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Michigan State University
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Michigan Home Business

UPDATE

2

Extension Bulletin E-1804 Let's go to Market Volume I Number 2

Let's go To Market

Though your business is home-based, do explore the wonderful world of markets beyond your doorstep. One or several are just waiting for you to tap their potential. The choices we're going to discuss are: mail order selling, open air markets and fairs, consignments to retail stores, how to succeed in a non-main street location and doing business in your own shop.

You can choose one of these options after careful, step-by-step assessments of your needs, your energies, the amount of time you have available and other organizational considerations, or you can combine two or more, as an entrepreneur in East Lansing has done.

This craftsman, in addition to his regular 40-hour job, designs clever metal figures that depict any hobby, profession, sport or occupation you can imagine. He makes them at home and supplies a suburban Lansing crafts cooperative on a regular basis. However, he targets the bulk of his production towards early December when Christmas sales result in sell-outs. He also accepts special orders, which he always delivers impeccably done and on schedule.

What a challenge to have so many avenues to explore! Let's take a closer look at them.

SELLING BY MAIL ORDER

Just the words 'mail order' can fire up the imagination and ignite the enthusiasm of any entrepreneur! Why? Because it's an effective, inexpensive and profitable way to sell. You can start a mail order business with a modest amount of money, ranging from \$400 up to \$1,000.

Again, your success depends on careful planning of each segment of your venture. An eminent mail order entrepreneur, professor and consultant recommends researching the mail order business at your local library before you launch your business.



TESTING, THE KEY TO SUCCESS IN THE MAIL ORDER BUSINESS

Some areas you need to research include:

- Federal regulations on mail order sales.
- Use of media, such as magazines, catalogs, television and direct mail.
- How to calculate costs.

An excellent book is "How to Start and Operate a Mail Order Business," by Julian L. Simon (Third Edition; New York: McGraw-Hill, 1980).

With that education under your belt, you should then determine the types of products that sell well by mail by studying trade publications, attending product shows, contacting manufacturers and answering ads.

Examine newspapers and magazines, noting the ads that run consistently over a long period of time. Answer ads that appeal to you and carefully study the catalogs, brochures and sales letters you receive. The mail order business is highly competitive, so the more you know about successful firms, the better you can compete.

Once you've selected your product, test various methods of promoting sales. Often, a low-priced item may be sold directly from an ad or mailer. For a more costly item, you may want to advertise for inquiries, then follow up the inquiries with a letter and a circular to obtain the order.

Keep accurate records of the returns from your ads and mailings. You'll soon discover what time of year produces the best results, as well as which printed

pieces draw the strongest response. Keep track of your advertising costs, printing, postage, cost-per-order and other figures in a simple, time-efficient way.

As a final note, successful mail order salespeople agree that the business is most profitable when you have a variety of products to sell and a plan to persuade customers to buy repeatedly.

HOW TO GET MAILING LISTS

You can either buy a mailing list or build your own.

To purchase a list or lists, check the telephone directories of large cities. Many types of lists can be purchased, including lists of people having some characteristic in common (maybe a location you are trying to reach, a certain level of education, etc.) and lists of people who have purchased something from a particular mail order firm.

Information on purchased lists is available from:

Direct Mail List Rates and Data
Standard Rate and Data Service
5201 Old Orchard Road
Skokie, IL 60076

Check your library for a copy.

You can build your own list in several ways:

- Ask customers to sign a guest book.
- Have a drawing and ask for a mailing address on the drawing ticket.
- Write names and addresses of customers on sales slips.
- Take names and addresses from checks that you cash.
- Ask people if they want to be on a mailing list for notification of sales, special events and other promotions.

SOURCES OF MARKET INFORMATION

Marketing departments of major universities (check on the availability of students looking for marketing projects)

Newspapers in your area

Utility companies

Local Chamber of Commerce

U.S. Bureau of the Census (check a major library for printouts)

Michigan Department of Commerce

Community development and planning departments.

OPEN AIR MARKETS, FAIRS



Take your wares to festivals, fairs and flea markets where you can enjoy the holiday atmosphere and have a profitable day at the same time!

To obtain a directory with pertinent information on shows and fairs in the state, send a self-addressed, business-size envelope stamped with 54¢ in postage to the Michigan Council for the Arts, 1200 Sixth Ave., Detroit, MI 48226.

Another source of festival information is the Michigan Travel Bureau. Write to Dept. RTA, P.O. Box 30226, Lansing, MI 48909.

