

Managing Cash Flow

blackarrowbooks (939)(view author's auctions)

01/05/04 6:30 AM

Lately I've been having pricier and pricier items offered to me. Just today, I got an email about a signed copy of Ulysses with the separate six loose illustrations also included. Other high price items are also pending negotiation.

I'm happy to pay \$1000 for a book - and that's no problem when managing cash flow - but paying \$20,000 or whatever for a single purchase, such as the Ulysses (with the six loose illustrations) presents new problems to me.

Is it feasible to finance book inventory or does it make more sense to limit expenditures to available cash flow from the business???

I don't expect anyone to answer that for me, since I have to crunch the numbers for myself and make my own decision. But I'd be interested in any thoughts or comments about financing antiquarian book inventory.

bookspid (0)(view author's auctions)

01/05/04 7:15 AM (# 1 of 25)

As you said, you have to crunch the numbers yourself; however, financing your book inventory is akin to buying stocks on margin. If you know what you're doing, you can leverage your profits considerably. However, if you make a mistake, you not only lose a portion of your investment, but continue to pay interest on the full price (sort of leverage in reverse). Personally, I do take advantage of leverage, but only on lots of books of which:

1. I know the current market.
2. I know approximately how long it will take me to turn over the inventory and repay the financing.
3. I can fairly accurately determine my ROI (return on investment).

Financing a single high-priced book seems a little risky as, if can't be flipped fast enough, your cost continues to increase via the interest charges, and your ability to finance other purchases is impaired by your existing debt.

This is just some random rambling in response to your post, perhaps giving you a couple things to consider in making your decision.

hollowayd (1099)(view author's auctions)

01/05/04 7:53 AM (# 2 of 25)

several years ago I was talking to a dealer about prices for Chagall books with original lithographs. He said he knew a print dealer who had been buying the books up hand over fist, had run up over \$50,000 on credit cards to sell them in Japan... the Japanese economy took a bath, prices of the prints dove precipitously and the dealer was stuck in very heavy debt..

"So there was only one thing for him to do."

I nodded my head sagely imagining various bankruptcy proceedings.

"He got 'street money' and now he REALLY has to work to pay the interest."

and I thought booksellers were crazy!!!

The last single purchase I went into serious debt for was a set of the Nonesuch Dickens.. auction prices had been very high for the last several years... which brought several sets onto the market at the same time I had mine...which caused the price to sink and the liquidity to suffer at the same time... I made money on the transaction, but not as much as I thought I would....just remember that many factors that effect a books value and the ability to sell a book are outside of your control...

blackarrowbooks (939)(view author's auctions)
01/05/04 8:06 AM (# 3 of 25)

All Good Points & Very interesting examples!! Thanks!

I think I'll put out a feeler or two to see if I have a ready market for some of these items.

I don't mind carrying a twenty or thirty thousand dollar permanent inventory, but I don't really want it escalating precipitously - at least not anytime soon.

Now back to packing & shipping!

chihuahuarat (0)(view author's auctions)
01/05/04 9:37 AM (# 4 of 25)

I don't believe that cash flow per se is really the point. If you are going to be serious about selling books, I believe you better have a line of credit available as you never know when an opportunity too good to pass up will present itself. Fortunately, I have an investment account so I can borrow from myself immediately by just writing a check. A home equity line of credit would also work well. The only drawback is having the discipline to pay yourself back. If you have to use credit cards to finance inventory, however, it can get expensive. But sometimes you may have no choice. And some people can even get businss loans from banks.

Personally I'd be leery about trying to turn \$10,000. books no matter what they comp at. For that kind of money I want to diversify.

fine.books (748)(view author's auctions)
01/05/04 9:56 AM (# 5 of 25)

blackarrowbooks: I think a combination of your own musings, coupled with chihuahuarat's thoughts have probably answered your own question. It does take time to build a client list, and now and then we're offered better material than our client list allows us to move easily. There are, however, several examples of cartel buying and selling these days - especially among the Modern Firsts dealers, who often "split a book" two or three ways, in order to minimise initial outlay, while still being able to maintain high-dollar inventory. Have you considered offering half of the Ulysses to a colleague with whom you do business regularly? Yet another errant thought....

howebooks (202)(view author's auctions)
01/05/04 10:30 AM (# 6 of 25)

Interesting thread, blackarrowbooks, and comments by all. My only suggestion is to stick with the level of risk that is more excitement than worry. It not as though you need to take risk to build a business that is vital to your financial survival.

