

Jewelry Wizard for eBay



eBay Jewelry Wizard
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March 10, 2005

Angela L. Welch Esposito
Bankruptcy Trustee
Esther Weisman Enterprises, Inc. dba
P.O. Box 549
Odessa, FL 33556

Mrs. Esposito,

Thank you for contacting us to explore using our services to sell for you on eBay. As you know, our service offerings are tailored specifically towards selling jewelry on eBay, which puts us in a perfect position to solve your problem.

Based on the telephone conversations we have had with you over the past two weeks, we have developed a plan that meets your constraints and achieves your goals for liquidating your jewelry inventory through eBay. We are pleased to provide the attached proposal of this project for your consideration.

I look forward to discussing our plan with you in more detail as soon as you find it convenient. If you find our proposal agreeable, we are prepared to work with your team to draft a contract and initiate the program immediately.

Please contact me if you have any additional questions or requests. You may reach me by phone daytime or evening, seven days per week.

Sincerely,

Richard Crouse
President
eBay Jewelry Wizard
561-789-1597
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PROJECT PROPOSAL: EBAY LIQUIDATION FOR SEB & A OF TAMPA

March 10, 2005

Prepared for: Angela L. Welch Esposito
Bankruptcy Trustee
Esther Weisman Enterprises, Inc. dba

Prepared by: Richard Crouse
President
eBay Jewelry Wizard

▣ Description

Esther Weisman Enterprises, Inc. dba is the appointed trustee for Southern Estate Buyers & Appraisers of Tampa, an estate that has entered Chapter 7 bankruptcy proceedings. The estate includes a large inventory of jewelry that Esther Weisman seeks to liquidate via sales through eBay. Esther Weisman has solicited eBay Jewelry Wizard for a proposal to act as a consignment agent in performing this liquidation. This document is the proposal from eBay Jewelry Wizard.

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Executive Summary

The Objective ...

Esther Weisman Enterprises, Inc. dba is seeking to liquidate approximately 1700 items of jewelry from Southern Estate Buyers & Appraisers of Tampa, an estate for which it is the appointed Chapter 7 bankruptcy trustee. The objective is to maximize the cash value of the liquidation by selling the items individually through eBay.

The Solution Provider ...

The company, eBay Jewelry Wizard, proposes to act as the consignment agent for the eBay liquidation. Based in Boca Raton, Florida, eBay Jewelry Wizard specializes in consignment sales of jewelry on eBay from jewelers and retail stores. With proprietary technology for managing eBay and a team with extensive expertise in selling jewelry on eBay, Jewelry Wizard offers the best option to meet Esther Weisman's goals. The Jewelry Wizard team is headed by a pair of former IBM systems engineers with 50 years combined experience in software product development, web site design and eBay sales. One is a registered eBay Trading Assistant and PowerSeller who created and continues to run two successful eBay jewelry stores, and has been featured for his eBay expertise in national publications such as *Entrepreneur Magazine* and *Investors Business Daily*.

The Plan ...

Who does what:

- We create eBay listings and perform all tasks associated with eBay sales.
- Buyers pay you directly.
- You hold the inventory and pack & ship to buyers.
- We invoice you for our service fees and eBay's fees.

Sales strategy:

- Use a "reverse auction" pricing model where each item is allowed three auction attempts. Set minimum bid prices to highest reasonable values during the 1st auction attempt. Submit unsold items into a 2nd auction at reduced price. Repeat using a 3rd auction with prices further reduced.

Schedule:

- Add approximately 280 new listings per week into eBay "1st auctions". This will allow all 1700 items to run through eBay in approximately 2 months.

Fees:

- Our fees (discounted) are \$7.50 per item plus 10% sales commission.
- eBay fees are approximately \$5 per auction item plus 2-3% sales commission.

