

Basic Training In Trading

by Mike Prero and Bill Thomas

This article was originally published in the RMS Bulletin, July/August 1996, and is reprinted with permission.

Trading is not only vital to the hobby, but its results constitute some of the most important advantages that the hobby has to offer collectors. And, as is often the case with so many crucial processes, trading is often a delicate and fragile affair. It needs to be initiated, nurtured, guarded, and often repaired in order to operate advantageously.

The Current State of Affairs

A few years ago, as I was updating my own list of traders, I noticed it was time to make another push to find more people to trade with. At the time, I was already trading with 150 collectors, but people are constantly dropping in and out of collecting, some run out of trading stock, some trade only sporadically, and some pass away. So, I took the membership list of a fairly large eastern club, picked 45 collectors whose wants matched up pretty evenly with my own, and sent off invitations to one and all to trade. I kept a record of the results.

After five weeks, my efforts resulted in: five new traders (12 %), eight polite no' s (17%), and no response from 32 (71%). Pretty typical of the "shotgun" approach, as most other collectors can attest to. Since then, the hobby has done much to solve this problem (i.e., clubs now denote in their membership lists which of their members will trade, and I started and maintain The Traders Index, but the inescapable conclusion, here, is that traders are a definite minority, a rare and valuable commodity. Each, both old and new, is to be treated with deference and respect. You help each other; you befriend each other; and, in many cases, relationships that span decades will be formed. You have a special status with your traders, as they have with you. You look out for each other's interests and take special satisfaction in sending off those particular covers that you know will be appreciated.

It behooves us, then, not only to appreciate and care for the traders we already have, but also to constantly cultivate new collectors, and, thereby, new traders. Dan Bitter, OK, had gotten me started, for example; Bill Thomas, FL, had gotten Dan started....and so it goes...and so it should go. Etiquette (Bill Thomas): Millionaires don't have to trade, they just buy what they want. But, a big part of the fun in our hobby comes from trading with others. Trading face-to-face is great, but we can enjoy our hobby 365 days a year if we also trade by mail.

First, you should decide if you're prepared to trade by mail. Do you have covers to trade, and are you prepared to follow the basic tenets (not rules!) that we have adopted as standard practice? If so, then you should decide on how many traders you want to deal with, how many covers per trade, and how frequently.

Once you've decided on those questions, compose a "Dear prospective trader" form letter in which you say, "Hey, want to trade? What kind of covers do you want? I seek the following kinds of covers..." Mention your preferences for frequency and volume. and give a little autobiography. Enclose a few covers, and be sure to say they're a gift, not a trade. This will accomplish two things: it partially repays them for replying, and it shows that you know how to flatten covers and don't send used, damaged, or National covers. A SASE is unnecessary. And, you can close with, "Please reply only if you are interested; in any event, please keep these covers as a gift."

Who do you send the letters to? Use a club membership list that has collectors willing to trade so marked. Or, if you like covers from Hawaii, write to a Hawaiian. Bear in mind, if you're writing to

collectors who aren't already indicated as traders, that not all collectors are traders, and some who are don't want any more. Include some inducement, like if you write to a railroad collector and say you have tons of old rail covers to trade, but speak the truth!

Once you have established a trading cycle, do adhere to the things you agreed to with your trader. Perhaps a few more biographical details will reveal some common ground, like sharing a foxhole together in WW II. Find out what alternative covers your trader will take if you can't send him his preferred categories, and tell him the same. Early on, decide if the trades are meeting your expectations, and tell him if they aren't. If you run low on the covers he likes, tell him so; maybe you might want to take a breather for a month or so while you rebuild your trading stock.

Also, be sure and agree on whether or not you want to trade one for one; it's whatever you both agree on. You've already exchanged preferences, why not keep a box, envelope, etc. with your trader's name on it? Each time you find a dupe he can use, drop it in. That way, when you write to him, you don't have to search for a trade. I do this for each trade I receive.

