

**EXAMINATION
JANUARY 2005
Customer Relationship management**

READ THE ATTACHED CASE OF DOVEBID.COM

As a recent MBA graduate, a traditional vendor of new and used industrial equipment has employed you. The Chief Executive of your new company had read about Dovebid.com in a business magazine, and had provided you with all the material in the case that you have now read. Your chief executive asks you to give a twenty-minute presentation at the firm's annual strategic planning conference. His brief to you is as follows:

1. I want you to give a presentation of no more than 20 minutes. That means you should put together a PowerPoint presentation, and it should consist of no more than 11 slides, the first of which will be the title slide.
2. I am insisting that all our executives read the material I have given you before they arrive at the conference, so they will have read it; please don't simply repeat what is in the case.
3. Remember, that you are going to do a PowerPoint presentation, so don't write essays on the slides, use bullet points!
4. Specifically I want you to address the following issues from CRM point of view:
 - What is Dovebid's business model? How does the firm make money, is this sustainable, and can it be imitated easily?
 - What similarities do you see between Dovebid, which is essentially a B2B firm, and online consumer auction sites, such as Ebay? What differences are there?
 - What strategies can Dovebid utilize to grow the business in the future?

TOTAL: 12 marks

DoveBid.com: Business-to-Business Auctions Online

I'm hardly your typical e-business startup guy, says Ross Dove. For a start, I'm too old - 48 next birthday. I also tend to work normal business hours, and I drink beer, not some fancy expensive coffee. I wear pretty ordinary clothes. I've been in this business all my life, and our products could hardly be described as rocket science. They're actually pretty boring compared to some of the stuff on the net. Most of my employees don't wear earrings and are better at driving a forklift than clicking on a mouse. Also, my grandfather started this business - I don't think there are any e-businesses that can say that!

Dove's firm - rather conventionally called Dove Brothers - is based south of San Francisco, California, and for over sixty years the firm has done reasonably well, in tough times, and in good. Dove Brothers doesn't sound that exciting in Internet-speak, does it? I mean e-Dove sounds like a peace mission, and dovebrothers.com sounds like a rock group, Ross Dove comments wryly.

The firm began life as Dove Brothers in 1937 when its founder, Harry Ross, picked up a gavel and sold his first piece of machinery. By the 1980's, the firm had pioneered the use of auctions in high technology by selling the assets of Osborne Computer - the first computer auction in history. Six decades after its founding, the firm had maintained its legacy of leadership by conducting many of the world's largest, most successful auctions on behalf of corporations, government agencies and financial institutions.

Internet beginnings

One evening in August 1998, brothers Ross and Kirk Dove were sitting in the Oak Bar of Manhattan's Plaza Hotel. Two martinis, please! Kirk Dove said to the barman. In fact, make those doubles. We deserve a little celebration. Dove Brothers had just finished selling more than \$1m of manufacturing equipment at an auction in a closing Raytheon plant, earning a commission of about \$100,000. This was big money for the firm, and well worth the long flight from California to New York.

The barman duly obliged, and as the brothers toasted their success, the evening's stockmarket report began to roll across the television screen in the bar. The headline news was that eBay, the Internet auctioneer, had just passed \$10 billion in market capitalization, and was confidently expected by most analysts to double before year's end.

Ross Dove stared at the screen. Someone should do this in our business, he said. In fact, we should do it. What venture capitalist is going to give money to a 60-year-old family firm to auction industrial assets online? Its just so dull, said Kirk. Pass me that napkin, retorted Ross, taking his pen from his shirt pocket. Most of the people I've spoken to tell me B2B (business-to-business) on the net is going to be infinitely bigger than B2C (business-to-consumer) (see exhibit 1 for a recent forecast). He began to scribble ideas on the cocktail napkin. Kirk ordered two more martinis, and muttered that B2B and B2C sounded like U2 to him - more rock groups. However, as usual, and helped by the second martini, he was soon enthusiastically caught up in his brother's crazy ideas. DoveBid was born.

