



CRA Insights

CRA Charles River
Associates

April 2020

Selling distressed assets online

A guide to designing an auction for structured sales

Our Auctions & Competitive Bidding Practice at CRA has been designing, managing, and conducting online auctions across industries in the US and around the world for over 25 years.

The most frequent question we get from potential clients: How is your auction approach different from everyone else's?

Before answering the question, we note that there is no one auction format that is best in every situation. There often is a preconceived notion of what an "auction" means. The choice of the best auction format depends on the client's objectives, product characteristics, and who the possible participants are and what will attract them.

Off-the-shelf online "auctions" v. CRA's customized online auction portal

In distressed asset sales such as in bankruptcies, there are multiple Websites that offer "online bankruptcy auctions." It seems that essentially all these sites are following an eBay-style auction or an "electronic bulletin board" format. Which means: (a) each item (or set of items) is sold separately, and (b) the bidding starts and closes at a pre-set time. While seemingly intuitive, the bidding designs do not actually maximize the value of the items being sold.

Current bankruptcy online auctions can be popular for a few reasons: they have been accepted by market participants, they are believed to be a good fit for the sales of relatively low-value single items, and they are perceived to be inexpensive to implement. But alternatives to current online auctions also are consistent with those reasons and can achieve better outcomes.

Rather than using current off-the-shelf online auction sites, larger bankruptcy clearing houses would be better off setting up their own online auction portals. This would allow them to customize and brand the bidding experience as well as to maintain ownership of the bidding data.

A design to attract buyers and maximize value

Moreover, in many cases the bidding formats used by current online auction sites are not the best option for attracting participants and for maximizing value. An example is selling a portfolio of products related in value. In this case an auction format that encourages bidders to bid on multiple items at the same time within bidding rounds likely would result in a better value to the seller if designed correctly. Enabling bidders to create and price their own packages of items will increase the prices they are willing to bid and pay.

The table below compares the CRA's approach to current online auction platforms.

	CRA Platform	Current Online Auctions
Price discovery designed to achieve maximum price	<input checked="" type="checkbox"/>	
Allow bidders to bid maximum prices on multiple lots and packages simultaneously	<input checked="" type="checkbox"/>	
Enable bidders to optimize bids that reflect preferred portfolios – thereby driving up prices	<input checked="" type="checkbox"/>	
Enable seller to offer optimized portfolios	<input checked="" type="checkbox"/>	
Designed to attract only serious bidders – no opportunity to game, manipulate, or free ride	<input checked="" type="checkbox"/>	
Desired level of transparency to seller and monitors	<input checked="" type="checkbox"/>	?
Fully auditable	<input checked="" type="checkbox"/>	?
Custom built to achieved desired objectives	<input checked="" type="checkbox"/>	?
Client can retain ownership of the bidding data	<input checked="" type="checkbox"/>	?

So, back to the original question — how is our approach different? We have a client-centric approach and choose and customize the best auction format based on the client's objectives. We use multiple auction formats that maximize sales values. We have more than a 25-year track record of success across industries and geographies.

To learn more about our approach to distressed asset sales, read our [article](#) in Law360.

About the authors

Dr. Brad Miller (VP and Practice Head) and Dr. Margarita Patria (Principal) are members of CRA's Auctions & Competitive Bidding Practice. For more than two decades, CRA has designed, conducted, and monitored high-stakes auctions and other competitive transaction mechanisms in numerous industries in more than a dozen countries. Our clients have included national and regional government agencies, the World Bank, regulated and unregulated industries and companies, and cooperatives. For more information visit <http://auctions.crai.com/>.

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