In these days of 32 cent letters, weight becomes more meaningful, so be sure to weigh your mail before sending it. The ideal is to include the most covers for the least postage. Remember, there's a thickness charge of 10 cents on the first oz. if you go over 1/4". You can avoid that by putting two side-by-side stacks of covers in your envelope. The penalty only applies to 1 oz. letters.

If you should generate a special need for certain covers, tell your trader; he might be able to help; and, if you learn that your trader is going somewhere significant (like to Atlanta for the Olympics), by all means ask him to remember you. It can also be interesting and helpful to mention others whom you trade with.

How about recording which covers you have sent to a trader? It can be done, but I think that it converts our hobby from fun to labor. Remember, unless you're trading by lists, trading is a shotgun thing . . . you both take your chances. When I receive a trade of 20 covers, I'm content if even half are in my categories. Then, from those ten, if I find one or two that are new to me, I'm happy. What more can I ask? You should TRY to avoid sending your trader repetitive trades, if your memory bank works well, and, certainly try to avoid sending him back his own covers. A big thrill is when you send a cover that you KNOW is new to your trader, and he comes back with a big, "HEY, THANKS."

If you should receive a trading invitation from someone else, just put these words in reverse.

Finally, what about a divorce? If you want to discontinue trading with someone, don't be bashful or afraid: TELL THEM. Don't ever drop a trader without telling them; that's rude, unkind, and tacky. Lie if you have to, but at least tell them SOMETHING. They're entitled to know that you are stopping.

Expectations

What are your expectations? What should be your expectations for trading? Often, there is quite a gap between the two, and I've known more than a few collectors who have stopped trading altogether because their expectations weren't being met. The problem is twofold.

It's obvious when realistic expectations aren't being met: you're getting covers that are struck, damaged, Nationals, covers that you know that trader has sent you before. All of these are examples of unacceptable trades (unless the usual trading etiquette has been amended by mutual consent), and, consequently, all of these would constitute legitimate gripes.

From my own observations, however, both as a collector and a rather fanatical trader, such legitimate gripes aren't the real problem in dealing with trading expectations. Instead, it's "maturity" . . . not the collector's, but of his collection.

The first covers you get are normally the most common ones, since they're the ones that circulate the most. After a few, or many, years go by (depending on how much trading you do), more and more of the covers you receive look just as familiar. Eventually, you begin to get frustrated; you question whether all this trading is accomplishing anything (and by this time, you're questioning the parentage of some of your traders!).

That's the crucial point in your trading career. If you decide that you're just acting as a middleman, passing A's covers on to collector C and not adding enough to your own collection in the process, you may decide to chuck it all and give up trading . . . and many do, especially with escalating postage rates. And, the hobby loses another trader.

I can understand that; I've felt the same frustration many a time, myself. But, I keep trading, and I've always found that I'm glad I stuck with it. It's really a question of expectations. As with building up any collection, you tend to get the easier, more common items first, and then work your way up to the items that require more time, effort, and, perhaps, money.

As your collection matures, you simply cannot expect to use 100% of what you receive in trade. And the percentage can be expected to steadily decline as your collection grows. I'm at the point in most of my categories where I'm satisfied if I can use 10-20% of incoming covers, and I expect things to level off right around there. Most of us will never have every cover in a category, so there will always be covers out there that we can still use.

But, is 10-20% an acceptable figure? In dollars and cents, if I'm trading 15 covers at a time for [41]cents postage, I'm basically paying [41]cents for those 1-2 covers that I actually end up using. Now, I'd never pay that in an auction, but I do it all the time in trading. It's just a matter of expectations.

I'm willing to accept that as a fact of life for a number of reasons. I think of all the relationships I've established over the years, and by building a group of traders, you're planning for the future. You're creating a network of eyes and ears, often on an international level . . . and they're all going to be looking out for your interests.

So, in the short run, you will reach a point where trading may look like a losing proposition, but, in the long run, there will be all of those wonderful days when the mailman is about to deliver a veritable treasure into your hands, courtesy of your trader. And, often it's a cover that has gone for \$\$ in auctions . . . but you've just received it for postage!