



## Analyzing the Silent Auction Approach

by **Kim Kanzler Holt**

**M**arketing is about much more than just getting a product sold. The late Ed Bible, a purebred communications specialist and marketer as well, advised producers that selling occurs when cattle are loaded and hauled to town and producers take whatever the buyers are offering that day.

Marketing, on the other hand, must involve planning, goal setting, and then coordinating and carrying through all the activities needed to add value to your product in order to make and continue successful sales.

One key step in marketing is deciding which merchandising approach or approaches — private-treaty, consignment or production sales — will give the best return for your purebred cattle. This article takes a look at the private-treaty technique of silent auction/open house sales and how breeders are using this marketing avenue to their advantage.

### The silent auction setting

Silent auctions may not offer the same excitement often found at a live auction, but they do present opportunities for producers to work on a more one-on-one basis with potential buyers. This is one

of the greatest benefits of these events, says Jim Reed of Midwest Cattle Service, Green Ridge, Mo., who does sale management work with both types of auction formats.

Typically silent auctions require lower cash outlays because sale staff is limited.

The breeder establishes a base price for each animal and a sale order. Buyers write down bids on paper and/or bid on or “claim” lots by holding up buyer numbers for a bid taker.

If open, bidding starts at the base price and goes up from there.

If only one person claims a lot, it sells for the base price. If the lot is unclaimed, it’s passed over but is still for sale. Typically, at any time, a buyer can request to go back and claim that lot.

While these formats do offer sellers price protection, one drawback Reed sees is they force breeders to set a ceiling on their cattle. “You never have momentum built up to where you get people actively bidding against each other,” he explains. By comparison, live auctions create rapid fire, which often keeps more buyers bidding and in contention for a lot. More bids can add up to more dollars when all is said and done.

Still, Reed believes if breeders are getting along well and are happy with the results of this private-treaty technique, he sees no reason for a production sale, especially if sale numbers are less than 50 head.

### Putting silent auctions to work

In business since 1944, the Bennett family, of Knoll Crest Farms Inc., Red House, Va., holds two annual bull sales. Their first is a live auction in December, and the second, a silent auction in early April.

Knoll Crest put a silent format into use 15 years ago. “We initiated this format for our spring sale because it was getting late for us to be selling bulls to our local customers. We knew we weren’t going to sell a high percentage of the bulls on that initial day. And it worked that way for quite a while,” explains Paul Bennett.

Starting out, the Bennetts sold about 40% of their bulls on sale day. This percentage has gradually increased over the years, as has the number of lots they offer. At their most recent sale, just more than 90% of their 100 bulls were claimed, 70% of them through active bidding.

Some 160 registered buyers actively bid for their choices, and Bennett admits they could have used an auctioneer. “We had bulls that were bringing twice what their base price was. Had we had an auctioneer, the flow would have been a little smoother,” he says.

“I have always believed that you need to establish a rapid, aggressive pace if you can, because that keeps people involved in what you are doing.” He adds they like to conduct a sale as quickly as possible, too, because they know people have other things to do.

While this was an unusual year for their silent auction, and demand may differ in years ahead, the Bennetts plan to hire an auctioneer next time. They’ll keep the silent-type format, however. Bennett says their customers tend to like it very well. “It’s very user-friendly for them. People know what to expect and there are no real surprises.”



During the sale, the crowd is gathered together in the Knoll Crest sale facility, but cattle aren't run through the ring. They are sold according to breed; the highest-priced bulls are offered first, followed by others in descending price order.

"A lot of our customers like the fact that we base price the bulls. If they don't understand all of the data and information, it gives them a guideline to use in terms of how I would rank the bulls," Bennett explains. He assigns a base value to each bull using a generic scenario.

Base prices on their unclaimed bulls are guaranteed for 30 days. "We don't want to create a situation where we would have to reduce the base prices on those bulls in order to get them sold," Bennett says. "That would be very unfair to those people who buy on that initial day."

He adds, "We approach our merchandising program as one of establishing long-term working relationships with customers rather than making a sale this time and not worrying about the next." Knoll Crest offers four breeds of bulls, including Herefords, and all sell with a 12-month unconditional guarantee.

