



# The Crafts Business Encyclopedia

**T**HE MODERN  
Craftsperson's  
Guide to Marketing,  
Management, and  
Money. *By Michael  
Scott, as revised by  
Leonard D. DuBoff*

A HARVEST  
ORIGINAL

# The Crafts Business Encyclopedia

---

*The Modern Craftsperson's Guide to  
Marketing, Management, and Money*

---

REVISED EDITION

by Michael Scott

As Revised by Leonard D. DuBoff

A HARVEST ORIGINAL

HARCOURT BRACE & COMPANY

San Diego New York London

Copyright © 1993 by Leonard D. DuBoff

Copyright © 1977 by Michael Scott

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without permission in writing from the publisher.

Requests for permission to make copies of any part of the work should be mailed to: Permissions Department, Harcourt Brace & Company, 8th Floor, Orlando, Florida 32887.

Thanks to the following organizations for their permission to use material from their publications: The American Craft Council, the New York State Bar Association, The Crafts Report Publishing Co., Inc., and Van Nostrand-Reinhold Company for the use of quotes from *Selling Your Crafts* by Norbert Nelson, © 1967 by Litton Educational Publishing, Inc.

Library of Congress Cataloging-in-Publication Data

Scott, Michael, 1924–1989

The crafts business encyclopedia: marketing, management, and money.

—Rev. ed., 2nd Harvest ed./by Michael Scott, with revisions by Leonard DuBoff.

p. cm.—(A Harvest book)

Includes bibliographical references.

ISBN 0-15-622726-6

1. Small business—Management. 2. Handicraft—Management.

3. Handicraft—Marketing. I. DuBoff, Leonard D. II. Title.

HD62.7.S395 1993

745.5'068—dc20 93-12997

Designed by Camilla Filancia

Printed in the United States of America

Revised Harvest/HBJ edition 1993

A B C D E

To Sheila, Janie, and Tim for making the circle of the late Michael Scott's rich and fulfilling life complete; to the late Michael Scott, founding editor of *The Crafts Report*, for his friendship and significant contributions to the field; to his wife, Sheila, for her friendship, support, and encouragement with this revision; and to my brother Michael—the lawyer who encouraged me to join his profession—and his wife, Diane, an artist with exceptional talent.

—LEONARD D. DuBOFF

# Preface to the Revised Edition

It is important for an artist or craftsperson to continue to hone creative skills and to develop new ideas or concepts. Artistic growth is essential for aspiring artists who desire to have their work accepted or for established ones who wish to continue receiving their well-deserved recognition. Yet, artistic quality is not enough to ensure success. It is also important for the craftsperson to be aware of the business norms and rules which govern our profession.

As a teacher, I am constantly advising my students to learn the business skills necessary to function effectively. I have learned that lack of business knowledge can be extremely harmful to one's career. As a professional artist, I have developed a healthy respect for business knowledge, and I have recognized the importance of being aware of business standards.

*The Crafts Business Encyclopedia* provides an easy, readable text containing most of the basic information a crafts professional needs to participate in the crafts business. It is a valuable tool for any serious professional and one that should be on every craftsperson's bookshelf.

Leonard DuBoff, a professor of law who pioneered the field of art law, devoted his vast experience in that discipline to revising this text, which was originally written by Michael Scott, founding editor of *The Crafts Report*. This accurate, up-to-date, and useful book provides the reader with the kind of information in a digested form that is not otherwise readily available. The explanations, forms, and examples help the reader understand technical business issues and make the business aspects of crafts comprehensible. It is important to emphasize the need for business savvy, and this book will help you to obtain that knowledge.

—DAN DAILEY

*Crafts artist and professor of fine art  
and founder of the glass program  
at the Massachusetts College of Art  
School of Design, 1993*

# Foreword to the Revised Edition

The need for a comprehensive encyclopedia of terms and concepts that are important to crafts artists was recognized more than a decade ago by Michael Scott, the founding editor of *The Crafts Report*. His pioneering work filled an educational void in the industry: For the first time, crafts artists had a convenient and readable source within which to learn about essential business, legal, and marketing concepts.