The auction business

Auctions have been used for many years to move goods rapidly between buyers and sellers. Typically, someone acting on behalf of the seller (the auctioneer), solicits offers to purchase (called bids) from buyers, and then, when bids for the offering are no longer forthcoming, sells the offering (or in auctioning parlance "knocks it down") to the highest bidder. Auctions have been utilized particularly in the case of rare goods, such as works of art and other collectibles, where it is difficult for the seller to form an accurate idea of the market value of the offering beforehand. They have also been used in business-to-business markets, to clear large quantities of slow moving stock rapidly. Liquidators of bankrupt firms also resort to auctioning their assets, in an attempt to get as much cash as quickly as possible – hence the term "liquidation". The auctioning firm typically receives a percentage commission on the total value of the goods sold, normally in a range of 10-15%. It is therefore in the interests of the auctioneer to obtain as high a price as possible for the goods on sale. Good auctioneers are expert at keeping bidders engaged, and skilled at extracting that final high bid by using a range of interpersonal techniques.

Auctions offer advantages to both sellers and buyers. To the seller, an auction offers the opportunity to move goods rapidly, and to obtain ready cash without having to wait for payment. If the auction is well-publicized, well-attended, and conducted by an experienced auctioneer, the seller is assured of obtaining prices that are a good reflection of what the market is willing to pay. For the buyer, auctions provide a means of purchasing goods that might otherwise not have been available at realistic prices, and often at bargain prices, when the auction is not well-attended, or when the particular item is not highly sought after. However, there are possible disadvantages in auctions to both sellers and buyers as well. Sellers may not realize the best prices, and may find themselves disposing of goods far below their real value. While they may impose a "reserve", or a price below which they will not sell, this means that they still own the goods and have to find another way of disposing of them. Buyers have to give up their time, and often travel long distances to attend auctions without any certainty that they are going to find the goods they want at a realistic price. Sometimes buyers find themselves caught up in a competitive bidding situation where bids are made simply to drive the other buyer out. It is well-known that at some auctions, a used item can fetch a higher price than the equivalent new one, as buyers bid up prices simply to keep face, and prevent someone else from buying the item. Unscrupulous sellers and auctioneers have also been known to employ "plants" – individuals in the crowd who make bids simply to drive up prices and engender an atmosphere of competition, without having any intention of actually purchasing them.

The auction will be advertised to be held on a named date and time, and the terms (e.g., cash or bank guaranteed checks only, goods sold with or without warranty, goods have a reserve price) will also be made known. The venue will also be communicated – this may be at the auctioneer's premises, in the case of goods that are portable. Typically in the case of company liquidations, and the disposal of large, heavy goods, or indeed, immovable goods such as property, the auctioneer and the bidders will move on-site, and the auction will be conducted on location. Terms for the removal of goods, revolving essentially around who is responsible for transport and by when, would also be published in the conditions of the auction. In the case of an on-premise auction, the auctioneer and the potential buyers would move to the seller's location and the auction would be conducted there. The Dove Brothers' conducting of the Raytheon auction would be an example of this.

The previous big technological innovation in the auction business was the microphone, which allowed the auctioneer to reach the back of larger rooms. "Maybe we should just think of the Internet," said Ross Dove to Kirk, "as simply a bigger microphone. We can use it to broadcast our

auctions to the world. We can show digital photos of the goods. We can even show real-time streamed video. I know that because my kid showed it to me.â

Getting Started

Ross and Kirk Dove's first approach to the venture capitalists did not go at all badly. Although they had no business plan, they did have something that most on-line startup entrepreneurs were not able to show possible financiers: They did have a business. In fact, they were one of the world's leading auctioneers of in-building capital assets (as opposed to aircraft or boats, for instance). This industry is huge: \$150 billion-worth of such second-hand goods are sold annually. But it is also local and fragmented, with most auctions taking place either at the factory itself or in an auctioneer's warehouse.

âAuctions in the consumer market are actually far less common than in business-to-business,â says Ross Dove. âBut eBay changed all that. Indeed, as eBay proved, the Internet could change the auction business dramatically. More buyers usually mean more competition, which in turn means higher prices for sellers. And more commission for us. But online auctions can also help buyers. For any given good, be it a metal lathe or a silicon-wafer saw, most potential buyers will not have access to a physical auction. Too far away or too unsophisticated, most will either buy a new machine, even when an old one would do, or buy from a reseller at a big mark-up. For many buyers, the Internet really allows them to buy at an auction for the first time.â

