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Leading the way

Joanne Jalbert, CSP, takes control
at Alan Steiman's Landscape Inc.

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Take action at the auction

Do your homework and use buying smarts to land the best deals

BY HEATHER GOOCH

Contributor

Budgets may be slimmer and financing tighter these days, but a fleet of reliable equipment is a necessity for snow and ice management companies. An option to consider is to purchase equipment at auction, either in person or online.

The key, of course, is to know what you're doing before you jump into the bidding. Whether it's trudging in the muck at the local fairgrounds for an early-morning inspection period or browsing equipment photos online, the more you know about the items up for auction, the better deals you'll make.

Take, for instance, Mike Anderson, CSP. The owner of Snow and Ice Pros Inc., of Highland, IN, once bought three V-plows at auction for \$600, then resold them later that day for \$1,500.

"It still makes me smile every time I think about it," he teases, adding that the experience was more of an exception than the rule. Anderson tries to make it to an auction every year or two. He and an employee drive out with an empty dump truck and trailer—and do their best to come home with them filled with good buys.

"Before I go, I do as much research as I can," he says, noting the auction company



Cat Auction Services, a partnership of Caterpillar dealers, sells new and used heavy equipment online and at in-person auctions.

Web site and sites like Fastline.com (which is somewhat akin to the Kelley Blue Book for current car pricing) can help him decide how much to spend in advance.

Anderson points to a recent occurrence in which a truck he purchased at auction was involved in an accident 15 months later. "The insurance company went by the Blue Book value, and we actually received double the amount of what we paid for it," he says. "That was enough incentive for me to buy two more trucks at the next auction."

Jeremiah Magee, owner of Premium Turf, Findlay, OH, has been a buyer and a seller at auction. He's seen the benefits and the downfalls of buying, as common auction policy dictates, "as is,

how is, where is."

"I try to get there early to check things out," he says. "Pictures can be deceiving, and you have to keep in mind things are being sold for a reason—usually because a company is upgrading or going out of business. There can be times when something looks great on the auction block and completely different when you get it back to the shop."

Kick the tires with a buddy

Many auction houses provide a "demo period" the day before or a few hours before bidding begins. Rick Kier, CSP, president of Pro Scapes Inc., Jamesville, NY, says it's a great time to go over a checklist with your mechanic or equipment manager to check out the radiator, the center pins and so forth of the equipment. "They might let you move it 10 to 15 ft. backward or forward the day of auction," he says, "but on the day before, usually you can drive it around."

Magee also usually brings someone along who knows how much or how little work it would take to make the auctioned piece viable. Going with someone else means you can also be each other's voice of reason: "No matter what you're buying, you can't buy on impulse. You might see a \$12 shovel

Psychology 101

» Rick Kier, CSP, suggests using a bit of psychology for more successful in-person bidding:

1. Be where the other builders can see you.
2. Know EXACTLY how high you want to go.
3. Bid in total confidence until you get to the maximum.
4. Look directly at other people bidding.
5. Don't be afraid to start with a splash if you think it will help you get other pieces for less. If others see you with a pocketful of cash, they'll say: "To heck with it. He paid for that first piece and didn't even flinch." They won't even bother to bid on the next pieces of similar equipment.



Learn the lingo

Absolute Auction or Auction without Reserve: Property is sold to the highest qualified bidder with no limiting conditions or amount. The seller may bid personally or through an agent.

"As Is", "As Is, Where Is" and "In its Present Condition": Selling without warranties as to the condition and/or the fitness of the property for a particular use. Buyers are responsible for examining and judging the property for their own protection.

Auction With Reserve: The seller or his agent reserves the right to accept or decline any and all bids. A minimum acceptable price may or may not be disclosed, and the seller reserves the right to accept or decline any bid within a specified time.

Hammer Price: Price established by the last bidder and acknowledged by the auctioneer before dropping the hammer or gavel.

Minimum Bid Auction: The auctioneer will accept bids at or above a disclosed price. The minimum price is always stated in the brochure and advertisements and is announced at the auctions.

No-Sale Fee: A charge paid by the owner of property offered at a reserve auction when the property does not sell.

Tie Bids: When two or more bidders bid the same amount at the same time and must be resolved by the auctioneer.

Upset Price: Commonly known as the reserve price.

— National Auctioneers Association, www.Auctioneers.org

and think it's a bargain, but a new shovel might just cost \$15. It's easy to get caught up in things."

