

Cow Pie Clocks

Resting on a rock, and reveling in the beauty of Utah's canyon lands, Kristin Murdock paused to contemplate the business options that were at her front door. From that same canyon a few years previous, an idea had been born and had since blossomed into a thriving business. With little business experience, but an extra dose of creativity and tenacity, Kristin had brought an idea to life. The fledgling business was faced with several options and challenges. The one product she offered depended heavily on the marketing tactics she would choose. Kristin wondered if she should target any one customer segment, and if she should somehow try to expand her line of products. Should she patent the product? In addition, the business was getting too large for her to run alone. Would it be profitable to hire labor—and was this even something that Kristin wanted? Finally, Kristin could not ignore the potential that her business had for an IPO.

In the Beginning

It all started one day when Kristin Murdock was hiking in a canyon near Lake Powell in Southern Utah. Along the trail she noticed some old cow pies. “One was as big as a medium pizza,” says Murdock. “I picked one up and started carrying it. And I said ‘I think I can make something out of this!’” She brought some of the pies home and set them in the garage. After a couple of days of looking at the pies in the garage, she had a thought that a quartz clock might look good in the center. The problem was that the cow pies were still raw and not too attractive to potential recipients.

In order to do something with the pies, they first had to be sealed or coated in some way. Kristin tried every glaze that she could possibly find, and none would work. As is typical of an entrepreneur, she became more determined with each glaze that failed. After about \$700 in different lacquers, she found the one that worked. It is the same lacquer that is used to seal the cracks in old wooden boats. Being from Portland, Kristin wondered why she had not found this substance sooner. With one dip, the cow pies were sealed—not unbreakable, but sealed.

The next obstacle was to find a suitable clock. “I wanted the contrast of a nice looking clock—on crap!” said Kristin. She found some that were elegant, but not too expensive. In order to get the clock in to the cow pie, Kristin asked a neighbor to drill a hole exactly the same size as the clock. After dipping the cow pie again to seal the hole, Kristin inserted a clock. Amused by her creation, Kristin started giving a few away to friends as gifts. The clocks were accompanied by trite sayings like “You are outstanding in your pasture” or “Some crap from your little turds.”

In December of 1998, Kristin gave her brother-in-law's mother a cow pie clock on a tray with a little sign that read, “Wish you Moo time?” Turns out that Murdock's sister's husband is a friend of Donny Osmond's, who was visiting. Soon after, the entertainer called Kristin and asked for a clock. “He was screaming with laughter”, she said. She delivered a clock to his Provo home but thought little more of it until January 7, 1999 when she tuned in to the “Donny & Marie” TV talk show to hear the Osmond siblings chuckling about the gifts they had received over the holidays. Then Donny

launched into a story about Murdock searching Utah pastures for the perfect cow pie. “She finds one, picks it up, puts it in her car, drives back to her house, puts it in her oven and bakes it,” said Osmond, embellishing the tale to guffaws from the TV studio crowd. “Then she shellacs it, puts a hole in it, puts a clock in it and she sent me one. She can’t make ‘em fast enough. The cows can’t make ‘em fast enough.” Osmond held up the clock for the cameras and the audience cheered.

The next day, Murdock got a call from a “Donny & Marie” staffer who said the show was getting calls from viewers who wanted to buy cow pie clocks. Where, the staffer wondered, should the show send them?

A Business is Born

The “Donny & Marie” show spurred a string of publicity that convinced Kristin that forming a business would be necessary and profitable. A few weeks subsequent to her debut on national television, Kristin received a phone call from her mother informing her that “she and her cow pies” had made it into the National Enquirer. Without any formal training in operations, finance, or human resources, forming a business seemed like quite a daunting task. The key element to a successful business was present—and in abundance!

