

Selling Wholesale

Retail Shows

Retail craft fairs can be an excellent place to meet wholesale customers. Owners of gift shops and craft galleries make a point of visiting shows just in the hope they can find new suppliers. The retail business has become increasingly competitive and smart shop owners know that in order to survive, they must keep supplying their customers with new products. They know that their customers are looking for something new and different, and if they don't supply that something, those customers will go looking for it somewhere else. The most successful craft galleries are run by owners that routinely visit all the craft shows to find new artisans to supply those customers. I've done retail shows where sales at the show were terrible, but I made contact with store owners that grew into my best wholesale accounts. I have some store owners that approached me at a retail show 20 years ago saying, "Do you sell wholesale?" that are still buying steadily from us.

Retail shows are also one of the best places to test market new ideas. You can make up a few new designs and put them out for sale. You'll know almost the first day which ideas are worth keeping and which should be abandoned. Your market analysis can be as simple as trying out different variations at a local market. If something sells, make more. If it doesn't sell, don't make any more.

Wholesale Gift Shows

These are a lot different than retail craft shows. The public isn't allowed in. Only wholesale buyers that can provide proof (usually a business or tax license) they run a business and are entitled to buy wholesale. You don't sell your product at these shows but just exhibit it and take orders.

Wholesale shows can be a brutally rough experience for first time exhibitors. At retail shows, customers buy your work because they like it. You get lots of praise and rarely hear anything negative about your work. Wholesale buyers don't care whether or not they personally like your work. They care only whether or not they can sell it at the markups they expect. Gift shops and craft galleries will expect to sell it for 200 to 250% of what they pay you. Jewelry shops might expect 300 to 400%.

If buyers don't like your work, they can be pretty direct in expressing their opinions. It can be crushing to a delicate artistic ego to stand in your exhibit booth while thousands (yes, thousands) of buyers just walk by with no more than a brief glance in your direction.

If you do decide to try exhibiting at a wholesale show, collect as much information as you can in advance. It's best to visit a show before exhibiting at it. Although you might not be qualified to visit, if you contact the show management and tell them you want to visit with a view to being a future exhibitor, they'll arrange a special pass for you. You'll be allowed to see everything at the show, but your pass will clearly identify you as a visitor that exhibitors are not permitted to sell to. Exhibiting at wholesale shows is not cheap, but most shows allow for first timer exhibitors to take a half booth at half price. You can also arrange to split an exhibit booth with another artisan.

These shows are so big it's often impossible for a buyer to see all the exhibiting sellers. If you sell a handmade product, be sure to get a booth in the section specially designated for that. This section is usually juried to ensure high quality work that isn't in mass production. Many of my craft gallery customers told me they visit the "Handmade" section at the show - then leave. They aren't interested in anything else. A warning about the jury system. It is NOT like at a retail craft show. The jury is concerned about quality, but is equally concerned about price realism. If they think your prices are too high, you won't be permitted in. The objective of the show isn't for artisans to exhibit their work. It's for buyers to acquire stock. Wholesale shows are only considered a success if the visiting buyers find lots they want to buy.

Wholesale shows are held early in the year (Jan. or Feb) and late summer (Aug or Sept). Shop owners select their purchases in January for summer stock and in August for Christmas. They might not want delivery until much later, but that's when they make their selections. You might be disappointed if you call on a prospective shop in May expecting to get orders for the busy July and August season - and be told they've already bought their complete summer stock. We exhibited at the January Seattle Wholesale Gift Show hoping to get our product into shops in Alaska because the cruise ships to there have created a terrific market for handmade crafts.

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Our orders at the show were triple what we expected and the customers we met have ordered steadily from us ever since. The Alaskans now provide a major part of our sales.

Many other sellers didn't do so well and were complaining that their sales were way down from the previous year. I couldn't understand why because they had some beautiful stuff and the prices seemed pretty reasonable. I learned later what the problem was. An Alaskan shop owner that had given us a \$4,000. order on the first day of the show, dropped by on the 3rd day to chat. He told me had approved \$70,000 on his Visa to buy stock for the coming season. After spending only \$25,000 he was flying home. His comment, "I can't keep buying the same stuff every year. Maybe I should try a different show?" That's when I realized what the problem was with those artisans that had great stuff but couldn't sell it. It was the same stuff they had last year – and maybe even the year before. The following August we did the San Francisco Wholesale Gift Show and hear almost identical comments from dozens of buyers. My favourite was a fellow from Boston that said he had been to all the east coast shows and couldn't find what he wanted so decided to try the west coast. He said, "I run a gallery that sells only handmade products and I don't want anything from China. I can buy that same as everybody else handcraft stuff anywhere. Do I have to hire the shuttle and fly to Saturn to find something worth putting on display?"