Program Description

Sales Strategy

{Note: This strategy uses a “reverse auction” pricing model. This approach affords us the best opportunity to sell at the highest price possible while still ensuring that all items eventually sell.}

- Place approximately 280 items per week into their 1st auction (7 day durations) with minimum bid price set at appraised cash value (from CD-ROM) plus uplift needed to defray expenses (eBay & Jewelry Wizard fees). Call this price “100% cash value”.
- Relist unsold items from 1st auctions into a 2nd auction with minimum bid reduced to 75% cash value.
- Relist unsold items from 2nd auctions into a 3rd auction with minimum bid reduced to 50% cash value.
- After the 3rd auction, unsold items will be added to our eBay store where they will remain available for purchase from eBay for the duration of this project.
- At the end of this project (after all items have run through eBay), any items remaining will have reduced to a very small lot that should be easy to sell to a local wholesale buyer. We will attempt to locate such a buyer through our contacts.

Test Phase

The general strategy outlined above results in an average of 3 sets of auctions running concurrently during the peak period of the project (i.e., a 1st, 2nd and 3rd pass auction), which is a worst case expense of 840 auctions listed to eBay per week during the middle several weeks of sales. In consideration of cost risk management, we propose delaying the initiation of the 2nd group of 280 new item listings onto eBay until after the 2nd auction for the unsold items remaining from the 1st auction has completed. This will allow us to evaluate the sales performance of the 1st 280 items through 2 auction cycles. This builds into our plan an opportunity to reevaluate all aspects of the project and adapt accordingly – including the right by Esther Weisman to terminate our project agreement with payment to us only up to the services rendered.

Our Responsibilities

- Perform all tasks having to do with eBay, from creating auction listings to managing auctions to ensuring payment is made by buyers.
- Determine & implement best eBay marketing approach per item.
- Handle all communication with buyers.

Your Responsibilities

- Provide personel to perform additional simple item examinations as requested by us in support of our work to create listings (e.g., measurements for ring sizes, bracelet lengths, etc.) and answer additional questions from us about individual items.
- Maintain inventory.
- Package & ship items to buyers.

Schedule

Step	Timing	Task
1	n.a.	Sign contract.
2	Week 1-2	Preparation, training, additional measurements & CD update.
3	Week 2-3	Prepare 1 st group of 280 eBay listings ("Group 1").
4	Week 4	Run 1 st auction for Group 1 items.
5	Week 5	Run 2 nd auction for unsold Group 1 items.
5	Week 5 end	Evaluate and adjust sales strategy.
6	Week 6	Run 3 rd auction for unsold Group 1 items. Prepare Group 2 eBay listings.
7	Week 7	Put unsold Group 1 items from 3 rd auction into eBay store. Run 1 st auction for Group 2 items. Prepare Group 3 eBay listings.
8	Week 8	Run 2 nd auction for unsold Group 2 items. Run 1 st auction for Group 3 items. Prepare Group 4 eBay listings.
9	Week 9	Run 3 rd auction for unsold Group 2 items. Run 2 nd auction for unsold Group 3 items. Run 1 st auction for Group 4 items. Prepare Group 5 eBay listings.
10	Week 10	Put unsold Group 2 items from 3 rd auction into eBay store. Run 3 rd auction for unsold Group 3 items. Run 2 nd auction for unsold Group 4 items. Run 1 st auction for Group 5 items. Prepare Group 6 eBay listings (final group).
11	Week 11-13	Continue running 2 nd & 3 rd auctions until all 6 groups have passed through eBay. Begin arrangements to find wholesale buyer for remaining unsold lot.
12	Week 14	Sell remaining unsold items as single lot.

Assumptions

- Selling timeframe is constrained by you to approximately 2 months.
- Descriptions and gradings shown on CD-ROM are accurate per GIA gemological evaluation standards.
- Descriptions provided per item on CD-ROM are sufficient according to our judgment to create listings; the exception being simple measurements that still need to be made by your personel (e.g., ring sizes, length & width measurements, etc.).

- Digital photographs exist on CD-ROM for each item and are satisfactory to creating eBay listings (i.e., no new photographs are needed).
- All items on CD-ROM have inventory ID numbers for correlation to sales.
- Accounting and record keeping for all eBay sales and inventory tracking is performed by you according to your business needs.