Times and business practices change and so do many laws. *The Crafts Business Encyclopedia* kept pace with current developments through the years.

After Michael Scott's untimely death, it became clear that there was still a strong demand for this book and that a revision would be necessary. The business of crafts had taken many significant leaps forward since the last edition.

In this revised edition, Leonard D. DuBoff, an attorney who pioneered and developed the field of crafts law, follows the tradition of quality established by Michael Scott. It is understandable, since the two were good friends during Michael's lifetime and he often called upon Len for assistance with legal questions.

In this edition, Leonard DuBoff, a professor of law and author of numerous other works on the crafts industry, presents in the clearest of prose an encyclopedic discussion of the host of business concepts encountered by crafts artists. He has also added several extremely useful appendices.

As the wife of a professional artist for more than fifty years, I recognize the importance of producing quality work, yet, even the most skilled artist cannot succeed in today's competitive world without having a grasp of the rules of business.

My work on the International Year of American Crafts has underscored the importance of business education for crafts artists. As we guide consumers toward an awareness of the significant role played by the crafts in the world, crafts artists will inevitably receive more attention; their professional knowledge and business practices must keep pace with the increasing visibility of their field.

**xviii    Foreword to the Revised Edition**

This book is a convenient, readable, and accurate source of information for crafts artists on the host of business issues important to the crafts industry.

—HORTENSE GREEN

*Crafts advocate and coordinator  
of affiliate relations for the  
American Crafts Council, 1993*

# Acknowledgments

It is now more than fifteen years since Michael Scott, the late editor and founder of *The Crafts Report*, first contacted me and asked whether I would be willing to refocus some of my art-law research to benefit craftspeople. What resulted was a series of articles that ultimately evolved into a regular column on crafts law in *The Crafts Report*. In addition, I was asked to participate in numerous conferences and seminars that also featured Michael Scott. We thus became colleagues and good friends.

In 1990 Michael Scott died, and his wife, Sheila, asked me to revise this text. I was flattered and challenged. I did not want to lose any of Michael Scott's humor, yet it was necessary to update the material in order to reflect the numerous changes that have occurred in business, law, marketing, and tax. It was, therefore, my goal to try to preserve the essence of Michael Scott's groundbreaking *Crafts Business Encyclopedia* while making the text as accurate and up-to-date as possible.

In accomplishing this task, there have been several colleagues and friends who have been extremely helpful. I would, therefore, like to thank my research assistants Patrick Maloney, J.D., Lewis and Clark Law School, 1991; Michael Cragun, J.D., Lewis and Clark Law School, 1992; and Christy King, J.D., Lewis and Clark Law School, 1992, for their help in researching the myriad changes that have occurred since the original text was published. Extreme thanks are also due Lynn Della, my former legal assistant and longtime friend, for all of her help with this revision. Lynn has provided significant contributions to the quality of this book and the accuracy of its contents.

I would also like to thank the staff of *The Crafts Report*—in particular, Joy Laster, news editor; Judy Wilson, circulation and advertising editor, and the new editor, Marilyn Stevens. All were helpful in providing me with updated information on crafts organizations. My thanks also to the staff of *Niche Magazine* for the information they provided to me on crafts marketing. In particular, I would like to express my appreciation to Laurie Rosen, editor, and Rebecca Casen-Oats. Mary Hujsak, librarian, American Crafts Council, was very helpful in assembling the bibliography.



## xx Acknowledgments

The arduous task of transcribing my illegible scrawl, cryptic notes, and unreadable interlineations into a publishable manuscript has once again been miraculously accomplished by Lenair Mulford of the Lewis and Clark Law School staff. Words cannot express my appreciation to her.

