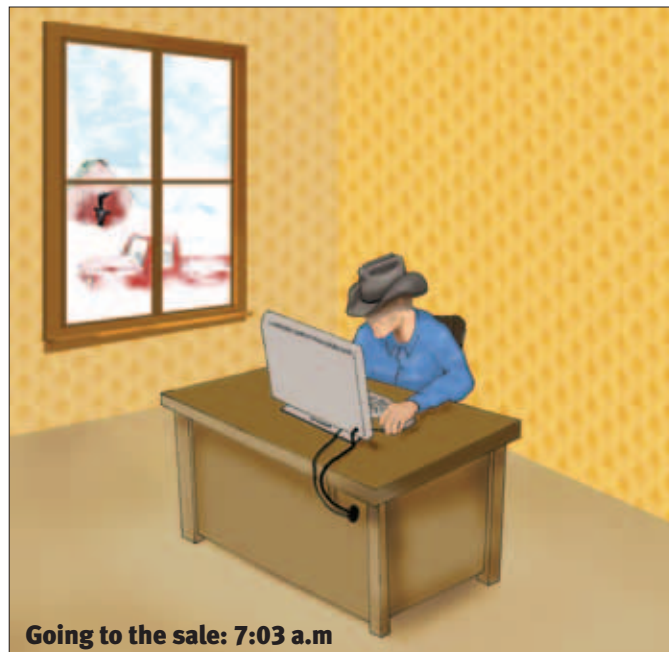




Going to the sale: 7:00 a.m.



Going to the sale: 7:03 a.m.

ILLUSTRATIONS BY CRAIG SIMMONS

Online Auctions:

Another Marketing Alternative

by **Troy Smith**

It's not your grandpa's kind of auction. He'd probably scoff at the notion of trading cattle "online." But then, this whole Internet thing might have seemed like a crazy concept to him — something that could never have much practical application to the cow business.

Wouldn't Grandpa be surprised at the number of seedstock breeders whose auctions are now broadcast "live" over the Internet? It allows interested parties to see videos of the offering, through home or office computer, and even follow the sale action in real-time. They can actually bid against the people gathered at ringside.

And now, there are auctions conducted without parading the offering through a salering. There is no chanting auctioneer and no cries of ringmen catching bids from the crowd. With the online auction format, the sound of bidding is the "click" of each potential buyer's computer keystroke.

There are similarities to the traditional auction. Admirers of certain individuals or groups of livestock still compete for the right of ownership, with the person making the last and highest bid declared the winner. But the contenders don't compete face-to-face. In fact, they may be hundreds and even thousands of miles apart, connected only by this different kind of marketing technology.

It's still pretty new to most cattle folk, but adoption of the online auction is growing. A veteran of cattle marketing and sale management, Dan Leo, of Dannebrog, Neb.,

could see it coming. Leo encouraged his son to consider the online auction format for marketing club calves. After personally observing several online auctions and seeing the format's potential, Leo established Sale Day USA, which provides online auction services to livestock producers.

How they work

To choose from sale offerings handled by Sale Day USA or similar entities, potential buyers must register at the firm's website and be assigned a buyer's number. Videos and photographs of sale animals may be viewed, along with pedigrees, performance data, expected progeny differences (EPDs) and other information typically provided at traditional livestock auctions. Images and information usually are available for viewing well in advance of the specified auction time.

Online auctions generally establish a period with specific starting and ending times during which bids are accepted for certain individual lots. Or, buyers might be able to bid on any and all animals in the offering during the bidding period. With the auction platform used by Sale Day USA, for example, animals don't sell in specific order. Computer technology tracks the bidding process for each lot. The current high bid is posted on the screen, along with the amount of time remaining in the bidding period.

Leo notes that bidders can see how the bidding is progressing for any given lot. They

can bid on first-, second- or third-choice animals at any time. It remedies a situation often occurring at traditional live auctions, where second- and third-choice animals sell prior to a bidder's top pick. If that favorite then brings a budget-busting price, that particular bidder may leave without purchasing anything.

Typically, online auctions also allow participants to place "proxy," or maximum bids, on lots of choice. The computer then automatically registers incremental bids, on the bidder's behalf, but goes only as high as the maximum level chosen by the registered bidder.

The computer screen also displays the current high bidder's number, but no names. Bidder and buyer identities are known only to the auction management. Buyers receive invoices for purchases, by e-mail, and generally make payment by credit card, check or wire transfer. Buyers work directly with the seller to arrange for pick-up or delivery after payment is made.

Growing acceptance

Leo says the online auction format has gained a high level of acceptance among buyers and sellers of club calves, lambs and swine. Online horse auctions are gaining in popularity, and breeders of registered seedstock are testing this unconventional marketing tool, as well.

"I think a lot of credit has to go to eBay®

for helping establish confidence in this kind of marketing among the general public,” says Leo. “And thanks to Superior (Livestock Auction) and other companies, buyers and sellers of cattle have gained confidence in video auctions. It has all helped create a whole new marketing dynamic and paved the way for increased use of online auctions.”

