

# “Buyers Premium”

The following is Gary D. Townsend's personal opinion and thoughts about what the Auction industry calls "Buyers Premium".



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As you may know some Auctioneers now charge what they call a "Buyers Premium". What this is referring to is an additional charge that the "Buyer" pays on top of his bid.

In other words if you attend an Auction which charges a "Buyers Premium" and you purchase an item for \$100. You will end up paying \$110 if there is a 10% "Buyers Premium".

If this sounds reasonable to you, then read the following.

### Auctioneers which use this "Buyers Premium" usually work it as follows.

Mr. Seller contacts Mr. Auctioneer to sell his items at public auction. Mr. Seller and Mr. Auctioneer negotiate as follows.

Mr. Auctioneer tells Mr. Seller that he will charge a "Buyers Premium" of 10% (or other percentage) and save Mr. Seller that amount by charging it to the Buyer.

Usually, this percentage is reduced from the higher percentage that Mr. Seller must pay Mr. Auctioneer.

In other words, Mr. Auctioneer says that he needs 25% (or other percentage) but he will reduce that percentage by the 10% that he charges the Buyer. Thereby only charging Mr. Seller 15% and charging Mr. Buyer the additional 10% to make Mr. Auctioneer the total 25%.

If this sounds reasonable to you, then read the following.

Mr. Seller not being knowledgeable as to how the auction business works decides to be prudent he will talk with another Auctioneer. Mr. Seller contacts Mr. No\_Premium another Auctioneer which does business in his community.

Mr. No\_Premium after discussing the items to be sold tells Mr. Seller that he would charge him 20% to sell his items.

~~~~~ Conclusion made by Mr. Seller ~~~~~

Mr. Auctioneer charges 25% but, this is reduced by 10% "Buyers Premium". Which leaves the 15% that Mr. Seller will pay.

Mr. No\_Premium charges a straight 20%. Thereby, Mr. Seller chooses Mr. Auctioneer. Mr. Auctioneer must be a better businessman he is trying to save money for his seller. Mr. No\_Premium will not get the business.

If this sounds reasonable to you, then read the following.

Now it's Auction Day. Mr. Auctioneer puts up an item.

Mr. Buyer being prudent has done his homework and checked out the item. He has decided that he is willing to pay \$100 for the item. But, he also knows that there is a 10% "Buyers Premium" which will be added to his bill. Therefore, he reduces his \$100 bid by 10% and decides that he will only bid \$90. The bidding progresses and Mr. Bidder is the high bidder at his top bid of \$90. It appears Mr. Auctioneer is doing a good job for Mr. Seller.

Now, its settlement time. Mr. Auctioneer pays Mr. Seller for his item.

Item Sold For \$90.00 Mr. Auctioneers commission of 15% equals \$13.50 Mr. Seller receives \$76.50 for his item.

If this sounds reasonable to you, then read the following.

Lets assume that Mr. Seller choose to hire Mr. No-Premium because he was a family friend even though he charged a little more. Now its Auction day again. Same Mr. Buyer same item but no "Buyers Premium". The bidding progresses and Mr. Bidder is the high bidder at his top bid of \$100. Costing Mr. Bidder the same without the "Buyers Premium".

Again its Settlement time.

Mr. No-Premium pays Mr. Seller for his item. Item sold for \$100.

Mr. No-Premiums commission of 20% equals \$20. Mr. Seller receives \$80.00 for his item.

It appears that Mr. No-Premium was a family friend.

~~~~~ Final Conclusion ~~~~~

Mr. Auctioneer received, "Buyers Premium" of \$9.00 and commission of \$13.50 for a total of \$22.50

Mr. No\_Premium receives his commission of \$20.00

It seems to me that a "Buyers Premium" is only a way to get the Seller to pay more money.

Also, the only winner is the Auctioneer who charges the "Buyers Premium".

So who is he looking out for?

Therefore, is it a "Buyers Premium" or a "Sellers Premium" ????

Remember, usually all you have to do is follow the Money !

Thanks for reading.

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