The cartel practice that fine.books mentions is something that I have done informally, and I would be interested in any tales he know of as to how easy it is to get agreement on selling price, etc. I no longer do it because of differences in desired timelines, effort in selling, etc.

blackarrowbooks (939)(view author's auctions)
01/05/04 11:51 AM (# 7 of 25)

Ouch! Was just told that repairs for my Oldsmobile Eighty-eight will cost about \$2,500. It only has 60,000 miles on it, so I guess it's worth it to keep it going another 40,000 miles or so.
:)

Thanks for all the comments! Terrific input from everyone!

howebooks Your comment hit home. I'm leery of being in any transaction where I'm not the one 'calling all the shots' or where there may be friction or disagreement.

If I can get the Ulysses & portfolio of illustrations for an acceptable price, I'll go it alone. It's a book that's just too good & too unique to pass up. Handling a copy just once would be a terrific experience. - And after all, bookselling has to be fun or it's not worth doing at all.
:)

But I may have to pass on some other pending items, if I am fortunate enough to acquire it.

satnrose (4192)(view author's auctions)
01/05/04 1:16 PM (# 8 of 25)

I know a noted bookdealer who bought the personal collection of a deceased children's author for \$18,000 with the stipulation that the collection be kept intact as a whole.
He sold it 3-1/2 years later for \$45,000.

Sounds like he made money, doesn't it?

But in actuality, he would have made much more if the money had not been tied up for so long. He told me it ruined his credit, his business, his health and his marriage.....

putzi (2127)(view author's auctions)
01/05/04 1:31 PM (# 9 of 25)

I read with great envy about the estate sales, the great FOL's the offers ect. You people here seem to encounter .
For the last 6 years for every \$100.00 I sell I spent about \$10.00 buying. VERY DEPRESSING

relaxatwishful (585)(view author's auctions)
01/05/04 1:39 PM (# 10 of 25)

Satnrose,

That is indeed a high price.

zwish (0)(view author's auctions)
01/05/04 3:15 PM (# 11 of 25)

A "depressing" 1000% gross profit? Right, you would have been much better off invested in the Dow, the NAZ, the S&P, the Russell over the last 6 years.....

Ohhhh! Cattle futures, where the real dough is!

putzi (2127)(view author's auctions)
01/05/04 3:54 PM (# 12 of 25)

Zwish , I don't know how You compute this 1000% profit. ALL I said, that for every \$100.00 I "sold", I bought about \$10.00. You have no idea how much money I had invested in these \$100.00 , right.
Yes I would like to buy an estate, a library, but I guess ,where I live it will not ever happen.

putzi (2127)(view author's auctions)
01/05/04 4:03 PM (# 13 of 25)

I am refering to mechandise I HAD already, prior to ebay.

blackarrowbooks (939)(view author's auctions)
01/05/04 5:40 PM (# 14 of 25)

putzi It's possible to live in the boonies and still get good inventory.

I'm not saying it would work for everyone, but I buy most of my inventory on the internet, or as the result of contacts that come through my website on the internet.

The Ulysees email came from someone in Edinburgh, Scotland who found me via my website. I bought a pristine Neiman Moby Dick from a seller in California, sight unseen. I bought a Franklin Library collection

from a Florida seller who contacted me through my website. etc, etc.

And eBay is a good source. As just one example, I bought this book tonight on eBay for \$153, knowing that I can turn copies of it regularly and fairly quickly for \$225. Considering the minimal effort, time, and overhead costs incurred in making such a purchase, that works for me, although it might not for others.

I do happen to live in a metro area, but I've only made one house call & offer for a collection in the past year (offer pending, not yet accepted). And that was also as a result of being contacted by the seller through my website.

Library sales and org sales and estate sales stopped being worth my time, so I stopped going to them (except sometimes for fun).

sparrowsnestbooks (1804)(view author's auctions)
01/05/04 5:52 PM (# 15 of 25)

blackarrowbooks Bill, you continue to amaze me!! I remember the old days when you were hawking Reich's Deja Dead!! Now you're considering, without shuddering and retching, a \$20,000 acquisition! I think fine.books better watch out -- you'll be dealing in incunabla before you can say movable type!!

blackarrowbooks (939)(view author's auctions)
01/05/04 6:11 PM (# 16 of 25)

sparrowsnest No chance of that!!! It would take me a lifetime to acquire the kind of knowledge and experience he has - lol

You never know what you'll be offered, once you establish a website. I highly recommend it!

Deja Dead! Yep, I remember that one. Got several copies for \$1 each and was happy to sell them for \$10 each.

fine.books (748)(view author's auctions)
01/05/04 7:24 PM (# 17 of 25)

blackarrowbooks: you'd be surprised how little you really have to know, when your specialty is really, really, really narrow.

;)

howebooks: tales of, "how easy it is to get agreement on selling price, etc?" As you intimate, it can be like pulling teeth to get two or three booksellers who each own a piece of the pie, to agree on a selling price. Buying a bok together is a good way to lose friends.