Once one venture capitalist was on board behind DoveBid, others were quick to join. By the end of 1999 the company had raised \$130m from such Internet giants as Softbank, Yahoo! and Sun Microsystems. In the 18 months between the Martinis in Manhattan and the birth of the Millennium, DoveBid had grown in personnel from 50 people to nearly 300. The company had also put a very strong top management team in place (See Exhibit 2). DoveBid has plans to go public on Nasdaq, and Ross Dove was quietly optimistic that his initial public offering would be one of the biggest B2B floats of the year, with a valuation likely to be in the billions. With the money it had already raised, it had acquired eight other regional auctioneers. âThe appraisers and auctioneers will stay, but the business will all now be done globally on DoveBid.com, says Ross Dove. âIn my new mastery of tech-speak,â he says jokingly, âI call this an "analogue roll-up with a digital interface."

DoveBid's Operations

The Dove brothers spent a lot of time and money building the DoveBid.com web site, employing some of the best designers and software experts money could buy. The main page of the site is shown in Exhibit 3. The site now hosts real-time webcasts of live auctions once a week or so, with web bidders represented in the real-world auction room by a Dove employee with a paddle. This is much like the old model of telephone bidders, with the difference that the remote participants can see the room, examine each item and lurk, rather than bid. Dove builds special pages on its site when there is a particularly large auction scheduled ñ for example, the company recently disposed of significant assets for the major wine and spirits company, United Distillers and Vintners (UDV) (see Exhibit 4). The site even permits certain goods on auction to be "viewed" by means of streaming video. By clicking on a video camera icon, the prospective buyer can view the item(s) for sale. An example of this is shown in Exhibit 5. All the auctions scheduled can be accessed on the site, as shown in Exhibit 6.

DoveBid offers 24-7 online auctions like those found at eBay or Amazon.com. Purchasers can log on, see what's for sale and place a bid. But by using webcasting technology, DoveBid also offers live auctions where bidders on the factory floor can bid alongside Internet buyers, who signal in real time from their computers. Though DoveBid plans to make modifications to its software to

allow bidders to simply click on an icon to bid during a live auction, for now the webcast only allows them to hear the auction and to view a picture and description of the current item up for bid. To bid remotely, an Internet participant must dial in to a conference call and use the telephone keypad. That bid, along with all the other online bids, is relayed by headset to a single person sitting in the back of the auction floor with a colored Ping-Pong paddle. One side of the paddle indicates multiple Internet bidders, the other side means that a single Internet bidder remains in the game.

"It's just so easy to participate," says Ross Dove. "The Web will change auctions from being events you attend only to buy, into places for analysts to gauge market trends. Competitors can see what their rivals are selling, and manufacturers can check the resale price of their equipment. Potential sellers will be able to see what they might get for their own unneeded goods."

Kirk Dove adds: "We're also not the same as eBay. Yes, we also automatic auctions for small lots. But we keep humans in charge for the large ones. Ross and I still love the hurly-burly of a real auction, and we don't want to lose that. A real auctioneer — especially a good one — can generate a rapid-fire excitement that pushes prices up, can extract that last bid and can mediate disputes. A computer can't do this." Ross Dove is an avid baseball fan and likes to use baseball metaphors: "When you've got a robot umpiring behind the plate in baseball, we'll switch to a robot auctioneer," he says.

Action at the auction

On Thursday, March 16, 2000 (a typical day in DoveBid), Ross Dove's work takes him to Hayward, California to the site of Kobe Precision, a company that shut down here about two months before because of a corporate-wide consolidation. Nearly everything in the place has a sign on it identifying a lot number. Even the bathroom doors have lot numbers on them to identify the items being auctioned off.

Kobe makes disk drive components on aluminum substrates. The industry, however, has been moving to glass. Before the action begins, Dove confides that this is a company with highly specialized equipment in a dying industry that has an overcapacity of machinery. "It's not a good recipe for an auction." He expects a small crowd. About 25 active bidders seem to be there.

Ross Dove's brother, Kirk, is president of auction services and chief auctioneer. Slender and neatly attired in a suit and tie, Kirk runs through the rules and boilerplate of the auction, citing California Penal Code and Uniform Commercial Codes that are applicable. Ross, bald and heavyset, wears a casual shirt under his sports jacket, and looks ready for a good time. Kirk introduces his brother who will run the first hour of today's auction and they exchange brotherly banter like NPR's Car Talk brothers.

