

Topic 1(j) Selling

Sources of money

One source of money is to sell something you own but no longer want.



Suppose you want to sell something you own. How would you tell people about what you have to sell?

For example

Omar has grown too big for his bicycle. He and his parents decide to sell the bike and put the money towards buying a new one. They place this advertisement in the local newspaper's 'For Sale' column:

<p>FOR SALE</p> <p>Boy's bike. Nearly new</p> <p>Good size for 11-12-year-old</p> <p>Call 07730 123456</p>	
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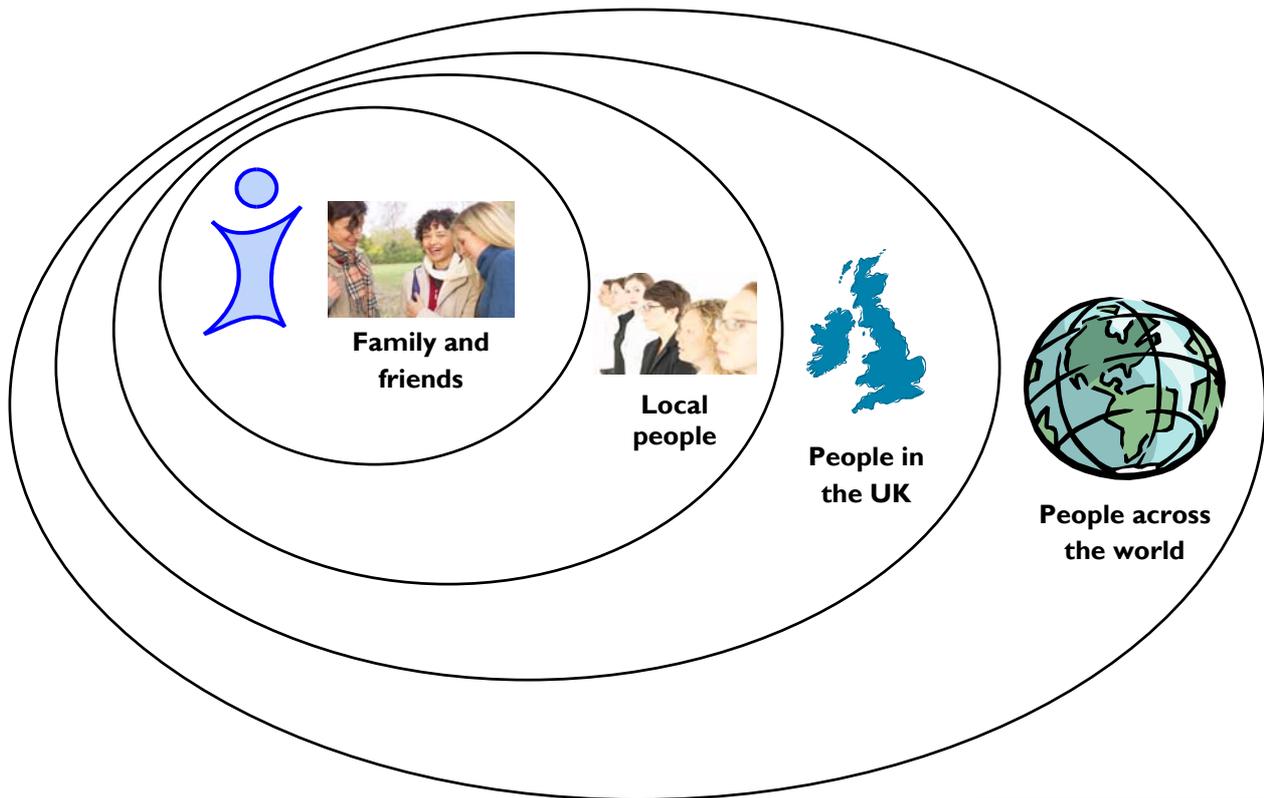


Think about the people who are interested in buying a bike. What other information will they want to know before they can make a decision about buying Omar's bike?

