

E-Cow

Online Auction

Executive Summary

E Cow is the name chosen for the future company. This company, which will be found on the World Wide Web, will be a market for the cattle industry. E Cow will link together buyers and sellers of cattle, and cattle related goods, and services. Based in the United States, E Cow will also have agents in Mexico, Canada, Argentina, and Brazil creating a more global marketplace for the beef industry.

Objectives

- Bring together thousands of buyers and sellers.
- Create new market relationships.
- Have trustworthy agents that will keep buyers and sellers accountable for their product.
- Offer a variety of services

Mission Statement

E Cow is committed to promoting the cattle industry. The cattle industry has historically been an oligopoly. Linking buyers and sellers who may have never been able to do business together, will help those individuals. Our company operates on the principle that if a transaction was made on our website then it must have been in the best interest of those involved. We are committed to providing quality service to all participants of our website.

Location

Our business will be internet based and therefore it can be run from anywhere there is internet. Employees can work at home and I will run operations from my laptop. Our mailing address and base of operations will be in Payette, Idaho. General information by telephone will be tasked to TCI, a call center in Boise, Idaho. Livestock orders will be made through the internet with registered customers only. Goods and services can be sold to registered and unregistered customers. This online business will reduce initial start up costs and increase our return on investment. E Cow will also have few fixed assets increasing its liquidity.

Success Factors

E Cow must operate efficiently. We must have a solid system for the transaction of the cattle. This will involve contractual agreements with holding companies and shipping companies. When a client sells a product we must make sure he or she is satisfied and gets paid. When a client buys a product we must make sure that the buyer is satisfied and gets the product. Our success will also lie in the number and quality of complements we can offer. These extra services will draw new clients to our business and will also stimulate our profits. A positive externality to popular complementary services is that it will be easier to draw more advertising revenue

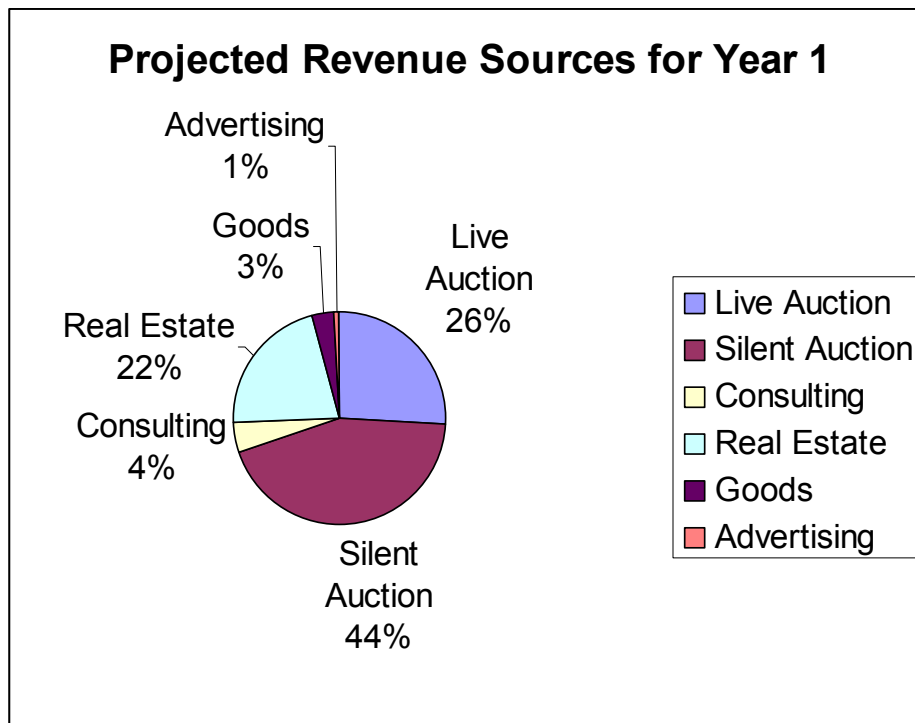
New benefits

Participants of E Cow will be able to trade cattle like never before. Using E Cow as a means to buy, ship, feed and sell cattle globally could produce a new breed of white collar ranchers. It can also link together producers and buyers who seek specialized products. A rancher won't be limited to the choices in his or her area, but can now choose from a much larger supply of livestock. The forum can link ranchers together, where they can exchange ideas, methods, and problems.