"For you folks on the web that can't see me, believe me, I'm the better looking of the two brothers," he quips.

A few jokes are exchanged, and suddenly item number one appears on two large projection screens at one cleared end of the factory floor where about 50 chairs have been set up. Ross throws his mouth into high gear.

One minute he's selling a shop vac for \$30, but in the next minute he's chatting up the bids on a never-been-used Puclom Flexible Electronic Micrometer in matter of seconds from \$10,000 to "can I hear 90, can I hear 90, can I hear, can-a-ling, can-a-ling SOOOOOLD for \$90,000."

New wealth for old hands

One of the Raytheon executives who commissioned the Doves to conduct the New York sale on behalf of the firm is enthusiastic about the new venture, and has plans for his company to support it in the future. However he says, "I'm not fooled by all the hype about these hands-on, old-fashioned quick talk and loud hammer guys who suddenly saw the light and found the Net. For all its blue-collar swagger and forklift pride, Dove Brothers was always one of the more innovative firms in the business. It was one of the first to introduce "sit-down auctions", with a video screen instead of the usual weary procession through a factory from machine to machine."

Ross Dove acknowledges the compliments but says warily, "I don't think outsiders really appreciate just what a significant change this really means to our business. The move from Dove Brothers to DoveBid has changed our firm in ways our old Granddad could hardly have imagined. Its changed for the people too. Forklift operators who have been with the company for decades now have stock options that could make them rich. We really do have to hire top people in the tightest labor market in America - in fact, recruitment is probably our biggest problem."

Exhibit 1

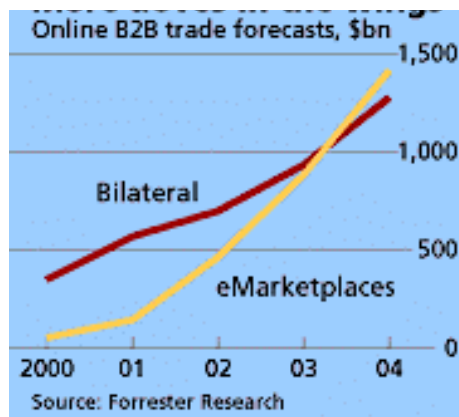


Exhibit 2: DoveBid Top Management Team

Ross M. Dove: Chairman, Chief Executive Officer and Director

Ross Dove joined DoveBid's predecessor, Ross-Dove Company more than 20 years ago. He was named chairman and chief executive officer in 1980. Under his direction, the firm has become one of the world's largest and most respected business-to-business auctioneers. Ross Dove was chief auctioneer at both the FDIC and the RTC's largest auctions and has represented Raytheon, Hughes, Boeing, and Xerox, IBM and many others in the sale of more than 2,000 plants.

Jeff Crowe President, Chief Operating Officer and Director

Working closely with Ross Dove, Jeff Crowe is responsible for the strategy, business results, and operations of DoveBid. Most recently, Crowe was co-founder, president, CEO and board member of Edify Corporation. Prior to Edify, he held multiple marketing and general management roles at ROLM Corporation. Previously, Crowe worked as a securities analyst with Bank of Boston. Crowe received his MBA from Stanford University, and a BA degree from Dartmouth College.

Kirk Dove President of Auction Services, Chief Auctioneer and Director

Kirk Dove served as president of Ross-Dove Company, now DoveBid, from 1984-1999. As President of Auction Services, he directs all auction operations of the corporate and regional offices. As Chief Auctioneer, Dove personally conducts more than 70 auctions per year, ranging from multimillion-dollar high-technology manufacturing facilities to real estate. Previously, Dove was a senior account executive at Merrill Lynch, where he directed a client base of more than 600 individuals and corporations. He holds a bachelor's degree in business management from Northern Illinois University.

Francis M. Juliano Chief Technical Officer and Vice President of ecommerce

Francis Juliano is responsible for building the new product development organization and integrating technology systems across every department at DoveBid and DoveTech. Previously, Juliano was the director of global ecommerce (technology and product development) for Office Depot Online, where he was responsible for building the integration between OfficeDepot.com's front-end and state-of-the-art back-end fulfillment. Prior to that, he held advanced technology positions at Scholastic New Media and Sony Electronic Publishing.

