



## Ecommerce for Artists

*An integrated, modular curriculum developed collaboratively by CraftNet member schools and artists as an introductory guide to establishing an entrepreneurial Web presence. Created with the generous support of the Appalachian Regional Commission.*

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### MODULE 7: Add Income through Sales

#### **I have no idea of how to price my art. Where do I start?**

There is no exact science to pricing your art. Every artist needs to find a level of comfort in the price they put on their work. Pricing your work is a skill that you will acquire over time as you gain confidence through working with the business side of your art.

However, one approach is to use the **Rule of Thirds** in determining your cost:

- One third of your cost needs to cover materials and time.  
Example: \$10 materials needed to make a beaded purse  
\$80 time required (8 hours x \$10 per hour)  
\$90 cost for materials and time
- One third of your cost covers indirect expenses. This includes expenses such as marketing (shows, advertising, promotional materials), tools, rent, insurance, and utilities.
- One third of your cost needs to be your profit.

The resulting total, \$270, is your wholesale price. This price is NEVER posted online, unless you have setup a system for a wholesaler to sign in and be admitted to only a portion of your website. You can expect that the retailer will keystone (or double) that price. In this case, the suggested retail for this item would be \$540.

Here is where pricing becomes an inexact science! If you believe that the retail price is too high for your targeted customer, you will need to revisit your wholesale price. The first cost to trim is in your profit section and, if need be, in your indirect costs. You also may want to revisit what you are spending in time and materials. Whatever price you arrive at, you need to be consistent in how you arrive at it.

Be cautious about negotiating price, and always remember the line between wholesale and retail. Good references you may wish to consult include: *Crafting as a Business* by Wendy Rosen and *Making a Living in Craft* by Donald Clark.

*ACTIVITY: Choose three items that you plan to sell online and examine the prices that you have arrived at for them. Test your prices against the Rule of Thirds and analyze any differences.*

## **What is a call to action?**

You need to decide what you want the reader of your website to *do*. What action should they take? Do you want them to immediately use a shopping cart to buy a piece of your work...or do you want them to contact you directly?

A call to action is part of any successful sales process. You can provide all the information that the customer may find interesting and helpful, but if you don't tell the customer what you want them to do, they may never actually do what you want them to do. In this case, it is laying down their money to make a purchase?

*ACTIVITY: Visit several artists' websites and locate their call to action. Then visit several highly commercial sites and identify their call to action. What is the difference and why do you think that difference exists?*

## **How do I take orders and sell online?**

This should be one of the first questions you ask yourself. The answer may depend on your comfort level with ecommerce and your desire for more or less contact with the customer.

There is no one magic way to take orders. Some alternatives include:

- By phone.
- Over the Internet with simple email.
- Through a shopping cart system on your ecommerce site.
- By "snail mail" (U.S. Postal Service).

Artists are discovering the value of the convenience in allowing customers to shop 24 hours a day and make use of an ecommerce site fully equipped with a shopping cart system. However, not everyone needs to offer this degree of service. Some artists only seek a Web presence in order to share their art and information with potential customers.

Still other artists prefer to talk directly with their customers, so their sites may offer only information about sizes, shapes, colors, material and processes as well as directions for ordering by phone. If you fall in this category, you may well want to invest in a 1-800 number by checking with your local phone company.

## How do I do order fulfillment?

Order fulfillment begins when the customer first contacts you. It continues through taking the order, producing the work, defining the shipping method, arranging for payment, packaging and shipping the item, and setting out conditions for returns.

In considering order fulfillment, you will need to choose from a number of production models. By industrial definition, those models are:

- **Engineer-to-Order**, or commission work, means building to customer specifications. Here the customer gets exactly what he wants. Although not an easy way to run an online business, it is a common method for artists to sell work.
- **Build-to-Order** involves building an object from a defined design, with the customer adding their own special requests. A good example is a potter who lets you pick from a series of glaze samples or surface patterns. This could work for some artists, but others might feel this approach to be less than creative.
- **Assemble-to-Order** means that your works are built from existing components selected by the customer. The example often cited is a Dell computer. The customer chooses from parts available, thus taking the design process out of the artist's hands.
- **Make-to-Stock** is work that is sold from preexisting stock. It generally was made in response to a market forecast and then warehoused until needed. This is a normal artist studio or retail business. You have produced a body of work; you market the work and then produce and fill orders from stock.