### Figuring out the average

Figuring out a base price for each animal can often be the most challenging part of a silent auction format. "You hate to set a base price too high or too low — that's the tricky part," says Craig Crutcher, manager of Perks Ranch, Rockford, Ill. "Whenever you set a price, you have to assume that each bull will only bring that minimum bid. You need to figure out what the average will be. If everybody took one for the minimum bid, you'd have to be happy with that."

Along with pricing, breeders who use the silent auction format are also responsible for other aspects if services, such as those offered by sale managers like Reed, aren't employed. Some of these tasks include securing advertising, creating a customer mailing list, compiling a catalog/pedigrees, building facilities, preparing cattle

for presentation and displaying them well.

Similar to Knoll Crest, Perks Ranch, a purebred Hereford and Red Angus operation, has experience with both live and silent auction market settings. Owned by the Doug Perks family, Perks Ranch has alternated between a live and silent auction format for their spring bull sale several times in the last seven years.

This year they used an open house/silent auction to market 22 bulls. Typically they'd sell 60 head of bulls, but they trimmed cow numbers back in 2005.

Crutcher says you almost have to run your open house/silent auction just like a live auction. Similar to Knoll Crest, they still print a four-color catalog and mail it out to a large customer list, and offer buyers lunch and cattle to view. The difference, explains Crutcher, is the atmosphere — it's more relaxed.

Both formats have worked for Perks, but Crutcher reports some buyers like this format better than others. "Some are more apt to raise their hand to an auctioneer rather than write their name on a piece of paper."

This past April, buyers did use numbers to bid silently on paper. After three hours, bidding was opened up to the most competitive silent bidders of each lot. Crutcher followed a sale order, so buyers who needed just one bull could bid on multiple bulls but buy just one.

He says opening sales at the end gives all buyers a fair shot. Staggering the closing times is another way that allows buyers to bid on multiple bulls in order to get the bull or bulls they want. Crutcher points out, "As a seller, you don't want anyone to go home unhappy."

Perks also sorts bulls for buyers by kind — whether performance or calving-ease — and groups its Denver pen bulls together. Knoll Crest sorts bulls by price for their spring sale.

In Crutcher's opinion, the main advantage of a silent

auction is "you get to really talk to your customers. You're able to find out what they're doing and they can ask questions. It helps out with customer relations."

In his mind, two keys to successful silent auctions are raising good cattle and advertising. Perks consistently advertises throughout the year in *Hereford World* and places ads in state and local publications. They also use Cattle Mail USA, a service that notifies subscribers of sales via e-mail and has online sale listings.

From a sale management standpoint, Reed also advises producers to have sale advertising out early and to be sure their open house/silent auction date is listed in all advertising throughout the year.

He says the key to making these events work is reputation and repetitiveness. "Don't go into it thinking it's going to be real successful the first time. You need to set your time and do it each year."

You also need to be very well organized, he says. "It's not something that can be put on at the last minute." Past buyers lists are also a very big key, but perhaps most importantly, "You need to believe in what you are doing and convey that to your customers."

From a production standpoint, Crutcher says, "If you're not going to have a live auction, I think an open house is a good alternative. It sets a date and gets people to your place." **HW**

**Editor's Note:** See "Changing direction," Page 176, to learn how Reynolds Herefords has developed a successful open house/silent auction.



Producers who attend the annual Decades of Design Open House have a chance to learn more about Reynolds Herefords and Lenth Herefords, purchase cattle and enjoy a free lunch.

## Changing direction

Matt, Barb, Tye and Makayla Reynolds of Reynolds Herefords, Huntsville, Mo., set the date for their first open house/silent auction five years ago and their annual event has grown from there.

In the late 1990s, Matt and Barb concluded they weren't drawing enough revenue from their cattle versus the time and energy they were putting into them. "Living in a world of change, we saw we had to change our direction of marketing," Matt explains.

The Reynoldses, who raise about 120 purebreds, sell some 60 head at their open house/silent auction each November. Joining them is Barb's family — Elden, Bea and Doug Lenth of Lenth Herefords, Postville, Iowa. The goal of the open house is to spend time with customers. They can show them the Reynolds and Lenth programs, offer them cattle and buy their lunch.

