

## **Online machinery market**

by *Dave Mowitz (Editor Meredith)*

USA

### **Abstract**

The COVID crisis accelerated the adoption of Internet-only auctions of used machinery in North America. Today, over 81% of machinery auctions are conducted online. And increasing numbers of farmers are selling their machinery (primarily older and smaller equipment) through online auctions. The other major trend involving the Internet is in regards to new machinery purchases. Over 90% of new machinery sale transactions still take place at dealerships. However, 82% of farmers report that they research the features of and prices for new machinery purchases online prior to visiting a dealership to purchase equipment. And 37% indicate they are more likely to purchase small pieces of equipment (such a loader buckets, small implements, etc.) online. Finally, increasingly farmers in North America are using the Internet to purchase farm machinery repair parts and maintenance supplies.

## **Introduction**

An eerie silence resided over 15 acres packed with used machinery on Sullivan Auctioneers sales lot near Hamilton, Illinois, USA.

Over 1,900 vehicles and pieces of equipment were on the block at this two-day auction held August 27 and 28, 2020.

Yet not a single buyer was sight.

Beyond the sound of wind blowing through a nearby cornfield the Sullivan's lot was silent.

Absent was the sing song chant of auctioneers pleading for another. A sale of this size would have had at three auctioneers calling the action.

Also missing was the army of ring man shouting out bids or begging potential new buyers to participate.

Gone was the rustle of a crowd murmuring about the news of the day, complaining about the price of commodities or exclaiming how high that last tractor sold for.

Yet, although no buyers were on the Sullivan grounds that day, thousands still participated in a sale which, by Dan Sullivan's account, was one of the largest consignment auctions that storied business has ever held.

Welcome to the world of the online-only auction . . .and the possible the death of in-person auction events.

## **COVID inspired accelerated change**

When the COVID-19 crisis hit with full vigor in March 2020 auction houses, at the height of the machinery sale season (that intensifies between November to May every year), faced a crisis of their own. Thousands of live auctions they had scheduled could no longer be held with buyers attending in person.

"I recall that time well. It was Saint Patricks Day (March 14 in the USA) when we metaphorically flipped the switch to go strictly online with our auctions," recall Dan Sullivan. "We really didn't know what to expect."

Sullivan is no longer worried. "Today, we have more bidders at our auction sales than ever before. And record after record is being set on prices. Even if COVID disappeared tomorrow I would expect almost all of our consignment as well as retirement and estate auction sales will be held online."

Scott Steffes of the Steffes Group, which also made the switch to online-only s auction sales in \ adds that online buying already accounted for over half of the transactions his firm was conducting during live sales. "50% to 60% of the successful bids at our live auctions were already being placed by online buyers prior to COVID. And we had been operating online-only auction sales for nearly a decade. So the transition to online-only bidding at live auction sales was well on its way," Steffes points out.

## **Decades in development**

Online auctions are by no means new.

20 years ago I interviewed a then young Derek Wieman who was experimenting with online auctions for his family's business, Wieman Auction of Marion, South Dakota., USA. "We were already buying equipment online for resale and I thought this could part of our auction experience," Wieman recalls.

Back then online sales were in their infancy entirely dominated by eBay style private treaty transactions. AuctionTime.com (home of Tractorhouse.com) was rapidly expanding its new-fangled online marketplace for dealer and private treat listings and Bigiron.com was just a concept in the Stock brother's mind.

"In 2001 we experimented with broadcasting a machinery auction live over the internet," Mark Stock recalls. "We were working with Proxibid.com (one of the largest online sales services in the country) to develop our online farm auctions."

At their first effort at an online bidding Stock Auction set up a tent at a live auction sale and had computer screens showing the bidding action. "Farmers attending that auction took a look and said 'what kind of nonsense is this?' Few farmers had broadband internet access in those days so interest was limited," Stock recalls.

In the ensuing years the Stock brothers continue to play with the concept.

And then the ethanol fuel expansion and its impact on corn prices hit.

"That was 2008. Retirement aged farmers were making so much money due to high prices that they decided not to sell out," Stock explains. "Retirement auctions, the bread-and-butter of our business, went from four or five auctions a week to four or five a month."

That's when the Stock's created Bigiron.com offering the opportunity to farmers to not only buy online but to sell equipment one or two pieces at a time "without having to move it to a consignment lot or take out a classified ad," Stock adds.