You exhibit at a wholesale show to collect sales orders, but be careful that you don't take so many orders you can't fill them. This is more of a danger than you might think. Many artisans have ruined their business by not paying enough attention to the possibility of taking on more than they can handle. Your new customers will expect delivery in a reasonable time. If you fail to deliver when they expect, they'll not be understanding about it and you'll forever lose them as customers. Don't make promises you can't keep. Nothing will hurt your business more than acquiring a reputation for being unreliable. You want your business to grow, but don't grow it faster than you can control.

Consignment

I'm generally opposed to consignment selling, but there are times when it can be useful.

You can't expect a shop owner to buy very large, expensive works, or unusual works that might take a long time to sell. They will also hesitate buying until they know your work will sell. Placing your work where a lot of people will see it, can be very good advertising. It might sell there, but even if it doesn't, many people will see it.

More often, consignment is a poor idea. If a store buys your work outright and sells it, the stores markup is 50% or more of the sale. If the goods are on consignment, the sales commission is usually less than that. Often a lot less! A shop makes less money selling goods on consignment than it does buying and reselling them. Why would it do that? Either they take consignments because they don't have enough money to buy stock, or they don't know what to buy. They take whatever they can get just to fill the shelves. The end result is very limited sales. With limited sales, these shops are often unable to pay you even after they've sold your work. Consignment shops are notorious for going broke leaving behind a collection of unpaid suppliers.

Your only advantage to consignment selling is that you get a higher percentage of the retail selling price. You will be taking a huge gamble hoping to get a slightly higher percentage of a much lower sales volume – especially with the risk that you'll end up getting paid nothing at all. If you do place your work some place on consignment, be certain you know the owners extremely well and have a written agreement with them. If a prospective wholesale customer is nervous about trying out your product for the first time, it's perfectly reasonable for them to want the first order on consignment. Maybe a better way for you to respond is to instead offer the first order "on trial". Tell them that the first order is on a 30 day trial. After 30 days, if they aren't satisfied, they pay for whatever they sold and return the rest to you. If they are satisfied, they pay for the total order - and you now have a permanent customer. You'll find that your prospective customers rarely refuse a trial.

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Direct Call

It's not always possible, but making a direct personal call is always the best way to make sales contact. It gives you a chance to "scout" locations and select outlets that are likely to be successful selling your work. Nobody know better than you where your work belongs. Take a business vacation and look for new customers. Don't be afraid to walk in and say hello. Often the owner/buyer may be too busy to talk with you and you'll have to make an appointment to call back. It's best to call ahead for an appointment, but if you plan to just drop in, take care to not interrupt the shop's regular business. Calling when a shop first opens is usually the best time to catch the owner/buyer with a few minutes to spare. Remember that smart shop owners are always looking for new suppliers – that's why they travel to buy at Wholesale Gift Shows.

Be realistic when you select a shop. If you're selling \$500. items, don't expect to place them in galleries that sell mostly \$5,000 items. Select a shop where your product fits, not one that you want your product in because it's a prestigious location. Your objective should be to sell your work and not just display it. It'll sell best where it fits best.

Sales Reps

Why use a sales rep?

Professional sales agents are familiar with various shops and know what locations your product is likely to sell in. They've built a solid working relationship with the stores they routinely sell to and can often get shop owners to buy your product when they've previously declined to buy direct from you. Many store owners rely heavily on the expertise offered by the sales reps they buy from. Reps are professionals that specialize in selling. By using a one, you can devote your time to where it's more productive – making stuff for sale.

How to find a good rep

The usual commission paid to a sales rep is 10%, but if you're only able to supply a small volume of product, a rep is likely to ask for 15%. It's

important to take care selecting a sales rep. A good one can build your business – a bad one can bury it. The best place to find a rep is by asking store owners. Find a store that you think would be appropriate for your product, and ask they owner if they can recommend a good sales rep. You can also connect with reps at Wholesale Gift Shows. They have a bulletin board for "Reps looking for lines" and for "Suppliers looking for reps".

What to watch for?

