



Home-Based Business

Selling by Consignment

Selling on consignment is a practice frequently used by artists and craftspeople. It literally means that they give over their work to another's care for display and sale. The retailer keeps a percentage of the sale price as a commission when the sale is made.

These are some of the reasons for consigning:

- Exposes artisan to the buying public.
- Eliminates time and space requirement of maintaining own shop.
- Results in more profit due to less overhead.
- Creates opportunities for wholesale sales.
- Gives artists more control over their work.

Artisans who retail at craft shows must cope with entry fees, tax numbers, transportation costs, set-up and take-down time, food and lodging expense . . . and the risk of poor response. A major advantage of consigning is that a retailer sells the craft at consistent hours. The artisan benefits from the shop's reputation, advertising and repeat business.

Disadvantages of consigning include these:

- Record keeping needed to

keep track of placement and payment.

- Time lapse between placement and payment.
- The artist's work is tied up in seller's inventory.
- Inventory damage, loss or theft unless guaranteed by retailer.
- Possible loss to the retailer's creditors unless artisans take the necessary steps under the Uniform Commercial Code to protect themselves.
- Lack of control of advertising and product promotion.

One big disadvantage to this form of selling is the amount of paperwork needed to protect and satisfy both artisan and retailer. In a successful consignment arrangement, there is some form of inventory control and an agreement which details the rights and responsibilities of both parties.

The consignment agreement should cover these points:

Product description. This should accompany each product. Include a concise but detailed description and specify the number of items left. Provide a narrative which might aid in identification of an item. Good management of an

inventory system will aid both artisan and retailer.

Terms of consignment.

Indicate the time period for which items will be left with retailer. Some stores prefer to buy stock outright. Others offer "guaranteed sales" agreements. This means that they buy stock and, after a certain length of time, they can exchange unsold items for new or different pieces of work. A retailer may request the courtesy of exclusive right to sell the product in a given geographic area. A retailer may decline the opportunity to handle the product if the artisan is to be a competitor.

Price: Both parties should agree on the amount or percentage of price the artisan receives and how much is due the retailer as commission. A usual arrangement is 60 percent for artisan and 40 percent for retailer before sales tax. Terms do vary and are often negotiable. The retailer pays the sales tax.

Payment method. Monthly payments are the traditional way to handle compensation. It is the artisan's responsibility to keep track of expenses and payments for income tax purposes. Special orders



require a deposit from the purchaser which is immediately passed on to the artisan. The balance of the payment is passed on when the item is delivered.

Damage, loss or theft. The agreement should clearly state who is responsible for insuring items on the shop's premises or being transported by the retailer. Artisan and retailer should have a mutual understanding about damage or loss of merchandise from fire, theft, breakage or soiling. The retailer may stipulate that he or she will assume no product liability and that the artisan will hold the retailer harmless in action arising from the use and sale of that product.

Security agreement. Regardless of what the contract says, artisans who fail to take certain steps under the Uniform Commercial Code (UCC) could lose their goods to creditors of the retailer. A lawyer can help with these filings, which are made through the Secretary of State and the County Recorder. This

protects the artisan's property in case the retailer should file for bankruptcy or creditors claim the inventory.

The major purpose of consignment is sales. Artisans tend to concentrate on creating; retailers focus on the business of selling. These points might be helpful to both:

Decide where you want to place your work. Look at several retailers. Watch the street traffic. Does the atmosphere of the shop complement your work? Does your product fit in?

Check out the shop. Does it have an honest reputation? Do they pay regularly? Ask around. Get references.

Get to know the owner/manager/buyer. Strike up a conversation. If the personnel won't take time for this, they may not be aggressive at selling your merchandise.

Set up a time to discuss and view your work. Don't walk in

with a box of merchandise. Have photos, slides or pieces in your car. Work at the buyer's convenience. If you cannot return, or the buyer is not in, leave or send slides or photos of your work with the courtesy of a self-addressed, stamped return envelope. Don't send or leave samples unless requested. Retailers are not obligated to return unsolicited items.

Discuss promotion, advertising and display. Does the retailer own merchandise which has priority? Ask if the shop will accept your display. If accepted, list on your inventory with its dollar value.