Cory M. Ravid Chief Financial Officer

Prior to joining DoveBid, Cory Ravid was CFO and Partner at The Parkside Group, a private equity buyout firm, where he led the leveraged buyout of MacGregor Golf and assumed the role of CFO for its turnaround and restructuring. Previously, while at DuPont Flooring Systems, Ravid was CFO and General Counsel as the company's revenue grew from \$45 million to \$300 million. Earlier in his career, he was a senior auditor for KPMG Peat Marwick. Ravid obtained a Juris Doctorate from the University of San Francisco School of Law and has a bachelor's degree in accounting from Arizona State University. He is a California licensed attorney.

Steven S. Pollock Vice President of Marketing

Before joining DoveBid, Steven Pollock was vice president of worldwide marketing at Edify Corporation. Prior to Edify, he was executive vice president of product marketing and operations for Portera Systems, a leading application service provider for the consulting services industry. Previously, Pollock was Vice President of Marketing at Claris Corporation and held various marketing and business management positions at Microsoft and Apple Computer. He earned an MBA from Stanford University, and a BS degree from San Jose State University.

James G. Hume Vice President of Operations

Jim Hume is responsible for all field operations, customer care, and project management activities, as well as procurement and logistics. Prior to joining DoveBid, Hume spent nearly three years at Sanmina Corporation as vice president of corporate materials and supplier management. Before Sanmina, Hume held various senior management positions at Sun Microsystems in supply management and enterprise services. He spent almost a decade with Xerox Corporation in multiple operational and strategic management roles. He was awarded four patents during his tenure as a senior engineer there. Before Xerox he spent three years at NCR in various engineering development roles. Hume received his BSME from University of Abertay, Dundee, Scotland.

Exhibit 3: DoveBid.com Main Page

Now, over 450,000 items listed on DoveBid™!

DOVEBID
Business Auctions Worldwide
since 1937

Past clients include: [More...](#)

Next Live Broadcast Auction:
United Distillers & Vintners NA
Thu May 4 from Allen Park, MI

Register Now!
[More...](#)

ights, MI & Detroit, MI... Diversified Mfg - Pearl, MS... Parker Boring - Novi, MI... OMC

Asset Search

Advanced Search

- home
- categories
- sellers
- buyers
- about us
- help

Press Room

["DoveBid Acquires Norman Levy"](#)

["An eBay for Factories"](#)

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AUCTION ASSET Categories

- Biotech/Medical/ Pharmaceutical
- Computers/ Peripherals & Data Processing
- Disk Drive/Media Manufacturing
- Electronic Commodities
- Electronic Test & Measurement
- Food & Chemical Processing
- Metalworking/ Machine Tools
- Office Furnishing & Office Equipment
- Packaging and Converting
- Plant Support/Material Handling/Facility Equipment
- Plastics and Rubber
- Post Production/Audio/Video/Broadcast
- Power Production
- Printing
- Printed Circuit Board Fabrication/Insertion and Assembly
- Semiconductor Fabrication
- Telecommunications
- Textile & Apparel Manufacturing
- Woodworking/ Mills
- Non-Categorized Assets

FEATURED

[Online Auctions & Liquidations](#)

PCX (Personal Computer Exchange) (Online Auction)
Bidding Ends Sat Apr 15 (various times)

Kobe Precision (Online Auction)
Now - Apr 20, 2000

Wink Industries (Liquidation)
April and May, 2000

Applied Magnetics Corp. & Secured Creditors (Liquidation)
Mar 16 - Jul 3, 2000

UPCOMING Live Auctions

The Boeing Company, 4/13/00
Seattle, WA

United Distillers & Vintners N, 5/4/00
Webcast from Allen Park, MI

Lockheed Martin, 5/10/00
Webcast from Akron, OH

Custom Manufacturing & Enginee, 5/16/00
Webcast from St. Petersburg, F

The Boeing Company, 5/17/00
Webcast from Downey, CA

Condor Manufacturing, Inc., 5/18/00
Webcast from Warren, MI

Exhibit 4: Example of a Customized Page for a Large Disposal Sale

Asset Search

Advanced Search

- home
- categories
- sellers
- buyers
- about us
- help

Press Room

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Complete Liquidation of Asset Surplus to the Current Requirements of United Distillers & Vintners – A Distiller of High Quality Spirits.