Another consideration should be your ability to produce a body of work in quantities needed to meet customer demand. The more visibility you have in the marketplace, the more chance you have of generating a lot sales—and that's what you want to do, right?

As you read this section, ask yourself this question: How long will it take me to produce the object, and how long do I think the customer will wait to get it? This could be considered the most essential question for determining your market and your method of production.

An important thing is to realize that over time you can expand! Don't get caught up in trying to do more than your business can handle logistically or doing things that others are doing because they seem to have the best solution. From the beginning, how you decide to fulfill your orders must work for you. If you are the only one producing, every minute away from your studio influences your ability to meet customer demand and that reduces revenue in a very direct way. You will have to balance your production life, marketing presence, and business administration duties.

Some tips for making sure that you can produce enough product to serve your marketing technique are:

- Decide how you will work with your customers.

- Produce a finite or limited line of work that suits your production style.
- Choose to work by commission.
- Form or join a cooperative of like-minded artists to help solve the pressures associated with order fulfillment.

*ACTIVITY: If you have not done it already, create one of the objects that you plan to sell. Keep careful track of all time needed to create it, including planning, gathering tools, preparing materials, making the object, etc. Then extend that to how many objects you could make in a week or month.*

## **How do people pay for things they have bought on a website?**

You can offer a number of payment choices. Your choice of which to use will depend on both your comfort level and that of your customer, and each situation requires planning and forethought.

- **Personal check**, if orders are mailed to you. Quite frankly they bounce really well! Unless you want to have a collection company track down the offender, checks may be best only for face-to-face purchases, although that still doesn't prevent the problem. If you do offer this mode of payment, be sure to hold off on shipping the purchase until the check clears the bank. You will need to be sure the customer is aware of this potential delay in fulfilling his or her order.
- **Credit card** (Visa, Master Card, Discover, American Express, debit). If you choose not to accept credit cards, you will lose a lot of sales. Also, people are fairly comfortable using credit cards, and most have used one online. You will need to pay the credit card company a set-up fee, a fixed monthly fee, and a charge per transaction (see below). But, it does make shopping online simple and direct. You'll need to make sure that your site has some type of online security to let your customers know their information is as safe as possible. Don't skimp on this. There are various companies that can provide this service as part of your site.
- **PayPal**. A PayPal account is very easy to set up, and it allows you to take credit card or debit payments right away. PayPal will take a percentage of each sale, with the rest of the money going into your account. People tend to trust this mode of payment, because it is well known.
- **Cash**. We all know "cash is king," but it really doesn't help you online. Face-to-face is really the only way to use cash, unless someone chooses to send cash or a cashier's check in the mail.

*ACTIVITY: To better understand how PayPal works from the customer's vantage point, set up your own account as a buyer and then find a purchase to make online, utilizing this service.*

## **How do I make a site secure for customer payment?**

The question shows that you already understand the need to keep your customer's credit card information safe. You can do this by:

- Encrypting the credit card information and sending it over a secure connection, which appears in your browser's address window as a URL beginning with *https*. The customer further can tell that they are at a secure site by the locked padlock icon that will appear beside the URL.
- Using a company, such as VeriSign, to assure the security of your site by providing a certificate of security (SSL) to show that they protect your site.

## **Do I have to pay monthly merchant fees to use the services of Visa, Master Card, and Discover Card?**

Generally the answer is "yes." The credit card companies charge a monthly fee for their assistance in helping you manage credit card purchases. When you think about it, it's worth the cost to pre-approve cards and save you the problem of extending credit to accounts that are unstable. While situations can still arise, this pre-approval is a valuable method to assure success in accepting online charge cards.

## **Should I have a shopping cart on my website?**

Whether or not to have a shopping cart depends on the type of Internet site that you want to establish. If you have only a few items for sale, or if you prefer that the customer calls you directly to place an order, then you do not need a shopping cart to help the customer keep track of what he intends to order.

However, if you want to encourage active online shopping, and you have lots of art for sale, then your customers will need to browse through a number of pages. In this situation, a shopping cart can increase your sales while making the customer shopping experience more enjoyable. The customer can choose items for the cart and then at checkout a total will be calculated that includes shipping charges.