That first Bigiron.com sale consisted of 21 pieces of equipment. "But we had 890 people registered to buy so we knew we were onto something."

Today, Bigiron holds an online sale every week. "In the month of September 2021 we sold 8,500 pieces of equipment. At one of those sales that month 1,886 items from 285 different sellers were sold with 1,379 buyers participating from across the US and 11 countries."

Today, demand for their services has grown to the point that the Stock brothers are on the verge of going to two online auctions a week.

### **Online impact of dealers**

Online machinery sales today not only dominate auctions but have become a major transactional tool of dealer as well.

But its popularity with auction transactions however is dominating. And the major attraction to online buying is convenience. "You can bid from your home computer or smart phone," explains David Brotton of Purplewave.com, another early online auction innovator who launched their first

such auction sale 10 years ago. "A farmer can be planting or harvesting in their cb and still participate in an auction."

Many auctions now push notifications of their sales alerting potential buyers not only to an upcoming event but warning them if they have been outbid on a particular item. "That's convenience is huge," Botton adds. "You can bid from anywhere in the country and at any time."

Another huge attraction that didn't exist with online auctions 20 years ago is that many online auctions offer inspection services, make arrangements for transport and even have access with financial firms to provide on-the-spot financing.

The security of online sales has improved considerably. "We list the sellers name and phone number so that if a buyer has a question prior to the auction they can call the seller up," Bigiron.com's Stock points out. "And the supporting images . . .sometimes videos . . . and descriptions are extensive and detailed."

Purplewave.com and some other online sites take the same approach with sales representatives coming to the farm or dealer listing the equipment and gathering information, taking images and video and then posting the results. "For example, we post high resolution images so that a potential buyer can zoom in on a part of the machine to inspect it," Brotton explains. "And regarding the sales information . . .we tell our representative to gather everything there is about a machine. That includes both the good and bad about its condition. It all runs in the listing. That detail provides a huge sense of security with buyers."

Many online auctions also provide recommendations of inspectors you can hire to come and evaluate equipment prior to sale. "And we, the auctioneers, are a great source information," adds Scott Cook of Cook Auction. "You can call us up and we will give an opinion about a sales item and will even go out and run it for you, if necessary."

The popularity of online auction has also greatly expanded the geography of equipment transaction. "Remember when distance was what kept farmers away from attending an auction," asks Scott Steffes? "That doesn't exist anymore. Farmers don't have to drive days to go to an auction if they are interested in just one or two pieces of equipment. They can buy it and make arrangements for transportation online."

### **The live auction won't die entirely**

So what of live auctions? Are their days numbered as was speculated earlier?

Part of the answer in that question lies in the fact that live sales did return as the summer progressed in 2020. And an increasing number of live auction took place in 2021. "I expect live auctions to be a preference of sellers when they involved 'life experiences' such as an estate or retirement auctions in which the seller wants to see their equipment dispersed in front of an audience," adds Steffes. "But you can expect we will simultaneously offer that equipment online as well as it brings in more buyers."

A research report using Successful Farming Magazine's reader panel found that 87% of this publication's readers have purchased a piece of equipment through an online auction.

However, the vast majority of those purchases . . . 91% . . . were for lower priced items like tillage equipment or hay harvesting implements.

Less than 42% of the magazine's readers had purchased a tractor or combine via an online auction.

However, that later number is growing.

The research report asked participants if they were likely to make a purchase of major piece used equipment in the future and 71% of respondents reported that that was certainly a possibility.

This trend of purchasing used equipment via online auctions follows a similar trend of US and Canadian farmers purchasing equipment online from dealerships.

Dealership purchases in the past were overwhelming made through the dealer located closest to a farmer.

Today, 37% of Successful Farming Magazine readers report they have made a purchase of a major piece of equipment (combine, tractor or large truck, for example) online from a dealer located outside their normal trade area.

The majority of these purchases . . . 67% . . . were made across state or provincial lines.

The internet has also become the primary source of information on the availability of used machinery.

Web sites like AuctionTime.com or TractorZoom.com or MachineFinder.com now serve as primary locations to search for used machinery.

And the increasing convenience of being able to purchase equipment via online auctions . . . who now offer such services as pre-sale inspection of equipment, instant financing or purchases and trucking arrangements for sales . . . is making the Internet a major partner in the buying and selling of farm machinery in North America.