In order for a business to be successful you have to sell your product. In order to sell your product there has to be demand. With her phone ringing off the hook, Kristin could not ignore that there was demand for her rather unusual product. To set up the business Kristin first established a phone line (in her own home) for the business and answers with a cheerful “Cow Pie Clocks!” The second step was to establish a web presence. The deal was outsourced to a firm in Orem, Utah that had the web page available almost immediately. Together with these decisions, Kristin had to decide which type of business to create. She had the options of a Proprietorship, Limited Liability Corporation, a Corporation, and a host of others. The all-in cost to start up the business was about \$7,000 which Kristin decided to fund from her own savings.

Even without realizing the importance of marketing to a fledgling company, Kristin started selling her product—mostly for the fun of it! Her first efforts were to tell a story with the product. A plaque of where and when the pie was found was printed on each product. Also, each pie was accompanied by a saying that personalized the message for the buyers. (A sample of the sayings is included in Exhibit 2.) The first push of the marketing effort was to gift buyers, and the selling point was customization of the message for the buyer.

Without much effort, the popularity of the gift spread by word of mouth, and traffic on the phone and website increased. Before long, some morning radio shows had heard of the product and subsequently, Kristin appeared on morning shows across the country. Her bubbling personality made her a prime guest for the DJ’s. Kristin recounted one situation on a morning radio show in the Eastern United States where the DJ’s learned she was from Utah. The situation turned a little tense when one of the hosts asked Kristin if she would ever marry a polygamist (practiced by religious sects in Utah). Kristin successfully diffused the situation by saying “Of course, if he had lots of cows!”

As a result of these appearances, the popularity of Cow Pie Clocks increased even further. Kristin was selling from 200-400 clocks per week to a wide range of clients.

She sold clocks to a TV show in England, and placed many with businesses in the eastern United States. A selling point to those customers was a “genuine old-west artifact”.

Clocks were purchased primarily as gifts, for birthdays, weddings, etc. The pies sold for \$39.00 (small), \$49.00 (medium) and \$59.00 (large). Just after Halloween and through Christmas was peak season. During the busy season, Kristin sold up to 2000 pies per month. The high demand and increased volume brought Kristin in front of several other decisions.

What is next?

Kristin contemplated several business decisions.

1. Should she patent her product? The business was generating a lot of revenues, and people were starting to notice. (See Exhibit 3 for a discussion of patents)
2. Second was question of marketing. Should she target any one customer segment? Should she launch a nation wide marketing campaign? Should she take the business international on a large scale? Were there other potential outlets for her product (craft shops, souvenir stores, etc)? (See Exhibits 4 and 5 for information on the craft industry.)
3. Third was a human resource question. If she continued to grow the business, she would have to hire help. Presently, she employed 4 part-timers during the busy season, and was stretched to capacity during the other times of the year.
4. Kristin presently spent about 6 hours per day running the business from her own home. Any more growth would require her to move to an office, and incur increased expenses and hassle. Was she ready to be a large business owner? She was afraid that getting any bigger would take the fun out of the business.
5. Should she expand her product line? Kristin had several ideas for her product line—gold medals made from smaller pies, scratch and sniff cow pie greeting cards, other products tied to cows in some way.
6. Finally, Kristin had several offers to take her business public. Was an IPO the way to go? (See Exhibit 6 for a statement from a craft company that was able to go public without significant revenues.)

Exhibit 1



Finished Cow Pie Clock



Kristin and Radio Host in Salt Lake City

Exhibit 2

A Steaming Heap of "Crappy Sayings!"



Baby

You Were Heaven Scent!
You Were No Accident!
You're a Chip off the ol' Clock

Business

So Much Crap, So Little Time!
To The Leader Of Our Movement!
To Our Favorite Turd... You Dung Good!
Oh, I'm Pooped!
Congradulations... You've Been
outstanding in Your Field!
We Dung Good
You Dung Good
Congratulations, You Dung Good!
It's A Bull Market - Till It Drops!
Leader of the Crap!
Time... Who gives a crap!
I Plan to have a Crappy Day!
Nice Working with you this pasture!
Downloading software!
Do not smoke.
My Business is Dung Here.
I think my Work here is Dung.

