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Penny Auctions: Unless You Win, You're Probably Wasting Time and Money

By Jason McGlone: Director, Advertising Review - June 27, 2011 Posted in: Alerts/Scams, Computers-Internet-Technology Share |

Over the last couple years, BBB has seen a sharp increase of the number of pay-to-bid auction websites that have come into existence. This is a concern to us, primarily because it appears that many consumers are being left in the lurch with nothing to show for it.

"Penny auction" websites typically work like this: consumers see that they could win an auction for a product they're looking for at an exceptionally cheap price, like an iPad for \$80 or a Playstation 3 for \$50. They then buy "packets" of bids at a particular rate—let's say \$1 per bid. If a consumer buys 100 bids, then they're looking at \$100 that they're paying the website straight away. Here's the thing—these bids ONLY provide the consumer the right to bid on an item. If I bid on an item more than once, those bids add up—and I pay whether they win or not. So, if I win an \$80 iPad and I've bid 20 times for that item, the true cost is \$100, not including shipping costs.

What if I don't win the auction, though? I'd still be out the \$20 for the bids I've placed, that's what. And that's exactly what the rub is. For every \$80 iPad that gets auctioned off, there have been about 8,000 bids. At the \$1 per bid level, that's \$8000 the Penny Auction site receives.

Wow.

BBB's nationwide have received many complaints about these types of auction sites. The majority of these complaints concern being charged during trial periods, poor customer service, and in a few cases consumers allege that the site they used employed bots to place bids in order to drive up prices.

If you're interested in registering an account at a penny auction site, BBB recommends that you first check the business out with BBB. When you find a site that you feel comfortable doing business with, watch several auctions without bidding as a way to give yourself a frame of reference as to how the site works. Too, it's important to pay close attention to what you're bidding on and how much time is left—every time a bid comes in, several seconds gets added onto the end of the auction, so save your bids until it's close to the end. Ultimately, however, BBB's advice is to tread carefully when navigating penny auction sites and know that if you're not comfortable for whatever reason, you don't have to bid if you don't want to.

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Tags: BBB, cincinnati, penny auctions



About Trisha Sefakis

Manager of Digital Media at BBB|Cincinnati

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Reply



Kathryn Tuccelli

Posted June 27, 2011 at 10:51 PM

Good article, Trisha 😊 We absolutely agree that consumers need to do their research before choosing to join a penny auction site. We always remind them to check for reviews, left by real bidders, on reputable penny auction forums and review sites, such as the PennyBurners Penny Auction Forum, PennyAuctionList, and PennyAuctionScore.

We believe that the negativity about the penny auction industry stems from a general lack of understanding. Consumers do not understand what a penny auction site is, how to play and win, and how to determine if a site is legitimate or a true scam.

Many consumers file complaints simply because they did not fully understand what they were getting into, or because they experience Buyer's Remorse after bidding and not winning. We have seen many reviews left by disgruntled bidders who have stated, "I invested \$20 and didn't win anything! It's a scam!"

Unfortunately, there are bad apples in the industry. And, as with any collective, the minority's sins outshine the majority's virtues. However, there are sites that are dedicated to transparency and honesty, with stellar customer service, desirable items, a fair playing field, great communication, and fast shipping. As with anything involving money, diligent research is required before investing.

1. Look for reviews on the site.
2. Read their Terms & Conditions, Rules, FAQ, and any other literature available on the site, and make sure you fully understand the concept.
3. Watch the auctions and bidders for a while. Are there certain strategies employed that are successful?

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What time of day is best for cheaper auctions?
4. Set a budget and stick to it.
5. Have fun!

As to how penny auctions work, Trisha, I think you covered that fairly well. With each bid you place on a traditional penny auction, one (1) bid is deducted from your account, and the price of the auction rises by one (1) penny. Each bid also increases the timer by a set increment, so that others can place their bids, too. This usually sparks a "bidding war" as the timer counts down. Whomever has the last bid placed when the timer reaches "00:00" is the winner!

Many people are always looking for a "trick" to winning at penny auctions. Unfortunately, there's no real trick involved. Winning a penny auction requires patience, timing, strategy, and yes, skill. Once again, we recommend that you do heavy research into a site, its auction formats, and its bidders before deciding to invest. What time of day do auctions seem to end at a lower price? Which bidders will keep bidding no matter what? How do the sites' timers/auto-bidders work?

If you are new to a penny auction site, we suggest that you take advantage of their New Bidder Auctions. These will allow you to bid against other "newbies" only, and gives you a better chance at winning an auction while learning how to play. Most sites also give new members free bids which they can use to bid before deciding to invest in the site. Also, it is important to remember to be flexible. You must be willing to readjust your strategy at the last minute and realize that nothing is a "sure win".

We believe that when consumers are armed with proper information, and when they exercise intelligence and caution before giving away their financial and personal information, they will find that penny auctions are just like any other game. They can be fun, entertaining, exciting, and if played right, even rewarding 😊

Reply

 Vance
Posted June 30, 2011 at 2:49 AM
Thanks for this article. It has been of great use to me. I never had so much information on penny auctions

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