I would also like to thank my children, Colleen Rose DuBoff, Robert Courtney DuBoff, and Sabrina Ashley DuBoff, for their help with this book and for their understanding. There were many occasions they attended school outings or community functions with one parent since I was closeted with this project.

I would also like to express my sincere appreciation to Sheila Scott for her confidence. In addition, I would like to thank my editor, Vicki Austin, of the Harcourt Brace & Company staff, for her suggestions and support while I revised this book. I would also like to acknowledge Thea DeHart, copy editor on this edition of the text. Her queries assisted in focusing the text.

I would also like to thank my friends in the crafts community for their help and valuable recommendations regarding the contents of this revised text. They have helped me to sharpen my focus and create a book that hopefully continues to fulfill its mission by being useful to the crafts community.

Last, but certainly not least, I would like to acknowledge the person who has contributed the most to my career and who has had the most profound effect on the work I have done throughout my career: my wife for more than a quarter of a century, Mary Ann Crawford DuBoff.

—LEONARD D. DuBOFF  
*Portland, Oregon, 1993*

# Introduction

This book was written for anyone who makes craft objects for sale, whether as a part-time activity or a full-time profession. The key word is *selling*, because once you sell, even on a very limited basis, you're "in business" and entitled to some tax benefits and you are subject to certain legal obligations. Whether you succeed or fail, whether you make money or lose money, depends in great measure on how well you run your affairs, manage your money, find your markets, and understand your problems.

The word *business* often raises hackles when it is mentioned in the presence of artists and craftspeople. Many creative people are suspicious of anything associated with the impersonal business world. Indeed, a craftspeople's very work is the antithesis of the mass production and mass marketing that have become synonymous with business today.

But let's face it: Much of our life is ruled by laws that govern business activities. Taxes, banking, labor, accounting, copyright, licenses, even so simple a contract as renting space at a craft fair—all these are governed by law. To ignore this fact is to invite economic and legal problems.

Similarly, the techniques of mass production brought forth numerous sales techniques that can, without violence to the conscience, be adapted to craft selling. Just because some of these techniques have, on occasion, been used by unscrupulous businesspeople to fleece the public is no reason to throw out the baby with the bathwater. Would anyone suggest that we abolish the use of electricity simply because electricity was invented to power the emerging industrial machine of the nineteenth century? No, we use that same electricity to turn our potter's wheels, fire our kilns, illuminate our workrooms, power our tools.

Let us explore what is useful, discard what is objectionable, and turn the techniques of marketing, merchandising, management, selling—yes, *business*—toward implementing and supporting our major purpose as craftspeople; namely, to produce work that represents our best creative talents and allows us to survive and prosper.

This book is not designed primarily for the fine artist whose work finds its way into rich folks' collections, although many of the business principles

discussed here apply as well. Our concern is the craftspeople who make a living (or hopes to) by producing and selling quality craftwork.

What is the difference between fine art and craft? There have been many thoughtful articles criticizing the distinction and emphasizing the unity of so-called "fine art" and "crafts," yet the law still distinguishes between the two for many purposes and, despite a preference for unity among creative people, it is necessary to preserve the separation of "fine art" and "crafts" in this book. Aside from investment and legal considerations, fine art normally has a purely aesthetic value; craftwork usually has both aesthetic and functional values.

The boundaries between the two are often indistinct. Weaving, for example, is a craft that was born of the need to make things to keep people covered and warm. Weaving today has gone far beyond that elementary utilitarian purpose. An exquisite wall hanging uses the same craft technique, but its basic function is aesthetic. However, even the magnificent rugs and tapestries in old castles served to keep the drafty places warm.

There was a time when no distinction was made between art and craft. Ancient languages had only one word to describe both functions; note the similarity between *artist* and *artisan*. For many centuries, the limits of technology and resources required that everything made by human hands be useful. But the human spirit is such that everything also had to be made as beautiful as circumstances and talent would allow. It was simply unthinkable to produce a useful object without grace and beauty or to produce an object whose only function was to be beautiful.