- ◆ Establish a clear agreement specifying exactly what the rep's territory is.
- ◆ Clearly define that all samples are to be returned when the relationship ends.
- ◆ Establish clearly what your sales terms are and when there may be exceptions.
- ◆ Establish clearly when you'll discount (if at all).
- ◆ Establish clearly that the rep's commission is and that it's payable only AFTER the order has been paid for.

Establish clearly that all agreements are cancelled if the rep takes on a product line in direct competition with yours.

What you should do

- ◆ Be careful. Most reps are hard working professionals that can do wonders to help your business - but some are slime.
 - ◆ Be professional. It's a business relationship. The rep's job is to sell your product. It ends there.
 - ◆ Be firm. Set your rules and enforce them firmly - with the rep and with your customers.
 - ◆ Expect efforts to take advantage of you. You'll get requests to sell on 90 day terms (customer doesn't pay for 3 months) - you'll get requests for special discounts - you'll get requests for guaranteed exclusivity - you'll get requests for consignment - you'll be asked for everything imaginable. Learn to say no.
 - ◆ Educate your rep. The more they know about you and your business, the more of your product they can sell.
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Artsy Image

As a craft artisan, your greatest obstacle when trying to wholesale your work is overcoming the image shop owners have that craftspeople are artsy and irresponsible. They've all had numerous experiences with crafters that made promises and failed to deliver. They're intimately familiar with the old gag line, "When a crafter promises delivery next Monday, be sure you've agreed which month". When a store owner buys from a new supplier, they usually start off with the expectation that a supplier will be reliable – until that supplier proves otherwise. Unfortunately, it's the opposite when they deal with craft artisans. They've had so many negative experiences that they assume you're an artsy flake – until they've done business with you long enough to change their mind. It's not fair, but it is reality. It's essential that you do everything possible to appear professional. That includes making and keeping appointments, and supplying professional looking brochures, bios, and catalogs. This is business. Just making nice things isn't enough. Your customer needs to know you'll be able to supply those nice things when they want them – not when you feel like making them.

Terms of Sale

When a shop owner buys goods for resale, they usually expect to receive credit terms. They hope to be able to sell the purchased goods before they pay for them. Some credit terms that are common when selling wholesale are:

Net 30

The buyer will pay for the order 30 days after the goods are delivered. This is the most common terms of sale and will be expected by most customers.

Net 30 credit card

The payment is due 30 days after delivery but instead of the buyer sending a check, the buyer has authorized the seller to charge it to their credit card on the due date. This has advantages to both the seller and the buyer. The seller knows they'll get paid when payment is due, and the seller gets to pay on their credit card. The disadvantage is that seller has to absorb the credit card processing fee.

Credit card advance

Payment is charged to the buyer's credit card before the goods are shipped. The seller has to absorb the credit card processing fee, but has the advantage of being paid in advance.

COD

Payment is collected by collected on delivery and sent to the seller. Although this does ensure the seller is paid, the COD fees can be significant, plus the collector often doesn't send payment to the shipper for a few weeks.

Net 30, 2% 10

The buyer has 30 days to pay, but if they pay within 10 days they discount payment 2%. This is common with large suppliers.

Net 30/60/90

The buyer will pay for the goods in 3 installments, 1/3rd in 30 days, 1/3rd in 60 days, and 1/3rd in 90 days. This is often offered by large suppliers at the beginning of a season or as an incentive to take a large order.

Although most buyers will expect to be granted 30 days credit on their orders, it's common for suppliers to insist on COD or credit card advance for the first order. Also, because many shop owners collect AirMiles, it's become increasingly easy to get them to pay with credit card. You may have to grant credit terms, but if you'll be much better off if you can avoid doing so. Few problems hurt new businesses more than cash flow shortages. It's nice to have money owed to you, but you can't pay bills with promises. That's why many businesses are willing to offer discounts to buyers that pay early.

Pricing

What price should I charge? This is one of the most important questions you must deal with. Get the right answer and you will have a healthy business. Get it wrong and you just "spin your wheels". If your price is too low, you will get lots of business but could end up losing money on all of it. If the price is too high, you might not get enough business to keep going.

