

CHAPTER 1

Pre-Planning Activities

Pre-event planning, as outlined in this section, will be among the most important steps you will take on your path to a successful event. You may have heard the phrase, “If you don’t know where you are going, any path will take you there.” It’s true. Without knowing where you are going and why, you might as well set out on your journey and be content wherever you happen to arrive. You would not start a family vacation with this attitude, would you? At the very least, you would decide

- Where you wish to go
- How long you plan to stay
- What you will do when you get there
- Who you plan to take with you (like the kids, for instance!)

You would also make some financial plans, such as how much you need to budget for accommodations, food, travel, and entertainment. You would plan for some contingencies, such as what to do if your day at the beach is rained out. You would decide when you plan to leave and when you plan to return. Believe it or not, many auction committees do less planning for their event than they do for their family vacations! It must mean that whatever results they achieve are perfectly okay. Of course, you bought this book, so clearly you are already way ahead of *those* committees.

Pre-event planning should begin at least four—and ideally six—months or more before the event date. As we will discuss later in Phase V of this book, the first year of your Five-Year Plan is the only time where pre-event planning begins this close to the event date. Once you cycle through your first year, pre-event planning for the following year begins the day after your event. In other words, what is best and most successful is to *never go out of business*—to have one event’s conclusion lead directly into the next event’s pre-planning. This is the best way for organizations to continue to improve, reduce burnout of volunteers and staff, and break the cycle of reinventing

4 The Big Book of Benefit Auctions

the wheel. In fact, the more you follow planning as a continuum from one event to the next, the easier it gets to achieve success. In other words, as we discussed in the Introduction, does a business that makes Christmas decorations go out of business on December 26 only to go back into business in June? Of course it doesn't. Yet many auction committees go "out of business" the day after their first sale, only to start up again six months later, typically with a new, unfamiliar committee.

The Auction Steering Committee

The best way to eliminate the constant starting and stopping of the business, along with the related need to begin planning after a six-month or more layoff, and to ensure the process continually improves from one event to the next, is to do away with the concept of the traditional *auction committee* and replace it with a *steering committee*. What's the difference? An auction committee has the event as its focus—getting through the auction and then being done. In contrast, a steering committee guides the business of fundraising, which includes the event. It never really goes out of business. Unlike the auction committee, a steering or standing committee, by definition, never has a termination date. Of course, this is not to suggest that once you are on the steering committee you can never leave, but rather that the steering committee operates on a continuum, with a line of succession, very much like a company's Board of Directors. Some members serve on the committee for three years; some for two, and some for one year. Leadership comes from within the committee, so the chair does not walk into the position untested and has at least a year of observing the committee's operations. This is a much more orderly approach that will reduce the stress and strain on those serving, and it eliminates the need to beg people to take on the awesome responsibility of being the auction chair with little or no prior experience.

The steering committee still consists of all the essential elements needed to manage the event, but they manage it as an ongoing business, not just a discrete event. Lines of succession within the committee are clear and established, and recruiting to replace those that are in their final year is simpler because the new recruits get at least a year to learn "on the job" before taking on direct responsibility. An example of an effective Auction Steering Committee appears in Exhibit 1.1.

Once you have recruited your steering committee and convinced its members that you collectively are not going to merely "put on an auction," but rather that you are creating a sustainable business that *includes* an auction, then you are truly ready to take on the activities in Phase I.