Cash Flow & Fees

Cash Flow

We propose setting up the program so that buyers pay you directly for their eBay purchases. You then pay us in response to invoices that we send you. Our invoices will include both our service fees and the actual eBay fees, which we will be responsible for paying on your behalf. We propose that all payments to you from buyers and all payments from you to us are made using the PayPal system (PayPal is an Internet based electronic banking system that allows account members to send money to other account members over the Internet).

Although eBay permits sellers to optionally accept credit card, cashiers check and money order payments in addition to PayPal, restricting our sales to PayPal will benefit our program in operational management. And since the vast majority of eBay sales are transacted via PayPal, the sales opportunities potentially lost from this concession are minimal. The operational advantages are described in the next section "Sales Management & Shipping".

The timing of cash flow is as follows:

- Buyers will make payment to your PayPal account at the end of the auction. Payment will include the gross final bid price plus the ship charge established for the item.
- We will invoice you each week for the total services performed by us for the week plus the total eBay fees incurred by your auctions for the week. We will send this itemized invoice in the form of an email PayPal invoice. You are responsible for making payment to us within 2 business days, preferably via the PayPal system.

eBay Fees

The eBay fees you will be responsible for are shown below. Many of these fees are optional per each listing. We assume the right to select from these options on a per-auction basis using good faith judgment to maximize sales performance.

Fee Type	Fee Amount
eBay Auction Start Fee	\$2.40 when minimum bid is \$50 - \$199.99 \$3.60 when minimum bid is \$200 - \$499.99 \$4.80 when minimum bid is \$500 or more
eBay Picture Fee	\$0.35
eBay Auction Start Time Fee	\$0.10
eBay Subtitle Fee	\$0.50
eBay Auction Highlight in Bold Fee	\$1.00
eBay Featured Item Fee	\$19.95
eBay Auction Sales Commission	5.25% of 1st \$25 of sales price (i.e., \$1.31), + 2.75% of sales price above \$25 and below \$1000, + 1.50% of sales price above \$1000

Fee Type	Fee Amount
eBay Store Sales Commission	8% of 1st \$25 of sales price (i.e., \$2.00), plus 5% of sales price above \$25 and below \$1000, plus 3% of sales price above \$1000

Jewelry Wizard Fees

- Discounted rate of \$7.50 per new listing created (i.e., 1 fee assessed per each of the 1700 items).
- 10% commission on gross sales price (excluding ship fees).
- We will wave our other normal fees for auction relisting and other services throughout this program.

Florida State Sales Tax

eBay sales will be configured so as to collect 6.5% sales tax from buyers residing in Florida. This amount will be included in payments made directly to your PayPal account and it will be your responsibility to remit this collected tax to the state.

▣ Sales Management & Shipping

Sales Management

All buyer payments will be made directly to you using the PayPal payment system. You will create an account with PayPal for this purpose and all eBay auctions will be configured so as to automatically route buyers' payments into your account.

You will receive notification of sales and take action to perform shipping based on regularly logging into your PayPal account and monitoring transaction status (recommended daily). This is an extremely useful system for managing sales and shipping and provides the following capabilities:

- Line item history of each eBay sale showing sales date, which item was sold, sales price, shipping fee collected, buyer's name and shipping address.
- Status indication showing when payments clear.
- Status indications that show readiness to ship & ability to notate when shipping has been performed.
- Tools to buy and print USPS shipping labels.
- Tools to create mailing address labels.
- Ability to easily generate customer refunds for returned items.

We will train your staff as needed to set up and use the PayPal system.

Shipping Requirements

We recommend that you use USPS Priority mail and the PayPal system to perform shipping, although you may use any mail carrier you prefer. Regardless of carrier used, our shipping requirements are as follows:

- Ship sold items within 2 business days of receiving PayPal payment using a shipping service that provides 3-4 business day delivery time.
- Securely package items in generic jewelry gift boxes.
- Insure item with carrier to full value.
- Ship with recipient signature required.
- Do not ship to PayPal members with "unverified addresses" (the PayPal transaction line item shows this) unless the buyer has an eBay Feedback Rating of 5 or more and all positive.
- Support return requests by providing refunds (less ship charges) on unaltered items for up to 5 days after buyer receipt of item and after inspection of the returned item by a gemologist.
- Obtain tracking number from mail carrier.