Friendship

Our Friendship Was No Accident
A Patty To Pick-U-Up
When The Chips-R-Down

Graduation

Congratulaitons On Your B.S.
Degree!

General

You Won't Find Crap Like This
At a Yard Sale!
This Is A Crappy Present!
We Took Your Crap, Now Take
Ours!
A Little Crap From Your Little
Turds!
A Gift, So You Won't Forget Me!
Old Butt On Time!
Don't Be A Poop
You Look Like Crap
Home Is Where The Herd Is
Old Poop For An Old Poop
Been There Dung That
A Picture Is Worth
A Thousand Turds (Mirror)
No Two Turds Alike
Mirror, Mirror On The Wall,
Who's The Fairest Dung Of All
(Mirror)
Got Milk?
How Did They Get The Cow
To Swallow The Clock?
Manufactured By Smart Cows
With a B.S. Degree
Cowpies Happen!

Wedding

We're Udderly Thrilled For Your Wedding!
Now You've Stepped In It!

And many, many more!

Exhibit 3

Patents

What Is a Patent?

A patent for an invention is the grant of a property right to the inventor, issued by the patent and Trademark Office. The term of a new patent is 20 years from the date on which the application for the patent was filed in the United States or, in special cases, from the date an earlier related application was filed, subject to the payment of maintenance fees. US patent grants are effective only within the US, US territories, and US possessions.

The right conferred by the patent grant is, in the language of the statute and of the grant itself, “the right to exclude others from making, using, offering for sale, or selling” the invention in the United States or “importing” the invention into the United States. What is granted is not the right to make, use, offer for sale, sell or import, but the right to exclude others from making, using, offering for sale, selling or importing the invention.

What can be patented?

The patent law specifies the general field of subject matter that can be patented and the conditions under which a patent may be obtained.

In the language of the statute, any person who “invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent,” subject to the conditions and requirements of the law. The word “process” is defined by law as a process, act or method, and primarily includes industrial or technical processes. The term “machine” used in the statute needs no explanation. The term “manufacture” refers to articles which are made, and includes all manufactured articles. The term “composition of matter” relates to chemical compositions and may include mixtures of ingredients as well as new chemical compounds. These classes of subject matter taken together include practically everything which is made by man and the processes for making the products.

The Atomic Energy Act of 1954 excludes the patenting of inventions useful solely in the utilization of special nuclear material or atomic energy for atomic weapons.

The patent law specifies that the subject matter must be “useful.” The term “useful” in this connection refers to the condition that the subject matter has a useful purpose and also includes operativeness, that is, a machine which will not operate to perform the intended purpose would not be called useful, and therefore would not be granted a patent.

Interpretations of the statute by the courts have defined the limits of the field of subject matter which can be patented, thus it has been held that the laws of nature, physical phenomena and abstract ideas are not patentable subject matter.

A patent cannot be obtained upon a mere idea or suggestion. The patent is granted upon the new machine, manufacture, etc., as has been said, and not upon the idea or suggestion of the new machine. A complete description of the actual machine or other subject matter for which a patent is sought is required.

Exhibit 3 (continued)

How much does a patent cost?

Basic fee for filing each application for an original patent, except provisional, design, or plant applications:

By a small entity (1.9(f))	\$355.00
By other than a small entity	\$710.00

Patent application processing fees.

(2) For reply within second month:

By a small entity (1.9(f))	\$195.00
By other than a small entity	\$390.00

(3) For reply within third month:

By a small entity (1.9(f))	\$445.00
By other than a small entity	\$890.00

(4) For reply within fourth month:

By a small entity (1.9(f))	\$695.00
By other than a small entity	\$1,390.00

(5) For reply within fifth month:

By a small entity (1.9(f))	\$945.00
By other than a small entity	\$1,890.00

Exhibit 4

Craft Industry Facts:

- 1) Over a five-year period, the sales of arts and crafts materials have almost doubled.
- 2) Currently there are 10 cable television shows dedicated to crafting and over 80 magazines in publication targeting craft consumers, a primarily female audience.
- 3) By 2002, women are projected to be spending \$18 billion on Internet shopping purchases.
- 4) In eight out of ten households across the country, at least one person spends an average of 7.5 hours per week engaged in creating crafts for profit or pleasure.

