-profit she founded in 1995 to conserve green spaces in the city's five boroughs, was in need of some pizzazz.

"The live and silent auctions were not doing as well. There were the same trips and experiences everywhere. It was so stale," says Drew Becher, NYRP's executive director. "We raised \$100,000 or so but with the amount of staff time and energy expended, it was probably a wash."

The organisation needed to make the experience more exciting. So last year it hired **Charitybuzz**, an auction service provider and online hosting site, to manage both auctions. The company moved NYRP's silent auction online and raised more money in the process. The online sale earned \$350,000, while a live event proffering only trees to plant around New York City raised \$½m.

"The online auction has diversified the people we're reaching," Becher says. "Our live events are now more fun and entertainment-driven."

Other celebrities have received the Charitybuzz treatment too, including Bill Clinton, Chevy Chase, Howard Stern, Joe Torre and the Kennedy family.

Thrill of bid battle keeps us coming back for more

What causes "auction fever" – the tendency to bid unreasonably high?

To find the answer, CMarket has been working with Deepak Malhotra, an associate professor at Harvard Business School.

Traditionally, studies of auction behaviour were conducted by game theorists who assumed people behave rationally. "But people get carried away," Malhotra says. "Your original goal of making a good decision and giving to charity gets overshadowed by your wanting to win at any cost."

So Malhotra and CMarket have joined forces to learn about the psychology of bidding. The company collects data from its 3,300 auctions, which Malhotra then analyses. "It's useful for me from a scientific perspective and it helps CMarket understand its customers," he says. They

Non-profits such as NYRP are increasingly incorporating online auctions into their fundraising, often as an addition to live events and in some cases to replace traditional silent auctions. Online auctions can generate excitement for a cause during the weeks preceding a gala and expand the universe of bidders, thereby driving up prices.

Another advantage is that auctions are more efficient when conducted online, allowing staff to focus on their core work. Non-profits can also easily collect and analyse data on buying behaviour, allowing them to learn lessons for future events.

Online auction providers began emerging a decade ago. Everyone, however, credits Ebay with educating consumers and providing online auctions with mass-market legitimacy. "Before people didn't understand non-profits were running a business. They thought they were throwing parties," says Jay Fiske, president and chief executive of MaestroSoft, an auction software provider. "Now investors are looking at this as a growth industry."

As people have got used to online auctions, and the technology has become sophisticated and reliable, the US's 1.5m non-profits are increasingly happy to use these services. Charitybuzz and its peers hope to increase the \$16bn in philanthropic funds donated annually through auctions – and become a sustainable industry by taking a piece of the pie.

These particular companies cater for organisations that have backing from celebrities and brand recognition. Their staff will work with a non-profit in reaching people through its own website, and involve any fan websites for celebrities affiliated to the cause. The company also taps its own network to procure the kind of auction items that might gain very high bids, such as

have built into the company's online auction system algorithms that predict and optimise spending.

For instance, last year they tested the effectiveness of "outbid" e-mails on 40,000 users. E-mails fell into three categories: a bland "you've been outbid" letter; a message that referred to the charity (eg "Please continue to support this noble cause"); a more competitive note (eg "Your rival has outbid you").

Throughout the test, the bland e-mail remained the least successful inspiration to re-bid.

Towards the beginning of the auction, the charitable message drew more people back to bidding than the competitive note.

Yet on the final day, the competitive note had a 50 per cent greater impact than the charitable message – except on a Sunday when the charitable message outperformed, particularly for faith-based non-profits.

People may be initially drawn to a good cause but it seems it is the thrill of battle that ultimately keeps them bidding.

helicopter ski trips or the new European hybrid Tesla car, which recently auctioned for close to \$200,000.

Its auctions attract what the company describes as a community of upscale bidders who want to "do good and live well".

"Our demographic is corporate or Wall Street guys who like travel and sporting events. They drive Lexuses, vacation at the Four Seasons. Our clients are between 35 and 55, have disposable income and want to give back. They want to go on an eco-vacation, but only to a luxury eco-resort," says Coppy Holzman, Charitybuzz's founder.