Where you can sell stuff

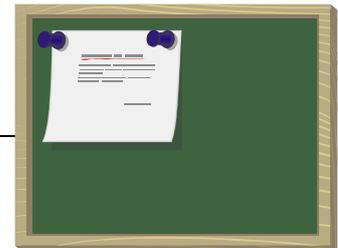
There are different places you can sell your stuff. There is your circle of family and friends.

There are also larger circles of people as shown on the following diagram.



You can sell things in different ways:

<p>To local people</p>	<p>You can sell to local people by:</p> <ul style="list-style-type: none"> ● advertising in local newspapers; ● putting an advert on a notice board in a local post office, shop, library or school (if this is allowed); ● going to a shop that buys second-hand goods; ● going to a car boot sale.
<p>To people in the UK</p>	<p>You can sell to a larger number of people by:</p> <ul style="list-style-type: none"> ● advertising in national newspapers or magazines; ● putting your item into an auction that is advertised on a website and through catalogues.
<p>To people across the world</p>	<p>You can even sell to people across the world by:</p> <ul style="list-style-type: none"> ● advertising on eBay.



What is the advantage of advertising where more people will see your advert?

What is the advantage of selling your item locally?

Auctions

An auction is a way of selling items to whoever offers the most money for them, instead of selling them for a fixed price, like in a shop.

Did you know?

In November 2004 Terry Wogan hosted an auction on his radio show for Children in Need. £303,800 was raised including:

- £7,700 for a visit to the set of *Emmerdale*;
- £17,000 for a Smart car signed by the England rugby team;
- £30,000 for Katie Melua to visit someone's home and sing for them.



The person who is in charge of selling at the auction is called an **auctioneer**.

Most auctions are arranged by **auction houses** – businesses that can tell you how much goods are worth and then sell them at auction for you. You might have heard of the auction houses Sotheby's, Christie's and Bonhams on the news when something famous or very expensive is sold.

Suzi's grandmother has given her a silver jug. Gran wants Suzi to sell the jug and use the money to buy a mobile phone.



Selling at auction involves the following steps:

1. Find out how much items are worth



Suzi goes to her local auction house to get a **valuation** of the silver jug. A valuation is when an expert in selling that type of item tells the owner how much he/she thinks it could make at auction.

The expert asks her what she knows about the jug's history. Suzi explains that her Gran was given it as a wedding present. The history of items is called the **provenance**. The history can affect the value of an item. For example if someone famous owned it in the past, people will pay more for it.

The jug is very old and has **hallmarks** on the bottom that tell the expert when and where it was made. The expert tells Suzi her silver jug should sell for between £250 and £300 at auction.

2. Decide a reserve price

Suzi can set a minimum price for selling the silver. This is called the **reserve price**. If no one offers as much as this reserve price, the auctioneer will not sell the jug. As the valuation for the silver is £250 to £300, Suzi sets a reserve price of £250.

3. Put your item into a sale



A sale catalogue

The auction-house expert advises Suzi to put her jug into a specialist silver sale. This means that people who want to buy silver will be at the sale and Suzi is more likely to sell her jug for a good price.

The silver sale is in one month's time. The auction house advertises the items they have for sale on their website and in a booklet called a **catalogue**. Each item is given a number called a **lot number** so that people can identify which item they are interested in buying.

4. People look at your item in the saleroom or online or in the catalogue

The silver sale starts at 2pm. In the morning Suzi's jug and all the other items for sale are put on display in the saleroom. This means that people who are interested in buying something can examine the silver in detail. This helps potential buyers decide how much they are willing to pay for the item.

People who cannot get to the saleroom can make a decision about buying silver based on the descriptions online or in the paper catalogue.

5. Some people give bids to the auctioneer before the sale

Sometimes people want to buy an item but cannot be at the auction in person or on the telephone. So they tell the auctioneer how much they are willing to pay for it. These are called **commission bids**. Bids are when people say how much they will pay.

6. People bid for the item at the sale



At the sale the auctioneer tells people which item he/she is selling by giving the lot number. A porter holds the item up or points to it so that everyone is clear what is being sold.

The auctioneer then asks for bids. People who want to buy get the auctioneer's attention by raising their hand or their buyer number. People who cannot be in the saleroom can arrange to bid by telephone.