Pre-Planning Activities 5

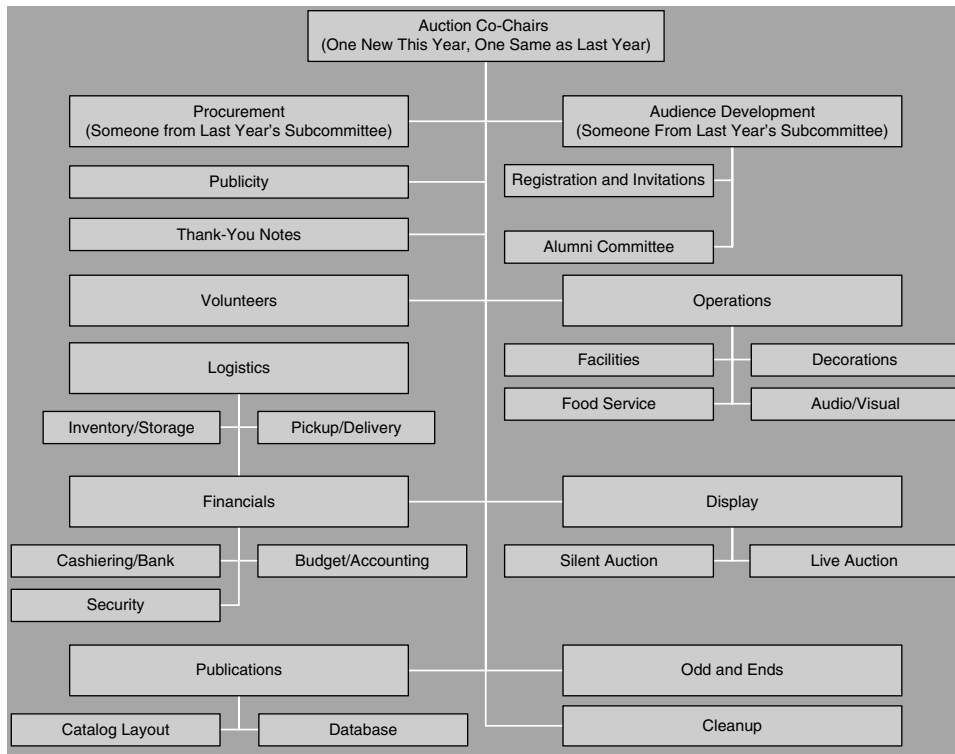


Exhibit 1.1 The Auction Steering Committee

Defining the Purpose of Your Event

A successful event begins with defining why you are holding the event in the first place. As simplistic as this may sound on the surface, it really is central to your success. If you, your committee, and your volunteers are not in sync about why you are doing all this hard work, you are destined to come up short. One common mistake many committees make is to think that the purpose of the event is to make money. Huh? Of course the purpose is to make money! What message are you delivering when the entire focus is on the money? How will that message come across when talking to potential donors and attendees and when recruiting volunteers? Naturally, it's important that your event make money, but that should not be the *sole* purpose of the event. More to the point, focusing on just the money will cause poor decision making and may actually result in lower returns than if the focus and purpose were broader. Or, to state it another way, making money is not your purpose for holding your auction, it is your *outcome*.

6 The Big Book of Benefit Auctions

In reality, you will be able to do a more complete job of planning and will achieve greater success if you shift the purpose of the event from being just about the money to being the mission of the organization for which you are raising money. The purpose is the answer to the question, “Why?” Look at the two examples below, and think which has a stronger impact on potential donors:

- “We are having a fundraiser and need to make \$100,000 for our school. Would you consider donating to help us?”
- “Our school believes every child deserves a quality education, and our mission is to see that no student is denied that education because of an inability to pay for tuition. Our goal is to raise \$100,000 for tuition scholarships for those that need help. Would you consider helping us get there?”

When you focus more on the *why* of your fundraiser than on the *what*, you will be communicating a positive message and will be able to rally support easier. Of course the money is important, and when we talk about goal setting, we will show why it is critical that the goal be specific, achievable, and measurable. The answer to “How much do you want to make?” should *not* be “As much as we can,” because that is not a focused goal—or any kind of a goal, for that matter. Goals need to be specific—the more specific, the better. But be clear, the *goal* is a subset of your event. The *purpose* of the event is what drives it.

Setting Financial and Attendance Goals

Now that you understand that “making as much money as possible” isn’t a good goal, let’s examine how you can go about defining a goal that is realistic and reachable.

There are some general guidelines that you can use in your process for determining a realistic goal. Of course, there are no absolutes, but if we were to create a bell curve of all historic results, from “barely getting it done” on one end to “far-and-away super success” at the other, what we are about to explain will fall near the middle of that curve. Within our guidelines there is also a bell curve, and using the processes and techniques as outlined will certainly push your results well above the “just getting it done” end of the curve and move you more toward the middle. Of course, you could also find your results more toward the end of “far-and-away super success,” as well—that is up to you.