The chief advantage to buyers, says Leo, is convenience. They can view and bid on cattle without spending the time and money associated with travel to a traditional auction. The ability to maintain anonymity while bidding is also considered an advantage by some participants.

“There’s no auctioneer, no crowd and no hurried pace, so bidders aren’t experiencing the pressure of a traditional auction,” adds Leo.

“For sellers, a big advantage is the ability to reach a larger audience,” he adds. “There’s less expense involved with an online auction, a lot less work and less stress on the cattle as well as the seller.”

Producer experience

Steele Land and Livestock, of Anita, Iowa, chose to conduct an online auction of bred females, last fall, in order to expand its marketing reach. According to Doug Steele, an open house was hosted in conjunction with the auction for a gathering of neighbors and some long-time customers. But participation was open to virtually anyone, anywhere, provided they had a computer and high-speed Internet access.

“The lower cost of an online auction also drove our decision, as well as the simplicity of preparing for it,” states Steele. “We made videos of the cattle while they were still on grass, which showed the cattle to good advantage. We didn’t have to clip and fit them, or put them through a salering. We didn’t need to arrange for extra help to handle the cattle like you would for a (traditional) sale.”

Prior to trying an online auction, Gridley, Ill.,-based Prairie View Farms sold Angus heifer calves by private treaty. Increasingly, greater numbers of those transactions were being driven by the operation’s website. Owner Alan Miller says an online auction seemed to be a logical next step.

“We had learned that videos and photos could generate sales,” says Miller. “And our target clientele — mostly juniors wanting show heifers — is comfortable with the technology.”

A&B Cattle, near Bassett, Neb., recently conducted an online auction of bred females, and co-owner Becky Sawyer says they will consider using the format again. She and husband Arlen

appreciate how other events are less likely to conflict with an online auction. Foul weather won’t prevent buyers from attending or even cause postponement, as can happen with a traditional live auction. With the online format, potential buyers can access the auction website and bid at any time, day or night, during a 48- to 72-hour bidding period.

“The online auction format eliminates the need for an auctioneer, ringmen and sale-day help. It generally takes between 12 and 16 extra people to help us put on a (traditional) sale at the ranch,” explains Sawyer. “And with an online auction there is no need for a sale-day lunch or other hospitality costs normally associated with a regular auction.”

Not a silver bullet

Nothing is perfect, of course. There are potential disadvantages to the online auction. Neither Sawyer nor Steele would consider it for their annual bull sales. Both believe a majority of their bull-buying customers prefer to inspect the offering on sale day and purchase bulls in a live auction format. Some buyers aren’t as techno-savvy as others. Some may not have high-speed Internet access. And some simply prefer a more traditional auction.

“I think a lot of commercial cattlemen, and certainly a lot of our customers, still want to see the cattle in person. They want to kick the tires, so to speak,” says Steele. “And there is an atmosphere and level of excitement that only comes with a live auction. That can

work in the seller’s favor to stimulate bidding. Plus, a live auction is a social event. We look forward to the face-to-face contact with customers and the personal interaction.”

Sawyer cites the need for careful screening of potential buyers when they register to participate in an online auction. Typically, registration must be completed in advance of the auction bidding period and requires name, address, driver’s license number, bank information and a credit card number. Still, there is no guarantee that every buyer will make payment on his or her purchases.

“In most situations, if a buyer purchases one or two head, a credit card will accept those charges. However, if a buyer purchases a large number of cattle (and the total amount exceeds the credit limit), the credit card doesn’t offer a recourse in obtaining payments,” explains Sawyer.

Unscrupulous bidders can spoil a traditional live auction, too, by “buying” cattle and disappearing before making payment. Some people might be more apt to pull such shenanigans with an online auction, though, since they can maintain a measure of anonymity and don’t have to look the seller in the eye.

Leo’s firm does require potential buyers to provide authorization for the release of bank credit information in order to obtain a buyer’s number and participate in an online auction.

Getting bidders to the sale

Sawyer also advises potential online sellers to remember that proper advertising is still important to a successful auction. She considers professional-quality videos and photographs absolutely necessary, and even though the information is available online, a printed catalog can be an asset. Miller agrees. While his first online auction was successful, he believes better promotion could have yielded even better results.

“We relied on web-based promotion and used no print advertising, but I think you need both. You need to consider any methods available to get the attention of potential buyers,” states Miller.

Dan Leo won’t argue that the suitability of the online auction depends on the seller and the target audience. But he also believes the technology will continue to improve, along with acceptance among the buying public.

“Every time we put a new sale up on our site, more and more people get involved. We’ve helped sell cattle and horses into all but nine of the continental states, plus two Canadian provinces,” says Leo. “Online auctions are becoming an important marketing alternative.”

► The bidding begins. Interested parties can follow the progress of the sale on “The Big Board.” The most recent bids are highlighted.

