TO CONSIGN OR NOT TO CONSIGN, THAT IS THE QUESTION WITH ROBIN KRAMER
THRIVE BY DESIGN WITH TRACY MATTHEWS

“I feel that when a store has your product in selling it, they own it.”

You’re listening to Thrive-By-Design business marketing and lifestyle strategies for your jewelry brand to flourish and thrive. Let’s get started.

Tracy: Welcome to the Thrive-By-Design podcast episode number 61. Oh my gosh where does the time go. It’s already episode number 61 and we are closing in on nearly a year of being on the air with Thrive-by-Design. How fun is that? It’s been a totally wild ride. We’ve had some really wonderful guests and I want to encourage you to kind of look back through the archive because there’s some really wonderful interviews, amazing trainings. I talk a little bit about my grandfather which is super fun and we have great episodes so if you’re just starting to listen now make sure that you go back and listen to some of our earliest episodes because they’re all insanely amazing. So go check those out if you haven’t and make sure that you’re listening while you’re working or maybe at your bench whatever you do or driving or as I like to do walking around town in New York City I’ve got a lot of walking to do.

So today we have a really wonderful guest who is my co-founder over at Flourish and Thrive Academy, Robin Kramer and we’re going to be talking all about consignment because we know this is a hot topic. People aren’t sure if they should do it or some people are doing it unsuccessfully while other people are doing it really well. So I know that there’s a lot of confusion about it so we want to clear some of that up and so today we’re going to talk about to consign or not to consign because that’s the question but before we dive into today let’s take a word from our sponsor.

Today’s sponsor for the show is one of our favorite suppliers and one of our preferred vendors over here at Flourish and Thrive Academy and a huge supporter of the Thrive-by-Design podcast. We just love them so much because they are so committed to supporting small businesses and that’s what we’re all about right especially small jewelry businesses and that’s why I’m excited to share Halstead with you because they are such a wonderful company and so supportive of emerging brands; especially because every year they host a grant contest to the tune of seventy-five hundred dollars. How amazing is that? They just closed submission for the 2016 grant but you definitely want to be on their radar for next year because they are really basically just giving you free money if you have a solid business plan and you win the competition. So it’s super, super cool.

So if you aren’t shopping at Halstead yet make sure that you do. They are super cool and a really great wholesale supplier for all things jewelry like chain, findings, charms, materials, and everything you really need as a professional jewelry maker. The best part about
it if you pop on over to www.halsteadbead.com you can [3:00] also shop not only on your tablet and your computer but also on your phone. So it’s a totally mobile friendly website, brand new website; super easy to shop. Make sure that you pop on over to www.halsteadbead.com and pick up your next order of findings. One more cool thing that I wanted to mention before we get back to the regular scheduled program is that if you use the discount code all caps FTA2016 before October 31st, 2016 go there buy a hundred dollars worth of product and get ten dollars off your order. Such a generous offer so make sure that you pop on over to www.halsteadbead.com, pop in your discount code FTA2016 get ten dollars off your order of a hundred dollars or more.

Today I have a very special guest with me and I call her special because she is not on the show with me nearly enough. Guess who it is? My co-founder, Robin Kramer.

Robin: Hey everyone. I’m so excited to be here and I’m really excited to be sitting next to you Tracy.

Tracy: I know so Robin and I usually when we record together we’re recording virtually over Skype or over Zoom or something like that and we don’t ever have the chance or very rarely do we have the chance to sit next to each other and record. So we’ve turned my New York City office into a recording studio which is kind of funny. We’re sitting around this tiny little couch next to each other as we record. So today Robin you’re here in New York City right now but tell me why?

Robin: I’m here; there’s a New York Now Tradeshow and I am here because I love our community so much that I wanted to support our designers who are here from our community and I also want to keep in touch with all the buyers and reps and tradeshow folks that I know so I can keep them in the loop for our community really specifically.

Tracy: So we had a lot of designers at the show so Robin why don’t you tell us some of the designers that we were hanging out with.

Robin: Oh absolutely. So there was Ann Chikahisa from Chikahisa Studio, Wimberly Trouble from Wimberly, Inc.

Tracy: And we’ve been friends with Wimberly for a long time.

Robin: For a long time.

Tracy: And she is totally (05:13 unclear).