Advertising on E Cow's website has amazing potential. Advertising is a low overhead way to increase profits. Overhead is reduced when E Cow doesn't have to be directly involved in the sale of goods and services over our website. It lowers the time and capital that we have to invest for a return. Medicine, equipment, and consulting could all be advertised and sold. Land can even be viewed over our website.

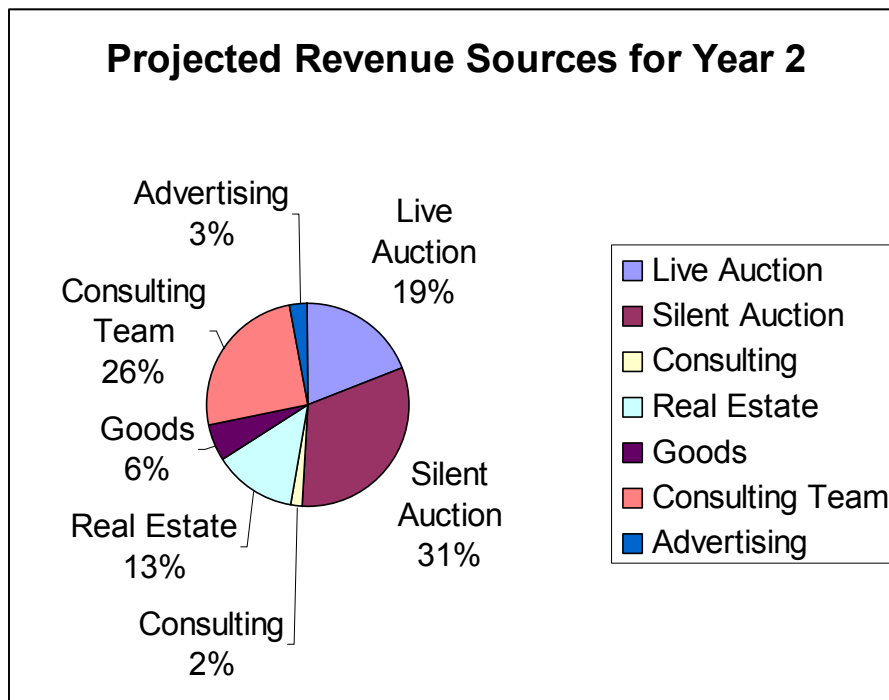
Profit Centers

The transaction of cattle between buyers and sellers must be a smooth easy process. This process has to be as price competitive as possible and satisfy both the buyer and the seller. Our main revenue will be drawn from these cattle transactions. These revenues must be able to cover most of our expenses, as this operation has the most overhead. Our main profits will then be derived from a number of complements. These complements have a high return on investment and can operate autonomously on our website. These services include advertising space on our website, commission on sale of goods, like medicine, and business consulting. Health, financial, market, and human resource consulting can be offered by other companies through E Cow. If consulting becomes a major part of our business, we can hire in house consultants to increase revenues.



Services

- Cattle sale
- Custom Feeding available
- Advertising
- Promotion
- Real Estate for sale
- Equipment for sale
- Silent and Live Auctions
- Online consulting
 - Risk Management
 - Animal and feed consultants
 - Marketing consultants
 - Human Resource management
 - Financial Consulting
- Online forum



Labor

The key to our success is to outsourcing high task, low knowledge needs of our company. Outsourced labor will be operational labor and will be a result of the success of our services. E Cow must have its own:

- Information Technology (IT) team.
- It must have sales teams in Argentina, Brazil, Canada, Mexico and the United States.
- Accounting consulting in America to help us handle receipts, billing, taxes and financial records.