Exhibit 5

Crafts in Utah

Barlow, president and CEO of 92nd-ranked [of the top 100 Utah-based public businesses] Kayenta Kreations Inc., is not only the founder of her small company; she is the company. With help from her husband, 15-year-old daughter and 12-year-old son, she produces and markets hundreds of coloring art books and coloring pencils from her SaltLake home each year.

The company was born in the mid-1990s, when Barlow was a single mother who often took her young daughter with her while visiting a client in Moab. To keep her child occupied, Barlow gave her an art pad and encouraged her to draw her own versions of southwestern images. After a few such trips, Barlow says, they decided to make their own coloring books.

"We took three years to draw pictures and test them out," she says. "We would invite friends over for dinner and then make them color."

When she was ready to make the books, Barlow talked to her father, who knew a little bit about going public.

With about \$14,000 from him and a fair helping of professional advice, she was able to put together the necessary materials and offer shares of her company over-the-counter in November 1996, raising about \$30,000. She used the money to buy a printer, copy machine and other tools of her trade. Barlow sells the coloring art books at regional fairs and over the Internet while maintaining her full-time job as a self-employed accountant.

Although her company doesn't make much profit, Barlow says she usually does at least break even.

"My emphasis was not so much to make a million bucks, but to give my children the chance to see how commerce works," she says. And despite Kayenta Kreations' small size, she deals with the same headaches faced by CEOs of larger companies. "One is the accounting. As any CEO would tell you, you have to file quarterly, and you have to do full financial papers, and they have to be done in a timely manner. I do it all myself, except for the filing," Barlow says. "Another challenge is the upkeep of the equipment. Because I'm so small, I've had to learn the programs, learn how to put in more RAM. And then the production's tough. When you get an order for 1,000 books, you have to be organized, and you have to watch your costs."

The CEOs of larger companies are simply dealing with more zeroes, she says. "That's it. You always want to have a good product. You want to make sure your customers are pleased. . . . You have to be fairly tenacious and quite a go-getter to do this kind of stuff. It's not for the meek, and there's a lot of rejection."

Exhibit 6

Keyenta Kreations Inc.
Quarterly Report (SEC form 10QSB)

MANAGEMENT'S DISCUSSION & ANALYSIS OR PLAN OF OPERATIONS

The Company was incorporated on December 26, 1995. The Company has not yet generated significant revenues from operations and is considered a development stage company.

The company has experienced losses of \$10,933 and \$10,755 in 1999 and 1998 and has experienced losses from its inception. The company has limited operating capital and no income producing assets and again sustained losses during the nine months ended September 30, 2000. In light of the above circumstances, the ability of the Company to continue as a going concern is substantially in doubt. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management believes their plans will provide the corporation with the ability to continue in existence. Management's plan of operation for the next twelve months is to maintain its filings and curtail operations and activities to keep it in existence. This may require additional advances from stockholders to pay accounting and legal fees associated with its filings. Its Web page is still available for sales and marketing of its product through the year. The Company believes sales from this site and from others who have committed to purchase its product will cover expenses which will be curtailed to the minimum amount possible. Management believes it has resources currently available to maintain the entity as a going concern.

However, there is absolutely no assurance of this. If the marketing of the coloring art books is unsuccessful, investors will have lost their money and management will not attempt to pursue further marketing efforts with respect to such product, and it is unlikely the Company would have the financial ability to do so in any event. Instead management may call a shareholders meeting to decide whether to liquidate the Company or what direction the Company will pursue, if any. However, the Company presently has no plans, commitments or arrangements with respect to any other potential business venture and there is no assurance the company could become involved with any other business venture, especially any business venture requiring significant capital.