Robin: Yeah and the ladies from F is for Frank, Shashawna and Casey were there. Amy Schuchman from Flocka, Tracy Graves from Becoming, Nancy Nelson was there with her line, and Brandy from Bella Vita Jewelry, oh and Jill Schwartz who has been in business for thirty years now right.
Tracy: Yeah Jill is a friend of ours. She has a brand called Elements Jewelry but she came and joined us for a little after show cocktail last night.

Robin: So and that’s just to name; oh gosh I want to say Colleen Mauer.

Tracy: Yeah Colleen Mauer, yeah so many.

Robin: So many designers so it was really amazing to see all these designers showing and having a great tradeshow.

Tracy: Yeah awesome. So today we love talking; I know you love talking about wholesale because that’s really your thing is wholesale and over the years we’ve; wholesale is always evolving and changing and I know when I started out in the jewelry business like when I was in my very early 20’s. People were trying; I remember my brother was playing for the Kansas City Chiefs and his girlfriend at the time had an aunt who had a store or gallery in Kansas City and she’s like oh give me some jewelry to put into my store and I was like okay great. I didn’t really have a full wholesale line together yet but I just made a bunch of jewelry and sent it there and she had it there on consignment. So I stopped doing consignment shortly after that experience and I’m going to tell you a little bit more why about that later but a lot of designers who have been trying to get into wholesale start with consignment and they have a lot of consignment or sale or return stores. So we wanted to talk about to consign or not to consign today because that is the question.

Robin: It’s a very good question too.

Tracy: It’s a good question. So Robin I know that we both have very strong opinions about consignment when it’s good and when it’s not good. So very briefly why don’t you tell me your feelings about consignment?

Robin: Well consignment is not my favorite. I feel that.

Tracy: Just be really honest Robin.

Robin: I feel that when a store has your product in selling it they own it and that when if you’re consigning it the actual passion and drive to sell it isn’t as strong as if they own it. So consignment to me doesn’t have that backing of like okay we own it, we want to sell it, we want to learn more about it. I think that’s my biggest concern about consignment that it doesn’t have that component of it and also its inventory that you own as a designer and so.

Tracy: Yeah really great points Robin and you know I think the biggest: we’re going to go through this a little bit more in depth momentarily but I think that what you said that ownership piece is often times not there when you’re not with the right consignment store and that’s exactly what happened to me in the story that I wanted to share. So my brother’s girlfriend at the time when he was playing professional football; his aunt had a store in Kansas City somewhere so I sent a bunch of stuff naive without a contract. Just sent a little inventory
list. We didn’t even; I didn’t even think we totally talked about what the commission split was going to be, how much money I was going to be making off of each sale and visa versa.

So I just sat there passively waiting for a check to come because they said that they would be sending me checks every single month. One month went by, two months went by, three months went by, and I was like where is my check? I needed some money to go out with my friends and go to dinner and there was no check coming. I remember thinking; I was sitting in my apartment [9:00] with my roommate at the time in Santa Monica. I was still in college and I was like what’s going on. This isn’t working and so I just decided very bravely at the time which felt like a really brave thing to pick up the phone and ask them what was going on with my jewelry and they finally got on the phone and my brother’s girlfriends aunt was very sweet and she got on the phone and she’s like oh yeah thanks so much for calling us; yeah let me go check on that and she’s like the box is still in the back we haven’t put it out.

Robin: Oh.

Tracy: And I was like are you serious? They had the box in the back of all this inventory and I remember thinking I could have sold that at the jewelry party I had last week. So having a successful consignment contract and a successful consignment experience with a store does take a lot of work and you can’t just put stuff in the store and expect them to sell because they might just put it in the back in a box and you’re just sitting on stuff that you’ve paid for. So that was my big slap my head moment like what the heck am I doing consignment for? It was a bad idea. So from that point on I think at that time I had one other consignment store which maybe they would sell one piece a month. It just didn’t make sense. I pulled all my consignment. This was before I officially had my full time business. It was probably in the early 90’s and I decided no more consignment for me.

In fact even when I was living in San Francisco and had my own store there were a couple of really good stores that did only consignment that a couple of my friends were selling to that had great success but even because of that I decided I’m not going to sell to them because I don’t want to have to deal with consignment. I only want people who are going to buy straight out. So it’s touch right?