The auctioneer asks for more money each time there is a new bid. If two or more people want an item they can keep increasing the amount of money they bid – trying to bid more than others and so get the item for themselves. This can be very exciting. Buyers have to be careful or they can get carried away and end up paying more for something than they planned.

Two bidders want Suzi's silver jug. They bid against each other until the price reaches £310. Then one bidder decides not to take the price any higher.

7. If the item is sold – seller gets the money and pays charges.

Suzi's jug sells for £310. The auction house sends her a cheque for this amount, minus their charges for selling the silver.

8. If the item is not sold – seller makes a decision about what to do next.

If no one wanted to pay Suzi's reserve price of £250, the auctioneer would not sell the jug. Items that are not sold can be put into another auction or the owner might decide to keep them.



Do people who sell at auction know how much money they are going to get?

eBay

eBay is an Internet market. The UK site is at www.ebay.co.uk. People sell things on eBay in two different ways. They either auction items or sell them for a fixed price. Sellers must make it clear whether they want bids on their items or want to sell for a fixed price ('Buy It Now') in their online advert.

Selling something on eBay means that people from around the world can look at the item. They can then decide whether or not to bid for it at the online auction, or buy it straight away if the item is on sale as a Buy It Now.



How do you think people decide how much their item is worth when they want to sell on eBay?

The steps involved in auctioning an item on eBay are very similar to the ones for selling at a local auction house.

Let's take the example of Barek who wants to auction his drum kit.



<p>1. List your item on eBay.</p>	<p>Barek uses eBay's online form called 'Sell Your Item' to put information about his drum kit onto the website.</p> <p>Barek needs to include a clear description of the drums, where he lives, how he wants to be paid and how much postage he wants to charge. He decides to include a photo of the drums. Also, instead of shipping the drums to the buyer, he wants the buyer to collect the drums from his home.</p>
<p>2. Decide starting and reserve prices.</p>	<p>Barek must set a starting price. This should be an amount that will attract bidders, so he decides on £10.</p> <p>He decides not to set a reserve price because he is confident his drums will sell and eBay charges an extra fee for items with a reserve price.</p>
<p>3. Decide how long the eBay auction will last.</p>	<p>Barek must also decide how long his listing will be on eBay – this is the length of time that people have to make bids. When the listing period comes to an end, Barek will sell his drums to the highest bidder.</p> <p>eBay listings can last 1, 3, 5, 7, or 10 days. Barek decides to list the drums for 7 days.</p>
<p>4. Decide on the style of the listing.</p>	<p>eBay offers different styles of listing for different costs, e.g. the use of photos, bold text and background colour.</p>
<p>5. People look at your item online and make bids.</p>	<p>People who are interested in buying drum kits go to eBay and see what is available. They make bids on the items they want.</p> <p>After 7 days Barek's highest bid is for £145. The buyer has the online name 'music_man'.</p>
<p>6. If the item is sold – seller gets the money and pays charges.</p>	<p>Barek contacts music_man by email to let him know how to pay the £145.</p> <p>Barek decided to use eBay's PayPal system for payments when he first created his listing because it is very secure. PayPal works like a bank account. Both the buyer and the seller need to have PayPal accounts. Music_man pays by transferring money from his account to Barek's account. When Barek receives an email from PayPal saying that the money has been paid, he contacts music_man (real name Joe) to arrange for him to collect the drum kit.</p> <p>Barek also pays charges to eBay for using their site and the PayPal system.</p>

<p>7. If the item is not sold – seller makes a decision</p>	<p>If no one bids on Barek’s drum kit, he can try to sell them again or decide to keep them.</p> <p>If he decides to auction the drums again, he might want to check his listing details. Perhaps his drum kit would attract more buyers if he worded the description in a better way, wrote a better title for the advert or had a better photo.</p>
<p>8. Seller and buyer give each other feedback</p>	<p>An important part of the eBay service is that sellers and buyers leave information about the sale on the site. This is called feedback. This feedback means that other eBay users can check if the buyer or seller is trustworthy.</p>



How old do you think you need to be to buy or sell on eBay?

Did you know?

A mobile phone sells every minute and a car sells every 4 minutes on eBay.co.uk

How much money will the seller get?