The morning of the sale, Matt posts a sale order and a starting figure for each offered lot. Bidding starts immediately after lunch. Matt conducts the auction by going through the offering one lot at a time; the process takes less than two hours.

He prefers this format because it allows him to determine the base price for his cattle. He agrees with Craig Crutcher, Perks Ranch, that establishing a base value can be tricky. Matt says you have to price cattle so you can live with those numbers. "We're not trying to see what our high-dollar heifer's value is because at the end of the day, the average is what you take to the bank."

The Reynoldses' customers, a high percentage of whom are repeat customers, like this format too. Matt and Barb say it has several advantages.

"It allows us to have one marketing place on one day. The time spent going to several consignment sales can be spent delivering

cattle and spending one-on-one time with our customers, which, in return, can help determine their future needs.

"It also allows us to lower our inventory headed into the winter months. Our operation is primarily forage based and the winter feed can be used to produce the new calf crop coming on."

They add, "Having a day planned like this allows our customers to plan ahead."

Many of the Reynoldses' customers are from within a 60-mile radius, and a high percentage of their cattle sell to youth. Each year cattle are sold into surrounding states and beyond.

Matt believes the event is growing because "we've provided people, even if they don't want to buy anything, a good time. The bidders are the ones who make the day." But an event like this does take commitment. "One person cannot make this happen," he says.

### Building an event

The Reynoldses utilize very little outside labor; family and friends willingly pitch in to assist each year. Barb and Matt also produce, print and mail their own catalog and printed materials. They've built their own mailing list from their families' longevity in the Hereford business and can, therefore, direct mail customers. Each year they try to add to their advertising budget, which includes local, state and *Hereford World* ads.

"After our first welcome in the fall of 2002, I invited everyone to be with us in 2003 on the same weekend," Matt says. "That ensures the customer that we are going to be here."

They also serve high-quality beef. As Matt points out, "Everyone who has been here might not be able to tell you which was the best female, but they will remember the lunch we served."

He admits that getting lunch and the cattle together are the easy parts. It's setting the base bids that can be challenging. "If you keep the quality of the offering high, everything will balance itself out by the end of the day. Some lots won't bring what you think and others will bring more.

"The key is to watch the expenses. Set yourself a budget that you can absorb if, for some reason, things don't go like you hoped." He adds, "It's not all easy. You have to be willing to sacrifice some good cattle, time — you must have a lot of patience — it doesn't happen overnight."

Matt says his family hosts the open house, though, because they want to. "We want everyone to come for lunch, offer our cattle to people and hope they have a good time. It's working and growing. We enjoy what we do." **HW**

### Matt and Barb Reynolds of Reynolds Herefords have developed their Decades of Design Fall Open House during the last five years. They share the following insight into staging these types of open house/silent auction events:

- Be well organized; don't plan at the last minute.
- Know what your customer needs so you offer the right product. The Reynolds offer both polled and horned cattle. They deliver sale cattle to see customers' operations firsthand and to learn what they need to produce.
- Be fair and honest with customers.
- Offer your very best cattle. "Selling your good ones is a key in any auction," Matt says.
- Diversify the sale offering. "We have a little bit of everything and not too much of anything," Matt says. They offer steer and heifer calves, fall yearling heifers, bred heifers, fall pairs and bulls.
- Offer just a few of each instead of too many.
- Maintain a good customer mailing list. This is imperative.
- Advertise locally and nationally to create visibility within your trade area and the Hereford industry.
- Remember that cattle presentation is extremely important.
- Sort cattle. They group by age.
- Create facilities that are functional for day-to-day use and yet increase visibility for each animal at the open house.
- Watch expenses. Overhead is one of the biggest challenges. "Watch what goes out so at the end of the event there is something left for you," Matt advises.
- Let family and friends assist. They help cut overhead. But be sure to take care of them. Matt finds the little things mean the most: caps, t-shirts, thick burgers and juicy steaks.
- As revenue expands, hire additional labor so you can focus on customers and details.

**HW**