Robin: It absolutely is but you bring up a really good point that there are going to be some stores out there that do well with consignment that you; but it takes work. It’s a partnership and there are some great stores that have great reputations but be weary and it needs to work for both of you.

Tracy: Exactly. So I want to; consignment, consignment, consignment it’s coming up a lot today and now after the crash in 2008 and a lot of shifts in the retail and wholesale economy a lot of stores have shifted to consignment. In fact I think Bergdorf Goodman only sells their jewelry on consignment so all those fine jewelers for the most part are putting stuff in there. Thousands and thousands and sometimes
probably hundreds of thousands of dollars worth of inventory to build a partnership with a store like Bergdorf Goodman and in certain cases it can be really good. So we don’t want to totally slam consignment but we want to give you a 360 view of what you should be thinking about when you’re deciding whether or not to do consignment.

So we wanted to walk you through some of the pros and cons and then also some things to teach you or show you more how you can make a consignment relationship really successful for both parties. So why don’t we start talking about some [12:00] of the pros because we like to start with positive things first of doing consignment. So I think from a just starting out designer perspective and also someone who’s trying to get established in more retail stores. I think one of the biggest pros is that it allows a store to test your jewelry and test your product to see if it’s actually going to work for them. Do you want to talk a little bit about that Robin?

Robin: Yeah. It is a great way to test your product and it’s also and I would really encourage you if you’re working with a store and doing consignment like this get in there and educate too. So you can test your product but it’s also great to educate their staff and get in there and be a part of it.

Tracy: Absolutely and with that being said it’s going to probably get you some exposure that you might not have otherwise have gotten. So let’s say you’re opening up a consignment account in a brand new region where you haven’t sold before this is an opportunity to get in front of dream clients in those other areas wouldn’t you say?

Robin: Absolutely and it kind of brings you to the point of okay well what is selling?

Tracy: Exactly.

Robin: Maybe their selling for their customer. What do they like? It gives you a really nice read.

Tracy: A nice read on feedback or product that’s going to work on the retail level from the front end consumer level in a store in a case. So that also helps you shape your collection a little bit better and helps you understand maybe more of the direction that you should go into to make your jewelry more saleable because what we teach over here at Flourish and Thrive Academy is not how to make jewelry or how to make a bunch of stuff and then hope that it sells. We’re teaching you how to build a business for those who are business minded who want to think strategically about growing a jewelry brand. This is not just about learning how to make jewelry and then seeing what sells. This is about thinking strategically. So when you are approaching the possibility of doing consignment stores this is your opportunity to see what’s selling to get direct feedback on your collection.
Robin: Absolutely and that kind of leads into once you’re in a store and what you’re doing even if it’s consignment it can open doors to more stores too.

Tracy: Absolutely. Yeah so like let’s say you had; I remember just starting out and I’m sure that you know from some of the emerging brands that you’ve worked for and then also being like this sales master at Dogeared for so long that it’s interesting. Certain accounts are a little bit; they want to make sure that you have credibility and that you’ve already sold to stores so that they feel comfortable actually buying into your work. So the more stores that you sell too that opens the door to more stores but then once that starts compounding it’s like the more reputable doors that you start getting into that opens the door to other stores. So you have to think about this as a compounding effect about how it helps get you in the door of other stores and helps really build your brand name.

Robin: Absolutely, absolutely and one of the things that I find really important is that when you go into a consignment situation that it’s a great segway to get in the door and then have a conversation and say hey I want to visit this in the next three months or six months so you can negotiate wholesale; to going into wholesale.

Tracy: Absolutely yeah, yeah but I think there is one thing that we missed about building more credibility for your business too so this compounding factor of getting into other doors build credibility and then helps once the product is selling because hopefully it sells because you’re building a great relationship with these stores and basically supplying inventory for them so that they don’t have to pay for is that it helps you down the road negotiate potentially a wholesale situation where they’re actually buying the jewelry outright. So that’s cash flow for your business and helps you keep running it and I think the other pro about consignment can often be is that you get a higher percentage of the split of the sale. So if you’ve been following us for a while you’ve probably heard us talking about pricing formula’s and how to price your jewelry.