Think of your last trip to the grocery store. Perhaps you intended to purchase only one or two items. As you walked along the aisles, however, you saw additional items that you genuinely wanted, but you didn't pick them up because you couldn't carry everything. So, you went back to the front of the store, set your items down, and then returned to shopping until your hands got full again. A shopping cart could have saved you a lot of time. It also would lessen the likelihood that you might decide to leave the store without purchasing everything you wanted to buy, simply because of the inconvenience associated with shopping.

## **How do I put a shopping cart on the website?**

A shopping cart is added to your site in two possible ways:

- You download special software for which you have obtained a license. You then install that software on the server. In this system, there is usually a one-time fee, but you then own the software.
- Instead of purchasing and downloading software, a service provider (to whom you pay a regular fee) provides the service and keeps the software updated.

To find out more about shopping carts and their features, please take a look at: [www.shoppingcartreview.com](http://www.shoppingcartreview.com) or [www.shopping-cart-review.toptenreviews.com](http://www.shopping-cart-review.toptenreviews.com). You may also want to visit [www.zen-cart.com](http://www.zen-cart.com).

### **What about sales tax for items sold on the Internet?**

Assessing a sales tax can present a sticky wicket, because every state has different laws. Most likely, your state offers classes and online information to help you understand more clearly the issues surrounding sales tax. Generally speaking, the vendor only collects tax in the state where he or she has their business—meaning, where it is physically located. It becomes the customer’s responsibility to pay the sales tax in their own state—that is, unless the customer actually picks up their purchase in the state that they bought it. You can see why enforcement can be difficult.

Check a resource like [www.nolo.com](http://www.nolo.com) for further information. This website is a reach resource for legal questions and answers. Better still, schedule a talk with a certified public accountant in the state where you live and operate your craft-based ebusiness.

### **Is a handling charge something I should include in the final cost?**

A handling charge often is necessary to cover costs associated with shipping. Packing materials, boxes, and labor are all handling expenses that the artist may well forget to recoup. If you choose to forgo assessing the handling charge, make sure these the costs are recovered somewhere else in your pricing structure. Many merchants simply attach a flat handling charge, while others have a sliding scale depending on the total value of the order.

### **When I sell an object, do I take down the photo or leave it up, marked “SOLD”?**

Leaving object images on the site with a “SOLD” label may seem to show your work’s popularity. However, those images also occupy prime space that could contain new works for sale. If the purpose of your Web site is to create revenue, then you can’t afford to dedicate such expensive space to non-productive activities. Again, the type of business you have and your website intent will guide your decision.

## **Do I constantly have to check my website for orders, or will it notify me somehow?**

An online store allows a shopper to buy your art 24/7 without you having to watch the shop in person all those hours. However, if you choose to open an online store as part of your Web presence, you still have to be a “shopkeeper” to some extent. You need to check for orders at least once a day. In the buying season before a holiday, you should check for orders more often because your customers likely have more urgent shopping needs and timelines.

In addition to a number of other services, business sites such as <http://smallbusiness.yahoo.com> can notify you by email of online orders. However, you will still need to check the site email to retrieve the orders.

In a related matter, you should also consider that once you have received an order, you will need to notify the customer regarding the pending status of their order.

## **How many methods of shipping do I need to offer?**

First of all, it is important to know and understand the regulations of the shippers that you plan to use. Each shipper has rates and plans that can provide you and your customers with great service and a great price.

The size of your business will be measured on the shipping costs that are billed each month. Depending on the size of your business (shipping cost billed each month) you may qualify for volume discounts. If you can give customers a choice of USPS (US Postal Service) and either UPS or Fed Ex, you will be able to serve most people’s needs. In addition, offering UPS or Fed Ex Two Day, Next Day, or Overnight Service resolves most rush orders.

- USPS is generally cheaper for packages under five lbs. and will deliver to addresses that have P.O. boxes.
- UPS has a reputation for good service and has a wide range of rates based on zone. Again, based on volume each month, you can qualify for rate discounts that can be passed on to the customer, if you choose. UPS must have street address to deliver packages. They will not deliver to P.O. boxes.
- FedEx has a service similar to UPS and can offer some different benefits based on your need. You also may find that customers in some areas of the country may prefer FedEx over UPS (or vice versa) because of service to their location.

Regardless of how the order is shipped, it is a good idea to notify the customer that their order has shipped and to provide them with a shipping number that they can track online.