E Cow must outsource the following labor needs:

- We must have a multi-lingual call center for general information.
- Legal consulting
- Accounting consulting
- Holding areas in countries for livestock
- Shipping companies dedicated to hauling livestock exchanged through E-Cow

Plan for Growth

Long Term

E-Cow is mostly operational labor and could start small and eventually grow. Once teams are in place in several countries and our infrastructure is in place, E Cow may be open for all types of livestock. Sheep, Hogs, and other livestock could be sold. As our products auctioned grow, we may spread to other countries. We will buy the domain names “E-Sheep, E-Hog, and E-Horse. These names are so close to our name that we could get a reputation for a company with one of those names. Sale yards could have computer terminals to give buyers access to our website. Even people trading locally could go through our website to reduce risk and to create paper trail for their transaction.

Short Term

Brazil and Argentina had over 50% growth in their agricultural industry over the last ten years. They already trade with the U.S. and were obvious choices, along with Canada and Mexico, to start our doing business in. Our initial plan is to create a positive return. Our projected income statements plan for positive returns in our second year. We plan to always maintain positive cash flows and to have enough cash to cover at least eight weeks of operational costs.

Internal Risk Management

Currency

- The currency already in place in a country will be the currency used for domestic transfers.
- All international transfers will be made in U.S. dollars
 - Our goal is to sell advertising space to banks that can make currency exchanges for our clients.

Fraud control/registration

It is important that buyers and sellers are legitimate. In order to trade, individuals or businesses must register with E-Cow. This registration will include us checking on their credit and the formation of an online account with an approved credit card. The account will only be used if there is a problem.

Internet hazards

Internet hazards include viruses, hackers, power failures and technical problems. A large emphasis will be placed on our information technology team. We must have checks in place to protect us from these internet problems. We will also need an insurance policy that will cover at least

some of our online risks. Any one of these online risks could critically cripple our company. We must always be re-evaluating our online security as new internet threats are increasing.

Clear ownership of Cattle in transaction

A major question is what to do if someone sells stolen cattle over our website. If our company aids in the transfer of the animals we could be treated as accomplices or at least accessories to a crime. Trading cattle is unlike cars or homes; it is hard to prove ownership. In the United States we have the brand system, but even that can be manipulated. E Cow does not want to be responsible for helping cattle rustlers market their product. Steps to protect against this scenario include the registration every buyer and seller must complete. Hopefully we can build a strong relationship with our shipping contracts and trust their judgment if something is out of place.

What if contingencies

Animals:

1. die

The seller is responsible for the animals until they reach the buyer.

2. Don't match expectations

"What if the seller sells 10 Angus bulls and then sends 10 different bulls".

All sales are final. If there is a problem, a buyer can file a complaint with E-Cow, which we will then examine. If the seller was in error, compensation will be made through the seller's online account.

3. Are accidentally delivered to the wrong place.

This is an issue that will be taken up with the shipping company, if E Cow was responsible for the shipping, they will pay the initial damages.

4. Are impounded by a government

Maybe they have BSE.

Animals are still the responsibility of the seller until delivered to the buyer.

Agents:

1. What can we do to protect E Cow from agents who might give away important secrets, like internal access to our software, or passwords.

We need to back up all of our transactions on hardcopy and on disks. E Cow will believe in employee empowerment, but also focus on internal company complaints. We can't have a mad employee trying to ruin us.

Financial Spreadsheets

Below are projected first and second year cash flow and income statements. E Cow expects to have positive cash flows every year. We want to have enough cash to cover eight weeks of operations. Bad debt expense isn't calculated because if clients don't pay, transactions won't occur. E Cow has an acid test ratio of over 1 by its second year this is one of our main financial goals. We also plan on reducing our borrowing every year. In these projected statements, borrowing is reduced by 20% after one year.

E Cow recognizes that it is a low asset high operational labor company. Its strengths are that it is very liquid. Its outsourced labor can be reduced fairly easily and much of its in house labor is based on commission from successful sales.