Suppose Ali buys a mobile phone for £125. After one year he wants to sell the phone. Do you think he will get £125 for it?

Many things that are old are worth less than when they were new, for example mobiles, cars, clothes, and computers. This decrease in value is called **depreciation**. Items are said to ‘depreciate’ in value.

Depreciation happens because people tend to value new things more highly than old ones. Also, older things have been used and so will have ‘wear and tear’ damage and will not have the latest functions or gadgets. So a two-year-old car sells for less than the same model that is brand new.

Did you know?

Some items depreciate over time. For example, cars will depreciate by a certain amount depending on their age and condition. Sellers can check how much to charge for old cars in books such as *Parker's Car Price Guide* or by going to websites such as www.parkers.co.uk (free valuations) or www.glass.co.uk (*Glass's Motoring Guide*, which charges for car price reports).





There are some exceptions to depreciation, such as antiques and items that have been owned by famous people. These things increase in value. Homes may also increase in value, but this is not always the case.

Sale and buy back



What do you think the three-ball symbol in the photo on the right means?

Source: This example is from the National Pawnbrokers Association website, History section (see www.thenpa.com)



Instead of selling something, people can raise money by borrowing against it. **Pawnbrokers** are businesses that will lend money against a valuable item. The item that is given to the pawnbroker as security for the loan is called the **pawn**.

The borrower signs a credit agreement with the pawnbroker who gives the borrower a receipt for the pawn. When the borrower pays back the loan and presents the pawn receipt, the pawnbroker gives back the pawn. People usually borrow money for up to six months from a pawnbroker. This system of borrowing against security is also called sale and buy back.

If the borrower isn't able to repay the loan when the money is due, the pawnbroker can sell the pawn to get the money owed.

For example, Viv borrows money against her diamond ring. The pawnbroker gives her cash and keeps the ring. When Viv pays back the loan and interest, she hands the pawn ticket back to the pawnbroker who gives her back her ring.



Have you seen 'pawnbroker' shops in the high street of your town or city?

'Pawnbroker' is the correct name for these businesses but many people feel this is an old-fashioned word. Shops tend to use more modern descriptions such as 'cash converters' or just have signs that say 'cash paid'.

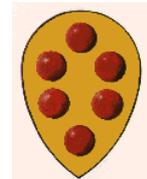


Did you know?

Pawnbrokers have been making loans for thousands of years.

There is evidence that pawnbrokers worked in China around 3,000 years ago.

The three golden balls symbol has been used to identify pawnbrokers since about 1750. The symbol was taken from the coat of arms of the Medici family because early pawnbrokers worked in the area of Italy that belonged to the Medici family.



Pawnbrokers must follow the rules of the Consumer Credit Act, just like banks and other organisations that make loans.

Source: Information from the National Association of Pawnbrokers website: www.thenpa.com



Review questions

1. What does an auction house do?
2. Why would you set a reserve price on something that you are selling at auction?
3. Which of the following is the correct definition of an auction 'lot':
 - a. the amount of money that someone is willing to pay for an item;
 - b. the number used to identify a buyer in the saleroom;
 - c. an item for sale in the auction?
4. Do auction houses make charges for selling items in a sale?
5. What selling services does eBay offer?
6. What is a 'listing' on eBay?
7. What do people use PayPal for?
8. Why do you have to be aged 18 or more to sell something at auction, on eBay or to a pawnbroker?
9. Why do many things decrease in value as they get older?
10. When does a borrower get their pawn back from a pawnbroker?



Case study

Cassie wants to sell her mobile phone because her parents have bought her a new one for her 18th birthday.

She is considering different selling options:

- a. placing an advert in her local newspaper;
- b. putting the mobile into an auction for general household items;
- c. listing it on eBay.

Advise Cassie

1. Which selling option would you recommend for her?
2. Why do you think your recommendation is the best option?



Learning activities



Internet

1. Search for a local auction house with a website on yell.com. Visit the website and find out what advice the auction house gives to people selling items. Then look at information about sales the auction house has held in the past and the sales they are planning on holding in the future. What different sorts of things does the auction house sell?
2. Go to www.ebay.co.uk and find the section called 'eBay Explained' under the Help tab. Find out when eBay was launched. Then work through the tutorials on 'How do I sell?' and 'PayPal'.
3. Go to www.ebay.co.uk and look for an electric guitar or a different item that interests you. What makes one advert more appealing to you than another?



