**Allegheny Scale Models**

**Scale Model Railroad**

**Valuation and Selling Guidelines**

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**Introduction**

There are several key things to consider when you decide to sell your scale models - either as individual pieces or as a complete collection. These focus on 1) how to value the models/collection, and 2) what is the best way to sell them. The intent of the following is to provide you with some experience-based guidelines to help you meet your overall objectives with respect to selling your models.

**Scale Model Valuation Guidelines**

The following information is an overview of the factors that materially influence the value of a scale model railroad collection or an individual model.

**General**

* The value of a scale model railroad collection is a composite of the individual models and items included in the collection. The baseline value of the collection is initially developed by evaluating each piece in the collection individually and aggregating the individual values.
* Although it is easy to focus on the brass models, kits, and larger items in a collection, smaller items such as parts, track, decals, tools, and other related pieces also add to the overall value. They may be evaluated and priced differently than the larger items but they should be included in the overall baseline value of the collection.
* The return value of the collection when it is sold is dependent upon several different factors. The primary ones include; 1) the intrinsic aggregate value of the items that are included in the collection, 2) the economic environment when the models are offered for sale, and 3) the manner in which the collection is sold.
* In many cases the reputation and efforts of the collection’s owner influence the overall value of a collection. Individuals that are known in the hobby to have focused on assembling consistent collection of high quality models allows the models to be valued above their average market price.
* The value of the individual models, and of the total collection varies over time. This is largely due to model railroad market and economic factors.
* In general, selling the models in a collection will return 35% to 75% of the total value of the individual models in the collection.
* The value of an individual scale model in a collection is based on the following factors.

**Individual Scale Model Pricing Factors**

* Recent Sales and Current Market Price - This is a significant factor and is generally determined by tracking the selling prices for the same model from recent sales experience, online sales, eBay sales, auction and estate sales, and at model railroad shows.
* Original Dealer Net and/or Retail Cost of the Model - This is generally considered to be only a reference or starting point for valuing an individual model. The model may have originally been purchased at a higher or lower price than the current market dictates. Most models, when new, are purchased below MSRP, but above dealer (wholesale) cost (Usually 10%-15% above dealer net). Older items may have increased significantly in value over time, while more recently produced models may show only a minimal increase or decrease in current value. Every model is unique, and any evaluation of its current value is dependent on multiple factors. Original cost should, however, be considered.
* Rarity, Desirability, and Availability - This determines the relative amount of interest for a model within the current market. The base quality of model, as built, is a key consideration. This includes the amount of detail, the model’s fidelity to the prototype, the quality of construction and finish, operating qualities, and other factors.
* Multiple Model Options for a Given Prototype - For many prototypes, several different models or production runs have been produced by the same or different importer or manufacturer. Each production run can have different characteristics, including the type of construction (brass vs. plastic), amount of detail, fidelity to the prototype, numbers produced, running characteristics, quality of finish, etc. Models from each distinct production run may be valued differently because of differences in these characteristics, which drives the associated desirability in the market.
* Model Condition - Overall condition of the, of the applied paint or finish, and of the original box and packaging. The amount of visible use or run time is a key consideration in evaluating condition. For locomotives and powered units, the quality of the installed drive and the running characteristics of the model are key considerations. The attached information presents the condition guidelines used by Allegheny Scale Models.
* Mechanical Upgrades - In general, model locomotives and other powered models are purchased by both collectors for display purposes and by operators to perform on a model railroad layout. Both the collector and operator value a model that operates well. Some models as delivered, perform well. Others are enhanced by the substitution of new motors and drive trains, and advanced electronics such as DCC. Professionally installed, such upgrades can add value to an individual model.
* Detail Upgrades - Professional upgrades, especially those based on prototype research, can add value to an individual model. Custom work that transforms a model into a specific version of the prototype, adds visual features such as passenger car interior and underbody detail, or enhances the overall appearance or uniqueness of the model should be considered in determining value.
* Paint and Finish - How a model is finished influences its value. Finishing can address: 1) the overall appearance of the as delivered model, such as the amount or tarnish on a brass model, 2) The addition of trucks, couplers, lighting, etc. to complete the model, and 3) Professional or custom painting, lettering, and weathering. This factor is generally subjective. In general, correct and professional paint and lettering adds to the value of the model, or at least helps the model to sell sooner. In contrast, incorrectly researched or executed changes to a model or a poor finish can detract from a model’s value. A model decorated for a private road name or is not prototypically correct is generally valued lower than the same model which is correct. Poorly executed custom work can diminish the value of a given model.
* Completeness - The value of a model is enhanced if it is complete, and includes all of the components as it was delivered when new. These components include the model itself, extra parts, the original box, foam, and packaging, and peripheral items such as instructions, certificates, tools, gloves, etc.

 **Scale Model Railroad Sales Options and Selling Guidelines**

The manner in which you choose to sell your collection or individual models has a direct bearing on the returned value. How you choose to sell the models should be based on overall financial objectives.

