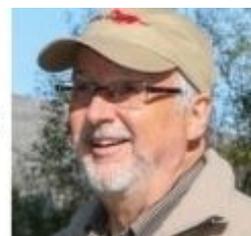




*Mondays with*  
**DAVID ALLAN**



*THE Sales Commission Debate. (Photo per illustration)*

## Zero commission announcement triggers a fresh look at an old problem

THE introduction of zero commission at some of Inglis's sales in 2019 gives a New Year kick to previous thoughts expressed in this column about the structure of sales in South Africa.

Inglis's gesture to vendors applies to the sale of "race fillies and broodmares" at the Chairman's Sale on 3<sup>rd</sup> May. In addition, there will be zero commission charged on the excess above A\$100,000 at the Broodmare & Weanling Sale (2<sup>nd</sup> - 6<sup>th</sup> May, straddling the Chairman's Sale).

Sales companies being sales companies trumpet the positive side of things. In this case: *"The demand for the best Australian breeding stock, from both domestic and international investors, is essentially insatiable...."*. If that is so, why the need to help out vendors/breeders when they are all going to sell so well?

The answer(s) may be that not all of them are going to sell so well...which has echoes around the world and not only in South Africa...or that the sales company is far-sighted and can see that if they make a gesture to their clientele when they can afford it, they are investing in their and the breeding community's future.

Such a development is momentous with a South African breeder's hat on. But not for European breeders.

There, no vendor of any sort of thoroughbred pays more than 1.5% commission to a sales company. Yes, yes. Tattersalls in Newmarket (and only in **(to page 2)**)

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Newmarket, not at Fairyhouse or at Ascot) charges 5%. But Tattersalls sells in Guineas (in Newmarket), a guinea being 5% more than a pound.

Therefore, when the sales company charges 5% to the vendor on the gross it is “taking the guineas”, give or take a few decimal places. Think in pounds – a natural train of thought – and the commission is zero.

What Tattersalls is doing is charging a 250 years old Buyer's Premium such as is charged at every single auction house everywhere.

In describing Tattersalls as “the Sotheby's or Christie's of the thoroughbred” as AllanBloodlines does when explaining to novices, there are important distinctions. One would be the smell on the sales premises. Another is the scale of the Buyer's Premium.

Sotheby's at some sales charges 25% of the hammer price (plus VAT if applicable) up to a certain price then 20% between certain figures e.g. the equivalent of US\$300,000 up to several million. Above several million, the buyer's premium is “only” 12.9%, in one example.

So if you bought a yearling at Sotheby's (which you can't but stay with me) for a million rand, your bill would be R1.25 million plus VAT. That's the way auctions work.

At even the most workaday sale of antiques or furniture or art, the Buyer's Premium is hefty. 18.5% plus VAT was the last one I took any notice of.

Tattersalls do not call it a Buyer's Premium. They charge 5% of what would have been the Sterling price when selling in Guineas. A very small Buyer's Premium.

Tattersalls in Ireland, Goffs in Ireland – and Goffs in UK (was Doncaster Bloodstock Sales) charge an actual Buyer's Premium of 6% on the hammer price for the buyer to pay. They thus earn a total 7.5% on a conventional sale, 80% of which is earned by successfully collecting the fruits of having “made the market” for the vendors and for company profits. Vendors are paid out anyway within a month or so, while Tattersalls despatches accountants to certain other countries to collect in different cultures.

Arqana even pays the buying agent 5% in a fully disclosed procedure designed to relieve the funding buyer (whom the sales company wouldn't know) of the need to pay his or her agent: “Arqana saves your client 5%”. Much the same as stallion owners always pay 5% to the booking agent who brings the mare.

If failing to sell, the sales companies try to make it relatively painless. Whose, after all, is the failure? The vendor's or the market-maker's?

Articles in SA at the moment are focussed on the 2019 Cape Premier Yearling Sale, generally predicting how good it is going to be. This column very much hopes that it is. Here – and elsewhere - the CTS Team was highly praised for the actual operations of last year's renewal after a trauma and deserves (at least) more of the same – as do the vendors. (to page 3)

“What Tattersalls is doing is charging a 250 years old Buyer's Premium such as is charged at every single auction house everywhere.”



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“GBRI (Great British Racing International)... and ITM (Irish Thoroughbred Marketing) – differently funded but working in cahoots with sales companies and assisting bloodstock agents ... have staff constantly traveling in search of new clientele...”

**DAVID ALLAN (cont fm p2)**

Nevertheless, CTS has only one sale now. (ReadytoRuns have very different characteristics and impact to yearling and foal sales). We can do back-of-the-envelope calculations and say “Blimey” but we don’t know what the numbers really are in the way that industry groups lobbying sales companies in Europe can look at the accounts. Therefore speculating on this special aspect of our future is at best a randomised process.

But all of us can consider the outlook for the majority of the products that are required to provide adequate racing fields – those yearlings that do not get into CPYS or Part 1 of the National Yearlings Sales. Granted that there was some spill-over from Part 1 to the seamlessly starting Part 2, just as there is from Tatts Book 1 to Tatts Book 2, separated by a busy weekend of viewing, but it does peter out in markets with a dearth of mid-range buyers.

The reduction during our extended mediation period by several CTS minor sales, albeit with Emperors transplanted from Joburg to the Cape under the previous directorate, did not impact on the supply and demand equation in the sense of clearance and figures at remaining lesser sales.

If South African sales commissions – on which some constructive moves have been made –continue at such heights (along with that extra entry fee and other levies), the factor known to all but the upper-echelon traders will persist. That factor is the dreadful feeling in the stomach when taking home, often a long trip, a nice but unsold yearling or 2yo – perhaps by a sire that the market “doesn’t want” or the sales company would only allow at low level (chickens and eggs) – and still being faced with a substantial bill. Even if the sales companies are earning on everything whether sold or not, neither those sales nor the producers can survive without either a subsidy or a truly professional nationwide marketing effort to take ownership beyond its diminishing status.

The commission structure was devised before the “next generation” that we so badly need was born. It was originally “breeders paying themselves” with few non-farm owning investors, plus levying funds for AHS research and other TBA activity. That applied to one sales company and that was then.

One would think that a governing body with new executives, and/or the actual TBA, would urgently re-examine the whole thing with willing support and funding from sales companies.



GBRI (Great British Racing International, effectively a division of the BHA) and ITM (Irish Thoroughbred Marketing) – differently funded but working in cahoots with sales companies and assisting bloodstock agents (the largest single body of beaters of the bushes) - have staff constantly travelling in search of new clientele as well as appointing bloodstock agent ambassadors to help them learn about markets and cultures.

GBRI evolved in part from the BHA’s “Battle Bus” touring the country promoting racing. Betting and betting interests had little to do with it. A few pop-up exhibition buses would be a good start. But will the powers in bloodstock listen to bloodstock business people? - **tt.**



←  
An Irish radio station battle bus within a tiny population... change the pictures and show them to a large population.