Group

1. Hold an auction. Divide the group into teams. Each team needs to:
 - a. cut a picture from a magazine or draw a picture of an item the team wants to sell;
 - b. set a reserve price for their item;
 - c. select someone to be your team's auctioneer.

Each person is told an amount of (pretend) money they can spend at the auction such as £200, and given a buyer number.

Before the auction starts each auctioneer introduces the item they have for sale to the whole class and explains why it is a very attractive thing to buy. The rest of the class think about what they want to buy at the auction.

Then the auction starts. The auctioneer takes turns to describe their lot and invite bids. Others in the class can bid on items they want, but cannot 'spend' more than the amount of money they have been allocated.

Auctioneers invite bids that increase by:

- £2 for values up to £20;
- £5 for values between £20 and £50;
- £10 for values over £50.

For example:

'Who'll start me at £20?' Then 'Who'll give me £25?' And so on.

2. In small groups write a newspaper advert to sell a musical instrument, unwanted present, old sports equipment or mobile phone. Decide what you need to include

in the advert to attract buyers, but use as few words as possible because the newspaper charges for each word printed.

3. Look in local newspapers for adverts from pawnbrokers/cash converters. Discuss why you think there are fewer pawnbrokers in towns now than in the past.



Individual

1. Watch TV programmes that show auctions such as *Bargain Hunt*, *Flog It!*, *Houses under the Hammer* or *House Auction* to see how auctions work.
2. If you know someone who has sold or bought something on eBay, ask that person to explain to you how the sale worked.
3. If your family goes to car boot sales: next time you go try haggling for an item you want to buy. Notice what items tend to sell at car boot sales (for example, is it clothes, music players, ornaments?).



Key points for Selling

- People can raise money by selling things they own but no longer want.
- There are many different ways of selling things, such as placing advertisements in newspapers, going to car boot sales, going to auctions, selling on eBay and going to a pawnbroker.
- To make a sale, adverts need to be seen by people who are interested in buying your item. Different ways of selling items means that the seller's advert reaches a different group of people. For example, local newspapers, specialist auctions or Internet markets like eBay.
- An auction is when an item is sold to the person who offers the most money for it.
- People who sell at an auction need to get a valuation of their item and decide a reserve price.
- Auction houses advertise items for sale in paper catalogues and on their websites.
- People who are interested in buying an item go to the saleroom to make bids, or join the sale by telephone or leave a commission bid with the auctioneer.
- Auction houses charge for their services – this cost is taken from the amount of money made by selling the item.
- People who sell at an auction don't know how much money they will get for their item. If the item sells, they will get at least the reserve price. They could get more if two or more bidders want it. If the item does not sell, the seller gets nothing.
- eBay is an Internet market. There are two ways of selling on eBay – by holding an online auction or by setting a fixed price (Buy It Now).
- Sellers create listings on eBay that give details of what they have to sell, how they want to be paid, how much postage will cost and where they live.
- Auction listings can last 1, 3, 5, 7 or 10 days. This is the length of time that buyers have to bid on the item. At the end of this period, the highest bidder buys the item.
- PayPal is a secure payment method offered by eBay. It works like a bank account. Both the buyer and seller must have a PayPal account. Buyers pay by transferring money from their PayPal account to the seller's PayPal account.
- Buyers and sellers need to be 18 years or more to use eBay. Sellers also need to be 18 years or older to sell at auction or borrow from a pawnbroker.
- 'Depreciation' means that goods lose value as they get older and are used. For example, you can buy an older car more cheaply than a newer car of the same model.
- Pawnbrokers are businesses that lend money against an item of value. The item is kept by the pawnbroker until the borrower repays the loan and interest. The item is called the pawn.
- Pawnbrokers used to be identified by three golden balls hanging outside their shop. Nowadays pawnbrokers are often called 'cash converters' or are shops that 'buy for cash' and they often do not use the three-ball symbol.