So when stores buy wholesale they’re buying at a wholesale price which is not what most people think. I mean a lot of designers come in and think like oh well what kind of discount do I give a store? You don’t give the stores a discount. You’re selling to them at a wholesale price. Now in consignment and I think part of that perception because I know that you’ve heard that a lot right?

Robin: Yeah, yeah. I’m always surprised by that.

Tracy: That they think that way.

Robin: Yeah.

Tracy: Because we came from such a different background and we were like no it’s the wholesale price that you charge them and then what you’re making on retail is usually 2.2 to 2.5 percent wholesale. That's
a normal markup for a retail store in most cases. I mean there’s all different variations and sometimes people only double it and sometimes they triple it but I would say the average is somewhere between 2.2 to 2.5 but in a wholesale situation like let’s say you’re selling something for forty dollars wholesale. A store would probably sell that for a hundred dollars let’s just say in their case. That’s a typical markup from my experience. If you were selling consignment you might have the opportunity to make seventy dollars off of that one hundred dollar order if you negotiate the right terms with your vendors because I’ve heard of split terms when you’re doing consignment of anything like 70/30 or even 60/40.

So because you’re supplying the inventory you have the opportunity to make a little bit of a higher percentage of the sale if you negotiate it right. So we get a lot of questions like what’s normal? What should I be looking for? I’m not sure if there’s a norm but this is your opportunity to negotiate. I mean at a very minimum you would want to do a 50/50 split and in those cases I think it would have to be a really reputable store where it would make sense for you to take that low of a split. Now you have to remember that when you’re doing a wholesale relationship that’s going to totally flip and the person who is buying the jewelry wholesale is going to get the better end of the stick then you are on the retail price. Is there anything you want to add to that Robin?

Robin: Yeah. I think the negotiation is really important absolutely. [18:00]

Tracy: Really, really important. Now that we’ve talked about all these pros, let’s talk about some of the cons because I think it’s important to cover that as well. So I think Robin mentioned it the best earlier when she said that when a lot of times consignment stores take it on consignment for a multitude of reasons which we’re going to walk through but the main reason why we are not super huge fans; we’re not super fans of consignment or super huge fans of it is because the store is not necessarily invested in your product because they don’t own it. So there’s no urgency to actually sell it. There’s no reason why they need to move the inventory and so if you’re thinking about it that way it might make a lot more sense than coming from it from a; I don’t want to call it a victim mentality but like oh I need this mentality. If I get into the store this is going to be my hope and then you’re in all this heartbreak.

There’s a reason why stores are doing consignment. Not all stores operate in the same way. I know there are certain stores who do consignment so that they can carry a lot more product and can actually test product and they’re willing to buy into things that are working really well but other stores don’t and I think it’s a lot more typical for gallery type stores to be the consignment stores as well and I think that comes from a whole different basis of the art world and the type of jewelry that it is and it does take a little time to sell some of that stuff so why don’t you just kind of recap your feelings on that.
Robin: Well I think you brought up some really good points that the biggest drawback is that your inventory is in their store and you don’t really have that control over it. So it puts you in this place financially that can be really challenging but what you said is that the education level; if the drive of the store. Now there are some stores that do really well with consignment and they actually sell your product and they want to know about it but those who don’t the sales people are not excited about it; they’re not going to be pulling your product out first. They’re going to be pulling out the product that they wholesale with. That they actually buy into. So there’s some challenges there financially especially for you as the designer and the person invested in all the inventory.

Tracy: I mean yeah you own the inventory basically. It’s your financial responsibility in your business to make sure that inventory is moving and that’s a financial toll on your business. You have to think about this like this inventory since it’s owned by you, it’s on your inventory sheet, and it’s in your books. They have no incentive to necessarily get rid of it so it requires because of that a huge management piece to make sure that you’re actually keeping track of things properly and that things aren’t getting stolen. I think that’s another thing to think about that I didn’t even have as a note here is that in your contract when you’re doing consignment who’s responsible if there’s theft involved in your holding inventory in the store because that’s not really your responsibility to make sure that your stuff is not getting stolen so there has to be some sort of clause in your contract for that as well.

Robin: That is such a good point actually.

