

To have a bigger tent, start with a taller tent pole - *the case for consignments*

A "Consignment" is an item that is provided for sale by a supplier with the intent that it will sell for higher than the cost paid to that supplier. Payment is always after the item has been sold at auction, and if the item does not sell, may be returned to the supplier at no cost and no risk. I often get asked about the wisdom of adding "purchased" items to the Live or Silent auction. My routine answer has been for nearly twenty years, NO. I have recently changed my mind on this subject, but with very specific conditions and with sound reasoning. First, let me cover some background.

The idea of buying something and then turning around and then selling it at your auction has always offended me for several reasons: It risks selling the item for less than it cost (unless the minimum bid is higher than the cost) and it takes buying power out of the auction audience to secure only a fractional increase in income. Let me explain.

Suppose you can buy an item for \$500 and it sells for \$700. You took \$700 of "buying power" – the budget your audience uses, out of the auction and used that buying power to earn only \$200. That is not sound logic, and works against you. This is why I am generally not in favor of the "buy items to sell" process. The worst of the worse situation is when a third party tries to get you to let them set up your silent auction for you and handle all the item procurement, forms and cashing. Why? Because you will find that after they deduct the cost of their items and their handling fee and commissions, you are left with relatively little profit to show for it. Meanwhile, they have "used" your audience to market their jewelry, their clothing, their memorabilia or whatever they have to offer. I have witnessed events that had "gross sales" of \$50,000 and "net sales" of less than \$10,000 after the items were all paid for. This simply is not fair to your audience which expects most of their generous support to go to your cause, not to your vendors. You take all the risk and cover the marketing costs to fill your room, and the outside supplier benefits by being able to sell his items to a captive audience, paying you a fraction of the sales. You would be much better served by having fewer items, but all free of cost, so that 100% of your sales go to your bottom line. What is better, a \$50,000 gross, and \$10,000 net, or a \$20,000 gross and net? The answer is obvious.

So what is the exception and how do you let it work to your advantage? Start by visualizing a "tent." It has a tent pole at its center, right? If you want to make a bigger tent, you first have to start with a taller tent pole. THIS is the case for having a few (emphasis on F-E-W) consignment items. There just are some items you cannot get without purchasing them unless your committee has incredible connections. Most committees don't have the connections it takes to get Super Bowl tickets, golf at St. Andrews, Scotland, or an autographed Rolling Stones guitar. However, often these items and many more similar and unique items are available through services at a fraction of the "fair market value." Let me tell you right now that you should NEVER pay retail for anything you plan to sell at your auction because the chances of that item selling well over the fair market value is nil. However, if you can get a very unique, standout item at perhaps half price, you can certainly make a profit from it at nearly any auction. So, the case for consignment is made IF you can get a premier item, cannot get it any other way, AND you can make a decent profit from having it in your auction. As a bonus, the premier item or items help you establish a higher

“tent pole” by setting the expectation higher for the items you get donated outright, plus you help draw bidders to your event by having the premier items available.

To maximize your effort and to take full advantage of the “consignment exception” you should first pick your two, three or four premier items from your supplier and use these items as examples of what you already have when talking to committee members, potential donors and others who are trying to procure items. You can see how powerful starting your procurement process by first getting your big items (even if consigned) in hand can be. What gets more attention? “We have a trip to Bali, a Disney Cruise for a family, tickets to the All Star Game, and an Aerosmith autographed guitar so far, but of course we need many more items for our event.” or “Well, so far, we have a dinner out, some car wash booklets, some wine, and a few children’s items.” By using the consignment of a few strategic items, you can “build a bigger tent” for your auction items to fill. It all starts with a taller tent pole, and THAT is the reason to use consignments.

Summary: Use consignment items judiciously. Never overload your event with purchased items. Consignment items can help you get better donated items by setting the bar higher, and providing a higher expectation for your donors and committee to shoot for. Finally, only use consignment items that can legitimately double their cost when sold at your auction, have no up front cost to you, and no risk if they are not sold.



Tip: Many potential donors are left out of being asked to help because their business is not one that could donate an item appropriate for an auction. Doctors, lawyers, architects, financial planners, bankers, real estate sales people, mortgage companies, and other similar professions do not “sell, manufacture, or provide” a product or service that would be a good auction item. However, all of these professions can **underwrite** the cost of a fabulous trip, unique experience, or wonderful item of memorabilia. You can ask them to help “prime the pump” for your procurement process by agreeing to underwrite the cost of one of the wonderful items available on consignment. As an example, you might have a local doctor or lawyer cover the cost of a week long stay in Bali at a fabulous 7,000 square foot villa. The value is approximately \$6,500 but it can be “consigned” for a cost of \$3,350. If the underwriter is willing to cover the consigned cost, they get the visibility in the program, on your website and in marketing materials for your event of having “donated” the trip worth over \$6,500, and it only cost them \$3,350 to do it. When that item is sold at your event you receive 100% of the selling price, because the cost is already covered. This is an excellent way to get fabulous items, raise the expectations for your event to a higher level, and keep your costs for items at a reasonable level.



Trap: Don't let yourself get talked in to giving a vendor a place in your silent auction to set up a display to sell numerous items with you getting a percentage of their sales, or all income over a certain amount or similar “deals.” Your bidders will spend too much time looking at all the items but not bidding, and that is all wasted time that would have been used to bid on the items you have received at no cost. Limit your items with costs to just a handful, and then limit it to the premier items that will create “buzz” about your event.