Holzman cultivates relationships with frequent moneyed bidders; if he knows a certain item will appeal, he calls personally to alert them. A Charitybuzz staff member attends each live gala and may act as proxy for prospective bidders who are unable to attend. So if a wealthy Dubai resident is desperate for a chance to meet Hugh Jackman, he might authorise Charitybuzz to bid for him. "We provide global reach for both online and live events," Holzman says.

Similarly, **Ebay Giving Works** offers a worldwide platform for well-known agencies to launch online auctions. Kristen Cunningham, its general manager, says: "It's an amazing way for a celebrity or brand to get buzz. A lot of 'eyeballs' also means non-profits have people learning about their cause. A typical non-profit auction gets a couple hundred people in a room, but when you put it online, you get millions. Items go for twice or three times the amount online."

Recent examples include 7th on Sale, a gala and online auction hosted by the fashion community whose proceeds benefit HIV/Aids sufferers, and the San Francisco-based Glide Foundation's auction of lunch with Warren Buffett. This lunch date was originally sold live at a gala, for on average \$23,600. But now, in its fifth year on Ebay, it recently sold for \$650,000.

Because these non-profits are able to source rare, in-demand merchandise and outings, their auctions are often more product- than mission-driven. Bidders are drawn by the high quality of lots and may care less about the cause.

"Whether bidders are motivated by the good cause is not relevant. They like the idea that there's a do-good component, but they get something really cool out of this," says Andy Lehman, chief executive of BusinessHere, an auction site serving music networks such as MTV and Country Music Television, as well as singers such as John Mayer and Kenny Chesney.

While most non-profits lack this scope and glamour, many – particularly private schools – have devoted, web-savvy members who are eager to abandon the silent auction's challenging logistics.

"Having to schlep physical items in was tired and needed to be retired," says Marie Lehman, who runs the annual fundraiser for the prestigious Menlo School in Atherton, California. The school transferred its silent auction online three years ago, and Lehman says parents are grateful.

CMarket, the company Menlo School hired to manage its online auction, targets mid-range non-profits. "We don't want the billionaires. We want the mass affluent," says Jon Carson, the company's chief executive. "Schools are phenomenally effective at auctions, and putting them online turbocharges everything."

Parents will overpay simply to support the cause, and the internet opens bidding to other vested parties, such as alumni and students' relatives.

It behoves many of these organisations to keep their auctions at least partially closed. Some of their most

coveted offerings are site-specific, such as a parking spot in front of a school, and therefore have limited appeal. A local family might be happy to auction its private villa to someone within the school community, but balk at a stranger inhabiting their home. And for safety reasons, celebrities may not want their children's schools advertised.

"Ninety-nine per cent of winning bidders are already in your constituency," says Chris Mayr, vice-president of marketing at AuctionAnything, another provider that specialises in schools. "Unless you have a nationally recognised item like golf with Tiger Woods, you're going to attract people who are there to get a deal. You want impassioned bidders, not bargain hunters."

Nevertheless, CMarket gives charities the opportunity to open their auctions on [BiddingForGood](#), its public site. "About 82 per cent of our clients opt in," Carson says.

An adjacent industry devoted to consignment goods has also surfaced as a result of the growing popularity of online auctions. "There are certain events that need a flagship item, and not everybody can get a trip to Scotland through the normal donation process," Fiske says.

The price of the consignment offering becomes the lot's opening bid, so if it does not sell there is no risk to the non-profit. Yet insiders warn that consignment should be used sparingly, as paying a third party can funnel too much money away from the non-profit.

Online auction providers do not aim to supplant live fundraisers that, according to Holzman, thrive on that "vital combination of alcohol and testosterone". But they do claim their streamlined process and analytical ability are sounding the silent auction's death knell.

CMarket has approached marketers to donate products to test their desirability at auction, and also solicited corporate sponsors to support its non-profits, displaying a company name or logo on the auction site. "We're trying to turn it from an art into a science. We're competing on analytics. They're very rich and no one's ever mined them," Carson says.

Wintner agrees: "We've heard a lot about Web 2.0, but this is Fundraising 2.0. The ability to raise money internationally 365 days a year which only the internet has enabled – that's revolutionary."

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