The industrial age brought the mass manufacture of goods for which utility and economy of production were the only important factors. If they also happened to look good, that was a coincidence.

When advertising became a major mover of goods, design again became a factor. But it was less a matter of beauty than an item's salability; it had to look different from similar products.

The aesthetic emptiness of mass-produced merchandise, the void of the "plastic society," has sparked a remarkable increase in public awareness of crafts in recent years. The fact that an object was made by human hands, that its appearance expresses the human spirit, and that there is no other object precisely like it fills a need at a time when individuality and personality are being drowned in a sea of impersonal mass marketing.

But craftspeople cannot be hermits. While no authority can dictate our creative integrity, all of our other activities are subject to the regulations of the society in which we live. We must understand those regulations if we want to survive economically without compromising our artistic and creative standards.

The pages that follow explain not only what happens on the business

side of crafts, but why it happens; not only what you can do about it, but also why. Thinking people need to know the reasons behind events so that future events can be handled with greater understanding and competence.

This book is not intended to turn craftspeople into lawyers or accountants or even business specialists. But it will help steer you through the maze of regulations that society has formulated (for better or worse); to serve as a ready reference whenever a problem arises in the areas of marketing, management, and money; and to be a guide toward a more productive and more satisfying experience by taking the mystery out of the business aspect of crafts.

The entries are listed alphabetically, with cross-references to related subjects indicated at the end of each entry. The contents pages list entries under general categories such as *selling, production, banking, pricing, taxes, legal, and so on.*

This is not a book designed to be read once, like a popular novel. Rather, it is hoped that this volume will find a permanent place in the workshops and studios of all craftspeople who love their craft and want to make it an important part of their life's work.

If any errors have found their way into these pages, they are my responsibility. If anything has been left out, readers are cordially invited to let me know so that future editions can be revised to reflect greater accuracy and be of greater service to the crafts profession.

—MICHAEL SCOTT, 1984  
*as revised by*  
Leonard D. DuBoff, 1993

# Contents

*Preface to the Revised Edition (Dan Dailey) xv*

*Foreword to the Revised Edition (Hortense Green) xvii*

*Acknowledgments xix*

*Introduction xxi*

The subjects that appear alphabetically in this encyclopedia are grouped here under general categories for easy reference.

## **Accounting**

Accounting	Gross
Accrual Basis	Income
Amortization	Income Statement
Assets	Inventory
Audit	Ledgers and Journals
Balance	Liabilities
Balance Sheet	Net
Break-Even Point	Net Profit
Budget	Net Worth
Cash Basis	Overhead
Cost Accounting	Profit
Deficit	Profit-and-Loss Statement
Depreciation	Statement
Expenses	Surplus
Financial Statement	

## **Banking**

Balance	Canceled Check
Banks	Cashier's Check
Bank Statement	Certified Check

## **viii    Contents**

Checking Account  
Cleared Check  
Commercial Bank  
Deposit  
Endorsement  
Insufficient Funds  
Interest  
Letter of Credit

Loans  
Money Order  
Outstanding Check  
Overdrawn  
Savings Bank  
Stop Payment  
Traveler's Checks

### **Bookkeeping**

Accounts Payable  
Accounts Receivable  
Bookkeeping  
Cash Discounts  
Cash Flow  
Collection Problems  
Discounts  
Double Entry

Expense Accounts  
Expenses  
Invoice  
Ledgers and Journals  
Memo  
Petty Cash  
Record Keeping  
Single Entry

### **Credit**

Collection Problems  
Credit  
Credit Card  
Creditor

Credit Reference  
Debts, Bad  
Revolving Credit  
Trade Credit

### **Financial Management**

*(See also: Accounting, Banking, Bookkeeping, Credit, Pricing, Taxes.)*

Accounting  
Balance Sheet  
Bankruptcy  
Bookkeeping  
Break-Even Point  
Budget  
Capital  
Cash Flow  
Collateral  
Collection Problems  
Credit  
Dividend  
Equity