When you decide to join the fair and festival circuit, you know you'll be competing with lots of other ambitious entrepreneurs. How can you capture your fair share (or more) of customers?

If you can get people to stop and look at your products, your chances of selling are much improved. That's what displays are for.

The stronger the display, the more attention you'll attract. Consider these basic suggestions. Show light merchandise against a dark background and dark against light. Keep the background simple

so people will focus on your product rather than on the display. Use a minimum of signs and posters.

Use gimmicks to attract attention. For instance, encourage people to stop by putting a mirror in your sales area. Most of us can't resist a glance and the odds are good that we'll take a second glance at your products. Another successful gimmick is a guessing contest, with a prize for the winner, or a box to take chances on a drawing for one of your products.

Putting action into your display is a surefire way to attract attention. Any slide or movie presentation will draw prospective buyers to you. If you're selling fashion items, have someone model them. If you're selling fishing equipment, show some fish in an aquarium. If you're selling auto accessories, bring along a small HO racetrack. If your gimmick moves, it can increase your sales dramatically, so plan to put some action into your act before you take it on the road.

Keep a file on every fair or show you attend. Write down all the details about the show and your part in it.

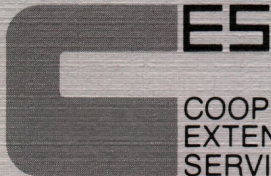
Specifically, the record should include all fees paid, round-trip mileage, lodging, meals and incidentals, such as tape or marking pens. Use a credit card or ask for a receipt for all purchases.

One major expense most people forget is their time. Knowing how many hours you spent traveling, setting up and dismantling your display, and selling can help you decide if attending was worth the cost and help you decide how to price your wares. The cost of paying someone to "mind the store" while you were away is another factor to note and consider.

The most important part of the show or fair record tells what you sold. Certain products may sell better at certain shows or various times of the year. Such trends will show up in detailed records.

If you attend more than one show per season, it might be a good idea to keep a separate file on each one. Summarize total expenses, income and hours spent on a single page to help you compare shows and decide which ones to attend another year.

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CONSIGNMENT TO STORES

Selling on consignment means taking your products to a business person who pays you only after the merchandise is sold. Advantages of this arrangement include increased visibility for your product plus the possibility of a reciprocal arrangement.

For example, a friend in Vermontville runs a most successful sculptured nail/manicure business in her home. She sells clothing, silk flowers and other handcrafted items and promotes local hair dressers, florists and other businesses as well. In return, these entrepreneurs display her business cards, talk to their customers about her expertise and include her in their advertising. The network operates like an informal chamber of commerce where everybody benefits!

Conversations with consigners and consignees reveal a wide variety of selling arrangements. Merchants may agree to keep goods on consignment from 90 days to well over six months and to take from a 25 to 40 percent markup down to doing it for nothing but the public relations value. So, shop around for the deal that suits you best.

Ask a number of questions before agreeing to sell items on consignment:

- Will the shop's insurance pay for fire or theft losses? What happens if a handcrafted item is accidentally broken while on display?
- Will there be a written consignment agreement defining your responsibilities and those of the shop owner? There should be! It should include a detailed description of the products offered for sale plus their prices, and it should specify whether the shop owner can sell an item for less without first asking your permission.
- How will the sales price be divided between the two parties?
- How often will payment be made?
- How often will unsold merchandise be returned? Are you responsible for picking it up, or will it be mailed back to you at your expense? All these points should be spelled out in your written agreement.

Consignment selling has several advantages (from "Creative Cash," by Barbara Brabec):

- You can consign merchandise of your choice without the pressure of a deadline.
- You can test the marketability of your new or untried items.
- You can control the retail price of your items.

It has some disadvantages, too:

- You have to wait for your money until the item is sold.
- You will probably find yourself dealing with increased bookkeeping and paperwork. It is very important, however, to keep careful records and get all agreements in writing.

Brabec advises consigning to stores that will display a large selection of your products in a wide range of prices. The presence of the higher priced items will encourage the sale of the lower-priced, and the variety will show how versatile you are.

Promote the shop that is handling your work by printing inexpensive fliers saying your work can also be found there. Hand out the fliers when customers come to your home, insert them into mail orders and display them in your exhibit when you attend shows and fairs.

A good free booklet on consignment selling is MA 4.008, "Selling Products on Consignment," from the U.S. Small Business Administration.

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