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Many people will suggest that you should start with the highest price that you can get. If the price is too high, you can lower it later. I believe the exact opposite. Demanding a high price might be great for your ego by allowing you to think of yourself as a highly paid “artist”. But, if the price is too high you will probably never get enough work to keep busy. You’ll fail because you never got started. I suggest that you calculate your costs as carefully as you can and start off with prices just slightly higher than those costs. Start as close to those costs as you can live with. The lower prices will create a market demand for your work. As you sell more and more, you increase this market demand that will allow you to steadily increase your prices. But be careful. There is a very real danger that going too far with these price increases can cause demand for your work to drop off entirely. You could be increasing your price to a level that your competition can undercut or you could have reached a level your customer is no longer willing to pay.

I think pricing is like surfing. You paddle up behind the wave, get on top of the crest, and ride it as long as you can. If you go too far forward on the wave you drop off. This is what happens when you get greedy and increase your prices too far. You fall off the wave and now must wait for next one and try to get aboard it. You would have been much better off if you had just rode that first wave. Price right – learn to surf.

Perceived Value

The price a customer is willing to pay for your work isn’t based on what it costs you to produce that work, but what that customer believes, or “perceives” that work is worth. They don’t care how long it took you to make it. They care only if they believe it’s worth the price you offer to sell it for. Several factors affect how a customer will perceive what your work is worth.

Place

If you’re selling at a flea market, a customer isn’t likely to think your work is of high value. If it’s on display in an elegant gallery along with some expensively priced work, they’ll likely think your work is worthy of high prices. If you’re trying to sell in a community with low incomes, it’ll be hard to get

high prices. You can’t sell a Ferrari to folks that can only afford a Ford.

Materials

If you used commonly available or low cost materials, your customer will think your work is of low value. The rarer the materials are you use, and the more expensive they are, the more likely a customer will perceive that what you have made is of high value. This is a serious problem for artisans working in clay or wood. Customers think that clay and wood are relatively low value materials so they think work done in those materials is of relatively low value. Customers think that metal or glass is of relatively higher value than wood and clay so they think work done in those materials is worth more. This is especially the case with jewelry. Something made in gold is perceived as being of significantly higher value than something made in silver. An artisan selling gold jewelry is likely to make more for their time than one selling silver jewelry.

In most instances, it doesn’t take any longer to make something using expensive materials than it does to make it using cheap materials. By trying to save money using cheaper materials, an artisan is often cheating themselves out of a higher labor income possible by just doing the same work with better materials. Be careful that by deciding to use more expensive materials, you are using materials the customer perceives are of higher value. Often an artisan will use a higher quality material that the customer doesn’t recognize as being of higher value. In my stained glass work, I was shocked at a retail show I was selling at when I heard a customer comment, “I like the glass you can see through a lot better than the glass that’s milky and looks like plastic”. The glass they liked was translucent cathedral glass – the cheapest art glass available. The glass they disliked was an expensive opalescent glass that cost me three times what I paid for the cheap cathedral. I learned from that experience and have since then discovered many things that the customer perceives is valuable – even when it doesn’t cost any more.

Size

Almost always, a customer will think if something is bigger, it’s worth more. Probably the most common mistake an artisan makes is making things too small. Making it small reduces your materials cost, but materials is a very small part of your total cost. Making it bigger will increase your materials cost, but not necessarily increase your labor cost. Often

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the easiest way to increase your income is to increase the size of what you make. Making things too small is especially common with artisans that grew out of doing their work as a hobby. If it's a hobby, you want to keep your materials cost low, but don't worry too much about how long it takes to make something. When you work as a professional, it's exactly the opposite. You don't care about materials cost, because how much you earn depends on how long it take to produce what you sell.

Uniqueness

The more unusual something is, the more a customer is usually willing to pay for it. The more commonly available it is, the less a customer thinks it's worth. Their attitude might be, "I can get that anywhere". If they think, "I've never seen anything like that before", they're more likely to pay a high price for it. Artisans frequently make the mistake of thinking that is there is a large market demand for something, they should make it. The problem with a large market demand, is lots of other artisans have the same idea and there ends up being lots of supply. That drives down the price. If you make something that's different than anyone else make, it's difficult for a customer to compare your prices with that of another artisan. If they want it, they'll have to pay your price.

Utility

Although it's not universally true, it is common for people to be willing to pay more for something if it has a use other than just looking pretty. A bowl that can be used to hold fruit is likely to sell faster and for a higher price than a decorative wall plaque. A casserole dish that can be used to serve dinner will sell even quicker.

