

## RPM Tips & Tricks:

### *Net Reserves: Guaranteed Net-to-Consignor Payments*

#### Background

Some auction houses set a 'net reserve' price for one or more items. The 'net reserve' option determines how much to pay the consignor, regardless of how much the item sells for.

Example: A consignor is offering a brass spittoon. He wants either \$200.00 (net-to-him) or greater (if it sells for more than the net-to-him-plus-his-usual-consignment-percentage). The auctioneer may decide to sell the item for less than the 'net-to-consignor' because he/she will make up the difference in the buyer's premium or other items from the same consignor.

In layman's terms: The consignor is guaranteed a minimum of \$200.00 for the spittoon. At auction, let us look at different hammer prices and their effect on various elements of the sale...

(Assume a 20% Consignment fee)

<u>Net Reserve</u>	<u>Hammer Price</u>	<u>Consignment Fee</u>	<u>Net-to-Consignor</u>	<u>Net-to-Auctioneer</u>
None	200	40	160	40
None	150	30	120	30
None	220	44	176	44
None	300	60	240	60
\$200.00	200	0	200	0
\$200.00	150	-50	200	-50
\$200.00	220	20	200	20
\$200.00	300	60	240	60

(Remember that the consignor is guaranteed the 'Net Reserve' price, regardless of hammer price.)

#### How to Implement a 'Net Reserve' Price

**Path:** Auctions – Preparation tab – Inventory Master

Auctions – Preparation tab – Add/Edit Lots – Add Lot to Current Lot Number

Note: Items must be pre-lotted. There is no provision for reserves in a non-lotted auction.

When adding inventory, enter the reserve price into the 'Reserve Price' block. If this is to be a 'Net Reserve', select '-Nett-' from the 'Reserve Type' dropdown box. Calculation of 'Net-to-Consignor' is automatically performed during the Consignor Payment process.

Use of any other 'Reserve Type' has no effect on amount(s) due to the consignor.

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The screenshot shows the 'Inventory Master' window in AuctionRPM. The 'Reserve Price' field is highlighted with a red circle and labeled 'Reserve Price'. The 'Reserve Type' dropdown menu is also highlighted with a red circle and labeled 'Reserve Type'. The dropdown menu is open, showing 'NET' as the selected option. The 'Cost' field is 3.00, 'Estimated' value is 15,000.00, and 'Insured Value' is 0.00. The 'Appraised Value' is 0.00. The 'Consignor Code' is 1, 'Category Code' is 1, and 'Serial Number/VIN' is Sample Demo Data. The 'Consignment Fee Code' is 1 with a 25% fee. The 'Buyback Fee Code' is empty. The 'Save', 'Done', and 'Clone' buttons are visible. Below the form is a table with 5 items, including a 1948 Herway car. The status bar at the bottom shows 'Press F1 for help at any time.' and the date/time '7/12/2005 2:19 PM'.

Item #	Short Description	Serial Number/VIN	Consigner Code
1	1948 Herway	Sample Demo Data	1
2	Genuine imitation pearl necklace	Sample Demo Data	1
3	Leather belt 38", tooled	Sample Demo Data	3
4	Autographed picture of Myself	Sample Demo Data	2
5	The Mummy - 45RPM single, Bob McFadden & Dor	Sample Demo Data	1