;)

It's also, however, a good way to maintain top-flight inventory, if you like the thought of carrying great books like the Ulysses that BlackArrow is contemplating. We were recently offered three noble fragments which the (private) seller refused to split up, and ended up "going halvesies" with another dealer (who luckily happens also

to be an old friend), in order to manage the purchase comfortably. The profit is split, of course, but there's the satisfaction of handling 'great stuff' coupled with the, "half a loaf is better than none," premise, which has to be weighed into the balance. But yeah... I've seen partnerships torn asunder over joint buying and selling. Not pretty at all....

howebooks (202)(view author's auctions)
01/05/04 10:03 PM (# 18 of 25)

fine.books I'm relieved to hear that those situations are just as common with others and at other levels of selling. Most of the time I co-bought in past, it was with a boyfriend. I fancied that it would give us yet another cozy little pursuit to spend lovebird time on; wool-socked feet up on the coffee table, plotting and strategizing together. :^) I am such a stubborn dreamer! :^) Surprisingly, now that we are good buddies instead, we are falling into an easy cartel-like possible sale of an old trombone. I bought it, and semi-gave it to him, saying, "You can have this if you want it". I didn't really understand at the time that saxophone playing and trombone playing were not much related. Surprisingly, to me at least, as buddies we were able to quickly come up with several strategies for selling it, and what to do with the profits, once he found out that it appears to be valuable. There's a beeg lesson there for me, if I care to ponder it. :^)

blackarrowbooks I hope you keep us updated on this exciting event!

blackarrowbooks (939)(view author's auctions)
01/09/04 6:48 PM (# 19 of 25)

Howebooks Since you asked:

The Ulysses fell through. - But that's okay. There'll be another time.

Meanwhile, I offered \$8,500 for a substantial Leroy Neiman Moby Dick collection tonight. Will followup with phone call tomorrow, but I think it likely the offer will be accepted.

skipper204 (90)(view author's auctions)
01/09/04 6:55 PM (# 20 of 25)

blackarrow just out of curiosity (uh-h-h, not truly out of curiosity -- I really, really want to know), how long did it take before you were offered the quality books I've seen discussed here lately? 5 years? 10 years? More?
Thanks!

howebooks (202)(view author's auctions)
01/09/04 8:59 PM (# 21 of 25)

blackarrowbooks thanks for letting us know. BTW, the trombone "find" also "fell thru" as to fabulous value :^) the Moby Dick collection sounds neat!

putzi (2127)(view author's auctions)
01/10/04 5:57 AM (# 22 of 25)

Skipper. Thanks to Arrowbooks persistent recommendations of a Webpage, I just finished a crude, rudimentary, but free ebay page, where I expressed my desire to buy specific books of interest to me.
May be You want to give this a try. I don't know, whether it will bring anything.
I have to work on the lay-out yet, but I have to figure this stuff out first, I ain't a webmaster yet.

blackarrowbooks (939)(view author's auctions)
01/10/04 6:30 AM (# 23 of 25)

skipper204 I started selling books about four years ago on eBay. But I've been specializing (LEC, Franklins, etc) for less than a year. The change to specializing, coupled with the website, has made all the difference for me. - So in answer to your question, I guess I'd have to say it took about 3 years.

But you have to be proactive too. As an example, one of my best buys during the past year was from a public library in Texas. (I'm in Georgia.) While browsing & searching listings on a major fixed price site, I noticed that the Texas library had a number of pricey post-1980 LEC titles listed, and that their price was typically the lowest listed for the title, while their condition grades were all "As New". I made a list of all the LEC books that they had listed, did some calculations & research, and emailed their rare book department with a lump sum offer for all of their LEC books. - They accepted the offer.

I regularly prowl the web, looking for inventory at a good price.

But most contacts have come from visitors to my website.

quartzierose (93)(view author's auctions)
01/10/04 6:45 AM (# 24 of 25)

Thank you for this thread Blackarrowbooks. A lot of good information here.

I like the idea of browsing the web for bargains. I've recently chosen an area of books I think may in the future command higher prices/interest. I was surprised the range of prices I found, most lower prices being on smaller sites. Note - speculation buying is a small percentage on the strategies list.

blackarrowbooks (939)(view author's auctions)
01/10/04 6:58 AM (# 25 of 25)

howebooks Yep! Neiman's art is currently a bargain relative to historical prices - if you 'shop around'. His popularity cycle is at a low, but likely will swing up in a year or two - especially if he & Cousteau should pass on.

In any event, the current affordability of his work brings the collection into my price range.

The suite of four signed limited Moby Dick serigraphs (approx 19 inches x 30 inches each) may just end up on my walls with a copy of the signed limited book, in which they also appear, displayed on the shelf below.

That would still leave me with 9 items to sell for profit.

:)

Well, time to do other things! Have a great day!!