*ACTIVITY: Visit the websites of each of the three shipping services mentioned. Analyze each in terms of cost, limitations on size, and delivery options.*

## **How can I use Web forms to build my online business?**

An online form resembles any kind of printed form that you need to fill out when you subscribe to a magazine or open a bank account. It is an excellent way for the person visiting your website to send you information electronically. This information can be used in a variety of ways:

- Create a mailing list of customers.
- Create a mailing list of potential customers.
- Provide you with feedback about your art.
- Place an order.
- Provide demographic information about your customers.

As you consider the alternatives, you will want to check with your Web designer and consider the expense. For example, an order form may be best for a production artist, while other artists may prefer to take orders by phone because they then have the chance to establish direct contact with the customer.

## **Instead of all this, could I just sell my work on eBay or Etsy?**

Yes, you could, and many people have opted for this type of forum. These communities offer a relative ease of doing business, because many business management issues are handled for you:

- eBay offers two ways to sell—either through an auction or by fixed price. With the auction option, you will name a starting price and, if you choose, a reserve. People then place bids and at the end of the auction, the person with the highest bid wins. The fixed price option is like purchasing an item in a shop. eBay uses PayPal as a payment system. Signing up as a seller is also fairly straightforward. See [www.ebay.com](http://www.ebay.com).
- Etsy bills itself as “the place to buy and sell all things handmade.” It offers a wide range of categories and since its beginning has grown rapidly to over 100,000 registered sellers. See [www.etsy.com](http://www.etsy.com).

Although both these sites offer the seller a number of services, there are several points to remember:

- Expect to pay a commission or cost for the services.
- If you use one of these sites, you are just one member of a larger group of “sellers.”
- Users have reported that if you use Etsy, you will need to update your page daily or you will drop to the bottom of the listings.
- Because these sites offer such a broad range of products, it may be difficult or even impossible to maintain the level of professionalism that is consistent with your artwork and your own site. Having your own website is like a stand-alone building that you can decorate to suit your particular vision. Being on Etsy, eBay,

or similar sites is more like being in a shopping mall where you can be judged by the style and appearance of your next-door neighbor.

For further information and tips on getting started on eBay or Etsy, check a resource like [www.ecommerce-guide.com](http://www.ecommerce-guide.com).

## **How do successful artists keep business records of their online business?**

The records that you keep for an online business are no different from the records that you keep for your creative arts enterprise. You need records of your online business for a number of reasons:

- To build the respectability of having written records.
- To pay your tax obligations.
- To keep records of your customers.
- To fulfill federal obligations with credit card records.
- To be able to accurately analyze and evaluate the effectiveness and sustainability of your business.

Your online business is a day-by-day operation. It requires that you have a system of checks and balances that are followed to close out business each day. Since you are doing business online, it is best to process orders on the day they arrive or on a regular schedule each week. A daily closeout of business will ensure that credit cards are authorized, orders are marked for shipment or back order, and production needs are evaluated.

There are a number of software systems that will make the task of recordkeeping easier. Quicken and Quickbooks are two examples, or visit [www.intacct.com](http://www.intacct.com) to investigate an online alternative.

## **Should I stay or should I go...or how do I know if my ebusiness is working?**

As with any entrepreneurial venture, an online business will require you to invest time and money. Although producing your art may seem to be the most crucial part of your business, monitoring its sustainability is of equal importance. On an ongoing basis, you will need to decide the following in order to make the decision whether or not you still want to pour money and time into the endeavor:

- The measure of success for your business.
- The length of time that you feel you can “hang in there” with your business.
- How the ebusiness fits with your original goals.

To help you make those decisions, you will need to collect a variety of information including:

- Number of hits (visits to the website).
- Phone calls you receive.
- Emails that you receive from potential customers.
- The sales that your site generates.
- Increased customer visits to your working studio.
- Number of other sites linking to your site.
- Number of repeat customers.
- Increase or decrease in your income.
- Feedback and comments that you receive.
- What the site actually costs you in time and money to make it work.

*ACTIVITY: Because your website needs to be incorporated into both your business and marketing plans, review those two documents to ensure that your Web business is included. Add it to those plans now, if you haven't already done so, because you will want to have a clearly defined method for analyzing customer response to your ecommerce efforts .*

*ACTIVITY: Create a plan for regularly checking the statistics you have gathered (listed above) against your goals for your Web presence, your marketing plan, and your business plan.*