Rather than shoulder the liability of transporting his finds, Magee usually hires a trucking firm to bring home the goods.

On the sales side, Magee advises building a relationship with the auction dealer. "Talk with them beforehand, get comfortable with the process," he says. "Also, look at the auctioneer's credentials. There are some shady auctions out there dealing with stolen equipment. If you get a bad feeling, either buying or selling, get out."

Magee recalls how he was burned by selling a piece of equipment. He wanted \$700 and put a reserve hold on the piece. However, because no one was physically present from Premium Turf to hold the auctioneer accountable, it went without reserve—for \$200. Magee says he's learned to be more careful about which auctions he chooses to buy and sell from.

Buyer beware

Another thing to be mindful of money-wise are the occasional fees some auction houses tack on to a final bid.

"Some only accept checks with a bank letter of credit. Some take credit cards, but tack on a fee. Some auc-

tions have a buyer's premium of 5% to 10% of the final bid," warns Kier. "So a \$30,000 backhoe may end up costing you \$33,000. It's very important to find out beforehand what their policies are."

Kier says he can't stress enough how important it is to know as much as possible before going in. For example, while he looks first at the hour meter on the machine to judge how much a piece of equipment has been used, he also knows not to go on the number alone.

"Unlike a car odometer, it's easy to buy a new meter and install it," he says. "Know the conditions and telltale signs of heavy use."

That said, he adds, "I'd rather have more hours on a machine that has had routine maintenance than one with less hours and poor maintenance."

The online factor

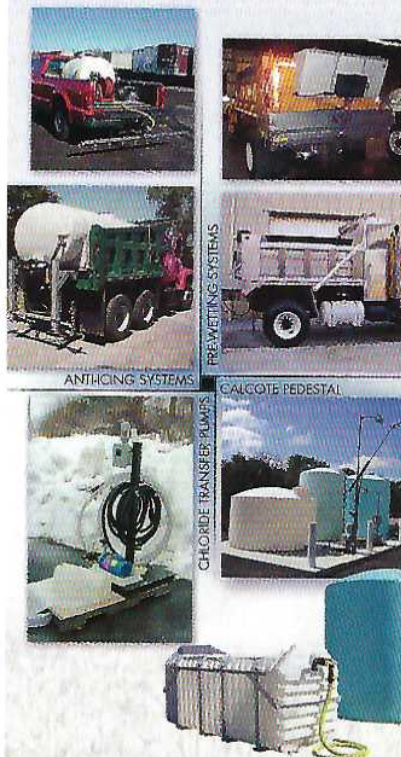
While neither Anderson nor Magee has ventured into online auctions for their large equipment buys, Magee notes that in the past few years, he's seen more online, international bids come into play at in-person auctions. It changes the game somewhat, he notes, because while you can read the body language of the person bidding

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Auction advice

"Some buyers overbid in their excitement. I write down my maximum bids for each piece I'm interested in, and we stick to them. You have to be disciplined, or you'll regret it later."

— Mike Anderson, CSP »

"Look at the features first, then the price. How many hours has the machine put on? What are the options? It's a little more legwork, but it's worth it to get the great deals."

— Jeremiah Magee »

"After the auction, some auction houses will put up on their Web site what everything sold for. This is a good way to gauge market value and true worth for next time."

— Rick Kier, CSP



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next to you, that option is nixed when it comes to bidding against an e-mail.

Kier has watched online auctions to see what is being commonly bought and sold and to compare the going rates for different pieces in different markets. While he admits that two big-ticket items he sold on eBay were barely profitable, he has had luck with the site for unloading tires, old plows and "stuff" after a spring cleaning of the shop.

Besides eBay, many manufacturers—including Caterpillar and Tyrex, to name just two—are seeing the environmental, economical and, for them, still profitable sides to putting reconditioned equipment up for auction. In this economy, it's a welcomed trend.

Kier says one online auction house that specializes in equipment, IronPlanet.com, takes a third-party approach to its unbiased attention to detail.

"Instead of letting the seller describe it, an Iron Planet person comes and takes pictures. They tell you the tire tread in millimeters, and take an oil sample that shows the levels of metals down to the parts per million. This is a good way to know usage," he says. "Iron Planet will also buy back the purchase within 72 hours if it doesn't meet expectations, all in the interest of making people comfortable buying online." SB

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