Having been involved in literally thousands of auctions, we know that a *buying unit* (a single bidder or a couple attending the event together is

Pre-Planning Activities 7

considered one buying unit) has the capacity to spend, on average, from \$250 to about \$1,000. Of course, there are exceptions, but the range of \$250 to \$1,000 per buying unit as a potential amount you can extract on the day of the event gives you a realistic goal. It would be unusual—but not impossible!—to realize more than \$1,000 per buying unit, and many events *are* able to do this. However, these events tend to be mature, well-organized, and highly selective about their invitees, so they are able to skew their results off the bell curve on the high end. The key is to use the middle of the curve (\$500 to \$750 per buying unit) for your initial planning; you can adjust your expectations for the following year based on actual results from the first year. So, here are some examples of what you should expect to earn, per buying unit, at your event if you follow our planning processes:

200 people (100 buying units) =	\$50,000–\$75,000
300 people (150 buying units) =	\$75,000–\$112,500
400 people (200 buying units) =	\$100,000–\$150,000

This chart assumes two things, which are critical to the success of the formula:

1. You have invited people to your event who are there for your cause (i.e., they understand the purpose of your event and have opted to help) and have the capacity to spend some discretionary funds.
2. You provide enough ways for them to spend their money at the event. In other words, you can only get out of the audience an amount relative to the value of the items on which they can spend their money.

It would make no sense to expect an audience of 300 people (150 buying units) to spend \$100,000 collectively on items that are only worth \$25,000, \$50,000, or even \$75,000. In fact, if the auction has \$100,000 worth of items, the audience still isn't likely to spend \$100,000. The event would need to have items worth \$150,000 to expect \$100,000 as a result of the bidding process, because not all items sell for their fair market value. Some items will sell for less than they are worth, and some for more. For planning purposes (but adjusted based on actual results) you should assume your items will sell for about 60% to 70% of their total value, on average.

But, on the other hand, it would be just as unrealistic to expect the same audience of 150 buying units to spend \$150,000 just because you offered \$300,000 worth of items for sale. This would exceed the per buying unit expectation of \$500 to \$750 per buying unit. You would need to reach \$1,000 per buying unit in this situation, which is not impossible, but you should not

8 The Big Book of Benefit Auctions



Exhibit 1.2 What Is Your Audience's Capacity?

use that as your expected parameter during the goal-setting process. The number of people expected or needed to attend your event must be in balance with the total dollar value of your procurement for you to both set a reasonable goal and then be able to achieve it. The charts and illustrations in this book will help you select some reasonable goal ranges, based on your ability to gather auction items and on your confidence in being able to fill your room with buying units (see Exhibit 1.2).

As previously mentioned, it is unreasonable to expect to earn 100% of the fair market value from each of your auction items. Part of the fun for your auction audience is their trying to get an item for less than its value. Of course, when they are in the frenzy of bidding, bidders often will spend more than the value of some of the items, and that is just fine! Bidders will often pay more than fair market value, justifying their decision to overpay by saying “Well, it *is* for a good cause,” and this is to be encouraged. In fact, an ideal auction is one where about 25% or more of the Silent Auction items are sold for more than they are worth. When we discuss bidding techniques for the Silent Auction in Phase IV, we will use a term called *Guaranteed Purchase*, which allows a bidder to close out the bidding and be guaranteed to win the item *if* they are willing to pay a premium for the item, generally about 50% over value. This is analogous to eBay's *Buy It Now* option.

As you are planning your auction, figure that you can expect from 50% to 60% yield from the Silent Auctions and 75% to 85% or more yield from the Live Auction. You will receive about 65% of the auction revenue from the Live Auction and 35% from the Silent Auction. These figures are *very*

Pre-Planning Activities 9

Exhibit 1.3 Expected Goals Based on Procurement Value versus Bidding Activity

Revenue Desired	Live Procurement	Live Yield	Live Net Rev.	Silent Procurement	Silent Yield	Silent Net Rev.	Gross Yield	Total Procurement
\$40,000	\$34,667	75%	\$26,000	\$28,000	50%	\$14,000	64%	\$62,667
\$50,000	\$43,333	75%	\$32,500	\$35,000	50%	\$17,500	64%	\$78,333
\$60,000	\$52,000	75%	\$39,000	\$42,000	50%	\$21,000	64%	\$94,000
\$70,000	\$60,667	75%	\$45,500	\$49,000	50%	\$24,500	64%	\$109,667
\$80,000	\$69,333	75%	\$52,000	\$56,000	50%	\$28,000	64%	\$125,333
\$90,000	\$78,000	75%	\$58,500	\$63,000	50%	\$31,500	64%	\$141,000
\$100,000	\$86,667	75%	\$65,000	\$70,000	50%	\$35,000	64%	\$156,667
\$125,000	\$108,333	75%	\$81,250	\$87,500	50%	\$43,750	64%	\$195,833
\$150,000	\$130,000	75%	\$97,500	\$105,000	50%	\$52,500	64%	\$235,000
\$175,000	\$151,667	75%	\$113,750	\$122,500	50%	\$61,250	64%	\$274,167
\$200,000	\$173,333	75%	\$130,000	\$140,000	50%	\$70,000	64%	\$313,333

conservative, and your results will likely exceed these figures, but with these ratios in mind, you can set, with some accuracy, your goals based on Exhibit 1.3.