This is a sale of one of the largest distilleries in the world. Complete and partial filling lines will be sold including palletizers; depalletizers; uncasers; cleaners; fillers; cappers; seamers; labelers; inspection equipment; case conveyor; bottle conveyor; case formers and packers. There is a large quantity of food grade stainless steel (s/s) tanks of all sizes; s/s piping and valves; pumps; plate frame heat exchangers; and charcoal filters. The sale includes a complete laboratory; machine shop; and material handling equipment. There is a large quantity of factory equipment including pallet racking. Executive office furniture; office patricians and systems; and business machines are also included in the sale.

Preview/ Inspection: Wed May 3; 9am - 5pm CST. 2500 Enterprise Drive; Allen Park, Michigan, 48102.
Auction: Thu May 4. Same location.

If you are unfortunately unable to attend this auction sale and wish to make an absentee bid, please click the proxy link to the right.

For travel directions, or to have a free color brochure sent to you, please call 800-665-1042.

Location	Start On	End On
Webcast from Allen Park, MI	5/4/00	5/4/00

To participate in this auction, you can attend in-person or bid online via WebCast.

[Register now to bid online](#)
Registration closes on 5/3/00 at 3pm PST/6pm EST

[View video brochure of featured items](#)

[View color brochure](#)

Bid by proxy. The proxy form must be submitted by 3pm PST/ 6pm EST the day before the event.

[View events for which you have already registered](#)

[View all live auctions](#)

WebCast Software Partners:

- [Microsoft Media Player - Download](#)
- [RealMedia Player - Download](#)
- [MShow - View FAQ](#)

Exhibit 5: Use of Video on the Web Site for Prospective Buyers to View Goods

DOVEBID
Business Auctions Worldwide

Home Categories Sellers Buyers About Us Help Dovebid News

FEATURED ITEM
[Video Brochure](#)

United Distillers and Vintners

[Back to the United Distillers and Vintners Auction Page](#)

<ul style="list-style-type: none"> Krones Labelers <p>ENG ESP</p> <p>Time : 27 Time : 43</p> <p>Time : 41</p> <p>500 K</p>	<ul style="list-style-type: none"> Food grade capacities, and 1700 gallon copper tanks <p>ENG ESP</p> <p>Time : 21 Time : 35</p> <p>Time : 45</p> <p>500 K</p>	<ul style="list-style-type: none"> Pallet racking and crossbeams <p>ENG ESP</p> <p>Time : 18 Time : 26</p> <p>Time : 30</p> <p>500 K</p>
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Exhibit 6: Example of Auction Schedule on DoveBid.com Web Site

DOVEBID
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Next Live Broadcast Auction: **United Distillers & Vintners NA**
Thu May 4 from Allen Park, MI [More...](#)

[Register Now!](#)

OH... Int'l Machinery - Madison Heights, MI & Detroit, MI... Diversified Mfg - Pearl, MS

Asset Search GO

Advanced Search

home categories sellers buyers about us help

UPCOMING Live Auctions

Date	Company	Location	Primary Asset Type
4/18/00	Lake Erie Ambulance	Sylvania, OH	Emergency Vehicles and Medical Equipment
4/19/00	International Machinery Sales, Inc.	Madison Heights, MI & Detroit, MI	Machine Tools
4/27/00	Diversified Manufacturing Co.	Pearl (Jackson), MS	Toolroom Equipment
5/2/00	Parker Boring & Radke Manufacturing	Novi, MI	Toolroom & Boring Mill Equipment
5/3/00	QMC Milwaukee (Outboard Marine Corp)	Milwaukee, WI	Machine Tools
5/4/00	United Distillers & Vintners NA	Webcast from Allen Park, MI	Distillery Equipment
5/10/00	Lockheed Martin	Webcast from Akron, OH	Machine Tools and Test Equipment
5/16/00	Custom Manufacturing & Engineering, Inc.	Webcast from St. Petersburg, FL	Aerospace CNC & Toolroom Equipment
5/17/00	The Boeing Company	Webcast from Downey, CA	Machine Tools
5/18/00	Condor Manufacturing, Inc.	Webcast from ...	Automatics and Screw Machines

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