Escrow  
Expenses  
Fees  
Financial Statement  
Grants  
Income  
Income Statement  
Installment  
Interest  
Inventory  
Investment  
Lien  
Loans

Mortgage  
Pensions  
Pricing  
Profit  
Profit-and-Loss Statement

Record Keeping  
Royalty  
Systems  
Turnover

### **Insurance**

Disability Income Insurance  
Fine-Arts Floater  
Group Insurance  
Insurance  
Liability Insurance

Life Insurance  
Product-Liability Insurance  
Property Insurance  
Unemployment Insurance  
Workers' Compensation

### **Labor and Employees**

Apprentice  
Cooperatives  
Cottage Industry  
Employees  
Fees  
Minimum Wage  
Overhead  
Pensions

Résumé  
Royalty  
Sales Representatives  
Social Security  
Unions  
Wages  
Withholding Tax  
Workers' Compensation

### **Legal**

Bankruptcy  
Contracts  
Cooperatives  
Copyright  
Corporation  
Cottage Industry  
Exclusive Rights  
Guarantee  
Joint Venture  
Lawyers  
Lease  
License  
Partnership

Patent  
Record Keeping  
Robinson-Patman Act  
Small-Claims Court  
Sole Proprietorship  
Textile Fiber Products  
Identification Act  
Trademark  
Trade Name  
Warranty  
Wool Products  
Labeling Act  
Zoning

## **x    Contents**

### **Management**

*(See also: Accounting, Financial Management, Insurance, Legal, Production, Selling and Marketing, Taxes.)*

Balance Sheet	Lease
Bankruptcy	Loans
Budget	Marketing
Bulk Buying	Market Planning
Business Forms	Market Research
Business Trips	Mortgage
Capital	Orders
Cash Flow	Overhead
Collateral	Pensions
Collection Problems	Pricing
Contracts	Product Line
Cooperatives	Product Research
Corporation	Profit
Credit	Record Keeping
Depreciation	Safety
Employees	Sale
Equity	Sales Cost
Expenses	Sales Terms
Fire Prevention	Security
Income	Suppliers
Insurance	Systems
Inventory	Telephone
Investment	Turnover
Lawyers	

### **Miscellaneous**

Books	Industrial Design
Design	Metric System
Education	Periodicals
Exhibitions	Politics
Fine Art	Writing
Grants	Zoning

### **Organizations**

American Craft Council (ACC)	Government Activities
Better Business Bureau (BBB)	National Endowment for
Chamber of Commerce	the Arts (NEA)



Organizations  
Small Business  
Administration (SBA)

State Arts Agencies  
World Crafts Council (WCC)

## Pricing

Cash Discounts  
Consignment  
Cost Accounting  
Loss Leader  
Margin  
Markdown  
Marketability  
Market Planning  
Markup  
Minimum Orders

Net Price  
Overhead  
Price Cutting  
Pricing  
Retailing  
Robinson-Patman Act  
Sales Cost  
Sales Representatives  
Turnover  
Wholesaling

## Production

Apprentice  
Back Order  
Break-Even Point  
Bulk Buying  
Design  
Employees  
Equipment  
Expenses  
Inventory  
Job Ticket  
Market Planning  
Mass Production  
Metric System

Multiple Production  
One-of-a-Kind  
Orders  
Overhead  
Production  
Product Line  
Quality Control  
Record Keeping  
Safety  
Systems  
Tools  
Turnover  
Work Area

## Sales Promotion and Publicity

Advertising  
Catalog  
Direct Mail  
Display  
Mailing Lists  
Mail Order  
Photographs

Portfolio  
Press Release  
Printed Materials  
Publicity  
Public Relations  
Résumé  
Writing