Remember, auction item procurement is only the first part of the formula. *Audience development* is also a very important part of this mix. If people in attendance at the event are not also willing to spend money on these items, the results will not be as predictable. Generally speaking, an audience of 200 is the minimum size required for competitive bidding. It is possible to have very successful auctions with less than 200 people, but you will need to be very selective in who you invite so that active bidding can occur. A room full of “eaters not bidders” in a small audience is a disaster, so if you are planning a smaller event, make sure you hand-pick your audience for their enthusiasm in supporting your cause as much as possible. Larger events have the luxury of natural selection to build a room full of bidders; that is, larger audiences will include people there just for the party, but because the quantity of attendees is larger, you can expect that many would also be active bidders.

As you are about to learn, the night-of revenue is only one piece of how you account for your event revenue. Total event revenue will include other sources of income, such as entry RSVPs, sponsorships, raffles, matching gifts, underwriting, advertising, tiered pricing structures, table sales, merchandise sales, and Internet auction sales.

10 The Big Book of Benefit Auctions

A final note on your procurement goal setting: More is not necessarily better. It is possible to overprocure, that is, to have too many items for the number of people who are attending your event. It is always desirable to maintain a seller's market rather than a buyer's market for your items. A seller's market comes from having fewer items to sell than buying units to buy them. A buyer's market happens when there are more items to buy than buying units to buy them. It stands to reason that, in a buyer's market, items sell for less value, and conversely, in a seller's market, they sell for more value. Therefore, it is of little value to continue to add more items once you have crossed over in quantity from a seller's to a buyer's market. More information about determining how many items to procure to maintain the right ratio of items to buying units will be covered in the section on Procurement in Phase III.

When establishing your auction goal, you ideally plan to achieve your procurement goal based on the attendance of the number of buying units that will allow you to reach your desired revenue range for your event, while maintaining a seller's market condition for your items. Having fewer high-value items, so there is more competition for them (a seller's market), will almost always create a better financial outcome than having a number of low-value items that exceeds the number of buying units (a buyer's market), resulting in less competition for each item.

Planning Your Budget

As you get ready to plan the budget for your auction, we suggest you start with the sample budget worksheet we have prepared, which is included in the Resources section in the back of this book. However, for a moment, let's discuss the purpose of a budget and why it is so important not only to have one that works, but also to do all you can to stick to it. Of course, you have heard the saying "it takes money to make money," which is true. You will need to spend money, much of it in advance or at least committed in advance, to reap the rewards of a successful event. Many new committees try to do their entire event planning on a shoestring, so to speak, attempting to get every aspect of their event donated or at discounts. Getting auction items donated is good, and it's great if you can get decorations, centerpieces, printing services, wine, or similar items donated. When it comes to professional help, such as a caterer, sound system installation, and an auctioneer, you should plan on spending some money if you want to maximize your results. Our experience is that it is impossible to save your way to prosperity. At some point, you will have expenses, and that's expected and okay so long as those expenses are reasonable and help you achieve your goal when you could not get to your goal without the expense.

Pre-Planning Activities 11

As an example, if you expect to get real support from high net-worth individuals, you must plan to serve a dinner, and a good one, at that. Asking the high-net-worth folks to come to a spaghetti feed or potluck dinner is just not going to work. A good dinner costs money, and you need to set a budget for that; however, the cost will be offset by the price of attending your event. You could save money by serving a low-cost dinner, but then you would not get the audience you really want to attend or have them come again the following year.