Review the consignment agreement. If either retailer or artisan is reluctant to sign, the arrangement is probably not a good one.

Prepare and present an inventory sheet with each delivery. Use your form or the retailer's; keep a copy for your records. Keep this up to date with payment summaries. It helps to provide count totals with the listings. Note total number of pieces. Note display units or racks and their value.

(Sample)
CONSIGNMENT OF GOODS FOR SALE BY CONSIGNEE

AGREEMENT made this ____ day of _____, 19 ____, between _____ (artisan's name), hereinafter called the consignor, and _____ (retailer's name), hereinafter called the consignee.

1. The Consignor Agrees:

A. **Delivery.** To deliver to the consignee _____ (type of work), hereinafter referred to as "consigned products" for sale at its place of business at _____ (name and address or shop or gallery), upon the terms and conditions hereinafter set forth.

2. The Consignee Agrees:

- A. **Acceptance.** To receive and accept possession of the consigned products delivered to it by the consignor.
- B. **Sale.** To use its best efforts to sell the consigned products to its customers in the ordinary course of its business.
- C. **Terms.** To sell the consigned products for cash only, except that the consignee may extend credit on its own account paying cash to the consignor for sales so made.
- D. **Use Own Name.** To sell the consigned products in its own name.
- E. **Price.** To sell the consigned products at not less than the consignor's price of (see inventory list) dollars retail, of which ____ % shall be paid to consignor and ____ % shall be retained by consignee.
- F. **Warranty.** To make all sales without warranty of any kind, other than the consignor's standard warranty.
- G. **Risk of Loss.** To assume all risks of loss from damage to or destruction of the consigned products from any cause whatsoever from the time of receiving possession of the same until a sale and delivery to a customer of the consignee or until returned to the consignor at _____.
- H. **Expenses.** To pay all expenses incident to the conduct of its business and the sale of the consigned products, including trucking, storing, selling and delivering to customers.
- I. **Taxes.** To pay all taxes and other charges assessed and levied on the consigned products while in the consignee's possession.
- J. **Records.** To keep books and records showing the transactions made under this agreement, such books and records to be opened for inspection by the consignor at reasonable hours.
- K. **Inventory.** On the first day of each calendar month to make and deliver to the consignor a detailed inventory showing all consigned products sold under this agreement.
- L. **Remittances.** On the last business day of each month to make and mail to the consignor a report showing the sales of the consigned products which were made during such month and to remit to the consignor the wholesale price of the consigned products so sold.
- M. **Removal.** To keep the consigned products safely stored at the consignee's place of business and not to remove the same without the consignor's written consent except upon their sale or return as herein provided.

3. The Parties Agree:

- A. **Compensation of Consignee.** The consignee shall retain as compensation the difference between the wholesale invoice price and the price at which consignee sold the consigned products. Compensation to the consignee for sales of consigned products shall be made at the end of each month.
- B. **Title.** The title to the consigned products shall be and remain in the consignor until sold to customers of the consignee, and the title to the wholesale sales proceeds shall vest in and belong to the consignor.
- C. **Assignment.** This agreement shall not be assigned by the consignee without the written consent of the consignor.
- D. **Duration.** This agreement shall continue in force until _____, 19 ____, at which time the consignee shall, if required by the consignor, return all consigned products remaining unsold to consignor at _____ in good condition and free from all freight and charges. The consigned products may be withdrawn by the consignor or returned by the consignee to the consignor at any time. If the consigned products are withdrawn by the consignor, it is the consignor's obligation to pay for any shipping expenses incurred.
- E. **Successors Bond.** This agreement shall be binding upon the assigns and successors in interest of the parties hereto.
- F. **Entire Agreement.** This agreement contains the entire understanding of the parties and may not be changed orally but only by agreement in writing signed by the parties against whom enforcement for any waiver, change, modification, extension or discharge is sought.
- G. (OPTIONAL) **Condition of Default.** Failure of the consignee to comply with any reasonable request of the consignor with respect to Uniform Commercial Code compliance shall constitute the condition of default under this agreement and shall entitle the consignor to exercise any and all remedies available under the Uniform Commercial Code and this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement.

CONSIGNOR

CONSIGNEE

By: _____ By: _____

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