



White Paper

Consignment Sales

In this paper you will discover what challenges and opportunities are offered by consignment sales. Learn how to add consignment sales to your business dealings with the big box stores and capitalize on this growing business opportunity.

Consignment, like layaway, is an old retail service that is seeing new life in these down economic times, a re-emerging option (and sometimes without choice) by “Big Box” retailers.

A consignment occurs when you provide your product to a reseller (consignee), who agrees to pay you proceeds from the sale. Your nursery will not be paid until the product sells. And if it doesn't sell? Or, if your plants suddenly “disappear”? You take the loss. The consignee assumes very little risk- as they do not purchase the goods unless they are sold. And in a slow economy, retailers, like consumers are increasingly more risk averse. Can you expect more retailers to require consignment sales? I honestly don't know, but being one step ahead of the game is always an advantage.

How could this possibly be an opportunity? Well, consignment sales can be big business. If there is one more retailer out there that would agree to sell your product on consignment, then that's one more chance for your product to get in front of the consumer – building not only revenue but name brand recognition for future sales! And if the Big Box guys require it, what choice do you have?

Also, every opportunity presents its challenges – and consignment sales are no different. Before you head into providing product on this basis, there are a few things to consider. First, some things that I can't help you with- I just know from experience that these are the areas of concern for any nursery thinking of using this sales method:

- the credit references of your consignees;
- the retail price the goods will be sold for – and who decides (you or the retailer) so you can maintain your margin;
- do you need a written consignment agreement;
- when does the deal terminate and how to settle disputes.

Here are some areas where I can offer some advice:

- Keeping your consignment inventory separate from your regular inventory;
- Doing physical counts at the retailer's location with variance reporting to assure proper reporting, write-offs and available quantities;
- Using electronic reporting, such as “pay by scan”, to help manage your inventory and payments from the retailer ... and to get paid earlier;
- Receiving documents electronically (EDI) about orders, sales and payments from the retailer which may be required or wanted for faster processing and revenue to you.



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