



# Startup Journal

THE WALL STREET JOURNAL *Center for Entrepreneurs*

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## Finding a Small Business In the Back of the Closet

By LAUREL-ANN DOOLEY

Starting a business was the last thing Shannon Wilburn and Davon Tackett were thinking about when they decided to sell the toys and clothes that their children had outgrown.

"It didn't even cross our minds," recalls Ms. Wilburn. "We just said, 'Let's have a weekend sale to make a little extra money.'" Her mother had told her about an event in Dallas where people sold their kids' castoffs en masse, so the pair thought they would try the same concept in their hometown of Tulsa, Okla.

Recruiting friends, they pulled together 17 consignors -- parents like them with piles of kids' stuff that they no longer needed -- and set up racks in Ms. Wilburn's living room. They made \$1,800 in sales and were thrilled.

Nine years later, that weekend whim has become into a national enterprise called Just Between Friends ([www.jbfsale.com](http://www.jbfsale.com)), with 37 franchises in 12 states. Their Tulsa sale, held twice a year, now pulls in \$410,000 in sales with more than 100,000 items.

Ms Wilburn and Ms. Tackett aren't the only ones finding gold at the bottom of the toy chest. Originally popular just in the South, large-scale children's consignment sales are appearing throughout the country, as word spreads about their low costs, relatively minimal time commitment and growth potential.

The format is simple. Organizers typically hold sales twice a year in an area and focus on infant through preteen items. A week before the event, consignors drop off clothes, toys and baby equipment. The sale owners handle the rest -- site location, marketing, quality control and set-up. No employees are necessary: volunteers work for the privilege of shopping at a pre-sale. Consignors pick up their share of the revenue, typically 65-75%, at the end of each sale.

The sales are typically held over a weekend and the volunteers get to shop after the set-up days but before the public is allowed in.

"It's such a win-win," says Laurie Owens, who started Kidzsignments ([www.kidzsignments.com/](http://www.kidzsignments.com/)) in Flemington, N.J. "Sellers get paid for cleaning out their kids' closets, buyers get great deals and whatever doesn't sell goes to charity." As for sale organizers, they make money without having to commit the full-time-plus hours required by a typical start-up.

According to Kristin Nelson, owner of LA Kids Consignment ([www.lakidsconsignment.com](http://www.lakidsconsignment.com)), and other sale owners, profits range from 10% to 30% percent of revenue. That's a significant amount when the relatively low time commitment is taken into account. While organizers work long hours in the weeks leading up to a sale, the total time requirement averages 100 hours per event.

Rock-bottom prices for top-of-the-line items: Lilly Pulitzer dresses for \$2 and Graco double strollers for \$18 -- these items retail for approximately \$80 and \$150 new, respectively -- draw hundreds of shoppers and create customer loyalty that borders on rabid.

Case in point: Atlanta's Glenn School Sale ([www.glennschool.org/2006/sale.htm](http://www.glennschool.org/2006/sale.htm)), where eager buyers line up for hours to get first dibs on merchandise. At the Fall 2006 preview sale, Kathryn and Alan Barr, who have both purchased and sold items in consignment sales, drove 4 1/2 hours from Huntsville, Ala., to nab the first place in line. Arriving at noon, they set up folding chairs and settled in for a six-hour wait until the doors opened.

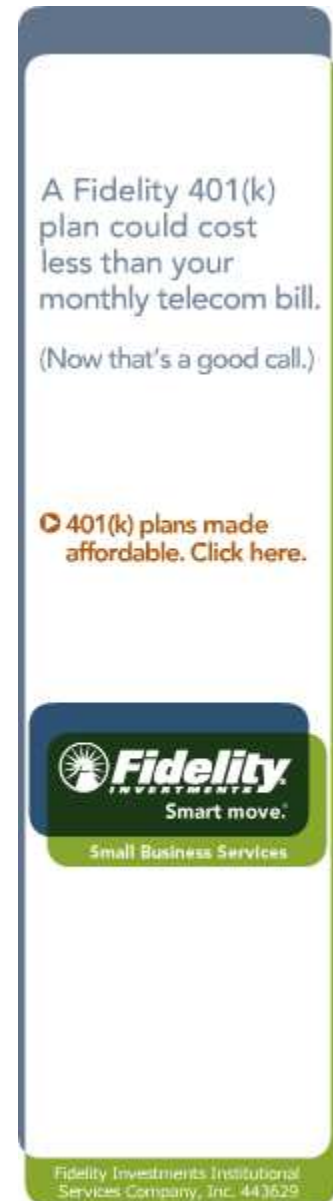
The Barrs were followed by 20 hospital workers from Athens, Ga., who made the pilgrimage together. Before long, a queue of parents in folding chairs stretched into the parking lot.

This kind of devotion is found only in people who have already discovered these sales and piquing the interest of potential shoppers can be a challenge for people working to build a new consignment business.

"They're as common as 7-11's in the South," says Ms. Owens, who started her sale in 2005. "Up here [in New Jersey], the concept was totally foreign. I was the pioneer."

She explains that educating the marketplace is the first step when entering a new territory. People think they are like garage sales, she says, or small thrift stores, with their mixed bag of offerings. Both the quantity and quality of the merchandise, as well as the organized set-up, come as a surprise. Organizers typically only accept items that are in very good condition, with no rips or stains.

Ms. Owens formed a Yahoo group with fellow novices in order to learn more because she was new to the kids' sale concept when she started Kidzsignments. In 10 months, the group went from three to 35 members. According to Ms. Owens, the average new business grows 40-50% per sale, and for a first sale held in a home "a couple hundred dollars" is enough money to get started.



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After that, growth usually mandates more space, liability insurance and computerized inventory systems. But even with those added entries on the balance sheet, running costs are still relatively low when compared to the usual expenses faced by full-time businesses.

Rent, owners agree, is the biggest cost, and not surprisingly, it is significantly more in metropolitan areas. Helen Kaczor, who owns Encore Kids Children's Consignment Sale in Saratoga, N.Y. ([www.encorekidssale.com](http://www.encorekidssale.com)), puts total expenses for her most recent sale at \$1,600, including rent.

But in Los Angeles, Ms. Nelson pays more than double that in rent alone. "I pay \$4,000 for a 5,000 sq. ft. un-air-conditioned warehouse, compared to my counterparts in other parts of the country who pay \$600," she says.

Ms. Nelson started LA Kids Consignment in 2005, having heard about "these sales with amazing bargains" but finding none in the Los Angeles area. "I was the first in L.A.," says the former marketing executive. She offsets the high cost of California real estate with a vendor program that allows businesses to advertise on her Web site and at the sales.

*Ms. Dooley is an Atlanta-based writer.*

*Email your comments to [sjeditor@dowjones.com](mailto:sjeditor@dowjones.com).*

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