Gender

It's a generalization to say that females buy differently than males, but that generalization is so common it should be considered not only in determining price but in deciding what to make. Women are much more concerned about utility and function than men. They usually need to justify a purchase. Where will it be put? What can it be used for? Will it match other things owned? For most men, the only justification to buy is, "I like it". Women will often visit a prospective purchase numerous time before making the ultimate commitment to acquiring it. Men usually just look at it and reach for their wallet. Many a sale has been

lost when hubby decides to buy, but wife intervenes with, "You don't need that – it'll just collect dust".

A shop owner we do a lot of business with has found an interesting solution to the problem of such lost sales. When he sees a couple enter his shop that he thinks might be good prospects, he puts his hands together in the prayer position and brings them apart. That's a signal to his staff to separate that couple. Take wife and talk to her. Keep her occupied. Show her the whatchits, or thingeos, or anything to keep her from paying attention to what hubby is doing. Leave the guy alone. Don't approach him. Don't talk to him. There's a very, very good chance he'll see something he likes (usually something expensive) and they can get his credit card before wife realizes he's bought something. If you make something that appeals to men, it's often a lot easier to sell then things that appeal to women. You can also get the guys to pay higher prices. They don't need to justify the value. If they like it, they'll buy it.

What to make

Don't compete if you don't have to. The easiest way to win a race is to find an empty track and run on it alone. Instead of copying what others are doing and trying to do it better or cheaper, do something entirely different. Do what no one else does.

When you try to do something better than the other person, you compete with everyone that tries to do "perfect" work. The world is full of perfectionists trying hard to be the best it is possible to be. And much too often they are more interested in their quest for perfection than selling their work. When you try to do it cheaper you compete with people that might be willing to work for much less than you are – or producers from all the low-labor rate countries like China and Mexico. With that kind of competition, it will be hard to win either of these races. When you do something that is exclusively yours, you have no competition at all. What you have is unique. If someone wants to buy it, they must buy it from you. You win the race.

Don't try to make something cheaper than the competition. The Mexicans and Chinese are much better at that than you'll ever be. Don't try to do

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better work than the competition. There are thousand of hobbyists that have little concern for how long it takes and are willing to expand that time doing exceptional quality work. Instead, make something different. Make something nobody else makes.

One of a Kind

If you're presenting your work to a consignment gallery, telling them you produce only "one of a kind" work is exactly what they want to hear. For almost all other shops, saying that will kill the sale. If a shop has never sold your work before, it's difficult to convince them to try it. They're only willing to risk trying it if they believe that if the experiment is successful, it can be repeated. They want to know that if they sell something, they can get another just like it. They think that if one piece sold, it's likely another one will. They want only to buy things that have proven to sell. If everything you make is different, they have no way of knowing in advance if your work will sell. Just because the last piece sold, doesn't mean the next one will. Businesses like dependability. If everything you make is different, there's no way a retailer can depend on it selling. Making only one of a kind might make you happy, but you'll pay more bills by producing a repeated line of work.

Exclusivity

Every store owner wants to have an advantage over their competition. What they want most is to be able to offer a product that no other store has. They want exclusivity. You can't promise a store owner that you'll not sell to any other shop in the country, but there's no reason you can't promise to not sell to any other shop in their town or territory. If you grant a shop exclusive rights to sell your work in a specific territory, they're a lot more likely to feature your product and give it prominent display space.

Don't worry about only having one customer in town. It's a big country with lots of towns and territories.

Biographies

When you sell at retail craft shows, an important part of the sale is talking to your customers. They want to meet the artist. That's not possible when you sell to a retail shop. You can't personally meet the customer, but that doesn't change the customer's desire to meet you. It's important to "tell your story". You can't personally hang out at every shop you sell to, but you can do the next best thing by providing a print handout biography. Tell your customers a little about you. Tell them why you do this, how you develop ideas, what your artistic goals are, and anything else you want to say. Let your customer meet you in print even when they can't meet you in person. Make it personal.

Return Option

A store owner's greatest fear is they'll buy something and not be able to sell it. It's hard to stay in business if you spend your money and use display space on product that doesn't sell. They're always cautious about trying something new. An easy way to remove their fear is to offer a return option. Take back for credit anything they can't sell and sell it somewhere else. It's been my experience that very little is actually returned, but lots more is sold because the buyer is no longer afraid they'll get stuck with something they can't sell. They're a lot more willing to try something unique or unusually large if they aren't afraid of not selling it.