Projected Cash Flow for Year 1

Sales	\$229,500	
Cash from borrowing	\$100,000	
Total Cash Inflows	\$329,500	
Variable Expenses	\$43,400	
Other Expenses	\$205,500	
Total Yearly Expenses	\$248,900	Acid Ratio
Positive Cash Flow	\$80,600	0.806

Projected Cash Flow for Year 2

Cash from Year 1	\$80,600	
Sales	\$377,400	
Total Cash Inflows	\$458,000	
Repayment of Loan Principle	\$20,000	
Variable Expenses	\$124,440	
Other Expenses	\$231,900	
Total Yearly Expenses	\$376,340	Acid Ratio
Positive Cash Flow	\$81,660	1.02075
Positive Change in Cash Flow	\$1,060	

E Cow 1st Year projected Income Statement				
	\$/Unit	Units		Total
Gross Income				
Commissions				
Live Auction	\$6.00	10,000	head	\$60,000
Silent Auction	\$10.00	10,000	head	\$100,000
Consulting	20%	50,000	dollars	\$10,000
Real Estate	2%	2,500,000	dollars	\$50,000
Goods (equipment)	15%	50,000	dollars	\$7,500
Fees				
Advertising	\$50.00	40	clients	2,000
Total Gross Income				\$229,500
Variable Costs				
Call center	\$1	1,000	calls	\$1,000
Sales Team	20.00%	212,000	Auction Real Estate Goods Advertising	42,400
Total Variable Costs				\$43,400
Total Gross Margin				\$186,100
Other Expenses				
Internet expense				\$1,000
Sales Expense				\$10,000
Interest on Debt Expense (\$100,000 in borrowing)				\$10,000
Insurance				\$10,000
Information				
Technology Team	\$40,000.00	3	team members	\$120,000
Accounting Consulting	\$10,000.00			\$10,000
Real Estate Advice				
Legal Consulting	\$2,500.00			\$2,500
Legal Consulting	\$5,000.00			\$5,000
Sales Team (includes me)	10,000.00	3	team members	\$30,000
Office Expense (phone etc.)				\$5,000
Miscellaneous (office supplies)				\$2,000
Total Other Expenses				\$205,500
Pre Tax Net E Cow Income				-\$19,400

E Cow 2nd Year Projected Income Statement				
	\$/Unit	Units		Total
Gross Income				
Commissions				
Live Auction	\$6.00	12,000	head	\$72,000
Silent Auction	\$10.00	12,000	head	\$120,000
Consulting	15.00%	40,000	dollars	\$6,000
Real Estate	2%	2,500,000	dollars	\$50,000
Goods (equipment)	15%	150,000	dollars	\$22,500
Fees				
Consulting team	\$28.50	3,400	hours	96,900
Advertising	\$50.00	200	clients	10,000
Total Gross Income				\$377,400
Variable Costs				
Call center	\$1	1,000	calls	\$1,000
Sales Team	22.00%	252,000	Auction, goods Real Estate Advertising	55,440
Consulting Team (New in house team)	\$20.00	3,400	Hours	68,000
Total Variable Costs				\$124,440
Total Gross Margin				\$252,960
Other Expenses				
Internet expense				\$200
Sales Expense				\$6,000
Interest on Debt Expense (\$80,000 in borrowing, 20% less)				\$8,000
Insurance				\$10,000
Information Technology Team	\$40,400.00	3	team members	\$121,200
Accounting				
Consulting	\$10,000.00			\$10,000
Real Estate Advice	\$2,500.00			\$2,500
Legal Consulting	\$5,000.00			\$5,000
Sales Team (doesn't include me, hired an additional employee)	11,000.00	3	team members	\$33,000
Management Salary (me)	\$30,000.00			\$30,000
Office Expense (phone etc.)				\$4,000
Miscellaneous (office supplies)				\$2,000
Total Other Expenses				\$231,900
Pre Tax Net E Cow Income				\$21,060
Previous Net E Cow Income				-19,400
<i>Net Change in E Cow Income</i>			<i>Increase</i>	\$40,460
Net Balance of E Cow Income to date				\$1,660