Tracy: Yeah. I know I was thinking about that. I’m like yeah well what if someone steals and they don’t have a record of it and haven’t gotten paid for it. So basically to recap there is not as high of an incentive to sell, you own the inventory, and they’re just not as invested in your product because the salespeople often don’t know enough about your product to actually sell it right and one of the favorite things that you like to do for wholesale accounts when you were working at Dogeared is to really educate.

Robin: Oh my gosh.

Tracy: The staff at stores on how to sell the product and a little bit more about the product and I feel like and I don’t know if you agree and I’m sure you have a lot to say about this that if you’re consigning there’s not as much of an investment to educate the salespeople.

Robin: Absolutely. I mean it really goes back to you as the designer and really the relationship that you have with the buyer to push that, to get in there, to say I want to make sure that your team knows me, I want to make sure they know my process, what can I do? I have; be prepared with your features and benefits with maybe what your bestsellers are with what they’re carrying and what’s so special about the pieces that they’re going to have and really get to know you as a designer. So the story is really important.
Tracy: The story is very, very important absolutely. So I think another good point that we need to talk about is that it says something about the store if they have to do consignment. It says something about their traffic, about their cash flow, about their ability to pay. I mean not always. I'm not making this general blanket statement but my feeling is that the reason people want to consign is because they don't have the money to actually buy the product. If that's the case then what are they doing actually with the money and are you actually going to get paid on time.

Robin: Ooh that's a big one. That's a really good one because you want to know upfront what their payment process is and as Tracy said when she first started how challenging it was to actually get paid and she finally followed up with them and found out her product was sitting in the back. So make sure upfront that you have in your contract you're paid every month. We did when I was Dogeared we did have one business that we worked with that was a consignment situation. They paid us every month and our products sold really well for them. So that was one of those unique things that it was a very reputable store and they kind of have the pull to do that but they paid us totally on time.

Tracy: Absolutely. It has to be the right store. We're going to walk you through a few in a moment how to make it successful and I think the final thing; I mean there's probably more cons to this but these are the things that really standout to us is it's really hard to track your inventory and know what actually sold if they're not sending you detailed reports or if you don't have the opportunity to go in there and take a look. I mean box in the back story.

Robin: Totally.

Tracy: Box in the back story we're just going to call it that. That's the new nickname for that story. Box in the back story tells you a lot about how people treat in respect to your jewelry when they don't own it. So it's harder to track inventory so if you do decide to move forward with a consignment account make sure that there is a solid system in place and reporting that's done so that you can keep track and if someone's evasive about it and they're not doing it pull back your inventory right away. Do not keep it in that store because it's shady otherwise.

Robin: Well I'm going to add one more thing to that.

Tracy: Alright.

Robin: Talk to the buyer and say hey I'll be happy to read your sales reports.

Tracy: Exactly.

Robin: So do the work for them and they'll love you even more and you'll get paid on time.
Tracy: Exactly. So we wanted to talk a little bit more about how to make this successful. So we talked a lot about the pros and cons and the first thing that comes top of mind to me is to make sure that you have a really solid contract with the terms of the agreement of what you’re going to get paid, how often you’re going to get paid, what happens if something gets stolen, and then also how inventory is going to be tracked and when and how fill ins are going to be done for that inventory and then I would also probably in there; I don’t know what you think about this Robin. Have something to the effect of we’ll do a test for three months and then we have the opportunity to negotiate for wholesale.

Robin: Yeah I would say absolutely look at the three month, six month, and even a year so year kind of maximum to do that; to see if it works. The other thing I would kind of add to that is a lot of times in consignment people will want to switch out product.

Tracy: Like sale or return?

Robin: Yeah so to that should be in your contract too is if something is sitting there and maybe it’s been there for three or six months and it hasn’t sold.

Tracy: What to do with it.

Robin: What to do yeah.

Tracy: Good point. Good, good point. I think that we mentioned inventory like you need to require them to do monthly inventory reports and if you can I would highly recommend that you walk into the store and do your own inventory to check up on them. I think that’s good and then I also think that there should be a way where they could send you pictures of the inventory so you can see what it looks like especially if you design silver jewelry it can often get tarnished in a case and it looks like crap and that might be another reason why it’s not selling. Did you guys do that like go and clean up inventory and stuff for people or how did you handle that?