In general, there are the following options:

1. Sell on consignment through a dealer.
2. Sell the collection as a whole to a dealer or other private party.
3. Sell the collection through an auction house.
4. Sell the models yourself on a model by model basis.
5. Sell the collection using multiple approaches as listed above tailored to the types of the models/items that comprise the collection.

As with any business transaction, there are plusses and minuses associated with each approach.  The considerations related to each are summarized below:

**1.  Sell on consignment through a dealer.**

1. No effort is required or costs incurred by the owner of the models (repairs, advertising, packing, shipping, accounting, etc.)
2. This approach maximizes the owners' returns on sales (75-80% of sale price)
3. The models are sold individually over time at higher prices

The collection takes somewhat longer to sell (this can be managed somewhat by how each item is priced)

1. The less desirable items sell last
2. The owner has final say in pricing

**2. Sell the collection as a whole to a dealer or other private party.**

1. No effort is required or costs incurred by the owner of the models (repairs, advertising, packing, shipping, accounting, etc.)
2. This approach minimizes owners' returns on sales (35-60% of median market value)
3. The models are sold as a total collection - items that are difficult to sell are sold as part of the collection
4. There is immediate payment
5. The owner can negotiate the price(s)
6. This approach is most fair to both parties when there are both high value items (brass models) and low value items (parts, decals, kits, etc.) in the collection.

**3. Sell the collection through an auction house.**

1. No effort is required by the owner of the models
2. This approach generally provides the lowest return to the owner (auction house fees, sales fees, and sometimes transportation fees are incurred)
3. The models are sold as a total collection - all items are sold
4. Some time is required to organize and schedule the auction
5. Each item sells to the high bidder - this may be well below market value than if sold using other methods
6. The owner has little or no say in the final sales price
7. Note: very few auction houses have an in-depth knowledge of the scale railroad models - they sometimes realize significantly lower prices than the market dictates.

**4. Sell the collection yourself on a model by model basis.**

1. All of the effort required to prepare the models for sale and associated costs is incurred by the owner of the models (repairs, advertising, packing, shipping, accounting, etc.)
2. This approach takes a significant amount of knowledge time on the seller's part
3. This approach maximizes owners' returns on sales (85-90% of sale price)
4. The models sold individually over time at higher prices
5. The collection takes a little longer to sell (this can be managed somewhat by how each item is priced)
        - less desirable items sell last
        - the owner has final say in pricing

**5. Sell the models on eBay or an equivalent on-line auction site.**

1. There are significant fees for listings/sales (15% or higher)
2. You need photography and computer skills specific to eBay
3. You need to be able to accept on-line payments (PayPal, Credit Card, etc.)
4. Models need to be carefully described with good pictures
5. Models to be quickly and carefully packed for shipping
6. On-line fraud can be an issue - the seller is at a disadvantage based on eBay and other auction site protection policies

The key considerations on how you approach selling your models are: 1) the value and desirability of the individual model or the models that make up the collection, 2) how fast you want to sell the collection, and 3) how much value you want to retain when the models are sold.  If you want to sell the models quickly and all at one time, you will receive a much lower value for the items than if you sell them individually over time.  Sale prices can be set/adjusted to manage the time to sell and still return excellent value for the individual models.

For larger and higher quality collections, a strategy that combines more than one of the selling strategy may be defined to address both short and long term economic objectives.

**Related Pricing Considerations**

* The length of time until the model sells. For most models, a lower average price results in a faster sale. There is a primary relationship between asking price and the average time to sell a model.
* Models are usually listed and sold in logical prototype groupings. For example, the models that comprise a custom finished set of A-B-A diesel units, or a complete passenger train consist, are not sold separately. Maintaining the integrity of logical model groupings has a minimal impact on the list price, and has a positive impact on the marketability of the models.
* Owner investment in a particular model. This may be more or less than the current market value. Professional custom work and finishing is very subjective, and in many cases custom building and painting investments are not always recoverable on a dollar for dollar basis.
* The number of similar models available, either within a given collection or in the market in general. If a buyer has several options for a particular model, competition drives a lower selling price.
* The total number of models in the collection. In general, treating all of the models that are for sale as a total portfolio provides much more sales flexibility in terms of pricing and time to sell.
* There are sometimes additional factors that need to be considered when valuing the models in a collection. For example, some collections and models represent unique contributions and legacies to segments of the model railroad hobby. These may be related to the unique characteristics and history of the collection, the influence of the original owner of the collection on the hobby, the overall craftsmanship and quality of the models, and similar attributes.

**Getting Started**

Before deciding on any selling approach, and before selling any models in the collection, each model should be inventoried, described, and valued appropriately. The valuation should be based on both the current market and the specific characteristics of the models in the collection. These include the rarity/desirability of the model, the condition of the model (new, used, etc.), the amount of run time, any modifications made, completeness (original box, parts, etc.), and a number of other characteristics as discussed above.

A fair and trusted appraisal of the collection’s value helps to choose the best sales approach. As such, the appraisal should be conducted by a knowledgeable person who is familiar with the type of models that comprise the collection and the current market environment.

Consideration should always be given to the importance of the collection and to preserving the legacy of the original owner.

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