Similarly, you will want to budget for an auction-quality sound system, because built-in sound systems in nearly every hotel ballroom, community center, and country club are designed for after-dinner entertainment and luncheon speeches, not for the energy and “commotion” of a benefit auction. You should also budget for auction management software and professional help, including a professional benefit auctioneer, if you plan to have a Live (oral) Auction. Volunteer auctioneers will cost you much more in lost bids and irritated guests than a professional who knows how to make the audience understand the process and ties the bidding to the cause in a positive way. Because they can keep the auction on track, sense when opportunities present themselves, and know several ways to increase your bid activity, professional auctioneers often pay for themselves in just a few items sold. The guest experience and entertainment value becomes a bonus, long after the cost is justified, in the increased bid activity. Like an adequate sound system, this is another area where you cannot save your way to prosperity.

The Budget Planning Worksheet in Exhibit 1.4 will help get you in the ballpark, but your committee will have their own ideas of what expenditures they need to make along the way. The first page of this Worksheet follows this discussion to give you an idea of the format and content, but the complete Worksheet appears in the Resources section of this book. As a rule of thumb, targeting a budget that leaves about 75% of your gross revenue after the event for your cause is in the right area. If it looks like you will be retaining much below that, then you have two choices: 1) cut some expenses, or 2) plan to raise more money on the same expenses. It is not a good message when you say to your guests and supporters “We raised well over \$100,000 [gross] tonight!” Later they find out that the actual amount raised that went to your cause was less than \$65,000 [net] because you spent too much to get there. In this example, you spent \$35,000 of your gross income on expenses, which means you should have raised closer to \$150,000 before expenses. Without a budget, and the committee’s willingness to stick to it, you may find yourself overspending and underachieving. That’s not good stewardship of your funds, and it’s not good business.

12 The Big Book of Benefit Auctions

Exhibit 1.4 Budget Planning Worksheet

Sample Auction Budget Template

Page 1

Net Event Goal \$100,000

Income

Income			Budget	Actual	Variance
Pre-Auction Revenue					
Underwriting—Corporate Cash Donations			\$1,500	\$0	(\$1,500)
Underwriting—Non-cash Services or Materials (in kind)			\$1,000	\$0	(\$1,000)
Underwriting—Individual Cash Donations			\$1,000	\$0	(\$1,000)
Catalog Advertising			\$5,000		(\$5,000)
Sustaining Funds (carryover from prior year)			\$7,500		(\$7,500)
Misc. Contributions			\$1,000		(\$1,000)
		Subtotal	\$17,000		(\$17,000)
	Number of Guests	Cost/Person			
Admissions					
(Target 300–350)	350				
General	200	\$75	\$15,000		(\$15,000)
Faculty or Special	20	\$50	\$1,000		(\$1,000)
Patron Level	10	\$100	\$1,000		(\$1,000)
Benefactor Level	20	\$250	\$5,000		(\$5,000)
Sponsorship Level	5	\$500	\$2,500		(\$2,500)
Table Sales (10 per)	50	\$75	\$3,750		(\$3,750)
Complimentary (honored guest)	10	\$0	\$0		\$0
Other (media, staff)	10	\$0	\$0		\$0
Total Guests	325				
		Subtotal	\$28,250		(\$28,250)
Total Income (Pre-Auction)			\$45,250		(\$45,250)
Income, Auction					
Auction Revenue					
Limited Ticket Raffle—Donated Prize			\$5,000		(\$5,000)
Silent Auction			\$20,000		(\$20,000)
Live Auction			\$40,000		(\$40,000)
Fund-an-Item (20% of live and silent income)			\$13,800		(\$13,800)
Grab Bags or Balloon Sales			\$1,500		(\$1,500)
Centerpiece Sales			\$1,500		(\$1,500)
Merchandise Sales			\$1,000		(\$1,000)
		Subtotal	\$82,800		(\$82,800)

Pre-Planning Activities 13*Planning Income Level Based on Buying Units (2 guests = 1 BU)*

<i>\$500/BU Average</i>	<i>Number of BUs</i>	<i>175</i>	\$87,500	<i>(not in totals or recap)</i>
-------------------------	----------------------	------------	-----------------	---------------------------------

Other Auction Revenue

Guests' Employer Matching			\$10,000	(\$10,000)
---------------------------	--	--	----------	------------

Funds (post-event), estimated				
-------------------------------	--	--	--	--

	Subtotal		\$10,000	(\$10,000)
--	-----------------	--	-----------------	------------

Total Income (Auction-Related)			\$92,800	(\$92,800)
---------------------------------------	--	--	-----------------	------------

Total Revenue, All Sources			\$138,050	(\$138,050)
-----------------------------------	--	--	------------------	-------------