Robin: You know there are certain stores that I would and the store that we did consignment with was here in New York City and I would actually go in there and straighten it up. They had a pretty good staff. It gave me an opportunity to to get in front of the staff and get in front and talk about it. They got to know me. It was really great. It was to my advantage to do that but I was constantly straightening every chance I got. So yeah I highly; if you can get into a store it’s really important to do that if not talk to the associates and see if you can befriend [27:00] one of them.

Tracy: Exactly.

Robin: Or maybe have one be that point person. So yeah keeping the inventory looking good and merchandised well.

Tracy: Yes.
Robin: Is very important.

Tracy: Yeah and I was going to; we were going to talk about filling in the case and making sure that the case is full, that the inventory looks good, that they’re having enough replenishment so that it makes sense and creates a story and it’s not just a bunch of random pieces sitting there. I think the other thing is that you need to communicate often, frequently.

Robin: Yes absolutely.

Tracy: And doors need to be open for that wouldn’t you say?

Robin: Absolutely, absolutely. It needs to be; it’s not just here here’s my jewelry and you don’t have any communication after that. It is and I would even set up timeframes. Say I’d love to touch base and what is the best way to communicate? Is it by email, is it by calling? What is going to work for you and I’m excited about this partnership and want to make sure that the line is very successful for you and the way you do that is communication.

Tracy: Alright that is the way communication. Love it. Alright so I think the other thing that we want to talk about you know you just mentioned educating the salespeople and keeping them informed is that ultimately your goal at the end of the day when you can; I mean I think the only stores you want to keep consignment is the ones that are really good if they are really willing not to do wholesale ever as long as it’s consistently selling for you but ultimately at the end of the day this is your opportunity to turn those successful consignment accounts into wholesale accounts.

Robin: Absolutely. I mean that should be in the contract, that should be in the conversation so it’s not a surprise when you are ready to make the transition or make the change. So it should be a conversation.

Tracy: Exactly. It should be a conversation and a very good one at that.

Robin: Yes.

Tracy: Alrighty so wow that was a great conversation. We’ve been talking about consignment so much. We haven’t done a podcast about it yet. So I’m glad we had the opportunity to do that today but I really want to hear from you guys to know if you’re consigning and we want to hear from you over at the blog. So we’re going to create a special link so that you can link right to this podcast if you’re listening on ITunes or Stitcher or if you’re listening and are actually on our website you can just comment below because we want to know from you number one if you’re doing consignment, number two if you’ve had success with consignment and if you have we want to know what you’ve done to make it successful and if you have not had success with consignment like you’ve had a horror story like me with the box in the back we want to hear about it so that we can educate all of you and our fellow Flourish and Thriver’s about how
they can do better, successful, or more successful consignment in the future.

So pop on over to www.flourishthriveacademy.com/consignment. [30:00] That’s www.flourishthriveacademy.com/consignment and tell us what you think. So remember you’re going to answer if you’re doing consignment yes or no and then if you’ve had a successful time doing consignment tell us that or if you’ve had a horror story we’d love to hear that too. Well Robin thanks so much for being here today.

Robin: So fun to be here.

Tracy: I so love having you.

Robin: It’s so great to talk about a hot topic.

Tracy: I know and I’m excited I get to see you and we’re probably going to be together in New York around the time this podcast airs for a live event right in New York City that we put on every year for our Mastermind and I’m going to see you really soon in person at the end of October so I’m excited too.

Robin: I know some trips up ahead.

Tracy: Record some more podcasts with you live and in person. Alright you guys thanks so much for listening today to Thrive-by-Design. We love to hear from you so if you haven’t done this yet we’d really, really appreciate you hooking us up and giving us a little rating and review over on iTunes. You can do that by going to www.flourishthriveacademy.com/itunes and give us a rating and review. Tell us what you think so we can improve and make the show even better every week. Thanks so much for listening today and have a good one. Bye.

Robin: Bye everyone.

Tracy: Hey guys thanks again for listening today. What an awesome show to have Robin on with right; so great. Hey I want to ask you a little favor. If you haven’t done it yet if you have a few minutes or so I would love for you to pop on over to www.flourishthriveacademy.com/itunes and give the show a little rating and review and tell us what you think. Thanks so much once again for listening today. Until next time have a good one.